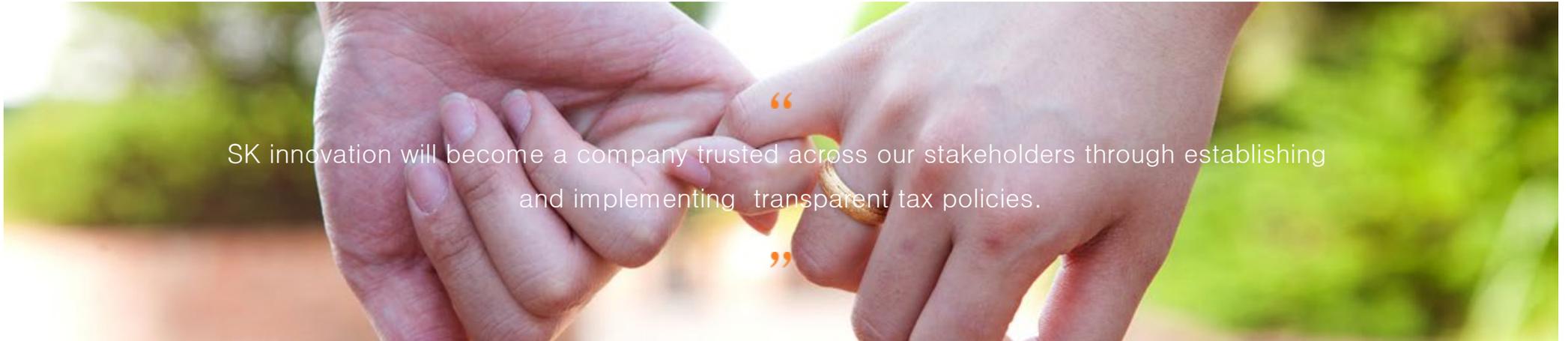


## Tax Strategy

**Transparent tax policy** is the basis for a company's sustainable growth.



“SK innovation will become a company trusted across our stakeholders through establishing and implementing transparent tax policies.”

**Tax** Strategy



SK innovation Co., Ltd. (“SKI”), in order to continue its stability and growth, create value for its stakeholders, play a critical role in social and economic development, and further, contribute to the happiness of mankind, deems it its ‘core value’ to perform its obligations to file tax returns and pay taxes in good faith under the law and evaluate and manage various tax risks which can occur in the process of its business activities.

01

SKI files tax returns and pays taxes in good faith, not only under the law of Korea but under those of various countries where it engages in business activities, and performs, in good faith, its obligations under the law as a taxpayer, including the submission of relevant materials, in transparent relations with individual countries’ tax authorities.

02

SKI complies with domestic/overseas laws by evaluating and managing all tax risks which can occur from its business activities including strengthening the competitiveness of existing businesses, reorganizing its businesses, and pursuing global growth and investment. During the evaluation and management of tax risks, if necessary, SKI makes final decisions based on consultation with domestic/overseas tax experts and law-enforcing (executive) and -legislating (legislative) authorities.

03

In transactions with its related parties, SKI adopts the principle of arm’s length transactions under OECD’s Transfer Pricing Guidelines and individual countries’ laws, and as regards transfer pricing transactions with its overseas-related parties, prepares transfer pricing reports with outside tax experts and manages the progress of the transactions.

04

SKI’s employees handling its tax matters perform their job based on the principle of performing, in good faith, SKI’s obligation to file tax returns and pay taxes under applicable laws and maintain transparent relations with tax authorities.

05

We do not conduct transactions or contracts that transfer income between countries to take advantage of differences between different countries’ tax laws or loopholes in international tax systems. Furthermore, we allocate taxable income in a manner that is consistent with the value generated through business activities in each country.

06

We do not use both tax structure and tax haven that unfairly reduces our tax burden by taking advantage of differences between tax laws and tax treaties, loopholes, special tax treatment, or other flaws. We faithfully fulfill our duties to pay taxes on international transactions through a normal tax structure.

# Taxation Governance & Risk

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## Diagnosis and documentation of BEPS risk, for global tax risk management

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Many countries, in order to regulate international tax evasion through acts of BEPS (Base Erosion and Profit Shifting), are amending or enacting tax laws to obligate the preparation and submission of the OECD-recommended country report, etc., and to increase tax revenue in response to public spending increases, are strengthening taxation in cases of tax evasion.

To respond to individual countries' aforesaid laws obligating the preparation and submission of the BEPS report, etc., SKI has retained



## Entry into APA with individual countries' tax authorities for transfer pricing risk management

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SKI, in transfer pricing transactions with its key global work sites, recognizes its double-taxation risk due to tax jurisdiction disputes between Korean and local tax authorities and to solve that, utilizes bilateral tax treaties and APA (Advance Pricing Agreement) to respond to the double-taxation risk.

SKI signed an APA for its Chinese subsidiaries with Chinese tax authorities in 2013, and is currently in contact with Chinese tax authorities for an application to renew the APA. Also, SKI is planning to go ahead with an APA application to Spanish tax authorities for its

outside experts and is conducting a project on the diagnosis and documentation of BEPS risk for its global work sites.

work sites in Spain.