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2010 SK energy Sustainability Report

SK energy

SK energy
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ZOOOOM IN: OUR INNOVATION TO CREATE A HAPPIER WORLD

2010 SK energy Sustainability Report

SK energy

What do you see in SK energy?

The aspiration for the nation's energy independence was born with the establishment of Korea's first oil refining company, SK energy, in 1962. After 50 years, this aspiration is fully blossoming at 26 blocks in 14 countries where SK energy is developing and producing energy sources. Throughout the history of innovation and the resultant glories, tireless challenges and passion have been the driving energy that moved us forward.

1962-1969 Establishment of Korea's first oil refining company

Oct. 1962	Established SK energy (previously called Korea Oil Corp.)
Apr. 1964	Commenced operation of the No. 1 atmospheric distillation unit (daily output of 35,000 barrels of crude oil)
May 1967	Expanded the No. 1 atmospheric distillation unit to a daily output of 55,000 barrels of crude oil
Dec. 1968	Commenced operation of the lubricants oil blending plant (daily output of 550 barrels of crude oil)

2000- Laying the foundation to become a globalized innovative marketing company

Jan. 2000	Opened Korea's largest hub for combined mileage service providers called OKCashbag.com
May 2001	Verified feasibility of a crude oil development project at block 15-1 in Vietnam
Nov. 2003	Commenced commercial oil production at Su Tu Den field at block 15-1 in Vietnam
Dec. 2003	Participated in LNG Thermal Power Plant construction project with British Petroleum (BP)
Jan. 2004	Management decides to construct new reformer at aromatics plant (30,000 bpd)
Aug. 2004	Commenced commercial production at Camisea oil and gas field in Peru
Nov. 2005	Announced the new corporate identity
Jan. 2006	Acquired Incheon Oil and established SK Incheon Oil
May 2006	Commenced operation of No. 2 Reformer
July 2007	Split into a holding company (SK holdings Co., Ltd.) and an operating company (SK energy Co., Ltd.)
Oct. 2007	Management decides to merge with SK Incheon Oil
Feb. 2008	Merger with SK Incheon Oil completed
Mar. 2008	Completed No. 2 RFCC
Mar. 2008	Completed JV LBO plant in Indonesia
June 2008	Completion ceremony at 1.4 BDO production plant
Oct. 2009	SK lubricants is spun off from SK energy
Jan. 2011	Divided into SK innovation, SK energy and SK global chemical

Taking up the new name in 2011, SK innovation is set to drive innovation across the board.

In face of the challenges of 2010, everyone at SK energy was ready to meet these challenges through innovation. The new opportunities that come with such challenges drive us forward. The first move we made was to spin off independent subsidiaries. We separated the petrochemical and oil refining businesses in order to reinforce specialty and operational efficiency in each of the businesses. Under the new name, SK innovation, we are taking another leap forward towards becoming a leading global energy enterprise.

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About this Report

SK energy practices sustainability management as a means of enhancing corporate value and thereby creating a better society for its stakeholders. This sustainability report, which we have published every year since 2005, is designed to update stakeholders as to our progress and plans in regards to sustainability management activities.

This report covers our sustainability management activities and performances at domestic business premises; Headquarters, Ulsan Complex, Incheon Complex and the Institute of Technology, from January to December 2010. The scope of coverage extends to March 2011 for information regarding the board of directors' activities and the list of overseas subsidiaries and branches. The contents of this report were constructed based on the SKMS (SK Management System), the underlying principle behind sustainability management at SK energy. The first half of this report focuses on the six major issues identified to have the most significant concern to stakeholders. The latter part of the report continues with details regarding the company's economic, social and environmental performances. Notably, the environment section highlights the activities and performances of the Ulsan and Incheon complexes, our two production sites that have the greatest impact on the ecosystem. Diagrams and flowcharts of systems and frameworks that contain information unchanged from last year were taken from the previous report.

This report uses the G3.1 Guidelines of the Global Reporting Initiative (GRI). The GRI Content Index is attached at the end of the report. The reliability and objectivity of the report content and its GRI compliance are verified by independent assurance from the Korea Management Association Registration (KMAR) with the statement located at the end of this report.
For more information about the company and its business activities, please refer to the 2010 Business Report, available from the electronic disclosure system of the Financial Supervisory Service (http://dart.fss.or.kr), the 2010 Annual Report of the company, which can be downloaded at our website http://eng.skinnovation.com/

GRI REPORT SELF DECLARED

GRI REPORT 3rd PARTY CHECKED

Self-declaration of the GRI G3.1 Application Level
This report was compiled based on the GRI G3.1 guidelines, meeting the requirements of level "A+" in the GRI G3.1 Application Table. As such, SK innovation has self declared that the GRI G3.1 Application Level of the 2010 Sustainability Report is "A+." This self-declaration has been verified as appropriate by an independent assurance agency.

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1970-1979 Major driver of Korea's economic development

May 1970 Commenced operation of an aromatics plant (annual capacity of 216,000 tons)
June 1970 Gulf Oil Corp. acquired 50% equity share and management rights
Sep. 1972 Completed construction of oil pipelines between Ulsan and Daegu
Oct. 1972 Commenced operation of the No. 3 atmospheric distillation unit (170,000 bpd)
Mar. 1973 Commenced operation of naphtha cracking center (annual capacity of 100,000 tons of ethylene)
June 1974 Expanded the No. 2 atmospheric distillation unit to 110,000 bpd
Mar. 1978 Expanded the naphtha cracking center to an annual capacity of 55,000 tons of ethylene

1980-1989 Preparing to become a total energy & petrochemical company

Mar. 1980 Expanded the lubricant blending plant (4,500 bpd)
Aug. 1980 Gulf's 50% equity share and management rights acquired by Korea Petroleum Energy
Dec. 1980 SunKyung Co., Ltd. acquires management rights in accordance with the government's privatizing policy
July 1982 Company name changed to Yukong Co., Ltd.
May 1985 Merged with Korea Petroleum Energy
Nov. 1985 Renovation of the atmospheric distillation plants, increased refining capacity to 345,000 bpd
Dec. 1985 Commenced operation of new aromatics plant with an annual capacity of 40,000 tons
May 1987 Established Yukong Elastomer Co., Ltd. (annual capacity of 10,000 tons)
Jan. 1988 Commenced crude oil imports from Malibu continental shelf block, Yemen
Dec. 1989 Commenced operation of No. 2 ethylene plant (annual capacity of 400,000 tons)

1990-1999 Becoming a top-tier global energy enterprise

Aug. 1990 Commenced operation of No. 1 polypropylene plant (annual capacity of 345,000 tons)
May 1991 Commenced operation of No. 4 atmospheric distillation plant (265,000 bpd)
Nov. 1992 Commenced operation of No. 1 heavy oil desulfurization (capacity of 30,000 bpd) and cracking facility (capacity of 30,000 bpd)
June 1994 Acquired 20.2% stake and management rights of Korea Mobile Telecom
Nov. 1994 Began importing crude oil from North Zaafarana block in Gulf of Suez, Egypt
Sep. 1995 Commenced operation of No. 4 middle distillation unit (capacity of 50,000 bpd)
July 1996 Commenced commercial crude oil production at block 8 in Peru
Oct. 1996 Commenced operation of No. 5 atmospheric distillation plant with capacity of 200,000 bpd, with gross capacity reaching 810,000 bpd
Jan. 1997 Commenced operation of No. 2 heavy oil desulfurization (60,000 bpd) and cracking facilities (50,000 bpd)
June 1997 Established local oil development subsidiary, SK E&P Company
Oct. 1997 Changed company name to SK corporation
Mar. 1999 Introduced OK Cashbag service, a loyalty cashback service

the promising future of an energy-independent Korea

Korea imports more than 97% of its energy. Dedicated to the stable supply of energy, SK energy is actively involved in numerous overseas resource development projects. As a result, it has secured access to 530 million barrels of oil reserves, with a daily output of 59,000 barrels of crude oil as of 2011. We take pride in the fact that we positively contribute to the enhanced stability of the nation's energy supply.

Do you see?

SKenergy.com ENG SK energy

the power of this car that grows a thick forest

It takes 30 years for a pine tree to absorb the CO_2 emitted from a car travelling from Seoul to Busan. From this fact, SK energy began looking at the idea of a world where pine trees and cars can live in harmony. This idea fed the development of the globally-competitive technology of producing lithium-ion batteries for electric cars. We dream of energy that powers a greener car driving down a road lined with thick forests.

Do you see?

SK energy

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HYBRID

the hope for a happier society in SK energy

In Korea, disability unemployment stands at 2.5 times
the national unemployment rate, with the income of families
with a disabled member only 54% of the national average.
At SK energy, we believe that everyone has the right to happiness,
regardless of their physical or mental ability.
Therefore, we have established various social enterprises since 2008.
A total of three companies provide jobs for the disabled,
giving them hope for a better life. We create the energy
that makes everyone happy.

Do you see?


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Under the core values of challenge,
creativity and positive thinking,
everyone at SK innovation
is dedicated to building an innovative company
that creates and shares happiness for all.

President & CEO, SK innovation Koo Ja-Young

Dear stakeholders,

I'd like to deliver our deepest appreciation for your ongoing support and interest in SK innovation.

We publish this annual report to keep you updated of our progress in sustainability management over the previous 12 months, as well as reflect your invaluable feedback regarding our performances and plans in previous reports.

In 2010, SK innovation focused on laying the groundwork for future growth, preparing for the spin-off, and reinforcing the core competitiveness of each business. As a result, overall sales increased 22% to KRW 43,864.6 billion from 2009, with each business realizing more than 20% growth in their respective sales. This remarkable growth was only possible thanks to your unwavering support and encouragement.

Building on this incredible performance, we introduced significant changes in corporate governance at the beginning of 2011. Changing the name of the company to SK innovation, we spun off the three business divisions in order to establish three subsidiaries: SK energy (oil refinery), SK global chemical (petrochemical) and SK lubricants (base oil/lubricants).

As a result, the improved transparency in corporate governance will enable faster and more flexible responses to changing market environments. The three new subsidiaries will work to establish their own corporate culture under enhanced self-regulation and autonomy. With transparent corporate governance as an integral part of SK innovation's corporate social responsibility, we have promised to fully support all such efforts.

Meanwhile, SK innovation realized tangible results in its endeavors to secure new growth drivers, with the battery and information & electronics businesses becoming established as such areas for the company. In particular, the FSEV battery business won supply agreements with several leading global car manufacturers. As part of its business portfolio restructuring, SK innovation sold off its equity in the mining block in Brazil for KRW 2.7 trillion in order to improve efficiency and value in the operation of its overseas blocks.

The three subsidiaries focus on speeding up growth in their respective business areas, while actively exploring overseas markets. As the holding company, SK innovation gives its full support to these endeavors, while leading national initiatives that deal with environmental issues such as global warming and climate change.

Throughout all these business activities, we remained vigilant to our corporate social responsibilities. Especially committed to creating jobs for vulnerable groups, we assisted in the establishment of three social enterprises; Mezzanine i-Pack, Mezzanine Eco One, and Grateful Hands, and are planning to create more in the future. Our social contribution initiatives go beyond national boundaries and into the global communities where we operate, such as projects to improve educational infrastructure in Peru and Vietnam. These social contribution programs help raise our corporate image and allow the company to grow alongside society.

Looking ahead in 2011, we are faced with a challenging market with skyrocketing oil prices and unstable international political developments. To meet such challenges, we will seek change and innovation in our human resources and corporate culture, as well as our enterprising spirit. Under the shared values of challenge, creativity and positive thinking, everyone at SK energy is dedicated to building an innovative company that creates and shares happiness for all.

Heeding to the voices of our stakeholders, we will continue our endeavors return your continued support and encouragement.

Thank you.

SK innovation

Global energy enterprises are faced with challenges in the rapidly-changing market: the strategies of oil-producing countries to become oil refinery petrochemical production hubs; lagged recovery in global demand; global trends of eco-friendliness. In meeting these challenges, SK energy will take opportunities from such risks by securing core competitiveness, developing new growth engines and restructuring its business portfolio.

-As of January 1, 2011, SK energy will be known as SK innovation.

Growth Aspiration

'10+10' 10% growth in sales & 10% growth in operational profit ratio

- Reinforcing core competencies
- Strengthening new growth strategy
- Bolstering globalization strategy

SUPEX Co. Image

Tech. Enabled Global Energy Company

- Biz. Model Innovation
- Tech. Driven New Growth
- Accelerating Globalization

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Vision

Technology Enabled Global Energy Company

- Superior Technology
- Disciplined Investment
- Operational Excellence
- Financial Integrity

Restructuring business portfolios

Company Overview

We are strengthening our business operations and developing new growth engines in order to grow as a leading global company.

Company Profile

General Information (as of the end of 2010)

Company Name	SK energy Co., Ltd.
Date of Foundation	October 13, 1962
Headquarters	99, Seorin-dong, Jongro-gu, Seoul, Korea
Plants	Ulsan Complex: 110, Gosa-dong, Nam-gu, Ulsan, Korea Incheon Complex: 100, Wonchang-dong, Seo-gu, Incheon, Korea
Institute of Technology	140-1, Wonchon-dong, Yusung-gu, Daejeon, Korea
Number of Employees	5,457 (including headquarters, Incheon and Ulsan complexes and Institute of Technology)
Business Sectors	Petroleum, petrochemical, specialty petroleum products, E&P, green energy, R&D, etc.

SK energy changed the company name to SK innovation as of January 1, 2011, after spinning off the refining, petrochemical and lubricants operations into independent companies; SK energy and SK global chemical (as of Jan. 1, 2011) and SK lubricants (as of Oct. 1, 2009).

Financial Snapshot (as of the end of 2010)

Sales	KRW 43,863.6 billion
Operating Income	KRW 1,714.1 billion
Net Income	KRW 1,208.4 billion
Total Assets	KRW 26,331.0 billion

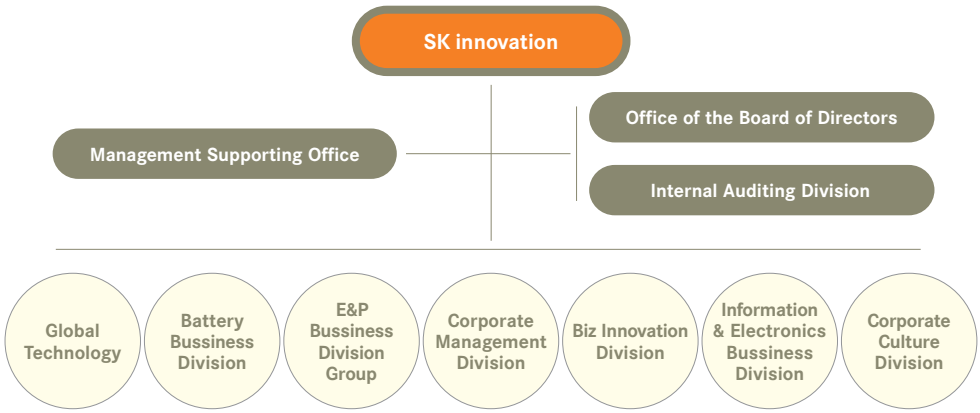
Changes to Organization

Reason for Spin-off

SK energy spun off its oil refining and petrochemical operations as of January 1, 2011 with the aim of enhancing the specialty and competitiveness of each operation as well as flexibility in responding to changing management environments. The remaining SK innovation will be able to concentrate on resource development and creating new businesses in areas such as batteries, information & electronics, and green technology. The increased flexibility in the operation of our businesses will propel us forward to becoming a global leading company.

- **Spin-off Snap-shot**
  - **D-day:** January 1, 2011
  - **Spin-off approved by the BOD:** September 30, 2010
  - **Newly-established companies:** SK energy, SK global chemical

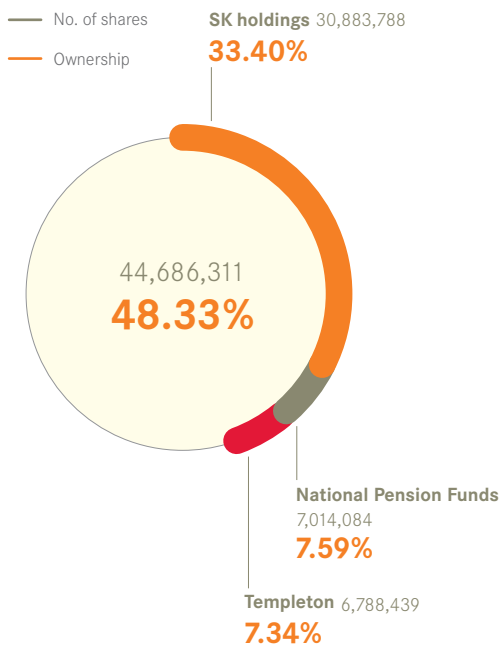
• Organization Chart (as of January 1, 2011)



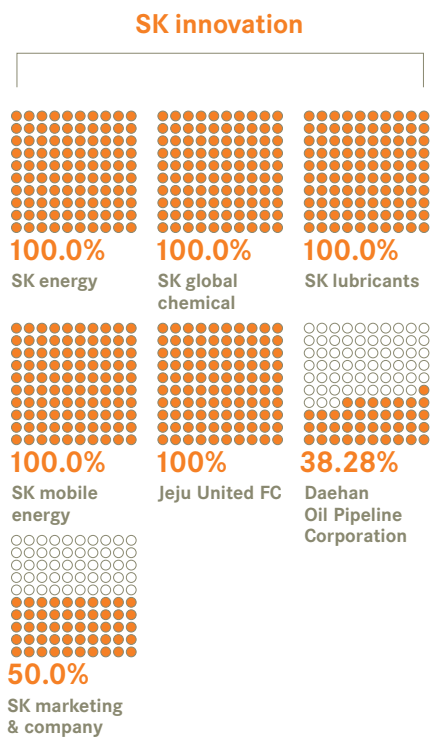
Spin-off Process

SK energy spun off its refining (including oil purification business) and petrochemical (except LiBS business) operations into independent subsidiaries as of January 1, 2011. The process was simple, with the company acquiring all the shares issued by the new companies. Following the spin-off, SK energy will remain listed on the stock exchange, while the new subsidiaries shall be unlisted. The remaining company will be known as SK innovation as of January 1, 2011.

• Shareholders holding more than 5% of SK energy shares (as of March 31, 2011)



• Major Subsidiaries



Major Businesses

While solidifying our market leadership in various businesses, we continue to develop new growth engines for sustainable growth.

Business Portfolio

Petroleum Business

SK energy's petroleum business successfully rose above the global financial crisis, realizing significant results in 2010. By flexibly responding to the fluctuating market conditions of refining margins, we optimized our operational process and improved profit structure by expanding exports through overseas diversification. Furthermore, our quality assurance program efficiently intercepted the illegal pseudo-petroleum distribution, reinforcing the end-user credibility of our products. We also offered differentiated CRM activities and services, such as the EnClean Bonus Card, Movie Plus, and EnClean coupon.

SK energy will further reinforce its market leadership in the domestic refining market, while relentlessly engaging in overseas markets, particularly China and Southeast Asian, with the aim of growing into one of Asia-Pacific's major energy companies. In the long run, we aim to become one of the world's top energy companies and a market leader.

- **Flagship Brands**

SK EnClean
Gasoline brand, EnClean

EnClean solux
Premium gasoline, EnClean Solux

NeTruck 네트럭
Reliable partner for cargo transport business, Netruck

Lubricant Business

Taking on the new name of SK lubricants in October 2009, the lubricant business of SK energy sustained growth on the strength of its specialized business infrastructure as an independent business entity. The base oil business realized considerable year-on-year growth as a result of intensive efforts to increase production and improve profitability. The lubricant business has also gained a good reputation for its competitive brand products. In particular, its flagship brand 'ZIC' topped a brand power survey for the 12th consecutive year, while the company won the Grand Prize at the Korea Green Management Awards. Its products also earned the top grade in terms of quality from the American Petroleum Institute (API) and the International Lubricant Standardization and Approval Committee (ILSAC).

In response to growing global demand for high-end base oil and lubricants, SK lubricants is strategically expanding its markets by preemptively responding to changing market conditions.

Asphalt Business

SK energy maintained the largest market share in the Korean asphalt market and the imported asphalt market of China. Annual sales totaled more than two million tons on the strength of advanced product quality and services. In 2010, we launched all-out marketing in overseas markets, particularly China, increasing sales volume by 110,000 tons, or 4%, from the previous year, to 2.62 million tons.

Furthermore, we became the first Korean refinery company to commercialize in-house developed polymer modified asphalt (SBS PMA).
In the future, the asphalt business will continue to expand beyond the domestic market, especially in areas such as Southeast Asia and Oceania, and thus emerging as the number one market player.

Petrochemical Business

In the petrochemical business, we are strengthening our product lineup by focusing on functional chemical products such as special solvents and high value-added polypropylenes, as well as information & electronics such as LiBS[1] (Lithium ion Battery Separator), and the general purpose chemical business. Our official website (www.skchem.com) plays a key role in establishing e-commerce transactions and keeping our customers up to date by offering a one-stop service that allows them to track everything from orders to shipment. As a result, the business recorded KRW 12,448.1 billion in sales, and KRW 387.4 billion in operating profit.

In the future, we will continue to supply best products and state-of-the-art technology through customer-oriented management practices, as well as proactively expanding the domestic market and diversifying export markets.

1- LiBS business was transferred to SK innovation following the spin-off on January 1, 2011.

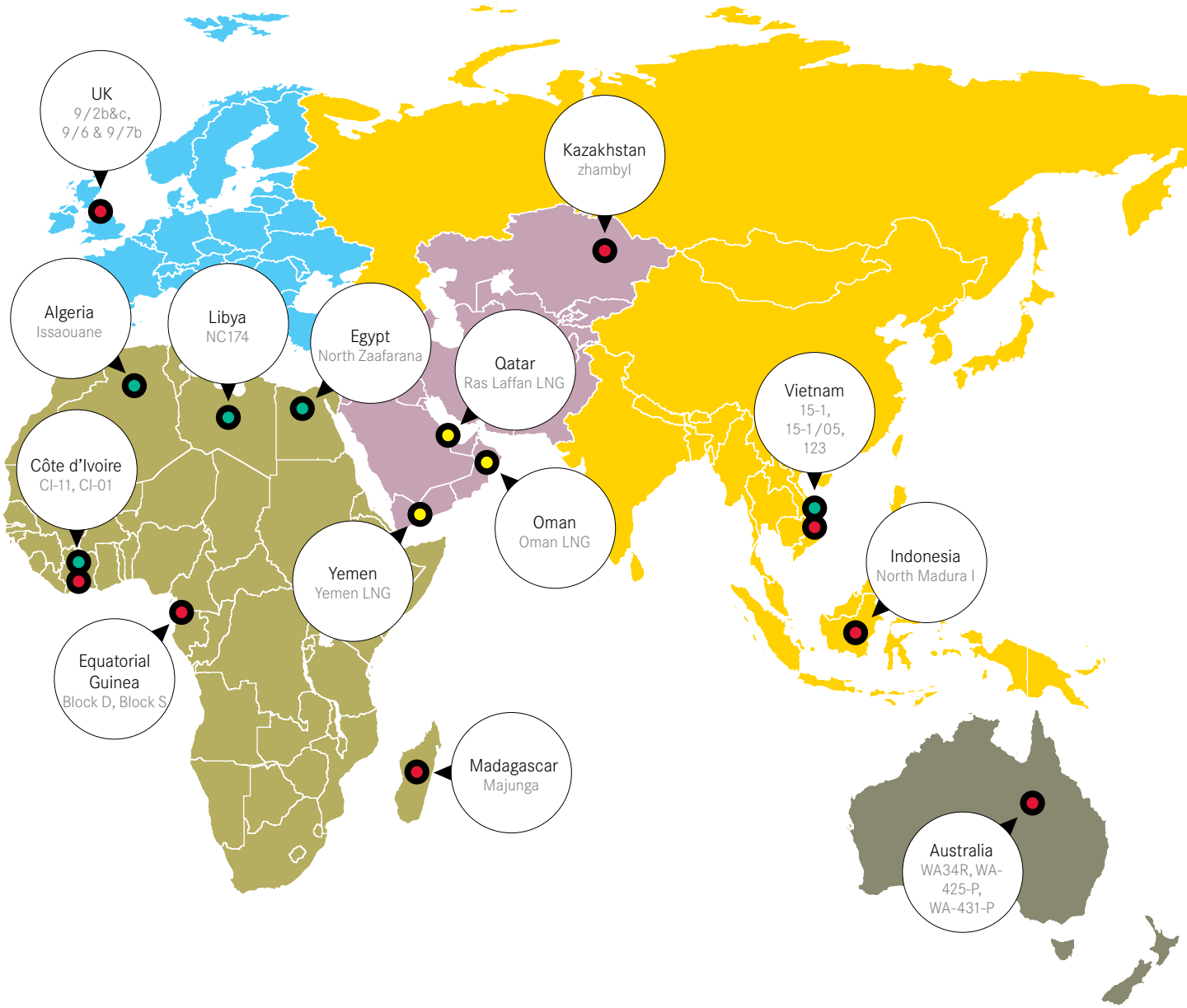
Exploration and Production Business

As of January 2011, we are participating in 26 oil and gas blocks in 14 countries and four overseas LNG projects. Total proven oil equivalent reserves stood at 530 million barrels as of the end of 2010, while in 2010, daily production reached 59,000 barrels. The completion of the LNG plant in Peru was particularly significant as it encompassed everything from development and production to gas transmission and final product. Boasting an annual LNG capacity of 4.4 million tons, equivalent to the national supply for two months, the Peru LNG plant will liquefy natural gas extracted from blocks 56 and 88. Located on the coast, the optimal location for shipment and transmission of LNG products, the plant's geographical advantage helped in the signing of several agreements to export products to Mexico and North America.

The coal and mineral businesses achieved considerable results amid the adverse business environment arising from unstable supplies in the international markets and the resultant price fluctuations. In the first half of 2010, a total of 3.4 million tons of quality soft coal was imported from Australia, China, and Indonesia to supply Korea Electric Power Corporation (KEPCO) and other cogeneration companies and cement companies. The successful completion of tripartite trading with Chinese and Australian partners further solidified the company's market position as a leading global coal supplier.

Going forward, SK energy plans more prospective mining projects in China and Indonesia and will work to secure a stable supply of soft coal by developing low-rank coal upgrading technology and investing in coal infrastructure[2]. Furthermore, the company aims to branch out into the mineral resources development business.

2- The coal & minerals business transferred to SK networks as of February 1, 2011.



North America

Houston: SK E&P Company

Los Angeles: SK E&P Company LA Office

South America

Lima: SK energy Sucursal Peruana

Colombia: SK energy Bogota Office

Europe

London: SK energy Europe Limited

Middle East

Dubai: SK energy Middle East Office

Oceania

Sydney: SK energy Australia Pty. Ltd.

Asia

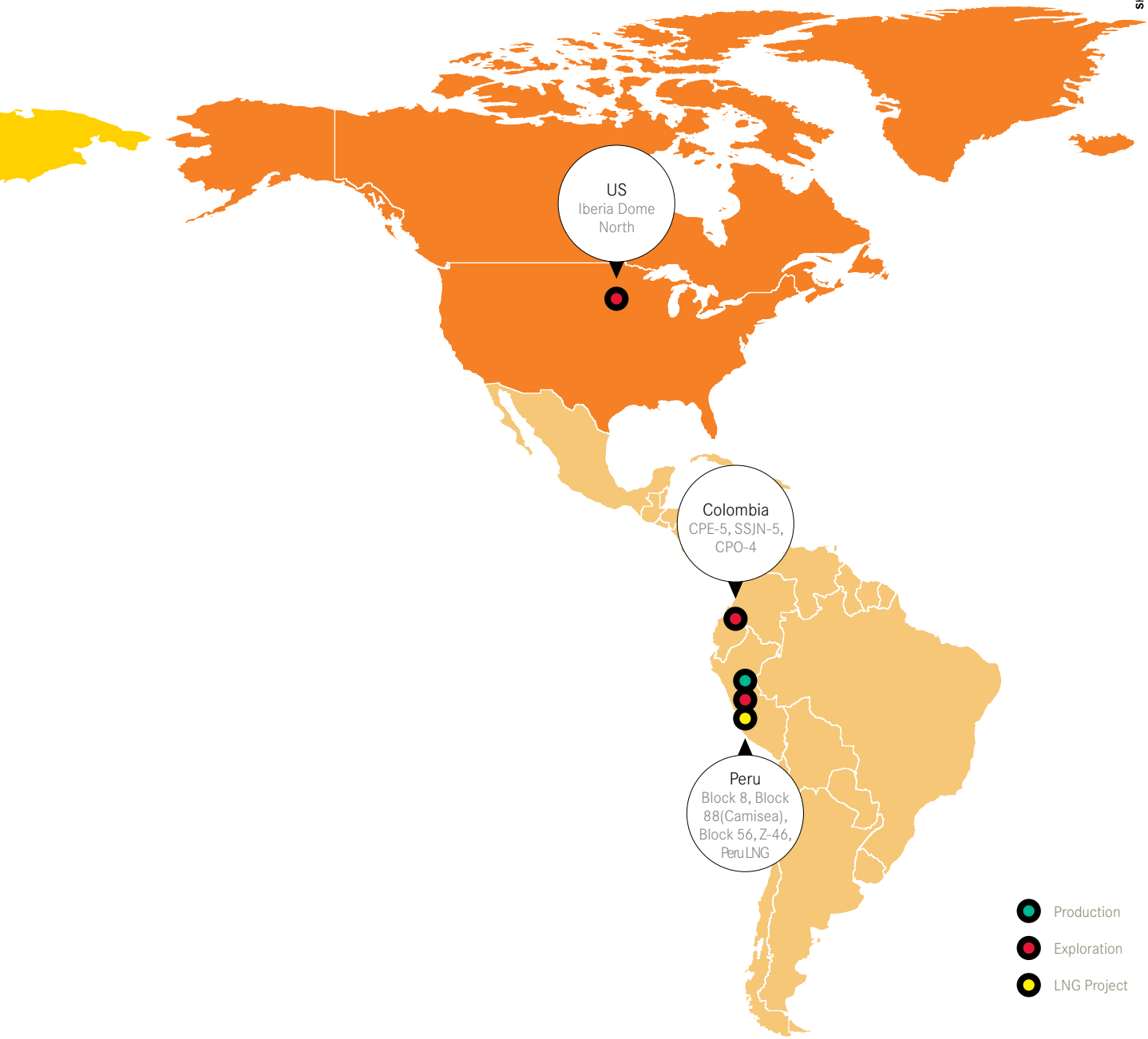
Beijing: SK China

Singapore: SK energy International Pte. Ltd.

Hanoi: SK energy Hanoi Representative Office

Tokyo: SK energy Tokyo Branch

Jakarta: SK energy Jakarta Representative Office



2010 E&P Blocks held by SK innovation (as of January 2011)

	Country	Block
Blocks in Production	6 countries	8 blocks
Blocks in Exploration	11 countries	18 blocks
LNG	4 countries	4 Project

Sustainability Management

SKMS

SKMS and Sustainability Management

SK energy established the SK Management System (SKMS) as the basic framework for its consistent push towards stability, growth and stakeholder value. Agreed with and shared by all SK People, the SKMS helps them better understand the true nature of sound corporate management and serves as the standard against which employees make decisions, thus convening the capabilities of employees and promoting the company's competitiveness in the long run. The framework is comprised of the Management Perspective, Management Implementation and Business Management Factors.

Management Perspective

"The corporate enterprise should achieve its ultimate goal of sustained progress by maintaining stability and growth. Furthermore, it should create value for its customers, people and shareholders, thereby contributing to social and economic development and human well-being." Based on this perspective, we regard the happiness of our stakeholders as the ultimate goal. Defining this happiness as a sustainable and well-balanced relationship between the company and its stakeholders, SK energy has set the goal of pursuing SUPEX[-1] via human-oriented management and is exerting its best effort to accomplish this.

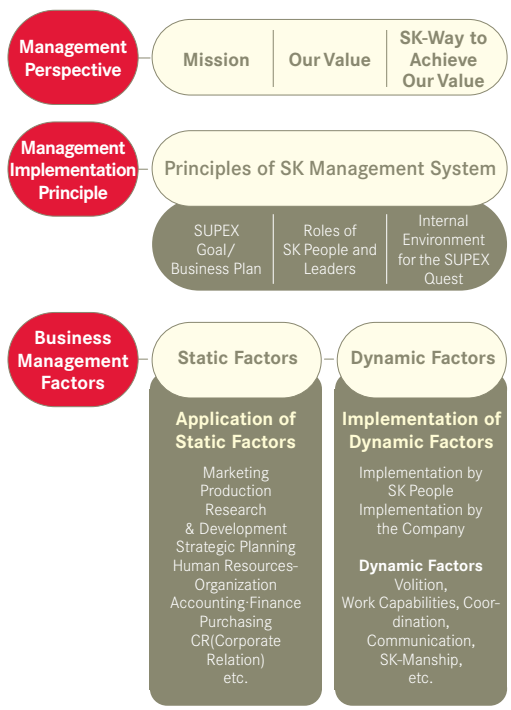
1- SUPEX

SUPEX stands for Super Excellent Level, meaning the highest performance level attainable. It is extremely difficult to reach this level straight away. Therefore, the company has established immediate goals, exerting its best efforts to achieve these by utilizing available sources. By repeating this process over time, the company aims to ultimately reach SUPEX.

Management Implementation Principle and Business Management Factors

To strengthen employee implementation and emphasize 'Pursuing SUPEX via Human-Oriented Management', the Management Implementation Principle advocates three core activities: SUPEX Goal/ Business Plan, Roles of SK People and Leaders and Internal Environment for SUPEX Quest. Furthermore, SKMS not only suggests a philosophy and principles, but also contains static and dynamic factors that should be practiced and utilized in order to conduct management effectively and efficiently and form an environment for pursuing SUPEX. This allows all members to contribute to SK's sustained progress and ensures the happiness of stakeholders.

• **SKMS Framework**



Corporate Governance

1- Special BOD resolutions require votes from two thirds of all BOD members. These special resolutions relate to changes in the Articles of Incorporation, mergers, dissolution, goodwill transfers, decreases in capital and the submission of bills to dismiss directors.

Board of Directors

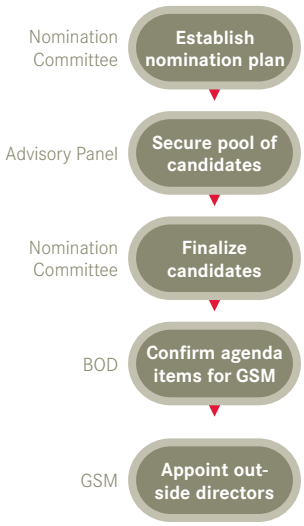
BOD Structure

SK energy's Board of Directors comprises of nine directors as of March 2011. With six of these outside directors, SK energy maintains the highest proportion of outside directors among Korean companies. This composition satisfies the requirements for special resolution[-1] as prescribed in the BOD regulations, rendering the BOD with the authority to pass special resolutions and monitor management. There are six subcommittees under the BOD.

Director Nomination Process

SK energy has in place an established process for nominating directors in a bid to ensure objectivity and fairness. In regards to nominating executive directors, the Human Resources Committee screens the qualifications of all potential candidates with the BOD, then recommending selected candidates at the General Shareholders' Meeting (GSM). The nomination of candidates as outside directors is conducted separately by the Outside Director Nomination Advisory Panel. In compliance with related regulations, we do not allow family members or relatives of the largest shareholder, as well as those who have left the company less than two years previously, from becoming candidates for outside director positions in order to guarantee independence.

• **Outside Director Nomination Process**



• **BOD Members** (As of March, 2011 /in a alphabetical order)

Name	Current Position	Responsibilities	Remark
Chey Tae-Won	Chairman & CEO of SK corporation and SK innovation	Chairman and CEO	Executive Director
Choe Hyuk	Professor of Business Administration of Seoul National University	Nomination Committee, Strategic Planning Committee, CSR Committee	Independent Director
Choi Myung-Hae	Advisor to Kim & Chang Law Firm	Audit Committee, Transparent Management Committee	Independent Director
Han Ingoo	Dean of KGSF (KAIST Graduate School of Finance)	Nomination Committee, Audit Committee, HR Committee	Independent Director
Kim Young-Ju	Advisor to Law Firm Shin & Kim	Transparent Management Committee, CSR Committee	Independent Director
Kim Young-Tae	President & CEO & Head of Corporate Culture Division, SK corp VP	Human Resources Committee	Non-standing Director
Koo Ja-Young	President & CEO of SK innovation	President and CEO	Executive Director
Lee Hoon-Kyu	Partner & Representative Lawyer of The One Law Firm	HR Committee, CSR Committee, Transparent Management Committee	Independent Director
Lee Jae-Han	Associate Professor of Business Administration of Dongguk University	Audit Committee, Strategic Planning Committee	Independent Director

BOD Performance Evaluation and Compensation

BOD activities and general operations are reviewed once a year, with the findings reported to the BOD and disclosed in the annual business report. The Human Resources Committee deliberates and determines compensation to directors fairly and in proportion to their performances. Although Article 10 of the company's Articles of Incorporation stipulates stock option as a form of incentive, the company did not offer stock option incentives in 2010.

Prevention of Conflict of Interests

Article 14 of the bylaws stipulates that no director shall, without prior approval from the BOD, engage in any transaction that falls within the business of the company, nor become a partner or director of another company whose business purposes are similar to those of the company. Outside directors run their own independent meetings in an effort to secure independence and foster communication.

Communication with Shareholders and Employees

SK energy operates diverse channels for active communication between the BOD and stakeholders. For example, the corporate website has a separate page dedicated to disclosing BOD activities, and at which any stakeholder can express their opinion. The company's intranet features a "BOD news" segment at which employees can also leave suggestions. Outside directors also conduct special lectures on their respective fields of expertise and visit worksites in order to listen to employees' opinions.

BOD Activities

2010 BOD Activities

SK energy defines the basic functions of the BOD as making strategic decisions on management issues and advising and monitoring management activities. To build an ideal BOD that substantially leads, helps and checks management, we established "Working BOD" as the slogan for all BOD activities. The BOD appoints the CEO, sets the scope of authority of the CEO and advises management.

In 2010, the BOD convened 13 meetings and deliberated on 57 agendas. The director attendance rate stood at 91.2% (with 88.4% for outside directors). Subcommittees held a total of 27 meetings to deliberate on 55 agendas, including 22 preliminary reviews of BOD meeting agenda.

- **Subcommittee Activities in 2010** (as of the end of 2010)

Name	Meetings	Agenda as reviewed (preliminary deliberation)	Key Agendas
Audit Committee	6	20	Independent audit results of previous year's business results and internal audit results of consolidated financial statements
Nomination Committee	3	4	Nomination of candidates for outside directors, review of outside director candidate nomination process, etc.
Strategic Planning Committee	6	10 (9)	Approval of spin-off plan and review of contribution plan to overseas subsidiaries, etc.
Human Resources Committee	3	7 (3)	Nomination of candidates for executive directors, appointment and assignment of roles of major executive members, review of director remuneration, etc.
Transparent Management Committee	8	12 (9)	Transactions and contributions to and with subsidiaries, compliance with fair transaction regulations, etc.
Corporate Social Responsibility Committee	1	2 (1)	Evaluation of BOD performance and business ethics index, publication of sustainability report, etc.
Total	27	55 (22)	

• **BOD Activities** (unit: times)

	2008	2009	2010
No. of BOD meetings	15	14	13
No. of subcommittee meetings	37	29	27
Briefings, discussions with the CEO and training sessions	9	10	5
Visits to worksites and participation in events	22	17	15
Total	83	70	60

Business Ethics

Business Ethics

Based on the SKMS management philosophy, everyone at SK energy practices business ethics in their daily duty with the aim of creating value for all stakeholders, thereby contributing to both social and economic development. To help our employees practice business ethics, we conduct ethics training for employees, promote business ethics to all stakeholders, and install the infrastructure needed to support the practices of business ethics. Through these efforts, SK energy secures global competitiveness and fulfills its corporate social responsibility.

Infrastructure for Business Ethics Practices

SK energy operates an Ethics Consultation Center and separate webpage[1] on its corporate website in order to allow stakeholders to report or seek consultation regarding ethical issues via telephone, fax or e-mail. This also helps the company prevent and detect unethical issues early. Furthermore, these stakeholders are protected from any disadvantages that could arise from reporting such acts. In a bid to correct unethical practices and internalize business ethics, we have operated a program offering rewards of up to KRW 20 million to people reporting ethics violations since November 2008. In 2010, a total of 39 cases had been received through the Ethics Consultation Center and reporting system. Of these, 17 were regarding unethical practices, two regarding consultations and 20 involved customer complaints. Employees found violating the code of business ethics are subject to discipline according to corporate bylaws. In 2010, one such violation was detected, with related personnel now facing disciplinary action.

1- Following the spin-off and renaming of SK energy on January 1, 2011, the URL of the ethical management website changed to http://ethics.skinnovation.com

Continued Ethics Training for Employees

SK energy gives training courses, on and off-line, on business ethics in order to raise ethical awareness among employees and motivate them to practice business ethics in their daily duties. In 2010, a total of 538 newly promoted team managers, senior assistant managers, senior staff and new employees received a total of 834 hours of ethics training.

• **Ethics Training** (as of the end of 2010)

Spreading Business Ethics to Stakeholders

SK energy encourages its partner firms to join its commitment to business ethics through the "Agreement on Fair and Transparent Transactions." Under mutual trust and consent, any corruption or irregularity by partner firms is subject to sanctions in accordance with SK energy's bylaws. There were no such violations in 2010.

Fairness and transparency comes before everything in our relationship with partner firms. Furthermore, we will strive to spread and propagate the significance of business ethics to all our stakeholders in the future.

Transparent Management Activities

SK energy has devoted itself to improving its corporate governance in order to build trust with its stakeholders, while also enhancing transparency in management and fulfilling its corporate social responsibility. In recognition of this, the company was awarded an 'Excellence' grade in 2010's corporate governance evaluation. In February 2011, the company received the grand prize at the Transparent Management Awards held by five Korean economic groups[1].

1- Five Korean economic groups: Federation of Korean Industries, Korea Employers Federation, Korea Chamber of Commerce and Industry, Korea International Trade Association, Korea Federation of Small and Medium Business

- **SK innovation Business Ethics Website (http://ethics.skinnovation.com)**

Participation in Public Policy Development

As the leader of the Korean petrochemical industry, SK energy is actively involved in the development of public policies related to the industry. The company is an active member of the Korean Petroleum Association (KPA), Korea Petrochemical Industry Association (KPIA), and Fair Competition Federation (FCF). These organizations represent the petrochemical industry in cooperating and discussing policies and regulations with the government. Committed to energy inclusion, SK energy moved to deal with the energy disparity arising from high oil prices. In 2008, it agreed to contribute KRW 100 billion to special funds to support low-income brackets and related industries, including low-carbon green energy funds. In 2010, these funds were spent on fostering clean energy sources and energy conservation campaigns.

Stakeholder Communi-cation

Stakeholder Communication

At SK energy, we define stakeholders as customers, employees, shareholders, partner firms and communities. The happiness of these stakeholders is the ultimate value pursued by SK energy. Accordingly, the company maintains active communication with these groups in order to reflect their voices in the company's general business activities.

Stakeholder Classification and Communication Channels

We classify stakeholders into five groups (shareholders, employees, customers, suppliers, communities) according to their impact on business and maintain communications channels with them so as to collect their opinions.

	Channels	2010 Activities
Share-holders	General shareholders' meeting, business briefing, conference participation, one-on-one meeting, e-mail/phone consultation, disclosure and notice	Earnings conference (4 times), overseas NDR (Non-Deal Roadshow, 5 times), conference participation (6 times), IR visit (45 times), one-on-one meetings (230 times), conference call, e-mail/phone consultation
Customers	Customer Care Center (call center), website per product and service, customer satisfaction survey	Customer satisfaction survey (3 times), handling consumer complaints via customer service center (534,000 phone and 34,000 online cases), online community "Happy Friends"
Employees	Management Consultative Committee, Labor-Management Committee, Company Broadcasting, Vopen management forum on intranet, Ethical counseling center, SKMS execution review	Management Consultative Committee, Labor-Management Committee, open management forum on intranet, ethical counseling center, SKMS execution review via online survey and one-on-one interview
Suppliers	Conferences with partner firm representatives, seminar for partner firm CEOs, win-win workshop for CEOs of partners to the Complexes	Meeting with SUPEX partners, cooperation with maintenance partners for their overseas expansion, and other win-win partnership activities
Communi-ties	Meeting with civic groups, participation in community activities, social contribution activities, participation in public policy via business groups (Korea Petroleum Association, Korea Petrochemical Industry Association, Korea Fair Competition Federation)	Communication activities on 832 occasions in Ulsan (3,152 participants during the year), advisor for Incheon Citizens' Autonomy Committee, citizens' health center, support for cultural events

Materiality Test

We identified and prioritized issues of significant concern as well as the impact on the company and its stakeholders. We assigned special sections in this report for these issues and continue to apply constant monitoring and management.

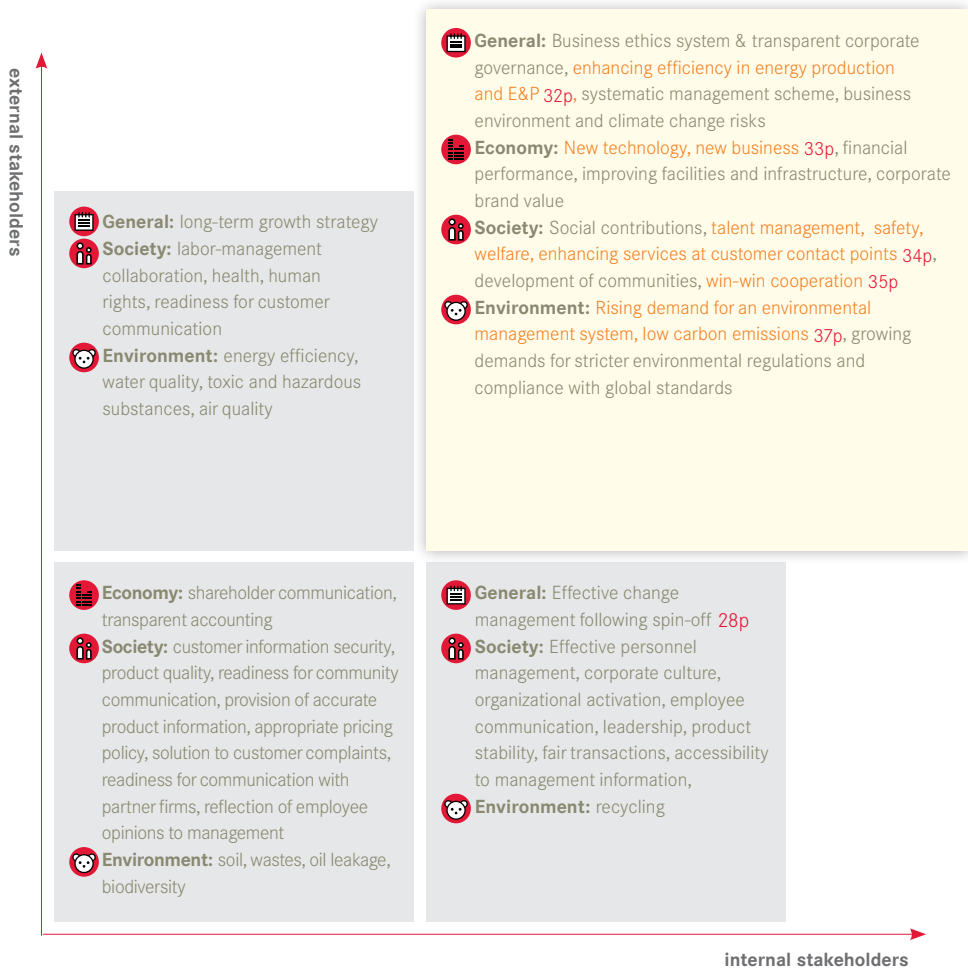
Materiality Test Overview

We conducted a materiality test in order to identify and prioritize key issues related to the company's sustainability management. From a pool of raw data from internal and external sources, we reviewed 52 issues. These issues were prioritized using a five-step test: stakeholder engagement, internal policy, peer benchmarking, media search, and laws and regulations.

Materiality Test Results

Of the total 52 issues related to SK energy's Sustainability Management, the materiality test found 19 issues of high significance to internal and external stakeholders. Of these 19 issues, we identified 6 material issues, all of which are covered in a separate section called "Special Issue" found at the front of this report. In particular, issues found to have the highest significance included the growing need for effective change management following the spin-off, efficient personnel management, corporate culture, organizational activation and communication with employees. These issues mirror the rising demand by internal stakeholders for business normalization following the recent spin-off. Accordingly, these issues are classified as short-term and are reported in the "Special Issue" section.

- **Significance to Internal · External Stakeholders**



• Issues of Top Priority and Company Response

Material Issue	Shareholders	Employees	Customers	Suppliers	Communities	Response
Rising need for change in management following spin-off	●	●				Proactive communication with stakeholders regarding corporate vision, goals, strategies, and attracting investment
Business ethics system & transparent corporate governance	●	●	●	●		Adopting business ethics principles, establishing infrastructure for business ethics practices, organizing BOD subcommittees
Enhancing efficiency in energy production and E&P		●	●			Diversifying import sources, establishing strategic networks with oil producing countries
Systematic management scheme		●				Establishing SKMS (SK Management System)
Risks Arising from Business Environment and Climate Change	●	●				Reinforcing the core competencies by developing green business and other future growth drivers
New technology	●	●				Developing technologies in batteries, information & electronics, and green technologies
New business	●	●				Pursuing new business opportunities in energy, petrochemical, and new materials
Financial performances	●	●				Stable creation of shareholder value through preemptive risk management and efficient internal control
Infrastructure Improvement	●	●				Continuously expanding capital expenditures to enhance operational efficiency and employee satisfaction
Corporate brand value	●	●				Enhancing brand value through consistent stakeholder communication activities
Enhancing services at customer contact points			●			Practicing Customer Happiness Management, guided by Customer Happiness Charter and Employees' Code of Conduct
Talent management		●				Realizing SUPEX through management
Safety		●				Implementing systematic safety and health management through the SHE(Safety, Health & Environment) management system
Welfare		●				Implementing welfare programs customized to each stage of the life-cycle and service years
Win-win cooperation				●		Various win-win cooperation programs and fair transactions with partner firms
Social contributions					●	Applying strategic social contributions that creates jobs and supports the underprivileged
Community development					●	Supporting socially responsible businesses
Low-carbon emissions	●	●	●	●	●	Registering greenhouse gas reduction records, ensuring carbon credits by participating in CDM project, improving processes, participating in pilot projects for voluntary carbon reduction initiatives
Rising need for an environmental management system	●	●	●	●	●	Practicing integrated management of safety, health and environment, through the SHE Management System, preparing Environmental Management System
Stricter environmental regulations and rising demand for compliance with global standards	●	●	●	●	●	Maintaining below legal requirements

Reinforcing Competitiveness and Future Growth Engines through Spin-off

On January 1, 2011, SK energy spun off its refining and petrochemical businesses in a bid to reinforce global competencies and future growth engines through a specialized and autonomous management system. Following the spinoff, we are implementing effective change management strategies so as to ensure the change to generate a positive impact for stakeholders. We will strive to make the spinoff a new opportunity for mutual growth with our stakeholders.

Background & Purpose

Maximizing efficiency in business and organizational operations

SK energy adopted a company-in-company (CIC) structure as early as 2008, organizing four CICs - Refining & Marketing (R&M), Chemical, Institute of Technology, Corporate Management Service (CMS) - and the Exploration & Production Division under the CEO.

In regards to the fast changing global business environment and unstable energy supply, we found that the overgrown size of our organization made us slow to address such market changes or make timely decisions. Therefore, innovative and drastic change was required in order to secure sustainable growth.

In a bid to enhance efficiency, the company decided to spin off the two major CICs into independent operational companies under an independent management system. Based on an analysis of growth goals, financial conditions and market outlooks, this division will allow innovation, improve business results and ensure the financial soundness of each business, thereby better preparing each for changes in external business environments.

Plan & Procedures

Physical Division into Remaining and New Companies

Division Plan ● The company spun off the petroleum and petrochemical businesses into independent units under Paragraphs 2 and 12 of Article 530 of the Korean Commercial Act. The company opted for a physical division, in which the remaining company takes over all outstanding shares of each of the newly established subsidiaries.

Following the division, the remaining company was renamed SK innovation. The new petroleum business unit has been given the name of the former parent company, benefiting from its high brand recognition as Korea's leading oil refiner and boasting a national network of gas and recharge stations. The new petrochemical business unit is to be known as SK global chemical.

The spin off did not change the number of shares in SK energy. As of January 1, 2011, total assets of SK innovation amounted to KRW 14,145.7 billion, while SK energy took KRW 17,269.4 billion and SK global chemical KRW 4,380.7 billion. Paid-in capital allocated to each of the new units stood at KRW 300.0 billion for SK energy and KRW 130.0 billion for SK global chemical.

Division Procedures ● In preparation for the spin-off, SK energy established a Spin-off Task Force Team under its strategic planning office in May 2010. In September of the same year, the BOD approved the agenda of the restructuring plan, which was then approved at an Extraordinary Shareholders' Meeting on November 26, 2010. All spin-off procedures were successfully completed on January 4, 2011.

Business Structure

Independent Management System for Future Growth ● Following the spin-off, the remaining parent company, SK innovation, will focus on future growth engines and resource development, such as oil development, information & electronics, and R&D. The new SK energy will lead oil refining and technology businesses, while SK global chemical will focus on the petrochemical business. Prior to the latest separation, the lubricant business division was spun off to establish new subsidiary SK lubricants on October 1, 2009.

Expected Benefits

"We are impressed to see the new corporate governance quickly stabilize following the spin-off. The biggest concern of employees was whether the reorganization would lead to any change in employment or work process. Relieved by the early stabilization, everyone at SK energy renewed their engagement to work and loyalty to the company."

Change Management

Effective Management of Change Issues ● The spin-off of businesses, both directly and indirectly, influences a company's stakeholders. While many of SK energy's stakeholders placed high expectations on the spin-off, there were also some voices of concern. To allay such concerns, SK energy engaged in active communications through a number of IR activities, employee surveys and public relation activities in order to show stakeholders the significance of the change to the company's long-term growth plan and to secure their cooperation. We will continue to communicate with stakeholders on various issues and develop effective solutions to these in order to ensure that the spin-off creates more innovative value for stakeholders in the long run.

Change Management by Stakeholder Group

Shareholders·Investors: Independence enhances corporate value ● Shareholders and investors showed significant interest in the changes that the spin-off would make to corporate value and the company's growth momentum. They laid high expectations on the growth strategies and visions of the new subsidiaries–SK innovation, SK energy, and SK global chemical. Before the spin-off, the former SK energy had successfully operated the CIC (company in company) system since 2008. The CIC incubated each business division, which had enjoyed independency and self-determination in the majority of business decisions, until they were prepared to go independent. As we opted for a 100% physical division, the separation did not affect corporate value, brushing aside concerns over undermined corporate value. As proven in the case with SK lubricant,

"I should admit that I had jitters about how the spin-off would affect employment. However, I was surprised to see everything returning to normal quicker than I expected. Free from care about uncertainties, I am now focused on my job. However, I think we need to continue monitoring and managing changes in the working environment arising from the spin-off."

which separated in September 2009, an improvement in the corporate value of new subsidiaries is highly expected to increase the corporate value of the remaining company.
The improved specialty and decision-making process and flexibility in response to market changes will further reinforce business competencies of subsidiaries, creating synergies among them.

Employees: Building Future-oriented Corporate Culture ● Although many SK energy People see these changes as positive, some uncertainties still remain.
The 2010 Survey on employees found that respondents were highly concerned about the impact of the spin-off would have on job security, morale, and inter-unit communications. They are making concerted efforts to minimize any impact the spin-off may have and to quickly stabilize the units' independence in order to allay concerns over changes to working conditions.
The top priority issue of employees was job security. To ease these concerns, the company reached an agreement with the labor union regarding job security in May 2010, reassuring employees that there would be no restructuring stemming from the spin-off. Separately, the new independent subsidiaries agreed to keep the current status and welfare benefits of employees, including class, pay, IB, welfare programs, retirement benefits, and leave, as well as strive for improved working conditions.
The new subsidiaries will concentrate on the early stabilization of independency, organizational activation, and morale in order to create new and strong corporate cultures, ones that all employees can work in with pride and passion.

Customers·Suppliers·Communities: Customer Happiness Management & Win-Win Cooperation ● We see no big changes arising from the spin-off in regards to customer relationship policy and win-win cooperation. We disclosed spin-off plans through Management Disclosures and press releases, as well as separately notifying clients and partner firms in advance. Except for possible fine-tuning by each of the new subsidiaries in regards to business characteristics, the main framework shall remain the same: customer happiness management, win-win cooperation with partner firms, and contribution to the development of communities.

Goals & Strategies

Independency Customized to Business Characteristics ● SK innovation, SK energy and SK lubricants will each operate independent management systems and develop new visions and goals that best represent their respective business characteristics.
In the mid to long-term, we have set the goal of achieving combined sales of the four companies' of KRW 60 trillion and operating profits of KRW 4~5 trillion by 2015. By 2020, our sales goal is KRW 120 trillion and operating profits of KRW 11 trillion. To that effect, we will make concerted efforts to ensure that each unit realizes an average KRW 1 trillion in revenue annually.
The remaining and new companies will remain faithful to their corporate social responsibilities, while practicing transparent management through disclosure and business ethics practices. Maintaining various communication channels, we will listen to the opinions and suggestions of our stakeholders and reflect them in the management of each subsidiary in order to achieve sustainable, mutual growth with them.

Stable Energy Supply

SK energy has contributed to the development of Korean economy by providing a stable supply of energy. Our emphasis is on building the foundation for a steady supply of crude oil. Dedicated to making Korea an energy power, we actively form a strategic network with oil-producing nations and diversify crude oil import sources, while also actively pursuing overseas E&P projects.

- **Strategic Network & Import Diversification**

As the world's fourth largest oil importer, Korea is seeing its role become more prominent in the global oil market. Importing 300 million barrels of crude oil every year, SK energy is aggressively building a strategic network by pursuing cooperation with overseas energy companies and strengthening ties with oil-producing nations. Furthermore, in order to be fully prepared for crisis situations, we are increasing our oil stockpile. Dedicated to the stable and affordable supply of crude oil, we strategically maintain a competitive long-term based supply line, while seeking new supply lines in Europe and Africa.

- **Flexible Operation of Factories for Stable Supply**

Economic recovery in 2010 expanded domestic demand, with the company maintaining an average capacity utilization rate of 70% at its central distillation unit (CDU), thus ensuring a stable supply of petrochemical products. The rates for polyethylene (PE), polypropylene (PP) and paraxylene (PX) stood at 91.7%, 94.8% and 100%, respectively.

- **Expanding the petroleum business for energy independency**

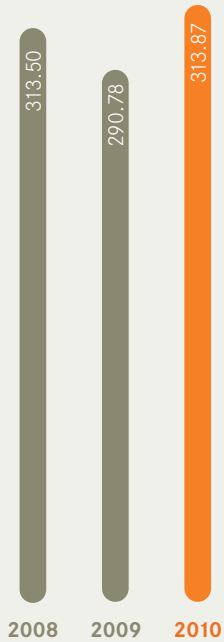
As Korea's leading energy enterprise, SK energy is involved in a number of oil development projects around the world.

As of the end of 2010, we secured 530 million barrels of oil reserves, with an average daily output of 59,000 barrels. In 2010, we completed the vertically integrated production line-up at the Peru LNG Project, encompassing the entire value chain of oil development, from drilling, production and pipelining, to gas liquefaction and export. As part of the block portfolio restructuring plan, we sold off our Brazilian subsidiary to the Dennish Musk Oil Company, thereby enhancing the operational efficiency of our oil development business.

Capacity Utilization Rate

	2008	2009	2010
CDU	77%	73%	78%
HOU	100%	100%	100%
#1 RFCC	91%	100%	100%
#2 RFCC	100%	100%	100%
PE	90%	97%	92%
PP	89%	98%	95%
PX	91%	89%	100%

Annual Import Volume by SK energy (Unit: million barrel)



New Growth Drivers

SK energy creates new business opportunities through its global-leading technologies in renewable energy, petrochemical and new materials.

• Renewable Energy

Battery for FSEV Featuring high energy-efficiency and high output power, lithium-ion batteries are expected to play a key role in the development of future vehicles and energy storage systems. SK energy was selected to supply batteries for hybrid commercial cars to Mitsubishi Fuso, part of the German-based Daimler Group in 2009, and has supplied batteries for Hyundai-Kia Motors Group's full-speed electric vehicle (FSEV) since 2010. Having completed a mass production line at the Global Technology complex in Daejeon, we are now constructing a mass production plant in Seosan, Chungnam. In addition, SK energy was selected to lead "Smart Transportation" one of five key areas under the Korean government's smart grid pilot project, while SK energy is also part of the national drive to build the world's largest smart grid complex.

Clean Coal Technology SK energy is currently developing a new clean coal technology that will considerably reduce carbon and pollutant emissions, as well as investment costs. As an administrator of the national drive by the Ministry of Knowledge Economy, SK energy serves to coordinate the industrial-academic-research project. With the pilot plant completed in 2010, R&D activities have gained momentum.

Hydrogen Station SK energy is the only Korean company to secure the appropriate technology for hydrogen stations. SK energy's hydrogen stations feature high efficiency and thermal durability, as well as being easy to operate. The first hydrogen station was installed at the Institute of Technology, with the second located at the World Cup Park in Sangam-dong, Seoul.

• Petrochemical

CO_2 Plastic (GreenPol™) SK energy's new technology, GreenPol™, is an eco-friendly material that not only provides toxic free insulation but which is also transparent. Thanks to its high productivity, it is expected to replace plastic-based general purpose resins such as polyethylene and PVC. Encouraged by the success of the pilot plant in 2009, we are now focusing on developing technology for its mass production with the aim of commercializing it.

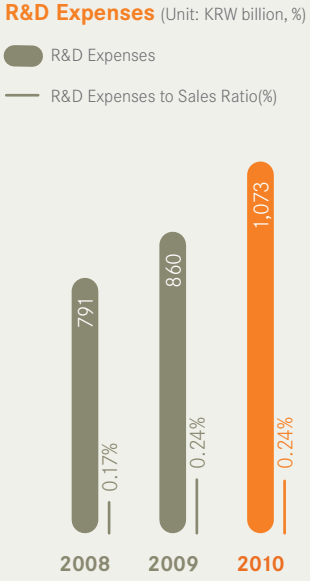
• New Materials

LiBS (Lithium-ion Battery Separator) SK energy has successfully developed and commercialized a Lithium-ion Battery Separator (LiBS) using its own technology and now produces high-performance products. In 2010, we developed a high heat-resistant separator for electric vehicles and an energy storage system, as well as completing a production line in Jeungpyeong, Chungbuk in order to meet demand.

Flexible Copper Clad Laminate (FCCL) SK energy has developed new technologies for the high-performance production of flexible copper clad laminate (FCCL) for FPCB and is currently working to commercialize this technology. In 2010, we focused on diversifying our product line-up, as well as obtained a certificate from our customer companies and commenced construction of a mass production site.

Optic Film SK energy has developed technology for Tri Acetyle Cellulose (TAC) for Display Polarizer and is currently working towards commercialization. While continuing R&D in order to expand product line-up, we are constructing a production line in Jeungpyeong, Chungbuk.

R&D Expenses (Unit: KRW billion, %)



Customer Happiness Management

SK energy practices customer happiness management in order to become a company that is respected and trusted by customers with "Customer Happiness Charter" and a "Code of Conduct".

- **Instill CS mindset in employees**

We encourage all our employees to visit gas stations, where they conduct marketing campaigns so as to raise their CS awareness and marketing capabilities. This provides employees with opportunities to listen to customer voices and use these in their daily work.

- **On-site Compensation for Customer Losses**

In the event of customer losses, customer interface areas are authorized to provide on the spot compensation for small amounts of losses. This helps us to instantly address customer complaints and enhance customer satisfaction.

- **Membership Service**

We improved the service scope and quality of our steady-seller membership service "EnClean Bonus Card" and launched the "EnClean Plus+" service on top of conventional benefits. The new card offers an improved rate of point reserves or discounts to any cardholder using the card to pay at SK gas stations at least once in the previous month. Cardholders are rewarded with OK Cashbag points equal to 20% of their purchase or discounts at 40 membership merchants, including restaurants and movie theaters.

- **CS Consulting Program for Gas Stations**

We support our gas stations' CS activities with CS consulting programs. Through surveys on owners, customers and defectors, we define key CS issues and suggest specific ways to handle such issues to station owners.

Customer Happiness Charter

- We will listen to the voices of customers and create customer-oriented practices and systems.
- We will present innovative customer value and delight customers with forward-looking services.
- We will uphold our promise to customers and repay them for their trust.
- With a sense of pride in working for the best company in Korea, we will provide first-rate service for customers.

Win-Win Cooperation

Suppliers are our partners for sustainable development. Through diverse win-win programs and fair transactions with partner firms, we aim to achieve mutual growth with them.

• **Win-Win Cooperation Program for Competency-Building**

HRD Assistance Programs We run the SK Win-Win Academy and technical training programs in order to assist our partner firms enhance their long-term competitiveness.

SK Win-Win Academy offers CEO seminars for the CEOs and key leaders of partner firms, Win-Win MDP (management development program) for managerial workers of partner firms and 100 Win-Win e-learning programs for all employees of partner firms. In 2010, a total of 220 CEOs and executives of partner firms received CEO seminars, while the managers of 23 partner firms received the Win-Win MDP, and a total of 1,130 employees from 525 partner firms received online courses regarding marketing, finance and technology.

We conducted regular onsite training at our Ulsan and Incheon complexes and LiBS plant. At the Ulsan complex, we hold monthly meetings with the CEOs of partner firms, while the Incheon complex meets with the CEOs of partner firms once every quarter. In addition, these worksites also offer evaluations, rewards, and case studies of good ideas for productivity, training for managers of partner firms, special lectures by external experts on safety health and environment, and safety reminders on potential work hazards. At the LiBS plant, we provide onsite training regarding operating production equipment, work skills, and safety.

Financial Assistance We made it our principle to pay all settlements to small- and mid-sized enterprise (SME) partners in cash within seven days of delivery. In 2009, we funded a total of KRW 150.0 billion in SK Win-Win Fund to help cash-stripped SME partners at low interest rates. As of the end of 2010, eight firms had taken loans worth a total of KRW 2.75 billion.

In 2007, SK energy and five other executive member companies of Korea Petrochemical Industry Association, funded KRW 10.0 billion for the Petrochemical·Plastic Businesses Win-Win Partnership in order to financially help suppliers in these industries.

Since 2005, we have offered network loans in collaboration with IBK to our suppliers with good credit. As of the end of 2010, five of our partner firms had received network loans worth KRW 5.8 billion.

Technological Assistance & Joint Technology Development We lay the foundation for win-win partnerships with partner firms through various programs that generate synergy between partner firms' creative technologies and our business infrastructure. This includes assistance with technological development, the joint development of technologies, joint patent filing, and supporting partners with overseas market penetration.

In response to strengthened government regulations regarding the discharging of hazardous substances, we provide hazardous substance reduction technologies to partner firms that deal with chemicals. In 2010, we provided technical support to nine partner firms.

Since 2009, we have been collaborating with several Korean companies specialized in purifying polluted soil. In 2010, we entered the 'Chromium VI Purifying Technology Development Project', in preparation of penetrating the Chinese soil purifying market. In the same year, we concluded an MOU on "Global Environmental Technology Development" with ten companies of the Eco Science-Technology Advancement Research group, selected by the Ministry of Environment.

Furthermore, we supported partner firms that maintain and repair facilities at the Ulsan complex with their advancement into the Vietnamese market.

Assistance to Productivity Enhancement We provide a wide array of support to partner firms, helping them enhance their fundamentals in facilities & equipment and management system.

The Ulsan complex has constructed a separate building for the daily operations and training of its 39 partner firms in facilities maintenance and repair. Meanwhile, the Incheon complex also constructed a building for its maintenance and repair suppliers, which use the company's facilities and equipment for all maintenance and repair work. We also provide uniforms to the employees of our transportation partner firms.

In regards to management system, we support our partner firms' material management, helping them efficiently manage inventories and reduce logistics costs. To that end, we consult with our partner firms for solutions and improvements to pending issues at regular meetings with the CEOs of partner firms and representatives from transportation partners. We also conduct various events for the employees of partner firms, such as invitations to baseball games, mountaineering, sports gatherings, and family picnics. In addition, we invite the employees of partner firms to participate in the volunteer activities of the company's "1004 Volunteer Corps."

Win-Win Programs

HRD	Financial Aid	Technical Programs	Productivity Improvement
- SK Win-Win Academy - Onsite Technology Training	- Settlement in Cash - SK Win-Win Fund - Petrochemical·Plastic Win-Win Fund - Network Loan	- Technical Support - Joint Technology R&D - Joint Filing for Patent - Support of Overseas Expansion	- Facilities & Equipment Support - Management System, Material Management, Regular Gatherings, Various Events, and Volunteer Activities

• **Fair Purchase Procedures & Systematic Management of Partner Firms**

Transparent Purchasing Procedures SK energy's online purchasing system, SKBIOK.com, encompasses the entire procedures of purchasing, from supplier registry, purchasing requests, bidding and ordering to e-invoice and payment. Involving various parties, including supplier managers, purchase officers, actual users and technology assessment departments, these purchasing procedures have enhanced fairness.

Systematic SRM Operation We introduced the supplier relationship management (SRM) system, operating a pool of competitive suppliers through the systematic controlling of registration, evaluation and management of suppliers. Before registration, all candidate suppliers are screened for business ethics, credit records, technology competitiveness and eco-friendliness. Even after registration, suppliers are subject to regular evaluations in management, technology, quality management and EHS(Environment, Health, Safety) management. This provides us the basis for strategic and sustainable partnerships with partner firms.

Climate Change

SK energy is introducing countermeasures to address the global issue of climate change. We will take positive and effective measures to tackle climate change and protect the environment.

Strategy for Mitigating Climate Change

Phase	Phase I	Phase II	Phase III
Phase	Laying the foundation for low carbon management system	Establishing low-carbon management system	Implementing GHG emission reduction initiatives
Emission Trading System	• Building calculation schemes for GHG emissions • Building internal emission trading system • Simulating emission trading	• Constructing IT-based GHG control system • Implementing company-wide integrated emission trading system • Reviewing group-wide emission trading system	• Participating in international emission trading market • Emission portfolio management
Carbon Credits	• Voluntary energy conservation • Discovering and registering GHG emission reduction projects with government	• Promoting energy conservation projects • Discovering and promoting overseas CDM	
Eco-Friendly Energies	• Developing eco-friendly technologies and projects		• Technology commercialization and expansion of project

- SK energy is currently in Phase II

• Constructing GHG Management System

As part of our commitment to a low-carbon business framework, we established a computerized system for calculating in-house greenhouse gas(GHG) emissions in 2007, and have completed calculating GHG emissions at our Ulsan and Incheon complexes. Including the Incheon complex that we acquired in 2008 and the newly-built production lines, we have expanded the computerized GHG management system so as to effectively control GHG emissions.

• Internal Emissions Trading

SK energy was the first company in Korea to adopt the internal emissions trading scheme in 2007. Following this, we introduced the scheme to the Ulsan complex in 2008, and expanded the scheme company-wide in 2009. Learning from this experience, we outlined the framework for SK group's emission trading scheme in 2010, operating demo trading with five affiliates and Korea East-West Power Co., Ltd. In the future, we will phase the scheme in other affiliates in order to establish group-wide effective GHG emission reduction practices.

• Carbon Emissions Credits

In order to obtain domestic CER (certified emission reduction), we have registered a total of eight greenhouse reduction projects, including the first project initiated by the Incheon Complex in 2008. We are also taking advantage of the first carbon fund in Korea in order to develop renewable energy sources and secure post-2012 CER.

• **Clean Development Mechanism (CDM) Project**

SK energy received orders from the Korean government for Korea's support program for three developing countries[1]; Vietnam, Malaysia and Thailand, to cope with climate change and is implementing a renewable energy project and developing new CDM projects[2]. As part of the project, we have established a collaboration network with international organizations, research institutes and global companies, as well as the governmental bodies of these countries. Drawing on these networks, we seek opportunities for potential CDM projects and run feasibility tests on discovered projects, such as biogas.

• **GHG Emissions Control**

SK energy calculated GHG emissions based on the "SK energy GHG Calculation & Reporting Guidelines." The calculation receives a third-party assurance in accordance with ISO 14064 for reliability. Since the acquisition of the Incheon Complex in 2008, the calculation has included GHG emissions from there. The 2009 GHG emission will receive the third-party assurance when the Korean government's guidelines are finalized. We assign officers at each worksite to calculate GHG emissions based on fuel consumption using the internal control system, which is also monitored by internal audits at each site.

• **Future Plans**

With the enactment of the enforcement decree of the "Low-Carbon Green Growth Basic Act" in 2010, the GHG energy target management system and related regulations are to be enacted. Starting from 2012, companies are required to reduce GHG emissions. Consequently, there is rising demand for energy conservation projects and process technology developments.

Against this backdrop, SK energy will continue to increase its carbon emissions credits through GHG registry and CDM projects, while securing more business opportunities in overseas markets by participating in the government's support programs for developing countries.

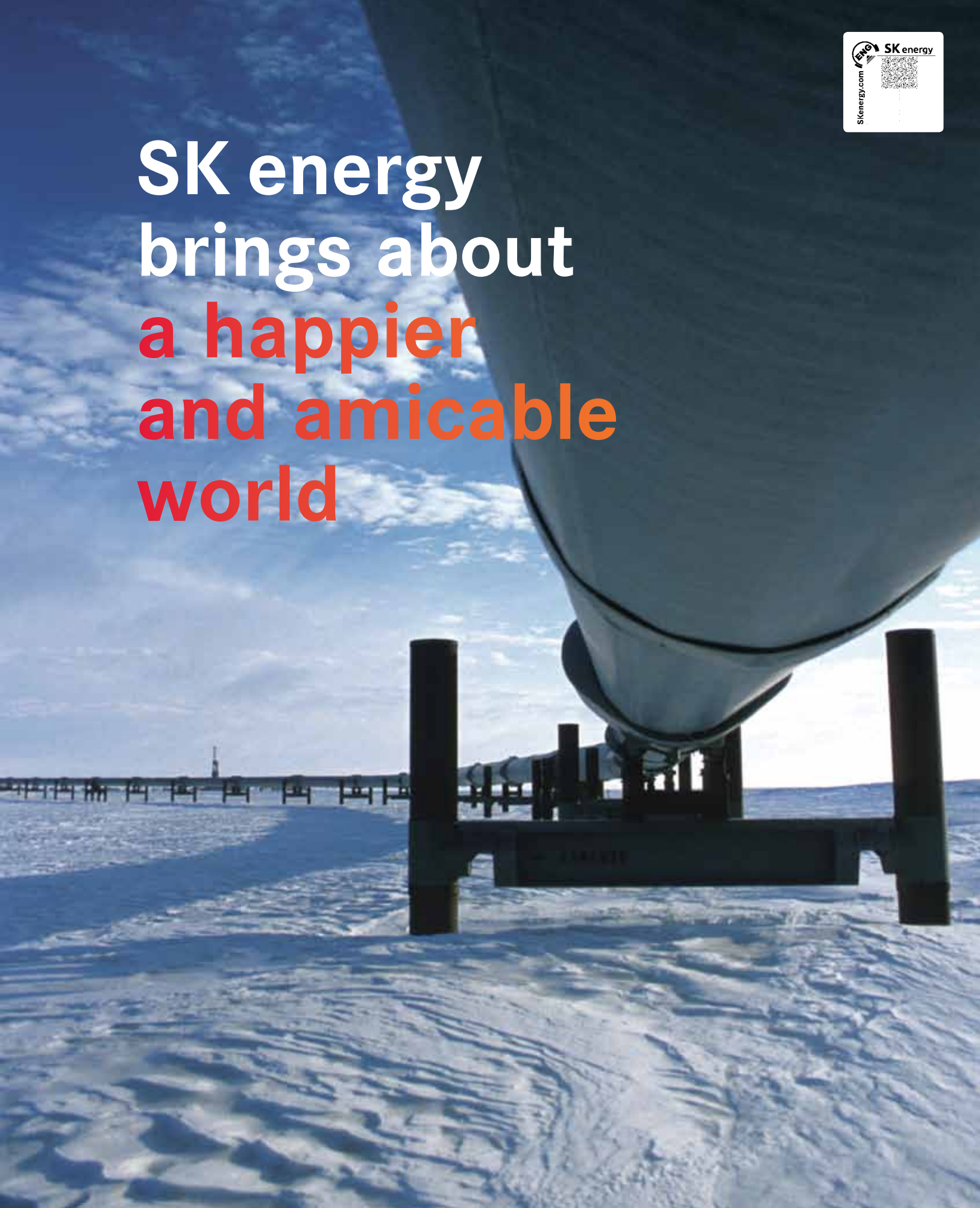
GHG Emissions

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Direct	6,675	6,483	6,540	6,551	6,752	6,806	7,007	7,305	8,568	8,571
Indirect	498	612	711	700	756	725	832	967	1,279	1,442
Total	7,173	7,095	7,251	7,251	7,508	7,531	7,839	8,272	9,847	10,013

- Direct and indirect emissions of greenhouse gases from Ulsan and Incheon complexes are included. The six GHG (CO_2, CH_4, N_2O, HFC, PFC, SF_6) were converted to CO_2 equivalent.
- 2009 emissions are internally calculated data. The figures are to be verified under the governmental guidelines when the GHG Energy Target Management guidelines are settled.

1- Supporting Program for Developing Countries Program led by the Korean government that entails support for and cooperation with developing nations. The purpose is to partake in the international community's response to climate change, boost negotiating power to prepare for talks on greenhouse gas reduction, and help Korean firms enter developing markets.

2- CDM (Clean Development Mechanism) is an arrangement under the Kyoto Protocol allowing industrialized countries with a greenhouse gas reduction commitment to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries. Industrialized countries can benefit from acquiring CER and the developing countries can benefit from receiving technological and financial aid. Since 2005, developing countries have also been allowed to invest in CDM projects.


SK energy brings about
a happier
and amicable
world

SK energy builds the future of Korea as an energy powerhouse.

In 2010, SK energy spun off its business operations to independent entities in an effort to reinforce global competitiveness and create new growth drivers. The 2010 business results bear out our aspirations to expand in global markets.

Vision & Strategic Direction

Under the goal of "ensuring the continued existence and future growth drivers of the company," SK energy invests in projects that explore overseas oil fields, develops renewable energy and improves facilities and infrastructure in order to increase the size of secured reserves. While creating financial value and distributing this equally to stakeholders, the company strives to raise its brand value, develop new business to ensure future growth, and contribute to Korea's national competitiveness.

Priority Issues

• New technology • New business • Financial results • Improved facilities and infrastructure
• Corporate brand value

Major Achievements

- With the aim of reinforcing global competencies and future growth drivers through independent and specialized management structure, the company spun off the oil refining and petrochemical businesses into independent subsidiaries on January 1, 2011, renaming the remaining concern SK innovation
- Sales rose by 22.4% and operating profit surged 89% from the previous year
- SK energy received the Iron Tower Order of Industrial Service Merit, while its Ulsan complex received the Presidential Award at the National Quality Management Awards for the 13th consecutive year.
- Financial Results (Unit: KRW billion, %)

		2008	2009	2010
Financial Results	**Total Assets**	22,456	21,664	26,331
	Sales	45,737	35,828	43,864
	Net Income	888	680	1,208
Ratios	**Debt-to-Equity Ratio**	207%	180%	144%

(Creation & Distribution of Economic Value)

Financial Performance in 2010

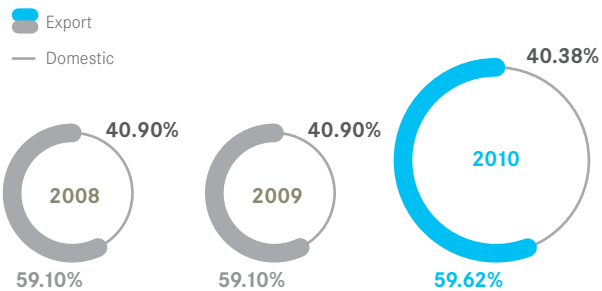
Sales in 2010 increased 22% from the previous year, rising to KRW 43,863.6 billion. By business, petroleum sales rose by 25% from 2009, totaling KRW 30,361.5 billion on oil price hikes and improved refining margin brought about by the economic recovery. Meanwhile, petrochemical sales increased 29% YoY to KRW 12,448.1 billion thanks to a strong market. Exploration & production (E&P) sales also realized 23% YoY growth, rising to KRW 783.0 billion in 2010.

Overall operating income surged 89% from 2009 to KRW 1,714.1 billion on a sharp surge in petroleum operating income and E&P. Petroleum operating income significantly increased thanks to an improved refining margin and a profitability optimization plan. E&P realized a record-high operating income of KRW 415.5 billion thanks to rising oil prices and increased daily production volume. However, petrochemicals, which realized record highs in 2009, saw operating income decline 38% YoY to KRW 387.4 billion.

- **Sales and Operating Income by Business** (Unit: KRW billion)

		2008	2009	2010
Petroleum	Sales	32,252.7	24,265.2	30,361.5
	Operating income	1,242.5	42.9	983.5
Petrochemical	Sales	10,364.6	9,660.8	12,448.1
	Operating income	132.5	623.4	387.4
E&P	Sales	525.3	635.9	783.0
	Operating income	294.4	335.1	415.5

- **Sales Breakdown**



Returning Shareholder Value

In 2010, SK energy maintained the same dividend payout ratio as the previous year - KRW 2,100 for common shares and KRW 2,150 for preferred shares. The company has steadily increased its dividend policy with the aim of increasing shareholder return. We will continue to strive to increase shareholder value through preemptive risk management and efficient internal control. Backed by stable business operations, we will strive to achieve business objectives through sustainable long-term growth strategies.

- **Sales and Operating Income by Business**

	2008	2009	2010
Stock price(par value, KRW)	5,000	5,000	5,000
Earnings per share(KRW)	9,555	7,311	12,990
Dividend per share (common share, KRW)	2,100	2,100	2,100
Dividend per share (preferred share, KRW)	2,150	2,150	2,150
Total dividends(KRW million)	195,289	195,289	195,767

Government Grants

SK energy was granted a KRW 1.24 billion Success Repayable Loan by the Korea Resources Corporation for overseas resource development projects in 2010. This was spent on the Cree East uranium project in Saskatchewan, Canada, in 2010.

Risk Management

The foreign exchange rate is one of the major risk factors to the petroleum and petrochemical businesses because of its significant influence on crude oil sales and imports. Characteristic of an all import-dependent structure, the business is exposed to foreign exchange liabilities in foreign currency. In order to minimize such risks, SK energy employs the Value-at-Risk method to hedge any excess through derivative products. Chaired by the director of the Business Management Unit, the Foreign Exchange Risk Management Committee oversees all foreign exchange risk management and reports to the Treasury Team on a regular basis.

2011 Business Plan

SK energy spun off its oil refining and petroleum businesses into respective independent entities–SK energy and SK global chemical–on January 1, 2011 in order to establish an autonomous management system. The remaining company was renamed SK innovation.

In 2011, SK innovation will focus on stabilizing existing business and strategies for future growth by upgrading its business structure. SK innovation will continue investment in its core businesses of oil drilling, information & electronics, and batteries, while its subsidiaries pursue global expansion in their respective areas. The company expects the spin-off to enhance efficiency in the operation of plants, as well as streamline costs and the decision-making process.

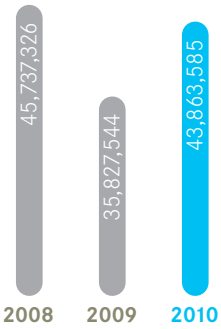
At the end of December 2010, the BOD resolved to sell its stake in SK do Brasil Ltd to Moller-Maersk, a Danish-based shipping and oil group, for $2.4 billion as part of its E&P business portfolio restructuring plan. Earnings from the sale will be invested in diverse areas, such as the purchase of oil fields and the acquisition of foreign oil companies. The company is planning further restructuring of its E&P business portfolios, as well as seeking more rights and stakes in overseas mining projects.

Under the goal of taking the lead in the future of the energy industry, SK innovation will continue to reinforce its business competencies in “Green Growth” initiatives. Specifically, we will step up R&D efforts in order to develop lithium-ion battery production technologies, GreenPol™, green coal and bio-butanol.

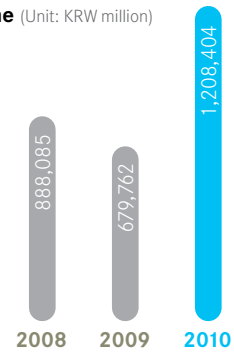
SK energy
SKenergy.com

2010 Summary Financial Statements

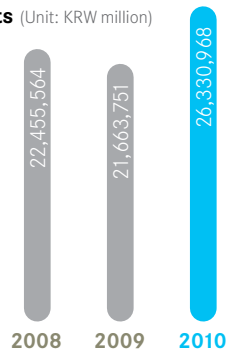
- **Sales** (Unit: KRW million)



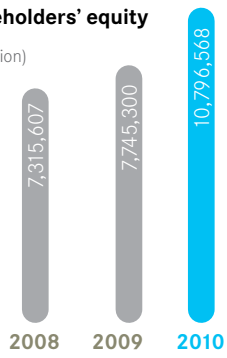
- **Net income** (Unit: KRW million)



- **Total assets** (Unit: KRW million)



- **Total shareholders' equity** (Unit: KRW million)



- **Summary Income Statement** (Unit: KRW million)

	2008	2009	2010
Sales	45,737,326	35,827,544	43,863,585
Cost of sales	42,420,666	33,599,321	40,799,366
Gross income	3,316,660	2,228,223	3,064,219
SG&A expenses	1,425,163	1,320,470	1,350,158
Operating income	1,891,497	907,753	1,714,061
Non-operating income	5,137,345	3,207,463	2,242,766
Non-operating expenses	6,070,504	3,295,561	2,475,919
Income before income taxes	958,338	819,655	1,480,908
Income taxes	70,253	139,893	272,504
Net income	888,085	679,762	1,208,404

- **Summary Balance Sheet** (Unit: KRW million)

	2008	2009	2010
Current assets	10,701,519	9,672,695	11,561,038
Non-current assets	11,754,045	11,991,056	14,769,930
Total assets	22,455,564	21,663,751	26,330,968
Current liabilities	9,038,720	8,721,107	9,961,703
Non-current liabilities	6,101,237	5,197,344	5,572,697
Total liabilities	15,139,957	13,918,451	15,534,400
Paid-in capital	468,570	468,570	468,570
Capital surplus	5,876,620	5,884,667	5,872,918
Capital adjustment	(-)202,663	(-)202,663	(-)143,182
Accumulated other comprehensive income	172,709	111,866	2,102,287
Retained earnings	1,000,371	1,482,860	2,495,975
Total shareholders' equity	7,315,607	7,745,300	10,796,568

SK energy delivers happiness to all.

We aspire to a happier world for everyone. Our commitment to people's happiness continued with our communication with stakeholders in 2010. Their feedback helps in our endeavors to realize the true sense of happiness management.

Vision & Strategic Direction

In response to society's expectations, and in order to deliver happiness to stakeholders, we pursue "Happiness Management," guided by SKMS, so as to meet our obligations as a responsible corporate citizen.

Priority Issues

- Human resources development, welfare benefits
- Enhancing quality of services at customer contact points
- Social contribution activities, development of communities
- Win-Win cooperation

Major Achievements

- Introduced the EnClean Plus+ card, which offers differentiated services, thus expanding the scope of benefits from oil supply to those encompassing lifestyle through a vast network of franchises.
- Signed agreements with ten environment-technology businesses for the 'Large Enterprise-SME win-win cooperation for global green environment projects' initiative.

	2008	2009	2010
Accident rate (%)[1]	0.11	0.30	0.23
Customer Satisfaction (on a scale of 5 points)[2]	4.17	4.15	4.14
Social Contribution Spending (KRW billion)	38.5	37.1	31.2

1- Average accident rate of 2010 by the Ministry of Labor overall industries: 0.69, manufacturing: 1.07

2- Internal survey results of customer satisfaction (on a scale of 5.0 point)

(Customer Satisfaction)

Policy and System

| Customer Satisfaction System |

SK energy has established a customer-oriented system so as to enhance customer happiness as well as continues to make strenuous efforts to improve customer services. In particular, the process is designed to maximize customer satisfaction through the systematic and efficient division of roles.

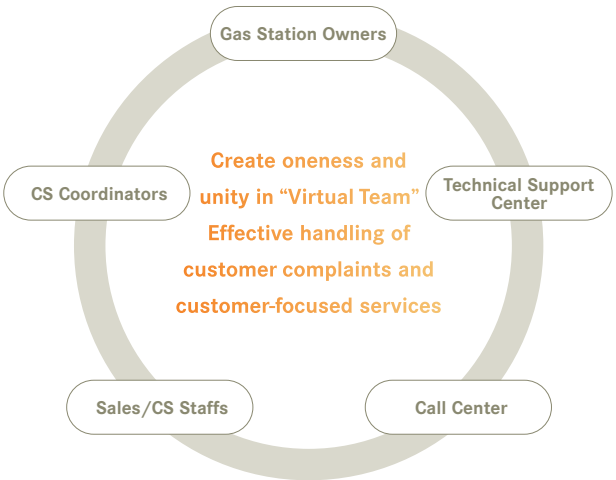
| Customer Satisfaction Promotion Organization |

- **Customer Care Center**

SK energy Customer Care Center addresses customer counseling on and offline through its 50 specialized counselors. The center collects voice of customers (VOC) regarding the company's business activities and uses this as the benchmark for all its customer satisfaction activities.

- **CR (Customer Relations) Community**

As part of its customer-oriented service mechanism, SK energy created the CR Community, a virtual team consisting of people in charge of CS tasks from each of the customer interface areas. The community does its utmost to realize customer-oriented services through on-spot CS activities and regular workshops.



| Customer-Oriented System |

- **VOC Feedback Process**

SK energy ensures a real-time process in regards to customer complaints and inquiries. The weekly and quarterly analysis of collected VOC is shared with all related departments in order to improve the company's CS level.

- **CCS (Customer Care System)**

The CCS is an online-based customer satisfaction improvement mechanism that provides customers with technical support and consulting regarding oil products and services. Through the CCS, SK energy deals with customer grievances, keeps records of technical reviews, provides customer counseling and technical advice regarding products, conducts quality check-ups, releases information and knowledge regarding oil products and their standards, and handles defective products.

| Customer Satisfaction Survey |

SK energy carries out the ACE (Appearance & Cleanliness Evaluation) on a regular basis. Initiated in 1998, ACE is a self-evaluation system designed to elevate customer service at gas stations. Furthermore, we conduct e-mail surveys regarding customer satisfaction three or four times every year. These results are shared with all relevant departments so as to help them improve their work processes and CS levels. Rewards are given to personnel showing excellence at customer contact points through the Customer OK Thanks System. As a result of our ceaseless endeavors toward better customer service, we ranked first in the gas station category of the Korean Standard-Service Quality Index (KS-SQI) conducted by the Korea Standards Association.

- **Customer Satisfaction Level**

(Surveyed by SK energy, on a scale of 5.0 points)

	2008	2009	2010
Customer Satisfaction Level	4.17	4.15	4.14

(Workforce Diversity and Competence-Building)

Responsibility to Customers

| Protection of Customer Information |

SK energy introduced a certification program for employees with access to customer data to remind them of the importance of protecting customer information. In order to ensure strict compliance with customer privacy regulations, we run regular inspections and maintain the secure transmission and storage of customer information. To bolster technical and physical security, we use customer data encryption technology, as well as operate a separate Security Operation Center (SOC) that is subject to strict rules. As a result of our strenuous efforts towards customer privacy, we have experienced no incidence of leakage, theft or loss of customer information to date. To this end, SK energy enforces rules and guidelines to protect customer information and applies strict principles imposed by SK group. In the future, we will continue to maintain air-tight control in order to stop any leakage of customer information.

| Product and Service Liability |

Every SK energy employee is fully aware of the importance of product safety. We ensure the prompt addressing of consumer claims through our Quality Service Centers in six regions across the nation. The Quality Guarantee Program further enhances customer reliance in our products by instantly addressing quality claims and providing appropriate compensation. We also observe governing laws, such as the Broadcasting Advertisement Law, the Outdoor Advertisement Law and the Consumer Protection Law. In 2010, we experienced no breach of laws or regulations regarding products and services.

- **Product Safety Control**

  - Providing MSDS (Material Safety Data Sheet) on all products
  - Evaluation and elimination of hazards and defective factors of products in its life cycle
  - Compliance with relevant laws
  - Product safety committee
  - Training for employees and partner firms
  - Regular product safety audits

Workforce and Diversity

| Human Resources Management |

Guided by the management principle, SK energy strives to form a great workplace, one in which employees can concentrate on their jobs and which helps guide them to build global competences. We advocate the ten principles of the UN Global Compact and put our utmost efforts into protecting employees' human rights and labor rights. We run various programs to protect human rights, while striving to observe all labor laws.

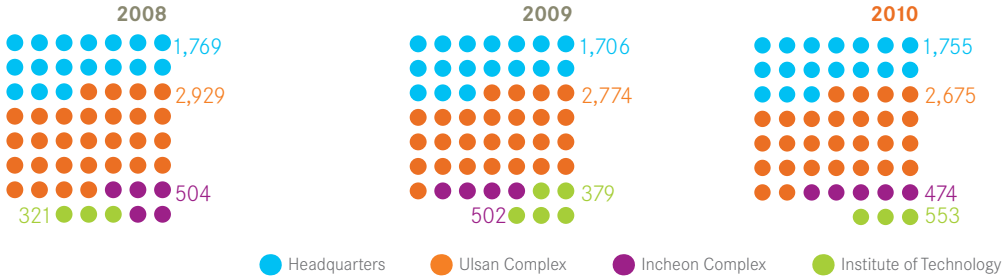
Equal Opportunities and Diversity

SK energy strictly prohibits the discrimination of any employee and strives to ensure fair and rational opportunities for all based on their individual performances and competences. In the process of recruitment and employment, we abide by labor laws such as the Labor Standard Act and Act on Gender Neutral Employment, in order to ensure fair procedures. Working conditions are determined fairly in the form of collective agreements, job disciplines, and employment contracts. In consideration of the human rights of our female workers, who accounted for 10.1% of our total workforce in 2010, we comply with the Act on Gender Neutral Employment and the Act on the Ban on Gender Discrimination and Relief, as well as provide sexual harassment prevention training every year. Furthermore, we are committed to ensuring adequate gender balance and equal opportunities. Male and female employees that perform the same duties are subject to the same salaries. In addition, we have committed ourselves to the disabled employment quota of 2% by signing an agreement with the Korea Employment Promotion Agency for the Disabled (KEPAD).

Workforce at Worksites

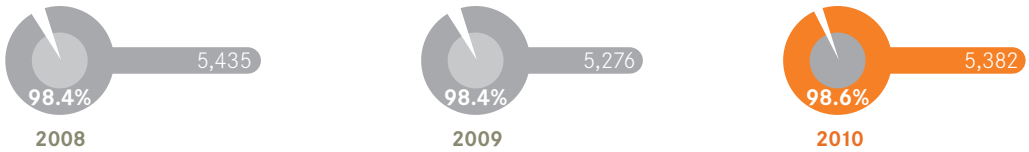
(as of the end of 2010, Unit: persons)

Headquarters numbers include employees of overseas and domestic branches, but excludes those working at Ulsan and Incheon complexes and the Institute of technology



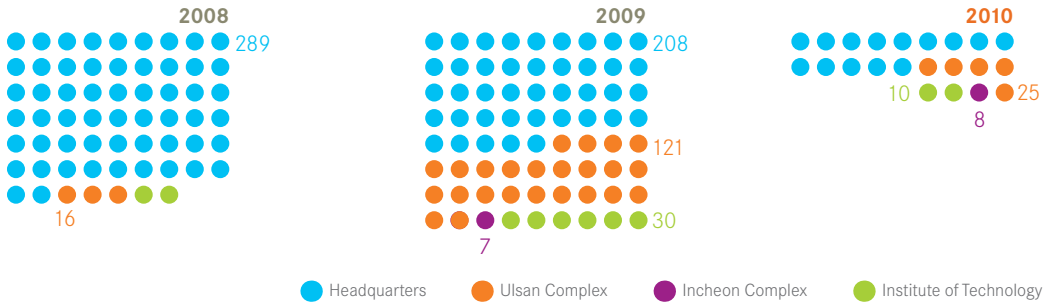
Percentage of Regular Employees

(as of the end of 2010, Unit: persons, %)



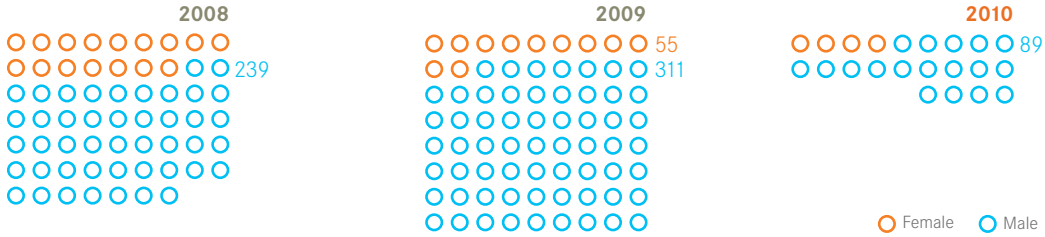
Number of Retirees by Worksite

(as of the end of 2010, Unit: persons)



Number of Retirees by Gender

(Unit: persons)



Workforce

(Unit: persons)

1- The Minority Group here refers to the disabled.

Education and Training

| Education and Training |

SK energy's education system is programmed to cultivate in our employees the four competences of SUPEX leaders, so as to deal with changing business environments. In promotion of workforce diversity, the company also supports club activities at all worksites.

- **SK Values**

Education programs on SKMS and SUPEX enhance employees' understanding and execution of SK Values.

- **Leadership**

Leadership programs reinforce competences required to become SUPEX leaders at each level of job class, such as cultivating a business perspective, strategic thinking and leading changes in corporate culture.

- **Job Competence**

Systematic education programs are in place for individual job duties, such as planning, finance, marketing, production, R&D and safety & environment.

Short-term Outside Training Program - We support employees' self-learning plans based on the team development plan (TDP) and individual development plan (IDP) to pick up the skills required for their job. We also encourage them to participate in external training sessions and overseas seminars and conferences.

Overseas Training Program - We select employees every year for MBA, fellowship programs, and master/doctorate courses in job-specific disciplines at overseas institutions.

Graduate School Program - Every year we send selected employees to prominent Korean graduate schools, subsidizing full tuition fees for master/doctorate courses.

- **Global Competence**

Education programs focus on nurturing global leaders and regional experts, especially in China and Southeast Asia, to become the main force in the company's global business initiatives.

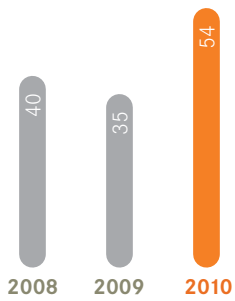
Globalization Training Program - Employees are dispatched to foreign countries for six months to one year. They learn about local languages, special practices, culture and regional economy, thus acquiring expertise in local markets.

Foreign Language Training Program - Our language programs include in-house classes, camp programs, online courses and telephone classes in English and Chinese. All employees are provided with necessary education programs in consideration of their service years. Furthermore, individual employees are encouraged to develop and execute individual development plans (IDP) in line with the team development plans (TDP) of their own teams. The improved individual capabilities will help strengthen overall team capabilities.

| Other Educational Supports |

Program	Descriptions
Online Training	As a supplementary to the offline courses, a wide array of online program is in place including approximately 20 web-based training (WBT) and SK Academy courses.
Industry-Academia Collaboration Course	The SK MBA is an annual program, where high-profile figures from universities and consulting firms give lectures on business administration. In addition, industry-academia collaboration courses include the Energy Management course in collaboration with universities.
Others	Various more programs include post-doctor courses, follow-up training and Community of Practices, and support programs for retiree-to-be for academic purposes.

- **Annual Education Hours Per Capita** (unit: time)



Based on data of educations conducted by the team in charge of company-wide education

Performance Evaluation and Compensation

We adopted the CIC (Company in Company) system in 2008 so as to establish a performance-based management system. By collecting employee opinions regarding performance evaluation improvements and cooperation among business units, we will make strenuous efforts to successfully establish the system.

| Evaluation System |

At SK energy, all evaluations are made from the perspective of SK Values, competences, and performance. By evaluating employees' competences, potential and performances on a regular basis, we are able to use the results as a benchmark for promotions, transfers, education, training and compensation. According to their job position and class, the evaluation criteria and procedures vary: executives and team leaders (6.2%), employees on annual salary system (35.2%) and employees on merit-based system (64.8%).

| Compensation System |

To ensure fair compensation in scale with competency, potential and the performances of individual employees, we adopt annual salary contracts and special incentive schemes. Special incentives are determined based on EVA (Economic Value Added) and KPI (Key Performance Indicator), and in consideration of the performances of individuals and their departments.

Category	Annual Salary System	Merit-based System
Target	Business, Engineer, R&D, Management support	Supervisors, Technicians, Administration support
Compensation adjustment	Based on performance	Based on years in service
Adjustment date	January 1st	March 1st

| Promotion Scheme |

SK energy takes the competences, qualifications and performances of all employees into consideration in order to ensure a fair and reasonable promotion scheme. Our fair promotion scheme motivates employees to voluntarily and positively engage in their job fulfillment and self-directed competence-building.

| Retirement Policy |

We offer direct and indirect compensation, including retirement allowances, to employees in proportion to their contribution to the company. In the case of death or retirement due to disability, we provide additional retirement allowances in a bid to contribute to the bereaved family.

(Employee Satisfaction)

Human Rights

SK energy promotes the interests of both management and labor through the Labor-Management Council, which comprises of an equal number of representatives from both sides. A labor union protected by labor rights laws is organized to represent employees within the company. In particular, collective agreements are applied, in principle, to employees at junior managerial level and below, and we are striving to expand this to the entire workforce.

- **Labor Union at SK energy** (as of the end of 2010)

No. of members	2,848 persons
Full-time members	5 persons
Umbrella organization	Federation of Korean Trade Unions (FKTU) Chemical Labor Union Division

| Child Labor and Forced Labor |

SK energy does not engage in business involving child labor or forced labor and strictly bans any illegal practices within its premises. All SK energy employees are hired of their own free will and subject to appropriate levels of compensation and promotion based on their performance and competence.

| Freedom of Association and Collective Bargaining |

At SK energy, all labor union members have the freedom of association and can form or join any organization. When deemed to have a significant impact on an employee's interests, the agenda in question is submitted before the Labor-Management Committee for deliberation. Furthermore, the company is obliged to quickly inform the labor union of any results related to changes in corporate governance, personnel management, and rewards and punishments, while also sharing developments in business management with the labor union upon request.

Employee Satisfaction Initiatives

| Grievances Committee |

At the Ulsan complex, we operate a Grievances Committee. Comprised of six members, three each from labor and management, the committee works to improve working conditions for all employees. It receives and resolves grievances by employees via online and offline channels.

| Employee Engagement and Satisfaction |

In addition to official communications channels, such as the Management Consultative Committee and the Labor-Management Committee, SK energy operates numerous other channels in order to listen to the voices of employees, including the annual SKMS execution review, Open Management Forum and Ethical Counseling Center. In 2010, we sought ways to improve how the Management Consultative Committee serves as a practical communication channel in order to promote employee engagement following changes in labor-management relations brought about by the spin-off. Accordingly, we renamed the Committee "M2M Board" and made it a channel for employees who are not labor union members. Following the spin-off, the majority of employees of the remaining entity were not members of a labor union. Therefore, a separate channel will be established, such as regular meetings, for these employees.

In October 2010, we conducted an online survey of all employees in order to evaluate their practice of SKMS, with 73.4% of the entire workforce answering questions. The findings showed that the major concerns of employees included strategic directions, company-wide efficient allocation and KPI, and performance-based evaluation compensation. In particular, respondents answered that procedures and processes have significantly improved in regards to reporting, meetings, overtime work and leave.

- **Improvements to Management Consultative Committee in 2010**

	Current	Future
Name	Management Consultative Committee	M2M[-1] Board
Basis	**Non-union members:** Management Consultative Committee (headquarters) **Union members:** Labor-Management Committee (Ulsan)	SKI non-union members: M2M Board ∗ Quarterly meetings for SKI union members (by the Institute of Technology)
Agenda	Welfare suggestions and grievances received from employees	Welfare and grievances Ideas for improvement to management and system
Labor representatives	Researchers excluded from being candidates Selected by HR-related organizations	Selected from among all non-union members Selected by groups of employees - Elections held when necessary
Status	Lack of recognition as labor representative	Bolstering role and recognition as representative of labor Serving as communications channel between CEO and employees

1- Mind to Mind

Safety & Health

| Employee Safety & Health Management |

SK energy is committed to raising safety awareness among top management, senior managers and the entire workforce, and encourages them to take the initiative in various accident prevention activities. Based on the SHE (Safety·Health·Environment) Management System, we enacted safety and health policies and guidelines as well as missions, such as safety and health must-dos, risk prevention activities, safety and health internalization, employee participation programs and SHE visual programs.

• Industrial Safety and Health Education

SK energy provides regular industrial disaster prevention training under the Industrial Safety and Health Law. The programs, customized according to job, maximize the effectiveness of this education. We also give comparable training to employees of partner firms that install and maintain our factory equipment and facilities. Having established an education system, we use it for the efficient management of the entire education process, from education to evaluation.

• 2010 OSH Education Performance (Ulsan Complex)

	Subject	No. of Eligible Employees	No. of Sessions	Education Hours
Legal quota of Safety & Health Education (Cyber course)	CLX supervisors	421 persons	12 times	5,052 persons
	CLX office workers	715 persons	12 times	8,580 persons
	Supervisors at logistics center	81 persons	12 times	972 persons
	Supervisors at Daedok Institute of Technology	32 persons	12 times	384 persons
	General affairs staff at Daedok Institute of Technology	495 persons	12 times	5,940 persons
	Supervisors at SK lubricants	18 persons	12 times	216 persons
	Office workers at SK lubricants	32 persons	12 times	384 persons
	Subtotal	**1,794 persons**	**84 times**	**21,528 persons**
	New employees		1 times	6 persons
	Collective safety education on employees on worksites		13 times	573 persons
	Resuscitation education		2 times	24 persons
	Subtotal		**16 times**	**603 persons**

• Process Safety Management (PSM) System

SK energy adopted the PSM system recommended by the Korean Ministry of Labor in order to prevent industrial accidents and establish safe workplaces. We have in place a system to track each of the 12 PSM factors. As of 2010, seven out of a total eight plants at our Ulsan complex had maintained the highest "P" grade, with our Incheon complex also maintaining a "P" grade.

• Performance Measurement of Safety Management Activities

SK energy applies diverse safety management systems and controls. As a result, plant availability (days of operation minus days for regular maintenance and repair) remained at 99.71% at the Ulsan Complex and 99.92% at the Incheon Complex in 2010. Only one incident involving an employee suffering a physical injury occurred in 2010. Furthermore, there have been no incidences of occupational disease for the past three years.

- **Accident Rate by Worksite** (unit: %)

	2008	2009	2010	Remarks
Headquarters [1]	0.06	0.23	0.00	Remarks Average accident rate measured by the Ministry of Labor[2] - All industries: 0.69 - Manufacturing: 1.07
Ulsan CLX	0.14	0.33	0.29	
Incheon CLX	0.00	0.40	0.21	
Institute of Technology	0.31	0.53	0.00	
Company-wide	0.11	0.30	0.23	

1- Headquarters figures include the rates of logistics centers and overseas branches.

2- Accident rate according to the announcement by the Ministry of Labor on January 25, 2011. (as of 2010)

- **Industrial Safety and Health Committee**

SK energy operates an Industrial Safety and Health Committee in accordance with the Industrial Safety and Health Law. Major agenda include an industrial accident prevention plan, safety and health education for employees, and the inspections and improvements of work environments. Article 53 of the Collective Agreement (the organization and operation of the Industrial Safety and Health Committee) stipulates the organization and operation of the Industrial Safety and Health Committee, as well as its limits and counteractions. Labor and management reached an agreement in February 2003 to enact the Guidelines on the Operation of the Industrial Safety and Health Committee, allowing the committee to function more easily.

- **Health Care Facilities & Programs**

Committed to its employees' health management, SK energy operates regular health check-ups. At its Ulsan complex, where most of its production staff are located, is a healthcare center manned by eight professional employees, including a doctor. In addition to a clinic, the center is equipped with medical equipment, as well as dedicated areas for physical therapy, fitness assessment, and fitness instruction. Sports centers at our headquarters and the Ulsan complex are designed to improve the health management of our employees and their families. Furthermore, we strive to protect employees from harmful elements by applying strict standards regarding the control of hazardous materials.

Fair Trade

| Fair Trade Compliance |

SK energy was the first in the industry to adopt the compliance program (CP). CP activities and future plans are reported to the Board of Directors on a regular basis. In 2010, we received one request for corrective action from the Fair Trade Commission in regards to unfair trade practices.

- **SK energy CP System**

Seven Key Elements	Operational Status
Determination and interest of CEO	• Declaration of commitment to compliance and adoption of CP norms
Appointment of Chief Compliance Officer	• Appointing Head of Ethics Management Office as Chief Compliance Officer and disclosing the appointment (Jan. 2008)
Publication of compliance guidebook	• Publication of compliance guidebook • Publication of fair trade guideline
CP education	• CP seminars for employees • Education programs specific to position (Fair trade expert course / Special course for each position)
Internal control system	• Operation of compliance committee and CP regulations • Operation of dedicated team (Fair Trade Team)
Disciplinary program	• Disciplinary measures for violators
Document management system	• Systematic management of CP-related documents

Social Contribution

Social Contribution Direction

SK energy is committed to its social contribution mission of "improving corporate value by promoting happiness in communities. With a focus on poverty, education and the environment, we develop specific, clear missions and goals in order to become a company that delivers happiness to people.

SK energy operates social contribution teams at both its headquarters and its Ulsan complex. Employees organized the company-wide volunteer group "SK energy Angels" in July 2004 and have since participated in numerous volunteer activities.

- **Missions**

  First, We develop social contribution programs that meet social needs and our business acumen

  Second, We implement green initiatives in the global community

  Third, We engage in volunteer activities that contribute to the happiness of our employees

- **SK energy Angels**

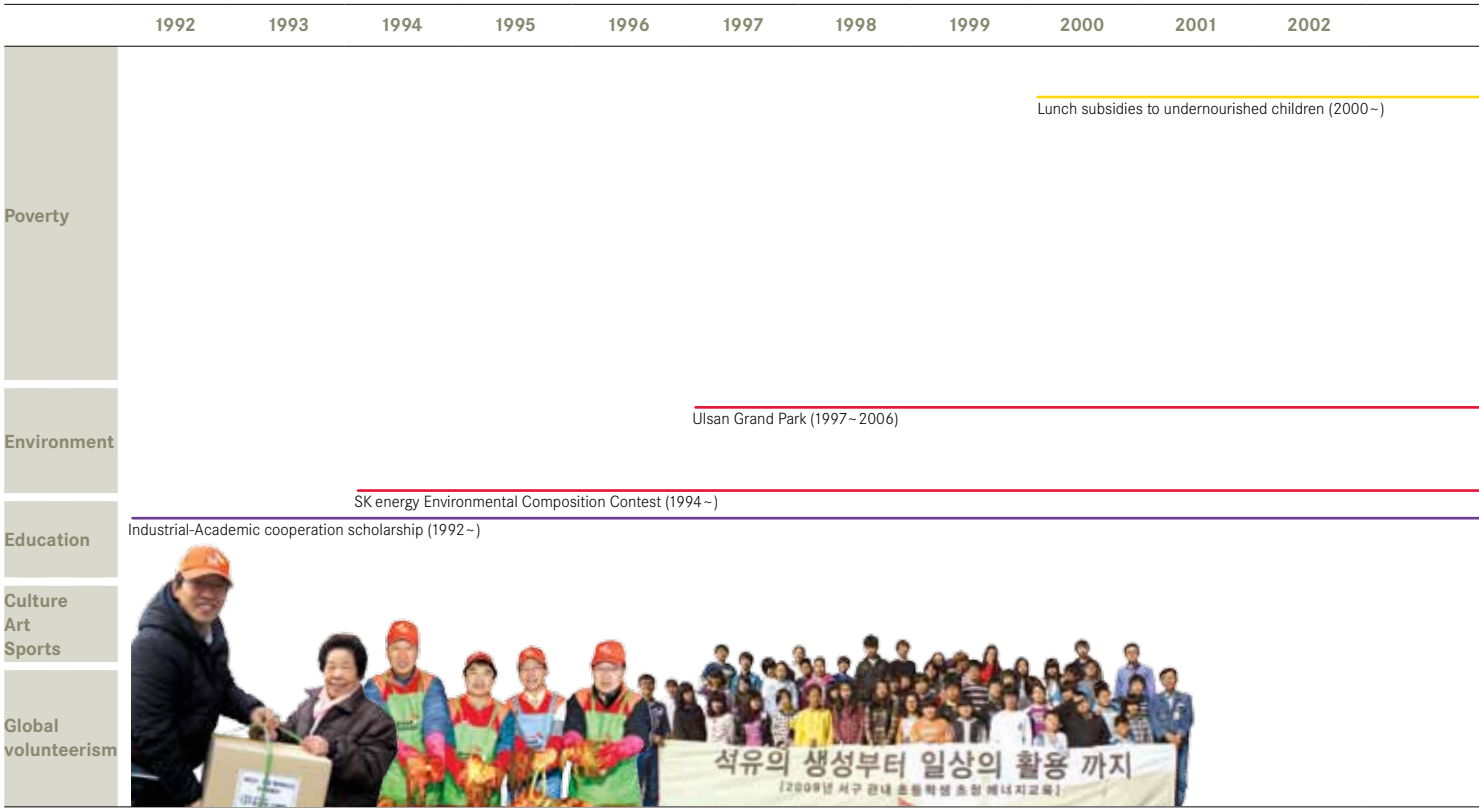
  Mission: Improving corporate value by delivering happiness to communities

  Focus: Poverty, Education, Environment

  Activities: Biz. & Social Mix, Green & Global, Fun Volunteer

  Organization: Headquarters, Ulsan Complex, Social Contribution Team

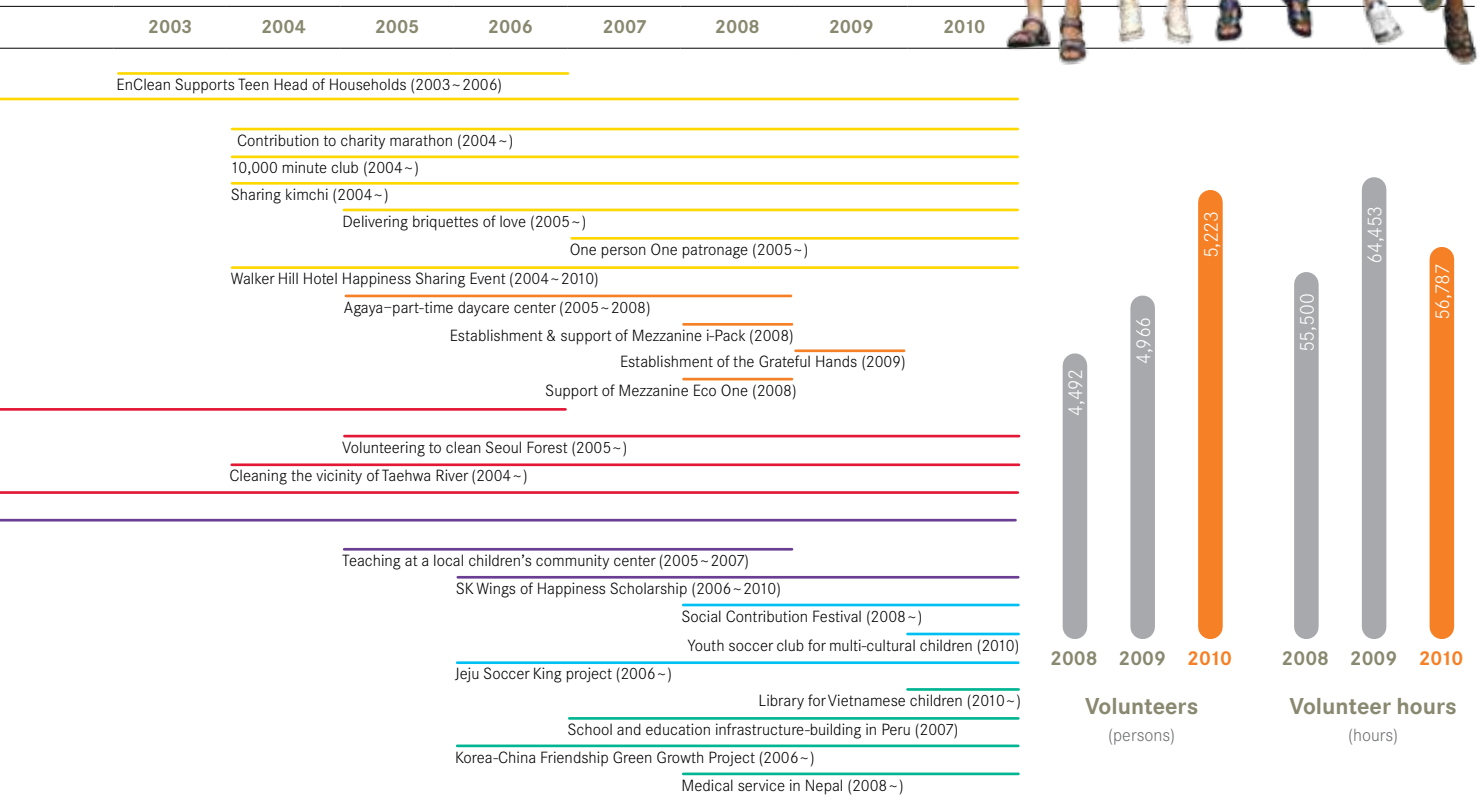
SK energy Social Contributions Timeline



Employee Volunteerism

SK energy runs a Released-Time program in order to incorporate volunteerism into corporate culture and encourage volunteer activities by employees. The Released-Time program counts the volunteer hours as working hours. Other programs to encourage volunteerism include providing volunteer corps coordinators with benefits tantamount to those of regular employees, workshops for coordinators, and the "Volunteer Champion" awards program. In addition, we operate a dedicated website for volunteer corps, at which employees can share information and experiences and exchange opinions.

Based on such systematic support, our employees have organized several volunteer teams on their own will, providing differentiated services and activities to various vulnerable groups.
Since 2006, we have provided the children of our employees with opportunities to volunteer. We believe this will awaken our next generation to the value of caring and living alongside the under-privileged and therefore grow as decent members of society.



Social Contribution Programs in Korea

SK energy cooperates with various non-profit organizations (NPO) and governmental bodies in order to enhance the quality of life in communities. Our focus is on the three pending issues: poverty, education and environment.

Social Enterprises

We see income disparity as the main culprit behind social disparity. In addressing this issue, we have collaborated with related organizations in order to create jobs for the underprivileged. Committed to creating stable employment for them, we have supported the establishment of Agaya, Mezzanine I-Pack, Mezzanine Eco One and Grateful Hands. In 2010, we planned a social enterprise that tapped into our R&C capacity and secured a landsite for farming in collaboration with the regional government. On the landsite, we employed people from vulnerable groups to garden and sell herbaceous flowers. We also plan shelters for communities in near future.

- **Preparing for a Warm Winter**

Every year, from October to February of the following year, we declare the “Happiness Sharing Season” to help the underprivileged secure their houses against the cold winter. During the season, everyone at SK energy joins hands to help those in need. In 2010, we delivered approximately eight million briquettes to 2,800 households as part of the “Briquette Sharing” program and in collaboration with the “Love Coal” NPO. We also made and delivered 100,000 heads of kimchi in cooperation with Korea YMCA volunteers to the 450 charities and 12,000 underprivileged households.

- **Communities**

SK energy conducts various social contribution programs for the underprivileged living near the Ulsan Complex. As part of our community engagement initiatives, we support low-income brackets and the disabled to become financially independent, sponsor low-income single-parents, and give scholarships to underprivileged teenagers. In addition, we run activity programs, such as a summer camp for underprivileged teenagers, IT training courses for social workers, cultural festivals for elderly citizens, and mountaineering trips for the disabled. Furthermore, we have provided free lunches to 1,000 undernourished children from the communities of our Ulsan Complex, Incheon Complex and logistics centers for the past 20 years.

- **Fund-raising & Donations**

Since 2007, approximately 2,000 employees have been donating part of their salaries through the “one-person one-donation account” program. Our marathon club members also participate in charity marathons. The funds raised through these activities are delivered to the underprivileged in communities.

Education Program

- **Scholarships for Children from Low-Income Families**

Since 2006, we have subsidized school uniforms and provided living, health and cultural scholarships to children of residents evicted in Bansong-dong, Haeundae-gu, Busan. We also provide scholarships to the offspring of parents with Hansen's disease, who suffer deep-rooted social bias and poverty.

- **Sponsoring Sports Activities of Underprivileged Children**

In partnership with Jeju United FC, we operate soccer classes for children of local child centers. In 2010, we sponsored a youth soccer team, consisting of children from multi-cultural families in Goyang City, helping their physical and mental development, as well as conducted various family events. We also mounted campaigns to raise social awareness of multi-cultural families.

- We also sponsor the Korea Foundation for Advanced Studies and the EBS Janghak Quiz TV program, as well as being an active member of the "one company-one school sponsorship" campaign.

Environmental Program

- **Creating a Beautiful Culture & Environment**

SK energy constructed and donated Ulsan Grand Park to Ulsan City in 2006. Since then, the park has become the regional center for culture, hosting a variety of social contribution activities and corporate Mecenat events. In 2010, a total of 240,000 citizens enjoyed the Rose Festival. Other activities include the special hosting of the Happy Village Festival for underprivileged children, as well as established programs, such as giving arts and crafts programs to youths, and the operation of a mobile library.

- **Environmental Composition Contest**

Held for elementary students nationwide since 1994, the SK energy Environmental Composition Contest marked its 18th anniversary in 2010. We take pride in the fact that it has established itself as Korea's largest environmental writing contest. In 2010, approximately 88,087 students participated. Furthermore, we have committed to early environmental education through various programs, such as field trips to environmental facilities at our Ulsan Complex.

Global Social Contribution Programs

SK energy does everything in its power to fulfill its corporate social responsibilities around the globe. We began social contribution programs in Peru as early as 2007 and in Vietnam in 2010. We plan to expand the scope of our activities to more countries.

- **Vietnam**

In 2010, we renovated elementary school buildings, mended toilets and built libraries in Binh Son City, where our BSR refinery plant is operating. SK energy is now exporting its oil refinery and petrochemical technologies to the plant. We also paved roads in the community. During these activities, 30 selected volunteers from SK energy joined hands with the 500 local residents and students in order for both groups to better understand each other.

- **Peru**

Since 2007, we have been involved in community development programs in the vicinity of our operations in Peru. We have rebuilt a total of 50 schools and helped over 40 schools create green zones in Ica Province, which suffered from a destructive earthquake in 2007. We spent a total of KRW 1.5 billion for the restoration of medical facilities, donation of medical supplies and teacher training programs, as well as a microfinance program to help local farming communities raise their income.

SK energy builds a greener society for the planet.

Dedicated to making the planet as green and clean as possible, we actively engage in investments and R&D for eco-friendly technologies, while striving to minimize any environmental impact.

Vision & Strategic Direction

SK energy is committed to the Group's environmental vision of "contributing to sustainable development and the happiness of society through eco-friendly management practices." To this end, we developed our own "Safety, Health & Environment (SHE) Integrated Management System" in 2004, creating the infrastructure needed for the comprehensive management of SHE activities. Beginning 2011, we will engage in a campaign to establish an advanced SHE culture within the company. Furthermore, we will continue to strive to minimize any environmental impact by reducing greenhouse gas emissions and through other initiatives.

Priority Issues

- Rising social calls for an environmental management system
- Low-carbon emissions
- Stricter environmental regulations and rising demand for compliance with international standards

Major Achievements

- Our efforts to minimize environmental impact

		2008	2009	2010
Environmental investments [-1]	**Investment costs (KRW billion)**	394.6	172.3	42.8
Low-carbon emissions [-2] **(Volume of GHG emission(1,000 tCO_2)**	**Direct**	7,138	6,906	6,518
	Indirect	2,121	2,314	2,342
	Total	**9,259**	**9,220**	**8,860**

1- See following chapter for more details

2- Include direct and indirect emissions of GHG at Ulsan and Incheon complexes, by converting six main culprits (CO_2, CH_4, N_2O, HFC, PFC, SF_6) into CO_2 equivalent.

Environmental Management System

SHE Management Vision and Strategy

Under the philosophy "respect for humanity and the preservation of the environment," SK energy places its top priority as Safety·Health·Environment (SHE). Upholding our philosophy and value, we developed four guidelines for all employees in line with the basic principle "pursuing sustainable growth through accident-free and eco-friendly management."

SHE Management System

SK energy developed and put in place its own "Safety, Health & Environment (SHE) Integrated Management System" so as to comprehensively control such issues at production sites. Consisting of 11 management factors and operating processes, the system satisfies the requirements of the Process Safety Management (PSM) and Environment Management System (EMS).

The Ulsan complex operates its own SHE Management System, comprised of four components; system, implementation, accident control, legal compliance. As for implementation, the system sets forth the practical items of implementation, measuring and controlling the overall system and accident-prevention level at each unit of the organization and their respective accident prevention activities every month. Following the acquisition, the Incheon complex devised a SHE master plan and had completed all infrastructure investment by 2010. In 2011, we will continue efforts to raise employee awareness.

- **2010 Ulsan complex SHE Performance Indicators**

Category (proportion)	**Performance Indicators**
System Operational Indicators (30%)	PSM ratings, EMS evaluation results and other system operational factors
Leading Index (70%)	SHE training program completion rate, No. of SHE meetings, No. of SHE check-ups, Near-miss, SHE proposals, Emergency drills, and other SHE activities
Lagging Index (plus/minus)	No. of accidents, Accident rates, No. of environmental accidents, No. of legal violations, Overspeed control, Public discount cases, No. of rewards, etc.

Environmental Activities and Performances

Strengthening Environmental Capabilities

| Environmental Management System |

SK energy acquired the ISO 14001 certification for its Ulsan and Incheon complexes in 1996 and has maintained the certification through annual follow-up audits and recertification evaluations every three years. Furthermore, each complex conducts an annual audit of all legal compliances as well as regular internal audits in order to ensure the systematic and efficient operation of EMS. We also continue to monitor the implementation of environmental management so as to reinforce our environmental management capabilities.

| Evaluation of Environmental Impact |

SK energy makes it a rule to conduct environmental impact evaluations that satisfy EMS requirements for any activity with the potential to have an environmental impact, such as plant construction, expansion and alteration. For plant construction and expansion, all materials purchase activities are evaluated in advance. In regards to a change to process or working method, we conduct the evaluation on demand, with it performed every two years for production processes.

Although the business premises of SK energy are located in petrochemical industry complexes and therefore unable to serve as animal habitats, we care deeply about protecting local ecosystems and therefore promote greenery in the vicinity of all our operations. According to a report on the current status of a wild fauna and flora sanctuary designated by the Ministry of Environment, the areas at which SK energy's production activities are conducted do not include any area with a high biodiversity value that could be influenced by the company's business activities.

| Legal Compliance |

SK energy applies stricter internal standards than legally required in regards to air and water pollutants, hazardous substances and other waste. As a result, we have remained clear of any environmental regulation violation for the past five years.

Although we received public complaints regarding noise arising from the initial operation of the upgrade facilities at the Ulsan complex, we solved the issue immediately. In the future, we aim to communicate with communities more actively in order to positively address any complaints.

Saving Energy and Resources

SK energy engages in diverse energy conservation initiatives so as to enhance the energy efficiency of each of its processes. Leveraging its 40 years experience in facility operations, the company is building a database of the best energy-saving practices. Furthermore, we continue to strive to improve facility efficiency and minimize losses in the energy supply system in order to optimize the operation of all our power facilities.

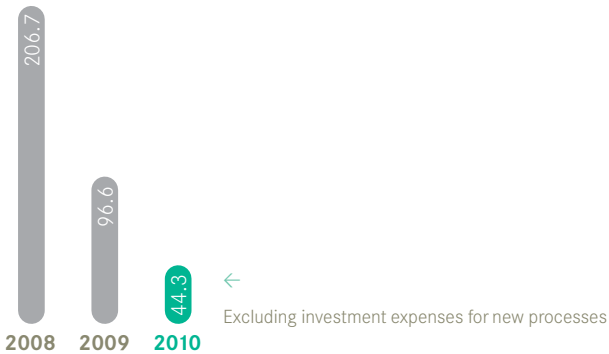
| Environmental Investments |

SK energy is dedicated to minimizing pollutants generated at its Ulsan and Incheon complexes. To that effect, we consistently invest in the development of environmentally friendly products in order to contribute to environmental preservation. However, total investment dropped in 2010, particularly in regards to water-pollution control facilities.

- **Annual Environmental Expenses**

Category	Amount (KRW million)
Air	23,626
VOC	725
Odor	2,945
Water	4,011
Noise	445
Waste	90
Toxic Chemicals	355
Soil	385
Afforestation	766
Energy saving	3,320
R&D	2,300
Safety	3,800
Total	42,768

- **Annual Environmental Expenses** (Unit: KRW billion)



| Energy Conservation Activities and Performances |

At our Ulsan complex, where the majority of production is concentrated, an independent Energy Control Committee and its subcommittee, the Steering Committee, have controlled all energy conservation initiatives since 2008. The committee set the mid-term goal of saving KRW 300 billion in energy expenses between 2008 and 2010, and embarked on a campaign to raise employee awareness. The committee also established guidelines regarding indoor temperature, identified and removed anything that resulted in a loss of energy during all processes, and discovered energy-saving points through process innovation.

The energy management system is in place to select KOPs (key operation parameters) in order to minimize energy consumption and costs for real-time monitoring. In 2009, we launched the "Colum Optimization" campaign in order to increase the energy efficiency of the production process by identifying energy-saving points at each plant. In response to stricter environmental regulations that lowered the legal emission of NOx from 250ppm to 150ppm in 2010, we installed denitrification equipment in all major boilers and process heaters. In 2010, we were selected to participate in a government-driven energy target management pilot system conducted by the Ministry of Knowledge Economy, and engaged in diverse efforts to achieve the program's energy-saving goal.

At our Incheon complex, we successfully reduced energy consumption in the kerosene and diesel desulphurization processes in 2007. Furthermore, we stepped up efforts to install an energy-saving mindset in employees and energy conservation initiatives at the complex.

• Energy Management System

We have developed a computerized energy control program called the Operation Information System (OIS) in order to ensure the reliability of our energy use data. At the Ulsan complex, a separate Visualized Operation Intelligence System (VOIS) was established in 2008. Under the VOIS, the Energy Management System (EMS) effectively monitors energy use and key process factors.

• Employee Awareness and Implementation

SK energy employs in-house media, such as special broadcasting and the Ulsan complexes in-house magazine, in order to raise employees' energy-consciousness in their daily lives. In addition, the Energy Management Center also receives reports regarding energy loss points within the company and rewards employees who provide great ideas regarding how to reduce energy losses.

• External Energy Saving Initiatives

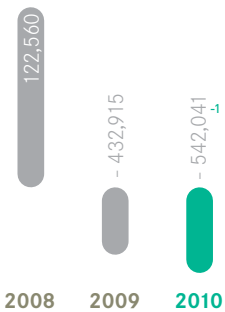
The Ulsan complex utilizes its surplus facilities to provide a stable supply of steam energy at affordable prices to small companies operating in communities as part of the community energy supply (CES) project. In 2009, the complex imported waste steam from Aekyung Petrochemical and is currently seeking additional steam suppliers. At the same time, it is proceeding with a project to capture landfill gas at the Seongam landfill site in Ulsan gas and convert it to fuel energy. Gas emissions from the landfill between 2002 and 2013 are estimated to total approximately 64,000Nm^3, per day.

• Energy Use (fuel/electricity)

	2008		2009		2010	
	Fuel(TOE)	Electricity(MWH)	Fuel(TOE)	Electricity(MWH)	Fuel(TOE)	Electricity(MWH)
Ulsan CLX	2,753,587	2,322,822	2,577,584	2,510,539	2,660,690	2,671,871
Incheon CLX	321,393	332,646	365,831	370,428	366,394	388,015
Total	3,074,980	2,655,468	2,943,415	2,880,967	3,027,084	3,059,886

- SK energy uses Bunker-C, Fuel Gas(process by-product gas) as the main source of fuel.

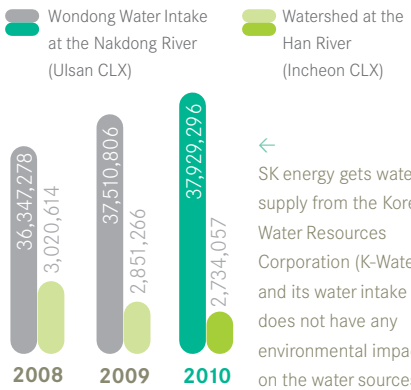
• Energy Sale (Steam) through the CES Project (Ulsan CLX, Unit: ton)



← Figures restated from previous reports following new calculation standards

1- In 2009, imported volume exceeded sales volume

• Water Sources and Volume



← SK energy gets water supply from the Korea Water Resources Corporation (K-Water), and its water intake does not have any environmental impact on the water sources.

• Crude Oil Process Volume

(Unit: 1,000 barrels)

	2008	2009	2010
Ulsan CLX	273,654	254,824	277,407
Incheon CLX	41,262	42,199	39,158
Total	314,916	297,023	316,565

Figures for 2006 and 2007 restated from the previous reports according to the changed calculation formula in 2008.

Pollutant and Waste Control

| Air Pollutant Control |

SK energy applies stricter standards on air pollutant controls than legally required. Employing a TMS (Tele-Metering System) for all major emission sources, we monitor all emissions from our facilities around the clock. In addition, we conduct regular patrols and checkups of these facilities. Dedicated to reducing pollutants, we replaced our fuel energy to low-sulfur oils, installed denitrification and desulfurization facilities, as well as ultra-low NOx burners, and facilities preventing volatile organic compounds (VOCs) and odor. In preparation for stricter regulations regarding air pollutant emissions, we also operate a Selective Non-Catalytic Reduction (SNCR) system, a Selective Catalytic Reduction (SCR) system, and an Ultra-Low NOx Burner (ULNB) at some of our facilities.

| Ozone Depleting Substances |

SK energy does not use, produce or sell any substances defined as harmful to the ozone layer by the Montreal Protocol. The purchase and use of fire extinguishers that use halon have been banned according to internal safety regulations since 2008. Accordingly, all extinguishers located on our premises have been replaced with new and modified ones that use new agents.

- Fire extinguisher: HCFC (hydro chloro fluoro carbons)
- Fixed: FM200, FS125 (penta fluoro pentan)

- **Air Pollutant Concentration**

Pollutant	Site	Legal Limit	Company standard	Average Emission Concentration		
				2008	2009	2010
SOx (ppm)	Ulsan CLX	180	160	44.1	37.8	35.3
	Incheon CLX	180	160	94	60	66
NOx (ppm)	Ulsan CLX	250	230	87.7	83.2	76.9
	Incheon CLX	250	235	164	103	103
Dust (mg/m^2)	Ulsan CLX	50	40	6.7	10.5	6.3
	Incheon CLX	50	35	7.6	5.1	7.5

← Figures for SOx and NOx are for burners and dust is for boilers. Average emission concentration represents the entire process at the Ulsan complex

← SOx and NOx are for burners and dust is for boilers

- **Air Pollutant Emission Amount** (Unit: ton)

Pollutant	Site	Emission Amount		
		2008년	2009년	2010년
SOx	Ulsan CLX	6,042	5,207	4,962
	Incheon CLX	631	539	579
NOx	Ulsan CLX	8,605	8,256	7,682
	Incheon CLX	1,193	926	970
Dust	Ulsan CLX	326	526	316
	Incheon CLX	27	27	28

| Environmental Index Vegetation Management |

By participating in the "Air Pollution Indicating Environmental Index Planting Project" being conducted by Ulsan City, SK energy designates and manages "Environmental Hills," at which it plants "Environmental Index Plants". The company also cooperates with the municipal government by observing plant conditions and indirectly controlling air pollution factors.

| VOC and Odor Control |

SK energy operates regenerative thermal oxidizers (RTO), bio filters and VOC recovery facilities at its environmental facilities, product shipping and storage facilities and process areas, so as to insulate VOCs and odors.

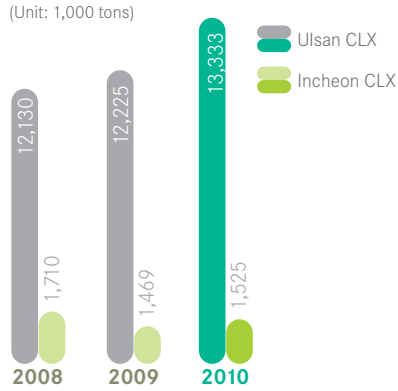
Water Pollutant Control

Committed to controlling the concentration of effluents, SK energy maintains a level below 10% to 40% of the legal requirements through consistent water pollutant reduction initiatives. Since July 2009, companies have been legally obliged to operate TMS and report concentration data to authorities regarding effluents directly discharged into public water. Therefore, the wastewater treatment plant at the Ulsan complex strengthened its water pollutant emission controls and added a membrane bio reactor (MBR). Sour water, a byproduct from the production process and which contains corrosive substances, is being reprocessed to be reused as desalter feed water, thus considerably reducing the discharge of wastewater and the use of water at the same time. Some of the treated water is also reused for extinguishing fires and watering plants. Furthermore, we installed wet air oxidation (WAO) facilities in November 2009 in order to treat waste caustic soda. In preparation of new regulations regarding effluents that came into effect in January, we have also strengthened the separation of high-concentration wastewater from the production process.

- **Wastewater Treatment**

Site	Wastewater Treatment Facilities	Treatment Method	Discharge Place
Ulsan CLX	Ulsan CLX wastewater treatment plant	Biological + advanced treatment	Public sea (East Sea)
	PE/PP wastewater treatment plant	Physiochemical treatment	Yongyeon sewage treatment plant
	EPDM wastewater treatment plant	Biological	
	No.2 FCC wastewater treatment plant	Biological	
Incheon CLX	Incheon CLX wastewater treatment plant	Biological + advanced treatment	Gajwoa sewage treatment plant

- **Wastewater Discharge Volume**



- **Average Concentration of Water Pollutants** (Unit: ppm)

Pollutant	Site	Legal standard	Company standard	Average Concentration 2008	2009	2010
COD	Ulsan CLX	40	20	7.60	9.1	8.12
	PE/PP & No.2FCC	90	70	11.80	12.37	12.26
	Incheon CLX	90	40	13.40	14.5	18.5
SS	Ulsan CLX	10	8	3.60	3.05	2.02
	PE/PP & No.2FCC	80	60	10.65	16.06	21.59
	Incheon CLX	80	30	7.20	8.3	8.2
Oil	Ulsan CLX	5	1	0.62	0.49	0.41
	PE/PP & No.2FCC	5	3.7	0.46	0.72	1.08
	Incheon CLX	5	3	-	-	0.67

- No.2FCC wastewater treatment plant was installed in June 2008

Waste Control

SK energy applies its own procedures for controlling waste generated at its worksites. In order to minimize such waste, it is separated before being discharged, while we continue to strive to improve the recycling ratio. In addition, we pay regular visits to waste handling subcontractors in order to check their treatment capacities and ensure the appropriate management of waste, as well as conduct periodic educational sessions for both SK employees and those of partner firms so as to remind them to separate waste at source, and conduct regular on-site check-ups. Not a single case applicable to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes occurred in 2010.

| Waste Management System |

SK energy operates waste management systems at its waste-generating and waste-treating departments and shares all relevant information with employees, leading to an improvement in voluntary waste management.

- **Waste Discharge Volume** (Unit: ton)

Type	Site	Discharge Volume and Percentage		
		2008	2009	2010
Designated waste	Ulsan CLX	45,711	34,794	27,895
	Incheon CLX	2,103	3,164	2,839
General waste	Ulsan CLX	55,378	55,247	48,699
	Incheon CLX	4,569	1,979	1,901
Total Discharge Volume		107,761	95,184	81,334
Waste Recycling Rate (%)		59.9	54.4	63.8

- **Waste Discharge Volume by Treatment Method** (Unit: ton)

Type	Self-Treatment (landfill)	Subcontracted Volume		Recycling rate
		Recycled	Incineration/ landfill	
2008	31	64,541	43,189	59.9%
2009	3,845	51,811	39,528	54.4%
2010	0.5	48,888	27,706	63.8%

| Treatment Method by Waste Type |

General waste is usually recycled in order to minimize volume. Among designated waste, waste oils are sent to renewable fuel plants so as to produce renewable fuel. Metal wastes are reprocessed to recycle all metal substances.

As for waste caustic soda, the company developed in-house technologies in November 2009 and built the WAO (wet air oxidization) facility, significantly reducing the generation of pollutants and greenhouse gases.

Hazardous Chemical Substance Control

SK energy has established a Material Safety Data Sheet (MSDS) system, shares information, provides training and conduct regular check-ups at worksites in order to preemptively prevent employees and customers from any hazardous factors and accidents arising from chemical substances. Signing a voluntary agreement with the government to lower chemical discharges, we strive to reduce emissions. As a result, we outperformed our target by 69%. For this accomplishment, we were designated “Best Practice” during an evaluation of emission reduction performances.

| MSDS(Material Safety Data Sheet) |

SK energy bases the operation of SK e-MSDS on the international standards of the globally harmonized system (GHS) in order to control and share information regarding toxic chemicals. Classified into 16 categories, including producers, hazard identification and first aid details, the information is provided through ordinary training courses and extraordinary MSDS training courses in the event of new employment, the adoption of new chemical substances and the transferring of job duties. MSDS information regarding products that SK energy produces and sells is available by product at our websites; www.e-SK.com for oil products, www.SKchem.com for chemical products, www.SKzic.com for lubricants, and www.yubase.com for base oil products. There were no violations of regulations regarding product information and labeling in 2010.

- **Performance Related to Voluntary Agreement to Reduce Chemical Substance Discharge**

Site	Base Year (Kg/year)		Target	Accomplishment	Agreement Year
Ulsan CLX	578,317 (2001 emission)	2007 30%	2009 50%	2009 emissions: 179 tons 2010 reduction amount to be calculated in April, 2011	2004
Incheon CLX	803 (2006 emission)	2010 30%	2012 50%	Interim assessment scheduled after 2010	2006

- Voluntary agreement terminated in 2009 but the company continues reduction.

Soil and Underground Water Management

SK energy enacted and applied its own work process for the systematic management of soil and underground water. We have established an organizational structure, duties and procedures, and provide regular training to employees, thus enabling a quick response in the event of contamination, followed by effective containment and the swift restoration of any damage. As part of the "Voluntary Agreement regarding the survey and restoration of soil containment" with the government, we are actively working to prevent leaks and restore contaminated soil, investigating soil contamination annually.

In 2010, our findings showed that soil around the Ulsan and Incheon complexes met legal requirements. Testing three sample points within the newly established underground water contamination facilities, all points were found to meet legal requirements.

- **2010 Soil Contamination Investigation Result**

Site	No. of sampling spots	TPH[1]		BTEX[2]		TCE[3]	
		No. of spots	Results	No. of spots	Results	No. of spots	Results
Ulsan CLX	479	233	Normal	246	Normal	NA	NA
Incheon CLX	307	202	Normal	105	Normal	-	-

1- TPH: Total Petroleum Hydrocarbon
2- BTEX: Benzene, Toluene, Ethyl benzene, Xylene
3- TCE: Tri-Chloro Ethylene

Eco-friendly Products and Services

We make tireless efforts to minimize any environmental impact our products and services may have. In particular, we continue product innovation in order to enhance the eco-friendliness of major products such as gasoline, diesel, and kerosene. Furthermore, we continue to invest in developing environmentally-friendly technologies and businesses.

Product Quality and Eco-Friendliness Improvement

In response to stricter regulations regarding sulfur content, we ensure that all gasoline and diesel products contain 5ppm to 6ppm of sulfur, lower than legal requirements. As a result, our products earned high quality levels during an evaluation by the Ministry of Environment (MOE).

We have also entered into a voluntary agreement with the government to supply biodiesel, and raised the biodiesel blend ratio from 0.5% in 2007 to 2.0% in 2010 for all our diesel products. We will continue to strive to raise crude oil dependence and continue endeavors to improve environmental conditions.

- **Findings of the Sulfur Content and Quality Grade for Gasoline by the MOE**

	2008		2009		2010	
	1H	2H	1H	2H	1H	2H
Sulfur content (ppm)	14	11	4	4	6	6
Quality grade	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★

★★★★★ is the international best grade.

- **Findings of the Sulfur Content and Quality Grade for Diesel by the MOE**

	2008		2009		2010	
	1H	2H	1H	2H	1H	2H
Sulfur content (ppm)	7	8	6	5	6	5
Quality grade	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★

★★★★★ is the international best grade.

Eco-Friendly Businesses

| SCR Catalyst |

SK energy initiated R&D activities in 1996 and succeeded to develop and commercialize the Selective Catalytic Reduction (SCR)[1] catalyst technology in 2001. In 2009, we signed an agreement with Huatuo, an environmental engineering affiliate of the Huadian Group, to supply the technology to a subsidiary of the state-run electricity company, one that ranks among the top five utility service providers in China. We are in cooperation with this Chinese partner under the technology export agreement. The technology has earned a good reputation at more than 100 sites both domestically and overseas, including Germany, France and China.

1- SCR (selective catalytic reduction) technology: reduces NOx gases generated from fixed sources of pollution, such as power generation stations, and incineration, boiler, and chemical processes.

| Soil Environmental Project |

SK energy is accumulating technologies and business know-how in soil containment purification through several soil remediation projects. The Land Partnership Lan (LPP) soil remediation project, a government-led project introduced in 2008 involving the purifying of contaminated soil at a former U.S. military base, is slated to be completed in 2011. The Trans-Korea Pipeline (TKP) area remediation project SK energy won in 2009 is also proceeding according to schedule.

Recently, we participated in the GAIA Project introduced by the Ministry of Environment to develop technologies that help purify polluted soil and underground water, successfully developing technology to purify non-degradable polluted underground water, thus solidifying our position as a total solution provider in soil and underground water purification. Furthermore, we are currently working to commercialize a pilot hydrogen fueling station that we operated at Seoul's World Cup Park that supplies hydrogen produced from landfill gas. Based on our accumulated experience and technologies, we aim to become an Asian-Pacific leader in the remediation of hazardous substances, waste management and new and renewable energy businesses.

Appendix

Third Party's Assurance Report | GRI Index | Awards & Associations

Third Party's Assurance Report

Dear Readers of SK energy 2010 Sustainability Report

Foreword

The Korea Management Association Registration and Assessments (KMAR) had been engaged by SK energy to verify the contents of its 2010 Sustainability Report (the Report). SK energy is responsible for the collection and presentation of information within the Report. Our responsibility is to carry out assurance activities on specific information in the verification scope stipulated below.

Our independence

With the exception of providing third party verification services, KMAR is not involved in any other SK energy business operations that are aimed at making profits in order to avoid any conflicts of interest and to maintain independence.

Verification scope

SK energy described its efforts and achievements of its sustainability activities in the Report. The verification process was designed to provide readers with the following information;

- **Verification of the economic section:** Review whether financial performance data has been extracted appropriately from SK energy's 2010 Financial Statements Audit Report and Annual Report as defined in the Report's performances and conclusion sectors

- **Verification of environmental and social section:** Review whether environmental and social information included in the Report is presented appropriately.

"Appropriately Presented" means that the actual data and the original information are appropriately reflected in the contents of the Report with consistency and reliability. For the economic sector, we based our evidence gathering procedures on reasonable assurance. It is a higher level of assurance than the limited verification in terms of characteristics and the extent of performed tasks.

Verification standards

KMAR performed the review based on our own verification. We also used the International Auditing and Assurance Standards Board-issued "International Standard on Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information" as additional guidelines.

Verification process and conclusion

In order to form our conclusion, KMAR undertook the steps outlined below to assess SK energy's internal processes for reviewing the sustainability reporting practices.

- **Surveyed SK energy's sustainability related media information during the reporting period**
- **Reviewed systems and processes used in producing data**
- **Assessed internal documents and materials**
- **Interviewed people in charge of disclosed activities and performances**

Based on the results we have obtained from material reviews, related department visits and interviews, we held several discussions with SK energy on the revision of the Report. We reviewed the Report's final version in order to confirm whether our recommendations for improvement and revisions have been reflected.

- **Economic performance**

We compared the Report with SK energy's 2010 Financial Statements and found that the financial data presented in the Report has been appropriately derived from 2010 Financial Statements.

- **Environmental and social performance**

We observed that the information contained in the environmental and social sections has been appropriately presented. We did not discover any significant errors.

Recommendation for improvement

We hope SK energy's publication of the Report is actively used as a communication tool with stakeholders and recommend the following for improvements.

- **Engage more stakeholders on the material issues in improving sustainability performance.**

April 25, 2011

KMAR
Korea Management Association
Registrations & Assessments Inc.

K. H. Park
CEO Ki Ho Park

● Reported ◐ Not Reported ○ Not Applicable ◇ Partially Reported

GRI(G3.1) Index

GRI Index No.	GRI Index details	Page	Reporting Level	Supplementary Explanation
Strategy and Analysis				
1.1	Statement from the most senior decision-maker of the organization.	10~11	●	
1.2	Description of key impacts, risks, and opportunities.	10~11	●	
Organizational Profile				
2.1	Name of the organization.	14	●	
2.2	Primary brands, products, and/or services.	16~17	●	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	14~15	●	
2.4	Location of organization's headquarters.	14	●	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	18~19	●	
2.6	Nature of ownership and legal form.	14~15	●	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	16~17	●	
2.8	Scale of the reporting organization.	14	●	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	14, 28~31	●	
2.10	Awards received in the reporting period.	Appendix	●	
Report Parameters				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Cover	●	
3.2	Date of most recent previous report (if any).	Cover	●	
3.3	Reporting cycle (annual, biennial, etc.)	Cover	●	
3.4	Contact point for questions regarding the report or its contents.	Cover	●	
3.5	Process for defining report content.	Cover	●	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Cover	●	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Cover	●	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Cover	●	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Cover	●	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Not Applicable	◇	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not Applicable	◇	

GRI Index No.	GRI Index details	Page	Reporting Level	Supplementary Explanation
3.12	Table identifying the location of the Standard Disclosures in the report.	Appendix	●	
3.13	Policy and current practice with regard to seeking external assurance for the report.	66~67	●	
Governance, Commitments, and Engagement				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	21	●	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	21~22	●	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	21	●	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	22	●	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	21	◐	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	22	◐	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	21	◐	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	20	●	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Not Reported	○	No procedures available
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Not Reported	○	No procedures available
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	41, 57	●	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Appendix	●	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Appendix	●	
4.14	List of stakeholder groups engaged by the organization.	25	●	
4.15	Basis for identification and selection of stakeholders with whom to engage.	25	◐	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	25	◐	

● Reported ◐ Not Reported ○ Not Applicable ◇ Partially Reported

GRI Index No.	GRI Index details	Page	Reporting Level	Supplementary Explanation
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	27	●	
EC_DMA	Disclosure on Management Approach EC	40	●	
PR_DMA	Disclosure on Management Approach PR	44, 45	●	
LA_DMA	Disclosure on Management Approach LA	44, 46	●	
SO_DMA	Disclosure on Management Approach SO	44, 45	●	
EN_DMA	Disclosure on Management Approach EN	58	●	
Economic				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	41, 55	◐	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	37~38	●	
EC3	Coverage of the organization's defined benefit plan obligations.	49, 52	●	
EC4	Significant financial assistance received from government.	41	●	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.		○	SK energy thinks the level of newly-recruited employees' salaries is not a major issue as the company honors laws on minimum wage.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	36	◐	
EC7	Procedures for local hiring and proportion of senior management hired from the community at significant locations of operation.	Not Applicable	◇	It is not a significant concern as the portion of employees at SK energy's overseas operates is very low and each site employs local residents
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	44, 54~56	◐	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	54~55	●	Community investment & engagement programs
Environmental				
EN1	Materials used by weight or volume.	59	●	
EN2	Percentage of materials used that are recycled input materials.	Not Applicable	◇	
EN3	Direct energy consumption by primary energy source.	59	●	
EN4	Indirect energy consumption by primary source.	59	●	
EN5	Energy saved due to conservation and efficiency improvements.	58~59	●	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	58~59	●	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	58~59	●	
EN8	Total water withdrawal by source.	59	●	
EN9	Water sources significantly affected by withdrawal of water.	59	●	
EN10	Percentage and total volume of water recycled and reused.	Not Reported	○	SK energy does not yet have a system to manage reused and recycled water at plants.

GRI Index No.	GRI Index details	Page	Reporting Level	Supplementary Explanation
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	57	●	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	57	●	
EN13	Habitats protected or restored.	57	●	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	57	●	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	57	◐	
EN16	Total direct and indirect greenhouse gas emissions by weight.	38	●	
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not Reported	○	SK energy does not yet have a system to calculate other indirect green house gas emissions from commuting, business trips and so on.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	37~38	●	
EN19	Emissions of ozone-depleting substances by weight.	60	●	
EN20	NOx, SOx, and other significant air emissions by type and weight.	60	●	
EN21	Total water discharge by quality and destination.	61	●	
EN22	Total weight of waste by type and disposal method.	62	●	
EN23	Total number and volume of significant spills.	63	●	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	62	●	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	61	●	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	57	●	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not Applicable	◇	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	57	●	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not Reported	○	SK energy does not yet have a management system to check environmental impact of transportation of products and raw materials and moves of employees.
EN30	Total environmental protection expenditures and investments by type.	58	●	
Social: Labor Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region.	46	●	
LA2	Total number and rate of employee turnover by age group, gender, and region.	47	●	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	46~47	●	
LA4	Percentage of employees covered by collective bargaining agreements.	50	●	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	50	●	

● Reported ◐ Not Reported ○ Not Applicable ◇ Partially Reported

GRI Index No.	GRI Index details	Page	Reporting Level	Supplementary Explanation
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	52	●	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	51	●	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	51	●	
LA9	Health and safety topics covered in formal agreements with trade unions.	50	●	
LA10	Average hours of training per year per employee by employee category.	48	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	48	●	
LA12	Percentage of employees receiving regular performance and career development reviews.	49	●	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	21	●	
LA14	Ratio of basic salary and renumeration of women to men by employee category, by significant locations of operation.	47	●	
Social: Human Rights				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Not Reported	○	Among SK energy's important investment agreements, no agreement has a clause on human right protection. The company does not have a separate procedure to review human rights when signing an agreement.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	52	●	Business partners' pledge to business ethics practices
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	51	●	
HR4	Total number of incidents of discrimination and actions taken.	47	●	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	50	●	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	50	●	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	50	●	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	51 ~ 52	●	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not Applicable	◇	No such case of incidents
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	50	◐	
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	50	◐	

GRI Index No.	GRI Index details	Page	Reporting Level	Supplementary Explanation
Social: Society				
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	54~55	●	
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Not Reported	○	SK energy has a process on prevention of corruption and counter measures against corruption cases. But it does not additionally analyze corruption risks by business divisions.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	23	●	
SO4	Actions taken in response to incidents of corruption.	23	●	
SO5	Public policy positions and participation in public policy development and lobbying.	24	●	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not Reported	◇	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	52	●	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	52	●	
SO9	Operations with significant potential or actual negative impacts on communities.	Not Reported	○	SK energy does not yet have defined any adverse impact of its business activities on communities.
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on communities.	Not Reported	○	SK energy does not yet have a measure to prevent or mitigate any adverse impact of its business activities on communities.
Social: Product Responsibility				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not Reported	○	SK energy assesses health and safety effects of products but does not assess products for improvement.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	63	●	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	63	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	46	●	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	45~46	●	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	46	●	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	46	●	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	46	●	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	46	●	

Awards & Associations

Award

Award	Organization
Commendation by the Minster of Education, Science & Technology at the Award of Science & Technology Promotion Merit	Ministry of Education, Science & Technology, Korea Industrial Technology Association
Minister of Education, Science & Technology Prize at the Jangyeongsil Awards	Ministry of Education, Science & Technology, Korea Industrial Technology Association
Mayor's prize at the Seoul City Environmental Awards	Seoul Metropolitan City
NET Minister of Knowledge Economy prize	Ministry of Knowledge Economy, Korea Industrial Technology Association
Commendation by the Minister of Knowledge Economy for the Merit on the Chemistry Day	Ministry of Knowledge Economy, Korea Petrochemical Industry Association
Commendation by the Minister of Knowledge Economy for the merit of the Jeju Smart Grid Project	Ministry of Knowledge Economy
9th World 3D-VR Simulation Contest	Megruo Gajoen
Commendation by the Minster of Knowledge Economy for the merit of the Industrial Technology Promotion	Ministry of Knowledge Economy, Korea Industrial Technology Association
Knowledge Economy Ministry prize at the National Green Tech Awards	Ministry of Knowledge Economy, Korea Industrial Technology Association
Korea's Top 100 Technologies and the Leaders	The National Academy of Engineering of Korea

Associations

The Federation of Korean Industries (FKI)	Red Cross Korea
Korea Employers Federation	CACCI
Korea-U.S. Economic Council, Inc.	Seoul International Forum
Korea Management Association	Korea-U.S. Friendship Association
Korea-U.S. Financial Council Korea Commission	Institute for Global Economics
Korea-U.S. Association	Fair Competition Federation
The American Chamber of Commerce in Korea	The UN Association of the Republic of Korea
Korea Chamber of Commerce and Industry	Korea Business Council for the Arts