# FOR THE HEALTHY FUTURE OF OUR CUSTOMERS

SK Biopharmaceuticals Sustainability Report 2022

SK biopharmaceuticals

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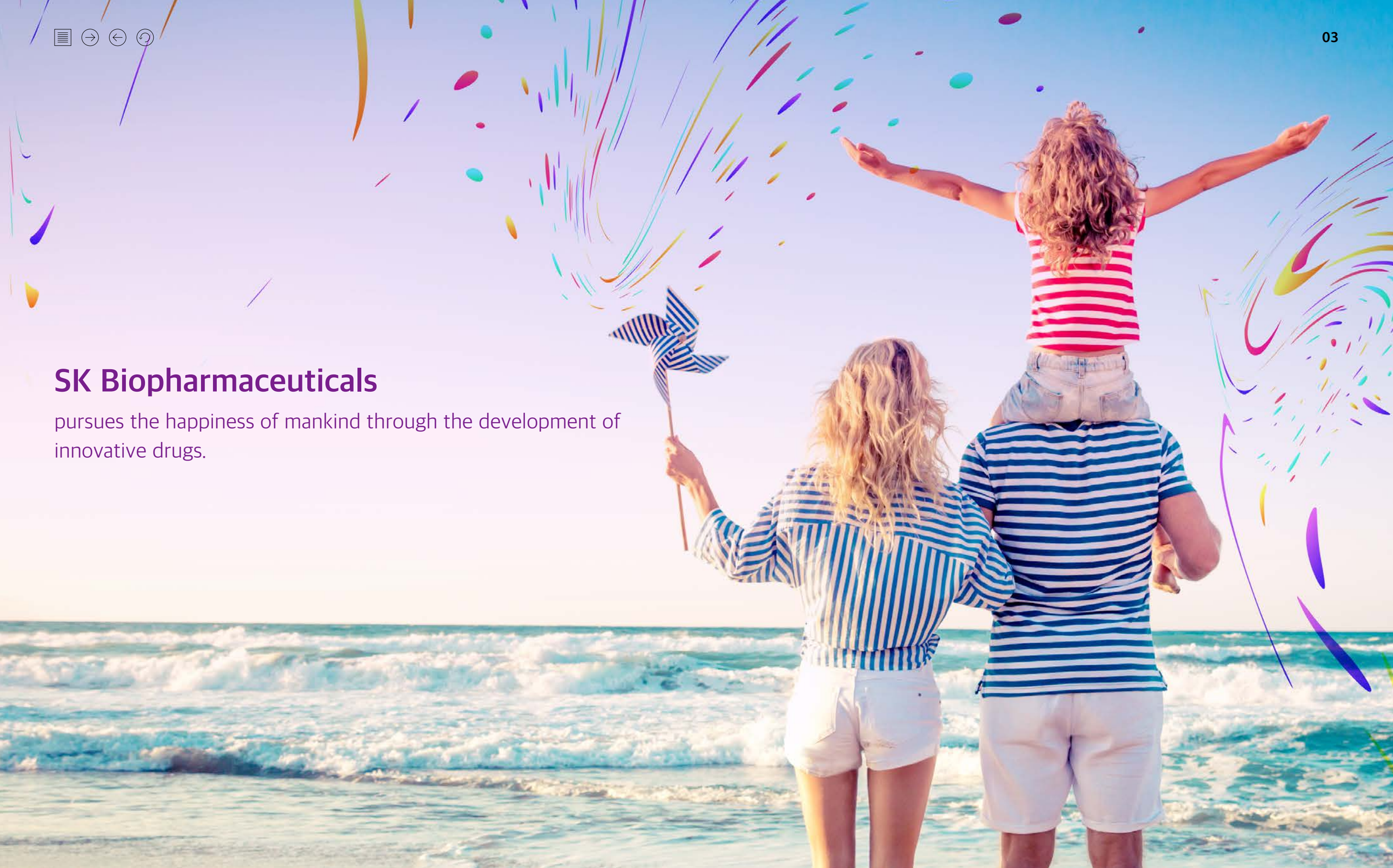
# SK Biopharmaceuticals

pursues the happiness of mankind through the development of innovative drugs.



# INTRODUCTION

CEO's Message

Company Profile

Product Information

R&D and Product Competitiveness

# CEO's Message

**We, at SK Biopharmaceuticals, have come a long way to achieve many breakthroughs and milestones, continuing our momentum as we look forward into the future for sustainable growth.**

Marking the 10th anniversary of the launch of SK Biopharmaceuticals last year, our company's sales surpassed 400 billion Korean won, a track record since our foundation. Our major achievements ranged from entering China, Asia's top pharmaceuticals market with our key anti-seizure medication cenobamate, following Europe and Japan, to posting US sales of KRW 78 billion.

All these - not to mention expanding our presence in top global four markets (the U.S., Europe, China, Japan) including via partnerships - happened in the face of hardship stemming from the COVID-19 pandemic. Also, SK Biopharmaceuticals introduced its "Financial Story" last year to renew our vision and commitment to our patients, communities and other various stakeholders as we seek to create social and economic value globally.

Our journey for the new age has just only begun. This year, we will advance our ESG (Environment, Social, Governance) management not only to further strengthen our internal capabilities and resources, but also our presence in the global market.

In the U.S., we will increase the rate of new prescriptions for cenobamate and become the No. 1 in both product and enterprise awareness in the new drug for epilepsy. In Europe, we will further launch cenobamate with our partner, Angelini Pharma, in addition to Germany, the United Kingdom, Italy, Sweden, Denmark, and Austria. We will also expand our global footprint by out-licensing cenobamate to South America, Australia, and other markets where unmet medical needs exist. We will accelerate the development of new drugs in various areas such as mental illnesses, brain tumors, and cancer by using our R&D capabilities accumulated in central nervous system diseases. Last but not least, we will move forward with the goal of providing total healthcare solutions ranging from disease prevention, treatment to diagnosis, and innovating our R&D platform for the development of new drugs as part of efforts to become a global healthcare company by 2030.

SK Biopharmaceuticals will strive to meet expectations and performance goals by adhering to our core values as a socially and environmentally responsible company and a partner as we set out to achieve 'Net-Zero' by 2040.

We have devised shared growth policies with our raw material suppliers, CMOs, and material purchasing companies, managing them in accordance with the global regulatory standards of the FDA and EMA.

We will enhance our ESG management to the highest level by expanding the scope of our practices to our U.S. subsidiary, as well as work with global rating agencies such as MSCI.

In February 2022, SK Biopharmaceuticals became the first South Korean company to join the Pharmaceutical Supply Chain Initiative (PSCI), a global non-profit organization that works with its members to improve global healthcare supply chains in order to preemptively respond to and manage ESG risks.

As a result of our many accomplishments, we generated KRW 41.3 billion by contributing to the global economy last year. We also generated KRW 109 billion in social value through cenobamate in the U.S.

We, at SK Biopharmaceuticals, will continue to work together with our patients, communities, and partners to provide innovative treatments, and improve the environment and society by addressing and solving problems as we seek to make a new leap forward.

SK Biopharmaceuticals CEO/President
**Jeong Woo Cho**

# Company Profile

SK Biopharmaceuticals has been striving to increase its customers' happiness and improve their quality of life by focusing on the development of innovative new drugs in the Central Nervous System (CNS) treatment field, especially treatment for epilepsy, targeting the global new drug market. SK Biopharmaceuticals was established in April 2011 through a physical spin-off from SK Inc., equipped with the capabilities for independent clinical development. After 2016, SK Biopharmaceuticals gained competitiveness as a Fully Integrated Pharmaceutical Company (FIPCO) by securing direct sales capabilities and organizations at the level of global competitors in the U.S. through intensive investments.

## Company Profile

As of December 31, 2021

| | |
|---|---|
| Company name | SK Biopharmaceuticals Co., Ltd. |
| Year of establishment | April 1, 2011 |
| CEO | Jeong Woo Cho |
| Location of Head Office | 221, Pangyoyeok-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea |
| Current status of the company's consolidated subsidiaries | SK Life Science, Inc., SK Bio-Pharm Tech Co., Ltd. |

## SK Biopharmaceuticals at a glance

As of December 31, 2021

**Sales** 418.6 billion KRW

**Net income** 64.8 billion KRW

**Assets** 643.7 billion KRW

**Number of employees**[1] 245

1) Based on its Head Office in Korea


## Global Network

SK Biopharmaceuticals is a fully integrated pharmaceutical company that conducts basic research to develop innovative drugs at the Life Science Research Institute in the Korean head office and is in charge of establishing and promoting company-wide strategies and business development. In addition, its U.S. subsidiary in New Jersey is directly carrying out global clinical development as well as marketing in the U.S. The Chinese subsidiary in Shanghai is also striving to secure opportunities for strategic alliances in the Asian market.

### ❶ SK Biopharmaceuticals Co., Ltd.

As the Main Office, SK Biopharmaceuticals establishes and executes company-wide strategies, develops businesses, identifies new drug candidates, and performs clinical development in Asia.

| | |
|---|---|
| Address | 8th Floor, Twosun Bldg., 221, Pangyoyeok-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea |
| Tel | +82-31-8093-0114 |
| Fax | +82-31-8093-0000 |
| Website | www.skbp.com |

### ❷ SK Life Science, Inc.

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

| | |
|---|---|
| Address | 461 From Road, 5th Floor, Paramus, NJ 07652, USA |
| Tel | +1-201-421-3864 |
| Fax | +1-973-227-4488 |
| Website | www.sklifescienceinc.com |

### ❸ SK Bio-Pharm Tech Co., Ltd.

Incorporated locally in Shanghai, China, SK Bio-Pharm Tech Co., Ltd. performs the tasks of securing business opportunities for the development of new drugs and obtaining relevant licenses.

| | |
|---|---|
| Address | Floor 61, SK Tower, 149 Youcheng Road, Pudong, Shanghai, China |
| Tel | +86-21-6081-9100 |

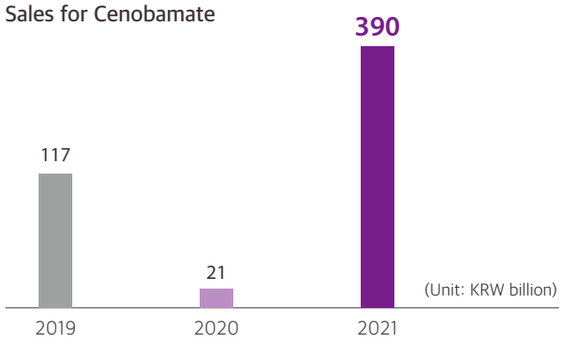
# Product Information

The central nervous system (CNS) field, a core research area of SK Biopharmaceuticals, is a large-scale market occupying third place in the ranking of all treatment fields. Having obtained its first approval from the U.S. Food and Drug Administration (FDA) for clinical trials of new drug candidates developed by it in 1996, SK Biopharmaceuticals released cenobamate (Product name: XCOPRI®), a drug for treating epilepsy, into the U.S. market in 2020, and is now selling Solriamfetol (Product name: SUNOSI®), a drug for treating sleep disorders, in the U.S. Based on its experiences in the successful development of cenobamate and Solriamfetol, SK Biopharmaceuticals will continuously focus its capabilities on finding effective substances in the CNS field and establish itself as a fully integrated pharmaceutical company (FIPCO) that will cover the entire process from exploring new drug candidates to marketing after their launch onto the market.

## Cenobamate
**(Product names: XCOPRI® (U.S.), ONTOZRY® (Europe))**

XCOPRI®, which was launched in the U.S. in May 2020, is a therapeutic drug that was developed independently by SK Biopharmaceuticals throughout the entire process from identification of new drug candidates to obtaining approval from the U.S. FDA. Cenobamate, a medication used for the treatment of partial-onset seizures, obtained marketing authorization from the European Medicines Agency (EMA) in March 2021 and was launched under the product name ONTOZRY® in June 2021 through Angelini Pharma, a partner company of SK Biopharmaceuticals. In addition, in order to advance into the Asian market, SK Biopharmaceuticals signed a technology transfer agreement with Ignis Therapeutics to grant commercialization rights in China for six new drugs, including cenobamate, in November 2021.

Sales for Cenobamate




## Number of prescriptions for XCOPRI® (TRx)

As of 23 months after launch,
about twice the average number of prescriptions among
three kinds of competing epilepsy drugs

**12,668TRx**


## Sales for XCOPRI®

As of the first quarter of 2022,
a growth of 2.7 times compared
to the previous year

**KRW31.7billion**


As of the second quarter of 2022,
obtained marketing approval from EMA

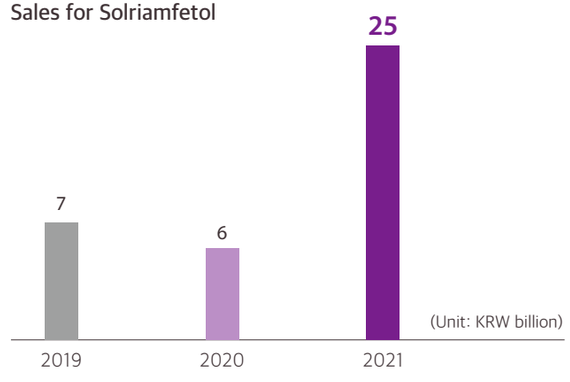
**to be sold in 8 countries in Europe:**

Germany, the United Kingdom, Austria, Sweden,
Netherlands, Italy, Denmark, Norway

## Solriamfetol
**(Product name: SUNOSI®)**

SUNOSI® is a prescription medicine used to improve wake- fulness in adults suffering from excessive daytime sleepiness due to narcolepsy or sleep apnea. Having obtained commercialization authorization from both the U.S. FDA and the EMA, SUNOSI® has been on sale in the U.S. market since 2019. In addition, SK Biopharmaceuticals obtained a license to sell SUNOSI® from the Canadian health authorities and started selling it in May 2021.

Sales for Solriamfetol



# R&D and Product Competitiveness

Technology innovation, securing value chain capabilities, and improving product competitiveness are very important issues that are directly linked to the sustainable growth of pharmaceutical companies. SK Biopharmaceuticals has built its capabilities for covering the entire process from discovering new drug candidates to conducting clinical trials, manufacturing drugs, and selling them, and is concentrating on the development of new drugs in the central nervous system field and the cancer treatment field, thereby continuously expanding the pipeline. By providing its customers with medicines with excellent efficacy and safety, SK Biopharmaceuticals is striving to improve their quality of life and increase the happiness of our society as a whole.

## Enhancement of R&D Capabilities

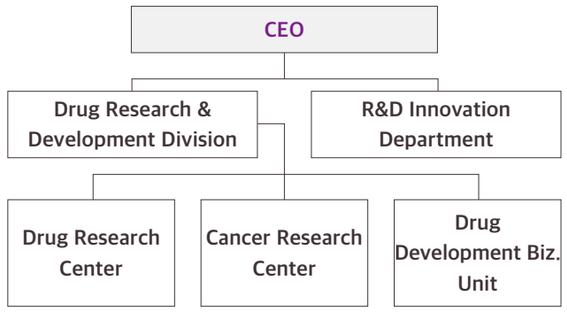
### R&D Approach

SK Biopharmaceuticals is not only pushing ahead with the development of new drugs for treatment in the central nervous system (CNS) field, including neurological and psychiatric diseases, the rare disease field and the cancer treatment field but also making relentless efforts toward the development of medicines that will contribute to public health by introducing external pipelines through open innovation and launching more products.

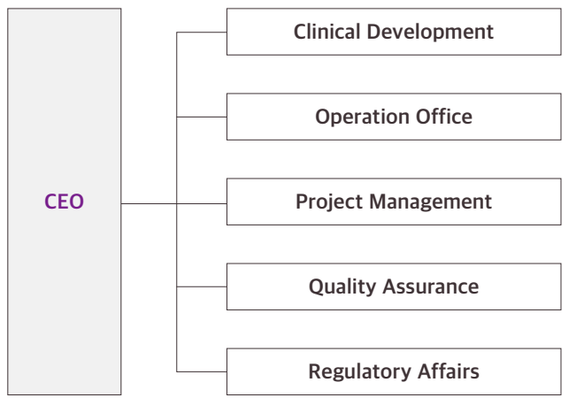
### R&D Implementation System

The R&D organization of SK Biopharmaceuticals is largely classified into the Drug Research & Development Division and the R&D Innovation Department. The Drug Research & Development Division is comprised of the Drug Research Center, the Cancer Research Center, and the Drug Development Business Unit. Currently, it has a total of 98 research personnel, including 37 doctorate holders, 57 master's degree holders, and 4 bachelor's degree holders, who are engaged in professional R&D. SK Life Science is in charge of global clinical trials and consists of 4 teams under the Clinical Development Division, 3 teams under the Operation Office, and 3 teams under the direct control of the CEO.

R&D Organization - SK Biopharmaceuticals




R&D Organization - SK Life Science




### Efforts to Innovate Research Capabilities

SK Biopharmaceuticals is promoting drug design using AI to shorten the new drug development lifecycle and improve the success rate. Having more than 30,000 compound libraries specialized in the central nervous system field and the cancer treatment field, we are improving the speed of identifying new drug candidates by continuously developing an AI-based drug design platform to analyze the compounds. Moreover, we plan to push ahead with the development of new drugs using the phenotype screening platform, predict the efficacy and side effects of various disease models at the clinical stage more accurately, and identify optimal new drug candidates. Based on this, we are conducting research to quickly select mechanism of drug action and major biomarkers[1] by analyzing the data of multi-omics(genome, Transcriptome, proteome, metabolome, epigenome, etc.) obtained during the new drug development process.

In addition, SK Biopharmaceuticals built an Electronic Laboratory Notebook (ELN) system in 2021 for quality improvement at the research and development (R&D) stage. As a result of introducing the CDD Vault, the ELN system, it is now possible to expect effects such as enhanced efficiency of research and increased productivity through real-time sharing of the R&D data, reinforcement of the data management functions, and systematization of the research history. The platform complies with the FDA's regulations for electronic signatures. Therefore, positive effects are also expected not only when responding to regulatory agencies but also during integrated data management in the future.

1) A parameter that serves as an indicator of a particular physiological state using DNA, proteins, etc.

### Current Status of R&D Promotion

**| Cenobamate**

SK Biopharmaceuticals has a competitive pipeline in the field of diseases that affect the central nervous system. Further research on cenobamate is being carried out in order to expand the prescription range beyond partial-onset seizures in adults, and phase 1 clinical trials were started for patients with partial-onset seizures between the ages of 2-17. In addition, phase 3 clinical trials were started for adult patients with generalized seizures in Europe and the U.S., and we plan to recruit children and adolescents for phase 3 clinical trials in the second half of 2022. Phase 3 clinical trials in Asia are being conducted sequentially in Japan and China after being started in South Korea in March 2021. In line with the expansion in the global marketing authorization, SK Biopharmaceuticals obtained EMA approval in Europe through Angelini Pharma in March 2021 (Product name: ONTOZRY®). Furthermore, we plan to establish Ignis Therapeutics in order to launch cenobamate in China, and push ahead with the development and commercialization of new drugs by exporting technology for 6 clinical tasks. SK Biopharmaceuticals concluded a technology export contract with Endo International in December 2021 in order to advance into Canada.

**| Solriamfetol**

Solriamfetol is being sold in the U.S. under the product name SUNOSI® through Axsome Therapeutics. In addition, SK Biopharmaceuticals plans to continue the development of new drugs for the Chinese market through Ignis Therapeutics in the future.

### | Carisbamate

As for carisbamate, undergoing clinical trials at present, the consultation for the phase 3 clinical trial with the FDA was completed at the EOP2 meeting (May 2021) based on the existing safety data related to partial-onset seizures and the results of the phase 1b/2 clinical trial for Lennox-Gastaut syndrome patients. Subsequently, the clinical trials were initiated through the submission of the clinical protocol to the FDA in January 2022.

### | Cancer treatment field

The Cancer Research Center established in 2017 is working on the development of drugs for the treatment of brain cancer based on its drug development capabilities in the area of the central nervous system. Among them, SKL27969 has been undergoing a phase 1/2 clinical trial after receiving FDA approval. The Cancer Research Center is not only collaborating with other excellent research institutes both at home and abroad to accelerate the development of new anticancer drugs but also concentrating on developing anticancer drugs that can overcome the limitations of existing standard treatments.

### | Development of other new drugs

Relenopride is a drug for neurological diseases. After the completion of phase 1 clinical trial, the technology was exported to Kinisi Therapeutics in the United Kingdom, a joint venture with Glycyx Therapeutics, and a drug development strategy for patients with rare neurological diseases and a phase 2 clinical trial is being prepared. The phase 1 clinical trial for SKL20540 has been completed in South Korea to develop a treatment for schizophrenia. SKL24741, our next drug for treating epilepsy, is currently undergoing phase 1 clinical trial, and the phase 2 clinical trial is scheduled for the second half of 2022.

### R&D Pipeline

| Research Project | Indication[1] | Preclinical | Phase 1 | Phase 2 | Phase 3 | Launch | Launch Year |
|---|---|---|---|---|---|---|---|
| Cenobamate | Epilepsy – partial seizures (U.S., Europe) | | | | | | 2020 |
| | Epilepsy – partial seizures (Asia) | | | | | | 2025 |
| | Epilepsy – generalized seizures | | | | | | 2025 |
| Solriamfetol | Neurological, Sleep disorders | | | | | | 2019 |
| Carisbamate | Rare epilepsy | | | | | | 2025 |
| SKL24741 | Neurological conditions, Epilepsy | | | | | | 2031 |
| SKL27969 | Anticancer | | | | | | 2028 |
| SKL20540 | Mental health | | | | | | 2031 |

| Research Project | Indication | Design[2] | Researcher | Exploration | Validation | Launch | Launch Year |
|---|---|---|---|---|---|---|---|
| Digital Therapeutics | Epilepsy, Medical device | | | | | | 2027 |

■ Completed ■ Performance in 2021 ■ Plan for 2022

### 2022 clinical milestones

**Epilepsy**

**Cenobamate**
- Continuing pediatric clinical studies
- Carrying out the recruitment of patients for phase 3 clinical trials in Asia
- Continuing phase 3 clinical trials for generalized seizures

**Carisbamate**
- Conducting phase 3 clinical trials

**SKL24741**
- Entering the stage of phase 2 clinical trials

**Other**

**Anticancer (SKL27969)**
- Conducting phase 1 clinical trials

**Mental health (SKL20540)**
- Conducting clinical PoC[3] research

## Product Competitiveness

Cenobamate, a drug used for the treatment of partial-onset seizures in epilepsy patients, is demonstrating its excellent efficacy on seizure-free effects. In particular, it contributes to improving the quality of life of patients with intractable epilepsy through the complete seizure-free rates of 28% and 21% each in the phase 2a and 2b clinical trials. The number of prescriptions (TRx) for XCOPRI® launched in the United States in 2020 has been steadily increasing. According to the quarterly results in 2020, the number of prescriptions for XCOPRI® significantly exceeded the number of prescriptions for existing antiepileptic drugs during the early days after their launch despite the re-spread of COVID-19 in the United States. In addition, a brand awareness survey[4] of drugs that are most effective in seizure freedom has found that the brand awareness percentage accounted for by XCOPRI® increased fivefold from 5% in 2020 to 25% in 2022. During the same period, the enterprise awareness percentage accounted for by SK Life Science also increased more than fourfold from 13% to 57%, thus showing its product competitiveness.

1) Diseases or symptoms for which therapeutic effects are expected on account of medicines and surgeries
2) In compliance with the clinical stage classification of medical devices stipulated by the Ministry of Food and Drug Safety (Researcher, Exploration, Confirmation)
3) Abbreviation for Proof of Concept, which means proof of drug efficacy
4) Follow-up surveys of 200 doctors in ATU Surveys 2020 and 2022 (self-survey results)

# A HEALTHY FUTURE FOR EVERYONE

SK Biopharmaceuticals Social Story

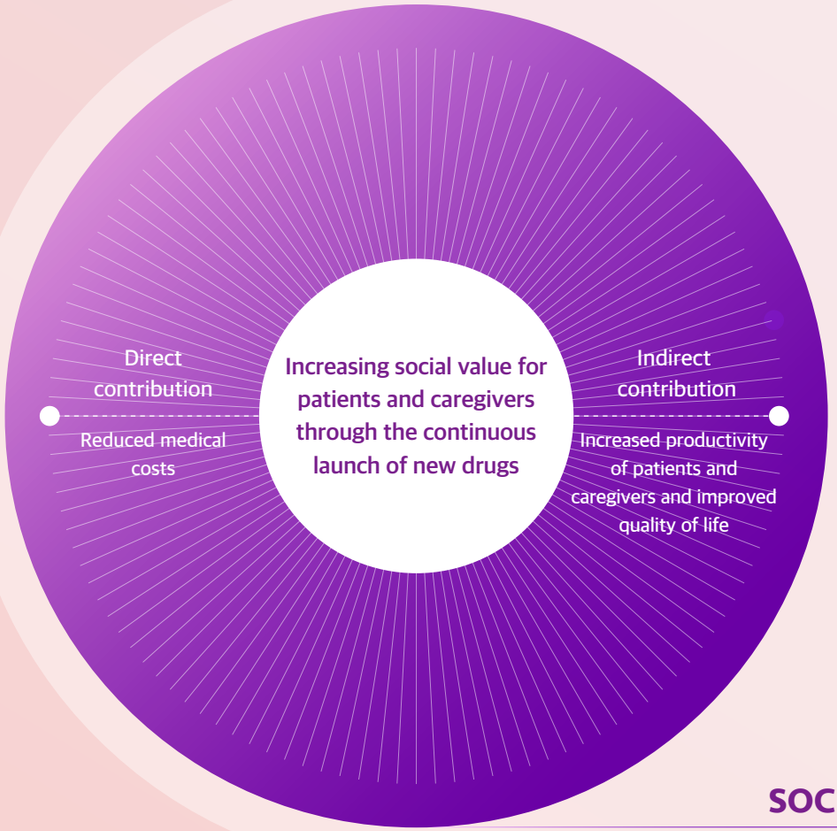
Creation of Social Value

Sustainable Governance

Sustainable Business Strategy

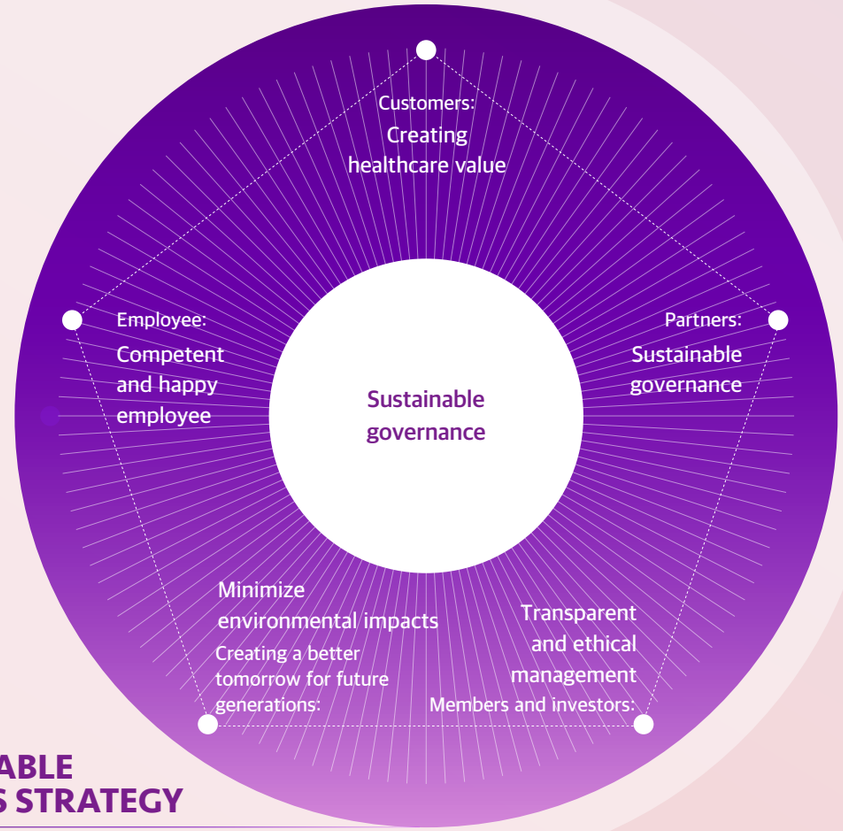
# SK Biopharmaceuticals aims to realize the happiness of all stakeholders by maximizing corporate value through ESG management.

As a global pharmaceutical company responsible for human health, we are committed to fulfilling our social role and practicing sustainable management to build trust with various stakeholders.
To this end, we, as a pharmaceutical company, actively utilize our new drug development capabilities to help solve various problems that patients and caregivers are facing. Based on board-centered sustainable management governance, we promote sustainable management strategies to realize the happiness of all stakeholders.




**SOCIAL VALUE**

+




**SUSTAINABLE BUSINESS STRATEGY**

**By taking on the complex mysteries of the brain, we make life better**

**VISION**

SK biopharmaceuticals

**PURPOSE**

**We believe there is more to life when you connect health with happiness**

SK Biopharmaceuticals started the research and development of innovative drugs in 1993 with the aim of improving the quality of life for patients and adding to their happiness. Since then, over the past 20 years, we have focused on developing new drugs with high efficacy and safety level focusing on the CNS therapeutic area, which for long has remained a challenging domain with many rare diseases to overcome.

As a solution provider for everyone's health and happiness, SK Biopharmaceuticals aims to create social value by expanding the range of beneficiary patients and caregivers through continuous launch of innovative new drugs and thereby improving everyone's quality of life.

Creating Social and Economic Value

## The pursuit of happiness for a healthy life

Realizing "Back to Normal" for patients suffering from various diseases

**The virtuous cycle of SK Biopharmaceuticals**

Improving the quality of life for patients and caregivers

The development of innovative new drugs

Taking new drugs

# SK Biopharmaceuticals Social Story

As a pharmaceutical company, SK Biopharmaceuticals is creating social value by utilizing its business and technological capabilities to help patients and caregivers solve various problems. The epilepsy medication cenobamate (Product name: XCOPRI®) especially helps improve the quality of life for patients and caregivers by controlling seizures in epilepsy patients and reducing additional medical costs.

## How many people suffer from epilepsy?

The number of epilepsy patients worldwide is estimated at about 65 million, which is 0.5% to 1% of the total population.[1] As of 2021, there are about 360 thousand epilepsy patients in the Republic of Korea, and 3 million patients in the U.S., where SK Biopharmaceutials actively engages in direct sales of XCOPRI®.

Epilepsy is a condition that occurs repeatedly through a complex outbreak process with various causes, and patients with epilepsy have difficulty in their daily lives suffering from seizures due to the nature of the disease. Patients face economic and psychological burdens that arise from the long period of prevalence and need for intensive care and are ultimately deprived of an otherwise normal day to day activities due to social prejudice and the stigma against seizures.[2]

It is also a disease that is in urgent need of treatment due to the risk of accidents and other complications such as falls, drowning, driving accidents, depression, anxiety, and Sudden Unexpected Death in Epilepsy (SUDEP).[3]


**3 Million**

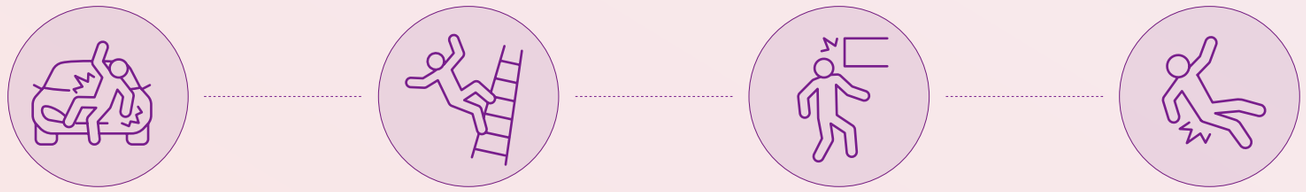
American adults suffer from epilepsy, and 60 percent of them suffer from partial-onset seizures.

### The difficulties experienced by epilepsy patients cause the following social and economic problems.

Compared to the general population, epilepsy patients are more likely to suffer from

- Restricted employment opportunities[4] — **3x**
- Deprived educational opportunities[4] — **2x**
- Difficulty in social interactions[4] — **2x**

### They are also more likely to encounter life-threatening situations due to epilepsy.




1) Epilepsy Foundation. Facts about Seizures and Epilepsy. Accessed on November 20, 2018.
2) Allers K, et al. BMC Neurol. 2015; 15:245.
3) Epilepsy Foundation. Learn. Accessed on April 2, 2019.
4) SK Life Science. The STEP Survey. 2019.

## The life of patients and caregivers changed through XCOPRI®

SK Biopharmaceutical's epilepsy drug shows a high level of complete recovery from incidence of seizures or significant reduction in the frequency of seizures. Based on the results of clinical trials conducted at the time of FDA approval in the U.S, 2019, participants who took our epilepsy medication had a decreased incidence of partial-onset seizures, and some of them experienced a complete recovery from incidence of seizures.[1)]

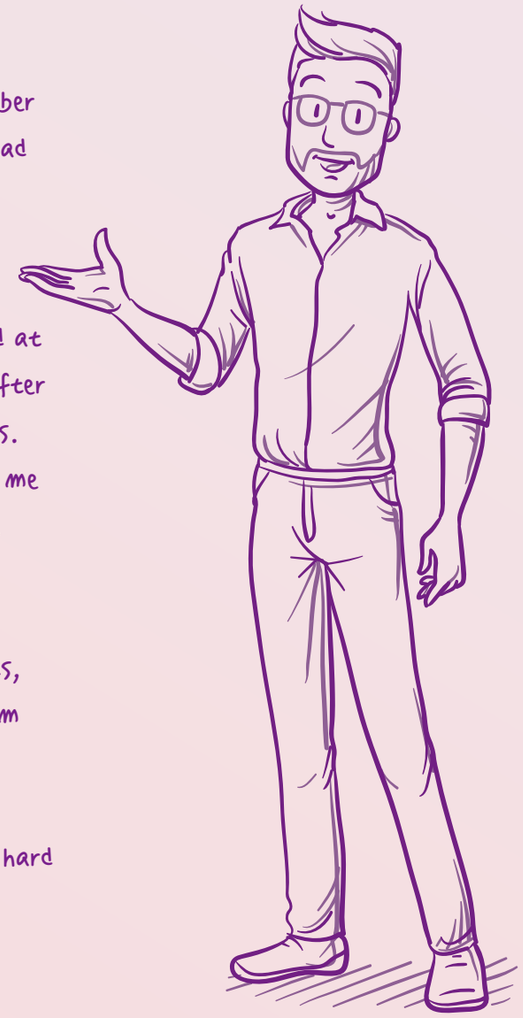
The life of patients and caregivers can be improved by taking this excellent medication for epilepsy. Based on data from the U.S., where we sell epilepsy medication, the economic effect of curing diseases through medication amounts to 91,961 USD per year per epilepsy patient and caregiver. This economic effect is calculated by monetizing the reduction in medical expenses for epilepsy patients, the increase in income for patients and caregivers, and the value of daily life.

### Per Epilepsy Patient and Caregiver

| Reduction of annual medical expenses | Increase in income | Increase in value of everyday life |
|---|---|---|
| | Reversing productivity decrease from frequent absenteeism, vacations, and accumulated fatigue due to epilepsy | Value of activities in daily life, such as housework and leisure activities |
| **50,854**[2)] USD | **33,538**[3)] USD | **7,569**[4)] USD |

1) Results of adding SK Biopharmaceutical's epilepsy medication to drugs taken by participants in a clinical study conducted over 18 weeks to treat partial onset seizures (6 weeks optimal period and 12 weeks maintenance period)
2) Cramer JA, et al. Healthcare Utilization and Costs in Adults with Stable and Uncontrolled Epilepsy. Epilepsy Behav. 2013.
3) GNI (World Bank) and U.S. Department of Labor, 'Epilepsy and Seizure' academic material
4) U.S. Department of Labor, 'Epilepsy and Seizure' academic material

## Story of a Patient with Epilepsy



My first seizure happened in the shower when I was 13. I don't remember much, but I do remember how embarrassed I was when I learned my dad dressed me before the ambulance came.

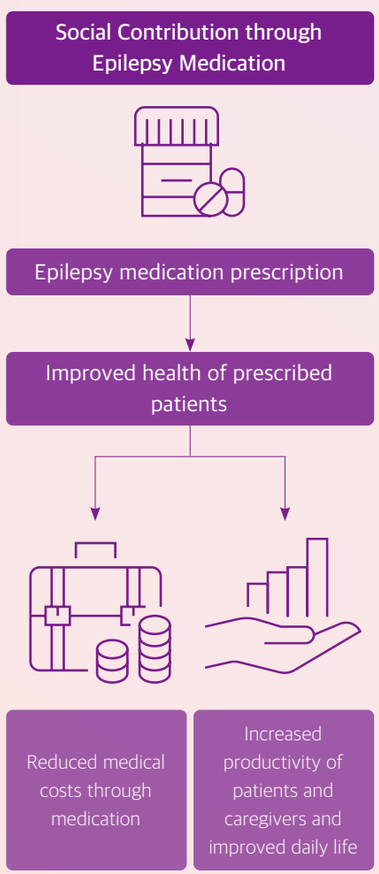
That day changed me. In an instant, I went from being an awkward teenager who played lacrosse and dreamed about working with my dad at the firehouse, to an awkward teenager with partial onset seizures. After high school, I still had seizures, even after trying multiple treatments. They stole my independence, put an end to playing sports, and stopped me from getting my driver's license. What's worse, my dream of being a firefighter was over.

My seizures revealed a lot. Who I can count on: my family, my friends, this farm, and who I couldn't. They showed me what I'm made of. I'm resilient, I'm resourceful, and I'm not a quitter.

Life is different now. Every day I rise with the sun and put in a long hard day's work. I support my family. That feels good. I've waited a long time for this. But it was worth fighting for.

## Creation of social value through the development and sales of epilepsy medication

SK Biopharmaceuticals measures and manages in monetary terms the achievements that have contributed to solving various problems experienced by epilepsy patients and caregivers with the development and sale of epilepsy medication. Through this, we are able to pursue a business model based on creation of social value and maximize such creation of social values by effective performance management.




| Social Contribution through Epilepsy Medication | Improving the quality of life of patients and guardians | | 2021 Performance[1] |
|---|---|---|---|
| | Reduction in healthcare cost[2] | Reduced medical expenses related to other health care costs (Epilepsy patients spend 52% more on healthcare than the general individual) | 17.8M USD |
| | Increased patient productivity[3] | Contribution to epilepsy patients' economic activities and their active participation as members of society in the job market discriminative of physical illness | 22.3M USD |
| | Increased caregiver productivity[4] | Improving salary levels and reducing the time and energy required by caregivers whose quality of employment and labor had been degraded relative to the general individual | 39.5M USD |
| | Improvement of the patients' living standards[5] | Reducing the time and energy consumed by seizures and eliminates restrictions on daily activities (exercise, participation in groups, etc.) of patients compared to the general public | 5.4M USD |
| | Improvement of caregivers' living standards[6] | Reducing the time and energy required for care and eliminates restrictions on daily activities (exercise, participation in gatherings, etc.) of caregivers compared to the general public | 10.3M USD |

Social Value Created by XCOPRI® in 2021 in the U.S.

**95.3M** USD

1) The figures were calculated based on the clinical usefulness and sales performance of SK Biopharmaceuticals epilepsy medication identified through clinical trials and may vary depending on the medication.
2) Cramer JA, et al. Healthcare Utilization and Costs in Adults with Stable and Uncontrolled Epilepsy. Epilepsy Behav. 2013.
3) GNI (World Bank) 'Epilepsy and Seizure' academic material
4) GNI (World Bank) and U.S. Department of Labor, 'Epilepsy and Seizure' academic material
5) U.S. Department of Labor, 'Epilepsy and Seizure' academic material
6) U.S. Department of Labor, 'Epilepsy and Seizure' academic material

# SK Biopharmaceuticals' innovative drugs will continue to give hope to patients around the world.

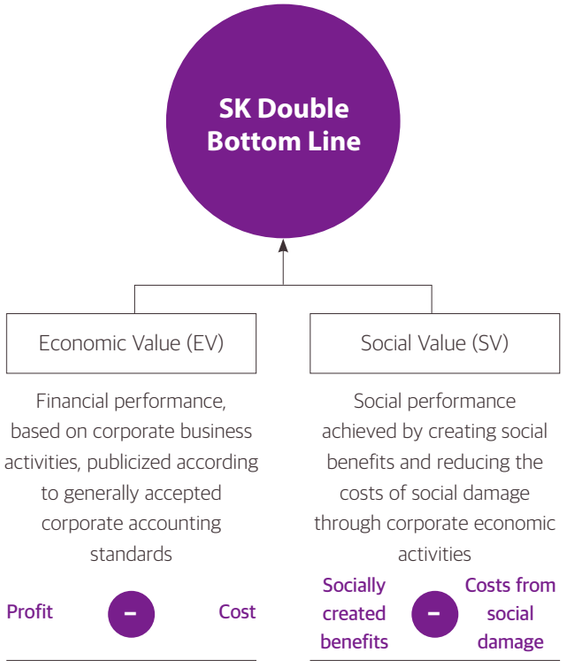
Starting with sales in the U.S. market, SK Biopharmaceutical's epilepsy medication XCOPRI® continues to expand into European and Asian markets. In addition, we will fulfill our social responsibility as a pharmaceutical company to improve equal access to medicines by pushing for out-licensing in Latin American countries while promoting healthy recovery and patients' and caregivers' return to their daily lives through our innovative drugs.

# Creation of Social Value

SK Biopharmaceuticals measures not only financial performance generated from economic activities, but also social value creation performance stemming from the characteristics of the business, such as improvement of patients' health and quality of life, and a win-win performance with members and local communities. Through this, we aim to manage the annual achievements toward which we have worked hard to ensure the happiness of all stakeholders and to disclose performance data transparently.

## Introduction to SK DBL

SK Group aims to grow with society by pursuing Economic Value (EV) and Social Value (SV) together in all our business activities. SK Group promotes differentiated management and refers to "Double Bottom Line" (DBL) as creating and managing social values by solving social problems and pursuing the happiness of all members, as well as increasing financial achievements created by companies through business activities.




## 2021 Results of Social Value Measurement

SK Biopharmaceuticals fulfills its social role as a global pharmaceutical company responsible for human health and cooperates with various stakeholders to create a better tomorrow. In 2021, we created a total of 152.1 billion won in social value by improving the quality of life for patients and caregivers through sales of XCOPRI® and social responsibility activities to respond to COVID-19.

Economic Performance: Indirect Contribution
**41.3**
**billion KRW**

### Economic Performance in Terms of Indirect Contribution

Economic achievements that make indirect contributions to society through corporate economic activities

- **Employment performance:** Performance through employment of employees and provision of salaries
- **Tax performance:** Taxes paid to the tax authorities in the area where the business is operated


(Unit: billion KRW)

Environmental Performance
**-0.16**
**billion KRW**

### Environmental Performance

Environmental achievements from development of products/services, production, and sales

- **Environmental process performance:** Reduction of GHG emissions, waste, water usage, etc., produced during the operation of the business


(Unit: billion KRW)

Social Performance
**111**
**billion KRW**

### Social Performance

Social achievements that have occurred through the development of products/services, production, and sales, and contribution to society through additional social activities

- **Product/service performance:** Improvement of quality of lives for patients and caregivers after taking epilepsy medication
- **Labor performance:** Improvement of the working environment, such as ensuring the safety/health of employees and promoting work-life balance
- **Shared growth performance:** Performance through cooperation, such as financial/technical support for partner companies and fair trade promotion
- **Social contribution performance:** Socioeconomic support for socially vulnerable groups, distribution of Happy Narae profits, and employees' volunteer activities


(Unit: billion KRW)

# Sustainable Governance

SK Biopharmaceuticals has secured the driving force to achieve the mid-to-long-term ESG goals by establishing a sustainable management system centered on the Board of Directors, its highest decision-making body. We also aim to make the stakeholders' needs and demands important criteria in all decision-making processes based on the expertise, independence, and transparency of the Board of Directors. Furthermore, through the ESG Office, a consultative body directly under the CEO, we carry out strategic ESG activities based on close cooperation with relevant parts.

## Sustainable Governance

SK Biopharmaceuticals operates an ESG management system to clarify its roles and responsibilities in the area of sustainable management and to secure the driving force to achieve the mid-to long-term ESG goals. The chief officer of ESG management is the CEO, who receives reports on detailed ESG tasks performed by the relevant parts working with the ESG Office, a consultative body under the direct control of the CEO. Moreover, the ESG/Strategy Committee was created within the Board of Directors in 2021 to establish an organizational system that enables active responses to ESG-related risks and opportunities. The ESG/Strategy Committee performs deliberations on corporate financial and non-financial strategic approach and implements action plans to promote social value and resource allocation decisions for ESG management. Governance issues are addressed by the Governance Committee consisting of all outside directors to ensure the independence of the governance system.

Furthermore, the ESG Office, led by the Strategy Team of the Corporate Strategy Department under the Strategy & Investment Division, carries out activities to achieve mid-to long-term ESG goals, implements measures to address strategic ESG challenges, discloses information, and manages internal data and performance to communicate with external stakeholders.

### 2021 ESG/Strategy Committee Key Decision Points

- Review of the 2021 Sustainability Report
- Establishing Company-wide Annual Targets (KPIs)
- Status of Open Innovation
- Resolution on the 12th (2022) Short-term Management Plan

### Sustainable Management System


## Strengthening ESG-based Decision-Making Frameworks

SK Biopharmaceuticals internalized ESG in its business decisions in 2021, integrating ESG elements to the KPIs set for the executives and ESG-related parts to maximize sustainable corporate value. The CEO, who is the chief executive officer of ESG management, sets KPIs for ESG-related parts and executives, and ESG management performance is also reflected in the CEO's KPIs. SK Biopharmaceuticals will continue monitoring ESG management performance until 2023, and the Board of Directors will vote on the system of management evaluation and remuneration related to ESG.

### ESG-based KPI Coverage

- 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 stakeholders
- External disclosure of ESG information and response to external evaluations

# Sustainable Business Strategy

SK Biopharmaceuticals pursues the happiness of all mankind through the development of innovative drugs and strives to pursue mutual growth with stakeholders. To this end, we have selected five key areas for sustainable management to be carried out until 2023. We also identified key objectives to achieve in each strategic area. In the future, we will lay the foundations for maximizing corporate value with a growth story based on ESG management and communicate the related outcomes transparently to our stakeholders.

## Introduction to Sustainable Business Strategy

### SK Biopharmaceuticals 2023 SUSTAINABLE BUSINESS STRATEGY

| Key Areas | Customers | Business Partners | Employees | Members and Investors | Future Generations |
|---|---|---|---|---|---|
| | Creating Healthcare Value | Sustainable Partnerships | Competent and Happy Employees | Transparent and Ethical Operations | Minimizing Environmental Impacts |
| **Strategic Approach** | • Maximizing social values by strengthening technology competency and business competencies<br>• Establishing a solid position as a global leader in the field of central nervous system treatment | • Reinforcing business competencies by refining the process of managing ESG risks, including quality and safety of CMOs[1], the core value chain of SK Biopharmaceuticals | • Preparing the basis to maximize corporate values by talent attraction, retention, and development, in consideration of the pharmaceutical industry where the dependency on outstanding human resources is high | • Minimizing corruption and compliance risks and enhancing reliability in the capital market through transparent communication with stakeholders | • Securing sustainability of the business by minimizing environmental impact |
| **Goals** | • Creating social value through new drugs<br>• More than doubling the number of launch countries compared to 2020<br>• Establishing pricing policies to increase access to healthcare | • Request signatures from business partners to ensure their compliance with the Partners' ESG Guidelines<br>• Recommendation for major partners to conduct an ESG risk assessment | • Improvement of the recruitment process to secure talented individuals<br>• Providing the job expertise programs and training programs for employees | • Achieving 100% completion rate of anti-corruption and ethical education for employees<br>• Enhancing the Board of Directors driven compliance and audit systems<br>• Enhancing the sophistication of public disclosures to communicate with shareholders and increase transparency<br>• Establishing an anti-corruption and compliance inspection system for subsidiaries and partners | • Achieving Net-Zero in GHG emissions by 2040<br>• Reducing the intensity of hazardous wastes by 5% compared to 2020 |

1) Contract Manufacturing Organization

## Implementation Status of Strategic Tasks

* IN PROGRESS ✓ COMPLETE

| Key Areas | Goals (by 2023) | 2021 Achievements | Progress* | Future plan | Report Page | Contribution to UN SDGs |
|---|---|---|---|---|---|---|
| **Creating Healthcare Value** | Creating social value through new drugs | • Operation of Patient Assistance Program[1] to increase product accessibility | ↻ | • Improvement of program effectiveness by segmenting the low-income sections that are the beneficiaries of the program | 32 | [3.8] Achieve Universal Health Coverage (UHC), including protection from financial risk, access to quality essential health care services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all |
| | | • Establishment of Research Ethics Regulations (August 2021)<br>– Set the management approach to address the environmental and social issues that may arise during the research and development of new drugs | ↻ | • Establish a detailed roadmap for deriving and minimizing bioethics risks | 34 | |
| | More than doubling the number of launch countries compared to 2020 | • Launch in the European market (June 2021, Product name: ONTOZRY®)<br>• Export of technology to China and Canada (December 2021)<br>• Export of technology to Japan (October 2020) | ↻ | • Set goals and continuously promote activities regarding the target diseases and market expansion | 31 | |
| | Establishing pricing policies to increase access to healthcare | • Established Healthcare Accessibility Policy (June 2021) | ✓ | • Establishing a price policy for the U.S. market in consideration of social responsibility (end of 2022) | 32 | |
| **Sustainable Partnerships** | Request signatures from business partners to ensure their compliance with the Partners' ESG Guidelines | • Established and distributed the Partners' ESG Guidelines | ↻ | • Proceed with mutual consultation to get signatures from 100% of partners regarding the Partners' ESG Guidelines | 40 | [17.16] Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries |
| | Recommendation for major partners to conduct an ESG risk assessment | • Defined ESG management areas for partners<br>– Four areas: Ethics, Labor/Human Rights, Health/Safety, and the Environment | ✓ | | 40 | |
| | | • Distribution of questionnaires to assist partners with ESG management | ↻ | • Implement supply chain assessments for key suppliers<br>• Perform preliminary ESG evaluation when selecting new suppliers | 41 | |
| **Competent and Happy Employees** | Improvement of the recruitment process to secure talented individuals | • Recruitment of talented individuals using online channels in consideration of COVID-19<br>• Establishment of a collaborative relationship with graduate laboratories to attract experts in the central nervous system and cancer treatment fields | ↻ | • Establish a strategic recruitment plan to secure talented individuals and strengthen talent retention programs | 36 | [4.4] By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship |
| | | • Conduct a Culture Survey (for employee satisfaction and engagement) | ↻ | • Disclosure results of the Culture Survey and suggest specific improvement activities | 38 | |
| | Providing the job expertise programs and training programs for employees | • Provide learning support through the SK Group training platform mySUNI<br>– Provide training on finance, accounting, marketing, and ESG<br>• Support for overseas training and customized education programs in connection with job competency | ↻ | • Establishment and implementation of SKBP's talent development system | 36 | |

1) Program to provide free XCOPRI® products for low-income customers who are not covered by health insurance in the U.S.

## Implementation Status of Strategic Tasks

* IN PROGRESS ✓ COMPLETE

| Key Areas | Goals (by 2023) | 2021 Achievements | Progress* | Future plan | Report Page | Contribution to UN SDGs |
|---|---|---|---|---|---|---|
| **Transparent and Ethical Operations** | Achieving 100% completion rate of anti- corruption and ethical education for employees | • Conduct online ethics management training and ethics practice workshops for all employees at least once a year<br>– 100% training completed by all employees, including contract workers | ✓ | | 56 | [16.5]<br>Substantially reduce corruption and bribery in all their forms<br><br>[16.7]<br>Ensure responsive, inclusive, participatory and representative decision-making at all levels |
| | Enhancing the Board of Directors driven compliance and audit systems | • Held the Board of Directors meetings a total of 10 times and the Audit Committee meetings 6 times in total<br>• Operation and inspection of the self-regulating system at the group level | ↻ | • Held the BOD meeting once a month<br>• Establish an annual audit plan and get it approved by the Audit Committee<br>• Fully preparing all regulations, such as internal audit regulations and the report processing procedures | 51-52 | |
| | Enhancing the sophistication of disclosures to communicate with shareholders and increase transparency | • Disclosure of the Corporate Governance Charter | ✓ | | 54 | |
| | | • Announcement of convening the general meeting of shareholders two weeks prior to the meeting date<br>• Disclosure of the Business Report and Audit Report prior to the general meeting of shareholders | ↻ | • Disclosure of the Corporate Governance Report<br>• Enhance disclosure practices such as disclosures in English | 62 | |
| | Establishing an anti-corruption and compliance inspection system for subsidiaries and partners | • Establishment of an ESG assessment plan for the supply chainn<br>– Management of supply chain risks regarding anti-corruption and compliance through PSCI activities | ↻ | • Implement ESG evaluation for key suppliers<br>• Implement preliminary ESG evaluation when selecting new suppliers | 41 | |
| **Minimizing Environmental Impacts** | Achieving Net-Zero in GHG emissions by 2040 | • Setting mid- to long-term goals and establishing short-term implementation plans for the Carbon Neutrality plan<br>• Through the adoption of K-RE100, 973 MWh of electricity, which is 54% of the annual power usage, is supplied from renewable energy sources | ↻ | • Continuous identification and implementation of GHG emissions reduction items by emission source (Scope 1, 2, 3)<br>• Establish preliminary review procedures for new investments | 25 | [13.2]<br>Integrate climate change measures into national policies, strategies, and planning |
| | Reducing the intensity of hazardous wastes by 5% compared to 2020 | • Reviewed the feasibility of applying the chemical substance management system<br>• Revised the waste management procedures and manual | ↻ | • Plans to publish ESG reports on chemical substances statistics and expand scope of management | 28 | [12.5]<br>By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse |
| | | • 14% year-on-year reduction (49 tons in 2020 and 42 tons in 2021) | ↻ | • Implement an in-house campaign on waste reduction<br>• Continue waste reduction performance management | 28 | |

# ESG PERFORMANCE & PROGRESS

Environmental

Social

Governance

# ENVIRONMENTAL

As an international consensus on the need to respond to the climate crisis has been formed, related regulations are being strengthened, and investors are urging companies to disclose information on the measures they have taken to mitigate climate change and engage in responsible investment activities. In order to prepare for this, each country is establishing a roadmap to Carbon Neutrality, and leading this trend, SK Biopharmaceuticals has established a roadmap to achieve Net-Zero by 2040. By responding to climate change, we will make sincere efforts to ensure not only the future health of our customers but also that of everyone else.

## 2021-2022 Highlights

Establishment of climate change goals (Scope 1 and 2 emissions)

**NET-ZERO**

by 2040

GHG emissions intensity (Scope 1 and 2 emissions)

**3.22**

$tCO_2e$/KRW billion

Global environmental management system (May 2022)

**ISO 14001**

certification obtained

## Our Approach

SK Biopharmaceuticals has established intermediate goals of reducing Scope 1 and 2 emissions by 33% as compared to 2020 and is pushing ahead with Scope 3 emissions reduction activities with the goal of achieving Net-Zero by 2040. Accordingly, we have been carrying out direct emissions reduction activities since 2022, and are planning to promote GHG emissions reduction and management activities throughout the supply chain by building an inventory for Scope 3 emissions. In addition, we will mitigate the environmental impact arising from our business activities through the ISO 14001-based environmental management system and carry out various activities to strengthen eco-friendly operations.

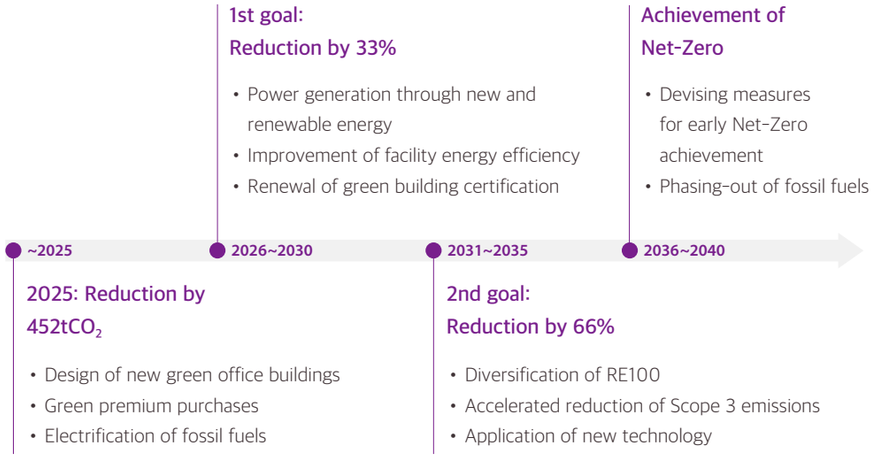
# Responses to Climate Change

## GHG Emissions and Responses to Climate Change

### 2040 Net-Zero

Sharing the serious threat of climate change and the justification for responding to it with employees, SK Biopharmaceuticals has set the goal of reducing net GHG emissions to "0" by 2040 through the joint Net-Zero declaration within the SK group. A total 973MWh of electricity, equivalent to 53% of the annual electricity usage, was supplied from renewable energy sources through K-RE100 in 2021, and we plan to achieve Net-Zero in Scope 1 and Scope 2 GHG emissions through direct emissions reduction activities being promoted starting 2022. We plan to carry out emissions reduction efforts throughout the supply chain, working with suppliers in the process of achieving the Net-Zero.[1)]

2040 Net Zero Roadmap




1) In order to achieve Net-Zero, Scope 3 categories related to the pharmaceutical industry were set to No.1~7, and No. 11. We built a Scope 3 GHG inventory for 2021 in May 2022 and also intend to manage GHG emissions in all areas of Scope 3 in the future.

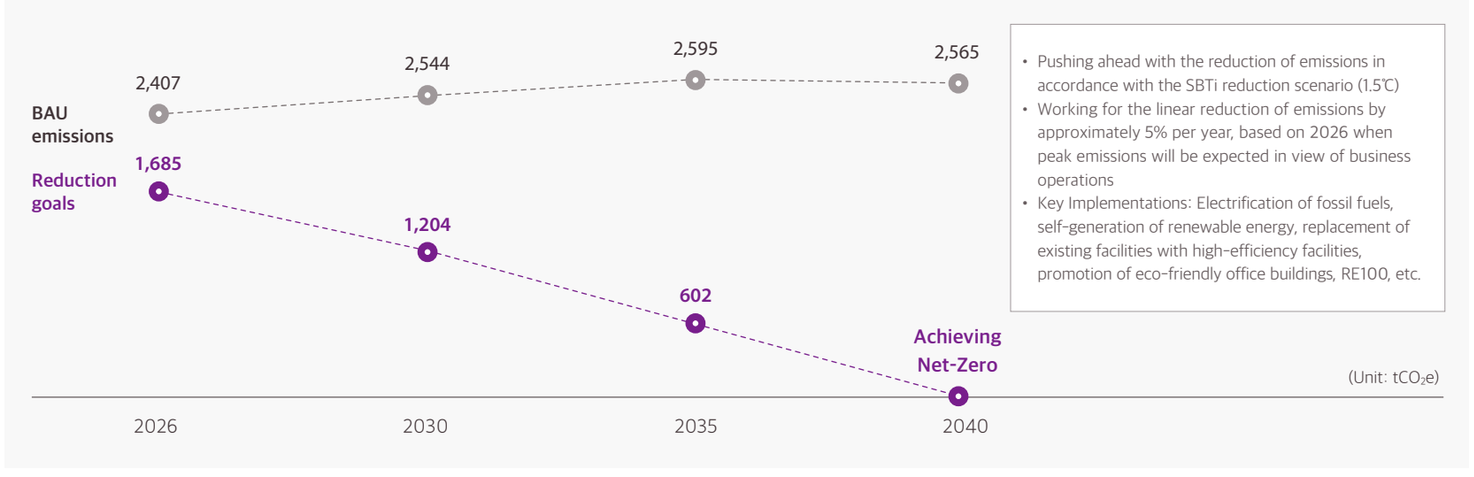
### Plan for Reduction of GHG Emissions

Direct GHG emissions due to boiler operation in office buildings (Scope 1) and indirect GHG emissions due to the use of electricity at our workplaces (Scope 2) are SK Biopharmaceuticals' main sources of GHG emissions. In order to achieve the Net-Zero goals, we have reviewed methods to reduce emissions directly and offset emissions through eco-friendly investments. In this regard, we established mid-term and long-term plans to phase out fossil fuels and change over from all sources of electricity to renewable energy. In the case of boilers, we are striving to prevent increases in the generation of GHG emissions due to abnormal boiler operation by carrying out overall inspections every year. We are also operating the heating and cooling equipment appropriately in order to prevent GHG emissions due to excessive heating and cooling. Third-party verification of GHG emissions data was carried out in 2022, and we intend to carry out systematic GHG inventory management through continuous calculation and verification of GHG emissions.

### Management of Energy Consumption

LNG consumption for the boilers and electricity use for the heating and cooling equipment in our workplaces are the major sources of energy consumption. We are making continuous efforts to manage energy consumption, such as by conducting daily inspections on equipment efficiency and energy use reduction. In order to ensure the high-efficiency operation of boilers, their high/low-combustion status is classified and recorded, and energy use is continuously managed by setting the equipment based on the data. In addition, by monitoring the monthly trend of Scope 1 emissions, we are pushing ahead with regular boiler management to prevent energy loss.

Plan to Achieve Net-Zero



# Mitigation of Environmental Impact

Taking the impact of business management activities on the environment into account, SK Biopharmaceuticals is carrying out various activities to minimize the environmental impact of business operations. Our wastewater and waste disposal facilities are managed legitimately under the strict supervision of the relevant parts. Moreover, we have equipped with a systematic environmental management system in accordance with Safety, Environment, and Health Policy, as well as are making efforts to reflect eco-friendly elements in business operations.

## Reducing Environmental Impact

### Establishment of an Environmental Management System

SK Biopharmaceuticals operates an environmental management system based on ISO 14001, a global level environmental management system certification, to manage the environmental impact of products and services that may occur throughout our business. Responsibilities for environmental management and decision-making are assigned at the Board of Directors level, and the ESG/Strategy Committee is in charge of developing strategies and resolving major management issues related to ESG activities. In addition, we reflect possible costs in corporate value estimation or contract conditions through due diligence for identifying potential environmental risks. Furthermore, the management system for water used and wastes discharged from business operations is operated under the leadership of dedicated personnel of the SHE (Safety, Health, and Environment) part. In particular, it has been stipulated that, if any risk related to the waste disposal process is detected, it should be reported to the SHE part. We have established a process to report such cases to the competent authority in accordance with relevant laws and regulations.

### Establishment of Safety, Environment, and Health Policy

SK Biopharmaceuticals established its Safety, Environment, and Health Policy in June 2021, and we are now strengthening compliance company-wide. The policy was established to announce our determination to promote environmental management internally and externally and to suggest a consistent policy direction by taking into consideration its corporate management values and beliefs, the ISO 14001 requirements, and stakeholders' opinions. To promote compliance with the policy, we consider safety, environment, and health as the top priority in all research activities, and plan to continuously upgrade the environmental management system by monitoring the implementation of the policy and reflecting improvements.

**Safety, Environment and Health Policy**

1 Compliance with the relevant laws and regulations and implementation of the policy

2 Innovation to provide environmentally friendly services

3 Creation of a safe research environment and organizational culture

4 Identification and improvement of risky behaviors

5 Providing support for the safety, environment and health of stakeholders

6 Communication and cooperation with stakeholders

### Environmental Management System

SK Biopharmaceuticals acquired the environmental management system certification (ISO 14001) for its head office in May 2022. Through this certification, we plan to manage environment-related risks efficiently by undergoing formal certification audits (every 3 years) and follow-up surveillance audits (every year) by external independent organizations. Based on this environmental management system, we identify, evaluate, manage, and improve environmental issues systematically to minimize the environmental impact of business operations.

### Environmental Accident Response System

SK Biopharmaceuticals seeks to minimize damage by establishing company-wide emergency response policies and procedures in consideration of environmental accident scenarios that may occur during the processes of managing water resources and wastes, such as pollutant leaks and fires. In addition, by conducting environmental accident response training centered on the facility management part, we are striving to prevent any negative impacts on local communities.

### Environmental Investment

To operate an eco-friendly business, SK Biopharmaceuticals continues to invest in various environmental facilities at its head office. In the first half of 2021, measures were taken against deterioration of the facility through the works of improving boiler facilities and preventing water leaks, and repair work was carried out in advance on the wastewater storage facilities with thermal deformation in order to prevent accidents. we are strengthening the management of environmental facilities through inspections and minimizing environmental impact across our business operations through continuous investments.

**Environmental Investment Activities**

| | |
|---|---|
| **Improvement of the boiler facilities** | • Period of construction work: May 2021<br>• About KRW 23 million was invested to promote the improvement of the aging facilities, such as for the prevention of water leaks in the boiler room. |
| **Repair work on the wastewater storage facilities** | • Period of repair work: April – May 2021<br>• About KRW 16 million was invested in the repair work on the thermally deformed facilities, piping, etc. |

## Management of Water Resources

SK Biopharmaceuticals recognizes the importance of managing water resources and strives to use the water resources in an efficient manner. The present conditions and abnormality of both the water supply and drainage facilities are understood through active management of water usage, and the wastewater pipeline infrastructure has been supplemented to prevent leakage and to contribute to water circulation and the aquatic ecosystem as a whole. In order to minimize the organic matter content in wastewater, solvent wastes are separated from wastewater thoroughly during experiment processes, thereby minimizing the number of chemicals consumed in wastewater treatment.

## Waste Management

In addition to compliance with the Wastes Control Act for wastes generated across business activities, we are also considering activities to realize the value of energy in organic solvent waste and contribute to local communities. Organic solvent waste and wastewater discharged from our laboratory are disposed separately. Organic solvent waste is incinerated to be used as heat sources for local industrial complexes. Moreover, during the entire waste disposal process, we abide by legal procedures by means of contracting with an incineration company for entrusted disposal of wastes, and at the same time, we are making our best efforts to manage wastes in ways that can create value for local communities.

### Guidelines for Disposal of Medical Wastes

| | |
|---|---|
| **Definition** | • Wastes, which may cause harm to human bodies through infection or otherwise and need to be specially controlled for the protection of public health and the environment, such as extracts from human bodies, including human tissues, and carcasses of laboratory animals, among the designated wastes |
| **Types** | • Quarantine medical waste: Any waste generated from medical practice for quarantined persons to protect others from infectious diseases<br>• Hazardous medical waste<br>– Tissue waste: Human or animal tissues, organs or body parts, carcasses of animals, blood, etc.<br>– Pathological waste: Culture fluids, culture vessels, stored strains, discarded test tubes, slides, cover glasses, discarded media, discarded gloves, pus, and blood products (serum, plasma, blood products)<br>– Sharp waste objects: Injection needles, suture needles, surgical blades, oriental medicine needles, dental needles, broken test instruments made of glass<br>– Biological/chemical waste: Discarded vaccines, discarded anticancer drugs, discarded chemotherapy drugs<br>– Blood-contaminated waste: Waste blood bags, waste after being used during hemodialysis, any other waste that requires special control because it contains enough blood that can leak easily<br>• General medical waste: Cotton wool, bandages, gauze, disposable syringes, etc. containing blood, body fluids, secretion or excrement |
| **Management guidelines** | • Medical waste must be managed so carefully that when discharged, it is not mixed with any other designated waste or any general waste generated at the workplace. Further, medical waste must be discharged separately in a dedicated container.<br>• The attachment status of RFID electronic tags must be managed in such a way as to allow information management of the disposed waste with such tags.<br>• In the case of medical waste (including LMO[1]), liquid waste must not be mixed with solid waste when being discharged.<br>• Medical waste must be transported to and stored in a separate storage warehouse, and the warehouse must be managed so that the stored medical waste can be taken out every week. |

1) Living Modified Organisms

# Management of Hazardous Chemicals

## Needs to Manage Hazardous Chemicals

Laws on the use and disposal of chemical substances are being strengthened, and the demand for companies to pursue active chemical management is increasing. Accordingly, SK Biopharmaceuticals applies chemical management procedures and MSDS (Material Safety Data Sheet) to the entire process covering the development, use, and disposal of chemical substances, thereby preventing risk factors preemptively. Chemicals considered to be harmful or hazardous are defined as hazardous chemicals, and thus they are managed by the SHE part.

## Management of Chemicals

The main activity for which SK Biopharmaceuticals is required to treat chemical substances is when we manufacture or import new chemical substances for research purposes. In order to manage these substances, we have adopted a chemical management process and implement legal administrative procedures in accordance with the Chemical Substances Control Act and the Act on the Registration and Evaluation, etc. of Chemical Substances. In addition, we have established and are operating a system that can control the chemical substances we purchase, including imports, from the purchase request stage. We encourage the use of alternative substances instead of a substance subject to authorization by law and restricted substances, even for research purposes, and the our Chemical Management Policy is based on these considerations so that the safety and health of employees always come first.

## Training and Management Activities for Personnel Handling Chemical Substances

Recognizing that safety accidents, environmental accidents, and occupational illnesses caused by chemical substances are major problems that may occur at workplaces, we operate a training program for personnel handling chemical substances to prevent any such accidents. We provide training on the entire process of handling, storing, transporting, and disposing of chemical substances through special safety training for newly employed researchers or researchers whose work has been changed. Furthermore, we are operating a system to register MSDS in the reagent DB so that compulsory perusal before first use is possible, and the details of the perusal are recorded in addition. MSDS of all reagents purchased in 2021 was registered in the DB, and the system is being operated so that relevant data can be viewed in the workplaces including laboratories.

### Hazardous Chemicals Management Process

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

- The MSDS for new chemical substances is prepared prior to developing them for the purposes of manufacturing, sales, and distribution.
- Relevant data is sent to the SHE department for the registration of the new chemical substances.
- When introducing a new chemical substance, information on it, such as MSDS, is obtained in advance through the chemical substance purchasing department, and the SHE Part reviews the collected information.

#### 2. Review and approval request

- Newly developed chemical substances are reviewed for approval after applying for hazard assessment by the Ministry of Environment.
- In the case of chemical substances, the purchase of which has been requested, they are checked for any hazardous properties, and then legal approval procedures are implemented.

#### 3. Purchasing

- The head of the department that introduces chemical substances gives final approval on the purchase taking into consideration whether management of their safety is possible, whether they can be replaced, whether their storage location is appropriate, and whether emergency measures have been established in case of leakage, based on the results of reviewing their appropriateness, such as the management of the sources of the chemical substances to be managed, registration of their approval, and the introduction of risk assessment for them.

#### 4. MSDS registration and management

- Registration of new MSDS or revision of existing MSDS is made after requesting and receiving MSDS for purchased reagents

#### 5. Storing and using

- The department that uses chemical substances periodically checks its inventory and usage through the management ledger.
- Compliance with MSDS is ensured through the provision and management of personal protective equipment and safety management for each chemical substance.
- A manager for the retention and storage facilities is appointed in each department that uses chemical substances, and a periodic inspection is carried out at the facilities.
- Standards related to storage and handling facilities are established.

#### 6. Waste management

- Waste is disposed of in accordance with relevant law and regulations.
- Remaining reagents are disposed of periodically (at least once a year) by the department that has used them, and the work plan is notified to the SHE department at least two weeks before they are taken out.

### Training Contents for Handling Chemical Substance

- How to read and understand MSDS and warning signs
- Familiarizing oneself with safety equipment and using them appropriately when handling
- How to protect workers' health from chemical hazards and risks
- Tips for emergency evacuation and how to take first aid measures in case of chemical leakage

# SOCIAL

Stakeholders' expectations regarding pharmaceutical companies are gradually increasing due to rising demand for medical services resulting from enhanced personal income along with economic growth and an aging population. As a result, it is becoming important to proactively identify the various needs of stakeholders and reflect them in management activities. In particular, the growing uncertainty pervading the medical system caused by the prolonged COVID-19 pandemic and the rapid change in the business environment are raising the demand for pharmaceutical companies as corporate citizens to solve various social problems that the local community faces and create social values.

## 2021-2022 Highlights

**Improved access to healthcare**
Expansion of the global market for the epilepsy medication XCOPRI®

Exported to **46** countries including the U.S., Canada, Japan, China, and 42 European countries

**Training hours per person**

**47.7** hours

**The first in the domestic pharmaceutical industry**

**PSCI**
Joined the Pharmaceutical Supply Chain Initiative

## Our Approach

SK Biopharmaceuticals aims to primarily contribute to improving patients' health and quality of life by committing to the research and development of innovative drugs. Furthermore, from a long-term perspective, we strive to improve the level of health by increasing accessibility to medicines for vulnerable social groups and patients with intractable rare diseases. In addition, we will consider stakeholder opinions actively and continue efforts to meet expectations and realize the happiness of all stakeholders, including employees, partners, patients' and communities.

# Access to Healthcare Services

SK Biopharmaceuticals strives to improve patients' quality of life by developing innovative drugs for the treatment of intractable diseases, focusing on the central nervous system and cancer treatment areas. We also manage pricing policies to ensure that medicines are reasonably priced so that new values can be conveyed to patients and HCPs (Healthcare Professionals).

## Increased Access to Healthcare

Interest in the development of innovative drugs and social demand for equal accessibility to medicinal drugs have been increasing. Improved access to drugs is an important issue not only from the perspective of fulfilling social responsibility as a pharmaceutical company but also from the business perspective of market expansion as well as our pharmaceutical portfolio. Therefore, we strive to contribute to society by improving customers' lives through the continuous development of innovative drugs and market expansion.

Epilepsy is a condition in which seizures occur repeatedly through a complex outbreak process with various causes, and more than 30% of epilepsy patients are medically refractory, which implies that seizures cannot be controlled by even more than two drugs. Moreover, epilepsy patients spend on medical expenses 52% more than the average person due to health problems beyond the range of epilepsy conditions. SK Biopharmaceuticals' epilepsy medication XCOPRI® offers a greater reduction in the frequency of seizures and subsequently a complete cessation in the occurrence of seizures than other epilepsy medications available in the market, thereby reducing additional medical expenses for epilepsy patients and society as a whole.

Healthcare Accessibility Policy

## Our Approach to Market Expansion

Starting with the U.S. market, sales of XCOPRI® continue to expand into European and Asian markets. After XCOPRI ®'s U.S. market approval, the epilepsy drug cenobamate was approved by the EMA. Its sale began through Angelini Pharma in Europe in June 2021 as ONTOZRY®. We are also working to improve the accessibility of medicines for more epilepsy patients through agreements for exporting technology with Endo International in Canada and Ignis Therapeutics in China. Moreover, in order to improve medicine accessibility, we are promoting out-licensing in Latin American countries, which are developing countries specified in the Access to Medicine Index (ATMI). Through these efforts, we are striving to fulfill our social responsibility as a pharmaceutical company that ensures equal access to medicines. The sales of solrimafetol, used in the treatment of sleep disorders, are ongoing in the U.S. through Axsome Therapeutics, and we have plans to establish a cooperative system with Ignis Therapeutics to expand to the Chinese market in the future.

## Patent Policy

In addition to market expansion, SK Biopharmaceuticals operates a patent policy to improve healthcare accessibility in medically vulnerable areas. According to the policy, we plan not to apply for a patent or exercise patent rights in the least defined countries classified by the UN and low-income countries defined by the World Bank as of 2022.

## Treatment Disease Extension

The central nervous system is a focus research area where SK Biopharmaceuticals is carrying out research and development activities to expand indications. With the aim of launching by 2025, phase 3 clinical studies on generalized epilepsy seizures and rare epilepsy are being conducted, and if successful, the developments are expected to improve the quality of life for more epilepsy patients in the future. We are also continuing research on cancer drugs based on our capabilities regarding the central nervous system. SKL27969, for which phase 1 clinical trial was conducted in 2022, is a medicine for cancer that causes brain tumors and brain metastasis, and we are striving to overcome the limitations of existing treatments to provide new opportunities for patients.

## Expansion of the Digital Treatment Portfolio

SK Biopharmaceuticals' portfolio of digital treatments is expanding with the development of wearable electroencephalography medical devices based on epilepsy clinical data. SK Biopharmaceuticals has started research to expand the scope of usage regarding clinical data on epilepsy since 2017, and as part of our digital transformation, we are developing wearable devices that can predict and detect epilepsy. The device, which is currently under preparation for clinical trials in the Republic of Korea, will contribute to improving access to the digital treatment of rare diseases as it predicts diseases and measures their degree.

## Affordability

SK Biopharmaceuticals adopts a value-based pricing method that sets prices based on the value of medicines that can be delivered to customers, medical personnel, and various stakeholders in society. To maintain our competitive edge in the global market, we also operate the Global Pricing Committee (GPC) consisting of CEOs and key decision-makers at the C-Level per department. The Committee reviews and approves overall policies, including pricing policies for the developed products, limits on price increases, and weighted average methodologies for measuring increases in product prices.

SK Biopharmaceuticals sets drug prices at a level that is in accordance with the insurance drug price policy of the countries where the drugs are sold. In the case of the U.S. which serves as our main market, drug prices are set according to the voluntary decision-making of pharmaceutical companies, which is different from pricing practices in the Republic of Korea. Accordingly, in the case of a new drug, its price is set by referring to the price of competing products being sold. However, since drug prices have a significant impact on the insurance coverage conditions and benefits provided by the insurance company, the final drug price is set through a preliminary survey regarding the insurance company's price sensitivity and a procedure that sets and confirms the price within the extent that allows optimal insurance benefits.

## Contributions to Improving Healthcare Efficiency

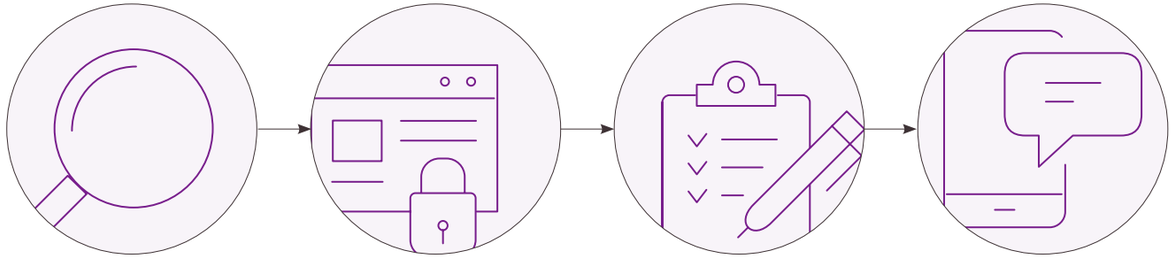
SK Biopharmaceuticals manages the efficiency of its products through analyses of cost-effectiveness to ease the financial burden on patients. Our flagship product XCOPRI® achieved complete seizure cessation rates of 28% and 21% respectively in the early and late phase clinical trials, thereby reducing the total medical costs. The results of this modeling analysis on healthcare costs have been presented to the International Society for Pharmacoeconomics and Outcomes Research.

In this study, cost analysis was performed, the price was compared with competitors with the same indications, and cost effectiveness was analyzed by comprehensively considering the costs of drug purchase and medical expenses. When taking XCOPRI®, it was found that the total cost over the patients' life cycle was reduced by approximately 12,664 USD due to its high efficacy compared to competitors.

## Support for the Entire Treatment Cycle

SK Life Science supports the entire treatment cycle for patients suffering from epilepsy through Navigator and works with healthcare professionals to provide easy access to XCOPRI® and relevant support programs. Navigator determines whether to support patients based on information of the patients and medical professionals, insurance and diagnosis history, and prescription information and receives customer inquiries through the call center.

**Procedure for Supporting Treatment Cycle through Navigator**



| Check if XCOPRI® is included in the customer's insurance plan | Provide information for prior approval by the insurer if necessary | Free product provided to eligible patients in some cases | Text message to provide notification for the refill |
|---|---|---|---|

## Activities to Increase Accessibility for the Vulnerable

SK Life Science supports patients who lack the ability to purchase medicines through its Patient Assistance Program (PAP). Patients who wish to avail themselves of the support may submit the relevant form through Navigator. SK Life Science provides free XCOPRI® products for patients below a certain income level. In addition, by providing materials that include useful information such as patient associations to epilepsy patients' caregivers, we guide patients and caregivers to successfully treat the disease.

## Activities to Improve Awareness of Epilepsy Patients

SK Biopharmaceuticals supports patients and caregivers by striving to promote the correct perception and raise awareness regarding epilepsy in countries where we have established our market presence. Studies show that there are about 3 million adults with epilepsy in the United States, and about 60 percent of them may experience partial-onset seizures and suffer inconveniences in their daily lives. We have opened a separate XCOPRI® website and published relevant information for patients to check the symptoms and methods for treatment of epilepsy. In addition, in order to raise awareness regarding epilepsy in society as a whole, we are promoting activities to improve perceptions of epilepsy based on the cooperation with various stakeholders, such as participating in the Glow Walk Run event hosted by the Association of Epilepsy Patients.

Cooperative Agencies for Improving the Perception Regarding Epilepsy


## Providing Transparent Information About the Product

SK Biopharmaceuticals and SK Life Science recognize the importance of communication between patients and medical professionals in improving the access to products, and thus, provide various information to support them. S.T.E.P.S (Seizures, Treatment, Emotional Impact, Personal Goals, Safety) enables patients to conduct a self-diagnosis of epilepsy, helping them plan their treatment with medical professionals. Furthermore, patients who have been prescribed the product are provided with treatment flashcards that include information such as precautions and side effects, which ensures proper prescription and dosage.

Treatment Flashcard Cover

# Responsible R&D

SK Biopharmaceuticals pursues patient safety as its top priority while carrying out clinical trials, and operates various systems, including the Data Monitoring Committee, to ensure accurate and reliable results. In addition, non-clinical trials involving animals are carried out in complete conformance to experiment ethics by deliberating and approving the ethical and scientific validity of animal experiments according to the standards set by the Institutional Animal Care and Use Committee.

## Ethical Research and Development (Bioethics)

### Our Approach to Experimental Ethics

In order to develop safe medicines, new drug candidates discovered must be tested for efficacy, toxicity, and safety through clinical trials and non-clinical trials on animals. In this process, SK Biopharmaceuticals thoroughly complies with the regulations on experimental ethics and the internal management guidelines presented by regulators in each country. We also strive to raise employees' awareness of experimental ethics through education, campaigns, and cultural development activities..

### Safety Management in Clinical Trials

SK Biopharmaceuticals and SK Life Science manage all clinical trials in compliance with the Good Clinical Practice (GCP) set by the International Council for Harmonization (ICH). The Standard Operating Procedure (SOP) is established to monitor the implementation of clinical trial ethics regulations set by the Contract Research Organization (CRO), and the Quality Assurance team manages and supervises the CRO's implementation of regulations. In particular, SK Biopharmaceuticals and SK Life Science strictly comply with the criteria for selection and exclusion according to the pre-established clinical trial plan to ensure the safety of participants throughout all stages of the clinical trial. Furthermore, clinical trials are conducted under the medical monitoring plan. In addition, various activities are used to supervise violations and prevent such violations of clinical trial plans to strengthen compliance.

### Data Management in Clinical Trials

SK Biopharmaceuticals and SK Life Science operate the Data Monitoring Committee (DMC), an independent organization that objectively monitors and controls clinical trial data to ensure patient safety and the effectiveness of clinical trials. The DMC periodically reviews and deliberates on data accumulated through clinical trials to ensure participants' safety and the validity of clinical trials. After review by the DMC, a meeting is convened to decide whether to discontinue or proceed with the test and notify all relevant research institutes.

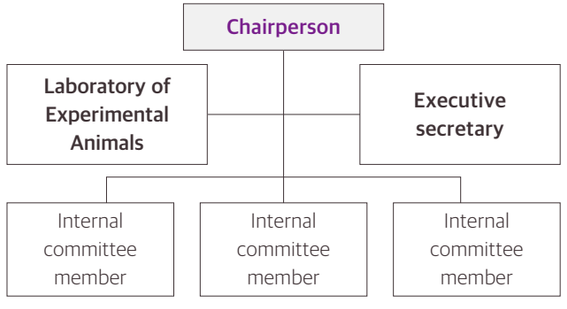
Patient-level data related to safety and effectiveness accumulated through clinical trials, post-clinical trials and post-launch observations results, product cost-effectiveness analysis results, and pharmacology and health economy data are disclosed transparently in accordance with legal procedures, thereby ensuring stakeholders' right to know as well as increasing credibility.

### Compliance with Animal Testing Ethics

SK Biopharmaceuticals is making great efforts to ensure ethical compliance, safety, and reliability of animal testing, which is inevitable in the process of new drug development. Representatively, in the research and development stage, we operate the Institutional Animal Care and Use Committee (IACUC) to monitor compliance with the Animal Protection Act and the Act on Experimental Animals, which are laws for the protection and ethical handling of experimental animals. The Committee consists of four to fifteen members, including a chairperson and veterinarian who meet legal requirements, along with people with extensive knowledge and experience in animal protection recommended by private organizations, and Ph.D. holders in animal testing. The Committee reviews and performs deliberations on the ethical and scientific feasibility of the plan for all animal experiments conducted in the course of R&D in advance to final approval.

**Research Ethics Regulations**

**Institutional Animal Care and Use Committee (IACUC)**




The Committee's approval criteria are based on the 3R principles, which consist of 'Replacement of animal experiments', 'Reduction of the number of animals used', and 'Refinement of unnecessary suffering of experimental animals'. Post-Approval Monitoring (PAM) procedures are used to strictly check whether the experiment is conducted according to pre-approved procedures, and animal testing facilities are visited at least twice a year to check the veterinarian management and safety and health status of the experimental animals, and report the compliance status to the chairman and management. When using Living Modified Organisms (LMO) for animal experiments, an animal testing plan is submitted to the Committee for prior approval, and relevant laws that deal with matters including the movement of genetically modified organisms between countries are complied with to prevent the risks associated with the experiments and ensure safety.

In addition, animal experiment ethics education is regularly conducted twice a year to promote respect for life and the ethical compliance of all members who conduct animal experiments, and an event to celebrate the Day of Life is held once a year to honor the lives (animals) that were sacrificed for research. As such, we will continue to make various efforts through the Committee to ensure the scientific and ethical use of experimental animals, guarantee animal protection and welfare, and limit the unnecessary use of animals for experiments.

# Product Quality and Safety

SK Biopharmaceuticals and its U.S. subsidiary SK Life Science monitor the quality, effectiveness, and safety of products throughout the entire drug development cycle, from clinical development to marketing authorization of marketing efforts. We also monitor and manage side effects and adverse reactions related to products through a systematic drug monitoring system. In this process, we follow the regulations set by health authorities and regulatory agencies in each country, including the Ministry of Food and Drug Safety of the Republic of Korea and the U.S. FDA, and seek to protect the safety of customers as a basic principle.

## Product Quality and Safety Management

### Quality Management Policy

SK Biopharmaceuticals and SK Life Science continue to manage the safety and efficacy of products, complying with each countries' regulations, that are related directly to the improvement of customers' health and quality of life. For thorough quality management, we develop and manufacture products in accordance with Good Manufacturing Practice (GMP) guidelines through Contract Manufacturing Organizations (CMO) that comply with advanced regulations such as the Korean Ministry of Food and Drug Safety (MFDS), U.S. Food and Drug Administration (FDA), and European Medicines Agency (EMA), and cooperate with them in the overall work of managing raw materials and storing products. In addition, monitoring activities are carried out through regular on-site inspections, and the product is discarded in the event of violations and disqualifications regarding quality-related regulations.

Furthermore, SK Biopharmaceuticals and SK Life Science's Quality Assurance Department are working continuously to improve and develop the existing Quality Management System (QMS), and to this end, unified the quality policy between the two companies and applied the Harmonized Global Policy.

Quality Management Policy

Product Safety Management Policy

**Domestic and International Regulations Related to Quality and Safety**

**Domestic**

- Pharmaceutical Affairs Act
- Regulation on Safety of Pharmaceuticals, etc.
- Bioethics and Safety Act
- National Health Insurance Act
  (to be applied after the release in South Korea)
- Monopoly Regulation and Fair Trade Act
- Personal Information Protection Act
- Occupational Safety and Health Act
- Serious Disaster Punishment Act

**Overseas**

- The U.S. Food, Drug and Cosmetic Act, the Code of Federal Regulations
- EU European Medicine Agency Pharmacovigilance legislation
- ICH (The International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use) Guideline
- World Health Organization Guideline
- Good Manufacturing Practice (GMP) regulations and enforcement decrees, enforcement rules, announcements, and guidelines subordinate to laws in each country

### Quality Control Training for Employees

Employees of SK Biopharmaceuticals are required to take training under the annual job training plan in accordance with the Good x Practice (GxP)[1] procedure and participation is managed through periodic monitoring of the training. SK Life Science, which sells products directly to customers, provides training for its employees on the duty to manage and disclose abnormal cases regarding products. Employees who must comply with Good x Practice (GxP) are trained mandatorily on job requirements and internal policies based on the standards, and SK Life Science supports additional job-related external training courses once a year where necessary. We also strive to provide quality education by operating these training programs in accordance with our internal quality control system.

1) Criteria applied to meet safe and stringent quality standards in drug manufacturing, including Good Clinical Practice (GCP), Good Manufacturing Practice (GMP), and Good Laboratory Practice (GLP)

## Increased Product Reliability and Safety

### Management of Counterfeit Medicines

Management of counterfeit medicines is a serious issue directly linked to the reliability of SK Biopharmaceuticals' products and patients' health. Hence, SK Life Science assigns serial numbers to all commercially available products to track and manage them in compliance with the Drug Supply Chain Security Act. There were zero cases related to counterfeit medicines in 2021, and we will continue to maintain customers' trust based on the thorough prevention of counterfeit medicines.

### Management of Reported Anomalies

We monitor product safety information through drug monitoring systems throughout the entire cycle of drug development and sales. Safety and efficacy information on all commercially available products are compiled through various channels such as document search and clinical research through post-sale surveys, and abnormal cases are reported to regulatory authorities according to regulations. These drug monitoring activities are carried out in compliance with the global regulatory authorities' drug monitoring reporting obligations and follow internal standard operating procedures regarding drug monitoring as well as domestic and international regulations.

All current XCOPRI®-related anomaly cases are reported through the FDA Adverse Event Reporting System (FAERS), the U.S. FDA's anomaly announcement system and other quality-related issues such as recalls and violations of FDA regulations are tracked and managed continuously to prevent potential risks and ensure safe use of medicines. The safety information collected is also used as a resource for benefit-risk assessment of the drug through medical analysis.

# Human Resource Management

As a innovative global new drug development company, SK Biopharmaceuticals recognizes the importance of securing talented individuals and focuses on creating an environment that attracts excellent human resources and allows their capabilities to be demonstrated and strengthened. We provide various educational opportunities to help all employees grow and demonstrate their individual capabilities. We also focus on improving our working environment and in-house culture for the happiness of our employees.

## Employee Competency Development and Fair Evaluation

### Human Resource Planning

SK Biopharmaceuticals predicts and establishes relevant plans to address the demand for human resources with various capabilities required for its management so as to ensure the continuous growth and value realization of the company. SK Life Science also establishes a human resource plan when setting its annual performance management plan, and pursues a talent recruitment plan that meets the company's goals by analyzing the performances and job competencies of its employees.

### Recruitment Process

In addition to the present offline recruitment methods such as domestic and foreign campus recruiting, we recruit talented people through various online channels, including SNS. In addition, we continue to communicate closely with major graduate labs to attract professionals with capabilities of the central nervous system and cancer treatment, our key fields.

### Job Training and Competency Development Programs

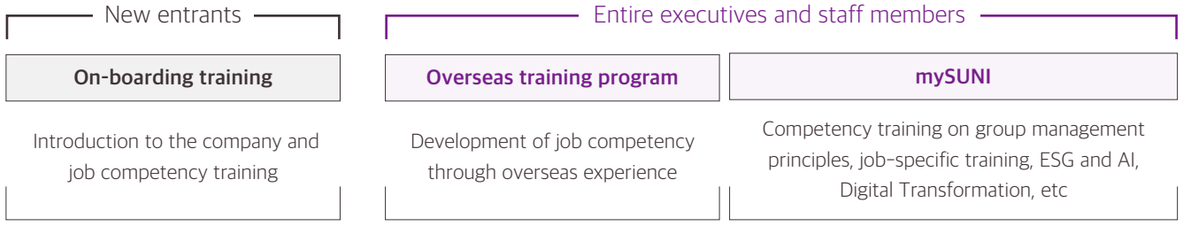
For the career development of all employees, including contract workers, SK Group's education platform 'mySUNI' supports learning in various fields such as artificial intelligence, digital transformation, global capabilities, leadership, and social values, as well as essential education in areas such as finance, accounting, marketing, and ESG. 'mySUNI' also supports customized training programs for full-time employees, including overseas training. In 2021, we provided opportunities for growth, such as the CEO course, and organized conferences in related fields such as chemical products, intellectual property rights, and toxicology. At the same time, we enabled new employees to adapt to the organizational culture through internal education and mentoring programs.

### Employee Performance Evaluation

We are conducting regular performance management through the establishment of the annual work plan, coaching, and feedback for all employees, as well as a final performance evaluation at the end of the year. In the final evaluation, each employee receives an annual performance evaluation based on the strengths and weaknesses assessed by his/her colleagues, a self-evaluation, and improvement measures, and fills out a competency evaluation that describes his/her disposition according to competency items. The team leader aggregates these assessment results and uses a four-stage rating of E (15%), G (35%), O (50%), and U (Absolute Assessment) and then ensures that the final opinion is confirmed by an executive.

SK Life Science maintains the competitive edge in terms of its human resources by dividing the evaluation system into grades of 'Supex', 'Meets Expectations', 'Partially Meets Expectations', and 'Does Not Meet Expectations' and a separate process is also used to determine eligibility for promotion. The Human Resource Team reviews the scope of duties and responsibilities, and the impact of the work of candidates subject to a promotion review which also includes a process of comparison with similar positions within and outside the company. In addition, wage adjustments are made in consideration of salary levels and desired employee capabilities in the external market, and approval for the procedures is made at C-Level.

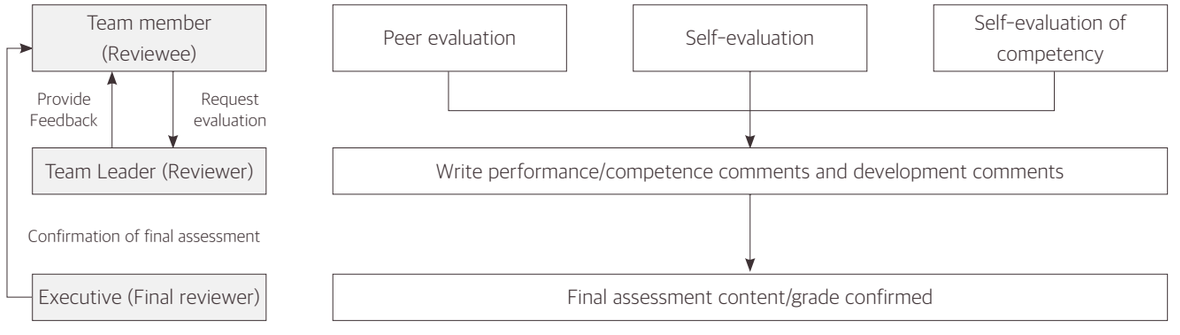
**Major Educational Program**




### Performance-based Compensation System

SK Biopharmaceuticals operates a differential compensation system that reflects the evaluation results in wage increases and bonus calculations. In particular, we operate a compensation system that provides great rewards to high performers, such as granting additional incentives to members who have achieved the highest grade (E) for two to three consecutive years. As for the results of the assessment, we enhance the transparency of the compensation system by making it possible for each employee to check the history of his/her evaluation and the feedback of his/her colleagues and evaluators on the e-HR system at all times.

**Employee Competency Evaluation System**



# Protection of Human Rights and Improvement of Employees' Quality of Life

SK Biopharmaceuticals is pursuing growth as a respected company in the areas including human rights, labor, environment, and anti-corruption by establishing a human rights policy based on principles such as the prohibition of forced labor and discrimination, and standardized working hours, and protection of the freedom of association. The policy is based on the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights, and the ILO's Declaration on Fundamental Principles and Rights at Work.

## Protection of Employees' Human Rights

### Human Rights Policy

SK Biopharmaceuticals has established a human rights protection policy to realize a sustainable workplace. We take various measures to identify and prevent potential human rights risks. Our human rights protection policy includes the following elements.

**Detailed components of the human rights protection policy**

① Respect for human rights
② Prohibition of forced labor
③ Prohibition of child labor
④ Principle of juvenile labor
⑤ Standard working hours
⑥ Fair wages
⑦ Prohibition of discrimination
⑧ Freedom of association
⑨ Workplace safety and environment
⑩ Protection of personal information

Human Rights Protection Policy

### Identifying and Managing Potential Human Rights Risk

SK Biopharmaceuticals recognizes that there are potential human rights risks in the process of performing management activities and is establishing a response system. We are also considering establishing a new human rights survey in 2022 to identify and manage potential human rights risks in advance.

**Potential Human Rights Risks and Response Activities**

| | |
|---|---|
| **Discrimination in employment** | Respect diversity, in terms such as nationality, gender, and educational background, and provide equal employment opportunities |
| **Working hours** | Manage attendance through an optional work system and limit legal overtime up to 48 hours over 4 weeks |
| **Forced labor** | Prohibit forced/child labor |
| **Workplace harassment** | Operate a reporting system for workplace harassment within the e-HR company grievance handling platform and promote the eradication of harassment through education |
| **Discrimination regarding parental leave** | Since maternity and parental leave is legal, pregnant women and parents with children may freely use it, and the Company complies with the principle of returning to the original department when returning from parental leave |

### Grievance Handling Proces

We listen to various difficulties experienced by employees through the grievance channel and operate an internal complainant protection system that includes legal protection. All employees can report grievances through various channels and processes, and measures are taken to ensure that the anonymity of informants is legally protected. Complaints and grievances are emailed to the person in charge via the e-HR system and are categorized into sexual harassment, workplace harassment, issues of ethical management, personnel matters, and other grievances. In 2021, there were a total of 0 reports received through the grievance channel.

### Human Rights Education for Employees

Employees of SK Biopharmaceuticals are not subject to any discrimination based on gender, race, age, disability, religion, etc. All employees are given company-wide human rights education every year, on topics such as prohibition of discrimination, respect for diversity, and prevention of sexual and workplace harassment. In particular, SK Life Science distributes handbooks to its employees to help them understand and become familiar with the human rights policies and approach. In addition, we are running an "Ask Management about Human Rights" course through mySUNI, an in-house online learning module that all employees have access to raise awareness of human rights.

## Promoting Diversity

### Diversity and Inclusiveness

SK Biopharmaceuticals strives to ensure fair opportunities by continuously promoting gender diversity among its employees and actively supporting the development of women's leadership. As of the end of 2021, the proportion of female employees is about 50%, and the proportion of women among the team leaders or higher positions, excluding executives, is about 25%. In addition, the Women in Leadership Program (WLP) is operated to foster female leaders to secure gender diversity in leadership positions, and diversity and inclusion education is provided to all employees every year. The Diversity Awareness course that enhances members' understanding of diversity is a diversity-related education program run by SK Biopharmaceuticals through 'mySUNI'.

**Women's Leadership Development Program**

**WLP (Women in Leadership)**

Mid-to the long-term development of leadership capabilities for female candidates for leader positions

### Diversified Personnel Policy

SK Life Science considers workforce diversity early on from the recruitment stage and operates programs to help candidates from diverse backgrounds get equal opportunities. We operate the Affirmative Action Program based on statistical data of employee's demographics to identify and analyze organizational diversity groups. Based on this, we create a recruitment plan that promotes diversity among our employees and ensures equal employment opportunities. In addition, internal personnel management also prevents discrimination and harassment at work through the program, and ensures fair evaluations. Personnel officers of the Human Resource Team are designated as the directors of the Affirmative Action Program and are responsible for the establishment, implementation, and auditing of equal employment plans.

# Creating a Good Working Environment

## The Pursuit of Work-Life Balance

We have adopted a flexible work hours system to help employees maximize work efficiency through work-life balance. We promote work efficiency through a working system that designs working hours according to the job characteristics and lifestyles of employees, and utilize a system that allows individuals to manage working hours and vacation plans freely as well as a telecommuting system in response to COVID-19. In addition, we have established and operated a work-life balance policy so that employees can pursue family happiness along with dedication at work.

Work and Life Balance Policy

## Creating a Flexible Work Environment

To create a flexible work environment, we have established an optional work hour system that allows all employees to adjust their individual working hours within the time frame of four weeks and 160 hours. The selective working hours system allows employees to design their working hours autonomously within the total working hours set for a certain period of time, enabling them to work autonomously according to individual choices. In addition, we operate a vacation plan twice a year, and by encouraging employees to utilize it, we continue to increase the vacation usage rate of our employees.

## Welfare System

SK Biopharmaceuticals operates various maternal protection systems for its employees. It operates its own maternity leave and vacation (up to 90 days, paid 60 days) and parental leave (paid for 1 year) system according to legal standards, and operates a system that allows employees to apply for general leave during the period of 1 to 10 months before childbirth. In addition, we are seeking to improve employees' quality of life by introducing various welfare programs such as medical expenses and tuition support, provision of daycare expenses, congratulatory and condolence expenses, and health support. In addition, a variety of welfare systems are operated through point deductions, and additional welfare systems that reflect employees' opinions are reviewed continuously by frequently investigating the demands in the area of welfare.

## Vitalizing Employee Communication

SK Biopharmaceuticals strives toward the improvement of the company's communication system through a management council composed of nine employees representing each organization's members and collecting various opinions, complaints, and suggestions from members. We use these communication channels to listen to current issues and employees' opinions on a quarterly basis and actively reflect them in the internal system. In 2021, a total of ten 'CEO and Employees' Meetings' were held, in which about 200 members were able to exchange opinions with each other. Starting January 2021, opinions on leadership within the organization were exchanged through meetings between the president and the new team leaders, and financial stories were shared with new entrants and opinions heard. In addition, there were two rounds of 'work and happiness' meetings between CEOs and position groups, and finally, a year-end meeting with team leaders and staff groups was held to look back on the past year and engage in supportive and meaningful communication.

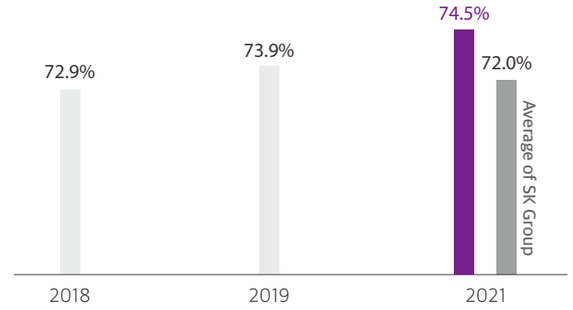
### Management Council Operations in 2021

| | |
|---|---|
| **Management council meeting** | Held four times a quarter |
| **Main agenda** | • Sharing major issues such as company strategies or short-term and long-term goals with employees<br>– Held a total of ten briefing sessions for all members and organized meetings for different job position groups<br>• Improving employee benefits<br>– Additional installation of coffee machines in the office break room, improvement of the lottery system for free parking inside the office building<br>– Introduction and operation of the health care center |

## Employees Work Satisfaction Survey

We collect employees' thoughts and opinions on various subjects such as the management philosophy, the VWBE (Voluntarily, Willingly, Brain Engagement) culture, SUPEX Company, happiness, and SV through the annual Culture Survey conducted by the SK Group. The main purpose of the survey conducted in 2021, which involved more than 90% of the employees, was to identify, improve, and upgrade the strengths and weaknesses in each area pertaining to the work environment. In addition, this survey includes criteria to measure the commitment rate of our employees. Based on the survey results, we are making efforts to establish specific and practical plans for areas that need improvement and to create a highly acceptable organizational culture for workplaces and employees through continuous improvements. Through these efforts, we have been able to continually increase the employee commitment rate over the past three years, and we plan to continue our activities to establish an active corporate culture.

### Culture Survey: Results[1] of Employee Commitment Rate[2]




1) The Culture Survey was not implemented in 2020
2) Calculated through the criteria of Voluntarily, Willingly, Brain Engagement (VWBE) among the survey questions

# Workplace Safety and Health

SK Biopharmaceuticals identifies the major risk factors that may occur at the pharmaceutical sites and performs regular management of the work environment, by means such as periodic safety checks. In addition, in order to create a sustainable workplace, we are working hard to create a sustainable workplace by balancing the safeness and health of both the working environment and family through operating a health care program for employees and their families.

## Creating a Safe Working Environment

### Working Environment Safety Management System

The importance of a safe working environment and the health of our employees is increasing in view of developments such as the revision of the Occupational Safety and Health Act. Accordingly, we are striving to provide a safe workplace for employees by establishing and operating a company-wide safety management system. For the safety of businesses and employees, we set and manage detailed processes and regulations for each task. Furthermore, we have established a safety and health plan under the leadership of the CEO and the Safety and Health Officer. In addition, we established an emergency contact system for each department and an R&R for each organization in case of an emergency and built a system for prompt responses. We plan to continuously upgrade our safety management system and obtain ISO 45001 in 2023.

### Management of the Work Environment

SK Biopharmaceuticals advances the safety and health of its members as a priority through management activities. Various activities are being carried out to establish an advanced working environment beyond legal obligations. In addition to the biannual assessment of the working environment, we are making the workplace a more pleasant space by measuring indoor air quality four times a year, and aim to create an environment in which members can work in a safe environment through continuous monitoring.

### Facility Safety Management

In addition to operating a facility safety plan at the company level, we are conducting accident prevention activities such as daily inspections, periodic safety inspections, and education and training on facilities in which safety accidents are likely to occur. In addition, the central control room monitors the laboratories' work environment (temperature, humidity, pressure), always striving to provide a safety-optimized work environment.

### Employee Health Care Program

Employees' health is the most important factor in creating a sustainable workplace. SK Biopharmaceuticals operates various support systems for the health and safety management of its employees and has established procedures to further systemize health management tasks. Comprehensive health checkups are provided once a year for employees aged 35 or older and their spouses, and general health checkups are provided to other employees. In addition, medical expenses are covered for all employees, spouses, and children. In particular, research and development employees, including non-regular workers, are provided special health checkups, including checkups for symptoms of occupational diseases, and those who wish or are required to undergo further screening are provided regular health counseling once a month. In addition, we are trying to create a healthier workplace through flu vaccinations for all employees and the operation of the 'Health Keeping Service.'

#### Health and Safety Management Activities

- Establishment and operation of procedures for health examination and management
- Conduct health examinations before and after the placement of research personnel
- Conduct customized special health examinations for research personnel based on potentially harmful factors
- Provide a pleasant research environment by measuring indoor air quality four times a year

# Sustainable Supply Chain

SK Biopharmaceuticals seeks to grow together with its suppliers by raising awareness of ESG, including ethics, labor, human rights, safety, health, and environment, and securing management capabilities of all its suppliers. To this end, SK Biopharmaceuticals and SK Life Science continue to work closely with our partners and implement various management policies to fulfill social responsibilities throughout the supply chain.

## Improving supply chain sustainability

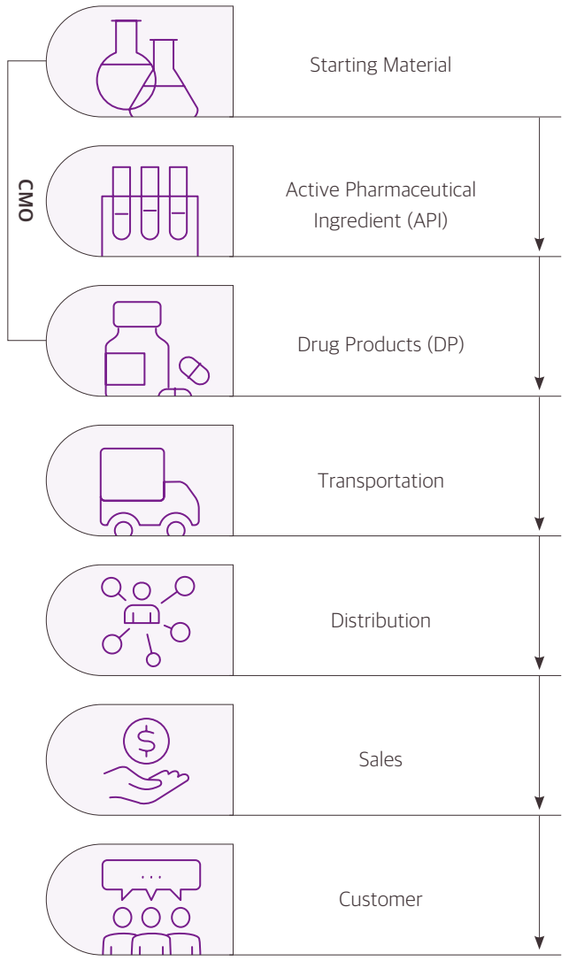
### Our Approach to Supply Chain Management

SK Biopharmaceuticals manages its suppliers by categorizing them as raw material suppliers, Contract Manufacturing Organizations (CMO), and material buyers necessary for overall business operations. We do not directly operate production facilities, and all of our manufacturing- related tasks such as procurement of raw materials, production, and process improvement are carried out through CMOs during the commercialization stage after obtaining authorization for sales of new drugs. Accordingly, we continue to work closely with CMOs to manage issues such as product quality, environment, and labor practices that may arise at the CMO level. We receive regular reports from CMOs on their production status and manage them to ensure compliance with Good Manufacturing Practices (GMP) and safety standards stipulated by regulators such as the Food and Drug Administration (FDA) and the European Medicines Agency (EMA).

### Partners' ESG Management Policy

In order to strengthen ESG within the supply chain, we have established ESG management policies for partners and managed and supervised the sustainability activities of partners accordingly. Through the policy, we have established ESG management standards that include 25 management items in four areas: ethics; labor and human rights; safety and health; and the environment. Accordingly, we recommend ESG guidelines to our partners and request them to sign and comply with the guidelines to implement ESG management more effectively. SK Life Science also operates a risk-based partner selection and audit program, and forms contracts with CMOs and Contract Packaging Organizations (CPOs) that operate the program.

SK Biopharmaceuticals' Supply Chain




ESG Management Areas and Guidelines for Partners

| | | |
|---|---|---|
| Ethics | Business integrity | Anti-corruption activities, legal compliance |
| | Transparent disclosure of information | Disclosure of management activity information |
| | Protection of intellectual property | Protection of intellectual property rights and internal information |
| | Protection of personal Information | Compliance with the Personal Information Protection Act |
| | Fair trade/advertising practices | Fair advertising and competition |
| | Protection of whistleblowers | Prohibition of retaliation against complainants |
| | Responsible procurement of minerals | Conflict minerals management |
| Labor/ human rights | Forced labor | Prohibition of involuntary labor |
| | Working hours | Prohibition of overtime beyond the statutory working hours |
| | Child Labor | Prohibition of hiring child laborers |
| | Wages and benefits | Provision of overtime pay and welfare |
| | Humane treatment | No inhumane treatment |
| | Recognition of diversity | No discrimination |
| | Freedom of association | Formation of labor unions |
| Health/safety | Industrial safety | Prevention of industrial accidents and occupational diseases, and control of safety |
| | Management of industrial disasters and diseases | Establishment of an industrial disaster prevention and monitoring system and provision of rest |
| | Hygiene, food, and housing | Provision of clean drinking water, food, and facilities |
| | Health/Safety communications | Conducting safety and health education |
| Environment | Environmental licensing/reporting | Compliance with licensing in accordance with regulations |
| | Pollution Prevention/Resource Reduction | Process/facility efficiency |
| | Management of hazardous substances | Establishing a safety management system for hazardous substances |
| | Waste and water management | Monitoring and minimizing contamination |
| | Air pollutants/Noise | Processing/monitoring in accordance with laws and regulations |
| | Substance regulation and labeling | Compliance with laws and regulations regarding substance restrictions |
| | Energy consumption/GHG emissions | Identify and reduce consumption/emissions |

Partners' ESG Management Policy

## Subscription to the Healthcare Supply Chain Sustainability Initiative

In 2022, we became the first South Korean pharmaceutical company to join the Pharmaceutical Supply Chain Initiative (PSCI). PSCI is a non-profit organization established to promote the sustainability of the global healthcare supply chain and is one of the key initiatives related to the healthcare supply chain. As a member of PSCI, we plan to proactively manage the ESG risks of our partners and enhance the sustainability of the overall supply chain by transparently reporting and complying with the principles set in the five areas of PSCI: ethics, labor, health and safety, environment, and management systems. We also intend to streamline supply chain risk management and integrate the supply chain management strategy with our ESG goals.

PSCI PHARMACEUTICAL SUPPLY CHAIN INITIATIVE
Building responsible supply chains

## Selection of Key Suppliers and ESG Risk Assessment

SK Biopharmaceuticals selects key suppliers based on the transaction amount. Partners that make up 90% of the transaction are defind as key suppliers and the partners are mandatorily required to sign and adhere to the Partners' ESG Guideline when signing a new contract. SK Biopharmaceuticals will evaluate the ESG risks of its partners according to the management standards and evaluation system of PSCI and will assess and support ESG improvement activities according to its own standards in areas that are not included in PSCI.

## Support for Partner Improvement Activities

SK Biopharmaceuticals engages in necessary activities such as risk factor analysis, regular inspections, and training support for the entire supply chain with emphasis on key suppliers.

### Conducting Risk Analysis and Periodic Inspections

SK Biopharmaceuticals and SK Life Science operate certification programs for manufacturing facilities, processes, stability, experimental facilities, and warehouses of all Tier 1 suppliers, including CMOs and CPOs. Furthermore, regular quality inspections are conducted on all ingredients/raw materials suppliers (Tier 3), including pharmaceutical additives and packaging materials. In particular, raw materials are tested and inspected each time. In the case of indirect suppliers (Tier 2), quality control is carried out through inspections by Tier 1 suppliers or regulatory authorities. In response to possible risks across the supply chain, SK Life Science operates a risk-based selection program for its partners. Continuous Process Verification, Annual Product Quality Review, Corrective Action and Preventive Action are used to measure the risk management performance of partners, and support programs are also implemented to assist partners with the establishment of emergency plans.

### Training Support

SK Biopharmaceuticals will provide training programs to support the ESG activities of domestic partners, and we are conducting a survey to this end. In the case of SK Life Science, we provide product safety and quality training, on topics including MSDS, product safety, and customer satisfaction, and an on-site inspection history for CMOs and CPOs, which are our core partners.

### Communication Channel

To resolve difficulties that partners may be faced with, SK Biopharmaceuticals and SK Life Science have established regular consultation channels such as weekly meetings and quarterly business review processes. Through this channel, we discuss production status and issues with CMOs every 1~2 weeks, and we make efforts to vitalize communication with CMOs and CPOs.

# Shared Growth With Partners

## Shared Growth Policy

SK Biopharmaceuticals is continuing its efforts to establish a sustainable supply chain and strengthen its competitiveness by preparing policies for shared growth with its partners. Currently, we are identifying continuous collaboration tasks, from clinical trial to commercialization, and are faithfully implementing the four action policies in order to expand cooperation with our partners.

### Four Major Action Policies

**Fair and transparent selection of partners through the purchase bidding system**

We conduct a fair and transparent electronic bidding through the purchase bidding system (e-Pro).

**Establishing a fair and transparent trading environment**

We continue to create a fair and transparent trading environment in accordance with the purchasing policy and also strive to strengthen self-reforming activities of the internal and external compliance teams.

**Support training for partner companies**

We offer various training opportunities for the purpose of establishing and strengthening shared growth with the community.

**Identify collaborative tasks**

We are identifying collaborative tasks with key suppliers and proceeding together to the commercialization stage.

Shared Growth Policy

# Responsible Marketing and Customer Relations Management

Medicines are products that are directly related to patients' health. Therefore, stakeholders, including healthcare professionals, need to communicate the right information about medicines to patients. SK Biopharmaceuticals complies thoroughly with domestic laws and regulations to provide transparent information on drugs. SK Life Science also carries out direct marketing to customers permitted in the United States within local regulations and complies strictly with the standards. In addition, we actively provide customers with the necessary information through TV advertising, the XCOPRI® YouTube channel, and the XCOPRI® website.

## Our Approach to Responsible Marketing

In the case of medicines sold by SK Biopharmaceuticals, expertise in product information varies between customers who consume them and health care professionals (HCP) who prescribe them, and customers' purchase decisions tend to be influenced by the health care personnel. Accordingly, under domestic law, ETC(Ethical drug) can only be advertised to medical and pharmaceutical professionals.

Meanwhile, in the United States, where SK Biopharmaceuticals sells XCOPRI®, pharmaceutical companies can directly market and promote medicine information to customers through Direct-To-Consumer (DTC) ETC advertisements. Such marketing increases awareness of the disease to strengthen the customer's willingness to consume medicine as well as awareness regarding the correct use of the product. This may in turn prevent customers from misusing and abusing the products, but it places on pharmaceutical companies the obligation to deliver undistorted information about the exact efficacy and side effects of the product. Therefore, we recognize the importance of providing accurate product information and intend to fulfill our obligation to comply with regulatory authorities and social responsibility to customers.

## Marketing Regulations and Policy Compliance

SK Biopharmaceuticals complies thoroughly with domestic and foreign laws and regulations that stipulate marketing practices for health care professionals at pharmaceutical companies. In addition, SK Life Science, which conducts direct customer marketing for products, complies thoroughly with marketing regulations, protects the independent judgment of experts by stipulating relationships with health care professionals, and prevents improper use of products through the Code of Conduct.

**Policies on interactions with medical personnel in the Code of Conduct for Anti-Corruption**

**SK LSI Code of Conduct**

## Off-Label Marketing[1] Management Policy

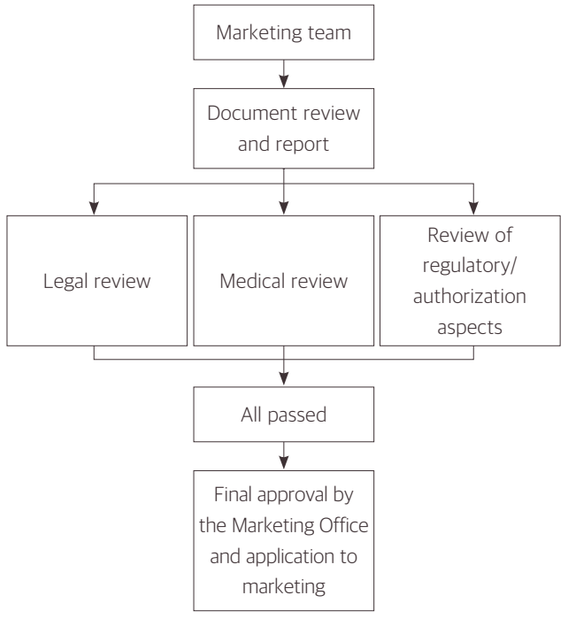
Off-label marketing refers to marketing practices that encourage certain drugs to be used for purposes that are not officially authorized by regulatory authorities. SK Biopharmaceuticals and SK Life Science recognize that off-label marketing hinders the proper use of drugs and strictly prohibit marketing activities other than those specified in the label of the drug product to ensure internal and external compliance. Requests for off-label use of drugs on sale are handled by the Medical Affairs Associates in accordance with regulatory guidelines.

1) Selling or promoting drugs to treat indications other than those authorized by regulatory authorities such as the MFDS and the FDA

## Marketing Management System

SK Life Science, responsible for selling products, complies with regulations under the U.S. Pharmaceutical Advertising Act for all its promotional materials used in marketing and sales activities and has established procedures to ensure that there are no legal risks or medical issues. Accordingly, new proposals and changes to existing details are reviewed in terms of regulations, laws, and medical aspects, and only materials that are confirmed to be risk-free in all areas are used for customer responses and marketing.

### Marketing Review Procedure




## Training in Responsible Marketing, Advertising, and Promotion

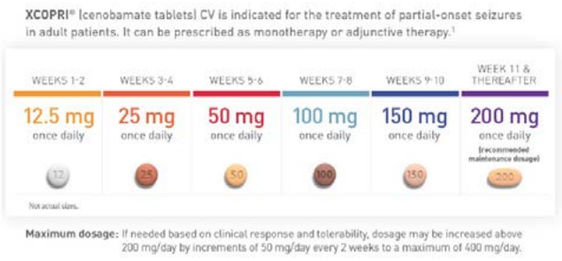
SK Life Science provides a systematic training course to help all employees, business partners, and suppliers familiarize themselves with and implement the principles of responsible marketing effectively. The commercial team, within the pharmaceutical marketing and sales department, receives job-specific training in addition to training at company-wide level. The training includes specific guidelines and procedures on the Code of Conduct, an action-based payment system, anti- corruption and bribery, guidelines regarding conflicts of interest, responses to voluntary requests for medical information, social media management, interactions with health care professionals, interactions with patients and patient associations, and interactions with public officials. In 2021, a total of 145 employees of the commercial team completed the training. We actively support the application of the training content to the actual marketing and sales activities.

## Notification of Side Effects and Precautions

XCOPRI®, currently on sale, has been proven safe by the FDA and EMA, and has obtained 'Schedule V', the lowest rating in the U.S. Drug Enforcement Administration's central nervous system drug abuse and dependency assessment. However, even medicines with proven safety can cause adverse reaction on the users' health if they fail to comply with the permitted usage and engage in drug abuse. Accordingly, SK Life Science operates an additional website that provides guidance on the appropriate use of drugs, such as appropriate doses, and discloses side effects and precautions in detail. In the case of XCOPRI®, side effects such as allergic reactions, including skin rashes, frequency of occurrence, and clinical trial data are disclosed on the website, and information on the right way of taking the medicine and the recommended dosage is distributed to guide customers with proper consumption.

XCOPRI® Adequate Dose Guidelines Page

### XCOPRI® Adequate Dose Guidelines (US Only)




## Building Trusted Customer Relations

SK Biopharmaceuticals and SK Life Science specify fair trade principles for customers through ethical norms and code of conduct and make various efforts to maintain a trust-based relationship with customers. SK Life Science's direct marketing activities are part of an effort to provide more diverse customers with transparent information about our products. In addition, we operate a medical hotline to actively gather customer opinions and complaints. From January 1st to December 31st, 2021, a total of 2,507 cases were addressed through the hotline.

We operate the Medical Information Call Center (MICC) as a hotline of SK Life Science. When a customer has a product enquiry or complaint on the wire, the agent provides a response directly or connects them to the relevant department. If questions about taking XCOPRI® are received, we provide the customer with XCOPRI® prescription information and help connect the customer with healthcare professionals for detailed guidance. Meanwhile, inquiries about XCOPRI® drug cost support are forwarded to the Navigator channel, a customer support channel, and inquiries related to missing XCOPRI® delivery or inaccessible sales location are forwarded to the Market Access Team for solutions.

Furthermore, if product inquiry requires an answer from a healthcare professional, it is forwarded to Medical Science Liaison (MSL) for accurate medical information. Reports of anomalies are forwarded to the Pharmacovigilance (PV) Part, and quality complaints are forwarded to the Quality Assurance (QA) Part for a detailed quality inspection and sharing of the final investigation results with the customer.

## Customer Management through the Online Platform

SK Life Science manages customer contacts for those who wish to take XCOPRI® or are currently taking it. The Navigator program allows potential customers to determine whether their health insurance benefits include XCOPRI® prescriptions and verify the availability of medication, and provide access to direct delivery services for the products. It also provides reminders to current customers when they need to obtain a prescription again, and guide them to notify their prescription physicians and FDA MedWatch, the drug safety monitoring system of the U.S., in the event of abnormal cases or side effects. Furthermore, we operate a call center to receive any customer grievances at any time, and have established a customer management system so that immediate action can be taken.

# Privacy and Data Security

SK Biopharmaceuticals strives to prevent infringement of subjects' and patients' private information and to protect intellectual assets related to the company's research competencies. The data protection management system regularly checks for possible risks and reports material issues to the relevant consultative body attended by the executive management. In addition, if unexpected data infringement or leakage incident happens despite the thorough management of information protection measures, we handle the case according to the stipulated procedures and response guidelines.

## Intellectual Assets Protection through Establishment of the Data Protection System

### Our Approach to Data Protection Management

SK Biopharmaceuticals aims to minimize information security-related leaks and strengthen security competencies to protect customer information, and plans to establish a global data protection management system and enhance the transparency of data management in the mid- to long-term.

### Privacy Policy

SK Biopharmaceuticals complies with relevant laws and regulations related to personal information protection, such as the Personal Information Protection Act and the Promotion of Information and Communication Network Utilization and Information Protection Act. We have established a privacy policy to protect personal information and quickly respond to any related difficulties that are reported to us.

### Privacy and Data Security Management System

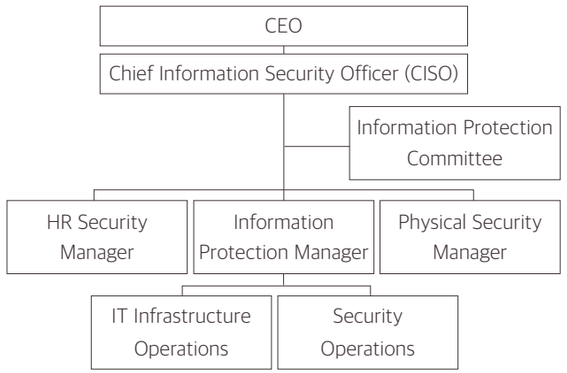
SK Biopharmaceuticals operates a company-wide information protection governance system to prevent infringements of personal information and promote information protection activities. The Chief Executive Officer (CEO) and the Chief Information Security Officer (CISO) are responsible for the company's personal information and security management, and the CISO manages company-wide measures for information protection as the head in charge of the information protection system, activities, and tasks.

In addition, the Information Protection Committee, a security consultative body for responding to major information protection issues is organized and operated separately.

The Committee carries out deliberations and makes relevant decisions on data protection activities of all departments and members. The Committee consists of the Chief Information Security Officer, the Information Protection Manager, and the representatives of the relevant departments. Information Protection Manager, as secretary of the Committee, operates and manages information protection activities and tasks. The HR Security Manager and Physical Security Manager, as persons responsible for the implementation of the security tasks of employees and physical-related security duties, are in charge of the overall information protection activities, operations, and management. Information protection and physical security personnel support the Information Protection Manager or Physical Security Manager in establishing policies for security systems and in performing security tasks.

SK Biopharmaceuticals and SK Life Science's information protection systems include industry-standard network security tools, monitoring, and Data Loss Protection (DLP) techniques to minimize damage caused by device theft and loss. Moreover, personnel for information system-specific operations, such as for servers, networks, and applications, perform inspections on information system management and protection. Security operations personnel conduct checks on vulnerability and security management systems once a year and maintain a stable system by taking action on any areas that need improvement. In addition, all employees comply with the company's information protection policies, guidelines, and procedures, and participate in various security awareness activities, including completion of relevant training and self- security checks.

**Privacy and Data Security Governance**




- Privacy Policy
- Information Security Policy

### System for Responding to Data Breaches

We have stipulated a response manual to take appropriate measures in the event of an infringement incident, such as leakage of intellectual assets due to hacking, virus, or malicious code infection. The incident risk is graded and appropriate countermeasures and reporting systems in accordance with grades are established to enable rapid recovery and response in line with the prescribed procedures and reporting system. In the event of an infringement accident, statistics are analyzed and managed by accident type and reflected in future security management plans. In addition, the Information Protection Manager and information security personnel establish and conduct training on measures to prevent recurrence of infringement cases.

### Activities for the Prevention of Security Incidents

We operate a security control system to monitor and respond to security threats to the Company's IT infrastructure at all times. We are strengthening the security awareness and response capabilities of all employees through providing simulation training to respond to infringement incidents, such as annual simulation training against malicious mail. Moreover, we proactively identify and work on the security weaknesses of the IT infrastructure through regular vulnerability checks, and avoid possible security risks by detecting and blocking hacking attempts through security systems such as security firewalls.

### Privacy and Data Security Training

We conduct an online information protection training program once a year for all employees as well as the employees of our partners. In addition, we provide mandatory privacy training for personal information managers as well as training on the implementation of items subject to SK Group's security guidelines diagnosis. We strive to improve the quality level of the training programs through effectiveness evaluations after the training. In addition, we are raising security awareness through regular security training for newly hired employees.

**2021 Privacy and Data Security Training Programs**

| Name of Program | Trainees |
|---|---|
| 2021 Information Protection Cartoon, Protect Your Precious Workplace | 235 employees |
| [Wise Security Life] Information Protection Manual for the Contactless Era | 34 employees of partner companies |

# Community Development and Corporate Citizenship Action

SK Biopharmaceuticals carries out diverse social value creation activities as a responsible corporate citizen of the local community. With the goal of continuously performing social contribution activities, we strive to identify areas where we can contribute to local communities centered on Seongnam City where our head office is located, and conduct various social contribution activities based on collaboration with internal and external stakeholders. We aim to develop a representative social contribution program aligned with our unique capabilities and maximize our positive impact on a better society by creating a cooperative environment with external stakeholders.

## Community Development

### Approach to Social Contribution

Going beyond our present social contribution activities that are mainly linked to those of the SK Group, we plan to promote social value creation activities in ways that strengthen our connection with local communities and promote our own social contribution program from 2022. Going forward, we aim to gradually expand the scope of social contribution activities in the long term and pursue social values based on SK Biopharmaceuticals' unique capabilities.

### Social Contribution System

SK Biopharmaceuticals has established mid- to long-term social contribution goals to promote strategic social contribution activities, and selected tasks to achieve them.

**Social Contribution Strategy**

| | | | |
|---|---|---|---|
| Goals | Addressing environmental problems in the community | Support for vulnerable groups in the community | Support for social enterprises in the community |
| Action Tasks | • Identifying environmental issues experienced by the community and solving these issues through campaigns<br>• Strengthening own voluntary service activities and local government-linked programs<br>• Expansion of cooperation with social enterprises, such as the introduction of a linked employment policy | | |

### Supporting Low-income Groups and Mutual Cooperation with Small Business Owners - 'Sharing a Meal' Warm Contact

During the period from January to March 2021, SK Biopharmaceuticals participated in the 'Sharing a Meal, Warm Contact Project' with SK Inc. to serve low-income seniors in Seongnam, Gyeonggi-do with meals. Sharing a Meal Project is a win- win model that supports both the vulnerable who lack access to proper meals due to COVID-19 and small restaurants that are on the verge of closing down due to a sharp drop in sales. Through the Social Welfare Council of Seongnam City, where SK Biopharmaceuticals is located, a total of 12 facilities, including 11 local welfare centers and Sujeong Senior Welfare Center, were selected to deliver meals to a total of 1,535 elderly people.

SK Biopharmaceuticals and SK Inc. C&C formed an agreement to fund high-quality, easy-to-make meals, and lunch boxes by setting a budget of KRW 142.1 million in consideration of the distribution environment of senior restaurants by the facility. These senior restaurants have been operated as free meal places with partial budget support from Seongnam City. However, as we switched to the distribution of lunch boxes and delivery service due to COVID-19, demand for delivery increased while difficulties in providing quality meals arose owing to a sharp drop in external donations.

To solve this problem, the Sharing a Meal Project diversified the menus of supported meals by checking the main menus of restaurants near the welfare centers and collaborating with nearby traditional markets to provide high-quality food ingredients to the welfare centers.

### Donating Blood Campaign for Children with Blood Cancer - 'Sharing a Life' Warm Contact

SK Group's 'Sharing a Life' Warm Contact Project is a blood donation campaign for children with blood cancer. SK Biopharmaceuticals participated in blood donation for children with blood cancer through a total of 2 campaigns in May 2021 and January to February 2022.

### Supporting the Underprivileged - Volunteer Work at Anna's House

Employees of SK Biopharmaceuticals are participating in various volunteer activities with SK Inc. C&C at 'Anna's House', a shelter for teenagers and homeless people in Seongnam City. Anna's House, which needed help with the rising demand for free meals, was able to provide enough meals to 650 underprivileged people through the participation and donation of employees. In addition, we conducted a clothing-sharing campaign to collect clothes that are not worn at home or that are out of season, washed them clean, and delivered them to the homeless. We have donated about 300 pieces of clothing through 3 donation sessions, and we plan to continue to carry out our clothing donation campaign in 2022.

## Support on the Social Enterprise Ecosystem

### Approach to Supporting the Social Enterprise Ecosystem

In accordance with the SK Group's social contribution approach, SK Biopharmaceuticals aims to create sustainable social value by identifying business areas where we can cooperate with social enterprises rather than make mere donations, thereby contributing to the development of a social enterprise ecosystem.

### Purchase of In-house Consumables | Happy Narae

Through 'Happy Narae', a social enterprise specializing in the distribution of industrial materials, in-house consumables such as office supplies are procured, and the scope and quantity of purchase are increasing every year. In 2022, from the viewpoint of ESG management, we are planning to purchase eco-friendly products from Happy Narae and manage two ESG challenges at once, supporting social enterprises and managing environmental issues.

### Purchase of In-house Souvenirs and Promotional Materials

In addition to 'Happy Narae', SK Biopharmaceuticals supports various social enterprises. In order to encourage employees to practice 'good consumption,' we purchase consumables for in-house events or anniversaries through competitive social enterprises. At the 2021 Foundation Day event, we purchased products from social enterprises such as Bearbetter (a business establishment for the disabled), Thisabled (supporting artists with developmental disabilities), Art Impact (sustainable lifestyle products), and Autistar (supporting autistic people). In 2022, we purchased products from social enterprises such as the ROUMS (supporting job creation for the youth and revitalization of the local economy), Jirisangol Black Pig (supporting job creation and providing meals for vulnerable groups), Vegan Friends, and Broccoli Company (environmental protection and vegan products).

### Operation and Maintenance of Our Website | Happy ICT

'Happy ICT' is a social enterprise that provides public services based on information and communication technology as well as a standard workplace for the disabled. Since 2018, SK Biopharmaceuticals has entrusted Happy ICT with the development and renewal of Korean and English websites, their operation and maintenance, and the improvement of web accessibility for users.

### Participation in the Social Contribution Platform for Zero Child Hunger | Happy Alliance

'Happy Alliance' is a social contribution platform that brings together individuals, social enterprises, and companies to solve the problem of child hunger in South Korea. SK Biopharmaceuticals joined the Happy Alliance in August 2020 and is actively participating in the project by donating KRW 30 million to support children who are underfed. In 2021, employees participated in 2 packaging campaigns for basic daily necessities to support child hunger. In this campaign, employees package essential items to help children manage hygiene and grow healthy, and deliver them with handwritten letters. We plan to continue this campaign in 2022 as well, with more empathy and participation of employees.


# GOVERNANCE

In line with the expansion in awareness regarding sustainable development, stakeholders' expectations and requirements for the establishment of a transparent corporate governance structure are rising gradually. For this reason, building trustworthy relationships with stakeholders based on sound governance is a key determinant of a company's sustainable growth. Therefore, companies must secure management transparency through continuous improvement of their governance and strive to protect the rights and interests of all stakeholders, including shareholders, customers, employees, partners, and local communities.

## 2021-2022 Highlights

Conducted anti-corruption (ethics) training for employees

**100%**

Training completion among those subject to training

Average attendance rate of outside directors in BOD meetings

**100%**

Percentage of female executives showing a 4.2%p increase compared to 2020

**16.7%**

## Our Approach

SK Biopharmaceuticals established the foundations for sound and transparent governance by enacting its Corporate Governance Charter in April 2021 as a statement of the Company's commitment toward the protection of the rights and interests of shareholders and other stakeholders, the independence and expertise as well as the duties and responsibilities of the Board of Directors. In addition, the Company has enacted its Code of Ethics, Practical Guidelines for the Code of Ethics, and Anti-Corruption Policy for all its employees so that they perform their duties in a transparent and fair manner. Furthermore, the Company has secured the capacity to respond preemptively to internal and external risks through the integrated risk management system.

# Corporate Governance

Transparent corporate governance is the basis for securing stakeholder trust. In the interests of healthy governance, SK Biopharmaceuticals continues to protect the rights and interests of shareholders, operates the Board of Directors (BOD) effectively, and communicates transparently with stakeholders. In addition, we will strive to ensure the efficient and rational operation of the BOD and Board Committees in order for the best management decisions to be made in the interests of the Company and its shareholders.

## Operation of the BOD

### Our Approach to Operating the BOD

The BOD aims to establish and develop a business management system designed to realize the basic philosophy and core values of SK Biopharmaceuticals. Through this, the BOD strives to contribute to both economic development and sustainable growth of the society by increasing the Company's value, continuously enhancing the shareholder value, and pursuing the creation of social value for all stakeholders, including customers. The BOD decides on major matters related to corporate operations, such as matters stipulated by laws, regulation and the Articles of Incorporation, matters delegated by the general meeting of shareholders and company management policies, and supervises the execution of duties by the management.

### Composition and Operation of the BOD

The BOD of SK Biopharmaceuticals consists of five members as of March 2022, including one inside director, one non- executive director, and three outside directors. The Regulations of the Board of Directors stipulate that a BOD meeting shall be convened after sending a written notice to each director at least seven days prior to the date of the meeting, as instructed by the Chair of the BOD, the CEO, or a director designated by the Chair. A total of 10 BOD meetings were held in the fiscal year of 2021, and the annual average attendance rate of directors was 100%.

- Corporate Governance Charter
- Articles of Incorporation
- Regulations of the Board of Directors

(As of March 2022)

| |  Jeong Woo Cho |  Dong Hoon Lee |  Yung Jue Bang |  Hae Young Ahn |  Min Sup Song |
|---|---|---|---|---|---|
| **Position** | CEO / Inside director | Non-executive director / Chair of BOD | Outside director | Outside director | Outside 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.<br>• (Former) Head of New Drug Development Division, COO of SK Biopharmaceuticals | • (Present) Director of SK Inc. Bio Investment Center<br>• (Former) General Vice President of Global Business, Dong-A ST | • (Present) CEO of Bang and Ock Consulting<br>• (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.<br>• (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<br>• (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 |
| **Initial Appointment Date** | March 16, 2017 | March 16, 2017 | August 27, 2019 | August 27, 2019 | August 27, 2019 |
| **Term** | Until March 2025 annual meeting of shareholders | Until March 2025 annual meeting of shareholders | Until March 2025 annual meeting of shareholders | Until March 2025 annual meeting of shareholders | Until March 2025 annual meeting of shareholders |

## Diversity Policy and Expertise of the BOD

The growth of various stakeholders, including shareholders, customers, and local communities, is at the core of the management philosophy pursued by SK Biopharmaceuticals. The BOD also pursues diversity in its composition in terms of race, gender, age, nationality, educational background, religion, disability, and political orientation in line with this philosophy. Currently, a female director (out of a total of five directors) makes up 20% of the BOD, and SK Biopharmaceuticals plans to continuously increase the proportion of male and female directors to over 30% each in consideration of gender diversity by 2025.

To secure the expertise of the BOD, candidates' understanding of various factors related to the healthcare industry, including the pharmaceutical sector, and their professional capabilities related to ESG and ethical management were taken into consideration when appointing them. The BOD is composed of directors with great expertise and rich experience in pharmaceuticals, medicine, clinical trials, regulations on healthcare, CMO, accounting, and management. In addition, to ensure the smooth operation of the BOD, SK Biopharmaceuticals supports outside directors in performing their professional duties. Materials and explanations are provided in advance so that outside directors can fully review the agenda prior to the scheduled BOD meetings, and information on other major internal issues and training programs to enhance expertise are also provided.

## Director Appointment Process

SK Biopharmaceuticals has established and is operating procedures to ensure objectivity and fairness in the appointment of directors. Directors appointment is finalized through a resolution adopted by the general meeting of shareholders, and candidates to be appointed at the general meeting of shareholders are recommended after a review process by the Nomination and Compensation Committee and the BOD. In accordance with Article 542-8 (4) of the Commercial Act, the Nomination and Compensation Committee, tasked with recommending candidates for the position of outside director, not only complies with the qualification standards under the relevant laws and regulations, such as the Commercial Act, but also closely considers the individuals' expertise, sincerity, independence, and social recognition in advance when recommending them as candidates.

### Director Appointment Process

**Nomination and Compensation Committee**
Recommending candidates for the position of outside director

→

**BOD**
Approval of the agenda for the General Meeting of Shareholders related to the appointment of directors

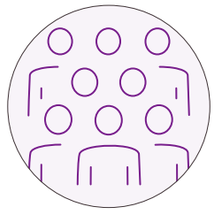
→

**General Meeting of Shareholders**
Resolution on the appointment of directors

## Securing Independence of the BOD

SK Biopharmaceuticals pursues transparent BOD-centered management based on the independent composition and operation of the BOD and discloses the current operation status of the BOD and Board Committees to the public. As the Corporate Governance Charter and the Articles of Incorporation stipulate the independence of the BOD, SK Biopharmaceuticals abides by the principles for enhancing the independence of the BOD. In particular, when appointing outside directors, qualifications and the background of each candidate are reviewed taking into account the relevant laws and regulations, such as Article 382 of the Commercial Act, in addition to the Articles of Incorporation.

### Principles for Enhancing the Independence of the BOD



Separating the positions of the Chair of the BOD and the CEO

Prohibiting any director from becoming a general partner or director of another company in the same industry without prior approval

Imposing restrictions on the voting rights of any director with a special interest in resolutions

Maintaining and planning to increase the percentage of outside directors at more than half of the BOD
(March 2022: 60%)

## Assessment of the BOD and Board Committees' Performance

For the effective operation of the BOD, SK Biopharmaceuticals has been conducting the assessment of outside directors and Board Committees once a year based on the questions verified by external agencies since 2021. Performance assessment is conducted with respect to 5 segments in 2 main domains, and the assessment result for 2021 was 4.91/5. The result will be used to review the advancement of governance for Board-centered management, such as strengthening the functions, roles, and responsibilities of the BOD, drawing up plans to improve the operation of the Board, and strengthening training for outside directors.

### Assessment Areas

| Subject | Areas |
|---|---|
| BOD | Functions, roles, and responsibilities of the BOD |
| | Composition of the BOD and qualification of directors |
| | Operations of the BOD |
| Board Committees | Structure of the Committees |
| | Operation of the Committees |

BOD Operations in 2021

| Number | Date of Board meeting | Director attendance | Agenda |
|---|---|---|---|
| 1 | January 4, 2021 | 100% | Concluding a stock purchase agreement with Arvelle |
| 2 | February 8, 2021 | 100% | Approval of the financial statements for the 10th term (2020) \| Approval of the business report for the 10th term (2020) \| Resolution of the short-term management plan for the 11th term (2021) \| Introduction of the electronic voting system at the general meeting of shareholders \| Report on the operation status of the internal accounting management system \| Report on the financial statements for the 10th term (2020) |
| 3 | March 3, 2021 | 100% | Proposal of agenda items for the ordinary general meeting of shareholders about the granting of stock options \| Proposal of agenda items at the ordinary general meeting of shareholders for partial amendments to the Articles of Incorporation \| Convocation of the 10th ordinary general meeting of shareholders and confirmation of agenda \| Asset transaction with SK Finx \| Report on the evaluation results of the operational status of the internal accounting management system in 2020 \| Report on the actual operation status of compliance control standards |
| 4 | April 21, 2021 | 100% | Appointment of the Chair of the Board of Directors \| Enactment of the Company's Corporate Governance Charter \| Amendment of the Regulations of the Board of Directors \| Amendment of the Regulations of the Committee (Audit Committee, Governance Committee) \| Establishment of the ESG/Strategy Committee and appointment of members of the ESG/Strategy Committee \| Enactment of the ESG/Strategy Committee Regulations \| Establishment of the Nomination and Compensation Committee and appointment of members of the Nomination and Compensation Committee \| Enactment of the Nomination and Compensation Committee Regulations \| Transaction of contributions to the SUPEX Pursuit Council \| A contract for the establishment of an integrated management information system with the SK Inc. |
| 5 | May 12, 2021 | 100% | Determination of individual remuneration for inside directors in 2021 \| Renewal of executive liability insurance (D&O insurance) \| Establishment of the annual target (KPI) \| Report on business performance for the first quarter of 2021 |
| 6 | June 29, 2021 | 100% | Contribution transactions by the AI Subcommittee under the ICT Committee \| Conclusion of a software (SAP) license agreement with SK Inc. \| Commercial transaction with SK Life Science Inc. \| 2021 Sustainability Report \| 2021 Financial Story |
| 7 | August 10, 2021 | 100% | Contract for shared development of group consolidated internal accounting management system with SK Inc. \| Amendment of the guidelines for practicing the code of ethics and enactment of the code of conduct for anti-corruption \| Concluding a long-term loan agreement with a bank \| Report of business performance for the First Half of 2021 \| Status on open innovation progress |
| 8 | November 11, 2021 | 100% | Out-licensing in China and establishment of a new corporation \| Conclusion of a commercial drug substance purchase contract with SK Bio-Pharm Tech Co., Ltd. \| Contract for Process Validation(PV) Preparation Service with SK Bio-Pharm Tech Co., Ltd. \| Report of Business Performance for the third quarter of 2021 \| Report on issues |
| 9 | December 1, 2021 | 100% | Consignment transaction for information system management with SK Inc. \| Product transactions with SK Life Science, Inc. \| Service transactions with SK Life Science, Inc. \| Service transactions with SK Bio-Pharm Tech Co., Ltd. \| Approval of large-scale internal transaction limits in 2022 \| Report on the short-term management plan for the 12th term (2022) \| Assignment of duties, appointment, and retirement of the Executive Officer |
| 10 | December 23, 2021 | 100% | Out-licensing of cenobamate in Canada |

## Board Committees

SK Biopharmaceuticals has formed Board Committees in order to ensure the efficient and professional operation of the Board. In addition to the Audit Committee and the Governance Committee, we operate the ESG/Strategy Committee, which is responsible for promoting the company-wide sustainable management, and the Nomination and Compensation Committee, which is responsible for recommending outside director candidates and determining compensation functions. The details of each committee's composition, powers, roles, and operating policies comply with the corresponding internal regulations as well as the Corporate Governance Charter and the Articles of Incorporation.

### Structure of the BOD

(As of Mar. 2022)

**Board of Directors**

| | Audit Committee | Governance Committee | ESG/Strategy Committee | Nomination and Compensation Committee |
|---|---|---|---|---|
| Major roles (major topics) | • Matters related to general meetings of shareholders<br>• Matters related to directors/BOD, such as submission of audit reports and request for sales reports<br>• Matters related to audits, such as accounting audits and appointment of external auditors | • Internal trading/self-trading<br>• Establishment and revision of the Articles of Incorporation, Governance Charter, and BOD Regulations<br>• Ethical management<br>• Negotiations among outside directors | • Strategy/management plans<br>• Investment and planning management<br>• Financial matters<br>• Mid-to-long-term business strategies<br>• Enhancement of social values | • Recommendation of candidates for outside directors<br>• Assessment/appointment of the CEO<br>• Appropriation of individual remunerations for inside directors |
| Members | • 3 outside directors<br>– Min Sup Song (Chairman)<br>– Yung Jue Bang<br>– Hae Young Ahn | • 3 outside directors<br>– Yung Jue Bang (Chairman)<br>– Min Sup Song<br>– Hae Young Ahn | • 1 inside director<br>– Jeong Woo Cho (Chairman)<br>• 1 non-executive director<br>– Dong Hoon Lee<br>• 1 outside director<br>– Min Sup Song | • 2 outside directors<br>– Hae Young Ahn (Chairman)<br>– Yung Jue Bang<br>• 1 non-executive director<br>– Dong Hoon Lee |
| Secretary organization | • Corporate Finance Department<br>• Legal & Compliance Department | • BOD Office | • Corporate Strategy Department | • Corporate Culture & HR Department |

### Audit Committee

The Audit Committee abides by the principles of independence and objectivity and inspects the Company's business affairs and assets, including its financial statements, external auditors' accounting audits, and the operation of the Company's internal control system and internal accounting management system. In accordance with the committee regulations as specified in the Commercial Act, the committee is composed entirely of outside directors, including one accounting and financial expert. Accordingly, the incumbent chairperson of the committee is an accounting and financial expert, and in order to ensure their independence, the committee members are not provided with any compensation other than the remuneration they receive as directors. In 2021, a total of six meetings were held, and the committee's expertise was enhanced through training provided by specialized institutions.

Regulations of the Audit Committee

### Governance Committee and Senior Outside Directors

The Governance Committee deliberates on matters concerning internal transactions and ethical management, is responsible for enacting and revising internal regulations, and serves as a consultative body between outside directors. Further, as relevant regulations specify that the Chairperson of the committee shall hold the position of senior outside director, he has the authority to review and decide on ethical management practices and matters regarding consultations or decision-making between outside directors. Currently, the committee is composed entirely of outside directors in the interests of its independence.

Regulations of the Governance Committee

### ESG/Strategy Committee

The ESG/Strategy Committee plays a key role in leading the sustainable growth of the Company. Composed of one outside director, one inside director, and one non-executive director, the committee deliberates on the Company's annual management plans and activities, the establishment and evaluation of KPIs, activities to enhance social value, and mid- to long-term strategies. Since its establishment in April 2021, the committee has performed deliberation on a total of 10 agenda items, including the Company's Sustainability Report and Financial Story.

Regulations of the ESG/Strategy Committee

### Nomination and Compensation Committee

The Nomination and Compensation Committee recommends candidates for outside directors to be appointed at the general meetings of shareholders and reviews matters related to the assessment and retention of the CEO, as well as the appropriateness of remuneration for inside directors. In accordance with the Commercial Act, more than two-thirds of the members of the committee are composed of outside directors. In 2021, the committee performed deliberations on a total of six agendas, including a review of individual remuneration for inside directors, approval of KPIs for the CEO, and review of CEO assessment and reappointment. The committee stipulates the regular management of the pool of outside director candidates in the regulations. Moreover, from the ESG perspective, the committee managed the candidate pool in 2021 as well, considering the diversity and expertise of the candidates.

Regulations of the Nomination and Compensation Committee

# Assessment of Directors' Performance and Compensation

## Our Approach to the Assessment of Directors' Performance and Compensation

SK Biopharmaceuticals takes account of both the financial factors and the ESG management performance in the course of assessing the management's performance in terms of sustainable growth. The management's business performance is evaluated through fair and objective criteria in accordance with the regulations of the Nomination and Compensation Committee, and an appropriate level of remuneration is paid within the limit approved by the general meeting of shareholders. In addition, by granting stock options to the management, SK Biopharmaceuticals seeks to align the interests of the management with those of shareholders from a longer-term perspective.

## Assessment and Compensation Criteria

The BOD evaluates matters related to the composition, roles, responsibilities, and operation of the Board on its own or with the help of external organizations if necessary. Remuneration for directors is paid within the limit determined by the general meeting of shareholders, comprehensively considering their positions and duties, the Company's business environment and performance, etc. The Nomination and Compensation Committee deliberates on individual remunerations for inside directors, and the BOD makes a final decision on individual remunerations, including those for outside directors.

In the case of outside directors, performance-based remuneration other than their basic salaries is not paid separately to them, and this non-payment is intended to ensure their independence. In addition, the performance-related pay for key management personnel is determined by comprehensively evaluating the level of achievement regarding the goals of both the metric indicators composed of the Company's sales and operating profits and the non-metric indicators demonstrating their leadership for strategic task performance and business performance creation, ESG management performance, etc., based on the remuneration payment standards for executives. The total remuneration for the members of the BOD approved at the 2021 annual general meeting of shareholders was KRW 16,000 million, of which the actual amount paid to the directors in 2021 was KRW 11,958 million. In addition, for each director whose individual remuneration was KRW 500 million or more, the basis and details of such remuneration are disclosed in the business report.

ESG-Based Management Performance Evaluation/Compensation Policy

## Mid- to Long-Term Performance-Linked Stock Compensation

SK Biopharmaceuticals grants stock options to its management personnel in consideration of their business performance over the mid- to long-term period of not less than three years. In accordance with the resolution of the 2021 general meeting of shareholders, stock options No. 1 and No. 2 have been granted to the CEO in the form of delivery of treasury shares on the condition that they can be exercised between the time when 3 years have elapsed from the date of granting and the time just before the elapse of 7 years. According to the regulations, if the CEO retires or is not reappointed within two years from the grant date, the grant of both stock options will be canceled, and if the CEO works for a period of more than two years but less than three years, the grant of stock option No. 2 will be canceled. Through this, SK Biopharmaceuticals is strengthening its mid- to long-term responsibilities for management and striving to align the management's interests with those of shareholders. The specific status of granting stock options is disclosed in the executive remuneration item of the business report.

# Status of Shareholders and Enhancement of Shareholder Value

## Shareholder-Friendly Management

As stated in the Corporate Governance Charter, all shareholders of SK Biopharmaceuticals have the basic right to participate in management. Major issues of management, including changes in the shareholder rights and the survival of the company, are disclosed transparently through the general meeting of shareholders, and shareholders are allowed to participate in the decision- making process, thereby guaranteeing shareholder rights to the fullest. In addition, all shareholders can propose agenda items in accordance with relevant laws and regulations, including the Commercial Act, and have the right to raise questions about any agenda item and request an explanation.

## General Meeting of Shareholders

SK Biopharmaceuticals protects the exercise of shareholders' rights, guarantees equal treatment of all shareholders, including minority shareholders and foreign shareholders, and respects the rights in accordance with laws and regulations and the Articles of Incorporation. The 11th ordinary general meeting of shareholders was held on March 24, 2022, to avoid dates when general meetings of shareholders are concentrated. The resolution and convening notice was posted two weeks prior to the general meeting of shareholders so that shareholders may exercise their voting rights after sufficient review of the agenda.

At the time of notifying shareholders of the convening of the general meeting of shareholders, sufficient information was included on the details of outside director activities and remuneration, as well as details of transactions with the largest shareholder and affiliated companies. By disclosing business reports and audit reports prior to the general meeting of shareholders, basic data were provided so that shareholders could fully consider the Company's business performance and current status when exercising their voting rights. In addition, both an electronic voting system and an electronic power of attorney were introduced for shareholders who were unable to attend the general meeting of shareholders, thereby enhancing convenience for shareholders in exercising their voting rights. SK Biopharmaceuticals plans to accelerate shareholder-friendly management by transparently disclosing the current status of shareholders' exercise of their voting rights after the reorganization of the website in 2022.

## Shares and Capital Structure

According to the Articles of Incorporation, the total number of shares that can be issued is 300,000,000 shares, and the par value of each share is KRW 500. All the issued shares are common stock of shares, and equal voting rights have been granted according to the number of shares. As of the end of December 2021, the total number of issued shares is 78,313,250 shares, and the largest shareholder is SK Inc., which holds about 64% of the total shares.

### Breakdown of Shareholders

(As of December 2021)


SK Inc.
**64.02%**

Minority shareholders
**30.18%**

National Pension Service
**5.43%**

Employee's Stock Ownership Association
**0.37%**

# Corporate Ethics and Compliance

As an enterprise that sells products to the global market, SK Biopharmaceuticals recognizes that ethics and compliance management is essential to fulfilling its social responsibilities and thus is taking ethics and compliance management as a behavioral standard. We are providing continual training on the Code of Ethics and the Anti-Corruption Code of Conduct, including regular monitoring of the Compliance Control Standards. Going forward, we will internalize ethical standards and compliance management to fulfill our corporate social responsibilities.

## Promotion of Ethics and Compliance Management

### Ethics and Compliance System

SK Biopharmaceuticals has established its own Code of Ethics, Practical Guidelines for the Code of Ethics, and Anti-Corruption Code of Conduct in order to create a transparent business environment and fulfill its social responsibilities. By monitoring regulatory changes and market practices in both the domestic and overseas markets where we engage in business, we continuously improve relevant standards and operate a counseling and whistle-blowing channel for ethical management.

In addition, issues such as violations of the Monopoly Regulation and Fair Trade Act and the Pharmaceutical Affairs Act as well as security incidents are managed internally, and self-inspection activities are conducted once a year in accordance with the group-level internal audit process. For issues identified through the inspection results, the part in charge establishes improvement plans and operates a system for reporting the issues and improvements to the head of the Legal & Compliance Department. In addition, in order to internalize the practice of ethics and compliance, we constantly conduct monitoring and training on compliance based on the Compliance Control Standards and plan to continue monitoring for anti-corruption with the goal of achieving 'zero violations of anti-corruption laws' in 2022.

- Code of Ethics
- Practical Guidelines for the Code of Ethics
- Anti-Corruption Code of Conduct

### Ethics and Compliance Promotion Organizations

The Board of Directors appoints and operates a compliance officer to oversee ethical management, and the compliance officer conducts activities in accordance with the Compliance Control Standards and reports them to the Audit Committee and the Board of Directors on a regular basis. The Audit Committee has the right to consent to the appointment and dismissal of the head of the internal audit part (head of the Legal & Compliance Department) based on its powers of independent decision-making and exercises the authority to: enact and amend major internal audit-related regulations; approve the internal audit part's audit plan; and review, approve, and provide feedback on the audit results. In addition, the Compliance Team within the Legal & Compliance Department, an organization directly under the CEO, conducts ethical management activities such as compliance and internal audit tasks.

### Standards for Ethics and Anti-Corruption Management

| Category | Code of Ethics Practice Items | Main Content |
|---|---|---|
| Employees | Faithful performance of duties, resolution of conflicts of interest, protection and appropriate use of the Company's assets and information, mutual respect among employees | Protection of the Company's tangible and intangible assets, establishment of a harmonious organizational culture, leaders' responsibilities |
| Shareholders | Transparent management centered around the Board of Directors, preparation and disclosure of management information | Compliance with fair and transparent management activities, transparent disclosure of management information |
| Business partners | Fair transactions and competition, prohibition of acceptance of gifts, entertainment, etc., and improper solicitations | Prohibition of the abuse of job position, compliance with fair transaction-related laws and regulations, compliance with the Anti-Corruption Code of Conduct |
| Customers | Respect for customers and securing of customer confidence | Protection of customer property and information in accordance with relevant laws and regulations |
| Community | Compliance with international anti-corruption conventions as well as domestic and foreign anti-corruption laws and regulations, as well as policies on safety, health, and the environment | Compliance with domestic and foreign laws as well as the Company's policies and regulations, continuous improvement of the Company's safety, health, and environmental performance |
| Operation of a channel for counseling and whistle-blowing, and protection of informants | Responsibility for operating the channel, reporting violations, and protecting informants | Information on the whistle-blowing channel for reporting any violations, the informant protection policy, and prohibition of disadvantages against informants |

### Results of Self-Inspection for Ethical Management

| Category | Inspection Item | Inspection Result | Measures and Improvement Plan |
|---|---|---|---|
| Recruitment process | Inclusion of a clause prohibiting unlawful solicitation and an external recruitment solicitation handling process in the regulations | No problem found according to the inspection | - |
| Evaluation / compensation and disciplinary action / reward | If any evaluation-based promotion / compensation has been offered contrary to the principles and standards, the reason for it or the appropriateness of granting approval for it | Necessary to establish standards for determining the types of disciplinary action | Establishment of guidelines for determining the types of disciplinary action (in the 3rd quarter of 2022) |
| Private use of budget | Checking for any private use by identifying abnormal transactions | No problem found according to the inspection | - |
| Registration / management of business partners | Retention of fair standards and procedures for registering / evaluating companies | No problem found according to the inspection | - |
| | Reporting on the retention of business partners with a special relationship and periodic inspection procedures related to employees | No problem found according to the inspection | - |
| Sales / receivables / investment management | Status of overdue/uncollected receivables, prevention of fraudulent transactions, and fulfillment of investment conditions | No problem found according to the inspection | - |

## Ethical Management and Anti-Corruption Monitoring

SK Biopharmaceuticals has enacted and amended its Code of Ethics, Practical Guidelines for Code of Ethics, and Anti-Corruption Code of Conduct, and uses them as the criteria for judging the decisions and actions taken by its employees in all its business activities. In addition, a whistle-blowing channel where all stakeholders can seek consultation about ethics and compliance, or report irregularities is provided on the Company's website.

The anonymity of the informants is guaranteed by the internal protection program, and measures are taken to prevent any possible disadvantage or retaliation against them. Since the establishment of the whistle-blowing channel, there have been 3 reports of suspicious cases regarding ethical management received up to January 2022, and yet none of the reported cases has been found to be a violation of the Code of Ethics.

In addition, management through this channel is being extended to our business partners, and we are striving to implement ethical management throughout the supply chain. SK Biopharmaceuticals manages its business partners' business integrity, information disclosure, intellectual property-related behaviors, fair transactions, whistleblower protection, responsible mineral procurement, and personal information protection through its Partners ESG Management Policy.

Meanwhile, the head of SK Biopharmaceuticals' Legal & Compliance Department oversees the compliance tasks of SK Life Science and reports the current status of compliance management and the occurrence of any ethical management issues to the Board of Directors of SK Biopharmaceuticals. Through this, SK Biopharmaceuticals applies ethical management standards comprehensively to both its headquarters and subsidiaries, thereby managing potential risks.

SK Life Science discloses relevant information on its website and internal intranet to provide clear guidance on its anti- bribery and anti-corruption policy to its employees, and related measures are supervised by the Compliance Committee. In addition, SK Life Science publishes a compliance newsletter targeting employees, thereby sharing major updated items on ethical management and anti-corruption. Moreover, an anonymous hotline system has been established on the corporate website to manage potential violations of the Code of Ethics. It can be used through the corporate website, and employees are encouraged to actively report any violation whenever they become aware of it.

Inquiries page
SK LSI Hotline
SK LSI Code of Conduct

### Whistle-blowing Channel's Reporting System

| | |
|---|---|
| **Things to be reported** | • Any employee's act of receiving money, valuables, entertainment, etc. from an affiliated company in return for undue favors<br>• Improper use of the Company's assets or submission of a false report after falsifying related documents<br>• Violation of the Code of Ethics or related laws and regulations (Pharmaceutical Affairs Act, Monopoly Regulation and Fair Trade Act, Improper Solicitation and Graft Act, Fair Transactions in Subcontracting Act, etc.)<br>• Any desired improvements or suggestions in relation to fair transactions and ethical management |
| **Report processing procedure** | Reporting → Acceptance of report receipt → Confirmation of the report by the relevant part → Completion of report processing |
| **Protection of the informant** | • The identity of the informant and the details of the report are kept strictly confidential so that they are not disclosed against his/her will.<br>• All measures and efforts are made to prevent the informant from suffering any disadvantage to his/her status or experiencing discrimination in terms of working conditions on account of a legitimate report or related statements and data submission.<br>• Those who cooperated with the investigation by making statements and providing data in the process of fact-checking on the report are equally protected as the informant.<br>• If a person has participated in an unethical or illegal act but voluntarily reported the fact later, sanctions against him/her on account of such action may be eased or he/she may be exempted from sanctions. |

## Training on the Code of Ethics and Anti-Corruption

SK Biopharmaceuticals conducts online ethical management training and ethical practice workshops for all employees at least once a year to strengthen employees' will to practice ethical management. Training is conducted for all employees, including contract employees, and we achieved a training completion rate of 100% among those who received the training in 2021. In addition, to raise the level of ethical management practice, we also give ethical practice questionnaires to employees and conduct specialized compliance training for new recruits as well as experienced employees who have joined newly. In addition, we take a pledge of ethical practice containing a statement of fair market order and matters of attention in transactions with our business partners as well as a letter of consent for fair and transparent transactions together. In the case of SK Life Science, it is compulsory to conduct training on the Code of Ethics and its anti-bribery and anti-corruption policy for all employees, including contract employees, and the training completion performance is managed through the Learning Management System and the Compliance Wire.

### Scope and Content of the Code of Ethics and Anti-Corruption Training

**Ethics training topics for employees**

- Prohibition of private profit-taking, embezzlement, and breach of trust by employees
- Prohibition of unfair acts by employees against business partners (abuse of power, unfair work orders)
- Prohibition of corrupt conduct by employees (entertainment, hospitality)
- Prohibition of bribery and solicitation by employees, fair transactions, and fair competition (solicitation, collusion)
- Reporting obligations and whistleblower protection in the event of any illegal or unethical behavior (report)

# Risk Management

As the complexity of the business environment increases, uncertainty and unexpected risks arise, which in turn generate new business opportunities as well. In the interest of sustainable growth, SK Biopharmaceuticals has established and is operating a system that can prevent risks in advance, and responds to not only short-term issues but also potential risks at home and abroad from the mid- to long-term perspective.

## Integrated Risk Management

### Risk Management System

SK Biopharmaceuticals classifies possible internal risks as risks pertaining to the R&D; the management and legal; the production, sales, and marketing; and the climate change; to identify, classify and manage risks by area. Accordingly, the identified contents are posted on our internal compliance portal. In addition, we prevent and respond to the potential risks identified in each area by establishing a response process.

**Risk Management Areas and Factors**

| Risk areas | R&D | Management and Legal | Production, Sales, and Marketing | Climate Change |
|---|---|---|---|---|
| Types of risks subject to management | • Risks related to patent or development information that arise in the R&D process<br>• Risks related to the confirmation, maintenance, and termination of a partnership<br>• Risks that arise during the preparation and processing of a clinical trial<br>• Other risks or accidents that occur in the R&D domain | • Various disputes, lawsuits, and sending or receiving of warning letters<br>• Risks arising from exposure of important undisclosed information<br>• Risks related to various legal regulations and restrictions applicable to development, production, and sales<br>• Other risks and accidents that occur during business management | • Risks related to production and logistics of products<br>• Risks arising in relation to various civil complaints and restrictions during product advertising and promotional activities<br>• Risks related to the expansion of the sales area and compliance regulations in the Republic of Korea and the U.S. concerning healthcare personnel (HCP)<br>• Other risks and accidents that occur in the production, sales, and marketing domain | • Risks caused by tightening regulations related to climate change<br>• Increasing customer demand for eco-friendly products and services<br>• Increasing instability in the supply chain and distribution network for raw materials due to climate change<br>• Other potential risks and accidents caused by climate change |
| Examples of risks | 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 by external auditors | Price manipulation; collusion; restrictions to vertical competition; false, exaggerative, or deceptive advertising, etc. | Reinforcement of regulations and policies related to climate change in each country, increasing stakeholder demands related to climate change, the occurrence of natural disasters in areas of business operation, etc. |

**Risk Response Process**

Report of the accident or risk → Reported by the appropriate team leader to the appropriate executive (verbal and written) → Discussion among the appropriate part and other related parts about the risk level and the preparation of an initial response plan → Establishment of an initial response plan according to the crisis level → Recording of the reported accident/ crisis and evaluation of the initial response and recovery plan

## Identification of Potential Risks and Opportunity Factors

SK Biopharmaceuticals broadly classifies risks into financial risks and non-financial risks. Financial risks include items associated with the flow and value of capital as well as those related to domestic and international markets surrounding us, such as foreign exchange, credit, liquidity, and interest rates. Non-financial risks include items related to compliance, ethics, technology, R&D, regulations, and new investments, which may arise in business operations. In addition, we monitor financial and non-financial risks across the business against changes in the external business environment, and our top management and the ESG/Strategy Committee under the Board of Directors manage and supervise related matters. Business growth factors and risk factors due to changes in the external business environment of SK Biopharmaceuticals in 2021 are identified as follows.

### Business Growth and Risk Factors Due to Changes in the External Business Environment

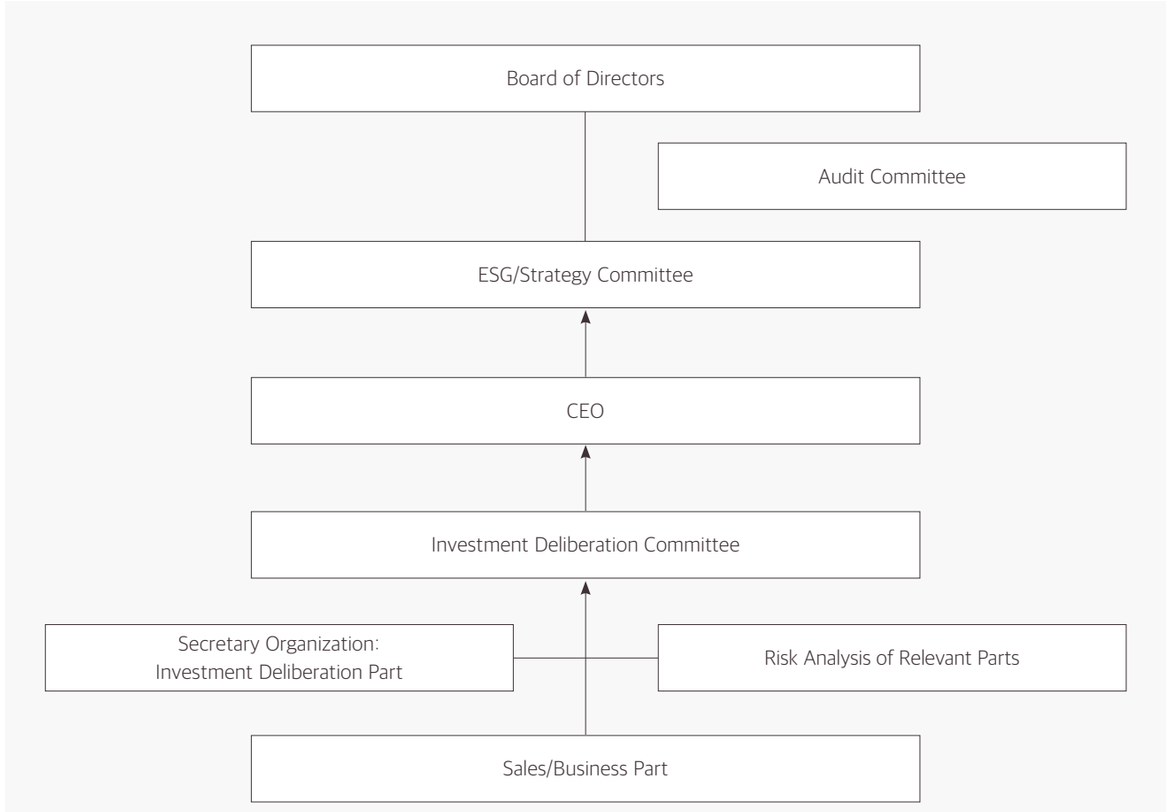
| Category | Business Growth Factors |
|---|---|
| Population growth and aging | By 2021, the elderly population aged 65 years or older will reach 656 million, accounting for 11.5% of the world's population. This increase in the elderly population translates into increased long-term demand for the treatment of chronic diseases. |
| Increase in patients with chronic diseases | There is a trend of a rapid increase in the number of 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 | As global regulatory agencies are pushing ahead with policies to ease licensing and regulatory barriers for pharmaceutical companies, opportunities for innovative new drugs to enter the global market are expected to increase in the future. |
| Personalized medicines | With the rise of patient-centered treatment and personalized treatment, there is a trend of developing personalized drugs based on an accurate understanding of disease characteristics and various onset pathways. |
| Medicines for rare diseases | There is a continuously increasing trend of pharmaceutical companies conducting research and development (R&D) on rare medicines, and there is a prospect that the global sales of rare medicines will increase by about 32% between 2017 and 2022. |
| Advancement of anti-cancer treatment technologies | Innovation in the field of anticancer drugs has gained momentum due to the development of innovative drug technologies such as immuno-oncology drugs, the revitalization of research on combination therapy with existing therapeutics, and the increase in the development of new drugs through R&D cooperation among competing pharmaceutical companies. |

| Category | Business Risk Factors |
|---|---|
| Medicine price regulations | In the aftermath of the social controversy over the excessive increase in U.S. drug prices in the U.S., pharmaceutical companies may be asked to come up with a differentiation scheme in order to prove the legitimacy of high drug prices. |
| Increased burden of medical expenses on customers | Many countries are announcing decreases in insurance refunds and reductions in insurance deductibles as part of their fiscal austerity measures, which increases the burden of medical expenses for patients. |
| Efficiency of R&D investment by pharmaceutical companies | Due to the low success rate of new drug development, pharmaceutical companies are experiencing a trend of decreasing return on investment in R&D, and thus global pharmaceutical companies are engaging in activities for the innovation of R&D productivity. |
| Expiration of patents | Patents for many global top-selling medicines will expire between 2018 and 2024, and the overall market size can be affected by the reduced sales of these products. |
| Strengthened bargaining power of insurance companies (payers) | The integration of purchase organizations is now underway among distributors, private insurance companies, and medical institutions, and the consequently increased bargaining power of insurance companies can put pressure on pharmaceutical companies to cut prices. |

## Investment Risk Management System

Deliberations on investment decisions that can have a significant impact on business are carried out through the Investment Deliberation Committee. The relevant parts and the Investment Deliberation Part analyze the short-term and mid- to long- term ripple effects, ESG factors, and risks assumed by each business organization and report the analysis results to the CEO. Among the reported matters, the issues that have a high impact on business management are reported to the ESG/Strategy Committee, and the final decision is made by the Board of Directors. In 2021, the committee performed deliberations on two projects: an equity investment project and a new business investment project, and through this, SK Biopharmaceuticals was able to gain a foothold in China by acquiring a stake in Ignis Therapeutics.

### Investment Risk Management Governance




## Tax Risk Management Policy

SK Biopharmaceuticals recognizes that legitimate payment of taxes complying with tax laws not only contributes to national finance, but is also a significant factor that can have a social impact. Accordingly, we are striving to fulfill our social responsibilities such as legitimate tax payments and tax filing obligations and thereby preventing tax risks in various aspects.

### Tax Principles

| | |
|---|---|
| Tax filing and payment obligations | Tax returns are filed in accordance with established laws and regulations. Upon amendment to the laws and regulations, SK Biopharmaceuticals establishes and implements new approval procedures and internal control activities so that such amendment is immediately reflected in the tax processes. |
| Compliance with tax laws | SK Biopharmaceuticals fulfills its obligation to pay taxes by complying with the tax laws of each country where it engages in business activities.<br>In addition, we carry out transparent communication by providing clear evidence in response to tax authorities' investigations and fact-checking requests. |
| Compliance with normal transaction principles | As for international transactions with overseas subsidiaries, SK Biopharmaceuticals uses the services of internal and external experts to establish transfer pricing policies that comply with domestic tax laws and OECD transfer pricing guidelines and maintain policy consistency through continuous monitoring. |
| Minimization of tax risk | When making important decisions, such as starting a new business or expanding the existing business, SK Biopharmaceuticals preemptively considers tax issues and prevents tax risks by actively utilizing the services of external experts. |

# APPENDIX

Materiality Assessment

Stakeholder Communication

ESG Data Sheet

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- SASB

- TCFD

- GRI Contents Index

Reporting Methodologies & Policies

GHG Emission Verification Statement

Independent Assurance Statement

# Materiality Assessment

SK Biopharmaceuticals conducts a materiality assessment every year to identify the main areas of stakeholders' interest and focus on managing them. A total of 20 sustainability issues were derived in 2021, and among them, 7 material issues having a great influence on business, in which stakeholders are highly interested, were identified as key issues for reporting, thereby including related contents as focal points in this report.

## Materiality Assessment Process

SK Biopharmaceuticals conducted a materiality assessment to identify important sustainability issues having a high influence on its corporate value and to faithfully disclose its internal processes for managing them. The term 'material sustainability issues' refers to issues that have a significant impact on business and in which stakeholders are highly interested.

**STEP 1.**

### Create a pool of sustainability issues

A total of 20 sustainability issues were organized by analyzing the external environment surrounding SK Biopharmaceuticals.
The following were considered:

- ESG disclosure and evaluation Initiative requirements (GRI Standards, SASB, TCFD, UN SDGs, MSCI, ISO 26000, ISSB Guideline, K-ESG Indicators, Korea Exchange indicators, National Pension Service indicators)
- Sustainability issues that are dealt with in the same industry

**STEP 2.**

### Prioritize sustainability issues

Analysis of business impact
- Analysis of ESG-related investor questions
- Review of ESG-related issues in the CEO's message
- Employee survey:
  A survey was conducted of more than 250 employees from January 26 through February 4, 2022.

Analysis of stakeholder concerns
- Analysis of international sustainability standards
- Issues reported by industry peers
- Media research analysis

**STEP 3.**

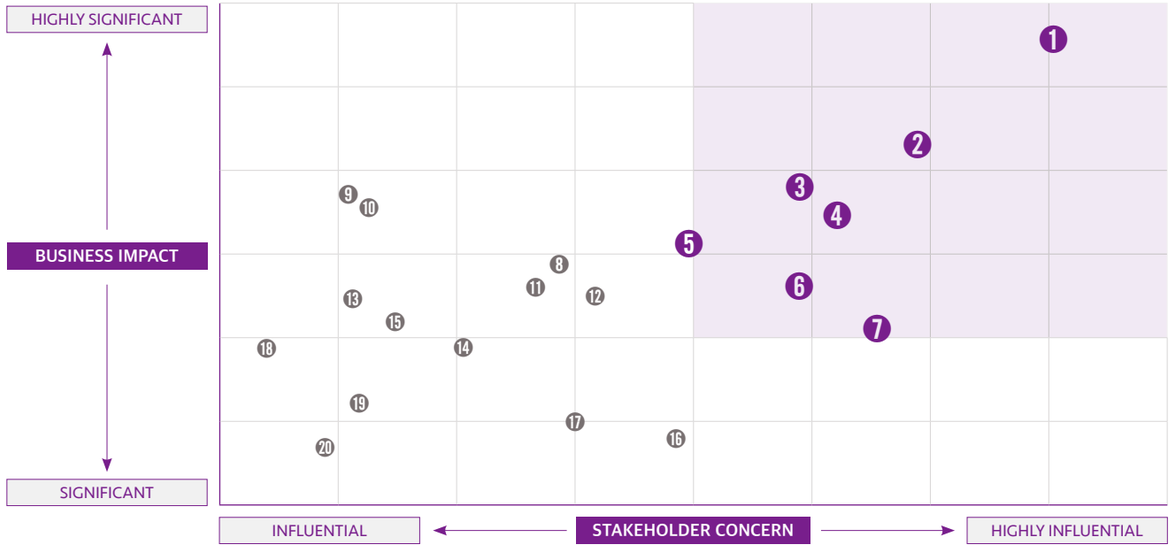
### Select material issues and review their validity

A total of 7 material issues that are high on the list in terms of business impact and stakeholder concern were selected and reviewed for their validity through the ESG/Strategy Committee.

## Materiality Assessment Results for 2021

A total of 7 material issues were selected through the materiality assessment. Among them, the top three issues that have a significant influence on SK Biopharmaceuticals' sustainability are 'Technological innovation and product competitiveness', 'Product safety and quality', and 'Access to healthcare'. We intend to actively communicate with stakeholders by disclosing our measures to address high-ranking materiality issues through this report in line with response strategies for each issue, management goals, key performance and activities.

Materiality Assessment Matrix




| Material Issues | Stakeholder Scope | | | | Reporting Page |
|---|---|---|---|---|---|
| | Shareholder/ Investor | Employee | Partner | Customer | |
| ❶ Technological innovation and product competitiveness | ● | ● | ● | ● | 08-09 |
| ❷ Product safety and quality | ● | ● | ● | ● | 35 |
| ❸ Access to healthcare | | | | ● | 31-33 |
| ❹ Human resource management | | ● | | | 36 |
| ❺ Responsible R&D | | ● | | ● | 34 |
| ❻ Business ethics and compliance | ● | ● | | ● | 55-56 |
| ❼ Response to greenhouse gases and climate change | ● | | ● | ● | 25 |

| Other Issues |
|---|
| ❽ Corporate governance |
| ❾ Company-wide risk management |
| ❿ Establishment of a sustainable management system and reinforcement of information disclosure |
| ⓫ Labor practices and human rights |
| ⓬ Ethical marketing |
| ⓭ Workplace safety and health |
| ⓮ Waste and hazardous substance management |
| ⓯ Sustainable supply chains |
| ⓰ Community development and corporate citizenship behavior |
| ⓱ Diversity and inclusion |
| ⓲ Privacy and data security |
| ⓳ Water resources management |
| ⓴ Energy management |

# Stakeholder Communication

SK Biopharmaceuticals operates online communication channels on its website for stakeholders, including shareholders, customers, employees, and business partners. Through these communication channels, various opinions and suggestions from stakeholders about ESG management are gathered and processed by the personnel in charge of the designated part. The status and issues related to work on the received opinions and suggestions are reported to the executive management, ESG/Strategy Committee, and Audit Committee.

## Stakeholder Engagement and Communication Channels

| Stakeholders | Areas | Main Communication Channels | Our Response |
|---|---|---|---|
| **Shareholders** | • Financial performance generation and dividend payout ratio<br>• Technological innovation and product competitiveness<br>• Risk management system and competency<br>• Transparent disclosure of business performance<br>• Corporate ethics and compliance<br>• Sound governance structure | • General meetings of shareholders<br>• Investor meetings<br>• Non-deal roadshows (NDR)<br>• Press conferences<br>• Corporate disclosure channels including the corporate website<br>• Media press releases and notices on the corporate website | • Expansion of the R&D pipeline<br>• Establishment of a mid- to long-term sustainability strategy through the ESG/Strategy Committee<br>• Enhancement of shareholder value, such as executive management evaluation through the Nomination and Compensation Committee establishment<br>• Investment and tax risk management<br>• Ethical management monitoring |
| **Customers** | • Expansion of target diseases through the development of new medicine<br>• Improved access to medicines<br>• Enhancement of customer satisfaction<br>• Product quality and safety<br>• Protection of personal data | • Patient Assistance Program (SK Life Science Navigator) and customer contact point (Online Customer Center) of SK Life Science's sales/marketing department<br>• Operation of a channel on the website for gathering stakeholder opinions<br>• Provision of product information through a separate webpage for XCOPRI®<br>• Direct customer marketing through media channels (in the U.S.) | • Development of new medicines and expansion of indications for existing drugs<br>• Operation of the Harmonized Global Quality Policy<br>• Promotion of ethical marketing and quality management<br>• Drug quality monitoring and control of counterfeit drugs<br>• Operation of the Customer Information Protection System<br>• Reinforcement of the customer contact point by means of the product website and the Navigator program<br>• Operation of the Patient Assistance Program<br>• Patient-oriented marketing through media channels such as SNS, webpages, and OTT (in the U.S.) |
| **Employees** | • Support for individual growth<br>• Protection of human rights in the workplace<br>• Employee diversity<br>• Flexible workplace environment<br>• Fair and reasonable evaluation<br>• Ensuring work-life balance<br>• Welfare and benefits | • Bulletin board for internal communication<br>• In-house grievance channel<br>• Hotline system<br>• Employees' Meetings<br>• Work satisfaction surveys<br>• Training for newly hired employees and programs to enhance job competencies | • Establishment of a human rights survey plan<br>• Operation of an in-house grievance process<br>• Human rights education for employees<br>• Operation of the Women in Leadership Program (WLP)<br>• Operation of the Affirmative Action Program<br>• Introduction of the Selective Working Hours System<br>• Operation of the Maternity Protection program<br>• CEO and Employees' Meetings<br>• Conduct of culture surveys |
| **Business partners** | • Fair competition<br>• Supplier risk analysis and training<br>• Provision of opportunities for shared growth<br>• Educational and infrastructure support<br>• Utilization of communication channels | • Online communication channel for suppliers<br>• One-on-One meetings (weekly meetings, quarterly business reviews, etc.)<br>• Ethical management reporting channel<br>• Pharmaceutical Supply Chain Sustainability Initiative (PSCI)<br>• Training programs for CMOs and CPOs<br>• R&D cooperation channel on the website | • Establishment of ESG management standards for business partners<br>• Membership of the Pharmaceutical Supply Chain Sustainability Initiative (PSCI)<br>• Operation of a risk-based Vendor Qualification Program<br>• Supporting product safety and quality training for business partners<br>• Introduction of a shared growth policy for business partners, such as R&D cooperation |

# ESG Data Sheet

## Environmental

**GHG emissions and air pollutant emissions[1)]**

| Category | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| GHG Emissions | GHG emissions intensity (Scope 1 + Scope 2) | $tCO_2e$/KRW 1 billion | 8.92 | 46.58 | 3.22 |
| | Sales (consolidated) | KRW 1 billion | 123.9 | 26.0 | 418.6 |
| | Total emissions | $tCO_2e$ | 1,105 | 1,211 | 1,349 |
| | Scope 1 emissions | $tCO_2e$ | 282 | 313 | 394 |
| | Scope 2 emissions | $tCO_2e$ | 823 | 898 | 955 |
| Air Pollutant Emissions | NOx emissions intensity | kg/KRW 1 billion | 1.36 | 4.96 | 0.26 |
| | NOx emissions | kg | 169 | 129 | 107 |
| | SOx emissions intensity | kg/KRW 1 billion | 0 | 0 | 0 |
| | Sox emissions | kg | 0 | 0 | 0 |
| | Dust emissions intensity | kg/KRW 1 billion | 0.48 | 0.15 | 0.01 |
| | Dust emissions | kg | 60 | 4 | 3 |
| | VOC emissions intensity[2)] | kg/KRW 1 billion | N/A | N/A | 0.41 |
| | VOC emissions[2)] | kg | N/A | N/A | 170 |

**Energy consumed[3)]**

| Category | | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Energy consumption intensity | | | GJ/KRW 1 billion | 97.1 | 508.9 | 39.1 |
| Total energy consumption | | | GJ | 12,030 | 13,230 | 16,385 |
| Energy consumed | Direct energy | Total | GJ | 1 | 2 | 508 |
| | | Natural gas | GJ | 0 | 0 | 0 |
| | | Gasoline | GJ | 0 | 0 | 508 |
| | | Diesel | GJ | 1 | 2 | 0 |
| | Indirect energy | Total | GJ | 12,029 | 13,228 | 15,877 |
| | | City gas | GJ | 5,581 | 6,194 | 7,097 |
| | | Electricity | GJ | 6,448(1,791) | 7,034(1,954) | 7,351(2,042) |
| | | Steam | GJ | 0 | 0 | 1,429 |
| | | Other | GJ | 0 | 0 | 0 |
| Total renewable energy consumed[4)] | | | MWh | 0 | 0 | 973 |
| Percentage of renewable energy consumed | | | % | 0 | 0 | 53 |

**Water usage and water pollutants**

| Category | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Water withdrawn | Water withdrawal intensity | Ton/KRW 1 billion | 84.82 | 319.32 | 12.89 |
| | Total | Ton | 10,505 | 8,302 | 5,395 |
| | Water supply | Ton | 10,505 | 8,302 | 5,395 |
| | Underground water | Ton | 0 | 0 | 0 |
| | Other | Ton | 0 | 0 | 0 |
| | Water withdrawn in water resource-sensitive areas | Ton | 0 | 0 | 0 |
| Water consumption and recycling | Water consumed | Ton | 10,505 | 8,302 | 5,395 |
| | Water recycled | Ton | 0 | 0 | 0 |
| | Percentage of water recycled | % | 0 | 0 | 0 |
| Water pollutants[5)] | COD emissions intensity | kg/KRW 1 billion | 0.20 | 0.77 | 0.06 |
| | COD emissions | kg | 25 | 20 | 25 |
| | BOD emissions intensity | kg/KRW 1 billion | 4.40 | 29.15 | 0.81 |
| | BOD emissions | kg | 545 | 758 | 338 |
| | T-N emissions intensity | kg/KRW 1 billion | 0.03 | 0.12 | 0.01 |
| | T-N emissions | kg | 4 | 3 | 3 |

**Waste generation and recycling[6)]**

| Category | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Waste generated | Waste generation intensity | Ton/KRW 1 billion | 0.45 | 1.88 | 0.10 |
| | Total | Ton | 56 | 49 | 42 |
| Waste disposed | Landfill | Ton | 0 | 0 | 0 |
| | Incineration | Ton | 0 | 0 | 0 |
| | Organic solvent waste thermally processed and converted into heat sources for local communities | Ton | 56 | 49 | 42 |
| | Percentage of waste recycled | % | 0 | 0 | 0 |

1) Our business operation in the United States of America (SK Life Science) was included in calculating GHG emissions (Scope 2) in 2021
2) Data regarding VOC emissions were collected from 2021
3) Our business operation in the U.S. (SK Life Science) was included in calculating energy consumption in 2021
4) 100% of renewable energy consumption is purchased through green premium pricing
5) Water pollutants from laboratory wastewater of the Pangyo Headquarters are monitored and managed every month
6) The data scope of waste generated and disposed is limited to designated wastes as general wastes generated at the leased building are being disposed by building's management department and thus excluded from data collection scope

## Social

| Employee data - SK Biopharmaceuticals | | | | | |
|---|---|---|---|---|---|
| **Category** | | **Unit** | **2019** | **2020** | **2021** |
| Total | | Persons | 214 | 200 | 245 |
| By gender | Male | Persons | 97 | 107 | 122 |
| | Female | Persons | 117 | 93 | 123 |
| By contract type | Full-time | Persons | 206 | 183 | 230 |
| | Fixed-term | Persons | 8 | 17 | 15 |
| By age | Under 30 | Persons | 28 | 46 | 65 |
| | 30-50 | Persons | 177 | 148 | 172 |
| | Over 50 | Persons | 9 | 6 | 8 |

| Employee data - SK Life Science | | | | | |
|---|---|---|---|---|---|
| **Category** | | **Unit** | **2019** | **2020** | **2021** |
| Total | | Persons | 147 | 252 | 258 |
| By gender | Male | Persons | 73 | 132 | 135 |
| | Female | Persons | 74 | 120 | 123 |
| By contract type | Full-time | Persons | 147 | 252 | 258 |
| | Fixed-term | Persons | 0 | 0 | 0 |
| By age | Under 30 | Persons | 8 | 17 | 18 |
| | 30-50 | Persons | 81 | 144 | 143 |
| | Over 50 | Persons | 58 | 91 | 97 |

| Diversity - SK Biopharmaceuticals | | | | | |
|---|---|---|---|---|---|
| **Category** | | **Unit** | **2019** | **2020** | **2021** |
| Executives | Total | Persons | 5 | 8 | 12 |
| | Female | Persons | 0 | 1 | 2 |
| | Percentage of female | % | 0 | 12.5 | 16.7 |
| Total managers[1)] | Total | Persons | 111 | 96 | 113 |
| | Female | Persons | 54 | 38 | 56 |
| | Percentage of female | % | 48.6 | 39.6 | 49.6 |
| Low-level managers[2)] | Total | Persons | 53 | 50 | 67 |
| | Female | Persons | 29 | 22 | 40 |
| | Percentage of female | % | 54.7 | 44.0 | 59.7 |
| Managers at revenue-generating parts[3)] | Total | Persons | 8 | 9 | 12 |
| | Female | Persons | 5 | 6 | 6 |
| | Percentage of female | % | 62.5 | 66.7 | 50.0 |
| Employees in STEM[4)] positions | Total | Persons | 106 | 84 | 90 |
| | Female | Persons | 61 | 41 | 42 |
| | Percentage of female | % | 57.5 | 48.8 | 46.7 |
| Employees with disabilities | Number of employees with disabilities | Persons | 2 | 2 | 5 |
| | Ratio of employees with disabilities | % | 0.9 | 1.0 | 2.0 |

| Diversity - SK Life Science | | | | | | |
|---|---|---|---|---|---|---|
| **Category** | | | **Unit** | **2019** | **2020** | **2021** |
| Executives | Total | | Persons | 10 | 10 | 10 |
| | Female | | Persons | 1 | 1 | 1 |
| | Percentage of female | | % | 10.0 | 10.0 | 10.0 |
| Total managers[1)] | Total | | Persons | 50 | 65 | 64 |
| | Female | | Persons | 13 | 27 | 23 |
| | Percentage of female | | % | 26.0 | 41.5 | 35.9 |
| Low-level managers[2)] | Total | | Persons | 8 | 6 | 6 |
| | Female | | Persons | 3 | 4 | 3 |
| | Percentage of female | | % | 37.5 | 66.7 | 50.0 |
| Managers at revenue-generating part[3)] | Total | | Persons | 20 | 25 | 24 |
| | Female | | Persons | 5 | 9 | 9 |
| | Percentage of female | | % | 25.0 | 36.0 | 37.5 |
| Employees in STEM[4)] positions | Total | | Persons | 64 | 61 | 68 |
| | Female | | Persons | 37 | 37 | 38 |
| | Percentage of female | | % | 57.8 | 60.7 | 55.9 |
| Employees with disabilities | Number of employees with disabilities | | Persons | 0 | 2 | 1 |
| | Ratio of employees with disabilities | | % | 0 | 0.8 | 0.4 |
| Race/Ethnicity | Management position | Asian | Persons | 10 | 13 | 20 |
| | | Black/African American | Persons | 2 | 4 | 4 |
| | | Hispanic/Latino | Persons | 3 | 3 | 1 |
| | | White | Persons | 37 | 43 | 38 |
| | | Indigenous/Native | Persons | 0 | 0 | 1 |
| | | Others | Persons | 1 | 2 | 0 |
| | Others | Asian | Persons | 42 | 38 | 38 |
| | | Black/African American | Persons | 4 | 3 | 5 |
| | | Hispanic/Latino | Persons | 3 | 11 | 12 |
| | | White | Persons | 40 | 125 | 125 |
| | | Indigenous/Native | Persons | 0 | 0 | 1 |
| | | Others | Persons | 5 | 10 | 13 |

1) Total number of managers in manager level positions or above and senior manager level positions or below
2) Total number of managers in manager level positions
3) The total number of managers at revenue-generating parts data is equal to the number of employees falling under the Corporate Biz. Development and Commercial Management department
4) Science, Technology, Engineering, Mathematics

**Recruitment - SK Biopharmaceuticals**

| Category | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Total | | Persons | 47 | 73 | 59 |
| By gender | Female | Persons | 24 | 31 | 34 |
| | Male | Persons | 23 | 42 | 25 |
| By age | Age of 20s | Persons | 11 | 17 | 21 |
| | Age of 30s | Persons | 30 | 45 | 30 |
| | Age of 40s | Persons | 6 | 11 | 7 |
| | Age of 50s | Persons | 0 | 0 | 1 |
| By positions | Executives/High-level managers | Persons | 0 | 0 | 0 |
| | Mid-level managers | Persons | 32 | 59 | 30 |
| | Professionals | Persons | 0 | 0 | 0 |
| | Others | Persons | 15 | 14 | 29 |
| Percentage of Internal recruitment | | % | 0 | 0 | 1.7 |

**Recruitment - SK Life Science**

| Category | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Total | | Persons | 4 | 4 | 17 |
| By gender | Female | Persons | 3 | 0 | 7 |
| | Male | Persons | 1 | 4 | 10 |
| By age | Age of 20s | Persons | 0 | 0 | 2 |
| | Age of 30s | Persons | 1 | 1 | 8 |
| | Age of 40s | Persons | 2 | 2 | 4 |
| | Age of 50s | Persons | 1 | 1 | 3 |
| By positions | Executives/High-level managers | Persons | 0 | 0 | 3 |
| | Mid-level managers | Persons | 0 | 0 | 3 |
| | Professionals | Persons | 3 | 4 | 11 |
| | Others | Persons | 1 | 0 | 0 |
| Percentage of Internal recruitment | | % | 14.3 | 3.3 | 28.3 |

1) Data regarding employee average training hours and training expenses per person were collected and managed from 2021

**Turnover - SK Biopharmaceuticals**

| Category | | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Total | | | Persons | 10 | 89 | 12 |
| Voluntary turnover | By positions | Executives/High-level managers | Persons | 0 | 0 | 0 |
| | | Mid-level managers | Persons | 0 | 0 | 0 |
| | | Professionals | Persons | 0 | 0 | 0 |
| | | Others | Persons | 9 | 89 | 12 |
| | By gender | Male | % | 30 | 38 | 75 |
| | | Female | % | 70 | 62 | 25 |
| Involuntary turnover | By positions | Executives/High-level managers | Persons | 0 | 0 | 0 |
| | | Mid-level managers | Persons | 0 | 0 | 0 |
| | | Professionals | Persons | 0 | 0 | 0 |
| | | Others | Persons | 1 | 0 | 0 |
| Voluntary turnover rate | | | % | 5.2 | 41.6 | 6.0 |

**Turnover - SK Life Science**

| Category | | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Total | | | Persons | 18 | 26 | 55 |
| Voluntary turnover | By positions | Executives/High-level managers | Persons | 0 | 0 | 2 |
| | | Mid-level managers | Persons | 6 | 6 | 6 |
| | | Professionals | Persons | 9 | 17 | 39 |
| | | Others | Persons | 0 | 0 | 1 |
| | By gender | Male | % | 61 | 35 | 56 |
| | | Female | % | 39 | 65 | 44 |
| Involuntary turnover | By positions | Executives/High-level managers | Persons | 1 | 0 | 0 |
| | | Mid-level managers | Persons | 1 | 3 | 1 |
| | | Professionals | Persons | 1 | 0 | 6 |
| | | Others | Persons | 0 | 0 | 0 |
| Voluntary turnover rate | | | % | 20.5 | 15.6 | 19.0 |

**Employee training[1)]**

| Category | | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Average training hours | Training hours per person | | Hours/persons | N/A | N/A | 47.7 |
| | By positions | Executives/High-level managers | Hours/persons | N/A | N/A | 91.0 |
| | | Others | Hours/persons | N/A | N/A | 45.3 |
| Training expenses per person | | | KRW 1 million/persons | N/A | N/A | 4.2 |
| Sexual harassment prevention training | Participants | | persons | 201 | 171 | 231 |
| | Training hours per person | | Hours | 1 | 1 | 1 |

## Performance appraisal and compensation

| Category | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Percentage of employees subject to regular performance appraisal | % | 100 | 100 | 100 |
| Percentage of employees subject to management by objectives (MBO) | % | 100 | 100 | 100 |
| Percentage of employees subject to formal comparative ranking within same employee category | % | 100 | 100 | 100 |

## Gender pay gap

| Category | | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Executives | Base salary | Male | KRW 1 million | 186 | 249 | 223 |
| | | Female | KRW 1 million | 0 | 206 | 219 |
| | Base salary + other cash incentives | Male | KRW 1 million | 590 | 318 | 279 |
| | | Female | KRW 1 million | 0 | 236 | 263 |
| Managers | Base salary | Male | KRW 1 million | 107 | 104 | 106 |
| | | Female | KRW 1 million | 111 | 114 | 118 |
| | Base salary + other cash incentives | Male | KRW 1 million | 249 | 120 | 124 |
| | | Female | KRW 1 million | 251 | 133 | 144 |
| Others | Base salary | Male | KRW 1 million | 64 | 64 | 67 |
| | | Female | KRW 1 million | 57 | 58 | 62 |

## Discrimination incidents

| Category | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Total reports submitted | Cases | 0 | 0 | 0 |
| Total cases corrective actions taken | Cases | 0 | 0 | 0 |

## Parental leave

| Category | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Employees eligible for parental leave | Male | Persons | 37 | 38 | 39 |
| | Female | Persons | 23 | 26 | 24 |
| Employees who took parental leave | Male | Persons | 0 | 0 | 1 |
| | Female | Persons | 7 | 6 | 4 |
| Employees who returned to work | Male | Persons | 0 | 0 | 0 |
| | Female | Persons | 1 | 6 | 3 |
| Return-to-work rate after parental leave[1] | Male | % | N/A | N/A | 0 |
| | Female | % | 100 | 75 | 60 |
| Return-to-work maintenance rate after parental leave[2] | Male | % | N/A | N/A | N/A |
| | Female | % | 100 | 0 | 67 |

## Occupational health and safety[3]

| Category | | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Lost Time Injury Rate (LTIR) | Total | | Number of injuries for every 200,000 hours worked | 0 | 0 | 0 |
| | By type | Employees | Number of injuries for every 200,000 hours worked | 0 | 0 | 0 |
| | | Suppliers | Number of injuries for every 200,000 hours worked | 0 | 0 | 0 |
| Number of Lost Time Injury(LTI) cases | Employees | | Cases | 0 | 0 | 0 |
| | Suppliers | | Cases | 0 | 0 | 0 |
| Occupational Illness Frequency Rate (OIFR)[4] | | | Number of injuries for every 200,000 hours worked | 0 | 0 | 0 |
| Number of Occupational Illness cases | | | Cases | 0 | 0 | 0 |
| Fatality rate | | | % | 0 | 0 | 0 |
| Number of Fatalities | | | Cases | 0 | 0 | 0 |

## Privacy and data security

| Category | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Number of exposures of corporate data and customer information | Cases | 0 | 0 | 0 |

## Political contributions and association fees

| Category | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Political contributions | KRW 1 million | 0 | 0 | 0 |
| Association fees | KRW 1 million | 0 | 0 | 0 |

## Social contributions[5]

| Category | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Cash contribution | KRW 1 million | N/A | 30 | 15 |
| In-kind giving | KRW won | N/A | 0 | 0 |
| Employee volunteering | Hours | N/A | 0 | 74 |
| Management overheads | KRW won | N/A | 0 | 0 |
| Percentage of employee volunteering participation | % | N/A | 0 | 11.4 |

## Patent applications

| Category | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Domestic | Patent registration | Cases | 37 | 40 | 40 |
| | Patent application in progress | Cases | 43 | 50 | 38 |
| Overseas | Patent registration | Cases | 497 | 632 | 700 |
| | Patent application in progress | Cases | 217 | 277 | 263 |

1) Ratio of employees who returned to work = (Number of employees who returned to work after parental leave) / (Number of employees set to return for the concerned year after taking parental leave during the previous reporting period)×100

2) Retention rate of employees who took parental leave = (Number of employees who continued to work for 12 months after return from parental leave) / (Number of employees who returned to work after parental leave during the previous reporting period)×100

3) Occupational health and safety data scope includes 2 in-house suppliers which manages infrastructure and animal breeding facility

4) Occupational Illness Frequency Rate = (Number of Occupational Illness cases)/(annual hours worked)×200,000 hours

5) Data regarding social contributions were collected from 2020

## Corporate Governance

**Board of Directors**

| Category | | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| BOD composition | Total | | Persons | 5 | 5 | 5 |
| | BOD composition | Inside directors | Persons | 1 | 1 | 1 |
| | | Non-executive directors | Persons | 1 | 1 | 1 |
| | | Outside directors | Persons | 3 | 3 | 3 |
| | By gender | Male | Persons | 4 | 4 | 4 |
| | | Female | Persons | 1 | 1 | 1 |
| BOD operation | Meetings held | | Number of meetings | 13 | 10 | 10 |
| | Average attendance of outside directors | | % | 100 | 96.7 | 100 |

**Ethical management**

| Category | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Ethics and anti-corruption training | Participants | Persons | 200 | 201 | 228 |
| | Training targets | Persons | 200 | 205 | 228 |
| | Completion rate | % | 100 | 98 | 100 |
| Anti-corruption and anti-competitive related incidents | Anti-corruption related regulatory violations[1] | Cases | 0 | 0 | 0 |
| | Total monetary losses under legal procedures related to anti-competitive activities | KRW 1 million | 0 | 0 | 0 |

**Income taxes paid[2]**

| Category | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Earnings before tax | KRW 1 million | -84,451 | -239,909 | 71,277 |
| Reported tax | KRW 1 million | -12,932 | 7,504 | 6,431 |
| Effective tax rate | % | N/A | N/A | 9.0 |
| Cash taxes paid | KRW 1 million | -707 | -6,388 | 6,160 |
| Cash tax rate | % | N/A | N/A | 8.6 |

**Taxes paid by country[3]**

| Category | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Domestic | Number of employees | Persons | 214 | 200 | 245 |
| | Sales | KRW 1 million | 123,814 | 13,394 | 340,421 |
| | Earnings before tax | KRW 1 million | 13,009 | -53,079 | 258,082 |
| | Income tax expenses | KRW 1 million | 0 | 5,384 | 8,036 |
| | Taxes paid | KRW 1 million | 0 | -5,249 | -4,376 |
| The U.S. | Number of employees | Persons | 147 | 252 | 258 |
| | Sales | KRW 1 million | 38 | 12,065 | 78,224 |
| | Earnings before tax | KRW 1 million | -97,460 | -186,831 | -186,806 |
| | Income tax expenses | KRW 1 million | -12,932 | 2,121 | -1,605 |
| | Taxes paid | KRW 1 million | -707 | -1,139 | -1,784 |

1) Compliance monitoring is implemented at all times, and there were no incidents of corruption and bribery related legal procedures during the reporting period

2) Calculated as of Dec. 31 of the concerned year on a consolidated basis

3) We engage in new drug R&D and export business in South Korea (SK Biopharmaceuticals), and clinical development, commercialization and marketing business in the U.S. (SK Life Science)

# SASB

SK Biopharmaceuticals makes disclosures in accordance with the Conceptual Framework developed by the SASB (Sustainability Accounting Standards Board) as industry-specific standards that companies can voluntarily adopt to determine the standards for disclosing their data on sustainability issues. We believe that in so doing, we can provide investors and other wide-ranging stakeholders with useful information that they can utilize in their decision-making process. The following SASB Index was prepared in conformity with the Biotechnology & Pharmaceuticals Industry Standards for the Healthcare Sector under the SASB Sustainable Industry Classification System (SICS).

## Accounting Metrics

### Safety of Clinical Trial Participants

#### HC-BP-210a.1 Discussion, by world region, of the management processes for ensuring quality and patient safety during clinical trials

SK Biopharmaceuticals and SK Life Science manage all clinical trials in compliance with the standards stipulated by the International Council for Harmonization (ICH) guidelines for Good Clinical Practice (GCP). We established a Standard Operating Procedure (SOP) in order to monitor the current implementation status of the laboratory ethics regulations by Contract Research Organizations (CROs), and the Quality Assurance Team manages and supervises CROs' compliance with the regulations. In particular, SK Life Science strictly complies with the selection and exclusion criteria according to the clinical trial plan established in advance to ensure the safety of participants throughout the clinical trial stages and conducts clinical trials according to the medical monitoring plan. Moreover, SK Life Science enhances compliance by supervising and preventing any violations of the clinical trial plan.

#### HC-BP-210a.2 Number of FDA sponsor inspections related to clinical trial management and pharmacovigilance that resulted in Voluntary Action Indicated (VAI)[1] and Official Action Indicated (OAI)[2]

| Category | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| VAI | Cases | 1 | 0 | **1** |
| OAI | Cases | 0 | 0 | **0** |

SK Life Science took action on one Voluntary Action Indicated (VAI) case through the inspection conducted from May 13 to 22, 2019. This case was related to the locking and unlocking of databases. In addition, one VAI case occurred in 2021 due to an untimely FDA reporting, and measures were taken to improve internal processes and submission procedures.

#### HC-BP-210a.3 Total amount of monetary losses as a result of legal proceedings associated with clinical trials in developing countries

During the reporting period, SK Biopharmaceuticals and SK Life Science did not conduct any clinical trials in developing countries.

### 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 (ATMI)

SK Biopharmaceuticals has a medicine for epilepsy (cenobamate), one of the 17 non-contagious diseases included in priority diseases as defined by the Access to Medicine Index (ATMI), and is also driving the development of new medicine for epilepsy (SKL24741) and another new medicine for schizophrenia (SKL20540). As for priority countries, we are pushing forward with efforts to advance into the Asian market with a focus on China, and we also have a plan to license out our products to 12 countries in Latin America in the future.

#### HC-BP-240a.2 List of products on the WHO List of Prequalified Medicinal Products as part of its Prequalification of Medicines Programme (PQP)

During the reporting period, we do not have any product registered on the WHO List of Prequalified Medicinal Products.

### Affordability & Pricing

#### HC-BP-240b.1 Number of settlements of Abbreviated New Drug Application (ANDA) litigation[3] that involved payments and/or provisions to delay bringing an authorized generic product to market for a defined time period

During the reporting period, there was no case related to any ANDA litigation.

#### HC-BP-240b.2 / HC-BP-240b.3 Percentage change in average list price and average net price across the U.S. product portfolio and of products with the largest increase compared to the previous year.

During the reporting period, sales of one product, XCOPRI®, began and its list price increased by 3% in 2022, compared to 2021.

1) VAI is given when objectionable, but not significant, conditions or practices were identified during FDA inspection
2) OAI is given when significant objectionable conditions or practices were found during FDA inspection
3) Lawsuits that existing patent holders may file in regard to ANDA (an abbreviated procedure for making and selling generic drugs) and settlements that may be reached

## Drug Safety

### HC-BP-250a.1 List of products listed in the Food and Drug Administration's (FDA) MedWatch[1] Safety Alerts for Human Medical Products database

MedWatch is a channel that gathers and discloses adverse drug events, and it is obligatory for pharmaceutical companies to report adverse events. SK Biopharmaceuticals reports all adverse events related to its products to MedWatch. Currently, we have one product registered on MedWatch: XCOPRI®.

### HC-BP-250a.2 Number of fatalities associated with products as reported in the FDA Adverse Event Reporting System

The FDA Adverse Event Reporting System discloses information on reports of adverse events, medication errors, and product quality complaints. As of the end of December 2021, there were 16 XCOPRI®-related fatalities reported to the system.

### HC-BP-250a.3 Number of recalls issued, total units recalled

| Category | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Total | Cases | 0 | 0 | **0** |
| Class 1[2] Recall | Cases | 0 | 0 | **0** |
| Class 2[3] Recall | Cases | 0 | 0 | **0** |

### HC-BP-250a.4 Total amount of product accepted for takeback, reuse, or disposal

During the reporting period, sales of a single product (XCOPRI®) started, and we plan to process the disposal of wastes in cooperation with external companies in the future.

### HC-BP-250a.5 Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP), by type

| Category | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Form 483 | Cases | 0 | 0 | **0** |
| Warning Letters | Cases | 0 | 0 | **0** |
| Seizures | Cases | 0 | 0 | **0** |
| Recalls | Cases | 0 | 0 | **0** |
| Consent decrees | Cases | 0 | 0 | **0** |

## Counterfeit Drugs

### HC-BP-260a.1 Description of methods and technologies used to maintain traceability of products throughout the supply chain and prevent counterfeiting

Management of counterfeit drugs is a critical issue that is directly related to the reliability of SK Biopharmaceuticals' products and the health of our customers. Therefore, SK Biopharmaceuticals and SK Life Science serialize all products supplied to the market from the product shipment stage, thereby managing their traceability.

### HC-BP-260a.2 Discussion of processes for alerting customers and business partners of potential or known risks associated with counterfeit products

We do not operate a particular process for alerting customers and business partners of potential or known risks associated with counterfeit drugs.

### HC-BP-260a.3 Number of actions that led to raids, seizures, arrests, and/or filing of criminal charges related to counterfeit products

During the reporting period, there was no incident related to counterfeit drugs.

## Ethical Marketing

### HC-BP-270a.1 Total amount of monetary losses as a result of legal proceedings associated with false marketing claims

During the reporting period, there were no legal proceedings related to false marketing.

### HC-BP-270a.2 Description of the code of ethics governing the promotion of off-label use of products

Off-label marketing refers to marketing practices that encourage certain drugs to be used for purposes that are not officially authorized by regulatory authorities. SK Biopharmaceuticals and SK Life Science recognize that off-label marketing may hinder the proper use of drugs and strictly prohibit marketing activities other than those specified in the label for internal and external compliance. SK Life Science, which is currently responsible for product sales, manages its products at a stricter level, including restrictions on off-label use according to its Code of Ethics.

1) FDA's safety information and adverse event reporting program that serves as a pharmacovigilance system for reporting adverse events or problems experienced with the use of drugs
2) Type of recall involving situations in which there is a reasonable probability that the use or exposure to a volatile product will cause serious adverse health consequences or death
3) Type of recall involving situations in which use of or exposure may lead to temporary or medically reversible adverse health consequences or where the probability of serious adverse health consequences is remote

## Employee Recruitment, Development & Retention

### HC-BP-330a.1 Discussion of talent recruitment and retention efforts for scientists and research and development personnel

SK Biopharmaceuticals assesses the capabilities and talents required in the future for the Company's continuous growth and the realization of its values and then establishes related plans. Moreover, we maintain close communication with major graduate research laboratories to attract experts in the central nervous system and cancer treatment fields, which are our main research areas.

### HC-BP-330a.2 Voluntary and involuntary turnover rate for executives/senior managers, mid-level managers, professionals, and all others[1)]

| Category | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Voluntary turnover rate[2)] | % | 5.2 | 41.6 | **6.0** |
| Involuntary turnover rate[3)] | % | 0.6 | 0 | **0** |

## Supply Chain Management

### HC-BP-430a.1 Percentage of the entity's facilities and Tier 1 suppliers' facilities participating in the Rx-360 International Pharmaceutical Supply Chain Consortium audit program or equivalent third-party audit programs for the integrity of the supply chain and ingredients

SK Biopharmaceuticals became the first domestic pharmaceutical company to join the Pharmaceutical Supply Chain Initiative (PSCI) in 2022. Through this, the Company plans to preemptively manage the ESG risks of its business partners. Accordingly, we will strengthen the sustainability of the entire supply chain by complying with the principles for each of the five areas of PSCI which are ethics, labor, health and safety, environment, and related management systems, and transparently reporting the relevant information in supply contracts henceforward. We also intend to manage supply chain risks efficiently and integrate our supply chain management strategy with our ESG goals by participating in PSCI.

## Business Ethics

### HC-BP-510a.1 Total amount of monetary losses as a result of legal proceedings associated with corruption and bribery

During the reporting period, there was no legal proceeding related to corruption and bribery.

### HC-BP-510a.2 Description of the code of ethics governing interactions with health care professionals

SK Biopharmaceuticals thoroughly complies with domestic and international laws and regulations that stipulate pharmaceutical companies' marketing practices targeting healthcare professionals. Furthermore, SK Life Science, which conducts direct marketing of its products to customers, thoroughly complies with marketing regulations, protects the independent judgment of experts by stipulating standards for relationships with healthcare professionals, and prevents improper use of products through the Code of Conduct.

SK Life Science Code of Conduct

# Activity Metrics

### HC-BP-000.A Number of patients treated

We do not report the number of treated patients as it includes sensitive information.

### HC-BP-000.B Number of drugs in the portfolio and currently under research and development (Phases 1-3)

| Classification | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Number of drugs in the portfolio | Drugs | 0 | 1 | **2** |
| Number of drugs under R&D (phases 1 – 3 of clinical trials) | Drugs | 7 | 7 | **8** |

1) The voluntary and involuntary turnover rate is calculated based on SK Biopharmaceuticals' data, and during 2019~2021 there were no turnovers falling under the category of executives/senior managers, mid-level managers, or professionals
2) Turnovers when employees voluntarily choose to leave an organization
3) Turnovers when employees leave an organization against their will due to reasons including layoff, workforce reduction, corporate restructuring, and the expiration of the contract

# TCFD

SK Biopharmaceuticals actively joins hands in responding to climate change as demanded by the global community and has identified both actual and potential financial impacts that climate change could bring, setting its strategic directions and establishing a management system accordingly. We will transparently share our efforts to respond to climate change in accordance with the recommendations of the TCFD(Task Force on Climate-Related Financial Disclosures) to further reach out to stakeholders.

## Governance

Disclose the organization's governance around climate-related risks and opportunities

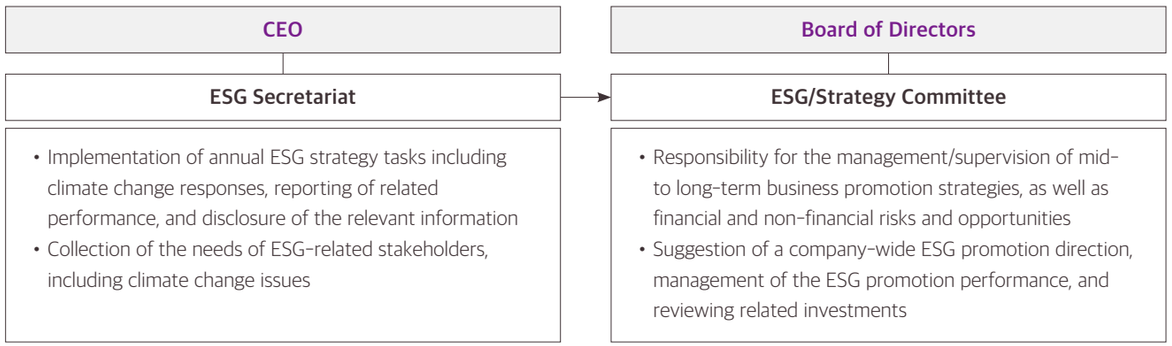
### A. Board of Directors-level oversight of climate-related risks and opportunities

SK Biopharmaceuticals has established the ESG/Strategy Committee within the Board of Directors in order to manage and supervise climate change-related risks and opportunities. The ESG/Strategy Committee is composed of one inside director including the CEO, one non-executive director, and one outside director, and it sets the strategic direction for SK Biopharmaceuticals' measures to respond to climate change and monitors the implementation of environmental management. In 2021, the committee held a total of 3 meetings and reviewed the establishment of annual goals (KPIs) as well as the ESG performance of the Company.

### B. Management's role related to the assessment and management of climate-related risks and opportunities

Biopharmaceuticals operates the ESG Office, a standing consultative body led by the Strategy Team of the Corporate Strategy Department under the Strategy & Investment Division. Executives and working groups of the company- wide ESG-related organizations participate in the activities of the ESG Office. As the consultative body under the direct control of the CEO, the ESG Office conducts activities aimed at achieving mid- to long-term climate change goals, implements annual ESG strategic tasks and information disclosures manages internal data for communication with external stakeholders, and carries out the aggregation of performance data. In 2021, SK Biopharmaceuticals set the goal of achieving Net-Zero GHG emissions by 2040 through decisions made by the management. To achieve this goal, efforts will be made to identify ways of reducing GHG emissions and expanding the use of renewable energy at workplaces led by employees under the SHE part, who are the company- wide dedicated environmental management personnel, and the related performance will be discussed periodically by the ESG Office and the ESG/Strategy Committee of the Board of Directors.

**Governance of climate change-related risks/opportunities**




## Strategies

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material

### A-C. The financial impact of climate-related risks and opportunities on SK Biopharmaceuticals business in the short, medium, and long term

SK Biopharmaceuticals does not have its own production facilities, and the frequency of abnormal climate phenomena is low in Pangyo, Gyeonggi-do, where its R&D facilities are located. Accordingly, exposure to the physical risk of climate change is low in the area. From a short-term perspective, SK Biopharmaceuticals shows lower carbon emissions than its peers and is not subject to the Korea Emissions Trading Scheme (K-ETS), so the transition risk associated with regulatory effects is not high.
However, the pharmaceutical industry is classified as a sector with a moderate or higher impact on climate change with its high carbon emissions, especially in the production stage. It is expected that the pharmaceutical industry will be required to reduce its carbon emissions intensity by about 59% compared to 2015 by 2025 in order to achieve the level recommended by the Paris Agreement. Accordingly, we recognize that the expenses due to climate change-related regulations, such as the imposition of carbon border taxes and increased costs of carbon, will affect profitability throughout the supply chain. From a mid- to long-term perspective, we plan to expand the scope of carbon emissions management to the CMOs entrusted with the manufacturing of our products. In addition, we are reviewing methods to reduce our environmental impact within Scope 3 emissions, such as by reducing environmental impact during product transportation, decreasing product packaging materials, and increasing the eco-friendliness of the packaging materials we use.
As of 2021, the carbon emissions of SK Biopharmaceuticals and SK Life Science amount to about 1,349 tCO2e per year. Since we do not have production facilities within our workplace, reduction of energy usage in our buildings used for R&D and office work must be taken into consideration in order to achieve our emissions reduction goal by 2040. However, we recognize that there are restrictions on the operation of an eco-friendly workplace in the headquarters located in a rented building under a current lease in Pangyo, Gyeonggi-do, and thus plan to push ahead with the relocation of the headquarters and the construction of a new office building within the next 3 to 5 years in such a way that we can review whether to promote an eco-friendly building first and then achieve the reduction of remaining emissions by expanding the use of renewable energy. This process is expected to entail capital expenditure on tangible assets such as the office building and non- operating expenses for purchasing renewable energy credits or expanding related infrastructure, but they will not be great enough to affect the Company's business profits and financial soundness at a significant level. In addition, we manage the social costs of GHG emissions according to the 1.5℃ and 2℃ climate change scenarios presented by the IPCC based on past and current carbon emissions. We also monitor the effects of internalization of these expenses on the net profit for the current period.

## Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks

### A-C. Processes for identifying, assessing, and managing climate-related risks, and integrating those risks into the organization's overall risk management

Regular identification of climate change-related risk and opportunity factors is led by the employees working with the SHE part, who are responsible for company-wide environmental management, and reviewed by the Strategy Team in charge of establishing and implementing ESG strategies. The identified contents are shared with relevant part, and the related matters are reported to the management. The scope of climate change-related risks and opportunities managed by SK Biopharmaceuticals is as follows:

- Country-wise risks and opportunities related to environmental regulations in the markets SK Biopharmaceuticals have entered
- Requirements presented by ESG investors and assessment and disclosure organizations from a climate change response perspective
- Climate change-related risks and opportunities in business operations
- Market and customer demand-related risks and opportunities for eco-friendliness of products

The approach for responding to these risks and opportunities is reflected in the company-wide ESG strategy and its annual performance is monitored. When it is necessary to make mid- to long-term investment decisions from the perspective of responding to climate change risks, the ESG/Strategy Committee performs deliberations on related matters and executes investments.

## Indicators and Goals

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

### A-B. Metrics used to assess climate-related risks and opportunities

SK Biopharmaceuticals manages metrics such as GHG emissions and emissions intensity, energy consumption, and renewable energy usage every year, and discloses its environmental performance by comparing the quantitative performance over a three-year period with that for the preceding three years. ESG performance, including this environmental performance, is reflected in the KPIs set for the ESG-related departments and the management. As of 2021, Scope 1 and 2 emissions from the head office of SK Biopharmaceuticals in Pangyo and Scope 2 emissions from SK Life Science are measured and disclosed, and the reliability of this data has been enhanced through third-party verification of GHG emissions data. We plan to manage environmental impact across the supply chain through measurement and disclosure of Scope 3 emissions data henceforward.

| Category | | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| GHG emissions intensity (Scope 1 + Scope 2) | | $tCO_2e$/KRW 1 billion | 8.92 | 46.58 | 3.22 |
| GHG emissions | Total | $tCO_2e$ | 1,105 | 1,211 | 1,349 |
| | Scope 1 | $tCO_2e$ | 282 | 313 | 394 |
| | Scope 2[1)] | $tCO_2e$ | 823 | 898 | 955 |

### C. Targets used to manage climate-related risks and opportunities

SK Biopharmaceuticals shares the serious threat of climate change and the justification for responding to it with employees and has set the goal of reducing its net greenhouse gas emissions to 'Zero (0)' by 2040 through a joint declaration of Net-Zero with the SK Group. A total 973MWh of electricity, which is equivalent to 53% of the annual electricity usage, was supplied from renewable energy sources through K-RE100 in 2021, and we plan to achieve a goal of Net-Zero in Scope 1 and Scope 2 GHG emissions through direct emissions reduction activities promoted from 2022. We plan to carry out emissions reduction efforts throughout the supply chain, working with suppliers in the process of achieving the goal.

#### 2040 Net Zero Roadmap

**2025: Reduction by 452$tCO_2$**

**~2025**
- Design of new green office buildings
- Green premium purchase
- Electrification of fossil fuels

**1st goal: Reduction by 33%**

**2026~2030**
- Power generation through new and renewable energy
- Improvement of energy efficiency of the facilities
- Renewal of green building certification

**2nd goal: Reduction by 66%**

**2031~2035**
- Diversification of RE100
- Acceleration of the reduction of Scope 3 emissions
- Application of new technology

**Achievement of Net Zero**

**2036~2040**
- Devising measures for early achievement of Net-Zero
- Phasing-out of fossil fuels

1) Our business operation in the U.S. (SK Life Science) was included in calculating GHG emissions (Scope 2) in 2021

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| | 401-3 | Parental leave | 66 | |

| Standard | Disclosure | | Reporting Page | Note |
|---|---|---|---|---|
| GRI 403: Occupational Health and Safety 2018 | 403-1 | Occupational health and safety management system | 39 | |
| | 403-2 | Hazard identification, risk assessment, and incident investigation | 39 | |
| | 403-3 | Occupational health services | 39 | |
| | 403-4 | Worker participation and communication on occupational health and safety | 39 | |
| | 403-5 | Worker training on occupational health and safety | 28, 39 | |
| | 403-6 | Promotion of worker health | 39 | |
| | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 28, 39 | |
| | 403-8 | Workers covered by an occupational health and safety management system | 39 | |
| | 403-9 | Work-related injuries | 66 | |
| | 403-10 | Work-related ill health | 66 | |
| GRI 404: Training and Education 2016 | 404-1 | Average hours of training per year per employee | 65 | |
| | 404-2 | Programs for upgrading employee skills and transition assistance programs | 36 | |
| | 404-3 | Percentage of employees receiving regular performance appraisals and career development reviews | 36, 66 | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 | Diversity of governance bodies and employees | 67 | |
| | 405-2 | Ratio of basic salary and remuneration of women to men | 66 | |
| GRI 406: Non-discrimination 2016 | 406-1 | Incidents of discrimination and corrective actions taken | 66 | |
| GRI 408: Child Labor 2016 | 408-1 | Operations and suppliers at significant risk for incidents of child labor | 37 | |
| GRI 409: Forced or Compulsory Labor 2016 | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | 37 | |
| GRI 412: Human Rights Assessment 2016 | 412-2 | Employees trained on human rights policies or procedures | 37 | |
| GRI 413: Local Communities 2016 | 413-1 | Operations with local community engagement, impact assessments, and development programs | 45-46 | |
| GRI 415: Public Policy 2016 | 415-1 | Political contributions | 66 | |
| GRI 416: Customer Health and Safety 2016 | 416-1 | Assessment of the health and safety impacts of product and service categories | 35 | |
| | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | 69 | Refers to SASB Index 'Drug Safety' metric |
| GRI 417: Marketing and Labeling 2016 | 417-2 | Incidents of non-compliance concerning product and service information and labeling | 69 | |
| | 417-3 | Incidents of non-compliance concerning marketing communications | 69 | |
| GRI 418: Customer Privacy 2016 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 66 | |
| GRI 419: Socioeconomic Compliance 2016 | 419-1 | Non-compliance with laws and regulations in the social and economic area | - | Refer to pages 282-283 of the annual report |

# Reporting Methodologies & Policies

## Reporting Approach

As a global pharmaceutical company, SK Biopharmaceuticals pursues the happiness of mankind through the development of new drugs and is fulfilling its social responsibilities to build trustworthy relationships with stakeholders. Accordingly, we publish this second sustainability report following 2021 to transparently communicate the social values created in terms of our environment, society, and governance, as well as our financial performance.

This report has been prepared in accordance with the Core Option of the Global Reporting Initiative (GRI) Standards, which are the international sustainability reporting standards, the Task Force on Climate-related Financial Disclosure (TCFD), and the Biotechnology & Pharmaceuticals Industry Standards of the Sustainability Accounting Standards Board (SASB), and unless otherwise stated, the information on our financial performance has been presented in accordance with the criteria for consolidated financial statements as specified in the Korean International Financial Reporting Standards (K-IFRS). In addition, SK Biopharmaceuticals' sustainable business strategy reflects activities aimed at achieving the UN Sustainable Development Goals (UN SDGs).

## Reporting Period and Scope

The information contained in this report details the performance generated during the period from January 1, 2021, to December 31, 2021. Some information pertaining to the first half of 2022 has been included out of necessity, and such information has been indicated separately in this report. In the case of quantitative performance, figures for the last three years (2019-2021) are provided to enable an analysis of changes in performance by year.

The financial performance of SK Biopharmaceuticals is reported in accordance with the criteria for the consolidated financial statements specified in the Korean International Financial Reporting Standards (K-IFRS), whereas its non-financial performance is reported mainly based on its domestic operations. Some of our non-financial performance information includes the social performance of SK Life Science, a U.S. subsidiary, and this information is indicated separately in this report. In the case of information disclosed in accordance with the SASB Industry Standards, the performance of both SK Biopharmaceuticals and SK Life Science has been reported.

### | Scope of Environmental Performance

The information on the quantitative environmental performance of SK Biopharmaceuticals has been prepared based on its domestic operations, and the reliability of our GHG emissions data has been ensured through third-party verification by Korea Management Registrar (KMR). Regarding GHG emissions for 2021, our U.S. operation (SK Life Science) was included in the scope of data collection for Scope 2 emissions. As for the status of waste generation and recycling, the scope of data for waste generated and disposed of is limited to designated wastes, since general wastes disposed from the leased building are being processed by the building's management department, and thus excluded from the scope of data collection.

### | Scope of Social Performance

As for the status of employees, diversity, recruitment, and turnover, data from both SK Biopharmaceuticals and SK Life Science are reported. Other social performance data are limited to our Pangyo headquarters. The scope of data collection regarding occupational health and safety includes two in-house suppliers that manage infrastructure and the animal breeding facility.

## Correction and Restatement of Information

The following data were restated and thus show discrepancies from the previous year's report.

- The data on total employees of SK Biopharmaceuticals on page 64 in the Employee Data section restates the data from the previous year's report due to a change in calculation criteria.
- The executive data of SK Biopharmaceuticals on page 64 in the Diversity Data section restates the data from the previous year's report due to a change in calculation criteria.
- The turnover data on page 65 restates the data from the previous year's report due to a change in calculation criteria.
- The parental leave data on page 65 restates the data from the previous year's report due to a change in calculation criteria.
- The number of FDA enforcement actions taken on page 69 restates the data from the previous year's report based on the correction of errors.

## ESG Policy

SK Biopharmaceuticals and SK Life Science disclose various corporate policies for sustainability management.

In addition, in the section explaining the Company's policies and directions regarding each sustainability management area presented in this report, the location where related policies are disclosed is also presented to help stakeholders understand the information. Details of the policies can be found through the links below.

| SK Biopharmaceuticals | |
|---|---|
| New Business/Investment Policy based on ESG Standards | Healthcare Accessibility |
| ESG Information Announcement Policy | Research Ethics Regulations |
| Policy and Process for Identifying ESG Needs of Stakeholders | Information Security Policy |
| Human Rights Protection Policy | The Articles of Incorporation |
| Healthcare Support for Employees | Regulations of the Board of Directors |
| Work and Life Balance Policy | Regulations of the Audit Committee |
| Quality Management Policy | Regulations of the Governance Committee |
| Product Safety Management Policy | Regulations of the ESG/Strategic Committee |
| Community Support Policy | Regulations of the Nomination and Compensation Committee |
| SE Ecosystem Support Policy | Corporate Governance Charter |
| Global Initiative Participation Policy | ESG-Based Management Performance Evaluation/Compensation Policy |
| Shared Growth Policy | Code of Ethics |
| Partners ESG Management Policy | Code of Conduct for Anti-Corruption |
| Safety·Environment·Health Policy | Employees' Anti-Corruption Education Policy |
| **SK Life Science** | |
| Code of Conduct | Health and Safety Codes |

# Independent Verification Statement

## SK Biopharmaceuticals Co., Ltd

### Introduction

Korea Management Registrar has been requested by SK Biopharmaceuticals Co., Ltd. to verify its greenhouse gas emissions and energy consumption in 2021. The verification was conducted on the organization and operation boundary, and the results are as specified as below. This verification statement is valid from the day of publication.

### Scope

● Organization and operation boundary
- Emission facilities in 2 Sites under SK Biopharmaceuticals Co., Ltd. operational control
- SK Biopharmaceuticals, SK Life Science

● Verification period : 01/01/2021 ~ 31/12/2021

● Types of Greenhouse Gases: $CO_2$, $CH_4$, $N_2O$, HFCs, PFCs, $SF_6$

● Verification scope
- SK Biopharmaceuticals : Scope1 (direct emissions), Scope2 (indirect emissions)
- SK Life Science : Limited to emissions from electricity usage(Scope2)

● Performed verification work:
- Interviewing with the site manager responsible for calculating data of greenhouse gas emissions
- Reviewing the emissions data monitoring standard and process
- Examination on raw data including information system, bills and payment statements related to verification scope
- Comparative examination through on-desk review, risk analysis, observation and inspection, etc.
- Level of assurance: Limited Assurance

### Standard & Guidance

ISO 14064-1 Greenhouse gases -- Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals (2018), ISO 14064-3 Greenhouse gases -- Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions(2006),WRI/WBCSD GHG Protocol (2018) Verification guidelines for operation of greenhouse gas and energy target management scheme, guidelines for operation of greenhouse gas and energy target management scheme, Guidelines on Emission Reporting and Certification of GHG ETS, IPCC Guidelines for National Greenhouse Gas Inventories (2006), International Standard on Assurance Engagements 3000 (Revised) - 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'

### Results

● Greehouse Gas Emissions

| Year | Site | Greenhouse Gas Emissions ($tCO_2$-eq) | | |
|---|---|---|---|---|
| | | Scope1 | Scope2 | Total |
| 2021 | SK Biopharmaceuticals | 394.358 | 891.847 | 1,286 |
| | SK Life Science | - | 62.34 | 63 |
| Total | | 394.358 | 955.187 | 1,349 |

### Conclusions

KMR verified the greenhouse gas emissions and energy consumption of SK Biopharmaceuticals Corp. in 2021. Based on the procedures performed, nothing has been found in all material respects not to meet standard in accordance with the verification purpose and the applicable criteria.

May 4, 2022
Korea Management Registrar
President Hwang Eun Ju

KMR E. J Hwang

# Independent Assurance Statement

## To readers of SK Biopharmaceuticals Sustainability Report 2022

### Introduction

Korea Management Registrar (KMR) was commissioned by SK Biopharmaceuticals to conduct an independent assurance of its Sustainability Report 2022 (the "Report"). The preparation of the Report is the sole responsibility of the management of SK Biopharmaceuticals. KMR's responsibility is to issue an assurance statement over the limited scope of data and information specified below.

### Scope and Standards

SK Biopharmaceuticals described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the assurance standard SRV100 of KMR's Global Management Committee to provide a limited assurance. We evaluated the adherence to the principles of materiality and understandability and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index specified below.

Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the disclosures below for the confirmation.

- GRI Standards Reporting Principles
- Universal Standards
- Topic Specific Standards
  - Management approach of Topic Specific Standards
  - GRI 205: Anti-Corruption
  - GRI 302: Energy
  - GRI 305: Emissions
  - GRI 404: Training and Education
  - GRI 417: Marketing and Labeling

As for the reporting boundary, the engagement excludes the data and information of SK Biopharmaceuticals' partners, suppliers and any third parties.

### KMR's approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the assurance engagement:

- Reviewing the overall Report;
- Reviewing the procedure and methods of materiality assessment;
- Reviewing the strategies and objectives of sustainable management;
- Reviewing the activities engaging stakeholders; and
- Interviewing people in charge of preparing the Report.

### Conclusion and Opinion

Based on the document 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 make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, nothing has come to our attention to suggest that the Report was not prepared in accordance with the principles described below. We did not find any evidence that the data included in the scope defined above is not properly described.

- Materiality
  - The reporting boundaries of the SK Biopharmaceuticals' Report include all of its operating sites. The Report provides detailed long-term sustainability strategies and targets. SK Biopharmaceuticals relies on its own materiality assessment process to decide the materiality of issues identified by stakeholder communication channels. We could not find any material issue or stakeholder group that was not covered in the process.

- Understandability
  - The Report was prepared in the context of sustainability to provide targets for sustainability issues identified by the materiality assessment and the background of the selection and the management approach. It is our opinion that the metrics are specific and easy to compare.

- Reliability
  - The Assurance Team identified errors in the data and information provided, which SK Biopharmaceuticals subsequently corrected before issuing the final version of the Report. We believe the data and information included in the Report are accurate and reliable. Nothing has come to our attention to imply that the Report does not provide a fair representation of SK Biopharmaceuticals' responses to material stakeholder issues.

We did not find any evidence to suggest that the Report was not prepared in accordance with the Core Options of the GRI standards.

### Recommendations

We expect that the SK Biopharmaceuticals' Report can be utilized as a means of communications with stakeholders. The following recommendations are provided for further improvements:

- SK Biopharmaceuticals clearly defined the ranges of economic, environmental, and social performance assessments and gave a single pane of glass for revised information and descriptions, making it easier for stakeholders to understand. Also, it presented a detailed description of ethics inspections and reported the findings and remedies taken to ensure enhanced reliability. We recommend that SK Biopharmaceuticals make continuous efforts to establish sustainable management in the mid to long-term and achieve KPI targets in order to improve the organization's sustainability.

### Independence

KMR has no other contract with SK Biopharmaceuticals and did not provide any services to SK Biopharmaceuticals that could compromise the independence of our work.

June 7, 2022
President Hwang Eun Ju

KMR SRV1000 Sustainability Committee Assurance E. J Hwang

# ABOUT THIS REPORT

## Overview of the Report

SK Biopharmaceuticals publishes its second Sustainability Report following 2021 to set and disclose the company's sustainable management approach in terms of not only financial performance but also environmental, social, and governance performance, and to communicate transparently with stakeholders on the relevant performances.

## Reporting Standards

This report has been prepared in accordance with the Core Option of the Global Reporting Initiative (GRI) Standards, which are the international standards for sustainability reporting, the Task Force on Climate-related Financial Disclosure (TCFD), and the Biotechnology & Pharmaceuticals Industry Standards of the Sustainability Accounting Standards Board (SASB), and unless otherwise stated, the information on our financial performance has been presented in accordance with the criteria for consolidated financial statements as specified in the Korean International Financial Reporting Standards (K-IFRS).

## Reporting Period

This report spans the period between January 1, 2021, and December 31, 2021. Where necessary, information for the first half of 2022 is partially included and such information has been marked separately within the report. For quantitative performance, data over the recent three years (2019~2021) is provided to enable analyses of year-over-year trends.

## Reporting Scope

The financial performance of SK Biopharmaceuticals is reported on a consolidated basis, and non-financial performance focuses mainly on our domestic operations (the head office in Pangyo). A portion of the environmental and social performance data includes those pertaining to SK Life Science, the U.S. subsidiary.

## Assurance

To establish the credibility of the reporting process and the information disclosed, this report was assured by Korea Management Registrar (KMR) as an independent third-party assurance provider. The assurance criteria and details can be found on page 77 of this report.

## Contact Information for Inquiries about This Report

For any inquiries about this report, please contact us below.
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SK biopharmaceuticals