

2009 SK energy Sustainability Report

CREATING HAPPINESS THRU OUR ENERGY



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Voice Eye:

For the benefit of the visually impaired, we converted text data to voice data and inserted voice icons on the top right hand corner of each page.

About this Report

SK energy practices sustainability management with a view of ultimately becoming a company that creates happiness and shares it with stakeholders by enhancing corporate value. We published the first sustainability report in December 2005 in order to share our efforts and performances with stakeholders and society. Since then, we have published a sustainability report every year. Our latest report, the 2008 Sustainability Report, was published in May 2009.

This report contains information on our activities and performances in the realm of sustainability management on domestic business premises that include headquarters, Ulsan Complex, Incheon Complex, and Institute of Technology from January to December 2009. The scope of coverage extends to March 2010 for some of the information, such as details concerning the board of directors and the list of overseas subsidiaries and branches.

Based on SKMS (SK Management System), the underlying principle behind sustainability management at SK energy, the first half of this report concentrates on six issues that are of particular interest to stakeholders among the major issues related to sustainability management at SK energy derived from a materiality test. The latter half of the report details activities concerning the economic, social and environmental aspects. The environment section focuses on Ulsan Complex and Incheon Complex, our production sites which have the greatest impact on the natural ecosystem. In addition, we cited information from our previous sustainability report for instances in which the system or framework remains identical from a year ago.

This report refers to the G3 Guidelines of the Global Reporting Initiative (GRI) and includes the GRI Content Index. To objectively verify the report contents and GRI compliance, we received an independent assurance from the Institute for Industrial Policy Studies (IPS). The results are included in this report.

For further information not included in the report, please refer to the 2009 Business Report, available from the electronic disclosure system of the Financial Supervisory Service (<http://dart.fss.or.kr>), the 2009 Annual Report and our website (www.skenergy.com).



Self-declaration of the GRI G3 Application Level

This report was prepared based on the GRI G3 guidelines. It fully satisfies the requirements of level “A+” in the GRI G3 Application Level Table. As such, SK energy self declares that the GRI G3 Application Level of the 2009 Sustainability Report is at Level “A+”. This self-declaration has been verified as being appropriate by the third party.

CEO's Message

Sustainability management entails looking toward the future, no matter how great the current uncertainty is. SK energy will uphold sustainability management and create happiness for all stakeholders.



The key to overcoming hardship and securing a future of mutual prosperity can be found when all members of the international community share a sense of responsibility and long-term perspective in addressing issues that affect every member of the global community.



Chairman & CEO, SK energy
Chey Tae-Won

Dear stakeholders,

Thank you for your ongoing support and interest in SK energy. We value your feedback, both positive and negative, and continue to incorporate your views into how we conduct our business.

The worst of the economic recession that followed the financial crisis appears to be over. Nonetheless, the global community still faces a number of serious issues such as global warming, energy depletion, and hunger in poor nations. Against this setting, society is making greater demands in terms of corporate role and responsibility. This applies to all companies regardless of where they operate, be it the West or Asia.

Last year, as a board member of the United Nations Global Compact, we proposed a new idea on corporate social responsibility (CSR). We suggested that Asian values could provide the answers to resolving numerous problems facing the world today. In other words, the key to overcoming hardship and securing a future of mutual prosperity can be found when all members of the international community share a sense of responsibility and long-term perspective in addressing issues that affect every member of the global community.

The principle noted above forms the basis of sustainability management pursued by SK energy. We strive to fulfill our obligations as a global corporate citizen by pursuing a greater virtue instead of immediate gains. Led by that principle, SK energy is working to establish a virtuous cycle of corporate growth and R&D investment to prepare for the post-oil era and promote sustainability of the energy industry. We constantly seek more advanced ways to meet our social role and responsibility.

Through continued implementation of sustainability management, SK energy made meaningful progress in 2009 despite economic adversity. Labor and management joined hands to tackle obstacles with a sense of urgency and made



painstaking efforts to increase efficiency. This dedication combined with record high results posted by the petrochemical and E&P(Exploration & Production) business enabled SK energy to generate a solid net income of KRW680 billion.

We continue to explore technologies that will drive future growth in areas such as information and electronic materials and batteries. Last year, we were selected as a supplier of lithium-ion batteries for hybrid electric vehicles by the Daimler Group of Germany. We spun off our lubricants and base oil business to establish SK lubricants, a move that helped to bolster the value and growth prospects of SK energy and SK lubricants. Moreover, we made notable strides in E&P business, with production underway in block 56 in Peru and discovery of an additional oil layer in block 15-1/05 in Vietnam.

Corporate stewardship is as important as business pursuits at SK energy. We have been taking steps to improve corporate governance since 2004, enforcing the transparent management. As a result, we received the Award of Excellence from the Korea Corporate Governance Service last year. Additionally, we have introduced and set up social enterprises which combine corporate efficiency with social contribution. In this way, our CSR has evolved from simple donations to active involvement in addressing social issues.

SK energy is also a strong supporter of the Korean government's commitment to green growth. We have doubled efforts to reduce carbon emissions, computerized our SHE (Safety, Health, Environment) system and upgraded SHE evaluation categories and standards.

Uncertainty still looms over the world economy, with prospects for tepid growth and even concerns of a double dip recession. However, sustainability management entails looking toward the future, no matter how great the current uncertainty is. SK energy will uphold sustainability management and work tirelessly to create happiness for all stakeholders.

April 2010

“ We have introduced and set up social enterprises which combine corporate efficiency with social contribution. In this way, our CSR has evolved from simple donations to active involvement in addressing social issues. ”



President & CEO, SK energy
Koo Ja-Young



Company Overview

SK energy strives to become one of the energy and petrochemical majors of the Asia-Pacific region and a corporate leader in promoting sustainable development of society.



SK energy Headquarters



SK energy Website

- **R&M(Refining & Marketing)**
: Strategy and marketing for petroleum, specialty petroleum products, and gas businesses
- **Chemicals CIC**
: Strategy, marketing, and trading for petrochemical business
- **Institute of Technology**
: Developing green energy, R&D
- **CMS(Corporate Management Service)**
: Management support
- **E&P(Exploration & Production) Division**
: Overseas E&P
- **Ulsan Complex and Incheon Complex**
: Producing petroleum, petrochemical, specialty petroleum products, and gas (Incheon Complex: producing petroleum and gas only)

* SK lubricants specializes in lubricants and base oil. It was spun off from SK energy and became an independent subsidiary in October 2009.

Company Profile

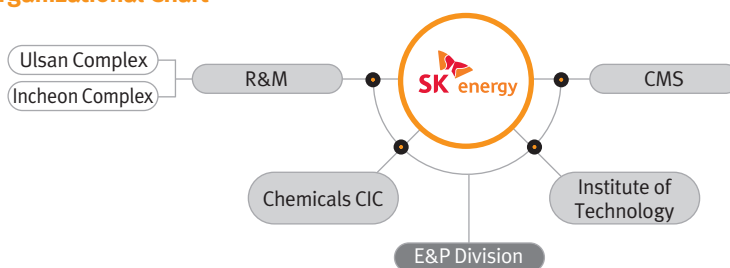
General Information

Company Name	SK energy Co., Ltd.
Date of Foundation	Oct. 13, 1962
Headquarters	99, Seorin-dong, Jongro-gu, Seoul, Korea
Plant	Ulsan Complex: 110, Gosa-dong, Nam-gu, Ulsan, Korea Incheon Complex: 100, Wonchang-dong, Seo-gu, Incheon, Korea
Institute of Technology	140-1, Wonchon-dong, Yuseong-gu, Daejeon, Korea
Number of Employees	5,391 (as of the end of 2009)
Business Sectors	Petroleum, Petrochemical, Specialty Petroleum Products, E&P, Green Energy, R&D, etc.

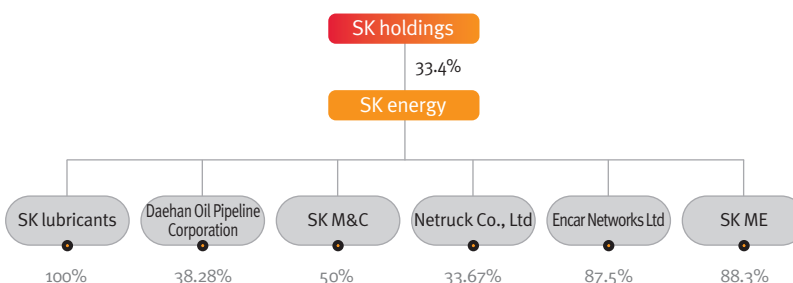
Financial Snapshot (as of the end of 2009)

Sales	KRW35,828 billion
Operating Income	KRW908 billion
Net Income	KRW680 billion
Total Assets	KRW21,664 billion

Organizational Chart

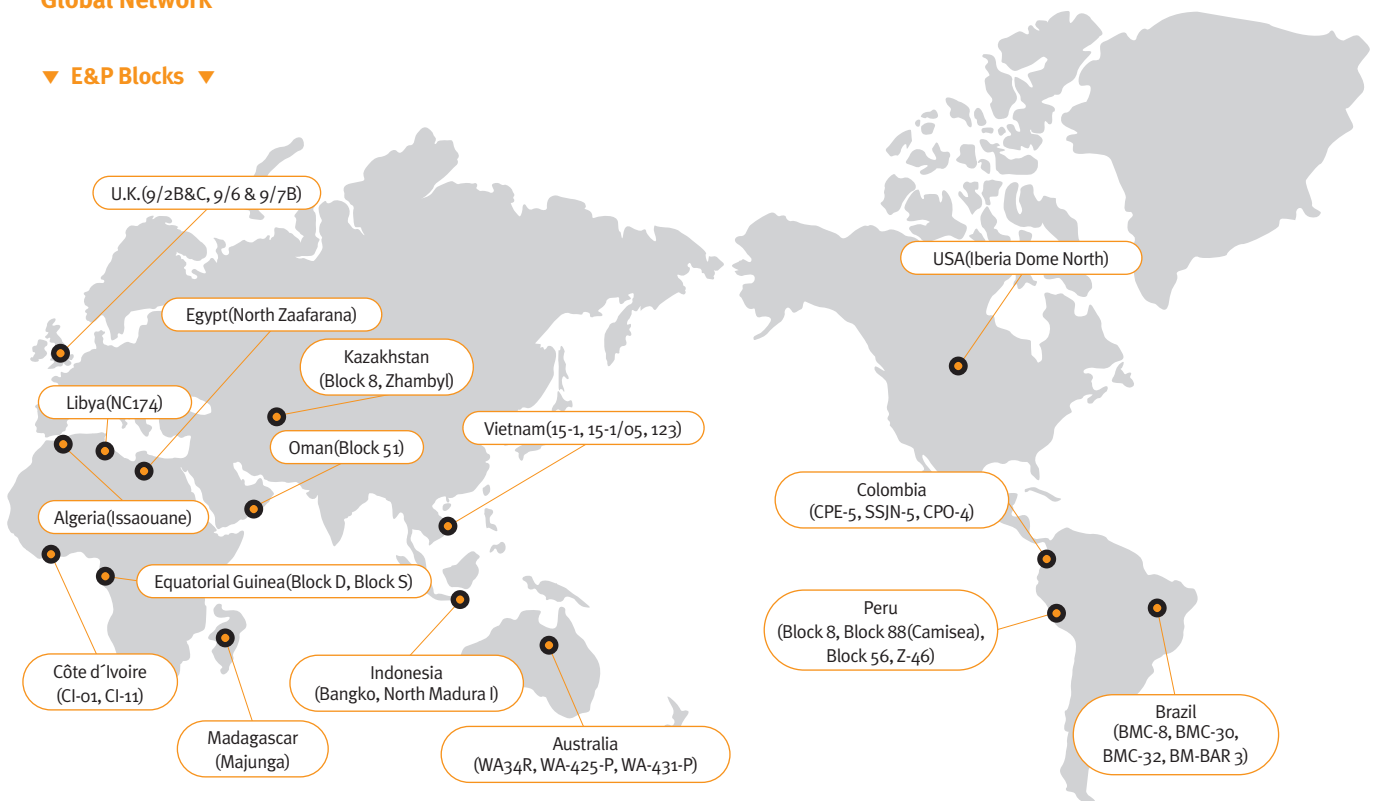


▼ Parent Company and Major Subsidiaries ▼



Global Network

▼ E&P Blocks ▼



▼ Overseas Subsidiaries and Branches ▼



- North America
 - Houston SK E&P Company
 - Los Angeles SK E&P Company LA Office



- South America
 - Lima SK energy Sucursal Peruana
 - Colombia SK energy Bogota Office



- Europe
 - London SK energy Europe Limited



- Middle East
 - Dubai SK energy Middle East Office



- Oceania
 - Sydney SK energy Australia Pty. Ltd.



- Asia
 - Beijing SK China
 - Singapore SK energy International Pte. Ltd.
 - Hanoi SK energy Hanoi Representative Office
 - Tokyo SK energy Tokyo Branch
 - Jakarta SK energy Jakarta Representative Office

Major Businesses

SK energy strengthens its leading status in a variety of businesses while developing new growth engines for sustainable growth.



SK Gas Station



#3 HOU Facilities

Business Portfolio

Petroleum Business

In 2009, SK energy's petroleum business maintained the top position in the domestic refining industry by enhancing the efficiency of value chains even in the midst of global economic recession. Domestically, we captured market share of 37.4% with sales of 135 million barrels. Exports amounted to 150 million barrels driven by efforts to penetrate into overseas markets. As a result, we received the Iron Tower Order of Industrial Service Merit in 2009.

SK energy will reinforce fundamental competitiveness of the petroleum business, promote Enclean.com and carry out diverse marketing activities including cultural initiatives. We will look beyond Asia and grow into one of Asia-Pacific's energy majors that exports petroleum products to all parts of the globe.

● Flagship Brands



Gas Business

In this business sector, SK energy posted KRW675.3 billion of sales by selling 885 thousand tons of LPG, representing a 14% market share (combined market share of SK energy and SK Gas was 44%) in 2009. For the past two years, we've transferred a part of this business to SK Gas, our affiliate, which was the main reason behind decrease in sales and market share. However, it enabled us to strengthen competitiveness to lead the domestic LPG industry by creating synergies between two companies in the production, sales and logistics areas.

Specialty Products Business

In this business sector, we provided 810 thousand tons of asphalt at home while exporting 1.7 million tons to overseas market. It is noteworthy that we took 42% in China's asphalt import market on the back of solid supply capacity, excellent quality and marketing capabilities.

In the specialty products sector, we will reinforce our marketing in China through our joint venture set up last year in Xiamen in Fujian Province. We will also develop high value-added asphalt products and technology and strengthen trading capabilities.



Camisea Oil and LNG Field in Peru



Brazil BM-C-8 Polvo



LiBS Production

Petrochemical Business

Petrochemical business provides diverse materials and living goods ranging from high-end materials that are necessary to all the industrial areas such as the automobiles, electronics, information and telecommunication industry to paints, cosmetics and detergents. In 2009, the business recorded KRW9,660.8 billion of sales by selling 8.93 million tons of petrochemical products. We are strengthening our product lineups by focusing on functional chemical products around special solvents, high-value-added polyolefins, and information & electronics such as LiBS (Lithium ion Battery Separator).

We will share up-to-date information with customers via the Internet (www.skchem.com) and use the online medium to offer one-stop service that allows users to track all details from orders to shipments. Going forward, we will supply best products and state-of-the-art technologies to our customers with world-class price competitiveness and superior product quality.

Exploration and Production Business

As of the end of 2009, we are participating in 33 oil and gas blocks in 16 countries and four LNG projects, and our total proven oil equivalent reserves stand at over 500 million barrels. Our daily equity share averaged 41,221 barrels of oil and gas in 2009. We have been in the coalfield development business since 1990. Currently, we are participating in four working coal mines and four exploration projects in Australia along with one in China, contributing to stable energy supply in Korea. In addition, we are joining uranium exploration projects in Canada and Australia.

Green Energy Business

SK energy has contributed to advancing the Korean economy as a supplier of energy. We continue to play a major role by supporting the government's initiative to seek new drivers of economic growth. Under the vision of a technology driven company, SK energy is developing proprietary technology and fostering new growth engines in the energy, petrochemical and materials sectors. Our R&D endeavors that are in line with the government's promotion of green growth and convergence industries include battery for hybrid vehicles, technology to curb and recycle CO₂, clean coal energy, biofuels, next-generation thin-film solar cell, hydrogen energy, and smart grid. Through these pursuits, SK energy will grow into a global energy company leading the world's green race.

Sustainability Management

Based on SKMS (SK Management System), SK energy strives to maintain steady stability and growth and pursue happiness of stakeholders by reflecting changes in the business environment and demands from society.

SKMS

▼ SKMS Framework ▼



SKMS and Sustainability Management

SK energy strives to maintain steady stability and growth and pursue happiness of stakeholders by reflecting changes in the business environment and demands from society through SKMS (SK Management System), which is agreed with and shared by all SK People. SKMS was established for all SK People to understand the true nature of sound corporate management as well as collectively gathering their capabilities and promoting the company’s competitiveness in the long run, by using it as the standard to make their decisions. It is comprised of the Management Perspective, Management Implementation Principle and Business Management Factors.

Management Perspective

“The corporate enterprise should achieve its ultimate goal of sustained progress by maintaining stability and growth. Furthermore, it should create value for its customers, people and shareholders, thereby contributing to social and economic development and human well-being.” This is SK’s Management Perspective. Based on this mission, we regard the happiness of our stakeholders as our ultimate value. The happiness that SK energy pursues is sustainable over the long term and implemented to be well-balanced between the relations and roles of a company and its stakeholders. In the rapidly changing business environment, SK energy sets goals at pursuing SUPEX(Super Excellent Level) via human-oriented management and is exerting its best effort to accomplish them.

Management Implementation Principle and Business Management Factors

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



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

Corporate Governance

At SK energy, the major roles of the Board of Directors include making strategic decisions on company's main issues, advising and monitoring the management.



BOD Meeting

Working BOD

At SK energy, the major roles of the Board of Directors include making strategic decisions on company's main issues, advising and monitoring the management. The board pursues a "working BOD." It appoints the CEO, sets the scope of authority of the CEO, and advises the management.

BOD

BOD Structure

As of March, 2010, the BOD consists of nine directors, with six of them being outside directors. The proportion of outside directors is the highest level among the private companies of Korea, meaning that outside directors have the authority to pass special BOD resolutions¹ and monitor the management. According to the Articles of Incorporation and the BOD regulations, the chairman of the BOD is appointed at a BOD meeting.

▼ BOD Members ▼

(As of March, 2010/Alphabetical Order)

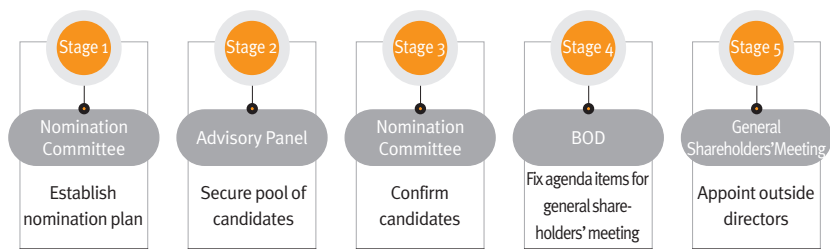
Name	Current Position	Remark
Chey Tae-Won	Chairman and CEO of SK energy	Executive Director
Choe Hyuk	Professor of Business Administration of Seoul National University	Outside Director
Choi Myung-Hae [*]	Advisor to Kim & Chang Law Firm	Outside Director
Han In-Goo [*]	Dean of KGSF(KAIST Graduate School of Finance)	Outside Director
Kim Joon-Ho	President of SK energy CMS	Executive Director
Kim Young-Ju	Advisor to Shin & Kim Law Firm	Outside Director
Koo Ja-Young	President and CEO of SK energy	Executive Director
Lee Hoon-Kyu	Partner & Representative Lawyer of The One Law Firm	Outside Director
Lee Jae-Han [*]	Professor of Business Administration of Dongguk University	Outside Director

* Auditor

Director Nomination Process

In a bid to secure objectiveness and fairness in nominating executive directors, the Human Resources Committee screens the qualifications of potential candidates, and the BOD then selects candidates and recommends them at the general shareholders' meeting. Meanwhile, the Outside Director Nomination Advisory Panel, which is comprised of prominent figures, is under operation to strengthen objectiveness in nominating outside directors. With a view to guaranteeing independence of outside directors, we abide by pertinent laws (prohibiting family members and relatives of the largest shareholder or those who have left the company for two years or less from being appointed as outside directors). We check director candidates on whether they have the necessary expertise, commitment and business mind for the management of SK energy. We also review their social acceptability such as independence, social recognitions and personal reputation.

▼ Outside Director Nomination Process ▼



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

Corporate Governance



Corporate Governance Service Award of Excellence



General Shareholders' Meeting



Seminar for Employees

BOD Performance Evaluation and Compensation

All the members of the BOD evaluate the BOD once a year in terms of activities and matters related to support for directors' activities. The evaluation results are reported to the BOD and disclosed in a business report. Compensation for directors is determined in consideration of their performances. The Human Resources Committee screens directors' performance to calculate the level of compensation. According to Article 10 of the Articles of Incorporation, SK energy has been adopting a stock option system for directors; however, no directors were given stock options in 2009.

Prevention of Conflict of Interests within the BOD

According to Article 14 of the bylaws, no director shall, without the prior approval of the Board, engage in for his own account or for the account of a third party, any transaction which falls within the class of businesses of the company and become a partner with unlimited liability at, or a director of, any other company whose business purposes are similar as those of the company. In addition, no director shall engage in a transaction with the company for his own account or for the account of a third party. Outside directors run their own independent meeting in an effort to secure independence in BOD management and foster communication among outside directors.

Communication with Shareholders and Employees

The BOD operates various channels to communicate with shareholders and employees. The Corporate Governance page of the corporate website informs the BOD activities, so anyone including shareholders can suggest their opinions through the website. SK energy's intranet has a "BOD news" window where employees can check BOD activities and suggest their opinions. Outside directors also deliver internal lectures on their respective fields of specialty and listen to employees' opinions through visits to business sites.

▼ BOD Activities (unit: times) ▼

Category	2007	2008	2009
No. of BOD meetings	16	15	14
No. of sub-committee meetings	45	37	29
Briefings, discussions with the CEO and training sessions	19	7	10
Visits to business sites and participation in events	35	21	17
Total	115	80	70

BOD Activities

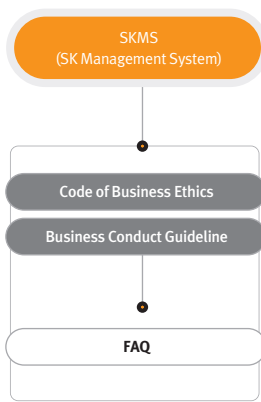
In 2009, the BOD convened 14 times and it deliberated on 60 agenda items. Director attendance rate stood at 99.3% (with 99.0% for outside directors). The BOD runs six sub-committees². They convened a total of 29 times, deliberating on 56 agenda items including 18 pre-review items in 2009. The CEO directly explains major strategies and business issues to help outside directors gain a clear understanding.

² Six sub-committees: Audit Committee, Nomination Committee, Strategic Planning Committee, Human Resources Committee, Transparent Management Committee, and CSR Committee

Ethical Management

SK energy has been actively pursuing ethical management in order to secure global competitiveness and fulfill corporate social responsibilities.

▼ Ethical Management System ▼



Based on the SKMS management philosophy of “creating value for all stakeholders, thereby contributing to social and economic development and human well-being,” we have been actively pursuing ethical management in order to secure global competitiveness and fulfill corporate social responsibilities. We conduct ethics training for employees, maintain infrastructure to support ethical management, and promote ethics among business partners.

Code of Business Ethics and Business Conduct Guideline

“Code of Business Ethics” and “Business Conduct Guideline” were enacted and are being operated in order that SK people may act in a fair and transparent manner. These ethics platforms present standards ethical decision-making and action guideline for major stakeholders such as employee ethics, customer satisfaction, respect for shareholder value, co-growth with partners, social obligations, etc.

Code of Business Ethics

Basic Ethical Standard of SK People

“As proud SK people, 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 keeping official and private affairs separate.
- We will foster a corporate culture where SK energy people can work voluntarily and willingly with respect for one another.

Attitude towards Customers

“We will strive to gain our customer’ trust by ensuring consistent customer satisfaction, and ultimately transform ourselves into a corporate entity whose progress goes hand in hand with theirs.”

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

Responsibility towards Shareholders

“We will upgrade our corporate value so as to create shareholder value, while enhancing the level of both transparency and management efficiency toward this end.”

- We will maximize our corporate value through efficient management made possible by the continual pursuit of innovation and share the fruits 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 the various regulations and standards, and to protect shareholders’ interests, the relevant information will be disclosed according to existing laws/regulations.

Relationship with our Business Partners

“We shall pursue mutual prosperity with our business partners, and compete fairly with rival companies.”

- We will give 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, and to observe social norms and ethical standards in undertaking 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 the whole society happier by actively participating in social contribution programs.
- We will comply with the local laws and regulations in each community and country in which we work, and respect the traditions and cultures of those communities and countries.

Ethical Management

▼ Internal Accounting Control Activities in 2009 ▼

● Process improvement ●

- Reorganized CIC/Revised control items after spin-off of SK lubricants
- Adopted internal control validity evaluations and checks for overseas subsidiaries
- Introduced Test Template

● Validity evaluation ●

- Conducted quarterly validity evaluations and took corrective action
- Self-checks on control items per team at factories (4 times during the year)
- Rechecks on evaluation results by independent taskforce teams and correction of errors (4 times during the year)

● Infrastructure improvement & training ●

- Carried out improvement measures using ERP system
- Conducted system upgrade of overseas subsidiaries to prepare for IFRS
- Carried out accounting training

Ethical Management Training

We develop and carry out education programs via the online and offline channels to increase ethical awareness among employees and motivate them to incorporate ethics in conducting their work. In 2009, totally 208 employees received ethics training for a combined 453 hours.

Ethics Implementation Infrastructure

The Ethics Consultation Center is available to report or seek consulting on ethical issues. Employees, customers, shareholders and partner firms can make reports via the telephone, fax or e-mail. Along with the center, an ethical management website is open to support the prevention and early detection of ethical misconduct.

In November 2008, we introduced a system of giving rewards of up to KRW20 million for reporting ethical violations. This system is intended to correct unethical practices and firmly establish our ethical management policy. Necessary steps are taken to protect the confidentiality of whistleblowers. In 2009, SK energy received and handled 44 reports concerning ethical issues.

Employees who violate the Code of Business Ethics are subject to discipline according to company regulations. In 2009, there were two cases of violations and the related personnel faced disciplinary action.

Ethics Promotion for Business Partners

In our relationship with partner companies, the emphasis is on fairness and transparency. Partner firms join in our drive to promote ethical management based on mutual trust by signing the fair and transparent business agreement. Sanctions are imposed on companies found to be guilty of irregularities or corruption. We suspended transactions with one company for misconduct in 2009.

Internal Accounting Control System

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

Stakeholder Engagement

SK energy actively communicates with stakeholders to receive and incorporate their views in our business activities, thus enhancing stakeholder value.

The happiness of customers, employees, shareholders, partner firms and local communities is the ultimate value pursued by SK energy. Accordingly, we actively communicate with stakeholders to receive and incorporate their views in our business activities.

Classification of Stakeholders



Stakeholder Classification and Communication Activities

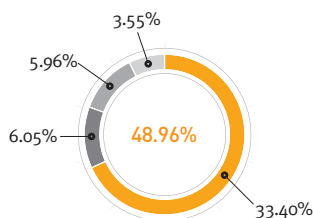
We classify stakeholders into the categories of shareholders, employees, customers, partner firms and local communities and pursue communication accordingly.

Stakeholder Communication

	Major Communication Channels	Activities in 2009
Shareholders	Shareholders' meeting, business briefing, conference participation, 1:1 meeting, email/phone consultation, disclosure and notice	Earnings conference (4 times), overseas NDR (Non-Deal Roadshow, 5 times), conference participation (6 times), IR visit (45 times), 1:1 meeting (230 times), conference call, e-mail/phone consultation
Customers	Customer Care Center (call center), website per product and service, customer satisfaction survey	Customer satisfaction survey (3 times), handling consumer complaints via customer service center (534,000 phone and 34,000 online cases), online community 'Happy Friends'
Employees	Management Consultative Committee, Labor-Management Committee, Company Broadcasting, Vopen management forum on intranet, Ethical counseling center, SKMS execution review	Management Consultative Committee, Labor-Management Committee, open management forum on intranet, ethical counseling center, SKMS execution review via online survey and 1:1 interview
Partner companies	Meeting with partner firm representatives, seminar for partner firm CEOs, win-win workshop for CEOs of companies residing on Ulsan complex	'SK One Heart, One Mind' event for representatives of 17 major suppliers
Local communities	Meeting with civic groups, participation in local community activities, social contribution activities, participation in public policy via business groups (Korea Petroleum Association, Korea Petrochemical Industry Association, Korea Fair Competition Federation)	Communication activities on 886 occasions in Ulsan (3,237 participants during the year), advisor for Incheon Citizens' Autonomy Committee, citizens' health center, support for cultural events

Shareholders with 5% or Larger Interest

Shareholders	No. of shares
● SK holdings	30,883,788
● Templeton	5,580,873
● National Pension Service	5,495,301
● Mirae Asset	3,276,325
Total	45,236,287



Materiality Test

SK energy identified material issues fairly influential both to the company and its stakeholders while reflecting them in this report. We continue to focus on these issues from a sustainability perspective.

³ IPS Materiality Test Model™: Model developed by the Institute for Industrial Policy Studies (IPS) in December 2006 for formulating sustainability management strategies and preparing sustainability reports. Material issues are derived depending on a company's features and situation based on each of the tests.

Materiality Test Overview

We conducted a materiality test (IPS Materiality Test Model™)³ in order to analyze and prioritize issues related to sustainability management in which stakeholders have an interest. Issues were studied based on six tests: internal policy, direct/indirect economic effect, law and regulation, stakeholder engagement, peer benchmarking, media search. This allowed us to derive issues material to internal and external stakeholders which are given priority in this report.

Materiality Test Result

The materiality test results show that among the total 54 issues related to SK energy, 20 are considered material to internal and external stakeholders. For six of the material issues which are of particular interest to stakeholders, related information is provided in the front section of this report. SK energy will regularly identify material issues and communicate details on related performance through our sustainability report.

▼ Materiality Test Process ▼

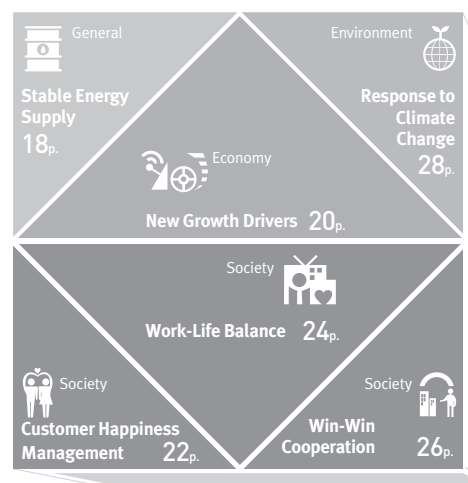




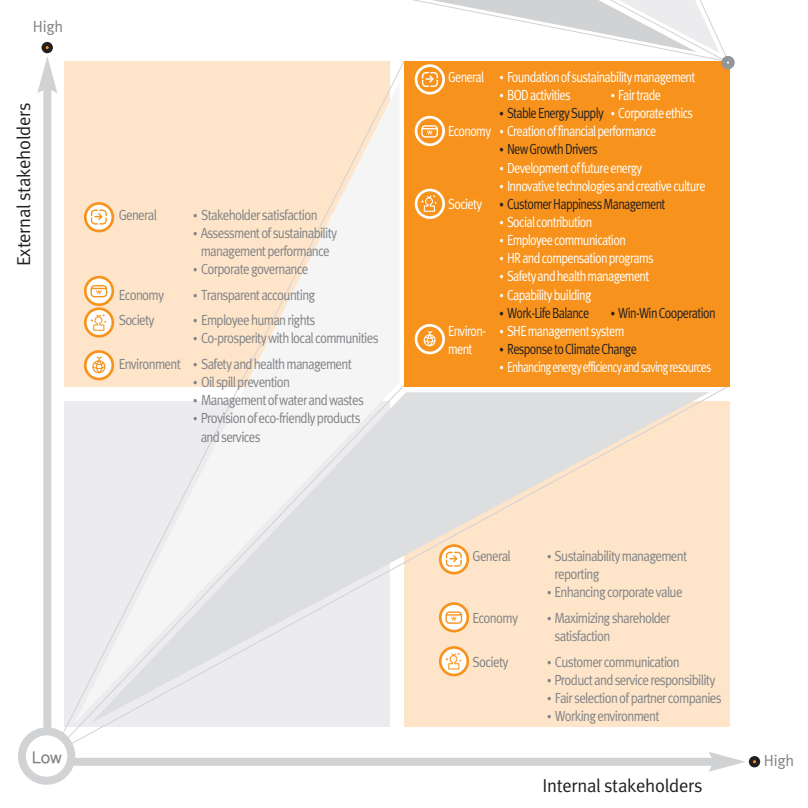
Information on material issues is provided at the relevant pages.

	Material issues	Relevant pages
General	Foundation of sustainability management	8
	BOD activities	9
	Fair trade	46
Economy	Corporate ethics	11
	Creation of financial performance	33
	Development of future energy	21
	Innovative technologies and creative culture	21
Society	Employee communication	43
	HR and compensation programs	41
	Safety and health management	44
	Capability building	40
	Social contribution	47
Environment	SHE management system	51
	Enhancing energy efficiency and saving resources	53

▼ Materiality Test Result ▼



※ The table on the left shows six issues that were of particular interest to stakeholders. Details on the six issues are provided in the 'Challenge & Response' section.




Challenge & Response

**Many challenges lie on the road to the future.
Our sights are on happiness and sustainability.
We realize the need for an open perspective and an open mind.
SK energy works constantly for the benefit of stakeholders.**











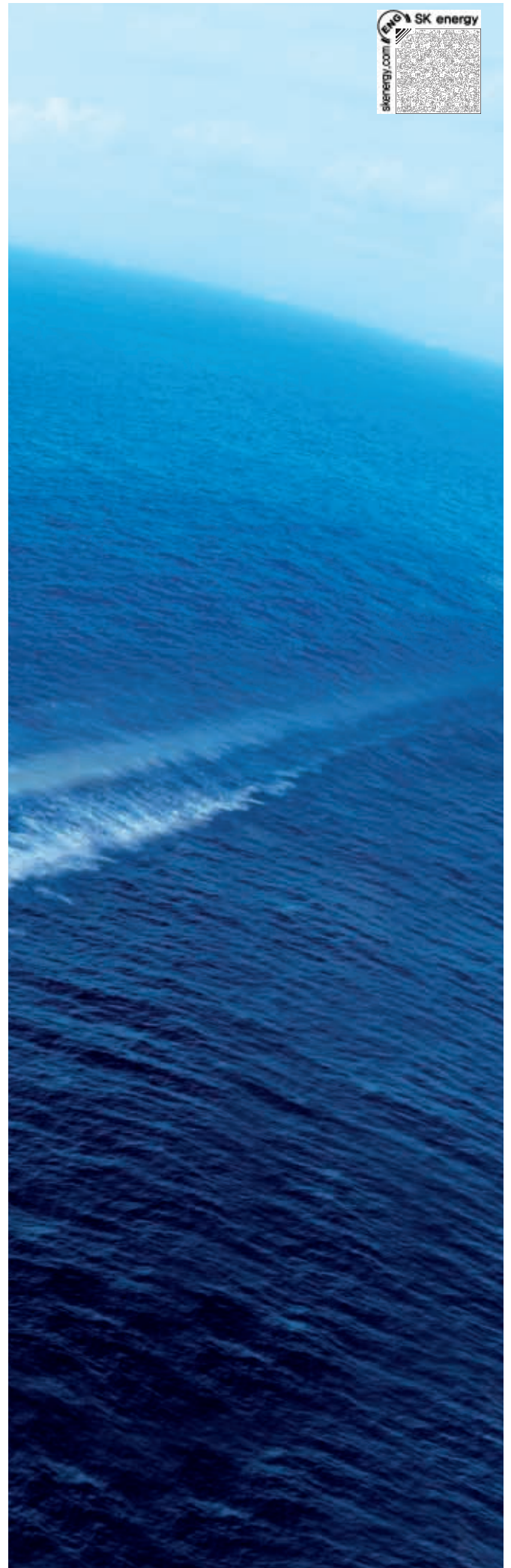


We have embraced challenge as we moved forward.
We have a duty to create a happy future for all people.
SK energy continues to take on new challenges
to find the key to the future.



Our steps toward greater value

-  Provide a stable supply of energy
-  Develop new growth drivers
-  Increase customer happiness
-  Raise quality of life through work-life balance
-  Pursue cooperation to share bigger rewards
-  Preserve our planet in its present state



Stable Energy Supply

SK energy has been contributing to the Korean economy by providing a stable supply of energy. Our emphasis is on building the foundation for a steady stream of crude oil. This entails diversifying the source of crude oil imports and forming a strategic network with oil-producing nations.



SK energy contributes to the domestic economy by providing a stable supply of energy. To better prepare for crisis situations, we are increasing the oil stockpile and laying the groundwork to ensure a stable and economical supply of crude oil. We maintain an appropriate ratio of oil imports based on long-term contracts and uphold a policy of diversifying oil suppliers.

As the world's fourth largest oil importing nation, Korea is seeing its role become more prominent in the global oil market. Every year, SK energy imports about 300 million barrels of crude oil. We are building a strategic network by pursuing cooperation with overseas energy companies and close ties with oil-producing countries.

The global economic recession lowered the refining margin on petrochemical products in 2009. Nonetheless, we kept the capacity utilization rate at around 70% for our central distillation unit (CDU) to ensure a stable supply of petrochemical products. The rates for PE (polyethylene), PP (polypropylene), and PX (paraxylene) were 97%, 98%, and 89%, respectively.

We are also pursuing projects to develop overseas oil fields and new and renewable energy. In 2009, our average daily oil production amounted to 41,221 barrels, an increase by 59% over the previous year. We expect daily production to expand to 55,000~60,000 barrels in 2010, boosted by output from Yemen LNG and additional production from Peru LNG.

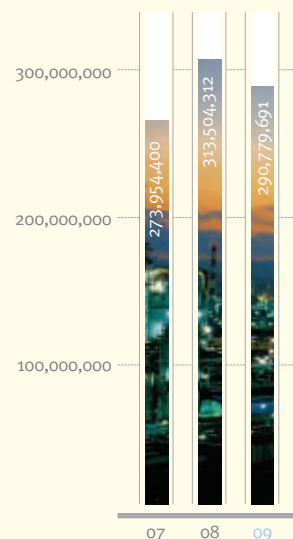
Meanwhile, R&D is underway to develop new and renewable energy sources to diversify away from fossil fuels. Our R&D endeavors include GreenPol™, green coal, hydrogen station, and lithium-ion batteries.

▼ Capacity Utilization Rate ▼

	2007	2008	2009
CDU	85%	77%	73%
HOU	100%	100%	100%
#1 RFCC	100%	91%	100%
#2 RFCC	-	100%	100%
PE	98%	90%	97%
PP	100%	89%	98%
PX	100%	91%	89%

※ Capacity utilization rate is flexibly adjusted in consideration of supply-demand situation, etc.

▼ SK energy's Crude Import Volume ▼



BM-C-8 Oil Field in Brazil



Ulsan Complex

New Growth Drivers

While our stable business portfolio supports our growth prospects, we are also looking into energy of the future. We aim to grow into a global energy company with the development and commercialization of technologies for new and renewable energy.



In addition to strengthening its existing businesses, SK energy continues to invest in discovering future growth drivers. Among others, we are upgrading our overseas oil exploration project portfolio and developing new and renewable energy. We are paying special attention to nurture the ability to develop and commercialize future energy sources to emerge as a global energy company.

ACO - Innovative Catalytic Naphtha Cracking Technology

We developed the advanced catalytic olefin (ACO) technology through a project that was part of the '21st Century Frontier R&D program' led by the Ministry of Education, Science and Technology. ACO offers high productivity, energy savings, and reduces CO₂ emission, which in turn should help us secure carbon emissions credits. Construction of the world's first ACO demo plant began last year and completion is slated for 2010. Kellogg Brown & Root (KBR), one of the most renowned plant engineering companies in the world, was selected as the commercialization partner.

Battery for HEV

Lithium-ion battery for hybrid electric vehicles (HEV) developed by SK energy provides high energy efficiency and high output power. In 2009, SK energy was chosen to supply its battery product to Mitsubishi Fuso, part of the Daimler Group based in Germany. Separately, SK energy has been selected to lead 'Smart Transportation' which is one of the five key areas under the Korean government's smart grid pilot project. Under this pursuit, we will install and operate high-speed charging systems for HEVs on a smart grid complex being built on Jeju Island by 2011. We also intend to develop business models featuring rental cars and car-sharing schemes.

CO₂ Plastic

We developed technology to manufacture plastic using carbon dioxide as the main raw material (GreenPol™) and built a pilot plant in 2009. Currently, work is underway on developing production technology and commercialization. GreenPol™ is an eco-friendly material that does not generate harmful gases when burned and carbon dioxide accounts for more than 40% of the product's weight. Anticipated benefits include lower raw material costs and emissions credits.

Hydrogen Station

SK energy was behind the development of the first small hydrogen generator in Korea. Our hydrogen generator features high efficiency and thermal durability and is easy to operate. In September 2007, we completed hydrogen station using in-house technology. We will build on that with the construction and trial run of a hydrogen station in Seoul's Sangam-dong in 2010.



Testing Batteries for HEV



Hydrogen Station

Customer Happiness Management

No business can grow without the trust and respect of customers. Bearing that in mind, SK energy pursues Customer Happiness Management, guided by our Customer Happiness Charter and Employees' Code of Conduct.



SK energy is in pursuit of customer happiness management to become a company that earns love and trust from customers. We established the Customer Happiness Charter with a view to realizing a philosophical system for customer happiness management and enhancing employees' awareness of CS (Customer Satisfaction). In addition, we enacted the Employees' Code of Conduct on employees' attitudes and actions on customer services.

On-site CS Activities

- **Customer-Oriented CS Mindset**

“VOC(Voice of Customer) Experience Program” for employees is under operation to bolster employees' CS awareness and marketing capabilities. Under this program, employees are encouraged to visit Customer Care Center to listen to VOC directly and find the solutions, thus utilizing it in their work.

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

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

- **CS Consulting Program for Gas Stations**

We operate CS consulting program for gas stations in order that the gas stations may conduct CS activities voluntarily. We find out key CS issues and suggest ways for improvements through interview with gas station owners and surveys of current and past customers of the gas stations.

- **Mecenat Activities**

SK energy supported about 10 cultural events in 2009 including the musical ‘Snowman’ and the small theater production ‘Old Thief’s Tale.’ Additionally, we were among the supporters of International Sky Leisure Expo 2009 and the Darwin exhibition.

CUSTOMER HAPPINESS CHARTER

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



2009 Customer Satisfaction Management Award - Grand Prize



Security Operation Center (SOC) Opening Ceremony

Work-Life Balance

Creating a work environment where every individual can realize their full potential is the best way to enhance a company's value. SK energy offers diverse programs to help employees feel satisfaction not only in the workplace, but also in their home and personal lives.



Led by our principle of “pursuing SUPEX via human-oriented management,” we are building an organizational culture in which employees can grow together with the company. Stability in family and personal lives, in addition to the workplace, is crucial for employees to realize their full potential and happiness. As such, we offer diverse programs to help each individual achieve work-life balance.

Harmonia - Professional Counseling Service Center

We operate Harmonia, a professional counseling service center where substantial assistance for a variety of employee issues is provided. The center offers not only tips for successful career and skill development, but solutions for psychological issues at work, as well as advice for family life, health, educating children and more. In 2009, family matters accounted for 43.2% of total counseling. That was followed by career and work skills (37.1%), interpersonal relationships and emotional issues (16.7%), and life issues (3.0%).

Day-Care Facility - Puruni Childcare (<http://www.puruni.com/ChildCenter/skseoul>)

Puruni Childcare is run under the motto of providing the best, the happiest, and the most convenient childcare. It meets the most pressing need of employees for whom childcare is a major concern. Equipped with excellent facilities, Puruni Childcare looks after children aged 1~4 years old. Located within the company’s headquarters building, it is easily accessible and keeps longer hours than many conventional day-care centers.

Employee Welfare Benefits

We offer a rational and competitive welfare benefit scheme which looks at an employee’s life cycle, so that he or she may work enthusiastically. For instance, we support asset formation, health management, vacations, and retirement management in each stage of an employee’s career life. These programs are designed to enhance the quality of life for employees on a continuous basis.

▼ Welfare Benefits by Career and Life Cycle Stage ▼

	Programs
Asset Formation	<ul style="list-style-type: none"> • Credit cooperative union • Housing loans, Housing subsidies, Subsistence loans
Health Management	<ul style="list-style-type: none"> • Medical check-ups, Support for medical fee • Insurance (occupational injury, health, collective time deposit) • Cafeteria, etc.
Holidays, Vacations, Hobbies	<ul style="list-style-type: none"> • Resorts, Hobby clubs, Support for family occasions • Fitness facilities, etc.
Retirement Management	<ul style="list-style-type: none"> • Retirement payments (external reserve 81% as of the end of 2009) • National pension fund • Rewards, Help club for retirees, etc.



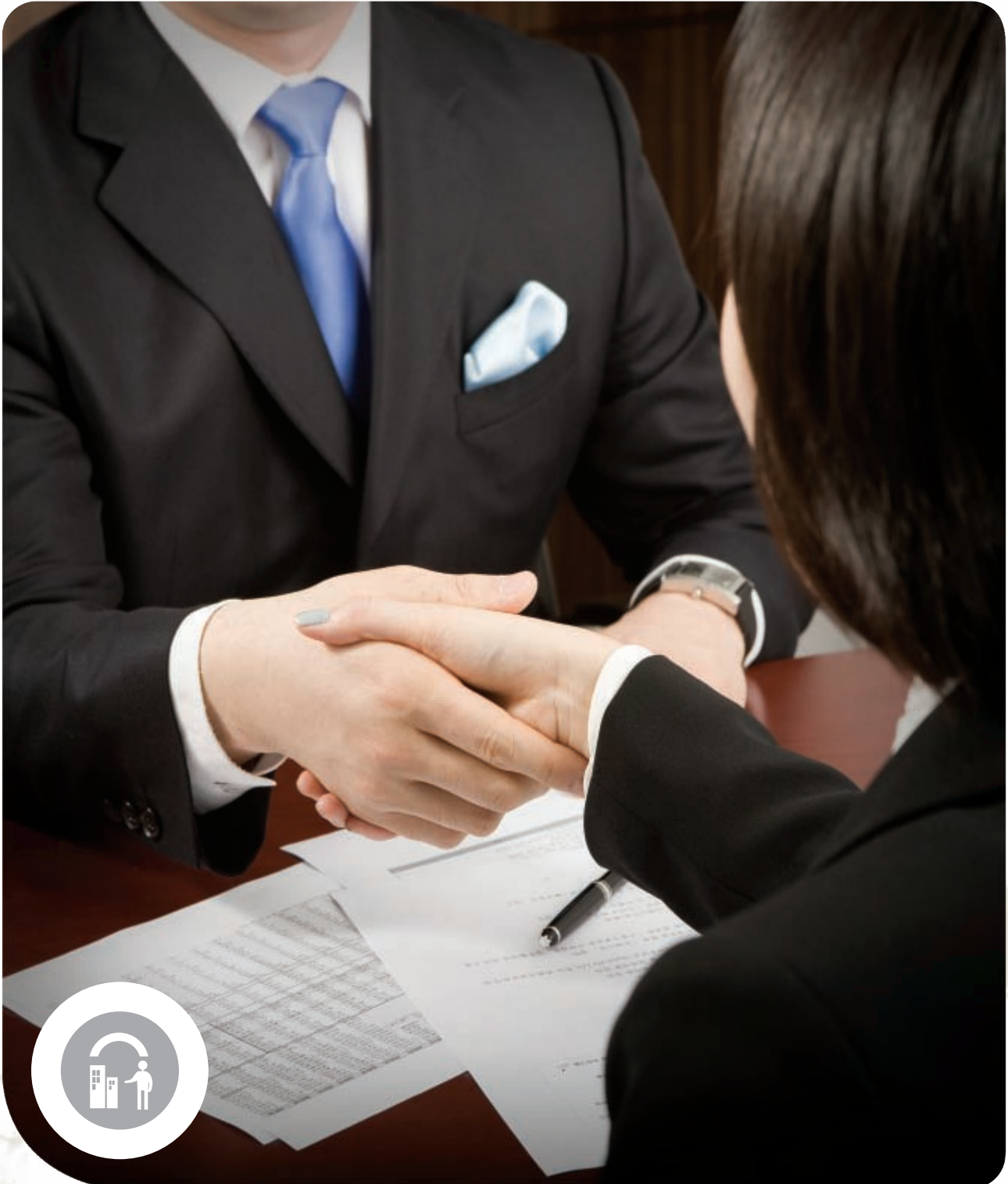
Harmonia - Counseling Service Center



Puruni Childcare

Win-Win Cooperation

Competitive partner firms are essential for continued development of any company. SK energy offers business partners assistance to raise their financial health, explore new technologies and markets, and sharpen employee skills.



A wide array of programs is available to partner companies based on our belief that their competitiveness is an important driver of continued growth of SK energy. We regard companies that maintain business relationships with us as our partners in creating happiness and we pursue win-win cooperation for mutual progress. To reinforce our partners' competencies and bolster mutual ties, we lend assistance related to financial health, technology development, market expansion and employee skills. The programs we offer are listed below.



Must-Dos for Win-Win Partnership

- Set forth specific, transparent and fair criteria for supplier selection (registration) and cancellation; disclose cancellation criteria, procedures and results
- Provide fair opportunity to engage in business transactions with SK energy
- Issue written contracts for all concluded deals
- Make cash payments for all supplied goods

• Assistance Program for Partner Companies

- Financial assistance (network loan, win-win fund, etc.), training on business and technical skills for employees, joint R&D, joint patent application, etc.
- Aid for cash-strapped small- and mid-sized suppliers through SK Win-Win Fund worth KRW120 billion jointly created with other SK Group affiliates (KRW6 billion is available for loans to SK energy's partner firms)

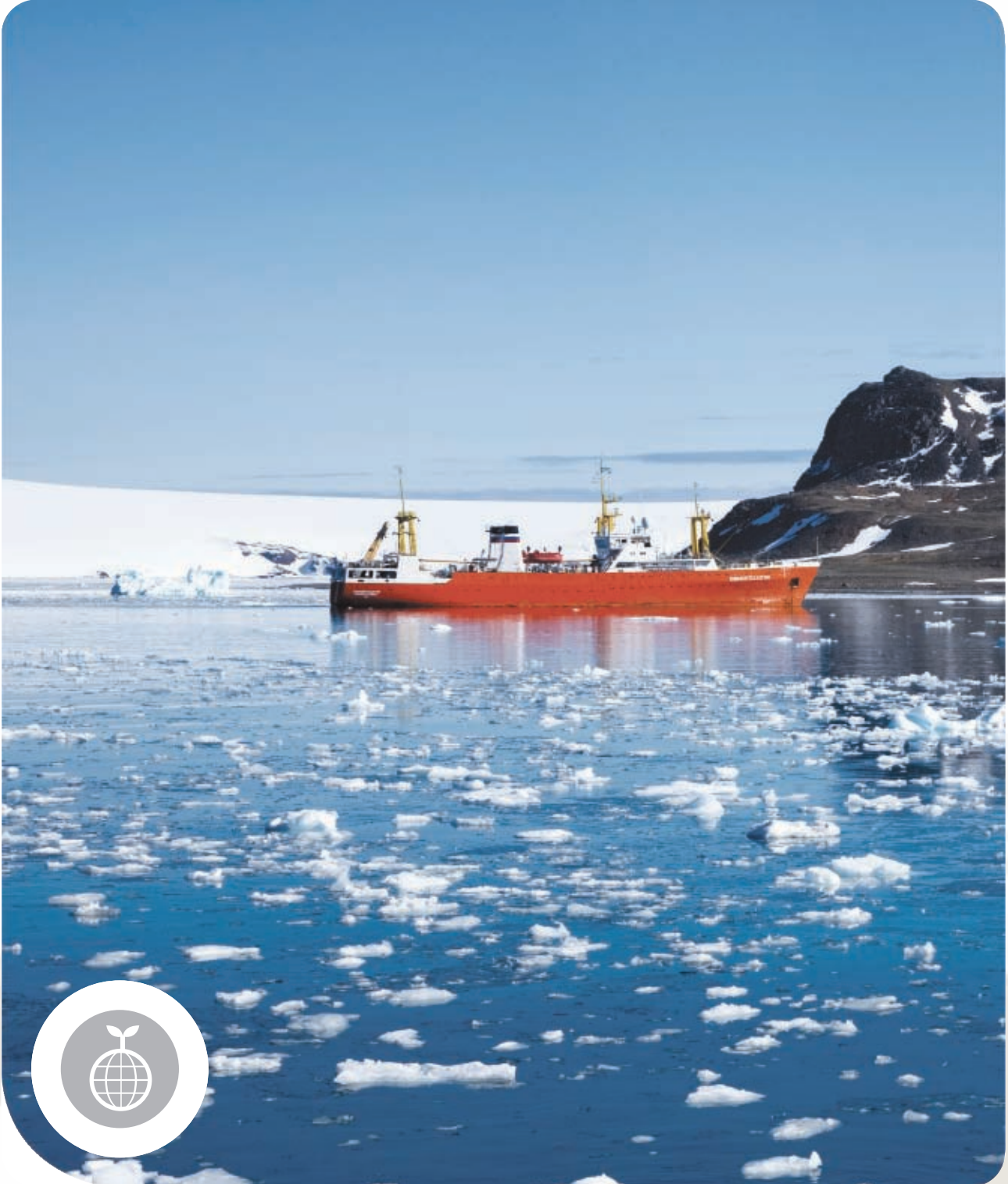
As a way of advancing local economies where we operate, we made 26% of our purchases (based on purchase amount) from suppliers based in areas near our worksites in 2009. Our Ulsan and Incheon complexes sign long-term contracts with local firms based on annual evaluation of equipment suppliers to help them sharpen their competitive edge and achieve stable growth. Following a review of subcontractor agreements we announced or concluded over a period of one year based on the above conditions, the Fair Trade Commission gave us a 'favorable' rating in September 2008.

▼ Training Programs for Partner Firms ▼

Program	Details	
SK Win-Win Academy	Win-Win CEO Seminar	<ul style="list-style-type: none"> • Breakfast lectures for CEOs of partner firms • 6 lectures, CEOs (or other executives) of 99 partner firms took part
	Win-Win MDP (Management Development Program)	<ul style="list-style-type: none"> • Mini MBA program for mid-level managers of partner firms • Held twice in 1H and 2H, employees of 24 partner firms took part
	Win-Win e-learning	<ul style="list-style-type: none"> • Online training program for employees of partner firms • Held twice quarterly, approx. 2,000 people took part
Onsite Training	LiBS production plant (Witja)	<ul style="list-style-type: none"> • Training on operating production equipment, work skills, safety, etc.
	Ulsan Complex	<ul style="list-style-type: none"> • Onsite safety/environmental training • Regular meetings with partner firms (once a month)
	Daedeok Marketing Institute	<ul style="list-style-type: none"> • Training on CS mindset and operating efficiency
SK Win-Win Internship Program	<ul style="list-style-type: none"> • Job-sharing internship program ('09. 4. 13~12. 31) <ul style="list-style-type: none"> - Intern recruiting/job skill training - SK partner firm internship (2.5 months/round) • 3 internship rounds (309 participants) 	

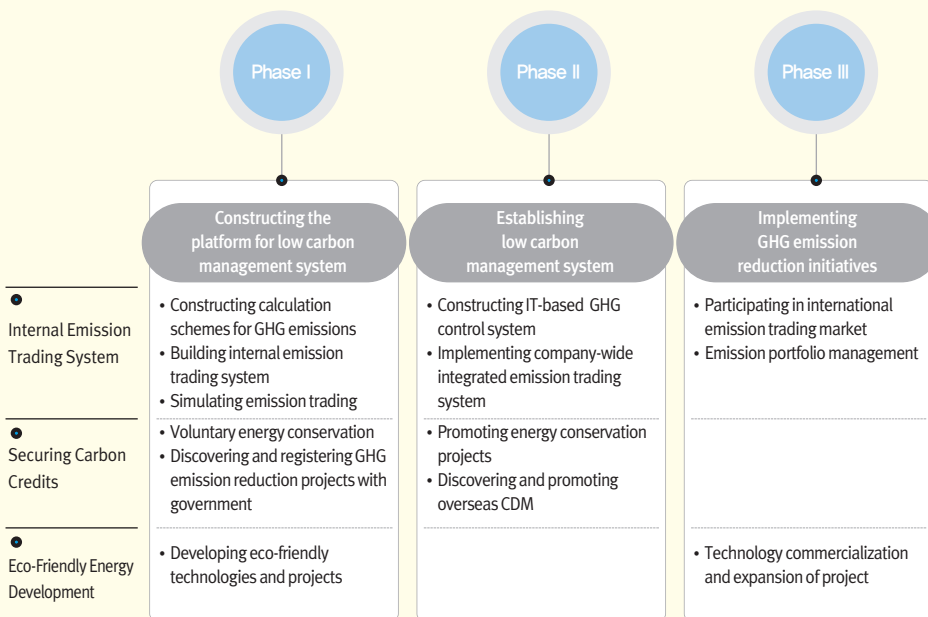
Response to Climate Change

Guided by an internal strategy to address climate change, a major issue facing the world today, SK energy has registered greenhouse gas reduction projects and taken part in clean development mechanism (CDM) projects and persists with R&D to develop green energy.



SK energy is making multifaceted efforts to tackle the global issue of climate change. We have drawn up an internal strategy to respond to this important issue, registered greenhouse gas reduction projects and taken part in clean development mechanism (CDM) projects to secure emissions credits. We also support projects in developing nations which could lead to overseas business opportunities in the future.

▼ Strategy for Responding to Climate Change ▼



4 Supporting Program for the Developing Countries

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

5 CDM

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

Internal Emissions Trading

As part of our drive to build a low-carbon business framework, we set up a computerized system for calculating and tracking in-house greenhouse gas emissions in 2007 which is being used at the Ulsan and Incheon complexes. Using the system, we introduced Korea's first internal emissions trading scheme in the same year. In 2009, we launched our integrated, company-wide emissions trading scheme.

Carbon Emissions Credit

To obtain domestic CER (Certified Emission Reduction), we have registered a total of seven greenhouse gas reduction projects including the first project identified by the Incheon Complex in 2008. We are also taking advantage of the first carbon fund in Korea to secure post-2012 CER. SK energy received orders from the Korean government for Korea's supporting program for the developing countries⁴, especially for the three countries of Vietnam, Malaysia and Thailand, to cope with climate change and is implementing a renewable energy project and discovering new CDM⁵ projects. Going forward, we intend to draw on local networks to seek opportunities for joint R&D and investment projects.



Seminar on Emissions Trading Scheme




GHG Emissions Trading Workshop

Performance & Progress

We think of what remains to be done, rather than past feats to generate profits in a transparent manner, to create a world where everyone is happy, and to save our one and only planet.










Change was the buzzword in 2009.
We looked beyond the Korean energy sector.
Our persistence to secure a fundamental edge
was the driving force behind our progress.



Three ways toward the same objective

-  Lead the way to a new era of prosperity
-  Open the door to a world of happiness and harmony
-  Pass on a green planet to future generations





SK energy is leading the way to a new era of prosperity

SK energy made further strides in 2009 toward becoming one of the energy and petrochemical majors of the Asia-Pacific. The tough operating environment gave us greater resilience and we discovered new engines for growth.



Vision and Strategic Objective

The Korean economy has a high dependence on oil imports and is vulnerable to swings in international crude oil prices. SK energy invests in projects to explore overseas oil fields and develop new and renewable energy to meet the following goals: provide Korea with a stable supply of energy, ensure SK energy's continued existence and secure future growth drivers. These endeavors should also contribute to raising the national competitiveness of Korea.



Performance

Falling crude oil prices, sharp currency fluctuations and weaker demand for energy produced a very challenging business climate in 2009. Regardless of the adversities, SK energy continued to hone its edge in the petroleum and petrochemical sectors, increase profitability and reduce costs in oil exploration and lubricants, and develop new growth engines like lithium-ion batteries. As a result, we generated annual operating income of KRW907.8 billion.



Key Issues

- Maximize financial performance
- Develop new growth drivers
- Develop future energy sources

Major Economic News

September - O&M service contract with BSR of Vietnam

SK energy exported its technology to Vietnam's first oil refinery, BSR. For the next five years, SK energy will take charge of commercial operation of the refinery and transfer technology on production and O&M (Operation & Maintenance) so that BSR staff can gradually take over tasks handled by SK energy employees.

October - Launch of SK lubricants

SK energy spun off the lubricants business division and established SK lubricants as of October 1 to promote greater specialization and autonomy of its operations.

October - Named supplier of HEV batteries for Daimler Group

SK energy was selected to supply lithium-ion batteries for hybrid electric vehicles (HEV) by the Global Hybrid Center at Mitsubishi Fuso, which is part of the Daimler Group of Germany.

November - Progress in oil exploration

SK energy succeeded in discovering crude oil in block 15-1/05 in Vietnam and blocks BM-C-8 and BM-C-32 in Brazil.

Creation and Distribution of Economic Value

In spite of lethargic global economy, the petrochemical business and the E&P (Exploration & Production) business posted record high results in 2009.

Financial Performance in 2009

Sales in 2009 decreased 21.7% to KRW35,827.5 billion from the previous year. By business, sales of the petroleum business and the petrochemical business fell by 24.7% and 6.8%, respectively. However, the E&P(Exploration & Production) business showed a robust sales growth of 21.1% from a year earlier backed by increasing daily production in spite of crude oil price hike and volatility of foreign exchange rates. In the meantime, operating income dropped significantly to KRW907.8 billion, down 52.0% from the previous year. Record high operating profit in the E&P business and the petrochemical business was dwarfed by aggravated operating profitability in the petroleum business affected by refining margin erosion.

Operating income of the petroleum business plummeted 96.5% due mainly to a fall in product prices, glut in supply by establishment of new facilities and global economic recession. However, the petrochemical business recorded a 370.5% growth in terms of operating income due to record high export of 6.8 million tons in the wake of reflationary measures in China.

Furthermore, the E&P business also recorded historical high operating income amounting to KRW335.1 billion, up 13.8% from a year earlier, mainly due to hike in daily production volume following new production in LNG project in Yemen and production increase at Block 56 in Peru.

Distribution of Economic Value

Our dividend policy aims at increasing shareholder return in a stable manner. Going forward, we will do our utmost to elevate shareholder value through continued growth in the global market and achievement of management plan.

▼ Sales and Operating Income by Business (KRW billion) ▼

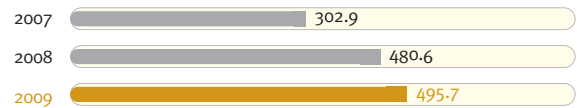
		2007	2008	2009
Petroleum	Sales	18,487.5	32,252.7	24,265.2
	Operating income	609.5	1,242.5	42.9
Petrochemical	Sales	7,418.2	10,364.6	9,660.8
	Operating income	507.8	132.5	623.4
E&P	Sales	323.2	525.3	635.9
	Operating income	176.3	294.4	335.1

▼ Dividend ▼

Category	2007(*)	2008	2009
Stock price (par value, KRW)	5,000	5,000	5,000
Earnings per share (KRW)	3,740	9,657	7,311
Dividend per share (common share, KRW)	2,100	2,100	2,100
Dividend per share (preferred share, KRW)	2,150	2,150	2,150
Total dividends (KRW million)	194,540	195,289	195,289

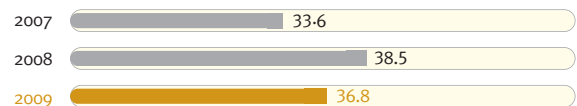
* 2007 figures are based on the SK energy audit report for first period of 2007 (Jul. 1 to Dec. 31, 2007)

▼ Interest Expenses [KRW billion] ▼

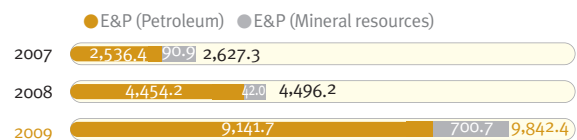


* Interest expenses here do not include capital expenses for acquisition of tangible and intangible assets.

▼ Social Contribution Expenses [KRW billion] ▼



▼ Government Financial Assistance (Subsidies) [KRW billion] ▼



Plans for 2010

In spite of lethargic global economy, the petrochemical business and the E&P (Exploration & Production) business posted record high results in 2009.

SK energy will carry out diverse activities to reinforce its fundamental competitiveness and uncover new opportunities in 2010. We will explore overseas markets to boost E&P and product exports, concentrate on the Chinese market, and continue to invest in new and renewable energy. Our plans also call for optimizing factory operations to raise efficiency and slash costs and promoting swift decision-making and expertise in each business segment. Moreover, we will increase production in concessions 88 and 56 in Peru and other concessions and seek participation in new projects in strategic locations such as Latin America to expand our E&P business.

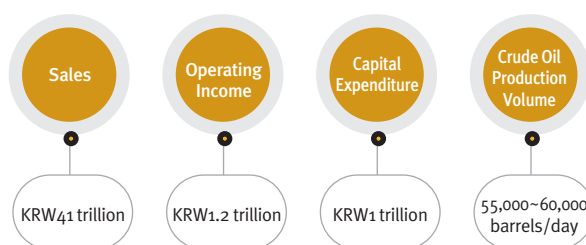
We will step up efforts to propel businesses related to 'green growth' and strive to lead the future of the energy industry. Related endeavors include R&D on eco-friendly plastic (GreenPol), green coal, and biobutanol.

Uncertainty still lingers over the business environment in 2010. Some experts expect a prolonged period of tepid growth, or even a double dip recession. That could lead to a further deterioration in the refining margin.

However, we believe we can achieve growth and profits exceeding our expectations as long as we have strong determination and persistence.

To make further strides in 2010, SK energy will reinforce its competitive advantage while exploring new business opportunities. We will pursue a strategy of selection and concentration in core businesses, creating global performance, and discovering technology-oriented future growth drivers.

▼ Business Plan for 2010 ▼



Selection and Concentration in Core Businesses

We will examine whether businesses that are thriving today can continue to flourish 10 or 20 years later. Based on the analysis, we will pursue continued innovation to sharpen our fundamental competitiveness. We will also optimize factory operations to raise efficiency and slash costs and promote swift decision-making and boost expertise in each business segment.

Creating Global Performance

Along with exports of petroleum products, we will generate global performance from petrochemicals and E&P business. We plan to increase production in concessions 88 and 56 in Peru and other concessions and seek participation in new projects in strategic locations such as Latin America to expand our E&P business. We aim to achieve profitability comparable to those of global oil majors with ongoing upgrades in technical capability and optimal portfolio operation.

Discovering Technology-Oriented Future Growth Drivers

We will step up efforts to propel businesses related to 'green growth' and lead the future of the energy industry. We will strengthen our execution ability in lithium-ion batteries to gain faster recognition in the market and seek tangible progress in areas with the potential to emerge as future growth drivers. These include eco-friendly pursuits such as GreenPol and green coal as well as information and electronic materials.

▼ Summary Balance Sheet (unit: KRW billion) ▼

	2007 1H	2007*	2008	2009
Total assets	19,043	15,699	22,456	21,664
Current assets	5,654	6,707	10,702	9,673
Non-current assets	13,389	8,992	11,754	11,991
Total liabilities	10,663	9,514	15,140	13,918
Current liabilities	4,887	6,590	9,039	8,721
Non-current liabilities	5,776	2,924	6,101	5,197
Total shareholders' equity	8,380	6,185	7,316	7,746
Paid-in capital	653	463	469	469
Capital surplus	3,993	5,455	5,877	5,885
Retained earnings	5,429	344	1,000	1,483
Capital adjustment	-1,431	-2	-203	-203
Accumulated other comprehensive income	-264	-75	173	112

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

▼ Summary Income Statement (unit: KRW billion) ▼

	2007 1H	2007*	2008	2009
Sales	12,926	14,862	45,737	35,828
Cost of sales	11,411	113,515	42,420	33,600
Gross income	1,515	1,347	3,317	2,228
SG&A expenses	639	743	1,426	1,320
Operating income	875	604	1,891	908
Non-operating income	277	-121	-933	-88
Income before income taxes	1,153	483	958	820
Income taxes	221	139	70	140
Net income	865	344	888	680



SK energy is ushering in a world of happiness and harmony

SK energy made diverse efforts in 2009 to listen to the views of customers, employees, partner companies and local communities. The valuable feedback was incorporated in our activities to enhance value for stakeholders.



Vision and Strategic Objective

Trust and support from customers, employees, partner companies and local communities played a vital role in powering the growth and accomplishments of SK energy. To respond to society's expectations and deliver happiness to stakeholders, we pursue "happiness management" based on SKMS to meet our obligations as a good corporate citizen.



Performance

We strive to deliver happiness to customers by providing quality goods and services based on accountability management. For employees, we foster a workplace where each individual is motivated to take the initiative. Our belief that suppliers and contractors are our partners forms the basis of our win-win cooperation programs. We also reach out to those neglected in society to contribute to bettering society.



Key Issues and Team in Charge

Key Issues	Team in Charge
Customer happiness management	Loyalty Marketing Team, Quality Management Team
Work-life balance/Employee communication/ HR & compensation/Career development/ Safety & health management	HR Planning Team, HR Team, HR Support Team
Win-win cooperation	Win-Win Cooperation TF Team, Purchase Planning Team
Social contribution activities	Social Contribution Team

Major Social News

February - Joint labor-management declaration

Labor and management adopted a joint declaration in which they agreed to draw up and implement measures to form productive two-way relations and to cooperate in management efforts such as crisis management based on mutual trust.

March - Establishment of Security Operation Center

SK energy established a Security Operation Center (SOC), a space equipped with customer data encryption system. The Center is designed to protect customers' personal information under the stricter security principles.

June - Launch of social enterprise, Grateful Hands

In partnership with the Ministry of Health and Welfare and Merry Year Foundation (NGO), SK energy helped to launch Grateful Hands, a social enterprise that manufactures personal accessories.

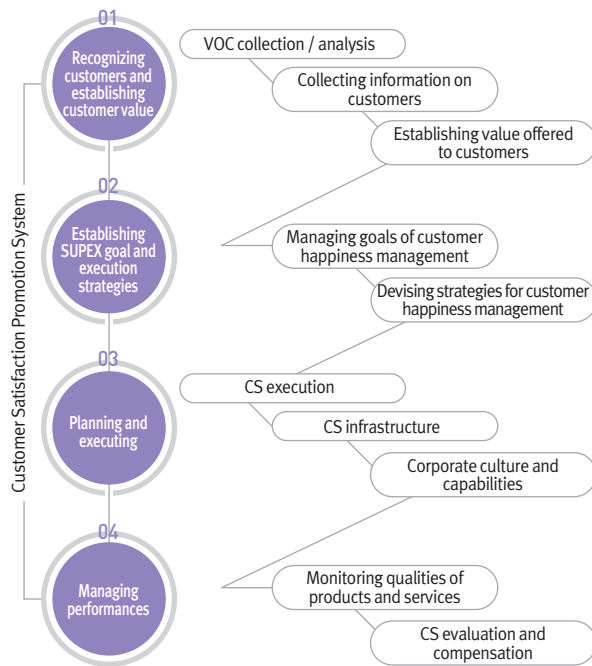
Customer Satisfaction

Based on the Customer Care Center and customer-focused system such as the CCS (Customer Care System), SK energy is enhancing customer happiness. Besides, we conduct customer satisfaction surveys to elevate the level of our service.

Policy and System

Customer Satisfaction System

The work processes and division of roles at SK energy designed to increase customer happiness is outlined below.



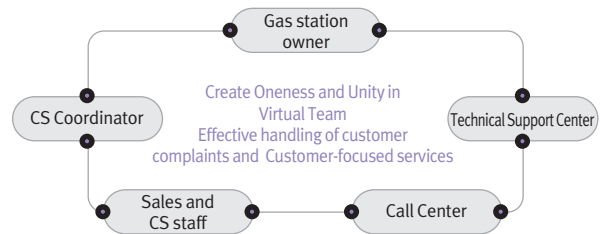
Customer Satisfaction Promotion Organization

Customer Care Center

About 50 specialized counselors at the Customer Care Center provide telephone and e-mail counseling for customers while collecting VOCs regarding our marketing activities.

CR(Customer Relations) Community

CR Community is a virtual team consisting of persons in charge of CS tasks. It does its utmost to realize customer-oriented services through strengthening CS activities and regular workshops aiming at enhancing work efficiency.



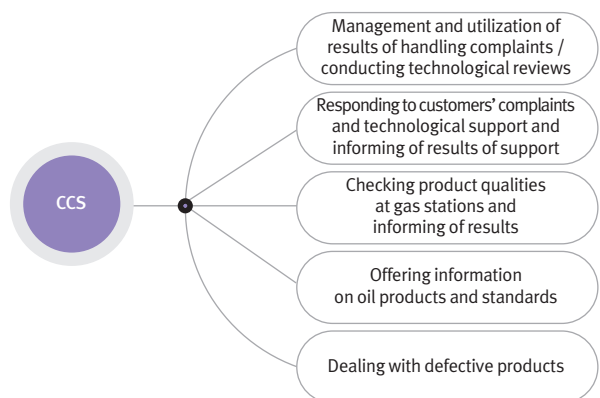
Customer-Oriented System

VOC Feedback Process

SK energy passes on customers' complaints and inquiries to organizations or persons in charge in real time. The VOC in the form of weekly/quarterly analysis reports is shared with organizations in charge along with CS level improvement measures.

CCS(Customer Care System)

The CCS is an online system to enhance customer satisfaction via post-treatment measures such as technological support on oil products/services, customer counseling and analysis of customer counseling results.



Customer Satisfaction Survey

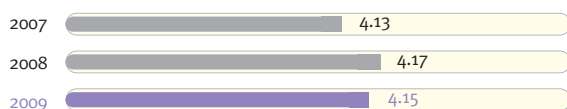
We have conducted annual customer satisfaction surveys to elevate the level of our service. We make e-mail interviews with customers on a quarterly basis and the results are delivered to the relevant organizations for improvement. Furthermore, we have been regularly carrying out the ACE(Appearance & Cleanliness Evaluation), a self-evaluation system on gas stations since 1998. Rewards are given for excellence to personnel working at customer contact points

Customer Satisfaction

through the Customer OK Thanks System. Our emphasis on best serving the customer has enabled us to receive strong reviews from customer satisfaction surveys conducted by external organizations.

▼ Customer Satisfaction Level (Surveyed by SK energy)

(Maximum level is 5.00 points) ▼



▼ Customer Satisfaction Recognition by External Institutions (2009) ▼

- KCSI Survey by Korea Management Association Consulting: Best Gas Station Award
- KS-SQJ Survey by Korean Standards Association: Best Gas Station Award
- Customer Satisfaction Management Awards by Korea Sustainability Management Evaluation: Overall Grand Prize

Responsibility to Customers

Protection of Customer Information

SK energy enforces rules and guidelines on protecting customer information to keep pace with tightening laws on customer privacy and stricter principles imposed by SK Group. The rules and guidelines are modified as necessary. In 2009, we introduced a system of certification for employees who have access to customer data so they can acquire the required mindset and skills. Regular inspections are held to check for compliance with customer privacy regulations among the staffs of SK energy and partner

companies. In addition, we maintain a system for secure transmission and storage of customer data.

To enhance technical and physical security, we use customer data encryption technology and operate a separate Security Operation Center (SOC) subject to strict rules. We have had no incidence of leak, theft or loss of customer information to date. SK energy will continue to make every effort to protect our customers' personal information.

Product and Service Liability

In order to solve customer claims quickly, we are operating Quality Service Centers in six regions (Gyeongin, Incheon, Honam, Youngnam, Chungcheong, and Gangwon) across the country. Under our Quality Guarantee Program⁶, we fully compensate customers for quality complaints in a swift and accurate manner. We also observe relevant laws such as the Broadcasting Advertisement Law, the Outdoor Advertisement Law and the Consumer Protection Law. In 2009, we didn't violate laws or regulations related to products and services.

▼ Product Safety Activities ▼

- Offer MSDS (Material Safety Data Sheet) on all products
- Evaluate hazards of products in life cycle of product and remove defective elements
- Observe relevant laws
- Operate product safety committee
- Educate employees and partners
- Conduct regular product safety audit

⁶ Quality Guarantee Program

A program to maintain customers' trust in SK energy products based on mutual agreement between SK energy and gas stations to deal with only authentic products. Customers are fully compensated for quality complaints in a swift and accurate manner.

▼ Culture Marketing ▼



Workforce Diversity and Skill Development

SK energy operates a variety of systematic education and training programs to strengthen capabilities of employees while providing fair compensation to them through a transparent evaluation system.

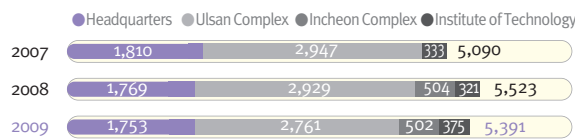
Employee Status and Diversity

Human Resources Management That Elevates Corporate Competitiveness and Individual Capabilities

SK energy strives to form an environment where employees can work voluntarily and willingly under the management principle of “Pursuing SUPEX via Human-Oriented Management.” We advocate the ten principles of the UN Global Compact and put our utmost efforts into protecting employees’ human rights and labor rights. Accordingly, we respect human rights of employees and labor laws at all business sites at home and abroad while developing and offering various programs to protect human rights.

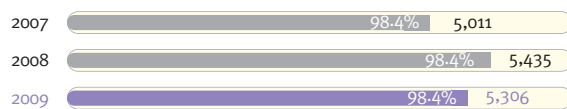
▼ Employment Status by Worksite (As of the end of 2009)

(unit: persons) ▼

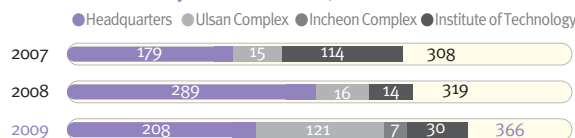


* Headquarters includes overseas and domestic branches. Employees working at Ulsan Complex, Incheon Complex and Institute of Technology are not included.

▼ Proportion of Regular Employees (unit: persons) ▼

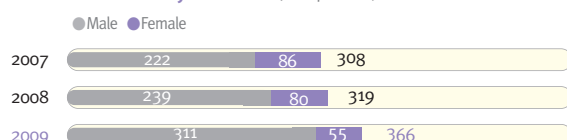


▼ No. of Retirees by Worksite (unit: persons) ▼



* Number of retirees increased due to spin-off and deployment to the holding company in 2007, transfers to subsidiaries like SK M&C in 2008, and retirements following spin-off of lubricants business in 2009.

▼ No. of Retirees by Gender (unit: persons) ▼



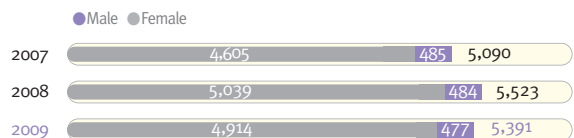
Equal Opportunities and Diversity

At SK energy, discrimination based on religion, age, gender, or education is strictly prohibited. For recruitment, job assignment, promotion, compensation and training, fair and performance/competency-based opportunities are utilized for all employees. SK energy recruits employees by fair procedures without discriminations, complying with labor laws such as the Labor Standard Act and Act on Gender Neutral Employment. Working conditions are negotiated between the labor and the management, on equal footing, in the forms of collective agreement, job disciplines, and employment contract. Continuous improvements have been made for the benefit of the entire workforce.

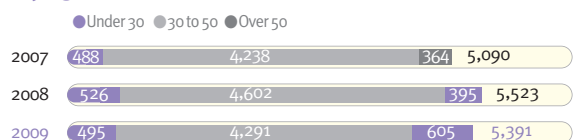
For female employees, representing 8.8% of the total workforce as of 2009, we comply with the Act on Gender Neutral Employment and the Act on Ban on Gender Discrimination and Relief. We also provide sexual harassment prevention education every year to build sound work environment. We are committed to ensuring adequate gender balance and equal opportunities. Male and female staff are subject to the same salary if both are engaged in the same work. Regarding disabled persons, under our agreement with KEPAD (Korea Employment Promotion Agency for the Disabled), we are working toward a legal mandatory level of 2%.

Employment Status

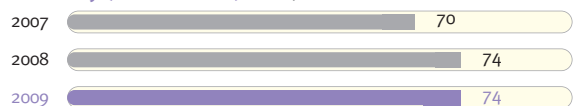
▼ By Gender (unit: persons) ▼



▼ By Age (unit: persons) ▼



▼ Minority (the Disabled) (unit: persons) ▼



Workforce Diversity and Skill Development

Education and Training

Employee Education

For the purpose of nurturing future SUPEX leaders, we have identified the competencies required of employees. These competencies form the basis of our education and training programs.



SK Value

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

Leadership

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

Job-Related Capabilities

The company provides systematic education programs to employees in accordance with work areas such as planning, finance, marketing, production, research and development and safety/environment.

• Short-term Outside Training Program

For systematic training of specific job skills, we set up TDP/IDP and help employees participate in outside trainings or overseas seminars and conferences.

• Overseas Training Program

Every year, we select employees for MBA, fellowship programs, or masters/doctorate courses in job-specific disciplines at overseas institutions.

• Graduate School Program

Like overseas training program, we select employees for masters/doctorate courses in domestic institutions every year. All expenses are covered by the company.

Global Competency

In order to speed up global businesses, we focus on fostering regional experts, especially in China and Southeast Asia as well as global leaders with international perspectives.

▼ Employee Education ▼



▼ In-house Foreign Language Class ▼





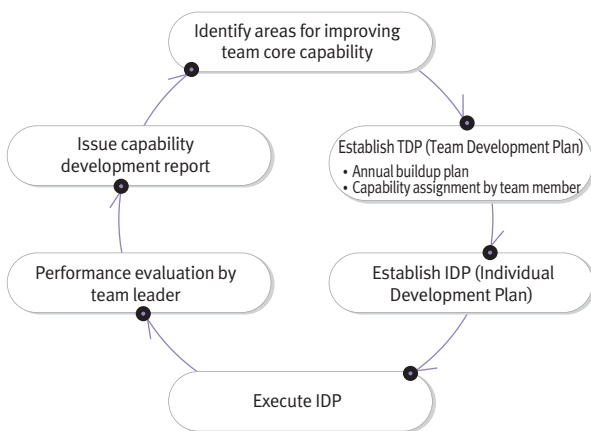
● **Globalization Training Program**

We dispatch employees to foreign countries for six months to a year, to give them the opportunity to learn local languages, social practices, culture, and regional economy, thus raising regional experts.

● **Foreign Language Training Program**

We run a variety programs that include in-house classes, intensive courses, online training, and telephone classes for English and Chinese. For each employee, we offer necessary educational programs in consideration of their employment tenure. In the case of each team's unique capabilities, team members are establishing and executing the IDP (Individual Development Plan) in accordance with the TDP (Team Development Plan) which is a core capability buildup plan for each team.

▼ **Team Capability Development Process** ▼



Other Educational Support

● **Online Training**

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

● **Industry-Academia Collaboration Course**

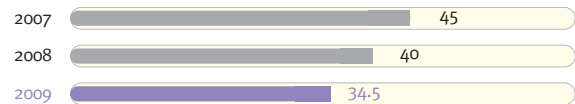
The SK MBA is an annual program, where high-profile figures from universities and consulting firms are invited for business administration training. We also open industry-

academia collaboration courses including the Energy Management Course in collaboration with universities.

● **Other Education**

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

▼ **Annual Education Hours per Employee** ▼



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

Performance Evaluation and Compensation

We introduced the CIC (Company in Company) system in order to establish a performance-centered management system based on autonomy and responsibility in 2008. The system enables us to realize faster decision-making and reinforce performance responsibility. We made efforts to successfully establish the system by collecting employee opinions on performance evaluation improvements and cooperation among business units in the process to introduce this system.

Evaluation System

We evaluate employees' competency and performance regularly and make use of the results as basic reference data for promotions, transfers, education, training and compensation. The evaluations cover SK Value, competency and performance. The evaluation items and procedures vary depending on an individual's position, ie, executives and team leaders (6.2%), employees on annual salary system (35.2%), and employees on merit-based system (64.8%).

Workforce Diversity and Skill Development

Compensation System

Through annual salary contracts and special incentive schemes, we provide fair compensation to employees who demonstrate outstanding results in terms of capabilities and business performance.

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

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

Promotion Scheme

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

Retirement Policy

We do our utmost to allow retired employees to feel pride in the company they worked for. As part of these efforts, we provide direct and indirect compensations to retired employees in consideration of their contribution to the company, thus enabling them live stable lives after retirement. If an employee passes away or leaves the company due to disease or disability, we pay an additional retirement allowances to help the family.

Employee Satisfaction

SK energy operates the Labor-Management Council and a Grievance Committee in a bid to improve employee satisfaction level. We also build clean and comfortable worksites through operating safety and health programs.

Human Rights

SK energy promotes the interests of both management and labor such as enhancement of productivity and welfare through the Labor-Management Council, which is comprised of an equal number of labor and management representatives. Moreover, a labor union protected by labor rights laws is organized in the company.

Basically, collective agreements are applied to employees who are junior managers or lower (72.6% of the total workforce). However, we strive to provide all possible agreements to employees so as to enhance employee welfare and improve the labor-management relationship.

▼ Labor Union Status (as of the end of 2009) ▼

No. of union members	2,447
Full-time members	5
Umbrella organization	FKTU(Federation of Korean Trade Unions) Chemical Labor Union Division

Child Labor and Forced Labor

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

Freedom of Association and Collective Bargaining

We fully comply with relevant labor regulations, such as the Labor Standard Act and the Labor Union Act as well as negotiation results between labor and management including collective bargaining. All labor union members, therefore, have freedom of association and can form or join any organization. We believe our business units do not include areas with a risk of severe infringement of freedom of association and collective bargaining.

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

Employee Satisfaction Activities

Grievances Committee

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

Employee Participation and Satisfaction

SK energy listens to voices of employees through various channels and reflects them in decision-making. Official communication channels such as the Management Consultative Committee and the Labor-Management Committee and an open management forum and an ethical counseling center on its intranet as well as review of the SKMS execution are major channels that deliver employees' opinion to the company.

Employee Satisfaction

In 2009, we collected opinions on employees' expectations or demands by convening the Management Consultative Committee and the Labor-Management Committee and discussed welfare, education and training and an improvement in working procedures.

In October, 2009, SK energy conducted a review on the SKMS execution through online survey (participated by 83.9% of employees) and one-on-one meetings (498 employees). We conduct the review every year to check key issues that employees find in the process of practicing the SKMS and to improve them.

Safety and Health

Safety and Health Management for Employees

In addition to promoting safety and health throughout SK energy, we are raising safety awareness among senior managers and department leaders to create a setting in which employees are encouraged to take the initiative in carrying out accident prevention activities. We maintain a computerized SHE (Safety, Health, Environment) system, organize related campaigns and training, conduct checks on adherence to safety procedures, and carry out onsite risk prevention activities.

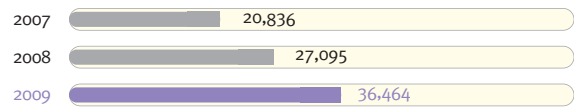
● Industrial Safety and Health Education

We regularly educate employees at worksites in accordance with the Industrial Safety and Health Law to prevent industrial accidents. We also set up an education system to efficiently manage the whole education process. Comparable training is offered to employees of partner companies that install and maintain our factory equipment.

● Operation of PSM (Process Safety Management) System

Aiming at building safe worksites, SK energy runs the PSM System, which is managed by the Ministry of Labor to prevent serious accidents at business sites that produce or handle hazardous and dangerous materials. We operate a system to track each of the 12 PSM factors. In line with our onsite-oriented approach, we adopted the PSM system in eight of our factories. In 2009, all eight factories received the highest PSM evaluation grade of "P" from the Ministry of Labor.

▼ Industrial Safety Education (unit: persons) ▼



* The figures of 2008 and 2009 include Incheon Complex.

▼ SHE Management System ▼



▼ In-house Clinic ▼



▼ Fitness Center ▼





● **Performance Measurement of Safety Management Activities**

Backed by the SHE system and onsite-oriented safety culture, we are seeing continued improvement in employees' safety awareness levels and related conduct. As of 2009, plant availability (days of operation minus days for regular maintenance and repair) was maintained at 99.72% at Ulsan Complex and 99.70% at Incheon Complex, meaning SK energy's safety management is superior to that of advanced companies.

In addition, Ulsan Complex is making every effort to secure fair performance measurement by operating the SHE Management System, which evaluates SHE activities (safety meetings, safety checks and emergency drills, SHE suggestions, etc.) at each department every month and reflects the results in KPIs (Key Performance Indicators).

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

	2007	2008	2009	Remark
Headquarters**	0.00	0.06	0.23	Average accident rate measured by the Ministry of Labor***
Ulsan Complex	0.10	0.14	0.33	
Incheon Complex	-	0.00	0.40	
Institute of Technology	0.00	0.31	0.53	• Korea: 0.696 • Manufacturing industry: 1.073
Company-wide	0.06	0.11	0.30	

* Follows industrial disaster analysis indices suggested by the Ministry of Labor
 ** Includes the rates of logistics centers and overseas branches
 *** Average accident rate is based on the period from 2005 to the first half of 2008.
 ※ The increase in accident rate in 2009 was largely due to minor accidents arising from non-work related activities such as sports events.

● **Operation of Industrial Safety and Health Committee**

SK energy operates the Industrial Safety and Health Committee, which comprises an equal number of representatives from management and labor, in accordance with the Industrial Safety and Health Law. Industrial accident prevention plan, safety and health education for employees, and inspections and improvements of work environments are key issues decided at the committee. Article 53 in the collective labor agreement (the organization and operation of the Industrial Safety and Health Committee) stipulates the organization and operation of the Industrial Safety and Health Committee, as well as various limits and measures. To ensure smooth operation of the committee, SK energy established regulations on the management of the Industrial Safety and Health Committee by the labor-management agreement in 2003.

● **Health Care Facilities and Programs**

At SK energy, we conduct general, special and regular health check-ups for employees. Moreover, we are striving not only to enhance employee satisfaction, but also to protect employees from harmful elements by employing internal management standards on hazardous elements stricter than legal regulations. At Ulsan Complex, where most of our production workers are based, we operate a health center manned by eight professional staff including a doctor. In addition to a clinic, the center has facilities for physical therapy and physical fitness assessment and offers health classes.

We continue to offer programs encouraging employees to cut back on alcohol consumption and quit smoking to promote their health. Also, we are running a sports center for employees and their families at the headquarters and Ulsan Complex as well.

Fair Trade

As the first company in the industry that introduced a compliance program (CP), SK energy tries to uphold fairness and transparency in purchasing activities based on its Internet purchasing system and purchasing code of ethics.

Fair Trade Compliance

SK energy became the first company in the industry to introduce a compliance program (CP). The relevant activities and performances along with future plans of the CP are regularly reported to the Board of Directors. In 2009, we received one order for corrective action from the Fair Trade Commission for unfair trade practice.

▼ SK energy's CP System ▼

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

Fair and Transparent Purchasing

SK energy upholds fairness and transparency in purchasing activities based on its Internet purchasing system, purchasing code of ethics, and related rules and procedures.

● Internet Purchasing

Our Internet purchasing system, SKBIOK, spans every step in the purchasing process, from purchasing requests and electronic bids to conclusion of e-agreements via e-certification and payment linked to e-invoices. SKBIOK has increased transparency and convenience related to procurement. The SRM (Supplier Relationship Management)

system, which covers registration, evaluation and management of suppliers, allows us to maintain a pool of competitive suppliers and gives us the basis for win-win cooperation.

● Purchasing Code of Ethics

All purchasing personnel are required to understand and comply with the Purchasing Code of Ethics adopted in 2000. The code is available for viewing by outsiders via the Internet purchasing system to promote transparent and fair relations with suppliers. Sanctions are imposed on suppliers guilty of unfair or irregular transactions according to company regulations. Our supplier registration and evaluation process include mechanisms to promote human rights at our partner companies. We take into account factors such as reasonable treatment of employees and efforts to ensure workers' health and safety. Registered suppliers can be subject to sanctions for employees' wages that are more than three months overdue.

Green Program (Green Purchasing)

SK energy signed a voluntary agreement on green purchasing with the Ministry of Environment. Our commitment to buying eco-friendly goods is also displayed in our supplier evaluation. We have drawn up green purchasing guidelines and distributed information on our green purchasing system and related activities. On a yearly basis, we purchase about KRW3 billion worth of eco-friendly goods (bearing an environmental mark designated by the government).

KEY POINTS OF VOLUNTARY AGREEMENT

- Production, distribution and purchase of green products by companies
 - Draw up and implement plans to purchase green products
 - Use eco-friendly, low-carbon materials and parts
 - Disclose progress on implementing the agreement via Sustainability Report, website, etc.
- Policy to nurture green industries and support development of green products by the government
 - Provide companies with information on green products
 - Recognize companies for excellence in green purchasing and publicize their performance
- Promotion of low-carbon, green consumption by companies and government
 - Provide environmental information and conduct green consumption campaign

Social Contribution

According to its social contribution principle that combines “Philanthropy” and “Participation,” SK energy carries out strategic contribution activities, thus focusing on the three major scopes; poverty (social welfare), education and environment.

Social Contribution Direction

According to the mission of “SK – A Company Sharing Happiness,” and social contribution principle that combines “Philanthropy” and “Participation,” SK energy focuses on strategic investments in job creation and supporting the underprivileged. To this end, we concentrate our social contribution activities on the welfare sector where both financial support and volunteer services are conducted, on the education sector, particularly for children and teenagers, and on the environmental sector greatly related to the company’s business operations.

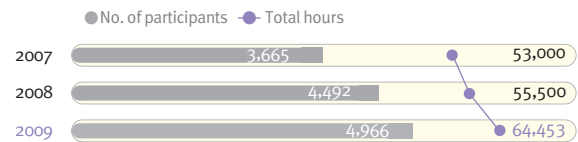
We operate social contribution team at our headquarters and Ulsan Complex. Employees participate in volunteer activities as members of company-wide volunteer group “SK energy Angels” that was established in July, 2004.

Volunteer Activities

SK energy considers employees’ volunteer activities as part of business activities and operates a “time-released system,” where the company counts volunteer hours as work hours. Also, we hold presentations on case studies and share best practices once a year to weave employee volunteerism into our corporate culture and encourage employee participation in volunteer projects in local communities.

A volunteering website was created to promote sharing of related information and experiences. It also facilitates organized management of volunteering activities according to CIC (Company In Company), division, team and individual. Employees at each worksite have set up volunteer teams to show their support for various causes and to reach out to those in need. Among others, the volunteers’ reach extends to senior citizens, children, the disabled, the environment, local community initiatives and education.

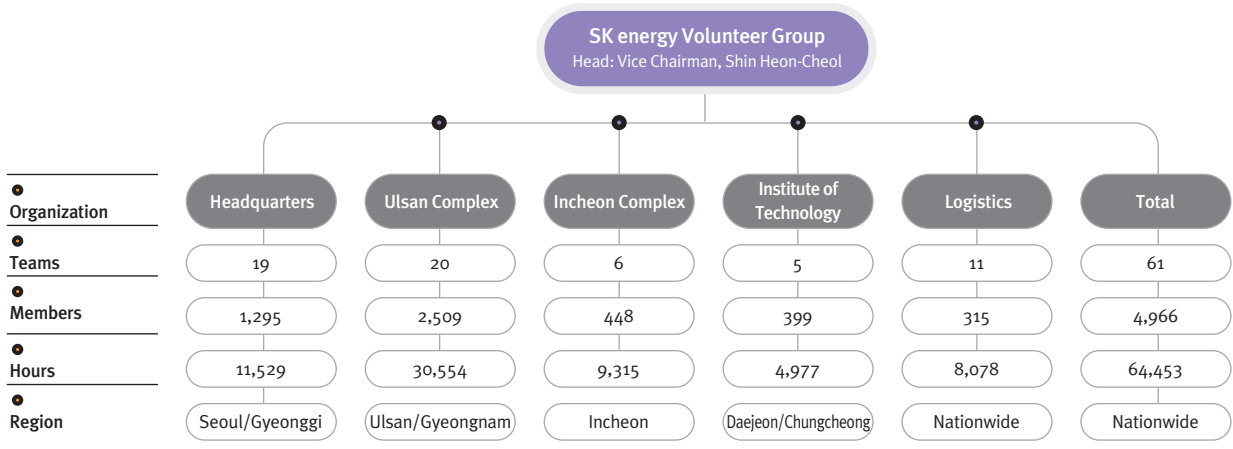
Volunteer Activities



Volunteering Activities

Category	Details
Social welfare	Meals for low-income brackets, bathing service for the disabled and the elderly, support for outings, home repair, help for farming communities, making Braille books, meal box delivery, etc.
Education, scholarship	Economics classes, 1:1 mentoring, study guidance for low-income students, day-care for low-income infants, support for cultural and sports events, etc.
Environment	Preserving forests, protecting rivers, environmental campaigns, volunteering at recycling centers, environmental education, etc.

SK energy Volunteer Group (As of Dec. 31, 2009)



Social Contribution

Social Contribution Programs in Korea

SK energy's social contribution programs are categorized in the three major scopes; poverty (social welfare), education and environment. We maintain good partnership with NPOs and related government organizations.

Poverty (Social Welfare) Programs

● Support for Social Enterprises

Our assistance extends to projects to create jobs and social enterprises like Agaya, Mezzanine I-Pack, and Mezzanine Eco One. In 2009, we helped to launch Grateful Hands, a social enterprise that manufactures personal accessories, in partnership with the Ministry of Health and Welfare and the Merry Year Foundation (NGO).

● Preparing for a Warm Winter

SK energy designates the period from October to February of the following year as "Happiness Sharing Season," and helps the underprivileged enjoy a warmer winter. In 2009, we made a total of 100,000 heads of kimchi in cooperation with Korea YMCA volunteers and delivered to the underprivileged and social welfare facilities. We also provided one million briquettes to some 3,000 households nationwide through our "Briquette Sharing" program.

Education Programs

● Scholarships for Children from Low-Income Families

Since 2006, we have awarded scholarships to the children of the residents evicted in Bansong-dong, Haeundae-gu, Busan. In 2009, a total of 490 children received scholarships through this program. In Jeju Island, we offer soccer classes in conjunction with the Jeju United FC to children who use the

local children's center. These classes provide a healthy outlet for children from disadvantaged backgrounds. SK energy is also a participant in the one company, one school campaign sponsored by the Korea Foundation for Advanced Studies.

● Sponsoring the Korean Foundation for Advanced Studies

We sponsor the Korean Foundation for Advanced Studies (KFAS), Korea's representative scholarship foundation to contribute to society through nurturing talents. Since its inception in 1974, the KFAS has contributed to supporting talented scholars in the areas such as social sciences, natural sciences, oriental studies and IT.

Environmental Programs

● Building a Beautiful Culture & Environment

SK energy completed and donated Ulsan Grand Park to Ulsan city in 2006. The park has become the regional center for culture, hosting a variety of social contribution activities and corporate mecenat events. Our programs in 2009 included a rose festival, arts and crafts program for youths, art appreciation events and mobile library.

● SK energy Environmental Writing Contest

Held for elementary students nationwide since 1994, the SK energy Environmental Writing Contest has emerged as the Korea's largest environmental writing contest. Around 87,000 students participated in the 17th contest held in 2009. As a leading company in the environmental industry over the past 40 years, SK energy has committed to early environmental education through various programs such as the Environmental Writing Contest and field trips to the environmental facilities at the Ulsan Complex.

▼ Sharing Kimchi ▼



▼ Meal Distribution to Seoul Noin(Elderly) Center ▼



Global Social Contribution Programs

SK energy does its utmost to fulfill its role as a global corporate citizen in various corners of the world.

China

We have actively participated in the "Great Green Wall" project since 2006 and planted about one million trees in 2009, contributing to countering the yellow dust phenomenon and promoting regional economic development.

Peru

Since 2007, SK energy has strived to improve the education, medical services and housing conditions for the underprivileged in Peru. Up to 2009, we rebuilt a total of 34 schools and helped over 20 schools create green zones in Ica Province, which was destroyed by an earthquake in 2007.

We spent a total of KRW1.7 billion for the restoration of medical facilities, donation of medical supplies and teacher training programs in 2009.

Medical Volunteering in Nepal

Through sponsorship of medical volunteers from the Welfare Foundation of Peacemakers, we were able to help about 1,000 underprivileged residents of Pokhara, Nepal, receive medical services in 2009. A year earlier, similar services were provided to the needy in Batdambang, Cambodia.

▼ Social Contribution Spending by Category in 2009

(unit: KRW billion) ▼

Poverty/Social Welfare	19.7
Environment	7.0
Education	4.9
Culture/Arts/Sports	3.3
Global	1.9
Volunteer Activities	0.3
Total	37.1

▼ School Rebuilding in Peru ▼



▼ Medical Volunteering in Nepal ▼





SK energy's commitment is to a green planet for the future

SK energy carried out various activities in 2009 to reduce our environmental footprint and preserve the natural ecosystem. We also continued to invest in developing and commercializing green technology.



Vision and Strategic Objective

SK energy implements environmental management in line with our basic principle of "pursuing sustainable growth through accident-free and eco-friendly management." Guided by strategic goals, we conduct environmental impact evaluations to protect the ecosystems around our Ulsan and Incheon complexes and impose limits stricter than the legal standards for air and water pollutants generated during the production process.



Performance

We proceeded with efforts to minimize pollutants generated at our Ulsan and Incheon sites and to develop and manufacture eco-friendly products. Based on our SHE management system, we monitor factors that pose a risk to the environment such as air, water and soil pollutants, and waste materials.



Key Issues and Team in Charge

Key Issues	Team in Charge
SHE management system	Safety & Environment Management Team / Safety & Environment Team
Responding to climate change	Environmental Policy Team
Energy efficiency and resource conservation	Energy Management Team / Production Management Team

Major Environmental News

February - Using waste steam for low-carbon, green growth

SK energy completed a facility that runs on waste steam in cooperation with Aekyung Petrochemical in Ulsan. The use of waste steam will reduce the use of Bunker-C fuel by 23 million liters and slash greenhouse gas emissions by 75,000 tons a year.

May - Diesel Particulate Filter (DPF) receives CARB certification

SK energy became the first Asian energy company to obtain VERT certification of Switzerland and CARB (California Air Resource Board) certification of the US.

July - Hydrogen fueling station in World Cup Park

The hydrogen fueling station in World Cup Park in Seoul will supply hydrogen produced solely from landfill gas from the nearby Nanjido landfill. The station will help to speed up commercialization of hydrogen energy and remove landfill gas which causes air pollution.

November - SK Green WAO (Wet Air Oxidation)

In the world's first WAO method developed by SK energy, waste caustic soda is oxidized before being sent to the wastewater treatment facility for final treatment. This new technology boasts higher energy efficiency and less CO₂ emission than incineration.

Environmental Management System

SK energy operates its own “Safety, Health & Environment (SHE) Integrated Management System” for comprehensive control of the safety, health and environmental issues.

SHE Management Vision and Strategy

SK energy recognizes safety, health and environment as the most valuable thing in business activities. Under the basic principle of “Pursuing sustainable growth through accident-free and eco-friendly management,” we enforce four guidelines for employees to follow.

- 

01 Leading the Way in Compliance
We abide by all the regulations, conventions and other requirements of the region where we operate and stay at the forefront when it comes to preparing and implementing safety, health and environmental goals.
- 

02 Continued Improvement
We strive to minimize our environmental impact through consistent improvement activities in all of our business activities, while offering an agreeable working environment and remaining accident-free.
- 

03 Company-wide Participation
All SK energy employees are fully aware of their social responsibilities to stakeholders and fulfill their given duties and roles for safety, health and environment, while taking continuing education programs.
- 

04 Social Responsibility Fulfillment
We reflect stakeholder opinions in our business activities and transparently disclose performances as a responsible corporate citizen.

implement the SHE Integrated Management System. Through the use of performance indicators related to SHE activities (eg, assessing overall system operation including PSM execution levels and employees’ performance related to accident prevention), we managed to increase workers’ participation and awareness. We plan to add factory reliability as an evaluation factor and continue to enhance evaluation standards.

7 For more information on SHE management system, please refer to our homepage (www.skenergy.com)



SHE Management System⁷

SK energy has been operating its own “Safety, Health & Environment (SHE) Integrated Management System” since 2004 for comprehensive control of the safety, health and environmental issues that workers should bear in mind at their workplaces. Comprised of 11 management factors and operating processes, the system organically responds to the changing business environment and continuously improves safety, health and environmental performances. In addition, the system satisfies the needs of the existing PSM(Process Safety Management) and EMS(Environment Management System).

In 2009, the Ulsan Complex computerized its SHE management system and revised evaluation factors and standards to better

▼ 2009 Ulsan Complex SHE Performance Indicators ▼

Category (Proportion)	Performance Indicators
System Operational Indicators (30%)	PSM ratings, EMS evaluation results
Leading Index (70%)	SHE training program completion rate, No. of SHE meetings, No. of SHE check-ups, Near-miss, SHE proposals, Emergency drills
Lagging Index (Plus/Minus)	No. of accidents, Accident rates, No. of environmental accidents, No. of legal violations, Overspeed control, Public discount cases, No. of rewards

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

Environmental Activities and Performances

SK energy actively responds to environmental regulations both at home and abroad while carrying out various activities such as energy saving and waste reduction to lessen its environmental impacts and eventually preserve the planet.

Strengthening Environmental Capabilities

Operation of Environment Management System

SK energy acquired ISO 14001 certification for its Ulsan Complex and Incheon Complex and maintains the certification through annual follow-up audits and recertification evaluations every three years. For systematic and efficient operation of EMS, each complex conducts annual evaluations to check for legal compliance and regular internal audits and keeps track of implementation of environmental management.

Evaluation of Environmental Impacts

In order to protect and preserve the environment in the vicinity of the Ulsan Complex and the Incheon Complex, we carry out environmental impact evaluation that meets the EMS requirements in all of our business activities that have potential environmental impacts, such as new process adoption and plant expansions or alterations. The evaluation is conducted every time we change the process or working method while it is carried out every two years for the production processes. According to the report on the current status of the wild fauna and flora sanctuary designated by the Ministry of Environment, the areas where SK energy's production activities take place do not include any areas with a high biodiversity value that can be influenced by the company's business activities. Although our worksites are in petrochemical industry complexes and are unable to serve as animal habitats, we make an effort to protect local ecosystems and promote greenery.

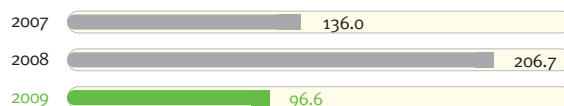
Legal Compliance

SK energy maintains stricter standards than legal requirements for air and water pollutants. There have been no disciplinary measures taken against the company for violations of environmental regulations since 2003. In 2009, no environmental pollution accidents occurred. Although there were environmental public grievances regarding noise, flaring, and bad smell in the Ulsan Complex, we solved the matter immediately through explanation to the relevant parties. Going forward, we will communicate with the communities more actively.

Environmental Investments

SK energy consistently makes environmental investments to minimize pollutants generated from the Ulsan Complex and the Incheon Complex, and develop environmentally friendly products, contributing to environmental preservation. In 2009, the investment amount decreased comparing to those in the previous years as the company reduced the overall investment budgets in the wake of global economic recession.

▼ Annual Environmental Expenses (unit: KRW billion) ▼



* Excluding investment expenses for new processes.

▼ Panoramic View of RFCC Facilities ▼



▼ RFCC Facilities ▼





▼ Environmental Expenses by Category ▼

Category	Air	VOC	Odor	Water	Noise	Waste
Amount (KRW million)	24,023	17,013	1,482	22,268	475	380
Proportion(%)	24.88	17.62	1.53	23.06	0.49	0.39

Category	Toxic Chemical	Soil	Afforestation	Energy saving	R&D	Total
Amount (KRW million)	376	132	590	13,763	16,050	96,552
Proportion(%)	0.39	0.14	0.61	14.25	16.62	100

Saving Energy and Resources

SK energy has consistently promoted a variety of energy conservation initiatives to enhance energy efficiency in each of its processes that use energy sources such as fuel, electricity and industrial water supply. Capitalizing on its 40 years of experiences in facility operation, the company is

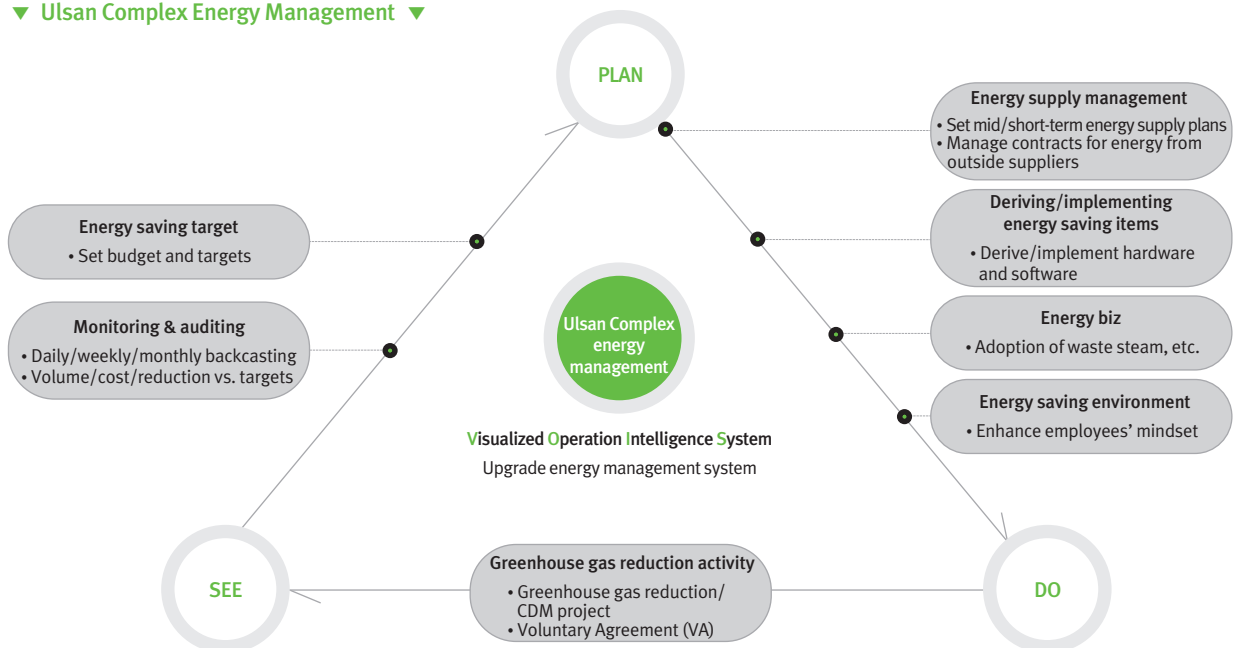
developing energy-saving cases and building a related database, while improving its facility efficiency and minimizing losses in the energy supply system.

Energy Conservation Activities and Performance

The Ulsan Complex, our key production site, set a mid-term goal of saving KRW300 billion in energy expenses from 2008 to 2010. To reach that goal, we have set up an energy management system. To minimize energy consumption and costs for each process, we have selected KOPs (Key Operation Parameter) per process and carry out real-time monitoring.

In 2009, we carried out ‘activities for optimal operation of fuel system’ based on oil price monitoring and stronger communication among production teams. We also pursued ‘column optimization’ to increase energy efficiency of production processes. In addition, the complex carries out a variety of activities for efficient energy use. They include campaign to enhance employee awareness, distribution of guidelines on ideal indoor temperature, identifying and addressing energy loss points in each process and discovering energy-saving items through process innovations.

▼ Ulsan Complex Energy Management ▼



Environmental Activities and Performances

The Incheon Complex completed work to reduce energy consumption in the kerosene and diesel desulphurization process and a project to boost energy efficiency in the crude distillation process in 2007. It continues to implement activities to raise a conservation mindset among employees and save energy in the workplace.

● Development and Operation of Energy Management System

We operate our own computerized energy programs such as “Operation Information System (OIS)” and “Power Supply Optimization Program.” The Ulsan Complex built the VOIS (Visualized Operation Intelligence System) in 2008. Using the EMS (Energy Management System) within VOIS, it effectively monitors energy consumption and key process factors.

● Employee Awareness and Implementation

SK energy uses direct and indirect methods to raise employees’ awareness of the importance of conserving energy. In-house media such as the internal letter on energy conservation, special company broadcasts, and the Ulsan Complex newsletter are used to encourage workers to be more energy-conscious in carrying out their daily activities. The energy management center (in-house energy loss point reporting, rewards for outstanding suggestions) is another vehicle we use to convey the message to our staff.

● External Energy Saving Activities

Through an integrated energy network, Ulsan Complex capitalizes on its surplus facilities to provide cheap and stable steam to neighboring companies while bringing in surplus waste steam from outside firms for its own use. In 2009, it received waste steam from Aekyung Petrochemical and is currently looking for other suppliers of steam. The complex is also proceeding with a project to capture landfill gas from Seongam landfill in Ulsan and convert the gas to fuel. The amount of gas expected to be generated during 2002~2013 is about 64,000Nm³ a day on average.

▼ Ulsan Complex Performance in the 2nd Phase of Voluntary Agreement for Energy Conservation (2005~2009) ▼

	1 st year	2 nd year	3 rd year	4 th year****	5 th year	Accumulated performance (A)	Target ('05~'09) (B)	Accomplishment rate (A)/(B)
Energy conservation volume (TOE*)	17,385	66,317	4,970	26,597	44,881	160,150	75,773	211%
Value saved (KRW billion)	49	267	18	188	295	817	201	406%
Saving ratio (%**)	0.7%	2.7%	0.2%	0.8%	1.4%	5.8%	3.1%	240%
CO ₂ reduction volume*** (tC)	15,189	57,972	5,038	20,521	52,431	151,151	141,208	117%

* TOE: Ton of Oil Equivalent

** Base energy consumption: 3,117,350 TOE (energy consumption in 2009)

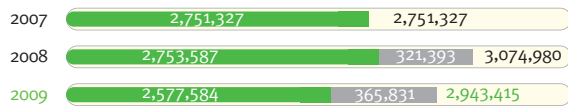
*** Applying carbon emission factors to used fuels for conversion
 - 2005~2008: FO (0.8753tC/TOE), Electricity (0.1319tC/MWh), FG (0.568tC/TOE)
 - 2009 (Changed): FO (0.875tC/TOE), Electricity (0.1213tC/MWh), FG (0.568tC/TOE)
 Energy increase arising from facility expansion is excluded.

****Figures of 4th year presented in our past report were estimates. Those figures were revised accordingly in this edition.

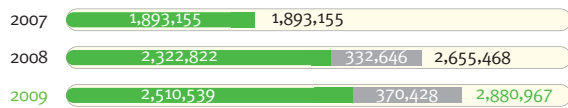
※ Incheon Complex has been conducting an energy saving project since 2006 under a voluntary agreement with Incheon City. Incheon Complex saved 194 TOE in 2008 when SK energy completed its merger with SK Incheon Oil. In 2009, the saving volume reached 26,608TOE.

▼ Energy Usage ▼

• Fuel(unit: TOE) ● Ulsan Complex ● Incheon Complex

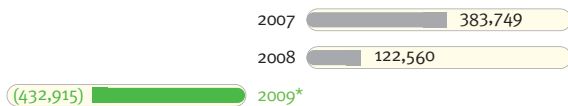


• Electricity(unit: MWh) ● Ulsan Complex ● Incheon Complex



* Main fuel sources are Bunker-C oil and fuel gas(by-product gas).

▼ Steam Sales through Integrated Energy Network (Ulsan Complex) ▼

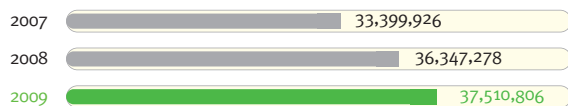


* External volume received by the company exceeded external sales volume in 2009

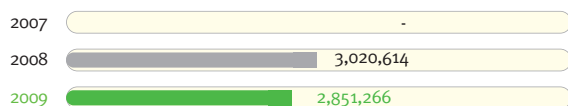
※ Figures presented in past reports are recalculated due to changes in the calculation method.

▼ Water Sources and Volume of Usage ▼

• Wondong Water Intake at the Nakdong River (Ulsan Complex)(unit: ton/year)



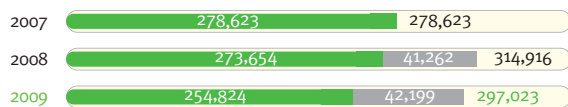
• Watershed at the Han River (Incheon Complex)(unit: ton/year)



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

▼ Crude Oil Process Volume (unit: 1,000 barrels/year) ▼

● Ulsan Complex ● Incheon Complex



Managing Pollutants and Wastes

Air Pollutant Control

Establishing stricter standards than the legal requirements, we control air pollutants under our own standards. To this end, we set up a round-the-clock monitoring system through the tele-metering system (TMS) and conduct regular patrols and checkups. We also do our utmost to reduce pollutants from the sources by equipping denitrification and desulfurization facilities, low NOx burners, and volatile organic compounds (VOCs)/odor prevention facilities. To prepare for stricter requirements on air pollutant emission, we installed SNCR (Selective Non-Catalytic Reduction) system, SCR (Selective Catalytic Reduction) system, and ULNB (Ultra Low NOx Burner) in some of the discharge facilities for NOx control .

▼ Air Pollutant Concentration ▼

Pollutant	Site	Average Emission Concentration		
		2007	2008	2009
SOx(ppm)	Ulsan Complex	55.9	44.1	37.8
	Incheon Complex	-	42	23
NOx(ppm)	Ulsan Complex	108.6	87.7	83.2
	Incheon Complex	-	96	71
Dust(mg/m ²)	Ulsan Complex	7.8	6.7	10.5
	Incheon Complex	-	5.4	3.9

※ In the 2008 report, the concentration figures of Incheon Complex were based on heating furnaces for SOx and NOx and based on boilers for dust. However, the overall average emission concentration is provided from the 2009 edition and we revised the 2008 figures of Incheon Complex accordingly.

▼ Air Pollutant Emission Amount (unit: ton) ▼

Pollutant	Site	Emission Amount		
		2007	2008	2009
SOx(ppm)	Ulsan Complex	6,735	6,042	5,207
	Incheon Complex	-	631	539
NOx(ppm)	Ulsan Complex	9,441	8,605	8,256
	Incheon Complex	-	1,193	926
Dust(mg/m ²)	Ulsan Complex	335	326	526
	Incheon Complex	-	27	27

Environmental Activities and Performances

● Management of Ozone Destroying Substances

SK energy does not use, produce or sell any substance that destroys the ozone layer as described in the Montreal Protocol. The purchase and use of fire extinguishers that have halon as the extinguishing agent are banned according to internal safety regulations. Alternative agents are used to replace halon in new and modified extinguishers.

- Fire extinguisher: HCFC
- Fixed: FM200, FS125

● Environmental Index Vegetation Management

Participating in the “Air Pollution Indicating Environmental Index Planting Project” organized by Ulsan city, SK energy designates and manages environmental index plants and environmental hills. The company also cooperates with the city in observing plant conditions and indirectly monitors air pollution status.

● Preventing VOC and Odor

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

Water Pollutant Control

We maintain the concentration of effluents below 30% of the legal requirement through ongoing water pollutant reduction activities. In July 2009, it became mandatory under

law to install and operate a tele-metering system (TMS) and to transmit concentration data to an administrative agency for effluents directly discharged into public waters. Accordingly, the wastewater treatment plant at Ulsan Complex strengthened control over water pollutant emission and installed a membrane bio reactor (MBR).

In the past, waste caustic soda was treated in incineration facilities which generated air pollutants and greenhouse gases. But from November 2009, we have been treating waste caustic soda with wet air oxidation (WAO) technology developed internally. As a result, the amount of pollutants and greenhouse gases has decreased significantly.

▼ Wastewater Treatment Status ▼

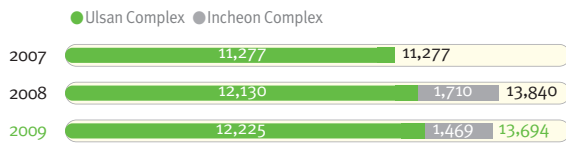
Site	Wastewater Treatment Facilities	Treatment Method	Discharge Place
Ulsan Complex	Wastewater treatment facility	Biological + advanced treatment	Public area (East Sea)
	PE/PP wastewater treatment facility	Physiochemical treatment	Yongyeon sewage treatment facility
	EPDM wastewater treatment facility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

▼ Average Concentration of Water Pollutants (unit: 1,000 tons) ▼

Pollutant	Site	Legal Standard	Company Standard	Average Concentration		
				2007	2008	2009
COD	Ulsan Complex	40	20	8.24	7.60	9.1
	PE/PP & No.2 FCC	90	70	9.40	11.80	12.37
	Incheon Complex	90	40	-	13.40	14.5
SS	Ulsan Complex	10	8	4.87	3.60	3.05
	PE/PP & No.2 FCC	80	60	21.40	10.65	16.06
	Incheon Complex	80	30	-	7.20	8.3
Oil	Ulsan Complex	5	1	0.52	0.62	0.49
	PE/PP & No.2 FCC	5	3.7	0.09	0.46	0.72
	Incheon Complex	5	3	-	0.75	0.62



▼ Wastewater Discharge Volume (unit: 1,000 tons) ▼



※ No.2 FCC wastewater treatment facility installed in June 2008. Merger of Incheon Complex in the same year.

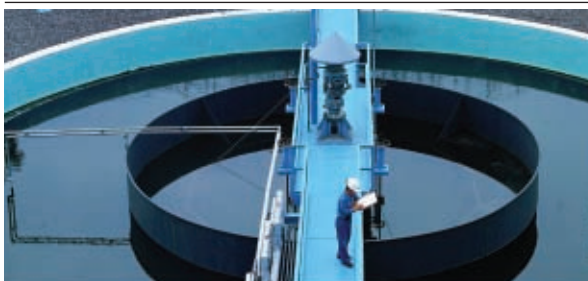
Waste Management

All wastes generated in our worksites are separated to minimize waste volume. Furthermore, we try to develop recycling method. We pay regular visits to waste handling companies to monitor their treatment capacities. Regular on-site check-ups also prevent leaving any waste untreated, contributing to rapid discharge and process efficiency. Not a single case occurred in 2009 that is applicable to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes.

● Operating Waste Management System

SK energy runs a waste management system to improve work efficiency of waste-generating departments as well as waste-treating departments and to share information on waste generation and treatment results. The system enables us to share information regarding waste generation and treatment with all employees, helping to enhance employee awareness of voluntary waste management and reduction.

▼ Wastewater Treatment Facility ▼



▼ Waste Discharge Volume (unit: ton) ▼

Type	Site	Discharge Volume		
		2007	2008	2009
Designated waste	Ulsan Complex	31,194	45,711	34,794
	Incheon Complex	-	2,103	3,164
General waste	Ulsan Complex	38,254	55,378	55,247
	Incheon Complex	-	4,569	1,979
Total Discharge Volume		69,448	107,761	95,184

● Treatment Method by Waste Type

General waste is usually recycled to minimize waste volume, and waste oils among designated wastes are sent to the renewable fuel plants to produce renewable fuels. Wastes containing metals are reprocessed to recycle the metal substances.

▼ Waste Discharge Volume by Treatment Method (unit: ton) ▼

Type	Site	Discharge Volume			
		2007	2008	2009	
Landfill by SK energy	Ulsan Complex	319	31	3,845	
	Incheon Complex	-	-	-	
	Sub-total	319	31	3,845	
Commissioned Discharge Volume	Ulsan Complex	45,461	61,286	50,672	
	Recycle	Incheon Complex	-	3,255	1,139
	Sub-total	45,461	64,541	51,811	
Incineration/Landfill	Ulsan Complex	23,668	39,772	35,524	
	Incheon Complex	-	3,417	4,004	
	Sub-total	23,668	43,189	39,528	
Total Discharge Volume		69,448	107,761	95,184	
Waste Recycling Rate (%)		65.5	59.9	54.4	

▼ Waste Management System ▼



Environmental Activities and Performances

Management of Hazardous Chemical Substances

The operation of a chemical substance management system enables us to keep track of information concerning all chemicals brought into, produced and used by SK energy. The purpose is to protect customers and employees from loss or damage related to hazards posed by chemical substances.

We signed a voluntary agreement with the government to lower the discharge of chemical substances. The reduction in our discharge volume in 2007 surpassed our target by 55%. We were acknowledged for exceeding our target in the interim evaluation related to the voluntary agreement.

▼ Performance Related to Voluntary Agreement to Reduce Chemical Substance Discharge ▼

Site	Base (ton/year)	Target		Accomplishments	Agreement Year
		2007	2009		
Ulsan Complex	578 (Emission in 2001)	30%	50%	Surpassed 2007 reduction target by 55% (2009 reduction volume is estimated at 77%)	2004
Incheon Complex	0.8 (Emission in 2006)	30%	50%	Interim evaluation is scheduled after 2010 (2009 reduction volume is estimated at 51%)	2006

※ Calculation of 2009 reduction volume set to be completed by April 2010

● MSDS(Material Safety Data Sheet)

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

MSDS information is provided to our customers through relevant websites. Information on oil products is available on www.e-SK.com, and chemical products on www.SKchem.com. No violations of regulations regarding product information and labeling occurred during 2009.

Soil and Groundwater Management Activities

SK energy enacts and applies its own soil management procedures to systemically manage the soil and groundwater quality in its business sites, including production lines, logistics centers and fuel stations. To ensure a quick response in the case of contamination, we have set up relevant organizational units, duties and procedures. We also offer employee training. These measures are intended to contain any damage and enable swift restoration activities.

In addition, we participate in the “Voluntary agreement on the survey and restoration of soil contamination,” organized by the government. In line with this agreement, we conduct activities to prevent leaks and restore contaminated soil every year. In 2009, we restored 329.93 tons of contaminated soil that resulted during facility repair and maintenance. According to the investigation on the soil contamination status in the Ulsan Complex and the Incheon Complex in 2009, all of our sites meet the legal requirements.

▼ Soil Contamination Investigation Result ▼

Site	No. of sampling spots	TPH		BTEX		TCE	
		No. of spots	Results	No. of spots	Results	No. of spots	Results
Ulsan Complex	998	707	Normal	91	Normal	NA	NA
Incheon Complex	236	146	Normal	85	Normal	5	Normal

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

Eco-friendly Products and Services

SK energy makes ongoing efforts to provide products and services with a view to minimizing environmental impacts. We are continuously committed to innovation activities for enhancing eco-friendliness of our major products such as gasoline, diesel, and kerosene. In addition, we continue to invest in developing and commercializing environmentally friendly technologies.

● Enhancing Product Quality and Eco-friendliness

We are striving to raise the quality and eco-friendliness of our gasoline products, Enclean and Solux. In response to the government's tightened regulations on sulfur concentration (below 10ppm) in 2009, we produce gasoline and diesel with sulfur concentrations of 4ppm and 5ppm. An evaluation conducted by the Ministry of Environment also shows that our products have high quality levels.

We are actively involved in the government's biodiesel popularization policy to reduce crude oil dependence and promote environmental improvements. We signed a voluntary agreement with the government to supply biodiesel and raised the biodiesel blend ratio from 0.5% in 2007 to 1.0% in 2008 and 1.5% in 2009 for our diesel product. We plan to raise the figure to 2.0% in 2010.

▼ Ministry of Environment's Evaluation on Sulfur Content and Quality Grade for Gasoline ▼

	2007		2008		2009	
	1 st Half	2 nd Half	1 st Half	2 nd Half	1 st Half	2 nd Half
Sulfur Content (ppm)	14	15	14	11	4	4
Quality Grade	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★

※ ★★★★★ is international best grade

▼ Ministry of Environment's Evaluation on Sulfur Content and Quality Grade for Diesel ▼

	2007		2008		2009	
	1 st Half	2 nd Half	1 st Half	2 nd Half	1 st Half	2 nd Half
Sulfur Content (ppm)	8	10	7	8	6	5
Quality Grade	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★

※ ★★★★★ is international best grade

Eco-friendly Businesses

● SCR Catalyst

SCR (Selective Catalytic Reduction) is a technology that reduces NOx gases generated from major pollutant producers. SK energy embarked on the R&D of SCR catalyst in 1996 and successfully commercialized the technology in 2001. Currently, it is applied to more than 100 sites at home and abroad including Germany, France, and China, and is widely recognized for its excellent performance. In 2009, we signed an agreement to export SCR technology to Huatuo, an environmental engineering company affiliated with the Huadian Group, a state-owned enterprise that is among the top-five electricity providers in China.

● DPF Project

SK energy began investing in R&D on diesel particulate filter (DPF) in the early 1990s and succeeded in commercialization. DPF is a device that removes diesel particulate matter from the exhaust gas of diesel powered vehicles. We began exporting DPFs to Japan in 2003. Furthermore, we have installed the products in Korea since 2005. In 2007, our cutting-edge technology that simultaneously reduces NOx and PM (Particulate Matter) acquired certification in Japan. Currently, the products are selling in European countries and China. In 2009, we became the first Asian energy company to receive CARB (California Air Resource Board) certification for active DPF and began to export our product to the US. So far, our DPF has been installed in over 80,000 vehicles. We intend to grow as a global environmental business through the development of diverse new products, expansion of overseas retrofit markets, and cooperation with automobile makers.

● Soil Environmental Project

We received an order for Korea's largest-ever soil remediation project, the Land Partnership Plan (LPP) that aims at purifying polluted soil on the returned former U.S. military base in 2008. Additionally, we received the Trans-Korea Pipeline area remediation project. In 2009, we landed an order to build a hydrogen fueling station in Seoul's World Cup Park that will supply hydrogen produced from landfill gas. SK energy aims to evolve into the Asian-Pacific leader in remediation to remove hazardous substances, waste management and new and renewable energy, all of which are sectors enjoying growing demand around the world.

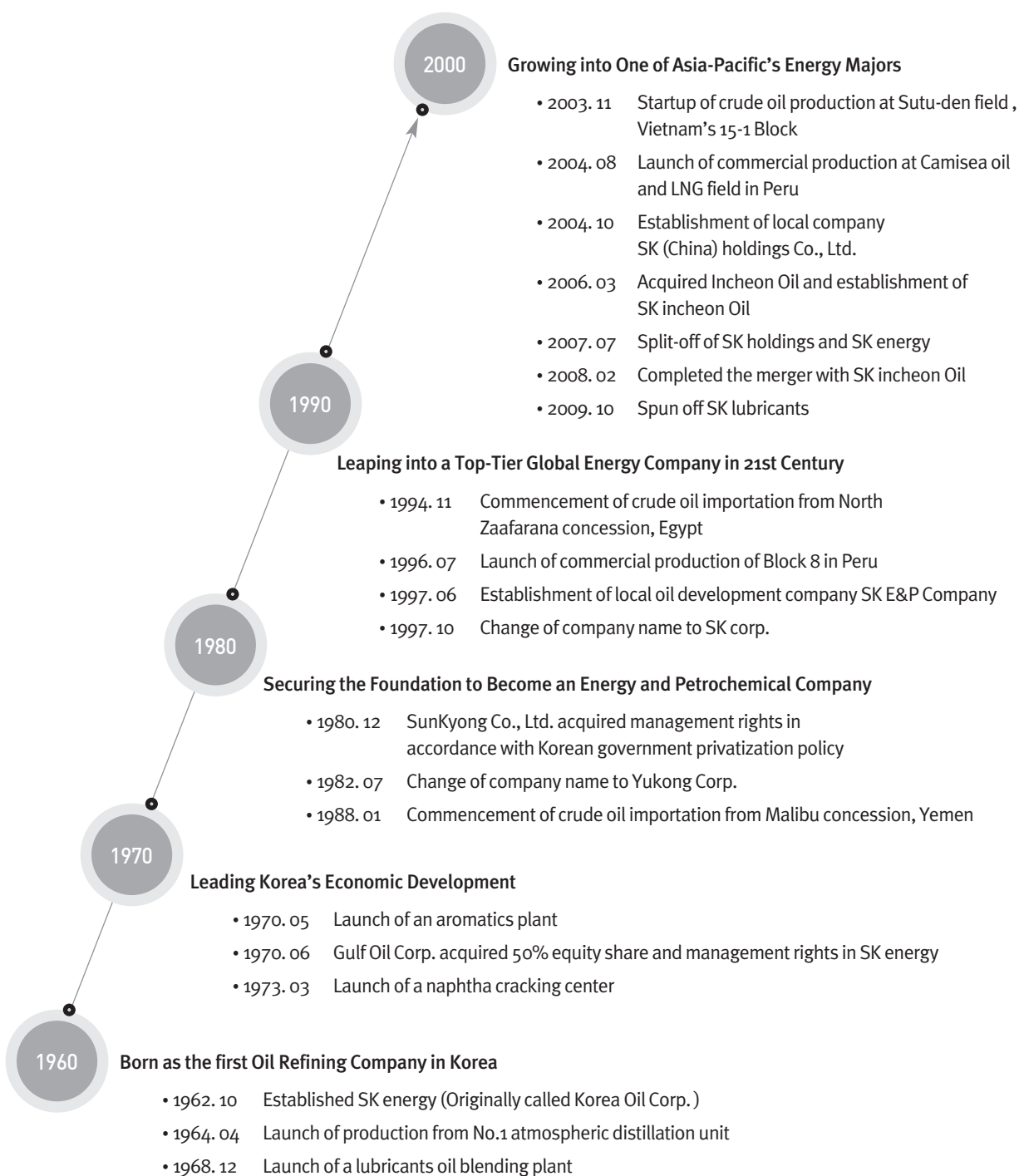
Appendix

- 61 Major Awards
- 62 Corporate Milestone
- 63 Third Party's Assurance Statement
- 65 GRI Index

Major Awards

Period	Sponsoring Organization	Award
Jan. 2009	Korea Sustainability Management Evaluation	2009 Customer Satisfaction Management Award in manufacturing category – Overall Grand Prize
Mar. 2009	Korea Management Association Consulting	Korean-Brand Power Index (K-BPI) – 1 st in gasoline category
Jun. 2009	Korea Exchange/Korea Corporate Governance Service	Corporate Governance Service Award of Excellence
Aug. 2009	Ministry of Knowledge Economy/ Korea Industrial Technology Association	Minister of Knowledge Economy Prize
Sep. 2009	Korea Management Association Consulting	Korean Customer Satisfaction Index (KCSI) – 1 st in gas station category
Oct. 2009	Korean Standards Association	Korean Standard Service Quality Index (KS-SQI) – 1 st in gas station category
Nov. 2009	Ministry of Environment/National Institute of Environmental Research	Interim Evaluation for Voluntary Agreement on Chemical Substances – Minister of Environment Prize
Nov. 2009	Ministry of Knowledge Economy/ Korean Standards Association	National Quality Management Award – Presidential Award

Corporate Milestone



Third Party's Assurance Statement

To the management of the SK energy's 2009 Sustainability Report:

Upon request of SK energy, the Institute for Industrial Policy Studies as a "third party assurance provider" (hereinafter referred to as the "Assurance Provider") presents the following third party assurance statement on the 2009 Sustainability Report of SK energy (hereinafter referred to as the "Report").

Objective and Independence

SK energy is held accountable for all information and claims contained in the Report including sustainability management goal setting, performance management, data collection and report preparation. The Assurance Provider has no relations with SK energy regarding any of its for-profit operations and activities. In addition, the Assurance Provider has carried out its assurance process with independence and autonomy as it was not involved in the preparation of the Report except for offering comments in the process.

Criteria for Assurance

The Assurance Provider assessed the Report against the following guidelines:

- 1) AA1000 Assurance Standard (2008)
- 2) Global Reporting Initiative(GRI) G3 Sustainability Reporting Guidelines

Type and Level of Assurance

The Assurance Provider conducted assurance process for the Report in accordance with Type 1 and Moderate Level of AA1000AS (2008).

- The Assurance Provider evaluated the reliability of the data compiled in the Report for Type 1 assurance, and assessed publicly disclosed information, reporting system and performance management process based on the three core principles of AA1000AS (2008), namely Inclusivity, Materiality and Responsiveness. However, this assurance engagement does not provide the evaluation of the credibility of the offered data.
- The Assurance Provider pursued moderate assurance where sufficient evidence has been obtained and limited sampling has been conducted at each performance sector to support its statement such that the risk of its conclusion being in error is reduced but not reduced to very low but not zero.

Scope and Methodology

The Assurance Provider evaluated (1) the Inclusivity, Materiality and Responsiveness of the Report and (2) the extent of SK energy's adherence to the GRI Sustainability Reporting Guidelines through the process outlined below:

- Evaluating the sources of publicly disclosed information and internal parties involved
- Verifying the performance data collection systems and processes for each function
- Conducting interviews with each functional manager
- A review of media reports related to SK energy

- Completing on-site due diligence focusing on the head office and Ulsan CLX, Korea from March 8, 2010 to March 12, 2010
- Conducting Materiality Test (Internal policy, Peer benchmarking, Media search, Survey)
- Ensuring the financial data in the Report and SK energy's audited financial reports correspond
- Evaluating the Report for the extent of adherence to the GRI Guidelines

Limitations

- Verifying the data and inquiries into each functional manager and information collection manager
- Conducting on-site due diligence in the head office and Ulsan, excluding the Incheon among local presence
- Conducting assurance engagement based on data and publicly available information only during the current reporting period
- Evaluation of the reliability of the performance data being excluded

Conclusions

The Assurance Provider did not find the Report to contain any material misstatements or bias on the basis of the scope, methodology and criteria described above. All material findings of the Assurance Provider are provided herein, and detailed findings and recommendations have been submitted to the management of SK energy

[Inclusivity]

Are there appropriate strategies and processes in place for SK energy's stakeholder engagement with its sustainable growth?

The Assurance Provider found that SK energy has established and implemented strategies and processes for its stakeholders to take a part in the sustainable growth. SK energy is making efforts to collect diverse opinions through stakeholder-specific engagement channels, and the Report was written based on the suggestions and interests of the stakeholders identified through such efforts. In particular, the Assurance Provider highly evaluates that SK energy has established the Customer Happiness Center, the Customer Care System and the Mutual Survival Center in its endeavor to collect opinions from the customers and suppliers at company level and apply them to overall management policies.

However, the Assurance Provider advises SK energy to expand engagement channels to include not only customers and suppliers but also local communities for the future so that it can maintain the balance of influence from all stakeholders.

[Materiality]

Does the Report cover economic, social and environmental issues of the greatest importance to SK energy and its stakeholders?

It is the Assurance Provider's opinion that SK energy did not omit or

1 AA1000AS(Assurance Standard) is a sustainability reporting standard developed by AccountAbility in its pursuit to promote overall organizational performance and accountability by improving the quality of social and ethical accounting. As a U. K. based not-for-profit organization focusing on corporate social responsibility and business ethics, AccountAbility first developed AA1000AS in 1999 and amended the standards in 2008 for application in 2010.
 2 GRI Sustainability Reporting Guidelines were jointly convened by the Coalition for Environmentally Responsible Economies (CERES) and UNEP in 1997. GRI announced the G3 Guideline, the third edition of its sustainability reporting guidelines, in October 2005.

Third Party's Assurance Statement

withhold any material information from its stakeholders. It has been confirmed that SK energy identified issues of great interest to its internal and external stakeholders through a systematic materiality assessment in the areas of company policies, stakeholder engagement, industry benchmarking, direct and indirect economic impact, and local and global standards and regulations, and media search, and reflected its findings in the Report. Moreover, SK energy organized the issues identified in the materiality assessment according to relevant sectors, allowing stakeholders to better understand the contents of the Report, and provided focused reporting on the six top priority issues.

However, the Assurance Provider encourages SK energy to conduct a more thorough analysis of key issues to include not only the issues of high stakeholder interest but also the potential impact of the organization on each stakeholder group as well as potential risk factors in the organization.

[Responsiveness]

Does the Report address the demand and interest of the stakeholders in an appropriate manner?

The Assurance Provider has confirmed that SK energy has put in effort to identify the demand and interest of its stakeholders, namely shareholders, customers, employees, suppliers, and local communities, via communication channels. SK energy has been conducting the various surveys including satisfaction survey, targeting key stakeholders. Moreover, SK energy has been trying to fully reflect opinions and suggestions identified in the process in the Report. In particular, we highly evaluate SK energy's commitment to collecting the demand and interest of the stakeholders through a wide range of channels such as stakeholder surveys, customer satisfaction surveys, symposium for suppliers and employee complaints review committee, and implementing appropriate responses to such input.

It is recommended that SK energy provide more detailed reporting on its responses to the issues identified through stakeholder communications as well as the level of stakeholder satisfaction with regard to its handling of the issues.

[Application Level of the GRI Standard]

It has been confirmed that the Report meets the requirements for Application Level of "A+."

Recommendations

The Assurance Provider highly evaluates the 2009 SK energy Sustainability Report in comparison to the third sustainability report in 2008 based on the following reasons: (1) SK energy identified and prioritized key issues among stakeholders through a materiality assessment; (2) SK energy reinforced the Disclosures on Management Approach (DMA), allowing a better understanding of vision and strategy for each sector and internal organizations responsible for key issues; and (3) SK energy has created a new section called "Challenge&Response" to highlight the six top priority issues.

We recommend the following factors to be considered for the future publications:

- Implement a systematic approach to outstanding issues so that SK energy can seamlessly tie the vision and strategies of sustainable management with economic, social and environmental visions and strategies
- Make the best out of the sustainability report publication by broadening awareness of sustainable management among employees and clearly defining internal organizations responsible for sustainable management
- Publish the goals and achievements regarding sustainable management issues, allowing stakeholders to confirm SK energy's continued effort to resolve any outstanding issues
- Expand the scope of overall reporting to include not only data on sustainable management achievements but also extensive description of such data and peer group comparison, thus enhancing the objectivity and reliability of data
- Offer future roadmap or improvement plans regarding key issues in addition to sustainability performance, thus meeting the expectations of stakeholders in the area of sustainable management
- Improve the quality of the reporting by strengthening reporting process and maximizing its effort to publish a more practical report focusing on the interest of stakeholders

Eligibility of IPS as an Assurance Provider

Established in 1993, the Institute for Industrial Policy Studies (IPS) has accumulated broad expertise in the areas of ethics management, corporate social responsibility and sustainable management since 2002, and serves as a third party assurance provider for the sustainability reports published by local companies. IPS has conducted the assurance engagement upon request of SK energy, and assembled a team of five assurance practitioners (Cheol-ho Shin, Seok-yeong Lee, Dong-won Lee, Tae-gon Kim, Jeong-eun Park, Ji-hye Ryu) who are professors at Korea's top universities or professionals with accreditation and extensive experience in sustainability management after majoring in business management, accounting or environmental science.



March 31, 2010

Yun-cheol Lee

President, The Institute for Industrial Policy Studies



GRI Index

● Reported ○ Not Reported ◇ Not Applicable ● Partially Reported

	GRI Index No.	GRI Index details	Reporting Level	Page	Supplementary Explanation	UNGC
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization	●	2~3		
	1.2	Description of key impacts, risks, and opportunities.	●	2~3		
Organization Profile	2.1	Name of the organization.	●	4		
	2.2	Primary brands, products, and/or services.	●	6~7		
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	4		
	2.4	Location of organization's headquarters.	●	4~5		
	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.	●	5		
	2.6	Nature of ownership and legal form.	●	4		
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	6~7		
	2.8	Scale of the reporting organization.	●	4		
	2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	4		
	2.10	Awards received in the reporting period.	●	61		
Report Parameters	3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	1		
	3.2	Date of most recent previous report (if any).	●	1,71		
	3.3	Reporting cycle (annual, biennial, etc.)	●	1		
	3.4	Contact point for questions regarding the report or its contents.	●	71		
	3.5	Process for defining report content.	●	14~15		
	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	●	1		
	3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●	1		
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	4		
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	●	51~59		
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●	1		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	1			
3.12	Table identifying the location of the Standard Disclosures in the report.	●	65~69			
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	1			
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.	●	9~10		1~10
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	9		1~10
	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.	●	9		1~10
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	10		1~10
	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).	●	10		1~10
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	10		1~10

GRI Index

GRI Index No.	GRI Index details	Reporting Level	Page	Supplementary Explanation	UNGC
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.	●	9		1~10
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.	●	8		1~10
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.	●	10		1~10
4-10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	10		1~10
4-11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	12,51		7
4-12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	2,39		1~10
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.	●	2,13,39		1~10
4-14	List of stakeholder groups engaged by the organization.	●	13		
4-15	Basis for identification and selection of stakeholders with whom to engage.	●	13~14		
4-16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	13		
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.	●	14~15		
Disclosure on Management Approach Economic		●	32		
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.	●	33,49		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	29		7
EC3	Coverage of the organization's defined benefit plan obligations.	●	25,42		
EC4	Significant financial assistance received from government.	●	33		
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	○		SK energy thinks the level of newly-recruited employees' salaries is not a major issue as the company honors laws on minimum salaries.	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	●	27		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	○		The portion of employees at SK energy's overseas business sites is very low and each site employs local residents.	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	33,49		
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	19,21		
Disclosure on Management Approach Environmental		●	50		
EN1	Materials used by weight or volume.	●	55		8
EN2	Percentage of materials used that are recycled input materials.	◇			
EN3	Direct energy consumption by primary energy source.	●	55		8

GRI Index No.	GRI Index details	Reporting Level	Page	Supplementary Explanation	UNGC
EN4	Indirect energy consumption by primary source.	●	55		8
EN5	Energy saved due to conservation and efficiency improvements.	●	53~54		8, 9
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	●	53~54		8, 9
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	●	53~54		8, 9
EN8	Total water withdrawal by source.	●	55		8
EN9	Water sources significantly affected by withdrawal of water.	●	55		8
EN10	Percentage and total volume of water recycled and reused.	○		SK energy does not yet have a system to manage reused and recycled water at plants.	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	●	52		
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	52		
EN13	Habitats protected or restored.	●	52		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	●	52		
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	●	52		
EN16	Total direct and indirect greenhouse gas emissions by weight.	○		In 2009, GHG emissions figures are currently undergoing third-party assurance procedures. The GHG emission volume will be disclosed when the assurance is completed.	8
EN17	Other relevant indirect greenhouse gas emissions by weight.	○		SK energy does not yet have a system to estimate other indirect green house gas emissions from commuting, business trips and so on.	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	29		7~9
EN19	Emissions of ozone-depleting substances by weight.	●	56		8
EN20	NOx, SOx, and other significant air emissions by type and weight.	●	55		8
EN21	Total water discharge by quality and destination.	●	56		8
EN22	Total weight of waste by type and disposal method.	●	57		8
EN23	Total number and volume of significant spills.	●	52		8
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	●	57		8
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	●	56		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	52		7~9
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	◇			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	52		8
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	○		SK energy does not yet have a management system to check environmental effects of transportation of products and raw materials and moves of employees.	
EN30	Total environmental protection expenditures and investments by type.	●	52		7~9

GRI Index

GRI Index No.	GRI Index details	Reporting Level	Page	Supplementary Explanation	UNGC
Disclosure on Management Approach Social: Labor Practices and Decent Work					
LA1	Total workforce by employment type, employment contract, and region.	●	36		
LA2	Total number and rate of employee turnover by age group, gender, and region.	●	39		6
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	25		
LA4	Percentage of employees covered by collective bargaining agreements.	●	43		1,3
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	43		3
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.	●	45		1
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	●	45		1
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	44~45		1
LA9	Health and safety topics covered in formal agreements with trade unions.	●	43		1
LA10	Average hours of training per year per employee by employee category.	●	41		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	40~41		
LA12	Percentage of employees receiving regular performance and career development reviews.	●	41		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	●	9,39		1,6
LA14	Ratio of basic salary of men to women by employee category.	●	39		1,6
Disclosure on Management Approach Social: Human Rights					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	○		Among SK energy's important investment agreements, no agreement has a clause on human right protection. The company does not have a separate procedure to review human rights when signing an agreement.	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	●	46		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percent age of employees trained.	●	44		1~6
HR4	Total number of incidents of discrimination and actions taken.	●	39		1,2,6
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	●	43		1~3
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	●	43		1,2,5
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	●	43		1,2,4
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operation.	●	44~45		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	◇			



GRI Index No.	GRI Index details	Reporting Level	Page	Supplementary Explanation	UNGC
Disclosure on Management Approach Social: Society					
		●	36		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	●	45~49		
SO2	Percentage and total number of business units analyzed for risks related to corruption.	○		SK energy has a process on prevention of corruption and counter measures against corruption cases. But it does not additionally analyze corruption risks by business divisions.	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	12		10
SO4	Actions taken in response to incidents of corruption.	●	12		10
SO5	Public policy positions and participation in public policy development and lobbying.	●	13		1~10
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●	11		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	●	46		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	46		
Disclosure on Management Approach Social: Product Responsibility					
		●	36		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	○		SK energy assesses health and safety effects of products but does not assesses products for improvement.	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	●	58		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	●	58		8
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	●	38		8
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	37~38		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	38		
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.	●	38		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	●	38		1
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	38		



Contact Information

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

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