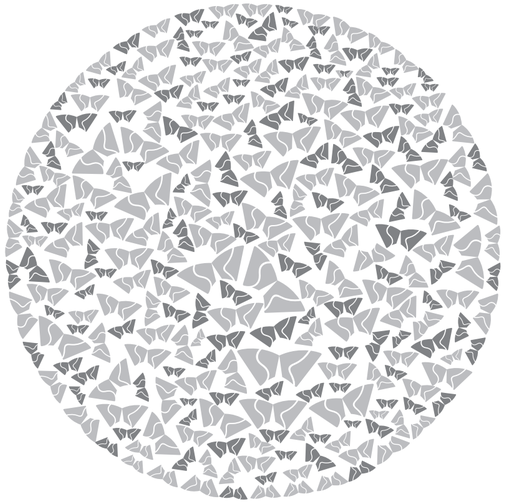
2011 SK innovation Sustainability Report



We are SK Innovation

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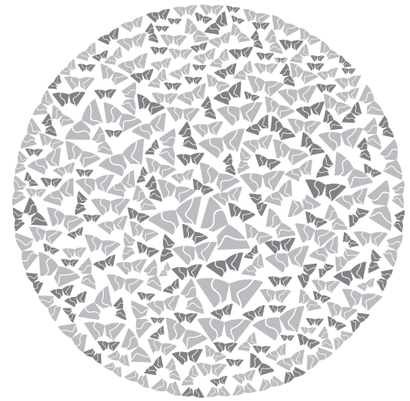


ABOUT THIS REPORT

SK innovation practices sustainability management to enhance corporate value and ultimately create a happier society. To share the company's commitment with stakeholders and society, SK innovation has issued annual Sustainability Reports since December 2005.

This Sustainability Report of the year 2011 covers SK innovation's sustainability management practices and accomplishments of its headquarters, Ulsan and Incheon Complexes, and Global Technology Institute, from January through December 2011, and presents the details of business operations at its overseas branch offices, Board of Directors, and safety, health, and environmental policies applicable up until May 2012. Pursuant to the SKMS (SK Management System), the first half of this report focuses on the eight issues that are considered the most important of all key sustainability management issues identified through a materiality assessment, while the second half discusses detailed sustainability management activities in economic, social, and environmental contexts. In the environmental report centers on the Ulsan and Incheon Complexes, where the company's production activities are undertaken, and thus have the biggest environmental impacts. As for the company's programs or systems identical to those used last year, the relevant details were cited from the previous year's report.

This report was prepared in accordance with the GRI (Global Reporting Initiative) Sustainability Reporting Guidelines (G3.1). To obtain an objective assessment for the report's credibility and in compliance with the GRI Guidelines, this report was independently assured by the Korea Chamber of Commerce & Industry's Business Institute for Sustainable Development, and the assurance results are included herein.

For more information, please refer to the 2011 Business Report and 2011 Annual Report disclosed on the Financial Supervisory Service's Electronic Disclosure System (http://dart.fss.or.kr), and the official website of SK innovation (www.SKinnovation.com).

GRI G3.1 Guidelines Application Level Check

SK innovation prepared this report in accordance with the GRI G3.1 Guidelines, and declares that the report meets the Application Level of 'A+'. The assurance provider confirmed that this report meets the GRI G3.1 Application Level of 'A+'.

CEO Message

Distinguished stakeholders,

SK innovation conveys its sincere gratitude for your ongoing interest and support. By issuing this report, I hope to further SK innovation's sustainability management by sharing with you the dedication, commitment, determination, and plans of SK innovation in the effort to move towards a sustainable company.

The year 2011 was a historic year for SK innovation as it advanced further towards a "Technology-driven Innovative Company," which is the company's ultimate goal. In order to evolve from a leading Korean oil refiner to a technology-driven integrated global energy company, the company engineered a variety of attempts in the past year, and such changes led to a wide range of innovations within and without the company, living up to SK innovation's reputation.

As of January 1, 2011, the company changed its name from SK energy to SK innovation, which embraces its mission of innovation, change, and future growth. And following the spin-off of SK lubricants in the year 2009, the petroleum and petrochemical businesses were split into SK energy and SK global chemical, respectively. As a result, former SK energy was split into four separate entities with independent management systems.

Since the spin-off, SK innovation has grown rapidly in the short period of one year. In the year 2011, SK innovation reported record earnings of 68,372.2 billion won in revenues and 2,842.4 billion won in operating profits, which are 27% and 51% increases, respectively, compared with the previous year. Despite the escalated changes in the business environment due to the instability of international financial markets caused by the European financial crisis, the company produced desired results pursuant to the successful implementation of the independent management systems, resulting in each subsidiary's faster and more flexible decision-making amid rapidly changing market conditions.

"As we celebrate the 50th anniversary of SK innovation in the year 2012, SK innovation pledges to strengthen its efforts to grow together with society for the stability and progress of the next 100 years."

Through such successful establishment of the independent management system, SK innovation will accelerate its efforts to strengthen the competitive advantages of its current businesses and to develop new growth engines. Furthermore, the company is devoted to creating new value for a sustainable future, by bolstering the research and development of green energy technologies upon the basis of existing energy technology platforms.

SK innovation also pursues a model which seeks the mutual growth and development of the company and society, and aims to become a global company not only in terms of financial performance but a company whose general management practices set a global standard. To address the growing social demands relating to safety, health, and environment, SK innovation designated issues in these areas as key business tasks and reinforced its safety, health, and environmental capabilities to conduct sustainability management activities. For instance, the company established new policies for the consistent, integrated approach to safety, health, and environment management practices that meet international standards. In addition, the company developed a new job creation model by forming and operating social enterprises, which enables the economic independence of disadvantaged people. Through the creation of new jobs the company fostered sustainable social contribution by revitalizing local economies.

To strengthen its competitive position in the global market, SK innovation also designated "Organizational Revitalization" as a mission and is working to create a culture focused on the three values of "Challenge, Creativity, and Positive Thinking." By cultivating such culture, the company aims to create an environment where employees can maximize their capabilities and pursue their passions, and to achieve both employees' happiness and the company's growth successfully.

SK innovation and its subsidiaries exist under a unified vision of "Technology-driven Innovative Company" and under SK's unique management philosophy of "Separate and Together," to secure its position and market support as a globally competitive leading energy & petrochemicals company in Korea. For the purpose of pursuing the happiness of stakeholders, which is one of SK's values, the company promises to listen to your opinions and incorporate your opinions into all management activities, and become a sustainable and respected company.

The year 2012 marks SK innovation's 50th anniversary. SK innovation pledges to continue to embrace challenges and innovations to become a global top-tier company and a long-standing leader, upon the strengths we built by overcoming numerous trials and hardships since our foundation in 1962. In closing, I would like to ask for your continued support and encouragement as we move forward.

President & CEO of SK innovation

Ja Young Koo

Innovative Korea, SK innovation

SK innovation

Tech-driven Innovative Company

- Strengthening primary competitive advantages
- Innovation
- Speedy and flexible response

Revenue **68.4** trillion won

Operating income **2,842** billion won

Daily crude oil & gas production **65,000** barrels

SK energy

Globalization & Asset Optimization

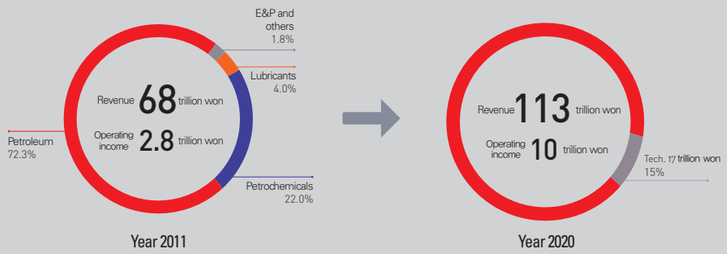
- Expanding the global value chain
- Increasing global trade
- Strengthening primary competitive advantages & the 'Value-Up' project

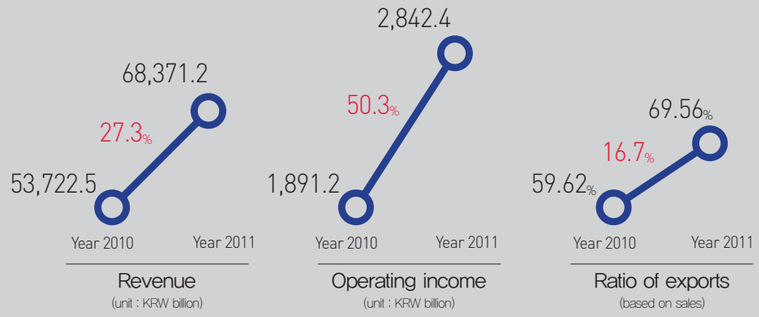
Revenue **49.4** trillion won

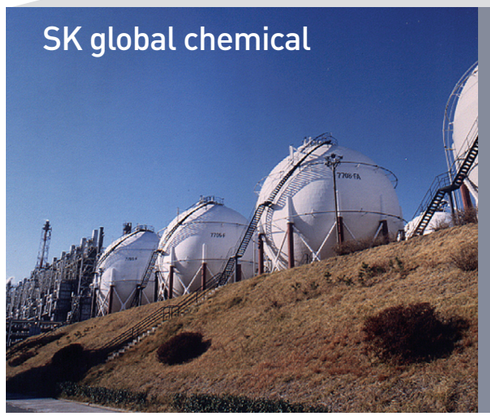
Operating income **1,242** billion won

Max. daily amount of crude oil refined **1,115** thousand barrels

Technology - driven Innovative Company







SK global chemical

Global Top-tier Chemical Company

- Strengthening competitiveness of business portfolio
- Securing a technology-driven competitive advantage
- Expanding global businesses

Revenue **15.1** trillion won

Operating income **774** billion won

Annual production of petrochemicals **10,397** thousand tons

SK lubricants

Leader in the Global Market

- Building strategic partnerships
- Securing technology-driven growth engines
- Developing a global market

Revenue **2.7** trillion won

Operating income **508** billion won

Group III Capacity **33,300** B/D

Oil-Poor Country Becomes Energy Exporter

Korea is fulfilling the dream of being an energy exporter without having any oil reserves of its own.

SK innovation, the company that discovered energy resources for Korea in the midst of the oceans worldwide, extracts crude oils and natural gases from 26 blocks in 16 countries, and exports 70% of its products under the "Made in Korea" label.

SK innovation leads Korea's innovation to become an energy leader.

Company Profile

Company Overview

Technology-driven Innovative Company

SK innovation was founded in 1962 as the first oil refiner in Korea aiming for energy independence. Determined to become an energy company with its world-class technologies, SK Innovation dreams a bigger dream: Using green technologies to build a healthier planet. Taking innovative steps, like its name change and spin-off, SK innovation intends to cultivate its expertise in the existing businesses, find new growth engines, and ultimately become a "Technology-driven Innovative Company."

General Information

(as of Dec. 31, 2011)

※SK energy was renamed SK innovation on January 1, 2011. Centering on SK innovation, the company adopted the independent management structure for SK energy, SK global chemical, and SK lubricants.

Company name	Founding date	Locations			# of employees	Business areas
		Head office	Plants/Research institute			
SK innovation	Oct. 13, 1962	Jong-no 26, Jongno-gu, Seoul (SK Building, Seorin-dong)	Research institute	Global Technology, 325, Expo-ro, Yuseong-gu, Daejeon	1,642	Resources development, batteries, information/ electronic materials, R&D
			Plant	379-24, Bongmyeong-dong, Hongdeok-gu, Cheongju, Chungcheongbuk-do 1071, Miam-ri, Jeungpyeong-eup, Jeungpyeong-gun, Chungcheongbuk-do		
SK energy	Jan. 1, 2011	Same as above	Plant	2, Sinyeocheon-no, Nam-gu, Ulsan 415, Bongsu Ave., Seo-gu, Incheon	2,957	Petroleum products
SK global chemical	Jan. 1, 2011	Same as above	Plant	2, Sinyeocheon-no, Nam-gu, Ulsan	1,158	Petrochemical products
SK lubricants	Oct. 1, 2009	Same as above	Plant	2, Sinyeocheon-no, Nam-gu, Ulsan	289	Lubricants, base oils

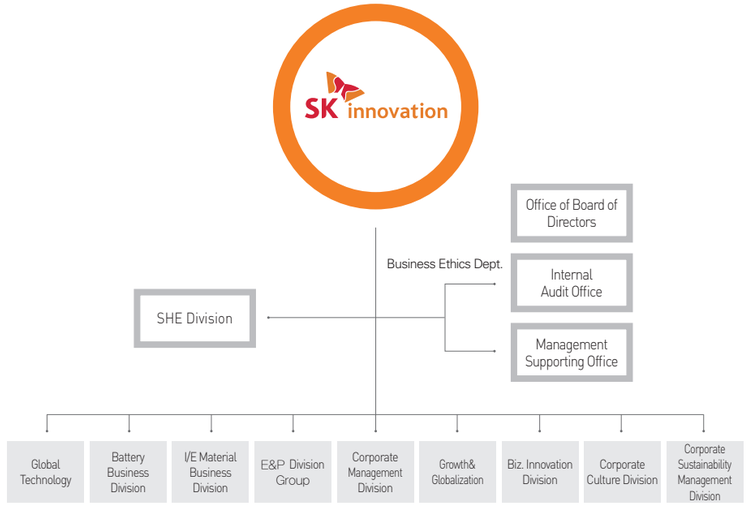
Financial Information (consolidated)

(as of Dec. 31, 2011)

Revenue	KRW 68,371.2 billion
Operating income	KRW 2,842.4 billion
Net profit	KRW 3,175.8 billion
Total assets	KRW 35,026.9 billion

Organizational Structure

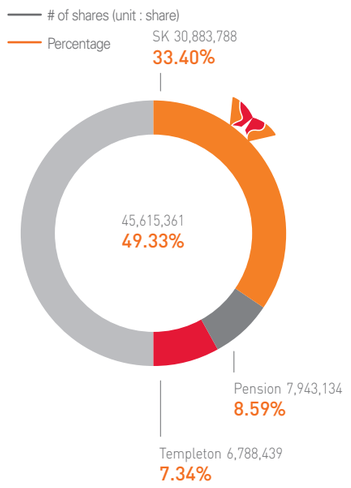
(as of Jan. 10, 2012)



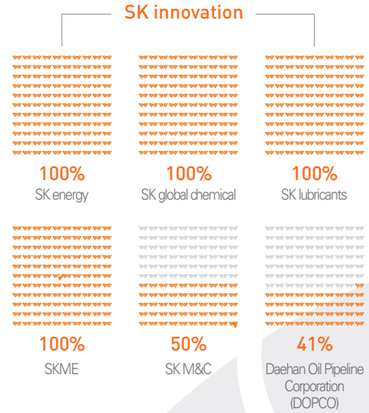
Major Subsidiaries and Shareholders

(as of Dec. 31, 2011)

○ Shareholders holding more than 5% shares



○ Major subsidiaries



Business Portfolio

To evolve from the largest Korean energy and petrochemicals company into a global top energy company, we are developing growth engines based on innovative technology platforms in overseas resource exploration and production, electric vehicle batteries business, and information and electronic materials.

SK innovation

○ Overseas Resource Exploration & Production Business

As of April 2012, SK innovation is involved in the resource development of 26 oil blocks, 16 countries, and 4 LNG projects. As of December 31, 2011, the company holds 550 million barrels in oil reserves, and recorded an average daily production of 65,000 barrels in 2011. In July 2011, the company closed the deal to sell 2.4 billion dollars' worth of shares in SK do Brasil to Maersk Oil of Denmark, which was agreed in December 2010. The deal marked the first case in which a Korean company successfully discovered oil reserves after exploring oil blocks, commenced commercial oil production, and then sold it to a major global company, and was recognized as a promising future model for exploration & production businesses in Korea. Using the cash obtained through the sale of Brazilian subsidiary, the company will purchase more promising E&P blocks through additional M&As and continuously increase its expertise and competitive advantage in the E&P business. With years of experience accumulated in E&P business, SK innovation will continue vigorous exploration activities and promote new ventures, by selecting and focusing on promising regions, and dedicate itself to become a global energy company by optimizing its E&P business portfolio.

○ Battery Business

SK Innovation developed batteries for portable IT devices in 1996, launched lithium-ion battery development for HEV applications in 2005, and started lithium-ion battery production in 2006. Since then, SK Innovation has developed lithium-ion batteries with global top level energy densities after years of efforts to improve batteries with higher energy densities. As a result, SK innovation batteries were selected as top choice batteries by many global original equipment manufacturers (OEMs) for their electric vehicle designs: MFTBC(Mitsubishi Fuso Truck and Bus Company) Canter Eco Hybrid in 2009, Hyundai Bluon(i10) EV & Kia Ray EV in 2010, and Mercedes-AMG SLS-EV sports car in 2011. SK Innovation will start mass production operations in Seosan, Korea at a plant covering 231,405m² (70,000 pyeong) in the first half of 2012, which has an annual capacity of 40,000 electric vehicles. The company is also engaged in developing batteries for grid energy storage systems and next generation batteries. Using its top-notch technology, SK Innovation will approach the changing market environment proactively to become a global market leader in the battery business.

○ Information & Electronic Materials Business

In January 2011, SK innovation launched its I/E (Information & Electronics) Materials Business Division to operate the LiBS/FCCL/TAC film businesses, and to foster the I/E materials business into a new growth engine. LiBS (Li-ion Battery Separator), the core component for rechargeable lithiumion batteries, has drawn attention as the markets for portable IT devices and electric vehicles has expanded, SK innovation has consistently delivered world-class quality and productivity through the seven production lines in Cheongju and Jeungpyeong. The demand for FCCL (Flexible Copper Clad Laminate), which is used as a material for flexible circuit boards, has increased, as IT devices such as smart phones and tablet PCs become slimmer and more sophisticated. After developing its own FCCL manufacturing technology, SK innovation started its commercial production of FCCLs in July 2011. Further, business for the TAC (Tri Acetyl Cellulose) films, a material for display polarizers, is expected to grow steadily along with the growth of LCD and AMOLED markets, and SK innovation is exerting its efforts to commercialize TAC film production after the completion of a manufacturing plant in Jeungpyeong in 2011. SK innovation will secure market leadership in the I/E materials business by continuous expansion, and the development of innovative technologies and businesses, and accelerate its efforts to establish as a sustainable growth engines by discovering new businesses.

SK energy

○ Petroleum Business

SK energy's petroleum business includes the production, export and distribution of petroleum products in Korea, and ranks first in domestic oil refinery capacity and also in domestic market share. The Ulsan and Incheon refineries boast of first class equipment for the production of high-quality oil products processed from approximately 50 kinds of crude oils. In addition, over 4,000 SK gas stations across the country solidifies SK energy's position as the largest market share holder by providing distinguished customer services such as "OK Cashbag" and "Enclean Bonus Card",. The company also exports more than 50% of its petroleum products. Furthermore, SK energy has started building platforms upon which it can expand overseas by producing, trading, and marketing its petroleum products overseas. By establishing "another SK energy" abroad, the company will become a truly global company, and a leader in the Korean energy market.

○ Asphalt Business

Based on high quality products and excellent services, SK energy's asphalt business sells over 2 million tons a year, and holds the largest share in the domestic asphalt market and the Chinese imported asphalt market. SK energy is the first Korean oil refiner to register a patent for polymer modified asphalt (SBS PMA), and maintains a competitive advantage through continuous technology development. The asphalt business will continue to dominate not only the domestic asphalt market but also strive to increase its market shares in the Chinese and Northeast Asian asphalts markets, and become the best market player by expanding to the Southeast Asian and Oceanian asphalt markets.

SK global chemical

○ Petrochemical Business

Formed as a result of the 2011 spin-off, SK global chemical is preparing to take another step forward toward achieving the vision of becoming a "Global Top-Tier Chemical Company." In 1972, it was the first Korean company to commercialize a naphtha cracking facility, and since then has led the development of the domestic petrochemical industry through continuous investment, research and development, and technology development. SK global chemical supplies raw and secondary materials utilized in a variety of industries, from advanced materials for cars, electronics, and telecommunications equipment to everyday products. In order to become a leader in the global chemical industry, SK global chemical will strengthen its competitive advantages in core businesses and pursue global growth, and implement customer-focused management practices.

SK lubricants

○ Lubricants Business

Formed as a separate entity in October 2009, SK's lubricants business has steadily grown with its specialized business. The base oils business concentrated on increasing output and improving its profit-making structure and reaped remarkable results, compared with the previous year. The lubricants business has earned recognition by ranking first for 14 consecutive years in a brand power survey of its leading ZIC brand, and won last year's Korea Green-Biz Award. For its excellent quality, the company has been internationally recognized—it received the highest ratings from the American Petroleum Institute (API) and the International Lubricant Standardization and Approval Committee (ILSAC). SK lubricants will increase its production capacity and pursue strategic market expansion to meet the world's growing demand for high-quality base oils and lubricants, and will generate higher revenue by responding proactively to the changing market environment.

[Leading Brands of SK energy]

SK 엔크린
Gasoline "EnClean"

슈퍼팔트 SBSPMA SBS고분자개질아스팔트
SBS Polymer Modified Asphalt

Netruck 네트럭
Netruck – Reliable Cargo Carrier, 'Netruck'

Jeju United FC

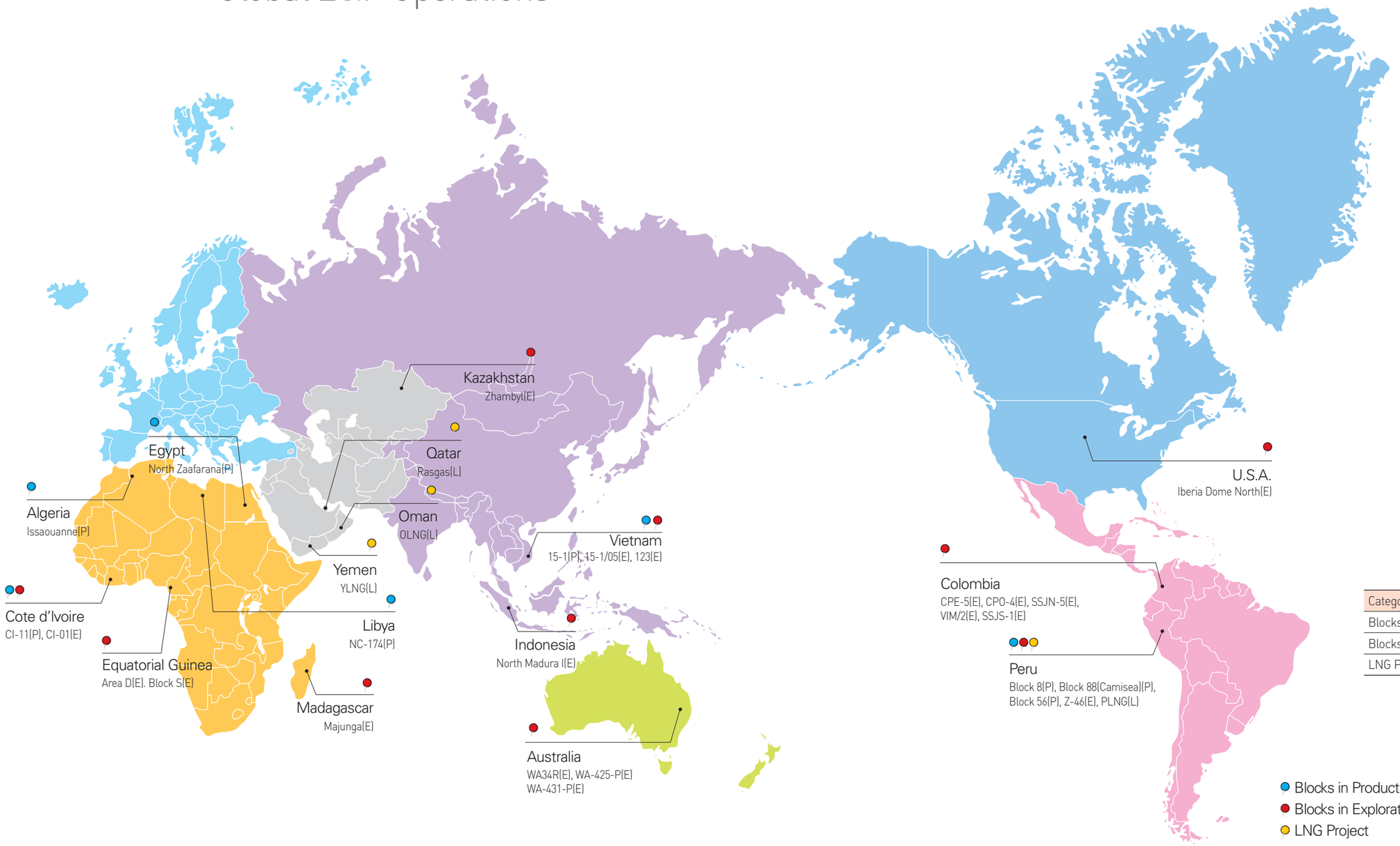
[Leading Brands of SK lubricants]

ZIC
Lubricant 'ZIC'

yubase
High-quality base Lube Oil 'YUBASE'

SK Sugar Gliders
SK Sugar Gliders Handball Club

Global E&P Operations



Category	Country	Block
Blocks in production	6 countries	8 blocks
Blocks in exploration	10 countries	18 blocks
LNG Project	4 countries	4 projects

Sustainability Management

SK Management Philosophy

Pursuit of Stakeholder Happiness

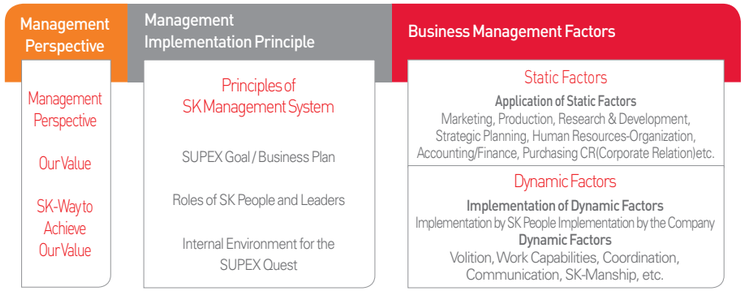
SK innovation considers stakeholder happiness a top priority, under the business philosophy, "A company should continue to exist and progress by sustaining stability and growth, play a pivotal role in social and economic development by creating values for customers, employees, and shareholders, and ultimately contribute to mankind's happiness." SK innovation also aims to build a happy society in which the roles of the company and stakeholders and their relationship stay balanced and grow in a sustainable manner. To reach its goals, SK innovation is dedicated to pursuing SUPEX(*) through human-centered management. SK innovation will become a company that is both loved and respected by contributing to building a healthy society.

*What's SUPEX?

SUPEX refers to Super Excellence, the highest performance level attainable. It is extremely difficult to reach the level of "Super Excellence" immediately. The company therefore has established an immediate goal called "Better Company," which is attainable considering the time constraints and available resources. By accomplishing this goal, the company will be eventually able to reach the SUPEX level.

SKMS (SK Management System)

SK innovation created SKMS (SK Management System) as a methodology for fulfilling continuous stability and growth and pursuing stakeholders' happiness, and has since kept the system up-to-date. Under SKMS, all employees understand the essence of business management, use the system as a decision-making framework, bring themselves together, improve the quality of management, and ultimately enhance the company's competitiveness. SKMS consists of Management Philosophy, Management Implementation Principle, and Business Management Factors. Based on the system, SK innovation sets a goal to become a first-tier global company that contributes to mankind's happiness, and has been worked hard to reach the goal.



Sustainability Management by Practicing SKMS

To improve employees' ability to practice and make pursuing SUPEX more specific, SKMS suggests three key management activities, "SUPEX Goal/Business Plan," "Roles of Employees and Leaders," and "Creating a SUPEX-oriented Environment." In addition, the company provides training programs and workshops in order to share SKMS-based management philosophy and principles, increase confidence in the company, and lead cultural innovation. Furthermore, the company provides training programs and workshops. Further, the company also proposes specific criteria and methods for carrying out business activities effectively and efficiently, and those for creating a SUPEX-oriented environment by defining business management factors. Lastly, the company classified its work methodologies and voluntary practices for employees into static and dynamic factors to help employees more actively implement SKMS. Practicing SKMS lays the foundation for the company's sustainable development and pursuit of stakeholder happiness.

Corporate Governance

Board of Directors

○ Organization of Board of Directors

As of March 2012, SK innovation's Board of Directors has 9 members, consisting of 2 internal directors, 1 non-executive director, and 6 external directors, whose membership has the highest percentage of external directors (67%) among Korean private companies. Thus, decisions made exclusively by external directors qualify as special resolutions(*) under the Board of Directors (BOD) regulations. This allows the external directors to check and balance the management. The external directors also hold their own meetings to ensure the Board's independent operation and encourage active communication. The Board runs 6 sub-committees: The Corporate Social Responsibility Committee, for example, is responsible for discussing the company's SR activities and sustainability management at Board of Directors meetings and helping enhance the ability to conduct sustainability activities at the company level.

*Requirements for Special Resolutions

A special resolution refers to a decision on an important matter that requires a two-thirds vote. Under the Board of Directors regulations, special resolutions may include changes to the Articles of Incorporation, mergers, dissolution, assignment of operations, reduction of capital, and submissions for dismissal of directors.

[Information on Directors] (as of March 2012)

Category	Name	Gender	Current Position	Responsibilities
Internal directors	Chey, Tae Won	Male	Chairman & CEO of SK Holdings and SK innovation	Chairman
	Koo, Ja Young	Male	President & CEO of SK innovation	Strategic Planning Committee
Non-executive director	Kim, Young Tae	Male	President & CEO of SK Holdings	Human Resources Committee
External directors	Kim, Young Ju	Male	Advisor of Sejong Law Firm	Corporate Social Responsibility Committee (chairman), Transparent Management Committee
	Lee, Jae Han	Male	Professor of Business Administration at Dongguk Univ.	Strategic Planning Committee (chairman), Audit Committee
	Lee, Hoon Kyu	Male	Lawyer-in-chief of The One Law Firm	Human Resources Committee (chairman), Transparent Management Committee, CSR Committee
	Choi, Myung Hae	Male	Advisor of Kim & Chang Law Firm	Transparent Management Committee (chairman), Audit Committee
	Choe, Hyuk	Male	Dean of Business Administration at Seoul National University	Nomination Committee (chairman), CSR Committee, Strategic Planning Committee
	Han, In Goo	Male	Professor of KAIST Finance MBA	Audit Committee (Chief Audit Executive), Nomination Committee, Human Resources Committee

○ Appointment of Directors

SK innovation created an objective, fair process for appointing internal and external directors, and has complied with it. Candidates for internal directors are selected through a review of their credentials and qualifications by the Human Resources Committee before they are nominated at a shareholders' meeting. External directors are appointed by forming an Advisory Panel for External Director Nomination, which creates a pool of candidates to be reviewed by the Nomination Committee. The committee decides on the candidates to be nominated at the General shareholders' meeting(GSM). To ensure the independence of external directors, those who are relatives of the largest shareholders or who worked at the company within a two-year period are excluded, and the company incorporates additional considerations into the evaluation criteria, such as expertise, commitment, business mind-set, independence, social reputation, and personal image.

[External Director Nomination Process]

○ Board of Directors (BOD) Performance Evaluation and Compensation for Board of Directors

The Board of Directors conducts an annual performance evaluation in the categories of Board activities, operation, and activity support. The evaluation results are reported back to the Board and presented in annual reports. The Human Resources Committee reviews the limits of compensation appropriate for directors' performance. The Stock Option Plan is applied pursuant to Article 10 of the Articles of Incorporation, and no director received stock options in 2011.

○ No Conflicts of Interest among Directors

The Board members are not permitted to be engaged in any of the company's operations either at their own expense or a third party's expense without the Board's prior consent, and cannot become a partner with unlimited liability or director at another company with the intention of conducting the same kind of business, pursuant to Article 14 of the Board of Directors regulations.

Responsibilities and Activities of Board of Directors

○ Working BOD (Board of Directors)

The basic functions of SK innovation's Board of Directors (BOD) include strategic decision-making, advice, and supervision of the company's business issues at hand. SK innovation's BOD aims to become an actually "Working BOD" that appoints and authorizes the CEO and provides feedback to the management's advice.

○ Communication with Stakeholders

SK innovation's Board of Directors tries to listen to the voices of stakeholders by encouraging communication with stakeholders. To do so, the Board provides and runs a variety of channels of communication. At the company's official website, the Board discloses its activities in detail, receives the opinions of stakeholders, and allows employees to share their opinions by opening the "BOD News" on the company's intranet. Moreover, the Board offers direct channels, such as lectures on external directors' specialty areas and visits to the plants.

○ 2011 Key Activities

In 2011, the Board held 14 meetings, dealt with 61 items, and reported 93.7% of attendance (97.6% attendance of external directors). Furthermore, 27 committee meetings were held to conduct preliminary reviews of 21 BOD agenda items and review 52 items in total. In addition, the Board has been actively engaged in social responsibility activities, such as sharing kimchi and visiting social services centers, and on-site board activities like subsidiary presidents' preparation of reports and visits to the battery plants and research institutes.

[Working BOD Activity Results]

BOD Meetings held 14

Items handled 61

Attendance 93.7%

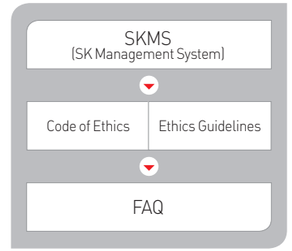
[Board of Directors and Committee Activities] (activities in 2011)

Committee	Meetings	Agenda Items Reviewed	Key Agenda Items
Board of Directors	14	61	
Audit Committee	7	20	Previous-year results and external audit results, internal audit results of consolidated settlement of accounts
Nomination Committee	0	0	N/A (no external director appointed in 2011)
Strategy Planning Committee	5	5	Investment in TAC line and battery plant, expansion of LiBS business
Human Resources Committee	2	5	Internal director nomination, Directors and Officers Liability, review of compensation limits for directors, etc.
Transparent Management Committee	11	16	Transactions/investments with subsidiaries, fair trade transactions, etc.
Corporate Social Responsibility Committee	2	6	Board of Directors activity evaluation plan, social responsibility activity status, etc.
Committee Subtotal	27	52	
Total	41	113	

Business Ethics

Under the philosophy of SKMS, "Contribute to society's happiness by creating value for stakeholders," SK innovation practices business ethics actively to secure its global competitiveness and fulfill corporate social responsibility. For instance, the company carries out activities such as ethics training for employees, creating/operating ethics infrastructure, and spreading business ethics to business partners.

[Code of Ethics Structure]



Code of Ethics and Ethics Guidelines

For employees to conduct all business activities fairly and transparently, the company created the 'Code of Ethics' and 'Ethics Guidelines', which provide ethical decision-making standards. The Code of Ethics and Guidelines suggest ethical decision-making standards and the code of conduct for stakeholders, including the basic ethics for employees, customer satisfaction, respect for shareholders' value, corporate partnership with business partners, and social responsibility.

○ Code of Ethics

Basic Ethics for Employees

We, as members of SK innovation, are always proud of what we do and do our jobs as representatives of the company.
- Keep our work and personal life separate and perform work fairly and transparently.
- Respect other employees and create a corporate culture which allows us to work with passion and spontaneity.

Attitude toward Customers

We continue to satisfy our customers, build trust, and ultimately grow together with them.
- Always try to provide the products and services that customers need.
- Respect customers' different opinions and incorporate them into business activities.
- Protect customers' property and information safely in accordance with the national laws and company rules.

Responsibility for Shareholders

We increase the company's value to create value for shareholders and continue ethical, efficient management.
- Maximize corporate value through continuous innovation and efficient management, and share results with shareholders.
- Practice BOD-centered ethical management and respect shareholders' demands and suggestions.
- Prepare business data in accordance with applicable laws and standards and disclose them in good faith by law to protect shareholders' interests

Relationship with Business Partners

We pursue win-win cooperation with vendors and compete fairly with competitors.
- Provide vendors with equal opportunity, prohibit exploitative, unfair practices, and pursue mutual benefits and growth.
- Compete fairly with competing companies based on mutual respect.

Social Responsibility

We contribute to society, as well as to economic growth, through social, cultural activities, and do our best to conduct business in accordance with social norms.
- Contribute to social development through zero accidents and eco-friendly management.
- Engage in social responsibility activities and build a happy society.
- Comply with local laws in conduct of business and respect local traditions and cultures.

Commitment to Spreading Business Ethics

○ EmployeeTraining

For employees to raise awareness of business ethics and practice ethical management voluntarily, SK innovation provides online and in-class training for all employees. In 2011, 439 employees, including new recruits and experienced employees, received 878 hours of in-house training.

[Ethics Training for Employees] (activities in 2011)

○ Consulting and Reporting through Business Ethics Infrastructure

[SK innovation Business Ethics Website]
http://ethics.skinnovation.com

Business Ethics Pledge	Unethical Behavior Reporting/Reward Program (up to 20 million won rewarded since Nov. 2008)	Holiday Gift Return Center Service
• Executives and team leaders pledge to comply with Code of Ethics and Guidelines (electronic signature after mailing pledge)	• For stakeholders including employees, customers, shareholders, and partners, to directly consult or report ethical issues, channels like Ethics Counseling Office (phone, fax, e-mail) and Ethics Website (http://ethics.skinnovation.com) are available • Ethical issues are found in their early stages and prevented, and reporters' personal information and report content are kept confidential to protect them from disadvantages • In 2011, a total of 80 issues were received, through the counseling and reporting channels, including 2 reports, 200 counseling requests, and 58 complaints. • If any employee violates the Code of Ethics, such unethical behavior is subject to punishment. In 2011, three violations were subject to disciplinary actions.	• Any gifts received during holidays will be immediately returned. • Items not collected will be donated to social services centers or facilities; items not donatable will be auctioned off within the company and the proceeds will be donated.

○ Spreading Ethics to Business Partners

SK innovation values fair, and transparent trade in doing business with its partners. The company's business partners are actively involved in practicing business ethics based on mutual trust by signing the 'Fair Trade Agreement'. If a partner's illegal or corrupt activity is discovered, the company will be subject to punishment by the company rules. In 2011, there were no violations or corrupt activities found among the business partners.

Stakeholder Communication

Stakeholder Communication

SK innovation considers stakeholder communication the most basic and essential element in pursuing stakeholders' happiness. The company recognizes the importance of two-way communication and continues to make a variety of attempts to enhance communication. Aside from exchange of opinion, the company also tries to collect stakeholders' opinions and incorporate them into the decision-making process and business activities.

Channels of Stakeholder Communication

SK innovation selects key stakeholders, such as shareholders, customers, employees, partners, and communities who have big business impacts, and receives and collects their opinions through the most suitable channels for each group of stakeholders. The following are the key channels and activities conducted in 2011.

[Communication Activities by Stakeholder Group]

Key communication channel	2011 key activities	
Shareholders' meetings, quarterly results briefing, national/international NDRs (Non-Deal Roadshows), national/international conferences, one-on-one meetings, counseling by e-mail or phone counseling, disclosures and reports, etc.	Quarterly results briefing (4 times), international NDR (Non-Deal Roadshows) (4 times), national/international conferences (7 times), national/international investor relations meetings (over 200 times), conference calls, e-mail/counseling, phone counseling, etc.	Shareholders
"Customer Happiness Center" (call center service), websites for different products/services, customer satisfaction surveys, etc.	Customer satisfaction surveys (4 times), handling customer service and information through Customer Center (479,000 phone calls, 26,000 online requests), etc.	Customers
M2M Board, V Board, Intranet (Open Square, tok Voice, tong tong), Ethics Counseling Center, SKMS Counseling, etc.	Continued operations of M2M Board, V Board, Intranet (Open Square, tok Voice, tong tong), and Ethics Counseling Center, and SKMS Counseling through online surveys and personal meetings.	Employees
Meetings by inviting partners, Partner CEO seminars, field councils with partners of plants	Continuous partnership efforts, including close communication through a variety of channels (by region and by business), joint overseas expansion with repairs companies, and joint projects with partners	Partners
Meetings with local organizations, attending local councils in neighboring areas and safety councils of patrol divisions, and attending steering committees of neighboring schools	Communication with major organizations and residents in Ulsan, attending as advisors to local councils in Incheon, and supporting residents' businesses through Mecena sisterhood	Communities

Materiality Assessment

Purpose of Materiality Assessment

SK innovation identifies key sustainability management issues and incorporates them into the report, taking into consideration stakeholder interests and factors affecting business activities, based on ISO 26000, a standard for social responsibility, and GRI G3.1, international guidelines for sustainability management reporting, and monitors the issues primarily from the perspective of sustainability.

*What is Materiality Assessment?

Materiality assessment refers to a process analyzing various sustainability management issues identified by internal and external stakeholders from the viewpoints of stakeholder interest and corporate impact, and then prioritizing the issues. Materiality assessment is a methodology for determining issues that have a significant impact on a company's sustainable development.

8 categories of social responsibility	
Governance	Environment
Economic Performance	Fair Trade
Safety	Consumer
Labor	Community

2011 Materiality Assessment Process

In the year 2011 SK innovation's materiality assessment identified stakeholder interests through media analysis, domestic and international industry benchmarking, international standards, and independent expert survey, and considered business impacts by analyzing the company's management philosophy and business plans. The results were classified into eight categories of social responsibility, and further categorized into 33 issues.

Materiality Test Methods

Media analysis

SK innovation analyzed the news articles published by the media in the year 2011 to identify stakeholder interests and social expectations. Since a substantial amount of press releases were prepared and distributed by the company, negative issues were given more significance. The issues that received a high level of attention include fair competition, government relations, and business performance.

International standards

SK innovation took into account the requirements of international standards for sustainability, such as ISO 26000, GRI G3.1, UNGC principles, and DJSI, as the requirements to become a global company. As a result, climate change response, sustainable resource use, and stakeholder engagement ranked high as common requirements.

Industry benchmarking

SK innovation analyzed the CSR activities of its competing companies in the oil and energy industry and identified the issues existing in the industry. As a result, climate change response, employee health and safety, and stakeholder engagement ranked high.

External expert survey

SK innovation conducted a survey regarding the company's level of sustainability and issues that need attention **. The survey targeted about 100 Korean CSR experts, The results were incorporated into its materiality assessment. Taking all these into account, corporate reputation, new growth engines, and sustainable resource utilization ranked high.

**Issues that need attention

Governance, product quality, environment, etc

Materiality Analysis Results

To conduct the 2011 Materiality Assessment, SK innovation created a materiality matrix based on the level of stakeholder concern and business impact and formed a task force for the preparation of this report. The results show that top priority issues were business performance, corporate partnerships of large and small and medium enterprises, worker health and safety, climate change response, new growth engines, stable energy supply, stakeholder engagement, and consumer communication. These top-priority issues were selected as special issues in this report and are discussed in detail.

8 Special Issues	
Independent management system	Win-Win Cooperation
Safety, Health, and Environment	Low-Carbon Management
New Growth Engines	Stable Energy Supply
Corporate Culture Innovation	Customer Satisfaction

[Internal and External Stakeholder Materiality]

Top Priority Issues	Business Issues	Stakeholder Issues	Potential Issues
1. Stakeholder Engagement	9. Environment (Carbon Management)	11. Social Responsibility	25. Community Impact
2. Corporate Partnership	10. Governance	13. Human Rights	26. Product Responsibility
3. Climate Change Response	12. Labor Relations	15. Improving Working Conditions	27. Social Enterprise
4. New Growth Engines (Green Business)	14. Training and Education	16. Consumer (Customer) Privacy	28. Reputation
5. Employee Health and Safety	18. Risk Management	17. Diversity and Equal Opportunity	29. Abolishing Human Rights Abuses
6. Business Performance	19. Business Ethics	20. Sustainable Resource Use	30. Marketing
7. Consumer Communication	21. Pollution Prevention	22. Fair Competition	31. Responsible Political Engagement
8. Stable Energy Supply	23. General Affairs	24. Consumer (Customer) Health and Safety	32. Business Environment
			33. Ecosystem Conservation

Extending Life on Earth with Green Innovation

The life of earth equals the life of mankind.

SK innovation believes that energy companies should take the lead in protecting the planet.

As a result of SK innovation's commitment to developing renewable energy sources and new technologies SK innovation manufactures batteries for electric vehicles, Green Coal and GreenPol™.

SK innovation leads the green revolution to protect the planet.

Special Issue 1

Independent Management System

Establishment of Independent Management System

[2012 Corporate PR "Oil Field"]

As of January 1, 2011, SK energy changed its name to SK innovation and split its petroleum business and petrochemical business into SK energy and SK global chemical, respectively. Centering on SK innovation, the company adopted the independent management system for SK energy, SK global chemical, and SK lubricants, and successfully spent the year strengthening its global competitiveness and increasing efficiency in securing future growth engines.

Since the spin-off and launch of the independent management system, the remaining parent company SK innovation is devoted to exploring and promoting future growth engines, focusing primarily on resource development and technology development businesses, including petroleum development, information/electronic materials, and research and development. SK energy, a new company, concentrates on the petroleum and technical service businesses, while SK global chemical on the petrochemical business. SK's lubricants business was split into a separate entity called SK lubricants on October 1, 2009.

Background and Purpose

"The year 2012 marks SK innovation's 50th anniversary. This year, we will focus on becoming a global top-tier company, a company that will grow over the next century." (From the 2012 New Year's Message by Ja Young Koo, President & CEO of SK innovation)

SK innovation's determination to achieve innovation commenced prior to the spin-off of former SK energy, and the spin-off and the adoption of the independent management system were achieved through sudden decisions but deliberate processes. It is anticipated that the spin-off would contribute to enhancing the execution abilities of each business and maximizing synergies among the businesses.

Before the spin-off, former SK energy adopted the CIC (Company-In-Company) structure in the year 2008 to increase efficiency in business and organizational operations, and formed the four CICs, R&M (Refining and Marketing), chemical, Technology Institute, and CMS (Corporate Management Support), and the Resource Development Business Unit under the president's direct supervision. However, to respond effectively to the recent changes in the global business environment and in energy supply and demand, radical and innovative changes were necessary to ensure the sustainable growth of the company. Such recognition was the background for the spin-off of the petroleum and petrochemical businesses, the two largest CICs, into independent entities so that they would operate under the independent management systems.

The independent management systems of the four affiliates of SK innovation, SK energy, SK global chemical and SK lubricants was designed to bring two effects: First, it is expected to enhance business flexibility and the ability to execute by optimizing business units taking into consideration each business' growth goals, resource disparities, financial structures, and business environment outlooks. Second, it is expected to improve each business' performance and financial structures by reinforcing technology development and expertise and by the development innovative business models. This management system aims ultimately at strengthening the overall business portfolio of all SK innovation affiliates to cope effectively with the changing global energy industry, by cultivating the capabilities of each business and creating synergies among the businesses.

Commitment to Establishing Independent Management System

[2012 Corporate PR 'Battery']

Since spin-offs have considerable impact on stakeholders, including shareholders and investors, employees, customers, and partners, SK Innovation is well aware there may be expectations and concerns regarding the spin-off by stakeholders. Therefore, each subsidiary communicates actively with its stakeholders through IR activities, employee surveys, and internal and external PR activities to inform stakeholders of the necessity of the spin-off for long-term growth and the expected long- and short-term effects and to ask for their support. In addition, the company reviews issues concerning each stakeholder group from multiple aspects, prepares effective solutions, and continues to manage changes.

○ Stakeholder Communication: 'Shareholders and Investors'

Shareholders and investors showed a great deal of interest in the spin-off which transformed the company's values and provided a momentum for growth. They also expressed their expectations for the strategies and visions of SK innovation, which focuses on petroleum development and research and development of renewable energy, SK energy which focuses on midstream and downstream petroleum businesses, SK global chemical which is centered on the petrochemical business, and SK lubricants which operates the lubricants business. SK innovation did its best to communicate with shareholders and investors through IR activities, including holding conference calls, regarding quarterly results and business conditions. The independent management system is considered to have been successfully established based on former SK energy's experience with the independent CIC system before the spin-off. It is clear the spin-off did not damage the company's value, but rather drastically improved business results. The spin-off is further expected to increase the corporate value of each subsidiary. SK innovation will buttress the independent management system by continuously creating synergies among the businesses, while strengthening its competitive edge by enhancing each business' expertise, promoting faster decision-making, and ensuring flexibility in business operations.

○ Stakeholder Communication: 'Employees'

While the spin-off brought about expectations of new challenges to employees, there were admissions of feelings of insecurity as well. An employee survey regarding the spin-off found that employees showed a high level of interest in job security, pride, and revitalizing organizational communication. Concerning job security, the most sensitive issue, pursuant to the job (employment) security agreement entered into in May 2010, there were no forced restructuring as a result of the spin-off. The agreement also stipulated all general working conditions, such as employees' positions, wages, incentive bonuses, benefits, retirement allowances, and vacations, would be succeeded to by the new entities, which would also use every possible effort to maintain and improve the working conditions. Such measures resolved most of the employees' concerns, and each subsidiary now focuses on increasing employees' morale by establishing independent management and revitalizing the organization based on challenge, creativity, and positive thinking, and is dedicated to creating a new and stronger corporate culture.

○ Stakeholder Communication: 'Customers and Suppliers'

There were no significant changes in customer or corporate partnership policies due to the spin-off. SK innovation continued to communicate the spin-off through disclosures and media reports, and provided related information to business customers and partners individually. Such measures assisted in increasing customers' and partners' understanding of the independent management systems and increasing public interest in the spin-off. The company will work harder to enhance customer satisfaction and corporate partnership.

[2011 Corporate PR 'Polar Bear']

Accomplishments under the Independent Management Systems

Since the launch of the independent management systems, the SK innovation affiliates have shown remarkable results by undertaking efficient, specialized business activities tailored to the needs of each business, and by creating synergies among the businesses. In 2011, with SK innovation's exploration business reported record-high earnings, and with the improved earnings of SK energy, SK global chemical, and SK lubricants, the company reached 68,371.2 billion won in consolidated revenues, 2,842.4 billion won in operating profits, and 3,175.8 billion won in net profits. The results represent a 27.3% increase in consolidated revenues from 53,722.5 billion won in 2010, and a 50.3% increase in operating profit from 1,891.2 billion won in 2010. Other than the petroleum refining and marketing business, all business areas including petroleum development, petrochemicals, and lubricants, reported record-high revenues and operating profits, propelling the earnings of all SK innovation subsidiaries to record highs. These results are considered to be the result of each company's fast decision-making in response to the market conditions, enhanced business flexibility, and synergies among the businesses under the independent management systems, which were successfully implemented in the rapidly changing business environment, due to the instability of international financial markets caused by the European financial crisis. What makes the results even more noteworthy is that more than half of SK innovation's revenues were from exports which signify the company's progress towards becoming a global energy leader.

○ SK innovation

SK innovation reported record-high earnings in the history of the exploration & production business. The exploration & production business reached record revenue and operating profit of 1,035.9 billion won and 494.1 billion won, respectively, with the operating profit accounting for 47.4%. SK innovation began with small-amount equity investment in exploration and production blocks, extended the investment to operating and exploration blocks, and completed the vertical integration of oil/gas development and gas production/transportation/LNG. Moreover, the company succeeded in large-scale asset sale and created a new business paradigm for the exploration & production business. SK innovation has also continuously prepared for the future energy business, along with the exploration & production business. By continuously investing in its current businesses, such as EV batteries, I/E materials, and GreenPol, and by developing additional growth engines, the company will solidify its position as a technology-driven global energy leader and enhance its capabilities to continue its stability and growth as a century-old energy company.

○ SK energy

SK energy reported 49,400.9 billion won in revenue and 1,241.6 billion won in operating profit in 2011. In 2011, to tackle the domestic market stalemate, the company expanded its oil trade primarily in Singapore, and increased suppliers in Indonesia, Hong Kong, and Vietnam, as well as China and Japan, as a part of the strategy to increase demand for dry oil products in developing Asian countries. As a result, the company exported 172 million barrels of light oil, including high-value products such as gasoline and diesel, a 10% increase from the previous year's export. SK energy will increase exports of petroleum by continuously reinforcing its trade business, and work harder to make forays into overseas markets with its product quality that is competitive enough to export oil products to oil-producing countries, from which the company imports crude oil.

○ SK global chemical

SK global chemical reported 15,055.2 billion won in revenue and 774.3 billion won in operating profit in 2011. The results may have come from its export boom primarily in China and the strong margin growth of its aromatic and butadiene products. SK global chemical's appropriate response to the continuously growing demand within the regional market, centering on China, has led to the record-high earnings. In the business environment with increasingly fluctuating material prices and intense competition, SK global chemical will still increase exports by making forays into the Chinese market and other regional markets in Asia, and become a global market leader that consistently creates value by boosting market leadership, increasing trade, and diversifying the related business.

○ SK lubricants

In 2011, SK lubricants reported record revenue and operating profit of 2,709.1 billion won and 507.7 billion won, respectively. SK lubricants increased the exports of its internationally recognized base lubricants and also began exporting finished lubricants abroad, starting with the Chinese and Russian markets. Consequently, the company posted record high earnings. To facilitate its global expansion, SK lubricants is currently planning to expand production lines in Korea and abroad. Once opened, its third base lubricant plant in the Ulsan Complex and finished lubricant plant in Tianjin, China, will fuel the company's growth.

[2011 Corporate PR 'Earth's Desertification']

Future Plans

○ Optimizing the Independent Management System Optimized for Each Businesses and Creating Synergy

Under the independent management system, SK innovation, SK energy, SK global chemical, and SK lubricants will set new visions and goals and optimize management for their individual businesses. The companies will set their combined mid-/long-term term goals to 4 trillion won in operating profit in 2015, and 10 trillion won in 2020, and work together for each subsidiary to reach at least a trillion won of operating profit. Each company will aim to become a technology-driven, globally competitive company, develop a strategically important business, and increase synergy with the other companies. SK innovation will enhance its technical capabilities and expertise in petroleum development, I/E materials, batteries, and R&D, SK energy in the petroleum and special gas refining business, SK global chemical in the field of materials, such as olefins, aromatics, petrochemical, polymer, and EPDM, and SK lubricants in the areas of lubricants and base oils. Under the motto, "Separate and Together", the subsidiaries will continuously consolidate their business connections to create synergy, which helps make the best use of SK innovation's energy business capabilities, and also solidify their bond. Aside from strengthening technical connections among the businesses to create synergy, the four independent subsidiaries will further revitalize the organizations and enhance their cooperative relationships by transforming their corporate culture. The entire SK innovation group will fulfill corporate social responsibility by disclosing business results and reinforcing business ethics and will continue its growth by listening to stakeholders for their advice via a variety of communication channels and incorporating it into business activities.

"Outgrowing its old image as a Korean company stuck in the petroleum business, SK energy (currently, SK innovation) will take steps to become a global energy company."
(From the 2009 CEO inauguration speech of Ja Young Koo, President & CEO of SK innovation)

Special Issue | 2

Corporate Partnership

Corporate Partnership Philosophy

SK innovation recognizes small and medium enterprises as equal partners and pursues corporate partnerships for the mutual growth of the company and SMEs. Instead of one-time support programs, the company developed a win-win framework to assist SMEs enhance their competitiveness through long-term partnerships, and has arranged a variety of related programs.

3–Stage Process

[SK innovation Corporate Partnership]

In accordance with our corporate partnership philosophy and the company's strong determination, SK innovation constructed a three-stage process relating to 'individual transaction levels', 'industry levels', and 'community levels'.

First, in transacting with SMEs SK innovation respects the principles of equal opportunity and fair trade. From beginning to end, the company proceeds with transactions fairly, without favoritism, and tries to ensure appropriate mutual benefits.

Second, SK innovation is dedicated to helping SMEs enhance their competitiveness for the development of the related industry. The company provides practical support for the growth of SMEs, such as financing, research and development support, management support, and human resources development support.

Third, SK innovation aims to spread the corporate partnership culture across the community. Led by the Win-Win Cooperation Office at SK global chemical, the company participates in conventions and declarations concerning fair trade and corporate partnerships, and takes the lead in promoting the corporate partnership culture.

Corporate Partnership Programs to Enhance Competitiveness

○ Social Enterprises

"SK-esque Social Enterprise" is SK's new win-win cooperation model. Starting by forming social enterprises as social service partners, SK innovation has recently expanded the scope of its activities to directly establishing social enterprises. The company is also involved in activities to build social enterprises at the level of SK Group, such as turning maintenance, repair, and operations (MRO) companies into social enterprises and providing MBA aimed at social enterprise start-ups.

○ Funding and Financial Assistance

Aside from 100% cash payments, SK innovation provides a variety of financing programs for SMEs to manage funds under better conditions. SK Win-Win Fund, a leading financing source launched across the SK Group, raised funds of 150 billion won and enables SK Group's partners to receive loans at a lower interest than the market rate. Created in 2009, the fund has been active, with 8.6 billion won in balance as of late 2011.

○ Partnership Business Support

SK innovation uses its business infrastructure in a number of ways to improve SMEs' productivity and increase their business opportunities. The company also helps SMEs expand their activities abroad. For the SCR catalyst business, for instance, SK innovation has provided support, including business knowledge and the transfer of related processes/equipment. The business is now expected to generate annual earnings of about 10 billion won for partners through the investment worth 4.8 billion won. As for overseas expansion, the company provided assistance in expanding the maintenance business for the BSR Project in Vietnam, reaching 15 million dollars in orders.

○ Technical Assistance and Joint Technology Development

SK innovation aims to develop a win-win cooperation model by combining the creative technologies of SMEs and the centralized, systematic technical capabilities and knowledge of large companies. For instance, the company takes part in the new product development and commercialization of its business partners through technical cooperation in the field of key materials for TAC film, part of the I/E materials business. Once the company begins supplying the products scheduled for 2012, it is expected to contribute to partners' continuous sales growth.

○ Human Resources Development Support

To help SMEs enhance their competitiveness over a long period of time, SK Group continues to increase training/educational HR support for SMEs. SK Win-Win Academy, one of the leading programs launched in 2006, provides job training designed for varying positions, from working-level to middle management, and to CEO. Of all the programs, the MDP (Management Development Program), which was designed to teach the basics of management and business skills, was attended by 21 employees from 16 companies in 2011. In addition, a total of 59 companies participated in the 2011 CEO seminar, which was intended to provide CEOs with instruction on management, liberal arts, and the best SUPEX practices. Additionally, the CEO seminar held in the Ulsan area and organized by SK innovation provided education closely related to about 60 local suppliers. With the suppliers' enthusiastic support, the seminar will be held twice a year in 2012.

○ Closer Communication with Partners

"Open Innovation" lays the foundation for SK innovation's win-win cooperation. Through a variety of channels, SK innovation listens to the opinions of SMEs and incorporates them into business activities and also communicates with partners frequently to build trust, which is also social capital. The successful examples include the meeting with major suppliers of the battery business and SK global chemical's "Corporate Partnership" meeting held in 2011. The Corporate Partnership meeting, in particular, was attended by the CEO of SK global chemical and provided the opportunity for open communication, in which SK's commitment to and vision of Corporate Partnership.

Fair Procurement Process and Supplier Partnership

○ Fair and Transparent Procurement Process

Through the integrated online procurement system "SKBiOK.com," SK innovation ensures that all transactions with suppliers are carried out transparently, from supplier registration to procurement request, to bidding, ordering, and to issuing tax invoices. The company also improved fairness by allowing a variety of stakeholders to engage in the procurement process, such as suppliers' supervisors, procurement officers, end-users, and technology assessment teams.

○ Building Sustainable Partnerships

SK innovation introduced the Supplier Relationship Management (SRM) system, began a supplier management process—registration, assessments, and differentiated management, and has operated a competitive supplier pool. In the supplier registration process, the company conducts an assessment of each supplier's ethics, credit, technology, and environmental capabilities and ensures that all assessments are fairly conducted. SK innovation evaluates registered suppliers regularly on management, technology, quality, safety·health·environment, and human rights, and provides advice to maintain strategic partnerships and sustainable relationships.

Special Issue | 3

Safety, Health and Environment Management

Safety · Health · Environment Management Vision and Strategy

Safety / Health / Environment Policy

The corporate enterprise shall pursue incident-free operation and environment-friendly management based on the spirit of human-oriented management, thereby gaining society's trust and growing hand-in-hand with society.

To do this,
The Company shall become a role model among the domestic and foreign energy companies by planning and operating Safety, Health and Environment guideline stricter than that legally required, and sharing such results with the public.

Safety / Health
*Define Safety and Health management as a top priority and engage continuous improvements and preventive activities for personnel and equipment safety, thereby leading the establishment of a safe and healthy society.
*Innovate safety technology and enhance safety capability, thereby taking an initiating role in improving social health and safety.

Environment
*Define Environment management as a core task and preserve the global environment by reducing greenhouse gases and minimizing pollutants.
*Continuously create new valuables from the environment by developing environment-friendly technology and operating environment-friendly business, thereby innovating the future energy industry.

May 31, 2012

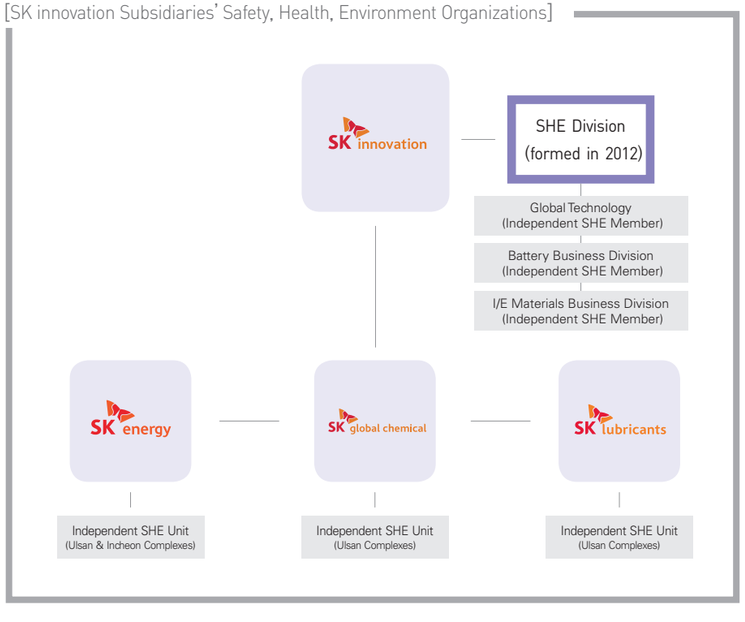
CEO	CEO	CEO	CEO
SK innovation	SK energy	SK global chemical	SK lubricants
KOO, JA-YOUNG	PARK, BONG-KYUN	CHA, HWA-YOUP	CHOI, KWAN-HO

SK innovation pursues a win-win model for the company and society through safety·health·environment management. In May 2012, SK innovation created a new policy to ensure the consistent, integrated practice of safety, health, and environment management that meets the international standards. SK innovation will continue to carry out improvement and prevention activities to keep employees and machines safe, and take the lead in building a safer, healthier society by bringing safety techniques and capabilities up-to-date. To preserve the earth's environment, the company will carry out GHG (Greenhouse Gas) and pollutant reduction activities and continue to create new environmental values through green technology development and business operations.

Forming Safety · Health · Environment Division

When the independent management systems of SK innovation and its affiliates was established, the company formed the SHE (Safety·Health·Environment) Division directly under CEO's supervision, an organization responsible for operating the integrated safety, health, and environment management system. SHE Division plans on bringing the SHE Management Systems at all plants in Korea and overseas to the "global top-tier" level, enhancing each office's ability to execute, and solidifying safety·health·environment management into SK innovation's own culture. The following shows the SHE Division formed in 2012 and the SHE teams of SK innovation's four subsidiaries:

[SK innovation Subsidiaries' Safety, Health, Environment Organizations]

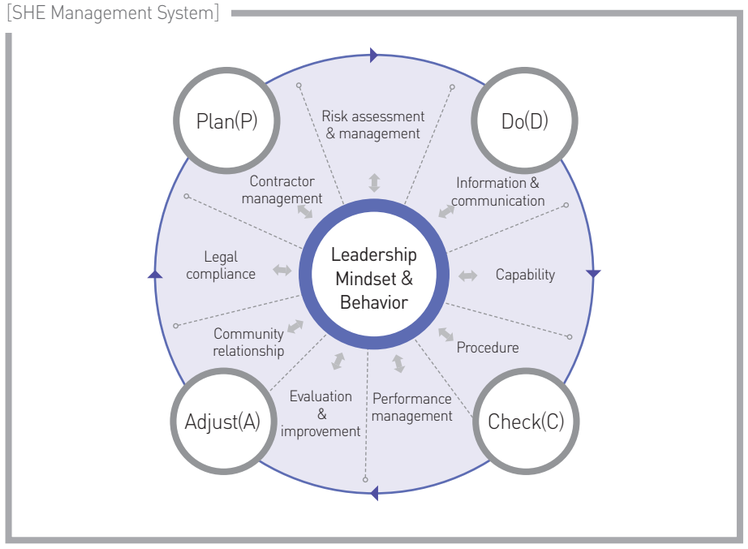


Safety · Health · Environment Management System and Upgrades

○ Safety · Health · Environment Management System

SK innovation runs the Safety·Health·Environment Management System to maintain consistency in safety, health, and environment management and produce results through continuous updates. The system consists of 2 basic elements and 9 operating elements and is always kept up-to-date by applying the PDCA (Plan-Do-Check-Adjust) method to each element.

[SHE Management System]



○ Strengthening Performance Management System

SK innovation has continued its efforts to bring the current SHE Management System up-to-date and improve its ability to execute to cement its position as a global company and a role model for Korean companies in the same industry with regards to safety, health, and environment management. An external consulting agency provided an objective assessment of SK innovation's SHE Management System. Based on the results, the company has worked hard to transform its safety culture. The company's management secured its leadership by declaring its commitment to safety, health, and environment management. The management also created the Safety Golden Rules to reinforce field-oriented safety management. Moreover, the management has worked hard to increase employees' SHE awareness and behavior by running the internal safety, health, and environment audit program based on employee engagement and by reinforcing safety training. SHE Division has also helped SHE teams improve performance by suggesting strategies for corporate SHE management and defining the duties and rights of SHE teams at the subsidiaries' worksites. To improve evaluation and performance management, the company has upgraded the SHE Audit System, applied the performance indicators of SHE management, provided feedback, strengthened near-miss control, and rewarded top performing teams and employees.

[Safety·Health·Environment Activity Performance Index]

Category (importance)	Performance index
System administration (30%)	System administration, including PSM ratings, EMS assessment results, etc.
Leading index: 70%	Implementation of safety activities, including % of SHE training completion, number of SHE meetings/check-ups, near-miss accidents, number of SHE suggestions, and emergency simulation training results
Lagging index: adjustable	Number of accidents, accident rate, number of environmental accidents, number of legal violations, speed limit violations, number of civil complaints, number of rewards, etc.

Low–Carbon Management

Climate Change Strategy

SK innovation established its own climate change strategy to tackle problems caused by climate change, and has continuously carried out voluntary reduction activities, including earning carbon credits by reporting GHG (Greenhouse Gas) reduction results, improving processes, and participating in pilot projects

[Strategy for Mitigating Climate Change]

※ SK innovation has been implementing Phase III since 2011.

Phase	Phase Ⅰ Laying the foundation for low carbon management system	Phase Ⅱ Establishing low-carbon management system	Phase Ⅲ Implementing GHG emission reduction initiatives
Emissions Trading System	• Building calculation schemes for GHG emissions • Building internal emissions trading system • Simulating emissions trading	• Constructing IT-based GHG control system • Implementing company-wide integrated emissions trading system • Reviewing group-wide emissions trading system	• Participating in international emissions trading market • Emission portfolio management
Carbon Credits	• Voluntary energy conservation • Discovering and registering GHG emissions 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

Low–Carbon Management

Under the Framework Act on Low-carbon, Green Growth, SK energy, SK global chemical (in 2011), and SK lubricants (in 2012) were selected as companies subject to the Greenhouse Gas and Energy Target Management System, and are responsible for reducing greenhouse gas emissions. SK innovation has faithfully complied with the Target Management System. Even before the system took effect, the company had already begun to develop and invest in GHG and energy reduction projects and reduced about 760,000 tons earlier, and will continue its commitment. The economic impact of the system, such as penalties will be therefore very insignificant. If, however, companies are required to pay for their assigned amount units under the Emissions Trading System (ETS), which will take effect in 2015, then SK innovation may have to pay for credits on a pro-rata basis. SK innovation thus tries to create business opportunities by reducing GHG emissions through a variety of projects, securing credits, and generating additional revenues by the time the ETS is adopted.

[Greenhouse Gas Emissions]

○ SK energy (unit : 1,000tCO₂)

	2007	2008	2009	2010	2011
Direct emissions	5,715	6,399	7,197	6,886	6,972
Indirect emissions	1,123	1,291	1,430	1,538	1,268
Total	6,838	7,690	8,627	8,424	8,240

○ SK global chemical (unit : 1,000tCO₂)

	2007	2008	2009	2010	2011
Direct emissions	2,862	2,559	2,353	2,370	2,626
Indirect emissions	1,027	951	1,012	965	1,150
Total	3,889	3,511	3,366	3,335	3,776

○ SK lubricants (unit : 1,000tCO₂)

Category	2008	2009	2010	2011
Direct	55	51	57	63
Indirect	81	82	81	87
Total	136	133	138	150

※ SK lubricants became subject to ETS in 2011, and calculated its GHG emissions since 2008

Effective Response to Government Policy

○ Greenhouse Gas and Energy Target Management System

Since 2000, SK innovation has calculated its GHG emissions and had them assured by an external agency under the ISO 14064 requirements. Then, in 2007, the company began calculating GHG emissions under the government's "Target Management System Guidelines," and having them verified by a government designated agency.

○ Emissions Trading System

In 2007, SK innovation became the first company in Korea to introduce an in-house Emissions Trading System, test-ran the system at the Ulsan Complex in 2008, then began operating the integrated Emissions Trading System company-wide in 2009, including the Incheon Complex. In 2010, Using these experiences, in 2010, SK innovation designed a framework for adopting the ETS across the SK Group and implemented simulated trading with SK Group affiliates and Korea East-West Power Co. In 2011, the company participated in the Emissions Trading System Pilot Project #1 supervised by the Ministry of Knowledge Economy to enhance its capabilities and competitiveness before the government scheme takes effect nation-wide.

○ CDM(Clean Development Mechanism)* Project

SK innovation was awarded a government contract for the "Korea-Developing Country Climate Change Support Project"** targeting Vietnam, Malaysia, and Thailand, and implemented renewable energy and CDM project development. SK innovation built a collaborative network with the local government agencies, international organizations, research centers, and companies, and has explored potential CDM projects through seminars and the local networks and conducted feasibility studies of the discovered projects, such as biogas and photovoltaic power generation.

○ Future Plans

With new government regulations introduced, such as the Framework Act on Low-Carbon, Green Growth (declared in 2010), the Greenhouse Gas/Energy Target Management System under the same act, and the government Greenhouse Gas Emissions Trading System Act (enacted in 2012), it has become necessary to take a practical approach to GHG reduction in 2012. This also means that implementing GHG reduction and energy conservation projects and developing process technologies will become even more important. SK innovation will therefore continue to carry out its GHG reduction project, earn carbon credits in Korea and abroad, create global business opportunities by providing support in developing countries, and solidify its position as a global company.

*CDM (Clean Development Mechanism)

Under this mechanism, if a developed country (investor) reduces emissions through an emission-reduction project in developing countries (project countries), the reductions are partially counted as the investor's. The mechanism allows the developed countries to earn CER (Certified Emission Reduction) credits for the reduced emissions, and developing countries to receive technical and financial assistance. Since 2005, developing countries also have been able to implement CDM projects as investors.

** Korea–Developing Country Climate Change Support Project

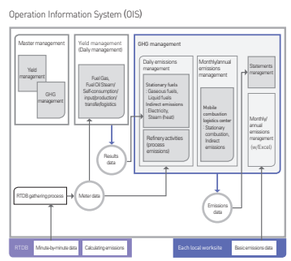
A government-funded project designed to help developing countries cope with global climate change and increase their bargaining power in emissions reduction agreements by providing support and cooperation, and also designed to provide ideal conditions for domestic companies to expand into developing markets.

Greenhouse Gas Emissions Management

○ Creating Greenhouse Gas and Energy Management System (GEMS)

SK innovation completed the calculation of GHG emissions arising from the plants owned by SK energy, SK global chemical, and SK lubricants, based on the IT-based in-house GHG emission calculation system created in 2007. For effective GHG management, the company strengthened the IT-based GHG management system, taking into consideration the acquisition of the Incheon Complex by SK energy and increased lines. In 2011, as the GHG and Energy Target Management System took effect, SK innovation fortified its low-carbon management system by creating the GHG & Energy Management System (GEMS) designed to monitor GHG emissions on a daily basis in connection with the Operation Information System (OIS). The GEMS gathers all the data needed to calculate GHG emissions from the OIS, which is monitored on a daily basis and automatically calculates emissions, allowing systematic emissions calculation and monitoring. The system can also frequently check emissions through daily monitoring, helping the company monitor and respond efficiently to annual reduction targets. The OIS data, which form the basis of GEMS, is connected to the company's Accounting Management System, which will allow each production unit to reflect its carbon accounting once the Emissions Trading System is adopted. SK innovation has dramatically increased accessibility and convenience so any OIS users can easily view and monitor GHG data by creating GEMS, and allowed all employees to read GHG emissions generated from related equipment. The GEMS is, therefore, expected to raise employees' awareness of low-carbon management as well.

[GEMS Structure]



Special Issue | 5

New Growth Engines

Global Technology

[R&D Cost]

R&D Cost (unit : KRW 1,000 won)

Year 2009	86,032,856
Year 2010	107,256,019
Year 2011	153,831,000

R&D Cost/Revenue (unit : %)

Year 2009	0.24
Year 2010	0.24
Year 2011	0.23

Using its world-class proprietary technologies, SK innovation implements new technology development and new business expansion in the areas of renewable energy, petrochemical, and advanced materials.

Global Technology is an organization responsible for the R&D of SK innovation and three subsidiaries and for supporting and facilitating the globalization of their technology-driven businesses, aiming to become a technology-driven innovative company in the long term. To reach its goal, Global Technology is expanding the promising areas of a technology value chain and carrying out activities to find new growth engines. The organization has also extended research and development support for energy, chemicals and resource development and increased R&D of new growth areas, such as batteries and I/E materials. To promote green growth, the organization conducts research on CO_2-based materials, photovoltaic, clean coal, and bio-fuels. Global Technology will continue to explore and develop new technologies to build future growth engines and an environmentally friendly society. For the aforementioned research and development activities, Global Technology invested approximately 370 billion won in 2011 and is expecting to increase its budget. The organization will also continuously increase its research and development and engineering staff in the year 2011.

Growth Engines by Area

Renewable Energy

○ Batteries for EVs and ESSs

Mid-/large-sized batteries provide high energy and output efficiency and are expected to play a pivotal role in developing next-generation vehicles and energy storage systems. In 2009, SK innovation entered into a hybrid vehicle battery supply contract with Daimler Group's Mitsubishi Fuso and in 2010, became a battery supplier for Hyundai-Kia Motor Group's high-speed EVs and for Mercedes-Benz electric supercar. In January this year, the company also completed the formation of a JV with Germany's Continental Corporation to combine SK innovation's strengths in the battery cell area and Continental's expertise in the BMS and auto parts business and to pave the way for global leadership in the battery industry. SK innovation also leads the smart transportation business of the government-funded smart grid pilot project, takes part in the smart place and smart renewable areas and in the construction of the world's largest high-tech open test-bed to test the ESS developed exclusively by SK innovation. During the second half of this year, the company will start operating the automated 200MWh battery production line in the Seosan Industrial Complex, Chungcheongnam-do, in addition to the existing lines at Global Technology, and safeguard its position as a global battery supplier equipped with a large-scale production facility.

○ Clean Coal Energy (Green Coal)

SK innovation is developing an innovative, clean coal energy technology that can dramatically reduce pollutants & carbon dioxide and also save investment costs. As the host company of a government project funded by the Ministry of Knowledge Economy, SK innovation is implementing an industry-university cooperative project. In 2011, the company built a pilot plant to facilitate its technology development.

○ Thin Film Solar Cells

SK innovation is developing a next-generation CIGS thin film solar cell technology, which will solve the problems, thanks to the low material efficiency of crystalline silicon solar cells and with the multi-phase value chain. To facilitate commercialization, in 2011, the company obtained a platform technology in 2011 by investing in HelioVolt, an U.S. thin film solar cell venture. SK innovation has since focused on bringing its manufacturing technology up-to-date and implemented the business to build a manufacturing plant in 2014.

Petrochemicals

○ CO_2-embedded Polymer (GreenPol™)

A polymer made from a material consisting of over 40% carbon dioxide, GreenPol™ provides excellent properties, such as nontoxicity, barrier properties, transparency, and biodegradability. A high productivity aspect has brought the product into the limelight, comparable to general plastic resins, such as polyethylene and PVC. Since the completion of the pilot plant in 2009, SK innovation has focused on developing a manufacturing technology and applications for commercialization purposes.

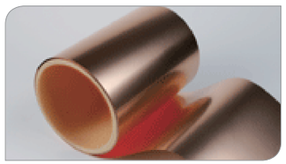
Information/Electronic Materials

○ LiBS (Lithium-ion Battery Separator)

With its exclusively developed cutting-edge technology, SK innovation became the third company in the world to successfully commercialize LiBS (Li-ion Battery Separator), a core component for rechargeable lithium-ion batteries. Since its Cheongju Plant began operating Unit No. 1, the company has increased its market dominance by continuously expanding the production lines and actively developed export markets while contributing to domestic production of the LiBS, which has been a heavily import-dependent product. SK innovation is currently running seven production lines at Cheongju and Jeungpyeong Plants, and continues its R&D and investment efforts to improve technology and market leadership.

○ FCCL (Flexible Copper Clad Laminate)

SK innovation developed its own technology for manufacturing high-performance FCCL (Flexible Copper Clad Laminate), a material used in flexible circuit boards. In 2010, the company developed a technology to diversify the product line and was certified by its customer; in 2011, it completed its manufacturing plant; and in July 2012, it began production. The company will build Unit No. 2 to pave the way for future sustainable growth.



○ TAC (Tri Acetyl Cellulose)

SK innovation developed and has tried to commercialize a manufacturing technology for TAC (Tri Acetyl Cellulose) film, a material used in display polarizers. Since the completion of its Jeungpyeong plant in Chungcheongbuk-do, the company has continued its R&D to expand the production lines.

Special Issue | 6

Stable Energy Supply

Expanding Stable Supply Infrastructure

Korea is the 9th largest oil-consuming country in the world, and its presence has grown in the world petroleum market. SK innovation has worked hard to respond to growing uncertainty in the global market through stable energy supply. It has also tried to build stable crude oil supply infrastructure and helped transform Korea into an energy superpower. SK energy imports about 300 million barrels of crude oil each year, and has been building a strategic network worldwide by collaborating with global energy companies and strengthening its bond with oil-producing countries. To enhance the ability to cope with global emergencies, the company has also prepared a variety of solutions, increased oil reserves, and built infrastructure for stable, economically efficient crude oil supply. For instance, the company will implement a policy to keep long-term imports at a sufficient level and diversify the import channels to Europe and Africa. 77% of the company's oil imports come from the Middle East, according to the 2011 performance data. To ensure long term stable oil supply under the changing global political climate, including the recent political instability in the Middle East and U.S. sanctions on Iran, SK innovation actively seeks to purchase oil from regions other than the Middle East, such as Europe.

[Annual Crude Oil Imports] (unit: 1,000 barrels)

Expanding Exploration & Production

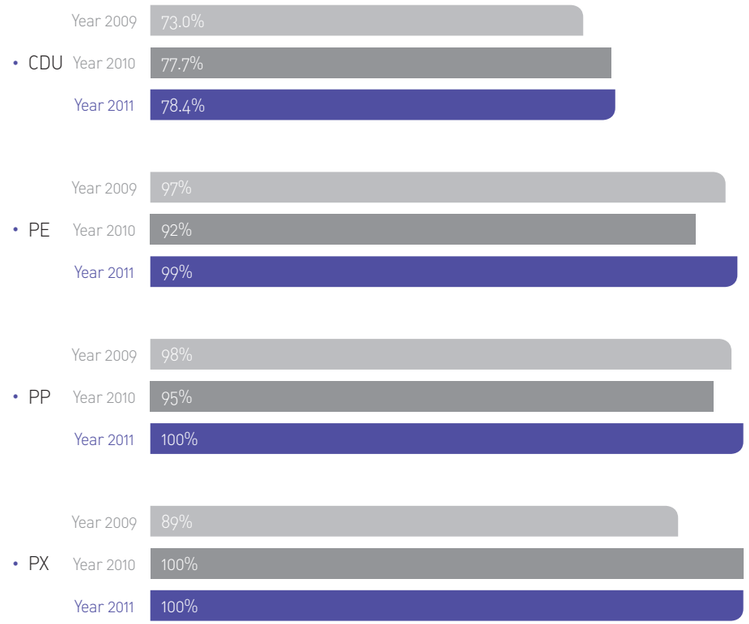
SK innovation has been expanding its E&P business abroad to evolve from the largest energy company in Korea to a global energy leader. As of year-end 2011, the company secured 550 million barrels of oil reserves and its daily production reached 65,000 barrels of oil equivalent per day in 2011. The Northeast Field of Su Tu Den, Vietnam, Yemen LNG Train 2, and Peru LNG Plant continue stable operations. SK innovation is expanding its production line in Peru to generate more revenue and increase reserves. It also plans to conduct additional exploration activities. Furthermore, SK innovation participates in the drilling project in Colombia as an operator and carries out a variety of other exploration projects in Vietnam, Australia, and the Republic of Equatorial Guinea. With the profit earned by selling its Brazilian subsidiary, SK innovation plans to acquire producing assets or enter into a corporate M&A. Lastly, the company will contribute to national energy development and become a global leader in energy E&P by continuing its block exploration and development and stable oil supply.

Flexible Supply Management

In 2011, with oil demand remaining status quo and the economy recovering, SK innovation kept the operating rate of CDU (Crude Distillation Unit) at 78% for stable oil supply, which was slightly higher than the previous year. The operating rates of key chemical products, PE (Polyethylene), PP (Polypropylene), and PX (Paraxylene), were 99%, 100%, and 100%, respectively.

[Plant Operating Rates]

※ Plant operating rates are flexibly managed considering all factors, such as market demand and supply.



Special Issue 7

Corporate Culture Innovation

Corporate Culture Innovation: Challenge, Creativity, and Positive Thinking

Challenge

Imagine the best, aspire to realize the imagination (challenging the old culture is required)

Creativity

New attempts and experiments (active discussion across all levels is required)

Positive Thinking

"Can-do" attitude
(Team leaders and members are required to cooperate)

SK innovation's old corporate culture emphasized stability, order, and hierarchy and was very consistent with the strategies of the existing petrochemical industry. The technology-driven industry, where SK innovation faces new challenges, sees very intense competition and high market volatility. Therefore, the company decided that it would not be able to adapt to strategic changes by maintaining its old culture. "Organizational Revitalization" was designed to create a culture that adapt to the changes made to the company's To-Be strategy. SK innovation and the company defined its cultural values as Challenge, Creativity, and Positive Thinking as its core values.

To encourage the internalization of the new culture, instead of making artificial changes, SK innovation has adopted a step-by-step approach. In Phase 1, in 2010, the company targeted briefings, meetings, over-time work, and vacations as improvement priorities to "Make a Fun Workplace," and improved the past practices dramatically. In 2011, SK innovation continued the "Make a Fun Workplace" activities, while transforming the energy generated from those activities into a culture of "Challenge, Creativity, and Positive Thinking." Creating the culture of "Challenge, Creativity, and Positive Thinking" is carried out in Phase 2 of Organizational Revitalization, where the company aims to improve employees' way of thinking and behavior and pursue a higher level of happiness.

Systematic Support

To facilitate organizational revitalization, SK innovation supports environmental and systematic overhauls. To improve the office environments, tall partitions were taken down, the office walls of executive officers were replaced with glass, and team leaders' desks were moved closer to those of team members, creating a barrier-free workspace and making the workplace communication-oriented. The company also introduced the half-day off and flexible time policy to help employees achieve work-life balance.

Changes were also made to the HR programs, which were conservatively operated. First, field employees are now allowed to actively engage in the hiring process and directly choose among talented candidates. Personality and aptitude tests are now flexibly applied to hiring experienced employees, and the rewards policy stresses diversity and flexibility rather than uniformity and universality. This policy ensures that only qualified candidates can be hired. SK innovation's improvements also include helping retired employees who left the company for study purposes get re-employed, enforcing the promotion qualification examination program, improving the transfer management program (Job Market), and transforming the uniform distribution of educational budgets (IDP). These changes show that the company is moving forward from the culture of managerial efficiency and internal equality towards the culture of managerial effectiveness and market competitiveness.

Organizational Revitalization Activities

In 2011, a variety of activities were carried out to convey the management's sincerity and encourage employees' engagement through communication about the necessity and direction of organizational revitalization.

"tong tong," SK innovation's intranet forum, was opened to encourage employees to share their honest opinions online, and an event called "Shall We Talk" was held to learn directly from the CEO about organizational revitalization and the company's vision. A sports event like Haneul Madang Sports was designed to improve intimacy among between organizations and other events were also provided to help business units to bond with each other.

Key Activities

○ SK innovation

SK innovation created "Communication Day" to provide opportunities to talk offline and launched "V-Board" where junior employees can communicate directly with the CEO. Aside from the workshops for executive officers and team leaders, which are held every first and second half of the year, SK innovation held a corporate culture workshop where all employees discussed SK innovation's cultural identity and behavior during the second half. The workshop was held in 11 sessions for 50 days and attended by about 1,000 employees.

○ SK energy

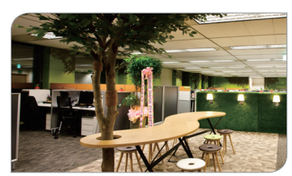
SK energy created and enforced the "Guidelines for Corporate Culture Innovation" to provide the most efficient working environment. By creating the environment where unnecessary jobs are streamlined and employees can pitch creative ideas and focus on essential jobs, the company allowed employees to take part in "Brain Engagement" and eventually create a "virtuous-cycle" in the corporate culture, where employees cultivate their capabilities and the company continues to grow.

○ SK global chemical

SK global chemical provided CEO-employee meetings as a year-round program to encourage direct communication between employees, and the CEO, and decided to celebrate "Communication Day" based on "fun" and "significance." The company also held the GC workshop including an outdoor mission to promote communication and harmony across all levels. Furthermore, SK innovation launched "J-Board (Junior Board)" to create a "bottom-up" organic organization where employees are allowed to participate.

○ SK lubricants

SK lubricant launched a Culture Innovation TF consisting of junior employees and fortified bottom-up communication. The company also built the Dream Office, implemented the Creative Biz. Look, and improved the culture of business meetings. To enhance communication with the CEO, all employees were provided with small-group meetings and the opportunity to share business progress and talk with the CEO on "Happy Day" every month.



Future Plans

SK innovation will pave the way for a better culture through the current organizational revitalization activities and consider them long-term activities, rather than temporary ones. The company's plans also include developing a variety of communication channels and providing more programs like the corporate culture workshop to encourage employee engagement and help them learn new cultures.

Customer Satisfaction

CS Framework and Activities

SK innovation considers customer satisfaction a top priority and implements systematic CS activities to deliver higher levels of customer satisfaction through customer-centric management. The CS Framework consists of on-site CS survey, on-site CS improvement activities, and gathering Voice of the Customer (VOC) systems.

On-Site CS Survey System

○ Customer Interface Monitoring System "ACE Program"

In 1998, SK innovation began to operate ACE (Appearance Cleanliness Evaluation) Program to provide high quality services at SK gas stations. ACE Program was designed as a support program to increase customer satisfaction by checking the level of CS at each station, providing feedback to the station and its sales team, setting improvement priorities, and carrying out improvement activities. In 2011, the company overhauled the ACE process so that a panel selected by a research agency actually drove and fueled cars while monitoring CS levels from customers' perspective. The evaluation results were analyzed and then sent to stations so that they could be used in improvement activities. As a result, SK Gas Stations ranked first in both the Korea Customer Satisfaction Index (KCSI) survey conducted by Korea Management Association and the Korea Service Quality Index (KS-SQI) survey conducted by Korea Standards Association, respectively.

On-Site CS Improvement Process

○ On-Site CS Improvement through "CS 119Team"

In 2011, SK innovation began to operate "CS 119Team," a CS consulting program for gas stations, to improve CS on-site. Within the program, a CS expert visits a service station, checks its service level, and suggests customized on-site training and other various improvement ideas, making a great contribution to improving service quality at service stations and encouraging station employees' attitudes towards service. Since CS 119Team has received a highly positive reception, SK innovation will increase CS 119 teams.

○ Improving Employees' CS Attitude: "Employee CS Campaign"

SK innovation provides an annual field work program for employees to improve their CS attitudes and marketing skills. In 2011, the company launched the "Kindness Campaign" under the slogan "Your Smile Is SK's Happiness" and in 2012, the "Cleanliness Campaign," under the slogan "Clean and Kind SK EnClean Makes You Happy." The campaigns have allowed employees to not only conduct a variety of field PR activities but also listen to customer voices and incorporate them into their jobs.

○ Increasing Membership and Affiliate Service Benefits

SK innovation updated customers' favorite membership service EnClean Bonus Card" and launched an additional service called "EnClean Affiliate Discount Service" where customers can save extra OK Cashbag points or get double point discounts at affiliate stations, as long as they have used energy services at SK EnClean or charging stations more than once in the past month. To help customers save fuel cost, SK innovation increased customer benefits like Affiliate Credit Card aside from the biggest discounts and point rewards. The card allows "immediate discounts upon fueling," aside from the biggest discounts and point rewards in the industry.

○ Building Customer Trust with Authentic Products and Honest Service : "Quality Assurance Program"

As customers' distrust of oil quality has grown due to high oil prices and the distribution of fake oil resulting from high oil prices, SK innovation developed "Quality Assurance Program," to show its commitment to quality service, building customer trust in SK innovation services. SK innovation operates a new reward program, which includes frequent station checks for honest services (authentic product, right amount), and the "Fake Oil Reporting/Reward Campaign" to root out all fake oil products.

○ Compliance

SK innovation complies faithfully with the Broadcasting and Advertising Act, Outdoor Advertisements Control Act, Consumer Protection Act, and other applicable laws, and did not violate any laws related to its products and services in 2011.

Voice of the Customer (VOC) Gathering System

○ Customer Service Center: "SK energy Customer Happiness Center"

SK innovation runs "SK energy Customer Happiness Center," a communication channel for customers to answer their inquiries and grievances regarding the use of products/services and gather customer opinions on the company's marketing activities. At the Center, 50 expert counselors were hired to provide specialized, kind counseling services by phone or online, listen to customer voices on the company's marketing activities, and take them into consideration to provide better products and services. Through the VOC (Voice of the Customer) feedback process, the company provides fast feedback on the voices gathered through a variety of channels and handles complaints. In collaboration with Customer Service Team, Voice of the Customer provides fast, accurate customer services, and the gathered VOC is shared with related organizations in periodic reports so that they can be used to improve the systems.

Customer Responsibility Activities

○ Customer Information Protection

In 2010, SK innovation adopted the data user authentication system to ensure that anyone who can access personal information is aware of the importance of privacy and applies the system to their jobs. In addition, the company and suppliers monitor the handling of personal information on a regular basis and comply with the privacy regulations by running a system for the safe transfer and storage of personal information. Further, SK innovation created a SOC (Security Operation Center), an independent work space where personal information encryption and a stronger security policy are applied, to reinforce technical, physical security. SK innovation also created/amended its Privacy Policy and Guidelines, bolstered the management of the Data Security System, and provided periodic privacy training to eliminate the risk of data leaks.

[Product Safety Activities]

Providing Material Safety Data Sheets (MSDS) for all product
Evaluating hazards across product lifecycles and eliminating defects
Complying with product safety–related laws
Operating a steering committee on product safety
Training employees and suppliers
Conducting periodic safety audits

SK innovation

skinnovation.com

SK innovation Opens the Future for Korea

With genuine interest and engagement, we are building a happy future for Korea. SK innovation spreads the energy of happiness across Korea through empathy and engagement.

SK innovation fulfills its social responsibility by forming social enterprises and creating jobs for our disadvantaged neighbors.

SK innovation leads by taking bold steps toward a healthier Korea.

Our Performance

Economic Performance

Economic DMA

SK innovation continues to increase revenue through innovation.

In 2011, through the independent management system, SK innovation tried to enhance its global competitive advantage by strengthening its technological capabilities and securing new growth engines. Its commitment led to a 27% increase in revenue with KRW 68,371.2 billion won, compared with the previous year.

Vision and Strategy

SK innovation has actively promoted global management and future energy development to become a technology-driven global energy company. With the spin-off and the launch of the independent management system, SK innovation will consolidate its competitive edge as a global energy leader by continuously investing in new businesses, such as E&P, I/E materials, and batteries, and by developing overseas markets for its petroleum, petrochemical, and lubricants subsidiaries.

2011 Key Issues

New technology • New businesses • Financial performance
• Success of Independent management system

Key Achievements

- Success of the Independent Management System of SK innovation, SK energy, SK global chemical, and SK lubricants
- Successful sale of oil blocks worth 2.4 billion dollars owned by its Brazilian subsidiary
- Successful development and commercialization of an advanced manufacturing technology for flat copper clad laminates (FCCL), one of the I/E materials
- Revenue increase by 27.3%; operating profit increase by 50.3%, compared with the previous year
- Economic performance (unit: KRW billion, %)

Category		2010	2011
Economic performance	Total assets	29,405	35,027
	Revenue	53,722	68,371
	Net profit	1,149	3,175
Key indicators*	Debt ratio	154.56%	136.16%

※ Based on K-IFRS consolidated financial statements

* Key indicators
See the 2011 Business Report on the website (consolidated)

Creating and Distributing Economic Value

2011 Economic Performance

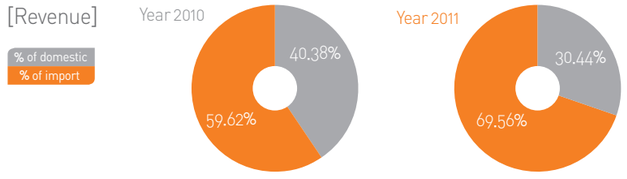
As the IFRS took effect on January 1, 2010, under the Korea International Financial Reporting Standards (K-IFRS), SK innovation adopted the standards to prepare these financial statements. The financial statements include the changes made after the spin-off early 2011. The year 2011 saw a 27% increase in revenue with 68,371.2 billion won, compared with the previous year; due to rising oil prices and economic recovery, the petroleum business reported a revenue increase by 37% with 87,950.2 billion won; the petrochemical business a 44% increase with 22,535.3 billion won, due to the continued strong market growth; and the lubricants business a 33% increase with 4,862.4 billion won, all compared with the previous year. Other businesses like E&P reported 1,581.3 billion won of revenue, a 48% increase, due to the rising oil prices and an increase in average daily production.

[Revenues of Key Businesses]

(Unit : KRW billion)

Business category	Item	5th Period (2011)	4th Period (2010)
Petroleum business	Export	23,549.5	15,587.7
	Domestic	27,195.3	15,247.5
	Overseas subsidiary	37,205.4	33,473.9
	Total	87,950.2	64,309.1
Petrochemical business	Export	11,269.1	10,067.3
	Domestic	6,923.5	3,055.8
	Overseas subsidiary	4,342.7	2,541.9
	Total	22,535.3	15,665.0
Lubricants business	Export	2,030.4	1,566,6
	Domestic	642.7	436,8
	Overseas subsidiary	2,189.3	1,646.5
	Total	4,862.4	3,649.9
E & P and others	Export	1,252.3	920,9
	Domestic	329.0	138.9
	Overseas subsidiary	0	6.4
	Total	1,581.3	1,066.2
Consolidated adjustment		-48,558.0	-30,967.7
Total		68,371.2	53,722.5

[Revenue]



Government Grants

In 2011, SK innovation received 52 million dollars through the Success Repayable Loan System for 11 overseas exploration and production projects including in Vietnam, Colombia, Equatorial Guinea, and Kazakhstan. The key blocks funded through the Success Repayable Loan included 15-1/05 block in Vietnam, where the company discovered oil in 2009 and 2010, and CPO-4 and SSJN-5 blocks in Columbia, which the company operates as an operator, and the company also conducts seismic surveys and drilling activities.

Exchange Rate Risk Management

Since exchange rates have a big impact on oil imports and sales, they are considered a critical risk factor. Characteristic of an all import-dependent structure, the business is exposed to foreign exchange liabilities in foreign currency. To reduce the risk from such fluctuations, SK innovation uses derivatives to hedge against exchange rate risks from operating and other incomes based on VaR (Value-at-Risk) under the foreign currency management rules. To manage exchange rate risks, SK innovation operates the Exchange Risk Management Committee with Director of Corporate Management Division as a chair, and Treasury Team is responsible for reporting related transactions on a regular basis.

Shareholder Returns

In 2011, SK innovation determined a dividend of 2,800 won per common share, a 700 won increase compared with the previous year, and has implemented gradual increases in dividends to ensure stable shareholder returns. To increase shareholder returns, the company will pursue stability through active risk management and efficient business operations and endeavor to reach its business goals by establishing a long-term growth strategy.

[Dividends]

Category	2009	2010	2011
Par value per share (won)	5,000	5,000	5,000
Earnings per share (won)	7,311	9,480	18,278
Dividend per common share (won)	2,100	2,100	2,800
Dividend per preferred share (won)	2,150	2,150	2,850
Total cash dividends (million won)	195,289	195,767	261,001

※ The 2009 data are based on the stand-alone financial statements under K-GAAP

※ The 2010 and 2011 data are based on the separate financial statements under K-IFRS

2011 Financial Statements Summary

[Income Statement Summary]

(Unit : KRW million)

Subject	5th Period (Year 2011)	4th Period (Year 2010)
Sales	68,371,155	53,722,461
Cost of Goods Sold	63,551,358	49,749,441
Gross Margin	4,819,797	3,973,020
SG&A Expenses	1,860,221	1,705,222
Other Operating Income	1,689,270	1,178,509
Other Operating Expenses	1,806,492	1,555,152
Operating Income	2,842,354	1,891,155
Non-Operating Income	3,349,235	914,202
Non-Ooperating Expenses	1,882,942	1,302,937
Income before Income Taxes	4,308,647	1,502,420
Income Taxes	1,132,804	353,239
Net Income	3,175,843	1,149,181
Other Comprehensive Income	166,275	(3,178)
Total Comprehensive Income	3,342,118	1,146,003

[Balance Sheet Summary]

(Unit : KRW million)

Subject	5th Period (Year 2011)	4th Period (late 2010)	4th period (early 2010)
Current Assets	19,886,932	15,495,703	13,918,469
Non-Current Assets	15,139,949	13,910,021	14,377,782
Total Assets	35,026,881	29,405,724	28,296,251
Current Liabilities	14,305,452	11,744,822	11,104,071
Non-current liabilities	5,889,819	6,109,135	6,617,351
Total liabilities	20,195,271	17,853,957	17,721,422
Capital	468,570	468,570	468,570
Capital Surplus	5,885,505	5,878,164	5,917,961
Earned Surplus	8,202,693	5,265,931	4,293,926
Other Capital	20,507	(161,184)	(232,737)
Minority Sshareholder's Equity	254,335	100,286	127,109
Total Equity	14,831,610	11,551,767	10,574,829

2012 Business Plan

In 2012, SK innovation will bolster its competitiveness through the consolidated independent management system of SK energy, SK global chemical, and SK lubricants, and continue its efforts to become a leader in the global energy industry by creating synergy among the businesses. Further, the company will continue to invest the new growth engines like E&P, battery, and I/E materials businesses, develop overseas markets for the petroleum, petrochemical, and lubricants businesses, and adopt a flexible business structure to create synergy, bringing the value of the business portfolio up to the maximum level.

Petroleum Business

SK innovation is swiftly responding to the changing market environment by diversifying its petroleum business portfolio and also through diverse risk management methods to ensure stable performance. In 2012, beyond the existing oil refinery business, the company plans on diversifying its business portfolio internationally, while continuously expanding its supply chain in Indonesia, Hong Kong, Vietnam, China and Japan. At the same time, the company will increase the number of its export markets for high value-added light and middle distillates, especially gasoline and diesel. Furthermore, the company will continue expanding the trading business and establishing a foothold in overseas markets in an effort to improve its business structure. SK innovation will also increase customer-oriented and technology driven new growth engines, allowing the company to become the leading energy company in the Asia-Pacific region.

Petrochemical Business

SK innovation endeavors to reinforce competitiveness in order to grow steadily in the production of olefins, aromatics, solvents, synthetic resins, and synthetic rubber. In 2012, the company will aggressively expand its business in China and seize the business opportunities in global market – especially in emerging markets, such as Southeast Asian countries and India, while consolidating its competitive position in domestic market. The company is now reinforcing R&D capabilities in order to secure a fundamental technology for a new market expansion. In particular, it is now commercializing the Nexlene technology, one of SK Innovation's own technologies. It will continuously step forward to further growth, for example by creating a joint venture (JV) with JX Nippon Oil & Energy Corporation (Japan) to build a PX plant in Ulsan, which would produces 1 million tons annually.

Lubricants Business

SK innovation is creating a global platform for finished products as part of its globalization initiative. With a focus on emerging markets that include China, Russia, Southeast Asia and South America, the company is localizing its production and distribution network, while also pursuing overseas B2B markets. In 2012, a third joint venture LBO plant in Ulsan, Korea with Japan's JX Nippon Oil & Energy starts commercial operation soon and will have a daily production capacity of 26,000 barrels. Another LBO plant with a daily production capacity of 13,300 barrels is under construction in Spain, a joint venture with Repsol.

Exploration & Production Business

In July 2011, SK innovation finalized a deal to sell SK do Brasil, its Brazilian E&P subsidiary, to Maersk Oil of Denmark for US$ 2.4 billion, completing a contract that was signed in December 2010. The earnings from the deal will be used to purchase more production blocks or pursue further M&As. In 2012, the company is continuing to upgrade its E&P business portfolio through active exploration projects and the securing of new blocks, with a focus on areas with high-growth potential. The company will also maintain/increase income sources by efficiently managing the existing blocks and developing new blocks, and implement stable LNG production and distribution through the LNG projects in Yemen and Peru. Moreover, centering on the E&P Technical Center in Houston, the company will recruit/train E&P global talent and support successful operations in Colombia and Peru, and continuously foster its technological capabilities using the operating assets and technology that it will gain through the M&As/production asset purchases.

Battery Business

SK innovation has been recognized for its excellent performance in the battery system technology and production areas by chosen to supply batteries for electric vehicles made by Daimler Group's Mitsubishi Fuso, Mercedes-AMG, and Hyundai-Kia Motors. As a leading company in the new and renewable energy storage market, SK Innovation built the nation's largest energy storage system at the Jeju Smart Grid Test Bed in October 2011. Based on these proven technologies, the company plans on carrying out mass production at Seosan General Industrial Complex, where an annual production capacity of batteries capable of outfitting 40,000 E/V is expected.

Information/Electronic Materials Business

SK innovation is developing businesses to make LiBS (Li-ion Battery Separator), TAC (Tri Acetyl Cellulose), and FCCL (Flexible Copper Clad Laminate) business areas into new growth engines. The company was the third company in the world to develop a lithium-ion battery separator, the core component of lithium-ion batteries. Based on this technology, the company is producing separators for diverse IT applications and for E/V batteries. In 2012, By taking advantage of its technological advantage, the company will continue developing innovative products and expanding production lines to become a world-leading LiBS producer. The company designs and operates the pilot plant on its own, which has secured it a platform for commercial production of TAC film. In 2012, the first plant for mass production is under construction in North Chungcheong province. Once it wins product verification from client companies, the company will begin full-scale sale of the product. After applying its own continuous curing process technology, the company completed a mass production line which manufactures products and started commercial production in July 2011. As it moves forward, the company aims to become a global leader in the circuit material industry by expanding into displays and other related industries.

In the future, SK innovation will further boost the development of future growth engines, which will propel "green growth" under the vision of "Leader in the Energy Industry." To realize the vision, the company will continue to endeavor to develop competitive technologies, such as GreenPol (CO_2-embedded Polymer), Green Coal (clean coal energy), and Cellulosic Ethanol.

Our Performance

Social

Social DMA

SK innovation is building a brighter future for Korea.

SK innovation has always been concerned about the development of Korean society and committed to fulfilling its responsibility as a corporate citizen. Its commitment has led to "True Management for Happiness" to build a happier Korean society.

Vision and Strategy

The vision of SK innovation is "A company where employees work with passion, a company that society respects." SK innovation tries to meet society's expectations by communicating with stakeholders and staying engaged with local communities. It also tries to fulfill its responsibility as a corporate citizen by pursuing stakeholder happiness through "Happiness Management."

2011 Key Issues

Corporate culture • Employee safety and health • Social contribution/ community development • Customer satisfaction

Key Achievements

- Ranked 1st in Korea Service Quality Index (KS-SQI) in the category of gas stations for 4 straight years
- Improved customer service by establishing CS119Team for customer consulting
- Formed SHE Division at the company level
- Opened "tong tong," a new program designed to promote communication among employees
- Provided a place for communication with local communities by donating "SK Happy Wing Park" in front of its Incheon Complex, and improved the cityscape.

Year	2009	2010	2011
Accident Rate (%)*	0.30	0.23	0.08
Social contribution activity cost (KRW billion)	37.1	31.5	47.8

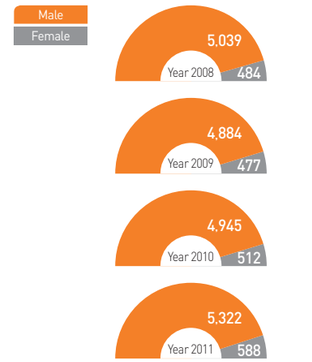
* contribution
2011 average accident rate disclosed by Ministry of Labor
Overall industry: 0.65, manufacturing: 0.96

Employee Satisfaction

Fair Opportunity and Respect for Diversity

SK innovation strictly prohibits all forms of discrimination against employees' gender, age, and origin, respects diversity, and strives to provide fair, reasonable opportunities. During the hiring process, the company complies with the Labor Standards Act and Equal Employment Act to ensure fair procedures, and the terms and conditions of employment are provided fairly through the collective bargaining agreement, employment standards, and employment agreements. SK innovation complies with applicable laws regarding the prohibition and regulations of gender-based discrimination, and ensures equal opportunities for female employees and equal pay for equal positions. The company also offers an annual session of anti-sexual harassment training at the workplace. Those who just gave birth are allowed to use parental leave and return to work after the leave. In addition, through the Agreement on Promotion of Employment for the Disabled with the Korea Employment Promotion Agency for the Disabled, SK innovation aims to reach 2.5%, the legally required ratio of disabled employees. Aside from its legal and institutional efforts, SK innovation strives to create a corporate culture that respects diversity. SK innovation believes that such a corporate culture will keep employees from experiencing any form of discrimination based on gender, age, or origin.

[Employees by gender] (unit: person)



Respecting Human Rights

SK innovation considers respecting human rights one of corporate social responsibilities and is committed to protecting employees' human rights and guaranteeing their labor rights. The company also complies strictly with labor laws.

○ Freedom of Association and Collective Bargaining

SK innovation is dedicated to promoting mutual benefits for both labor and management and guarantees all labor union members' freedom of association and collective bargaining under labor laws. The labor union represents the interests of its members. The Labor-Management Council is responsible for discussing issues that have a big impact on employees, and the details of business operations are frequently shared with the labor union. Furthermore, the company should immediately report the results of its restructuring and rewards/punishments to the Union. The labor-management collective bargaining agreement is, in principle, supposed to be applied to employees below the level of senior assistant managers, but the company tries to make most part of the agreement applicable to all employees.

[Information on the Labor Union]

(as of Dec. 31, 2011)

Membership	2,566 members
Full-time memberes	5 members
Associations	Federation of Korea Trade Unions, Federation of Korea Chemical Workers

○ Child and Forced Labor

SK innovation does not own businesses with high risks of child labor and forced labor and strictly prohibits such illegal activities. All employees at SK innovation were hired at their own will, and are evaluated for their performance and abilities under the appropriate Compensation and Promotion programs.

○ Grievances Committee

The Grievances Committee consists of 6 members, 3 each from management and the labor union, and is committed to improving the working environment and conditions. The committee receives employees' individual grievances in writing or orally, by phone, e-mail, or otherwise and tries to solve them.

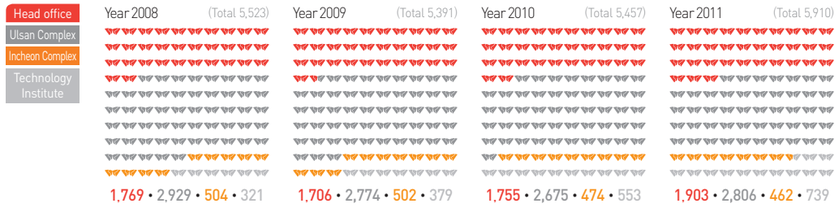
○ Employee Privacy

SK innovation contracts out internal security management to a security agency and regularly educates 203 security officers working at the company on their basic duties and how to respect human rights.

[Employee Information by Worksite]

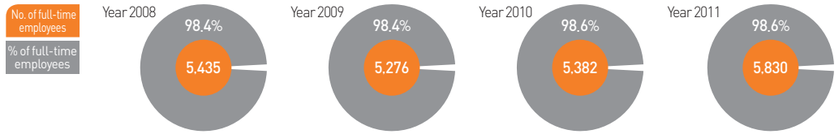
(As of late 2011/unit : person)

※ Head office includes employees of overseas and other worksites



[Percentage of Full-time Employees]

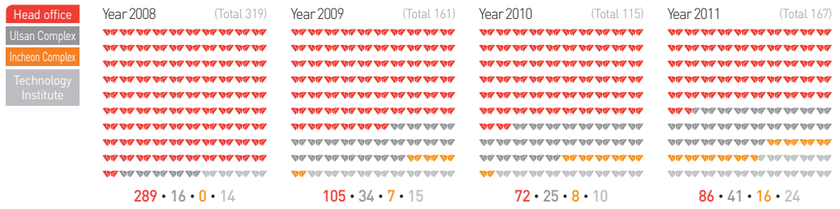
(Unit : person, %)



[Retired Employees by Worksite]

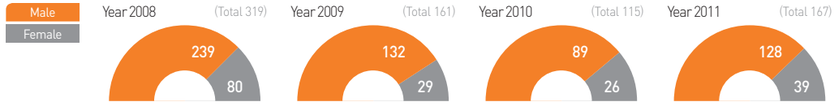
(Unit : person)

※ In 2008, retired employees increased due to the relocation of affiliated companies, i.e. SK M&C



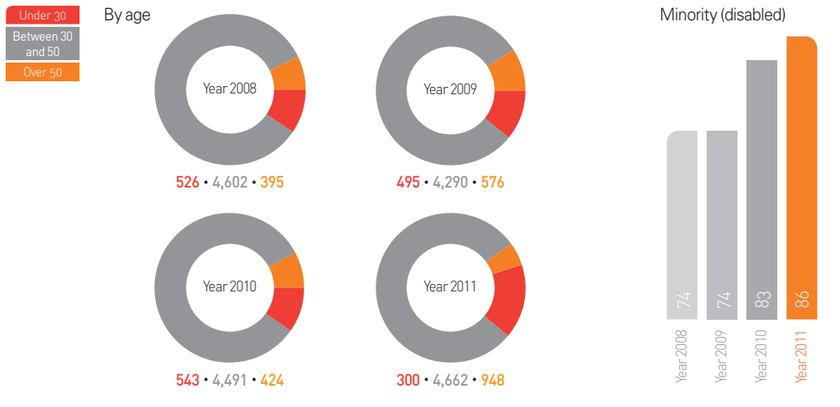
[Retired Employees by Gender]

(Unit : person)



[Employee Mix]

(Unit : person)



Employee Safety and Health Management

With the goal of Safety First, SK innovation 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, the company 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 Committee

SK innovation operates the Industrial Safety and Health Committee in accordance with the Occupational Safety and Health Law. Major agenda items 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.

○ Process Safety Management (PSM) System

SK innovation adopted the PSM system recommended by the Korean Ministry of Labor in order to prevent accidental accidents and create a safe workplace. The company established a system for keeping track of the 12 PSM elements. We have in place a system to track each of the 12 PSM factors. As of late 2011, 6 out of 10 plants at the Ulsan Complex had maintained the highest "P" grade, and SK innovation strives to get the P grade for all worksites through the PSM grade re-evaluation in 2012.

○ Safety・Health Win-Win Program

Under the guidelines of the Ministry of Labor and Employment, SK innovation has operated "Safety·Health Win-Win Program" to help suppliers prevent disasters and ensure safety·health by improving their safety·health capabilities. Designed to provide substantial, practical support, the program includes human, material investment plans for suppliers.

○ Industrial Accident Prevention Training

SK innovation conducts regular Industrial accident prevention training under the Occupational Safety and Health Act. Training is provided at each level to maximize its effects, and employees of repairs/installation vendors also receive the same level of industrial accident prevention training. The company also created a training system for the efficient management of all training programs.

[Industrial Safety Training Results in 2011]

Category	Eligibility	Trainees	Sessions	Hours
Legal Safety · Health Training (Cyber training)	Supervisors	459	38	21,440
	Technical/office positions	2,469	84	55,044
	Subtotal	2,928	122	76,484
Employee Safety · Health Training	New recruits	44	6	856
	Collective safety training for field employees	1,037	21	16,780
	(cardiopulmonary resuscitation) training	139	8	1,112
	Other training	1,035	5	1,140
	Subtotal	2,255	40	19,888

○ Employee Healthcare Activities

SK innovation takes care of employees' health through the regular medical checkup program. At Ulsan Complex, where most of the production workers are employed, has the Industrial Health Center with 6 doctors and nurses. Other facilities and medical supplies are provided to help take care of employees' health. At the head office and Ulsan Complex, sports facilities are available to provide health care to employees and their families. Moreover, SK innovation strictly controls harmful factors to protect employees from harmful substances existing in the working environment.

○ Safety Management Performance Assessment

In 2011, through various safety management system and activities, SK innovation's Plant Availability* was 98.95% at the Ulsan Complex and 99.87% at the Incheon Complex of SK energy, SK global chemical's PA was 99.53% and SK lubricants' 100%. In 2011, there were 5 accidents resulting in injuries during process operations, but the overall accident rate was low.

[Accident Rate by Worksite]

(unit : %)

Category		2009	2010	2011	비고
SK innovation	Head offices**	0.23	0.00	0.00	Average accident rate of the Ministry of Labor and Employment *** - Overall : 0.65 - Manufacturing : 0.97
	Technology Institute	0.53	0.00	0.27	
SK energy	Ulsan	0.33	0.29	0.13	
	Incheon	0.40	0.21	0.00	
SK global chemical	Ulsan	–	–	0.00	
SK lubricants	Ulsan	–	1.00	0.79	

* Plant Availability
Number of days of plant operation excluding days of maintenance

** Head office
Includes employees at the head offices, overseas/other plants of SK innovation's Subsidiaries

*** Average accident rate reported by the Ministry of Labor and Employment
Data published on April 12, 2012, by the Ministry of Labor and Employment (based on 2011)

※ Calculated based on the number of employees effective late 2011, excluding accidents outside work, such as sports events.

Employee Competency Development

SK innovation runs training programs aiming to help employees broaden their horizons, cultivate their global insights, and improve their capabilities. The company classifies competencies into 4 to develop SUPEX leaders who can cope with the changing business environment and train employees to develop 'SK innovation Manship' and operates appropriate training programs.

○ SK innovation Manship

SK Manship that SK innovation pursues is a "Global Expert" who is trustworthy, takes on challenges and brings about innovation.

▮ SK Values

SK innovation provides training programs and workshops for all employees to share the SKMS-based management philosophy and principles, increase loyalty and pride, and become the "SK Man" who leads human and cultural innovations.

▮ Leadership

Leadership programs bolster the competencies 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 Competency

To secure the competencies required in business, SK innovation encourages each team to spontaneously define the core competencies needed to produce results, make resource and development plans, and provide in-house and external training programs according to the plans.

- Overseas Training Program (Job Expert Training)
  Each year, SK innovation selects employees eligible for overseas training to develop master's- and doctoral-level talent, and runs a program for appointing employees at global companies to help cultivate global capabilities and expertise.

- Short-term Outside Training
  SK innovation establishes an annual individual development plan (IDP) and helps employees attend training programs at external agencies, international seminars, and conferences to execute their personalized competency development projects.

▮ Globality

To facilitate the implementation of "global business," SK innovation provides training focused on recruiting local experts and developing global leaders with global perspectives from countries, which global businesses are concentrated.

- Developing Local Experts
  SK innovation develops local skilled workforces with global intelligence by sending them overseas for up to a year and allowing them to experience the local languages, cultures and economies.

- Foreign Language Education Support
  SK innovation supports global skills development by offering customized intensive programs (CIP), one to one business English course, and phone/video/group courses.

[Annual Training Hours by Person]

※ Based on the training hours managed by the team responsible for training across the company

○ Other Education Support

Category	Description
Online Training	About 500 internal/outside online courses are available, including SK Academy's programs, so that employees can develop skills according to their needs.
University-Industry Cooperation	Each year, famous instructors from universities and consulting firms attend and help operate SK MBA Program where employees learn basics about business administration, and other university-industry cooperation programs are operated, such as the Energy Management course.
Other	A variety of programs designed to help employees develop their skills, such as the program for supporting employees who retire for study purposes, mind control and training program, and club activity support

Fair Evaluation and Compensation

SK innovation considers appropriate compensation for employees' hard work through fair evaluation and compensation the first step towards happiness management, and is committed to creating and improving the programs and policies that support this philosophy.

○ Evaluation System

SK innovation operates the evaluation system in the aspects of SK Values, competencies, and performance. By evaluating employees' abilities, credentials and performance on a regular basis, SK innovation uses the results as criteria for promotions, transfers, training and compensations. The evaluation items and processes differ, depending on the job characteristics of executive officers, team leaders, salaried employees, and meritpaid employees.

○ Compensation System

SK innovation runs salary and bonus system to ensure fair compensation based on employees' abilities, credentials, and performance. Bonuses are graded and paid based on performance by calculating the company's finances according to EVA (Economic Value Added) and KPI (Key Performance Indicators).

○ Promotion Schme

SK innovation operates a fair, reasonable promotion management program that takes into consideration employees' evaluation results, as well as their abilities and credentials. The fair promotion program motivates employees to work more spontaneously and improve their abilities.

○ Retirement Policy

SK innovation directly and indirectly provides retired employees with compensation for their contributions to the company. If any employee is killed on-site or becomes disabled during construction, the company pays retirement allowances to support their necessities, so that they can be proud of their company.

Fair Trade Compliance

SK innovation and its subsidiaries are the first companies in the industry to operate the Compliance Program (CP). Their CP results and plans are reported to the Board of Directors and they improve the level of compliance. In 2011, they received one corrective action order from the Fair Trade Commission with regard to unfair trade practices.

[SK innovation's Fair Trade Compliance Program (CP) System]

7 CP 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 Corporate Sustainability Management Division as Chief Compliance Officer and disclosing the appointment (Feb. 2012)
Publication of compliance guidebook	• Publication of compliance guidebook
	• Publication of fair trade guideline
CP education	• CP seminars for employees
	• Education for CP experts, education specific to each business
Internal control system	• Operation of compliance committee and CP regulations
	• Operation of dedicated team
	• Fair Trade Auditing
Disciplinary program	• Disciplinary measures for violators
Document management system	• Systematic management of CP-related documents

Policy Engagement

As the leader of the Korean petrochemical industry, SK innovation is actively involved in the policy-making process as part of its effort to promote the sustainable development of the industry. The company has been an active member of the Korean Petroleum Association (KPA), Korea Petrochemical Industry Association (KPIA), and Fair Competition Federation (FCF). Through these organizations, the company has been able to convey its opinions and stances in connection with public policies and participate in discussions about making policies and programs. In 2008, in particular, to share the pain of those lacking energy resources due to high oil prices and support related projects, the company agreed to create a special joint fund worth 100 billion won, part of which is run in the name of "Low-carbon, Green Energy Fund." In 2011, using the fund, the company implemented such projects as "Heating Oil Supply for Underprivileged" and "Energy-saving, Efficiency Improvement Project," and will continue to support the underprivileged and implement energy service projects.

Social Contribution Activities

Under the slogan "Creating happiness through energy," SK innovation tries to fulfill the Social Contribution mission, "Improving corporate value by pursuing community happiness." The company will focus on the 3 key areas, poverty, education, and environment, and grow into a company that shares happiness through clear task setting and continuous practice.

Key Tasks

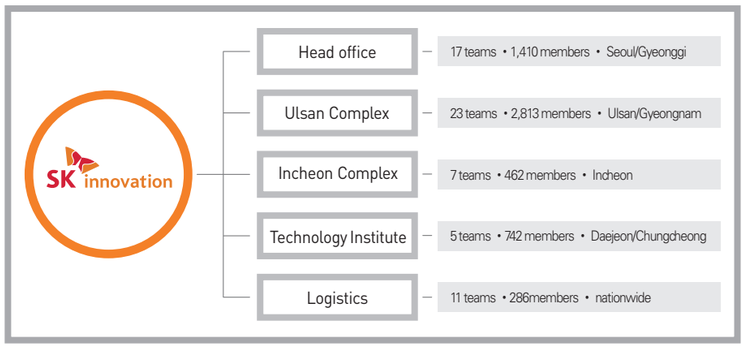
First,	We develop social contribution programs that meet social needs and our business acumen
Second,	We implement green initiatives in the global community
Third,	We engage in volunteer activities that contribute to the happiness of our employees

Employee Engagement in Volunteer Activities

○ SK innovation Angels

SK innovation's volunteer corps called SK Innovation Angels was launched in July 2004. The corps has expanded company-wide at first, then nationwide, and its members are voluntarily involved in volunteer activities.

Mission	Improving corporate value by delivering happiness to communities
Focus	Poverty, Education, Environment
Activities	Biz. & Social Mix, Green & Global, Fun Volunteer



○ Employee Volunteer Encouragement Policy

SK innovation runs the Released-Time Program in order to count volunteer activities as part of work, incorporate employee volunteerism into corporate culture, and encourage employee engagement. The company also opened the website for the volunteer corps to keep track of volunteer activity results, where employees share information and their volunteer experiences and exchange opinions. SK innovation encourages employees by appointing auxiliary jobs as volunteer team coordinators, holding workshops to help coordinators cultivate their skills, and making the Volunteer Champion Awards official. These programs motivated employees to organize a volunteer corps and engage in a variety of volunteer activities. SK innovation also provides employees' children the opportunity to attend volunteer activities during breaks. Such opportunity is expected to offer valuable experiences and the chance to become good citizens in the community.

National Social Contribution Programs

SK innovation is dedicated to improving quality of life in local communities through partnerships with nonprofit organizations and government departments.

Poverty (Social Services) Programs

○ Establishing Social Enterprise "Happy Farm"

To help resolve the income gap due to the polarization of wealth, SK innovation has created and helped operate social enterprises, such as Agaya, Mezzanine I-Pack, Mezzanine Eco-One, and Grateful Hands, as part of its job-creation efforts for the low-incomers, in collaboration with related organizations. In 2011, SK innovation directly established a social enterprise called "Happy Farm," which can use the company's R&C, and signed MOU with the local government to develop stable distribution channels. "Happy Farm" conducts businesses ranging from plant and flower cultivation and sale to landscaping by hiring employees from the underprivileged, and created "Shimteo" (Resting Place) to revitalize the local economy.

○ Sharing *Kimchi* and Briquettes

In October each year, SK innovation declares the "Happiness Sharing Season" to help the underprivileged stay warm in the winter. SK innovation's "Happiness Sharing Season" is importance because all employees, from senior management to ordinary employees, participate in volunteer activities. In 2011, through the Sharing Briquettes Campaign of Love Warm Korean Peninsula Foundation, the company provided about 4,000 households with about a million briquettes, and with the National Volunteer Center, about 13,700 households with about 70,000 heads of *kimchi*.

○ Building a Happy Community

SK innovation runs a variety of programs to help the underprivileged in the Ulsan area, where a large petrochemical complex is located. Through a variety of programs, including Local Low-Income Support, Independence Support for the Disabled, Low-Income Youth Scholarship programs, and through activities like Low-Income Youth Summer Beach Camp, Senior Culture Festival, and Hiking for the Disabled, the company has built an intimate relationship with the community. In addition, since 2000, the company has offered free meals for about 1,000 starving children each year in the neighborhoods of the Ulsan and Incheon Complexes and its logistics centers across the country.

Spreading Donation Culture

Since 2007, about 2,000 employees at SK innovation have participated in small donations through the "1 Person, 1 Donation Account" program and been committed to spreading the donation culture. About 30 executive officers at SK innovation also have participated in sponsoring scholarships for college students in developing countries and been dedicated to nurturing global leaders.

Education Programs

Energy/Environment Education Programs for Elementary School Students

"Energy and Environment Program" was held for 510 second and fourth-grade students in Seoul and Daejeon. Instead of just passing on basic knowledge, the program helps learn the close relationship between energy and environment and is recognized as an experience-based integrated program using entertainment (games, making), receiving the Environmental Education Program Certificate from the Ministry of Environment.

Dream Soccer Class

In partnership with Jeju United FC, SK innovation has run the "Dream Soccer Class" program for children who use local child centers in Jeju, and since 2006, about 1,000 children have attended each year. In 2011, as part of its multicultural family support, SK innovation sponsored the Multicultural Family Youth Soccer Club in Goyang to help about 60 children with multicultural backgrounds with their physical, emotional development and hosted family events and awareness-raising projects.

Cooperation with the Department of Social Welfare at Local Colleges

During the second half of 2010, the Incheon Complex entered into an industry-university cooperation agreement in community involvement with the Department of Social Welfare at Incheon JEI College, the breeding ground for social workers in Incheon. The Incheon Complex has worked with the students on a variety of volunteer activities for local residents through human and material exchanges and funded the students' volunteer activities. Other than that, the company also sponsors the Korea Foundation for Advanced Studies, Janghak Quiz, and the "1 Company 1 School" campaign.

Environment Programs

Rose Festival and Cleaning Activities in Ulsan Grand Park

SK innovation spent 10 years building Ulsan Grand Park and donated the park to Ulsan City. The part has since become the cultural center of the community and hosted a variety of social contribution activities and corporate Mecenat events for the Ulsan Complex. In 2011, 370,000 citizens visited and had a great time at the Rose Festival. SK innovation also offers regular programs like Youth Craft Program. The Incheon Complex works with the community to conduct monthly cleaning activities in the neighborhood and continues cleaning near the Gongcheon River and Wonjeok Mountain as part of the "1 Company 1 River" and "1 Company 1 Mountain Cleaning" campaigns.

Creating SK HappyWing Park

SK innovation created SK Happy Wing Park and donated it to the local community. The company created a resting place of 430m² for citizens in front of the main entrance to the Incheon Complex, as well as a green park using solar panels, which proved the company's reputation as an environmentally friendly energy company.

Environmental Composition Contest

Celebrating its 19th anniversary this year, SK innovation Environmental Composition Contest was held for the first time for the visually impaired, instead of ordinary elementary school students. In 2011, 354 visually impaired elementary, middle and high school students attended, and 66 winners were offered experiences like watching baseball games, which is a rare opportunity for the visually impaired.

Global Social Contribution Programs

SK innovation is dedicated to fulfilling its role as a global company. Beginning in Peru in 2007, the company implemented local development programs in Vietnam in 2011. The company will extend the programs to other countries.

Vietnam

In 2011, SK innovation replaced classroom desks and chairs, did electrical work, painted walls, and tended plants in middle schools located in Binh Son City, near the BSR plant to which the company has passed on its refinery and chemical technologies. This year's Vietnam CSR activities were attended by about 100 SK employees who work at the BSR.

Peru

Since 2007, SK innovation has been involved in community development programs in the vicinity of its operations in Peru. Starting with the renovation of 50 schools in Ica Province by 2011, which were greatly affected by the 2007 earthquake, SK innovation invested approximately 10 billion won for four years from 2007 through 2011 in providing medical training, medical supplies, local teacher training programs, and "Microfinance" to increase rural incomes.

An Overall Glimpse at SK innovation's Social Contribution Activities

			2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Poverty	Social enterprises (job creation included)	Teaching at local children's community center																		
		Agaya part-time daycare center																		
		Supporting Mezzanine I-Pack																		
		Supporting Mezzanine Eco One																		
		Supporting Grateful Hands																		
		Creating and operating Happy Farm																		
	Sharing a warm winter	Delivering briguettes of love																		
		Sharing *kimchi*																		
	Community	School of Love (including starving children support)																		
	Employee donations	1 Person 1 Donation Account																		
		College student sponsorships in developing countries																		
Education	Energy and environment education for elementary school students																			
	Sports activity support for underprivileged children																			
Environment	Creating Ulsan Grand Park																			
	Composition Contest on Environment Protection																			
Global	Education, medical care, and environmental businesses in Peru																			
	Education business in Vietnam																			

[Volunteer (person)]

Year 2008	4,492
Year 2009	4,966
Year 2010	5,223
Year 2011	5,713

[Volunteering hours (hr)]

Year 2008	55,500
Year 2009	64,453
Year 2010	56,787
Year 2011	56,355

Our Performance

Environmental Performance

Environmental DMA

SK innovation will continue to evolve and become an energy company that protects Earth.

Aside from process innovation to reduce environmental impacts, SK innovation's persistent commitment to developing innovative, green technologies has motivated it to become the energy company that is needed for the green era.

Vision and Strategy

SK innovation is dedicated to fulfilling the group's environmental vision, "Contracting to sustainable development and the happiness of society through eco-friendly management practices" To reach the goal, the company pursues fair innovation through the SHE(Safety·Health·Environment) Management System developed in 2004. In 2012, the company will continue its efforts to create an advanced SHE culture under the SHE Division. SK innovation will reduce environmental impacts by reducing GHG, eliminating pollutants, and using resources efficiently.

2011 Key Issues

Improving and developing the Environmental Management System • Low-carbon emissions • Green product development

Key Achievements

- Reinforced environmental management by forming SHE Headquarters
- Created the GHG/Energy Management System
- Had its GHG reductions (KVER, Korea Voluntary Emission Reduction Project) acknowledged through internal energy conservation activities
- Efforts to reduce environmental impacts

Category		2009	2010	2011
Environmental investment* (KRW billion)	Investment cost	96,6	43,0	37,5
Low-carbon emissions** (GHG emissions (1,000 tCO_2)	Direct GHG	9,601	9,313	9,661
	Indirect GHG	2,524	2,584	2,505
	Total	12,125	11,897	12,166

*Environmental Investment
See details contained herein.

**Low-carbon emissions
The report targeted the direct/indirect GHG emissions generating from the Ulsan and Incheon Complexes, and 6 types of GHG (CO_2, CH_4, N_2O, HFC, PFC, and SF_4) were converted into the CO_2 values, due to the characteristics of the refinery business.

Environmental Management

Environmental Management System

SK innovation and its production subsidiaries practice systematic environmental management through the Environmental Management System (EMS). It was confirmed that each subsidiary was certified with ISO 14001, an international standard for environmental management systems, and created the EMS in accordance with the international standards. SK energy's Ulsan and Incheon Complexes received annual follow-up and re-certification reviews every 3 years since it was first certified ISO 14001 in 1996. The plants of SK global chemical and SK lubricants obtained ISO 14001 certificates after the spin-off. Each plant works hard to ensure the efficient operation of the Environmental Management System (EMS) through an annual legal compliance evaluation and regular internal audits. Further, they continue to check the implementation of EMS and work hard to improve/develop their environmental management.

Compliance and Public Complaints

SK innovation applies stricter internal standards than legally required in regards to air and water pollutants, hazardous substances and other waste. As a result, SK innovation has never been to any administrative action for violations of the environmental regulations for the past 5 years. In 2011, there were no accidents related to environmental pollution. There were complaints about the condensing steam arising from the wet scrubber, the final pollution control system in the heavy oil upgrading process at the Ulsan Complex, but they were resolved by mediation between the petitioner(s) and the office governing the area. The company will work harder to prevent civil petitions through open communication with stakeholders in local communities.

Protecting Environment in Neighboring Areas

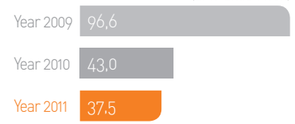
SK innovation made it a rule that an environmental impact assessment is conducted on all activities that may have any environmental impacts, such as the construction, expansion, or modification of a plant, to protect the environment of the areas adjacent to each plant. An environmental impact assessment on the activities of procuring raw/subsidiary materials is carried out frequently when there are changes made to processes or work methods. In addition, an environmental impact assessment is conducted on the manufacturing processes every 5 years. The neighboring areas of the plants of SK innovation are all petrochemical industrial complexes and thus not suitable as habitats for wild animals, but the company focuses on preserving and monitoring the ecosystems in the plants and their neighboring areas. Based on the wildlife protected area data published by the Ministry of Environment, there are no areas with high levels of biodiversity that are affected by the company's production activities.

Environmental Investment

SK innovation is dedicated to minimizing pollutants generated at its plants, and making continuous environmental investment through green product development and production.

[Annual Environmental Cost]

(unit: billion won)



※ Environmental costs excluding investments in new processes

[2011 Worksite Environment Investment Cost]

Item	Amount (million won)	Item	Amount (million won)
Air	20,544	Toxic materials	370
VOC/Odor	1,250	Soil	248
Water	4,292	Landscape	3,302
Noise	20	Energy conservation	7,150
Waste	40	Safety	300
Total			37.516

※ Total amount of four SK innovation subsidiaries

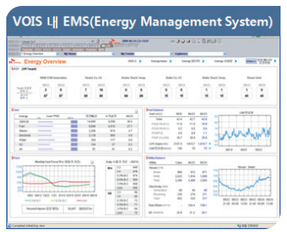
Sustainable Resource Use

Energy and Resource Conservation

SK innovation realizes that energy and resource conservation helps reduce environmental impacts and also production costs, and has made consistent efforts to use resources efficiently. With years of experience, the company developed examples of energy and resource conservation and built a related database among many other conservation activities to improve resource efficiency in each process. Its other energy conservation efforts include increasing facility efficiency, reducing the energy loss of supply systems, and optimizing power equipment.

○ 2011 Key Energy Conservation Activities and Performances

The Ulsan Complex, where the majority of SK innovation's manufacturing activities are conducted, has worked hard to increase energy efficiency by optimizing process operations. In 2011, the plant implemented the optimization of fuel systems by continuously monitoring the price fluctuations of each fuel type and reinforcing communication with the responsible teams at each plant. As a result, the company reduced fuel costs dramatically by changing its staple fuel from 0.3% B-C to LNG. At the same time, in 2012, the company remodeled two power plant boilers into LNG-fired boilers to limit the use of B-C to the minimum and maximize the use of LNG. The Ulsan Complex also created and operates its own Energy Management System, conducts continuous real-time monitoring to reduce energy consumption and costs, and implements process improvement activities at each plant and technical team each year. Further, to meet the lowered limits of NOx emissions (250 to 150ppm) as a result of stronger regulations, the Ulsan Complex is taking the lead in practicing low-carbon, green growth by installing denitrification systems in the key boilers and process heaters.



※ Bunker-C and fuel gas are used as staple fuels

※ Total usage combining the energy use of SK energy's Ulsan and Incheon Complexes, and the Ulsan Complexes of SK global chemical and SK lubricants

○ Enhancing Energy Consumption Monitoring

SK innovation uses the Operation Information System (OIS) to ensure the high data reliability of energy consumption and other computer programs like PMS (Process Monitoring System) for real-time energy use monitoring. The Ulsan Complex has always worked hard to bring energy consumption monitoring up to date, such as creating the VOIS (Visualized Operation Intelligence System) in 2008 and installing the EMS (Energy Management System) in it to ensure effective monitoring of energy consumption and critical control points.

[Energy Use (Fuels & Electricity)]

Type	2009		2010		2011	
	Fuel(TOE)	Electricity(MWh)	Fuel(TOE)	Electricity(MWh)	Fuel(TOE)	Electricity(MWh)
Use	2,943,415	2,880,967	3,027,084	3,059,886	3,159,500	3,075,020

○ Outside Energy Conservation Activities

SK innovation implements a collective energy project to ensure low-cost, stable steam supplies to neighboring companies using spare equipment outdoors. In 2009, the company brought in waste heat/steam from Aekyung Petrochemical, and in 2011, started selling the waste steam to Hyosung's Ulsan plant and Taekwang Industry. In 2012, the company began to implement the "Steam Highway" project to sell the low-cost steam produced by SK Chemical to subsidiaries and other companies, and has continuously worked hard to reduce energy use. Further, to utilize biomass resources, the company turned the gas generated from the Seongam Sanitary Landfill in Ulsan (CO_2, CH_4) into fuels and started furnishing it to Kumho Petrochemical Co., Ltd. and a waste incineration plant in Ulsan. In 2011, the gas generation from the Seongam Landfill amounted to approximately 12,000Nm^3 each day. The Incheon Complex is in talks with New Business Development Team to import steam from the neighboring companies, as part of its energy conservation efforts. SK innovation's outside energy conservation activities contribute to not only saving energy but also reducing GHG emissions. The Aekyung Petrochemical steam supply and Seongam Landfill Gas (LFG) projects have been recognized for their GHG reduction performance since 2006, and had 6,481tCO_2 and 179,262tCO_2, respectively, accepted as their KVER (Korea Voluntary Emissions Reduction) results by the Ministry of Knowledge Economy.

[Amount of Energy Sale (*) through Community Energy Supply Project (steam) (Ulsan Complex)]

(Unit : ton)

Year 2009	−432,915
Year 2010	−542,041
Year 2011	−339,354

*Amount of energy sale
The amount of water intake has surpassed the amount of water sold since 2009.

[Water Sources and Volume]

(Unit : ton)

Nadong River Wondong Intake Facility (Ulsan Complex)

Year 2009	37,510,806
Year 2010	37,929,296
Year 2011	35,301,920

Han River Water System (Incheon Complex)

Year 2009	2,851,266
Year 2010	2,697,303
Year 2011	2,776,276

※ SK innovation receives water supplies from Korea Water Resources Corporation, and water intakes have not affected the water sources.

[Crude Oil Process Volume]

(Unit : 1,000 barrels)

Ulsan Complex

Year 2009	254,824
Year 2010	277,407
Year 2011	283,482

Incheon Complex

Year 2009	42,199
Year 2010	39,158
Year 2011	41,011

Pollutant and Waste Control

Air Pollutant Control

SK innovation applies strict emission standards and strives to limit the levels of pollutant emissions to the minimum. As for the major facilities discharging air pollutants, the company uses TMS (Tele-Metering Systems) for 24/7 pollutant emissions monitoring and also conducts periodic patrol/check-up activities. By using low-sulfur oils, denitrification and desulfurization facilities, and installing ultra-low NOx burners, the company has been dedicated to reducing emissions of sulfur and nitric oxides. To respond to the tighter nitric oxide emission standards, the company operates SNCR (Selective Non-Catalytic Reduction), SCR (Selective Catalytic Reduction), and ULNB (Ultra-low NOx Burner) systems at the pollutant-emitting facilities. To create a clean plant environment, SK innovation controls VOC and odor by operating VOC and odor control systems like regenerative thermal oxidizers, bio-filters, and VOC (Volatile Organic Compounds) recovery systems at the environmental management facility, shipping facility, storage facility, and process areas at each plant. SK innovation does not produce, distribute or use any substances defined as harmful to the ozone layer under the Montreal Protocol. The company has replaced halon gas, which is used for fire extinguishers, with alternative fire-extinguishing agents for new and modified systems, and amended the safety rules and removed the provision regarding the installation of halon-based extinguishers applicable to all plants. Subsequently, the company bans the introduction and use of halon for certain extinguishers, which were filled with halon.

※ The emission standards refer to the emission limits of SOx and NOx from heaters and the emission limit of dust from boilers; the average concentration refers to the average level of emissions generated by SK energy before the spin-off.

[Air Pollutant Concentrations]

Pollutant	Worksite		Legal Limit	Company Standard	Average Emissions Concentration		
					2009	2010	2011
SOx (ppm)	SK energy	Ulsan	180	170	37.8	35.3	30.9
		Incheon	180	160	60	66	43.0
	SK global chemical	Ulsan	180	160	–	–	40.1
NOx (ppm)	SK energy	Ulsan	200	180	83.2	76.9	74
		Incheon	250	235	103	103	84.3
	SK global chemical	Ulsan	150	130	–	–	110.0
Dust (mg/m2)	SK energy	Ulsan	50	40	10.5	6.3	5
		Incheon	50	35	5.1	7.5	4.6
	SK global chemical	Ulsan	30	20	–	–	5.8

※ Data from 2009 to 2010 include emissions generated by SK energy before the spin-off.

[Air Pollutant Emissions]

(unit: ton)

Pollutant	Worksite		Emissions		
			2009	2010	2011
SOx	SK energy	Ulsan	5,207	4,962	3,439
		Ulsan	539	579	684
	SK global chemical	Ulsan	–	–	498
NOx	SK energy	Ulsan	8,256	7,682	5,895
		Incheon	926	970	950
	SK global chemical	Ulsan	–	–	1,408
Dust	SK energy	Ulsan	526	316	191
		Ulsan	27	28	21
	SK global chemical	Ulsan	–	–	43

Water Pollutant Control

SK innovation has managed to limit the levels of effluent discharge at or below 10 to 40% of the emission standards through continuous water quality control activities. The company also built an MBR (Membrane Bioreactor), a remote water quality monitoring system and a highly efficient biological wastewater treatment system. In particular, sour water, which contains corrosive materials generated from the production process, is reused as desalter feed water to reduce wastewater generation and water usage, and some of the reclaimed water is used for fire protection and landscaping. Further, SK innovation treats spent caustic soda through a wet air oxidation (WAO) system, which was developed using the company's proprietary technology, and enforces the separation of high-concentration wastewater generated from the production process for the biotoxicity control of effluent discharge effective in January 2011.

[Wastewater Treatment Information]

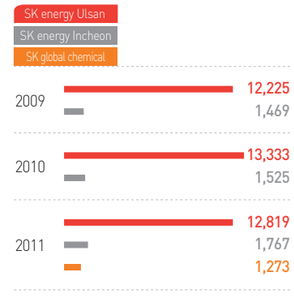
Type		Treatment facility	Treatment method	Destination
SK energy	Ulsan	Ulsan CLX Wastewater Treatment Plant	Biological + Advanced	Public waters (East Coast)
		No2 FCC Wastewater Treatment Plant	Biological	Yongyeon Sewage Treatment Plant
	Incheon	Incheon CLX Wastewater Treatment Plant	Biological + Advanced	Gajwa Sewage Treatment Plant
SK global chemical	Ulsan	PE/PP Wastewater Treatment Plant	Physicochemical	Yongyeon Sewage Treatment Plant
		EPDM Wastewater Treatment Plant	Biological	

[Average Water Pollutant Concentrations]

(unit: ppm)

Pollutant	Worksite		Legal limit	Company Standard	Average emission concentration		
					2009년	2010년	2011년
COD	SK energy	Ulsan CLX	40	20	9.1	8.12	11.5
		No.2FCC	90	70	12.37	12.26	23.3
		Incheon CLX	90	40	14.5	18.5	17.6
	SK global chemical	PE/PP	90	70	–	–	10.6
		EPDM	90	70	–	–	29.4
SS	SK energy	Ulsan CLX	10	8	3.05	2.02	2.9
		No.2FCC	80	60	16.06	21.59	35.9
		Incheon CLX	80	30	8.3	8.2	10.9
	SK global chemical	PE/PP	80	60	–	–	10.9
		EPDM	80	60	–	–	15.0
Oil	SK energy	Ulsan CLX	5	1	0.49	0.41	0.4
		No.2FCC	5	3.7	0.72	1.08	2.2
		Incheon CLX	5	3	–	0.67	0.51
	SK global chemical	PE/PP	5	3.7	–	–	0.4
		EPDM	5	3.7	–	–	0.4

[Wastewater Discharge] (unit: 1,000 tons)



※ SK energy's No.2FCC Wastewater Treatment Plant was built in June 2008

※ The concentrations of SK global chemical's PE/PP and EPDM in 2009 and 2010 include all discharges from SK energy before the spinoff.

Waste Control

SK innovation is dedicated to reducing waste generation and increasing recycling efficiency. The company thus recycles waste beforehand and provides employees and suppliers with recycling training so that waste can be separated and discharged in its early stages. Further, the company conducts periodic on-site inspections to prevent waste from being left unattended and dispose of it fast and appropriately. In addition, SK innovation runs the waste management system for increasing job efficiency for waste generating and waste-handling teams and for sharing waste generation and treatment results with employees. The system encourages employees to take care of their own wage and raise awareness of waste reduction. The company contracts out the incineration/reclamation of most of collected/discharged waste to a waste management agency whose capabilities have been tested. In 2011, general waste generation increased sharply compared with the previous year, due to the disposal of construction waste generated from the site clearance for a new plant (Base Lubricant Plant #3). There were no transboundary movements of waste on the Basel Convention.

[Waste Discharge Volume]

(unit: ton)

※ Data from 2009 to 2010 include discharge from SK energy before the spin-off.

※ SK lubricants includes data in 2010 since it was spun off in 2009.

Type	Worksite		Discharge and Percentage		
			2009	2010	2011
Designated waste	SK energy	Ulsan	34,794	27,895	27,718
		Incheon	3,164	2,839	3,341
	SK global chemical	Ulsan	–	–	3,291
	SK lubricants	Ulsan	13	166	84
General waste	SK energy	Ulsan	55,247	48,699	71,290
		Incheon	1,979	1,901	4,012
	SK global chemical	Ulsan	–	–	9,992
	SK lubricants	Ulsan	1	13	3,518
Total discharge volume			95,198	81,513	123,246
% of waste recycled			54.4	63.8	69.5

[Waste Discharge Volume by Treatment Method]

(unit: ton)

※ Includes four subsidiaries of SK innovation

Type	Self-treatment (landfill)	Subcontract volume		% Recycling rate
		Recycled	Incinerated/landfill	
2009	3,845	51,813	39,540	54.4%
2010	0.5	48,988	27,785	63.8%
2011	62.4	85,641	37,543	69.5%

○ Waste Recycling and Reduction

Of the designated wastes, waste oil is sent to the recycling fuel plant and used to produce recycled fuels. As for waste containing metals, the metals are extracted and used as resources, reducing waste generation. Spent caustic soda is treated using a WAO (Wet Air Oxidation) facility, which helped reduce pollutants and GHG emissions.

Hazardous Chemical Substance Control

SK innovation is committed to helping both customers and employees prevent harmful elements and accidents that may arise from chemicals by creating a Material Safety Data Sheet (MSDS) system, sharing information, and conducting training and on-site check activities. The company also works hard to reach the reduction targets under a voluntary agreement with the government to reduce chemical emissions. The Ulsan complexes of SK energy, SK global chemical, and SK lubricants continue to carry out reduction activities, though their voluntary agreements expired in 2009, and SK energy's Incheon Complex surpassed its target by reducing 92% relative to the reference year, according to the 2011 interim evaluation results found.

[Performance of Voluntary Agreement on Chemical Emission Reduction]

※ Voluntary agreements of the Ulsan complexes of SK energy, SK global chemical, and SK lubricants expired in 2009

Type	Reference (kg/year)	Reduction target		Results	Year of agreement
SK energy (Incheon)	803 2006 emissions	2010	2012	The 2011 interim evaluation results: reduced by 92%;	2006
		30%	50%		

○ MSDS(Material Safety Data Sheet)

SK innovation shares with employees data on the hazardous chemicals used at plants through SK e-MSDS, based on the Globally Harmonized System (GHS) of Classification and Labelling of Chemicals. The shared data is classified into 16 categories, including manufacturer by chemical, hazard, and first-aid measure, and the company provides regular all-employee training on MSDS, training for new recruits, training on how to handle new chemicals, and special training for job changes. MSDS information on the products made and distributed by SK innovation is available on the websites by product type (petroleum: www.e-SK.com; chemicals: www.SKchem.com; lubricants: www.SKzic.com; and base oils: www.yubase.com), and there were no violations of the regulations related to product information and labelling in 2011.

Soil and Groundwater Management

SK innovation created and applied its own soil management process for the systematic management of soil and groundwater. The company also prepared a new organization, duties, and treatment procedures, and ensures through employee training that immediate action should be taken in case of a pollution accident to prevent it from worsening and implement purification measures promptly. Also a party to the "Voluntary Agreement regarding the survey and restoration of soil containment" promoted by the government, the company voluntarily inspects soil quality every 3 years, implements soil contamination control activities, and conducts a legal soil contamination investigation every other year. The results of the 2011 soil contamination investigation showed that soil pollutants were kept under the legal standards and groundwater pollutants also under the legal standards at all three locations within the new advanced facility. In addition, the company participated in the GAIA Project (Geo-Advanced Innovative Action Project) awarded by the government to develop a technology for purifying nondegradable polluted groundwater. The SEEDs, a research team the company takes part in, was selected among the top 100 R&D teams for its 3 years of R&D accomplishments, and will start making the technology into a system this year.

※ Soil contamination investigation result is performed every two years by law, and SK global chemical does not have test results for 2011.

*TPH
(Total Petroleum Hydrocarbon)

**BTEX
(Benzene, Toluene, Ethyl benzene, Xylene)

***TCE
(Tri-Chloro Ethylene)

[2011 Soil Contamination Investigation Result]

Category			TPH*		BTEX**		TCE***	
			Locations	Result	Locations	Result	Locations	Result
SK energy	Ulsan	699	528	Normal	171	Normal	–	–
	Incheon	10	10	Normal	–	–	–	–
SK global chemical	Ulsan	–	–	–	–	–	–	–
SK lubricants	Ulsan	17	17	Normal	–	–	–	–

Product Environmental Friendliness

Green Products and Services

SK innovation has always worked hard to minimize the environmental impacts of its products and services. Aside from the innovation activities to improve environmental performance of gasoline, diesel, and kerosene, the company continues to invest in green technology development and green businesses.

Improving Product Quality and Environmental Friendliness

SK innovation is dedicated to improving environmental friendliness, as well as quality, by producing gasoline and diesel that meets the world's highest levels of sulfur content from 4 to 6 ppm. Its excellent quality was recognized by the Ministry of Environment. The company voluntarily signed a government agreement to supply bio-diesel and increased the mix ratio of bio-diesel in commercial diesel from 0.5% in 2007 to 2.0% in 2010. The company will continue to implement a variety of activities to reduce oil dependence and increase the effect of environmental protection.

[Findings of the Sulfur Content and Quality Grade for Gasoline by the MOE]

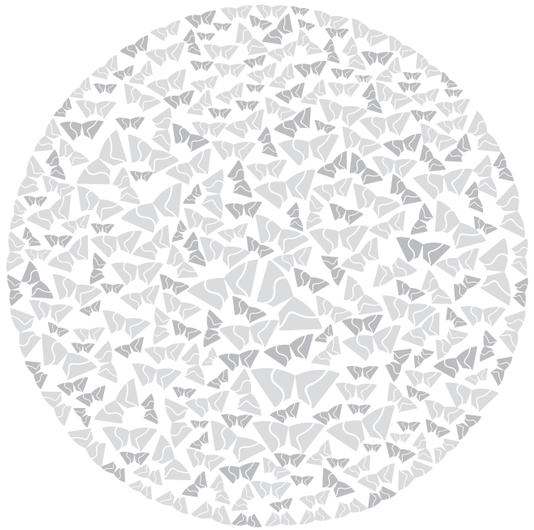
	Legal limit	2009		2010		2011	
		1st half	2st half	1st half	2st half	1st half	2st half
Sulfur content (ppm)	Below 10	4	4	6	6	4	4
Quality grade	–	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★

※ ★★★★★ is the world's highest grade.

[Findings of the Sulfur Content and Quality Grade for Diesel by the MOE]

	Legal limit	2009		2010		2011	
		1st half	2st half	1st half	2st half	1st half	2st half
Sulfur content (ppm)	Below 10	6	5	6	5	4	4
Quality grade	–	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★

※ ★★★★★ is the world's highest grade.



Appendix

| History | Expert Opinions | Third-Party Assurance Statement
| GRI Index | Awards and Associations

History

1962-1969 Founded as the First Oil Refiner in Korea

- Oct. 1962 – SK energy established (former name: Korea Petroleum Corporation)
- Apr. 1964 – Operated CDU (Crude Distillation Unit) #1 (35,000 barrels, Ilsan)
- May 1964 – Expanded CDU (Crude Distillation Unit) #1 (55,000 barrels, Ilsan)
- Dec. 1968 – Operated a lubricant mixing plant

1970-1979 Backbone for Development of Korean Economy

- May 1970 – Started operation of aromatic extraction plant (216,000 tons per year)
- Jun. 1970 – GULF bought 50% of the company's stock and rights to management
- Sept. 1972 – Completed the pipeline works from Ulsan to Daegu
- Oct. 1972 – Started operation of #3CDU (Crude Distillation Unit) (currently, Ilsan, 170,000 barrels)
- Mar. 1973 – Started operation of naphtha cracking center (100,000 tons per year based on ethylene)
- Jun. 1974 – Expanded CDU #2 (Ilsan, 110,000 barrels)
- Mar. 1978 – Expanded the naphtha cracking center (55,000 tons per year based on ethylene)

1980-1989 Laying the Foundation for Global Energy Leadership

- 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 privatization 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 Paving the Way toward TopTier Energy/Chemical Company

- 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 Cashbag service

2000–2009 Taking a Step towards Asia-Pacific Energy and Chemical Leader

- Jan. 2000 Opened Korea's largest hub for combined mileage service providers called OK Cashbag.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 Physical division into SK lubricants and SK energy

2010 – Technology-driven Global Energy Company

- Jun. 2010 - Completion ceremony for LNG Plant in Peru
- Jul. 2010 - Appointed as battery supplier for Hyundai-Kia Motor's high-speed EVs
- Oct. 2010 – Completion ceremony for Jeungpyeong Plant (completion of LiBS lines #4 and #5 and the commencement of TAC/FCCL lines)
- Jan. 2011 – Split-up of petroleum and petrochemical business/ Renamed "SK innovation"
- Feb. 2011 - Appointed as battery supplier for Mercedes-Benz Supercar/SK innovation won Business Ethics Award
- May 2011 – Commenced the 500MWh-battery production plant in Seosan Industrial Complex
- Jul. 2011. – Obtained Brazilian government's permission to sell oil blocks in Brazil to Maersk Oil, Denmark
- Oct. 2011 – Successfully exported the world's first naphtha cracking technology (ACO technology) using a catalyst

Expert Opinions

The following expert opinions were provided by independent experts reviewing this Sustainability Report and are distinguishable from the independent assurance report.

Byung-wook Lee

President of Korea Environment Institute, Former Vice-minister of Ministry of Environment

First of all, I congratulate SK innovation on the publication of its Sustainability Report. As I read the first sustainability report issued by SK innovation I noted the tremendous amount of effort exerted by SK innovation on achieving innovation.

I was impressed by the economic outcome resulting from the spin-off and the innovative measures undertaken by the company to achieve such success. The green growth engine policies were especially impressive along with the strong management performance. It is encouraging to see SK innovation considers securing competitive technology through continuous investment in research and development to realize its 2020 vision.

In the environment section, I would like to commend the company for its commitment to overcoming the weaknesses of the energy industry, especially regarding GHG and pollution. It is very encouraging to find that the company formed a safety, health, and environment organization under the direct supervision of the CEO. It goes without saying that a global company should respond actively to climate change and practice a higher level of environmental management. Even so, the creation and implementation of a low-carbon management system in a large-scale refinery is a significant achievement by all accounts. I would like to suggest, however, as a global company, SK innovation should proactively respond to safety and health issues, which will need close monitoring due to on the nature of the energy industry.

As for the company's social performance, it is very inspiring to see SK innovation develop corporate partnerships through the formation of social enterprises. I find it noteworthy that the company placed its Social Responsibility Committee under the Board of Directors so that matters related to social responsibility and sustainability would be discussed at the BOD level. Such decision-making structure is characteristic of global companies.

Also impressive was the analysis of stakeholder issues. I hope will be incorporated in sustainability management practices to further win the favor of additional stakeholders. In order to increase corporate value a company should persuade stakeholders of its sincere commitment to sustainability management or social contribution activities. Although our society suffers from the lack of genuine communication, I hope the stakeholder analysis attempted by SK innovation will lead to genuine communication among stakeholders and further lead to the transformation of a warm and trustworthy company.

Byong-hun Ahn

Vice President of KAIST Seoul and Dean of Business School, Head of Corporate Social Responsibility Research Center

First of all, I would like to congratulate SK innovation, a new parent company with three subsidiaries, on issuing its first Sustainability Report. I also profess to look forward to the future innovations to be further implemented by the company. Considering that many Korean companies have been delaying issuing sustainability reports, I applaud SK innovation's management and business teams who have prepared this report with palpable enthusiasm.

The Sustainability Report of 2012 shows several positive developments. As SK innovation has already made much progress and has accumulated much experience in sustainability management, the company has succeeded in making many positive changes year after year. Upon review of this report I would like to make a few constructive suggestions for the further progress of SK innovation.

First, the report reflects the changing trends of ISO 26000, Global Compact Guidelines, and DJSI assessment criteria, as well as the familiar GRI G3 Guidelines. Aside from the CSR issues, the report also dedicates a large part to "new growth engines" and "economic performance" in accordance with materiality assessment results, including media analysis and expert surveys, along with the CSR issues. This reflects the fact that investors no longer focus just on a company's CSR.

Second, this report highlights the essence of sustainability management which is the derivation of happiness of employees and stakeholders through the corporate culture and organizational system. Consistent with such view, there is an emerging global awareness that the short-termism of stakeholders should be replaced by long-termism. I believe it would be beneficial if SK innovation also adopted such long-termism in examining and evaluating shareholder composition, internal evaluation criteria and corporate governance.

Third, this report presents bold, long-term investment plans for a variety of areas from oil exploration and product exports to new growth engines, such as mid- and large-sized batteries, thin film solar cells, and carbon dioxide plastics, as well as for the refinery business. To realize investment plans for the new growth engines, the company will need an innovation mechanism and programs to improve the ability to respond to changes. This is why the DJSI assessment criteria now include Innovation Management.

Fourth, the Social Responsibility report shows SK innovation's performance and diversity clearly. Particularly remarkable are the "strategic" social contribution activities, where the company can make the best use of its resources, abilities, as well as the characteristics as an energy company. The social enterprise program also reflects extensiveness and entrepreneurship. I would like to suggest that these programs may require an overhaul with a "select and focus" approach, taking into account professionalism, efficiency, and interconnectivity.

Fifth, SK innovation should expand SKMS, SK innovation's management philosophy, into SK's sustainability management system, to include constituents requested by modern sensibilities. In other words SKMS should include all stakeholders within the sphere of influence, pursuant to ISO 26000 and other standards, to fit global sustainability management paradigms. For instance, the adoption of a human rights management system, which has been a global issue, should be discussed. This is especially applicable with regards to local community development and support measures in development sites overseas, since these communities are also "stakeholders within the sphere of influence" though they do not transact directly with the company.

Lastly, as for the report framework, I hope that SK innovation issues comprehensive reports, instead of issuing annual reports and sustainability reports separately, to provide a variety of stakeholders like shareholders and investors with more comprehensive information. I believe the company is ready to join the global movement of such integration, and that this Sustainability Report structurally and spiritually mirrors the integrated reporting.

Third Party's Assurance Report

The Business Institute for Sustainable Development of the Korea Chamber of Commerce & Industry (hereafter "BISD") was commissioned to provide external assurance on SK innovation's 2011 Sustainability Report (hereafter "Report") as an independent assurance provider.

Purpose

This assurance statement is intended to provide external assurance of SK innovation's sustainability management performance and to present comments on the assurance results.

Responsibility and Independence

This Report covers SK innovation's sustainability management activities, performance, and future plans in 2011, and SK innovation is solely responsible for the preparation of the report. The BISD is not involved in any of the business operations of SK innovation other than providing external assurance to ensure its independence and autonomy in conducting assurance and providing the management with conclusions.

Assurance Standard and Limitations

The BISD conducted assurance in accordance with the three subjects of AA1000AS Standard (inclusiveness, materiality, and responsiveness) and the Global Reporting Initiative (GRI) G3.1 reporting principles.
The scope of assurance was limited to the 2011 results, and any data before the period was excluded. This assurance included audits of the head offices in Seoul and Ulsan Complex among other domestic and overseas plants, and did not include online data. The assurance task did not include financial information and GHG data that have been already verified by another agency.

Assurance Process

The BISD was not involved in stakeholder engagements and the assurance was conducted by reviewing the interviews with the company's responsible officer and the related documents provided by SK innovation. The assurance includes:

- Review of press releases provided by SK innovation;
- Whether the Sustainability Reporting Criteria are applied within SK innovation;
- Review of information in the Korean version of the report and the data gathering process;
- Reported information, policies and systems with regard to materiality analysis and key issues;
- Environmental/safety data verification through due diligence and interview with responsible officer (Ulsan Complex);
- Interview with the officer responsible for sustainability, reporting, and editing (head office)
- Review of outside experts on sustainability

Assurance Opinion

The BISD conducted assurance in accordance with the assurance process described in Assurance Report and made a few changes to the Report, if necessary. After that, the BISD concluded that there are no material errors in the report content. As it was confirmed that the indicators listed on GRI G3.1 Index were reported, Assurance Team verified that this Report meets the A+ level requirements. Based on the assurance activity, Assurance Team provides the following assurance opinion considering the AA1000APS principles:

Inclusiveness

Does this Report comply with the principle of stakeholder engagement for responsible and strategic response to sustainability management?

- SK innovation is interested in and accepts the interests and opinions of shareholders, customers, employees, suppliers, and communities through a variety of stakeholder communication channels;
- The BISD did not find any stakeholder group omitted during this process through SK innovation's stakeholder communication channels

Materiality

Does this Report include material issues that affect stakeholders?

- SK innovation defined key sustainability management issues through the materiality assessment process;
- SK innovation seemed to improve accuracy in defining key issues by making the materiality assessment process more systematic.
- There were no material issues that were omitted in the materiality assessment process.

Responsiveness

Does this report address stakeholder issues properly?

- SK innovation included the activities that address the key issues defined through the materiality assessment process and the sustainability results into the Report;
- In terms of materiality, Assurance Team did not find any part of the activities to address the key sustainability issues and performances that violates the principles of responsiveness.

Recommendations

The BISD also provides the following recommendations, without affecting its assurance opinion:

- SK innovation should develop its management philosophy SKMS, create a sustainability management framework, set long-term goals for material issues, and report them to stakeholders. Through this framework, the company should establish a reporting framework connected with the sustainability strategy framework and keep it up to date.
- SK innovation should continuously update the internal guidelines to keep sustainability data and information consistent, accurate, and complete.
- SK innovation should maintain its open-mindedness by making the process of hearing and reflecting voices of the stakeholder in the report into a formal system.
- SK innovation should take into account all positive and negative aspects of the company into account when suggesting key issues, and should include them in the report and ensure balanced reporting.

KCCI BISD

President Park, Tae-jin

Manager of Office of Strategic Coordination, Choi, Kwang-rim

GRI Index

Reported ● Partially Reported ◐ Not Reported ○ N/A

Category	Index No.	Description	Page	Reported	Explanation
Strategy and Analysis	1.1	Statement from the most senior decision–maker of the organization.	5	●	
	1.2	Description of key impacts, risks, and opportunities.	5	●	
Organizational Profile	2.1	Name of the organization.	10	●	
	2.2	Primary brands, products, and/or services.	12~13	●	
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	11	●	
	2.4	Location of organization's headquarters.	10	●	
	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.	14~15	●	
	2.6	Nature of ownership and legal form.	10~11	●	
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	12~13	●	
	2.8	Scale of the reporting organization.	10	●	
	2.9	Significant changes during the reporting period regarding size, structure, or ownership.	10	●	
	2.10	Awards received in the reporting period.	86	●	
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. M&As, change of base years/periods, nature of business, measurement methods).	Cover	●	
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	N/A	N/A	Not applicable
	3.12	Table identifying the location of the Standard Disclosures in the report.	82~85	●	GRI Index
	3.13	Policy and current practice with regard to seeking external assurance for the report.	80~81	●	
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.	17	●	
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	17	●	
	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.	17	●	
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	18	●	
	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).	17	◐	
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	18	◐	
	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.	17	◐	
	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.	16	●	
	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.	17	◐	
Governance, Commitments, and Engagement	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	17	◐	
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	67	●	
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	86	●	
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization.	86	●	
	4.14	List of stakeholder groups engaged by the organization.	21	●	
	4.15	Basis for identification and selection of stakeholders with whom to engage.	21	●	
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	21	●	
	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.	22~23	●	
Business Information Disclosure	DMA EC	Economic	46	●	
	DMA EN	Environmental	66	●	
	DMA LA	Labor Practices and Decent Work	52~53	●	
	DMA HR	Human rights	52~53	●	
	DMA SO	Society	52, 60	●	
	DMA PR	Product responsibility	42, 53	●	
Economic Performance Indicators	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.	47~48	◐	
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	34	●	
	EC3	Coverage of the organization's defined benefit plan obligations	58	●	
	EC4	Significant financial assistance received from government	48	●	
	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	53	◐	SK innovation complies with laws on minimum wage.
	EC6	Policy, practices, and proportion of spending on locally–based suppliers at significant locations of operation.	31	◐	
	EC7	Procedures for local hiring and proportion of senior management hired from the community at significant locations of operation.		○	The percentage of employees at SK innovation's overseas worksites is very low; though the company hires natives at each plant, but does not have a preferred hiring process or a management system for the ratio of executive officers.
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in–kind, or pro bono engagement.	52, 60~65	◐	
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	60~65	●	
Environmental Performance Indicators	EN1	Materials used by weight or volume.	68~69	●	
	EN2	Percentage of materials used that are recycled input materials	72	◐	
	EN3	Direct energy consumption by primary energy source	68	●	
	EN4	Indirect energy consumption by primary source	68	●	
	EN5	Energy saved due to conservation and efficiency improvements	69	●	
	EN6	Initiatives to provide energy–efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	69	●	
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	69	●	
	EN8	Total water withdrawal by source	69	●	
	EN9	Water sources significantly affected by withdrawal of water	69	●	
	EN10	Percentage and total volume of water recycled and reused. Not Reported		○	SK innovation does not have a system for management of water reused or recycled from the production process.
	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	67	●	
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	67	●	
	EN13	Habitats protected or restored	67	●	
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	67	●	

Reported ● Partially Reported ◐ Not Reported ○ N/A

Category	Index No.	Description	Page	Reported	Explanation
Environmental Performance Indicators	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	N/A	N/A	To SK innovation's knowledge, there are no areas with high levels of biodiversity that are affected by its production activities.
	EN16	Total direct and indirect greenhouse gas emissions by weight.	34	●	
	EN17	Other relevant indirect greenhouse gas emissions by weight. Not Reported		○	SK innovation does not have a system for calculating other indirect greenhouse gas emissions resulting from commuting or business travels.
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	68~69	●	
	EN19	Emissions of ozone-depleting substances by weight	70	●	
	EN20	NOx, SOx, and other significant air emissions by type and weight	70	●	
	EN21	Total water discharge by quality and destination	71	●	
	EN22	Total weight of waste by type and disposal method	72	●	
	EN23	Total number and volume of significant spills	73	●	
	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.	72	●	
	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	71	●	
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	74	●	
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		○	The percentage of products that require packing materials among those made by SK innovation is not high, and the company does not have a management system for recycling packing materials.
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	67	●	
	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce		○	SK innovation does not have a management system for tracking the environmental impacts of product and material transportation and employee movements.
	EN30	Total environmental protection expenditures and investments by type	67	●	
Social: Labor Practices and Decent Work	LA1	Total workforce by employment type, employment contract, and region	54	●	
	LA2	Total number and rate of employee turnover by age group, gender, and region	54	●	
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	57~58	●	
	LA4	Percentage of employees covered by collective bargaining agreements	53	●	
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	53	●	
	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.	55	●	
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	56	●	
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	55~56	●	
	LA9	Health and safety topics covered in formal agreements with trade unions.	55	●	
	LA10	Average hours of training per year per employee by employee category	58	●	
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	57~58	●	
	LA12	Percentage of employees receiving regular performance and career development reviews.	57~58	●	
	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	17, 54	●	
	LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	53	●	
	LA15	Return to work and retention rates after parental leave, by gender	53	●	

Category	Index No.	Description	Page	Reported	Explanation
Social : Human Rights	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		○	None of the important investment agreements to which SK innovation is a party has additional provisions on human rights, and the company does not have a particular human rights review process when entering into an agreement.
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. Business partners' pledge to business ethics practices	31	◐	
	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.	53	●	
	HR4	Total number of incidents of discrimination and actions taken	53	●	
	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.	53	●	
	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	53	●	
	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.	53	●	
	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	53	●	
	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	N/A	N/A	There are no incidents of abuse of indigenous people resulting from overseas operations.
	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	53	◐	
	HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	53	◐	
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.	60	●	
	SO2	Percentage and total number of business units analyzed for risks related to corruption.		○	SK innovation has a process for preventing and handling incidents of corruption in place, but does not conduct an analysis of risks related to corruption in any of its current business units.
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	20	●	
	SO4	Actions taken in response to incidents of corruption	20	●	
	SO5	Public policy positions and participation in public policy development and lobbying.	59	●	
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	N/A	N/A	Not applicable
	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	59	●	
	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	59	●	
	SO9	Operations with significant potential or actual negative impacts on communities.		○	SK innovation has not defined negative impacts that it may have on communities.
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on communities.		○	SK innovation does not implement measures to prevent and mitigate negative impacts that it may have on communities.
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		○	SK innovation conducts a risk assessment of products but does not conduct additional assessments to improve risks.
	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	43, 73	●	
	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	43, 73	●	
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	43, 73	●	
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	42, 52	●	
	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	43	●	
	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.	43	●	
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	43	●	
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	43	●	

Awards & Associations

Awards

- Won the IR5S Chang Young Shil Science & Technology Award
(Ministry of Education and Chemical Technology, Industrial Technology Institute)
- Awarded Gold Prize at Korea Technology Awards and voted among the Top 10 Advanced Technologies for high-tech base lubricant catalyst
(Minister of Knowledge Economy)
- Awarded the Science & Technology Promotion Merit
(Ministry of Education, Science & Technology, KOITA)
- Awarded the Merit for Contribution to National Industrial Development through Labor-Management Cooperation
(Prime Minister's Office)
- Industry and Technology Minister's Award
(Minister of Knowledge Economy)
- Awarded the Export Merit for reaching 1-trillion exports
(Minister of Knowledge Economy)
- Techno CEO of the Year
(Ministry of Education, Science & Technology, KOITA)
- Minister's Commendation for the Promotion of the Battery Industry
(Minister of Knowledge Economy)
- Minister's Award for Implementation of Truck Stop Business
(Ministry of Land, Transport, and Maritime Affairs)
- Awarded the Minister of Knowledge Economy Merit on Chemical Industry Day
(Minister of Knowledge Economy, Petrochemical Industry Association)

Associations

- 2013 Daegu World Energy Conference Steering Committee
- Korea Chamber of Commerce and Industry (Seoul/Ulsan/Incheon)
- Korea Petroleum Association
- Korean Commission of International Petroleum Conference
- The Federation of Korean Industries (FKI)
- Korea Business Council for Sustainable Development
- Korea Employers Federation
- Korea Fair Competition Federation
- Korea Industrial Technology Association
- Korea Energy Foundation
- Korea Battery Industry Association
- Korea Chemical Industry Association
- Korean Committee of U.S.-Korea Business Council
- Overseas Resource Development Association