



CREATING HAPPINESS
thru our energy





CREATING HAPPINESS thru our energy

About this Report

SK energy practices sustainability management with a view of ultimately becoming a company that creates happiness and shares it with stakeholders by enhancing corporate value.

We published the first sustainability report in December 2005 in order to share our efforts and performances with stakeholders and society. Since then, we have published a sustainability report every year. Our latest report, the 2007 Sustainability Report, was published in July 2008.

This report contains SK energy's activities and performances in the realm of sustainability management on domestic business premises from January to December 2008.

On the basis of SKMS (SK Management System), the backbone of SK energy's sustainability management, the first half consists of communication activities with stakeholders such as shareholders and investors, customers, employees, business partners and communities, while the second half deals with sustainability management activities in terms of protecting the environment for future generations.

This report refers to the G3 Guidelines of the Global Reporting Initiative (GRI) and includes the GRI Content Index.

To objectively verify the report contents and GRI compliance, we received an independent assurance from Samjong KPMG Advisory, Inc. The results are included in this report.

For further information not included in the report, please refer to the 2008 Business Report, available from the electronic disclosure system of the Financial Supervisory Service (<http://dart.fss.or.kr>), the 2008 Annual Report and our web site (www.skenergy.com).



GRI G3 Guideline Application Level

This report complies with GRI G3 Guidelines with an application level of A+. This self-declared application level has been verified by a third party assurance agency.



Voice Icon

Voice icons are present on upper right part of each page to assist the visually challenged with reading the contents of the report.

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SK ENERGY WILL CREATE AND SHARE HAPPINESS THROUGHOUT THE WORLD



CHINA
 SK energy enjoyed a 41% share in the Chinese imported asphalt market and planted 1.2 million trees to decrease damage caused by yellow sand storms.

COLOMBIA
 SK energy took part in three new concessions such as CPE-5, CPO-4 and SSJN-5 in the second half of 2008.

PERU
 Peru 56 Concession began to produce crude oil. We also donated a total of KRW4.6 billion to help repair damages caused by an earthquake for improving the quality of life of underprivileged people.

BRAZIL
 SK energy produces crude oil in BMC-8 Concession. At the end of 2008, the company elevated its daily production to 5,000 BOE.

YEMEN
 We successfully completed LNG project financing and are scheduled to start production in the second half of 2009.

VIETNAM
 Sutu-den Field in Vietnam 15-1 Concession began to produce crude oil. As a result, the daily production of SK energy expanded to 38,000 BOE.

INDONESIA
 SK energy began full operations of the third lubricant base oil plant jointly set up by Pertamina, the government-run oil company in Dumai.

SK ENERGY GLOBAL ACTIVITIES

- ENVIRONMENT**
For a Cleaner World
- ECONOMY**
For Better Performances
- SOCIETY**
For a Happier Future

• **MOSCOW** | Representative Office of SK energy in Moscow

• **LONDON** | SK energy Europe Ltd.
 • **AMSTERDAM** | SK energy Europe Ltd. Amsterdam Office

• **ALMATY** | Representative Office of SK energy in Kazakhstan

• **BEIJING** | SK energy (China) Co., Ltd.
 SK energy Beijing Representative Office

• **TOKYO** | SK energy Tokyo Branch

• **SHANGHAI** | SK energy International Trade (Shanghai) Co., Ltd.
 SK energy Shanghai Representative Office

• **GUANGZHOU** | SK energy (China) Co., Ltd. Guangzhou Branch

• **HANOI** | SK energy Hanoi Representative Office

• **DUBAI** | SK energy Middle East Office

• **LOS ANGELES** | SK E&P Company LA Office

• **HOUSTON** | SK E&P Company

• **SINGAPORE** | SK energy International Pte. Ltd.

• **JAKARTA** | SK energy Jakarta Representative Office

• **SYDNEY** | SK Australia Pty. Ltd.

• **BOGOTA** | SK energy Bogota Office

• **COLOMBIA**

• **PERU**

• **LIMA** | SK energy Sucursal Peruana

• **BRAZIL**

CEO'S MESSAGE



Chairman & CEO, SK energy
Tae-Won Chey

SK energy has been making steady efforts to create value for stakeholders and contribute to the development of the society and the economy of Korea and the happiness of humankind.

Dear Stakeholders

I would like to say that I sincerely appreciate the love and concern you have shown for SK energy, which strives to create sustainable happiness. As we said in the SKMS (SK Management System), the management philosophy and corporate culture of SK energy, SK energy has been making steady efforts to create value for stakeholders and contribute to the development of society and the economy and the happiness of humankind. I hope this report to deliver performances and results of SK energy's efforts for sustainable development in the year of 2008.

As CEO, looking back on 2008, I feel that SK energy underwent the most difficult year ever, due to a sharp rise and fall in oil prices and foreign exchange rates and the global financial crisis. But internally, we successfully completed the merger with SK incheon Oil and finished construction of the No. 2 RFCC (Residue Fluid Catalytic Cracking). At the same time, we developed an efficient management system through self-regulated and independent management practices by introducing the CIC (Company in Company) system. Abroad, we picked up the pace with natural resources development projects in Peru, Vietnam and Brazil and completed the third lubricant base oil (LBO) plant in Indonesia. These efforts paid off handsomely. Despite tough business conditions, SK energy became the second biggest Korean exporter in Korea, posting US\$24 billion in exports in 2008. SK energy is on the path to becoming a global company, as its overseas sales accounted for more than 59% of total sales.

SK energy has a strong commitment to securing long-term survival and growth, as it endeavors to fulfill its social responsibilities as a corporate citizen rather than focus on short-term business results.

SK energy has a strong commitment to secure long-term survival and growth, as it endeavors to fulfill its social responsibilities as a corporate citizen.

Harnessing this commitment, we have been steadily emphasizing BOD-oriented transparent management. We have recognized CSR activities as an important part of corporate management. For example, we established the CSR (Corporate Social Responsibility) Committee under the BOD last year. We concentrate on social contribution activities that provide practical support to the underprivileged people of society by closely cooperating with stakeholders such as the government, communities and NGOs (Non-Governmental Organizations). SK energy strives to realize genuine win-win management by recognizing business partners as companions for happiness and seeking out strategies for cooperation through meetings with partners facing difficulties due to the economic crisis.

Aiming at becoming a green energy company, SK energy is paying a great deal of attention to coping with climate change, a major contemporary global issue. We began operating a low-carbon management system in 2008, with initiatives that include introducing emissions trading at the Ulsan Complex, which is governed by an internal greenhouse gas emissions calculation system. We still place a high priority on investments into securing new growth engines via the development of environmentally friendly energy technologies and positioning ourselves as a global total energy provider.

The global economic crisis has led a large number of companies at home and abroad to focus not on growth, but on survival. SK energy endeavors to elevate management efficiency for survival as well. However, survival for us must be long-term and sustainable. To achieve this goal, we will continue to make investments into our future. We will also resolve our sustainability issues via communications with a wide variety of stakeholders. I ask you to closely observe our activities and give SK energy advice on how we can improve.

May, 2009



President & CEO, SK energy
Ja-Young Koo

KEY SUSTAINABILITY ISSUES

THE VALUE OF SUSTAINABILITY HAS
A SIGNIFICANT MEANING IN ALL OUR
BUSINESS AREAS AND ACTIVITIES



MANAGEMENT

- Pursuing stakeholder happiness through steady stability and growth
- Sustainable management based on SKMS (SK Management System)
- Transparent and sound corporate governance
- Working BOD (Board of Directors)
- The establishment of an ethical corporate culture

ECONOMY

- Reinforcing energy and chemical business sectors and developing new growth engines on the basis of technology
- A stable supply of energy through overseas resources development
- Concentrating on the development of future energy technology
- Customer happiness management
- Responsibilities for products and services

ENVIRONMENT

- The establishment of the SHE (Safety/Health/Environment) Management System
- Coping with climate change and greenhouse gas management
- Enhancing energy efficiency
- Steady environmental investment
- Offering eco-friendly products and services



EMPLOYEE

- Creating an environment where employees work voluntarily and willingly
- Protecting human rights and labor rights for employees
- Developing employee capabilities
- Safety/Health management for employees

COMMUNITY

- Maintaining win-win relationships with communities
- Responding to demands from communities
- Strengthening social contribution activities
- Legal compliance

PARTNER

- Activating communication with partners
- Running win-win cooperation programs
- Improving safety management of partners

2008 HIGHLIGHTS

WE CONCENTRATED OUR ENERGY ON SUSTAINABLE DEVELOPMENT IN 2008 AS WELL



January 2008
 In 2008, SK energy has adopted the CIC (Company in Company) System for the purpose of building a performance-oriented management system based on self-control and responsibility. The company realized fast decision-making and reinforced responsibility for performances by reorganizing the organization into four smaller companies.

March 2008
 Powertrain electrification is a global vehicle megatrend and worldwide government initiative, of which the battery is a key component. SK energy is developing a lithium ion battery system which produces a higher efficiency and energy output than conventional batteries. A commercial production will be established within the next 2-3 years.

May 2008
 SK energy began full operations of the third lubricant base oil plant jointly set up by Pertamina, the government-run oil company in Indonesia. This factory produces 7,500 barrels of lubricant base oil per day for high-end vehicles. The lubricants are exported to countries such as Europe and the U.S.

September 2008
 SK signed a win-win cooperation agreement containing fair trades and execution programs with partners and announced it publicly. Accordingly, SK energy signed a subcontract fair-trade agreement with subcontract partners. We are following the agreement through activities such as opening partner selection and cancellation standards and procedures, organizing and managing the Win-Win Cooperation Deliberation Committee and providing financial support and settlement condition maintenance for partners.

November 2008
 Along with YMCA Korea, volunteers from SK energy made kimchi for the winter in 48 towns across the nation, donating 130,000 heads through the kimchi sharing program. We also took part in the briquette sharing program, delivering 1.17 million briquettes to 4,126 households nationwide.



2008. 1 ~ 2

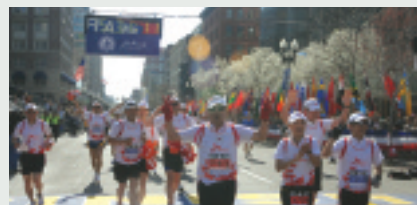
2008. 3 ~ 4

2008. 5 ~ 6

2008. 7 ~ 8

2008. 9 ~ 10

2008. 11 ~ 12



April 2008
 SK energy employees raised social contribution funds by running the whole distance in a marathon, with the company donating money through a matching grant system to help the underprivileged. By taking part in domestic and foreign marathon races such as the Boston Marathon, we raised approximately KRW400 million for the social contribution fund in 2008.

June 2008
 SK energy began full operations of the No. 2 RFCC unit at the Ulsan Complex. We spent a total of KRW 2 trillion on building the No. 2 RFCC, which produces premium refining products, such as gasoline and diesel, utilizing low-priced high-sulfur-fuel oil as feedstock. This new RFCC unit is capable of producing light oil of more than 60,000 barrels per day.

August 2008
 In the realm of low-carbon management, we finished calculating greenhouse gas emissions at Ulsan Complex and Incheon Complex using an internal greenhouse gas emissions calculation system. We introduced an internal emissions trading system, the first to do so in Korea. Since 2008, we have been conducting internal emissions trading at Ulsan Complex.

October 2008
 SK energy ranked first in the gas station service category of the KCSI(Korean Customer Satisfaction Index) for seven straight years, conducted by Korea Management Association Consulting, thanks to consistently practicing customer happiness management.

December 2008
 SK energy was duly recognized as a representative export company for its development of overseas markets, reaching US\$24 billion in exports, the first to do so in the industry in Korea. Thanks to this export drive policy, the company was honored with the US\$15 Billion Export Tower Prize at the 45th Trade Day Ceremony in December 2008, making it the second Korean company to achieve such recognition.

CORPORATE OVERVIEW



FOCUS ON...

We are solidifying our position as a company leading the energy industry through sustainable growth.



SK energy Seorin Headquarters Building

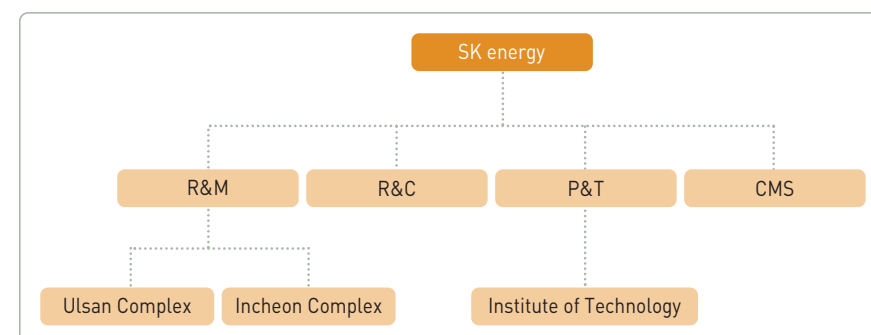
【 COMPANY OVERVIEW 】

Company Name	SK energy Co., Ltd.
Date of Foundation	Oct. 13, 1962
Headquarters	99, Seorin-dong, Jongro-gu, Seoul, Korea
Ulsan Complex*	110, Gosa-dong, Nam-gu, Ulsan, Korea
Incheon Complex**	100, Wonchang-dong, Seo-gu, Incheon, Korea
Institute of Technology	140-1, Wonchon-dong, Yusung-gu, Daejeon, Korea
Scale (As of 2008)	Sales: KRW45,737.3 billion
	Operating Income: KRW1,891.4 billion
	Total Assets: KRW22,455.6 billion
	Number of Employees: 5,523
Business Sectors	Biggest Shareholder and Its Share: SK holdings, 33.0%
	Petroleum, Petrochemical, Lubricants, Asphalt & Specialties, Overseas Resources Development and R&D

* In June of 2008, SK energy began full operations of the No. 2 RFCC unit at the Ulsan Complex. We spent a total of KRW2 trillion on building the No. 2 RFCC, which produces premium refining products, such as gasoline and diesel, utilizing low-priced high-sulfur-fuel oil as feedstock. This new RFCC unit is capable of producing light oil of more than 60,000 barrels per day.

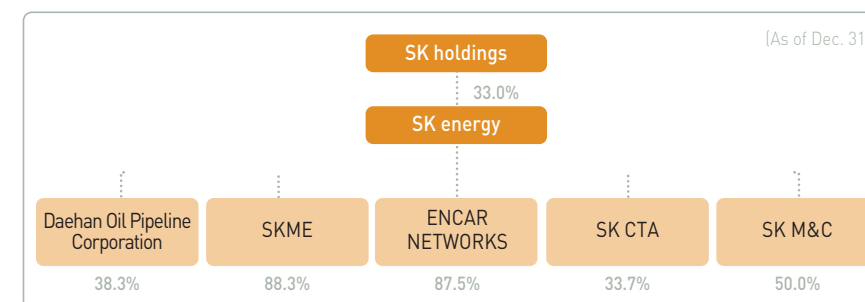
** On February 1, 2008, SK energy completed its merger with SK incheon Oil. This move increased SK energy's oil refining capacity from 840,000 to 1,115,000 barrels per day, ranking it fourth in the Asia-Pacific region.

【 ORGANIZATION CHART 】



- R&M : Refining & Marketing
 - R&C : Resources & Chemicals
 - P&T : Corporate Planning & Global Technology
 - CMS : Corporate Management Service

【 PARENT COMPANY AND MAJOR SUBSIDIARIES 】



- SKME : SK Mobile Energy
 - SK M&C : SK Marketing & Company
 ※ SK CTA changed its name into Netruck Corporation in March, 2009.



SK energy main homepage

【 MILESTONES 】

1960	Born as the first Oil refining Company in Korea	1962.10	Established SK energy (Originally called Korea Oil Corp.)
		1964.04	Launch of production from No.1 atmospheric distillation unit
		1968.12	Launch of a lubricants oil blending Plant
1970	Leading Korea's Economic Development	1970.05	Launch of an aromatics plant
		1970.06	Gulf Oil Corp. acquired 50% equity share and Management rights in SK energy
		1973.03	Launch of a naphtha cracking center
1980	Securing the Foundation to become an Energy and Petrochemical Company	1980.12	SunKyong Co., Ltd. acquired Management rights in accordance with Korean government privatization policy
		1982.07	Change of company name to Yukong Corp.
		1988.01	Commencement of crude oil importation from Malibu concession, Yemen
1990	Laying the Groundwork to become a Major Force in the Asian Region	1994.11	Commencement of crude oil importation from North Zaafarana concession, Egypt
		1996.07	Launch of commercial production of Block 8 in Peru
		1997.06	Establishment of local oil development company SK E&P Company
		1997.10	Change of company name to SK Corp.
2000	Leap to become a Top-Tier Global Energy Company	2003.11	Startup of crude oil production at Sutu-den field, Vietnam's 15-1 Block
		2004.08	Launch of commercial production at Camisea oil and LNG field in Peru
		2004.10	Establishment of local company SK (China) Holdings Co., Ltd.
		2006.03	Acquired Incheon Oil and Establishment of SK incheon Oil
		2007.07	Split-off of SK holdings and SK energy
		2008.02	Completed the merger with SK incheon Oil

CORPORATE OVERVIEW



Ulsan Complex

【 BUSINESS PORTFOLIO 】

Petroleum Business

In 2008, SK energy's petroleum business maintained the top position in the domestic refining industry by accounting for a 37% share in the domestic market despite tough business conditions caused by the global financial crisis. Moreover, we supplied oil products flexibly in accordance with market situations by building a multi-refinery system through a merger with SK incheon Oil and reinforcing our risk management in preparation for rapid fluctuations in crude oil and oil product prices. Therefore, our domestic sales of oil products reached 130 million barrels and exports totaled 150 million barrels. In the future, SK energy will make the move towards becoming a major company in the Asia-Pacific region by innovating business models and securing regular buyers in overseas markets.

Gas Business

SK energy posted KRW1,666.9 billion in sales and enjoyed a 22.3% market share in the LPG sector in 2008, selling 1.5 million tons of LPG. In addition, the combined market share of SK energy and SK gas, an affiliate, stands at 44%, enabling the two to take the lead in the domestic LPG market. In the future, SK energy and SK gas are planning to lead the way steadily in the domestic LPG sector by creating synergies in our production, sales and logistics sectors.

Specialty Products Business

In 2008, our specialty petroleum product business accounted for a 41% (according to our own survey) share in China's asphalt import market, largely due to an increase in SOC (Social Overhead Capital) investments to steadily develop the central and western regions of China and stimulate its economy. We sold 2.41 million tons of asphalt at home and abroad. In the future, SK energy will further solidify control over the Asia-Pacific market by increasing sales of high-quality asphalt and reinforcing our activities in the Chinese market.

Petrochemical Business

In 2008, our petrochemical sector achieved KRW10,364.6 billion in sales by selling 8.45 million tons of petrochemical products while maintaining our position as a leading company in the domestic petrochemical industry. We develop and produce products that cater to customer needs, which range from basic petrochemical products (Olefins, Aromatics) to synthetic resins (LLDPE, HDPE, PP) and high-performance petrochemical products. In addition to our existing general product lineup, we are building up functional chemical products around special solvents, high-value-added polyolefins and information & electronics such as LiBS (Lithium ion Battery Separator). In the future, we will pursue

the steady expansion of our domestic sales base and diversify our export markets while supplying the finest high-quality products and technologies that customers want with world-class price competitiveness through customer-oriented management.

Lubricants Business

In 2008, the operating income of the lubricants business grew 34% from a year before. ZIC, our lubricants brand, has been ranked first in the K-BPI (Korea Brand Power Index) Survey for 10 years in a row and won the grand prize in the Korea Green Management Excellence Awards. Abroad, our business has grown steadily in our existing markets such as Russia and China, while a foray is being made into the Philippines. In the base oil sector, we built and are running a LBO plant in Indonesia's Dumai in partnership with Pertamina. Through this, we strengthened our top position in the Group III base oil market. In 2009, we will solidify our position as a market leader at home. Abroad, we will set up a base for global sales while moving ahead with our global OEM (Original Equipment Manufacturer) supply.

Overseas Resources Development Business

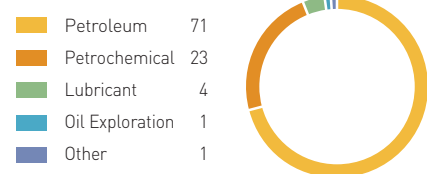
SK energy contributes to a stable supply of energy through active overseas resources development. In the E&P (Exploration & Production) sector, we are participating in 31 blocks in 17 countries, and our total proven reserves stood at 520 million barrels as of the end of 2008. SK energy has also contributed a stable supply of energy by making investments into four coal production mines and four exploration projects in Australia, as well as one coal mine under development in China as of the end of 2008. We have been widening our scope of business by beginning a uranium exploration project in Canada since October 2007.

R&D

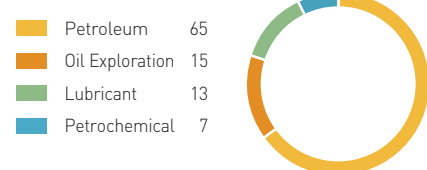
Aiming to be a technology-driven company, SK energy is making an effort to develop proprietary technologies, contributing not only to conventional petroleum refining and petrochemicals business but also in exploiting new business opportunities. SK energy has been playing a leading role in national economic development by providing a stable energy supply at an affordable price. In this context, continuous efforts will be made to supply alternative energies and to cope with climate change in order to secure the nation's energy future. Companywide major initiatives were selected: Clean Coal, Marine Biofuels from Macroalgae, Thin Film Solar Cell, CO₂ Polymer and Fuel Cell. These are being regarded as major initiatives for national economic growth. In addition to alternative energy and CO₂ utilization, SK energy is attempting to seize opportunities in the areas of information and electronic materials.

2008 Business Performance

• Sales by Business (Unit: %)



• Operating Income by Business (Unit: %)



Representative Brands of SK energy



SK gas station



Gasoline brand, EnClean



High-quality gasoline, EnClean Solux



High-quality Diesel, Solux Diesel



Lubricant, ZIC



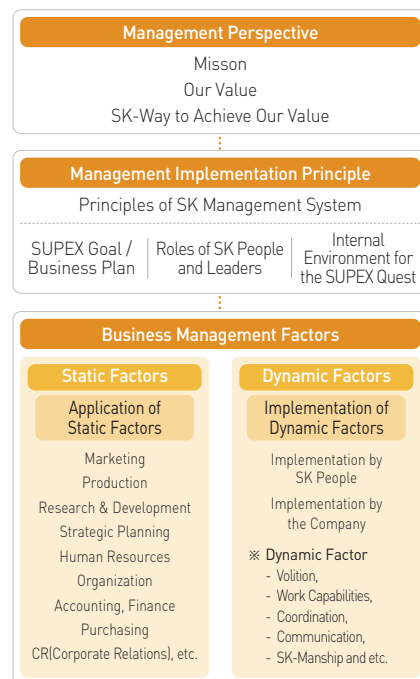
Base oil, Yubase

SKMS AND SUSTAINABILITY MANAGEMENT

FOCUS ON...

We strive to maintain steady stability and growth and pursue happiness of our stakeholders on the base of the SKMS.

SKMS Framework



About SUPEX

SUPEX [Super Excellent Level] means the highest performance level humanly attainable. It is difficult to reach this level immediately. Thus the company sets goals at the next higher level within the given period of time and using the available resources and achieves them. As repeating this process over time, the company exerts its best efforts to ultimately reach SUPEX.

【 SKMS AND SUSTAINABILITY MANAGEMENT 】

SK energy strives to maintain steady stability and growth and pursue happiness of stakeholders by reflecting changes in the business environment and demands from society through our SKMS (SK Management System), which is agreed with and shared by all SK People.

SKMS was established for all SK People to understand the true nature of sound corporate management as well as collectively gathering their capabilities and promoting the company's competitiveness in the long run, by using it as the standard to make their decisions. It is comprised of the Management Perspective, Management Implementation Principle and Business Management Factors.

Management Perspective

"The corporate enterprise should achieve its ultimate goal of sustained progress by maintaining stability and growth. Furthermore, it should create value for its customers, people and shareholders, thereby contributing to social and economic development and human well-being." This is SK's Management Perspective.

Based on this mission, we regard the happiness of our stakeholders as our ultimate value. The happiness that SK energy pursues is sustainable over the long term and implemented to be well-balanced between the relations and roles of a company and its stakeholders. In the rapidly changing business environment, SK energy sets goals at pursuing SUPEX(Super Excellent Level) via human-oriented management and is exerting its best effort to accomplish them.

Management Implementation Principle and Business Management Factors

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

CORPORATE GOVERNANCE

FOCUS ON...

The BOD of SK energy aims at becoming a practically working BOD.

【 CORPORATE GOVERNANCE 】

Working BOD (Board of Directors)

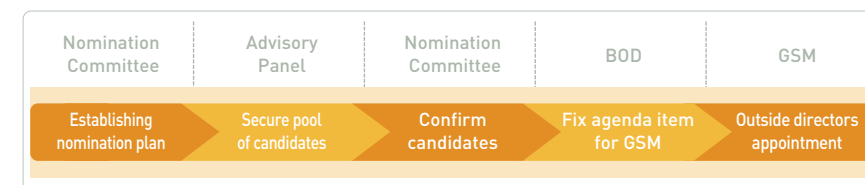
SK energy thinks that the key roles of the Board of Directors are strategic decision-making, advising and monitoring. Our BOD strives to be a Working BOD - appointing the CEO, giving the CEO authority and advising the management.

• BOD Composition

Our Board of Directors consists of three inside directors and seven outside directors. The proportion of outside directors (70%, as of March, 2009) is at a high level among Korean private companies. This means that there are enough outside directors to pass special BOD resolutions¹⁾, thereby checking on the management. According to the articles of incorporation and the BOD regulations, the chairman of the BOD is appointed at a BOD meeting.

• Director Appointment Process

In nominating inside directors, the Human Resources Committee first screens the qualifications of potential candidates, and the BOD then selects candidates from among the approved to recommend in a general shareholders meeting in an effort to secure objectiveness and fairness. In nominating outside directors, we have the Outside Director Nomination Advisory Panel, which is comprised of people charged with securing objective candidate nominations. With a view to guaranteeing independence of outside directors, SK energy abide by pertinent laws (Prohibiting family members and relatives of the largest shareholder or those who have left the company for two years or less from being appointed as outside directors). We check director candidates on whether they have specialties, commitments and business mind for the management of SK energy and their social acceptability such as independence, social recognitions and personal image and additional consideration that can vary each year.



¹⁾ Special BOD resolutions require votes from two thirds of all BOD members. They are about a change in the articles of incorporation, a merger, dissolution, a goodwill transfer, a decrease in capital and the submission of a bill to dismiss directors.



BOD

BOD members

(As of Mar, 2009/Alphabetical Order)

Name	Current Position	Remark
Dae-Woo Nam*	Consultant at Sang-G Management Consulting	Outside Director
Hoon-kyu Lee	Partner & Representative lawyer of Dasol Law Firm	Outside Director
In-Goo Han*	Professor of the Techno Business School at the the Korea Advanced Institute of Science and Technology	Outside Director
Ja-Young Koo	President and CEO of SK energy	Inside Director
Jun-Ho Kim	President of SK energy CMS	Inside Director
Myong-Hae Choi	Advisor to Kim & Chang Law Firm	Outside Director
Sei-Jong Oh*	Outside Director of SC First Bank	Outside Director
Soon Cho	Former Deputy Prime Minister and Minister of the Economic Planning Board	Outside Director
Tae-Won Chey	Chairman and CEO of SK energy	Inside Director
Tai-Yoo Kim	Professor of Department of Industrial Engineering at Seoul National University	Outside Director

* Auditor

CORPORATE GOVERNANCE



Special Internal Lecture by Director In-Goo Han

• BOD Performance Evaluation and Compensation

The directors as a whole evaluate the BOD once a year in terms of activities and matters related to support for directors' activities. The evaluation results are reported to the BOD and published in a business report. Compensation for directors is determined in consideration of their activities. The Human Resources Committee screens directors' performance to calculate their level of compensation. According to Clause 2 of Article 8 of the articles of incorporation, SK energy has been adopting a stock option system for directors; however, no directors were given stock options in 2008.

• Prevention of Collision of Interests within the BOD

No Director shall, without the prior approval of the Board, engage in for his own account or for the account of a third party, any transaction which falls within the class of businesses of the Company and become a partner with unlimited liability at, or a Director of, any other company whose business purposes are similar as those of the Company. In addition, no director shall engage in a transaction with the Company for his own account or for the account of a third party. Outside directors run their own independent meeting in an effort to secure independence in BOD management and foster communication among outside directors.

• Communication with Shareholders and Employees

SK energy BOD has various channels to communicate with shareholders and employees. The Corporate Governance page of the corporate website informs the BOD activities, so anyone can suggest their opinions through the website. SK energy's intranet server, hi-OK, has a BOD news window where employees can check BOD activities and suggest their opinions. Outside directors also deliver internal lectures on specialized sectors and listen to employees' opinions through visits to business operation sites.

• BOD Activities

In 2008, a total of 15 BOD meetings were held and 90 agenda items were handled. Director participation rates stood at 95.6% (96.7% for outside directors). The BOD has six committees. In May, 2008, with a view to handling issues related to corporate social responsibilities, we established the Corporate Social Responsibility Committee.

The six committees had a total of 37 meetings, reviewing 36 agenda items in advance and deliberating on 80. The CEO directly explains major strategies and important business issues to help outside directors clarify matters.

BOD Activities

(Unit: Times)

BOD Activities	2006	2007	2008
BOD Meetings	14	16	15
Committee Meetings	34	45	37
Explanatory Sessions / CEO Communication and Internal and External Education Programs for Directors	20	19	7
Visits to Business Sites and Internal Events	35	35	21
Total	103	115	80

Committee Activities (2008)

Name	Meetings	Agendas Reviewed*	Key Agendas
Audit Committee	8	22	Business performance and external audits Internal audit on consolidated financials of the previous year
Nomination Committee	1	2 (1)	Nominate candidates for outside directors, Review the above nomination process
Strategic Planning Committee	8	16 (14)	Review acquisition/sell-off of stake and major assets and major investments, including E&P
Human Resources Committee	4	9 (4)	Appoint candidates for inside directors Appoint executive officers and define their roles and responsibilities Review maximum pays of directors
Transparent Management Committee	11	20 (14)	Transaction/investment in subsidiaries Fair trades
Corporate Social Responsibility Committee	2	6	Plan evaluation of BOD activities Report CSR activities (newly established in 2008)
Corporate Governance Committee	3	5 (3)	Amend BOD/committee practices and regulations (abolished in 2008)
Total	37	80 (36)	

* Figures in parenthesis refer to the numbers of agendas reviewed in advance.



Visit to the Incheon Complex

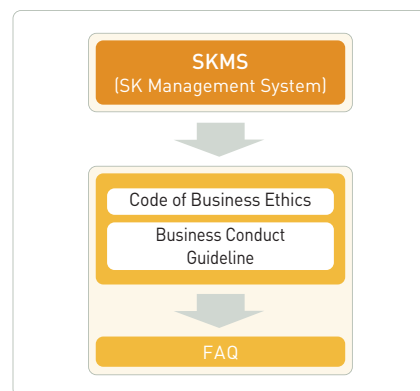
CORPORATE ETHICS



FOCUS ON...

We intend to contribute to long-term survival and growth of the company on the foundation of trust of stakeholders by establishing an ethical corporate culture.

Corporate Code of Conduct Framework



【 CORPORATE ETHICS 】

Ethical Corporate Culture

Honoring the SKMS management philosophy of “creating value for all stakeholders and contributing to the happiness of humankind,” we have been actively pursuing a policy of ethical management. Our basic aim is to encourage and motivate a voluntary commitment from employees and establish an ethical corporate culture. Through this, we can contribute to the long-term survival and growth of the company on the foundation of trust of stakeholders. SK energy has established ethical management systems so that our employees recognize the importance of ethics management and follow such policies in their business activities.

Ethical Management Systems

- Code of Business Ethics

All employees follow the Code of Business Ethics and Business Conduct Guideline to ensure fair and transparent management activities. The Code of Business Ethics and Business Conduct Guidelines suggest standards and protocols for ethical judgments and conduct in terms of stakeholders, such as basic ethics, customer satisfaction, respect for shareholder value, forging win-win partnerships and social responsibility. We distribute the Ethical Management Guidebook to all employees to help them know how to deal with ethical issues.

- Ethics Consultation / Report

The Ethics Consultation Center is open to employees, customers, shareholders, and partners and allows them to directly consult and report on ethical misconduct. We seek the early detection and prevention of such issues. All cases are processed in full confidentiality, and reporters of ethical mistreatment are protected by total anonymity. In addition, SK energy introduced a compensation system in November of 2008, which grants a maximum of 20 million won to reporters, in order to establish ethical management policies such as improving unethical practices and proactively changing employee perspectives regarding ethics. In 2008, there were 8 reports, 4 consultations, and 16 customer complaints/ questions, totaling 28 cases through ethical consultation and report channels. Violators of the Code of Business Ethics are subject to punishment according to the relevant corporate regulations. We had three violations and dealt with them in accordance with our company guidelines.

We also value transparency and fairness in transactions with our business partners. Our partners are taking part in practicing ethical management via the Fair and Transparent Business Agreement based on mutual trust. Upon the discovery of any irregularities or corruption, they are subject to the relevant sanctions. We canceled two contracts due to corruption in 2008.

Ethical Management Activities

- Ethical Management Training

We have been providing online and offline training programs with a focus on enhancing awareness of and practical and active compliance with ethical management principles. SK energy held a seminar on ethical leadership for the entire leaders, including the CEO, by inviting specialists to give lectures. New recruits took part in online education programs centered on the importance of ethical management and understanding of SK energy's ethical management system. Internal education programs were given to non-executive employees by positions.

- Programs to Create an Ethical Environment

We are conducting a company-wide online 'Live Poll' to accurately understand the level of employee awareness and practice of corporate ethics and exerting to reflect the result on our ethical management system. KM Quiz is another program designed to help employees understand and remember our ethical management policies and the corporate Code of Business Ethics.

- Ethical Management Website

An ethical management website (<http://ethics.skenergy.com>) was launched to share the company's commitment to and progress in ethical management to various stakeholders as part of our open communication policy.

- Internal Accounting Control

We operate the Internal Accounting Control System to ensure transparency and credibility of financial information, while meeting the legal requirements specified in the Act on External Audit of Stock Companies, Exemplary Standard for Internal Accounting Control System. We also operate the Internal Accounting Control scheme. It is in place in all aspects of the company, including the BOD, Audit Committee, and other management areas, as validity evaluations are made on a regular basis. The results are reported to the BOD and Audit Committee.

Corporate Ethics Training in 2008



Number of Trainees 842
Training Hours 2,332

STAKEHOLDER ENGAGEMENT

We pursue stakeholders' happiness via steady stability and growth.

Communication with Investors _23
Communication with Customers _31
Communication with Employees _37
Communication with Partners _47
Communication with Communities _51





COMMUNICATION WITH INVESTORS

We will steadily create economic value for shareholders and investors.

- Thanks to export drive policies, SK energy enjoyed its position as a representative exporting company by posting US\$24 billion in exports, the first to do so in the domestic refining industry in 2008.

US\$24 Billion

LAYING THE FOUNDATION FOR SUSTAINED PROGRESS THROUGH STRONGER COMPETITIVENESS OF CORE BUSINESSES.

The business conditions in 2008 were tough due to a sharp rise in the exchange rates, a sharp rise and fall in oil prices and a drop in energy demands. Under the goal of "Securing survival and a growth engine" SK energy made efforts to expand overseas markets, increase profitability in the E&P (Exploration & Production) business and lubricant business and slash costs, finishing the acquisition of SK incheon Oil and the construction of the No.2 RFCC in 2008.

Amidst a global economic crisis SK energy created economic value for customers, shareholders and employees by posting US\$24 billion in exports, the second to do so as a Korean company and KRW 1,891.5 billion in operating income. In addition, we were not idle about making investment into communities.

In the future, amid a rapidly changing business environment we will expand our growth base by setting "Promoting steady global growth by developing and practicing global growth options" as our goal and enhancing the competitiveness of our existing businesses, striving to reduce costs and secure fundamental competitiveness of core businesses, producing results in overseas markets such as China and expanding resources development and launching new businesses successfully.

Major Issues

- Reinforcing energy and chemical business sectors and developing new growth engines on the basis of technology
- A stable supply of energy through overseas resources development
- Concentrating on the development of future energy technology

EXPANSION OF CORPORATE VALUE

FOCUS ON...

We always strive to live up to expectation shareholders and investor, "Steady Expansion of Corporate Value."

2008 IR Communication Activities

(Unit: Times, Total 300)



IR Presentations Meetings 4



Overseas Non-Deal Roadshows 5



Participation in Conference 7



Visits to Domestic and Foreign Organizations 35



One-on-One Meetings 249

【 STAKEHOLDERS PARTICIPATION : SHAREHOLDERS/INVESTORS 】

SK energy provides shareholders and investors with information on major management statuses and decisions by convening a general shareholders meeting within three months after the end of every fiscal year for smooth communication with shareholders and investors. We let shareholders participate in decision-making processes by employing a shareholder suggestion system based on relevant laws. Moreover, our corporate website (<http://www.skenergy.com>) offers business information, stock prices, share information, financial information and public announcements and major IR schedules and events in real time.

SK energy is engaged in IR road shows, one-on-one meetings, conference calls, e-mail and telephone services for domestic and foreign institutional investors and analysts. We make public important business information related to interests of shareholders via our corporate website immediately in accordance with the Stock Trading Law. We also offer business reports and audit reports via the electronic disclosure system of the Financial Supervisory Service (<http://dart.fss.or.kr>).

Shareholders' expectations from SK energy found via various communication channels are steady expansion of corporate value, promotion of petroleum and alternative energy development and growth into a global company. SK energy puts its efforts into living up to such expectations of shareholders and investors.

【 EXPANSION OF CORPORATE VALUE 】

After enhancing management efficiency via a corporate split into a holding company and an operation company in 2007, SK energy raised shareholder value by preparing the base for growth to take one step forward by realizing a wide array of growth options such as the merger with SK incheon Oil, the construction of the No. 2 RFCC and the commercial operation of the No.3 LBO plant in Indonesia in 2008.

Our sales in 2008 soared 65% to KRW45,737.3 billion from the previous year. In terms of sales by business, sales of the petroleum business and petrochemical business swelled 75%, 40%, respectively from a year before due to a rise in sales volumes, product prices and foreign exchange rates. Sales of the E&P(Exploration & Production) business and the lubricants business jumped 63%, 66% thanks to an increase in sales volume and a rise in prices.

Operating income reached KRW1,891.5 billion, an increase of 28% from a year earlier thanks to strong performances of the petroleum business and the E&P business.

GROWTH INTO GLOBAL COMPANY



Operating income of the petroleum business rose 104% from a year earlier thanks to an increase in export volume after the regular operation of the No. 2 RFCC and cracking margins. Operating income of the E&P business dropped from a year before due to the slumping market and weakened demand amid the slumping economy. The E&P business posted KRW294.4 billion in operating income, a jump of 67% from a year before on the strength of a rise in oil prices and production. The lubricants business enjoyed a 34% year-on-year increase in operating income due to an increase in exports after the start of the operation of a LBO plant in Indonesia.

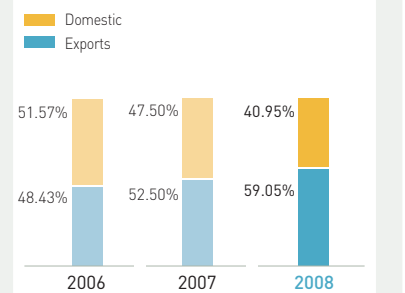
Backed by export drive policies, SK energy was recognized as a representative export company of Korea by posting US\$24 billion in exports, the first to do so as a Korean energy company in 2008. But this is a great feat not only for SK energy but also for the entire refining industry of Korea. Veering from people's perception of the refining industry as a domestic sales-oriented one, exports of oil products and petrochemical products ranked second to the shipbuilding industry and higher than semiconductors and automobiles, significantly contributing to improving the balance of trade. The Korean refining industry is taking part in developing overseas oil fields with steady investment and securing oil reserve steadily with a view to securing a stable supply of crude oil under the situation that international oil prices have a big influence on the Korean economy which depends heavily on imported oil. Steady investment by the Korean refining industry is expected to contribute to enhancing national competitiveness through independent crude oil development.

【 GROWTH INTO GLOBAL COMPANY 】

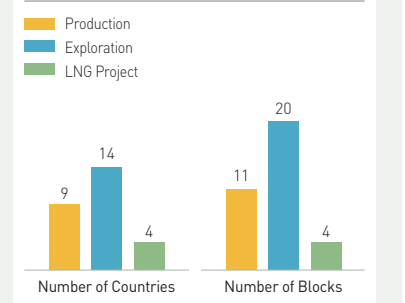
Overseas Resources Development

In 2008, SK energy reached KRW525.3 billion in sales, KRW294.4 billion in operating income in the E&P business by going ahead with efficient management of production blocks, participation in promising exploration projects and LNG projects. As of the end of 2008, we were taking part in 31 blocks in 17 nations and 4 LNG projects. Among them, Production blocks are 11 in 9 countries. In 2008, we were entitled to daily production of 26,000 BOE (Barrels of Oil Equivalent). Block 56 in Peru where we have 17.6% interest began production in mid-September of 2008. Beginning in mid-October, Sutu-den Field of Block 15-1 in Vietnam started production and its daily production stood at 38,000 BOE at the end of 2008. In addition, SK energy succeeded in taking part in Blocks CPE-5, CPO-4 and SSJN-5 in Colombia, a strategic region for the company. Via participation in interest, we took part in five new blocks such as Block 51 in Oman.

Sales (Unit: %)



Status of Exploration & Production (2008) (Unit: %)



GROWTH INTO GLOBAL COMPANY



Block 15-1 in Vietnam

Meanwhile, SK energy reduced investment costs a good deal by completing project financing successfully which accounted for about 60% of investments into LNG projects in Yemen and Peru. In the second half of 2009, the Yemen LNG Project will begin production. Moreover, along with Block Z-46 in Peru, we will take the lead in exploration projects of Blocks CPO-4 and SSJN-5 in Colombia as an operator.

In the coal development business, we have been an active player in the coal industry since our first launch in 1990. As of the end of 2008, we possess stakes in four production mines and four exploration projects in Australia and one production mine in China. Furthermore, we also have invested in a Canadian uranium exploration project since October 2007 to expand our horizon in the energy industry. We will continue to stay active in the overseas markets, especially in China and Indonesia. We will also be actively engaged in technological development such as the upgrading of low rank coal and infrastructure development such as coal terminal.

Production Blocks (2008)

Country	Block	Interest
Peru	Camisea	17.60%
	8	8.33%
	56	17.60%
Vietnam	15-1	9.00%
Libya	NC-174	8.33%
Egypt	North Zaafarana	25.00%
Coted Ivoire	CI-11	12.96%
Indonesia	Bangko	25.00%
Brazil	BM-C-8	40.00%
Algeria	Issaouance	8.50%
United Kingdom	Captain	0.77%

Expansion of Lubricant Base Oil Exports

SK energy is developing into a global company by expanding the lubricant base oil market. At the moment, two lubricant base oil plants at the Ulsan Complex produce 21,000 barrels a day. Dumai Plant completed in May of 2008, in Indonesia produces 7,500 barrels a day. 90% of our premium lubricant base oil is exported to 200 companies in 50 countries including ExxonMobil of the U.S. In addition, we are making steady endeavors to strengthen local marketing and develop new markets.

SEIZING THE OPPORTUNITY IN GREEN ENERGY AND CHEMICALS



In July, 2008 we set up a branch in Amsterdam which forms a global network with existing branches in Houston, Tokyo and Jakarta and cement our position as a major player in the world market.

【 SEIZING THE OPPORTUNITY IN GREEN ENERGY AND CHEMICALS 】

With an eye towards becoming a global first-class energy company, SK energy is concentrating its capabilities on developing future energy for low-carbon green growth, such as batteries for hybrid vehicles.

ACO- Innovative Catalytic Naphtha Cracking Technology

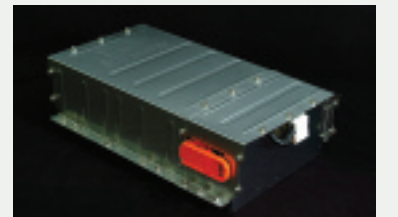
As is the case with CDU(Central Distillation Unit) in refining facilities, naphtha cracker is the starting point of petrochemicals complex: Ethylene and propylene from naphtha cracker are the basic building blocks for various petrochemical products. SK energy developed the ACO (Advanced Catalytic Olefin) Process, which adopted fluidized-bed catalytic cracking, contrary to the conventional thermal cracking system. This groundbreaking concept realized high olefins yields, and lower reaction temperatures, resulting in reduced energy consumption and CO₂ emissions. KBR(Kellogg Brown & Root), one of the most renowned plant engineering companies in the world, was selected as the commercialization partner. The design was completed in 2008, and demo plant construction is currently underway.

Lithium Ion Battery System - Key component in Vehicle Electrification

Powertrain electrification is a global vehicle megatrend and worldwide government initiative, of which the battery is a key component. SK energy is developing a lithium ion battery system which produces a higher efficiency and energy output than conventional batteries. Commercial production will be established within the next 2~3 years.

CO₂ Plastic - Novel Way of CO₂ Utilization

The CO₂ plastic (Green-Pol™) is composed of 44% CO₂ in terms of raw material weight, and has several excellent features: When it burns, it does not produce harmful fumes unlike other plastics. It is waterproof, air-tight and can be used to make eco-friendly packaging, cushioning and heat insulation materials. Through research collaboration with Ajou University, SK energy achieved leading-edge catalyst technology essential for CO₂-derived plastic, and shows highest activity in the world. SK energy's Long-time R&D experience in the area of polymers will enable us to commercialize it quickly, with commercialization aimed to begin in 2011.



A battery for hybrid vehicles

KEY FINANCIAL INDICATORS



※ Note

- Figures in the period from 2006 to the first half of 2007 belong to SK holdings. Figures in the second half of 2007 or late are performances of SK energy.
- Figures in 2007 were results of the integration of performances in the first and second halves. But when it is difficult to integrate the figures, we divided them into figures for the first (2007 1H)/and second halves (2007*).
- Figures in 2008 included performances of SK Incheon Oil as the company was merged with SK energy in February, 2008.

Balance Sheet Summary (2008)

(Unit: KRW in billions)

Category	2006	2007 1H	2007 *	2008
Total Assets	19,602	19,043	15,699	22,456
Current Assets	6,618	5,654	6,707	10,702
Non-Current Assets	12,983	13,389	8,992	11,754
Total Liabilities	11,570	10,663	9,514	15,140
Current Liabilities	6,700	4,887	6,590	9,039
Non-Current Liabilities	4,870	5,776	2,924	6,101
Debt-to-Equity Ratio (%)	144	127	154	207
Total Shareholders' Equity	8,031	8,380	6,186	7,316
Capital Stock	653	653	463	469
Capital Surplus	3,976	3,993	5,455	5,877
Retained Earnings	4,777	5,429	344	1,000
Capital Adjustments	-1,202	-1,431	-2	-203
Accumulated Other Comprehensive Income(Loss)	-173	-264	-75	173

※ Figures in 2007* followed the audit report for the first period (Jul. 1, to Dec. 31, 2007) of SK energy and figures from 2006 to the first half of 2007 are performances of SK Corp.

Income Statement Summary

(Unit: KRW in billions)

Category	2006	2007 1H	2007 *	2008
Sales	23,652	12,926	14,862	45,737
Cost of Sales	21,277	11,411	13,515	42,420
Gross Profit	2,374	1,515	1,347	3,317
Selling, Administrative Expenses	1,209	639	743	1,426
Operating Income	1,165	875	604	1,891
Other Income (Expenses)	655	277	-121	-933
Income before Income Taxes	1,820	1,153	483	958
Provision for Income Taxes	426	221	139	70
Net Income	1,394	865	344	888

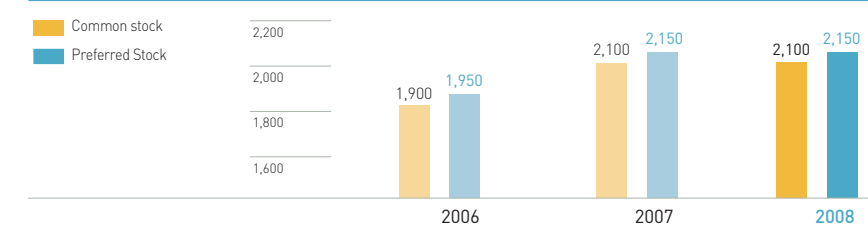
Stock/Dividend

Category	2006	2007 *	2008
Par Value (KRW)	5,000	5,000	5,000
Earnings Per Share (KRW)	11,680	3,740	9,657
Total Dividend (KRW in millions)	211,919	194,540	195,289

※ 2007* figures are based on the SK energy audit report for first period of 2007 (Jul. 1 to Dec. 31, 2007)

DPS(Dividend Per Share)

(Unit: KRW in millions)



Interest Expense

(Unit: KRW in billions)

Category	2006	2007	2008
Interest Expense	361.6	302.9	480.6

※ This belongs to non-operating expense and does not include capital expense for acquisition of tangible and intangible assets.

Social Contribution Expense

(Unit: KRW in billions)

Category	2006	2007	2008
Social Contribution Expense	40.8	33.6	38.5

Financial Support of Government (Subsidiaries of Government)

(Unit: KRW in millions)

Category	2006	2007	2008
Oil Development	16,237	25,364	44,542
Coal / Mineral Development	97	909	420
Total	16,334	26,273	44,962



COMMUNICATION WITH CUSTOMERS

SK energy will become a trusted company by thinking “Customers’ happiness is none other than our happiness”.

- SK energy topped the KCSI rankings of Korea Management Association Consulting for seven years in a row.

No.1

REALIZING SUSTAINABLE GROWTH THROUGH CUSTOMER HAPPINESS MANAGEMENT

SK energy is in pursuit of customer happiness management for the purpose of becoming a company that earn love and trust from customers under the philosophy of Customer Happiness. We established the Customer Happiness Charter with a view of realizing a philosophical system for customer happiness management and increasing employees’ genuine concerns for CS (Customer Satisfaction). On the basis of this charter, we crystallized the Employees’ Code of Conduct on employees’ attitudes and actions on customer services.

With a view of preventing death, physical and material damages due to defective products and minimizing negative effects from such cases, we promote product safety management which puts product safety and customer protection on the front burner. SK energy openly declared its own product safety policy, “SK energy makes customer happiness increase by offering safe products via steady product safety management activities.” All employees are keenly aware of the fact that they are in charge of product safety. We persistently strive to meet not only legal and administrative requirements at home and abroad but tougher standards. Moreover, in preparation for occurrence of product-related accidents, we are ready to minimize damages from accidents by operating a system which finds responsibilities fast and accurately, give compensations and prevent such cases from taking place again.

Major Issues

- Customer happiness management
- Customer information protection
- Responsibilities for products and services

CUSTOMER SATISFACTION



FOCUS ON...

We are actively carrying out various activities for customer satisfaction.

2008 Customer Communication Activities

(Unit: Times)

Customer Care Center (Call Center)
1,734,997 calls

e-Mail Consultations
171,870

Customer Satisfaction Survey
4

* Performances of the Customer Care Center and e-mail counseling include cases on Cashbag and the Carlife business.

【 STAKEHOLDERS PARTICIPATION : CUSTOMERS 】

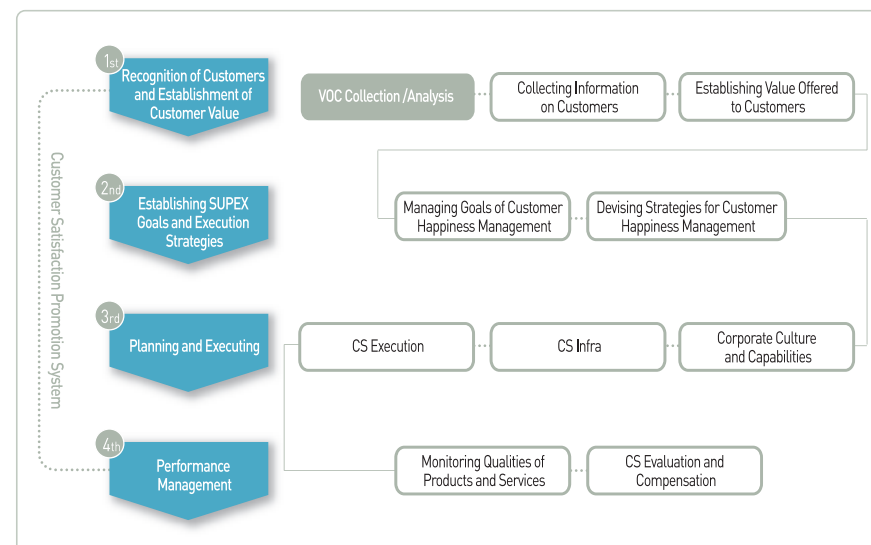
SK energy listens to voices of customers through an integrated online and offline infrastructure and reflects them on its business activities. Customers can enjoy customized services via the Enclean Website (www.enclean.com) and e-mail. Our Customer Care Center (Call Center / T.1588-0051) directly collects voices of customers and informs relevant departments of them.

Since May, 2008, we have operated Happy Friends, an online community for 1,000 loyal students with an eye toward improving services practically and strengthening partnership with customers via customer participation management. We consistently collect opinions on new marketing programs and suggestions on gas station services through this community.

We regularly conduct a customer satisfaction survey to manage the level of customer satisfaction at each department, as well. Key items in customers opinions are about matters to improve on products and services. We are engaged in customer satisfaction activities to reflect their opinions.

【 CUSTOMER SATISFACTION 】

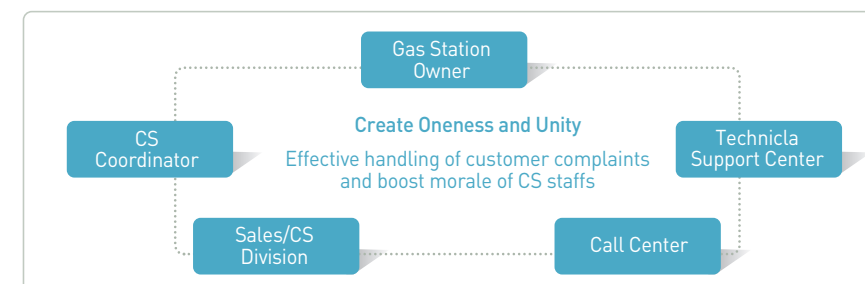
Following are SK energy's work and role-playing aimed at increasing happiness of customers



• Customer Satisfaction Promotion Organization

| Customer Care Center | The Customer Care Center consisting of about 130 specialized counselors offers telephone and e-mail counseling for customers who use SK gas stations. The Customer Care Center actively addresses problems of customers of SK gas stations. In addition, the center collects voices of customers on various marketing activities.

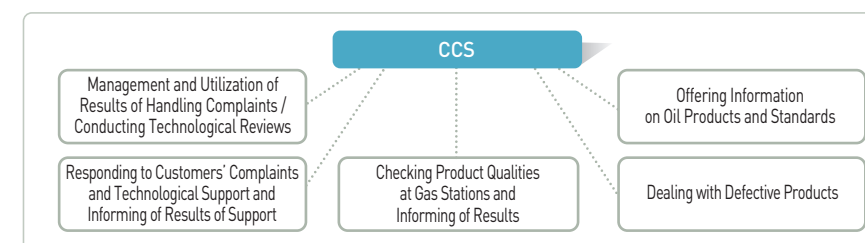
| CR Community | CR(Customer Relations) Community is a virtual team consisting of persons in charge of CS tasks which efficiently addresses customer complaints. Every quarter, the team holds workshops on better CS activities through which SK energy realizes customer-oriented services.



• Customer-Oriented System

| VOC(Voice Of Customer) Feedback Process | SK energy sends customers' complaints and inquiries sent to organizations or persons in charge in real time via a VOC feedback process. The VOC in the form of weekly/quarterly regular analysis reports is shared with organizations in charge along with CS level improvement measures.

| CCS(Customer Care System) | The CCS is an online system commonly used by SK energy, SK networks and sales agencies. The system supports the enhancement of customer satisfaction via post-treatment such as technological support on oil products/services, customer counseling and analysis of results of customer counseling.



CUSTOMER SATISFACTION



Customer Invitation Cultural Event

- **Business Site-Oriented CS Activities**

| Enhancing CS Awareness and CS Focus | We offer "VOC Experience Program" for employees of each business unit to strengthen their CS awareness and marketing capabilities. Employees are also encouraged to visit Happy Customer Center to directly listen to VOC and think about solutions. By doing so, employees of SK energy can directly check VOC and utilize it in their work.

| Immediate Compensation for Customer Losses | We offer immediate compensation on the spot for small-scale customer losses by delegating relevant decision-making power to the customer interface areas. This contributes to prompt handling of customer complaints and improve customer satisfaction.

| CS Consulting Program for Gas Station | Since 2008, with an eye toward reinforcing CS capabilities, SK energy has been running a CS consulting program for gas station. This program aims to find out key CS issues by conducting an interview with a gas station owner and a survey of current and past customers of the gas station and suggest ways for improvements.

| Various Mecenat Activities | SK energy sponsors various cultural activities such as art shows, plays and musical. In 2008, we sponsored about 20 cultural events such as Great Art of Latin America and Musee National D'art Moderne Centre Pompidou and a musical, Dr. Jekyll and Mr. Hyde. We steadily offer cultural experience opportunities to customers by holding customer invitation events.

- **Customer Satisfaction Survey**

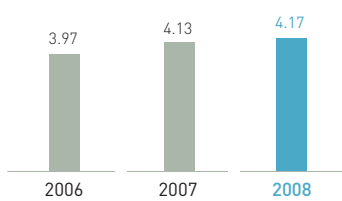
We have conducted annual customer satisfaction surveys to elevate the level of our service. We make telephone interviews with customers on a quarterly basis and the results are communicated back to the relevant divisions for improvement. Thanks to the efforts, we enhanced internal CS activities and improved Customer Satisfaction Index by 0.04 points from 2007. We also received high evaluation in the surveys conducted by external institutions.

Furthermore, SK energy has been regularly carrying out the ACE(Appearance & Cleanliness Evaluation), an self-evaluation system on gas stations since 1998. We raise the level of customer satisfaction by giving prizes to excellent employees who make direct contacts at customers through the Customer OK Thanks System.

Customer Satisfaction Survey by External Institutions (2008)

- KCSI Survey by Korea Management Association Consulting: Best Gas Station Award
- NCSI Survey by Korea Productivity Center: Best Award
- Customer Satisfaction Management Award by Korea Economic Daily

Customer Satisfaction Survey (Out of 5.00 points)



※ The figure of 2008 excluded those in the Cashbag and Carlife sectors.

PROTECTION OF CUSTOMER INFORMATION & PRODUCT / SERVICE LIABILITY



【 PROTECTION OF CUSTOMER INFORMATION 】

SK energy establishes and practices regulations and a guide on customer information protection to protect. To increase employees' awareness on the significance of customer information protection we conduct education on customer information protection not only for our employees but also for employees of our partners once or more times.

In addition, we check statuses of customer information management by the company and partners once a year with a view to practicing customer information protection regulations. We are operating a system that monitors an access to customer information and safely transfers and stores customer information. As a result of our efforts, in 2008, SK energy perfectly protected customer information.

In 2009, we will put our utmost efforts into eliminating a possibility of leaking customer information by building up customer information management via the encryption of important customer information, the SOC(Security Operation Center) where stricter security policies are applied and a certification system for those authorized to deal with customer information.

【 PRODUCT AND SERVICE LIABILITY 】

Our petroleum products boast quality higher than the legal requirement. However, problems can occur due to abnormalities of customers' vehicles, faults in the use or unhealthy distribution practices. Our Quality Service Centers are located in six spots across the country for speedy trouble-shooting. In 2008, SK energy offered technological analysis services to gas stations which joined the Quality Guarantee Program²⁾ to maintain facilities and qualities of a gas station. In the case of lubricant products, SK energy offers the MSDS(Material Safety Date Sheet) to take care of qualities and services and strictly abide by PL regulations. We also received the ISO/TS16949 certificate, a quality management system much stricter than ISO9001.

SK energy does not have internal standards at a corporate level applied to marketing communication of each business. But our advertisements and sales promotion activities comply with relevant laws such as the Broadcasting Advertisement Law, the Outdoor Advertisement Law and the Consumer Protection Law. In 2008, we did not have a single case of violation of laws or regulations related to products and services.

²⁾ SK energy has implemented a system in which it quickly and fully compensates its customers in case of complaints about qualities. This was done after SK energy and gas stations signed an agreement in which the latter are to deal in 100% authentic products only in order to enhance customers' trust in the company.



Opening Ceremony for the Security Operation Center

Product Safety Activities

- Offering MSDS on All Products
- Evaluating Hazards of Products in the Life Cycle of Product and Removing Defective Elements
- Complying with Product Safety-Related Laws
- Running Product Safety Committee
- Educating Employees and Partners
- Conducting Regular Product Safety Audit



COMMUNICATION WITH EMPLOYEES

Happy employees are our competitiveness

• SK energy collects employees' opinions on the corporate management system and reflects them by conducting a survey on SKMS execution every year.

SKMS

HUMAN RESOURCES MANAGEMENT THAT ELEVATES CORPORATE COMPETITIVENESS AND INDIVIDUAL CAPABILITIES

SK energy strives to form an environment where employees can work voluntarily and willingly under the management principle of "Pursuing SUPEX via Human-Oriented Management". We manage human resources in order to ultimately enhance both the competitiveness of the company and value of individuals by suggesting a future vision for employees so that they can grow into active and enterprising talented people with global insights and capabilities in global competition and elevating productivity.

SK energy advocates the ten principles of the UN Global Compact and puts its utmost efforts into protecting employees' human rights and labor rights. Accordingly, we respect human rights of employees and labor laws at all business sites at home and abroad. We develop and run various programs to protect human rights.

Major Issues

- Creating an environment where employees work voluntarily and willingly
- Developing employee capabilities
- Protecting human rights and labor rights for employees
- Safety/Health management for employees

DEVELOPMENT OF EMPLOYEES' CAPABILITIES



FOCUS ON...

Development of employees' capabilities is one of the core values of SK energy for sustainable growth.

【 STAKEHOLDERS PARTICIPATION : EMPLOYEES 】

SK energy listens to opinions of employees via various channels such as not only official communication channels, for example, the Management Consultative Committee and the Labor-Management Committee but also an open management forum and an ethical counseling center on its intranet and reflects them on its management.

We collected opinions on employees' expectations or demands by holding meetings of the Management Consultative Committee and the Labor-Management Committee and discussed welfare, education and training and an improvement in working procedures in 2008.

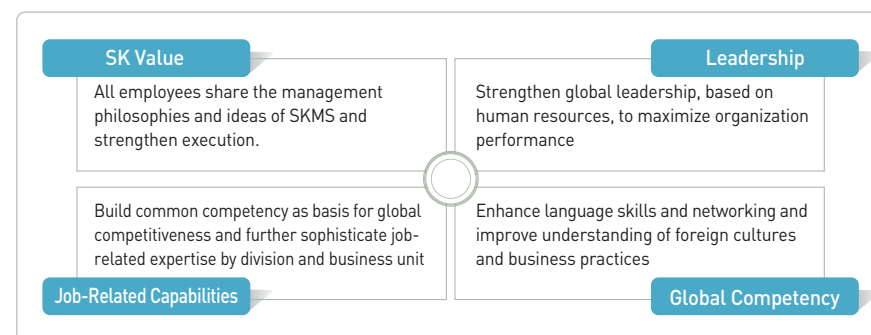
In the meantime, in October, 2008, SK energy conducted a review of the SKMS execution through an online survey (participated by 81.4% of employees), the FGI (Focus Group Interview, 94 people) and one-on-one meetings (475 people). The review is conducted with an eye toward seeking out and improving key issues that employees feel when practicing the SKMS. Employees' major areas of interest found through the review are globality, KPI, performance evaluation, enhancement of individual abilities and the CIC system.

【 DEVELOPMENT OF EMPLOYEES' CAPABILITIES 】

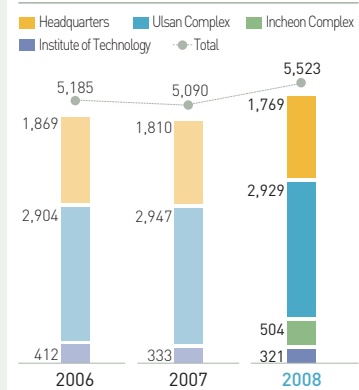
SK energy recruits employees by fair procedures without discriminations, complying with labor laws such as the Labor Standard Act and Act on Gender Neutral Employment. Working conditions are negotiated between the labor and the management, on equal footing, in the forms of collective agreement, job disciplines, and employment contract. Continuous improvements have been made for the benefit of the entire workforce.

Training

Our training programs break down into the following four areas for systematic development of SUPEX leader, equipped with capability to actively respond to business management environment of the future.

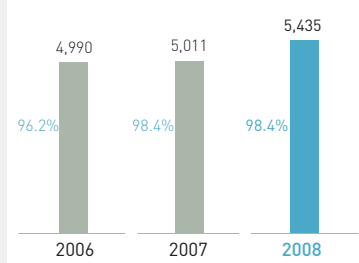


(As of the End of 2008)
Employment by Site (Unit: persons)



※ Headquarters includes overseas and Korea regional branches except for Ulsan and Incheon Complexes and the Institute of Technology.

Portion of Regular Employees (Unit: persons/%)



• SK Value

We let all our employees share SK Value by steadily practicing SKMS/SUPEX-related education, the core value of SK. All employees including new recruits are required to receive systematic education such as the understanding of SK Value and the reinforcement of execution.

• Leadership

SK energy runs education programs to strengthen SUPEX leaders' capabilities to develop business perspectives, have strategic ideas and take the lead in the corporate culture in compliance with positions and duties.

• Job-Related Capabilities

SK energy has prepared systematic education programs in accordance with work areas such as planning, finance, marketing, production, research and development and a safety environment.

| Short-Term External Training Program | For systematic training of team/division-specific job skills, the employees set up TDP/IDP and participate in external trainings or overseas seminars and conferences.

| Overseas Training Program | Every year, we select employees for MBA, fellowship programs, or masters/ doctorate courses in job-specific disciplines at overseas institutions. All expenses are covered by the company.

| Graduate School Program | Every year, we select employees for masters/doctorate courses in domestic institutions. Likewise, all expenses are covered by the company.

• Global Competency

For improvement of global businesses, we focus on developing region experts (China and Southeast Asia) as well as global leaders with international perspectives.

| Globalization training program | We dispatch employees to foreign countries, for six months to a year, to learn local languages, social practices, culture, and economy.

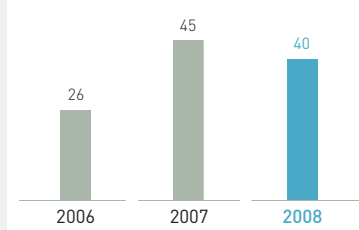
| Foreign language training program | We offer in-house classes, intensive courses, online training, and telephone classes for English and Chinese training.



Internal Language Education

DEVELOPMENT OF EMPLOYEES' CAPABILITIES

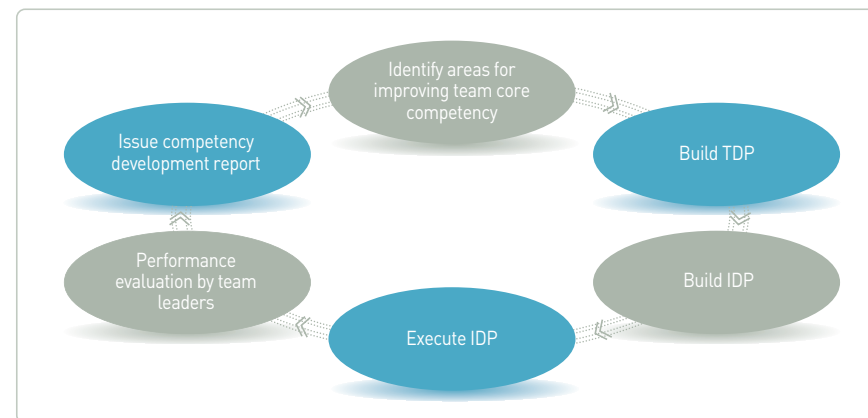
Annual Education Hours Per Employee (Unit: Hours)



※ Based on figures recorded by a team in charge of company-wide education.

SK energy offers employees necessary educational programs in consideration of their employment tenure. In the case of each team's unique capabilities, team members are establishing and executing the IDP (Individual Development Plan) in accordance with the TDP (Team Development Plan) which is a core capability buildup plan for each team.

Team Capability Development Process



• Other Educational Support

| Online Education | We provide a wide range of customized online training programs for employees. Currently, approximately 20 web-based programs are offered, including SK Academy courses.

| Industry-Academia Collaboration Course | The SK MBA is an annual program, where high-profile figures from universities and consulting firms are invited for business administration training. We have also set a best practice in industry-university collaboration by establishing the Energy Management Course, jointly operated by refineries and relevant university departments.

| Other Education | We also offer various programs, including post-doc courses, follow-up training and in-house study groups, and provide assistance to employees who retire for academic purposes.



PERFORMANCE EVALUATION AND COMPENSATION

【 PERFORMANCE EVALUATION AND COMPENSATION 】

SK energy introduced the CIC (Company in Company) System in order to establish a performance-oriented management system centered around self-control and responsibility in 2008. The company realized faster decision-making and reinforced performance responsibility by reorganizing the organization into four smaller companies with independent management systems. We made efforts to successfully establish the system by collecting employee opinions on performance evaluation improvements and cooperation among units in the process to introduce a new system.

Evaluation System

Conducting regular evaluations of employees' competency and performance, we make use of the results in standard materials such as promotions, transfers, education, training and compensation. Employees are evaluated on aspects including SK Values, competency, and performance. Evaluation procedures and items differ by job position.

Compensation

We, through annual salary contracts and special incentive schemes, provide fair compensation to employees that demonstrate excellent capabilities and performance.

	Annual Salary System	Merit-Based System
Job Family	Business, Engineers, R&D, Management support	Supervisors, Technicians, Administration support
Compensation Adjustment	Based on performance	Based on years employed
Adjustment Date	Every Jan. 1	Every Mar. 1

We set compensation amounts based on EVA (Economic Value Added) and KPI (Key Performance Indicator) calculations, ensuring that the compensation scheme fully motivates the employees to meet their targets.

Promotion

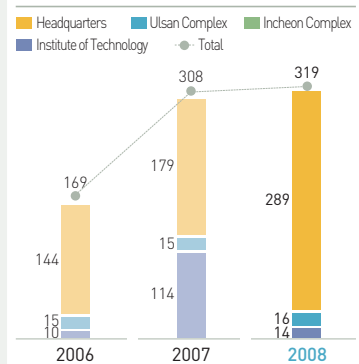
We guarantee a fair and reasonable promotion scheme, as we take into consideration the competency, qualifications, and performance of employees. This is designed to encourage employees to work voluntarily and willingly as they get promoted. We, for instance, assign responsibility, authority, and tasks that are one notch higher than normal, based on an evaluation of the given employee's potential. While a promotion means higher responsibilities, it also translates into higher salary and welfare benefits and thus is a motivator for the self-development of employees.

PERFORMANCE EVALUATION AND COMPENSATION

HUMAN RIGHTS



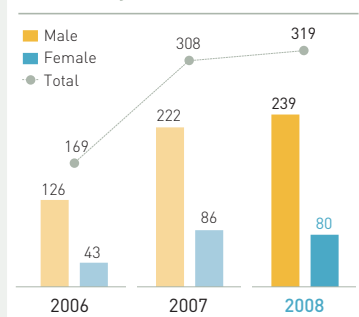
Retirees by Site (Unit: Persons)



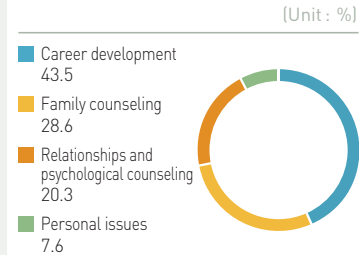
※ Retirement increased due to the company split in 2007 and transfers to affiliates such as SK M&C in 2008.

※ In Incheon Complex, nobody retired in 2008.

Retirees by Gender (Unit: Persons)



Breakdown of Harmonia Service Use: (Unit: %)



Employee Welfare Benefits

We offer a rational and competitive welfare benefit regime which looks at a worker's full life cycle, so that employees feel secure at home and motivated to work. For instance, we support asset formation, health management, vacations, and retirement management in each stage of an employee's career life. These programs are designed to enhance the quality of life for employees on a continuous basis.

Welfare Benefits by Career and Life Cycle Stage

	Programs
Asset Formation	Credit cooperative union
	Housing loans, Housing subsidies, Subsistence loans
Health Management	Medical check-ups, Support for medical fee
	Insurance (occupational injury, health, collective time deposit) Cafeteria, etc.
Holidays, Vacations, Hobbies	Resorts, Hobby clubs, Support for family occasions
	Fitness facilities, etc.
Retirement Management	Retirement payments (external reserve 75.2% as of 2008)
	National pension fund
	Rewards, Help club for retirees, etc.

※ Welfare benefits are provided equally to regular and contract workers, except for a few that require long-term employment, i.e. housing loans.

| **Harmonia** | SK energy operates Harmonia, a professional counseling service that provides substantial assistance for a variety of employee issues. Harmonia offers not only tips for successful career and skill development, but solutions for psychological issues at work, as well as advice for family life, health, educating children and more.

Retirement Policy

SK energy provides direct and indirect compensations to retired employees in consideration of their contribution to the company. The company endeavors to allow employees to take pride in their company after retiring. We give retired employees a retirement allowance that corresponds to their contributions so that they can enjoy a stable life after retirement. If an employee passes away or leaves the company due to disease or disability, the company pays an additional retirement allowances to help the family.

[HUMAN RIGHTS]

SK energy promotes the interests of both management and labor such as enhancement of productivity and welfare via active discussions at the Labor-Management Council, which is comprised of an equal number of labor and management representatives. Moreover, the company has a labor union that is protected by labor rights laws. Basically, collective employment agreements are applied to employees who are junior managers or lower (70.7% of the total workforce). The company strives to provide all possible agreements to employees so as to enhance employee welfare and improve the labor-management relationship.

Child Labor and Forced Labor

At all of our business sites across the world, we strictly ban employment of workers below the minimum working age, as specified by the laws of each country, for cost saving purposes. We also ensure that all employees are hired on their own free will and subject to appropriate compensation and promotion based on work performance, competency, and qualifications. Our businesses do not face high risks of child labor or forced labor, and we strictly ban illegal activities.

Freedom of Association and Collective Bargaining

We fully comply with relevant labor regulations, including the Labor Standard Act, Labor Union Act and Collective Bargaining, as well as negotiation results. All members of our labor union, therefore, have their freedom of association protected and can make their own choice and form or join any organization, as guaranteed by the relevant laws without prior approval. We believe our business units do not include areas with a risk of severe infringement of freedom of association and collective bargaining.

According to the collective agreement, the Labor Management Committee discusses major issues such as general principles on change in employment such as repositioning, retraining and layoffs due to managerial and technical reasons with a big impact on employees. The company quickly informs the labor union of results related to changes in the corporate organization, personnel management, rewards and punishments while sharing its management status with the labor union, as well.

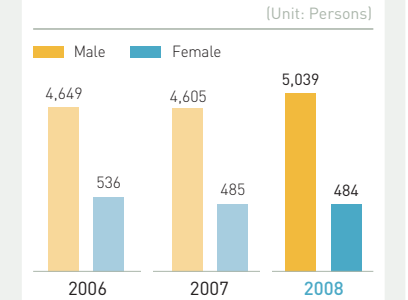
Equal Opportunities and Diversity

At SK energy, discrimination based on religion, age, gender, or education is strictly prohibited. For recruitment, job assignment, promotion, compensation and training, fair and performance/competency-based opportunities are utilized for all employees. For female employees (8.7% of the total workforce as of 2008), we comply with the Act on Gender Neutral Employment and Act on Ban on Gender Discrimination and Relief. The

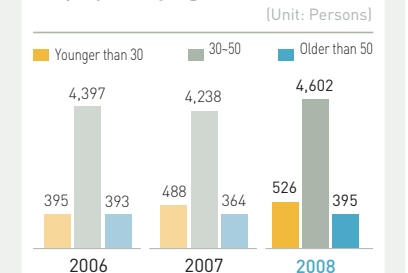
Labor Union Status (As of the end of 2008)

Members	2,551
Full-Time Members	5
Umbrella Organization	KFTU Chemical Labor Union Division

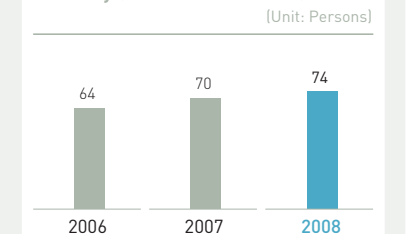
Employees by Gender (Unit: Persons)



Employees by Age (Unit: Persons)



Minority (Disabled Persons) (Unit: Persons)



SAFETY/HEALTH MANAGEMENT FOR EMPLOYEES



company also provides sexual harassment prevention education every year. We are committed to ensuring adequate gender balance and equal opportunities. Male and female staff are subject to the same salary if both are engaged in the same work.

Regarding disabled persons, under our agreement with KEPAD (Korea Employment Promotion Agency for the Disabled), we have achieved a 1.3% disabled employment rate as of 2008, and are working toward a legal mandatory level of 2%.

Grievances Committee | Ulsan Complex has a Grievances Committee comprised of three corporate representatives and three labor representatives (recommended by the labor union). The committee receives grievances from individual employees, via written/oral/online media, regarding work environments and conditions, and makes efforts to resolve them.

Security Management

Since 1987, SK energy has been operating an internal security management regulation. The scope of security management includes security management on overall sectors such as facilities, personal information, documents and IT. Each year, SK energy offers online and offline security education for all employees. The company is managing a pool of approximately 350 security members for security and safety at all business sites through a contract with an outsourcing company. The outsourcing company carries out CS and security education on internal and external customers regularly.

SAFETY/HEALTH MANAGEMENT FOR EMPLOYEES

SK strives to lead the management and department leaders to improve safety awareness and encourage employees to follow accident prevention activities according to the SHE (Safety, Health, Environment) Management System. To promote employee mindset and behavior, we carry out tasks such as operation of the SHE Management System, assigning mandatory safety and health regulations, hazard pre-check activities, strengthening safety and health management, conducting employee participation programs and safety and health visual programs. We also establish guidelines and utilize them for safety and health activities.

Industrial Safety and Health Education | SK energy regularly educates employees at work sites on preventing industrial accidents in accordance with the Industrial Safety and Health Law. We are managing the education process from execution to evaluation by building and utilizing an education system.

Operation of PSM(Process Safety Management System) | SK energy runs the PSM System, which the Ministry of Labor operates to prevent serious accidents on business

sites that produce or handle harmful and dangerous materials. With an eye on preventing accidents and managing processes safely, we build and operate management systems for 12 PSM elements. As of the end of 2008, eight out of ten plants were rated P, the highest of the three grades of P, S and M, by the Ministry of Labor.

Performance Measurement of Safety Management Activities | As safety management is systematically executed using the SHE Management System, a safety culture is gradually taking root. As of 2008, plant availability (days of operation minus time for regular maintenance and repair) was maintained at 99.92% at Ulsan Complex and 99.63% at Incheon Complex, which means SK energy's safety management is better than that of advanced companies. There were six accidents involving an injury and six injured employees in 2008 across the company, a relatively low number, and have had no occupational diseases over the past three years.

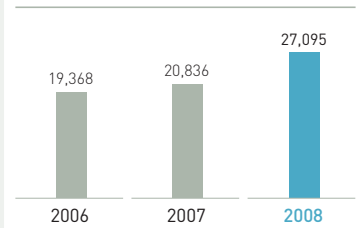
In addition, we are making efforts to secure fair performance measurement by operating the SHE Management System, which regularly evaluates SHE management activity performance in each department (safety meetings, safety checks and emergency drills, etc.) and reflects the results on KPI.

Operation of Industrial Safety and Health Committee | SK energy formed the Industrial Safety and Health Committee, which contains an equal number of representatives from management and labor, in accordance with the Industrial Safety and Health Law. Matters to be decided by the committee include an industrial accident prevention plan, safety and health education for employees, and inspections and improvements for work environments. Article 53 in the collective labor 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 various limits and measures.

To ensure smooth operation of the committee, SK energy established regulations on the management of the Industrial Safety and Health Committee via the labor-management agreement on February 21, 2003. As a result of the committee's activities, SK energy was awarded the grand prize at the Industrial Safety and Health Committee Management Case Competition in 2008.

Health Care Facilities and Programs | SK energy conducts general, special and regular check-ups for employees. Moreover, we are striving not only to enhance employee satisfaction, but also to protect employees from harmful elements by employing internal management standards on hazardous elements stricter than legal regulations. We have an industrial health center with a specialized medical staff and the latest facilities at the Ulsan Complex. We are running a sports center for employees and their families at the headquarters and Ulsan Complex as well.

Industrial Safety Education
(Unit: Persons)



※ The 2008 figure includes data from Incheon Complex.

Accident Rate by Site*

	(Unit: %)		
	2006	2007	2008
Headquarters**	0.00	0.00	0.06
Ulsan Complex	0.24	0.10	0.14
Incheon Complex	-	-	0.00
Institute of Technology	0.97	0.00	0.31
Corporate-Wide	0.21	0.06	0.11

* Follows industrial disaster analysis indices suggested by the Ministry of Labor.

** Rates of headquarters cover those of logistics centers and overseas branches.



COMMUNICATION WITH PARTNERS

We pursue win-win growth with business partners on the base of equal partnership.

We tried to listen to the various opinions of our partners and sought out solutions by inviting representatives of 63 major partners and holding a total of six meetings in November through December, 2008.

63 Partners

WIN-WIN MANAGEMENT

SK energy considers its partners as companions for the creation of happiness. SK energy and its partners are striving to realize sustainable development. We are running a wide array of win-win cooperation programs on the basis of three basic principles, "An Improvement in Processes to Reinforce the Competitiveness of Partners," "The Positive Opening of Our Information" and "Helping Partners Solve Their Problems."

Major Issues

- Activating communication with partners
- Running win-win cooperation programs
- Improving safety management of partners

WIN-WIN COOPERATION



FOCUS ON...

SK energy practices its belief that its partners' competitiveness is ultimately an engine for SK energy's sustainable development.



Meeting with partners

【 STAKEHOLDERS PARTICIPATION : PARTNERS 】

SK energy collects the opinions of partners and develops various ideas for win-win growth while opening various communication channels, such as meetings with representatives of partners, participation in win-win cooperation expositions, a seminar for CEOs of partners and an event for partners.

In particular, we tried to find solutions after hearing the various opinions of partners by inviting representatives of 63 major partners and holding six meetings by items in November through December, 2008. The participating partners brought up key issues such as the activation of communication, support for on-the-job training, steady maintenance of a cash-based settlement system and an improvement in the lowest price award system while sympathizing with a need to actively cope with the economic crisis.

【 WIN-WIN COOPERATION 】

| Activating Communication with Partners | SK energy seeks out promising small companies which want to cooperate with SK energy by taking part in an exposition held by the Small and Medium Business Administration every year to promote win-win cooperation between big and small companies. In 2008, SK energy held purchase meetings with about 30 companies via the exposition. In addition, we solved problems at the Ulsan Complex by forming a council with approximately 40 partners on facilities. We promoted harmony and unity by holding a sports event and unity rally for about 1,000 employees of partners.

	Seminars for CEOs of Partners	Management Development Program [MDP] for Employees of Partners	e-Learning Course
Goal	• Reinforcing CEOs management abilities and promoting exchange of opinions	• Enhancing management abilities of employees of partners via systematic management education	• Offering practical education programs
Contents	• Domestic and global management trends and management methods	• General management themes such as strategies, accounting/finance, marketing, organization/HR management • Complimentary special lectures on SKMS, economy and management	• Management strat technology/IT, mark finance and others (about 100 courses)
Participants	• CEOs of Major Partners (Held five times in 2008)	• Senior managers of major partners (27 took part in 2008)	• Employees of registered partners courses
Frequency / Place	• Monthly Morning Seminar • Lecture Room at SK Win-Win Academy	• Once every six months. The program runs weekly for a total of eight weeks • Lecture Room at SK Win-Win Academy	• Once a quarter • Consortium projec job training for companies

| Support for Human Resources Development | Recognizing that the core competitiveness of its partners is none other than the competitiveness of both SK energy and its partners, we are running the SK Win-Win Academy to support the development of our partners human resources. We have developed various programs not only for the CEOs of our partners but also for their employees.

| Announcement of Win-Win Cooperation Agreement | In September, 2008, SK signed a win-win cooperation agreement with its partners. The agreement consisted of fair trade with partners and win-win cooperation programs. Accordingly, SK energy signed a fair subcontract agreement with its partners. We are carrying out concrete agreement items such as opening the standards and procedures on selecting and disqualifying partners, forming and operating a win-win cooperation deliberation committee and giving financial support to partners and maintaining settlement conditions.

| Safety of Partners | We have been improving occupational safety and health management procedures, preventing accidents by means of guidance and supervision, and enhancing safety mindset at partner companies of the Ulsan Complex. As equal partners, we hold meetings, conduct joint checks, offer training and training materials, rent safety gear, and provide guidelines in order to enhance the safety management levels of our partners. In particular, we conduct and support monthly safety management education using the same curriculum for employees of SK energy via the cyber education system in accordance with an annual education schedule.

| Partner Management Policy | SK energy cooperates with about 2,000 partners. We register and manage our partners via objective, fair and transparent reviews in accordance with the Partner Registration Procedure. When we evaluate partners, we check if they treat their employees rationally in terms of human rights and make efforts to improve their working conditions, build and operate communication systems with employees and sincerely comply with labor laws, regulations and procedures. We also check if they take care of the safety and health of employees and that their education and training are good. SK energy practices local purchase policies to contribute to local economies and support the sustainable management of local partners in regions where the headquarters, the Ulsan Complex, the Incheon Complex and the Daedeok Institute of Technology and regional logistics centers are located. As of 2008, SK energy purchased 32% of all materials from suppliers in neighborhoods of its business sites. In particular, we help partners build up their competitiveness and create balanced development by properly distributing maintenance subcontracts for the Ulsan Complex.



The ceremony to announce the SK Win-Win Cooperation and Fair Trade Agreement



COMMUNICATION WITH COMMUNITIES

SK energy aims to be a trusted company that gives out happiness to society.

The 4,492 members (81% of all employees) of 'SK energy Angels', the company's volunteer group, are voluntarily and actively involved in a number of social contribution activities.

4,492 persons

SOCIAL CONTRIBUTION ACTIVITIES

As a responsible corporate citizen, SK energy is committed to active communications with its stakeholder groups, including local communities, the government and NGOs. In particular, the company maintains win-win relationships with the local communities near its production lines in Ulsan and Incheon, endeavoring for local development.

We believe our accomplishments and growth were made possible through the trusted support that society has given us. Therefore, we have devoted ourselves to sharing and returning benefits and happiness to society through our "Happiness Management."

Major Issues

- Maintaining win-win relationships with communities
- Responding to demands from communities
- Strengthening social contribution activities
- Legal compliance

LOCAL COMMUNITY ENGAGEMENT



FOCUS ON...

We pursue harmonious and mutual development by actively responding to the diverse needs and opinions of society.

【 STAKEHOLDERS ENGAGEMENT : SOCIETY 】

SK energy thinks that corporate social responsibilities are to put its utmost efforts into contributing to society via social and cultural activities and carrying out management honoring social norms and ethical standards as well as making for economic development. In this connection, we want to be a company which shares happiness via social contributions, while dealing with communities' demands related to corporate activities. Moreover, SK energy makes endeavors to position itself as an exemplary corporate citizen through active communication activities with members of society such as the government and NGOs.

2008 SK energy Communications with Society

	Communication Tools	Major Issues
Community, NGOs, Public	Dialogue with local civic groups, Surveys, Social contribution activities, Website, Press releases	Social contribution activities, Environmental activities, Community development projects
Government	Public hearings, Councils, Appealing through related associations and institutions	Compliance, Fair trade, System/Policy implementation and improvement

【 COMMUNITY ENGAGEMENT 】

SK energy applies itself to maintaining cooperative relations for local development through active communications with local communities near its business sites. To link our benefits to communities, we have implemented various activities under the following principles.

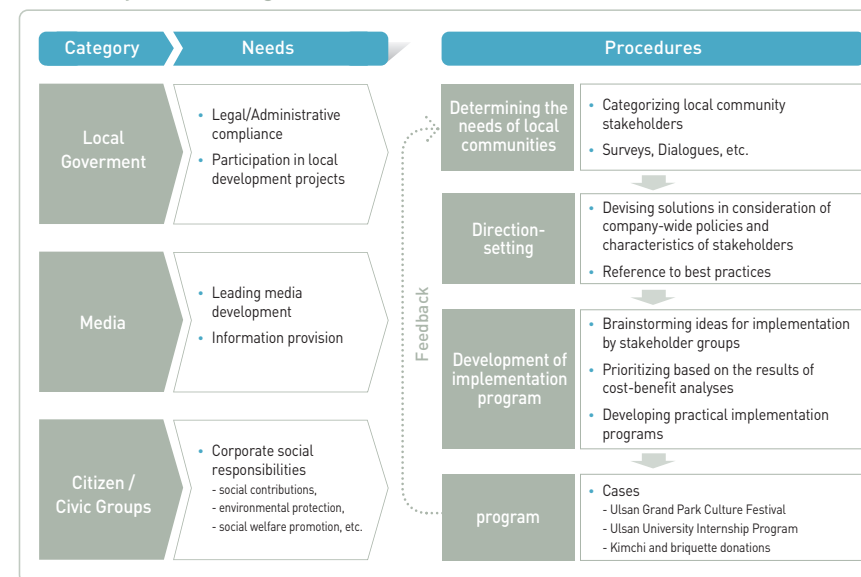
- We aim to create mutual prosperity through friendly and cooperative relationships between our company and local communities.
- Activities shall be implemented in a way that conforms with the political, economic, social and cultural environments of local communities.
- Activities should fully take advantage of the company's excellence in knowledge, experience, technologies and human and material resources.
- Activities should proceed in conformity with our corporate culture.
- Activities should be implemented in a way that other institutions and companies can side with and cooperate.

SK energy communicates with local communities to better understand their needs and the social and economic impact of our business activities on them through surveys and dialogues with local residents.

For instance, in Ulsan, we conducted a total of 887 communications activities during 2008, with 3,592 persons participating in dialogues with local governments, the media, local residents and other communication media. In particular, the results of the Excellent CSR Company survey given to 800 Ulsan citizens in November 2008 listed SK energy as the best performer in the region. The survey also highlighted contributions to the local economy and social contribution as priority issues in the region.

In Incheon, on the other hand, the first-ever survey of public recognition of SK energy in May 2008 ranked the company as the third most favored company operating in the region. According to the results, Incheon citizens place high expectations on SK energy's social contribution activities (welfare for the elderly/disabled) and environmental activities.

Community Needs Management Process



Taking Care of Local Residents' Health | The Occupational Safety & Health Center of Ulsan Complex conducts free health check-ups, which include an ECG, blood pressure and diabetes tests and X-rays, for financially-troubled local elderly citizens every year and provides treatment and medicines according to their diagnosis. The center also pays a monthly visit to charities for the visually-challenged and provides medical services.

Participation in Local Autonomy Activities | SK energy serves as an advisor to the Citizens' Autonomy Committee of the 3 villages in the vicinity of Incheon Complex, practically responding to the demands of residents and developing various programs for local development.

SOCIAL CONTRIBUTIONS



Kimchi Sharing Programs

【 SOCIAL CONTRIBUTIONS 】

Under the mission of "SK—A Company Sharing Happiness," SK energy strives to respond to society's demands. With the goals of harmonizing "Philanthropy" and "Participation," our social contribution activities focus on strategic investments in job creation and supporting the underprivileged rather than one-time events.

Specifically, we concentrate our social contribution activities on the welfare sector with financial aid packages and volunteer services, on the education sector, particularly for children and teenagers, and on the environmental sector in relation to the company's business operations.

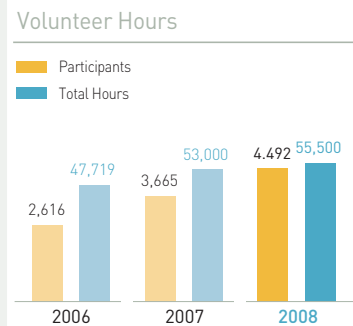
Social Contribution Organization

For the organized implementation of social contribution activities, we operate a social contribution team at our headquarters and Ulsan Complex. The launch of the company-wide volunteer group "SK energy Angels" in July 2004, under the leadership of the vice chairman, enabled more active and voluntary employee participation in a variety of volunteer programs.

SK energy considers its employees' volunteer activities as part of its business activities and operates a "time-released system," where the company counts volunteer hours as work hours. Also, we hold presentations on case studies every six months to weave employee volunteerism into our corporate culture. The presentations provide an opportunity to encourage more employee participation in volunteer projects and share best practices. We also operate a separate website to assist with the systematic management and sharing of volunteerism-related information as well as team-based and individual-based activity track records.

SK energy Volunteer Group (As of Dec. 31, 2008)

Organization	Headquarters	Ulsan Complex	Incheon Complex	Institute of Technology	Logistics	Total
Teams	19	20	3	6	11	59
Members	1,240	2,121	4,045	410	316	4,492
Hours	16,023	21,887	2,855	6,139	8,596	55,500
Region	Seoul/Gyeonggi	Ulsan/Gyeongnam	Incheon	Daejeon/Chungcheong	Nationwide	Nationwide



Social Contribution Programs

SK energy runs social contribution programs at home and abroad in the three major sectors of poverty (social welfare), education and the environment in partnerships with NGOs and NPOs as well as related government organizations.

• Poverty (Social Welfare)

| Job Creation | We are involved in a variety of job creation initiatives to provide a platform of financial independence to the socially and financially underprivileged. In 2008, we supported the establishment of manufacturing companies that can create jobs for underprivileged people, called "Mezzanine Ipack," "Mezzanine Ecowon" and the time-based day-care program "Agaya" for low-income female workers and their children.

| Preparing for a Warm Winter | SK energy designates the period from October to February of the following year as "Happiness Sharing Season," and helps underprivileged classes enjoy a warmer winter. In 2008, we made 130,000 heads of kimchi at an event held in 48 regions nationwide along with Korea YMCA volunteers to donate to the underprivileged and charities. We also provided 1,170,000 briquettes to 4,126 households nationwide through our "Briquette Sharing" program.

Other programs include charity marathons and the "One-Employee One-Sponsor Account" campaign, which encourages employees to participate in volunteer projects.

• Education

| Scholarships for Children from Low-Income Families | Since 2006, we have provided scholarships to the children of the residents evicted in Bansong-dong, Haeundae-gu, Busan. We provided scholarships to a total of 470 children through this program in 2008.

| Sponsoring the Korean Foundation for Advanced Studies | Committed to the next generation of talented youths, we sponsor the Korean Foundation for Advanced Studies (KFAS). Established in 1974, the KFAS is Korea's representative scholarship program, and has contributed to supporting talented scholars in the social sciences, natural sciences, oriental studies and IT.

| One-Company One-School Sponsorship | Participating in the "One-Company One-School Campaign" organized by the Prime Minister's Office, SK energy donated pledge money to Jungang High School in Ulsan, Yeongdo Girls' High School in Busan and Seogwipo Girls' High School in Jeju in 2008.



Social Enterprise "Mezzanine Ecowon"

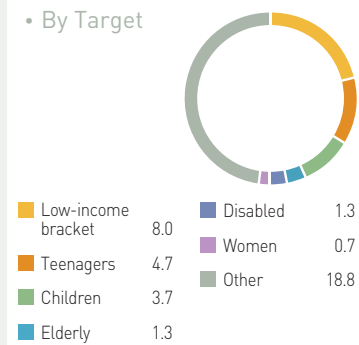
SOCIAL CONTRIBUTIONS



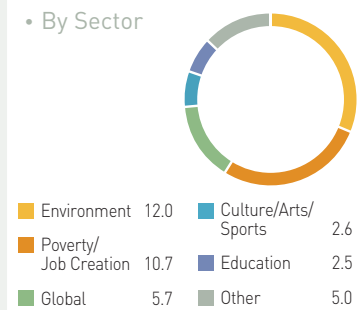
Restored school in Peru

2008 Donations (Unit: KRW in billions)

• By Target



• By Sector



※ Total amount of donations in 2008: 38.5

• Environmental Activities

| Building a Beautiful Culture & Environment | SK energy completed and donated Ulsan Grand Park to the city in 2006. The park has become the regional center for culture, hosting a variety of social contribution activities and corporate mecenat events. The varied events of 2008 included "Happy Happy Rose Festival," "Natural Science Class," "Youth Autumn Picnic Festival," "Happy Christmas & Happy New Year" and etc.

| SK energy Environmental Writing Contest | Held for elementary students nationwide since 1994, the SK energy Environmental Writing Contest, which had 75,000 elementary students participating in 2008, is Korea's largest environmental writing contest. As a leading company in the environmental industry over the past 40 years, SK energy has strived for early environmental education through various programs such as the Environmental Writing Contest and field trips to the environmental facilities at the Ulsan Complex.

• Global Social Contributions

| China | Having been a participant in the 'Great Green Wall' project since 2006, we planted 1.2 million trees in 2008, contributing to countering the yellow dust phenomenon and promoting regional economic development. We also donated asphalt for the restoration of the roads devastated in the aftermath of the Sichuan earthquake in May 2008.

| Peru | Since 2007, SK energy has strived to improve the education, medical services and housing conditions for the underprivileged in Peru. In 2008, we built and donated a new school in Ica Province, which had been destroyed by an earthquake the previous year. Including the restoration of medical facilities, donation of medical supplies and regional teacher training programs, total expenses for earthquake damage restorations amounted to KRW4.6 billion.

| Cambodia | SK energy sponsors a volunteer medical group for Cambodia called "Peacemaker." In January 2008, we sponsored their free medical services provided to 2,000 low-income residents and prisoners in Battambang.

【 PARTICIPATION IN PUBLIC POLICIES 】

As a leading Korean refining company, SK energy pursues sustainable growth of the industry. To that end, we are actively involved in a variety of activities to prepare public policies. As subscribers to the Korea Petroleum Association (KPA), the Korea Petrochemical Industry Association (KPIA) and the Korea Fair Competition Federation (KFCF), we

PARTICIPATION IN PUBLIC POLICIES / FAIR COMPETITION



deliver our opinions and positions concerning various public policies to the government and cooperate with them on related issues.

In 2008, we agreed to fund KRW100 billion from the refinery industry in order to relieve energy expenses for the underprivileged and support the energy efficiency industry in an effort to deal with high oil prices. Currently, we are working on fine-tuning detailed action plans.

【 FAIR COMPETITION 】

SK energy, aware early on of the fact that fair competition is a factor of corporate competitiveness, adopted the compliance program (CP) — the first to do so in the industry. The CP operates by taking into consideration 7 major factors: determination and interests of the CEO, appointment of the chief compliance officer, publication of a CP manual, operation of CP training, an internal control system, a disciplinary program and a document management system. The operational results and future plans of the CP are regularly reported to the Board of Directors. In 2008, SK energy was found to have violated the fair trade law two times and was disciplined by the Korea Fair Trade Commission (KFTC). The fair trade legal processings that arose in 2007 are on-going.

SK energy's CP System

7 Factors	Status
Determination and Interests of the CEO	• Declaration of fair trades and adoption of the CP
Appointment of Chief Compliance Officer	• Appointing and announcing Head of Ethics Management Office as the chief compliance officer
Publication	• Publishing CP manual and handbook
CP Education	• CP seminars for employees • Class-based education programs - 2008 CP education results: 282 persons, 411 hours
Internal Control System	• Operating compliance committee and CP regulations • Operating a dedicated CP team (Fair Trade Team) • Regular CP check-ups (first and second half of year)
Disciplinary Program	• Disciplinary program for any employees that violate the Fair Competition Act
Document Management System	• Systematic management of all documents related to CP activities



CP Handbook



ENVIRONMENTAL MANAGEMENT

Green Fields and
Clear Water are
our responsibilities.



SHE Management System _61 Coping with Climate Change _62
Saving Energy _65 Environmental Management Activities _67
Eco-Friendly Products and Services _73

SHE MANAGEMENT SYSTEM

FOCUS ON...

Safety, Health and the Environment are at the top of our priority list in our business activities.

[SHE MANAGEMENT SYSTEM]

Based on its philosophy of respecting human rights and preserving the environment, SK energy values safety, health and the environment more than anything else in its business activities. Under the basic principle of "Pursuing sustainable growth through accident-free and eco-friendly management," the company puts in place the following 4 guidelines for its employees to follow.

Leading the Way in Compliance	We abide by all the regulations, conventions and other requirements of the region where we operate and stay at the forefront when it comes to preparing and implementing safety, health and environmental goals.
Continued Improvement	We strive to minimize our environmental impact through consistent improvement activities in all of our business activities, while offering an agreeable working environment and remaining accident-free.
Company-Wide Participation	All SK energy employees are fully aware of their social responsibilities to stakeholders and fulfill their given duties and roles for safety, health and environment, while taking continuing education programs.
Social Responsibility Fulfillment	We reflect stakeholder opinions in our business activities and transparently disclose performances as a responsible corporate citizen.

SK energy developed and has been running the "Safety, Health & Environment (SHE) Integrated Management System" since 2004 for comprehensive control of the safety, health and environmental issues that plant workers are expected to bear in mind at their workplaces. Comprised of 11 management factors and operating processes, the system organically responds to the changing business environment and continuously improves safety, health and environmental performances.

SHE Integrated Management System



COPING WITH CLIMATE CHANGE

FOCUS ON...

We are always vigilant to global initiatives to counter climate change.

After an extensive analysis and evaluation of its SHE Integrated Management System operation results, the Ulsan Complex found that changes in the mindset and behavior of its employees are the prerequisite for establishing SHE culture in the workplace. Therefore, it complemented the system and relaunched the SHE Management System in 2008. In a bid to establish a mindset focused on safety, health and the environment in the workplace, the Ulsan Complex added overall system operational levels, such as PSM performance ratings, to the traditional SHE activity evaluation factors and measures and manages daily accident prevention activities on a monthly basis. In the future, it will continue to complement the evaluation factors and improve the overall system for more efficient operation.

2008 Ulsan Complex SHE Activities Performance Indicators

Portion	Performance Indicators
System Operational Indicators (30%)	PSM ratings, EMS evaluation results
Leading Index (70%)	SHE training program completion rate, SHE meeting participation rate, SHE check-up cases, Emergency drill results, Near-miss, etc.
Lagging Index (increase & decrease)	Number of Accidents, Accident rates, Number of Environmental accidents, Number of Legal violations, Overspeed control, Public discontent cases, Reward cases, etc.

On the other hand, Incheon Complex devised a SHE master plan immediately after merger and will concentrate investments in constructing hardware for SHE activity management by 2010, while continuing efforts to raise the awareness of employees.

[COPING WITH CLIMATE CHANGE]

Aiming at being an environmentally friendly green energy enterprise, SK energy is committed to the global initiatives to counter climate change. Although Korea has yet to be designated as a country that should reduce GHG(Greenhouse Gas) emissions, it is expected to be put under pressure in international negotiations over the Post-Kyoto Protocol for its significant contributions to increasing CO₂ emissions. In addition, Korea declared its vision of "low-carbon green growth" in reflection of the rising interest in the green industry. Against this backdrop, SK energy actively prepared its own countermeasures to climate change and is implementing voluntary GHG emission reduction initiatives. For instance, we selected and put in place mid- and long-term strategies for the climate change convention by concluding an MOU with the government in February 2006 on a joint effort to counter climate change. Particularly we focus on GHG emission reduction, carbon credits and new and renewable energy development.

COPING WITH CLIMATE CHANGE



SK Emission Trading System (SKETS)

SKETS is an internal system to effectively reduce company-wide emissions by economically trading emissions between business sites that can reduce and sell GHG emission allowance and those that see more benefits in purchasing emission allowance.

Climate Change Countermeasures

Phase	Phase I	Phase II	Phase III
	Constructing the platform for low carbon management system	Establishing low carbon management system	Implementing GHG emission reduction initiatives
Internal Emission Trading System	<ul style="list-style-type: none"> Constructing calculation schemes for GHG emissions Building internal emission trading system Simulating emission trading 	<ul style="list-style-type: none"> Constructing IT-based GHG control system Implementing company-wide integrated emission trading system 	<ul style="list-style-type: none"> Participating in international emission trading market Emission portfolio management
Securing Carbon Credits	<ul style="list-style-type: none"> Voluntary energy conservation Discovering and registering GHG emission reduction projects with government 	<ul style="list-style-type: none"> Promoting energy conservation projects Discovering and promoting overseas CDM 	
Eco-Friendly Energy Development	<ul style="list-style-type: none"> Developing eco-friendly technologies and projects 		<ul style="list-style-type: none"> Technology commercialization and expansion of project

※ SK energy is currently in phase II.

Greenhouse Gas Control

As Korea's leading refinery enterprise, SK energy prepared its own climate change countermeasures and implements voluntary GHG emission reduction initiatives. Based on the internal GHG emission calculation formula it devised in 2007 for the low-carbon management system, the company completed calculating GHG emissions from its Ulsan and Incheon Complexes. Based on the results, it became the first company in Korea as of 2008 to adopt an internal emission trading scheme and put it in place at its Ulsan Complex. In the future, the company is planning to incorporate a company-wide integrated GHG control system by including and reflecting its new business premise performances, including the recently acquired Incheon Complex and newly built plants.

Moreover, the company registered a total of 6 GHG emission reduction cases with the GHG registry under the Ministry of Knowledge Economy (MKE), securing certified emission reduction (CER) in advance. Under the scheme, it plans to reduce about 800,000 tons of

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

CO₂ over 5 years, and the company is also striving to secure Post-2012 emission allowance through efficient operation of the carbon fund that it launched for the first time in Korea.

On the other hand, SK energy received orders from the MKE for Korea's supporting program for the developing countries, especially for the 3 countries of Vietnam, Malaysia and Thailand, to cope with climate change and is implementing a renewable energy project and discovering new CDM³⁾ projects.

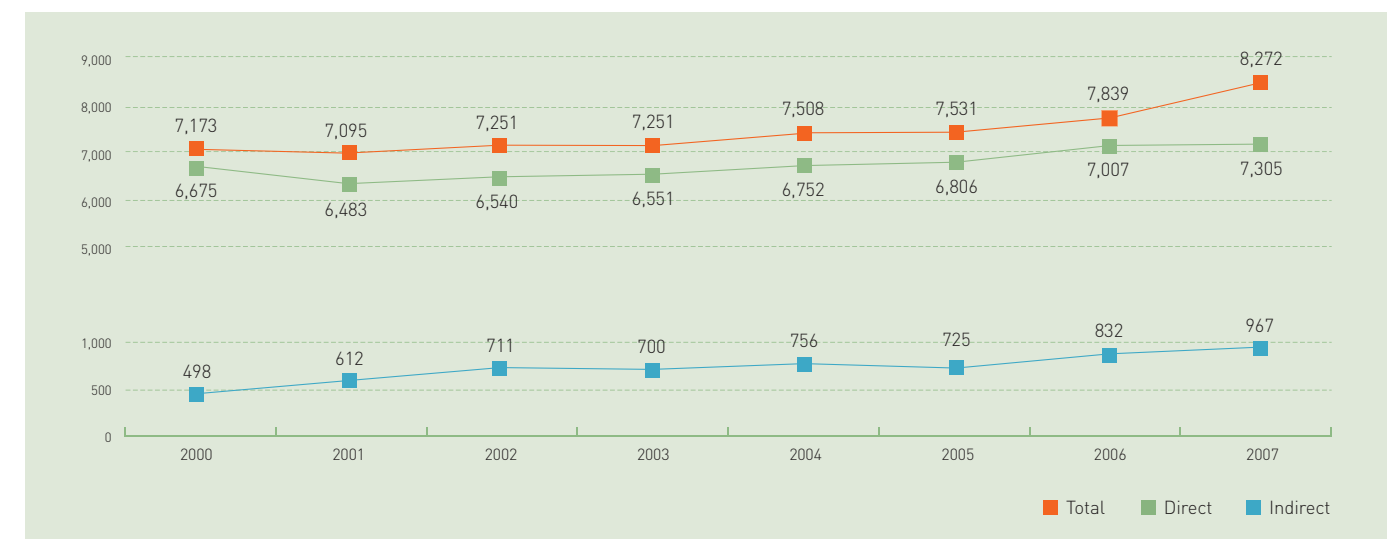
The stable operation and promotion of SKETS will effectively enhance employee awareness to climate change and reinforce our carbon management capabilities. With the government's low-carbon green growth drive and the increasing possibility of adopting nation-wide carbon regulations as well as the growing global carbon market, securing enough CER will be the key to successful and sustainable business operations in the future. Therefore, SK energy will secure enough CER at home and abroad through a maintained registry with GHG emission reduction records and CDM projects. In the meantime, the company will continue strengthening its global competency by pursuing overseas business opportunities, especially through its projects to support the developing countries.



Greenhouse Gas Internal Emission Trading

GHG Emissions

(Unit: 1,000 tCO₂-e)



※ The figures are the sum of direct and indirect GHG emissions volume from Ulsan Complex. Characteristic to the refinery business, the 6 GHGs (CO₂, CH₄, N₂O, HFC, PFC, SF₆) were converted to CO₂ equivalents for calculation.

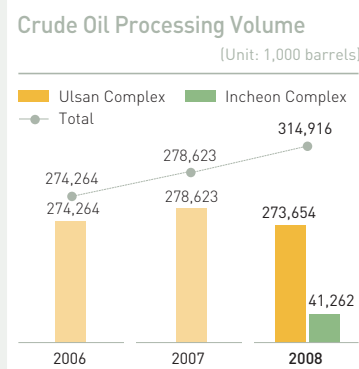
※ In 2008, we included the newly acquired Incheon Complex figures in our GHG emissions, and these figures are currently undergoing third-party assurance procedures. The GHG emission volume will be disclosed when the assurance is completed.

SAVING ENERGY



FOCUS ON...

We are actively promoting energy conservation initiatives to capitalize on our 40 years of experience in facility operation.



※ The crude oil processing volume calculation formula changed in 2008. Therefore, the 2006 and 2007 figures in previous reports were also recalculated in accordance with the new formula for this report.

Greenhouse Gas Emissions Calculation

SK energy calculated its GHG emission volume under the "SK energy GHG Emission Calculation and Report Guidelines." The results are verified by a third party assurance agency in accordance with the ISO 14064 for reliability.

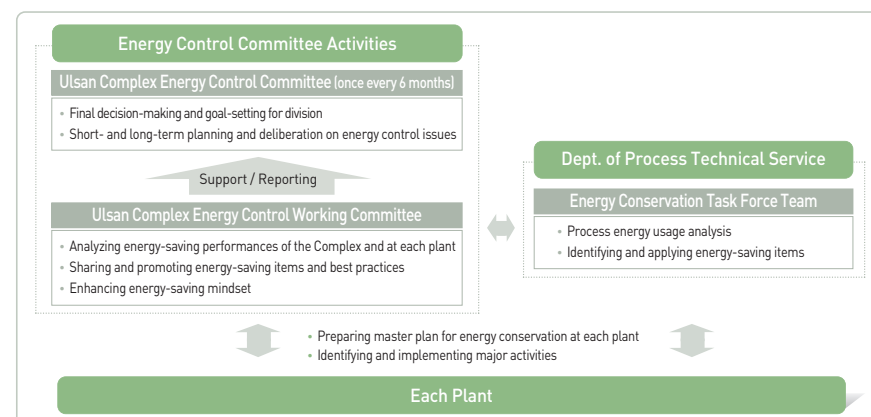
【 SAVING ENERGY 】

SK energy has consistently promoted a variety of energy conservation initiatives to enhance energy efficiency in each of its processes that utilize energy sources such as fuel, electricity and industrial water supply. Capitalizing on its 40 years of experiences in facility operation, the company is developing energy-saving cases and building a related database, while improving its facility efficiency and minimizing losses in the energy supply system and optimizing the operation of utility facilities.

Energy Conservation Activities and Performance

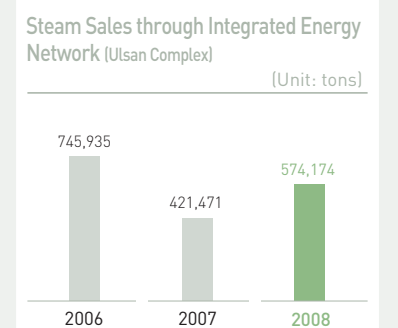
Ulsan Complex, where most of SK energy's production activities are concentrated, put together a separate energy control committee in 2008 for organized energy conservation activities centered on its affiliated working committee. The committee set a mid-term goal of saving KRW300 billion in energy expenses from 2008 to 2010. The initiatives for efficient energy use and management include a campaign to enhance employee awareness of energy conservation, guidelines on ideal indoor temperature settings, capturing and addressing energy loss points in each process and discovering energy-saving items through process innovations.

Incheon Complex, for its part, completed process innovations for reducing energy consumption in the kerosene and diesel desulphurization processes as early as 2007 and is currently implementing action plans to enhance the energy conservation mindset and save energy at the workplace.



Integrated Energy Control System | SK energy has built and put into operation an "Operation Information System (OIS)" and "Power Supply Optimization Program" as computerized energy control programs. In addition, the Ulsan Complex constructed the Energy Management System (EMS) in 2008 for effective monitoring of energy usage and process management.

External Energy Conservation Activities | SK energy is also devoted to energy conservation outside of its business sites. Ulsan Complex capitalizes on its surplus facilities to provide an integrated energy network with cheap and stable steam to small neighboring companies. In 2008, the company introduced steam from Aekyung Petrochemical, saving on energy use. It also collects landfill gas from the Seongam Landfill Site in Ulsan and utilizes this as fuel. The anticipated average gas emissions from 2002 to 2013 amount to 64,000Nm³/day.



Ulsan Complex Performance in the 2nd Phase of Agreement to Voluntary Energy Conservation

	1st Year	2nd Year	3rd Year	4th Year	Accumulated	Goals (2005-2009)	Accomplishment
Energy Conservation Volume (TOE*)	17,385	66,317	4,970	40,587	129,259	75,773	171%
Value (KRW in billions)	4.9	26.7	1.8	31.4	64.8	20.1	322%
Saved Ratio (%**)	0.7%	2.7%	0.2%	1.3%	4.9%	3.1%	158%
CO ₂ Reduction Volume***(tC)	15,189	57,972	5,038	34,978	113,117	141,208	125%

* TOE (Tons of Oil Equivalent)
 ** Base energy consumption: 3,252,994 TOE (2008 energy consumption)
 *** Applying carbon emission factors to used fuels for conversion—FO (0.8753tC/TOE), electricity (0.1319tC/MWH), FG (0.568tC/TOE) / Energy increase arising from facility expansion is excluded.

※ The Incheon Complex has been conducting an energy saving project since 2006 under a voluntary agreement with Incheon City. Incheon Complex saved 194 TOEs in 2008 when SK energy completed its merger with SK Incheon Oil.

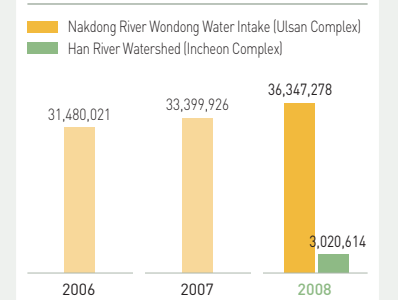
Energy Usage

	2006		2007		2008	
	Fuel (TOE)	Electricity (MWH)	Fuel (TOE)	Electricity (MWH)	Fuel (TOE)	Electricity (MWH)
Ulsan Complex	2,625,868	1,687,741	2,751,327	1,893,155	2,753,587	2,322,822
Incheon Complex	-	-	-	-	321,393	332,646
Total	2,625,868	1,687,741	2,751,327	1,893,155	3,074,980	2,655,468

※ Although the GRI Guidelines encourage using the Joule (J) or Gigajoule (GJ) for energy consumption, we use the above-described units to make figures more consistent with previous reports and more reader-friendly.

※ SK energy's main fuel sources are bunker-C oil and fuel gas (process-by-product gas).

Water Source (Unit: tons)



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

ENVIRONMENTAL MANAGEMENT ACTIVITIES



FOCUS ON...

SK energy protects the environment and increases corporate value through environmental management activities.

【 ENVIRONMENTAL MANAGEMENT ACTIVITIES 】

Based on its SHE management system, SK energy is consistently involved in environmental management activities for pollutant factors present in items such as air, water, soil and waste.

Air Pollutant Control

SK energy applies stricter standards than the legal requirements for environmental improvement. In addition to round-the-clock monitoring through the Tele-Metering System (TMS), the company conducts regular inspections and check-ups on major air pollutant-emitting. Other efforts to prevent pollution at the source include fueling with low sulfur oil, operating flue gas denitrogenization facilities and flue gas desulfurization facilities and installing Low NOx burners and VOCs (Volatile Organic Compounds)/odor prevention facilities.

Air Pollutant Emission Concentration

Pollutant	Site	Legal Requirements	Internal Standards	Average Concentration of Discharge		
				2006	2007	2008
SOx (ppm)	Ulsan Complex	180	160	55.1	55.9	44.1
	Incheon Complex	180	160	-	-	94.0
NOx (ppm)	Ulsan Complex	250	230	112.1	108.6	87.7
	Incheon Complex	250	235	-	-	164.0
Dust (mg/m ³)	Ulsan Complex	50	40	7.2	7.8	6.7
	Incheon Complex	50	35	-	-	7.6

※ SOx and NOx figures are based on heating furnaces, and dust figures are based on boilers.

Air Pollutant Emission Amount

(Unit: tons)

Pollutant	Site	Emission Amount		
		2006	2007	2008
SOx	Ulsan Complex	6,514	6,735	6,042
	Incheon Complex	-	-	631
NOx	Ulsan Complex	9,644	9,441	8,605
	Incheon Complex	-	-	1,193
Dust	Ulsan Complex	314	335	326
	Incheon Complex	-	-	27

| Ozone Destroying Substances | SK energy does not use, produce or sell any substance known to destroy the ozone layer as described in the Montreal Protocol. We replaced the

halon that is used in fire extinguishers with clean agents and revised internal safety standards in 2008 to delete the article containing the stipulation on halon extinguishers.

- Extinguisher: HCFC (Hydro Chlorofluoro Carbons)
- Fixed: FM200, FS125 (Pentafluoropentane)

| Environmental Index Vegetation Management | Participating in the "Air Pollution Indicating Environmental Index Planting Project" organized by the city of Ulsan, SK energy designated and manages environmental index plants and environmental hills. The company also cooperates with the city in observing plant conditions and indirectly monitors air pollution trends.

| Preventing VOC/Odor | SK energy operates regenerative thermal oxidizers (RTO), bio filters, VOC recovery facilities, which remove volatile organic compounds (VOCs) and odors in environmental facilities within its business sites and product shipping and storage facilities as well as processing areas within its business sites.

Water Pollutant Control

SK energy maintains the concentration of its effluents at 10%-40% of the legal requirement level through ongoing water pollutant reduction activities. In preparation for the obliged usage of the Tele-Metering System (TMS) beginning in July 2009, the company upgraded its internal TMS in September 2008 and conducted a test run. We also minimize wastewater discharge by reprocessing and reusing discharged sour water as desalter feed water (187,680 tons/year) to reduce water usage. Some of the treated wastewater is also reused for fire extinguishing and gardening purposes.

Wastewater Treatment

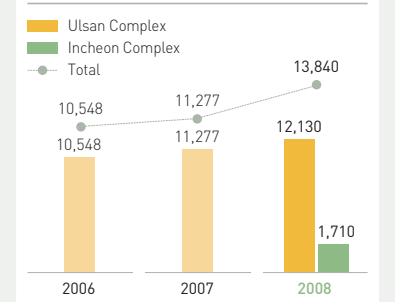
	Wastewater Treatment Facilities	Treatment Method	Discharge Destination
Ulsan Complex	Ulsan Complex Wastewater Treatment Plant	Biological + advanced treatment	Public Water Area (East Sea)
	PE/PP Wastewater Treatment Plant	Physiochemical treatment	
	EPDM Wastewater Treatment Plant	Biological treatment	Yongyeon Sewage Treatment Plant
	No.2 FCC Wastewater Treatment Plant	Biological treatment	
Incheon Complex	Incheon Complex Wastewater Treatment Plant	Biological + advanced treatment	Gajwoa Sewage Treatment Plant



Wastewater Treatment Plant

Wastewater Effluent Amount

(Unit: 1,000 tons)



ENVIRONMENTAL MANAGEMENT ACTIVITIES



Average Concentration of Water Pollutant Effluents (Unit: ppm)

Pollutant	Site	Legal Requirement	Standard of SK energy	Average Concentration of Effluent		
				2006	2007	2008
COD	Ulsan Complex	40	20	8.73	8.24	7.60
	PE/PP & No.2 FCC	90	70	12.30	9.40	11.80
	Incheon Complex	90	40	-	-	13.40
SS	Ulsan Complex	10	8	5.07	4.87	3.60
	PE/PP & No.2 FCC	80	60	25.80	21.40	10.65
	Incheon Complex	80	30	-	-	7.20
Oil	Ulsan Complex	5	1	0.56	0.52	0.62
	PE/PP & No.2 FCC	5	3.7	0.10	0.09	0.46
	Incheon Complex	5	3	-	-	0.75

※ A new No.2 FCC waste treatment plant was built in June 2008.

Waste Control

SK energy applies stricter standards than legally required to waste control. All wastes are separated first to minimize waste volume and maximize recycling. We pay regular visits to waste handling outsourcers to monitor their handling capacities. Within the workplace, we educate workers to dump separate waste items by type. Regular on-site check-ups also prevent leaving any waste untreated.

Not a single case occurred in 2008 that is applicable to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes.

Waste Discharge Amount Trends (Unit: tons)

Type	Site	Discharge Amount & Ratio		
		2006	2007	2008
Designated Waste	Ulsan Complex	41,858	31,194	45,711
	Incheon Complex	-	-	2,103
General Waste	Ulsan Complex	52,561	38,254	55,378
	Incheon Complex	-	-	4,569
Total Waste		94,419	69,448	107,761
Waste Recycling Rate (%)		70.3	65.5	59.9

Waste Control System Operation | SK energy runs a waste control system to improve cooperation between departments discharging wastes and other departments in terms of waste treatment, as well as to share information on waste generation and treatment results. The system enables the sharing of all information regarding waste generation and treatment with all employees, helping to enhance employee awareness of voluntary waste control and reduction.

Treatment Methods by Waste Type | General waste is usually recycled to minimize waste volume, and waste oils among designated wastes are sent to the renewable fuel plants to produce renewable fuels. Wastes containing metals are reprocessed to recover and recycle the metal substances, helping to minimize waste volume.

Toxic Chemicals Control

SK energy has adopted the Material Safety Data Sheet (MSDS) system for all of its customers and employees in order to prevent and avoid any toxic factors or accidents arising from chemicals through information sharing, education and inspections. In addition, the company entered into a voluntary agreement with the government to reduce chemicals discharge and strives to achieve its given reduction goal.

Voluntary Chemical Waste Discharge Reduction Agreement Performance

	Base (kg/year)	Target (%)		Accomplishments	Agreement Concluded
Ulsan Complex	578,317 (2001 emissions)	2007	2009	55% reduced in 2007 (outperforming the target)	2004
Incheon Complex	803 (2006 emissions)	2010	2012	Interim evaluation is scheduled after 2010	2006

Toxic Chemicals Control Activities

SK energy provides its employees with information on toxic chemicals used in its business sites via the SK e-MSDS based on the international standards of the globally harmonized system of classification and labeling of chemicals (GHS). The information is provided in 16 categories, including producers of each chemical, hazard identification and first aid guides. In addition to the regular courses, separate MSDS training courses are provided in the cases of new employment, adoption of new chemicals and transferring of job duties. In 2007, the company completed its own chemical management system for enhanced control of the chemical substances imported, produced, sold and used in the course of its normal business operations.



Waste Treatment System

ENVIRONMENTAL MANAGEMENT ACTIVITIES



SK e-MSDS

• MSDS Information Provision to Customers

MSDS information on all products that SK energy produces and sells is available on the website for anyone interested. The information includes the 16 categories of hazard identification, components&contents, first aid guides, handling and storage guidelines, environmental impact and legal regulations and more. Information on oil products is available on www.e-SK.com, chemical products on www.SKchem.com, lubricant oil products on www.SKzic.com and base oil products on www.yubase.com. No violations of regulations regarding product information and labeling occurred during 2008.

Soil and Groundwater Control Activities

SK energy enacts and applies its own soil management procedures for the organized management of the soil and groundwater quality on all of its business sites, including production lines, logistics centers and fuel stations. In addition, the company participates in the "Voluntary agreement on the survey and restoration of soil pollution," organized by the government.

The company conducts annual soil pollution surveys under the governing regulations. The 2008 study on the soil pollution status in and near the Ulsan and Incheon Complexes found that most of the sampling spots maintained 30% of the legal standard on soil pollution, much lower than what the law requires and all of the spots were maintained within the legal requirements. Moreover, the 3 sampling spots for the groundwater pollution survey within the new RFCC unit were found to be within the legal requirements.

2008 Soil Pollution Sampling Results

	Total No. of Sampling Spots	TPH		BTEX		TCE	
		No. of Sampling Spots	Results	No. of Sampling Spots	Results	No. of Sampling Spots	Results
Ulsan Complex	355	253	normal	102	normal	NA	NA
Incheon Complex	241	168	normal	71	normal	2	normal

※ TPH (Total Petroleum Hydrocarbon) / BTEX (Benzene, Toluene, Ethyl benzene, Xylene) / TCE (Tri-Chloro Ethylene)

Environment Management System Operation

SK energy acquired ISO 14001 certification for its Ulsan and Incheon Complexes and maintains the certification through follow-up audits and recertification evaluations every 3 years. SK energy maintains an "Appropriate" level for the fitness and efficiency of the ISO 14001 (EMS) from the annual internal audit and certification agency.

Environmental Impact Evaluation

In order to protect and preserve the environment in the vicinity of its Ulsan and Incheon Complexes, SK energy conducts environmental impact evaluations in accordance with EMS requirements in all of its business activities that have a potential environmental impact, including cases like new process adoption and plant expansions or alterations. When a new process is introduced, we carry out environmental impact evaluations on material purchases. We also apply environmental impact evaluations to changes in processes and working methods. The environmental impact evaluation on the production process takes place regularly every two years. According to the report on the current status of the wild fauna and flora sanctuary designated by the Ministry of Environment, the areas where SK energy's production activities take place do not include any areas with a high biodiversity value that can be influenced by the company's business activities.

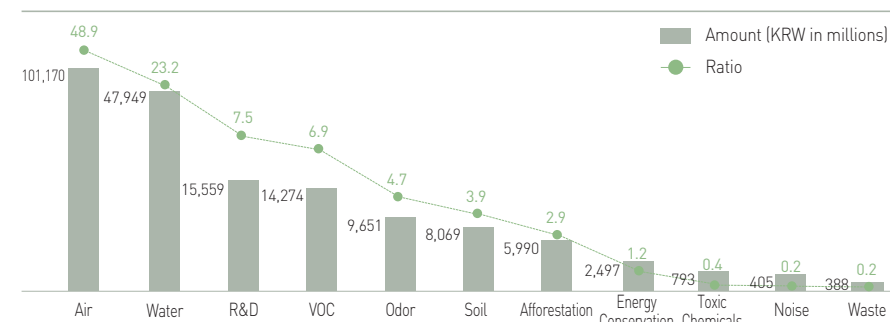
Legal Compliance

SK energy maintains stricter standards than legal requirements for its regulation of air and water pollutants and toxic chemicals as well as wastes generated from its production activities. There have been no disciplinary measures taken against the company for violations of environmental regulations over the past 5 years. In 2008, no environmental pollution accidents occurred, and environmental public grievances mainly arose from the noise from Ulsan Complex's new RFCC, which was immediately rectified. The company will strive to prevent further public inconveniences through active communications with the communities.

Environmental Investments

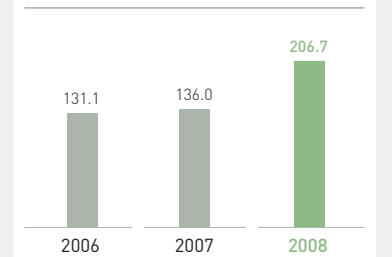
SK energy consistently makes environmental investments to minimize pollutants generated from its Ulsan and Incheon Complexes and develop environmentally friendly products, contributing to the nation's environmental preservation.

2008 Environmental Investment Amount & Ratio by Destination



※ Total KRW206,745 million

Annual Environmental Expenses (Unit: KRW in billions)



※ Environmental expenses do not include new process investment expenses.

ECO-FRIENDLY PRODUCTS & SERVICES



FOCUS ON...

Our eco-friendly products and services reflect our determination to environmental management.



The Daedeok Institute of Technology

[ECO-FRIENDLY PRODUCTS & SERVICES]

SK energy makes ongoing efforts to provide products and services that have a minimum environmental impact. In addition to the consistent innovation drives to improve eco-friendliness with core products such as gasoline, diesel, the company continues to invest in developing and commercializing environmentally friendly technologies.

Gasoline and Diesel Quality Improvement

SK energy's representative gasoline product "Enclean" is a clean product that uses additives to reduce NOx and flue gas with improved fuel efficiency. Utilizing advanced additives, Enclean prevents residuals building up in car engines and engine knocking (detonation) while improving fuel efficiency and reducing NOx emissions. The high-end gasoline Solux is an environmentally friendly product with an octane rating of 100, with a significantly reduced amount of sulfur, benzene and olefin compared to normal gasoline due to expanded clean agent injection. As of November 2008, SK energy began producing gasoline products that contain less than 8 ppm of sulfur, the main culprit of air pollution, far lower than the legal requirement of 50 ppm, which was highly evaluated for its excellent quality in an evaluation by the Ministry of Environment.

Gasoline Sulfur Content and Quality Grading by the Ministry of Environment

	2007		2008	
	1H	2H	1H	2H
Sulfur Content (ppm)	14	15	14	11
Quality Grade	★★★★★	★★★★★	★★★★★	★★★★★

※ ★★★★★ is the international best level.

Although diesel has high fuel efficiency, it emits a large amount of exhaust fumes when combusted. As of November 2008, we began producing diesel products that contain less than 8 ppm of sulfur, far lower than the legal requirement of 30 ppm. In addition, the company launched the high-performance Solux Diesel product, which has excellent fuel efficiency, power output and acceleration with less flue gas emission than normal diesel products.

Diesel Sulfur Content and Quality Grading by the Ministry of Environment

	2007		2008	
	1H	2H	1H	2H
Sulfur Content (ppm)	8	10	7	8
Quality Grade	★★★★★	★★★★★	★★★★★	★★★★★

Biodiesel Product

SK energy is actively involved in the government's biodiesel popularization policy to reduce crude oil dependence and enhance environmental improvements. By entering into a voluntary agreement with the government on supplying biodiesel, the company has increased the share of biodiesel products in its lineup from 0.5% in 2007 and 1.0% in 2008 to 1.5% in 2009.

Eco-Friendly Technology Development

| SCR Catalyst | SCR (Selective Catalytic Reduction) is a technology that reduces NOx gases generated from major pollutant producers such as power plants, incinerators, boilers and chemical processing plants. The production of SCR catalyst has been confined to only a handful of industrialized countries to date. SK energy embarked on the R&D of SCR catalyst in 1996 and successfully began commercialized the technology in 2001. Now applied to more than 80 sites at home and abroad including Germany, France, China and Korea, the technology is widely recognized for its excellent performance.

| DPF Project | SK energy has developed diesel emission control technology since the early 1990s, and supplied the most advanced Diesel Particulate Filters (DPFs) to customers across the globe. We began exporting DPFs to Japan in 2003. Since 2005, the Korean government has endorsed and implemented our products for its DPF distribution project; more than 70,000 sets of our DPFs have been installed in Korea. In 2007, our cutting-edge technology that simultaneously reduces NOx and PM (Particulate Matter) acquired verification in Japan, and the product is on the market at the moment. In 2008, we participated in a pilot project of DPF installation in Beijing, China. In addition, we worked to acquire verification in the U.S. market and are striving to further expand into the global arena.

| Soil Environmental Project | SK energy capitalized on its accumulated experience and technology in the soil environment management sector over the past 40 years to land an order in 2008 for Korea's largest-ever soil remediation project, the Land Partnership Plan (LPP) to purify polluted soil on the returned former U.S. military base. Moreover, we received the Trans-Korea Pipeline area remediation project, due to recognition of our excellent technologies in soil remediation field. In the future, the company plans to further expand into environmental business areas with rising domestic and global demand, such as hazardous material remediation, waste management and waste energy and more.

THIRD-PARTY ASSURANCE STATEMENT



To the readers of the SK energy's 2008 Sustainability Report.

INTRODUCTION

We were engaged by the Executive Board of SK energy Co.,Ltd. to provide assurance on the information presented in the 2008 Sustainability Report (further referred to as *the Report*). The Executive Board of *the Report* is the responsibility of preparing for *the Report*, including the identification of stakeholders and material issues. Our responsibility is to provide an opinion on *the Report*.

CONTEXT AND SCOPE

In *the Report* SK energy describes its efforts and progress in relation to sustainability management and reporting.

Our engagement was designed to provide limited assurance on whether:

- SK energy has applied the "AA1000 Accountability Principles Standard (2003)"
- The information in the following sections of *the Report* is fairly stated:
 - CORPORATE OVERVIEW (Pages 11 to 14)
 - Communication with Investors (Pages 24 to 30)
 - Communication with Employees (Pages 38 to 46)
 - Communication with Partners (Pages 48 to 50)
 - Communication with Communities (Pages 52 to 58)

'Fairly stated' means that *the report* properly reflects information contained in the underlying sources such that it is consistent with the source information.

With regard to the financial data, our procedures were limited to verify that they were correctly derived from SK energy's audited financial statements. To obtain a thorough understanding of the financial results and financial position of SK energy, the reader should consult the SK energy audited Non-consolidated financial statements for the year ended 31 December 2008.

ASSURANCE STANDARDS

We conducted our engagement in accordance with ISAE 3000¹⁾ and with the AccountAbility 'AA1000 Assurance Standard (2003)'.

There are no generally accepted standards for reporting sustainability performance. SK energy applies its own internal sustainability performance reporting criteria, in addition to using the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative.

WORK UNDERTAKEN

In order to form our conclusions in relation to the AA1000AS Principles of Materiality, Completeness and Responsiveness we undertook the steps outlined below:

- Interview with 38 relevant staffs at group level and business unit level concerning sustainability strategy and policies, the implementation of these in the business and their contribution to *the Report*.
- Evaluation of the results of SK energy's stakeholder consultation processes.
- Evaluation of SK energy's processes for determining the material issues for SK energy's key stakeholder groups.
- Media analysis and an internet search for references to SK energy during *the reporting period*.
- Review of the systems and processes used to generate this information in *the Report*.
- Review of the internal documentation and intranet sources.

During our investigation, we discussed the necessary changes to *the Report* with SK energy and verified that these changes were adequately incorporated into the final version.

INDEPENDENCE, IMPARTIALITY AND COMPETENCE

We conducted our engagement in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants which requires, among others, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, including not being involved in writing *the Report*. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behavior. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

We conducted our engagement with a multidisciplinary team including specialists in stakeholder engagement, auditing, environmental, social and financial aspects, with experience in similar engagements.

CONCLUSIONS

ON THE AA1000APS PRINCIPLES:

- In relation to the principle of Materiality
 - We are not aware of any material aspects concerning SK energy's sustainability activities that have been excluded from *the Report*.
- In relation to the principle of Completeness
 - We are not aware of any material issues excluded from SK energy's judgments on the content of *the Report*.
 - We are not aware of any misstatements in the assertions made by SK energy management in *the Report* regarding sustainability activities.
- In relation to the principle of Responsiveness
 - With the exception of the issue highlighted in relation to Materiality, we are not aware of any additional issues of stakeholder interest that are not currently included in *the Report's* scope and content.

ON THE CONTENT OF THE REPORT:

Based on the above work, we conclude that the information in *the Report* does not appear to be unfairly stated.

COMMENTARY

Without affecting the conclusions presented above, we believe that following information could be useful to the readers' decision-making process.

SK energy is making efforts to provide sustainability information reliable to its stakeholders in *the Report*. For more advanced process of stakeholder engagement, we recommend that SK energy pay attention to enhancing the evaluation process of grasping and managing sustainability issues. In addition, SK energy needs to improve and strengthen a role and responsibility of the organization to support sustainability activities.

We have discussed our observations regarding the reporting process and reported outside the scope of our assignment with SK energy management. They were receptive to our comments.

Seoul, April 2009

Samjong KPMG Advisory Inc.



Kim, Young Hyo | Managing Partner

1) The International Standard on Assurance Engagements : Assurance Engagements other than Audits or Reviews of Historical Financial Information

GRI CONTENT INDEX



※ Reporting Level : ● Reported ● Partly Reported ○ Not Reported / Reason for Not Being Reported : N/MT(Not Material), N/AP(Not Applicable), N/AV(Not Available), N/AL(Not Allowed), PRT(Proprietary)

GRI G3	Indicators	Reported	Page	Remarks	UNGC
Strategy and Analysis	1.1	●	5~6	Statement from the most senior decision-maker of the organization (CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	
	1.2	●	5~6	Description of key impacts, risks, and opportunities	
Organizational Profile	2.1	●	11	Name of the organization	
	2.2	●	14	Primary brands, products, and/or services	
	2.3	●	11	Operational structure of the organization	
	2.4	●	11	Location of organization's headquarters	
	2.5	●	2~3	Number of countries where the organization operates, and names of countries with either major operations	
	2.6	●	11	Nature of ownership and legal form	
	2.7	●	13~14	Geographic breakdown, sectors served, and types of customers/ beneficiaries)	
	2.8	●	11~14, 29~30	Scale of the reporting organization	
	2.9	●	11	Significant changes during the reporting period regarding size, structure, or ownership	
	2.10	●	83	Awards & Recognitions	
Report Parameters	3.1	●	1	Reporting period	
	3.2	●	1	Date of most recent previous report	
	3.3	●	1	Reporting cycle	
	3.4	●	84	Contact point for questions regarding the report or its contents	
	3.5	●	1	Process for defining report content	
	3.6	●	1	Boundary of the report	
	3.7	●	11, 29~30	Any limitations on the scope or boundary of the report	
	3.8	●	11	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	
	3.9	●	41, 67	Data measurement techniques and the bases of calculations	
	3.10	●	65	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	
	3.11	●	11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	
	3.12	●	77~81	Table identifying the location of the Standard Disclosures in the report	
	3.13	●	1	Policy and current practice with regard to seeking external assurance for the report	
Governance, Commitments, and Engagement	4.1	●	16~18	Governance structure of the organization	1~10
	4.2	●	16	Statement whether Chair of the highest governance body is also an executive officer	1~10
	4.3	●	16	Number of members of the highest governance body that are independent and/or non-executive members	1~10
	4.4	●	17	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	1~10

GRI G3	Indicators	Reported	Page	Remarks	UNGC	
Governance, Commitments, and Engagement	4.5	●	17	Compensation for members of the highest governance body, senior managers, and executives, and the organization's performance	1~10	
	4.6	●	17	Process in place for the highest governance body to ensure conflicts of interest are avoided	1~10	
	4.7	●	16	Process for determining the qualification and expertise of the members of the highest governance body	1~10	
	4.8	●	15	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	1~10	
	4.9	●	17	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance and adherence or compliance with internationally agreed standards, codes of conduct, and principles	1~10	
	4.10	●	17	Process for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	1~10	
	4.11	●	61	Explanation of whether and how the precautionary approach or principle is addressed by the organization	7	
	4.12	●	38	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	1~10	
	4.13	●	38, 58	Memberships in associations and/or national/international advocacy organizations	1~10	
	4.14	●	25, 33, 39, 49, 53	List of stakeholder groups engaged by the organization		
	4.15	●	25, 33, 39, 49, 53	Basis for identification and selection of stakeholders with whom to engage		
	4.16	●	25, 33, 39, 49, 53	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		
	4.17	●	25, 33, 39, 49, 53	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded		
		Disclosure on Management Approach about Economy	●	24		
	Economy	EC1	●	29~30	Direct economic value generated and distributed	
		EC2	●	62~64	Financial implications and other risks and opportunities for the organization's activities due to climate change	7
		EC3	●	43	Coverage of the organization's defined benefit plan obligations	
EC4		●	30	Significant financial assistance received from government		
EC5		○ N/MT		Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	SK energy thinks the level of newly-recruited employees' salaries is not a major issue as the company honors laws on minimum salaries.	
EC6		●	50	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		

GRI CONTENT INDEX



GRI G3	Indicators	Reported	Page	Remarks	UNGC	
Economy	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	○ N/MT		The portion of employees at SK energy's overseas business sites (93 persons, 1.7%) is very low and each site employs local residents.	
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	●	30, 57		
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	●	26		
	EN1	Disclosure on Management Approach about Environment Materials used by weight or volume	●	61 65		8
	EN2	Percentage of materials used that are recycled input materials	○ N/AP		As SK energy uses crude oil as a raw material, the company uses almost no recycled raw material.	
	EN3	Direct energy consumption by primary energy source	●	67		8
	EN4	Indirect energy consumption by primary energy source	●	67		8
	EN5	Energy saved due to conservation and efficiency improvements	●	66		8, 9
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	65-66		8, 9
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	65-66		8, 9
Environment	EN8	Total water withdrawal by source	●	67		8
	EN9	Water sources significantly affected by withdrawal of water	●	67		8
	EN10	Percentage and total volume of water recycled and reused	○ N/AV		SK energy does not yet have a system to manage reused and recycled water at plants.	
	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	●	72		
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	●	72		
	EN13	Habitats protected or restored	●	72		
	EN14	Strategic, current actions, and future plans for managing impacts on biodiversity	●	72		
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	●	72		
	EN16	Total direct and indirect greenhouse gas emissions by weight	●	64		8
	EN17	Other relevant indirect greenhouse gas emissions by weight	○ N/AV		SK energy does not yet have a system to estimate other indirect greenhouse gas emissions from commuting, business trips and so on.	

GRI G3	Indicators	Reported	Page	Remarks	UNGC	
Environment	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	62-64		7-9
	EN19	Emission of ozone-depleting substances by weight	●	68		8
	EN20	NO, SO, and other significant air emissions by type and weight	●	67-68		8
	EN21	Total water discharge by quality and destination	●	69		8
	EN22	Total weight of waste by type and disposal method	●	70		8
	EN23	Total number and volume of significant spills	●	72		8
	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 wastes shipped internationally	●	69		8
	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	●	72		
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	73-74		7-9
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	○ N/AP		Due to characteristics of SK energy's products, its packages have little impact on the environment. We do not manage recycling ratios of packages separately.	
Labor Condition and Practices	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	72		8
	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organizations' operations, and transporting members of the workforce	○ N/AV		SK energy does not yet have a management system to check environmental effects of transportation of products and raw materials and moves of employees.	
	EN30	Total environmental protection expenditures and investments by type	●	72		7-9
	LA1	Disclosure on Management Approach about Labor Total workforce by employment type, employment contract, and region	●	38 39		
	LA2	Total number and rate of employee turnover by age group, gender, and region	●	43		6
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	●	43		
	LA4	Percentage of employees covered by collective bargaining agreements	●	44		1, 3
	LA5	Minimum notice period(s) regarding operational changes	●	44		3
	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	●	46		1
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	●	46		1

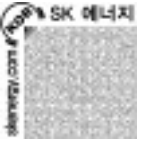
GRI CONTENT INDEX



	GRI G3	Indicators	Reported	Page	Remarks	UNGC
Labor Condition and Practices	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	●	46, 54		1
	LA9	Health and safety topics covered in formal agreements with trade unions	●	46		1
	LA10	Average hours of training per year per employee by employee category	●	41		
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	39-41		
	LA12	Percentage of employees receiving regular performance and career development reviews	●	42		
	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	●	16, 44		1, 6
	LA14	Ratio of basic salary of men to women by employee category	●	44		1, 6
		Disclosure on Management Approach about Human Rights	●	38		
Human Rights	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	○ N/AV		Among SKenergy's important investment agreements, no agreement has an clause on human right protection. The company does not have a separate procedure to review human rights when signing an agreement.	
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	●	50		
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations	●	20, 44, 45		1-6
	HR4	Total number of incidents of discrimination and actions taken	●	44		1, 2, 6
	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	●	44		1-3
	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	●	44		1, 2, 5
	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	●	44		1, 2, 4
	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	●	45		
	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	○ N/AP		The scope of this report is domestic business sites which do not have natives. So this index is not applied.	
Society		Disclosure on Management Approach about Society	●	52, 53, 55		
	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	●	54		

	GRI G3	Indicators	Reported	Page	Remarks	UNGC
Society	SO2	Percentage and total number of business units analyzed for risks related to corruption	○ N/AV		SK energy has a process on prevention of corruption and countermeasures against corruption cases. But it does not additionally analyze corruption risks by business divisions.	
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	●	20		10
	SO4	Actions taken in response to incidents of corruption	●	20		10
	SO5	Public policy positions and participation in public policy development and lobbying	●	58		1-10
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	○ N/AL		According to Korean laws, political donations under the name of a group are prohibited.	
	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	●	58		
	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	58		
			Disclosure on Management Approach about Product Liability	●	32	
Product Liability	PR1	Lifecycle 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	○ N/AV		SK energy assesses health and safety effects of products but does not assesses products for improvement.	
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle, by type of outcomes	●	71		
	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	●	71		8
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	●	71		8
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	●	33-36		
	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	●	36		
	PR7	Number of violation of regulations, standards, and voluntary programs related to marketing communication, i.e. advertising, promotion, and sponsorship	●	36		
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	36		1
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	36		

2008 MAJOR AWARDS



Month	Managing Organization	Prizes and Recognitions
2008. 3	Korea Management Association Consulting	The Korea Brand Power Index - No.1 in the Gas Station/Gas Sector - No.1 in the Engine Oil Sector
2008. 4	The Korea Industrial Technology Association (The Ministry of Education, Science and Technology)	The Award of Science and Technology Merit - The Prize of the Minister of Education, Science and Technology (For heavy oil process technology development)
2008. 5	Larger and Small Business Cooperation Foundation (Small and Medium-Sized Business Administration)	The Beautiful Companion Prize - The Prize of the Prime Minister (For joint development of hydraulic fluid)
2008. 6	The Ministry of Environment	The Award of Environment Merit - The Prize of the Minister of Environment (For DPF Commercialization)
2008. 7	The Ministry of Labor	The Grand Prize for the Excellent Operation of the Industrial Safety and Health Committee - The Prize of the Minister of Labor
2008. 9	Korea Management Association Registration and Assessments, Inc.	The Korea Green Management Excellence Awards - No.1 in the Engine Oil Sector
2008. 9	IBA (International Business Awards)	2008 Stevie Award - The Winner Prize (PR Film of Ulsan Complex))
2008. 9	The Korea Productivity Center	The National Brand Competitiveness Index - No.1 in the Gas Station Sector
2008. 10	The Korea Management Association	The Korea Customer Satisfaction Index - No.1 in the Gas Station Sector
2008. 11	The Ministry of Knowledge Economy	The National Quality Management Contest - The Presidential Prize
2008. 11	The Ministry of Public Administration and Security	Contribution to Development of Fire Defense Administration - The Prize of the Minister of Public Administration and Security
2008. 11	The Ministry of Knowledge Economy / The Korea International Trade Association	The US\$15 Billion Export Tower Prize on Trade Day
2008. 12	The National Institute of Environmental Research (The Ministry of Environment)	The Environmental Management Achievement Prize - The Prize of the Minister of Environment
2008. 12	Korea Material & Components Industry Agency (The Ministry of Knowledge Economy)	The Material and Component Technology Award - The Medal for Industry Merit (For PE-RT Development)
2008. 12	The Korea Productivity Center	The National Customer Satisfaction Index - No.1 in the Gas Station Sector

CONTACT INFORMATION

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※ You can read the PDF version of this report at our web site (www.skenergy.com).

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