FOR THE HEALTHY FUTURE
OF OUR CUSTOMERS

SK biopharmaceuticals
Sustainability Report 2021

SK biopharmaceuticals

SK Biopharmaceuticals took a big leap forward as a global pharmaceutical company, after receiving U.S. FDA Approval for two of its products Cenobamate and Solrimafetol. SK Biopharmaceuticals directly manages and pursues end-to-end business operation from R&D and clinical trial to sales and marketing after commercialization.

Aside from raising business performances, SK Biopharmaceuticals now wishes to take responsibilities in sustainable management, by setting up direction and strategy for environmental, social, and governance areas and closely communicating with our stakeholders on it. Thereby, we publish our first Sustainability Report in 2021.

About This Report

SK Biopharmaceuticals is publishing its first sustainability report in 2021 for the purpose to set the standard of producing financial results along with environmental, social and governance aspects, and to communicate with stakeholders regarding the company's overall performance.

Report Criteria

This report is prepared in accordance with the core options of the GRI (Global Reporting Initiative) Standards, which form the global reporting guideline for sustainable management. Financial information is reported based on separate financial statement criteria, and report criteria and definitions are based on K-IFRS. Financial information and non-financial information are both prepared based on the fiscal year. In addition, the current status of SK Biopharmaceuticals for each item of Environmental, Social and Governance (ESG) information demanded in the pharmaceutical industry is announced in accordance with the Sustainability Accounting Standards Board (SASB) (p.64~65), and the effects of climate change on the businesses of SK Biopharmaceuticals and responses of SK Biopharmaceuticals are announced in the Task Force on Climate-related Financial Disclosure (TCFD) section (p.66~67).

Report Period

The report period is from January 1, 2020 to December 31, 2020, and major achievements and events outside of the reporting period are reported to offer additional relevant details up to the first half of 2021. For quantitative data of non-financial performances, 3-year data from 2018 to 2020 was suggested to assess the progress.

Matters Concerning Scope and Boundary of Report

The main reporting scope of this report targets activities and outcomes of the sustainability management activities of domestic businesses (headquarter in Pangyo), and some contents contain the information of SK Life Science Inc., which is a 100% U.S. subsidiary.

Report Verification

The financial information in this report was audited on accounting by an independent audit firm, and non-financial information was subject to third-party verification by KMR (Korea Management Registrar), an independent verification agency, to secure the credibility of this report. Details of this verification can be found in the Third-party Verification Opinion in p.74~75.

Issued by | SK Biopharmaceuticals
Issued on | July, 2021
Inquiry | SK Biopharmaceuticals ESG Secretariat SKBP_ESG@sk.com

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Company Profile

SK Biopharmaceuticals, a global professional pharmaceutical company

Since 1993, SK Biopharmaceuticals has been focusing on the development of innovative new drugs targeting the central nervous system (CNS), particularly epilepsy. In 2011, SK Biopharmaceuticals was spun off from the life science sector of SK Inc. and acquired the capacity for independent clinical drug development. Furthermore, after 2016, SK Biopharmaceuticals secured the resources to directly sell in the U.S through intensive investments. SK Biopharmaceuticals currently has no production and manufacturing facilities, but carries out close cooperation with outsourcing companies in the commercialization stage after obtaining the license to sell new drugs in all businesses related to manufacturing, including procurement of raw materials, production of products, quality management, process improvement, etc..

SK Biopharmaceuticals operates corporations in Korea, U.S. and China to compete as a global pharmaceutical company. The head office in Pangyo Techno Valley, Gyeonggi, Korea, conducts early research for the development of innovative new drugs, establishes and executes company's strategies, and executes open innovation.SK Life Science Inc., in New Jersey, U.S.A., directly pursues global clinical development and marketing within the U.S. market. To this end, a corporate workforce comprised of experts with rich experience and capabilities in finding candidate substances, clinical trials, drug application, and commercialization was organized. In addition, SK Bio-Pharm Tech in Shanghai, China, is striving to secure opportunities for strategic alliances to advance development and commercialization in Asia. In July 2020, SK Biopharmaceuticals was listed on the securities market of the Korea Exchange and gained a foothold for growth as a global pharmaceutical firm based on the accumulated capabilities.

SK Biopharmaceuticals with Innovative New Drugs for Central Nervous System

SK Biopharmaceuticals focuses on the central nervous system, the third-largest market in the whole treatment area. SK Biopharmaceuticals obtained first approval for clinical trials of new drug candidates from the U.S. FDA in 1996.

Starting from this approval, SK Biopharmaceuticals released Cenobamate (product name XCOPRI®) in the U.S. market in 2020, for which it independently carried out the entire process of finding new candidate drugs, conducting a global clinical trial, and obtaining a license for selling in the U.S. market. SK Biopharmaceuticals also obtained a license to sell XCOPRI in Europe through partnership in 2021.

Also, to bring Cenobamate to the Asian market, SK Biopharmaceuticals accelerated the Phase III clinical trial targeting the Japanese, Chinese, and Korean markets in 2021. In addition to the market expansion, the possibility of its expandability to additional indications was confirmed, and a Phase III clinical trial for generalized seizures is underway.

Solriamfetol (product name SUNOSI®) is a drug for treating sleep disorders, and was licensed out in 2014 to Jazz Pharmaceuticals, the leader in the field of sleep disorder diseases. It obtained commercialization approval in 2019 and is being sold in the U.S. market.

SK Biopharmaceuticals owns multiple new drug candidates and CNS pipelines, including Carisbamate, which is a candidate substance of an orphan drug for treating pediatric epilepsy designated by the FDA. SK Biopharmaceuticals established a cancer research institute in 2017 based on the research capabilities it accumulated during the process of developing drugs for brain diseases, and began its research on developing drugs for brain tumors and metastatic brain tumors.

SK Biopharmaceuticals is focusing on discovering potent substances in the fields of nerve disorders, rare epilepsy diseases, and anti-cancer drugs based on its successful experience of developing Cenobamate and Solriamfetol. SK Biopharmaceuticals has established itself as a fully integrated pharma company (FIPCO) that is engaged in the whole process from finding new drug candidates to marketing after launching.

Global Network

SK Biopharmaceuticals Co., Ltd. (HQ)

The head office located in Republic of Korea establishes and executes the company's strategies, develops businesses, discovers new drug candidates, and performs clinical development in Asia.

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• Tel: +82-31-8093-0114 • Fax: +82-31-8093-0000
www.skbp.com

SK Bio-Pharm Tech Co.,Ltd.

Incorporated locally in Shanghai, China, SK Bio-Pharm Tech Co., Ltd. strives to establish strategic alliances for the development of new drugs and obtain licenses.

Room 309, 866 Halei Road, Zhangjinag High Tech Park, Shanghai, China
• Tel: +86-21-5080-4990 • Fax: +86-21-5000-3483

SK Life Science, Inc.

Incorporated locally in New Jersey, U.S.A., SK Life Science Inc. pursues global clinical development and marketing.

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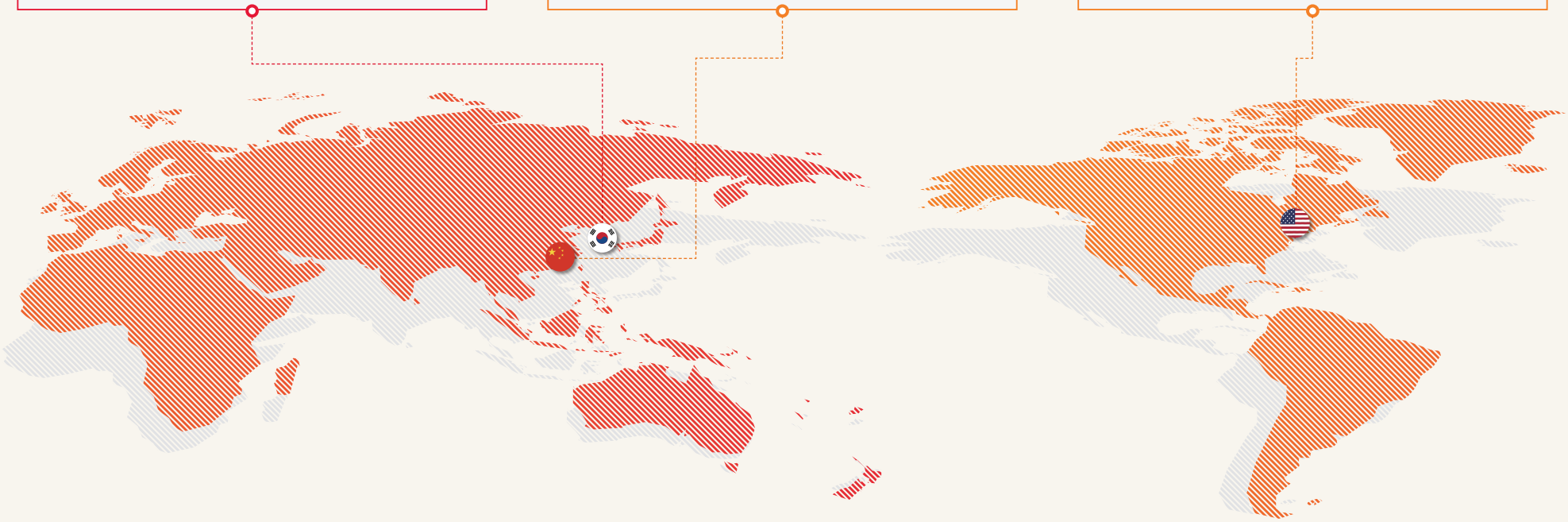



SK 바이오팜
SK biopharmaceuticals

CEO Message

To become a top tier global pharmaceutical company, SK Biopharmaceuticals will continue to release innovative new drugs in the U.S. market, and expand the global business in each region as the future growth engine of the SK Group.

Greetings.

2021 is the 10th year since SK Biopharmaceuticals was founded. SK Biopharmaceuticals began the pharmaceuticals business as a small research team with the goal of becoming a world-class company. This was a meaningful effort toward achieving 'new drug sovereignty' for Korea, a country that had not launched new drug in the global markets.

There were many difficulties, as it was a road that had not yet been taken, but SK Biopharmaceuticals achieved an unprecedented feat as the first Korean company to have two new drugs approved by the FDA and commercialized products in the U.S. market, thanks to many courageous efforts made to overcome failures over the last 10 years. As a result, SK Biopharmaceuticals succeeded in being listed on the Korean securities market in 2020.

Not content to rest on its past achievements, SK Biopharmaceuticals will continue to release new drugs to become the best pharmaceutical company in the field of brain diseases, and seek perpetual growth through ESG management so as to meet the social expectations of a listed company.

To achieve this goal, SK Biopharmaceuticals will:

- Maximize the social value of our main business through technological innovation and social contributions
- Lead sustainable partnerships with our partners
- Prioritize the competence and happiness of our workers
- Ensure that ethical and transparent management is basis of all decision making
- Minimize environmental impacts of management to prevent our business foundation and outcomes from harming future generations

To become a top tier global pharmaceutical company, SK Biopharmaceuticals will continue to release innovative new drugs in the U.S. market, and expand the global business in each region as the future growth engine of the SK Group.

We hope for your continued support and encouragement as we grow and pursue new challenges.

Sincerely.

June 2021

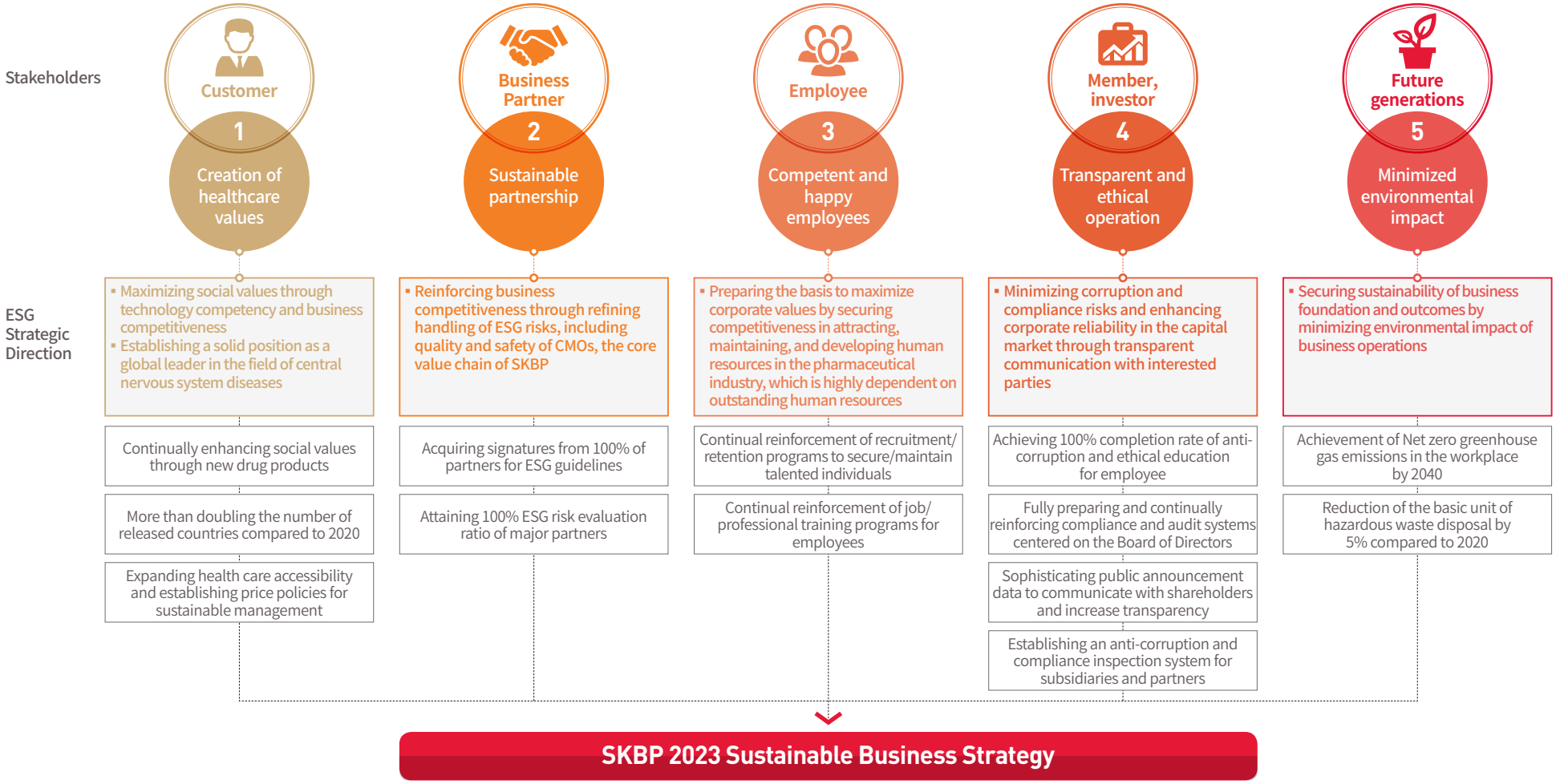
SK Biopharmaceuticals CEO/President

Jeong Woo Cho

Sustainability Strategy

SK Biopharmaceuticals has selected five focused areas for sustainable management to be carried out until 2023, and identified key objectives to achieve in each area.

SKI Biopharmaceuticals will lay a foundation for maximizing corporate value with a growth story based on ESG management, and transparently communicate the related outcomes to our stakeholders.



Sustainability Governance

SK Biopharmaceuticals advanced the ESG system to clarify the roles and responsibilities related to sustainable management and secure a driving force for its mid-term and long-term objectives. First in April 2021, SK Biopharmaceuticals newly established the ESG/Strategy Committee within the Board of Directors to develop an organizational system for quickly and actively coping with risks and opportunities related to ESG. The ESG/Strategy Committee deliberates on enterprise-wise financial and non-financial strategic directions, establishes a direction of activities for promoting social values, and carries out decision making related to resource distribution for ESG management. Matters related to governance in ESG are handled by the Governance Committee comprised of independent directors to guarantee independence in our governance.

The chief officer of ESG management of SK Biopharmaceuticals is the CEO, who receives reports on detailed tasks performed by the company's ESG divisions with the ESG Secretariat, a consultative group under the direct control of the CEO. The CEO also plans the KPIs of the company's ESG organizations and responsible executives, and reflects the ESG management performances in the CEO KPI.

Furthermore, SK Biopharmaceuticals installed the ESG Secretariat directly under the CEO for working groups of related organizations to cooperate on ESG. Driven by the Strategy and Planning Team of the Corporate Strategy Department under the Strategy & Investment Division, the ESG Secretariat engages in various activities to achieve mid-and long-term ESG objectives, including carrying out ESG strategic tasks, disclosing related information to the public and communicating with the stakeholders through strong internal management of data and performances.

SK Biopharmaceuticals has internalized ESG in its business decisions in 2021, reflecting ESG elements in the KPIs of the ESG organization, and pursuing management to maximize the corporate value based on ESG. SK Biopharmaceuticals will continue monitoring ESG management performance until 2023, and the Board of Directors will resolve the management performance evaluation and remuneration system related to ESG.

Scope of ESG KPIs

The ESG KPIs are configured according to the relevant work of each ESG-related organizations. The KPIs include the following

Construction and fulfillment of the ESG management system	Management of ESG risks and opportunities	Derivation and execution of ESG tasks	Gathering of ESG needs from interested parties	Announcement of ESG information and response to external evaluations

Material Topics

Defining Major Topics according to Materiality Assessment Result

SK Biopharmaceuticals conducted a materiality assessment to identify key ESG subjects that highly affect the corporate values of SK Biopharmaceuticals and to disclose the internal process to manage these subjects. Major ESG subjects are the issues that have a high impact from the perspective of business and the stakeholders. The importance of the business perspective was analyzed in terms of the impact of the relevant subject on profit, cost, regulatory response, and reputation. The importance of the perspective of the stakeholders was analyzed in terms of the impact on shareholders, customers, members, business partners, community, and government, as well as the level required for subject management of the stakeholders.

To select sustainable management targets for 2020, of SK Biopharmaceuticals derived the 22 influential topis of sustainable management based on changes in the industrial trend and related regulations on global politics, economy, environment, and society.

Materiality Assessment Process

Step 1. Identification of major topics

- **Domestic/overseas ESG regulatory policies and trends**
  - Trends required by major investment and assessment institutes and discussions
  - Domestic/overseas policy trends
- **ESG requirements and major topics of each industry**
  - Major topics and announcement requirements of global evaluation agencies specialized in the pharmaceutical industry
  - Major topics and responses of companies in the same industry
- **Issues raised by the stakeholders**
  - Opinions gathered through the communication channel of the stakeholders

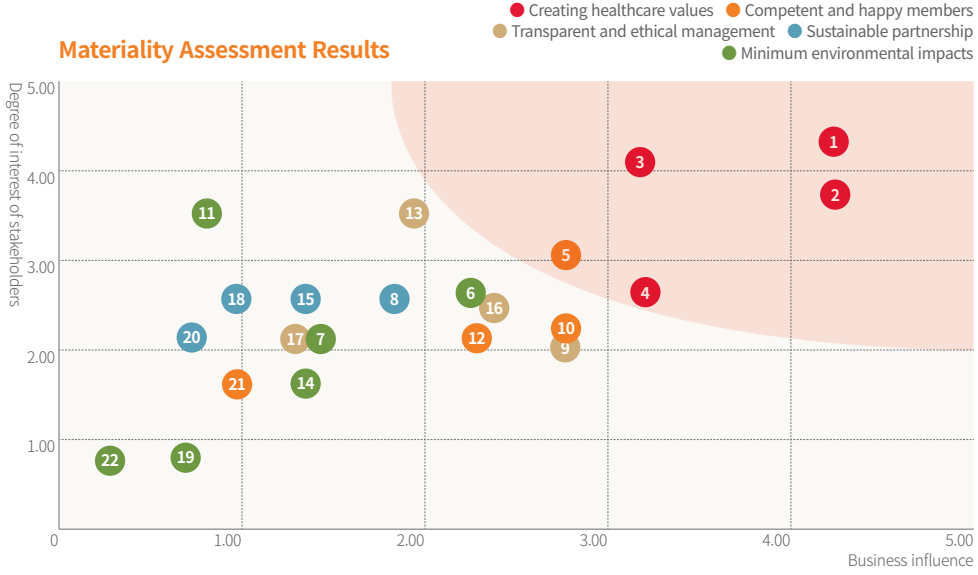
Step 2. Materiality assessment

- **Impact on management activities**
  - Finding short term, mid-term and long term impacts of SK Biopharmaceuticals' business activities, profits, costs, regulatory response, and reputation based on media survey from January 2020 to March 2021
- **Impacts on the key stakeholders**
  - Comparison of the intensity of demand and ripple effect of impact from the perspective of shareholders, customers, members, business partners, communities, and governments
- **Analysis of impact on the value chain**
  - Comparing the scale of environmental and social impacts of the relevant subject on the value chain of SK Biopharmaceuticals

Step 3. Reporting and notification

Prioritizing important topics, Prioritization of important topics, review from the management and public disclosure of the current status and reporting the management status of key issues

Materiality Assessment Results



Detailed descriptions on the top five issues out of 22 influential topics are described in Material Topics of Sustainable Management (p.14~27) after considering the degree of interest of stakeholders, business influence, and influence within the value chain.

ESG Topic	Reporting Location
1. Technology innovations and product competitiveness	14-17, 61
2. Product safety and quality	18-19
3. Healthcare accessibility	20-23
4. Responsible marketing and customer relations management	24-25
5. Human resources management	26-27, 61
6. Waste and hazardous substances management	51-53, 60
7. Water resources management	60
8. ESG risks of partners	50, 61
9. Business ethics	39-42, 61
10. Custom of Labor Relations and Human Rights	55-56, 61
11. Eco-friendly products	-

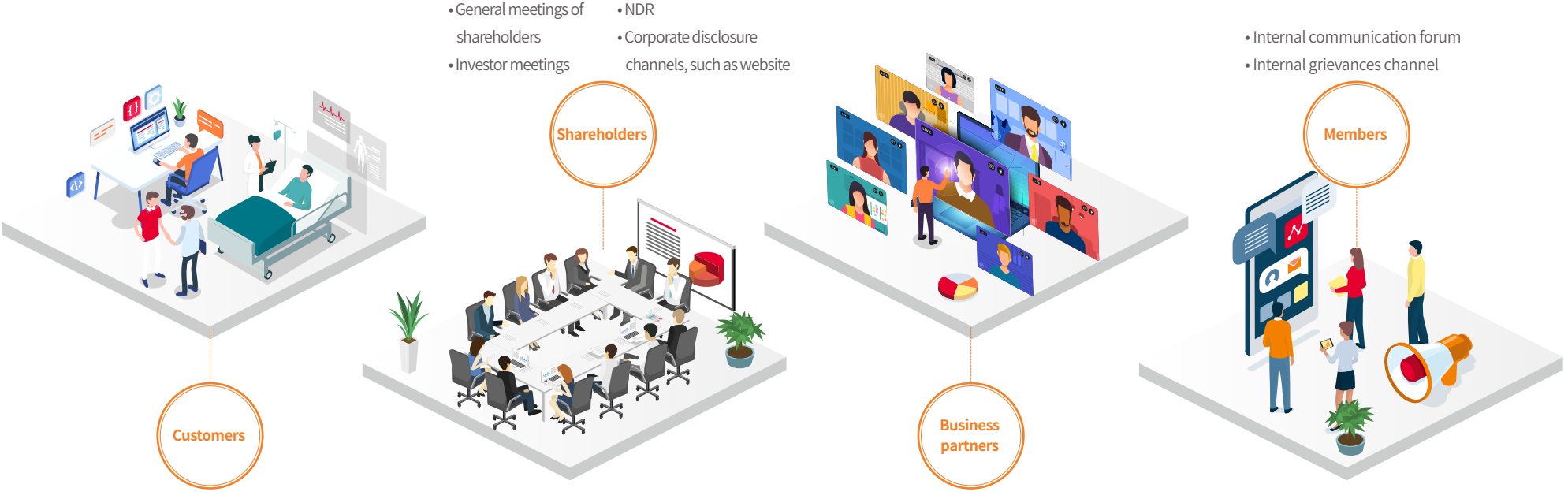
ESG Topic	Reporting Location
12. Workplace safety and health	57, 61
13. Transparent notices	8, 61
14. Energy management	60
15. Community development and corporate citizenship behavior	54, 61
16. Privacy and data security	48-49, 61
17. Corporate governance	30-38, 61
18. Mutual cooperation with partners	50
19. Greenhouse gas and pollutant management	51, 60
20. Global stakeholders	11
21. Diversity and inclusiveness	56, 61
22. Climate change adaptation	51, 60

Communication with Stakeholders

SK Biopharmaceuticals operates an online channel on its company website for grievances and complaints from stakeholders on ESG-related topics. SK Biopharmaceuticals appoints an organization and persons in charge of receiving, managing, and handling ESG-related opinions and suggestions, such as human rights management, environmental management, and community influence. The progress and major issues of any complaints received are reported to the ESG/Strategy Committee and Audit Committee within the Board of Directors. In addition, SK Biopharmaceuticals has created a separate reporting channel on the website for issues related to ethical management, while guaranteeing the anonymity of all reports and ensuring that individuals who report issues are not disadvantaged in any way. SK Biopharmaceuticals has a standardized follow-up process to provide information to those who make reports.

In addition to the website, SK Biopharmaceuticals also runs a channel to gather opinions from major stakeholders, including customers, shareholders, business partners, and staff. SK Biopharmaceuticals clearly discloses its management performance and strategic directions through financial statements, shareholder meetings, and announcement of performance, communicating with stakeholders through various communication channels.

Participation and communication channels for stakeholders



- Customer contact of sales/marketing organization of SK Life Science, Inc. (online customer center)
- Patient support service program: SK Life Science Navigator
- Operation of a channel on the website to take ESG opinions from stakeholders

- Online communication channel for partners
- One-on-one meetings
- Ethical management report channel on website

We, SK Biopharmaceuticals, derived our unique ESG strategies to integrate ESG factors to our business, facilitate business growth and thereby satisfy the demands and expectations of our stakeholders.

SK Biopharmaceuticals will dedicate to continually improve company value by faithfully managing ESG aspect and disclosing all relevant internal processes.

IMPORTANT SUSTAINABLE MANAGEMENT TOPICS

Important Sustainable Management Topics for SK Biopharmaceuticals

Technology Innovations and Product Competitiveness

Pharmaceutical industry is a technology-intensive area, in which basic science research capabilities and outcomes are closely associated with business performance.
Pharmaceutical industry is a high-risk business that requires substantial amount of investment where long period of development at a low success rate is required for new medicine development.
At the same time, it can create high value as stable profit is secured for 10 years through the launch of a successful new product in the market.

To develop innovative medicine, we believe that innovative technology, value chain capabilities and product competitiveness are the top priority factors for pharmaceutical companies to gain long-term sustainability.

Directions for R&D

As a company capable of discovering, clinically testing, and selling new medicines, SK Biopharmaceuticals possesses capabilities across all value chain. SK Biopharmaceuticals currently conducts R&D on the central nervous system (CNS), including on nervous system diseases and mental illnesses, rare diseases, and anti-cancer treatments. SK Biopharmaceuticals will strive to provide innovative pharmaceutical products for patients by introducing promising external pipelines through open innovation while continuing its internal R&D efforts.

Efforts to Innovate Research Capacity

The best way for a pharmaceutical company to provide greater social value to patients is to develop new medicine through fast track. SK Biopharmaceuticals applies AI-based drug designs to accelerate the speed of research. Pharmaceutical development through AI has become a global trend and it can potentially shorten the pharmaceutical development period, which takes 10 years on average in addition to reducing risk of development. SK Biopharmaceuticals has accumulated more than 30,000 libraries of compounds specialized in the central nervous system in the last 25 years, and the AI-based research platform will further advance the production of research outcomes.

R&D System and Status

The R&D organization of SK Biopharmaceuticals consists of two research institutes with one business division focused on new drug development. As of the end of March 2021, the company has 148 R&D workers, including 48 doctorate holders, 73 master's degree holders, and 27 bachelor's degree holders, combined with SK Life Science, Inc. in the United States..

Formation of R&D organization

Category	Affiliates	Major Tasks
Drug Development Biz. Unit	Five teams	Preclinical/clinical development, approvals, and response to regulatory authorities
Drug Research Center	Two teams	Exploration of candidate substances for central nervous system disorders
Cancer Research Center	Two teams	Exploration of candidate substances for neural tumors and tumors
R&D Innovation Department	Four teams	Research planning and research innovation tasks (AI, DTX)

R&D organization of U.S. corporation, SK Life Science, Inc.

Category	Affiliates	Major Tasks
Clinical Development	Four teams	Global clinical development (clinical protocol design, clinical site management, clinical data management, medical studies, etc.)
Operation Office	Three teams	Research on clinical toxicity and pharmacology, clinical drug production and supply, commercial drug production and supply
PM, RA, QA	-	Clinical development project management, clinical and commercial quality control, response to FDA/global regulatory authorities

R&D worker composition

(as of the end of March 2021)

Category	Number of Workers (Persons)			
	Doctorates	Masters	Bachelors	Total
SK Biopharmaceuticals				
Drug Development Biz. Unit	6	17	1	**24**
Drug Research Center	14	26	1	**41**
Cancer Research Center	15	10	-	**25**
R&D Innovation Department	1	2	-	**3**
SK Life Science, Inc.				
Clinical Development	5	12	16	**33**
Operation Office	5	3	5	**13**
PM, RA, QA	2	3	4	**9**
Total	**48**	**73**	**27**	**148**

R&D expense

(as of the end of December 2020)

Category	Unit	2018	2019	2020
R&D expense	KRW million	122,188	177,240	**109,123**
R&D expense/sales ratio	%	11,127.2%	143.1%	**419.72%**

Domestic and overseas patent applications in the last three years

Type		Unit	2018	2019	2020
Number of domestic patent applications	Patents registered	ea.	34	37	**40**
	Patents pending	ea.	29	43	**50**
Number of overseas patent applications	Patents registered	ea.	393	497	**632**
	Patents pending	ea.	188	217	**277**

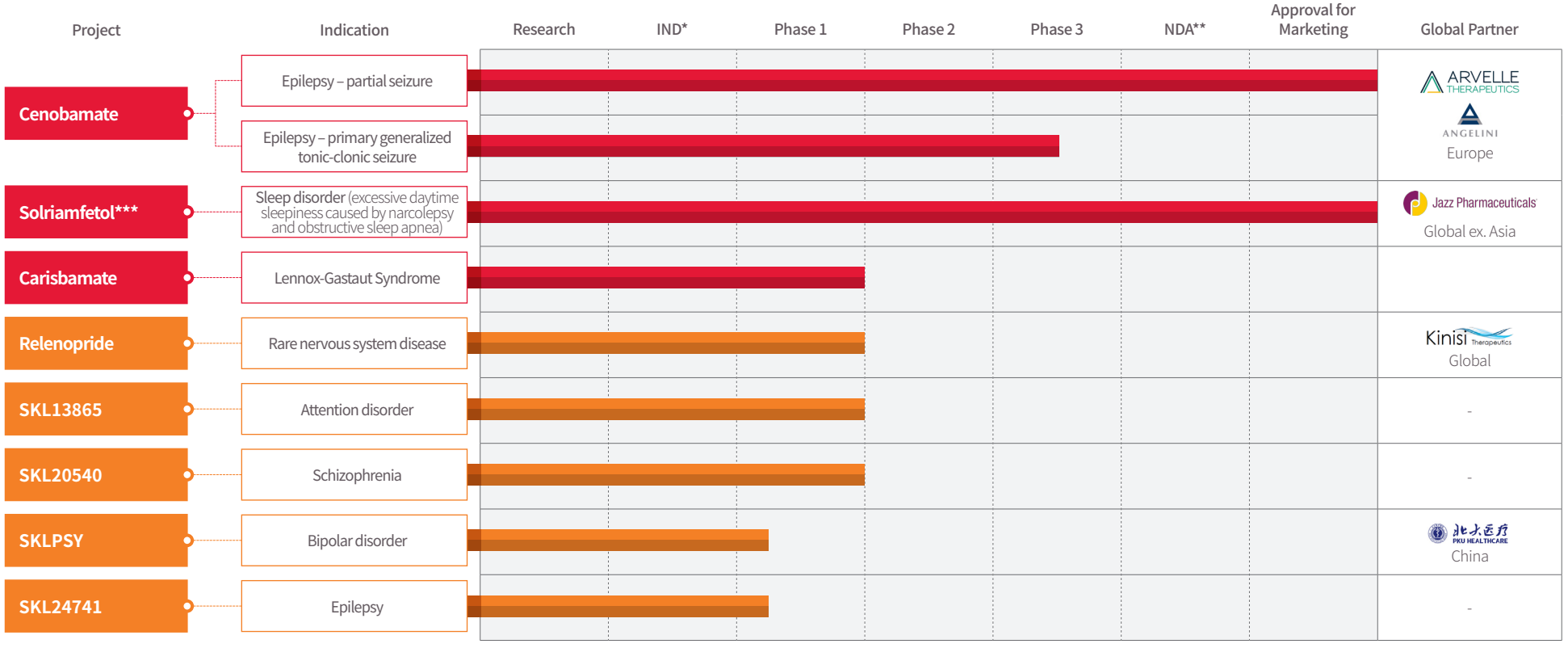
SK Biopharmaceuticals is focusing its development capacity on the treatment of central nervous system diseases, and has secured 8 pipelines specialized in diseases related to the central nervous system, including diseases of the nervous system and mental illnesses. Cenobamate is the primary product and first-ever drug invented by a Korean pharmaceutical company to successfully launch in the American and European markets. SK Biopharmaceuticals requested the U.S. FDA for a New Drug Application (NDA) in November 2018, received approval in November 2019, and released a product called XCOPRI® in the United States in May 2021. This March, SK Biopharmaceuticals received approval to sell this product in Europe, and is commercializing with CNS-speciallized pharmaceutical company Angelini Pharma. a partner that has CNS-specialized product groups. Cenobamate will be released as ONTOZRY™ in Europe starting end of June 2021. The product will be launched first in Germany and sequentially in major European countries such as France, Italy, Spain, and England, as well as European FTA member states like Iceland, Norway, and Liechtenstein. In the Asian market, SK Biopharmaceuticals signed a development and commercial license agreement by establishing a strategic affiliation with Ono Pharmaceutical, a well-known Japanese pharmaceutical company. In Korea and China, the product is in the clinical stage for approvals. SK Biopharmaceuticals will optimally commercialize the product for each country by clarifying the specific time of release and business model. In addition, indications of cenobamate may potentially be effective for generalized seizure, with a Phase III clinical study on generalized seizure underway in the United States and Europe.

Solriamfetol, a treatment for excessive daytime sleepiness caused by narcolepsy and obstructive sleep apnea, was approved by the FDA for sales in March 2019 and released in the United States and Europe as a product named SUNOSI® in July 2019 through Jazz Pharmaceutical, the no. 1 company for sleep disorder. SK Biopharmaceuticals is receiving running royalties from sales of SUNOSI®.

SK Life Science, Inc., a subsidiary of SK Biopharmaceuticals, is conducting a Phase Ib/II clinical study on Carisbamate with the goal of treating a rare epileptic disease in children called Lennox-Gastaut Syndrome, and has conducted an End of Phase II Meeting with the FDA after securing the clinical results to negotiate on the new drug requirements. A Phase III clinical study will be carried out later, and Carisbamate will be released in the United States, Europe, and Asia in the long term.

Relenopride is a treatment for rare nervous system diseases. SK Biopharmaceuticals has completed the Phase I clinical study and is preparing for a Phase II clinical study by exporting technologies to a joint venture called Kinisi. SK Biopharmaceuticals has completed the Phase I clinical study on SKL13865, an ADHD medicine, in the United States. SK Biopharmaceuticals is preparing for a global Phase II clinical study after completing the Phase I clinical study for SKL20540, a schizophrenia medicine, in Korea. SKL24741, a next-generation epilepsy medicine, has been approved by the FDA for Phase I clinical testing.

R&D pipeline



*Investigational New Drug Application **New Drug Application ***License-out to Jazz Pharmaceuticals

Product Competitiveness

Cenobamate, a medicine for preventing partial seizures in epilepsy, has shown excellent seizure freedom effects compared to existing medicines. Whereas existing medicines in this sector have a seizure freedom rate of 3~4% in the clinical study results, Cenobamate has shown a 28% seizure freedom rate. In fact, the number of prescriptions for XCOPRI® released in the United States in 2020 continues to increase. According to quarterly performance in 2020, the TRx of XCOPRI® greatly exceeded the early TRx of epilepsy drugs released in the last 10 years despite the resurgence of COVID-19. Also, 36% of doctors who prescribed XCOPRI® showed a preference for the new prescription*, the highest ratio among medicines in this sector.

Solriamfetol, a new medicine for sleep disorders, has also proven its product competitiveness through increased sales. The global sales volume in the first quarter of 2021 increased by more than six times compared to the same quarter in the previous year.

*Ratio of new drug prescription by doctors who prescribed XCOPRI® at least once

Important Sustainable Management Topics for SK Biopharmaceuticals

Product Safety and Quality

The governments implement strict regulations on the pharmaceutical industry across all process, for the industry is directly linked to health sovereignty and the lives of people. Accordingly, pharmaceutical companies must conduct clinical studies as regulated by national governments to prepare for approval and sales. The standard guidelines of the Ministry of Food and Drug Safety must be followed in Korea, the Food and Drug Administration (FDA) in the United States, the European Medicine Agency (EMA) in Europe, Pharmaceuticals and Medical Devices Agency (PMDA) in Japan and National Medical Products Administration (NMPA) in China. After product approval, pharmaceutical companies receive regular periodic audit and supervision by regulatory authorities on the manufacturing process, and quality control every two to five years.

Therefore, SK Biopharmaceuticals and SK Life Science, Inc., the U.S. subsidiary, execute and prepare the procedures for implementing clinical studies and obtaining sales approval according to guidelines of each regulatory agency and submit product safety and quality data to each regulatory authority. They strive for product safety by collecting and monitoring product safety information according to their obligations to report details of adverse events related to products.

Domestic and foreign regulations related to the business of SK Biopharmaceuticals

Domestic	Foreign
• Pharmaceutical Affairs Act • Regulation on Safety of Pharmaceuticals, etc. • Bioethics and Safety Act • National Health Insurance Act (to be applied after the release in Korea) • Monopoly Regulation and Fair Trade Act • Personal Information Protection Act • Occupational Safety and Health Act • Serious Disaster Punishment Act	• U.S.A. The Food, Drug and Cosmetic Act, the Code of Federal Regulations • EU European Medicine Agency Pharmacovigilance legislation (Regulation (EU) No 1235/2010, Regulation (EU) No 1027/2012, etc.) • ICH (The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use) Guideline • World Health Organization Guideline • GMP (Good Manufacturing Practice) regulations and enforcement decrees, enforcement rules, announcements, and guidelines subordinate to laws in each country

Quality Management

SK Biopharmaceuticals implements a global quality management system for healthy, safe, and happy lives of customers, fulfilling its responsibilities and faith as a pharmaceutical company. Pharmaceutical products of SK Biopharmaceuticals are produced according to the GMP procedure through entrusted Contract Manufacturing Organizations (CMOs) approved by advanced regulatory authorities like the Korean MFDS, FDA, and EMA. SK Biopharmaceuticals closely cooperates with the CMOs across all value chain including raw material sourcing, production, analytical testing and product storage for both clinical trial studies and commercial manufacturing stage. SK Biopharmaceuticals contracts quality agreements with the CMOs to control and supervise quality systems of each CMO. In addition SK Biopharmaceuticals ensures product safety and efficacy control by evaluating the quality management system and regularly monitoring improvement points through periodic on-site or paper-based audit. If a quality issue is caused by critical manufacturing violation and quality out-of-specification, the corresponding products are banned from shipment, rejected and subject to disposal.

Management of Reported Adverse Events

SK Biopharmaceuticals and SK Life Science, Inc. collect and monitor product safety information using a pharmacovigilance system throughout the life cycle of pharmaceutical products, from the development stage until post-marketing safety control. All adverse events related to products of SK Biopharmaceuticals and SK Life Science, Inc. released in the market are reported to the Health authorities by collecting them via diverse routes such as literature search and clinical studies. Collected safety information is used to evaluate the risks and benefits of pharmaceutical products through medical analysis.

SK Biopharmaceuticals and SK Life Science, Inc. comply with the reporting obligations according to pharmacovigilance of global regulatory agencies. In addition, SK Life Science, Inc. selling pharmaceutical products periodically educates employees on adverse event management and announcement duties.

Regarding all adverse events related to XCOPRI®, SK Biopharmaceuticals reports the number of incidences of each adverse event occurring annually through the FDA Adverse Events Reporting System (FAERS). Types and results of other adverse events reported in the pharmaceutical industry regulated by the Sustainability Accounting Standard Board (SASB) are available on p.64 SASB Index of this Report.

As such, SK Biopharmaceuticals and SK Life Science, Inc. execute safety control through an organized pharmacovigilance system, trying to ensure safe use of pharmaceutical products and prevent potential risks.

Important Sustainable Management Topics for SK Biopharmaceuticals

Healthcare Accessibility

With innovative new drugs being released, public interest in new medicines has been building. Social demand for equal access to medicines is also growing.

In addition to fulfilling corporate social responsibilities, pharmaceutical companies must secure a mid-to-long-term business basis by expanding their geographical scope and adding treatable diseases to the pharmaceutical portfolio.

Market Expansion

SK Biopharmaceuticals first obtained regulatory approval in the United States. Since FDA demands highest level of product safety in the world, success in the U.S. market can be a cornerstone to a pharmaceutical company's global expansion. After conducting R&D targeting the U.S. pharmaceutical market, with its high entry barriers, SK Biopharmaceuticals succeeded in commercializing Cenobamate and Solriamfetol through direct sales and out-licensing. Based on its experience of commercialization in the U.S. market, SK Biopharmaceuticals plans to expand global sales of its primary pipelines.

Cenobamate (product name XCOPRI®), a medicine for partial epileptic seizures, received regulatory approval by the EMA in Europe in March 2021, and was launched in June 2021 through its EU partner, Angelini Pharma In Japan, the product was licensed-out to Ono Pharmaceutical in 2020. In Korea and China, the product is undergoing the clinical trial stage for approvals. SK Biopharmaceuticals will commercialize the product in the most appropriate format for each country once the launch timeline and business have been confirmed.

Solriamfetol, a medicine for sleep disorders, is currently commercialized in the U.S. market through Jazz Pharmaceuticals, and received regulatory approval for the European market in January 2020. Jazz Pharmaceuticals plans to continually expand the market for Solriamfetol. Furthermore, SK Biopharmaceuticals plans to expand geographical presence beyond its existing markets in the United States and Europe to expand to the Asian market where it owns commercialization rights, seeking long-term market entry into developing markets.

Also, as an important effort for market expansion, SK Biopharmaceuticals is working to build public awareness of epilepsy in target countries. About 3 million adults in the United States have epileptic symptoms, of which approximately 60% suffer from daily inconvenience of partial seizures. SK Biopharmaceuticals opened a dedicated XCOPRI® website to guide patients with information on epilepsy symptoms and treatment methods. SK Biopharmaceuticals provides various resources through cooperating with external initiatives, such as the Glow Walk Run hosted by Epilepsy Services of New Jersey, to improve overall social awareness of epilepsy.

External organizations cooperating to improve awareness of epilepsy and support patients and guardians

Expanding Treatable Diseases

SK Biopharmaceuticals has a number of products to treat epilepsy and sleep disorders. SK Biopharmaceuticals is promoting development in areas such as rare epilepsy, mental disease, and anti-cancer treatment to diversify its portfolio in terms of product indications. Its anti-cancer research institute was established in 2017 to develop new drugs that overcome the limits of existing brain tumor drugs.

Affordability

SK Biopharmaceuticals has established the Global Pricing Committee (GPC) to maintain competitiveness in the global market. Consisting of the CEO and C-level decision-makers of each department, the GPC reviews and approves various policies, including the pricing policy for products of SK Biopharmaceuticals, price ceilings, and weighted average methodology for adjustment of product prices.
The GPC tries to monitor global prices of each product while fulfilling its ethical and social responsibilities, reviewing the following items.

- Prices of competitors, latest changes in prices, analysis of financial impact, consumer price index (or regional inflation rate), and plans for price changes or product launch times
- Regulations related to financial influence, such as industry pricing trends (by disease, by medical institution type such as hospitals, advanced pharmaceutical companies, etc.), consumer price index, product price index, and total price fluctuation ratio of the company

In the U.S., which is SK Biopharmaceuticals' primary focus, drug prices are determined at the discretion of pharmaceutical companies, unlike in Korea. Accordingly, prices of new drugs that have similar products in the market are set by referring to the prices of competitors in the market. But since the insurance payment made by insurance companies depends on the prices of drug products, SK Biopharmaceuticals decides the final prices by going through the procedure of verifying whether the new drug price lies within the range covered by insurance companies based on a preliminary survey of price sensitivity.

Activities to Support Patients and Guardians

SK Biopharmaceuticals and SK Life Science, Inc. distribute brochures and participate in education programs for Korean and global patients, guardians, and medical professionals regarding major diseases such as epilepsy in order to prevent, improve public awareness of, and manage such diseases. They increase patient access to their products by operating unique programs. In particular, SK Life Science, Inc. engages in various activities for patients and guardians in the U.S. market, providing a brochure that introduces first aid measures for different epileptic symptoms, as well as healthcare, community, and network information for guardians. Epilepsy campaigns are held throughout the year to prevent and manage the disease using various methods (advertisements, videos, etc.). SK Life Science, Inc. also provides a service program to reduce the burden of medical expenses on patients.

The SK Life Science Navigator program supports patients of low-income class and shares the burden of patients for drug prices by issuing XCOPRI Savings Cards to increase accessibility by reducing the actual cost burden of patients. Accordingly, SK Biopharmaceuticals provides XCOPRI® free of charge to patients without insurance coverage or in need of financial support. Patients registered on SK Life Science Navigator are given consistent guidance regarding the time of administration, appropriate methods of administration, and time of renewing the prescription.

Responsible R&D (Bioethics)

Candidate substances for new drugs discovered while developing safe drugs must undergo non-clinical studies in animals and clinical studies in human beings to verify pharmaceutical effects, toxicity, and safety. Throughout this process, SK Biopharmaceuticals complies with all regulations related to experimental ethics set forth by regulatory authorities in each country.

SK Biopharmaceuticals established its Institutional Animal Care and Use Committee (IACUC) to comply with the Animal Protection Act and the Laboratory Animal Act, which are the laws to protect and ensure the ethical handling of laboratory animals in the R&D stage. Based on the IACUC operational regulations, SK Biopharmaceuticals attempts to implement ethical animal experiments following the 3R principle (reduce, replace, refine). The IACUC decides approval of experiment plans by reviewing ethical and scientific validity of animal experiment plans. In addition, the IACUC visits animal experiment facilities at least twice a year to inspect veterinary management of laboratory animals and health and safety of employees. The results of regulation compliance are reported to the Chairperson of the IACUC and the management of SK Biopharmaceuticals.

Moreover, SK Biopharmaceuticals and SK Life Science, Inc. has established a Standard Operating Procedure (SOP) to monitor the implementation of the experimental ethics regulations of the Contract Research Organization (CRO) for clinical studies, and the Quality Assurance Team supervises the implementation of the CRO regulations.

SK Biopharmaceuticals strives to enhance awareness of experimental ethics by building an organization and management system to follow experimental ethics and engaging in cultural development activities such as education and events. All members conducting animal experiments are educated to abide by the welfare and ethics regulations for laboratory animals, and holds an annual Respect for Life Day to honor the animal lives sacrificed in the course of research during the year.

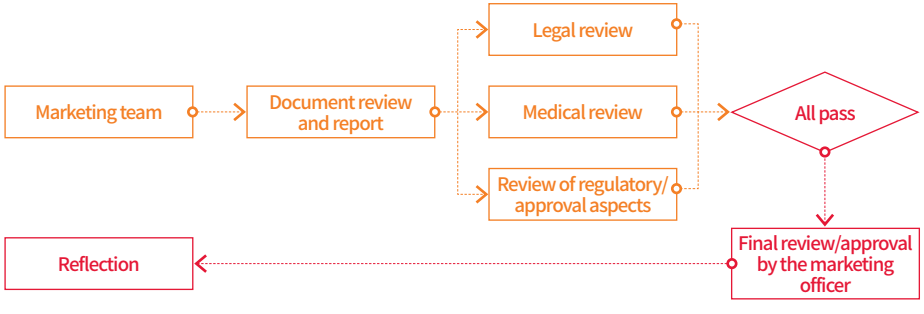
Important Sustainable Management Topics for SK Biopharmaceuticals

Responsible Marketing and Customer Relations Management

In the pharmaceutical industry, there are differences in product information expertise between the patients who are the end consumers and the health care personnel (HCP). Patients as the end consumers tend to rely on HCPs in their purchasing decisions. For this reason, numerous pharmaceutical companies have been adopting marketing strategies focused on HCPs and there has been a continuing social demand for ethics and fairness in such sales and marketing activities. Accordingly, while prescription drugs can only be advertised to medical and pharmacological professionals in Korea, the United States permits direct-to-consumer (DTC) advertisements for prescription drugs. This marketing method increases the awareness to customers about a specific disease to both form the willingness to take a medicine product and prevent abuse or misuse of the product by learning the proper method of using it, but pharmaceutical companies are obliged to deliver accurate information regarding efficacies and side effects. Accordingly, SK Biopharmaceuticals strictly manages its product marketing process to fulfill its social responsibilities to regulatory authorities and customers.

Marketing Management System

SK Life Science, Inc., responsible for sales and marketing of XCOPRI® in the United States, has a standardized process to supervise all promotional materials used for marketing and sales, to ensure it meets the United States pharmaceutical advertising regulations, involves no legal risk, and raises no medical issues. SK Life Science, Inc. undergoes a three-step review of content or changes proposed by the Marketing team, including regulatory review, legal review, and medical review, to ensure that only verified information could be utilized with the customers.



Off-Label Policy*

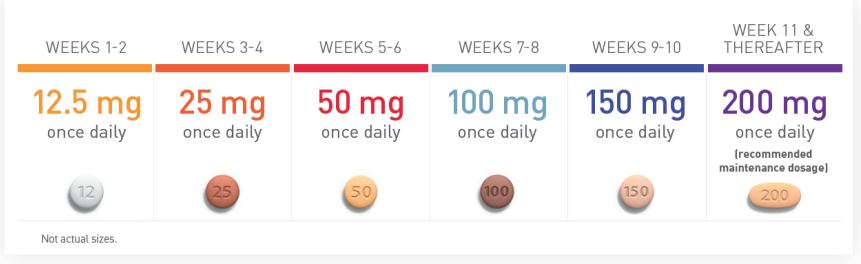
An off-label prescription is an act of prescribing a specific drug for indications that had not been approved by the regulatory authority. Internal and external compliance requirements strictly forbid off-label prescriptions. All sales and marketing activities of SK Biopharmaceuticals and SK Life Science, Inc. are within the scope regulated in the compliance.

Notice of Side Effects and Precautions

XCOPRI®, the only medicine directly sold by SK Life Science, Inc., has proven its safety by obtaining regulatory approval from the U.S. FDA and EMA. XCOPRI® acquired the schedule V grade, the lowest grade for the possibility of drug abuse and dependence related to the central nervous system, from the U.S. Drug Enforcement Administration. However, products that are proven to be safe may still have a fatal impact on the patient's health if the patient fails to follow the safety rules in their administration. Accordingly, SK Life Science, Inc. discloses possible side effects and precautions related to taking drugs in detail. For XCOPRI®, the product website includes notices of adverse events related to drug reactions with eosinophilia and systemic symptoms (DRESS), the number of related mortalities, and the most common side effects. The website also presents recommendations for proper medication, including the reduction of dosage.

Adequate dosage of XCOPRI® product (limited to the United States)

XCOPRI® (cenobamate tablets) CV is indicated for the treatment of partial-onset seizures in adult patients. It can be prescribed as monotherapy or adjunctive therapy.[1]



Maximum dosage: If needed based on clinical response and tolerability, dosage may be increased above 200 mg/day by increments of 50 mg/day every 2 weeks to a maximum of 400 mg/day.

Systematic Customer Relations Management Through Online Platform

SK Life Science, Inc., responsible for sales and marketing of XCOPRI® in the United States, manages customer contact so that customers can report abnormal symptoms and opinions about the product at any time. SK Life Science, Inc. operates a Navigator program for potential customers who wish to take XCOPRI® or patients already taking the medicine. Patients who have registered for Navigator can check whether XCOPRI® is included in their medical insurance benefits, receive prior authorization for medication, get the product delivered after verifying the prescription, and be reminded when the medication period ends or a prescription renewal is necessary. The Navigator program also advises patients to immediately inform their prescribing physician about any side effects and adverse events, and that side effects can be reported to FDA MedWatch. SK Life Science, Inc. receives customer opinions and complaints through a 24-hour call center, and all customer inquiries are reported to the company. SK Biopharmaceuticals has opened a channel to take opinions on its website as well.

*An act of selling or promoting a drug for indications that had not been approved by regulatory authorities like the MFDS and FDA
**A type of leukocyte and a member of the immune system that resists multicellular parasites and specific infections in mammals

Important Sustainable Management Topics for SK Biopharmaceuticals

Human Resources Management

The pharmaceutical industry relies heavily on human resources to innovate research capabilities and secure a competitive advantage in the market. For this reason, it is important to train, attract, and maintain professionals.

SK Biopharmaceuticals promotes a range of pre-recruitment activities to increase the likelihood of attracting outstanding human resources, and tries to improve the work satisfaction and immersion of members through programs that enhance quality of life after recruitment.

SK Biopharmaceuticals offers educational opportunities by collaborating with external agencies to empower its employees for work expertise. SK Biopharmaceuticals focuses on policies for managing and fostering human resources, recognizing that creating a happy working environment for its staff through such activities is the ultimate way to maintain internal human resources and attract external human resources.

Recruitment Process

SK Biopharmaceuticals recruits workers through both online and offline channels. In Korea, campus recruiting is conducted to interview and guide people who wish to work for SK Biopharmaceuticals. Overseas, campus recruiting in U.S. is carried out to promote SK Biopharmaceuticals and attract highly talented students. Recently, SK Biopharmaceuticals has begun to focus on online recruitment activities due to the COVID-19 pandemic. As for masters' and doctoral degree holders, SK Biopharmaceuticals continuously communicates with outstanding candidates in specialized fields such as the central nervous system and cancer, from early stage of research.

Job Training and Competency Programs

SK Biopharmaceuticals offers programs for new employees to educate them on SK Group and SK Biopharmaceuticals. An on-boarding program that includes mentorship is provided to help new employees adapt to the organization quickly.

SK Biopharmaceuticals provides job training opportunities to employees so that they can gain professional knowledge and enhance their R&D competitiveness. 'mySUNI' system has education curricula on a variety of topics such as SK Management System (SKMS), Social Value (SV), Happiness Management and AI/Digital Transformation (DT). SK Biopharmaceuticals continuously provides opportunity to its employees overseas training programs to improve the job competency of its employees. In particular, employees are encouraged to participate in specialized programs such as conferences, seminars and short-term overseas training programs in order to build the knowledge and absorb the latest trends in the pharmaceutical industry. In the last five years, SK Biopharmaceuticals participated in 57 specialized overseas education programs hosted by MedChem and the American Society for Neuroscience.

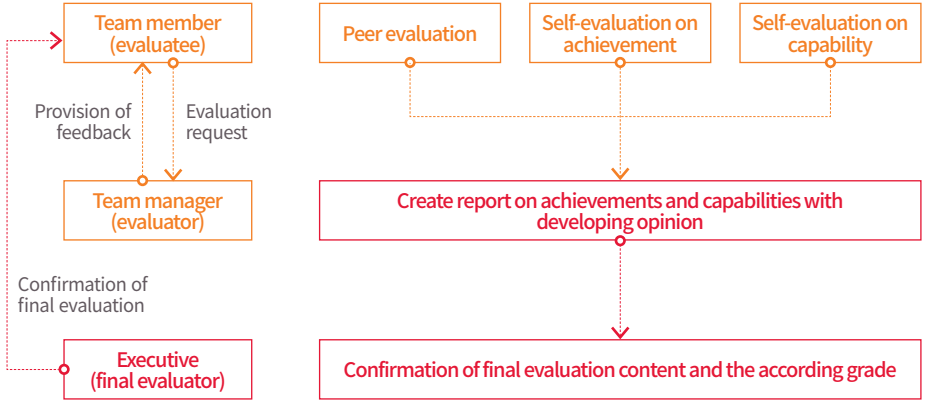
Major education programs

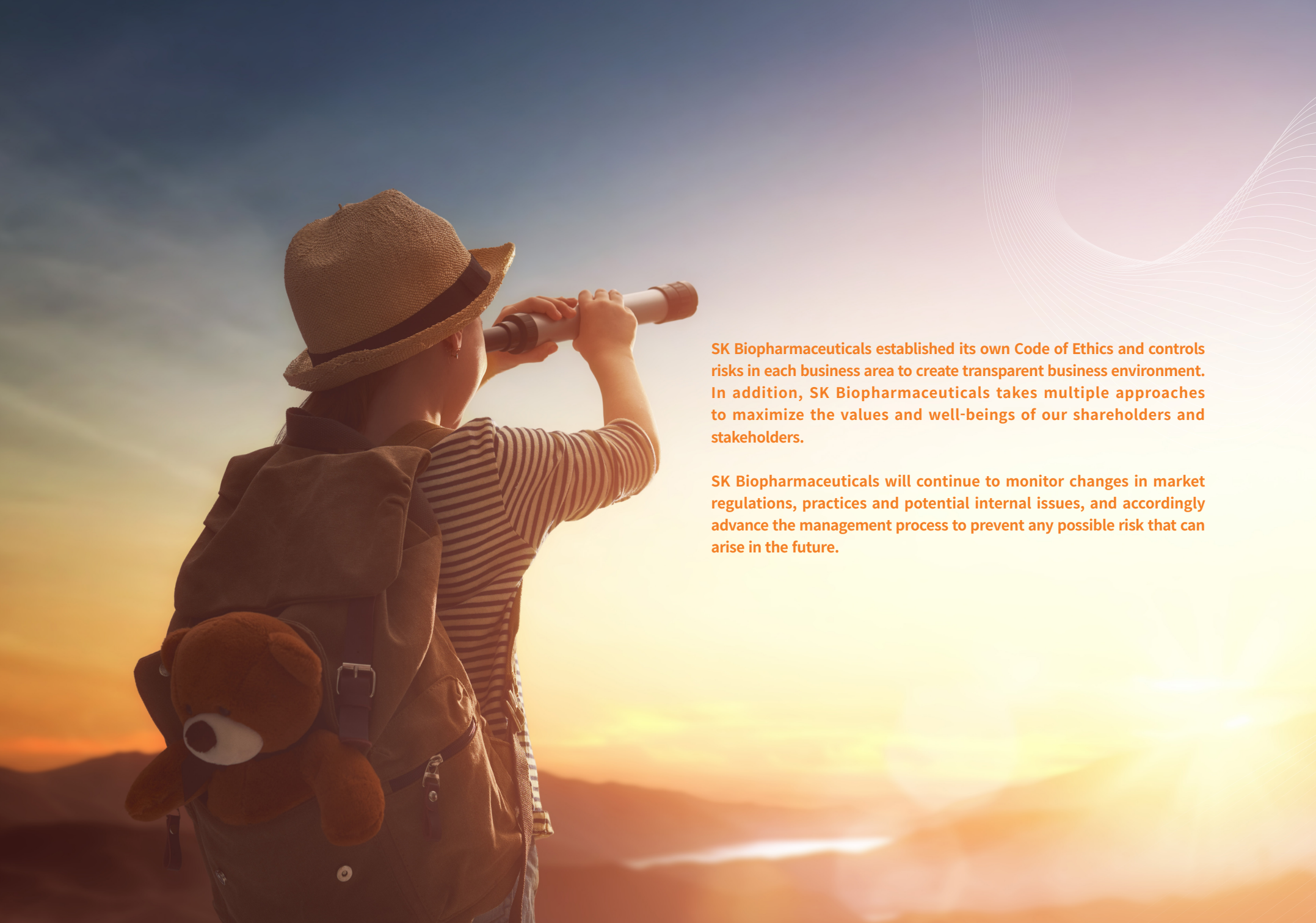
Targets	Program Title	Program Purpose
New employees	On-boarding education	Introduction on SK Biopharmaceuticals and job competency education
All members	Overseas training program	Support on job competency development through overseas experience
	mySUNI	Standard online education programs for SK Group Competency education on management principles of SK Group, job training, ESG, and AI/Digital Transformation (DT)
R&D workers	Participation in conferences/ seminars and support on external education programs	Reinforcing R&D capabilities and expertise in required area

Performance Evaluation Process

SK Biopharmaceuticals implements performance management throughout the year, including yearly KPI establishment in March and ongoing performance management between May and October. Year-end performance evaluation involves three step process. Team members are evaluated annually based on the evaluation by coworkers and self-evaluation, both positive and negative. The evaluation is done according to the structured evaluation system organized into different competency area. Team managers summarize the evaluation of each member and present possible points for improvement and training. When the executive members and final evaluator confirm the evaluation results, the performance evaluation process is finalized.

Competency Evaluation System Diagram





SK Biopharmaceuticals established its own Code of Ethics and controls risks in each business area to create transparent business environment. In addition, SK Biopharmaceuticals takes multiple approaches to maximize the values and well-beings of our shareholders and stakeholders.

SK Biopharmaceuticals will continue to monitor changes in market regulations, practices and potential internal issues, and accordingly advance the management process to prevent any possible risk that can arise in the future.

CORPORATE GOVERNANCE

Corporate Governance

SK Biopharmaceuticals is aware that transparent corporate governance is the essence of building trust with its stakeholders. For this reason, SK Biopharmaceuticals strives to build sound governance by protecting the rights of shareholders, operating the Board of Directors effectively, and maintaining transparent communication with all stakeholders. In April 2021, the committees within the Board of Directors were reorganized to create an integrated management performance supervision system that embraces financial performance and ESG performance, fulfilling its responsibilities as a listed company. SK Biopharmaceuticals established the corporate governance principles and Corporate Governance Charter to share its directions with all stakeholders. The Corporate Governance Charter of SK Biopharmaceuticals can be found on the website.

Shares and Capital Structure

Major Shareholders (May 2021)

Name of Shareholder	Share Ratio	Number of Shares Owned
SK Co., Ltd. (largest shareholder)	64.0%	50,134,940
Choi Seong-Won (affiliated person of largest shareholder)	0.00%	413
Choi Jin-Won (affiliated person of largest shareholder)	0.00%	294
National Pension Service[1)]	3.02%	2,366,492
SK Biopharmaceuticals Employee Ownership Association	1.93%	1,510,811

1) As of the end of December 2020

Protection of Shareholders' Rights

SK Biopharmaceuticals offers the basic right to participate in management to all shareholders, regardless of their share ratio. Matters that bring about changes in shareholders' rights and significant changes in the company are determined at general meetings of shareholders in a way that maximally guarantees shareholder rights.

SK Biopharmaceuticals ensures that rights of shareholders stipulated in the Corporate Governance Charter are not infringed. Shareholders of SK Biopharmaceuticals may present agenda items at general meetings of shareholders pursuant to the Commercial Act and relevant laws, and have the right to question the board and demand explanations.

General Meetings of Shareholders

SK Biopharmaceuticals protects the rights exercised by shareholders, guarantees equal treatment of all shareholders that have voting rights including minority shareholders and foreign shareholders, and respects the rights of shareholders in accordance with the laws and the Articles of Incorporation. SK Biopharmaceuticals held the 10th regular general meeting of shareholders on March 24, 2021, which was an attempt to avoid days on which general meetings of shareholders are generally held. SK Biopharmaceuticals used an electronic voting system and an electronic proxy statement system so that shareholders can exercise their voting rights electronically or receive an electronic proxy statement without being present at the meeting. Due to the COVID-19 pandemic, SK Biopharmaceuticals managed the safety of participants by following the quarantine guidelines for group events set forth by the Central Disease Control Headquarters and the Central Disaster and Safety Countermeasures Headquarters. When announcing the general meeting of shareholders, SK Biopharmaceuticals included sufficient information on the activities and remuneration of independent directors and transactions with the largest shareholder and affiliates. The business report and audit report were announced one week prior to the general meeting of shareholders to provide the basic data that would enable shareholders to judge management performance and status before exercising their voting rights.

Board of Directors

The Board of Directors establishes a business management system to implement the fundamental management philosophy, and tries to maintain the corporate culture of SK with the goal of continually advancing the system. The Board of Directors contributes to increasing the company's value in order to enhance shareholder value. Through commitment to economic development and social value creation, the Board of Directors devises and executes a long-term and sustainable means to find harmony and balance among all interested parties, including patients, their family members, and health care professionals (HCP). The Board of Directors resolves matters defined in laws or in the Articles of Incorporation matters entrusted at the general meetings of shareholders, and important matters related to the basic policy and business operations of the company. The Board of Directors supervises the performance of duties by directors.

Composition and Operation of Board of Directors

The Board of Directors of SK Biopharmaceuticals consists of five members as of May 2021, including one executive director, one non-executive director, and three independent directors. Board Meetings shall be convened upon written notices sent to all directors at least three days prior to the date of the meetings, as instructed by the Board of Directors Chair, the CEO, or a director designated by the Chair of the Board of Directors. Ten Board of Directors meetings were held in the fiscal year of 2020, and the annual average participation rate is about 98%.





Name	Cho Jeong Woo	Lee Dong Hoon	Bang Yung Jue	Ahn Hae Young	Song Min Sup
Position	CEO / President	Non-executive director / Chair of BOD	Independent director	Independent director	Independent director
Year of Birth	1961	1968	1954	1957	1970
Gender	Male	Male	Male	Female	Male
Career	• (Present) CEO of SK Biopharmaceuticals, CEO of SK Life Science, Inc. • (Former) Head of New Drug Business division, COO of SK Biopharmaceuticals	• (Present) Director of SK Bio Investment Center • (Former) General Vice President of Global Business, Dong-A ST	• (Present) CEO of Bang and Ock Consulting • (Former) Professor of Internal Medicine, College of Medicine at Seoul National University (oncology), Director of Seoul National University Hospital Biomedical Research Institute, Director of Clinical Study Center	• (Present) CEO of U.S. Ahn Bio Consulting Inc. • (Former) Deputy Director of FDA (Drug Evaluation Research Center, Clinical Pharmacology), Senior Advisor of FDA (New Drug Development, Biological Medicine, Biosimilar Sector)	• (Present) Professor of Business Administration at Sogang University • (Former) Deliberating member at K-IFRS Joint Q&A Meeting
Expertise	R&D, management, business development	Investment and pharmaceutical M&A	Medical science (new drug development)	New drug approval	Financing / accounting
Appointment Date	2017.03.16.	2020.02.26.	2019.08.27.	2019.08.27.	2019.08.27.
Term	~2022.03.	~2022.03.	~2022.03.	~2022.03.	~2022.03.

Board of Directors Meetings

No.	Date Held	Director Participation (Independent Director Participation)	Activities
1	2020.02.06.	100% (100%)	Finalization of financial statements for the 9th term | Approval of sales reports for the 9th term | Resolution of short-term management plan for the 10th term | Calling and finalization of agenda for the 1st special meeting of shareholders in 2020 | Designation of shareholder list closing and reference dates | Signing of clinical drug substance supply contract with SK Biotek
2	2020.03.05.	100% (100%)	Appointment of the Chair of the Board of Directors | Introduction of agenda for 9th regular general meeting of shareholders about revising the Articles of Incorporation | Revision of the Board of Directors regulation | Revision of board member management regulation | Calling and finalization of agenda for the regular general meeting of shareholders
3	2020.03.27.	100% (100%)	Service transactions with SK Life Science, Inc. | Product transactions with SK Life Science, Inc. | Service transactions with SK Biopharm Tech (Shanghai) | Signing of basic contract with SK Biotek | Approval of concurrent office of directors | Report on listing promotion schedule
4	2020.04.23.	100% (100%)	Appointment of the Chair of the Board of Directors | Approval of quarterly transaction amount (limit) with SK Biotek | Information system management entrustment contract with SK | Stage gate system improvement contract with SK | Animal experiment resource management system contract with SK | Research cooperation contract with SK Life Science, Inc. | Report on revision of internal accounting management regulation | Report on listing promotion schedule
5	2020.05.19.	100% (100%)	Issuance of new shares and approval of secondary distribution to be listed on the securities market | Report on executive compensation liability insurance
6	2020.06.19.	80% (66.7%)	Finalization of share-issuing conditions to be listed on the securities market | Appointment of Chief Compliance Officer | Establishment of compliance control criteria | Software (Microsoft) license contract with SK | Software (SAP) license contract with SK | Network environment contract with SK | Cenobamate process service contract with SK Biotek
7	2020.08.13.	100% (100%)	Service transactions with SK Biotek | Commercial drug substance purchase contract with SK Biotek | Legal system contract with SK | Report on business performance in the first half of 2020
8	2020.10.13.	100% (100%)	Signing of regional development and commercialization license-out contract for Cenobamate in Japan | Report on investment in Open Innovation Fund
9	2020.12.17.	100% (100%)	Participation as partner in SUPEX Council and transaction of share of expenses | Renewal of brand usage contract with SK | Information system management entrustment with SK | Product transactions with SK Life Science, Inc. | Service transactions with SK Life Science, Inc. | Service transactions with SK Biopharm Tech (Shanghai) | Approval of quarterly product and service transaction limits for 2021 with SK Biotek | Change of the regional development and commercialization license-out contract for Cenobamate in Europe Report on Arvelle | Report on reorganization, appointment of executives, and division of works
10	2020.12.29.	100% (100%)	Exercise of warrant for Arvelle and acquisition of new shares

The management philosophy of SK Biopharmaceuticals pursues the shared growth of the various stakeholders, including shareholders, customers, and society, with the company. The Board of Directors pursues diversity in terms of ethnicity, gender, age, nationality, educational background, religion, disability, and political orientation. The ratio of females in the Board of Directors is 20%, and SK Biopharmaceuticals will continue increasing gender diversity in the Board of Directors upon future expansion. The Board of Directors consists of directors who have an overall understanding of the pharmaceutical and healthcare industries, professional capabilities to participate in ESG and ethical management decision-making, expertise and insight in pharmaceutical, medical, clinical, healthcare regulation, CMO, accounting, and business administration, and rich practical experience. In addition, SK Biopharmaceuticals assists independent directors in performing professional duties for the smooth operation of the Board of Directors. Independent directors are provided with data and explanations to review the meeting agenda prior to the Board of Directors meetings and also are provided with regular information regarding any major internal issues.

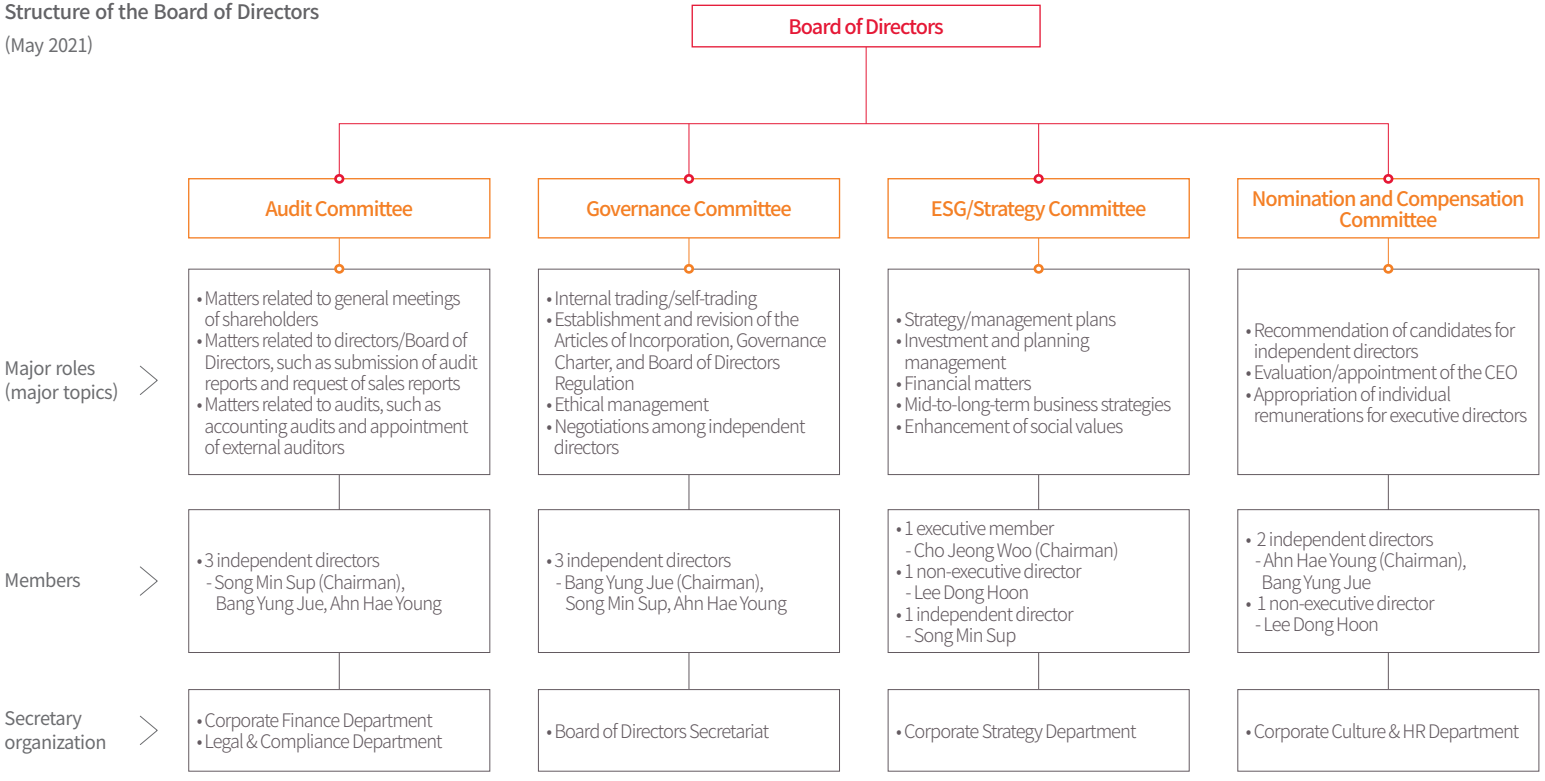
Independent director Education Status			
Education Date	Educating Body	Participating Independent Directors	Details of Education
2020.08.13.	Ernst & Young Hanyoung Corp.	Bang Yung Jue Ahn Hae Young Song Min Sup	Education on key audit matters and internal accounting management system

Committees of Board of Directors

SK Biopharmaceuticals has committees under the Board of Directors to execute various roles and responsibilities efficiently and professionally. Such committees include the Audit Committee, Governance Committee, ESG/Strategy Committee, and Nomination and Compensation Committee. The composition, rights and roles, and operation policies of each committee are based on the Corporate Governance Charter, Articles of Incorporation and regulations of each committee.

Structure of the Board of Directors

(May 2021)



Audit Committee

SK Biopharmaceuticals has established the Audit Committee to deliberate on the financial statements, supplementary schedules and inspection results of external auditing firms, and audit important matters of the company and operating conditions of the internal accounting management system reported by the internal accounting manager and external auditor. The Audit Committee is composed of only independent directors and one of the members must be an expert in accounting / finance to comply with the Commercial Act of Korea and to ensure independence, fairness and quality of auditing activities. Accordingly, the incumbent chairperson of the Audit Committee is an accounting Finance expert. Members of the Audit Committee do not receive remuneration other than what they receive as directors to ensure the independence of their work from the management and dominant shareholder. The Audit Committee is held at least once per quarter, and the expertise of the committee is enhanced through the participation of the management, the board member in charge of financing, head of internal audit department, and external auditor.

Member	Position	Independent director	Finance/Accounting Expertise
Song Min Sup	Chairperson	V	V
Bang Yung Jue	Member	V	-
Ahn Hae Young	Member	V	-

Audit Committee Meetings

Date Held	Agenda
2020.01.30.	1. External auditor selection procedure and standard (establishment of external auditor appointment regulation)
2020.02.06.	1. Appointment of external auditors 2. Approval of remuneration for external auditors 3. Finalization of agenda and document opinions for the 1st special meeting of shareholders in 2020 4. Business management report on subsidiaries
2020.02.21.	1. Business management report on subsidiaries
2020.02.28.	1. Business management report on subsidiaries
2020.03.05.	1. Finalization of agenda and document opinions for the 9th regular general meeting of shareholders 2. Finalization of the audit report
2020.03.27.	1. Revision of the internal accounting management regulation 2. Entrustment of the right to enact and revise the internal accounting management system guideline 3. Business management report on subsidiaries (reporting agenda)
2020.03.30.	1. Business management report on subsidiaries
2020.08.13.	1. Report of semiannual review results of external auditors
2020.11.12.	1. Approval of appropriateness of audit resources for the 11th business year 2. Third quarter accounting results of external auditors 3. Internal accounting condition inspection plan 4. Third quarter management performance

Education Status of Audit Committee

Education Date	Educating Body	Participating Director	Details of Education
August 13, 2020	Ernst & Young Hanyoung Corp.	Bang Yung Jue Ahn Hae Young Song Min Sup	Education on key audit matters and internal accounting management system

Governance Committee and Senior Independent Director System

SK Biopharmaceuticals has the Governance Committee to deliberate efficiently and professionally on the agenda and help the company increase the soundness of governance through ensuring transparency. The Governance Committee deliberates on matters related to internal transactions and ethical management, and functions as a consultative body of independent directors under the Board of Directors by establishing/revising the Articles of Incorporation, Governance Charter, Board of Directors regulation, and committee regulations. Bang Yung Jue, an independent director, has been elected as the Chairperson of the Governance Committee. To ensure the independence of committee operations, all members of the Governance Committee are independent directors. The Chairperson of the Governance Committee concurrently works as a Senior Independent director, guaranteeing independent review and determination of ethical practice methods and matters that require consultation or decision by other independent directors.

Member	Position	Independent Director
Bang Yung Jue	Chairperson	V

Member	Position	Independent Director
Song Min Sup	Member	V

Member	Position	Independent Director
Ahn Hae Young	Member	V

Governance Committee Meetings

No.	Date Held	Director Participation (Independent Director Participation)	Agenda
1	2020.02.06.	100% (100%)	1. Business plan for the 10th term (2020) 2. Signing of a clinical trial drug substance supply contract with SK Biotek
2	2020.03.05.	100% (100%)	1. Service transactions with SK Life Science, Inc. 2. Product transactions with SK Life Science, Inc. 3. Service transactions with SK Biopharm Tech (Shanghai) 4. Signing of a basic transaction contract with SK Biotek
3	2020.03.27.	100% (100%)	1. Appointment of the Governance Committee Chairperson 2. Purchase of commercial drug substance and approval of quarterly transaction amount (limit) with SK Biotek 3. Information system management entrustment contract with SK 4. Stage gate system improvement contract with SK 5. Animal experiment resource management system contract with SK 6. Research cooperation contract with SK Life Science, Inc.
4	2020.05.19.	100%	1. Issuance of new shares and approval of secondary distribution to be listed on the securities market

No.	Date Held	Director Participation (Independent Director Participation)	Agenda
5	2020.06.19.	100% (100%)	1. Finalization of the share-issuing conditions to be listed on the securities market 2. Software (Microsoft) license contract with SK 3. Software (SAP) license contract with SK 4. Network environment contract with SK 5. Cenobamate process service contract with SK Biotek
6	2020.08.13.	100% (100%)	1. Service transactions with SK Biotek 2. Commercial drug substance purchase contract with SK Biotek 3. Legal system establishment contract with SK
7	2020.10.13.	100% (100%)	1. Signing of a regional development and commercialization license-out contract for Cenobamate in Japan
8	2020.12.17.	100% (100%)	1. Participation as a partner of SUPEX Council and transaction of share of expenses 2. Renewal of the brand usage contract with SK 3. Information system management entrustment with SK 4. Product transactions with SK Life Science, Inc. 5. Service transactions with SK Life Science, Inc. 6. Service transactions with SK Biopharm Tech (Shanghai) 7. Approval of quarterly product and service transaction limits for 2021 with SK Biotek 8. Change of the regional development and commercialization license-out contract for Cenobamate in Europe
9	2020.12.29.	100% (100%)	1. Exercise of warrant for Arvelle and acquisition of new shares

ESG/Strategy Committee

The ESG/Strategy Committee of SK Biopharmaceuticals is a preliminary deliberation body that makes major decisions for the company, established by the board resolution in April 2021. The ESG/Strategy Committee reviews and analyzes management strategies related to the environment, social value, and corporate governance to function as a body that manages and supervises sustainable management performance and issues of the company for long-term, sustainable growth. The ESG/Strategy Committee consists of one independent director, one executive director, and one non-executive director, and it reviews and deliberates on annual business plans, the establishment and evaluation of annual KPIs, and mid-to-long-term strategies. Significantly, governance-related matters are handled by the Governance Committee comprised only of independent directors to guarantee independence in decision-making, management, and supervision related to the corporate governance structure.

Member	Position	Independent Director
Cho Jeong Woo	Chairperson	-

Member	Position	Independent Director
Lee Dong Hoon	Member	Non-executive director

Member	Position	Independent Director
Song Min Sup	Member	V

Nomination and Compensation Committee

The Nomination and Compensation Committee of SK Biopharmaceuticals recommends candidates for independent directors to be appointed at general meetings of shareholders. The Nomination and Compensation Committee was formed by a resolution of the Board of Directors in April 2021 to recommend candidates for CEO, and to appoint, dismiss, and evaluate the CEO. According to the requirements for independent director recommendation committees specified in the Commercial Act, the committee regulation stipulates that the majority of the Nomination and Compensation Committee shall consist of independent directors. The Nomination and Compensation Committee, which is independent, has the authority to manage and recommend candidates for CEO and independent directors, evaluate the CEO in each fiscal year, dismiss the CEO or appoint a new CEO according to work evaluation, and evaluate and review the appropriateness of the remuneration provided to executive directors.

Member	Position	Independent Director
Ahn Hae Young	Chairperson	V

Member	Position	Independent Director
Lee Dong Hoon	Member	Non-executive director

Member	Position	Independent Director
Bang Yung Jue	Member	V

Performance Evaluation and Remunerations

SK Biopharmaceuticals stipulates in the Board of Directors regulations that activities of the Board of Directors shall be evaluated once a year internally, or with the help of an external agency if necessary. Moreover, SK Biopharmaceuticals is devising communication channel for delivering the grounds for and details of evaluating independent directors and Board of Directors' activities with stakeholders.

Remuneration for directors and auditors is provided after comprehensively considering the position, duties, business environment, and management performance of the company within the range approved at general meetings of shareholders. Incentives for members of the Board of Directors are provided after comprehensively evaluating quantitative indicators like sales and operating profit based on the remuneration criteria, and qualitative indicators comprising leadership to execute strategic tasks and achieve management performance.

The total remuneration limit for registered directors approved at general meetings of shareholders is KRW 5,000 million (as of 2020), and the actual remuneration provided to directors and auditors in 2020 is KRW 1,367 million. The total remuneration limit for registered directors approved at the general meeting of shareholders held in March 2021 is KRW 16,000 million. The grounds and breakdown of remuneration provided to directors whose individual remuneration exceeds KRW 500 million are publicly disclosed in the Annual Report of the company, and company is monitoring the mid to long term contributions to the ESG performance as a component of the KPI from 2021.

Moreover, SK Biopharmaceuticals granted stock options corresponding to 60,231 common shares to CEO Cho Jeong Woo based on a resolution at the general meeting of shareholders held on March 24, 2021, to reward long-term management performance. SK Biopharmaceuticals regulated that these stock options could be exercised from 3 years until 7 years after the date granted.

Name	Position	Total Remuneration (KRW million)	Remuneration Not Included in Total Remuneration
Cho Jeong Woo	CEO	1,147	-

Calculation Criteria and Methods			
Type of Remuneration		Total (KRW million)	Calculation Criteria and Methods
Labor income	Wage	838	1. Basic pay Total basic pay was determined as KRW 660 million based on duties, position (CEO), leadership, expertise, and contribution according to the remuneration standards for board members, and KRW 55 million was provided monthly from January to December 2020. 2. Sojourn allowance The sojourn allowance and house rental support were determined as KRW 178 million according to the overseas employee management standards, and KRW 14.8 million was provided monthly from January to December 2020.
	Bonus	309	1. Bonuses can be provided by comprehensively evaluating quantitative indicators such as sales and operating profit and qualitative indicators related to leadership to execute strategic tasks and produce management performance based on the board member remuneration standards. 2. Regarding quantitative indicators, the performance targets were attained through the U.S. FDA approval of Cenobamate, the U.S. FDA sales approval of Solriamfetol, and the partnership for Cenobamate in Europe. Regarding qualitative indicators, no accidents related to internal control occurred, and a culture of legal compliance and ethical management were spread. Bonuses of KRW 309 million were calculated/provided based on the leadership exhibited to attain the management goals of the company.

Corporate Ethics & Anti-corruption

Management System

SK Biopharmaceuticals has of its own Code of Ethics to live up to social expectations in terms of creating a transparent business environment. SK Biopharmaceuticals continually monitors regulatory changes in the market and market practices to review and improve the Code of Ethics periodically. Furthermore, SK Biopharmaceuticals internally controls emergency cases related to fair trading, personnel management, the Pharmaceutical Affairs Act, and security accidents. In terms of the compliance of members with the Code of Ethics, SK Biopharmaceuticals inspects the internal inspection once a year and monitors and educates law-abiding standards according to the internal auditing process of the SK Group. Any issues identified during inspections are reported to the Head of Legal & Compliance Department by establishing an improvement plan, and details are announced on the ethical regulation website to inspire ethical compliance.

Examples of ethical management inspections by SK Biopharmaceuticals

Area	Check List	Inspection Details and Results	Measures and Improvement Plan
Recruitment process	Inclusion of a clause prohibiting unlawful solicitation and external recruitment solicitation process in the regulations	Clause prohibiting unlawful solicitation in the Code of Ethics Practice Guideline	-
Evaluation / remuneration and disciplinary action / reward	If evaluative promotion/remuneration has been carried out differently compared to the principles and standards, the reason and appropriateness of approval	No problem based on inspection	-
Private use of budget	Confirmation of private usage by extracting abnormal transactions	No problem based on inspection	-
Partner registration / management	Possession of fair standards and procedures to register/ evaluate companies	No problem based on inspection	-
	Possession of special relation BP reporting and periodic inspection procedures related to employees	Need to consider supplementing periodic inspection procedure	Established periodic inspection procedure for special relations list (3Q 2021)

Inspection and Trainings on Code of Compliance Control of SK Biopharmaceuticals (2020)

Department in Charge	Activity Name	Related Regulations	Frequency (No./Cases)	Remarks
Management Support Team	Information security/personal information security education	Personal Information Protection Act, company rules	Once	All employees (204 regular employees, 25 partner employees) 7/2~7/22 (online)
	Collection of information security pledge	Company rules	Once	All employees 10/30~11/30
	Daily security inspection		Four times	Spot inspection on members in each quarter

Department in Charge	Activity Name	Related Regulations	Frequency (No./Cases)	Remarks
Management Support Team	Security inspection on retirees	Company rules	Regular	
	Information security council		Twice	Operated as necessary
Accounting Team	Internal accounting education		Once	Internal accounting control (20 persons)
	Evaluation on internal accounting operations		Regular	
Legal Affairs Team	Investigation on infringement of product patents	Patent Act	Twice	8/6 ~ 8/19, 9/4~10/8
	Patent infringement monitoring		Four times	Quarterly
	Third-party patent application monitoring	Patent Act, Trade Secrets Act	Regular	
	Investigation on trademark infringements	Trademark Act	Once	6/23 ~ 6/24
	Education to prevent exposure of business secrets	Unfair Competition Prevention and Trade Secret Protection Act	Once	For all employees 11/30~12/18 (online)
Accounting Team	Ethical management survey of partners	Code of Ethics and Practice Guideline	Once	
Finance Team	Company-wide announcement of listing notices	Capital Markets Act	Once	Announced on company bulletin board on 6/24
HR Team	Education on ethical management	Code of Ethics and Practice Guideline	Once	June
	Education to prevent bullying at work	Labor Standards Act	Once	October (online)
	Education to prevent sexual harassment at work	Equal Employment Act	Once	July
	Education to improve disability awareness	Act on the Employment of Persons with Disabilities	Once	August
	Retirement pension education	Employee Retirement Benefit Security Act	Once	November
Management Support Team	Regular safety and health education	Occupational Safety and Health Act	Four times	Quarterly
	Safety and health education for workers (upon recruitment)		Upon recruitment	Online
	Safety and health education for workers (managers and supervisors)		Once	
	Safety and health education for workers (special education)		Upon occurrence	
	Education of safety and health officer		Once	One officer of safety and health carried out every other year
QA Team	CMO production monitoring	Regulation on safety of Medicinal products, etc.	Regular	
	Quality Management Review		Four times	Quarterly
	Cause Audit of API production process		Once	For CMO, conduct in the fourth quarter (On-site audit)
	Vendor qualification for GMP production of Clinical study drugs		Once	For CMO, conduct in the fourth quarter (Virtual audit)
	Mock Inspection for preparation of EMA PAI		Once	For CMO, conduct in the fourth quarter (On-site audit)
	Vendor qualification for the selection of 2nd supplier		Once	For CMO, conduct in the fourth quarter (On-site audit)
	Trial Master File Audit		Once	audit of Trial master file for the completed clinical research
	MEMO for management of DB/SRRMS	Internal Policy	Twice	February, September
	DB/SRRMS data monitoring		Always	

Chief Compliance Officer Profile

Name	Appointment Date	Career	Remarks
Chae, Jooyup	’20.6.19.	• VP, General Counsel, Head of Legal & Compliance Department, SK Biopharmaceuticals • (Former) Senior Vice President, Korean Bar Association • (Former) Senior Legal Director for North Asia, Johnson & Johnson Medical Korea • College of Law, Seoul National University (Bachelor of Laws) • Georgetown University Law School (Master of Laws)	Term: Three years

Major Activities of Chief Compliance Officer

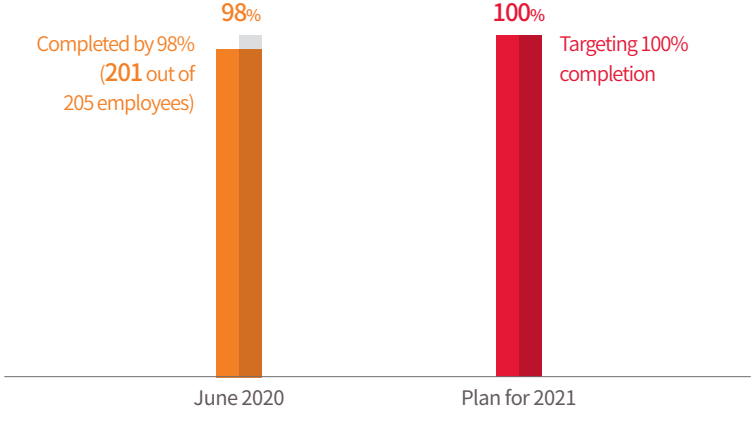
Inspection Date	Details of Inspection	Inspection Results
September 2020	Inspection on the implementation of ethical management related to purchase - Survey on compliance of partners (transaction) with the Code of Ethics	No special remarks

Code of Ethics and Anti-corruption Training

SK Biopharmaceuticals provides ethical management education and workshops to all members at least once per year to internalize ethical management.

SK Biopharmaceuticals implements fair trading education, which includes market order and precautions for trading with business partners. The goal is to attain a 100% completion rate in 2021.

Code of Ethics Training Status



Scope and content of ethics training

Topics of Ethical Education for Members
1. Prohibition of discrimination 2. Prohibition of private swindling by employees 3. Prohibition of embezzlement and malpractice by employees 4. Prohibition of corrupt actions by employees 5. Prohibition of money laundering and insider trading by employees 6. Prohibition of bribery and solicitation by employees 7. Fair trading and fair competition (prohibition of monopoly, oligopoly, and anti-competitive practices) 8. Compliance with confidentiality requirements of secrets and internal information of the company or customers 9. Prohibition of unfair practices using undisclosed internal information 10. Cultivation of environmental, safety, and health awareness 11. Reporting of unlawful and unethical practices and protection of whistleblowers

Ethical Management & Anti-corruption Monitoring

By taking SK Management System (SKMS) as the basis of business management, SK Biopharmaceuticals aims to play a pivotal role in social and economic development by creating value for various interested parties including its members, customers, society, shareholders, and business partners. In addition, SK Biopharmaceuticals practices corporate management that contributes to the happiness of humankind. SK Biopharmaceuticals has established the Code of Ethics and Implementation Guidelines, which defines the judgment criteria for decisions and actions of members during all business activities. SK Biopharmaceuticals has also built a Hot-line channel on its website for all stakeholders to receive counseling or report ethical and compliance issues. All counseling and reporting incidents are guaranteed to remain anonymous by an internal protection program, and measures are taken to ensure that reporters are not disadvantaged or retaliated against through discriminative working conditions. Since the Hot-line channel was launched in 2016, zero reports have been received regarding ethical management violations up to May 2021. In the future, SK Biopharmaceuticals will internalize the ethical culture throughout the value chain by expanding the scope of ethical management, anti-corruption, and compliance to its partners.

SK Life Science, Inc., a 100% subsidiary in charge of selling primary products of SK Biopharmaceuticals in the United States, has built a compliance system to operate the Code of Conduct, anonymous reporting hotline, various anti-corruption programs, and education programs. Education programs are provided to all employees, and the completion status is monitored through the learning management system and compliance wire. In addition to such education, SK Life Science discloses the Code of Ethics, including the Code of Conduct, on the website to reinforce compliance. Monthly compliance newsletters are sent out to employees to notify them of major updates related to anti-corruption and compliance. The General Counsel of SK Biopharmaceuticals is also responsible for the compliance of SK Life Science Inc. SK Biopharmaceuticals has built an ethical risk management system embracing the company and subsidiary that reports on compliance management status and issues to the Board of Directors of SK Biopharmaceuticals.

Ethical Management & Anti-corruption Standards

Category	Code of Ethics Practice Item	Description
Members	Mutual respect among members, prohibition of bribery and monetary transactions, roles of leaders, etc.	Prohibition of human rights infringement and discriminative treatment, initiatives of leaders, etc.
Customers	Efforts to build trust of customers	Prohibition of bribery and entertainment, protection of customer's properties and information according to relevant laws and company rules, etc.
Society	Legal compliance, prohibition of accepting bribery from interested parties, fair trading with partners, fair competition with competitors, etc.	Compliance with the Fair Trade Act, Anti-corruption laws (e.g. Improper Solicitation and Graft Act) and safety, health, and environment laws
Company and shareholders	Preparation and disclosure of management information, protection of company's assets and information, reporting, business management, etc.	Transparent and fair disclosure of accounting and financing information, protection of tangible and intangible assets and intellectual property rights, etc.
Protection of informant	Operation of internal reporting system, protection of identity of informant, prohibition of disadvantageous treatment, etc.	Protection of identity of informant, prohibition of disadvantageous and discriminative treatment, etc.
Ethical counseling and reporting	Ethical counseling and reporting channels	Operation of ethical counseling and reporting channels using the website, email and postal mail

Risk Management

Internal Risk Management System

SK Biopharmaceuticals identifies and classifies possible internal risks in the R&D domain, management and legal domain, and the production, sales, and marketing domain. Identified risks are posted on the internal compliance portal. SK Biopharmaceuticals prevents and responds to the potential risks identified in each domain by establishing a response process.

Risk management domains and factors

Risk Domain	R&D domain	Management and legal domain	Production, sales, and marketing domain
Type of Risk Subject to Management	• Crises related to patent or development information that arises in the R&D process • Crises related to confirmation, maintenance, and termination of partnership • Crises that arise during clinical studies • Other crises/accidents in the R&D domain	• Various disputes, lawsuits, and sending or receiving of warning letters • Crises arising from exposure of important undisclosed information • Crises related to various legal regulations and restrictions that apply to development, production, and sales • Other crises/accidents that occur during business management	• Crises arising in relation to production and distribution of products • Various complaints/restrictions and crises arising during product advertising and promotional activities • Crises related to compliance with domestic and U.S. regulations for sales expansion and HCP • Other crises/accidents that occur in the production/advertising/marketing/sales domain
Management performance risk	Leakage of business secrets Leakage of industrial technologies Infringement of patent rights Inadequate management of hazardous substances and facilities in the workplace	Money laundering Insider trading Securities trading using important undisclosed information Bribery Inadequate management of external auditors	Price manipulation Collusion Vertical competition restriction False, exaggerative, or deceptive advertising, etc.

Risk response process

Accident or crisis report → Reported by the corresponding team manager to the corresponding executive (verbal and written) → Discussion on the level of crisis and the early response plan by the corresponding and related departments → Establishment of early response plan according to the crisis level → Recording of the reported accident/crisis and evaluation of the early response and recovery plan

Identification of External Business Environment Risks/Opportunities

SK Biopharmaceuticals monitors financial and non-financial risks caused by changes in the external management environment. The top management and the ESG/Strategy Committee within the Board of Directors manage and supervise such risks. Business growth factors and restriction·competition factors of SK Biopharmaceuticals that relate to changes in the external management environment in 2020 are as follows.

Category	Business Growth Factor
Population increase and aging	The average life expectancy of humankind is expected to increase from 73.0 years in 2016 to 74.1 years in 2021. By 2021, the elderly population aged 65 years or older will reach 656 million, accounting for 11.5% of the world's population. This increase in the elderly population will lead to increased long-term demand for the treatment of chronic diseases.
Increase in patients with chronic diseases	There is a trend of a rapid increase in patients with chronic diseases due to the global increase in income, urbanization, and the adoption of Western dietary habits. One-third of the adult population has various chronic diseases.
Mitigation of regulatory barriers	Advanced global regulatory authorities like the U.S. FDA and EMA are actively implementing policies to mitigate various regulatory barriers in order to reduce the tremendous cost burden on pharmaceutical companies for R&D and approval of new drugs. This will create more opportunities for innovative new drugs to be introduced to the market.
Personalized medicines	As patient-oriented and personalized treatment have become the new paradigm of drug development, there is a trend of developing new medicines based on an accurate understanding of disease characteristics and causes.
Rare disease medicines	Pharmaceutical companies are increasingly conducting R&D on rare medicines, and the global sales of rare medicines will increase by about 32% between 2017 and 2022.
Advancement of anti-cancer treatment technologies	In the area of anti-cancer drugs, innovative new drugs like checkpoint inhibitors and genetic/cell products are advancing at a remarkable rate. With the vitalization of research on combination therapy with existing medicines, R&D cooperation among competing pharmaceutical companies has turned into a new drug development trend.

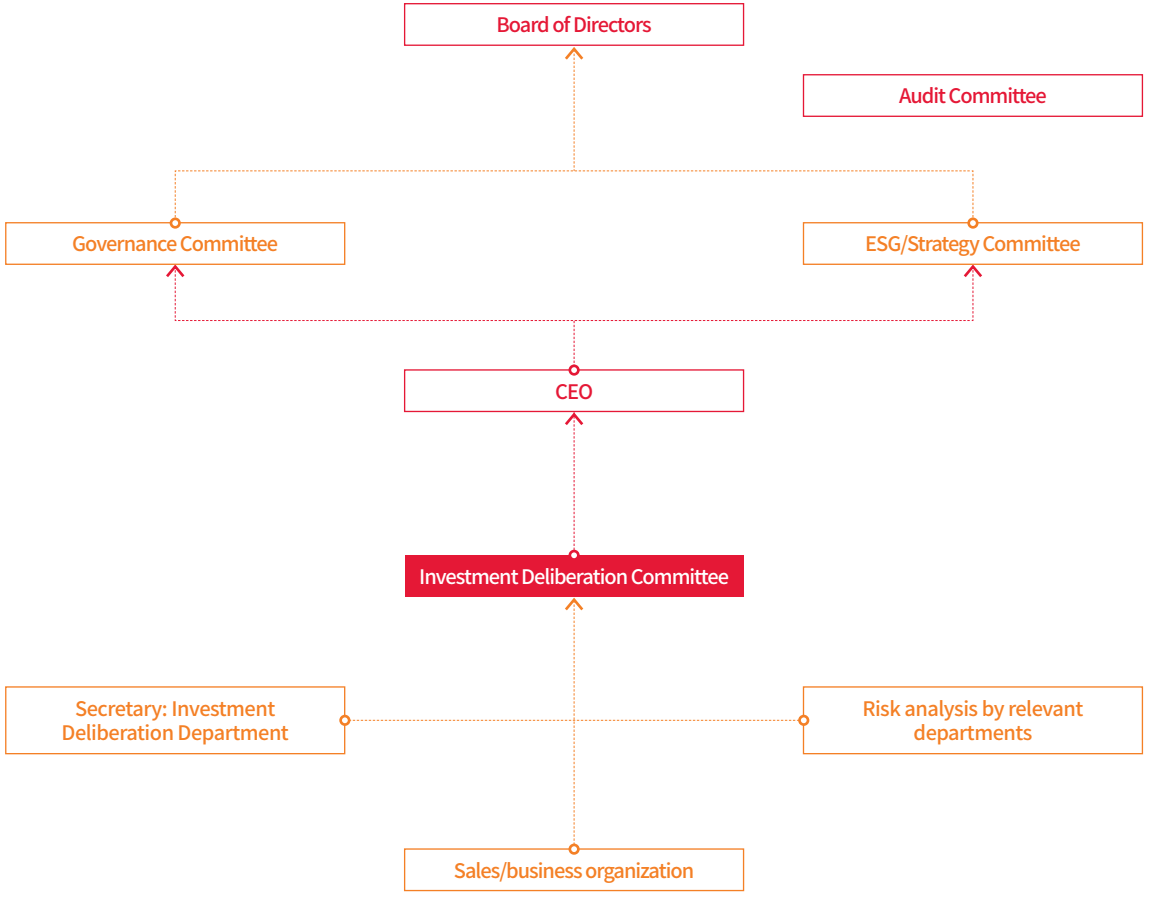
Category	restriction · competition Factors
Medicine price regulations	As there is increasing social backlash against excessive global increases in medicine prices, especially in the United States, pharmaceutical companies may be demanded to achieve greater innovation and differentiate drug effects to justify the high prices.
Increased burden of patients for medical expenses	With the movement of governments to tighten their budgets, many countries are announcing the reduction of insurance coverage. In particular, a greater cost burden is placed on patients in the United States due to the reduction of insurance claims and increase of self-payment.
Efficient R&D investment of pharmaceutical companies	Due to the low success rate of new drug development, pharmaceutical companies are experiencing a reduction in R&D investment return rates. Global pharmaceutical companies engage in activities to achieve innovation of R&D productivity.
Expiration of patents	Patents for many global top-selling medicines will expire between 2018 and 2014, and the overall market size can be affected by the reduced sales of these products.
Bargaining power of insurance companies (payers)	Pharmaceutical distributors, private insurance companies, and medical institutions are integrating purchase organizations. The increased bargaining power of insurance companies (payers) creates pressure on pharmaceutical companies to lower prices.

Investment Risk Management System

SK Biopharmaceuticals thoroughly deliberates on short-term, mid-term and long-term ripple effects and risks regarding investment decisions that can have a significant impact on business. Relevant departments and the investment deliberation department analyze risks identified by each sales and business unit. Analysis results are reported to the CEO.

Company-wide risks that significantly affect overall business are reported to the Governance Committee or ESG/Strategy Committee within the Board of Directors, and the Board of Directors makes final decision on investment risks.

Investment risk management governance



SK Biopharmaceuticals builds a sustainable supply chain by minimizing the environmental impact and executes activities of information protection awareness enhancement for the employees and partners.

In addition, SK Biopharmaceuticals will implement various policies to improve the quality of life for employees and maximize social impact through creating a cooperative ecosystem with external stakeholders.

SUSTAINABILITY FOUNDATION

Personal Information Protection and Data Security

SK Biopharmaceuticals strives to protect its intellectual properties containing research capacity and manages its subsidiary (SK Life Science, Inc.) in charge of clinical studies and sales to prevent any infringements of the personal information of subjects and customers. SK Biopharmaceuticals has established an internal information protection policy to respond to information security risks in an organized manner. In addition, SK Biopharmaceuticals strictly complies with information protection regulations in the American and European markets. Accordingly, SK Biopharmaceuticals periodically checks for potential risks using the information protection management system and reports and reports the results to the top management council. Any unexpected information infringement and leakage incidents are handled according to the response guideline.

Privacy Policy

SK Biopharmaceuticals has established and disclosed the Privacy Policy to protect the personal information of its members and handle any grievances quickly and accurately, according to Article 30 of the Personal Information Protection Act.

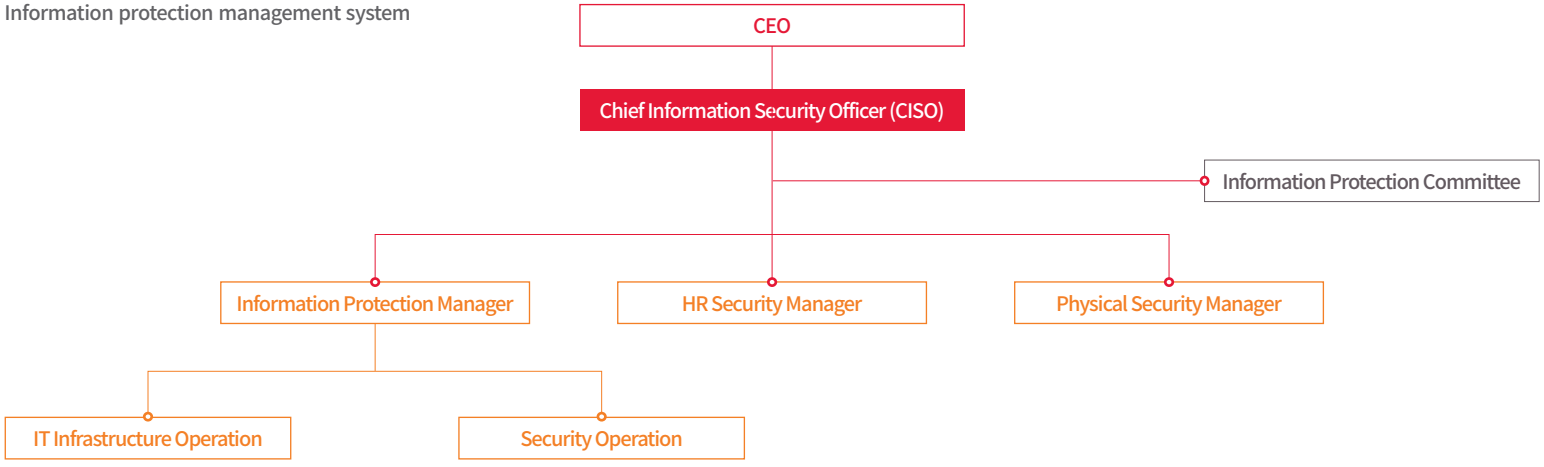
Data Security Management

Information Protection Management System

The top management and Chief Information Security Officer (CISO) of SK Biopharmaceuticals are responsible for personal information and data security management. SK Biopharmaceuticals operates the Information Protection Committee, a security council that responds to major information protection issues. The Information Protection Committee deliberates on the information protection activities of all departments and members and makes related decisions.

The Information Protection Committee of SK Biopharmaceuticals consists of the chief information protection officer, information protection manager, and representatives of associated department. The chief information protection officer is the person in charge of the information protection system, activities, and duties of SK Biopharmaceuticals. The chief information protection officer is responsible for the company's information protection management status. The information protection manager is the secretary of the Information Protection Committee and is responsible for operating and managing information protection activities and duties. The personnel and physical security manager operates and manages information protection activities related to members and physical security. The person in charge of information protection and physical security assists the information protection manager or physical security manager in practicing security and establishing and managing security system policies. The persons in charge of operating information systems (server, network, database, application, security system, etc.) manage information systems and inspect protective measures. The person in charge of operation manages information systems, inspects protective measures, and controls security vulnerabilities and stability services. Members abide by the information protection policy, guidelines, and procedure and participate in various activities to enhance security awareness, such as security education and inspection.

Information protection management system



Response System for Information Protection Accidents

SK Biopharmaceuticals has prepared a manual to respond to infringement accidents like hacking of information assets, viral and malicious code infections, and information leakage. SK Biopharmaceuticals classifies accident risk levels so that when an infringement accident occurs, quick recovery measures can be taken according to the procedure and reporting system. An adequate response and reporting system are established according to the risk level, and external experts can be utilized if necessary. When infringement accidents occur, they are analyzed statistically based on the accident type to establish future security management plans. The information protection manager and person in charge of information security are educated and trained as necessary based on measures to prevent the recurrence of infringement accidents.

Information Protection Education

SK Biopharmaceuticals runs annual online education programs for all employees and partners to inspire their information protection consciousness. Information protection education is expected to help the persons in charge of handling personal information implement personal information protection education, diagnose group security guidelines, and evaluate educational effects.

Information protection education status of members and partners

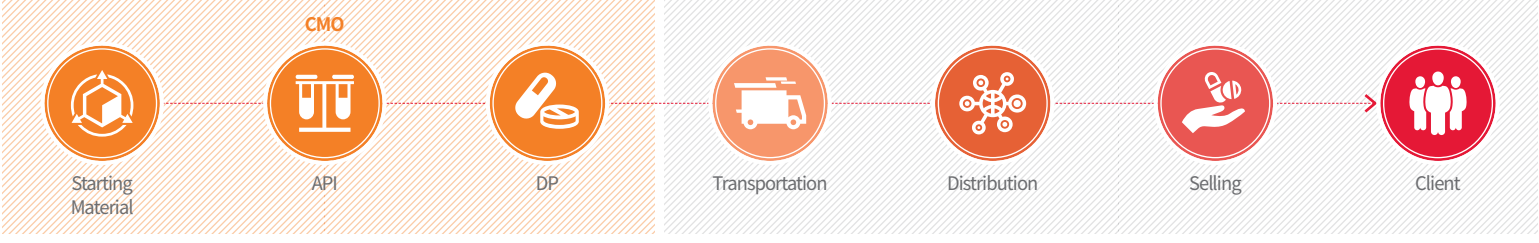
Education Targets	Educating Body	Program Title/Content	Length of Education	Implementation Period
All employees (219 persons)	SK Mobile Academy	Everything about security: Personal information protection and information security	One hour	July 2~22, 2020
Partners (30 persons)	Learning Mate	Everything about information security	One hour	

Sustainable Supply Chain

Directions for Partner Management

SK Biopharmaceuticals' partners can be classified into upstream material suppliers and contract manufacturing organizations (CMOs), and other downstream partners for material purchase. SK Biopharmaceuticals does not have production or manufacturing facilities and cooperates closely with CMOs to procure raw materials, manufacture products, control quality, and improve processes in the commercialization stage after new drug sales approval. This means that quality, environmental, and social risk management at the CMO level is a critical issue related to product and reputation risks of SK Biopharmaceuticals. SK Biopharmaceuticals manages CMOs based on domestic and overseas regulatory authorities' strict quality and safety stands like the U.S. FDA and EMA. Concerning environmental factors, the Quality Assurance Team under SK Life Science, Inc. inspects hazardous wastes and wastewater discharge risks during due diligence. In the future, SK Biopharmaceuticals will aim to further develop the partner evaluation system by including various environmental and social risk factors in its management scope.

SK Biopharmaceuticals



ESG Guidelines for Partners

SK Biopharmaceuticals manages and supervises the sustainability of partners with its internal quality control policy and inspection process applied to the entire production process. Partners are educated on Good Manufacturing Practice (GMP) to improve the consciousness of their employees. The GMP includes various education topics, including ethical regulations related to purchases and understanding of the pharmaceutical industry. Beginning in 2021, SK Biopharmaceuticals will receive signatures from partners about ESG guidelines when signing contracts to inspect and support partners' ESG empowerment more effectively more effectively.

Partner ESG Management Activities

After 2022, SK Biopharmaceuticals will develop and apply a partner ESG evaluation system to systematically evaluate ESG risks and status of CMOs and reflect contracts. In this way, CMOs can minimize the possibility of quality, safety, and ESG risks and supply reliable products to customers. In addition to CMOs, SK Biopharmaceuticals engages in material purchase contracts with business partners based on fair trading principles. While there are no specific activities to support partners, SK Biopharmaceuticals faithfully fulfills its duties to help partners, such as by ensuring cash payment within 30 days.

Minimization of Environmental Impact

SK Biopharmaceuticals has a relatively small environmental impact, as it does not have production facilities and company buildings. Nonetheless, SK Biopharmaceuticals plans to minimize the environmental impact in the mid-to-long-term perspective by promoting Net Zero until 2040.

Greenhouse Gas Emissions and Climate Change Response

The total amount of greenhouse gases emitted by the workplace of SK Biopharmaceuticals in 2020 was 1,211 tons, including Scopes 1 and 2, which is 47 tons per sales of KRW 1 billion. This emission volume is insignificant compared to companies in the same industry, resulting from the fact that SK Biopharmaceuticals does not have production facilities. However, SK Biopharmaceuticals recognizes that all economic entities must respond to climate change from a mid-to-long-term perspective, and is reviewing methods of reducing greenhouse gas emissions to the level required by the Paris Convention, such as through environment-friendly relocation of the company office. Ultimately until 2040, SK Biopharmaceuticals will apply a strategy to emit zero Scope 1, 2 greenhouse gases at its workplace.

Wastes Management

SK Biopharmaceuticals recognizes the rapidly increased demand for circulation of waste resources after the enactment of the Framework Act on Resource Circulation and is attempting to meet the expectations of customers and stakeholders. Accordingly, SK Biopharmaceuticals has established a waste control procedure pursuant to the laws related to waste, and encourages all employees to actively get involved in the safe handling of wastes, separate disposal, and minimizing emissions to reduce the environmental impact. In particular, as a pharmaceutical industry that needs to be cautious about hazardous wastes, all SK Biopharmaceuticals employees must report any risks in the waste disposal process to the safety, health, and environment (SHE) department. An entrusted company disposes of medical wastes by the legal procedure, and details are reported to the competent authorities.

Guidelines for Handling Medical Wastes

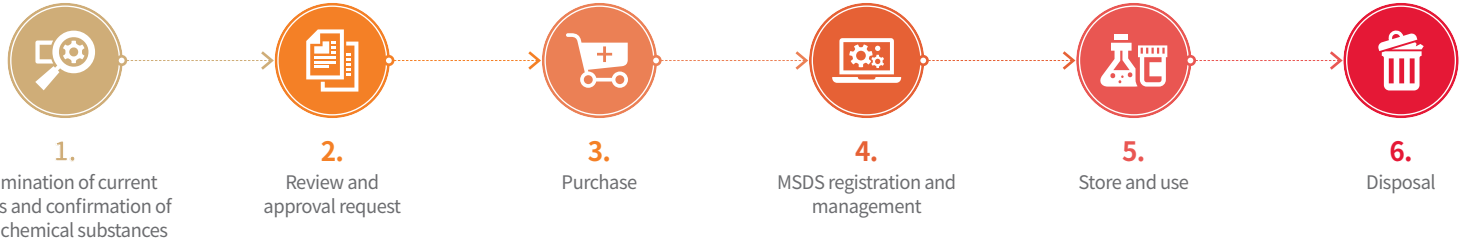
Definition	• Specified wastes for which there are concerns over potential harms such as infections to the human body and wastes that need special control for health and environmental protection, such as human tissue specimens and laboratory animal corpses
Types	• Isolated medical wastes: All wastes generated during medical practice performed on human being isolated to protect others from an infectious disease
	• Hazardous medical wastes - Tissue wastes: Tissues, organs, and body parts of human or animal bodies, animal corpses, blood, etc. - Pathological wastes: Culture medium used for testing and inspection, culture container, strain in storage, waste test tubes, slides, cover glass, spent medium, used gloves, pus, and blood products (serum, plasma, blood agents) - Contagious wastes: Syringe needles, suture needles, surgical blades, acupuncture needles, dental needles, broken glass testing instruments - Biological and chemical wastes: Waste vaccines, waste anti-cancer drugs, waste chemotherapeutic agents - Blood contamination wastes: Waste blood bags, wastes used during hemodialysis, other wastes that need special care because of possible blood leakage • General medical wastes: Cotton, bandages, gauzes, and disposable syringes containing blood, fluids, secretions, and excretions
SKBP management guidelines	• Medical wastes are disposed of in a dedicated container, managed separately from other specified wastes and general workplace wastes. • RFID electronic tags are attached to manage waste information. • Liquid medical wastes (including LMO) shall not be mixed with solid wastes. • Medical wastes shall be transported to a separate warehouse for storage, with the warehouse managed for weekly releases.

Necessity to Control Harmful Chemical Substances

SK Biopharmaceuticals uses harmful chemical substances in the R&D process and recognizes that there is an increasing demand for the active control of chemicals by companies with the diversification and reinforcement of laws related to the use and handling of chemicals, such as the Chemicals Control Act. In response to this demand, SK Biopharmaceuticals has established a chemical substance control procedure and MSDS (Material Safety Data Sheets) management procedure to remove the safety, health and environmental risk factors throughout the life cycle of chemicals, including their development, use, and disposal. Accordingly, SK Biopharmaceuticals regulates chemicals that can potentially be harmful or hazardous as toxic chemical substances and the safety, health, and environment (SHE) department is responsible for controlling toxic chemical substances.

Harmful Chemical Substance Management System

The chemical substance management process is as follows.



1. Examination of current status and confirmation of new chemical substances

- If a new chemical substance was developed for manufacture/sales/distribution, the developing department shall prepare an MSDS for the new chemical substance and send relevant materials to the SHE department to register the new chemical substance.
- When introducing a new chemical substance, the purchasing department shall acquire chemical substance information such as the MSDS in advance to be reviewed by the SHE department.

2. Review and approval request

- For a new chemical substance, the SHE department shall request the Ministry of Environment to review the substance for harm and reviews the approval request.
- For a chemical substance to be purchased, the SHE department shall verify whether the substance is a harmful chemical substance and follow the legal approval procedure before introducing the substance.

3. Purchase

- The department introducing a chemical substance shall approve the chemical substance after considering safety control, replaceability, appropriateness of the storage location, and emergency leakage measures based on the review of chemical substance source management, approval registration, and risk assessment.

4. MSDS registration and management

- For all new reagents being purchased, a new MSDS is prepared or the existing MSDS is revised by requesting and receiving MSDS to and from suppliers.

5. Storage and use

- The department using chemical substances shall create a chemical substance ledger to check the inventory quantity and usage periodically and comply with MSDS requirements by providing personal protective equipment and controlling the safety of each chemical substance.
- A manager is appointed by each department for storage facilities to inspect periodically the amount of amount of chemical substances in storage, facility safety, safety protective equipment, and emergency response facilities and equipment.
- SK Biopharmaceuticals prepares standards for facilities storing and handling harmful chemical substances, and keeps harmful chemical substances separately. Details can be found in the chemical substance control procedure.

6. Disposal

- Chemical substances are disposed of lawfully in accordance with the Wastes Control Act and waste control procedure. In addition, the department using chemical substances disposes of remaining reagents regularly at least once a year and reports the disposal plan to the SHE management department at least two weeks in advance.

Safety Education on Members for Handling Harmful Chemical Substances

SK Biopharmaceuticals conducts education and training of all members who introduce, use, and dispose of chemical substances regarding the chemical substance management process.

SK Biopharmaceuticals will build a system to evaluate the environmental hazard of Active Pharmaceutical Ingredients (APIs) to enable more sophisticated control over the environmental impact of the final disposal of APIs.

Content of Chemical Substance Education

- How to read and understand MSDS and warning labels
- Knowledge in and use of appropriate safety protective equipment when handling chemical substances
- How to protect the health of workers against chemical hazards and risks
- Emergency evacuation and first aid measures when chemical substances leak

Community Development and Corporate Citizenship

Community Development

As an integral part of the community, SK Biopharmaceutical aims to partake volunteer activity programs that could benefit the community. In particular, we are discovering fields where help is required in the community of Seongnam-si, in which the workplace of SK Biopharmaceuticals is located, and promoting social contribution activities based on cooperation with various internal and stakeholders, including community members, affiliates, and welfare groups. Moving forward from the quantitative expansion of corporate citizenship activities, our goal is to discover social contribution programs based on the unique capabilities of SK Biopharmaceuticals and maximize our social impacts by creating a cooperative ecosystem with external stakeholders.

Supporting Low-income Groups and Mutual Cooperation with Small Business Owners – Warm Contact

In January 2021, SK Biopharmaceuticals participated in the 'Sharing a Meal, Warm Contact Project' to solve the food shortage problems that impacts 1,535 low-income individuals in Seongnam, Gyeonggi-do, with SK Inc. This project is a win-win model that supports both vulnerable social groups dealing with food shortages and small business owners at risk of closing down their businesses due to COVID-19. SK Biopharmaceuticals selected 12 facilities, including welfare centers in 11 regions and Sujeong Senior Welfare Center through the Seongnam Social Welfare Council. In order to support the poor meal distribution situations at restaurants for seniors in need, SK Biopharmaceuticals and SK C&C allocated a total meal budget of KRW 142.10 million to provide high-quality snacks and lunch boxes. The restaurants for seniors have been operating free meal services using funding provided by the Seongnam-si, but free meals were switched to lunch box delivery services instead due to COVID-19. Yet the delivery demand increased while donations were reduced, causing extra burden for the people in need. The Sharing a Meal Project diversified menus based on the primary menus available at restaurants nearby welfare centers, and a neighboring traditional market collaborated in providing high quality food ingredients.

Supporting the Underprivileged – Anna's House

Employees of SK Biopharmaceuticals participate in volunteer programs such as making lunch boxes, distributing meals, cleaning facilities, and sharing clothes at 'Anna's House', a shelter for youths and homeless people in Seongnam-si, with SK C&C. Anna's House, which needed help due to the increased demands for free meal services, successfully provided meals to 650 underprivileged people with the helping hand of SK Biopharmaceuticals and donated clothes for homeless people through the clothes sharing campaign. SK Biopharmaceuticals will continue to create social values and resolve community issues through cooperation with a NGOs and external organizations.

Support on Social Enterprise Ecosystem

Following the tradition of the SK Group to promote social contributions, SK Biopharmaceuticals aims to foster the SE ecosystem by finding business areas to cooperate with social enterprises and create sustainable social values instead of simple donations.

Purchase of Consumables – Happy Narae

SK Biopharmaceuticals purchases in-house consumables and souvenirs from 'Happy Narae,' a social enterprise specialized in distributing industrial materials.

Operation and Maintenance of Company Website – Happy ICT

Happy ICT is a social enterprise and standard business place for the disabled that provides a public service using ICT. Since 2018, SK Biopharmaceuticals has entrusted the development and renewal of its website in Korean and English languages, operation and maintenance of the website, and improvement of web accessibility for users.

Participation in Social Contribution Platform for Zero Child Hunger – Happy Alliance

Happy Alliance is a social contribution platform that unites individuals, social enterprises, and companies to solve the problem of child hunger in Korea. SK Biopharmaceuticals joined Happy Alliance in August 2020 to sponsor underprivileged children in Korea through donations.

Human Rights Protection and Improvement of Quality of Life for Members

SK Biopharmaceuticals continuously works to protect the human rights of employees by establishing policies and conducting educational programs. In addition, we are working to create a culture that focuses on diversity and inclusivity. We established human rights policies based on the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work to respect the human rights specified therein.

Grievance Process

We preemptively identify and manage human rights risks that may occur in the office. SK Biopharmaceuticals has a system to legally protect the prosecutor and an internal reporting channel to manage the opinion its members. Issues are reported by employees through various channels and processes protected by laws. We have a issue report handling system within e-HR, and the details of grievance reports are forwarded to the person in charge. Reported issues are generally classified as workplace sexual harassment, workplace bullying, ethical management, human resources, and other grievances. All processes are handled anonymously.

Identification and Management of Internal Potential Human Rights Risks

SK Biopharmaceuticals conducts and will continually reinforce company-wide human rights education to include the prohibition of gender discrimination, respect for diversity, workplace bullying, and sexual harassment. Moreover, SK Biopharmaceuticals identifies and proactively controls internal human rights risks.

Internal Potential Human Rights Risk	Actions of SK Biopharmaceuticals
Preventing employment discrimination	Respecting diversity in areas such as nationality, gender, academic background, religion, marital status, and political views and providing equal employment opportunities.
Managing of overtime and extended labor and compliance with related laws	Selective working system (Timeplus) is adopted to manage the diligence of employees, and the legal extended working hours (48 hours in four weeks) are followed.
prohibiting forced labor and child labor	No forced/child labor
Eradication of workplace bullying	Operating a report system for workplace bullying within the e-HR grievance system and promoting the eradication of bullying through education.
Use of parental leave and prohibiting discrimination against return after the leave	Since parental leave is a legal system, any pregnant employee or parent with a child can freely use it. When an employee is ready to return from parental leave, he or she must come back to their previous department.

Flexible Working

SK Biopharmaceuticals runs a ‘selective work hours system’ that allows individuals to self-design work hours within 160 hours per four weeks. The selective work hours system supports self-regulated working according to an individual’s choice by self-designing the work start and end times as well as daily working hours within the total working hours fixed for a certain period. Recently, we have been carrying out an expanded work from home (WFH) system as a COVID-19 preventive measure.

Welfare System

SK Biopharmaceuticals operates childbirth and parenting systems for employees to help maintain a good work-life balance. SK Biopharmaceuticals grants leaves before, during, and after pregnancy according to the legal obligated standards, and operates a number of related systems and facilities. SK Biopharmaceuticals also implements various welfare programs such as medical and tuition aid, covering childcare center expenses, condolences money, and condolences leave to increase the satisfaction of employees.

SK Biopharmaceuticals also operates various welfare systems based on point deduction system. SK Biopharmaceuticals surveys the demands of employees for welfare benefits and continually considers implementing additional welfare systems.

Status of Maternity Protection System

Maternity Protection System	Program Details	No. of Persons Used in 2020 (Persons)
Perinatal leave	Leave granted to female employees for health management at the time of pregnancy/childbirth	6 persons
Miscarriage/stillbirth leave	A certain period of leave granted when a pregnant employee has a miscarriage or stillbirth	None
Parental diagnosis	Half-day leave granted for pregnant employees to have medical check-up related to pregnancy	5 persons
Shortened working hours during pregnancy	A pregnant employee can apply for shortened working hours to promote a stable early and late pregnancy.	2 persons
Paternity leave	Paternity leave granted for male spouse to participate in care of an infant	7 persons
Parental leave	Leave granted to male/female employees to nurture a child under 8 years old or second grade or lower	13 persons
Shortened working hours during parenting period	Shortening working hours for male/female employees to nurture a child under 8 years old or second grade or lower	None
Leave for infertility treatment	Leave granted for male/female employees to receive fertility treatment	1 persons
Unpaid leave	A female employee can apply for unpaid leave if it is required for health care	None

Diversity and Inclusiveness

As of 2021, the percentage of female employees is about 47%, and the ratio of females among team managers or higher is 23%. SK Biopharmaceuticals will continue to strive to guarantee fair opportunities by achieving gender diversity, and actively support the promotion of female leadership. Moreover, for female leaders, we operate the Women in Leadership Program (WLP) to promote leadership diversity.

Female Leadership Fostering Program

Program	Subject	Content/Characteristic
WLP(Women in Leadership)	Mid-and long-term female leader candidate group	Cultivating competency among of leaders

Workplace Safety and Health

Working Environment Safety Management

SK Biopharmaceuticals carries out safety and health training to promote employee awareness of safety and health and and comply with Article 29 of the Occupational Safety and Health Act. Training on occupational safety and health for new employees and employees assigned to other duties is conducted online. Safety and health training for new employees covers the installation and management of safety facilities, MSDS, preventive measures against occupational diseases, first aid in daily life, and work stress management. Regular safety and health training for all members, including contract workers, is conducted every quarter. For executives and team managers, content related to occupational safety and education is carried out as part of a manager and supervisor training. In the future, we will advance and expand our safety and health training programs to include content that reflects the work characteristics of R&D workers.

SK Biopharmaceuticals' occupational illness frequency rate (OIFR)[1)] and lost time injury rate (LTIR)[2)] have been 0 for the three consecutive years of 2018, 2019, and 2020.

1) Occupational illness frequency rate (OIFR) = Number of occupational illnesses (OI) ÷ total labor hours X 200,000
2) Loss time incidents rate (LTIR) = Number of loss time incidents (LTI) ÷ total labor hours X 200,000

Basic Training

Training Program	Subject	Training Time
Safety and Health Manager Training	Chief executive	6 hours/ 2 years
Regular Safety and Health Training for Managing Supervisor	Executive/Team Manager	16 hours/year
Regular Safety and Health Training for Employees	All employees	6 hours/ quarterly
SHE Training for New Employees	New employees	8 hours

Training Program	Subject	Training Time
SHE Training for Employees in New Positions	Team shifter/Employee returning after more than 1 year of leave	2 hours
Special Safety and Health Education	Workers subject to special training	4-16 hours
Emergency Response Training	All members	Once/year
Visitor SHE Training	Outside visitors	-

Training for Safety Management of Hazardous Chemical Materials - MSDS

SK Biopharmaceuticals has developed safe workplace management and work safety culture through regular training of employees who handle chemical substances and control operating facilities. In addition, we conduct an MSDS (Material Safety Data Sheets) management system to prevent accidents such as occupational diseases, fire, and explosions caused by the handling of chemical materials. We manage MSDS information including the handling and storage method of products and raw materials, name and component of the material, hazard, required protective gear, precautions, etc.

In addition, the users in the R&D department are required to read the MSDS before handling new materials, and inspection on the time limit and content confirmation are carried out mandatorily. For the research department and chemical handling department, the responsible person in the applicable department carries out MSDS training. Thus, SK Biophamaceuticals is improving the work environment through training for departments that handle hazardous chemicals and safety management of the workplace at a legal level or higher.

Health Management of Members

SK Biopharmaceuticals operates a variety of support systems to manage the health and safety of its employees. For example, we offer annual medical examination for employees over 35 years old and their spouses and support medical expense for employees, spouses, and children. In addition, all employees are eligible for influenza vaccination.

For employees' sustainable and systematic health management, we offer regular health counseling for persons diagnosed and applicants every month. As per Article 22 of the Enforcement Decree of the Occupational Safety and Health Act, we also support recuperation guidance and management of ill employees diagnosed as a follow-up subject by a health manager as the result of the health examination.

SK Biopharmaceuticals manages environmental, social, and governance data in a transparent way, and announces the influence of various ESG risks on strategic, financial, and business according to the TCFD, SASB, and GRI Standards guidelines.

APPENDIX

Sustainability Performance

Environment

Greenhouse Gas and Air Pollutant Emission	Unit	2018	2019	2020
Total greenhouse gas emission (Unit: KRW) - Scope 1 + Scope 2	tCO_2e/ KRW 1 billion	1,063	9	**47**
Total greenhouse gas emission (Scope 1+2)	tCO_2e	1,169	1,105	**1,211**
Scope 1 emission	tCO_2e	328	282	**313**
Scope 2 emission	tCO_2e	841	823	**898**
NOx emission (Unit: KRW)	Ton/KRW 1 billion	0.146	0.001	**0.005**
NOx emission	Ton	0.161	0.169	**0.129**
SOx emission (Unit: KRW)	Ton/KRW 1 billion	0	0	**0**
SOx emission	Ton	0	0	**0**
Dust emission (Unit: KRW)	Ton/KRW 1 billion	0.0063	0.0005	**0.0002**
Dust emission	Ton	0.007	0.06	**0.004**

Consumption by Energy Source	Unit	2018	2019	2020
Total energy consumption (Unit: KRW)	GJ/KRW 1 billion	11,892	97	**509**
Total energy consumption	GJ	13,082	12,030	**13,231**
Consumption by direct energy source	GJ	2	1	**2**
Natural gas consumption	GJ	0	0	**0**
Gasoline consumption	GJ	0	0	**0**
Diesel consumption	GJ	2	1	**2**
Consumption by indirect energy source	GJ	13,080	12,029	**13,229**
Power consumption	GJ(MWh)	6,590(1,831)	6,447(1,791)	**7,035(1,954)**
Steam consumption	GJ	0	0	**0**
Gas consumption	GJ	6,490	5,581	**6,194**
Other	GJ	0	0	**0**
Ratio of renewable energy use	%	0	0	**0**
Total renewable energy consumption	MWh	0	0	**0**

Water Use and Water Pollutant Discharge[1]	Unit	2018	2019	2020
Total water intake (Unit: KRW)	Ton/KRW 1 billion	12,160	85	**319**
Total water intake	Ton	13,376	10,505	**8,302**
Water supply	Ton	13,376	10,505	**8,302**
Underground water	Ton	0	0	**0**
Other	Ton	0	0	**0**
Water intake in water resource sensitive area	Ton	0	0	**0**
Ratio of water recycling	%	0	0	**0**
Water usage	Ton	13,376	10,505	**8,302**
Recycled water	Ton	0	0	**0**
COD emission (Unit: KRW)	Ton/KRW 1 billion	0.02	0.0002	**0.0008**
COD emission	Ton	0.023	0.025	**0.02**
BOD emission (Unit: KRW)	Ton/KRW 1 billion	0.462	0.004	**0.029**
BOD emission	Ton	0.508	0.545	**0.758**
T-N emission (Unit: KRW)	Ton/KRW 1 billion	0.0035	0.00003	**0.00001**
T-N emission	Ton	0.004	0.004	**0.003**

1) Water pollutants from laboratory wastewater of the Pangyo Headquarters are monitored monthly.

Wastes and Recycling	Unit	2018	2019	2020
Total wastes discharge (Unit: KRW)	Ton/KRW 1 billion	42	0.5	**2**
Total wastes discharge	Ton	46	56	**49**
General waste	Ton	0	0	**0**
Designated waste	Ton	46	56	**49**
Recycling rate of waste	%	0	0	**0**
Total recycled waste	Ton	0	0	**0**

*General waste generated in the building are handled collectively by the rental office building.

Society

Talent Recruitment and Management	Unit	2018	2019	2020
Number of employees	Person	173	209	194
Male	Person	77	96	108
Female	Person	96	113	86
Permanent position	Person	171	206	184
Temporary position	Person	2	3	10
Aged under 30	Person	21	23	32
Aged 30s to 50s	Person	144	177	154
Aged over 50	Person	8	9	8
Number of female executives (team manager or higher)	Person	6	7	8
Ratio of female executives (team manager or higher)	%	25	28	34.8
Number of disabled employees	Person	1	2	2
Ratio of disabled employees	%	0.6	1	1
Number of new employees	Person	48	47	73

Life Quality of Employees and Safety Management System	Unit	2018	2019	2020
Occupational illness frequency rate of employees (OIFR)	%	0	0	0
Number of occupational illnesses of employees	Case	0	0	0
Lost time injury rate by employee type – Employees	%	0	0	0
Lost time injury rate by employees type – Employees of partners	%	0	0	0
Number of lost time injuries (LTI) - Employees	Case	0	0	0
Number of lost time injuries (LTI) – Employees of partners	Case	0	0	0
Employees death rate at workplace	%	0	0	0
Employees death case at workplace	Case	0	0	0

Social Contribution	Unit	2018	2019	2020
Total expenditures of social contribution programs	KRW 1 million	-	-	30
Political contributions	KRW 1 million	0	0	0
Association contributions	KRW 1 million	0	0	0

Information Protection & Data Security	Unit	2018	2019	2020
Number of exposures of corporate data and customer information	Case	0	0	0

R&D Capability and Product Competitiveness	Unit	2018	2019	2020
Product/Service SV amount generated (Total)	KRW	-	-	84,102,839,900
Clinical development (CNS)	Number	7	6	6
Clinical development (Rare disease)	Number	1	1	1
Number of domestic patent applications – Patent registration	Number	34	37	40
Number of domestic patent applications – Patent application in progress	Number	29	43	50
Number of overseas patent applications – Patent registration	Number	393	497	632
Number of overseas patent applications – Patent application in progress	Number	188	217	277
Number of manufacturing plants for prescription drugs	Number	0	2	2
Number of manufacturing plants for non-prescription drugs	Number	N/A	N/A	N/A

Corporate Governance

Board of Directors and Business Ethics	Unit	2018	2019	2020
Number of female directors within the Board of Directors	Person	-	1	1
Number of anti-corruption related regulatory violations	Case	0	0	0
Legal measures against unfair transactions including impediment of competition and monopoly	Case	0	0	0
Total monetary losses under legal procedures related to corruption and bribery	Financial statement reporting call	0	0	0

Sustainability Reporting Index

SASB

Sustainability Disclosure Topics & Accounting Metrics

Topic	Code	Indicator	Reference Page and Status of SK Biopharmaceuticals
Safety of Clinical Trial Participants	HC-BP-210a.1	Discussion, by world region, of management process for ensuring quality and patient safety during clinical trials	p. 21~22
	HC-BP-210a.2	In the number of FDA sponsor inspections associated with clinical study management and pharmaceutical surveillance, 1) Number of voluntary action indicated (VAI) and 2) number of official action indicated (OAI)	
		Unit: Case / 2018 / 2019 / 2020 VAI: 0 / 1(1) / **0** OAI: 0 / 0 / **0** (1) Confirmed one case related to database locking and unlocking as a result of SK Life Science Inc. inspection on May 13~22, 2019	
	HC-BP-210a.3	Total amount of monetary losses as a result of legal proceedings associated with clinical trials in developing countries	KRW 0
Access to Medicines	HC-BP-240a.1	Description of actions and initiatives to promote access to health care products for priority diseases and in priority countries as defined by the Access to Medicine Index	• SK Biopharmaceuticals has a medicine for epilepsy (Cenobamate), one of the 17 non-contagious diseases designated by Access to Medicine Index, and for Schizophrenia (SKL20540), which is in on-going clinical study. • Also, SK Biopharmaceuticals is reviewing future market entry and accessibility initiative for 106 priority countries designated by Access to Medicine Index.
	HC-BP-240a.2	List of products on the WHO List of Prequalified Medicinal Products as part of its Prequalification of Medicines Programme (PQP)	0 ea.
Affordability & Pricing	HC-BP-240b.1	Number of settlements of Abbreviated New Drug Application (ANDA) litigation that involved payments and/or provisions to delay bringing an authorized generic product to market for a defined time period	0 case
	HC-BP-240b.2	Percentage change in average list price and average net price of product portfolio compared to previous year	Not applicable
	HC-BP-240b.3	Percentage increase in average list price and net price of product portfolio compared to previous year	

Topic	Code	Indicator	Reference Page and Status of SK Biopharmaceuticals
Drug Safety	HC-BP-250a.1	List of products listed in the Food and Drug Administration's (FDA) MedWatch Safety Alerts for Human Medical Products database	p. 21
	HC-BP-250a.2	Number of fatalities associated with products as reported in the FDA Adverse Event Reporting System	4 cumulative cases as of 2020
	HC-BP-250a.3	Number of recalls issued, total units recalled	0 case
	HC-BP-250a.4	Total amount of product accepted for takeback, reuse, or disposal	0 case
	HC-BP-250a.5	Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP), by type	
		Unit: Case / 2018 / 2019 / 2020 Number of cases: 0 / 0 / **8(2)** (2) Confirmed 8 cases as a result of inspecting SK Biotek from January 13 to 17, 2020	
Counterfeit Drugs	HC-BP-260a.1	Description of methods and technologies used to maintain traceability of products throughout the supply chain and prevent counterfeiting	-
	HC-BP-260a.2	Discussion of process for alerting customers and business partners of potential or known risks associated with counterfeit products	-
	HC-BP-260a.3	Number of actions that led to raids, seizure, arrests, and/or filing of criminal charges related to counterfeit products	0 case
Ethical Marketing	HC-BP-270A.1	Total amount of monetary losses as a result of legal proceedings associated with false marketing claims	0 case
	HC-BP-270A.2	Description of code of ethics governing promotion of off-label use of products	No off-label medicine

Topic	Code	Indicator	Reference Page and Status of SK Biopharmaceuticals
Employee Recruitment, Development & Retention	HC-BP-330a.1	Discussion of talent recruitment and retention efforts for scientists and research and development personnel	p. 26-27
	HC-BP-330a.2	(1) Voluntary and (2) involuntary turnover rate for: (a) executives/senior managers, (b) mid-level managers, (c) professionals, and (d) all others	

Unit: %	Type	2018	2019	2020
Number of voluntary turnovers	Management/senior managers	0	0	**0**
	Midlevel managers	0	0	**0**
	Professionals	0	0	**0**
	All other employees	83	92	**100**
Number of non-voluntary turnovers	Management/senior managers	0	0	**0**
	Midlevel managers	0	0	**0**
	Professionals	0	0	**0**
	All other employees	17[3]	8[3]	**0**

(3) Cases in which the contract period expired without converting to regular employees, no case of dismissal/resignation advice

Supply Chain Management	HC-BP-430a.1	Percentage of (1) entity's facilities and (2) Tier suppliers' facilities participating in the Rx-360 International Pharmaceutical Supply Chain Consortium audit program or equivalent third-party audit programs for integrity of supply chain and ingredients	Joining pharmaceutical supply chain audit initiative
Business Ethics	HC-BP-510a.1	Total amount of monetary losses as a result of legal proceedings associated with corruption and bribery	KRW 0
	HC-BP-510a.2	Description of code of ethics governing interactions with health care professionals	p. 23, 39~42

Activity Metrics

Code	Indicator	Reference Page and Status of SK Biopharmaceuticals
HC-BP-000.A	Number of patients treated	Number of patients treated not controlled
HC-BP-000.B	Number of drugs (1) in portfolio and (2) in research and development (Phases 1-3)	

Unit: Number	2018	2019	2020
Number of drugs in portfolio	0	0	**1**
Number of drugs in research and development	8	7	**7**

TCFD

Governance

Disclosure of corporate governance for risks and opportunities related to climate change

Indicator	Status of SK Biopharmaceuticals
A. Supervision of climate change risks and opportunities by the Board of Directors	SK Biopharmaceuticals has the ESG/Strategy Committee within the Board of Directors, which has the responsibility of managing and supervising risks and opportunities related to climate change. The ESG/Strategy Committee consists of one independent director, one executive director, and one non-executive director. The ESG/Strategy Committee sets the directions for climate change response strategies and monitors the environmental management status of SK Biopharmaceuticals.
B. Roles of management in evaluating and managing risks and opportunities related to climate change	SK Biopharmaceuticals operates the ESG Secretariat, which is a regular council of ESG working groups driven by the Strategy and Planning Team of Corporate Strategy Department under Strategy & Investment Division. The ESG Secretariat, which reports directly to the CEO, performs activities to attain mid-to-long-term climate change goals, annual ESG strategic tasks, information announcements and internal data management to communicate with external interested parties, and gathers the according performance. In 2021, SK Biopharmaceuticals established goals to attain a net zero workplace by 2040 through decisions made by management. The Management Support Team Corporate Culture & HR Department will find methods of reducing greenhouse gas emissions and promoting renewable energy use. Relevant status and performance will be discussed periodically by the ESG Secretariat and the ESG/Strategy Committee within the Board of Directors.

Strategy

Disclosure of actual and potential effects of climate risks and opportunities on businesses, strategies, and financial plans

Indicator	Status of SK Biopharmaceuticals
A. Risks and opportunities related to short-term, mid-term, and long-term climate change	SK Biopharmaceuticals does not have production facilities, and the frequency of abnormal climate phenomena in the location of the R&D facility, Pangyo, Gyeonggi-do, is low. The exposure to physical risks of climate change is low. In the short-term perspective, SK Biopharmaceuticals has low carbon emissions compared to other companies in the same industry, and is not subject to the emissions trading system (K-ETS). The transition risk is low as well. However, the pharmaceutical industry is classified as an industry with moderate or strong climate change impact, and the effect of carbon emissions in the production stage is high. Accordingly, to achieve the level recommended by the Paris Convention, it is predicted that the pharmaceutical industry will be demanded to reduce carbon emissions 59% by 2025 relative to 2015 levels. SK Biopharmaceuticals recognizes that climate change regulation expenses such as carbon border taxes and increased carbon expenses will be internalized in the profits throughout the value chain. SK Biopharmaceuticals plans to expand the range of carbon emissions control to CMOs that manufacture products in the mid-to-long term. In addition, SK Biopharmaceuticals is reviewing methods of reducing environmental impact in the greenhouse gas scope 3, such as through reduction of environmental impact in the transportation stage, reduction of product packing materials, and increased eco-friendliness of packing materials.
B. Financial effects of risks and opportunities related to short-term, mid-term, and long-term climate change on businesses of SK Biopharmaceuticals	SK Biopharmaceuticals has established the goal of attaining net zero carbon emissions in the workplace by 2040. Our current annual carbon emissions amount to about 1,211 tCO_2, and reduction of energy usage in R&D and office buildings must be considered to achieve net zero because SK Biopharmaceuticals does not have production facilities in the workplace. Accordingly, the head office in Pangyo, Gyeonggi-do, recognizes the restrictions we face in securing eco-friendliness. SK Biopharmaceuticals will consider eco-friendly and green buildings when relocating and constructing a new office building in 3~5 years, and devise a plan to reduce remaining emissions by increasing the use of renewable energy. This process is expected to be accompanied by non-operating expenses, such as capital expenditure on tangible assets like buildings, renewable energy credit purchase, and infrastructure expansion. However, these expenses are not large enough to affect the business profits and financial soundness of SK Biopharmaceuticals.
C. Resilience of SK Biopharmaceuticals' business considering climate change scenario	SK Biopharmaceuticals manages social expenses for greenhouse gas emissions according to the 1.5°C, 2°C climate change scenarios presented by the IPCC based on past and present carbon emissions. SK Biopharmaceuticals also monitors the effects of internalization of these expenses on net profit during the term. The social expense per 1t of greenhouse gas emission estimated by the U.S. EPA is USD 51 in 2020, and will rise to USD 85 in 2050. Thus, the social expense created by SK Biopharmaceuticals through its 1,211 tCO_2 of greenhouse gases emitted was KRW 67.9 billion in 2020.

Risk Management

Disclosure of methods of identifying, evaluating, and managing risk factors related to climate change

Inditcator	Status of SK Biopharmaceuticals
A/B/C. Process to identify and evaluate climate change risks and integrate them with the risk management system	SK Biopharmaceuticals regularly identifies risks and opportunities related to climate change, driven by the Management Support Team under the Corporate Culture & HR Department in charge of environmental management and the Strategy and Planning Team under Corporate Strategy Department in charge of establishing and implementing ESG strategies. The details identified are shared with relevant organizations and reported to management. The scope of risks and opportunities related to climate change managed by SK Biopharmaceuticals is as follows. 1) Risks and opportunities related to environmental regulations of each country in markets SK Biopharmaceuticals has entered 2) Requirements of ESG investors and evaluation/announcement authorities from a climate change response perspective 3) Climate change risks and opportunities in workplace operation 4) Risks and opportunities related to the market and customer demand for eco-friendly products Responses to such risks and opportunities are reflected in the ESG promotion strategy, and annual performance is monitored. If a mid-to-long-term investment decision is necessary from a climate change response perspective, the ESG/Strategy Committee within the Board of Directors deliberates on the matter and executes investment.

Indicators and Goals

Disclosure of indicators and reduction goals used to evaluate and manage climate change risks and opportunities

Indicator	Status of SK Biopharmaceuticals
A/B. Indicators used to manage risks and opportunities related to climate change	SK Biopharmaceuticals manages indicators like greenhouse gas emissions, basic unit of emissions, energy consumption, and renewable energy usage every year, disclosing the trend of changes in environmental performance by comparing three-year quantitative results. ESG performance, including such environmental performance, is reflected in the management KPIs. SK Biopharmaceuticals measures and announces Scope 1 and 2 greenhouse gas emissions of the head office in Pangyo for 2021. Details can be found under Sustainability Performance (p.62). GHG emissions (Unit: tCO_2) Scope 1 Scope 2 2018: 1,169 (328 / 841) 2019: 1,105 (282 / 823) 2020: 1,211 (313 / 898)
C. Goals to manage risks and opportunities related to climate change	SK Biopharmaceuticals has established the net zero greenhouse gas emission goal for 2040 in order to respond to climate change. In addition, SK Biopharmaceuticals establishes and manages basic unit goals for harmful wastes to fulfill its environmental responsibilities in the pharmaceutical industry.

References

White paper on climate change (EFPIA, 2021)
Carbon footprint of the global pharmaceutical industry and relative impact of its major players (Lotfi Belkhir & Ahmed Elmeligi, 2019)
Technical Support Document: Social Cost of Carbon, Methane, and Nitrous Oxide Interim Estimates under Executive Order 13990 (EPA, 2021)

GRI Index

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	102-3	Location of headquarters	5
	102-4	Number of countries in which the organization operates, and the names of countries in which it has significant operations and/or that are relevant to sustainable management	5
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	102-13	A list of the main memberships of industry or other associations, and national or international advocacy organizations	-
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	102-41	Percentage of employees covered by collective bargaining agreements	-
	102-42	The basis for identifying and selecting stakeholders with whom to engage	-
	102-43	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	11
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	102-47	A list of the material topics identified in the process for defining report content	10
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GRI 103 Management Approach			
Material Sustainability Topics	103-1	Explanation of the material topic and its boundary	10
	103-2	An explanation of how the organization manages the topic, a statement of the purpose of the management approach, and description of the following if the management approach includes such components: policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, processes, projects, programs and initiatives	-
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	203-2	Significant indirect economic impacts of the organization, impact scale	63
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	207-2	Tax governance, control, and risk management	-
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Topic	GRI Standards	Description	Page
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	305-3	Other indirect GHG emissions (Scope 3)	-
	305-4	GHG emissions intensity	62
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Environmental Compliance	307-1	Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulation	-
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Topic	GRI Standards	Description	Page
GRI 400 Social			
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GRI 400 Social			
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Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	-
	414-2	Negative social impacts in the supply chain and actions taken	-
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Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	39-41

Third Party's Assurance Statement

To the Readers of SK Biopharmaceuticals Sustainability Report 2021:

Foreword

Korea Management Registrar Inc. (hereinafter "KMR") has been requested by of SK Biopharmaceuticals to verify the contents of its SK Biopharmaceuticals Sustainability Report 2021 (hereinafter "the Report"). SK Biopharmaceuticals is responsible for the collection and presentation of information included in the Report. KMR's responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

Scope and standard

SK Biopharmaceuticals describes its efforts and achievements of the corporate social responsibility activities in the Report. The verification has been conducted as limited assurance based on SRV1000 from KMR Global Sustainability Committee. KMR's assurance team (hereinafter "the team") evaluated the adherence to Principle of reliability of the data and information on the GRI indicators as below, where professional judgment of the team was exercised as materiality criteria.

The team checked whether the Report has been prepared in accordance with the 'Core Option' of GRI Standards which covers the followings.

- GRI Standards Reporting Principles
- Universal Standards
- Topic Specific Standards
  - Management approach of Topic Specific Standards
  - GRI 206: Anti-Competitive Behavior
  - GRI 403: Occupational Health and Safety
  - GRI 416: Customer Health and Safety
  - GRI 417: Marketing and Labeling

The boundary of the Report excludes data and information of SK Biopharmaceuticals' joint corporate, contractor etc. which is outside of the organization.

Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Reviewed stakeholder engagement activities
- Interviewed people in charge of preparing the Report

Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with SK Biopharmaceuticals on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

Materiality

The Report includes all important reporting boundaries under SK Biopharmaceuticals operation and presents specific and long-term CSR strategy and targets. SK Biopharmaceuticals is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues nor any critical stakeholder group left out in this process.

Understandability

Being prepared in sustainability context, the Report specifies the targets on sustainability issues which are identified through the materiality evaluation process, and presents the backgrounds of selection of the critical issues and the management approach. And the Report explains the performance indicators in more detail and comparable way.

Reliability

The assurance team identified errors in some data and information, and SK Biopharmaceuticals completed the modification before finishing the final version of the Report. We judge the data and information in the Report to be correct and reliable, and the assurance team could not find any evidence that SK Biopharmaceuticals counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the 'Core Option' of GRI standards.

Recommendation for improvement

We hope the Report is actively used as a communication tool with stakeholders and we recommend the following for continuous improvements.

- SK Biopharmaceuticals has set sustainable business directions in terms of ESG as well as financial performance and reported related performances to engage with stakeholders. It provided detailed information on the ownership structure, which is key to sustainable management. We recommend that SK Biopharmaceuticals develop an organizational culture for systematic implementation of sustainability and submit reports on performance indicators by strategic initiative with consistency to strengthen communication.

Our independence

With the exception of providing third party assurance services, KMR is not involved in any other SK Biopharmaceuticals's business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

June, 23th, 2021

KMR SRV1000 Sustainability Committee Assurance

CEO E. J Hwang

www.skbp.com