Toward a Net Zero Future

2023 SK Telecom TCFD Report

SK telecom

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INTERACTIVE GUIDE

The "2023 SK Telecom TCFD Report" has been published as an interactive PDF for the convenience of readers and to better deliver the information contained herein.

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About this Report

The "2023 SK Telecom TCFD Report" published by SK Telecom identifies climate-related risks and opportunity factors, and the potential financial impact of the same, in accordance with the disclosure recommendations of the TCFD (Task Force on Climate-Related Financial Disclosures).

SK Telecom believes that climate change has a broad impact on products, services and workplaces, and that it is necessary to provide relevant information to stakeholders in a transparent manner. By systematically managing climate risk factors, we intend to be prepared for financial impacts that may arise in the future. At the same time, we will make our best efforts toward achieving our 2050 Net Zero Goal.

Scope of the Report

As used in this report ("2023 SK Telecom TCFD Report"), "SK Telecom" refers to the individual company SK Telecom, and does not include subsidiaries that are subject to consolidated reporting under K-IFRS, the international accounting standard adopted by Korea. The geographic scope of the report is the Republic of Korea, where the primary business is located and where 99% or more of revenues occur. Some activities up to November 2023 may be covered. This is the first report published in accordance with TCFD disclosure recommendations, and the company is considering reporting at one-year intervals.

CEO Message

Dear esteemed stakeholders, we are pleased to announce the publication of SK Telecom's first TCFD report.

Climate change is intensifying around the world, and Korea has not been spared exposure to climate anomalies such as heat waves and heavy rains. Accordingly, this SK Telecom TCFD (Task Force on Climate-Related Financial Disclosures) report is published as part of our efforts both to overcome the climate crisis, and explore the hidden opportunities it may hold. This report deals with the potential risks and opportunities arising from climate change, and SK Telecom's response strategies for the same. We have made our best effort to transparently disclose all relevant information to our stakeholders.

SK Telecom has long been a leader in proactive climate change response. In 2020, we became the first Korean enterprise to join RE100, and in 2022 we passed the Science Based Targets initiative (SBTi) greenhouse gas reduction targets verification and acquired an "A" leadership rating under the CDP (Carbon Disclosure Project), a first for a Korean telecom firm. Our efforts continue this year. We have improved our existing physical risk map and quantified the exposure levels of all communications assets to key risks to minimize the potential impact of climate change. We remain steadfastly committed to achieving "2050 Net Zero."

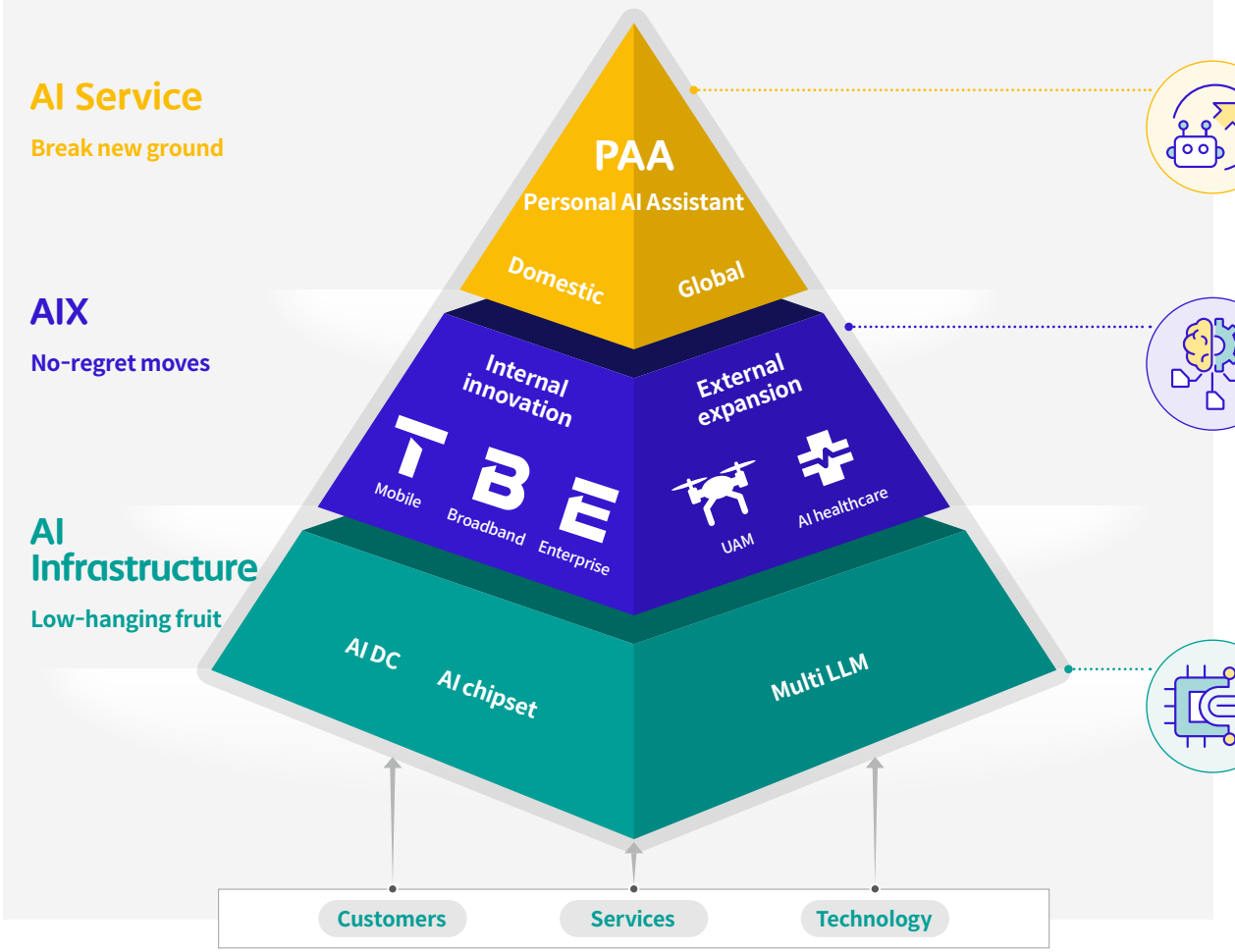
The management and staff of SK Telecom are serious about improving our future sustainability while leading evolution and growth as an innovative AI company. As we continue to push forward into the future, we appreciate the continued interest and support of all our stakeholders.

Thank you.

President and CEO of SK Telecom **Ryu Young Sang**

Road to Becoming a Global AI Company

At SK Telecom, we define ourselves as an AI company whose technologies and services better the lives of our customers. SK Telecom aims to become a truly global AI company based on our AI pyramid strategy, which is built around AI infrastructure, AIX, and AI service.



AI Service

SK Telecom AI Service (A.)
- Korea's first interactive AI assistant
- Individualized service through various 3rd party plug-ins

Collaboration (Global Personal AI Assistant)
- AI service global expansion
- Global service based on mass customer data and telecommunications business areas

AIX

Internal AIX (T/B/E)
- T (Mobile): AI-based marketing and network management, improvement of customer satisfaction through AICC[1)]
- B (Broadband): Customized viewer services based on AI Assistant and AI
- E (Enterprise): Customized LLM implementation for customers through Multi-LLM[2)] and data

External AIX (Vertical AI)
- Mobility (UAM): Building mobility ecosystems based on Korea's best location data and AI analytics technology
- Healthcare: Expansion of X-caliber vision AI-based imaging diagnostics solution technology

AI infra

AI Data Center
- Managing data centers through environmentally friendly energy solutions and AI
- 207 MW + α data centers built by 2030

AI Semiconductors
- Optimization of energy management using AI semiconductors from the SK Telecom subsidiary Sapeon

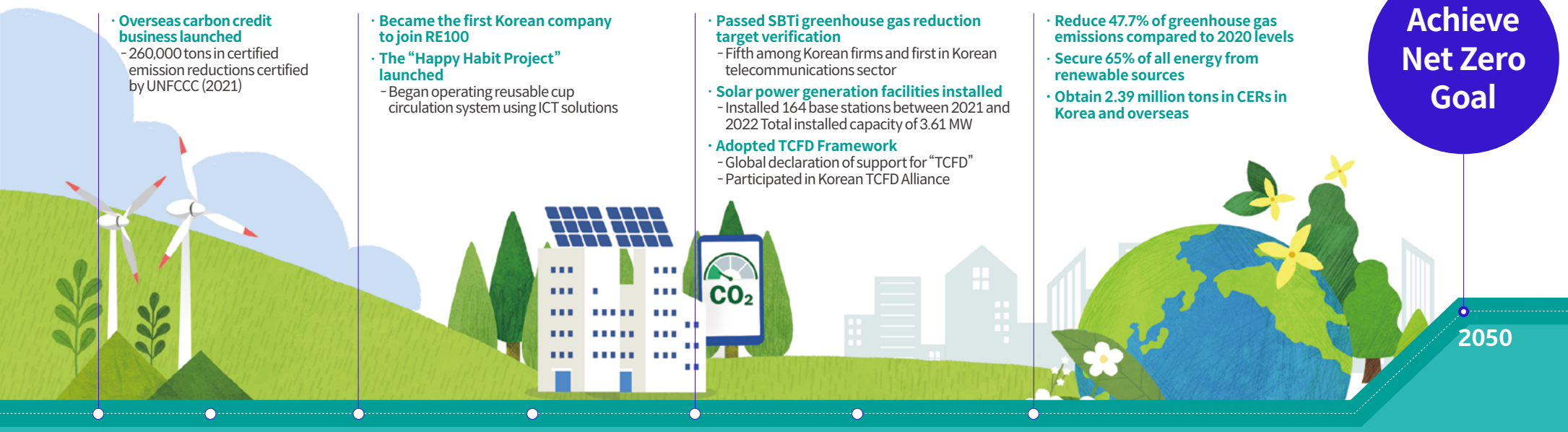
Multi LLM
- Multi LLM through in-house technology and technological collaboration

1) AICC (AI Contact Center): Customer service centers employing AI in repetitive customer consultation work to improve service satisfaction levels and efficiency of operations
2) LLM (Large Language Model): An AI model trained using massive amounts of text data, and capable of generating sentences, providing translations and answering questions

2050 Net Zero Roadmap

Since the 26th UN Climate Change Conference in Glasgow (COP26), there has been a strong global emphasis on climate change response, including greenhouse gas reduction and investment in de-carbonization. SK Telecom is actively participating in efforts to realize Net Zero[1] through RE100 membership and the establishment of our "2050 Net Zero" environmental management strategy system. SK Telecom's efforts toward a sustainable future span a wide range of areas, from greenhouse gas emission reductions to water resources and waste management, reducing resource utilization, increasing our use of new and renewable energy, and eco-friendly corporate social responsibility activities.

1) Net Zero: Achieving net total greenhouse gas emissions of "0" by offsetting total greenhouse gas emissions with total greenhouse gas reductions



2018

- **Overseas carbon credit business launched**
  - 260,000 tons in certified emission reductions certified by UNFCCC (2021)

2019

- **Joint SBTi[3] participation declared by GSMA[2]**
- **Greenhouse gas inventory system implemented**
  - Established emissions management system for each telecommunications equipment type
- **Adopted power-saving "Single RAN technology"**
  - Applied to all base stations and repeaters in 78 cities across Korea between 2019 and 2020
  - Approximately 53% power savings compared to conventional technology

2020

- **Became the first Korean company to join RE100**
- **The "Happy Habit Project" launched**
  - Began operating reusable cup circulation system using ICT solutions

2021

- **Certified emission reductions (CERs) obtained through greenhouse gas emission reductions using "Single RAN technology"**
  - Average of 10,000 tons in CERs obtained annually
  - First case of CERs obtained using telecommunications technology
- **ESG Committee established**

2022

- **Passed SBTi greenhouse gas reduction target verification**
  - Fifth among Korean firms and first in Korean telecommunications sector
- **Solar power generation facilities installed**
  - Installed 164 base stations between 2021 and 2022 Total installed capacity of 3.61 MW
- **Adopted TCFD Framework**
  - Global declaration of support for "TCFD"
  - Participated in Korean TCFD Alliance

2023

- **Achieved CDP[4] "Leadership A" rating for second consecutive year**
- **Execution of green premium power supply contract**
  - 147 GWh contract with Korea Electric Power Corporation (6% of total projected electrical power consumption for 2023)
  - SK Telecom to participate in additional green premium bidding for 4Q → Final annual target of 9%

2030

- **Reduce 47.7% of greenhouse gas emissions compared to 2020 levels**
- **Secure 65% of all energy from renewable sources**
- **Obtain 2.39 million tons in CERs in Korea and overseas**

Achieve Net Zero Goal

2050

2) GSMA: Global System for Mobile Communications Association
3) SBTi (Science Based Targets initiative): A global initiative for science-based greenhouse gas emissions reduction target-setting and monitoring to limit the rise in global temperatures to 1.5 °C in accordance with the Paris Agreement
4) CDP: Carbon Disclosure Project

GOVERNANCE

SK Telecom operates a reporting system that is oriented around the Board of Directors and management, and is aimed at systematically achieving our “2050 Net Zero” goal. Roles and responsibilities are clearly assigned to internal stakeholders under SK Telecom’s climate governance systems. Key agenda items are discussed within the Board of Directors, and ESG KPIs are applied to ensure that substantial and effective efforts are made. In keeping with Korean and international trends, SK Telecom maintains proactive climate disclosure practices. We strive for sufficient and transparent communication on these efforts with our internal and external stakeholders.

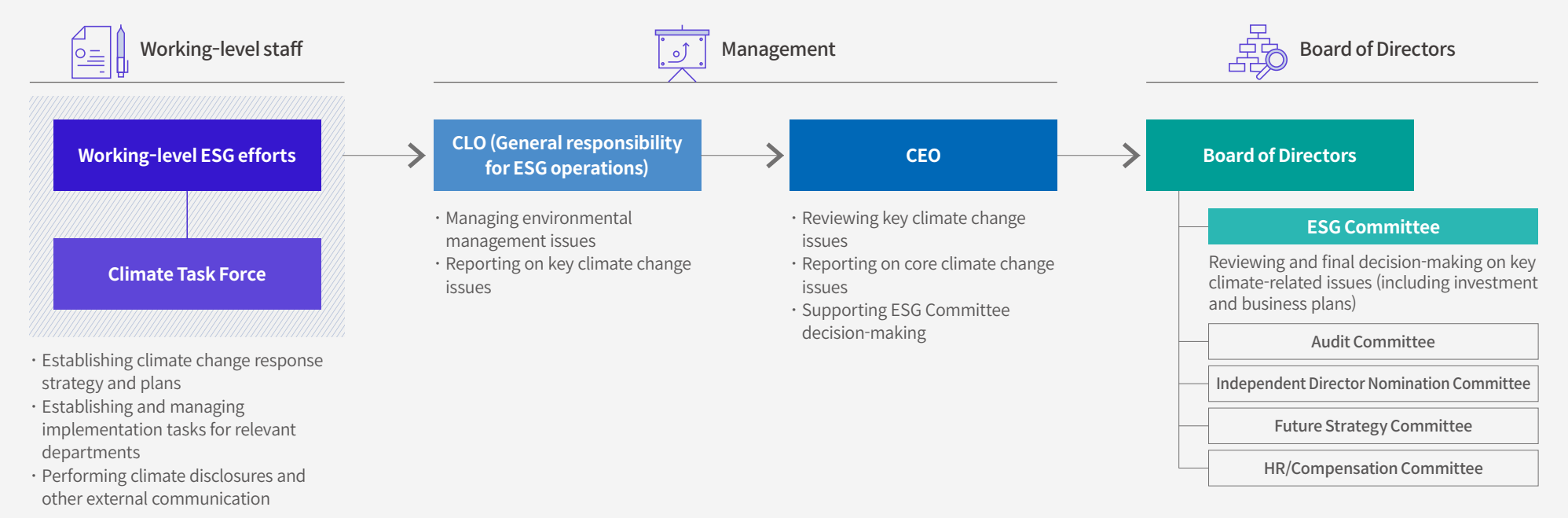
Climate Change Response Governance

The SK Telecom "2050 Net Zero" environmental management goal was declared at the 2020 Annual General Meeting of shareholders. Company-wide efforts are being made to guarantee organic cooperation in our climate change response deliberation system.

The SK Telecom climate change response deliberation system is comprised of the Board of Directors, management, and working-level staff. Members of the organization participating in our climate change response system engage in in-depth discussions and deliberations on key climate change issues based on their professional expertise in their respective areas. The ESG Committee of the Board of Directors manages key issues related to climate change as the highest decision-making body. At the executive level, the CEO and the CLO (ESG General Manager) are responsible for managing major issues of climate change and supporting the ESG Committee decision-making.

The roles and responsibilities of each member of the SK Telecom organization are clearly prescribed. Potential climate risk and opportunity factors are identified through internal communication, and these factors are reviewed and reflected throughout our financial planning and environmental management strategies.

Climate Change Response Deliberation System



Board of Directors and ESG Committee

Roles and Responsibilities of the Board of Directors

The SK Telecom Board of Directors consists of the ESG Committee, the Audit Committee, the Independent Director Nomination Committee, the Future Strategy Committee, and the HR/Compensation Committee. The Board of Directors is SK Telecom's highest decision-making body, and is responsible for deliberating on and resolving key issues to lay the groundwork for the implementation and expansion of sustainable business models.

Roles and Responsibilities of the ESG Committee

The former Corporate Citizenship Committee under the Board of Directors was newly established as the ESG committee, with vastly expanded functions. The ESG Committee serves as an independent body under the Board of Directors, consisting of three independent directors and one internal director, and a chairperson will be chosen among them. The ESG Committee receives reports on key climate change-related issues from management and working-level staff, and is responsible for decision-making on these issues.

The ESG Committee receives reports on implementation directions and outcomes relating to key ESG-related fields, and reviews these on an as-needed basis. For agenda items relating to climate change, the committee establishes performance objectives for the organization, and monitors SK Telecom's progress on the implementation of Net Zero practices. Key climate-related agenda items for 2022 include securing overseas CERs, monitoring SK Telecom's Net Zero progress, and Net Zero planning.

The SK Telecom ESG Committee plans to strengthen its work in support of climate change response activities, including through the operation of consultative bodies, while expanding its roles and responsibilities in the area of sustainable management.

Overview of the ESG Committee

Members	・Independent directors: Oh Hye Yeon (Chairperson), Yoon Young Min, Kim Jun Mo ・Internal director: Kang Jong Ryeol
Purpose	・Deliberation and resolution regarding general ESG directions, objectives and implementation
Duties	・Deliberation on and evaluation of performance for key ESG agenda items including environment, society, customers and information security ・Deliberation on mandatory ESG-related disclosures ・Review of stakeholder communications relating to ESG

Key Climate-Related Agenda Items of the ESG Committee in 2022

Date	Agenda items
1st meeting (February 22, 2022)	・Obtainment of overseas CERs ・Plan to create joint ESG fund among Korea's three major telecommunications providers
2nd meeting (April 27, 2022)	・Key ESG tasks and plans for 2022
4th meeting (June 23, 2022)	・Content of the FY2021 Annual Report - Achievement of Net Zero through SK Telecom's Three Green Strategies
5th meeting (July 27, 2022)	・Achievement in creating social value in 2021
6th meeting (August 24, 2022)	・Progress and future plans relating to creation of ESG fund - Investment in and fostering of outstanding environment-related venture enterprises through the ESG fund
7th meeting (September 21, 2022)	・Progress and future planning for implementation of Net Zero at SK Telecom
9th meeting (November 23, 2022)	・ESG outcomes for 2022 ・Evaluation of 2022 ESG outcomes and future planning

Management and Working-Level Staff

Roles and Responsibilities of Management

The CEO and CLO of SK Telecom are responsible for the company's overall climate change response, and as such must take note of the needs and demands of customers, investors, government and other internal and external stakeholders.

The CEO of SK Telecom receives reports at regular intervals on key agenda items including progress on 2050 Net Zero implementation, climate risk assessments and the company's response to the same. The CEO supports the ESG Committee in discussing and making appropriate decisions with regard to core agenda items.

The CLO of SK Telecom has general responsibility over ESG affairs, and manages the related businesses and organizations to ensure an effective ESG response by the company. Important risk and opportunity factors related to climate change are immediately reported to the CEO upon their identification, ensuring swift decision-making.

Roles and Responsibilities of Working-Level Staff

Working-level staffs at SK Telecom support the management's decision-making on key climate change response agenda items. The ESG office within the SK Telecom organization plan our climate change response strategies and programs, and are charged with the execution of tasks toward accomplishing 2050 Net Zero and RE100. SK Telecom's working-level staff also participate actively in Korean and international climate disclosures such as TCFD, CDP and DJSI to furnish sufficient information to stakeholders.

The "SK Telecom Climate Task Force" was organized in 2023. Regularly scheduled meetings are conducted among working-level staff of related departments to identify climate change-related risks and opportunities, discuss the potential financial impact of risks identified, and share input on plans to reduce and adapt to risks.

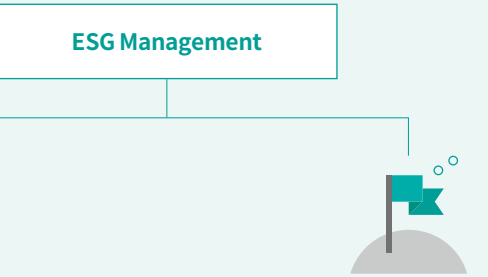
Adoption of Net Zero KPIs

To boost our efforts toward achieving "2020 Net Zero", SK Telecom's company-wide KPIs reflect our Net Zero objectives and improvement targets for Core Group ESG KPIs.[1)]

The ESG Committee is responsible for the review and approval of company-wide KPI objectives and evaluation results, including the outcomes of efforts to achieve our Net Zero objectives. The results of its evaluations are reflected in incentives for our management, including the CEO.

1) Core Group ESG KPIs: Essential ESG items that all SK Group member companies are required to manage, based on the needs and demands of internal and external stakeholders

ESG KPI Assessment Methods



Performance outcomes for core Net Zero KPIs

Method of assessment

Carbon emission reductions for given year assessed versus targets according to Net Zero roadmap

Performance outcomes for core ESG KPIs

Method of assessment

Assessment based on degree of achievement of improvement targets compared to industry peers, using assigned weights for each indicator

STRATEGY

SK Telecom's Three Green Strategies position us well to achieve our 2050 Net Zero goal. SK Telecom carries out analysis of climate scenarios to determine future environmental changes, and impact assessment to identify key risk and opportunity factors. The potential financial impact of key factors is analyzed to ensure we are prepared for the impacts of climate change. Our physical risk analysis model developed in-house reflects the physical characteristics of each of our assets, including equipment type and installation height. Precise analysis allows our response systems to minimize physical risks. SK Telecom is making a conscious and proactive effort to utilize green projects and technologies, and was the first in Korea to publish a separate K-Taxonomy report.

Three Green Strategies for 2050 Net Zero

At the center of SK Telecom's plan for achieving "2050 Net Zero" are our Three Green Strategies. These are: Green Operation, through reducing power consumption by 25% using low-carbon ICT technologies; Green Energy, through achieving RE100; and Green Forest, which involves offsetting residual greenhouse gas emissions through forestation.

Green Operation

Our Green Operation strategy will leverage green, low-carbon ICT to reduce projected electricity consumption by 25% by 2050. Older infrastructures and low-efficiency or functionally obsolete equipment will be replaced, and AI-based traffic diagnostics will maximize efficiency. In particular, Single-RAN will allow 3G and LTE equipment operations to be integrated, furthering power savings. Since adopting Single-RAN in 2019, we have applied the technology to base stations and repeaters in 78 cities throughout Korea to achieve a power savings of approximately 53% compared to conventional equipment.

25% power consumption savings

- Replacement of aged equipment
- Expanded use of Single-RAN technology
- AI traffic diagnostics

Green Energy

Green Energy is our strategy for achieving RE100. Between 2021 and 2022, solar power-generating facilities with a cumulative capacity of 3.61 MW were installed at our communications centers and company buildings. In February 2023, the company signed a green premium contract with Korea Electric Power Corporation to procure 147 GWh of renewable energy electricity annually, which is approximately 6% of our total projected annual electricity consumption. We intend to participate in additional green premium energy contract bidding for 4Q 2023, meeting our 9% renewable energy target for 2023.

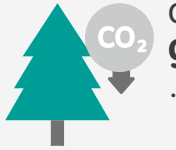
1) PPA (Power Purchase Agreement): Contract under which a customer purchases electrical power from a producer under defined conditions (duration and price)
2) REC (Renewable Energy Certificate): Certificate recognizing production or supply of electrical power through new and renewable energy facilities

100% renewable energy

- Self-contained solar power generating systems at communications centers and company buildings
- Green premium electrical power for company buildings
- Use of renewable energy through PPA[1] and REC[2] purchasing

Green Forest

Our Green Forest strategy aims to offset the residual greenhouse gas emissions remaining after our efforts to optimize energy consumption and use renewable energy sources, and to preserve sustainable forest resources. SK Telecom's efforts in this area will include forest restoration, planting of new forests and re-planting of existing forests, and curbing our use of wood products. We are also making a conscious effort to protect existing forests by increasing use of electronic billing instead of paper.



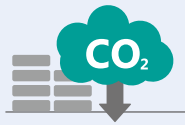
Offsetting residual greenhouse gas emissions

- Tree-planting programs, curbing use of wood products, and forest restoration.
- Utilization of Forest Carbon Offset Program

Analysis of Climate Scenarios

At SK Telecom, we conduct analyses of climate scenarios to identify the transition and physical risks and opportunity factors brought about by climate change, and analyze their potential financial impact(s).

By adopting TCFD recommendations and guidelines, and using scenarios projected by trusted institutions such as the IEA, NGFS, and IPCC SSP (SSP1, SSP2, SSP3, SSP5), we are analyzing a broad variety of future scenarios. The "SK Telecom Physical Risk Assessment Machine Learning Model" forms the basis of our physical risk analysis, allowing us to determine the likelihood of damage to SK Telecom buildings and communications equipment due to key physical factors. SK Telecom continues to improve our climate resilience by analyzing climate scenarios to proactively and effectively respond to potential future climate risk.



Transition Risks

IEA Scenarios

IEA[1] provides a variety of pricing information, including carbon prices, in the WEO[2].

The NZE,[3] APS[4] and STEPS[5] scenarios under IEA WEO 2022 were adjusted to reflect changes in Korean greenhouse gas policy (including paid allocation) to produce proprietary scenarios for analysis.

1) IEA: International Energy Agency
2) WEO (World Energy Outlook): An annual report published by the IEA, providing long-term energy forecasts according to reference scenarios
3) NZE (Net Zero Emission by 2050 Scenario): Scenario assuming net emissions of "0" and average temperature rise of 1.5 °C or less by 2050
4) APS (Announced Pledges Scenario): Scenario assuming each country achieves carbon neutrality targets and delivers on Nationally Determined Contributions (NDCs)
5) STEPS (Stated Policies Scenario): Scenario assuming the planned or finalized carbon emission reduction plans of each country are realized

NGFS Scenarios

The NGFS[6] uses an integrated evaluation model to provide regional carbon price and electricity cost projections.

In our analysis, we used the NGFS GCAM[7] 5.3 model, specifically the NDCs,[8] up to 2 °C or less[9] and NZE2050[10] scenarios, to analyze additional costs owing to increased electricity costs and the implementation of RE100.

6) NGFS: Network for Greening the Financial System
7) GCAM (Global Change Analysis Model): One of the integrated evaluation models of the NGFS, comprised of 32 subdivided regional models. Provides scenarios reflecting energy, goods and other flows.
8) NDCs (Nationally Determined Contributions): Climate change response and greenhouse gas reduction targets determined by individual countries and submitted to the international community, to achieve future temperature targets
9) 2 °C or less: Scenario in which the average rise in global temperatures by 2100 is limited to no more than 2°C compared to temperatures pre-industrialization
10) NZE2050 (Net Zero 2050): Scenario assuming Net Zero is achieved by 2050

Physical Risks

IPCC SSP[11] Scenarios

In 2022, SK Telecom analyzed the impact of changes in the physical environment on products and services based on RCP[12] scenarios (RCP4.5, RCP8.5). Physical risk assessment was carried out based on the SSP scenarios (SSP1, SSP2, SSP3, and SSP5) from the IPCC's Sixth Assessment Report, to allow for a broader range of social and economic changes to be accounted for.

A projection model for key physical risk factors (wildfires, landslides, heat waves, heavy rains, heavy snow) was developed and used to assess the likelihood of SK Telecom buildings and communications equipment being exposed to key risks through 2050.

11) SSP: Shared Socioeconomic Pathways
12) RCP: Representative Concentration Pathways

Targets of Climate-Related Materiality Assessment

Factors subject to materiality assessment have been selected in order to allow us to assess various climate change-related factors which may impact us. In selecting these factors, the transition and physical risks and opportunity factors proposed under TCFD recommendations were consulted, and ICT industry trends and climate change-related policies were also reflected.

The climate-related factors subject to materiality assessment selected by SK Telecom can be classified into transition risk factors, physical risk factors, and opportunity factors. Factors across 10 areas were subdivided into 36 risk and opportunity factors, and related departments and internal/external experts were interviewed to finalize the factors.

Assessment is carried out based on the short-term and medium-to-long-term likelihood of each factor and its projected impact. Based on the scenario for transition and physical risk assessment, the impact on the company in the short term (0 to 3 years), medium term (3 to 10 years), and long term (10 to 30 years) was considered, and the potential financial impact for the key targets was analyzed.

SK Telecom intends to continue to assess various potential issues before they arise, including the factors identified in this year's materiality assessment. This will allow us to inspect our readiness and response posture, and systematically manage key factors that need to be given consideration in order to achieve 2050 Net Zero.

Transition Risks

Policies, laws and regulations	① Increased price of greenhouse gas emissions credits ② Strengthening of emissions reporting obligations ③ Changes to regulations relating to energy efficiency of communications infrastructure ④ Climate-related litigation
Technologies	⑤ Transition to low-carbon products and services ⑥ Cost of transitioning to low-carbon IoT technology
Market	⑦ Loss of existing and new customers ⑧ Increased cost of electricity
Reputation	⑨ Increased negative perceptions among shareholders ⑩ Increased negative perceptions among the public ⑪ Increase in collective action by NGOs

Physical Risks

Acute	① Wildfires ② Landslides ③ Heat waves ④ Heavy rains (flooding) ⑤ Heavy snow ⑥ Lightning strikes ⑦ Strong winds (typhoons) ⑧ Earthquakes ⑨ Cold waves
Chronic	⑩ Rising average global temperatures ⑪ Rising sea levels

Opportunities

Resource efficiency	① Efficient production and distribution processes ② Increased recycling ③ Increased need for adoption of Energy Management System (EMS) and other solutions
Energy sources	④ Use of low-emissions energy sources ⑤ Participation in the carbon market ⑥ Revenues from renewable power generation business and sale of surplus energy
Products and services	⑦ Increased revenues from low-emissions products and services ⑧ Increased consumer preference ⑨ Increased demand for communications services ⑩ Increased supply of ICT-based solutions ⑪ CER revenues through ICT-based energy business ⑫ Increased profits from the generation and sale of renewable energy
Market	⑬ Leveraging of public sector incentives ⑭ Launch of new services

Results of Climate-Related Materiality Assessment

Short and medium-to-long term materiality assessments were carried out for the transition and physical risks and opportunity factors of SK Telecom. The key transition risk factors were identified as "increased cost of electricity," "increased price of greenhouse gas emissions credits," and "changes to regulations relating to energy efficiency of the communications infrastructure." The impact of these three factors is expected to increase gradually until 2050.

The major physical risk factors to SK Telecom are "strong winds (typhoons)," "heavy rains (flooding)" and "wildfires." As climate change accelerates, the impact of these factors is expected to increase over the long term. Based on the results of the materiality assessment, and giving consideration to the fit of the assessment model, the potential financial impact of "Heat waves," "Heavy rains (flooding)" and "Wildfires" was assessed.

In parallel with our proactive response to climate-related risks, we are identifying and developing opportunity factors in greenhouse gas reduction and adapting to change. Key opportunity factors identified include "increased supply of ICT-based solutions," "launching of new services," and "use of low-emissions energy sources." We also expect that securing renewable energy through REC and PPA will reduce greenhouse gas emissions in the mid- to long-term, while also contributing to revenue generation through the sale of emission credits.

SK Telecom will continue to mitigate against the impact of climate change based on the results of materiality assessment and analyses of the potential financial impact of key factors, and strive to improve our capacity to adapt to upcoming changes.

Transition risks

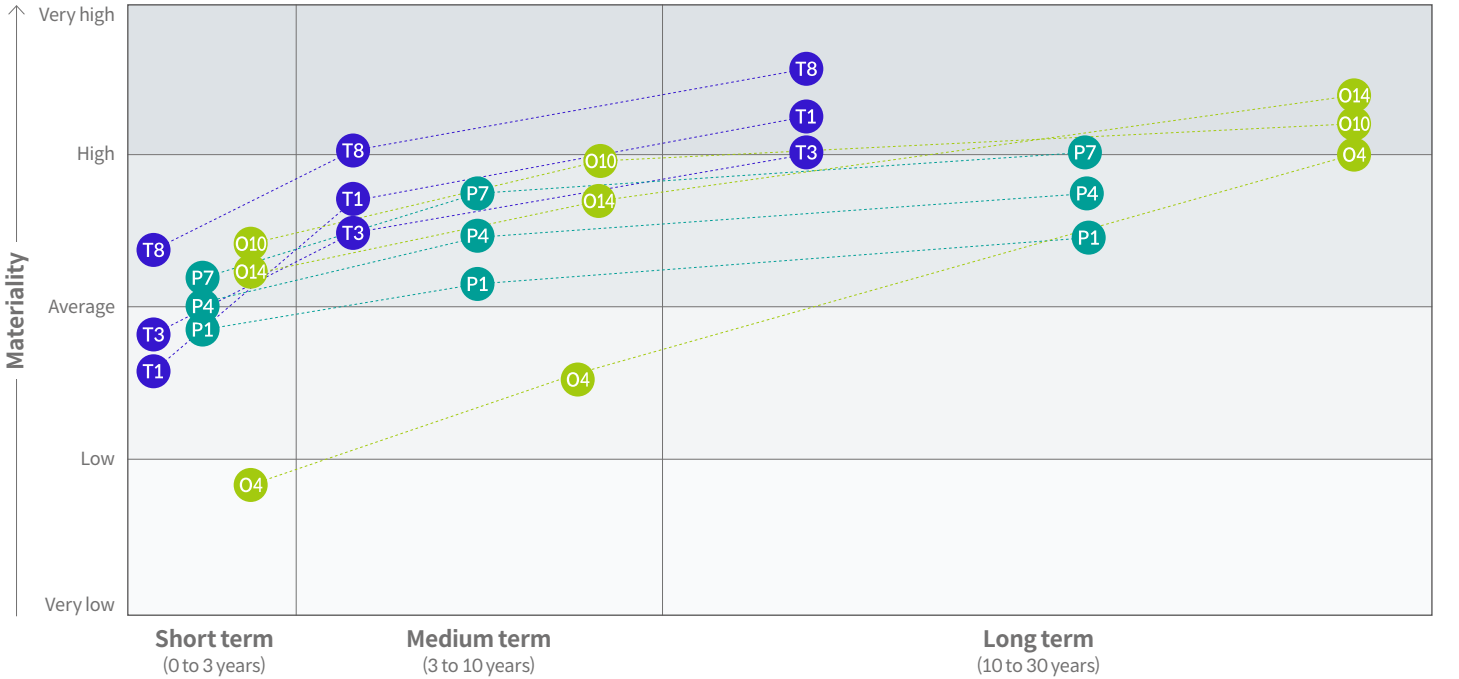
- T8 Increased cost of electricity
- T1 Increased price of greenhouse gas emissions credits
- T3 Changes to regulations relating to energy efficiency of the communications infrastructure

Physical risks

- P7 Strong winds (typhoons)
- P4 Heavy rains (flooding)
- P1 Wildfires

Opportunities

- O10 Increased supply of ICT-based solutions
- O14 Launching of new services
- O4 Use of low-emissions energy sources



Results of Materiality Assessment for Transition Risks

○ Average ◉ Somewhat important ● Very important ✓ Factors for analysis of potential financial impact

Type	Risk factor	Time frame			Potential impact	Current response and response plans
		Short-term	Medium-term	Long-term		
Policies, laws and regulations	✓ ① Increased price of greenhouse gas emissions credits		○	●	Need for investment in greenhouse gas-reducing equipment and high energy efficiency facilities	· Determining greenhouse gas-related trends, monitoring prices of CERs; and expanding CER business portfolio
	② More stringent emissions reporting obligations		○	●	Increased information disclosure obligations fines, etc. for non-compliance	· Determining Korean and overseas climate disclosure trends and providing information disclosures (including annual reports and CDP)
	③ Changes to regulations relating to energy efficiency of communications infrastructure		○	◉	Increased cost of compliance with energy policy-related regulations; mandatory infrastructure efficiency improvements	· Adopting energy-efficient equipment and responding to compliance requirements
	④ Climate-related litigation				Decline in reputation of the company due to uncertainties in greenhouse gas reduction plans and green-washing issues surrounding outcomes of reduction actions	· Analyzing stakeholder needs in accordance with ISO 14001(Environmental Management Systems), monitoring laws, regulations and compliance obligations in accordance with ISO 37301(Compliance Management Systems), and undergoing verification by certification bodies to improve confidence
Technologies	⑤ Transition to low-carbon products and services			○	Investment in R&D and production facilities for low-carbon services and product development	· Developing and adopting low-carbon, high-efficiency 5G equipment technology
	⑥ Cost of transitioning to low-carbon IoT technology		○	○	Investment for the adoption and application of low-carbon IoT technologies	· Accomplishing carbon reductions through increased use of IoT-based low-carbon technologies
Market	⑦ Loss of existing and new customers			○	Decreased sales of existing products due to changes in consumer preferences	· Increasing consumer communications and responding to global climate change initiatives
	✓ ⑧ Increased cost of electricity	○	◉	●	Higher costs due to increased electrical power costs	· Improving energy efficiency, transitioning to more efficient fuels, investing in renewable energy, and recycling resources
Reputation	⑨ Increased negative perceptions among shareholders		○	○	Reduced investment due to increased customer and investor concerns, impact on brand preference and image due to unsatisfactory climate change response	· Communicating with key investors and stakeholders · Disclosing key strategies and outcomes through TCFD reports and sustainability reports · Meeting with NGOs and monitoring of issues relating to environmental protection and communication fee policies
	⑩ Increased negative perceptions among the public		○	◉		
	⑪ Increase in collective action by NGOs		○			

Results of Materiality Assessment for Physical Risks

○ Average ◐ Somewhat important ● Very important ✓ Factors for analysis of potential financial impact

Type	Risk factor	Time frame			Potential impact	Current response and response plans
		Short-term	Medium-term	Long-term		
Acute	✓ ① Wildfires	○	○	○	Cost to repair damage to communications equipment and base stations caused by wildfires, cost due to the restriction of service due to communication failures	· Prevention of wildfires started by communications equipment (including installation of fire barriers around base station equipment) · Installation of wireless facilities specifically designed for mountain use and protected from wildfires · Wildfire prevention activities (including clearing of areas around base stations) · Establishing emergency communication systems using idle TV band frequencies, establishing more precise zoning for transmission of disaster warning text messages
	② Landslides			○	Cost due to the loss of communications equipment and damage to outer walls of base stations due to landslides	· Carrying out emergency repair work and maintain quality of service for affected base stations · If there is damaged equipment, maintaining communications quality by adjusting nearby base stations
	✓ ③ Heat waves			○	Cost from malfunctioning of communications equipment due to heat waves and increased operation of air conditioning systems in base stations	· Early investment and reinforcement of facilities vulnerable to heat waves (including revision of external casings and replacement of old casings) · Proactive measures to prevent equipment from overheating prior to peak summer (including inspection of air conditioning systems and filters, installation of shade tarps)
	✓ ④ Heavy rains (flooding)		○	◐	Cost of interrupted communications and restoration of service due to the damage to communications equipment and base stations caused by heavy rains	· Inspection and reinforcement of antenna support lines, securing and lashing of hazardous objects at base stations, cleaning of drainage channels at communications centers, inspection of power generators in remote and island areas · Installation of waterproof panels to prevent or minimize flooding, installation of platforms at base stations with history of flooding · Maintaining communication quality by adjusting nearby base stations in the event of damage to equipment
	⑤ Heavy snow				Cost of interrupted communications and restoration of service due to the damage to communications equipment and base stations caused by heavy snow	· Maintaining base station quality and carrying out emergency repair work in regions subject to heavy snow · Maintaining communications quality by adjusting nearby base stations in the event of damage to equipment
	⑥ Lightning strikes				Cost of interrupted communications and restoration of service due to the damage caused by lightning strikes	· Maintaining communications quality by adjusting nearby base stations in the event of damage to equipment
	⑦ Strong winds (typhoons)[1]		○	●	Cost of repairing damage to communications equipment and base stations due to strong winds (typhoons)	· Ensuring redundancy of key network access pathways and communications equipment through Disaster Recovery system · Reinforcement of systems and prevention of accidents through prior inspection of communication facilities · Operation of special situation room and ground response teams for areas expected to be impacted by typhoons · Maintaining at least the minimum level of services during disasters by establishing disaster roaming system among three major telecommunications providers
	⑧ Earthquakes				Cost for recovery from massive loss of assets and restoration of lost communications	· "S" seismic grade design and construction of communications centers, seismic racks for telecommunications equipment, installation of earthquake-resistant fixing members · Development of compact earthquake detection sensors, and operation of nationwide sensor network using existing wireless communication network
	⑨ Cold waves				Communications interruptions due to cold waves and increased costs due to increased operation of space heating systems within data centers	· Improvement of the efficiency of facilities with large fluctuations in power consumption, and continual monitoring of power usage · Maintaining quality of communications by adjusting nearby base stations in the event of communications interruptions due to cold waves
Chronic	⑩ Rising average global temperatures			○	Loss of telecom assets or business interruption due to rise in average global temperatures	· Energy-efficient base station design to reduce air conditioning costs · Monitoring of electrical power and energy usage to devise and implement improvements
	⑪ Rising sea levels				Loss of assets through decrease in sales due to damage to land-based facilities, or interruption of operations due to coastal flooding	· Establishing equipment installation standards that consider rising sea levels, storm surge and strong winds in coastal areas

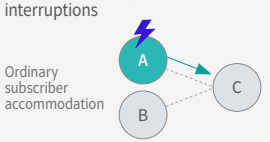
1) "Strong winds (typhoons)" received the highest score in the materiality assessment, but were not reflected in assessing financial impact. This is because the results from the strong winds (typhoons) scenarios in the analytical models currently used by SK Telecom had high uncertainty and were unfit for use in assessing financial impact. That said, redundancies and backups for key services and equipment, prior inspection, and emergency repair systems are in place and operational to prevent and minimize damage from typhoons. SK Telecom plans to continue to improve its physical risk assessment scenario analysis and modeling methodologies.

Our Response to Physical Risks

Disaster Recovery System

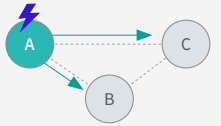
Voice and subscriber management services

DR system to accommodate all subscribers from communications centers affected by service interruptions



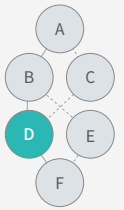
Data services

Distributed service implementation and distributed accommodation of subscribers in the event of a service interruption at a communications center



Switching and backbone centers

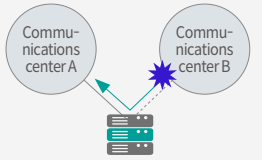
Separate recovery routes in place in anticipation of main communication pathway interruptions at key company buildings



Main Route Bypass Route

Integrated stations

Planning to establish higher centers



Integrated station (under the higher center)

SK Telecom operates disaster recovery systems to improve the stability of its communication networks. Through redundancies in access pathways for key networks and critical communications equipment, and the separate operation of networks by layer and region, we prevent the proliferation of potential communication errors. While laying the groundwork for swift recovery, SK Telecom is also sparing no effort when it comes to improving our capacity to restore communications quality.

Heavy rains (flooding) and typhoon response

Reinforcement of antenna support lines

Installation of platforms under equipment

Installation of waterproof panels

Disaster roaming among three major telecommunications providers

SK Telecom carries out preventive inspection activities in anticipation of typhoons and heavy rains. If heavy rainfall is forecast, we initiate a proactive response to prevent flooding and minimize damage. A disaster roaming system was jointly implemented by SK Telecom and Korea's other two major telecommunications providers in June 2020, ensuring that a minimum level of services is maintained even in emergency situations.

Forest fire response

Fire resistance barrier sheets for fiber-optic cables

Weed-suppressive mat and weed-suppressive cap

Power pack for automatic fire extinguishing systems

Fire barrier at base of equipment

SK Telecom's wireless communications facilities are thoroughly protected from fire damage related to wildfires. Automatic fire extinguishing systems and fire resistance extinguishing sheets are installed within power packs, and communications poles are protected from the ingress of vegetation using weed-suppressive mats and weed-suppressive caps. To further protect our wireless communication facilities located in areas vulnerable to wildfires, fire retardant cables, carbon fire resistance barrier sheets, heat-blocking tape, heat-resistant coatings and nonflammable fire barriers are installed to improve their heat and flame resistance.

Results of Materiality Assessment for Opportunity Factors

○ Average ◉ Somewhat important ● Very important

Type	Opportunity factor	Time frame			Potential impact	Current response and response plans
		Short-term	Medium-term	Long-term		
Resource efficiency	① Efficient production and distribution processes				Lower production and distribution costs through increased efficiency	· Expanding AI-based digital distribution channels
	② Increased recycling				Reduce waste disposal costs through recycling	· Developing measures to improve recycling rates when dismantling equipment · Performing third-party verification of waste output
	③ Increased need for adoption of Energy Management System (EMS) and other solutions		○	○	Increase in revenues due to increased demand for energy management services	· Increasing supply of AI/ICT-based high-efficiency, low-carbon energy management technologies (BEMS, FEMS, LEMS)
Energy sources	④ Use of low-emissions energy sources		○	◉	Reduction of risk related to rising energy prices	· Using PPA, REC and other renewable energy
	⑤ Participation in the carbon market	○	○	◉	Increase in profits from CERs through greenhouse gas reduction projects	· Managing carbon emissions and CERs
	⑥ Revenues from renewable power generation business and sale of surplus energy			○	Increase in profits from renewable energy power generation business sales and sale of surplus energy	· Installation of self-contained power plants at Korean establishments · Investing in renewable energy PPA business
Products and services	⑦ Increased revenues from low-emissions products and services		○	○	Increase in revenues due to increased demand for low-carbon products and services	· Operating AI/ICT-based low-carbon services · Using electronic billing and mobile membership cards
	⑧ Increased consumer preference		○	○	Improvement of corporate image through an active response to climate change	· Promoting "proactive climate change response," "advanced environmental management systems," and "environmentally friendly green corporate culture"
	⑨ Increased demand for communications services		○	◉	Increase in revenues from increased demand for climate change-related services	· Developing environmentally friendly services and products based on analyses of consumer demand data
	⑩ Increased supply of ICT-based solutions	○	◉	●	Increase in opportunities in the ICT-based energy solutions market	· Developing and applicating Vision AI and other core technologies · Developing and applicating AI Energy Management System (EMS)-based solutions
	⑪ CER revenues through ICT-based energy business		○	○	CER revenues through ICT-based energy business	· Doing sustained development and increasing investment in new growth drivers toward the expansion of AI/ICT-based services
	⑫ Increased profits from the generation and sale of renewable energy			○	Improved price competitiveness of products through the generation and sale of renewable energy	· Accomplishing investment in renewable energy, transition to better fuels, and resource cycling
Market	⑬ Leveraging of public sector incentives			○	Reduced indirect operating costs through incentives	· Participating in national treasury-subsidized local government energy projects
	⑭ Launch of new services	○	○	●	Development of opportunities to enter new markets such as AI and renewable energy	· Expanding AI/ICT-based energy services

AI Energy Management System (EMS)

AI Energy Management System is a one-stop energy streamlining service which provides energy equipment diagnostics, engineering, implementation, and EMS platform-based consulting on operations optimization in order to optimize the energy consumption of buildings and factories.

SK Telecom expects its business opportunities to increase as more businesses participate in the carbon credits system due to changes in Korean and international circumstances, and as demand for energy streamlining services increases in response to rising energy costs and the increasing importance of ESG management.

- Round-the-clock monitoring of the operation of various energy-consuming equipment through EMS platform
- Dashboard for analytics-evaluation-improvement of equipment and system operation
- Enabling effective energy-saving activities by providing energy consumption pattern and equipment operation analytics

EMS Platform Functions

Sensing

- Integration with communications protocols of various energy equipment for stable wireless network-based data sensing
- Integration with various communication methods

Monitoring

- Optimized, customized dashboard
- Optimized permissions for each type of user (management, plant management, plant middle management)

Analysis

- Establishment of energy targets and analysis of usage
- DB-based energy Big Data analysis

Reporting & Consulting

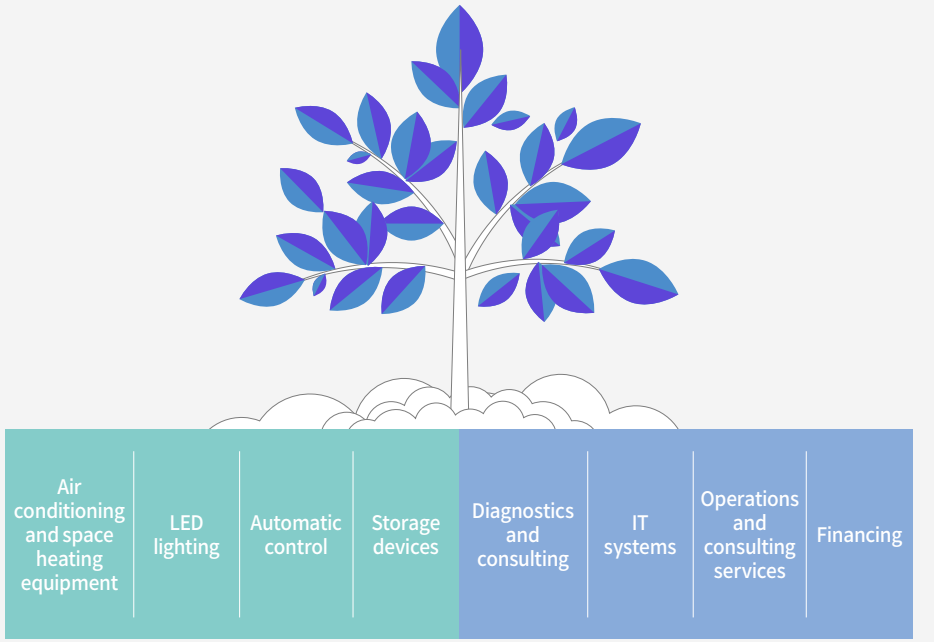
- Summaries of energy usage provided, and energy consumption patterns and equipment operation status analyzed to provide basis for energy optimization

AI Energy Management System Concept

National Government
- Saving national energy
- Reducing power peaks
- Reducing CO_2 emissions

Customers
- Saving energy cost
- Increased convenience of energy management
- Improving corporate image

SK Telecom
- Energy efficiency-enhancing business
- Rendering xEMS services
  - BEMS/FEMS/LEMS



Analysis of Potential Financial Impact of Transition Risks

The key risk factors of SK Telecom were identified as "increased cost of electricity and costs of RE100 implementation" and "increased cost of CERs." The potential financial impacts of these factors were analyzed. Key risk factors were analyzed using NGFS and IEA scenarios. Variables considered for each factor included past increases in electricity costs, additional costs incurred for each renewable energy type, and future paid allocation ratios.

Increased cost of electricity and RE100 implementation costs

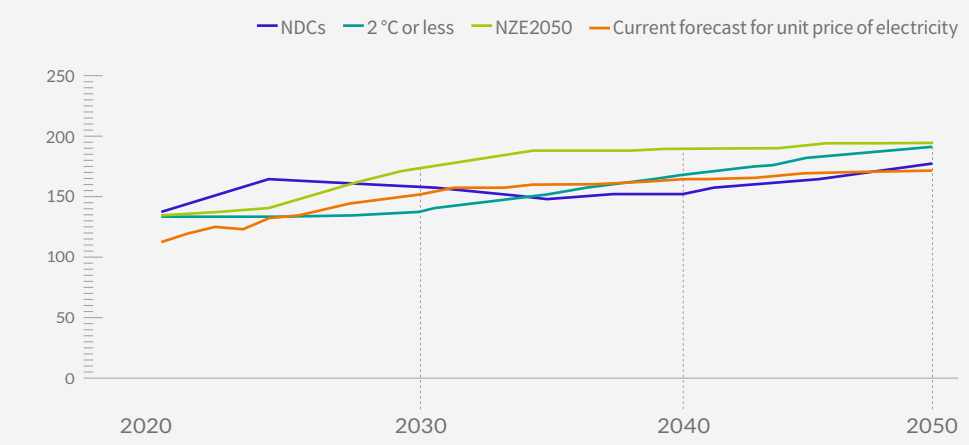
- Previous (2020 to 2023) increases in electricity costs for company building and communications equipment reflected
- Reduction in electrical power purchased from Korea Electric Power Corporation due to transition to renewable energy
- Electricity price forecast under the NGFS scenario
- Additional costs of implementation for each renewable energy type (green premium, REC purchasing, PPA, in-house power generation)

Potential Financial Impact of Increased Cost of Electricity and RE100 Implementation

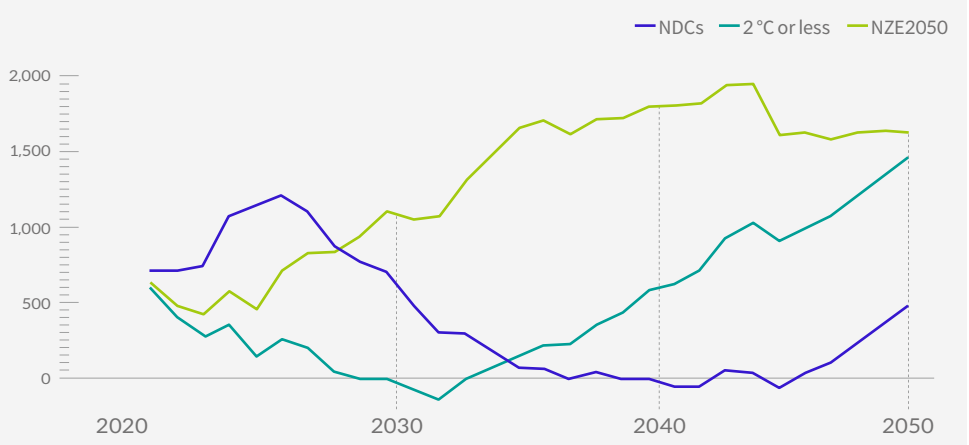
SK Telecom's electricity demand in 2020 is about 2,220 GWh, and we expect to require an additional 2.9 times more electricity by 2050. In addition to electricity purchases from Korea Electric Power Corporation, SK Telecom intends to increase our use of renewable energy by implementing RE100. To assess the potential financial impact of these factors, we used the average annual increase in power costs in previous years together with the additional power costs forecast under the NGFS scenario, and the additional costs required for the implementation of each type of renewable energy.

Analysis indicates that the additional financial impact at each point according to future climate scenarios will vary between time points. The potential financial impact of the increased cost of electricity and RE100 implementation to SK Telecom under the NGFS scenario between 2020 and 2050 will range from at least KRW 36.2 billion on average per year (NDCs) up to KRW 121.5 billion (NZE2050). We plan to further our efforts to increase our use of renewable energy and optimize our energy usage, in order to mitigate against additional future financial impacts.

Unit cost of power per NGFS scenario
(Unit: KRW/kWh)



Potential financial impact of increasing cost of electricity under each scenario
(Unit: KRW 100 million)



Potential Financial Impact of the Rising Cost of CERs

Rising Cost of CERs

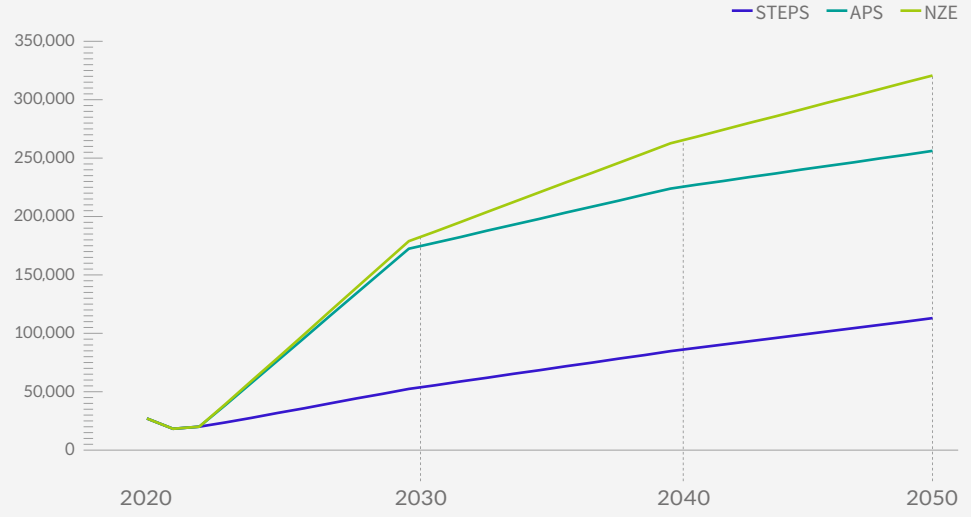
- Carbon price forecast according to the IEA scenario
- Reduction in purchases of electrical power from Korea Electric Power Corporation due to transition to renewable energy
- Comparison of emissions and allocations after in-house reductions and RE100 implementation
- Projected paid allocation ratios (2030: 15% → 2040: 30% → 2050: 50%)
- Allocation adjustment factor, projected (2030: 90% → 2040: 90% → 2050: 90%)

We expect the price of CERs to rise in accordance with policies regulating the emission of greenhouse gases. SK Telecom will implement the Three Green Strategies to achieve the Net Zero and RE100 goals by 2050. If these are properly implemented, it is expected that SK Telecom's greenhouse gas emissions will be less than the allocated emission rights as projected. We analyzed the potential financial impact of surplus emissions rights arising from in-house reduction efforts.

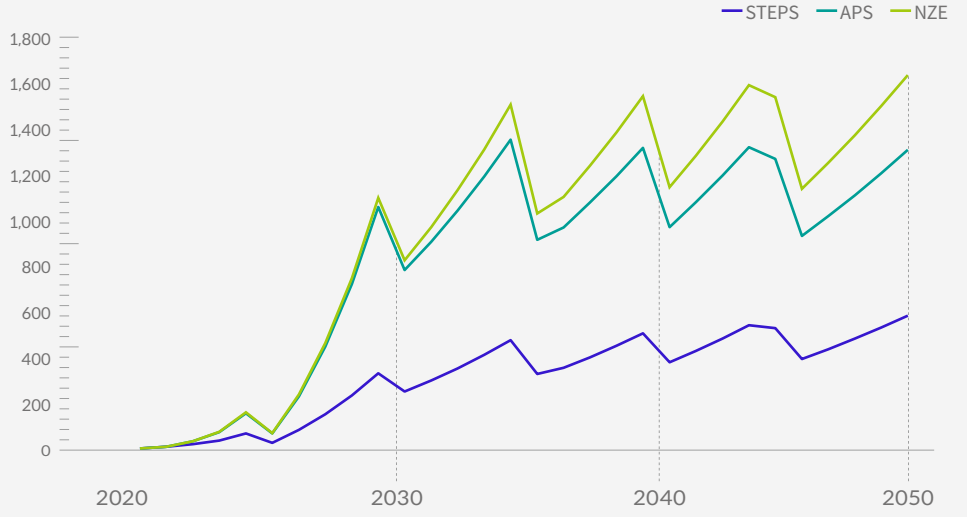
* Offsetting of residual emissions (6,785 tCO_2) through tree-planting and other external reduction efforts starting 2031
** Final allocated emissions quotas include pre-allocated quotas and additional allocations

SK Telecom emissions after internal reductions stand at 1,039,979 tCO_2 as of 2020. In 2030, we expect this number to be around 47.7% of 2020 levels, and we project a further reduction to Net Zero levels by 2050. According to the results of a financial impact analysis based on final allocated quotas, we expect to be able to raise profits through the sale of emission credits from 2021 to 2050. According to the IEA Scenario, SK Telecom stands to raise profits of at least KRW 32 billion per year (STEPS) and up to KRW 96.5 billion per year (NZE) between 2020 and 2050.

Cost of CERs under each IEA scenario
(Unit: KRW/tCO_2e)



Potential financial impact of profits from carbon emission credits under each scenario (Unit: KRW 100 million)



Analysis of Potential Financial Impact of Physical Risks

To accurately assess the impacts of physical risks on key assets, the low-emissions scenario (SSP1-2.6) and high-emissions scenario (SSP5-8.5) in the 6th IPCC Assessment Report were used. The physical risk factors chosen for analysis, based on the fit of the analytical model and the results of a materiality assessment, were heat waves, heavy rains (flooding), heavy snow, wildfires, and landslides. Levels of exposure to risk were assessed to analyze the potential impact of these five physical risk factors on key communications assets under each scenario through 2050.

The 2023 physical risk analysis model of SK Telecom improves upon previous disaster prediction methodologies and allows for more precise predictions to be made. To reflect the characteristics of the communication assets under consideration, equipment type and height (altitude) data were used. Whereas the previous resolution of analysis was 1 kilometer, this was reduced to 100 meters to yield higher resolution analysis results. Further, the IPCC SSP scenario and meteorological data from approximately 1,200 Korean meteorological stations were used to improve the reliability of our predictions under future scenarios.

According to our analysis of physical risk factors, financial impact due to heat waves, heavy rains (flooding) and wildfires are expected in the short-term and medium-to-long term. Based on the findings of this analysis, we intend to continue monitoring key communication assets, and pursue risk management efforts company-wide to improve our resilience and capacity to adapt.

Physical Risk Analysis Procedure

SK Telecom Asset DB

- All communications assets including company buildings, communications centers and base stations
- Location data (region, longitude, latitude)
- Acquisition value and book value
- Equipment height (elevation and building height)

Physical risks

Five risk factors

Heat waves	heavy rains (flooding)	heavy snow
wildfires		landslides

Scenarios

Four scenarios

SSP1-2.6	SSP2-4.5
SSP3-7.0	SSP5-8.5

Development and improvement of physical risk analysis model

Processing of meteorological and topographical information

- Maximum temperature, minimum temperature, precipitation, wind speed, and humidity
- Meteorological data from about 1,200 stations in Korea (data from previous month or six months prior)

Model algorithms applied

- Artificial neural network modeling, machine learning
- N/W equipment type, location, altitude
- Resolution (100 meters * 100 meters)

Short-term and long-term forecasting

- Climate forecasts through 2060 under IPCC SSP1-2.6, SSP2-4.5, SSP3-7.0 and SSP5-8.5 scenarios[1)]

1) Reflects outcomes through 2050 under the SK Telecom Net Zero roadmap

Analysis of potential financial impact

- Short- and medium-to-long term outcomes according to scenario (including year-to-year changes and frequency of limit values)
- Degree of exposure of assets to heat wave, heavy rains (flooding) and wildfire risks
- Review of potential financial impact analysis and inspection of SK Telecom response systems[2)]

2) SK Telecom is inspecting the company's readiness posture with regard to key physical risks, and is working to avoid negative impacts on key assets including company buildings based on the results of the potential financial impacts analysis (see p.17 or p.23)

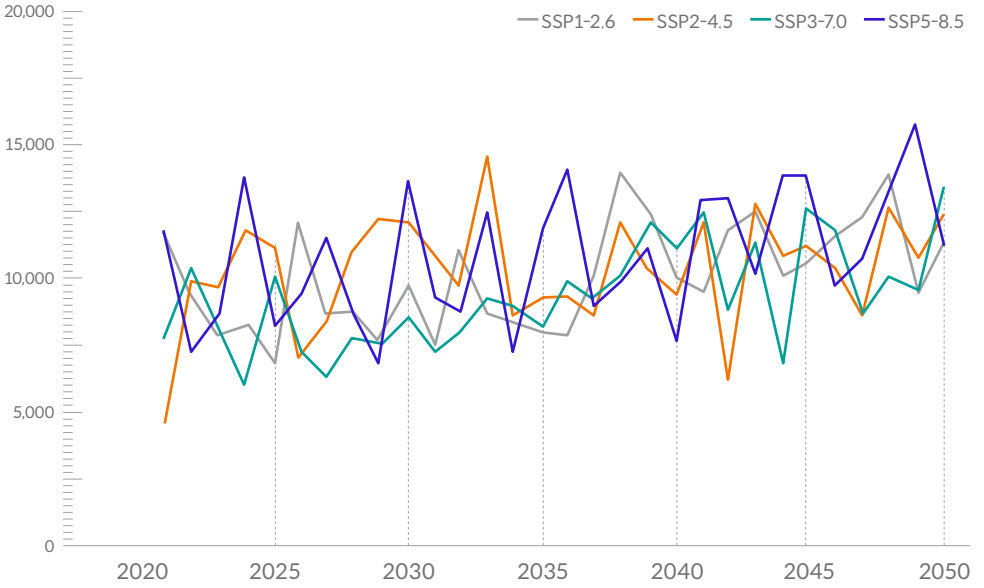
Combined Analysis of Potential Financial Impact of Physical Risks

The physical risks affecting SK Telecom's office buildings and telecommunications equipment have been identified as heat waves, heavy rains (flooding), and wildfires. The potential financial impacts under each scenario are as follows:

More of SK Telecom's telecommunications assets are exposed to key physical risks under the high carbon emissions scenario (SSP5-8.5) compared to the low carbon scenario (SSP1-2.6). The value of communications assets exposed to key risks under scenario SSP1-2.6 may increase from KRW 805.7 billion in 2030 to KRW 935.8 billion in 2050. Under the SSP5-8.5 scenario, these numbers are projected as KRW 1.12 trillion in 2030 and KRW 9.27 trillion in 2050.

SK Telecom is taking preventive action to reduce the risk exposure of its telecom assets, and is carrying out regular monitoring to prevent substantial damage in the event that risks are realized.

Book Value of Assets Exposed to Physical Risks
(Unit: KRW 100 million)



SK Telecom's Efforts in Response to Physical Risks (Building Management)

Heat waves

- Optimized operation of cooling towers by improving standard cooling capacity and efficiency
- Managing power demand and regular load operation of emergency generators in anticipation of blackouts

Heavy rains (flooding)

- Regular pruning of trees in surrounding mountainous areas (to prevent soil subsidence and loss of topsoil)
- Redundant drainage pumps and engine pumps, regular flood readiness training at rainwater ingress points (parking lots, manholes)

Wildfires

- Installation and operation of wildfire extinguishing systems
- Elimination of risk through regular crisis response training

* Fire extinguishing supplies have been purchased for EV fires and ordinary fires, and efforts are being made to improve early response capacity. SK Telecom is considering the purchase of additional fire blankets for EVs and air respirators.

Characteristics of SK Telecom's Financial Impact Assessment for Physical Risks

In developing scenarios and models for physical risk assessment at SK Telecom, the objective is to identify the key impacts of climate change and enable a proactive response to these. However, due to the uncertain tendencies of various factors influencing climate change, our physical risk analysis results may have a certain degree of uncertainty. Further, as our communications equipment are installed throughout the country, the financial impact of physical risks was analyzed using the asset value of communications equipment exposed to climate change risks expected in the future. For example, the actual costs incurred by SK Telecom to restore damage due to disasters and accidents (typhoons, lighting strikes, landslides, heavy rains, heat waves, wildfires and earthquakes included) over the past five years (2018 to 2022) were around KRW 3 to 4 billion annually (including the cost of investment to prevent risk). These numbers vary somewhat from the degree of exposure of assets to physical risks from climate change. To develop more precise models capable of assessing a greater variety of climate disasters, and better reflect the characteristics of each asset type, SK Telecom will continue to utilize data from trusted Korean and international organizations.

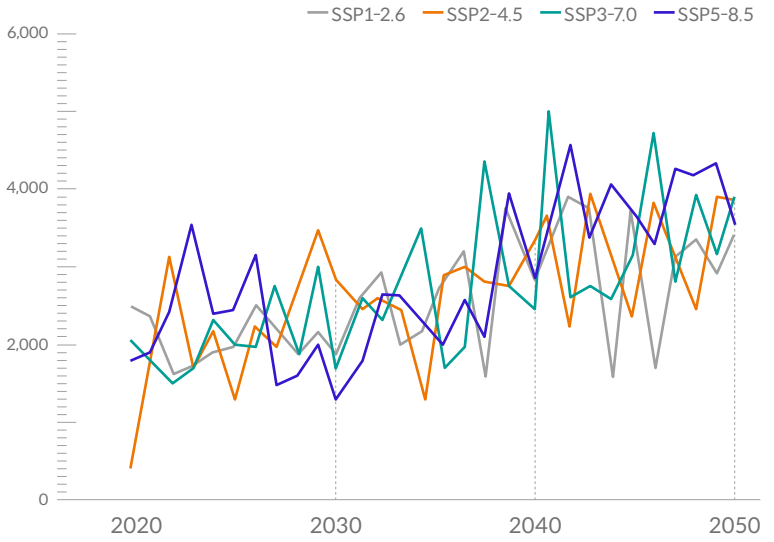
Heat Waves

SSP1-2.6 SSP2-4.5 SSP3-7.0 SSP5-8.5

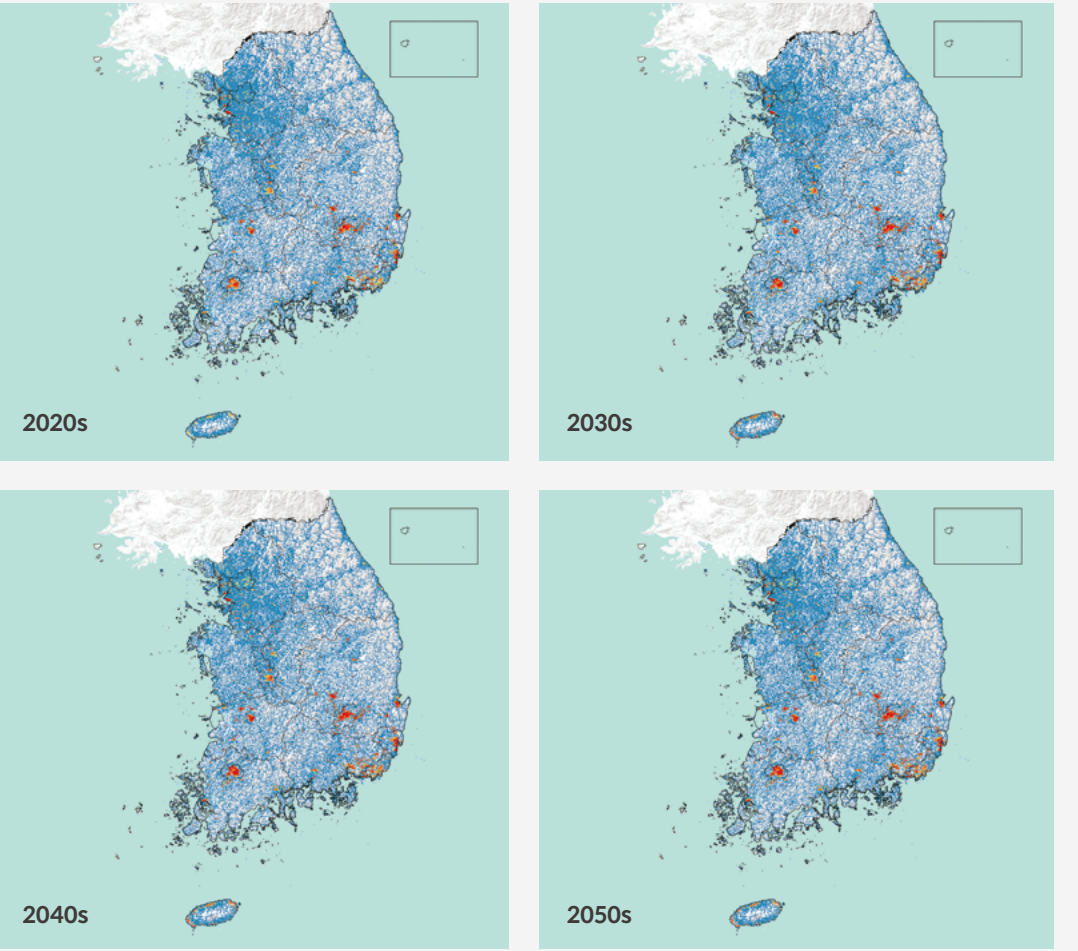
We expect the exposure of our key communications assets to heat waves to increase in the medium- to long-term. According to scenario SPP5-8.5, the number of assets exposed to heat waves is predicted to increase by about 4.3 times, from 806 in 2021 to 3,438 in 2050. The book value of assets exposed to heat waves between 2020 to 2050 was analyzed to be KRW 2.59 trillion (SSP1-2.6) per year at minimum up to KRW 2.88 trillion (SSP5-8.5).

In particular, while low risk exposure was expected for the Greater Seoul Area and urban centers, local base stations and communications centers in regions subject to frequent heat waves such as Daegu will require a priority heat wave response. Accordingly, SK Telecom has prepared and applied a response system that can predict abnormal weather and analyze any damage resulting from the same.

Book Value of Assets Exposed to Heat Wave Risks
(Unit: KRW 100 million)



Physical Risk Map for Heat Waves



Heavy Rains (flooding)

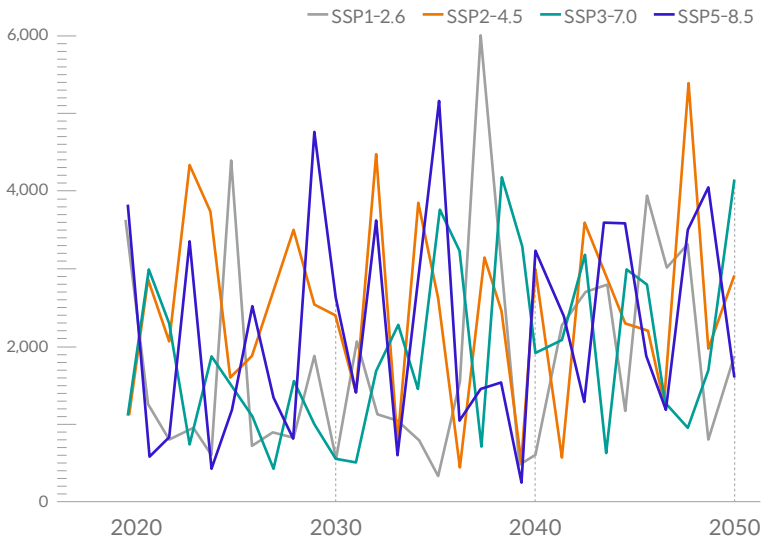
SSP1-2.6 | SSP2-4.5 | SSP3-7.0 | SSP5-8.5

SK Telecom believes that exposure to heavy rains (flooding) will be generally high, with a minimum of 8,823 (SSP5-8.5) assets and maximum of 25,987 assets (SSP3-7.0) exposed through 2050. The book value of assets exposed to heavy rains (flooding) was analyzed to be KRW 1.92 trillion (SSP1-2.6) per year on average between 2020 and 2050 at minimum, and KRW 2.59 trillion (SSP2-4.5) at maximum.

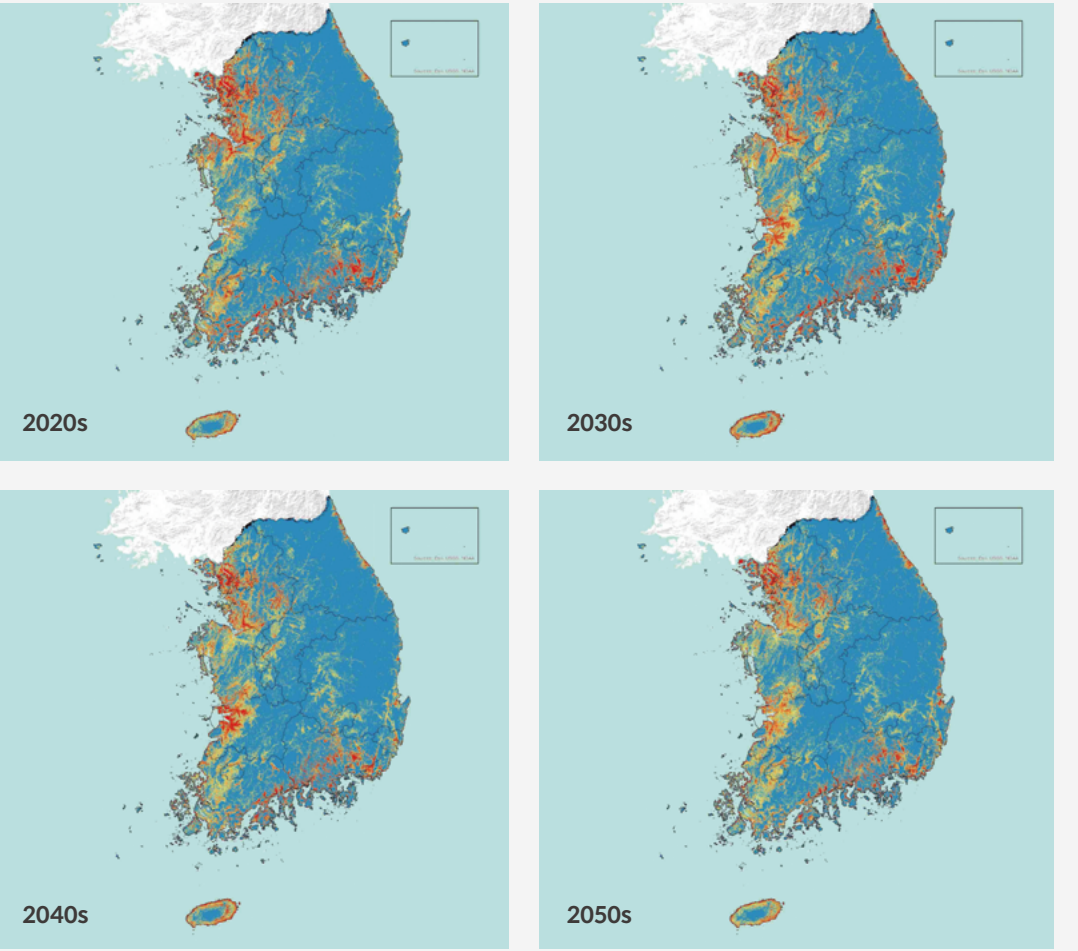
Factors contributing to heavy rains (flooding) risk include the frequency of extreme weather events. The duration during which SK Telecom communications assets have a risk exposure of 5% or greater was found to increase under the SSP scenarios[1]. SK Telecom is minimizing this risk by taking proactive measures to prevent ground subsidence and topsoil erosion.

1) SSP1-2.6: 3years, SSP2-4.5: 7years, SSP3-7.0: 12years,SSP5-8.5: 14years

Book Value of Assets Exposed to Heavy Rains (Flooding) Risks
(Unit: KRW 100 million)



Physical Risk Map for Heavy Rains (Flooding)



Wildfires

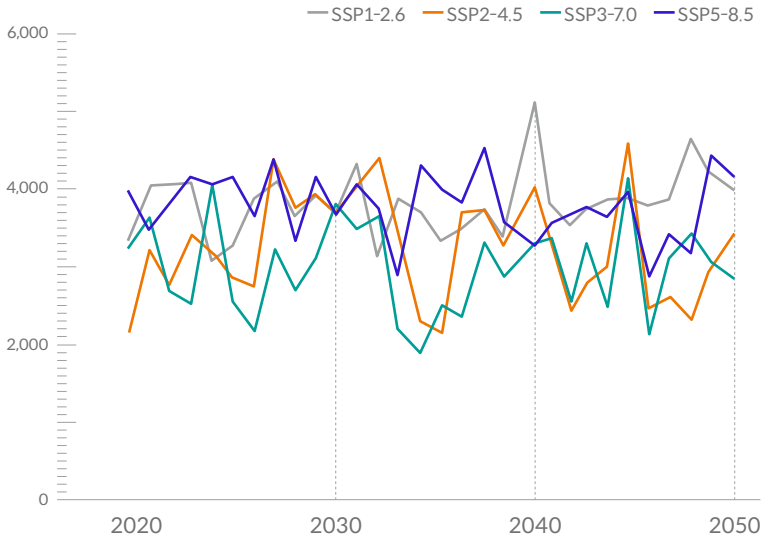
SSP1-2.6 | SSP2-4.5 | SSP3-7.0 | SSP5-8.5

SK Telecom's exposure to forest fire risk was found to be high under all SSP scenarios through 2050. The number of assets exposed to risk was 1,365 (SSP5-8.5), which is lower than the figures for other risk factors. However, the book value of assets exposed to wildfire risk was analyzed to be at least KRW 2.95 trillion (SSP3-7.0) per year on average, and at most KRW 3.79 trillion (SSP1-2.6).

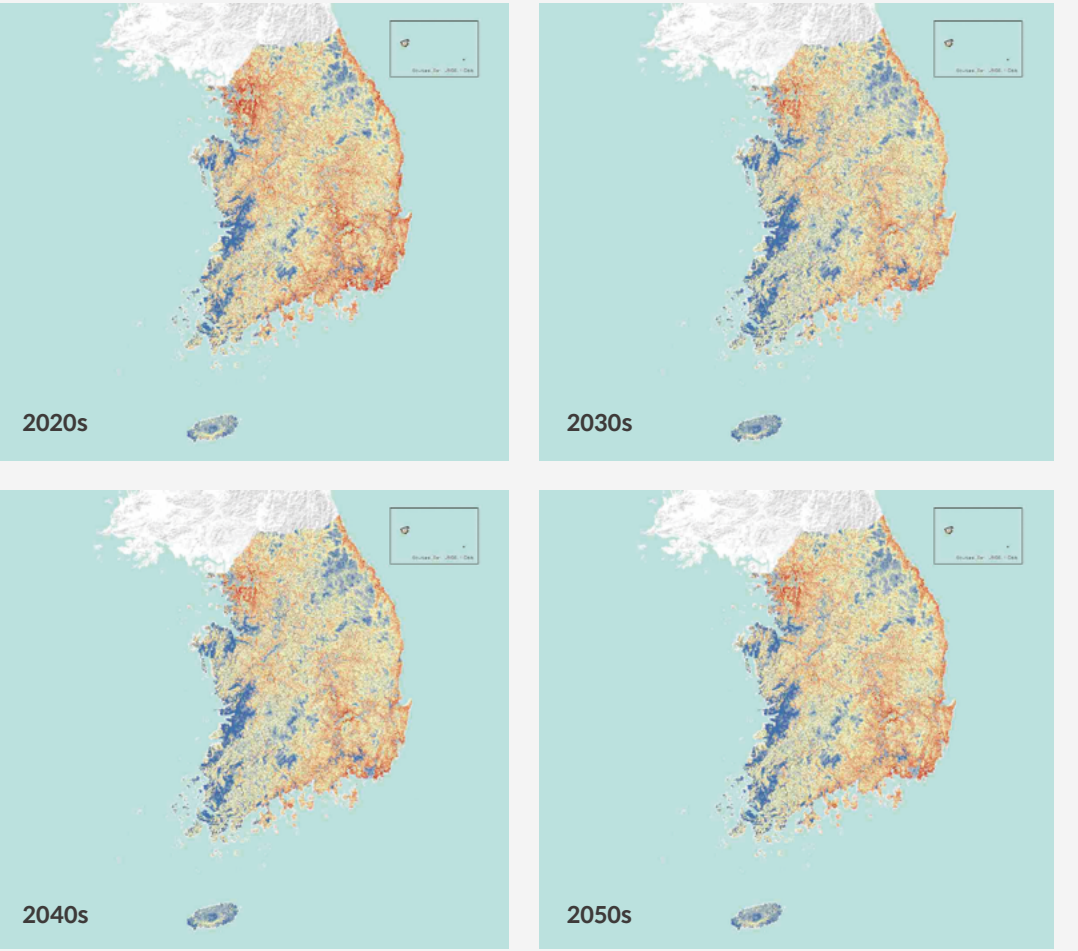
This indicates that sustained management is required for company buildings or communications equipment located in or near mountainous terrain. Accordingly, SK Telecom is installing an emergency communication network for early wildfire warning and monitoring. We are working with fire services to develop wireless mobile phone coverage systems to prepare for loss of coverage in a scenario of the complete loss of base stations to fire.

Book Value of Assets Exposed to Wildfire Risks

(Unit: KRW 100 million)



Physical Risk Map for Wildfires



K-Taxonomy Activities

In August 2023, SK Telecom became the first company in Korea to publish a separate taxonomy report in accordance with the Korean Green Taxonomy.[1] The K-Taxonomy activities of SK Telecom include activities related to core businesses, activities associated with general business operations, and additional voluntary activities. To identify applicable activities, we have reviewed not only our key products and services, but also all activities which contribute to achieving Net Zero.

KPI assessment for SK Telecom's K-Taxonomy disclosures was carried out using the EU Delegated Regulation (EU)2021/2178, with necessary modifications. The KPIs selected included revenues, CapEx, and OpEx. Korean disclosure guidelines will be further reflected in future, and we will continue our efforts to utilize green projects and green technologies.

Activities related to core businesses

- ICT solutions for building and facilities energy management
- Replacing aged air conditioning systems in server rooms, company buildings and communications centers with state-of-the-art equipment

Activities related to general business operations

- Use of EVs (personal use by employees and executives and in furnishing of services, etc.)
- EV charging stations installed at company buildings and on idle company-owned land
- Reuse of antennas and cable drums when installing solar power generation facilities
- Environmental education to raise climate change awareness

Activities related to voluntary efforts

- Project to switch to high-efficiency cookstoves
- Multi-use cup campaign

SK Telecom Taxonomy Outcomes (FY2022)

K-Taxonomy Area		Revenue		CapEx		OpEx	
		Amount (KRW 1 million)	**Percentage** (%)	**Amount** (KRW 1 million)	**Percentage** (%)	**Amount** (KRW 1 million)	**Percentage** (%)
K-Taxonomy Eligible Economic activities	**K-Taxonomy Aligned Economic activities**	**32,566**	**0.262**	**6,160**	**0.239**	**22,773.5**	**7.768**
	Development of ICT-based energy management solutions, and implementation and operation of systems	32,456	0.261	230	0.009	18,805	6.414
	Renewable energy generation: including solar PV	-	-	5,930	0.230	8	0.003
	Manufacturing of parts, materials and equipment for core greenhouse gas reduction technologies	-	-	-	-	1,808	0.617
	Use of non-polluting transportation means	-	-	-	-	243.6	0.083
	Building and operating non-polluting transportation infrastructure	-	-	-	-	288.9	0.099
	Recycling of waste	110	0.001	-	-	1,620	0.552
	K-Taxonomy non-aligned Economic activities	**-**	**0**	**12,519**	**0.484**	**2,197.5**	**0.749**
	Installation and operation of greenhouse gas reduction facilities	-	-	10,419	0.403	1,719.5	0.586
	Renewable energy generation: Biomass	-	-	2,100	0.081	458	0.156
	Education, culture and arts related to climate change adaptation	-	-	-	-	20	0.007
	Eligible Economic activities	**32,566**	**0.262**	**18,679**	**0.723**	**24,971**	**8.517**
K-Taxonomy non-eligible Economic activities		**12,382,022**	**99.738**	**2,564,990**	**99.277**	**268,222**	**91.483**
Total		**12,414,588**	**100**	**2,583,669**	**100**	**293,193**	**100**

1) Korean Green Taxonomy (K-Taxonomy): A taxonomy announced by the Korean government in December 2021 to prescribe clear standards for green economic activity, and direct green funds toward green projects and green technologies. To be recognized as a green economic activity under the K-Taxonomy, an activity must
① contribute to at least one of the six environmental objectives (1. Climate change mitigation, 2. Climate change adaptation, 3. Sustainable use and protection of water and marine resources, 4. Transition to a circular economy, 5. Pollution prevention and control, 6. Protection and restoration of biodiversity and ecosystems), ② do no significant harm (DNSH) to the other environmental objectives, and ③ comply with minimum safeguards (MS) in the areas of human rights, labor, safety, anti-corruption and protection of cultural properties.

RISK MANAGEMENT

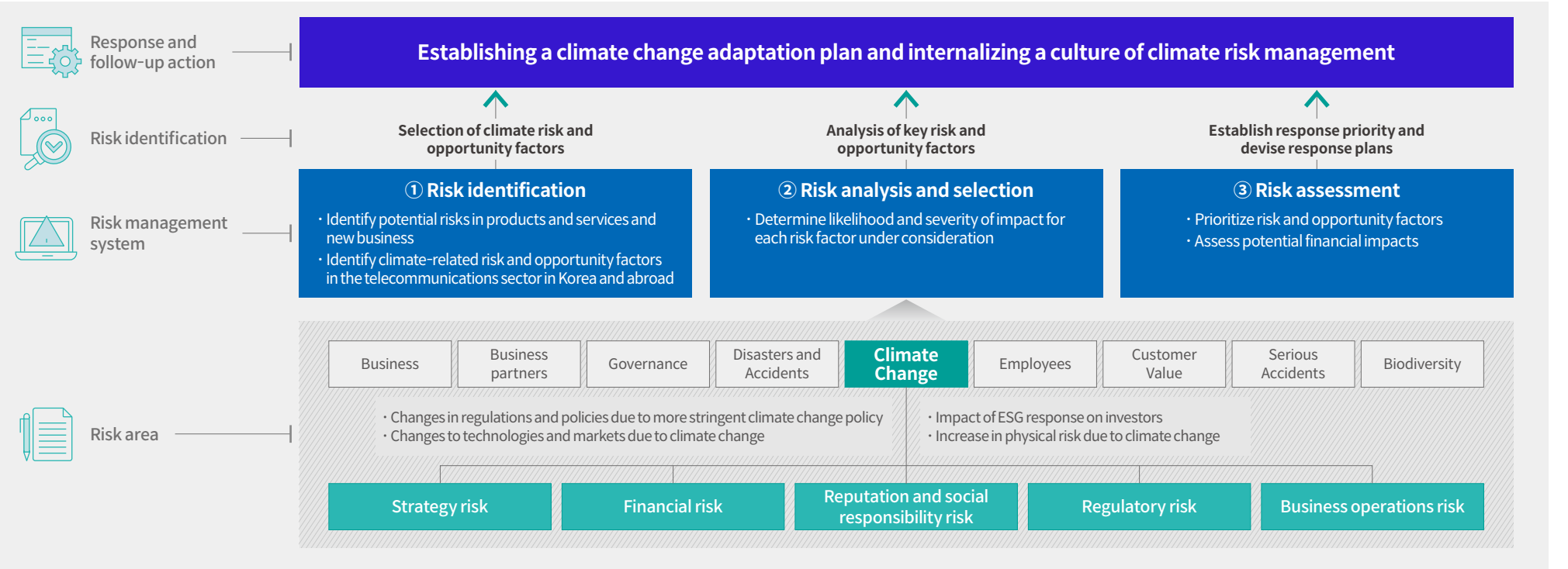
SK Telecom has integrated management of the impact of climate change into our existing system of risk management areas. This allows us to identify potential climate risks which may arise in the major areas, and effect a preemptive and proactive response to each. SK Telecom operates materiality assessment with the participation of both internal and external stakeholders, investment review processes that give due consideration to climate risk, and an internal carbon pricing system.

Company-Wide Risk Management System and Executive Framework

SK Telecom operates a company-wide risk management system and executive framework to ensure the integrated management of climate change impacts. Climate change impact and changes to external circumstances are managed under the existing risk areas of strategy, finance, reputation and social responsibility, regulations, and business operations. The SK Telecom climate risk management system is divided into risk identification, risk analysis and selection, and risk evaluation and response for each risk area. By establishing a climate change adaptation plan and internalizing a culture of climate risk management, we are working to guarantee that climate change issues are managed through a company-wide response.

SK Telecom actively communicates with internal and external stakeholders with regard to potential risks and opportunity factors due to climate change. We are monitoring Korean and international telecommunications industry trends and policies. Key management factors are selected by SK Telecom based on likelihood and severity of impact in the short-term and medium-to-long term time frames. Assuming a leadership role in the climate change response, we carry out potential financial impact assessments, and establish company policies and pursue our businesses in a manner that reflects such assessments.

Climate Change Response Review System



Materiality Assessment to Select Key Factors to be Managed

SK Telecom operates a risk management system to identify climate-related risks and opportunities that can have a material impact on the company. Upon identifying these factors, we assess the potential financial impact and establish response systems. SK Telecom's materiality assessment procedure is based on TCFD recommendations. The relevant departments select transition and physical risks and opportunity factors, which are then evaluated by internal and external experts to create a materiality assessment pool. In the materiality assessment, a 5-point scale matrix is used to analyze short-term and medium-to-long term changes. The results of the materiality assessment are used to examine our current response and future plans for a given issue.

SK Telecom is monitoring Korean and international discussions in the area of materiality assessment methodologies. We will continue to work to improve the fit of our materiality assessment methods, reflecting Korean policy and the circumstances of the telecommunications sector.

Climate Change Response Review System

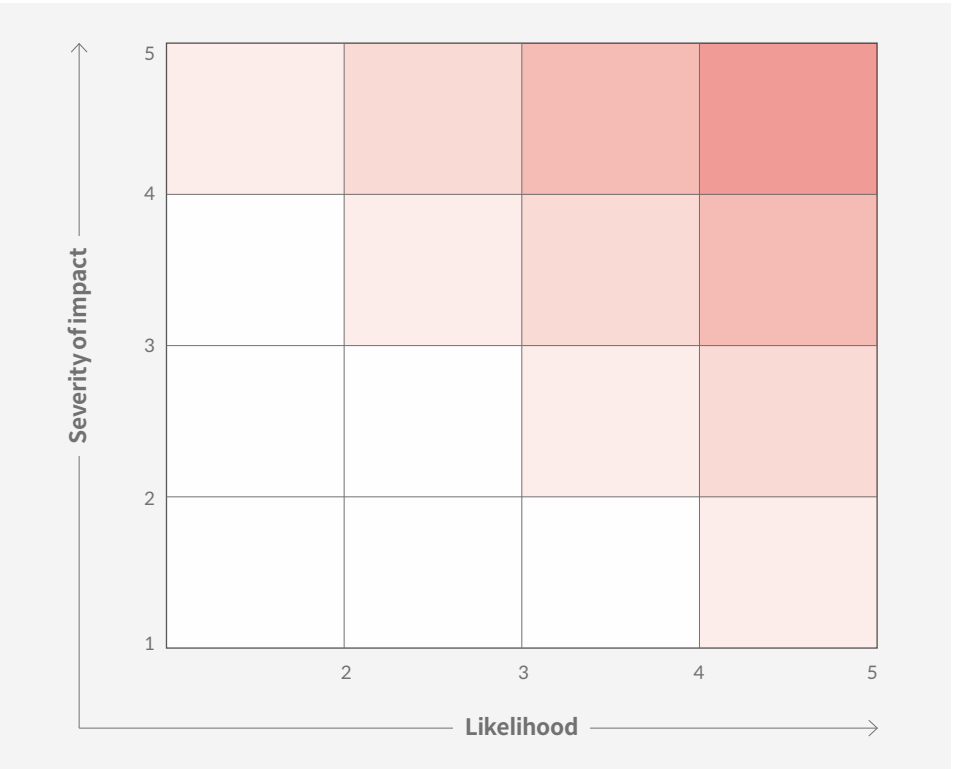
Selection of climate-related risk and opportunity factors subject to evaluation
- Analysis of TCFD recommendations and telecommunications sector practices
- Interviews with staff in relevant departments and external experts

Materiality assessment and analysis
- Selection of respondents from among internal and external stakeholders
- Performance of materiality assessment
- Identification of key risk and opportunity factors, analysis of responses

Analysis of potential financial impact
- Exploration and review of scenarios
- Interviews with staff from relevant departments
- Analysis of potential financial impacts under each scenario

Establish climate change management plan
- Select key factors to be managed
- Set management targets and indicators
- Carry out monitoring and improve management plan

Materiality Assessment Matrix



Investment Review Processes That Consider Climate Risk and Internal Carbon Pricing System

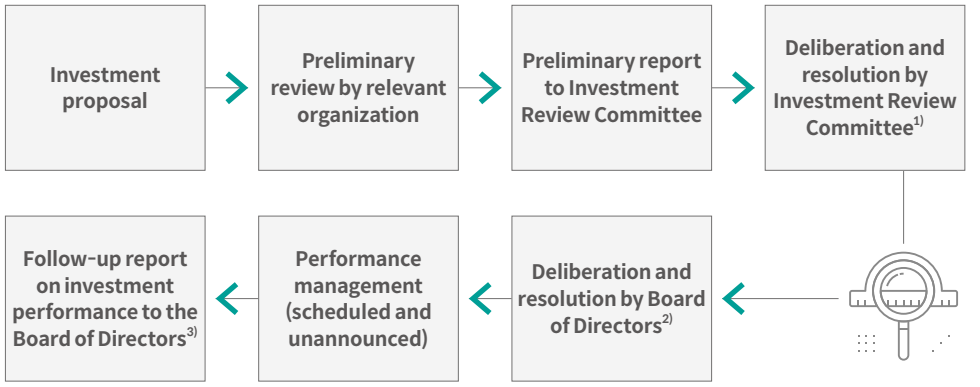
ESG Evaluation and Investment Review for New Business

SK Telecom operates the "Investment Review Committee" to deliberate on and resolve matters of consistency with strategy, feasibility of investment, risk, ESG impact, and climate risk for matters concerning the acquisition and sale of equity, business operations, and the purchase or sale of assets.

Prior strategic, financial, legal and ESG reviews are carried out for an investment agenda item prior to the meeting of the Investment Review Committee. Preliminary reports and discussions are held on the matter before deciding whether or not to refer the item to the committee.

Agenda items referred to the Investment Review Committee are discussed among the members, who make a final decision on whether or not to approve the investment. The committee reviews matters based on criteria such as the use of eco-friendly energy, the environmental friendliness of the project, and the risk of environmental pollution.

Investment Review and Management Process



1) Items to be referred to the Investment Review Committee: All items, regardless of size of investment
2) Items to be referred to Board of Directors: Investments of 1.5% of equity or greater (KRW 1.56 trillion or greater), investments of KRW 5 billion or greater in SK affiliates, establishment of subsidiaries (Even if the preceding requirements do not apply, items determined to be important to business operations are reported in advance to independent directors of the Board of Directors)
3) Matters subject to follow-up report on investment performance to the Board of Directors Investments of KRW 5 billion or greater

Internal Carbon Pricing System

SK Telecom has adopted an internal carbon pricing system to promote low-carbon investment and to foster high-efficiency, low-carbon projects which can be applied to power-hungry telecommunications equipment.

When reviewing investment agenda items of a certain size or greater, carbon emissions must be reviewed. Prescribed "internal carbon prices" must be applied to the proposed item's carbon emissions (reductions), and any carbon emissions are recognized as costs (profits). Internal carbon prices at SK Telecom are determined by reviewing Korean and international climate change policies and the carbon market and analyzing Korean carbon prices and fluctuations, then assessing a final price based on our 2050 Net Zero strategy.

This internal carbon pricing system is incorporated into our investment review processes to facilitate investment into greenhouse gas reduction projects such as the replacement of low-efficiency equipment and our renewable energy projects.

The ESG Innovation Fund

The "SK Telecom-Kakao ESG Fund" was created in 2021 to support the sustainable growth of ICT-innovator startups who pursue financial performance alongside environmental value. This was followed up in 2022 by the "Telecommunications Providers ESG Fund," which focuses investment on business areas having a positive impact on climate change.

The ESG fund provides a 'virtuous cycle' fostering system throughout the growth phase of startups, and provides startups with the support they need to have a positive impact on the climate change issue. SK Telecom aims to increase its investment in innovative startups who develop climate risk solutions through ICT. We are increasing investment into promising startups in the areas of carbon neutrality and low-carbon clean technology.

METRICS & TARGETS

SK Telecom plans to reduce greenhouse gas emissions in stages in accordance with our 2050 Net Zero Roadmap based on SBTi. SK Telecom discloses direct emissions (Scope 1) and indirect emissions (Scope 2 and Scope 3), with emissions data verified independently by a third-party organization to ensure reliability.

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SK Telecom's
2050 Net Zero Goal

SK Telecom's 2050 Net Zero Goal

SK Telecom's Net Zero Goal was established based on SBTi in 2021. "2050 Net Zero" was officially declared at the 38th Annual General Meeting of shareholders in 2022. SK Telecom aims to achieve Net Zero by 2050 through aggressive annual carbon reductions. Starting with annual measurements of greenhouse gas emissions from both inside and outside the boundaries of the organization, we will first reduce direct and indirect emissions (Scope 1+2) by 47.7% and other indirect emissions (Scope 3) by 22.3% compared to 2020 levels by 2030. SK Telecom assesses greenhouse gas emissions and energy consumption based on the 'Guidelines on Emissions Reporting and Certification under the Emissions Trading System.' Emissions data is verified independently by a third-party organization to ensure reliability.

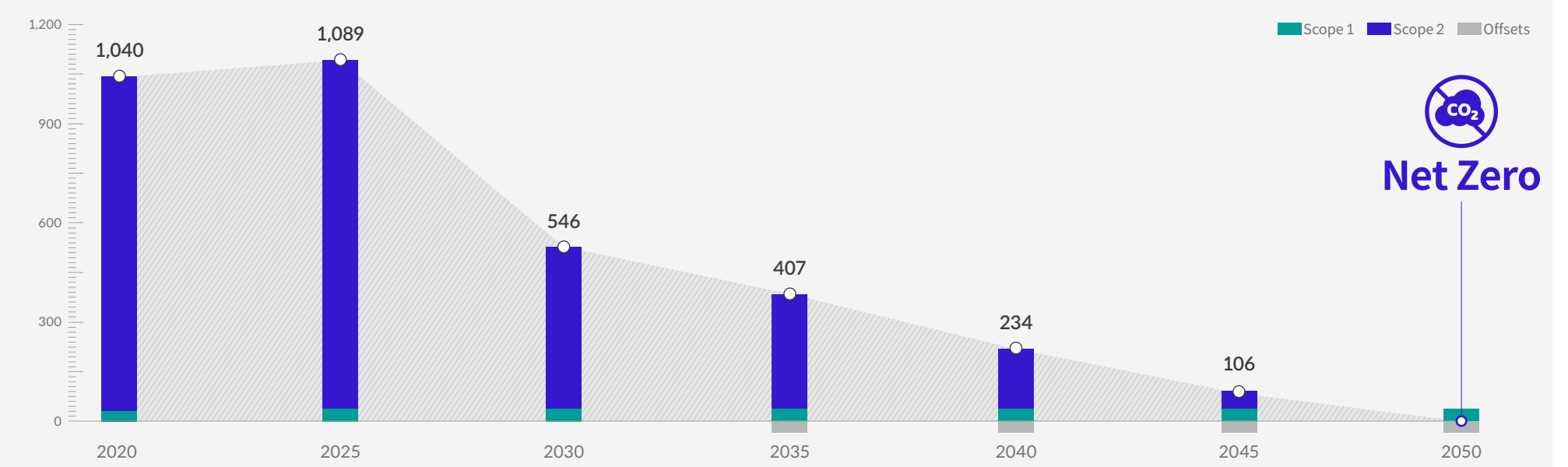
Greenhouse Gas Emissions (Scope 1, Scope 2) and Management Plans

SK Telecom's total region-based greenhouse gas emissions[1] were 1,111,340 tCO_2e, up about 4.8% from 2021. This is due to an increase in power usage and indirect emissions (Scope 2)[2] related to the expansion of communications equipment to provide stable 5G services. In the future, we will reduce our greenhouse gas emissions through improved energy efficiency and increased use of renewable energy.

More than 99% of the greenhouse gas emissions produced by SK Telecom can be accounted for by electrical power usage. Accordingly, we recognize that transitioning to environmentally friendly power is critical to achieving 2050 Net Zero, and have established medium- to long-term renewable energy usage targets[3] based on the recommendations of the RE100 campaign. We are implementing our targets by building a renewable energy procurement portfolio which includes annual PPA, REC purchasing and green premium power contracts.

1) Total market-based greenhouse gas emissions in 2022: 1,046,153 tCO_2e
2) Indirect emissions (Scope 2) account for approximately 99.4% (1,094,967 tCO_2e) of total emissions as of 2022
3) 65% in 2030, 82.5% in 2040, 100% in 2050

The Road to Net Zero (Unit: 1,000 tCO_2e)



Assessment and Management of Scope 3 Emissions by Category

SK Telecom assesses and discloses greenhouse gas emissions for three years including the current year for other indirect emissions (Scope 3) that do not fall under direct emissions (Scope 1) and indirect emissions (Scope 2). For the assessment of Scope 3 greenhouse gas emissions, we follow the principles stated in ISO 14064-1:2018 and in The Corporate Value Chain (Scope3) Accounting and Reporting Standard from WRI[1]/WBCSD.[2] Seven upstream activity categories and two downstream activity categories are included.

1) WRI: World Resource Institute
2) WBCSD: World Business Council for Sustainable Development

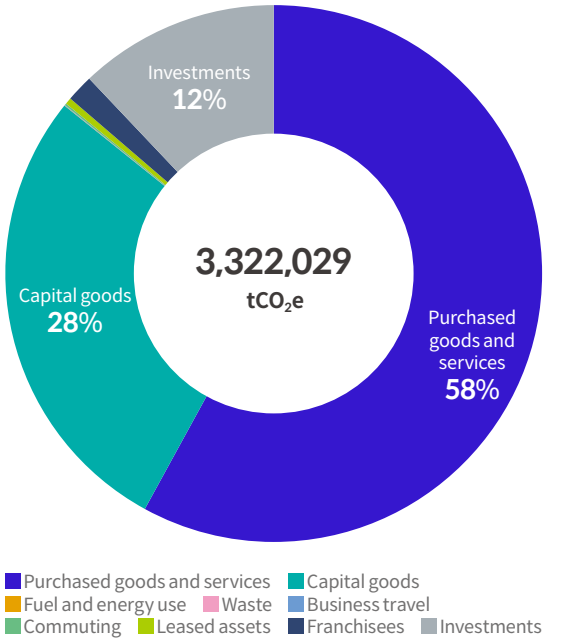
The key Scope 3 emitters of SK Telecom are purchased goods and services, capital goods, and franchise partners. These account for around 98% of total Scope 3 emissions. Notably, Scope 3 emissions from purchased products and services account for approximately 58% of SK Telecom Scope 3 emissions as of 2022. We have determined that efforts to reduce greenhouse gas emissions through supply chain management are needed. The reductions in Scope 3 emissions from 2020 to 2022 are based on actual activity data for each category. SK Telecom intends to further improve the reliability of our emissions data management, ensuring the accuracy and validity of Scope 3 greenhouse gas emissions data through third-party verification.

Scope 3 Greenhouse Gas Emissions by Category (Unit: tCO_2e)

Scope 3 Category	2020	2021[3]	2022[4]
Upstream activities	**3,854,263**	**3,754,997**	**2,867,051**
Purchased goods and services	2,645,868	2,543,897	1,925,932
Capital goods	1,183,439	1,186,700	922,967
Fuel and energy use	739	455	471
Waste	600	461	218
Business travel	768	1,411	962
Commuting	9,369	9,015	3,522
Leased assets	13,480	13,058	12,979
Downstream activities	**3,064,022**	**629,498**	**454,978**
Franchisees	74,271	81,013	54,095
Investments	2,989,751	548,485	400,883
Total Scope 3 emissions	**6,918,285**	**4,384,495**	**3,322,029**

3) Assessment of emissions based on actual activity data for 20 firms in Category 15 for 2021 indicated a reduction in emissions
4) Use of actual activity data for emissions assessment was extended in 2022 to include 7 firms in Category 1 and 21 firms in Category 15

2022 Scope 3 Emissions (Unit: tCO_2e)



SK Telecom TCFD Index

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Greenhouse Gas Emissions Assurance Statement

Direct and indirect (Scope 1+2)

Introduction

DNV Business Assurance Korea Ltd. ("DNV") was commissioned by SK Telecom Co., Ltd. ("SK Telecom") to verify the SK Telecom's Greenhouse Gas Inventory Report for the calendar year 2022 ("the report") based upon a reasonable level of assurance. SK Telecom is responsible for the preparation of the GHG emissions data on the basis set out within the guidelines on the operation of GHG emission trading scheme ("ETS) (Notification No. 2022-279 of Ministry of Environment)'. Our responsibility in performing this work is to the management of SK Telecom only and in accordance with terms of reference agreed with them. DNV expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this verification opinion.

Scope of Assurance

The GHG emissions data covered by our examination is set for 100% of SK Telecom's non-consolidated revenues under the GHG ETS and comprise Direct emissions (Scope 1 emissions) and Energy indirect emissions (Scope 2 emissions) from SK Telecom boundary ;

- Organizational boundary for reporting: Domestic business sites of SK Telecom (incl. infrastructure for telecommunication)

Verification Approach

The verification has been conducted by DNV on March 2023 and performed in accordance with the verification principles and tasks outlined in the guidelines on the operation of GHG ETS (Notification No.2022-279, Korean Ministry of Environment) and the verification guideline for GHG ETS (Notification No. 2021-112, Korean Ministry of Environment). We planned and performed our work to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion concerning the completeness of the emission inventory as well as the reported emission figures in ton CO_2 equivalent. As part of the verification process;

- We have reviewed the GHG emissions and energy consumption report for the calendar year 2022
- We have reviewed and verified the process to generate, aggregate and report the emissions data

Conclusions

As a result of the work described above, in our opinion nothing has come to our attention that would cause us to believe that the GHG emissions set out in SK Telecom's report are not fairly stated. The GHG emissions of SK Telecom for the year 2022 were confirmed as below;

GHG Emissions of SK Telecom Co., Ltd. for Yr 2022 (Unit : ton CO_2e)

SK Telecom	Direct emissions (Scope1)	Energy indirect emissions (Scope2)	Total emissions
KOREA (Location-based)*	6,394	1,094,967	1,101,340
KOREA (Market-based)**		1,039,780	1,046,153

* The 'Location-based' emissions are GHG emissions reported as Scope 2 based of local-grid under GHG ETS.
** The 'Market-based' emissions are GHG emissions reflected as Scope 2 by purchasing of a renewable electricity through Green Premium in 2022.

June 2023
Seoul, Korea

Jang-Sub Lee Country Manager
DNV Business Assurance Korea Ltd

This Verification Opinion is valid as of the date of the issuance 26 June 2023). Please note that this Opinion would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of SK TELECOM is subsequently brought to our attention. In the event of ambiguity or contradiction in this Opinion between English version and Korean version, Korean shall be given precedent.

Other indirect (Scope 3)

Introduction

DNV Business Assurance Korea Ltd. ("DNV") was commissioned by SK TELECOM Co., Ltd. ("SK Telecom") to verify the SK Telecom's Greenhouse Gas Inventory for the calendar year 2022 ("the report") based upon a limited level of assurance. SK Telecom is responsible for the preparation of the GHG emissions data on the basis set out within the WRI/WBCSD's "The Corporate Value Chain (Scope 3) Accounting and Reporting Standard" and the principles set out in ISO 14064-1:2018. Our responsibility in performing this work is to the management of SK Telecom only and in accordance with terms of reference agreed with them. DNV expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

Scope of Assurance

The emissions data covered by our examination are for the Other indirect emissions (Scope 3) from SK Telecom boundary of the report;

- Reporting boundary: SK Telecom's Other indirect emissions (Scope 3) which are not included in the Direct emissions (Scope 1) and Indirect emissions (Scope2)
- Reporting categories:
  - Upstream scope: 7 Categories (Purchased goods and services, Capital goods, Fuel- and energy-related activities (not included in scope1 or scope 2), Waste generated in operations, Business travel, Employee commuting, Upstream Leased Assets)
  - Downstream scope: 2 Categories (Franchises, Investments)

Verification Approach

The verification has been conducted by DNV in May 2023 and performed in accordance with the verification principles and tasks outlined in ISO 14064-3:2019. We planned and performed our work to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a verification opinion with 5% materiality level, concerning the completeness of the emission inventory as well as the reported emission figures in ton CO_2 equivalent. As part of the verification process;

- We have reviewed and verified the Greenhouse Gas Inventory Tool (Excel based)
- We have reviewed and verified the process to generate, aggregate and report the emissions data

Conclusions

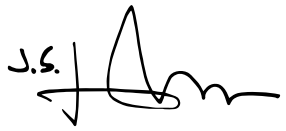
Based on the above verification of core elements, it is the DNV's opinion that nothing comes to our attention to suggest that GHG emissions are not properly calculated, and a significant uncertainty and error are included in the Other indirect Emissions of SK Telecom for the year 2022 below.

Other indirect emissions (Scope 3) of SK TELECOM for Yr 2022 (Unit: ton CO_2 equivalent)

Other Indirect Emissions (Scope 3)	Emissions from Upstream	Emissions from Downstream	Total emissions
2022	2,867,051	454,978	3,322,029

※ In order to report the GHG emissions as an integer, the rounded number on the statement might be different from the number on the calculation tool with ± 1 tCO_2

8th June 2023



Jang-Sub Lee Country Manager
DNV Business Assurance Korea Ltd

This Assurance Statement is valid as of the date of the issuance. Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions is subsequently brought to our attention. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

· **Date issued:** November 2023 · **Issued by:** SKTelecom · **Issuing department:** ESG Development Office · **Website:** www.sktelecom.com
* This report may be downloaded as a PDF file from the SK Telecom website.

This report is printed with soybean oil on eco-friendly paper.
SK Telecom will continue to take the lead in activities to conserve resources and energy, and preserve the environment and biodiversity.