




SK innovation
Sustainability Report 2012

Contents

SK Innovation

About This Report	03
CEO Message	04
Company Profile	06
Company Overview	08
Global Operation	10
Management Philosophy	12
Special Theme ❶	14

Sustainability Management

Corporate Governance	18
Business Ethics	20
Risk Management	22
Stakeholder Communication	23
Materiality Test	24

Sustainability Performance

Disclose of Management Approach	28
---------------------------------	----



Safety-Health-Environment	30
---------------------------	----

Environmental Management Practices | Addressing Climate Change | Sustainable Use of Resources | Pollutant and Waste Management | Environmental Impact of Products | Safety & Health Management | Special Theme ❷



Employee	46
----------	----

HR Development | Promoting Diversity at Work



Shareholder & Investor	52
------------------------	----

Business Strategies | Advancing into New Business Areas | New Growth Engines | Stable Energy Supply | Creation and Distribution of Economic Value | Government Grants | Shareholder Returns | 2012 Financial Statements Summary | Special Theme ❸



Local Community	64
-----------------	----

CSR Model | Operational Principles | Promoting Social Enterprises | Major Social Contribution | Special Theme ❹



Business Partners	74
-------------------	----

Mutual Growth with Business Partners | Fair Competition



Customer	77
----------	----

Working Hard for Higher Customer Satisfaction | Customer Relationship Management

APPENDIX

Third Party's Assurance Report	82
GRI G3.1 Application	84
Awards & Associations	88



About This Report

Reporting Purpose

SK Innovation's sustainability management enhances the company's corporate value and ultimately helps bring about a happier society. As a channel to share our sustainability management performance with stakeholders, this report takes an integrated approach to the company's management activities, profitability, eco-friendliness and social responsibility. We always welcome stakeholder feedback and thoughts on this report and will reflect this in future business planning to ensure a better outcome for our sustainability management endeavors as we move towards creating greater value for our customers and society.

To share our commitment with stakeholders and society, we have issued annual sustainability reports since December 2005. The latest report was published in 2012.

Reporting Scope and Period

The 2012 sustainability report covers the sustainability management practices and accomplishments of SK Innovation, SK Energy, SK Global Chemical and SK Lubricants from January through December 2012, with data/information provided in certain cases past December 2012. Quantitative data covers three-year spans of time, from 2010 to 2012, and highlights changes during given periods. Qualitative data highlights the sustainability management performance of a given period.

Report Structure

In line with the SK Management System (SKMS), the report focuses on the key sustainability issues as identified through a materiality test. These are divided into seven categories: sustainability management, SHE and five stakeholder groups (shareholders & investors, communities, partners, employees, and customers). The environmental section focuses on SK Innovation's complexes at Ulsan and Incheon, where the bulk of our production activities are undertaken and which, as a result, have the biggest environmental impact for the company. In terms of programs and systems identical to those from the previous year, all relevant details were cited from the previous report. Statements about the Group's systems and frameworks were taken from the Group's previous report as well.

Reporting Guidelines & Reliability

This report was prepared in accordance with the GRI (Global Reporting Initiative) Sustainability Reporting Guidelines (G3.1). To obtain an objective assessment for the report's credibility and in compliance with GRI Guidelines, this report was independently assured by LRQA, with the assurance report included in this report.



For more information, please refer to the 2012 Business Report and 2012 Annual Report, both of which are available through the Financial Supervisory Service's Electronic Disclosure System (<http://dart.fss.or.kr>) and the official website of SK Innovation (www.SKinnovation.com).

CEO Message

“ With an illustrious half-century behind us, SK Innovation is now setting its sights on the **next 50 years**. For us, the key to future success lies in sustainable **innovation**. ”

On behalf of everyone at SK Innovation, I'd like to convey my sincere gratitude for your ongoing support of the company.

Distinguished stakeholders,

We published this report as a means of communication with our stakeholders regarding our management activities in the triple bottom-line of economic, social and environmental areas. First, our remarkable achievements in sustainability management activities throughout 2012 should be attributed to the continued support of our stakeholders. We would now like to report the details of our sustainability management efforts and performance for the year.

Reinforcing global competitiveness through tireless innovation

Commemorating its 50th anniversary in 2012, SK Innovation declared its commitment to the next phase in order to grow into a leading global energy company. To begin with, we have focused on sharpening our competitive edge in our existing business areas, while continuing investment in new growth engines and pursuing overseas markets.

In order to strengthen our competitiveness in existing businesses, we carried out enormous facility investment at our Incheon complex, broke ground for a new PX plant at the Ulsan complex, completed a third LBO plant, and commenced construction of an LBO plant in Cartagena, Spain. In regards to overseas resource development projects, we contribute to the stable supply of crude oil to the domestic market from our 24 blocks in 16 countries and 4 LNG projects around the world. Furthermore, we are actively investing in our future through an EV battery plant in Seosan and LiBS/TAC/FCCL I/M plants in Jeungpyeong.

Meeting global standards in safety, health and environment management

A leading global company meets global standards not only in financial performance but all the triple bottom lines, especially safety, health and environment (SHE) management practices. Keenly aware of this, SK Innovation established a SHE Group under direct control of the CEO and redefined its SHE policy in 2012. At the same time, we upgraded our SHE management system and plan to revise SHE procedures applicable to individual worksites. While closely communicating with the workforce about management's dedication to safety at work, the company runs internal audit and regular check-ups in order to establish global-leading safety practices within the organization.

Furthermore, we continue to invest in eco-friendly products and renewable energy R&D activities in order to identify sustainable energy sources while protecting the environment. Most conspicuously, we have developed a pollutant-free, coal-based energy technology, Green Coal, and CO₂-based eco-friendly plastic technology GreenPol™, and are preparing for commercialization. In a bid to address climate change, we are working on a greenhouse gas energy management system and low-carbon management

system. In addition, our next-generation solar cell and non-edible plant-based bio fuel technologies will provide us with a competitive edge and leadership in the future market, where green technology will emerge as the new norm.

Reaching out to community with a caring mind

A happy society is the ultimate goal of all our business activities at SK Innovation. In fact, SK Innovation has taken the initiative in regards to social enterprises in Korea. Since the establishment of a childcare program back in 2006, we have established and supported several social enterprises, including Mezzanine I-Pack, Mezzanine Eco-1, Helping Hands and Happy Farm. SK Innovation was also the first Korean company to foster a social enterprise outside of Korea. Yachaywash, a social farming enterprise in Peru, is the only global social enterprise to be established by a Korean company.

To SK Innovation, our SME suppliers are important partners to our competitiveness. Hence, we provide various support in order to help them enhance their competitiveness. SK Global Chemical took the initiative by creating a financial aid fund for our business partners totaling KRW 34 billion. We also run several joint technology R&D projects with SME suppliers to localize key equipment and seek to file for co-patents with our business partners. This allows us to develop high value-added products and advance into global markets hand-in-hand with our partners. Above all, we maintain close communications with the local community and society so as to create a trust-based relationship with them, as befitting a socially responsible corporate citizen.

Distinguished stakeholders,

Today, a new chapter at SK Innovation is unfolding. Under the clear goal of becoming a technology-driven innovative company, we will ceaselessly pursue change and innovation to secure our future growth engines and grow into a globally competitive energy and chemical company. To ensure our stakeholders' happiness, SK Innovation will never stop listening to what you have to say and will reflect your feedback in our business activities.

On behalf of everyone at SK Innovation, I'd like to ask for your continued support as we move forward.

Vice Chairman & CEO of SK Innovation
Koo, JA - Young



Company Profile



“A promising future awaits us.”

SK Innovation has been a leader in the Korean energy industry for the past five decades. Today, we are one step closer to realizing our vision of energy independence with continued successes in our overseas resource development projects. In fact, we are now involved in resource development projects spanning 25 blocks in 16 countries and 4 LNG projects around the world. In addition, SK Innovation has secured the world's top technology leadership in the new energy industry as a result of ceaseless innovation and technology R&D investments. In fact, our world-leading technologies in EV batteries now provide these products to several global automobile makers. Furthermore, the successful development of carbon conversion & utilization technology will help mitigate global warming and produce new materials, ensuring a promising future for the company.

On top of these technology R&D efforts, SK Innovation remains steadfast in its response to social issues and does all that it can to bring about a better society for everyone.

Sales (Unit: KRW billion)	73,330.0
Operating Income (Unit: KRW billion)	1,699.3



“Engaging in new and promising markets around the world.”

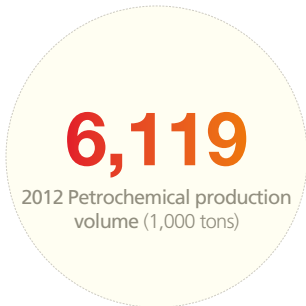
In 2011, SK Energy spun off its oil refinery business into a new subsidiary of the same company name. Since then, the new SK Energy has been expanding into global energy markets. While heightening the company's value and profitability through efficient investments, SK Energy continues to advance into technology sales businesses as it transfers its world-leading technologies to overseas oil refinery companies. In proactive response to environmental issues such as GHG emission regulations to deal with climate change, SK Energy has come up with environmental management strategies and seeks partnerships with external organizations for environmental management practices.

SK Energy will continue to contribute to a healthier society through its transparent management practices, which will create a happier society for everyone.

Sales (Unit: KRW billion)	67,214.8
Operating Income (Unit: KRW billion)	288.5



“Starting anew to become one of the world’s leading energy & chemical companies.”



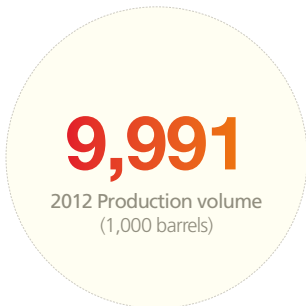
Since its foundation, SK Global Chemical has played a pivotal role in the development of the Korean petrochemical industry, providing feedstock to high-tech materials for all related industries, including automobiles, electronics, and telecommunications. Its unending facility investments and R&D efforts have helped make it a leading petrochemical company in Korea. With a commanding market position in Korea in each of its main business areas (olefins, polymers, performance rubbers, aromatics and performance chemicals), SK Global Chemical never stops working hard to meet the diverse needs of customers by actively pursuing new and highly profitable markets and developing new products. As a result of these and other efforts, the company has grown into a world leader that creates sustainable value.

As we move forward, SK Global Chemical will continue to expand its domestic market base and diversify its export markets through customer-oriented management with its high-quality products and technologies.

Sales (Unit: KRW billion)	15,642.5
Operating Income (Unit: KRW billion)	750.1



“A pioneer in the global lubricant industry”



In 1995, SK Lubricants entered prominent global markets when it became the first company in the world to commercialize a high-end lubricant base process that is based on SK UCO technology. SK Lubricants then made significant investments to establish the only integrated global network, ranging from raw material supplies and production to logistics and marketing. With its 43,500 barrels per day production capacity, the company now claims the largest share of the world’s Group III market at the moment. Additionally, it is responding to growing market demands for high-end lubricant base oils through joint venture products with major energy companies such as Spain’s Repsol, Indonesia’s Pertamina, and Japan’s JX Energy.

With the aim of becoming one of the world’s top 10 lubricant makers, SK Lubricants will continue to enter other global lubricant markets, including China, Russia, India, the Middle East, Africa and South America.

Sales (Unit: KRW billion)	3,075.2
Operating Income (Unit: KRW billion)	299.9

Company Overview



Founded in 1962, SK Innovation was Korea's first oil refiner. Determined to become a company that could ensure Korea's energy independence with world-class technologies, SK Innovation wants to bring about a healthier planet through its green technologies. Today, SK Innovation is ceaselessly increasing its expertise in existing businesses, establishing new growth engines, and becoming a true technology-driven, innovative company.

General Information _ as of Dec. 31, 2012

Name	Establishment	Locations			Business Areas
		Head Office		Plants/R&D Centers	
SK Innovation	Oct. 13, 1962	Jong-no 26, Jongno-u, Seoul, Korea (SK Building, Seorin-dong)	R&D Center Plant	Global Technology, 325, Expo-Yuseong-gu, Daejeon, Korea 379-24, Heungdeok-gu, Chungcheongbuk-do, Korea 1071, Miam-ri, Jeungpyeong-eup, Jeungpyeong-gun, Chungcheongbuk-do, Korea	Resource development, batteries, information/electronic materials, R&D
SK Energy	Jan. 1, 2011	Same as above	Plant	2, Sinyecheon-no, Nam-gu, Ulsan, Korea 415, Bongsu Ave., Seo-gu, Incheon, Korea	Petroleum products
SK Global Chemical	Jan. 1, 2011	Same as above	Plant	2, Sinyecheon-no, Nam-gu, Ulsan, Korea	Petrochemical products
SK Lubricants	Oct. 1, 2009	Same as above	Plant	2, Sinyecheon-no, Nam-gu, Ulsan, Korea	Lubricants, base oils

Financial Information (consolidated) _ as of Dec. 31, 2012

(Unit: KRW billion)

	2010	2011	2012
Total Assets	29,406	35,027	33,831
Sales	53,722	68,371	73,330
Net Income	1,149	3,176	1,182

Major Subsidiaries and Shareholders _ as of Dec. 31, 2012

Major subsidiaries _ as of Dec. 31, 2012

SK Energy	SK Global Chemical	SK Lubricants	SK Mobile Energy (SKME)	SK M&C	Happy Wings	Daehan Oil Pipeline Corporation (DOPCO)
100%	100%	100%	100%	50%	42.5%	41%

Shareholders holding more than 5 percent shares in SK Innovation

Name	No. of Shares Owned	Percentage
SK Corporation	30,883,788	33.40%
National Pension Funds	7,946,224	8.59%
Templeton Asset Management	5,938,605	6.42%

Company Overview



A Brief History of SK Innovation

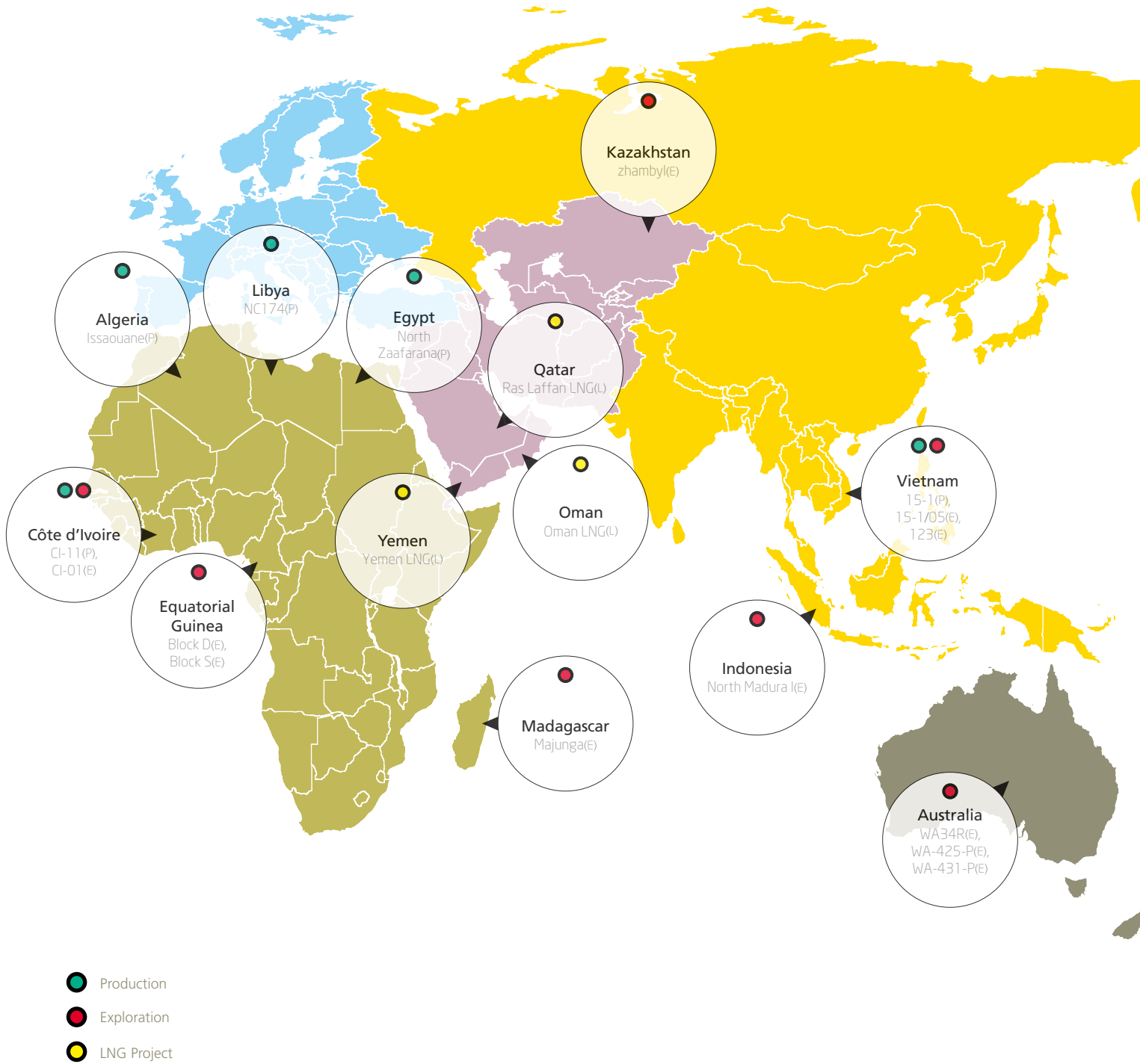
<p>1960's</p> <p>1962.10 Establishment of Korea Oil Corporation</p> <p>1963.06 Framework Agreement with Gulf</p> <p>1964.05 Completion of the Ulsan refinery plant</p> <p>1968.05 Completion of the No. 2 atmospheric distillation unit expansion</p>	<p>1987.05 Completion of a production line in Greece</p> <p>1988.01 Import of crude oil explored from Yemen's Malibu continental shelf block</p>	<p>2007.07 Launch of SK Holdings Co., Ltd. and SK Energy</p> <p>2008.09 Completion of No. 3 VGO FCC (Vacuum Gas Oil Fluidized Catalytic Cracking Unit)</p> <p>2009.10 Launch of SK Lubricants</p>
<p>1970's</p> <p>1970.05 Completion of SK's first petrochemical plant</p> <p>1972.09 Completion of an oil pipeline connecting Ulsan refinery with end users in Daegu</p> <p>1973.03 Completion of SK's naphtha cracking center</p> <p>1974.04 Opening of an oil reservoir in Seoul</p> <p>1977.03 Completion of the naphtha cracking center expansion</p>	<p>1990's</p> <p>1991.04 Completion of PO/SM production lines</p> <p>1991.06 Completion of integrated product line-up</p> <p>1994.11 Commencement of commercial crude oil production at North Zaafarana Concession in Gulf of Suez, Egypt</p> <p>1995.05 Opening of Daedeok SK R&D Center</p> <p>1995.10 Launch of the petroleum brand EnClean</p> <p>1995.10 Launch of the lubricant oil brand ZIC</p> <p>1997.10 Establishment of SK Corp.</p> <p>1999.04 Commencement of Superphalt production</p>	<p>2010's</p> <p>2010.06 Completion of the LNG plant in Peru</p> <p>2010.10 Completion of the LiBS No. 4 and 5 plants</p> <p>2011.01 Spin-off of the petroleum and chemical businesses</p> <p>2011.07 Acquired the Korean government's approval for the sale of production assets in Brazil</p> <p>2012.02 Launch of the SK Sugar Gliders women's handball</p> <p>2012.03 Completion of the No. 3 lubricant base oil plant</p> <p>2012.06 Establishment of a PX joint venture with Japan's JX NOE</p> <p>2012.07 MOU signed with Kia Motors to supply batteries for electric cars</p> <p>2012.07 Agreement on battery production joint venture with Continental</p> <p>2012.09 Completion of the SK battery plant in Seosan</p>
<p>1980's</p> <p>1980.12 SunKyung Group acquired Yukong</p> <p>1982.12 Launch of the Yokong professional soccer club</p> <p>1983.12 Trained new employees from Saudi Arabia</p> <p>1984.07 Successful development of oil field in Yemen's Marib block</p> <p>1985.11 Establishment of Ulsan R&D Institute</p> <p>1985.12 Completion of the new aromatic complex (NAC)</p>	<p>2000's</p> <p>2003.11 Commencement of oil production at Vietnam's 15-1 block</p> <p>2004.07 Launch of the SK Angels volunteer corps</p> <p>2004.09 Completion of the No. 2 lubricant base oil plant</p> <p>2004.10 Establishment of SK China Holding Co., Ltd.</p> <p>2006.03 Launch of SK Incheon Oil</p> <p>2006.04 Completion of Ulsan Grand Park</p>	

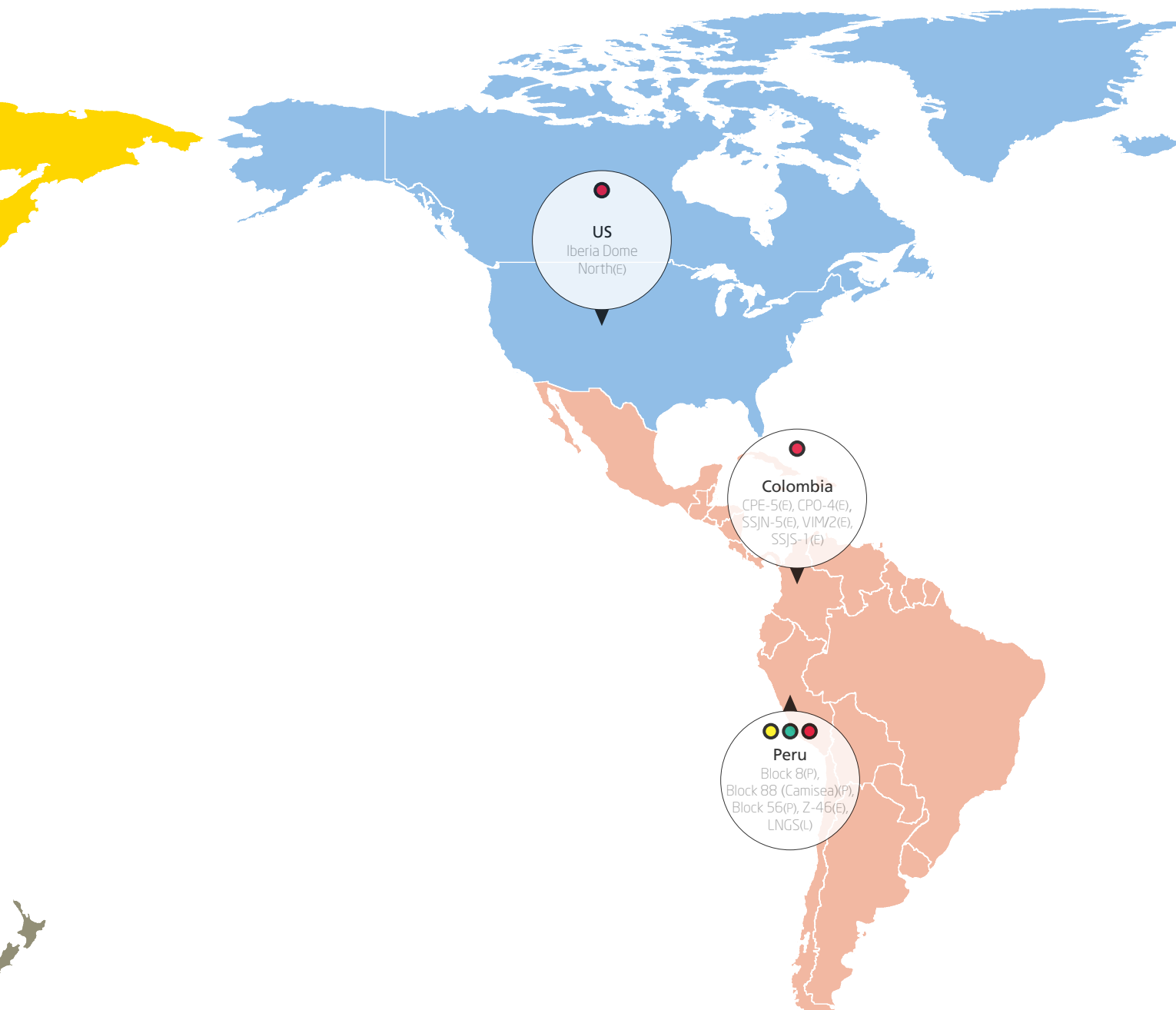
Business Plan

SK Innovation celebrated its 50th anniversary. With the aim of becoming a technology-driven global energy company, SK Innovation will continue working towards securing a competitive edge in the global market by utilizing its advanced technologies. To that end, SK Innovation is strengthening its business fundamentals, while continuing to invest in technology that ensures we develop new growth engines.

- SK Innovation** — SK Innovation is focusing on increasing its competitiveness in E&P projects and new growth engines. While heightening its exploration, development and production activities through its own E&P expert teams, the company continues to acquire new production assets and carry out bold M&As. In the new growth engine businesses of EV batteries and I/E materials, we seek sustainable growth through joint ventures and strategies partnerships as we increase production lines to further solidify our position as a technology-driven energy company.
- SK Energy** — At SK Energy the company is focusing on substantial growth through a business portfolio reshuffle and by generating profits in its global businesses. In fact, SK Energy is actively seeking strategic investments and partnerships while augmenting its trading operations and building a global network. At the same time, it has plans for a new PX plant with an annual production capacity of 1.3 million tons.
- SK Global Chemical** — SK Global Chemical will continue diversifying its markets by solidifying its network in China and advancing into Southeast Asia. In addition, the company is discovering new market options through continued R&D to commercialize its Nexlene™ technology and breaking ground on its commercial plant. It is also planning to build a new PX plant with an annual capacity of 1 million tons in Ulsan as a joint venture with JX Energy.
- SK Lubricants** — SK Lubricants is working hard to cement its global market leadership in the high-end lubricants and base oils market. In 2012, the company focused on stabilizing operations at its third LBO plant, a joint venture with JX Energy. While pursuing emerging markets in China and Russia, it is also collaborating with Spain's Repsol in a joint venture targeting European markets. As it moves forward, SK Lubricants will continue to secure new growth engines and strengthen its global marketing platform, laying the foundation for future growth in global markets.

Global Operation





2012 E&P Blocks held by SK Innovation _ as of Dec. 31, 2012

	No. of Countries	No. of Blocks
Production Blocks	6	8
Exploration Blocks	10	17
LNG Projects	4	4 projects

Management Philosophy



SKMS (SK Management System)

SK Innovation created SKMS (SK Management System) as a means by which to ensure continuous stability and growth while pursuing stakeholders' happiness. SKMS is a systematic management system that is based on advanced management plans and an advanced corporate culture. Instrumental in devising the best solutions and maximizing operational efficiency, it has allowed the company to establish a self-regulatory and autonomous decision-making process. SKMS consists of a Management Philosophy, Management Implementation Principles, and Business Management Factors. Through this system, SK Innovation is on its way to becoming one of the world's leading companies and contributing to the happiness of people everywhere.

* SUPEX
SUPEX refers to Super Excellence, the highest performance level attainable.



Sustainability Management through SKMS

To improve the ability of employees at SK Innovation to practice and to provide the specific guidelines in pursuit of SUPEX, SKMS has come up with three key management roles: SUPEX Goals/Business Plans, Roles of Employees and Leaders, and Creating a SUPEX-oriented Environment. In addition, the company provides training programs and workshops in order to share its SKMS-based management philosophy and principles,

Management Philosophy



increase confidence in the company among employees, and play a leading role in cultural innovation. Moreover, the company provides training programs and workshops, while also proposing specific criteria and methods for carrying out business activities effectively and efficiently, especially those needed to establish a SUPEX-oriented environment, by defining business management factors. Lastly, the company has classified work protocols and autonomous drives for employees into static and dynamic factors, assisting employees in their implementation of SKMS. Indeed, SKMS is laying the foundation for the company's sustainable development and pursuit of stakeholder happiness.

Stakeholder Happiness

SK Innovation considers stakeholder happiness a top priority. This is encapsulated in the company's business philosophy, which says a company should move forward by sustaining growth and stability, playing a pivotal role in social and economic development by creating better value for customers, employees, and shareholders, and ultimately contributing to everybody's happiness. SK Innovation wants to bring about a happier society for all, one in which the roles and relationship of the company and its stakeholders stay balanced and grow in a sustainable manner. To achieve its goals, SK Innovation is dedicated to pursuing SUPEX through human-oriented management. SK Innovation is poised to remain a company that is both loved and respected by helping bring about a healthy society for everyone.

Creativity, Positive Thinking & an Enterprising Spirit

Organizational activation is about building a dynamic and communicative corporate culture. At SK Innovation, we believe that creative ideas, positive thinking and an enterprising spirit are the key factors in creating a dynamic corporate culture. As a result, the company is constantly revamping its systems and frameworks to promote these three values company-wide. We began by eliminating unproductive practices in the workplace, such as needless overtime, excessive paperwork, unnecessary reporting and unproductive meetings. Since then we have adopted more flexible work hours and increased people's amount of summer vacation to two weeks. In addition, we took all the partitions and replaced them with artificial grass on the floor to improve the working environment, as the partitions had been a barrier to effective communication inside the office. Furthermore, we provide lectures on the humanities to help our employees have constant access to new and innovative ideas. In 2012, SK Innovation had the honor of being awarded a highly prestigious Presidential Commendation by the Ministry of Gender Equality & Family (MOGEF). Organized by MOGEF, the ministry's awards ceremony was established to single out family-friendly companies. Specifically, SK Innovation was the first Korean oil refiner to adopt a flexible work hour program and its family-friendly programs provide financial support for employee weddings, childbirth and childcare. All of these measures have earned high employee satisfaction scores. In fact, SK Innovation has also introduced a new Smart Work system for the effective management of these family-friendly programs. In the future, we will continue to expand our programs in promotion of greater creativity, positive thinking and an enterprising spirit among our employees as we reinforce core competencies and develop new growth engines through technology innovation.

Celebrating 50th anniversary

'Emerging as a global total energy & chemical company'

SK innovation

SK energy

SK global chemical

SK lubricants



A turning point in our ceaseless innovation drive

In 2012, SK Innovation celebrated its 50th anniversary. Since being established as Korea Oil Energy in Ulsan on October 13, 1962, SK Innovation has been the driving force of Korea's refinery and petrochemical industry, achieving remarkable development in industry and energy supply over that time. Born from a strong commitment to economic independence and modernization, SK Innovation has grown into Korea's top energy company and now plays a key role in Korea's economic development. Throughout the years, everyone at SK Innovation has worked hard to propel the company further and higher. Even with a tremendous sense of pride in our past accomplishments as Korea's leading energy provider, SK Innovation is determined to move to the next stage of its development and become an energy powerhouse in future energy sources and oil development projects.



A technology-driven, innovative company

SK Innovation will not relent in its efforts to attain our goal of becoming a global top-tier technology-driven and innovative company by 2020. To that end, we are strengthening our expertise and competitiveness in oil development projects and seeking new business opportunities in with productive mining blocks. During this time, we will continue with our technology R&D efforts and hone our business competencies so that we can lay the foundation to move on to other global markets. In addition, we will develop new growth engines with a focus on batteries, eco-friendly energy and high-tech new material R&D activities. We will also promote an enterprising spirit, and creative and positive thinking within the organization to reinforce our competitiveness as a leading global company. While respecting the independence of all four affiliates, we will continue to build shared value among them all.

Becoming one of the world's leading energy exporters

Upholding founding Chairman Jong-hyun Choi's belief that Korea can become an oil producer without any of its own oil fields, SK Innovation has made substantial investments in overseas oil field development projects. Although this seemed like nothing but a dream at one time, SK saw tangible results from an overseas oil field development project in the Marib block of Yemen's Alif #1 oil well in July 1984. What some once considered a pipe dream ended up producing more than was ever expected in just five short months. Given the size and profitability of the project, it was Korea's historic first success at an overseas oil field development project. With more than 1 billion barrels of oil reserves, this project was one of the world's three largest oil fields on record back in the 1980s. Later, in the early 2000s, SK Innovation turned its attention from a Red Ocean approach in domestic markets to a Blue Ocean one overseas. Still, SK Innovation was determined to move past its prior successes as Korea's top energy producer and continue to expand its overseas projects. Part of this was accomplished by increasing our export of petroleum products from fewer than 10 countries to more than 30 countries by late 2000, diversifying target markets from Asian countries to those in the Americas, Europe and Australia. As the company with Korea's largest oil refinery capability, SK Innovation is now growing its business into other energy sources and petrochemical businesses. Today, we are active in several overseas resource development projects, but we are proud to play a pivotal role in Korea's national vision of rising from a resource-scarce country to an oil exporter with our world-class technologies.



Technology that makes the impossible possible

Despite getting a late start in the electric vehicle batteries business, SK Innovation soon caught up with other industry leaders in 2009 when it was selected by Daimler Group's Mitsubishi-Fuso as the battery supplier for its hybrid truck project. Later, SK Innovation supplied batteries for Korea's

first high-speed EV cars, Hyundai's BlueOn and Kia's Ray. In July 2012, we signed an agreement with one of the world's leading auto components makers, Continental, for the joint development of EV batteries. Presently, SK Innovation has proprietary technologies spanning the entire process of making EV batteries, including electrode and separator manufacturing and cell and packaging technologies, which are highly valued for their energy and output functionalities. Furthermore, the I/E materials business is now playing an important role for the company, as are EV batteries, as we move forward in our drive to become a tech-driven energy company. At the same time, we are developing in-house technologies for lithium-ion battery separators (LiBS), tri-acetyl cellulose (TAC) and flexible copper clad laminate (FCCL). This is helping SK Innovation acquire an advantageous position in the emerging green energy era with its substantial investments in green energy technology R&D. Most notably, we are now developing green coal technology that turns low-rank coal into a clean energy source and are on the cusp of commercializing GreenPol™, a CO₂-based eco-friendly plastic. As a result, our high-tech materials, which include LiBS, TAC and FCCL, and high-performance polymers such as Nexlene, as well as green technologies such as GreenPol™ and green coal, are making the company's goal of developing future energy sources a reality.

Transparent management & happy, ethical workplaces

In January 2004, SK Innovation publicized its corporate restructuring plan, reiterating its commitment to transparency and business ethics in its operation of its board of directors. As part of this effort, we established a Transparent Management Committee that supervises company-wide business ethics practices, while also setting up a company-wide system of upholding ethics codes. In recognition of these efforts at SK Innovation to improve its corporate governance, AsiaMoney named SK Innovation Asia's top company in its corporate governance ratings in February 2005. Our commitment to transparent management was also singled out when we were the recipient of the Grand Prize at the Korea Transparent Management Awards in 2011. Through the company's happiness-based management philosophy, SK Innovation is pursuing a happier workplace for its employees and a happier society for its customers, shareholders and communities. Our key corporate values—an enterprising spirit, creative and positive thinking—are the basic principles that we believe can realize a happy workplace for all employees. This belief was recognized when SK Innovation received the Grand Prize at the Ministry of Gender Equality's Family-Friendly Companies Awards in 2012 for its commitment to a healthy work-life balance. As we move forward, we will continue to work hard and ensure a happier society for all, while sustaining growth for the company.



Sustainability Management

SK Innovation practices sustainability management as part of its commitment to the sustainable development of society and the environment as well as the company itself. In fact, our unique management system, SKMS, was developed specifically for the sustainable growth of the company and higher value for our stakeholders. Coupled with our corporate culture—which puts a priority on an enterprising spirit, creative and positive thinking—SKMS ensures more transparency in our business management, contributing to our ultimate goal of higher value for our stakeholders.

Corporate Governance	18
Business Ethics	20
Risk Management	22
Stakeholder Communication	23
Materiality Test	24

Corporate Governance



Board of Directors

Composition

As of March 2013, SK Innovation's Board of Directors had 9 members: 2 internal directors, 1 non-executive director, and 6 external directors. The BOD's percentage of external directors is the highest (67%) of all private Korean companies. Thus, decisions made exclusively by external directors can actually bring a conclusion to any major management-related agenda item, including relieving directors of their duties, making amendments to the Articles of Incorporation, integration, and/or spinning off subsidiaries and affiliated entities. This allows the external directors to provide a check on management. External directors also hold their own meetings to ensure the independent operation of the BOD and encourage open and honest communication.

Appointment and Independence of Directors

SK Innovation has an objective and fair process in place for appointing internal and external directors which it continues to comply with to this day. Candidates for internal directors are selected through a review of their credentials and qualifications by the Human Resources Committee before they are nominated at a shareholders' meeting. The Nomination Committee proposes candidates for external director positions after consulting with the Advisory Panel for External Director Nomination and ultimately decides on the candidates to be nominated at the general shareholders' meeting (GSM). To ensure the independence of external directors, those who are relatives of the largest shareholders or who have worked at the company within the last two years are not allowed to be considered for nomination. The company also incorporates additional considerations into the evaluation criteria, such as expertise, commitment, business mind-set, independence, social reputation, and personal image. The BOD runs 6 sub-committees: an Audit Committee, Nomination Committee, Strategic Planning Committee, Human Resources (HR) Committee, Transparent Management Committee and Corporate Social Responsibility (CSR) Committee. The chairs of each committee are appointed from among the external directors to guarantee the independence and transparency of the committees. The CSR Committee, for example, is responsible for discussing the company's CSR activities and sustainability management at BOD meetings and helping enhance the ability to conduct sustainability activities at the company level.

BOD Members _ as of Oct. 2013

Category	Name	Gender	Current Position	Duties
Internal Directors	Chey, Tae Won	Male	Chairman & CEO of SK Holdings and SK Innovation	
	Kim, Chang Geun	Male	Chairman of the SK SUPEX Commission, Chairman of SK Innovation	Chairman of the Board, HR Committee
	Koo, Ja Young	Male	Vice Chairman & CEO of SK Innovation	Strategic Planning Committee, Non-executive director
External Directors	Lee, Jae Hwan	Male	CEO of Dongguk Holdings Inc.	Audit Committee, Strategic Planning Committee (chairman)
	Choi, Myung Hae	Male	Advisor at Kim & Chang Law Firm	Transparent Management Committee (chairman)
	Kim, Young Ju	Male	Advisor at Shin & Kim Law Firm	Strategic Planning Committee, HR Committee, CSR Committee (chairman)
	Shin, Un	Male	Senior Advisor & Head of Pakistan Delegation of KSP Consultation	Nomination Committee, Transparent Management Committee, CSR Committee
	Lee, Hoon Kyu	Male	Advisor at The One Law Firm	HR Committee (chairman), Transparent Management Committee
	Choe, Hyuk	Male	Professor of Business Administration at Seoul National University	Audit Committee (chief auditor), Nomination Committee, CSR Committee

Evaluation and Compensation for Directors

The Board of Directors conducts an annual performance evaluation in the categories of BOD activities, operations, and activity support. The evaluation results are reported back to the BOD and presented in annual reports. Additionally, the Human Resources Committee reviews the limits of compensation appropriate for each director's performance. The Stock Option Plan is applied pursuant to Article 10 of the Articles of Incorporation, with no director receiving any stock options in 2012.

Preventing conflicts of interest within the BOD

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

BOD Roles & Responsibilities

A Proactive BOD

SK Innovation's BOD prudently makes informed decisions based on the expertise of its members, who follow procedural protocol in a transparent and objective manner to protect and enhance value for all SK Innovation stakeholders, including customers, employees, and shareholders. The basic functions of SK Innovation's BOD include making strategic decisions, providing advice, and supervising the company's business issues at hand. The BOD also works hard to respond to today's rapidly changing business environment and in fulfilling its responsibilities for higher corporate value.

Communication with Stakeholders

SK Innovation's BOD listens to its stakeholders by encouraging two-way communication with them. To accomplish this, the BOD runs a variety of communication channels. On the company's official website, the BOD discloses its activities in detail, listens to stakeholder opinions, and allows employees to share their opinions through its BOD News function on the company's intranet. Furthermore, the BOD maintains other direct channels, such as lectures on external directors' specialty areas and firsthand visits to plants. It is also important to note that the BOD is consulted with immediately in cases where any social or environmental issue may have a potentially significant impact on our business activities. In order to help our directors become well-versed in the company's management system as well as to raise the morale of employees at all our worksites in 2012, the company sent BOD members on a tour of SK Tower (SK China) in Beijing, Seosan battery plant, and Jungpyung I/E material production lines. BOD members also participated in corporate events such as the 50th anniversary celebration ceremony and in other volunteer activities meant to strengthen solidarity within the organization.

2012 Key Activities

BOD & Subcommittee Activities in 2012

Committee	No. of meetings	No. of agenda items	Description
BOD	13	53	
Audit Committee	6	13	Reviewing audit results and planning, auditing account settlements and reviewing internal auditors' review results
Nomination Committee	2	3	Appointing the committee chair, recommending candidates for external director positions
Strategic Planning Committee	4	4	Short-term business planning, contributing to joint venture for battery packs
HR Committee	3	4	Nominating internal director candidates, managing executive liability insurance, setting directors' compensation limits
Transparent Management Committee	9	13	Managing the Fair Trade Compliance Program performance, setting limits on arms-length transactions, subcontracting the LiBS plant expansion construction
CSR Committee	1	3	CSR strategy-building, publishing sustainability reports
Committee Subtotal	25	40	
Total	38	93	

BOD Activities

No. of BOD meetings		13
No. of agenda items		53
Participation rate (%)		94

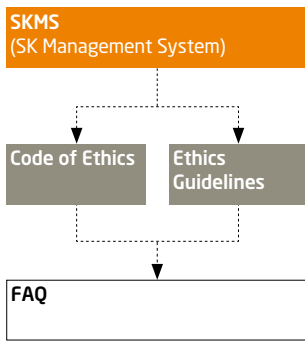
Business Ethics



At SK Innovation, business ethics practices are more than just guidelines for anti-corruption and business innovation. Under the SKMS philosophy—contributing to society’s greater happiness by creating higher value for stakeholders—SK Innovation’s business ethics are securing the company’s global competitiveness and helping it fulfill its corporate social responsibility. For instance, we carry out ethics training for employees, operate an ethics infrastructure, and promote business ethics with our business partners. In support of the free market system, SK Innovation practices transparent and efficient management under a free and fair competition principle so it can maintain sustainable growth as it contributes to the development of Korea’s economy.

※ To ensure every employee conducts all business activities fairly and transparently, the company has instituted a Code of Ethics and an Ethics Guidelines, both of which provide detailed ethical decision-making standards. (Provisions are listed on our website at <http://ethics.skinnovation.com>.)

Code of Ethics Structure



Code of Ethics

Basic
Ethics for
Employees

As proud SK employees, we will perform our tasks diligently with the understanding that we are the face of the company.

- We will undertake our tasks in a fair and transparent manner by separating official and private affairs.
- We will foster a corporate culture where SK Innovation employees highly respect one another.

Attitude
towards
Customers

We will strive to gain the utmost trust of all customers by ensuring consistent customer satisfaction as we remain a corporate entity whose progress goes hand in hand with theirs.

- We will make every effort to provide our customers with the products and services they need.
- We will respect the different opinions of our customers, and have these reflected in our business management activities.
- We will protect our customers’ assets and information according to all relevant laws/regulations and bylaws.

Responsibility
towards
Shareholders

We will constantly work at improving our corporate value and shareholder value, while enhancing the level of our transparency and management efficiency.

- We will maximize our corporate value through efficient management made possible by the continual pursuit of innovation and share the results of our success with our shareholders.
- We will practice BOD-based transparent management, and respect reasonable requests and suggestions from our shareholders.
- Business documents will be prepared in accordance with all relevant regulations and standards. We will also protect shareholders’ interests, with all relevant information being disclosed according to existing laws/regulations.

Relationship
with our
Business
Partners

We will pursue mutual prosperity with our business partners, and compete fairly with rival companies.

- We will provide fair business opportunities to our business partners and will not take advantage of our dominant position. We will promote the welfare and growth of both parties.
- Competition with rival companies will be based on mutual respect.

Our Role
in the
Community

We will make every effort to contribute to the welfare of the community by engaging in social/cultural activities in addition to facilitating economic prosperity, observing social norms and ethical standards at every step as we undertake our management activities.

- We aim to contribute to the welfare of society through the pursuit of disaster-free and eco-friendly management.
- We will endeavor to make society a happier place for everybody by actively participating in social contribution programs.
- We will comply with all local laws and regulations in each community and country in which we work, and respect the traditions and cultures of those communities and countries.

Business Ethics



Employee Ethics Training

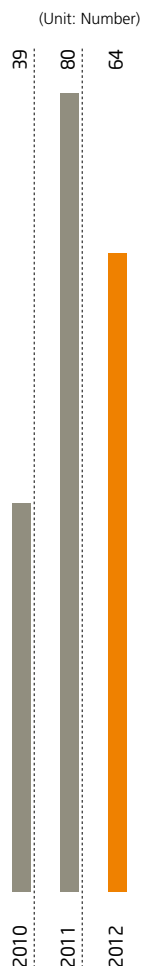
For employees to voluntarily raise their awareness of business ethics and practice ethical management, SK Innovation provides online and in-class training for all its workers. In 2012, 1,194 employees from all business divisions, including the R&D division, received a total of 1,791 hours of in-house training.

Employee Ethics Training Performance

		2012
No. of Trainees	Business Divisions	492
	R&D	702
Training Session Hours	Business Divisions	738
	R&D	1,053

※ A separate ethics training session is scheduled later in 2013 for staff working at production lines and logistics centers.

Consulting and Reporting through Business Ethics Infrastructure



Business Ethics Infrastructure

	Details
Business Ethics Pledge	Executives, team leaders and employees who have taken the ethics training pledge to comply with the Code of Ethics and Guidelines.
Unethical Behavior Reporting/Reward Program (up to KR₩ 20 million provided)	For stakeholders—including employees, customers, shareholders, and partners—to directly consult or on report ethical issues, channels like the Ethics Counseling Office (phone, fax, e-mail) and the Ethics Website (http://ethics.skinnovation.com) are available. When ethical issues are reported in their nascent stages they can be prevented, with a reporter's personal information and report content being kept strictly confidential. <ul style="list-style-type: none"> • In 2012, 64 cases of whistleblowing, consulting, and complaints were received and handled through reporting & consulting channels. • If any employee violates the Code of Ethics, such unethical behavior is subject to punishment. In 2012, four violations were subject to disciplinary action.
Prohibition of Receiving Gifts on National Holidays	<ul style="list-style-type: none"> • The company sent official letters to business partners and other external stakeholders, explaining the company's strict policy of not receiving gifts on any holiday. • Any gifts sent to an SK Innovation employee will be immediately returned to the sender. When it is impossible to track the sender, the gift(s) will be given away as a donation or auctioned off within the company, with all proceeds being donated to social causes.

Promoting Business Ethics Practices with Business Partners

SK Innovation highly values fair and transparent transactions when doing business with its partners. After signing a Fair Trade Agreement, the company's business partners become actively involved in practicing business ethics based on mutual trust. If a partner is found to be involved in illegal or corrupt activity, it will be subject to sanctions according to SK Innovation's bylaws. In 2012, there were no violations or corrupt activities discovered among our business partners.

In upholding the free competition and fair and transparent management practices that contribute to the sustainable growth of our company and the development of Korea's economy, SK Innovation has been part of a fair trade compliance program since 1996.

Risk Management



Dependence on Foreign Sources of Crude Oil

Most Korean petroleum production companies are entirely dependent on importing crude oil, which constitutes a significant feedstock for all oil-related products. Both the supply and price of imported crude oil are determined by numerous factors. As most imported oil comes from Kuwait, Saudi Arabia and other Middle Eastern countries, prices are greatly affected by political developments in the region, as well as by actions carried out by OPEC and other petroleum-producing countries in setting and maintaining output levels. Other contributing factors include the availability of alternative energy sources, such as LNG, coal, nuclear power and hydroelectric power; domestic and foreign regulations on energy; political circumstances in countries where a particular company is developing natural resources; global weather conditions; the economic growth rate in China; and, in Korea's case, the country's economy. Nevertheless, SK Innovation's capability to secure crude oil is relatively stable because we import most of our crude oil based on long-term contracts with a variety of oil providers, and only a small portion through the spot market.

Crude Oil Market Price Fluctuation Risks

A company's financial performance can be significantly affected by the market price of crude oil. SK Innovation takes a number of measures to minimize such risks, but numerous global factors, whether economic, regulatory or political, as well as weather conditions, can alter market prices. Another risk is posed by the difference in price between the time the product is shipped and the time it arrives in Korea.

Foreign Exchange Rate Fluctuation Risks

Unanticipated foreign exchange rate fluctuations can adversely affect a company's sales volume, product prices and costs, exposing a company to economic, trading and translation risks. Since exchange rates have a significant impact on oil imports and sales, they are considered critical risk factors. With an import-dependent structure, a business is exposed to foreign exchange liabilities in foreign currencies. To reduce the risk from such fluctuations, SK Innovation uses derivative products such as future exchanges and currency swaps to hedge against exchange rate risks from operating and other income based on VaR (Value-at-Risk) under foreign currency management rules. The Treasury Team at SK Innovation keeps track of all profits or losses to do with foreign exchange transactions, and maintains a derivatives portfolio and hedge plans, all of which it then reports on to top management regularly.

Concentrated Facility Operations Risks

Refining, transporting and storing crude oil, refined petroleum products and petrochemical products involves many significant hazards, including fires, explosions, spills and other unexpected accidents. Any interruption to operations as a result of an accident or any other unexpected problem adversely affects a company. At SK Innovation, we carry insurance in amounts recommended by overseas rating agencies to cover any damages that might occur at both of our complexes. The insurance coverage is deemed sufficient to restore all facilities in the event of an unforeseen accident and to compensate immediate monetary losses.

Risks Arising from Restricted Environmental Regulations

SK Innovation abides by all federal and local environmental laws and regulations. However, we go even further when complying with related laws and regulations, including those governing pollutant emissions, fuel quality, and the handling, use, storage, transportation and disposal of petroleum-based products. SK Innovation is also in full accordance with all applicable laws and regulations regarding the discharge of oil, gas and other pollutants into the air, soil and/or water. As governmental and non-governmental groups continue to require stricter environmental regulations in the future, additional capital expenditures or operating expenses will be needed, which will ultimately affect our overall business performance.

Stakeholder Communication

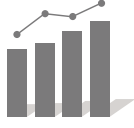




Interactive Communication

SK Innovation considers stakeholder communication the most fundamental element in pursuing stakeholder happiness. The company recognizes the importance of two-way communication and continues to make a variety of attempts to enhance communication. On top of exchanging opinions, SK Innovation also does its best to collect stakeholder opinions and incorporate them into the company's decision-making process and business activities.

Communication Channels

After SK Innovation selects key stakeholders, such as shareholders, customers, employees, partners, and communities who have a big impact on business, it collects their opinions through the most suitable channel(s) for each particular stakeholder group. The following are the key channels and activities that were utilized in 2012.

Communication Activities by Stakeholder Group

		Communication Channels	2012 Key Activities
Shareholders		<ul style="list-style-type: none"> Shareholders' meetings, quarterly results briefings, national/international NDRs (Non-Deal Roadshows), national/international conferences, one-on-one meetings, e-mail/phone services, disclosures, reports 	<ul style="list-style-type: none"> Quarterly results briefings (4 times), international NDRs (Non-Deal Roadshows) (1 time), national/international conferences (6 times), national/international investor relations meetings (over 200 times), conference calls, e-mail/phone services
Customers		<ul style="list-style-type: none"> Customer Happiness Center (call center service), websites for different products/services, customer satisfaction surveys 	<ul style="list-style-type: none"> Customer satisfaction surveys, handling customer service and information through the Customer Happiness Center
Employees		<ul style="list-style-type: none"> M2M board, V board, intranet (Open Square, TOK Voice, tong tong), Ethics Counseling Center, SKMS counseling 	<ul style="list-style-type: none"> Continued operation of M2M board, V board, intranet (Open Square, TOK Voice, tong tong), Ethics Counseling Center, SKMS counseling through online surveys and personal meetings
Partners		<ul style="list-style-type: none"> Meetings with partners by invitation, partner CEO seminars, field councils with plant partners 	<ul style="list-style-type: none"> Continuous partnership efforts, including close communication through a variety of channels (by region, by business), joint overseas expansion with repair companies, joint projects with partners
Communities		<ul style="list-style-type: none"> Meetings with local organizations, attending local councils in neighboring areas and patrol division safety councils, attending steering committees at neighboring schools 	<ul style="list-style-type: none"> Communicating with major organizations and residents in Ulsan, attending as advisors to local councils in Incheon, supporting residents' businesses through MECENA sisterhood ties

Materiality Test



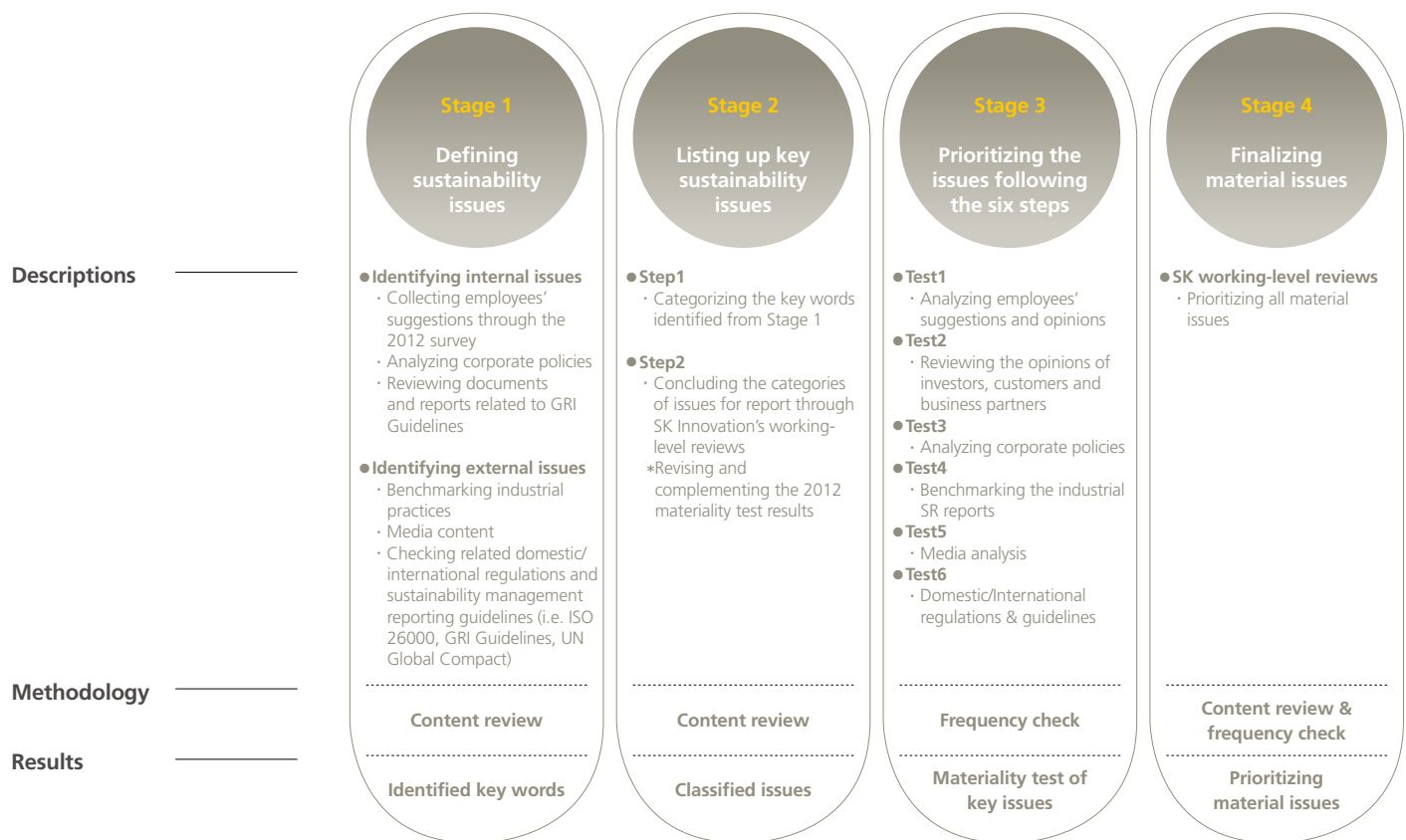
Test Purpose

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

Test Process

In 2012, SK Innovation's materiality assessment identified stakeholder concerns through media analysis, domestic and international industry benchmarking, international standards, and various reports issued inside and outside the company throughout the year. SK Innovation then determined the level of impact these issues have on our business by analyzing the company's management philosophy and business plans. The results were classified into eight categories of social responsibility, and further segmented into 108 detailed issues under 33 categorized issues.

Assessment Process



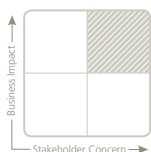
Test Results

To conduct the 2012 materiality assessment, SK Innovation created a materiality matrix based on level of stakeholder concern and business impact, then formed a task force for the preparation of this report. We sorted through these issues and split them into seven groups: sustainability management, SHE and five stakeholder groups (shareholders & investors, communities, business partners, employees and customers). In this report, the key issue of stakeholder engagement and corporate culture is included in the Sustainability Management section, with separate pages earmarked for the remaining six material issues. Each of the sections, by stakeholder group, presents its own top priority issues for in-depth discussion. Although business performance and new growth engines were not at the top of the priority list of material issues, we included information about them on the material issue pages based on advice stemming from the 2012 SR TFT.

Materiality Test









Throughout the report, you'll see our corporate identity, Wings of Happiness, on the upper right side of the titles. We used this design motif when highlighting an issue of high interest to stakeholders and one which has a high impact on our business.



Top priority issues refer to those of high stakeholder concern and business impact placed on the upper left side of the matrix

Top Priority Issues by Stakeholder Groups and TBL

Category	Issues	Description
Sustainability Management	Stakeholder engagement	Stakeholder communication
	Corporate governance	Corporate governance information
 Safety·Health·Environment	Environmental management (carbon management)	Environmental management strategy & policy, environmental management system, responses to environmental policies and regulations
	Mitigating climate change	Reduction of carbon emissions, strategies to address climate change
	Sustainable use of resources	New and renewable energy use, energy efficiency and conservation
 Employees	Employee safety & health	Employee safety & health
	Training & education	Job training (enhancing global competencies)
	Labor-management relations	Cooperative labor-management relations
 Shareholders	Working conditions	Fair opportunities, evaluations and compensation
	Business performances	Business strategies, new businesses, new growth engines
	Stable energy supply	Strengthening the supply network and production management, increasing overseas resource development
 Communities	Social contribution	Social contribution (including social enterprises)
 Partners	SSCM	Win-win management with business partners (mutual growth)
	Fair competition	Fair competition
 Customers	Communicating with consumers	Customer satisfaction, customer relationship management (CRM)

Compared to the same test run in 2011, the 2012 materiality test results showed that fair competition, sustainable use of resources, employee training, and working conditions had become new material sustainability issues.

2012 Materiality Test Top Priority Issues

Rank	2012 Top Priority Issues	Change	Stakeholders
1	Stakeholder engagement	–	All
2	SSCM	–	Partners
3	Employee safety & health	▲2	Employees
4	Environmental management (carbon management)	▲5	Environment
5	Corporate governance	▲5	All
6	Mitigating climate change	▼3	Environment
7	Labor-management relationship	▲5	Employees
8	Fair competition	NEW	Partners
9	Communicating with consumers	▼2	Customers
10	Social contribution	▲1	Communities
11	Sustainable use of resources	NEW	Environment
12	Training and education	NEW	Employees
13	Working conditions	NEW	Employees
14	Stable supply of energy	▼6	Shareholders

Sustainability Performance

SK Innovation engages in a number of sustainability management activities. With respect to our sustainability management activities in 2012, this section specifically focuses on issues related with safety, health and environment. We conducted a materiality test to learn which issues were of highest interest to our stakeholders and then answered their questions in this report. SK Innovation will continue to maintain interactive communication with its stakeholders in the future.

	Disclose of Management Approach	28
	Safety-Health-Environment	30
	Employee	46
	Shareholder & Investor	52
	Local Community	64
	Business Partners	74
	Customer	77



Disclose of Management Approach

Environment

SK Innovation revamped its SHE policy and upgraded the SHE management system in a bid to raise the safety awareness of its entire workforce, from top to the bottom. We are minimizing our environmental impact by reducing our greenhouse gas emissions and pollutants, and by efficiently using natural resources, while ensuring our competitiveness in the green energy industry through new and renewable energy source R&D activities.

Material Issues

Environmental management
(carbon management)

Mitigating climate change

Sustainable use of resources

Safety & Health

Major Achievements

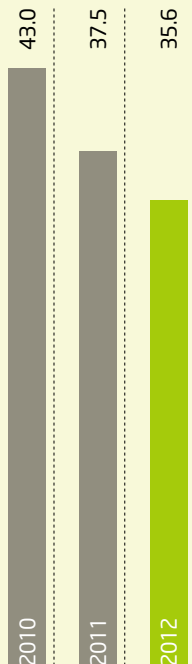
Greenhouse Gas Emissions

(Unit: 1,000 tCO₂)

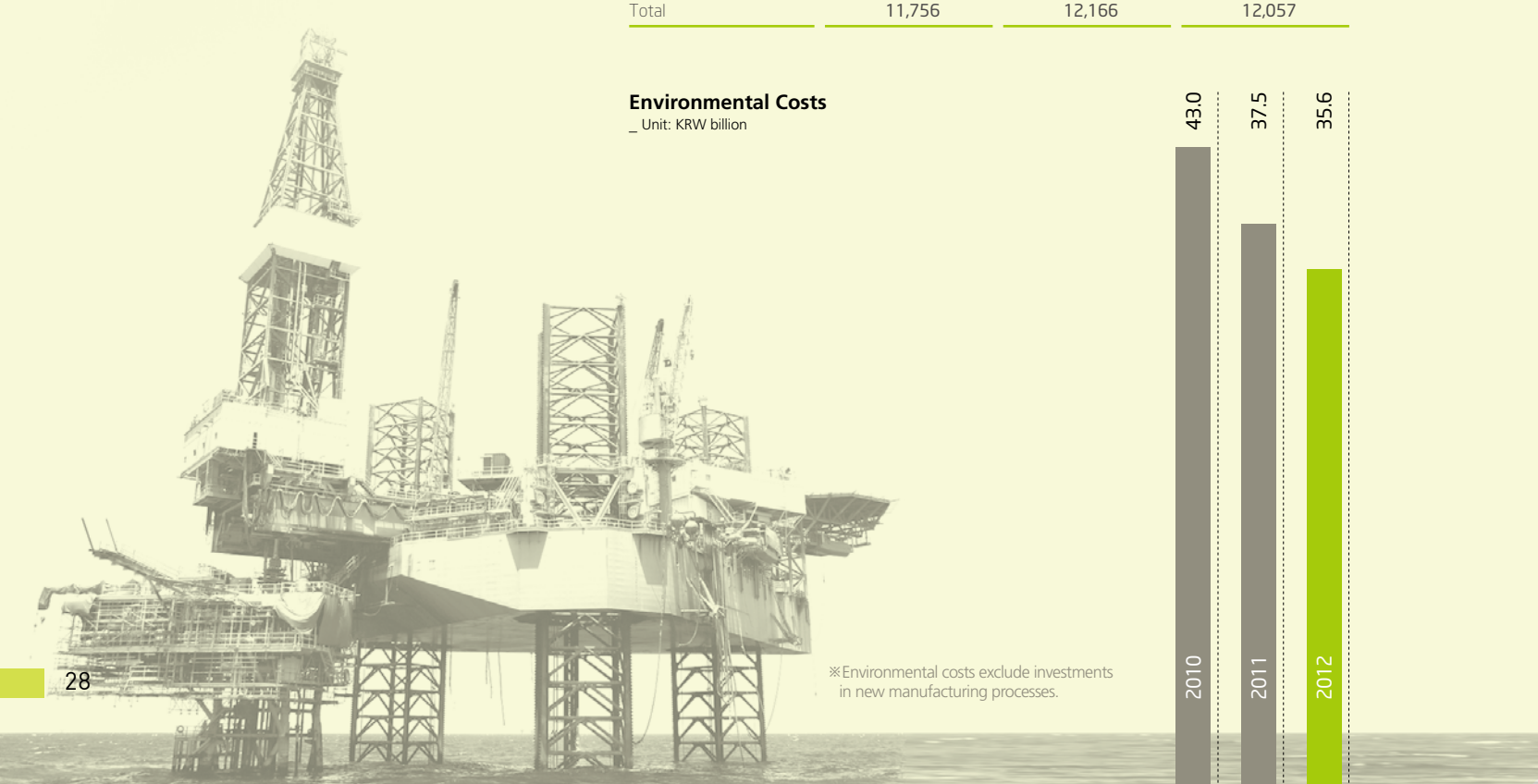
	2010	2011	2012
Direct	9,313	9,661	9,324
Indirect	2,443	2,505	2,733
Total	11,756	12,166	12,057

Environmental Costs

_ Unit: KRW billion



※Environmental costs exclude investments in new manufacturing processes.





Economy

Celebrating our 50th anniversary in 2012, SK Innovation took its first step towards becoming a technology-driven, innovative company so that we can continue growing over the next 50 years. We will continue to solidify our global competitiveness and growth platform through continuous investments in our existing E&P businesses and new businesses, while aggressively pursuing global markets through our subsidiaries in petroleum, petrochemicals and lubricants.

Material Issues

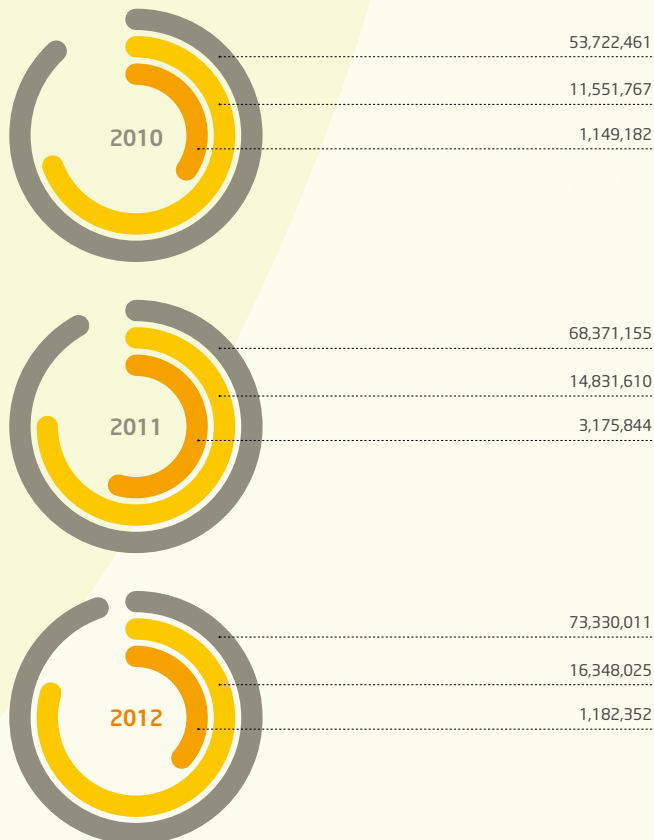
Business strategies

New businesses

New growth engines

Major Achievements

Economic Performances ■ Sales ■ Total Shareholders' Equity ■ Net Income
_ Unit: KRW million



Society

SK Innovation continues to grow through ceaseless innovation and changes, while communicating closely with stakeholders and remaining connected to local communities. As a responsible corporate citizen, we want to ensure a happier society and not simply focus on short-sighted corporate profits.

Material Issues

Social contribution (social enterprises)

Mutual growth with SMEs

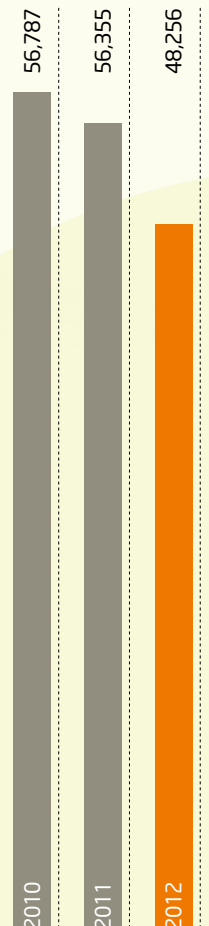
Education & training

Labor-management relationship

Consumer communication

Major Achievements

Volunteer Hours _ Unit : hr



※The 2012 figure includes volunteer activities at the Seosan/Jeungpyeong plants, where our volunteer corps was launched that same year.

Safety · Health · Environment

SK Innovation is well aware of its responsibility to the environment, which is why it has an environmental management system that ensures effective environmental management. Furthermore, we have devised strategies for addressing global issues arising from climate change and reduced our carbon emissions while replacing non-sustainable resources with sustainable ones.



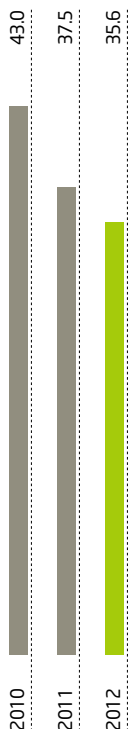
Environmental Management Practices

Environmental Management System (EMS)

SK Innovation practices systematic environmental management through an Environmental Management System (EMS) that was established in accordance with the world's highest standards and later earned ISO 14001 certification, the highest international standard for evaluating environmental management systems. Since first being certified with the ISO 14001 in 1996, SK Energy's Ulsan and Incheon complexes have received annual follow-up visits and re-certification reviews every 3 years. Plants at SK Global Chemical and SK Lubricants obtained their own ISO 14001 certificates after being spun off from SK Innovation. Each plant works hard to ensure the efficient operation of its EMS through an annual legal compliance evaluation and regular internal audits. Furthermore, they continue to monitor the effective implementation of EMS while improving their overall environmental management abilities.

Annual Environmental Costs

(Unit: KRW billion)



※ Environmental costs exclude investments in new manufacturing processes.

Environmental Policies and Legal Compliance

SK Innovation applies stricter internal standards than the legal minimum requirements with respect to air and water pollutants, hazardous substances and other waste. As a result, SK Innovation has not seen any action taken against it for a violation of environmental regulations over the past 5 years.

At SK Innovation, the company has made it standard operating procedure to have an environmental impact assessment conducted on all activities that may have an environmental impact—whether in the construction, expansion, or modification phase of a plant—in an effort to protect the environment in areas directly adjacent to each and every plant. In addition to the environmental impact assessments carried out on the manufacturing processes every 5 years, an environmental impact assessment on the procurement of raw/subsidiary materials is also carried out on a regular basis when changes are made to any processes or work methods. Neighboring areas around SK Innovation plants are all petrochemical industrial complexes and thus not suitable as habitats for wild animals. Regardless, the company is still diligent when it comes to preserving and monitoring local ecosystems. Based on data concerning wildlife protected areas and published by Korea's Ministry of Environment, we can certify that there are no areas with high levels of biodiversity that are adversely affected by the company's production activities.

Environmental Investments

SK Innovation is dedicated to minimizing pollutants generated at its plants, while also making continuous environmental investments through green product development and production.



Safety·Health·Environment

Addressing Climate Change

SK Innovation has in place its own climate change strategy to tackle global issues arising from climate change. Over the years, it has continued to carry out voluntary reduction activities, including earning carbon credits by reporting GHG (Greenhouse Gas) reduction results, improving manufacturing processes, and participating in pilot projects. SK Innovation will also pursue global business opportunities by providing support in developing countries as it solidifies its position as a leading global company.

Strategy for Mitigating Climate Change

	Phase I	Phase II	Phase III
	Laying the Foundation for a Low-carbon Management System	Establishing a Low-carbon Management System	Implementing GHG Emissions Reduction Initiatives
Emissions Trading System	<ul style="list-style-type: none"> Setting up calculation schemes for GHG emissions Building an internal emissions trading system Emissions trading simulation 	<ul style="list-style-type: none"> Constructing an IT-based GHG control system Implementing a company-wide integrated emissions trading system Reviewing the Group-wide emissions trading system 	<ul style="list-style-type: none"> Participating in the international emissions trading market Emissions portfolio management
Carbon Credits	<ul style="list-style-type: none"> Voluntary energy conservation campaign Discovering/Registering GHG emissions reduction projects with the Korean government 	<ul style="list-style-type: none"> Promoting energy conservation projects Discovering/Promoting overseas CDM 	
Eco-friendly Energies	<ul style="list-style-type: none"> Developing eco-friendly technologies and projects 		<ul style="list-style-type: none"> Technology commercialization and project expansion

Low-carbon Management (carbon emissions reduction)

SK Energy, SK Global Chemical and SK Lubricants have all completed their reporting on greenhouse gas emissions to the Korean government under the Framework Act on Low-carbon Green Growth and subsequently received verification of this data. When the Emissions Trading System (ETS) takes effect in 2015, SK Innovation may have to pay for credits on a pro rata basis. As a result, SK Innovation is creating further business opportunities by reducing its GHG emissions through a variety of projects, securing credits, and generating additional revenues by the time the ETS is adopted.

Building a Greenhouse Gas and Energy Management System (GEMS)

After the GHG and Energy Target Management System took effect in 2011, SK Innovation developed a GHG & Energy Management System (GEMS) to monitor GHG emissions on a daily basis in connection with its Operation Information System (OIS), consolidating its low-carbon management system. GEMS gathers all the necessary data to calculate GHG emissions from the OIS, which is monitored daily, and automatically tallies emissions so company experts can systematically calculate and monitor emissions.

The system also helps the company monitor and respond efficiently to annual reduction targets. OIS data, which forms the basis of GEMS, is connected to the company's Accounting Management System. This will allow each production unit to reflect its carbon accounting once the Emissions Trading System is adopted. The creation of GEMS has dramatically increased accessibility and convenience for OIS users, letting them easily view and monitor GHG data. With employees throughout the company able to check on GHG emissions generated from the equipment they use at work, GEMS is expected to raise employee awareness concerning low-carbon management.

Addressing
Climate Change



Greenhouse Gas Emissions

(Unit: 1,000 tCO₂)

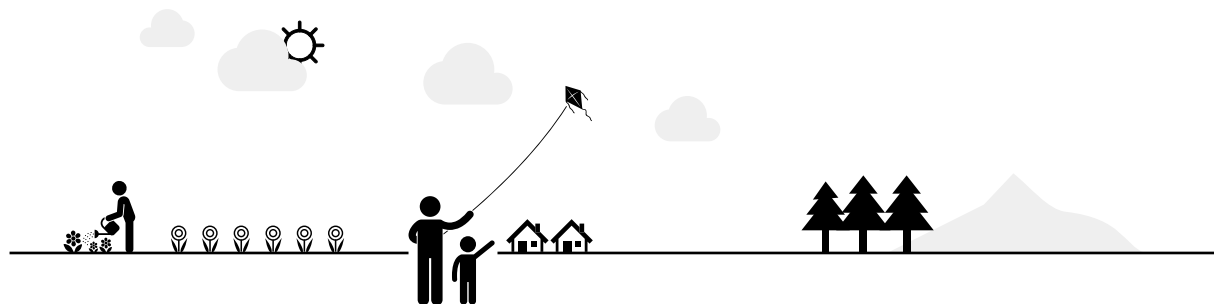
		2010	2011	2012
SK Energy	Direct	6,886	6,972	6,795
	Indirect	1,538	1,268	1,483
	Total	8,424	8,240	8,278
SK Global Chemical	Direct	2,370	2,626	2,467
	Indirect	824	1,150	1,103
	Total	3,194	3,776	3,570
SK Lubricants	Direct	57	63	62
	Indirect	81	87	147
	Total	138	150	209

Greenhouse Gas and Energy Target Management System

Since 2000, SK Innovation has calculated its GHG emissions and had these figures assured by an external agency as per ISO 14064 requirements. Additionally, the company has been calculating GHG emissions under the government's Target Management System Guidelines since 2007, with the data then verified by a government-designated agency.

Emissions Trading System (ETS)

In 2007, SK Innovation became the Korean first company to adopt an internal Emissions Trading System. Then, in 2008, it performed a test run of the system at its Ulsan complex before it began operating an integrated Emissions Trading System company-wide in 2009, which included the Incheon complex. Based on the data and information collected from this experience, SK Innovation outlined a framework for adopting the ETS across the SK Group in 2010, then staged simulated trading with SK Group affiliates and Korea East-West Power Co. In 2011, the company participated in the Emissions Trading System Pilot Project #1 (supervised by the Ministry of Knowledge Economy) so that it could enhance its capabilities and competitiveness before the government scheme takes effect nationwide.





Safety·Health·Environment

Environmental Management Practices

Addressing Climate Change

Sustainable Use of Resources

Pollutant and Waste Management

Environmental Impact of Products

Safety & Health Management

Special Theme ②

Sustainable Use of Resources



Energy Efficiency & Conservation

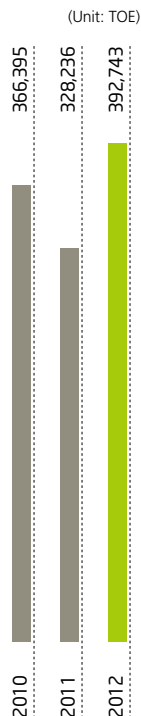
Well aware that energy and resource conservation helps reduce both our environmental impact and production costs, SK Innovation has made consistent efforts to utilize all resources as efficiently as possible. After researching excellent examples of energy and resource conservation, we built a related database to improve the resource efficiency of all our work processes. Other energy conservation efforts include increasing facility efficiency, reducing energy loss in supply systems, and optimizing power equipment.

At the Ulsan complex, where the majority of SK Innovation's manufacturing activities are conducted, we have worked hard to increase energy efficiency by optimizing process operations. In 2012, the company remodeled two power plant boilers into LNG-fired boilers to keep the use of Bunker C oil to a minimum, while maximizing the use of LNG. The Ulsan complex also operates its own Energy Management System, and conducts continuous real-time monitoring to reduce energy consumption and costs. Furthermore, to meet lower NOx emissions limits (from 250 to 150ppm) as a result of stronger regulations, the Ulsan complex is practicing low-carbon, green growth after installing denitrification systems in key boilers and process heaters.

Enhancing Energy Use Control

SK Innovation operates an Operation Information System (OIS) to ensure the highest level of reliability for data related to its energy consumption. It also utilizes other sophisticated computer programs like PMS (Process Monitoring System) for real-time energy use monitoring. The Ulsan complex has always worked tirelessly to keep its energy use monitoring up to date. It accomplished this by creating a VOIS (Visualized Operation Intelligence System) in 2008 and installing an EMS (Energy Management System) at the complex for the effective monitoring of energy consumption and critical control points.

Fuel Consumption



2012 Energy Consumption

	Direct			Indirect		Total
	Fuel	Electricity		Steam		
SK Energy	85,522	20,553	-8,375	97,700		
SK Lubricants	816	489	1,985	3,290		
SK Global Chemical	53,774	9,119	11,336	74,229		
Total	140,112	30,161	4,946	175,219		

※ Bunker C and fuel gas are the main fuel sources.
 ※ Total usage, combining the energy use of SK Energy's Ulsan and Incheon complexes and the Ulsan complexes of SK Global Chemical and SK Lubricants.

Company-wide Energy Conservation Campaigns

Charging electric cars at SK Innovation Group's head office | SK Innovation purchased Kia Ray electric vehicles (EVs) for work purposes and set up an accompanying charge station in 2012. The Kia Ray is equipped with a lithium-ion battery that was produced by SK Innovation, and allows an all-electric range of up to 140 km. Our charge station has a maximum output of 50kW, with two slow charging stands that have a maximum output of 7.7 kW. SK Innovation has plans in place for an EV trial program for employees and the public in general, and is also considering opening its EV charging station to the public.

Sustainable Use of Resources



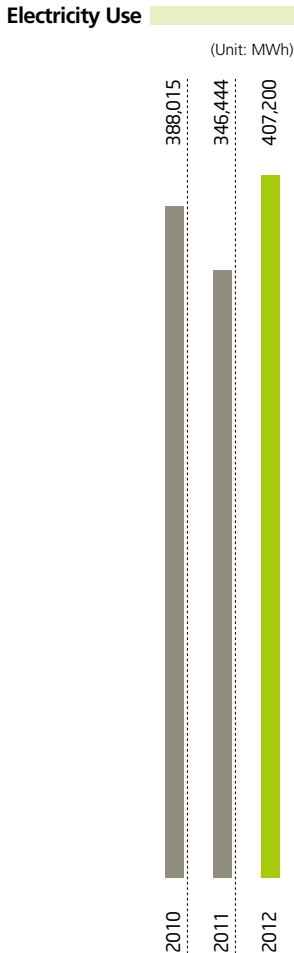
Unplug, Untie, Turn Off & Take the Stairs | In 2012, all SK Innovation employees, including executives and lower-level employees, participated in the company's energy conservation campaign called So Kool SK! The initiative was aimed at getting employees to "unplug, untie, turn off, and take the stairs."

SK Innovation's Green Life Campaign encourages employees to take the stairs whenever going up or down up to three floors. At the bottom of each landing of stairs is a sign reading "It takes only 36 stairs to get to the next level and you will consume 4 kcal while saving 25Wh of electricity." This helps employees understand the benefit of this small yet meaningful achievement in saving energy and keeping themselves in shape.

SK Innovation has also reduced the lux in its head office's lighting system by 30 percent during working hours, with all the lights in the building going off every hour after regular work hours. Thus, employees who have to work overtime need to apply in writing in advance to ensure they have the lighting they need. Furthermore, SK Innovation has an Ice Thermal Storage System that takes advantage of idle electricity after midnight to make ice, which it then reuses to create cool air during the day when air-conditioning the building. This helped save the company KRW 300 million in electricity bills in just its first year. In the future, the company will continue to develop and implement more energy conservation campaigns.

External Energy Conservation Activities

SK Innovation has implemented a collective energy project to recycle and reuse its surplus resources for the low-cost, stable supply of steam to neighboring companies. In 2012, the company initiated a "Steam Highway" project to sell low-cost steam produced by SK Chemical to affiliated subsidiaries and other non-SK Group companies, while continuously reducing its energy use. Furthermore, to make the most of biomass resources, SK Innovation has been turning gas generated from the Seongam Sanitary Landfill in Ulsan (CO₂, CH₄) into fuels which it has started providing to Kumho Petrochemical Co., Ltd. and a waste incineration plant in Ulsan. As a result, SK Innovation's external energy conservation activities are not only saving energy but also reducing GHG emissions. Indeed, the Aekyung Petrochemical steam supply and Seongam Landfill Gas (LFG) projects have been recognized for their GHG emissions reduction performance since 2006, earning credits of 6,481 tCO₂ and 179,262tCO₂, respectively, with the Ministry of Knowledge Economy's KVER (Korea Voluntary Emissions Reduction) program.





Safety·Health·Environment

Environmental Management Practices

Addressing Climate Change

Sustainable Use of Resources

Pollutant and Waste Management

Environmental Impact of Products

Safety & Health Management

Special Theme ②

Sustainable Use of Resources



Amount of Energy Sales through Community Energy Supply Projects (steam) (Ulsan Complex)



※The amount of energy supply has surpassed the amount of energy sales since 2009.

Water Sources and Volume

Nakdong River Wondong Intake Facility (Ulsan Complex)



Han River Water System (Incheon Complex)



※SK Innovation is supplied water by the Korea Water Resources Corporation, with water intake not affecting the water sources.

Crude Oil Process Volume

	(Unit: 1,000 barrels)		
	2010년	2011년	2012년
Ulsan Complex	277,407	283,482	274,257
Incheon Complex	39,165	41,026	44,677



Pollutant and Waste Management



Air Pollution Controls

SK Innovation applies strict emission standards and strives to limit the levels of pollutant emissions to an absolute minimum. At its major facilities where air pollutants are discharged, the company uses TMS (Tele-Metering Systems) for 24/7 pollution emissions monitoring and also conducts periodic patrols and check-ups.

To maintain a meticulously clean plant environment, SK Innovation controls its Volatile Organic Compound (VOC) levels and odors by operating VOC and odor control systems like regenerative thermal oxidizers, bio-filters, and VOC recovery systems at the company's environmental management facility, shipping facility, storage facility, and process areas at each plant. SK Innovation does not produce, distribute or use any substances defined as harmful to the ozone layer as defined by the Montreal Protocol.

Additionally, SK Energy's Ulsan complex signed on to the Ministry of Environment and Ulsan City's Voluntary Agreement Phase 2 (2012~2016) on March 9, 2012, pledging to reduce its emissions of air pollutants (SO₂, NO_x, dust and VOC) from its business premises by 16 percent (using 2008 as the base year level) by 2016. To date, the complex has outpaced annual target reduction levels by increasing the use of clean fuel (LNG) and improving air pollution prevention facilities within the complex.

Concentrations

Pollutant	Worksite		Legal Limit / Company Standard	Average Emissions Concentration		
				2010	2011	2012
SO _x (ppm)	SK Energy	Ulsan	180/170	35.3	30.9	27.4
		Incheon	180/160	66	43.0	20.2
	SK Global Chemical	Ulsan	180/160	-	40.1	16.9
NO _x (ppm)	SK Energy	Ulsan	200/180	76.9	74	73.3
		Incheon	250/235	103	84.3	74.2
	SK Global Chemical	Ulsan	150/130	-	110.0	94.4
Dust (mg/m ²)	SK Energy	Ulsan	50/40	6.3	5	5.4
		Incheon	30/25*	7.5	4.6	4.4
	SK Global Chemical	Ulsan	30/20	-	5.8	4.9

※Emission standards refer to the emission limits of SO_x and NO_x from heaters and the emission limit of dust from boilers

※The average concentration level of 2010 at SK Global Chemical refers to the average level of emissions generated by the company before its spin-off.

※Data from 2010 include emissions generated by SK Energy before its spin-off.

※Data from 2009 to 2010 for SK Global Chemical's PE/PP, EPDM concentration levels are included as part of SK Energy's figures before the spin-off.

※SK Lubricants uses clean fuels and is not subject to measuring its air pollutant emissions, as its entire facilities are exempt from pollution control facilities obligations.

* SK Energy's dust emissions legal limit/company standard was 50/35 up until 2010, but the limit decreased to 30/25 in 2011.

Emissions

Pollutant	Worksite		2010	2011	2012
SO _x (tons)	SK Energy	Ulsan	4,962	3,439	3,206
		Incheon	579	684	360
	SK Global Chemical	Ulsan	-	498	213
NO _x (tons)	SK Energy	Ulsan	7,682	5,895	6,226
		Incheon	970	950	912
	SK Global Chemical	Ulsan	-	1,408	1,197
Dust (tons)	SK Energy	Ulsan	-	191	224
		Incheon	28	21	20
	SK Global Chemical	Ulsan	-	43	38



Safety-Health-Environment

Environmental Management Practices

Addressing Climate Change

Sustainable Use of Resources

Pollutant and Waste Management

Environmental Impact of Products

Safety & Health Management

Special Theme ②

Pollutant and Waste Management



Water Pollution Controls

Recently, SK Innovation completed work on an MBR (Membrane Bioreactor), a remote water quality monitoring system and highly efficient biological wastewater treatment system. Sour water, which contains corrosive materials generated from the production process, is reused as desalter feed water to reduce wastewater generation and water usage, with some of the reclaimed water used for fire protection and landscaping to maintain effluent discharge levels at or below 10 to 40 percent of emission standards. Furthermore, SK Innovation treats spent caustic soda through a wet air oxidation (WAO) system, which was developed using the company's proprietary technology, and enforces the separation of high-concentration wastewater that is generated from the production process for biotoxicity control of effluent discharge in accordance with the Whole Effluent Toxicity regulation that went into effect as of January 2011.

Wastewater Treatment

※ SK Lubricants does not have in-house wastewater treatment facilities and shares that facility with SK energy to treat the wastewater it discharges.

		Treatment Facility	Treatment Method	Destination
SK Energy	Ulsan	Ulsan CLX Wastewater Treatment Plant	Biological + Advanced treatment	Public bodies of water (east coast)
		No. 2 FCC Wastewater Treatment Plant*	Biological treatment	Yongyeon Sewage Treatment Terminal
	Incheon	Incheon CLX Wastewater Treatment Plant	Biological + Advanced treatment	Gajwa Sewage Treatment Terminal
SK Global Chemical	Ulsan	PE/PP Wastewater Treatment Plant	Physicochemical treatment	Yongyeon Sewage Treatment Terminal
		EPDM Wastewater Treatment Plant	Biological treatment	

*Construction of SK Energy's #2 FCC wastewater treatment plant was completed in June 2008.

Concentrations

Pollutant	Worksite	Legal Limit / Company Standard	Average Emissions Concentration			
			2010	2011	2012	
COD (ppm)	SK Energy	Ulsan CLX	40/20	8.12	11.5	10.5
		No. 2 FCC	90/70	12.26	23.3	17.3
		Incheon CLX	90/40	18.5	17.6	19.8
	SK Global Chemical	PE/PP	90/70	-	10.6	8.5
		EPDM	90/70	-	29.4	24.1
SS (ppm)	SK Energy	Ulsan CLX	10/8	2.02	2.9	2.9
		No. 2 FCC	80/60	21.59	35.9	36.7
		Incheon CLX	80/30	8.2	10.9	10.8
	SK Global Chemical	PE/PP	80/60	-	10.9	16.0
		EPDM	80/60	-	15.0	13.0
Oil (ppm)	SK Energy	Ulsan CLX	5/1	0.41	0.4	0.4
		No. 2 FCC	5/3.7	1.08	2.2	2.7
		Incheon CLX	5/3	0.67	0.51	0.78
	SK Global Chemical	PE/PP	5/3.7	-	0.4	0.4
		EPDM	5/3.7	-	0.4	0.1

Wastewater Discharge

	Worksite	2010	2011	2012
SK Energy (1,000 tons)	Ulsan	13,333	12,819	13,667
	Incheon	1,525	1,767	1,573
SK Global Chemical (1,000 tons)	Ulsan	-	1,273	1,329

Pollutant and Waste Management



Waste Control

SK Innovation provides employees and suppliers with recycling training so that waste can be separated and discharged at an early stage. In addition, the company conducts periodic on-site inspections to prevent waste from being left unattended so that it can be disposed of quickly and appropriately. The company also contracts out the incineration/reclamation of most collected/discharged waste to a waste management agency whose capabilities have been tested and verified. We send waste oil to renewable fuel plants to produce recycled fuels, while special waste with metal content is recycled by extracting the metal substances, thereby minimizing waste generation. Spent caustic soda is treated at a wet air oxidation (WAO) plant that SK Innovation developed using in-house technology, significantly reducing the amount of pollutants and greenhouse gas emissions. In 2012, SK Innovation did not conduct or was involved in any transboundary movement of waste as stipulated in the Basel Convention.

Discharge Volume

(Unit: tons)

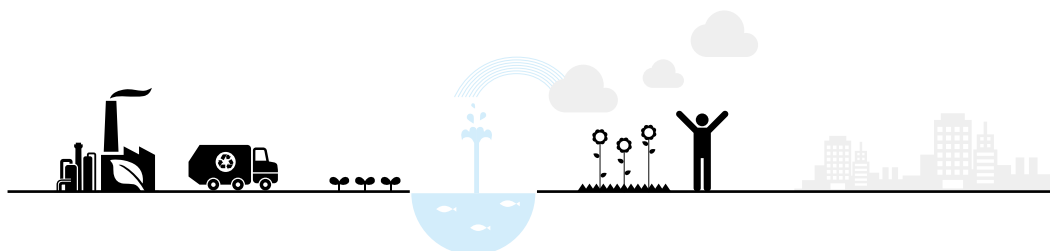
Pollutant	Worksite		2010	2011	2012
Special Waste	SK Energy	Ulsan	27,895	27,718	25,402
		Incheon	2,839	3,341	3,294
	SK Global Chemical	Ulsan	-	3,291	5,007
	SK Lubricants	Ulsan	166	84	147
General Waste	SK Energy	Ulsan	48,699	71,290	49,551
		Incheon	1,901	4,012	3,205
	SK Global Chemical	Ulsan	-	9,992	14,009
	SK Lubricants	Ulsan	13	3,518	2,654
Total discharge volume			81,513	119,958	103,269

Discharge Volume by Treatment Method

(Unit: tons)

	2010	2011	2012
In-house Treatment (landfill)	0.5	624	7336
Subcontract Volume-Recycled	48,988	85,641	41,110
Subcontract Volume-Incinerated / landfill	27,785	37,543	33,110

※ Figures represent the volume of waste discharge treated at SK Energy's Ulsan complex





Safety-Health-Environment

Environmental Management Practices

Addressing Climate Change

Sustainable Use of Resources

Pollutant and Waste Management

Environmental Impact of Products

Safety & Health Management

Special Theme ②

Pollutant and Waste Management



***LDAR:** Leak Detection and Repair System
A system to create an inventory, measure concentration levels, feed data, improve equipment functionality and control repair & replacement of equipment to reduce chemical emissions from fugitive emission sources.

Hazardous Chemical Substance Emissions Control

It works hard to adhere to all reduction targets under a voluntary agreement (VA) with the government to reduce its chemical emissions.

SK Energy's Incheon complex signed the VA in 2006 and pledged to slash its chemical emissions by 30 percent by 2010 and by 50 percent by 2012 from base year (2006) emissions (803 kg/year). As of 2012, the complex had reduced that figure by 92.3 percent from the base year, far outperforming the target number.

Later, on December 26, 2012, SK Energy and SK Global Chemical's Ulsan complex entered into a SMART program agreement with Korea's Ministry of Environment and Ulsan City in a bid to decrease its chemical emission levels at the worksite. For five years, from 2013 to 2017, the complex has pledged to curtail its benzene and 1.3 butadiene emissions by 29 percent and 35 percent, respectively, relative to emission levels from the base year (2009). For the safe control of chemical substances and the reduction of chemical emissions, the complex continues to improve its chemical substance control system and is developing an LDAR* system.

Soil and Groundwater Management

SK Innovation has come up with its own soil management process and prepared a new organization, duties, and treatment procedures for the systematic management of soil and groundwater. As party to the Voluntary Agreement Regarding the Survey and Restoration of Soil Containment promoted by the Korean government, the company voluntarily inspects soil quality at least every three years implements soil contamination control activities, and conducts a legal soil contamination investigation every other year. The results of the 2012 soil containment investigation showed that soil pollutants were under the legal limits, with groundwater pollutant levels also under legal standards at all three locations within SK Innovation's advanced new facility.

Annual Soil Containment Investigation Results

Pollutant	Worksite	Results				
		2011		2012		
		Locations	Results	Locations	Results	
TPH*	SK Energy	Ulsan	528	Normal	716	Normal
		Incheon	10	Normal	208	Normal
	SK Global Chemical	Ulsan	NA	NA	NA	NA
		SK Lubricants	Ulsan	17	Normal	22
BTEX**	SK Energy	Ulsan	171	Normal	204	Normal
		Incheon	-	-	132	Normal
	SK Global Chemical	Ulsan	NA	NA	NA	NA
		SK Lubricants	Ulsan	-	-	-
TCE***	SK Energy	Ulsan	-	-	-	-
		Incheon	-	-	6	Normal
	SK Global Chemical	Ulsan	NA	NA	NA	NA
		SK Lubricants	Ulsan	-	-	-

※ SK Global Chemical conducted the 2011 investigation in 2010, with the next investigation scheduled for 2013.

*TPH (Total Petroleum Hydrocarbon)

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

***TCE (Tri-Chloro Ethylene)

Environmental Impact of Products

SK Innovation has always worked hard to minimize the environmental impact of its products and services. Aside from innovative activities to improve the environmental performance of gasoline, diesel, and kerosene, the company continues to invest in green technology development and green businesses. Under reporting guidelines provided by the Korean Ministry of Environment (ME), SK Innovation monitors the benzene and chemical content levels of gasoline products, while the lead content of its products is not reported as the levels are negligible. In regards to diesel products, only sulfur content levels are required to be disclosed. SK Innovation is dedicated to improving environmental friendliness, as well as quality, by producing gasoline and diesel that meets the world's most stringent sulfur content levels; from 4 to 6 ppm. As a result, the company's excellent quality has been recognized by the Ministry of Environment. The company voluntarily signed a government agreement to supply bio-diesel, while increased the mix ratio of bio-diesel in commercial diesel from 0.5% in 2007 to 2.0% in 2010. The company will continue to implement a variety of activities to reduce oil dependence and increase environmental protection.

Findings of the Sulfur Content and Quality Grade by the MOE

Gasoline

	Legal Limit	2010		2011		2012	
		1H	2H	1H	2H	1H	2H
Sulfur Content (ppm)	Below 10	6	6	4	4	5	6
Sulfur Quality Grade	Below 10	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Benzene Content, vol%	Below 0.7	0.4	0.4	0.5	0.5	0.4	0.4
Benzene Quality Grade	Below 0.7	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Overall Quality Grade	-	★★★★★	★★★★★	★★★★	★★★★★	★★★★★	★★★★

Diesel

	Legal Limit	2010		2011		2012	
		1H	2H	1H	2H	1H	2H
Sulfur Content (ppm)	Below 10	6	5	4	4	5	5
Sulfur Quality Grade	Below 10	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Overall Quality Grade	-	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★



Safety & Health Management



Occupational Safety Training Performance for 2012

SK Energy's Ulsan-Incheon CLX

	Eligibility	Ulsan			Incheon		
		Trainees	Sessions	Hours	Trainees	Sessions	Hours
Legal Safety Training	Supervisors	600	3	16			
	Technicians/Office workers	410	18	12	90	12	1,440
Employee Safety & Health Training	New recruits	42	5	-	39	5	19
	Collective safety training for field employees	1,450	35	-	479	15	92
	CPR (cardiopulmonary resuscitation) training	139	8	-	80	1	1
	Other training	35	4	-	65	62	810

※ Precise data on the hours of safety & health training sessions given to employees at SK Energy's Ulsan CLX are not yet available.

※ SK Energy's Incheon CLX gives training to all supervisors, technicians and office workers together.

SK Global Chemical

	Eligibility	Trainees	Sessions	Hours
Legal Safety Training	Supervisors	175	1 (half year)	16
	Technicians/Office workers	660/64	Monthly/ Twice a quarter	Two hours or more per month/6 hours per quarter
Employee Safety & Health Training	New recruits	40	1	20
	Collective safety training for field employees	120	3	6
	CPR (cardiopulmonary resuscitation) training	-	-	-
	Other training	70	3	2

SK Lubricants

	Eligibility	Trainees	Sessions	Hours
Legal Safety Training	Supervisors	28	13	448
	Technicians/Office workers	88	12	2,112
Employee Safety & Health Training	New recruits	4	96	48
	Collective safety training for field employees	30	-	-
	CPR (cardiopulmonary resuscitation) training	-	-	-
	Other training	30	300	-

※ Office workers began to receive the safety training in collective offline sessions in August 2012.

Healthcare Facilities and Programs

SK Innovation cares for the health of its employees through regular medical checkups. At the Ulsan complex, where most of our employees are engaged in manual labor, our Industrial Health Center is staffed with eight doctors and nurses on full-time standby. Other related facilities and medical supplies provided to help employees in this realm include an infirmary, physical therapy room, and physical strength testing & exercise room. At the head office and at the Ulsan complex, athletic facilities are available for employees and their families. Plus, SK Innovation strictly controls harmful factors to protect employees from harmful substances in the working environment.

Safety & Health Win-Win Program

At SK Innovation, we recognize the key role of our business partners in our future competitiveness. Consequently, we always support our business partners to ensure the same level of working conditions for their employees as our own staff members. Starting in 2012, we began operating our Safety & Health Win-Win program under guidelines set forth by the Ministry of Labor (MOL), educating and training our partners on how to run risk tests before starting dangerous work procedures. In order to raise our business partners' safety control level to our own, we provide support with their risk tests, training, safety rule compliance and on-site assistance through the Safety & Health Win-Win program so that they can enhance the quality of their facilities and working conditions. As a result, SK Innovation received the Grand Prize at the 2013 Safety & Health Win-Win Program Contest, which was organized by the MOL.



Safety-Health-Environment

Environmental Management Practices

Addressing Climate Change

Sustainable Use of Resources

Pollutant and Waste Management

Environmental Impact of Products

Safety & Health Management

Special Theme 2



The New **S⁺H⁺E** Organization for Company-wide SHE Practices

SK Innovation puts high value on safety, health and environmental management as a sustainable growth model for both the company and society. In May 2012, we developed new SHE policies for a more consistent and integrated management of SHE practices that meet global standards. In the future, SK Innovation will continue to work on improving personnel and facility safety practices and preventing industrial accidents.



Safety/Health/Environment Policy

CEO Commitment

With the aim of growing into one of the world's leading global companies, SK Innovation implements a "to-be" strategy, which consists of three initiatives; Biz Model Innovation, Global Biz Expansion and Tech-driven Growth. Leading global companies meet global standards, not just in their financial performances, but in all business management practices, especially the personnel and equipment. Most of all, meeting global standards in safety, and health and environment (SHE) practices is imperative to being a leading global company. Therefore, SK Innovation is making consistent efforts to upgrade its SHE practices to meet the global levels and has internalized such SHE practices into the organization in pursuit of the SHE management model that will allow sustainable growth of both the company and society as a whole.

Dedicated SHE Organization Under CEO Control

In 2012, we established the SHE Division as a control tower of the SHE practices at all our business premises, ensuring consistency in the SHE management system and minimizing accident, business and compliance risks in line with SK Innovation's independent management system. Its aim is to upgrade company-wide SHE practices to those of leading global levels, as well as raise employee awareness of SHE, while maintaining close communication with stakeholders regarding all major government policies.

SHE Policy Establishment

SK Innovation pursues accident-free, environment-friendly management practices and believes this is the way to earn the trust of society and grow with them. To that end, SK Innovation shall become a role model among the domestic and foreign energy companies by planning and operating safety, health and environment (SHE) guidelines stricter than that legally required, and sharing such results with the public in May 2012 for integrated and consistent SHE practices company-wide.

Safety/Health/Environment Policy

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

To do this,

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



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



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



Safety-Health-Environment

Environmental Management Practices

Addressing Climate Change

Sustainable Use of Resources

Pollutant and Waste Management

Environmental Impact of Products

Safety & Health Management

Special Theme 2

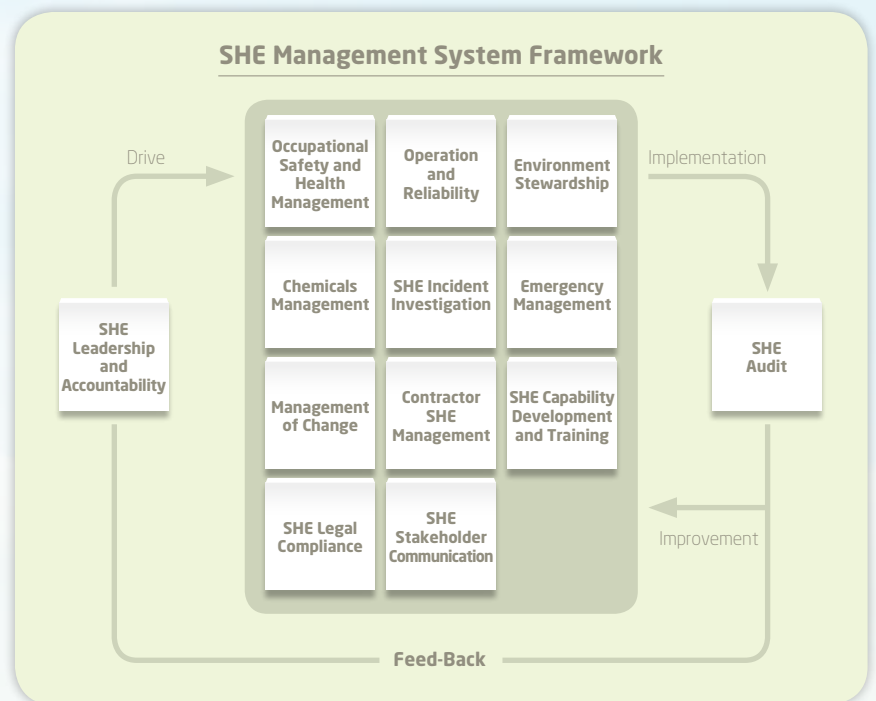
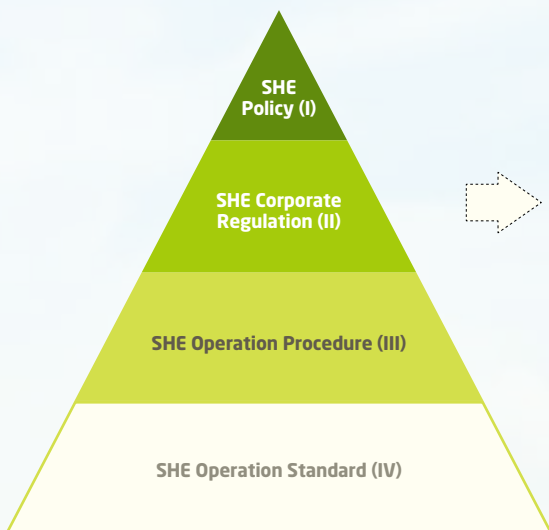
Safety, Health & Environment (SHE) Management System Upgrade

In line with our SHE policy, we have upgraded our SHE management system so that it meets global standards, while ensuring continuity in our SHE management practices company-wide. Identifying 13 key elements, the system has established a cycle of plan-do-check-adjust so as to ensure the implementation and improvement of these key elements through regular audits. In addition, we have revamped company-wide SHE regulations, and are currently revising and instituting SHE operation procedures at all our worksites in line with SHE policy and regulations.

Helping Suppliers Enhance SHE Practices

Chemical plant operation is characteristically associated with risks. In the event of an accident, local residents as well as the worksite can be affected. Accordingly, the prevention of accidents can never be over emphasized. In particular, industrial accidents at chemical plants often involve small-to medium-sized contractors, yet such contractors often suffer limited resources and know-how due to a lack of infrastructure and expertise in SHE management. Therefore, SK Innovation is actively addressing the issue by publishing a "Work Safety Guide" in 2013, which provides a list of potential risk factors to check at all our worksites. The guidebook will be distributed to all related companies across the nation. Under strong belief this will contribute to further raising the level of health and safety practices in the Korean chemical industry, SK Innovation will continue with these efforts in the future.

SHE Management System



Employee

At SK Innovation, we strive to build a great workplace, one where all our employees can work happily and passionately. To ensure this, we provide fair rewards based on individual performance results and all-round education to help our employees enhance their competencies.

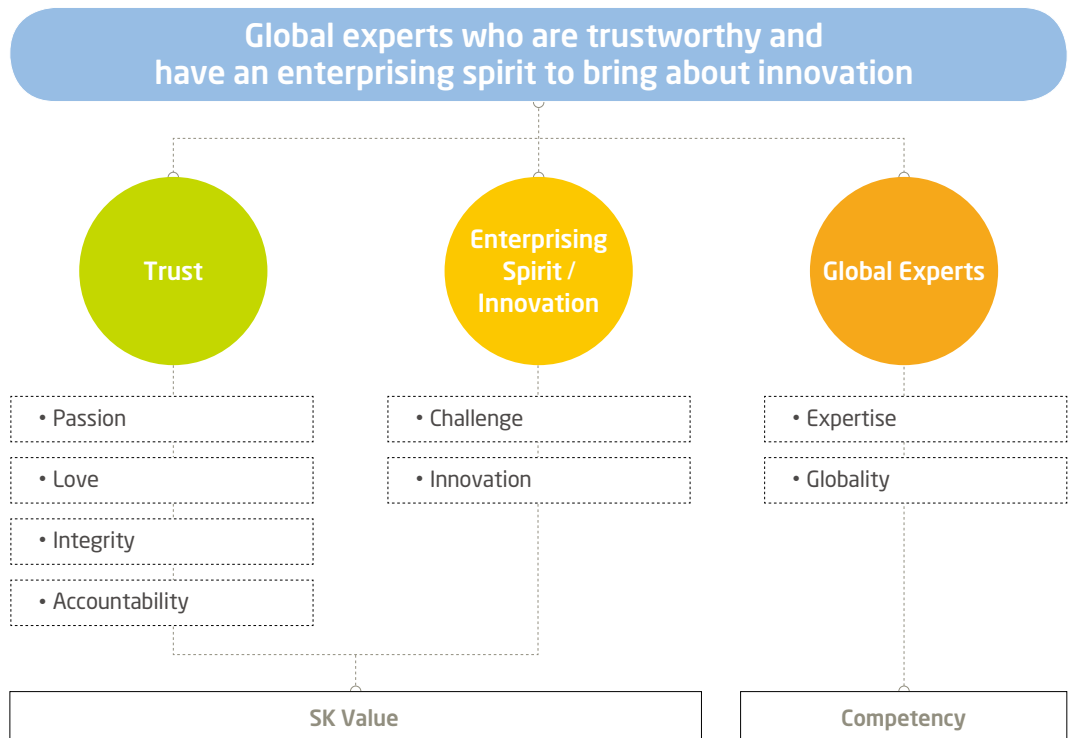


HR Development

As stipulated in the SKMS, employee competency-building and the company's business results will simultaneously contribute to the development of both parties. In line with this policy, SK Innovation offers a number of competency-building programs to our employees.

SK Innovation Employees

SK Innovation's ideal employees are global experts who are trustworthy and have an enterprising spirit to bring about innovation. They represent top talent who can affect meaningful changes to the company's business performance and that are in line with its strategic business directions based on our SK Values.





Employee

HR Development Promoting Diversity at Work

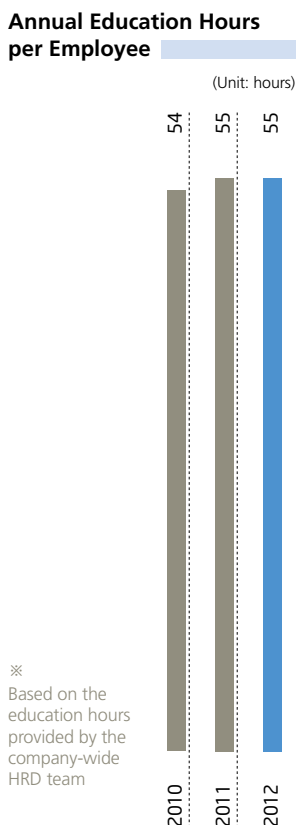
HR Development

SK Innovation HR Development & Management

HR Development

At SK Innovation, human resources development (HRD) programs are conducted in four categories: SK Values, Leadership, Job Competency and Globality.

HRD Four Categories



New Ways of Recruiting: Right People Recruitment

In step with the changing recruitment environment, SK Innovation did away with its time-old recruitment methodology, which had traditionally focused on specific skill sets and black-and-white interview FAQs. Instead, we adopted a "Right People" recruitment protocol. The new recruitment procedures discarded with this specific skill set check from the paper screening stage and replaced it with a personal statement. In the interview stage, interviewers now test if applicants have the competencies suitable to the given job position to look at their adaptability to a given job. In short, SK Innovation highly values people with an enterprising spirit and a passion to be their own person. These people are also optimistic and have high problem-solving capabilities. To find these people, SK Innovation's application form requires applicants to write down their business start-up and patent filing experience, as well as their community service record and club activities, offering advantageous points on these experiences.

This change in our recruitment methodology will help us build a happy working environment where people can voluntarily and passionately work hard in pursuit of the SUPEX (the highest attainable goal).

Promoting Diversity at Work

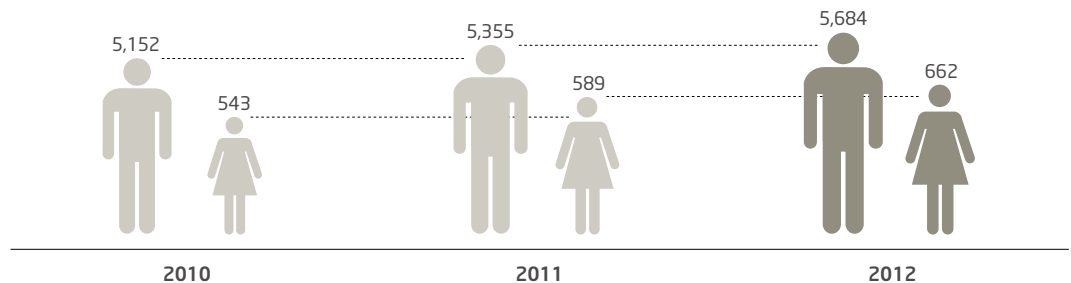


Fair Opportunities and Respect for Diversity

SK Innovation strictly prohibits discrimination in any form against employees at its business premises, and always strives to ensure fair, reasonable opportunities for employees so that they can realize their full potential. All recruitment procedures abide by Korea's Labor Standards Act and Equal Employment Act to ensure fair procedures across the board. In addition, the terms and conditions of employment fully comply with Korea's standard collective bargaining agreement, employment standards, and employment agreements. Female employment is adhered to under all applicable laws regarding the prohibition and regulations of gender-based discrimination, with the company also offering an annual training session to prevent sexual harassment in the workplace. SK Innovation ensures equal opportunity for female employees and equal pay for equal positions. Furthermore, women who have just given birth can take advantage of a generous maternity leave package and rest assured that they can later return to their same position. Also, SK Innovation closely collaborates with the Promotion of Employment for the Disabled with the Korea Employment Promotion Agency for the Disabled so that 2.5 percent of its workforce will soon be made up of disabled people, the legally required percentage of disabled employees.

Workforce by Gender _ as of Dec. 31, 2012

(Unit: persons)



No. and Percentage of Employees who Returned to Work after Maternity/Paternity Leave

_ as of Dec. 31, 2012

(Unit: persons)

Category	2010	2011	2012	Remarks
Male employees entitled to paternity leave	575	748	936	Number of employees who have children under the age of six (born after 2007)
Female employees entitled to maternity leave	114	147	189	Number of employees who have children under the age of six (born after 2007)
No. of male employees who used parental leave	-	-	-	
No. of female employees who used maternity leave	26	24	50	As of the first day of maternity leave
No. of male employees who returned from paternity leave	-	-	-	
No. of female employees who returned from maternity leave	25	23	24	As of the first day of returning to work
No. of male employees who worked at least one year after returning from paternity leave	-	-	-	
No. of female employees who worked at least one year after returning from maternity leave	17	35	48	Starting from the first day of returning from the leave
Percentage of male employees who returned from paternity leave	-	-	-	
Percentage of female employees who returned from maternity leave	96%	96%	48%	Based on the number of employees on maternity leave/returned as of the year of calculation



Employee

HR Development Promoting Diversity at Work

Promoting Diversity at Work



Fair Evaluation and Compensation

SK Innovation is committed to improving all its programs and policies for employees' fair evaluation and compensation.

In line with our SK Values, competencies, and performance standards, SK Innovation's evaluation system takes into account individual accomplishments on a regular basis. Further to that, the company uses these results as criteria for promotions, transfers, training and compensation. The evaluation criteria and processes differ, depending on the job characteristics and position of each employee.

Moreover, SK Innovation has established a salary and bonus system to ensure fair compensation based on every employee's abilities, credentials, and performance. Bonuses are graded and paid out based on performance by calculating the company's finances according to EVA (Economic Value Added) and KPI (Key Performance Indicators).

With a fair, reasonable promotion management program in place that takes into consideration employee evaluation results, SK Innovation also takes into account each person's abilities and credentials. The company also has an indirect support program to ensure financial security of its employees after retirement. For employees who have to retire due to a disability or an incurable disease they have suffered at work, or who died while on the job, the company offers a very fair compensation package.

Fair Trade Compliance Program (CP)

SK Innovation was the first company in the industry to operate a Compliance Program (CP). CP results and plans are reported directly to the Board of Directors, which works hard to continuously improve the level of compliance. In 2012, we received one corrective action order from the Fair Trade Commission with regard to unfair trade practices.

Public Policy Engagement

Committed to the development of Korea's energy industry, SK Innovation is active in its crafting of new public policies. The company is now a member of the Korean Petroleum Association (KPA), Korea Petrochemical Industry Association (KPIA), and Fair Competition Federation (FCF). Through these organizations, SK Innovation has been able to convey its opinions in connection with public policy and participate in discussions about drafting policies and programs. In 2012, we implemented such projects as Heating Oil Supply for the Underprivileged and an Energy-saving & Efficiency Improvement project to help those who needed energy most. SK Innovation is not involved in any sort of lobbying to do with public policy.

Promoting
Diversity at Work



Respecting Human Rights at Work

SK Innovation upholds the human rights of its employees and their right to work in compliance with all relevant labor laws. The company guarantees every labor union member the freedom of association and collective bargaining under related labor laws. Additionally, the company consults with its labor union regarding management issues of significant impact on employee rights, while details concerning business operations are shared with the labor union on an ongoing basis. Furthermore, the company immediately reports all of the results of its restructuring efforts and rewards/punishments to the labor union.

SK Innovation also has in place a Grievances Committee which consists of 6 members, 3 each from management and the labor union, to improve the working environment and working conditions, and effectively addresses employee grievances. At SK Innovation, we contract out internal security management to a security agency and regularly educate 203 security officers working at our premises on their basic duties and how to respect human rights.

SK Innovation does not own any businesses that have a high risk of child labor or encourage forced labor, and strictly prohibits such illegal activities.

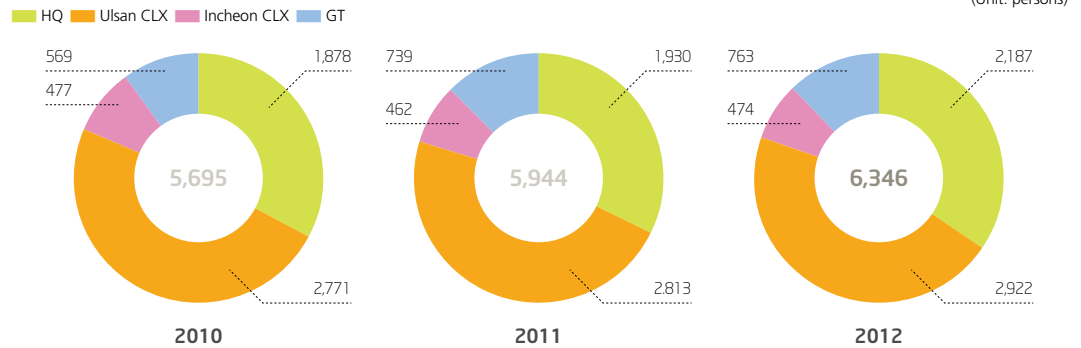
SK Innovation Labor Union _ as of Dec. 31, 2012

(Unit: persons)

Membership	3,013
No. of Permanent Union Office Members	7
Associations	Federation of Korean Trade Unions, Federation of Korean Chemical Workers

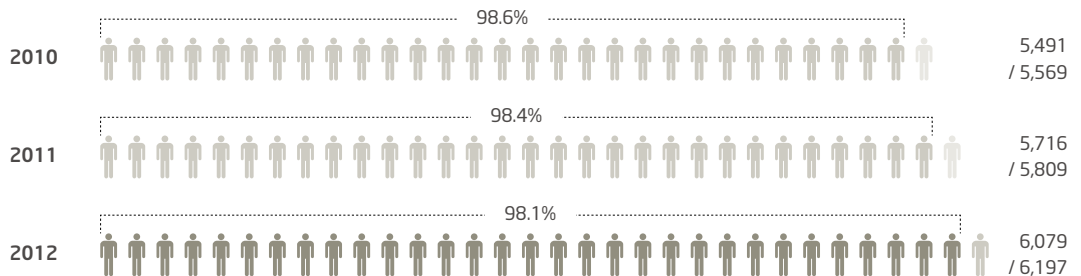
Workforce by Worksite _ as of Dec. 31, 2012

(Unit: persons)



Full-time Employees _ as of Dec. 31, 2012

(Unit: persons)

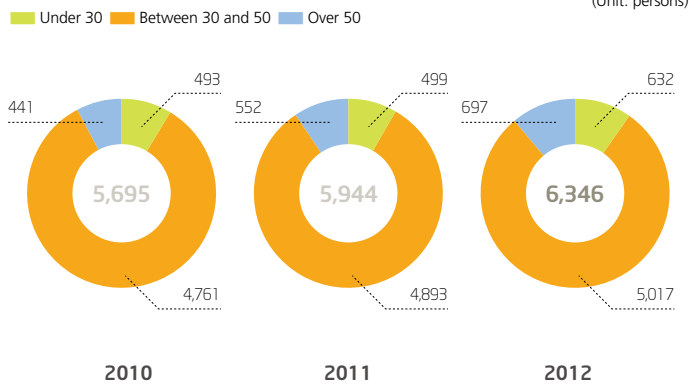




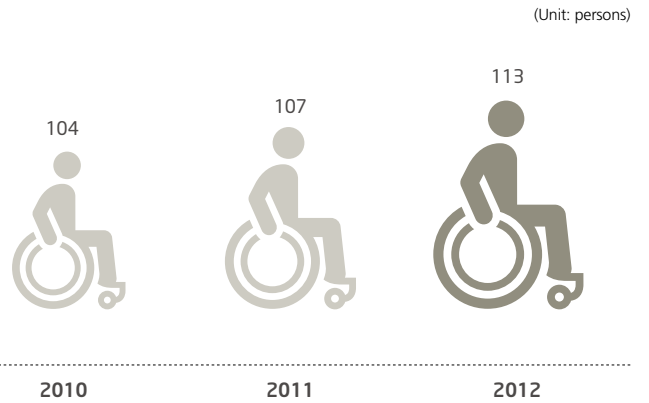
Employee

HR Development Promoting Diversity at Work

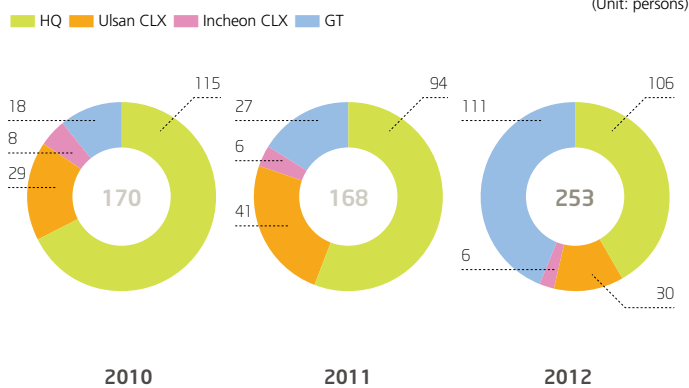
Workforce by Age _ as of Dec. 31, 2012



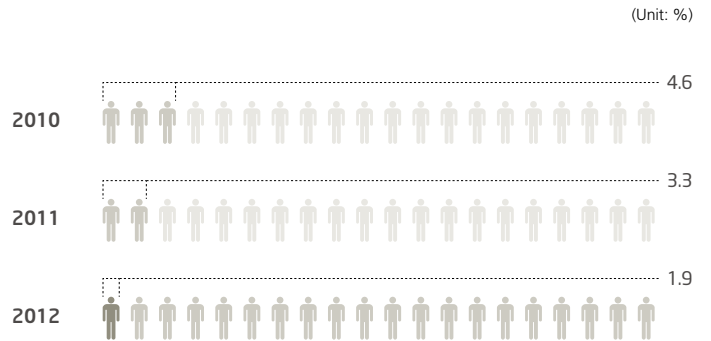
No. of Disabled Employees



Retirement by Worksite _ as of Dec. 31, 2012

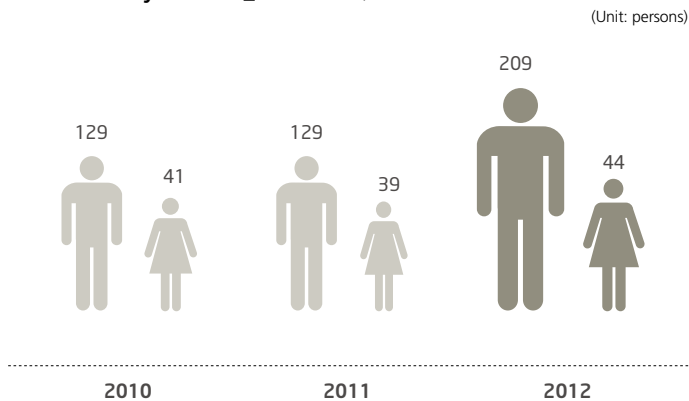


Severance Rate by Year

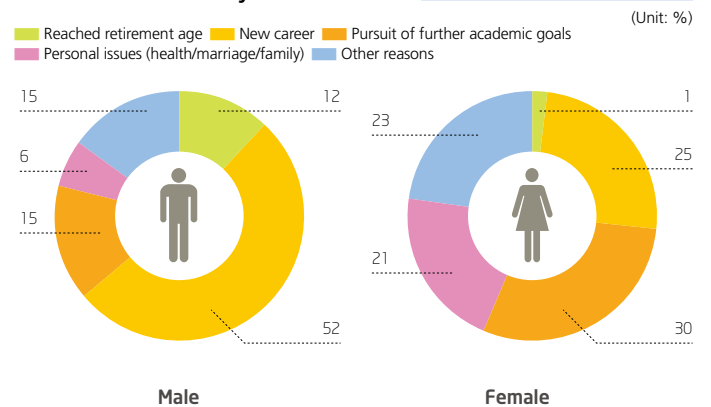


※ Severance rate includes those who reached the nationally mandated retirement age at the time they left their job.

Retirement by Gender _ as of Dec. 31, 2012



Retirement Reasons by Gender in 2012



Shareholder & Investor

SK Innovation is dedicated to tackling the difficulties arising from uncertainties in the global economy. With the clear goal of becoming a technology-driven innovative company, SK Innovation is now actively developing new growth engines with its world-leading technologies.



Business Strategies



Growing into a Global Company Leading the New Paradigm

Building on the momentum sustained from the successful spin-off of the lubricant business unit from SK Energy and the establishment of SK Lubricants in 2009, the SK Group made a historic decision in 2011 when it spun off the E&P, petrochemical and lubricant businesses into four independent entities. The decision proved tremendously successful, with SK Innovation realizing record-high business results in 2011 of KRW 68,375.4 billion in sales and KRW 2,848.8 billion in operating income on a consolidated basis. The percentage of revenue from exports continued to grow as well, from 51 percent in 2010 to 70 percent in 2011 and 73 percent in 2012. SK Innovation has not only established a unique corporate culture and efficient decision-making procedures, but has also continued to strengthen its business acumen and competitiveness.

Today, SK Innovation incubates global technology (GT) businesses in the form of Company-In-Company (CIC), fostering all our GT businesses until they can generate profits on their own. This has allowed the company to maintain its technology-oriented growth policy. At the same time, we are promoting our E&P business unit as an independent CIC so that it can grow independently through global M&As. With all of our CICs aiming for global markets, SK Innovation and its three affiliates are honing their global risk management competitiveness in proactive response to the uncertainties abounding in the global economy, while optimizing the decision-making process of each business and collaboration among and between them. Under the shared goal of achieving KRW 290 trillion in sales and KRW 15 trillion in operating income by 2020, SK Innovation is making every effort to fortify its global management competencies.

A New Paradigm for Becoming a Leading Global Company

Technology Innovation

- Close collaboration between business units and GT units to secure new source technologies
- Securing a distinct advantage even with growing competition related to patents

Business Model Innovation

- Operational Excellence initiatives to solidify our business fundamentals
- Business model innovation, including V-Project, H-Project, New PX-Project, Nexlene Project and strategic partnerships for a stronger business portfolio

Risk Management Upgrades to Meet Global Standards

- Upgrading our SHE (safety, health, environment) management system to meet the highest global standards
- Autonomous and responsible management role models that sustain growth based on a high level of legal compliance, self-monitoring and ethical awareness



Shareholder & Investor

Business Strategies

Reorganization to Augment Accountability

SK Innovation has successfully completed an independent management system with its affiliate companies and has carried out innovative organizational reshuffling whenever needed. In addition, we are making a five-pronged effort to become one of the world's top companies.



First,

We have bolstered our SHE (safety, health and environment) management practices to meet the highest global standards. In tandem with corporate globalization strategies, SHE management practices at our business premises in Korea and overseas were required to meet stringent global standards. Thus, we have established a dedicated SHE control tower to oversee SHE practices across all of our affiliated companies.



Second,

We are upgrading our R&D process as part of our initiative to become a technology-driven global leader. We began by establishing a new SAB consisting of researchers who are specialized in each of our business areas so that we can make more objective evaluations concerning R&D projects.



Third,

We established a Corporate Sustainability Management Division that now has a Legal Affairs Office and Public Relations Office under its wing for the integrated and efficient control of corporate responsibility issues with all of our affiliates.



Fourth,

We integrated our company-wide brainstorming functionality, which in the past was divided between the Corporate Management (CM) Division and Business Innovation (BI) Division, into a single BI Division to enhance efficiency and synergy in the process, while also transferring the PIF Office to control of the CM Division to ensure integrated financing across the company.



Fifth,

The E&P business embarked on a full-scale globalization strategy. Despite the challenging market environment, the E&P business successfully wrapped up the sale of its assets in Brazil and aggressively revamped its business portfolio. Starting in 2013, the business unit aims to build on this momentum as it pushes forward with its globalization plans. With the establishment of its new E&P Planning Office, it is seizing on new business opportunities faster and more aggressively than ever before as it promotes the Exploration Group to an official Office to further its global business plans.

Advancing into New Business Areas



Advancing into Global Markets to Increase Exports

SK Innovation is expanding its global business presence through a number of cross-border joint ventures and M&As related to technologically competitive companies.

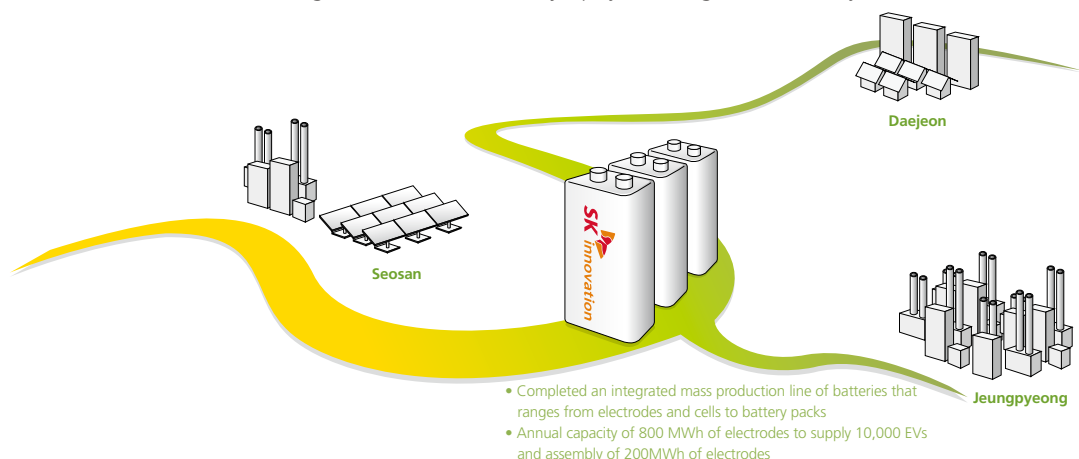
After successfully supplying batteries to Korea's first high-speed electric vehicle (EV), Hyundai's BlueOn, SK Innovation expanded into the global EV battery market in Japan, home to many hybrid vehicles. In 2012, the Mitsubishi Fuso Truck and Bus Company (MFTBC) launched its new Canter Eco Hybrid truck, which is equipped with our EV batteries. In the near future, the truck will be for sale in more than 10 countries around the world, mostly in Europe and Asia. In addition, after signing an agreement to supply batteries to Daimler Trucks' MFTBC in October 2009, SK Innovation and its Japanese counterpart began developing an EV battery for the truck for two and a half years. This high-performance battery is expected to significantly save on fuel costs for the new Canter Eco Hybrid model compared to the conventional Canter Hybrid. With the successful supply of EV batteries to all-electric EVs like Hyundai's BlueOn and the Kia Ray, as well as hybrid batteries for MFTBC, SK Innovation has proven its world-class EV battery technologies for all types of EVs.

Battery Production Triangle Completed

Since breaking ground in May 2011, SK Innovation's new EV battery plant in Seosan has completed the construction of three building complexes (battery complex, formation complex and package complex) that sit on 231,000 m² and with a gross floor area of 53,508 m² through a KRW 250 billion investment. This new plant is equipped with an integrated mass production line-up of batteries, ranging from electrodes and cells to battery packs. Its annual manufacturing capacity stands at 800 MWh of electrodes, with an assembly capacity of 200 MWh which can supply up to 10,000 EVs a year.

The completion of this new plant in Seosan is quite significant to SK Innovation, as the company has now finalized a battery production triangle connecting Seosan with Jeungpyeong and Daejeon's production lines, concluding an integrated production line of batteries from R&D and manufacturing the key material for EV batteries (lithium-ion battery separators) to finished batteries. This achievement will expedite our plans to finalize the joint venture agreement we signed in July 2012 with the German-based auto part maker Continental by the end of 2013, allowing us to enter other global EV battery markets very soon.

To that effect, SK Innovation plans to double the production volume at its Seosan battery plant by the end of 2013. The master plan includes completing a 3GWh-capacity mass production system that can supply 150,000 EVs around the world, transforming SK Innovation into a major player in the global EV battery market.





Shareholder & Investor

New Growth Engines

A proud driving force of Korea's economic development through its stable supply of energy, SK Innovation is also participating in the nation's new growth engine drive. With the clear vision of becoming a technology-driven, innovative company, SK Innovation is consistently raising its technological competitiveness in the new business areas of energy, petrochemicals and materials.

Global Technology

Using its world-class proprietary technologies, SK Innovation is implementing new technology development and new business expansion in the areas of renewable energy, petrochemicals, and advanced materials.

Global Technology is the R&D wing of SK Innovation, SK Energy, SK Global Chemical and SK Lubricants. It is responsible for supporting and facilitating the globalization of all their technology-driven businesses, with the aim of turning SK Innovation, SK Energy, SK Global Chemical and SK Lubricants into technology-driven, innovative companies in the long term. In order to attain this goal, Global Technology is expanding all promising areas of the technology value chain and carrying out initiatives to discover new growth engines. Additionally, Global Technology has extended R&D support for energy, petrochemicals and E&P, while increasing R&D in new growth areas, such as batteries and I/E materials. To promote green growth, the organization is also conducting research into CO₂-based materials, photovoltaics, clean coal, and biofuels. Global Technology will continue to develop new technologies and establish future growth engines on its way to helping make society more eco-friendly. In pursuit of all these goals, Global Technology invested KRW 370 billion in 2012 and plans to increase this figure in the future.

R&D Expenses

	2010	2011	2012
R&D Expenses (KRW 1,000)	107,256,019	153,831,000	149,401,000
R&D Expenses/Sales (%)	0.24	0.23	0.20

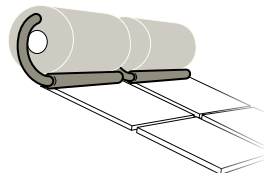
New Renewable Energy Business

SK Innovation channels part of its R&D resources into new renewable energies to secure clean, sustainable energy sources. We are now working to develop clean coal energy, next-generation solar cells and biofuels. These initiatives will give us a competitive advantage globally as we retain our position as a leader in the field of green energy.



Clean Coal Energy

SK Innovation is carrying out research on the technology needed to transform low-rank coal with a high content level of moisture and ash and a low level of calories into a synthetic gas which can be catalyzed to produce synthetic crude, synthetic natural gas (SNG) and other petrochemical products. When successfully developed, this innovative technology will reduce CO₂ and pollutant emissions levels.



Next-generation Thin-film Solar Cells

SK Innovation is currently developing copper indium gallium selenide (CIGS) thin-film solar cell technology, which is both competitive in terms of its cost and of high utility compared to conventional solar cells. To enhance light conversion efficiency and product competitiveness, the company is applying multi-layer thin-film technology and continuous process technology to these solar cells.

New Growth
Engines

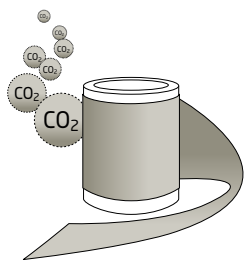


Biofuels

SK Innovation is conducting research on the manufacture of second-generation bioethanol by making use of non-edible plants such as palm oil sludge. We are particularly focused on developing a source technology for producing eco-friendly bioethanol by utilizing pre-processing and integrated process base technologies, such as microbial fermentation and enzymatic hydrolysis.

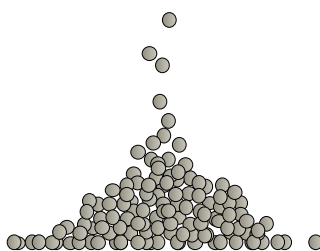
**Petrochemical
Business**

SK Innovation is involved in R&D activities with petrochemical process innovation and polymer-based new materials. In the petrochemical business, we pay particular attention to developing new catalysts and processes to save energy, raising our competitiveness, and harnessing carbon dioxides to create new materials.



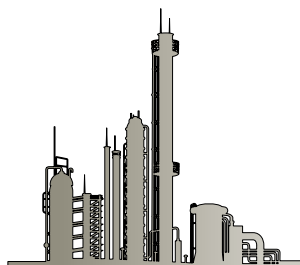
GreenPol™

GreenPol™ is a CO₂-based eco-friendly plastic. With more than 40 percent of its raw materials being CO₂, it represents a very promising carbon conversion & utilization (CCU) technology. This innovative material can be universally applied to packaging film and food packaging materials because of its high transparency and insulation performance. Furthermore, it is eco-friendly, as it is biodegradable and does not emit any toxic gases when burned. SK Innovation's GreenPol™ has earned itself an excellent reputation as the world's first commercialized carbon-based plastic technology.



Nexlene™

SK Innovation has successfully developed its own Nexlene™ technology that catalyzes metallocene, a high-performance polyolefin product, allowing us to manufacture polyolefin products in-house. Nexlene™ is a premium polyethylene product with superior general physical properties and a variety of applications. Boasting excellent catalytic activity, it is available in a vast product line-up and comes at competitive manufacturing costs. With a high tolerance for impact resistance, processability, and excellent heat seal properties and hygiene, SK Innovation's Nexlene™ is soon expected to be used in a wide array of applications and in numerous industries.



PMA (Propylene glycol mono Methyl ether Acetate) Process

PMA is a non-toxic organic solvent with universal application potential, ranging from paints, inks and adhesives to semiconductors, LCDs and OLEDs. Conventional PMA technology requires a huge amount of investment and energy to separate the reactant from the product material. SK Innovation, however, has successfully developed a new technology which simultaneously reacts and distills, significantly raising the conversion ratio and streamlining the entire process.



Shareholder & Investor

Business Strategies

Advancing into New Business Areas

New Growth Engines

Stable Energy Supply

Creation and Distribution of Economic Value

Government Grants

Shareholder Returns

2012 Financial Statements Summary

Special Theme ⓘ

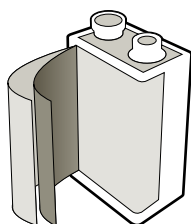
New Growth Engines



SID (SK Innovation Dewaxing) Catalyst / Process

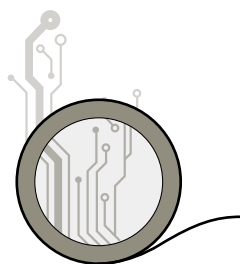
SID technology is a catalyst/process technology that isomerizes unconverted oil (UCO) from hydrocracking to manufacture feedstock to high-end lubricants called lube base oils (LBO). We were the first Korean company to develop the catalyst, reactor and process technology involved in the entire manufacturing process. In fact, our catalyst technology allows for selective isomerization, thereby minimizing any losses from converting the UCO.

New materials & I/E



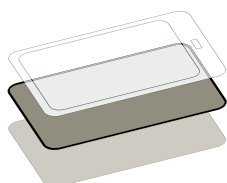
LiBS (LiBS, Lithium-ion Battery Separator)

By placing a lithium-ion permeable membrane between a battery's anode and cathode, lithium-ion battery separators become a critical component of lithium-ion batteries for eco-friendly electric vehicles (EV). The key function of this high-performance polymer film is to keep the two electrodes apart while allowing the transport of ionic charge carriers. SK Innovation was the first Korean company to successfully develop in-house LiBS technology and then commercialize it. The high performance capability of our products has been widely recognized so that they are now exported to Japan and China. Today, we are also developing separators with various functions to expand the application of batteries to EVs and energy storage systems.



FCCL (Flexible Copper Clad Laminate)

As electronic devices grow thinner and lighter, demand is also growing for high-performance FCCLs to allow flexible printed circuit boards to be thinner, more intensive and highly flexible. SK Innovation succeeded in developing FCCL production technology when it applied an infrared ray-based continuous curing process method for the first time in the world. We continue to develop high-performance FCCL manufacturing technologies of special usage, such as double-sided products and ultra-thin film products, as well as general products to meet a wide range of customer needs.



Optic Films for Displays

With different types of high-performance flat display products becoming more popular, demand for optic films to fit these products is also on the rise. SK Innovation has successfully developed the manufacturing technology necessary for triacetyl cellulose (TAC) films, the key material for LCD polarizing plates. We are also currently developing other optic films, such as optic compensation films and retardation films.

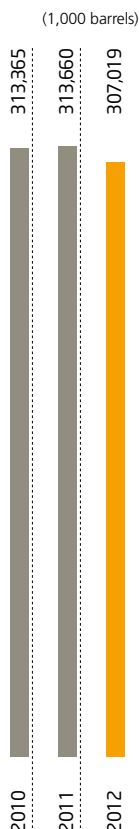
Stable Energy Supply

Expanding Stable Supply Infrastructure & Production Management

SK Innovation has been spearheading a lofty drive to help Korea become an oil producing country, a considerable feat in a resource-scarce country. As an importer of 300 million barrels of crude oil each year, SK Energy has been helping build a strategic network worldwide by collaborating with global energy companies and strengthening its ties with oil-producing nations. To prepare for potential oil supply emergencies that could arise from geopolitical and other abrupt changes globally, the company has also come up with a wide variety of solutions, increased oil reserves, and established the necessary infrastructure for the stable, economically efficient supply of crude oil. For instance, the company will soon implement a policy to keep long-term imports at a balanced level and diversify import channels to include Europe and Africa. To ensure the stable, long-term supply of oil amid a changing political climate globally, most notably with recent political instability in the Middle East and U.S. sanctions on Iran, SK Innovation is actively diversifying its sources of oil procurement.

Moreover, SK Innovation is establishing a global network for lubricant base oil (LBO) plants—the feedstock for manufacturing lubricants—through SK Lubricants. In 2007, SK Lubricants completed work on a plant with a capacity of 7,000 barrels per day (bpd) in Dubai. Another LBO plant with a capacity of 13,300 bpd is now under construction in Cartagena, Spain and is slated for completion in 2014. Today, SK Lubricants is also working hard to establish a local subsidiary in Amsterdam for a new plant there. Its third LBO production plant, which has a daily capacity of 26,000 bpd, is a joint venture with Japan's JX Energy and is currently in full operation. Including the existing two plants, these three plants' total production now totals 39,000 bpd, which has significantly increased our market share in the global lubricant production industry.

Annual Crude Oil Procurement (PEDSIS*)



※
Figures reported to Korea National Oil Corporation (KNOC)

Annual Production Volume and Disposal Amount of Main Products & Processed Substances for 2012

SK Energy	Crude oil	1.145 million barrels / day
SK Global Chemical	Petrochemical feedstock	9,084 million tons (output)
SK Lubricants	Lubricants	2 million barrels

Expanding Overseas Exploration & Production

SK Innovation has been expanding its E&P business abroad so it can evolve from the largest energy company in Korea to a global energy leader. As of the end of December 2012, SK Innovation was taking part in four LNG projects and 25 oil development blocks in 16 countries around the world. At present, eight of those blocks in six countries are in production. Through the efficient operation of these production blocks and LNG projects, SK Innovation realized year-to-date (YTD) sales of KRW 247.9 billion, with a YTD operating income of KRW 123.2 billion as of the first quarter of 2013. Of the five million barrels of oil equivalent (BOE) SK Innovation has secured, the company reached a daily production volume of 55,000 BOE as of the first quarter of 2013.

In terms of exploration projects, two exploration wells at Kazakhstan's Zhambyl blocks are scheduled for drilling by the end of 2013. In addition, SK Innovation's existing production blocks, 88 block in Peru and 15-1 block in Vietnam, also plan on drilling two and four exploration wells, respectively, to further increase their profitability and reserves. The Northeast Field at Vietnam's Su Tu Den, Yemen's LNG Train 2, and Peru's LNG plant continue to operate stably. SK Innovation is expanding its production line in Peru to generate more revenue and increase reserves, with plans in place for additional exploration activities. Furthermore, SK Innovation is participating in a drilling project in Colombia as an operator and carrying out a variety of other exploration projects in Vietnam, Australia, and Equatorial Guinea. At the same time, proceeds from the sale of its Brazilian subsidiary will be spent on acquiring new production assets and/or pursuing other corporate M&A opportunities. The company is also contributing to national energy development and becoming a global leader in energy E&P by continuing its block exploration/development and stable supply of oil to Korea.



Shareholder & Investor

Business Strategies

Advancing into New Business Areas

New Growth Engines

Stable Energy Supply

Creation and Distribution of Economic Value

Government Grants

Shareholder Returns

2012 Financial Statements Summary

Special Theme ③

Creation and Distribution of Economic Value

Revenue at Key Businesses _ Consolidated : as of Dec. 31, 2012

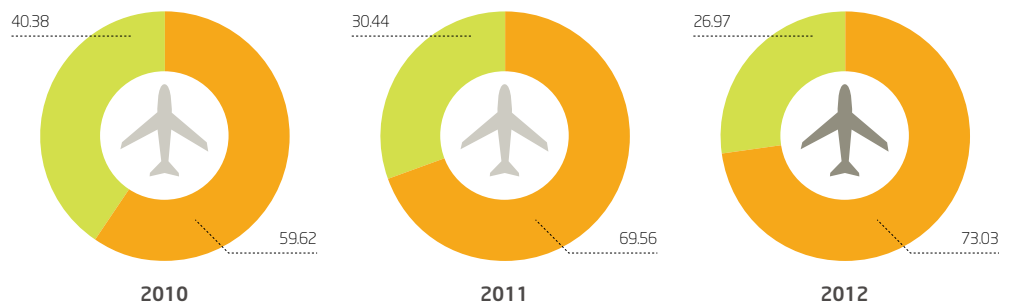
(Unit: KRW billion)

		2010	2011	2012
Petroleum Business	Exports	15,587.7	23,549.5	26,552.1
	Domestic market	15,247.5	27,189.4	26,324.1
	Overseas subsidiaries	33,473.9	37,205.4	58,653.1
	Subtotal	64,309.1	87,944.3	111,529.3
Petrochemical Business	Exports	10,067.3	11,269.1	9,108.1
	Domestic market	3,055.8	6,923.5	7,008.9
	Overseas subsidiaries	2,541.9	4,342.7	2,399.9
	Subtotal	15,665.0	22,535.3	18,516.9
Lubricants Business	Exports	1,566.6	388.9	464.0
	Domestic market	436.8	642.7	526.3
	Overseas subsidiaries	1,646.5	1,953.2	2,084.9
	Subtotal	3,649.9	2,984.8	3,075.2
E&P and Others	Exports	920.9	1,196.1	1,192.2
	Domestic market	138.9	369.8	1,177.8
	Overseas subsidiaries	64	154	136
	Subtotal	1,066.2	1,581.3	2,383.6
Consolidated Adjustment		-30,967.7	-46,674.5	-62,175.0
Total		53,722.5	68,371.2	73,330.0

Domestic Market vs. Export Contribution to Overall Revenue

(Unit: %)

Export Domestic



Government Grants

In 2012, SK Innovation received a total of USD 25 million through the Korean government's Success Repayable Loan System program for five overseas exploration and production (E&P) projects, including those in Colombia, Kazakhstan and Equatorial Guinea. The key blocks funded through this loan included the CPO-4 block in Colombia, the Z-46 block in Peru, the Zhambyl block in Kazakhstan and the S blocks in Equatorial Guinea, where the company is conducting seismic surveys and drilling.

Government Grants

(Unit: USD 1,000)

	2010	2011	2012
Total Amount of Grants Received	63,733	52,430	24,673

※ The government subsidizes E&P projects with a low chance of success in the form of loans, of which the principal and interest are repayable only if the exploration proves successful and generates a profit.

Shareholder Returns



Dividends

	2010	2011	2012
Par value per share (KR₩)	5,000	5,000	5,000
Earnings per share (KR₩)	12,241	34,004	12,720
Dividend per common share (KR₩)	2,100	2,800	3,200
Dividend per preferred share (KR₩)	2,150	2,850	3,250
Total cash dividends (KR₩ million)	195,767	261,001	298,278

2012 Financial Statements Summary



Condensed Income Statement

	2010	2011	2012
Sales	53,722,461	68,371,155	73,330,011
Cost of Goods Sold	49,749,441	63,551,358	69,743,724
Gross Margin	3,973,020	4,819,797	3,586,287
SG&A Expenses	1,721,042	1,860,314	1,886,923
Operating Income	2,251,978	2,959,483	1,699,364
Non-Operating Income	2,038,481	5,002,170	2,407,284
Non-Operating Expenses	2,788,039	3,653,005	2,417,926
Income Before Income Taxes	1,502,420	4,308,648	1,688,722
Income Taxes	353,239	1,132,804	506,370
Net Income	1,149,182	3,175,844	1,182,352
Other Comprehensive Income	-3,179	166,274	-226,432
Total Comprehensive Income	1,146,003	3,342,118	955,920

※Beginning in FY 2012, other operating income and expenses accounts are omitted from the statement due to changes in accounting principles. The 2010 and 2011 figures were realigned with these new principles.

Condensed Balance Sheet

	2010	2011	2012
Current Assets	15,495,703	19,886,932	17,885,166
Non-Current Assets	13,910,021	15,139,949	15,945,915
Total Assets	29,405,724	35,026,881	33,831,081
Current Liabilities	11,744,822	14,305,452	12,024,818
Non-Current Liabilities	6,109,135	5,889,819	5,458,238
Total Liabilities	17,853,957	20,195,271	17,483,056
Capital	468,570	468,570	468,570
Capital Surplus	5,878,164	5,885,505	5,884,671
Retained Earnings	5,265,931	8,202,693	9,114,823
Other Capital	-161,184	20,507	-96,722
Minority Shareholders' Equity	100,286	254,335	976,683
Total Shareholders' Equity	11,551,767	14,831,610	16,348,025



ASK innovation

Looking into innovative future growth engines

Infusing SK Innovation's philosophy into its technologies

Today, everybody talks about innovation, creativity and originality. Yet few companies come up with any tangible results while pursuing this abstract concept. At SK Innovation, however, we put the word "innovation" in our company name for a reason, and over the years we've done exactly that, bringing about tangible results that include changing CO₂ into a clean energy source. All the while, we've accomplished this on top of reaching KRW 53 trillion in exports in 2012 and running resource development projects in 16 countries around the world.

With our ASK Innovation campaign, we focused on the process—rather than the results—of innovation efforts. This slogan captures the essence of the campaign spirit by adding the letter "A" in front of the company's name. This is also the basic principle of the company's innovation drive: to think outside the box in pursuit of creative innovation. Historically, asking questions on a constant basis has yielded innovative ideas that have made life more convenient for human beings. The question "Why did that apple fall from the tree?" gave birth to the law of universal gravity; the question "Why can't humans fly?" led to the invention of the first aircraft. At SK Innovation, the question "As Koreans, why can't we have an oil field?" led us to become the first Korean company to enter into oil development projects. The question "Why does carbon dioxide always have to be a bad thing?" led us to creating our own innovative GreenPol™ technology. Although people tend to be curious about the world around them growing up, many become overwhelmed with day-to-day life and stop asking questions. The ASK Innovation campaign is a reminder of the importance to constantly ask questions.

What assures future growth engines? Abundant resources?

Advanced Technologies? Perhaps the answer lies in questioning everything around us. The future is about a paradigm change that is born from thinking outside the box. In 2013, SK Innovation launched its ASK Innovation campaign, which encouraged employees to think outside the box in pursuit of creative answers for innovation.



Questions that turn coal into a future energy source

Thinking outside the box is the first step towards innovation. At SK Innovation, coal was the first subject we took on. Why, we wondered, do people consider coal as nothing more than a pollutant? Can't it be more eco-friendly? SK Innovation's Green Coal technology has its origin in these questions, ultimately changing low-rank coal into cleaner energy sources such as oil, electricity and natural gas. By using this technology to make effective use of coal, whose reserves outstrip oil and natural gas two to three times, we have helped create a cleaner energy source with innovatively reduced carbon and pollutant emissions. In fact, this technology was a huge achievement because it solves both environmental and energy source issues at the same time. Today, SK Innovation is actually airing a series of TV ads on this topic. However, these ads aren't about lecturing people on the technology. Instead, they're meant to inspire important questions in the minds of viewers. At the heart of these ads is coal. The question turns a piece of coal into powder, which in turn transforms into electricity, oil and natural gas. In the near future, SK Innovation has plans to launch another campaign starring CO₂. When the question arises of "Why people consider CO₂ as nothing more than a pollutant?" people will see GreenPol™ technology on their screens as it takes CO₂ from the air and turns it into polymer products. The theme of the ads is all about asking questions, which is precisely what motivates SK Innovation to move forward and create innovative new technologies. And that, in short, is how we are generating tangible results through our innovation drive.

Ceaseless questioning leads to green technology

Asking questions about conventional thoughts and thinking outside the box have been the main drivers behind our innovation campaign for the past 50 years. As of 2013, the ASK Innovation campaign is shedding light on innovative ideas through five main themes—launching, spirit, results, GreenPol™ and green coal. While the first three themes focus on the spirit of SK Innovation, the other two examine the results from these innovative ideas. The launching theme defines innovation at SK Innovation; the spirit theme suggests that an innovative future is created by constant questioning, not abundant natural resources or advanced technologies; the results theme sheds light on the results of innovative ideas and the questions which have made SK Innovation what it is for the past 50 years; the green coal theme, which is now being aired on TV, challenges conventional thoughts that have branded coal as the main culprit to air pollution; lastly, the GreenPol™ theme will soon be aired nationwide and introduce our new CO₂-based green plastic technology. All these commercials highlight our green technologies, which highlight our ceaseless pursuit of innovative ideas. In addition, SK Innovation is now developing many new future growth engines, including EV batteries, LIBS, TAC and FCCL, through tireless efforts towards future green growth. In a resource-scarce country with a relatively small population, SK Innovation has realized several innovative accomplishments through relentless questioning. We will continue to think outside the box and challenge conventional thoughts as we bring about more innovative energy technologies in the future.



Shareholder & Investor

Business Strategies

Advancing into New Business Areas

New Growth Engines

Stable Energy Supply

Creation and Distribution of Economic Value

Government Grants

Shareholder Returns

2012 Financial Statements Summary

Special Theme ③



SK Innovation, advertising story

Launching

This theme defines SK Innovation's notion of innovation. By making use of an old typewriter to attract the attention of viewers, we have created a slogan that highlights an unexpected future from difficult situations. The powerful and fast-moving images of innovative ideas climax with the scene of an egg breaking upon a rock, challenging conventional thought and capturing the essence of innovation, and how you make the impossible possible.



Spirit

This theme highlights the spirit of SK Innovation's innovation drive—creating innovative results out of innovative questions, not from natural resources or advanced technologies. Fast-moving images show a series of smiling faces and computer graphic images to materialize the idea of questioning and thinking.



Results

This theme sheds light on the innovative results that SK Innovation has made by thinking outside the box and challenging conventional ideas for the past five decades: exporting oil products from a country with no oil fields and having grown into an energy powerhouse in a resource-scarce country.



Green Coal

This commercial begins with the question "Why do people consider coal as nothing more than a pollutant?" It then continues on to introduce an eco-friendly technology which changes coal into a cleaner energy source with innovatively low emissions of CO₂ and air pollutants. By shooting each scene of grinding coal into powder through fast-paced images, this commercial captures the essence of this green technology, which addresses both environmental and energy scarcity issues.



GreenPol™

This commercial begins with the question "Why have people branded you as the main culprit of global warming?" This then leads to the introduction of our GreenPol™ technology, which changes CO₂ into eco-friendly plastics. Following the same structure and methodology of the green coal theme, this commercial does a successful job of capturing images of CO₂ being turned into eco-friendly plastic products.



Local Community

Not focusing on one-time donations or volunteer activities, SK Innovation takes a more integrated approach to social issues in its social contribution programs. The clearest example of this is our social enterprise project, which we established to support social enterprises until they can be fully self-supportive and function as responsible corporate citizens and contribute to a happier society.



CSR Model

-

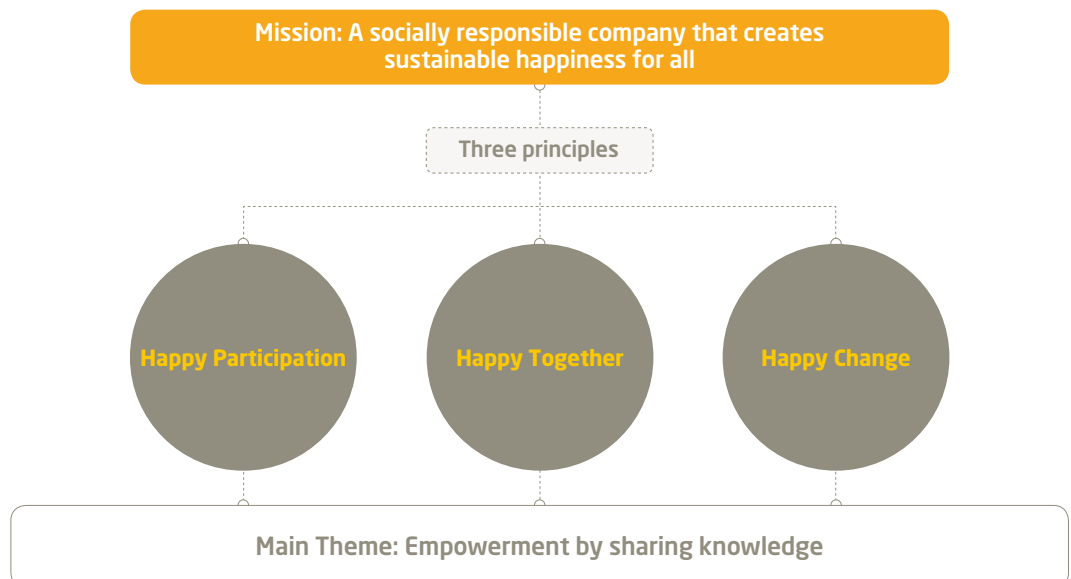
The SK Group's social contribution model is helping all of the companies under its umbrella contribute to society through social enterprises. This marks a distinct departure from other companies, which usually focus on one-time monetary donations to assist underprivileged people. While donations and other one-time social contribution programs generate three to four times the economic and social value of the input, social enterprises generate a 10-fold increase. In line with the SK Group's social contribution model and CSR principles and systems, SK Innovation operates numerous social enterprises to ensure a happier society for everybody.

Operational Principles

-

Adhering to a human-oriented business philosophy, the ultimate goal of all SK Innovation's business activities is to make society a happier place for everyone. Indeed, this spirit is the inspiration behind all of the company's social contribution activities. Instead of following a model that looks down on people in need of social contribution efforts, SK Innovation addresses the roots of major social issues and interactively communicates with members of society. Based on this approach, we have established three principles as part of our CSR activities: Happy Participation, Happy Together and Happy Change, all of which fall under the theme of "empowerment by sharing knowledge."

CSR Mission & Principles



*Social Enterprises are those which manufacture and sell goods and services. However, they are different from profit-driven companies as they pursue social causes, providing jobs and social services to the socially underprivileged while helping them enhance their quality of life. Although companies return profits to shareholders and owners, social enterprises reinvest or return their profits to the community.



Local Community

CSR Model

Operational Principles

Promoting Social Enterprises

Major Social Contribution

Special Theme ①

Happy Participation

SK Innovation encourages all of its employees, from the CEO on down, to volunteer their time through social contribution programs. We firmly believe that happy volunteering brings about happy changes, so our employees are glad to share their time and talent with those who need it most. There is a saying that happiness grows bigger when it is shared. We are proving this true every day at SK Innovation.

Happy Together

Demand for corporate social responsibility has been growing over the years. In response to this reality, SK Innovation maintains close partnerships with its stakeholders, including local communities, NGOs, and governmental bodies, to ensure more effective social contribution activities. This is what we call the spirit of Happy Together, as it generates greater synergies by sharing competencies and knowledge with others.

Happy Change

With the firm belief that companies have to take the initiative in addressing serious social issues, SK Innovation offers practical and systematic assistance to help disadvantaged people, whether they are disabled, single mothers, parentless teenagers or low-income individuals/families. As such, SK Innovation's third principle, Happy Change, encourages employees to bring about positive change throughout society.

Promoting Social Enterprises



Fully aware of its corporate social responsibility, SK Innovation is always looking for the most effective ways to help solve social problems as a corporate citizen. One way it has accomplished this is by lending its business acumen to running social enterprises. For SK Innovation, social enterprises are in alignment with the company's business philosophy of sharing the greatest amount of happiness with as many stakeholders as possible. As a result, we are constantly pushing forward with numerous social enterprise projects so that SK Innovation is now among the leading business group in Korea when it comes to fostering social enterprises. We not only establish our own social enterprises but sponsor certain ones set up by other companies as well, ceaselessly working for the sustainable development of all social enterprises.

Starting with Childcare Support Services

SK Innovation's first social enterprise was a round-the-clock infant care service business that was launched in 2006. To date, this business has created 1,900 new jobs for low-income females. Later, it became connected to SK Network's SpeedMate and began sponsoring teenagers from orphanages and low-income families so they could be trained to work at car repair shops. Using the knowledge and experience gained from these two projects, we then started sponsoring and establishing other social enterprises. In 2008, for example, we established Mezzanine I-Pack, a box making social enterprise that hires North Korean defectors, in partnership with the Ministry of Unification and the Merry Year Foundation (MYF). That same year, we sponsored the establishment of Mezzanine Eco One, an eco-friendly maker of window blinds, in collaboration with the Ministry of Health and Welfare (MHW) and MYF. In 2009, we established an eco-friendly fashion accessory manufacturing social enterprise along with the MHW and MYF in a bid to create a socially responsible investment (SRI) infrastructure and to create jobs for the underprivileged.

Two years later, in 2011, we expanded our scope from helping establish to actually establishing and operating social enterprises. The first time we successfully carried out this initiative was with Happy Farm, which grows and sells flowers, grass and trees, and provides landscaping and gardening services. SK Innovation contributed the necessary funds to establish Happy Farm, whose employees learned gardening and landscaping skills from people

Promoting Social Enterprises



at SK Forest, a subsidiary of SK E&C. Located in Siheung, Gyeonggi Province, Happy Farm hires underprivileged people and has established sustainable business models, such as field trip programs and other services for the public like opportunities to fully enjoy nature.

In the future, SK Innovation will focus on establishing a business ecosystem where social enterprises can more readily promote their social and economic value. In an effort to increase the significance of social enterprises to the public, we operate a pop-up store* in front of our head office building in Seoul for one week every year in the run-up to Social Enterprise Day. As of July 2013, we were also publicly inviting people to submit ideas for new business opportunities related to social enterprises, community businesses and social cooperative associations.

*Pop-up stores refer to those that carry out sales in short-term spaces such as container boxes or temporary buildings.

SK Innovation's Social Enterprise (SE*) Past Projects & Future Plans

	Social Enterprise Strategic Direction	Social Enterprises that SKI Sponsored or Established	Remarks
2008~2009	2008~2009 Sponsored the establishment of SEs	<ul style="list-style-type: none"> • Mezzanine I-Pack (May 2008) • Mezzanine Eco One (Dec. 2008) • Grateful Hands (June 2009) 	<ul style="list-style-type: none"> • Partnerships with governmental organizations (MU**, MHW***), NGOs (MYF****)
2010~2012	Established SEs and created a business ecosystem	<ul style="list-style-type: none"> • Happy Farm (Oct. 2011) • The first SE in Peru through Yachaywasi #1 (Dec. 2012) 	<ul style="list-style-type: none"> • Global social contribution programs replaced by social enterprise projects.
2013~	Inigorating social economic systems	<ul style="list-style-type: none"> • Developing and sponsoring autonomous community businesses • Social cooperative associations, second SE in Peru Yachaywasi #2 (July 2013) 	<ul style="list-style-type: none"> • Holding public contests • Concentrating on getting Yachaywasi #2 on track

* SE: social enterprise
**MU: Ministry of Unification
*** MHW: Ministry of Health & Welfare
**** MYF: Merry Year Foundation

Local Social Enterprises along with Entry into Global Markets

SK Innovation's sponsorship of social enterprises extends beyond Korea's borders. After opening the first SK Yachaywasi, a center for the promotion of farming near our liquefied natural gas oil field development area in Peru in December 2012, we've since launched the second Yachaywasi in July 2013.

Yachaywasi, a farming village development program that SK Innovation initiated in 2009 in the form of a social enterprise, transfers farming techniques to financially disadvantaged farming families, lends them farming devices, and supports them with consulting services and with access to distribution channels so that they can eventually become commercially independent.

Yachaywasi is unique in its form and purpose as a social enterprise. As a new way of collaboration between the private sector, local government, academia and an NGO, it has attracted great interest from different areas. In the future, SK Innovation will continue to support various new types of social enterprises and implement a wide range of other programs to promote social enterprises.



Local Community

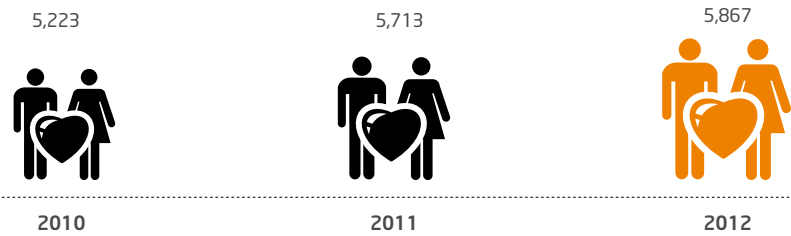
Major Social Contribution



Employee Volunteerism

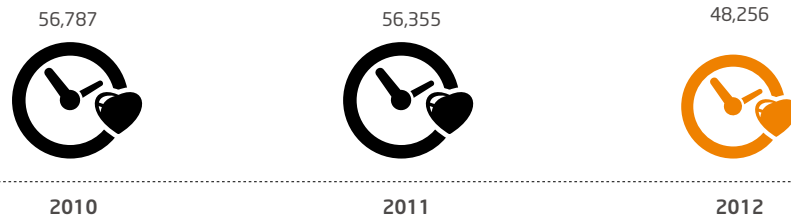
SK Innovation's Released-Time Program, which counts volunteer activities as part of job fulfillment, encourages employees to engage in company-wide volunteerism. We have also launched a website for volunteers to keep track of volunteer activities, somewhere employees can share information and experiences regarding volunteer activities.

No. of Volunteers



(Unit: persons)

Volunteer Hours



(Unit: hours)

※The 2012 figure includes volunteer activities at the Seosan/Jeungpyeong plants, where our volunteer corps was launched that same year.

Domestic Social Contribution Programs

Fighting Poverty (social welfare)

Sarang Kimchi & Coal Briquettes

During SK Innovation's Happiness Sharing Season every October, all of the company's employees go out and help the underprivileged prepare for the winter. In 2012, we provided 73,000 heads of kimchi to 11,390 low-income families and elderly people living on their own, as well as 213 social welfare centers. We also provided 140,000 coal briquettes to 686 households across the nation.

School for Love

SK Innovation began its School for Love program to subsidize undernourished children in communities near its operations with their meal expenses and scholarships as well as school supplies. In 2012, the company paid for school meals, scholarships, afterschool tuition, bags and clothes for 1,100 students from elementary, middle and high schools near its operations. In the future, we will continue to develop new programs.



Major Social Contribution



One Employee-One Donation Account Campaign

Every year, 2,000 SK Innovation employees participate in this donation campaign. In response, 30 company executives are now providing scholarships to university students from developing nations. In July 2007, SK Innovation began supporting a One Employee-One Donation Account Campaign. Today, SK Innovation employees are voluntarily contributing KRW 5,000-20,000 from their paychecks to help raise funds. The money is then donated to more than 20 social welfare centers every month, two of which are Daejeon's Community Chest and Compassion Korea Childhood Leukemia Foundation. In 2012, 1,447 employees contributed KRW 170 million to the funds.

Barrier Free Tour

In partnership with the Korea Tourism Organization (KTO), SK Innovation launched the Barrier-Free Tour campaign, taking people with disabilities to barrier-free trips to tourist attractions. In 2012, we took more than 100 disabled people on three occasions of barrier-free tours to Jeju and other notable sightseeing spots.

Education Programs

Energy/Science Education Programs

In 2013, SK Energy's Incheon CLX gave energy classes to local elementary students on energy and continues to raise their awareness about energy conservation. The program consists of watching educational videos, taking energy quizzes and providing other multimedia programs about the life cycle of petroleum products, from the production and refinery of crude oil to the consumption of petroleum products. Furthermore, SK Innovation Global Technology (Daejeon) entered into an MOU with Yuseong-gu, Daejeon on mentoring the children who want to become scientists, with GT researchers visiting local schools to teach science classes. In 2012, students had the opportunity to take a look at our technology exhibition, drive electric vehicles and use scientific experiment kits.

Jeju Dream Soccer Class

In partnership with Jeju United FC, SK Innovation sponsored the Mongsae-gong Soccer project, inviting 1,980 children from a community childcare center in Jeju to watch Jeju United FC's games. In collaboration with local authorities, we also provided soccer classes.

Industrial-Academia Collaboration

After entering into an industrial-academia collaborative agreement with JEI University's Department of Social Welfare in Incheon, we began exchanging manpower and materials for community service activities. Since signing the industrial-academia collaborative agreement, we hosted the 3rd Shoulder to Shoulder Festival in 2012 as a token of our commitment to the continued partnership and as a means to help contribute to the development of local communities. During the festival, we invited 100 children from five orphanage and other local community childcare centers in Incheon to attend a number of performances and recreation programs. Along with JEI University's Department of Social Welfare, SK Energy's Incheon CLX volunteer corps conducts monthly volunteer activities. In the future, we will continue with these efforts to deliver hope to many different communities.





Major Social Contribution



Environmental Programs

Rose Festival and Cleaning Activities in Ulsan Grand Park

SK Innovation not only built but then donated Ulsan Grand Park to Ulsan City. Since then, it has hosted an annual rose festival and various other cultural events for local residents. In 2012, SK Innovation held a festival under the theme Happy World, Beautiful Ulsan! in which 620,000 people took part. As part of the 1 Company, 1 River and 1 Company, 1 Mountain Cleaning campaigns, employees from the SK Energy's Incheon CLX work alongside communities to clean the area around the Gongcheon River and Wonjeok Mountain on a monthly basis.

Happy Flower Garden

SK Innovation has built flower gardens at social welfare centers in Seoul, Incheon, Daejeon, Seosan and Jeungpyeong, helping local residents enjoy the beauty of nature. After purchasing bushes and flowers from SK's Happy Farm, volunteers from each regional headquarters planted the flowers and shrubbery at 16 social welfare centers nationwide.

Planting Flowers beside the Han River

On April 19, 2013, 60 SK Innovation employees planted flowers in Mangwon Hangang Park (Mapo-gu, Seoul). In partnership with Seoul's Hangang Park Office, SK Innovation organized the event and donated 15,000 bushes and flowers which it purchased from Happy Farm, an SK Innovation social enterprise. During the event, participants planted 9,200 of the donated shrubbery and flowers in the park to create a stunning flower garden on a site spanning 298m².

Environmental Composition Contest

SK Innovation originally launched the composition contests on environmental protection for elementary students, but changed the applicant qualifications to visually challenged students in 2011. In 2012, deaf students were also allowed to enter the contest. Approximately 860 blind and deaf elementary, middle and high school students participated in the contest during the 40-day contest, and 80 award-winners were invited to baseball games and swimming classes as part of the special two-day camp program.



Major Social Contribution



Global Social Contribution Programs

Vietnam

A total of 130 SK Innovation employees and 20 BSR employees painted a teachers' building, replaced old glass panes, window frames, desks and classroom chairs. They also repaired electric wiring and facilities at middle schools in Binh Son City, which is located near the BSR plant, as part of a scheduled first stage of maintenance.

Peru

Since 2007, SK Innovation has been involved in community development programs in the vicinity of its operations in Peru, one of which is the My School Program to enhance educational equality for local students from low-income families living in regions with an underdeveloped public education system in terms of budget and policy, and a low level of interest in promoting education. As part of the program, SK Innovation provides online and offline education services to local teachers, students and their parents, including teaching skills, educational materials, education-related information, a self-assessment system, and a parental monitoring system. We also provide an IT platform for information on education and learning materials, as well as various other incentive programs to encourage the participation of more teachers and parents in the education of local students.

Furthermore, SK Innovation was the first Korean company to foster a global social enterprise, a farming village project in Peru called Yachaywasi. In response to the Peruvian government's request for assistance in their rural village development project in 2007, SK Innovation established a dedicated NGO called SK-Prosynergy as a corporate-government-university-NGO collaboration network. As part of this, the Peruvian government contributes farming land to local residents, while Catholica University offers education related to farming technology and the microcredit foundation FINCA extends financial aid to people.

The name Yachaywasi is a combination of the Quechua word yachay, meaning "teaching," and wasi, meaning "place." Since opening the first branch in Huancano, a farming village 300 km outside the capital city in December 2012, the Yachaywasi program has become quite popular with local farmers. In fact, they opened their second branch in Pilpichaca as part of this program in July 2013. Ultimately, the Yachaywasi project will provide one-stop farming assistance services, from teaching farming techniques and lending farm land to people to extending low interest loans and supporting an agricultural produce distribution network.





Happy Farm

One day, a question popped up: What can we do as a corporate citizen to contribute to a happier society for everyone? From this simple question, SK Innovation established social enterprises with the help of its peer affiliates, SK Forest and SK Happiness Foundation. By 2011, a small hill with rank weeds in Wolgot-dong was transformed into a beautiful garden with numerous flowers and plants called Happy Farm, which created jobs for elderly citizens and the socially vulnerable, while also providing horticultural therapy classes to runaway juveniles and disabled people. The garden also donates flowers to schools, kindergartens, and public places on a regular basis. Its well-kept garden also provides shelters to visitors. Happy Farm is contributing to society in different ways and SK Innovation is standing behind it.

Creating a new paradigm in social contribution efforts



Sowing the seeds of hope for a future of happiness

Happy Farm is a social enterprise that contributes to a happier society, providing flowers and plants to people in urban centers. Founded by SK Innovation and the SK Innovation Foundation, this company does not hire people to sell flowers, but sells flowers to give jobs to the needy, especially the elderly, and those from vulnerable social groups. Gardening and landscaping is the main source of profit, but the company works hard to contribute to a society where diversity and positive thinking thrives.

From a wasteland to a happy farm

With the aim of providing jobs to the needy, SK Innovation established Happy Farm to give back to society and to contribute to a happier society for everyone. We thought farming was the best solution to deal with both the social issues of jobs for the elderly and greening more urban spaces. That was how Happy Farm was established in October 2011 on grounds spanning 12,000m² in Gyeonggi province.

Hope is more valuable than profit

Happy Farm generates profits from gardening and landscaping, providing jobs to the elderly and low-income people as it trains them to be financially self-supportive. The company opens its doors to local residents, sharing facilities with them and providing gardening classes to troubled teenagers and horticultural therapy to patients. It also provides jobs to the elderly and other vulnerable groups having difficulty finding employment. As a social enterprise, Happy Farm puts people's happiness before its profits and is playing an important role in offering jobs to socially vulnerable members of society through gardening. These activities tackle important social issues with an aging society and juvenile delinquency, while also contributing to the local economy.





Local Community

Creating happiness with warm hands

Although industrial development has mechanized most processes, it hasn't affected gardening, which still requires the loving touch of human hands. In the same context, SK Innovation's Happy Farm has scores of volunteers to help bring about a happier society. Its facilities and exhibition rooms provide somewhere for people to rest and relax, with the company contributing to the development of the gardening industry through partnerships with related organizations. The company has also entered into business partnerships with nine social welfare centers to provide gardening classes to the needy. This is just part of how SK Innovation is fulfilling its corporate responsibility through different social services and contribution projects. The most important role Happy Farm plays, however, is in creating jobs and helping vulnerable groups get on their feet through various public welfare projects. This is literally what Happy Farm strives to do through its flowers and plants: provide jobs and help people smile.



Fulfilling its role as a social enterprise

Happy Farm has set a goal of acquiring the authorization as a social enterprise by early 2014, while fulfilling our corporate responsibility of job creation and social contribution. We will also strive to improve our profitability by cutting costs through mass production of selected items and plans to hire specialists to enter new businesses in the planting service and plant market operations. In addition, we have plans for a gardening lab where students have a chance to learn more about gardening. The ultimate goal of these activities is to make Happy Farm stronger and contribute to the local communities.



Supporting a social enterprise to be self-sufficient

Many social enterprises in Korea fail to go independent when they lose support from their mother companies. As a result, SK Innovation provides practical support to Happy Farm, helping it go independent and function as a social enterprise in its true sense. Most importantly, our support program focuses on profitability and business operations, providing business consulting to them based on mid- and long-term master plans through regular meetings. While we provide all-out support to Happy Farm, the company also needs the help of local residents in order to grow into a self-supportive social enterprise.



Business Partners

SK Innovation respects its suppliers and treats them as valued business partners, taking a long-term and continued approach to our partnerships with them. Moreover, our unique mutual-growth strategy encourages interactive and open communication with our business partners through diverse channels based on an open innovation principle.



Mutual Growth with Business Partners

Not only does SK Innovation recognize small and medium enterprises (SMEs) as equal partners, but it goes further than implementing mere one-time support programs, as it has developed a win-win framework to assist SMEs enhance their competitiveness with long-term partnerships through a variety of related programs.

3-Stage Mutual Growth Process

Step 1	Step 2	Step 3
Individual Level	Industry-wide Level	Social Level
In transacting with SMEs, SK Innovation respects the principles of equal opportunity and fair trade. From beginning to end, the company proceeds with transactions fairly, without favoritism, and tries to ensure appropriate mutual benefits.	SK Innovation is dedicated to helping SMEs enhance their competitiveness for the development of the related industry. The company provides practical support for the growth of SMEs, such as financing, R&D support, management support, and HR development support.	SK Innovation aims to spread a culture of corporate partnership across communities. Led by the Win-Win Cooperation Office at SK Global Chemical, the company participates in conventions and declarations concerning fair trade and corporate partnerships, and plays a leading role in promoting a culture of corporate partnership.

Mutual Growth Programs through Enhanced Competitiveness

Funding and Financial Assistance

On top of 100% cash payments for the settlement of bills, SK Innovation provides a variety of financing programs for SMEs to manage funds under better conditions. The SK Win-Win Fund, a leading financing source launched across the SK Group in 2009, has access to funds of KRW 150 billion, enabling SK Group partners to receive loans at a lower interest rate than the going market rate. SK Innovation also operates the SKI Mutual Growth Fund (KRW 20 billion) and the SKGC Mutual Growth Fund (KRW 24 billion) to support its SME suppliers in the form of direct loans, guarantees and network loans.

Large/SME Partnership Support

SK Innovation uses its business infrastructure in a number of ways to improve productivity at SMEs and increase their business opportunities. The company also helps SMEs expand their activities abroad. A good example of this can be seen in SK Innovation and SK Lubricants' advance into the Spanish market along with their SME partners. For the procurement of equipment and facilities required for its LBO plant in Spain, SK Innovation advised its Korean SME suppliers, who ran into red tape problems when entering European markets, on vital information and how to respond to European regulations. As a result, Korean SME suppliers were able to bid against international suppliers of joint venture partners in the local market. Out of the 75 contracts they were bidding for, 12 Korean



Business Partners

Mutual Growth with Business Partners Fair Competition

Mutual Growth with Business Partners

suppliers were eventually able to land 14 contracts worth KRW 8.7 billion. Thus, SK Innovation and SK Lubricants opened the door for their Korean SME partners with pricing and quality advantages, earning them invaluable experience with advancing into the Spanish market. When advancing into the Chinese EPDM markets, SK Innovation and SK Global Chemical closely collaborated with their Korean business partners for the entire process, from raw material supply to packaging material supply. As a result, our suppliers are expected to enjoy more than KRW 18 billion in increased sales, with a great opportunity to further advance into the Chinese market using SK's high brand recognition in the local market.

Technical Assistance and Joint Technology Development

By combining the creative technologies of SMEs with the centralized, systematic technical capabilities and knowledge of large companies, SK Innovation aims to develop a win-win cooperation model. For instance, SK Innovation collaborated with one Korean supplier, MAS, to jointly develop devices which measure flange flatness to insulate leakages due to bad flange flatness between heat exchangers and pipelines. In fact, SK Innovation and MAS filed for a co-patent for the device and signed unit-price contracts together, which means more sales for the SME partner. Today, we continue to promote this new device with peer companies in the industry to help increase sales for this business partner.

HR Development Support

To help SMEs enhance their competitiveness over the long run, the SK Group continues to increase training/educational HR support for SMEs. At the SK Win-Win Academy, the Group-wide SME support program, job training is provided for various positions, from working-level posts and middle management jobs all the way up to CEO. Additionally, SK Innovation holds CEO seminars for business partners in Ulsan and the Gyeongsang region to gather feedback on this program.

Business Partner HRD Program



Program	Recipients	Subjects	No. of Companies / No. of Employees	
			2011	2012
CEO Seminar for the CEOs of Partners in Ulsan CLX	Site CEOs	Business administration, humanities	70 CEOs	160 CEOs
CEO Seminar	CEOs	Business administration, humanities, SUPEX best practices	59 companies	34 companies
MDP (Management Development Program)	Middle managers	Business administration, general management information	21 employees from 16 companies	21 employees from 21 companies



Closer Communication with Partners

The concept of Open Innovation is the foundation of SK Innovation's win-win cooperation. Through a variety of channels, SK Innovation listens to the opinions of SMEs and incorporates them into business activities. At the same time, it frequently communicates with partners to increase trust, which we see as a form of social capital. Successful examples of this include the ceremony SK Innovation held at its Ulsan complex in May 2013 for business partnerships with suppliers and its pledge to prevent industrial accidents. The company has also concluded a business alliance with the Korea Occupational Safety & Health Agency (KOSHA) and Ulsan City to help prevent industrial accidents. The agreement calls for risk tests on all dangerous work conducted by business partners, development and promotion of work safety guidelines for business partners, as well as development and distribution of occupational safety guidelines and training. In the near future, SK Innovation will mandate that its in-house developed safety management model be used by all its suppliers and at all business operations in the Ulsan petrochemical complex.

Committed to mutual growth along with our business partners, we hold regular mutual growth seminars to help our partners with their human resources development, while also maintaining close communication ties with them through diverse channels.

Fair Competition

Fair Procurement & Supplier Partnership

SK Innovation has introduced a Supplier Relationship Management (SRM) system, begun a supplier management process (registration, assessments, differentiated management), and now operates a competitive supplier pool. For the supplier registration process, the company conducts an assessment of each supplier's business ethics, credit, technology, and environmental capabilities, ensuring that all assessments are fairly conducted. Also, through the integrated online procurement system at SKBiOK.com, SK Innovation ensures that all transactions with suppliers are carried out transparently, from supplier registration and procurement requests to bidding and ordering. Additionally, the company has improved fairness by allowing a variety of stakeholders to engage in the procurement process, whether they are supplier supervisors, procurement officers, end-users, or technology assessment teams. Ultimately, SK Innovation evaluates registered suppliers regularly on management, technology, quality, safety · health · environment, and human rights, while also offering advice to maintain strategic partnerships and sustainable relationships.

Fair Trade Compliance Program (CP)

SK Innovation was the first company in Korea to adopt a fair trade compliance program (CP). CP performance results and plans are reported on to the BOD on a regular basis and we make every effort to raise the level of our CP practices on a continual basis. In 2012, SK Innovation was faced with a correction order by the Fair Trade Commission for unfair assistance practices.

The 7 Steps of SK Innovation's Compliance Program (CP)

The 7 Steps		Details
CEO's commitment to the compliance program	<ul style="list-style-type: none"> Declaration of commitment to compliance with fair trade and adoption of fair trade compliance program (CP) CEO's proclamation of corporate policy on fair trade CP 	
Appointment of compliance officer(s)	<ul style="list-style-type: none"> Appointment and disclosure of the head of the Sustainable Management Division as compliance officer (Feb. 2012) 	
Publication and distribution of compliance handbooks	<ul style="list-style-type: none"> Publication of CP handbooks Publication of Fair Trade Compliance Guidebooks 	
Compliance training	<ul style="list-style-type: none"> Employee seminars on fair transactions Education by fair trade experts and specialized lectures by business area 	
Internal monitoring system	<ul style="list-style-type: none"> Operation of the CP Commission and CP provisions Operation of CP organization Fair trade practice monitoring 	
Disciplinary action on any violation(s) of related regulations	<ul style="list-style-type: none"> Punishment and discipline to be administered when related laws or regulations are violated. 	
Documentation & database operation	<ul style="list-style-type: none"> Systematic management of documentation related to CP activities 	

Customer

SK Innovation is actively involved in a number of customer satisfaction programs and high-quality customer satisfaction services to maintain the high level of trust customers have in our company. In the future, we will continue to enhance customer value through better organized and more proactive CS activities.



Working Hard for Higher Customer Satisfaction



With an aim to become a trustworthy company respected by its customers, SK Innovation explicitly proclaims its commitment to customer satisfaction in the basic principles of its own business management framework SKMS. SK Innovation puts customer satisfaction (CS) at the top of its priority list and implements systematic CS activities to deliver higher levels of customer satisfaction. SK Innovation's CS Framework consists of on-site CS standards promotion, on-site CS survey, on-site CS improvement activities, and gathering Voice of the Customer (VOC) systems.

On-site CS Standards Promotion

SK Service Station CS Guidelines

SK Innovation has a set of SK Service Station CS Guidelines at its gas station network to ensure customers are provided with the same high level of customer satisfaction nationwide. The CS Guidelines outline basic principles and essential services that all SK service stations must follow, including the clean management of all gas stations, how to talk to customers, responding immediately to customer requests, and notification of membership discount/mileage services. To help implement these guidelines, SK Innovation ran a photo contest so that gas station attendants could quickly internalize the new guidelines. We also distributed posters to help them better understand the provisions of the guidelines and provided education sessions through on-site CS consulting teams to further improve CS practices at all our service stations.

CS Practice Monitoring at Customer Contact Points

ACE Monitoring System at Customer Contact Points

SK Innovation runs an on-site CS monitoring system at all its service stations called ACE (Appearance Cleanliness Evaluation). The ACE Program was designed as a support mechanism to increase customer satisfaction by checking CS practices and customer satisfaction levels at each gas station, providing feedback to the gas station and its sales team, setting improvement priorities, and carrying out improvement activities. For the evaluation, panels selected by a research agency actually drive to gas stations and fill up as they monitor CS levels from a customer's

Working Hard for Higher Customer Satisfaction



perspective. The evaluation results are analyzed and then sent to the gas station so that employees can use the information for improvement activities. Gas stations with scores under the average are subject to intensive CS improvement courses.

On-Site CS Improvement Process

On-Site CS Improvement through the CS 119 Team

SK Innovation's CS 119 Team is a CS consulting program for gas stations that helps improve customer satisfaction levels at all our gas stations. As part of the program, CS experts visit a service station, check on its service level, and suggest customized on-site training and other various improvement ideas. These activities are instrumental in significantly improving service quality at our gas stations and encouraging employees to offer even better service, which will eventually contribute to higher customer satisfaction levels. Service stations with scores under the average are guided by the CS 119 Team for intensive CS improvement courses.



Employee CS Campaign: Service Station CS Campaign

SK Innovation runs an annual Employee CS Campaign to improve CS services and marketing skills. In 2012, company employees visited SK service stations to clean up the area around the gas stations. In 2013, we mounted yet another CS campaign to further our customer satisfaction.



Our employees cleaned up the facilities and devices such as the oilers, nozzles and hoses and carried out various marketing activities at the stations.

These campaign activities provided our employees with opportunities to realize the importance of customer satisfaction and to listen to the voices of customers face-to-face. They will reflect the lessons they have learned from this experience in their future plans for furthering our CS.



Quality Assurance Program

SK Innovation runs a Quality Assurance Program to heighten customers' trust in our services. The program monitors service station practices on a regular basis. Furthermore, we offer rewards in advance if any customer discovers a problem with their car or their purchase after filling up at an SK gas station.

Increasing Membership and Affiliate Service Benefits

SK Innovation was Korea's first oil refiner to enter into a business alliance with Korea's five biggest credit card companies (Shinhan, KB, Lotte, Samsung and Hana-SK) to offer the highest per-liter discount rates in the industry (KRW 100-150/liter). In addition to this offer, we launched a new mileage card that offers a discount service on the spot when filling up with gas. As of 2013, all SK service stations provided six different types of on-the-spot discount card services when people filled up their cars with gas. In an effort to give even more benefits to customers, SK Energy plans to convert all its discount card offers to allow on-the-spot discount benefits.

We offer various customer benefits through business alliances with different industries, such as discounts when filling up at an SK gas station, with our CS campaigns at gas stations maximizing customer satisfaction.



Furthermore, SK Innovation has been mounting a special campaign whereby SK service station customers can exchange 3,000 OK Cashbag points for everyday necessities at any SK gas/charge station. This campaign has become one of the biggest events at SK service stations and serves as an excellent opportunity for the company to express its gratitude to existing customers while attract future customers at the same time.

Compliance

SK Innovation complies faithfully with the Broadcasting and Advertising Act, Consumer Protection Act, and other applicable laws, and did not violate any laws related to its products and services in 2012.

Customer Relationship Management



Voice of Customer (VOC) System

SK Energy Customer Happiness Center

SK Innovation's SK Energy Customer Happiness Center is a channel for communicating with customers to address their requests and complaints regarding the use of our products and services to further heighten our marketing activities.

At the Customer Happiness Center, 60 employees provide specialized counseling services by phone or online in each of our major business areas. They also listen to customer feedback on the company's marketing activities, which the company then takes into consideration to provide better products and services. Through the VOC (Voice of Customers) process, the company provides timely feedback on opinions and complaints gathered through a variety of channels. In collaboration with SK Innovation's Customer Service Team, the Customer Happiness Center provides fast, accurate customer services and shares VOC feedback with related organizations through periodic reports.

Customer Accountability Activities

Protection of Customer Information

In 2010, SK Innovation adopted a data user authentication system to raise company-wide awareness of the importance of protecting customer privacy. Today, the company and its suppliers monitor the handling of personal information on a regular basis and comply with all relevant privacy regulations by running a system for the safe transfer and storage of personal information. In addition, SK Innovation created a Security Operation Center (SOC), an independent work space where personal information encryption and a stronger security policy are applied, to reinforce both technical and physical security. SK Innovation has also amended its Privacy Policy and Guidelines, bolstered the management of its Data Security System, and now provides periodic privacy training to eliminate any risk of data leaks.

ASK innovation



APPENDIX

Third Party's Assurance Report	82

GRI G3.1 Application	84

Awards & Associations	88



Third Party's Assurance Report



Related to SK Innovation Co. Ltd., Sustainability Report 2012, for the calendar year ending 31st December 2012

Terms of Engagement

This Assurance Statement has been prepared for SK Innovation Co. Ltd. Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by SK Innovation Co. Ltd. (SK Innovation) to assure its Sustainability Report 2012 for the calendar year ending 31st December 2012 ("the Report"). The Report relates to the sustainability performance data and information for SK Innovation's activities in Korea. The scope includes the head office and plants of SK Innovation as well as three major subsidiaries (SK Energy, SK Global Chemical, SK Lubricants) located in Ulsan, Incheon, Daeduck, Seosan, Cheongu and Jeongpyung Cities.

Management Responsibility

SK Innovation's management was responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with SK Innovation. Ultimately, the Report has been approved by, and remains the responsibility of SK Innovation.

LRQA's Approach

Our verification has been conducted against:

- AA1000 Assurance Standard 2008 (AA1000AS), where the scope was a Type II engagement
- Global Reporting Initiative Sustainability Reporting Guidelines (GRI G3.1, 2011) and GRI's oil and gas sector supplement.

The objectives of the assurance engagement were to:

- Review adherence to the AA1000AS Accountability Principles of Inclusivity, Materiality and Responsiveness and evaluate the reliability of specified sustainability performance data and information
- Confirm that the Report meets the requirements of GRI G3.1's application level A and GRI's oil and gas sector supplement
- Validate SK Innovation's self-declaration for GRI's application level A+.

To form our conclusions the assurance was undertaken as a sampling exercise and covered the following activities:

- Reviewing the stakeholder engagement process and related information

- Benchmarking SK Innovation's material issues against our own independent analysis of stakeholder issues by reviewing other sustainability reports written by SK Innovation's peers in comparable industries
- Understanding how SK Innovation determine, respond and report on their material issues
- Interviewing senior management of SK Innovation to understand SK Innovation's reporting processes and use of sustainability performance data within their business decision-making processes
- Interviewing key personnel to understand processes of SK Innovation for setting performance indicators and for monitoring progress made during the reporting period
- Verifying SK Innovation's data and information management processes and reviewing supporting evidence made available by SK Innovation at their head office in 99, Seorin-dong, Jongno-gu, Seoul, Republic of Korea, in accordance with our contract for the verification of data and information disclosed in the Report.
Note 1: No source data was sampled for its accuracy and completeness.
Note 2: Economic performance data was taken direct from the audited financial accounts.
- Checking that the GRI index allows stakeholders to access sustainability performance indicators.

Level of Assurance and Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a moderate level of assurance and at the materiality of the professional judgement of the Verifier.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that the Report has not been produced based on the Principles of AA1000AS. It should be noted that for the Principle of:

- **Inclusivity** – SK Innovation has processes in place for identifying and engaging with its stakeholders across its operations and we are not aware of any key stakeholder groups that have been excluded from this process. SK Innovation also demonstrated that they have incorporated these stakeholder concerns into their management approach and decision-making processes in order to develop a

structured engagement approach and response to sustainability issues. SK Innovation emphasized the importance of the stakeholder engagement in the Report through addressing the stakeholder interviews.

- **Materiality** – SK Innovation has a process in place for identifying and evaluating material issues in the materiality assessment. The Report provides a structured reflection of SK Innovation’s material issues and we are not aware of any material issues that have been excluded.
- **Responsiveness** – SK Innovation has processes in place to respond to employees, subcontractors, suppliers, customers, shareholders and investors, government authorities, local communities. SK Innovation has demonstrated balanced reflection of the material issues of the stakeholders’ needs and concerns in the Report.

Also, nothing has come to our attention that would cause us to believe that the specified performance data and information is not reliable.

Based on LRQA’s approach nothing has come to our attention that would cause us to believe that the Report does not meet GRI’s application level A+ or GRI’s oil and gas sector supplement as we found nothing that would cause us to contradict this conclusion.

LRQA’s Recommendations

SK Innovation Co., Ltd. should consider:

- Establishing an internal data and information verification process to ensure the accuracy and completeness of data and information disclosed in future.
- Enhancing the data collecting process of the subsidiaries included in the boundaries of the Report..

Signed

Dated: 9th September 2013

Hee-Jeong Yim

LRQA Lead Verifier
On behalf of Lloyd’s Register Quality Assurance Ltd.
17F, Sinsong Building, 67, Yeouinaru-ro, Yeongdeungpo-gu, Seoul, 150-923, Republic of Korea

LRQA Reference: SEO 6018241

LRQA’s Competence and Independence

LRQA ensures the selection of appropriately qualified individuals based on a rigorous appraisal of their training, qualifications and experience. The team conducting the assurance of the Report was multi-disciplinary and has been involved in numerous assurance engagements. LRQA’s internal systems have been designed to manage and review verification and certification assessments. This involves independent review by senior management of the outcome derived from the process applied to the assurance of sustainability reports.

Independence of LRQA from SK Innovation Co., Ltd.

LRQA and SK Innovation Co., Ltd. operate as discrete and independent legal entities. LRQA has provided Environmental Management System and Quality Management System certification services to SK Innovation Co., Ltd. in accordance with ISO 14001:2004 and ISO 9001:2008.

This document is subject to the provision below:

This Assurance Statement is only valid when published with the Report to which it refers. It may only be reproduced in its entirety.

Lloyd’s Register Group Limited, its affiliates and subsidiaries, including Lloyd’s Register Quality Assurance Limited (LRQA), and their respective officers, employees or agents are, individually and collectively, referred to in this clause as ‘Lloyd’s Register’. Lloyd’s Register assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless that person has signed a contract with the relevant Lloyd’s Register entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.

Due to the inherent limitations in any internal control it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The English version of this statement is the only valid version. Lloyd’s Register Group Limited assumes no responsibility for versions translated into other languages.



AA1000
Licensed Assurance Provider
000-11

GRI G3.1 Application



● Reported ● Partially Reported ○ Not Reported

No.	Description	Page	Reported	Explanation
Strategy and Analysis				
1.1	Statement from the most senior decision-maker of the organization.	7	●	
1.2	Description of key impacts, risks, and opportunities.	7	●	
Organizational Profile				
2.1	Name of the organization.	8	●	
2.2	Primary brands, products, and/or services.	4-5	●	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	8-9	●	
2.4	Location of organization's headquarters.	8	●	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	8-9, 10-11	●	
2.6	Nature of ownership and legal form.	8-9	●	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	4-5	●	
2.8	Scale of the reporting organization.	8, 50	●	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Index	●	No significant change during the reporting period
2.10	Awards received in the reporting period.	88	●	
Report Parameters				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	3	●	
3.2	Date of most recent previous report (if any).	3	●	
3.3	Reporting cycle (annual, biennial, etc.)	3	●	
3.4	Contact point for questions regarding the report or its contents.	3	●	
3.5	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	24-25	●	
3.6	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	3	●	
3.7	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	●	
3.8	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	3	●	
3.9	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	3	●	
3.10	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	3	●	
3.11	Table identifying the location of the Standard Disclosures in the report.	3	●	
3.12	Policy and current practice with regard to seeking external assurance for the report.	84-88	●	Included in the G3.1 Application Sector Guidance
3.13	Reporting period (e.g., fiscal/calendar year) for information provided.	82-83	●	
Governance, Commitments, and Engagement				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	18-19	●	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	18-19	●	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	18-19	●	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	19	●	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	18	●	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	18	●	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	18-19	●	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	12-13	●	

● Reported ● Partially Reported ○ Not Reported

No.	Description	Page	Reported	Explanation
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	18-19	●	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	18-19	●	SK Innovation evaluates the highest governance body's performance, but there is not regular process yet.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	22	●	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	88	●	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	88	●	
4.14	List of stakeholder groups engaged by the organization.	23	●	
4.15	Basis for identification and selection of stakeholders with whom to engage.	23	●	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	23	●	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	24-25	●	
Disclosure on Management Approach (DMA)				
EC_DMA	Disclosure on Management Approach EC	29	●	
PR_DMA	Disclosure on Management Approach EN	29	●	
LA_DMA	Disclosure on Management Approach LA	29	●	
SO_DMA	Disclosure on Management Approach HR	29	●	
EN_DMA	Disclosure on Management Approach SO	28	●	
Economic				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	59, 60, 67-70	●	SK Innovation has distributed compensation, donations and other community investment in headquarters and three subsidiaries each, but does not monitoring yet so the total amount is not available yet.
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	31	●	
EC3	Coverage of the organization's defined benefit plan obligations.	49	●	
EC4	Significant financial assistance received from government.	59	●	
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	48	●	SK Innovation complies with the laws regarding minimum wage. No percentage rates are available yet.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	76	●	Percentage rates are not available yet.
EC7	Procedures for local hiring and proportion of senior management hired from the community at significant locations of operation.	47	●	Percentage rates are not available yet.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	67-70	●	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	64-66, 67-70	●	
Environmental				
EN1	Materials used by weight or volume.	58	●	
EN2	Percentage of materials used that are recycled input materials.	Index	●	SK Innovation does not use any recycled resources.
EN3	Direct energy consumption by primary energy source.	33	●	
EN4	Indirect energy consumption by primary source.	33	●	
EN5	Energy saved due to conservation and efficiency improvements.	34	●	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	34	●	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	33	●	
EN8	Total water withdrawal by source.	35	●	
EN9	Water sources significantly affected by withdrawal of water.	35	●	
EN10	Percentage and total volume of water recycled and reused.	37	●	No percentage rates are available yet.

GRI G3.1 Application



● Reported ◐ Partially Reported ○ Not Reported

No.	Description	Page	Reported	Explanation
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	30	●	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	30	●	
EN13	Habitats protected or restored.	30	●	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	30	●	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	30	●	To SK Innovation's knowledge, there are no areas with high levels of biodiversity that are affected by its production activities.
EN16	Total direct and indirect greenhouse gas emissions by weight.	32	●	
EN17	Other relevant indirect greenhouse gas emissions by weight.	Index	○	SK Innovation does not have a system for calculating other indirect greenhouse gas emissions resulting from commuting or business travels.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	31-32	●	
EN19	Emissions of ozone-depleting substances by weight.	36	●	
EN20	NOx, SOx, and other significant air emissions by type and weight.	36	●	
EN21	Total water discharge by quality and destination.	37	●	
EN22	Total weight of waste by type and disposal method.	38	●	
EN23	Total number and volume of significant spills.	Index	●	No discharge of any significant hazardous substances during the reporting period
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	38	●	
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.	30-37	●	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	48	●	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Index	○	The percentage of products that require packing materials among those made by SK Innovation is not high, and the company does not have a management system for recycling packing materials.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	30	●	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Index	○	SK Innovation does not have a management system for tracking the environmental impacts of product and material transportation and employee movements.
EN30	Total environmental protection expenditures and investments by type.	30	●	
Social: Labor Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	50-51	◐	SK Innovation does not monitor a gender break down for each reported category of total workforce.
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	51	●	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	49	●	
LA4	Percentage of employees covered by collective bargaining agreements.	48	●	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	50	●	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	41	●	Total workforce is represented.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	41	●	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	41-42	●	
LA9	Health and safety topics covered in formal agreements with trade unions.	41-42	●	
LA10	Average hours of training per year per employee by gender, and by employee category.	47	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	49	◐	No data available yet. SK Innovation does not have a regular program regarding to this topic.
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	49	●	Total workforce
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	18, 51	●	
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	48	●	
LA15	Return to work and retention rates after parental leave, by gender.	48	●	

● Reported ◐ Partially Reported ○ Not Reported

No.	Description	Page	Reported	Explanation
Social: Human Rights				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Index	●	None of the important investment agreements to which SK Innovation is a party has additional provisions on human rights, and the company does not have a particular human rights review process when entering into an agreement.
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	76	●	SK Innovation does not have such form of screening.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	21	◐	Employees training regarding to this topic is Included in the ethics training for employees.
HR4	Total number of incidents of discrimination and corrective actions taken.	21	◐	Incidents regarding to this topic is Included in the no. of cases whistle-blowing/ consulting/grievances received
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	50	●	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	50	●	
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	50	●	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	50	◐	No percentage rates are available yet.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Index	●	Not applicable to our domestic operations
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	50	●	All domestic business premises are applicable
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	21	◐	It is included in the no. of cases whistle-blowing/ consulting/ grievances received
Social: Society				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	64-66, 67-70	●	
SO2	Percentage and total number of business units analyzed for risks related to corruption.	21	◐	SK Innovation has a process for preventing and handling incidents of corruption in place, but does not conduct an analysis of risks related to corruption in any of its current business units.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	21	◐	Included in the ethics training for employees
SO4	Actions taken in response to incidents of corruption.	21	●	
SO5	Public policy positions and participation in public policy development and lobbying.	49	●	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Index	●	Not applicable
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	49	●	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	21	●	Not applicable during the reporting period
SO9	Operations with significant potential or actual negative impacts on local communities.	30, 64-66, 67-70	●	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	30, 64-66, 67-70	●	
Product Responsibility				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	76, 40	◐	SK Innovation conducts a risk assessment of products but no percentage rates are available yet.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	78-79,	●	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	78-79	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	78-79	●	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	77	●	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	79	●	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	79	●	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	79	●	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	79	●	

GRI G3.1 Application



Oil and Gas Sector Supplement

● Reported ● Partially Reported ○ Not Reported

	Indicator	Page	Reporting Level	Direct Answer and Supplementary Explanation	
EC	OG1	Volume and type of estimated proved reserves and production	58	●	Volume and type of estimated proved reserves and production are reported in the table of crude oil import.
EN	OG2	Total amount invested in renewable energy.	55	●	R&D Expenses
	OG3	Total amount of renewable energy generated by source.	56	●	SK Lubricants has in place the solar power generation facilities, which generated 28.98KW of electricity in 2012. No other operations have any such kind of facilities.
	OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	30	●	The number is included in our environmental impact assessment.
	OG5	Volume of formation or produced water	Index	●	There is no formation or produced water
	OG6	Volume of flared and vented hydrocarbon.	Index	●	The surplus gas generated from our production process is reused as fuel sources and our normal operation does not generate any flared hydrocarbon.
	OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal.	3	●	Overseas drilling projects do not fall on the reporting scope.
	OG8	Benzene, lead and sulfur content in fuels	40	●	
HR	OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place.	Index	●	There is no operations regarding this topic in domestic operations in the reporting period'
SO	OG10	Number and description of significant disputes with local communities and indigenous peoples.	Index	●	There is no case regarding this topic in domestic operations in the reporting period'
	OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	Index	●	There is no case regarding this topic in domestic operations in the reporting scope
	OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process.	Index	●	Not applicable as most of our operations are located within industrial complexes
	OG13	Number of process safety events, by business activity.	75, 41	○	SK Innovation has several process safety but does not monitoring yet so the number is not available yet
PR	OG14	Volume of biofuels produced and purchased meeting sustainability criteria.	56	●	Technology development is under way as in 2012.

Awards & Associations



Awards

- Recipient of the IR52 Chang Young Shil Science & Technology Award
- Recipient of the Export Tower of Merit for reaching USD 27 billion in exports
- Recipient of the Presidential Prize at the Family-friendly Company Awards
- Recipient of the Print Media Grand Prize in the Consumers' Pick category of the Creative TV Commercial Film Awards

Associations

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



Statement GRI Application Level Check

GRI hereby states that **SK Innovation** has presented its report "2012 SK innovation Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 25 October 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI logo in the background.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because **SK Innovation** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 9 October 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

Sustainability Report Published Status

