



SKMS





SKMS

SK MANAGEMENT SYSTEM

Introduction

Since its establishment, SKMS has served as the foundation for gathering the strengths of all our SK People and raising our company's management level based on a common understanding of the nature of corporate management. In this new century, we have incorporated stakeholder happiness and system management into SKMS and have endeavored to execute these principles.

In this updated SKMS, the sustainable happiness of SK People is the directive of SK management, and we will realize this goal by pursuing SUPEX through our philosophy and methodology called VWBE.

Our SK community is formed on the belief that we are happier when we are working together. Our common happiness is nurtured by our voluntary and willing pursuit of the SUPEX philosophy. Based on these premises, SKMS declares the happiness of SK People as the ultimate purpose of our business operations and emphasizes that SK People are the main actors of our happiness-based management.

For our happiness to be sustainable, the happiness of our society and stakeholders must also be sustainable. To accomplish this objective, we will proactively pursue SKMS, which defines all the value that we create for stakeholder happiness as having social value. The social value we create will in turn earn us greater trust and support from our stakeholders, and thus make our happiness more enduring.

As the main actors of happiness-based management, let us have firm faith in SKMS and work earnestly to put it into practice.

February, 2020

Chey, Tae-won
Chairman

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SK and SKMS

SK People and SK

The Implementation and Development of SKMS

SK and SKMS

SK People and SK

SK People are the individuals and companies that have chosen SK in the belief that they will be happier by joining together at SK. All SK members are committed to practicing SK's management philosophy with conviction and passion.

A company is a community that produces maximum value by making effective use of available resources with organized strength. For a company to exist and survive permanently, it must continuously seek stability and growth through the refinement of its management abilities.

Some types of business activities are more effectively handled through inter-company sharing and cooperation. In such cases, companies share and cooperate voluntarily because they realize their own need for survival and development.

The SK Group includes all companies that have agreed, based on their own needs and judgment, to share the philosophy of SKMS and work together regardless of their equity relationship.

Each member company of the SK Group will pursue an autonomous and accountable management system under the board of directors. In order to cement our mutual sharing and cooperative practices, each company will voluntarily participate in an inter-company council under a joint agreement.

In this way, member companies will continuously develop their management systems and infrastructure, and pursue "Independent yet united" management while cooperating in their specific areas of expertise.

As more members join together at SK, the greater happiness we can build; therefore, SK will constantly seek to expand its membership.

The Implementation and Development of SKMS

A company's culture is the core that collects the power of its members in order to build and run the systems required for effective management. Therefore, the building of a strong, superior, and continuously advancing company culture is the essential basis for promoting a company's competitiveness, growth, and development.

SKMS, as shared and agreed by all SK People, serves as the foundation for building SK's culture. The management and corporate culture based on SKMS plays a significant role in the sustainable growth and development of SK.

SKMS presents the fundamental directive for a company's management and encapsulates SK's management philosophy and implementation method. Because the specific circumstances and industries of various member companies provide different contexts for implementing SKMS, each company needs to develop and execute its own implementation method.

In this way, companies can refine their decision-making abilities and create flexible responses to changing environments while continuously developing their essential components such as corporate culture and management systems.

All SK executives will stand at the frontline of SKMS implementation and development, and major shareholders in management positions will fulfill their responsibility to uphold and develop the SK Group and its management philosophy.

Management Philosophy

Sustainable Happiness of SK People

SUPEX Quest Through VWBE

Management Philosophy

Sustainable Happiness of SK People

The ultimate purpose of SK's business management is the happiness of SK People. As responsible members of SK, SK People will act on the conviction that cultivating the happiness of all members with the company's organized power can also elevate their own happiness.

To pursue the sustainable happiness of SK People, SK must maintain stability and growth and continuously survive and develop. To achieve this, SK will simultaneously pursue the happiness of SK People and of its stakeholders.

All value that a company creates for the happiness of its stakeholders is social value. SK, by creating social value, will elevate its economic value and develop a relationship of trust with its stakeholders.

SK will:

Earn **customers'** trust by offering and satisfying them with a variety of values and ultimately develop together with our customers.

Build a fair and competitive business ecosystem with our **business partners**, and achieve mutual development through cooperation based on this ecosystem.

Raise the company's value by continuously creating **shareholder** value.

Grow together with our **society** while making various contributions such as environmental protection, job creation, improvement in the quality of life, and the support of local communities.

SK will make consistent efforts to keep the happiness of our stakeholders in harmonious balance and at the same time consider their present and future happiness in order to ensure the longevity of the stakeholders.

The relationship between SK and its stakeholders:



SUPEX Quest Through VWBE

When SK People attain and practice the belief that elevating the happiness of all members also raises their own happiness, they will achieve “voluntary and willing brain engagement” (VWBE).

Those engaging in VWBE will continuously create the happiness of SK People and stakeholders through the quest for SUPEX*.

Implementation Principle

VWBE Culture
SUPEX Company

* **SUPEX** : Stands for “Super Excellent Level,” which means the highest level attainable by human ability.

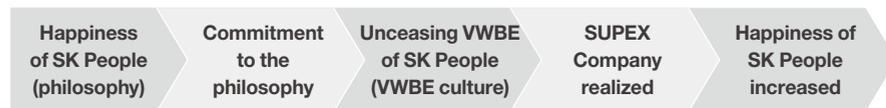
Implementation Principle

SK will create sustainable happiness for SK People by establishing a VWBE culture and pursuing clear goals and strategies to become a SUPEX Company.

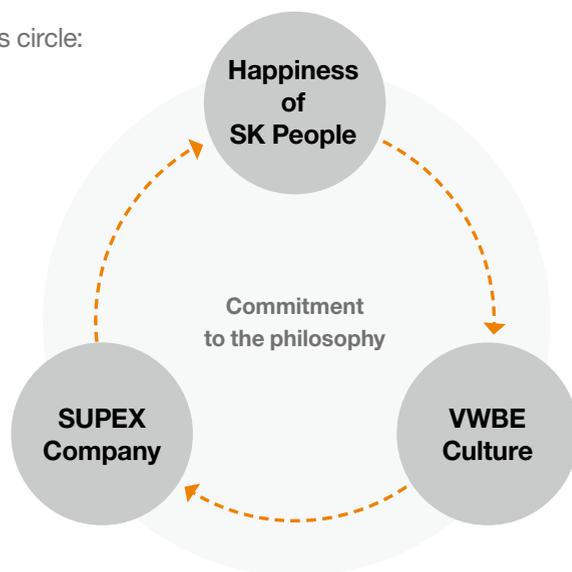
SK People will achieve VWBE when they espouse and act on the conviction that their happiness will grow as they seek the happiness of SK People as a whole.

Through the implementation of VWBE, SK People will pursue SUPEX and build a SUPEX Company that creates economic value, social value, and member happiness.

In this way, we form a virtuous circle between our management philosophy and the implementation principles (Happiness of SK People-VWBE Culture-SUPEX Company), through which SK can continuously develop as a community that creates sustainable happiness.



The virtuous circle:



VWBE Culture

When SK People pursue their own happiness, they engage their brain voluntarily and willingly.

A voluntary and willing brain engagement expresses itself in the form of Pae-gi, which means a spirit that challenges and overcomes hurdles in one's work.

People who possess Pae-gi are self-motivated; they raise issues, challenge high goals, and break existing frameworks through bold execution. In the process, they strive to develop the necessary competencies and achieve higher results by actively communicating with others.

The best environment for exercising Pae-gi is one that SK People create for themselves.

SK People will design their own organizations and systems for the exercise of Pae-gi, and strive to actively diminish the factors that undermine happiness.

The leaders of SK People will exemplify Pae-gi before others and foster Pae-gi among SK People.

By accumulating experiences of happiness, SK People will endeavor to establish VWBE as SK's unique culture.

SUPEX Company

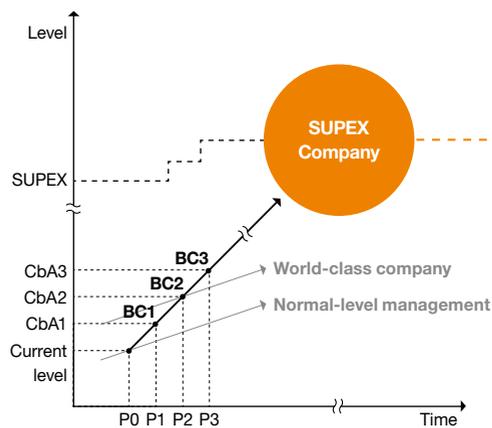
The SUPEX Company is a company which, having secured the highest level of competitiveness and conditions for its longevity, sustainably creates economic value, social value, and member happiness.

To accomplish this, the SUPEX Company must be able to continuously pursue the goal of SUPEX, whose features can change depending on time and circumstances.

Since it is not feasible to reach the SUPEX level in a single step, a series of Better Company goals may be set up, and through repeated engagement with such goals, SUPEX can be reached.

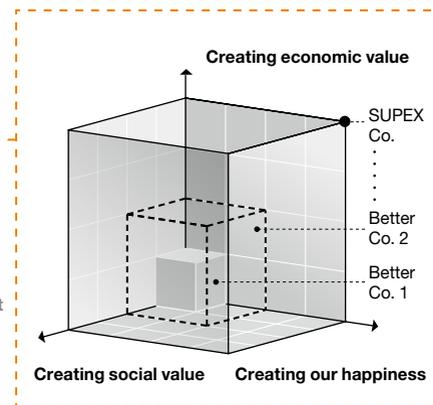
SUPEX Quest and SUPEX Company:

SUPEX Quest



Goal setting for SUPEX Co. and Better Co.

*Volume = The size of the happiness created by SK



To facilitate the achievement of SUPEX, a To-be Model will be systematically formulated and implemented. The following points should be considered:

- The model sets the Better Company goals in terms of CbA** and comprehensively considers various factors that increase economic value, social value, and member happiness.
- The model includes a SUPEX Company image, Better Company goals, execution strategies, KPIs, evaluation and reward schemes, and VWBE culture creation; their details should be flexible and adaptable to changing business environments.
- The model will be designed and used by each company in light of its industry characteristics and changing business circumstances.

** **CbA(Challenging but Achievable)** : The highest level attainable with the given time and available internal and external resources

Creating economic value is the original activity of a company.

A company will create new economic value through continuous innovation rather than remaining complacent with its existing business achievements. It will seek to innovate its existing business, taking into account its environment and the characteristics of its industry. It will expand beyond the domestic market to seek globalization; draw up differentiated strategies to create investor value; and continuously diversify its products and innovate its processes in response to emerging technologies and environments.

Creating social value is providing the value expected by stakeholders in addition to economic value. Each SK company will continuously create social value while identifying the value that is important to different stakeholders and devising a system to measure and improve it. In this way, it will pursue SV-based innovation of its business model and secure the trust and support of its stakeholders.

Creating our happiness is building the happiness of SK People while creating economic and social values. Each SK company will identify and measure the various factors that affect its members' happiness and constantly improve them. In the same way we increase economic and social values, we will build our happiness together through the combined power of our commitment.

On the Establishment of SKMS

SKMS Revision History

On the Establishment of SKMS

Many executives today, with shallow experience in management and an inability to understand the nature of management, often manage their companies according to their own views. Divergent views about management lead to different goals and directions as well as inefficient communication, which often result in wrong decisions and jeopardize management.

In order for executives to discern the nature of management and reach a shared understanding, there should be common definitions and principles that delineate the nature of management for use by executives as the basis for decision-making.

In particular, as companies grow into large-scale, global entities and social structures become complex, haphazard and old management methods are inadequate to prepare companies for the age of fierce competition or ensure their stability and growth.

In 1975, I realized the need to establish a management system and instructed the Management Planning Office to propose management principles and to systematize a basic management philosophy and its various factors.

However, the work of the office was too theoretical to be applied directly to the field of management. So I reorganized its work into practical terms based on my corporate management experience and developed a management system. Then, in a seminar with all executives and employees (3.15. ~ 3.18. '79), the content was refined through an in-depth discussion and adopted as the guideline for our company's management.

This is how SKMS (Sunkyong Management System) came into being. It consists of a basic management philosophy that summarizes the nature and direction of a company's management as well as the management factors that explain the concrete functions for realizing them.

The management factors are grouped into static and dynamic, with more emphasis on the dynamic aspects that are intangible and generally overlooked in management studies.

In particular, the dynamic factors deal with managing the ability to sharpen job skills and depict SK-manship as the qualification required of executives.

SKMS is our unique management technique, established on the basis of extensive experience in business management and after considerable research and effort. Therefore, SK executives and employees should take it to heart and use it as a management tool, thus helping it to take root in our management practices and flourish.

I have always emphasized our goal of becoming a world-class company in the new century. This requires world-class management and world-class people (executives, engineers, and experts).

SKMS is a key stepping stone toward realizing the determination of our SK People. It is my firm belief that when we make thorough preparations and steadily build our strength on this foundation, we will advance as a world-class company as we usher in this new century.

From the speeches of Chairman
Chey, Jong-hyon
Executive Seminar, March 1979

SKMS Revision History

- '79.03 • **First edition published**
Basic management philosophy and management factors (9 dynamic, 5 static)
- '81.03 • Revision 1 | Human resources management confirmed, dynamic factors supplemented
- '81.10 • Revision 2 | Human resources management supplemented
- '82.03 • Revision 3 | Human resources management supplemented, definition of each dynamic factor confirmed
- '84.12 • Revision 4 | R&D management firmly formulated, etc.
- '88.11 • Revision 5 | Human resources management and coordination management revised
- '89.11 • Revision 6 | Communication and marketing management confirmed, etc.
- '90.11 • **Revision 7 | Full revision**
Introduction, basic management philosophy, and management factors revised and supplemented
The concept of SUPEX quest established
- '95.06 • Revision 8 | Five stages of job execution, MPR/S/T, and method of SUPEX quest confirmed
- '97.03 • Revision 9 | Information management firmly formulated
- '98.01 • Revision 10 | Revision following CI change

- '04.10 • **Revision 11 | Full revision**
“Pursuit of stakeholder happiness” incorporated into basic management philosophy
The principle of SK system management established through the addition of the implementation principle
- '08.05 • Revision 12
The concept of SK Group established, method of practicing happiness-seeking management concretized
Implementation principle and management factors supplemented
- '16.10 • **Revision 13 | Full revision**
The chapter organization changed to “SK and SKMS”, “Management philosophy”, and “Implementation principle”
Management factors removed
- '20.02 • **Revision 14 | Full revision**
“Sustainable happiness of SK People” incorporated into management philosophy, implementation principle concretized
 - “Sustainable happiness of SK People” adopted as the ultimate purpose of management
 - Stakeholder happiness defined as social value
 - A virtuous circle of member happiness, VWBE culture, and SUPEX Co. specified
 - The goal of SUPEX Co. redefined in response to the creation of social value, economic value, and our happiness.

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