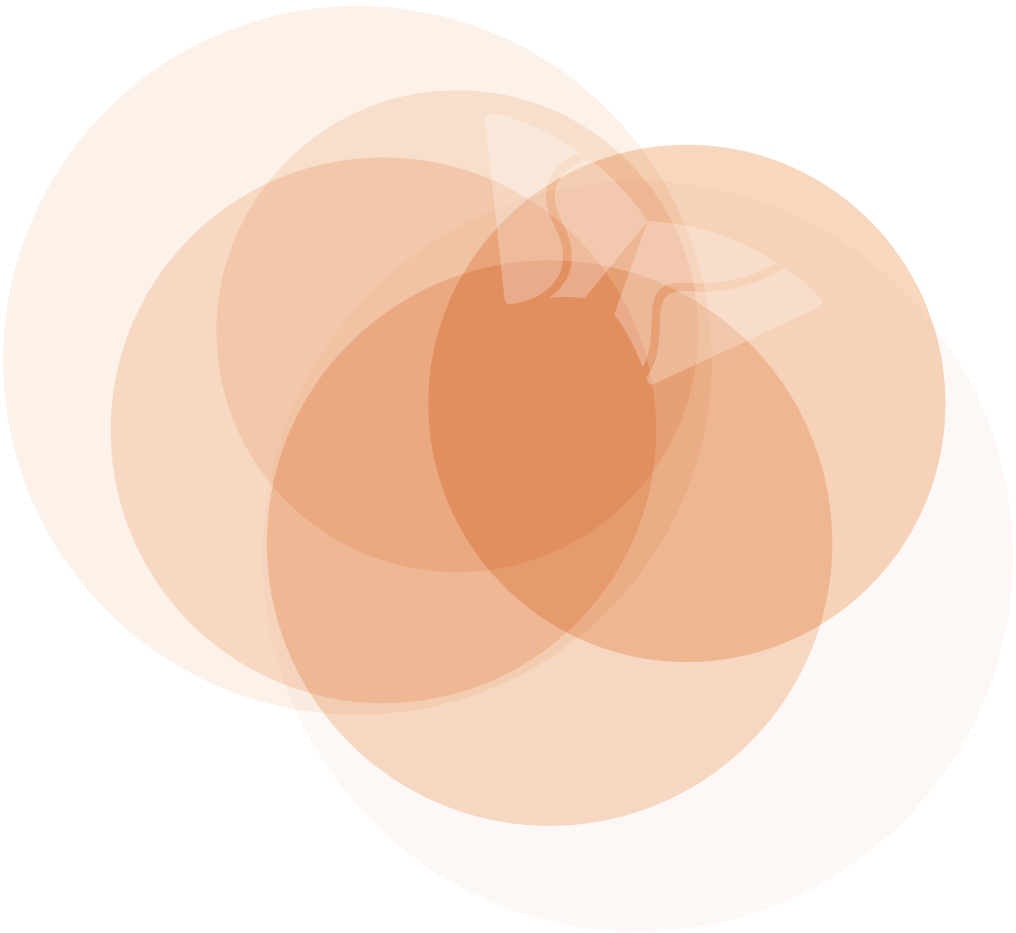




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About This Report

Reporting Purpose

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

In an effort to back up our commitment with stakeholders and society, we have issued annual sustainability reports since December 2005. The previous report was published in 2013.

Reporting Scope and Period

This report covers the sustainability management practices and accomplishments of SK innovation's head office and its domestic operations, as well as the domestic operations of its five subsidiaries: SK energy, SK global chemical, SK lubricants, SK incheon petrochemical and SK trading international. The reporting period covers the calendar year 2013, from January through December, with certain data/information provided past December 2013 to reflect significant issues. Quantitative data covers a three-year span of time, from 2011 to 2013, and singles out changes during the given period. Qualitative data highlights the sustainability management performance of the reporting period.

Report Structure

This report is split up into three chapters. The first chapter introduces a corporate overview, stakeholder engagement and materiality test results based on the SK Management System (SKMS), the fundamental framework for the company's sustainability management efforts. The second chapter of the report delves into the six special themes, which are based on the key sustainability issues identified through our materiality test. The last chapter focuses on our sustainability management activities in business, society, Safety/ Health/Environment (SHE) areas by the means of quantitative performance indicators. In particular, environmental performance indicators cover the company's complexes at Ulsan and Incheon, where the bulk of our production activities take place and which, as a result, have the most significant environmental impact for SK innovation. In terms of programs and systems identical to those from the previous year, all relevant details were cited from the last report. Statements about the Group's systems and frameworks were taken from the Group's previous report as well.

Reporting Guidelines & Reliability

This report was prepared in accordance with the GRI (Global Reporting Initiative) Sustainability Reporting Guidelines (G3.1). To obtain an objective assessment for the report's credibility, and in compliance with GRI Guidelines, this report was independently assured by LRQA, with the assurance report included in this report. For more information, please refer to the 2013 Business Report and the 2013 Annual Report, both of which are available through the Financial Supervisory Service's Electronic Disclosure System (<http://dart.fss.or.kr>) and SK innovation's official website at www.skinnovation.com.

New Features

- Materiality test: We benchmarked sustainability management practices at influential multinational corporations and major issues currently relevant in the industry. We also analyzed key performance indicators at each of our subsidiaries to properly evaluate their business impact.
- Reporting content: While this report was compiled in accordance with GRI G3.1 Guidelines, separate Disclosures on Management Approach (DMA) prefaced each of the six special themes, in preparation for the future application of G4 Guidelines, not the general DMA as it relates to the triple bottom line.
- Report structure: This report allowed for more pages related to major sustainability management performance results and accomplishments in 2013, rather than the simple generic information that is usually included in other publications from the company, such as Business Reports, BOD White Papers, Annual Reports, and previous Sustainability Reports. Related publications and/or sources for retrieving such content are provided in the GRI Index table of this report.





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CEO Message



I'd like to take this opportunity to deliver my deepest appreciation for your continued support of the company.

This report sheds light on SK innovation's sustainability management activities and performance in the aspects of economy, environment and society and introduces our future plans. As a responsible corporate citizen committed to mutual growth and co-prosperity with society, SK innovation will continue its endeavors and share its plans and performance results with its stakeholders. On behalf of everyone at SK innovation, I'd like to deliver my deepest appreciation for your support and encouragement of the company.

Reinforcing competitiveness and synergies

For us, 2013 marked a monumental start of a new chapter. After the successful spin-off of SK energy, SK global chemical and SK lubricants years ago, SK innovation spun off SK incheon petrochemical and SK trading international in 2013 to enhance their respective competitiveness in their own business areas. At the same time, we expanded the optimization technology among our subsidiaries in promotion of synergies among them.

Meanwhile, we consolidated the CIC (company in company) system as a means of further solidifying our business competencies and pursuing new growth engines. For instance, the Global Technology CIC is contributing its differentiated technologies to the company's efforts of strengthening the existing business competencies and developing future growth engines. Buoyed by the successful M&A of a production asset in North America in 2014, the E&P CIC has established operations and is poised to attain its goal of becoming a global E&P company.

Developing the SHE system as part of CSR efforts

Safety, health and environment are an integral part of sustainability management and we are tirelessly working to enhance our SHE competencies to meet global standards.

In 2013, we concentrated on upgrading SHE standards and procedures tailored to the different needs of each worksite, completing a competitive SHE management system that has been under work since 2012. After developing our Safety Golden Rules, we applied them to all our worksites to enhance the SHE consciousness of our employees and those of our suppliers, while auditing SHE practices at worksites around the clock so as to address any potential risks with thorough inspections and countermeasures.

At the same time, we published and widely distributed our Work Safety Guide under a business alliance with the Korea Occupational Safety and Health Agency and Ulsan City in May 2013. This was the first move made by any Korean company to preemptively address potential risks of occupational injuries in the course of the operation & maintenance of facilities at refinery and petrochemical plants, setting an example as a leader in domestic SHE management practices.

Bringing about a new paradigm change in social contribution practices

Departing from condescending donation or volunteerism practices, SK innovation supports social enterprises to become independent. Putting forward a new paradigm of corporate socially responsibility activities, this initiative involves supporting social enterprises in their marketing activities and in identifying new and sustainable social contribution models through public contests and the support of prize winners.

Our social contribution commitment also crosses borders to reach Peru, where we opened the second branch of Yachaywasi, a farming promotion institute social enterprise in 2013. We also operate the My School Program, which contributes to educational equality in local communities and the My Eco-Tech Farm Program that helps local farmers with agricultural techniques.

In addition, SK innovation has prepared a framework for more sustainable mutual growth with its suppliers through such programs as joint R&D on new technologies, joint patenting, and other support to enhance our suppliers' productivity. In recognition of these efforts, the company won a Presidential Commendation at the 2013 Win-Win Partnership Week celebration. In the future, we plan on expanding our win-win partnership programs to offer financial aid through Mutual Growth Funds and to support our suppliers' social contribution activities.

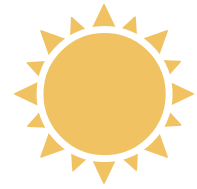
Distinguished stakeholders,

As a total energy · chemical company with globally competitive technologies, SK innovation will make every effort to attain its goal as a company respected by society in embracing change and innovation in pursuit of higher stakeholder value.

To that end, we will remain open and candid in our communication with our stakeholders, while listening to their thoughts. I humbly ask for your unwavering support and encouragement in the company as we move forward.

Vice Chairman & CEO of SK innovation
Koo, Ja - Young





Company Profile



From oil development projects to EV batteries and green energy, our innovation drives are never-ending.

By successfully creating new and diverse business models that range from oil field development and direct operations to investment, gas production/transmission/LNG and disposal, SK innovation continues to be a pioneer with the paradigm shift taking place in Korea's domestic petroleum industry. As of the end of 2013, SK innovation was involved in oil and gas E&P projects and four LNG projects at 22 blocks in 15 countries around the world. At present, its stake in crude oil reserves totals 620 million barrels.

In addition, the company has entered the EV battery business and developed leading carbon conversion & utilization (CCU^{*1}) technology, securing technological leadership in the new energy industry.

*1 CCU (Carbon Conversion & Utilization): Technology of capturing and reproducing carbon as a resource



We will take the lead in the global petroleum market with industry-leading competitiveness.

SK energy is Korea's leading energy company, commanding the nation's top market share of petroleum products and unparalleled leadership in the domestic refinery industry. Boasting the country's largest daily processing capacity of crude oil (840,000 barrels) and its operational excellence, the company is refining more than 50 types of crude oil to supply petroleum products in an efficient and stable manner, with 50 percent of its production exported overseas.

According to Solomon's 2012 study results, SK energy was said to be the second most competitive company among 71 refiners active in the Asia-Pacific region. Leveraging its differentiated competitiveness, the company will continue its business stability, growing into a global petroleum company.



From basic petroleum feeds to advanced materials, we are growing into a world-leading total petrochemical producer.

SK global chemical provides a wide array of materials for automobiles, electronics, telecommunications, high-tech materials, and many everyday necessities. Its ceaseless facility investments, R&D efforts and technology development have always placed the company at the forefront of Korea's petrochemical industry development. In 2013, the company concentrated on reinforcing performance chemicals and highly profitable products in order to maximize its future profitability. At the same time, it continually expanded its distribution networks in China, Southeast Asia, the Middle East and Latin America to enhance its global competencies for sustainable growth.



We are a leader in the global lube base oil industry as a result of our aggressive investments and swift ability to push forward with plans.

SK lubricants has been a pioneer in the Korean lubricant and high-end base oil markets with its flagship brands ZIC™ and YUBASE™. While reinforcing its fundamental competitiveness, business portfolio and its management infrastructure, the company is vigorously exploring new markets to maximize its profitability and sales volume. One example of this is the new plant in China which will have an annual production capacity of 60,000 tons of lubricants so as to meet the growing need for premium lubricants. Furthermore, the company is expanding its market power through localization strategies in China and solidifying its marketing network by increasing sales in Russia and Southeast/West Asia as it expands the original equipment manufacturing (OEM) network.



Pioneering the future petrochemical industry with high-quality green products.

SK Incheon Petrochemical was established by separating the Incheon complex from SK Energy in 2013. Equipped with a daily processing capacity of 270,000 barrels of crude oil, the company produces gasoline, kerosene, diesel, and B-C oil. It also manufactures highly profitable petrochemical aromatic solvents by utilizing the naphtha catalytic reforming process—a byproduct of crude oil refining—thereby securing a stable source of revenue. Currently under construction, the company is adding a paraxylene (PX) production facility worth KRW 1.6 trillion to the Incheon complex. Upon completion, it will add 1.3 million tons of PX production to the complex’s annual capacity. While vigorously pursuing overseas markets, SK Incheon Petrochemical is working to improve production facilities as it develops precision technology for the oil refining process and advanced technologies, maximizes production efficiency, and improves operational/logistics systems and the procurement system to further enhance its competitiveness. SK Incheon Petrochemical’s ultimate goal is to achieve the highest quality eco-friendly products.



Creating greater synergies from higher competitiveness and greater efficiency.

SK Trading International was spun off from SK Energy’s Trading Division in 2013. Its main business areas include the domestic supply of crude oil and petroleum products, exporting petrochemical products produced domestically, and international trading of crude oil and petrochemical products. By further developing SK Energy’s former global trading business model, which has exported more than half of all domestically produced petrochemical products, the company is establishing a broader platform for trading petroleum/petrochemical products internationally, while expanding its export market size as well as supply of feedstock to SK Energy.

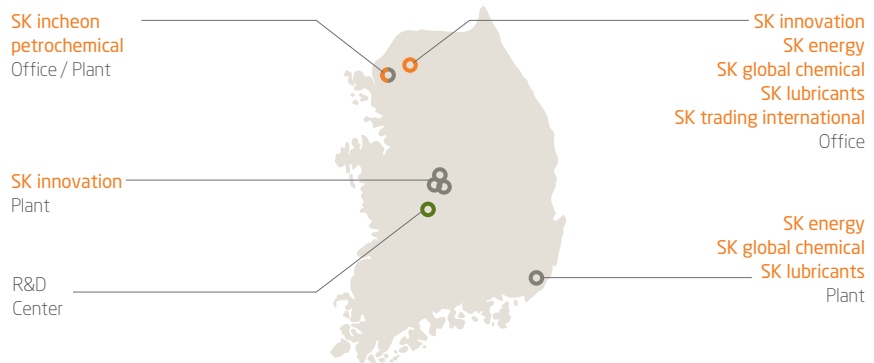


Company Overview

By spinning off SK trading international and SK incheon petrochemical in July 2013, SK innovation added two independent subsidiaries to its existing three, SK energy (petroleum business), SK global chemical (chemical business) and SK lubricants (lubricants business). The company has also recently launched three new CICs (Company in Company) to restructure its business portfolio to enhance its business competencies in the specific needs of each business area. As such, SK innovation and its subsidiaries are growing as major global players under an "Independent Yet United" strategy.

General Overview

as of Dec. 31, 2013



Name		Locations	Business Areas
SK innovation	Office	Jong-no 26, Jongno-gu, Seoul, Korea	Resource development, batteries, information/electronic materials, R&D
	Plant	1691, Mujang-ri, Jigok-myeon, Seosan-si, Chungcheongnam-do, Korea	
		82-41, Miam-ro, Jeungpyeong-eup, Jeungpyeong-gun, Chuncheongbuk-do, Korea	
		50, 235-gil, Wolmyeong-ro, Heungdeok-gu, Cheongju-si, Chuncheongbuk-do, Korea	
R&D Center	Global Technology, 325, Expo-ro, Yuseong-gu, Daejeon, Korea		
SK energy	Office	Jong-no 26, Jongno-gu, Seoul, Korea	Petroleum products
	Plant	2, Sinyecheon-no, Nam-gu, Ulsan, Korea	
SK global chemical	Office	Same as above	Petrochemical products
	Plant		
SK lubricants	Office	Same as above	Lubricants, base oils
	Plant		
SK incheon petrochemical	Office / Plant	415, Bongsu-daero, Seo-gu, Incheon 404-723, Korea	Crude oil refining
SK trading international	Office	Jong-no 26, Jongno-gu, Seoul, Korea	Petroleum product trading

Unit: KRW billion

Financial Information (consolidated)

as of Dec. 31, 2013

	2011	2012	2013
Total Assets	35,027	33,831	35,289
Sales	68,371	73,330	66,670
Net Income	3,176	1,182	779

Brief History

1960's

- 1962. 10 • Establishment of Korea Oil Corporation
- 1963. 06 • Framework Agreement with Gulf
- 1964. 05 • Completion of the Ulsan refinery plant
- 1968. 05 • Completion of the No. 2 atmospheric distillation unit expansion

1970's

- 1970. 05 • Completion of SK's first petrochemical plant
- 1972. 09 • Completion of an oil pipeline connecting Ulsan refinery with end users in Daegu
- 1973. 03 • Completion of SK's naphtha cracking center
- 1974. 04 • Opening of an oil reservoir in Seoul
- 1977. 03 • Completion of the naphtha cracking center expansion

1980's

- 1980. 12 • SunKyung Group acquired Yukong
- 1982. 12 • Launch of the Yokong professional soccer club
- 1983. 12 • Trained new employees from Saudi Arabia
- 1984. 07 • Successful development of oil field in Yemen's Marib block
- 1985. 11 • Establishment of Ulsan R&D Institute
- 1985. 12 • Completion of the new aromatic complex (NAC)
- 1987. 05 • Completion of a production line in Greece
- 1988. 01 • Import of crude oil explored from Yemen's Malibu continental shelf block

1990's

- 1991. 04 • Completion of PO/SM production lines
- 1991. 06 • Completion of integrated product line-up
- 1994. 11 • Commencement of commercial crude oil production at North Zaafarana Concession in Gulf of Suez, Egypt
- 1995. 05 • Opening of Daedeok SK R&D Center
- 1995. 10 • Launch of the petroleum brand EnClean
- 1995. 10 • Launch of the lubricant oil brand ZIC
- 1997. 10 • Establishment of SK Corp.
- 1999. 04 • Commencement of Superphalt production

2000's

- 2003. 11 • Commencement of oil production at Vietnam's 15-1 block
- 2004. 07 • Launch of the SK Angels volunteer corps
- 2004. 09 • Completion of the No. 2 lubricant base oil plant
- 2004. 10 • Establishment of SK China Holding Co., Ltd.
- 2006. 03 • Launch of SK incheon Oil
- 2006. 04 • Completion of Ulsan Grand Park
- 2007. 07 • Launch of SK Holdings Co., Ltd. and SK energy
- 2008. 09 • Completion of No. 3 VGO FCC (Vacuum Gas Oil Fluidized Catalytic Cracking Unit)
- 2009. 10 • Launch of SK lubricants

2010's

- 2010. 06 • Completion of the LNG plant in Peru
- 2010. 10 • Completion of the LiBS No. 4 and 5 plants
- 2011. 01 • Spin-off of the petroleum and chemical businesses
- 2011. 07 • Acquired the Korean government's approval for the sale of production assets in Brazil
- 2012. 02 • Launch of the SK Sugar Gliders women's handball
- 2012. 03 • Completion of the No. 3 lubricant base oil plant
- 2012. 06 • Establishment of a PX joint venture with Japan's JX NOE
- 2012. 07 • MOU signed with Kia Motors to supply batteries for electric cars
- 2012. 07 • Agreement on battery production joint venture with Continental
- 2012. 09 • Completion of the SK battery plant in Seosan
- 2012. 10 • 50th anniversary ceremony and the announcement of the 2020 Vision
- 2012. 10 • Joint ceremony for the completion of the I/E material plants (LiBS production lines #6 and #7, FCCU/TAC production line)
- 2013. 01 • Launch of SK-Continental's E-Motion
- 2013. 07 • Spin-off of SK incheon petrochemical and SK trading international, completing a five-subsiary governance
- 2013. 07 • Agreement signed for constructing an EV battery joint venture with Beijing Automotive Industry Holding (BAIH) and Beijing Electronics Holding Co. (BEHC)

SKMS (SK Management System)

SK innovation created SKMS (SK Management System) as a means by which to ensure continuous stability and growth while pursuing stakeholders' happiness. In addition, SK innovation underlines the importance of system management practices in its organizational operations and corporate culture. "System management" means a rational way of corporate management through a well-organized system and maximizing the operational efficiency as opposed to depending on the competencies and depth of individuals. Therefore, the key to the success of this system management practices lies in an autonomous decision-making structure. SKMS was established so that every employee is on the same page with SK innovation's management practices and to provide behavioral guidelines for all its employees in their decision-making at work. This was also carried out to enhance the company's management practices and eventually to reinforce its competitiveness, serving as the cornerstone of SK innovation's endeavors to attain its goal of becoming a leading global company.

Happiness of Stakeholder

SK innovation considers stakeholder happiness a top priority. This is encapsulated in the company's mission, which says 'a company should achieve its ultimate goal of sustained progress by maintaining stability and growth', and that 'it should create value for its customers, people and shareholders, thereby contributing to social and economic development and human well-being.' SK innovation wants to bring about a happier society for all in a more sustainable way, one in which the roles and relationship of the company and its stakeholders stay balanced and grow in a sustainable manner. To achieve its goals, SK innovation is poised to be a company that achieves sustainable growth and enhances stakeholder value.

The relationships and roles of the company and its stakeholders



SK-Way to achieve Our Value

Guided by the management principle of "Pursuing SUPEX via Human-Oriented Management," SK innovation set its goal a super-excellent level (SUPEX) which means the highest performance level humanly attainable, and devotes its best efforts to attain this goal. The company creates and establishes a favorable environment where SK people can work voluntarily and willingly. All SK people put into action the SK-Way in their management activities based on their clear understanding of the concept so as to realize mutual prosperity for both the company and its people.

Ethical Management

Employee Ethics Training Performance

• **No. of Trainees** Unit: persons



101

New Employees

124

Overseas Dispatched

• **Training Session Hours** Unit: hrs



101

New Employees

210

Overseas Dispatched

Ethics Infrastructure

Consulting and Reporting through Business Ethics Infrastructure

Unit: cases

80

2011

64

2012

103

2013

Spreading Business Ethics to Business Partners

Public Policy Engagement

SK innovation implements ethical management to enhance the trust of society so that it can attain sustainable growth. In fact, we see business ethics practices as more than just guidelines for anti-corruption and business innovation. Rather, it serves as the basic guidelines for us to enhance ethical awareness and to build trust-based relations with stakeholders. It is also in line with the management principles of SKMS. As such, it helps employees better understand SKMS and helps them put it into action so as to establish an ethical corporate culture. To that effect, we are continually training our employees on ethics. In addition, we have also established an infrastructure for ethical practices and are actively promoting our business ethics practices with our business partners.

Code of Ethics

- **Basic Ethics for Employees** : As proud SK employees, we will perform our tasks diligently with the understanding that we are the face of the company.
- **Attitude towards Customers** : We will strive to gain the utmost trust of all customers by ensuring consistent customer satisfaction as we remain a corporate entity whose progress goes hand in hand with theirs.
- **Responsibility towards Shareholders** : We will constantly work at improving our corporate value and shareholder value, while enhancing the level of our transparency and management efficiency.
- **Relationship with our Business Partners** : We will pursue mutual prosperity with our business partners, and compete fairly with rival companies.
- **Our Role in the Community** : We will make every effort to contribute to the welfare of the community by engaging in social/cultural activities in addition to facilitating economic prosperity, observing social norms and ethical standards at every step as we undertake our management activities.

At SK innovation, executives, team leaders and employees who have taken the ethics training sessions are obliged to make a pledge to comply with the Code of Ethics and Guidelines. At the same time, we have in place established channels for reporting/consulting ethics-related issues, such as the Ethics Counseling Office and Ethics Website. The reporter's name is protected in order to prevent any potential disadvantage to them. In 2013, there no violations on the employee Code of Ethics were reported. Also, SK innovation sends official letters to business partners and other external stakeholders, explaining the company's strict policy of banning any gifts on holidays. When gifts are received, they are immediately returned to the sender, given away as a donation, or auctioned off within the company when it is impossible to track the sender. The proceeds of the auctions are donated to social causes.

SK innovation signs a Fair Trade Agreement with its business partners, which are invited to actively practice business ethics based on mutual trust. If a partner is detected of any illegal or corrupt activity, it will be subject to sanctions according to SK innovation's bylaws. In 2013, there were no violations or corrupt activities discovered among our business partners.

SK innovation is an active member in several industrial associations, through which it has been able to convey its opinions on public policies and participate in discussions about drafting policies and programs. In 2013, we implemented such projects as Heating Oil Supply for the Underprivileged and an Energy-saving & Efficiency Improvement project to help those who needed energy most. SK innovation is not involved in any lobbying to do with public policy.






Stakeholder Communication

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

Stakeholder Communication Channels

SK innovation categorizes its shareholders, employees, partners, communities and customers as key stakeholders as they have significant impact on its business activities and collects their opinions through the most suitable channel(s) for each particular stakeholder group. The following are the key channels and activities that were utilized in 2013.

Communication Channels and Key Issues by Stakeholder Group

	Communication Channels	2013 Key Issues
 Shareholders	<ul style="list-style-type: none"> • General shareholders meetings, earnings releases • Domestic/international NDRs (Non-Deal Roadshows) • Domestic/international conferences • One-on-one meetings, e-mail/phone consulting • Disclosures, reports 	<ul style="list-style-type: none"> • Strategies (spin-offs, reshuffling) • New technology R&D • Corporate governance
 Employees	<ul style="list-style-type: none"> • M2M board, V board • Intranet (open square, tok voice, tong tong) • Ethics counseling center, SKMS self-check 	<ul style="list-style-type: none"> • Employee safety & health • Work-life balance, employee welfare
 Partners	<ul style="list-style-type: none"> • Meetings with partners by invitation • Partner CEO seminars • Field councils with plant partners 	<ul style="list-style-type: none"> • Mutual growth with partners • Anti-trust activities
 Communities	<ul style="list-style-type: none"> • Meetings with local organizations • Attending local councils in neighboring areas and patrol division safety councils • Attending steering committees at neighboring schools 	<ul style="list-style-type: none"> • Social contribution (including social enterprises) • Volunteerism
 Customers	<ul style="list-style-type: none"> • Customer happiness center (call center service) • Websites for different products/services • Customer satisfaction surveys 	<ul style="list-style-type: none"> • Customer Relationship Management (CRM) • Customer satisfaction

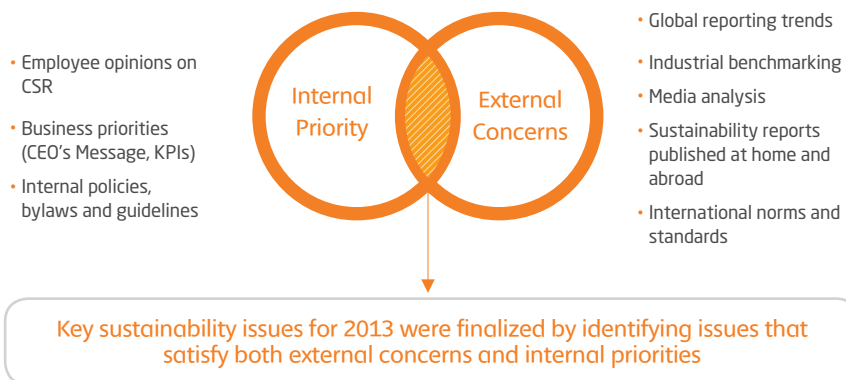
Materiality Test

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

Test Process

In 2013, SK innovation's materiality assessment identified stakeholder concerns through media analysis, domestic and international industry benchmarking, international standards, and various reports issued inside and outside the company throughout the year. SK innovation then determined the level of impact these issues have on our business by analyzing the company's management philosophy and business plans.

In particular, we benchmarked sustainability management practices at influential multinational corporations and major issues currently relevant in the industry. We also analyzed key performance indicators at each of our subsidiaries to properly evaluate their business impact. The results were classified into eight categories of social responsibility and further segmented into 110 detailed issues under 33 categorized issues for a materiality test.



Test Results

To conduct the 2013 materiality test, SK innovation followed the same process it did for the previous year and created a materiality matrix based on the level of stakeholder concern and business impact.

While the previous report sorted the top 20 priority issues into seven groups according to stakeholder groups, this report delves into the top 8 material issues as identified from the test in the Six Special Themes section. As a result, the key issues of stakeholder engagement are highlighted in the Sustainability Management section and covered throughout the report.

The corporate governance issue, which was included in the Sustainability Management section in the previous report, became the priority issue in this report. Although work-life balance was not at the top of the priority list of material issues, the related information was reported on the material issue pages through internal deliberations.

Top Priority Issues^{*1}



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

2013 8 Top Priority Issues & Special Theme

Category	Issues	Special Theme	page
Corporate governance (6)	Corporate governance issues	Transparent Management	18p
Business performance (5)	Strategies(restructuring, spin-off), Financial issues	Global Expansion	21p
Employee safety & health (3)	Commitment to employee safety & health(SHE)	Safety, Health, Environment	25p
Sustainable use of resources (7)	Stable supply of energy		
Mutual growth (1)	Win-win management with business partners(mutual growth)	Cooperative Relationships with Suppliers	28p
Social contribution (2)	Social contribution	Value Creating Social Contribution	31p
Working conditions (8)	Employee welfare, Work-life balance	Work-Life Balance	34p
Stakeholder engagement (4)	Stakeholder dialogue	-	12p

* The numbers in the parenthesis refer to their rank in the top priority list.

Top Priority Issues of the changes

Compared to the same test run in 2012, the 2013 materiality test results showed that social contribution and win-win partnerships with business partners were more important, while the value of stakeholder engagement and corporate governance fell from the previous year. Business performance and the sustainable use of resources returned to the top of the priority list, which were now joined by the working conditions issue. Environmental management and mitigating climate change were still on the list but not in the top priority group.

2011 Top Priority Issues	2012 Top Priority Issues	2013 Top Priority Issues
1 Stakeholder engagement	1 Stakeholder engagement	1 Mutual growth
2 Mutual growth	2 Mutual growth	2 Social contribution
3 Addressing Climate Change	3 Employee safety & health	3 Employee safety & health
4 New growth engines (eco-friendly business)	4 Environmental management (carbon management)	4 Stakeholder engagement
5 Employee safety & health	5 Corporate governance	5 Business performance
6 Business performance	6 Mitigating climate change	6 Corporate governance
7 Communication with consumers	7 Labor-management relationship	7 Sustainable use of resources
8 Sustainable use of resources	8 Fair competition	8 Working conditions

SPECIAL THEME

Transparent
Management 18p



Global Expansion 21p



Safety, Health,
Environment 25p



Cooperative
Relationships with
Suppliers 28p









Value Creating Social
Contribution 31p



Work-Life Balance 34p



Disclosure on Management Approach

	Goal	Activities
 Transparent Management	<p>Running the BOD true as the BOD is meant to be, which is a corporate structure of ethical and transparent decision-making and balanced shareholder value</p>	<ul style="list-style-type: none"> · Preliminary review of major decision-making agenda (Spin-off of SKTI and SKIPC/battery pack joint venture in Beijing) · Reinforced roles of the Audit Committee (Establishing a process for auditing the scope of new businesses) · Encouraging strategic communication between top management-independent directors
 Global Expansion	<p>Furthering our global competitiveness through the globalization of key technologies with an effective management system and investment resources that meet the different needs of each business through strategic spin-offs</p>	<ul style="list-style-type: none"> · Five subsidiaries and three CIC systems through strategic spin-offs and organizational restructuring · The largest petrochemical joint project with China's biggest state-run petroleum company (Sinopec) in the history of Sino-Korean partnerships
 Safety, Health, Environment	<p>Pursuing incident-free operation and environment-friendly management based on the spirit of human-oriented management, thereby gaining society's trust and growing hand-in-hand with society</p>	<ul style="list-style-type: none"> · Distribution of the work safety guide to suppliers and industrial peers based on a risk analysis of high-risk works · Awarded the Grand Prize at the 2013 Safety & Health Win-Win Program Contest
 Cooperative Relationships with Suppliers	<p>Working for mutually beneficial partnerships with SME suppliers through fair transaction practices, financial aid, technical support, and technological education/training programs</p>	<ul style="list-style-type: none"> · Offering financial aid to suppliers in direct loans or financial loan subsidies and carry out 37 performance-sharing initiatives · SK global chemical was commended by Korea's president for its commitment to mutual growth · Happy Companionship: Social contribution idea contest its suppliers
 Value Creating Social Contribution	<p>Taking a serious approach to fundamental social issues and making effective efforts to address these issues and generate desirable changes and value for society</p>	<ul style="list-style-type: none"> · Social economy development and support project · Domestic and overseas social enterprise support programs
 Work-Life Balance	<p>Led by the CEO's commitment to a great workplace, various programs and systems are in place to enhance the corporate culture.</p>	<ul style="list-style-type: none"> · Introduction of mandatory one-year paid childcare leave · Eliminated overtime altogether

Major Achievements

Future Plans



We will maintain stakeholder trust by maximizing corporate value and stakeholder value through transparent and accountable management practices. We remain at the forefront of creating and sharing happiness with stakeholders.



New PX project, Nexlene project and other large-scale investment projects are being completed one by one. We are determined to bring the size of the business and our inherent competencies up to world-leading levels so that 2014 can serve as the starting point of attaining our 2020 vision.



While upgrading the SHE management system and continuing initiatives to establish SHE culture, we will continue to train and support suppliers and establish mutual growth systems to help them establish an advanced SHE culture.



We will maintain a sustainable win-win partnership by assisting suppliers in their competency-building endeavors as well as providing business/productivity consulting and financial aid for their sizeable growth.



We will continue our support of social enterprises in Korea and Peru and our endeavors for the development of social economy.



By eliminating and improving upon the red tape in its practices, the company will help its employees attain a healthy work-life balance.



Transparent Management

10th anniversary of the New BOD-oriented management

Since its adoption of the BOD-driven management practices to realize independent and efficient corporate governance in 2004, SK innovation's board of directors (BOD) has placed top priority on enhancing stakeholder value through its transparent and objective decision-making process, which is based on profound expertise. Celebrating the 10th anniversary of the new BOD structure, the BOD published white papers on a regular basis, summarizing its diverse BOD-centered management activities over the past years.

Principles of BOD

Independent directors at SK innovation abide by a Code of Conduct for Independent Directors that was first established in 2004 by the independent directors' meeting at SK Corporation, SK innovation's predecessor company. This Code of Conduct is testament to each independent director's commitment to constantly improve corporate governance and transparent management. Furthermore, this commitment is now seen as a solid role model by other Korean companies in the private sector in enhancing the independence of independent directors.

These efforts were widely recognized when we had the honor of being singled out for the best corporate governance practices in 2009, and were subsequently the recipient of the grand prize at the 2011 Transparent Management Awards.

Proactive BOD

The main functions of SK innovation's BOD are making strategic decisions and advising and monitoring management's activities regarding major business issues. More broadly, the BOD aims to become a proactive body that can preemptively prepare ahead of time for the rapidly changing business environment and maximize corporate value through independent and accountable BOD-driven management practices.



1 Proclamation Ceremony of Independent Directors' Code of Conduct (Aug. 20, 2004)
2 Awarded the Best Prize at the 2009 Corporate Governance Awards (Jun. 29, 2009)





1 2013's 8th BOD Meeting (Jun. 17, 2013)
 2 Visiting the I/E materials plant in Jeungpyeong (Oct. 24, 2013)

Transparent Nomination of Directors

Candidates for executive directors are carefully reviewed by the Human Resources Committee for their qualifications before their recommendations are passed on to the annual general meetings of shareholders (AGM). Candidates for independent directors are listed by the Nomination Advisory Panel, which supports the Nomination Committee in devising a list of candidates. In order to ensure the independence and transparency of independent directors, the Nomination Committee abides by all related laws and regulations. Candidates are evaluated on their areas of expertise, commitment, business mindset and independence, social position, and morality. Current issues and social concerns at the time of nomination are also important considerations

Stakeholder Communication

SK innovation's BOD maintains active communication with diverse stakeholders, listening to their opinions on the company and the board through diverse channels. While publicizing its annual activities on the corporate website and collect stakeholders' feedback on its performance, a BOD news update menu was set up on the company's intranet to provide information on BOD meeting schedules and receive employee opinions and suggestions on BOD activities. Also, BOD members give special lectures to employees on subjects related to their specialties and regularly visit the company's worksites around the world. More importantly, all social and environmental issues that might have significant influence on the company's business operations are reported to BOD meetings.

BOD Performance Evaluation

The BOD conducts annual performance evaluations in the categories of BOD activities, operations, and activity support. The evaluation results are reported back to the BOD and presented in annual reports. BOD operational plans are developed for the following years based on these evaluation results with some improvements made to its functions and operations when necessary.

Conflicts of interest

BOD members are not permitted to be engaged in any of the company's operations either at their own expense or a third party's expense without the BOD's prior consent. At the same time, pursuant to Article 14 of BOD regulations, BOD members cannot make use of the company's information that they have received access to in the course of their duty fulfillment for their own or a third party's interests.

NEW BOD 10th Anniversary in Figures





1 2nd strategic communication session (Oct. 24, 2013)
2 CEO-independent directors communication session (Nov. 13, 2012)
3 Visiting social enterprise pop-up stores (Jul. 1, 2013)

CSR Committee Agenda Items

- Plans for compilation of sustainability reports and the results
- Current progress of social contribution activities
- Reviews on policies, programs, and practices with potential impacts on safety, health, the environment and other social issues

BOD and Subcommittees

• **BOD Composition**

As of August 2014, SK innovation’s Board of Directors had 8 members: two executive and six external directors. The BOD’s percentage of external directors is the highest (75%) in the private sector of Korea. Thus, decisions made exclusively by external directors can actually bring a conclusion to any major management-related agenda items, including relieving directors of their duties, making amendments to the Articles of Incorporation, and integration and/or spinning off of subsidiaries and affiliated entities. This allows external directors to provide a check on management. External directors also hold their own meetings to ensure the independent operation of the BOD and encourage open and honest communication.

BOD Members as of Aug. 2014

Category	Name	Current Position	Duties
Internal Directors	Kim, Chang Geun	Chairman of the SK SUPEX Commission, Chairman of SK innovation	Chairman of the Board, HR Committee
	Koo, Ja Young	Vice Chairman & CEO of SK innovation	Nomination Committee, Strategic Planning Committee
External Directors	Lee, Jae Hwan	Chief Executive Officer, Dongguk Holdings Inc., Ltd	Audit Committee, Strategic Planning Committee (chairman)
	Choi, Myung Hae	Advisor, Kim & Chang Law Firm	Audit Committee, Transparent Management Committee(chairman)
	Kim, Young Ju	Advisor, Shin & Kim Law Firm	Strategic Planning Committee, HR Committee, CSR Committee (chairman)
	Shin, Un	Senior Advisor & Head, Delegation of KSP Consultation	Nomination Committee, Transparent Management Committee, CSR Committee
	Lee, Hoon Kyu	Advisor, The One Law Firm	HR Committee (chairman), Transparent Management Committee
	Choe, Hyuk	Professor of Finance, Seoul National University	Audit Committee (chief auditor), Nomination Committee, CSR Committee

• **Subcommittees**

SK’s BOD has six committees under its control: an Audit Committee, Nomination Committee, Strategic Planning Committee, Human Resources Committee, Transparent Management Committee and CSR Committee. The chairs of each committee are selected from independent directors to secure independence and transparency in the operation of these committees. In particular, the CSR Committee is responsible for discussing the company’s CSR activities and sustainability management at BOD meetings and helping enhance the ability to conduct sustainability activities at the company level.

BOD/Committee Meetings Performance & Agenda Items 2013 performance

Category	BOD	Committee						Subtotal
		Audit	Nomination	Strategic Planning	Human Resources	Transparent Management	CSR	
No. of Meetings	15	10	2	2	4	7	3	28
No. of Agenda Items	59	25	3	2	9	11	5	55



Global Expansion

The separation and launch of SK trading international and SK incheon petrochemical as independent entities totaled the number of SK innovation's subsidiaries to five. Additionally, the company has three CICs (Company in Company) as part of its realignment of its business system. As a result, the increased independence and competitiveness of each subsidiary organically collaborated to enhance efficiency in the overall business operations under the "Independent but interdependent" governance structure.

3 Company in Company and 5 Subsidiaries

Strategic Spin-off Towards a Greater Future

In July 2013, SK innovation launched SK incheon petrochemical and SK trading international as new subsidiaries. As a result, the company now has five subsidiaries—SK energy (petroleum business), SK global chemical (chemical business) and SK lubricants (lubricants business) along with the two new subsidiaries—under its umbrella.

SK incheon petrochemical is now working to induce foreign investments to expand its production line of the highly profitable condensate-based petrochemical products, specifically paraxylene (PX). The company will pursue global markets, especially in China, as soon as it completes the facility expansion worth a total of KRW 1.6 trillion in investments by the third quarter of 2014.

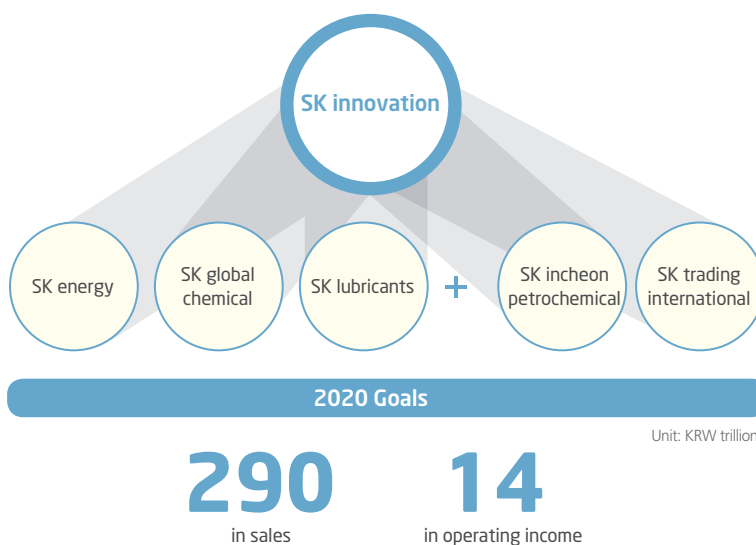
SK trading international will continue with the trading business, mainly with SK energy, while gradually expanding its customer base, markets and product line-up so as to grow into a specialized international trader. The spin-off was in line with the company's 'quantitative growth and globalization strategy for achieving KRW 290 trillion in sales and KRW 14 trillion in operating income by 2020.

As such, SK innovation and its subsidiaries will independently reinforce their respective competitiveness, while collaborating in areas that can maximize efficiency to generate synergies.



1 Joint launching ceremony of SK incheon petrochemical and SK trading international

2 Bird view of the SK incheon petrochemical plant



Reorganization for Competitive New Growth Engines

SK innovation carried out a reorganization to fortify the BOD-oriented autonomous and responsible management practices under the Group's governance strategy of "Independent but United 3.0" and to expedite its 2020 vision of globalization.

The company also created a new CIC that will take care of the strategic business in the I/E materials, batteries and separators by integrating the existing Battery & I/E materials Business division to the New Business Development Division.

The addition of this new CIC added up to the number of CICs under the umbrella of SK innovation from two—GT (Global Technology) and E&P (Exploration & Production)—to three. The launch of the new CIC will pave the way for the company to secure technology-oriented new growth momentum, which will expedite business results and reinforce its technological expertise.

Additionally, SK innovation plans on expanding its production volume of EV batteries up to 20,000 units by 2017 in pursuit of greater market share in the Chinese EV battery market. Furthermore, the I/E materials business will sustain growth with the completion of the LiBS production lines # 8 and #9 and the scheduled completion of the FCCL production line in 2015.

Change in the CIC Organization



Commercialization of Core Technologies

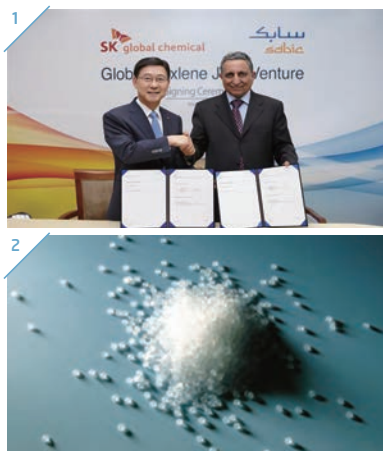
Commercialization of Nexlene Original Technology

In May 2014, SK global chemical concluded an agreement with Saudi Arabia's state-run petrochemical company, SABIC, to set up a joint venture for the production and global marketing of its high-performance polyethylene brand Nexlene.

Nexlene is SK global chemical's original technology that encompasses the catalyst, processing and production, catering to high value-added films, auto parts, footwear interior materials and cable insulation. High performance polyethylene boasts a stronger performance than its conventional counterparts in shock-resistance, transparency, hygiene, and processability. Only a handful of global chemical companies have this production know-how.

With its original technology for integrated production of Nexlene, SK global chemical expects market expansion and better cost competitiveness from this partnership, while SABIC is poised to advance into the high-performance polyethylene market.

The two companies agreed to set up a joint venture in Singapore by the end of 2014, with plans to further expand production lines around the world, including the second plant in Saudi Arabia after the first Nexlene plant was completed in Ulsan in 2013.



1 SK global chemical and SABIC signed an agreement for a joint venture
2 Nexlene

Blocks in Holding as of 2013
as of Dec. 31, 2013

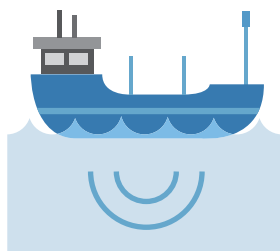
• **Production**



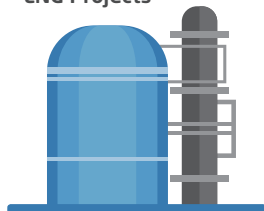
4 Countries 
7 Blocks 

• **Exploration**

11 Countries 
15 Blocks 



• **LNG Projects**



4 Countries 
4 Projects 

Advantages in the Green Market through the Commercialization of GreenPol Technology

SK innovation has been creating new value by producing environmentally friendly plastics from CO₂ under the name GreenPol.

In fact, the company has successfully developed this carbon-derived plastic technology and recently completed the pilot plant for prototypes. It is now increasing efforts for mass production of this technology. By replacing conventional materials which are made of 40 percent carbon dioxide, this is a breakthrough technology because it does not generate toxic gas, specifically carbon monoxide from combustion, and boasts a higher performance than conventional plastics in transparency and oxygen/hydro insulation.

Having completed this development, this technology is currently undergoing the commercialization process. When released on the market, it will be a breakthrough in how to recover and store CO₂ as it turns the main culprit to global warming into an eco-friendly new material that will save on the use of naphtha and even earn users carbon credits.

Moving forward, SK innovation will continue to turn its innovative ideas into business strategies so as to take an advantageous position in the green market and secure its future source of revenue.

Developing Knowledge and Competencies in the Pre-production Stage

SK innovation recently acquired equities of production blocks in Grant/Garfield County, Oklahoma and Crane County, Texas. These two new production assets will add up to the company's daily crude oil production volume to 74,250 barrels, from the previous 71,000 barrels. This also solidified the company's domestic position as the largest E&P operator in Korea that is involved in four LNG projects and E&P projects at 22 blocks (7 production blocks and 15 exploration blocks) in 15 countries around the world.

Furthermore, its recent acquisition of the operating rights at the Grant-Garfield County block is expected to help the company strengthen its expertise in E&P operations. SK innovation is determined to take this opportunity to strengthen its business competencies and knowledge in all E&P procedures, from exploration and development to production, and to lay the foundation for unconventional resource projects in China, Australia and Latin America. In addition, it will continue to add new E&P blocks in prospective areas, completing a comprehensive portfolio that ranges the full E&P value chain.

Ceaseless Innovation in Pursuit of Global Market

A Global Leader in the EV Batteries Market by 2020

With world-leading battery R&D infrastructure, SK innovation has completed the technological development and mass production of medium- and large-sized batteries, especially lithium ion batteries, with a large-scale mass production line in Seosan now going into operation. Banking on its original technologies of high energy density and high output, the company is providing its products with competitive functionality, price and stability to the Hyundai-Kia Automotive Group and the Daimler Automotive Group, while also maintaining joint development or business alliances with several more automakers. In addition, the company has installed the nation's largest energy storage systems in the Smart Grid Test Bed on Jeju Island.

Furthermore, SK innovation set up a joint venture with Beijing Automotive Industry Holding (BAIH) and Beijing Electronics Holding Co. (BEHC) in January 2014. Named Beijing BESK Technology, this joint venture went into full operation as of April 2014. BEHC is the largest LCD panel manufacturer in China, ranking fifth globally. BAIH, one of China's four largest automakers, manufactured 1.7 million complete cars in 2013. Tapping into the advanced technologies and business know-how of these three major companies from different business areas, Beijing BESK Technology plans on completing a battery package production line of an annual production capacity sufficient to supply 10,000 EVs by the end of 2014. While expanding its production volume by 2017, the company is aggressively investing in and exploring markets in order to grow into a leading EV battery supplier in China.

SK innovation aims to enhance its global competitiveness in all the core parts and components of EVs, including separators and batteries.



1 Signing ceremony of an agreement with Beijing Electronics Holding Co. on a joint venture for EV batteries

Gaining a Stronger Foothold in the Chinese High Value-added Chemicals Market

SK global chemical's Wuhan Project, which the company has been pushing forward with in partnership with China's largest state-run oil company, Sinopec, has fully taken root. Involving the largest investment made by SK in China to construct a naphtha cracking center (NCC) in Wuhan City with a gross production capacity of 2.5 million tons of petrochemicals—including 800,000 tons of ethylene, 600,000 tons of polyethylene and 400,000 tons of polypropylene—this project will lay the groundwork for the company to fully enter the Chinese petrochemical market, producing and distributing petrochemical products in China with our own brand name.

As of January 2014, the NCC initiated full commercial production, churning out 100,000 tons of polyethylene and 300,000 tons of polypropylene under the name of SK global chemical in China. In addition, the joint venture Sinopec-SK (Wuhan) Petrochemical projects its annual sales for 2014 at KRW 3 trillion.

Buoyed by its successful advance into the world's largest energy & chemical market in China, SK global chemical will reinforce its technology R&D for the successful establishment and sustainable growth of its global operations.

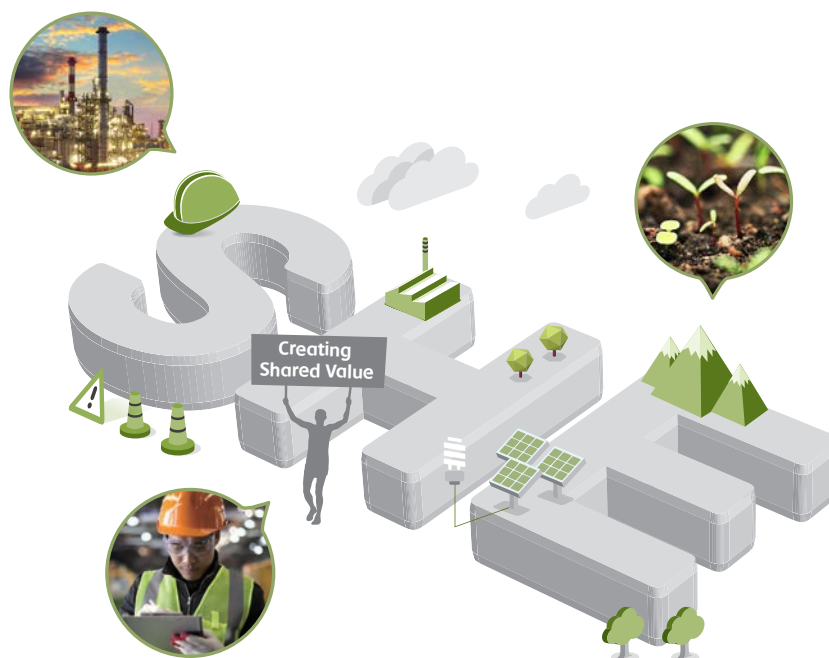
Strengthening Global Competencies in the Premium Base Oil Market

Under an alliance with Spain's largest oil refiner, Repsol, SK Lubricants is constructing a lube base oil plant with the goal of starting full operations by the end of 2014. The new plant will serve as the strategic point for the company to pursue European markets with premium brands that meet strict European environmental regulations, emerging as a leading global producer of Group III lube base oil products.

In particular, the company was named as a supplier of engine oil and automatic transmission fluid to General Motors in December 2013, clear evidence of the competitive quality of its finished lubricant products—it has been supplying automatic transmission fluid to the automaker since 2009. While continuously raising its market power in strategic markets such as China, Russia and Pakistan, SK Lubricants is adopting a localization strategy in India—an emerging market for lube base oil—with the aim to accelerate its global expansion plans.



Safety, Health, Environment



Globally Competitive SHE Management

SK innovation is growing into one of the world's leading global companies with differentiated competitiveness by consistently embracing change and innovation. We aim to become a leader in global standards and financial performance with all our business management practices. Most importantly, meeting global standards in safety, health and environment (SHE) practices is imperative to the sustainable development of any company. As such, we are ardently working to hone our SHE competitiveness so as to meet the highest global standards.

Inspired by the CEO's strong commitment to our advanced SHE practices, we established the SHE Division under the direct supervision of the CEO in 2012. As the control tower of company-wide SHE practices, the division is always working towards upgrading our SHE management system to meet the highest global standards, raise employees' SHE awareness, and establish an advanced legal compliance framework.

SHE Management System

SK innovation devised SHE policies under the notion of "creating shared value" for co-prosperity along with society. Departing from conventional social responsibilities, such as zero-accidents or minimal pollutant emissions, this policy takes a more engaged approach to maintain trust-based relationships with local communities. To that end, SK innovation applies stricter standards for its SHE practices than legal requirements, setting the example for its peers in the industry.

To that effect, we completed the framework of our SHE management system in reflection of our benchmark on global best practices and trends so that ours could match those of the world's leaders in 2012. We realigned the corporate regulation with the 13 basic elements and ensured the binding force of these under the control of the management leadership, while establishing SHE audit practices to ensure continuity in the implementation. In 2013, the 230 SHE guidelines and procedures were upgraded to better serve the different needs of each worksite, furthering the global competencies of our SHE management system.



Safety · Health · Environment Policy

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

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

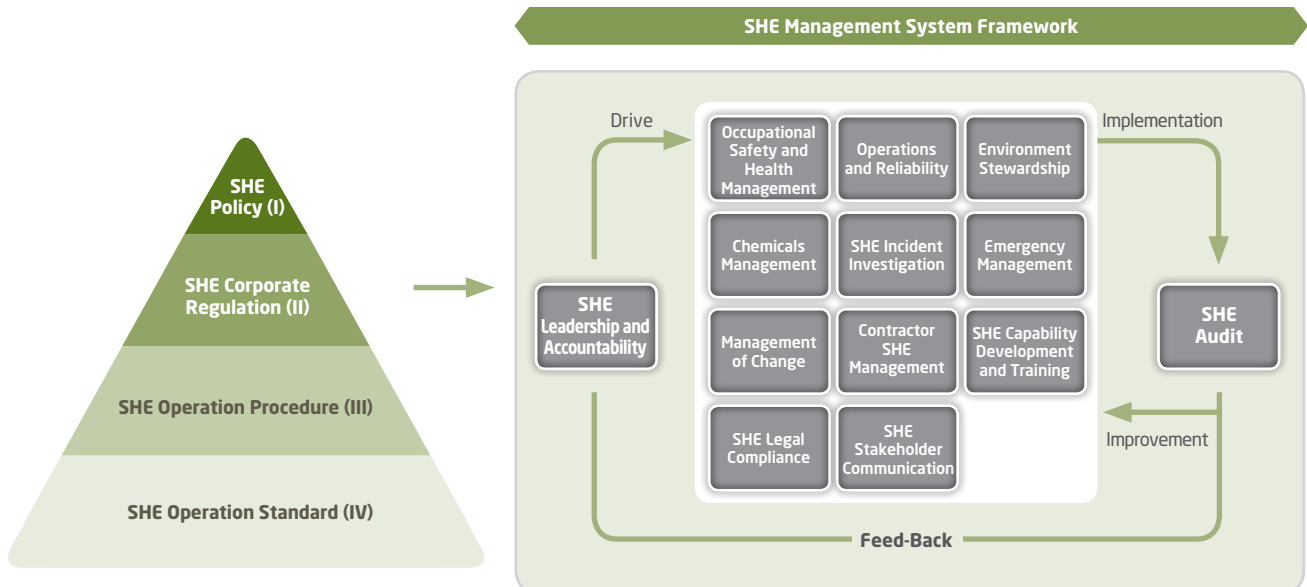


- Define Safety and Health management as a top priority and engage continuous improvements and preventive activities for personnel and equipment safety, thereby leading the establishment of a safe and healthy society.
- Innovate safety technology and enhance safety capability, thereby taking an initiating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



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

SHE Management System



Spreading SHE Culture

A system not being practiced is inherently dead no matter how well it is developed. Therefore, SK innovation engages in a number of activities to promote its SHE culture across the board so that its employees' SHE competency and awareness can be increased.

Our Safety Golden Rules program is our signature program in practice at all our worksites. By carefully analyzing the main causes of accidents frequently occurred at each worksite, we have developed worksite safety rules that all on-site operators should abide by to prevent such accidents. While consistently monitoring these compliance practices, any violations are subject to discipline with no excuses allowed. These efforts significantly contribute to raising the SHE awareness of our employees and those of our suppliers.

At the same time, we have developed SHE Audit Tools to monitor and improve our SHE leadership and implementation at our worksites more effectively. Using these tools, we keep vulnerable areas at each worksite in check on a regular basis. By organizing a dedicated team to take care of internal SHE audits, we also entrust external specialized agencies with profound expertise to run special audits, which ensures expertise and credibility in our SHE audit practices.

A single mistake and the resultant SHE accidents can deal a lethal blow to a company. Therefore, inspecting the cause to such accidents and preventing recurrence of the same accident are the first steps of an SHE culture at a company. At SK innovation, we thoroughly inspect the causes of accidents to prevent recurrence of similar cases, while making ensure that those who are responsible for such accidents are held accountable for the damages, thereby arousing employees' attention to SHE culture.



1 Ulsan CLX Safety Golden Rules

Work Safety Guide Book Contents

Part 1. Common (3 cases)	Part 2. Equipment (13 cases)
Part 3. Inspection (4 cases)	Part 4. Machinery (5 cases)
Part 5. Instruments (5 cases)	Part 6. Electricity Work (6 cases)



2 Ceremony of business alliance for preventing occupational accidents along with suppliers

3 Work Safety Guide Book & Video Supplement (http://www.skinnovation.com/company/she_05.asp)

SHE Practices for Co-Prosperity with Society

At SK innovation, the scope of SHE management practices extends outside its worksite boundaries. Refinery and petrochemical plants inevitably bear potential risk factors all the time and the event of an accident can lead to damages to not only the worksite but also the local residents in the vicinity. As a result, preventing accidents is important above everything else. To our regret, however, our efforts were not enough to systematically identify and remove such potential risk factors to date. Nor did we provide adequate information or materials for preventing accidents to the employees of our suppliers.

Aware of this, however, SK innovation signed a business alliance with the Korea Occupational Safety & Health Agency (KOSHA) and Ulsan City to collaborate for preventing occupational accidents along with suppliers. Under the agreement, we presented the solutions for preventing occupational accidents at source in the repair/maintenance procedures of facilities.

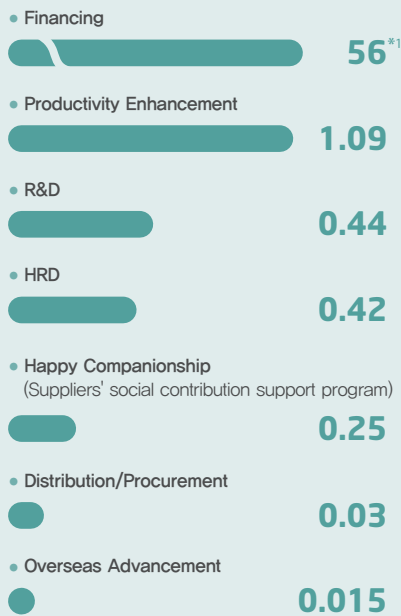
We have categorized the 36 facility repair/maintenance works with the highest risk factors at refinery and petrochemical plants and developed solutions to these issues. Plus, we added case studies of frequent accidents and related regulations to publish with Work Safety Guide for all operators on site to abide by and be versed with. As being the first company in the industry to do this, the guidebook and its video supplement were distributed to our suppliers and other companies in the industry, setting a good example for other companies in sustaining growth based on a trust-based relationship with society as a leading SHE practitioner.



A Cooperative Relationship with Suppliers

Financial Support Offered to Suppliers in 2013

Unit: KRW billion



*1 The figure is the sum of: KRW 3.0 billion in direct loans + KRW 12.0 billion in contribution to the Mutual Growth Fund (+ bank commitments of KRW 18.0 billion) + KRW 20.0 billion in SKI's Mutual Growth Fund + KRW 2.4 billion in credit guarantees + KRW 656 million in debt guarantees

The sound growth of our suppliers and business partners is integral to the sustainable growth of SK innovation. As a result, we take a far-sighted, long-term approach to fundamental issues when it comes to our partnerships with our suppliers. This section reports on our commitment to win-win partnerships with our suppliers.

Win-Win Partnership Programs for the Sustainable Growth of Our Suppliers

At SK innovation, mutual growth and win-win partnerships go so far as to provide suppliers with the framework for sustainable growth. This approach proved its effectiveness when our joint patent rights on R&D results with our suppliers and cooperative marketing paid off with increased sales revenue. In addition, we also offer financial support through our Mutual Growth Fund and comprehensive consulting and budgeting services to suppliers for their social contribution activities, having introduced a new concept of win-win partnership between large corporations and SME suppliers.

• Technical Support

SME suppliers' competitiveness lies in their technologies. As such, SK innovation offers various programs for SME suppliers to advance their technologies. Specifically, SK global chemical sponsors its suppliers in technology competency-building through various joint projects, such as facility localization, joint patent rights, and joint R&D for high value-added products.

• Financial Support

SK innovation and SK global chemical operate Mutual Growth Funds of KRW 20 billion and KRW 55 billion, respectively. In particular, SK global chemical offers direct loans, loans extended from the fund, and credit guarantees to its suppliers.

• Safety Management Support

Each of our worksites has their own Safety, Health and Environment (SHE) Division, all of which operate under the direct control of the CEO. On top of that, we published a Work Safety Guide for suppliers who are vulnerable to safety management, transferring our SHE know-how and providing related education.

• Educational Support

We give seminars on business administration for the CEOs of our suppliers. In promotion of equal opportunities for education, we have an online education program, a win-win partnership e-learning course, for the employees of our suppliers. Furthermore, the Win-Win Partnership MBA course is available for mid-level managers as well as overseas training programs and on-site programs.

Supplier HRD Programs

Unit: persons

Program	Recipients	Subjects	No. of Companies/Employees	
			2012	2013
Win-win partnership CEO seminar	CEO	Business administration, humanities, SUPLEX best practices	310	280
Win-win partnership MBA	Managers	Business administration, general management information	180	150



Win-Win Business Partnerships and Business Ecosystem

SK innovation is leading a new paradigm change with win-win partnership on the supply chain. Departing from the former unilateral approach to partnerships, we take various practical measures to support our partners in building competitiveness. This effort turned out to be instrumental in enhancing the technological competitiveness of our partners increasing their sales, realizing the term “win-win partnership” in its truest meaning.



1 2013 Win-Win Partnership Week ceremony

Presidential Commendation for Outstanding Performance in Profit Sharing with Partners

SK global chemical has been pushing forward with 37 profit-sharing initiatives registered with its profit-sharing total management system. In recognition of its industry-leading profit-sharing practices with its suppliers, such as joint R&D on new technology/products, patent applications, and productivity enhancement, the company was awarded the Presidential Commendation at the 2013 Win-Win Partnership Week ceremony organized by the Ministry of Trade, Industry & Energy, the National Commission for Corporate Partnership, and the Small and Medium Business Administration on October 21, 2013.

Joint R&D and Patent Applications

- **SK global chemical—Seoul ENG, joint patent rights on heat exchanger component technology for ethylene processing**

The investment and technical support for R&D on localization of the heat exchanger technology is cited as one of the best cases of a profit-sharing initiative at SK global chemical.

A very expensive imported device, the conventional heat exchanger cost the company a great deal to replace the heat-resistant cone, which had failed very often. To deal with this issue, SK global chemical worked with Seoul Engineering to localize the heat-resistant cone technology of the heat exchanger and successfully developed a new product with improved performance. The two companies have filed for a joint patent right to the technology, which is now pending for examination.

Economically, this technology substituted KRW 4.4 billion worth of imports, saving KRW 1.53 billion annually. When expanded to the entire industry of Korea, it is expected to substitute imported goods worth KRW 25.7 billion and save KRW 4.6 billion worth of steam. This localization also saved SK global chemical material expenses and operating expenses, while Seoul Engineering can benefit from sales growth thanks to the technology.

- **Joint Patenting and Commercialization of Storage Tank Heat Insulation Technology with Gwangmyung E&C**

SK global chemical and Gwangmyung E&C have jointly developed new heat insulation technology by enhancing brain storming to save on costs and enhance efficiency in the heat insulation technique of storage tanks and filed for a joint patent right to the new technique. Having successfully completed the pilot operation on their new storage tanks, the two partners are now working on the final leg of a license agreement with a third party.

This project successfully saved costs by 34 percent on average and process duration by 25 percent compared to conventional methods. Furthermore, it reduces heat loss and minimizes the potential penetration of raindrops, while also minimizing the fugitive dust of insulation materials.

Above all, the two companies have built upon their trust-based relationship as they have gone through the difficulties in the process of filing for patents, commercialization and pilot operation of the technology, while realizing synergies from their collaboration. This is solid proof of SK innovation's win-win strategy in its relationships with suppliers.

INTERVIEW

I owe much to SK global chemical. This success can be accredited to SK global chemical's trust in us and our technology and their all-out support in both financing and infrastructure. They were a very reliable consultant that we can resort to when we run into any challenges or problems in the course of our R&D activities. I hope the company continues this kind of support to small companies with competitive source technologies.

Kim, Kyung-sep, CEO of Seoul Engineering

Happy Companionship: social contribution idea contest its suppliers

At SK innovation, win-win partnerships extend to suppliers and their social contribution activities under the name Happy Companionship. Under the program, SK innovation offers consulting services and financial aid to its suppliers who find it difficult to carry out their social contribution ideas due to their lack of financial, human and technical resources despite their strong commitment. SK innovation also signed an agreement with Hunger Saver on Happy Companionship with Happy Partners in July 2013 and invited suppliers for their social contribution proposals. Five programs were selected from 30 proposals submitted during the event, which were subsidized for expenses and provided with total consulting services from funds totaling KRW 250 million. The suppliers will work on their own when these social contribution programs are firmly established in the near future.



1 Integrated online procurement system

Fair Procurement & Supplier Partnership

SK innovation has in place a Supplier Relationship Management (SRM) system to enhance transparency in its procurement procedures and to enhance competitiveness in its supply chain. We conduct fair evaluations on suppliers for their business ethics, credit, technology, and environmental capabilities before registering them in our SRM system. All transactions with suppliers, from their registration to our SRM and our procurement requests to bidding and ordering are made through the integrated online procurement system at www.skbiok.com. A variety of stakeholders—supplier supervisors, procurement officers, end-users, and technology assessment teams—are involved in the procurement process, which helps improve fairness. Ultimately, SK innovation evaluates registered suppliers regularly on management, technology, quality, safety-health, environment, and human rights, while also offering advice to maintain strategic partnerships and sustainable relationships.

In addition, SK innovation was the first company in Korea to adopt a fair trade compliance program (CP) which serves as the cornerstone in our endeavors towards a higher level of our CP practices. CP performance results and plans are reported on to the BOD on a regular basis, which have no cases of violations or unfairness occurred for the reporting period.

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





Value Creating Social Contribution

SK innovation is leading a new paradigm change in corporate social contribution activities. The key to its new framework takes a far-sighted approach to sustainability. Evidence of this can be seen in the social enterprises it has established for the underprivileged. In fact, SK innovation sponsors all procedures, from planning and establishing to operating these social enterprises, contributing to the development of local communities through sustainable business models that create jobs for the underprivileged. In 2013, the focus was on building up a market for social enterprises and on stimulating the social economy, thereby generating greater economic/social value.

Developing and Supporting the Social Economy

In partnership with the Community Chest of Korea and the Korean Association of Community Seniors' Clubs, SK innovation advertised for a Social Economy Development and Support program in 2013. Through paper screening and due diligence with a total of 65 proposals submitted to this first such program arranged by a Korean conglomerate, we supported four select business proposals to establish social enterprises, community businesses or social cooperatives, creating jobs for older citizens in Seoul, Daegu, Jeonju and Yeongkwang. SK innovation also contributed business consulting services in accounting and labor issues as well as budget subsidies.



1 - 2 Social Economy Development and Support program, Jeonju Bread café opened in front of the Jeonju City Hall in July 2014.

SK innovation's Global Expansion Philosophy and Social Contribution Activities

Peru is an invaluable treasure of unlimited possibilities for SK innovation to realize its vision of global resource development projects. But with many poor farmers who are living hand to mouth, and under the belief that we should give back to society for global expansion opportunities, SK innovation has consistently worked on independent social enterprise projects. Its CSR activities in Peru began in 2007, when it set up an NGO called SK-Prosynergy as the control tower for its local CSR activities in response to the Peruvian government's invitation to its farming village development project. As of January 2012, we upgraded our CSR activities and initiated social enterprise programs such as the My School and My Eco-Tech Farm programs.



3 View of the Yachaywasi branch



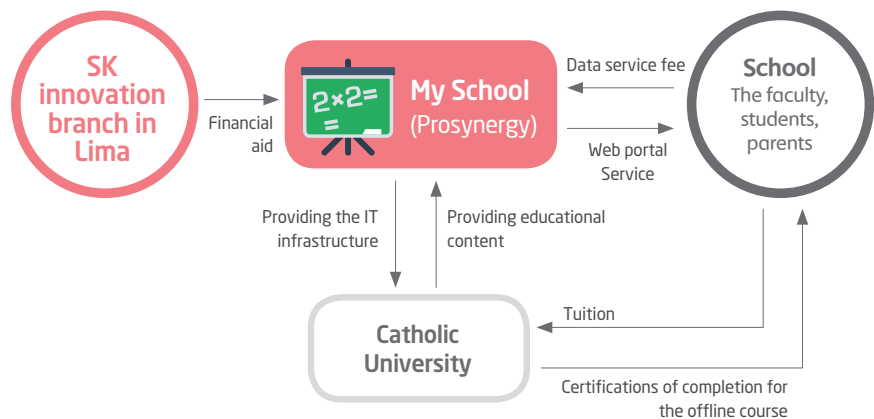
1 · 2 Presentation on the Parent Monitoring System
3 View of the Yachaywasi farm

My School Program for Educational Equality in Peru

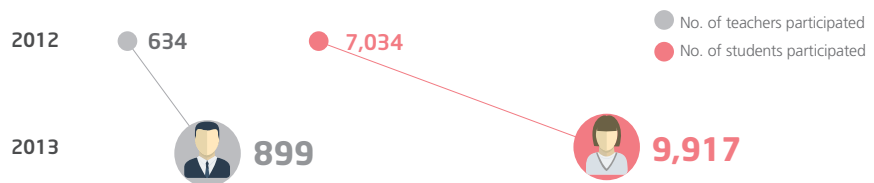
In addressing the underdeveloped public education system and low interest in education in Peru, SK innovation has been involved in the My School Program since 2012 to promote educational equality for local students from low-income families.

Based on its online platform, the My School Program offers online teaching skills and instruction materials to local teachers. In addition to the e-textbooks, workbooks and online library, the program also provides self-assessment, a parental monitoring system and online communities for interactive communication between teachers and parents.

As a result, the enhanced teaching skills of teachers significantly contribute to the higher academic achievements of students, which in turn further motivates teachers to work harder. SK innovation plans on continuing this support through 2014 and to contribute to better education in Peru.



My School Program Performance Results



My Eco-Tech Farm Program

Most Peruvians make a living by farming, but most are suffering from extreme poverty. As such, SK innovation launched the My Eco-Tech Farm Program to help them with advanced agricultural skills and techniques to become more independent.

Under the program, SK innovation supports the farming villages in the regions of its operations with agricultural tips and techniques through consulting and with the aim to increase their income and foster them into agricultural leaders in the regions. Launched as an agricultural social enterprise in December 2012, our signature global CSR program Yachaywasi originated from this program.



1 Opening of the first Yachaywasi branch
2 Agricultural technique education program

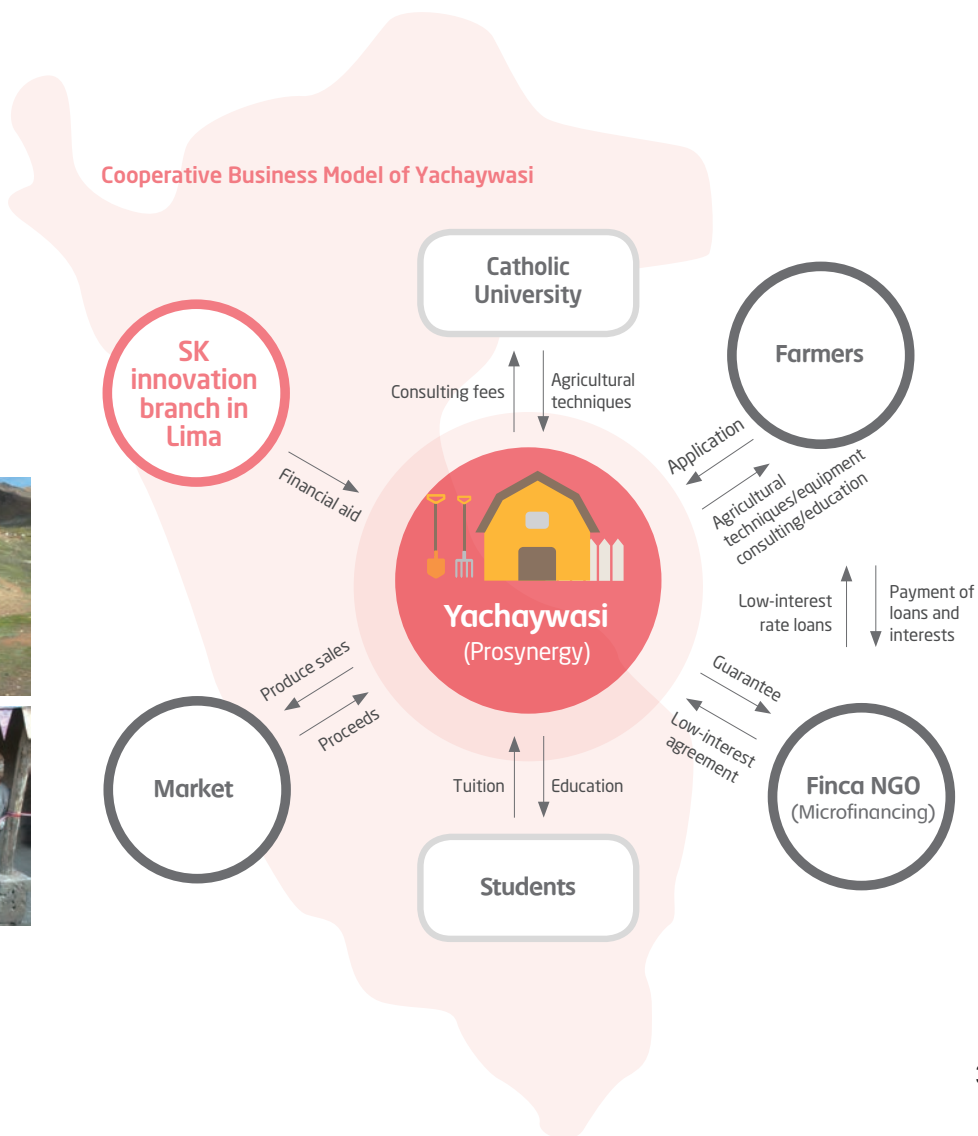
Yachaywasi: Cooperative Business Model

Yachaywasi is the first global social enterprise set up by a Korean conglomerate outside Korea under the mission of training agricultural techniques to local farmers and agricultural produce tracking programs on its online platform. Additionally, the center supports farming specialists' visits to local farmers for aid and arranges micro-financing for local farmers to help local farming villages go financially independent with its one-stop services.

The Yachaywasi program is freight with significance in its business model, where the business, government, university and NGO collaborate for a shared goal. Led by the SK-ProSynergy as the founder and operator, the Peruvian government supports farmers in the form of 30-year leases of farm land for 30 years and the local catholic universities contribute their agricultural techniques with local microfinancing and NGO financial aid. Riding on the positive response by the local government, academia and farmers on the first branch, Yachaywasi opened the second branch in Pilpichaca, Peru in July 2013. Consulting and transferring 50 farming techniques to local residents, the program also offers the farmers farming supplies purchase expenses at low interest rates and supports their marketing activities through cooperatives. In the future, we are reviewing more ways to expand marketing activities on agricultural produce and establishing more cooperatives in the country. Going forward, we expect an explosive growth in the number of beneficiaries and accumulated know-how of the program will help us save on costs and break even by 2016 with the program.



3 Construction site of Yachaywasi
4 Opening of the second Yachaywasi branch





Work-Life Balance

SK innovation's CEO reiterated his commitment to making the company a happier workplace through its Happy Management practices. The company has since implemented diverse programs to establish this into the corporate culture to enhance employee satisfaction, which will propel the company's sustainable growth.



Family-Friendly Management at SK innovation

First Korean Refiner to Adopt Flexible Work Hours

SK innovation adopted a flexible work hour system which allows employees to adjust their working hours between 7:00 a.m. and 10:00 p.m. by the approval of each team leader. This system was well received by employees, especially those who have to drop off their children at daycares on their way to work or want to go home early to spend time with their families.

Enhanced Flexibility in the Work Process with the Smart Work System

Providing efficient working conditions is important to creating a great workplace, as is recruiting talented people. To that effect, SK innovation launched a mobile office system to change the work environment into a smart work system. As a result, streamlined internal meetings and reporting procedures have enabled employees to balance their lives between work and life, giving them a chance to concentrate on more creative and productive jobs at work and spend more time with their families. In addition, artificial grass planted and the removal of partitions between desks at the office promoted proactive communication among colleagues and eliminated loss factors from the office.

More Creative and Engaged Employees with Zero Tolerance for Overtime Projects

SK innovation initiated the "Zero Tolerance of Overtime" campaign in order to improve the inefficiency in the work process and to promote performance-oriented evaluation practices by eliminating unnecessary overtime working. As chronic overtime working compromises productivity, SK innovation encourages all employees to leave the office on time. By reflecting the overtime practices in the year-end personnel performance evaluation of team leaders and executives, the company encourages leaders to take the lead in this campaign. This approach proved effective as a growing number of employees are going home on time.

This campaign also generated significant results as employees became more engaged and passionate in their work.





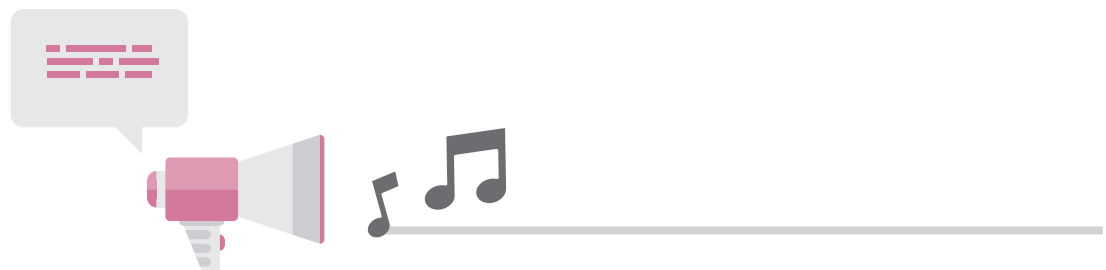
1 SK innovation SK Happy Childcare Center
2 SK innovation Counseling Center

Addressing Childcare Issues

SK innovation is aware that many of its employees expecting babies feel uncomfortable to apply for childcare leaves at the end of maternity leaves. To address this issue, the company made it mandatory to take childcare leaves after maternity leaves. Now, employees who are expecting babies can take at least one year off after they take maternity leaves without a separate expression of their intention. However, they do need to take steps when they want to adjust or delay the period according to their individual situation and receive their supervisor's approval. Additionally, the company runs an in-house daycare center, SK Happy Childcare Center, for its employees with preschool children.

Counseling Center for a Healthy Work-life Balance

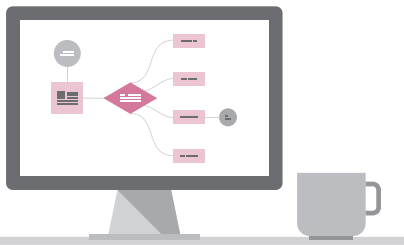
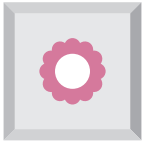
SK innovation operates an in-house counseling center called Harmonia to assist its employees with their stress management and career development. With certified psychology counselors on standby and 10 more external specialists ready to help, the center provides employees with systematic counseling programs in the areas of leadership/career coaching, psychology counseling and family counseling to help enhance employee engagement and happiness as well as their continued self-development. Since opening in 2005, the number of employees using the service has grown for years and reached 1,400 people in 2013. The feedback score—4.8 points on a scale of 5—shows a high satisfaction among users. In particular, a varied family counseling program is available for the families of SK innovation employees on the subjects of parent-children relationships, parenting education, and couple relationships. As such, Harmonia has become a trusted partner to our employees for their happiness.



Open Corporate Culture for a Great Workplace

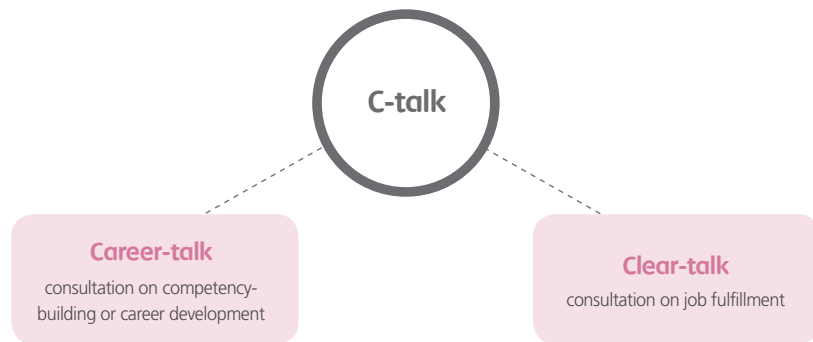
Across-the-board Communication Programs

At SK innovation, we believe that open and interactive communication is imperative to building a great workplace. In fact, the company maintains open communication with its employees on management's commitment to innovation in the corporate culture in order to encourage its employees' participation. At the same time, the company is committed to positively addressing and finding solutions to employee grievances at work.



- V-board**
V-Board is an internal channel for bottom-up communication. Every year, the company publicly invites employees to come forward with ideas for revitalizing the organization, to review corporate culture, and to look at process innovation ideas.
- C-talk: a Year-round Coaching Program**
C-talk is SK innovation’s signature coaching program for assisting employees’ self-development. Employees can consult their team leaders or peer groups whenever they need motivation or advice on new projects, career development, or work issues. To that effect, the company is systematically assisting team leaders in developing their coaching skills. This one-to-one coaching program is highly expected to enhance overall performance results and stimulate employees’ competency-building.

C-talk Process



Addressing Employees’ Grievances

SK innovation reflects employees’ opinions in its business planning in promotion of its shared value through mutual cooperation between labor and management and for the long-term growth of the company. The Grievances Committee, comprised of the same number of representatives recommended by management and the labor union, functions to improve the work environment and working conditions. Employees can make voice their concerns via mail, phone, e-mail and other media to appeal to the Committee. In 2013, employees consulted the Committee on such issues as career planning, organizational challenges, communication issues, and job stress. In dealing with these issues, the company utilizes such programs as organizational diagnosis, leadership diagnosis, psychological testing, and Harmonia’s program when necessary to help solve the problems.



• • • •

Performance Indicator

A large offshore oil rig is illuminated at night, with its complex structure of steel beams, ladders, and platforms glowing against a dark sky. The rig is situated in the middle of the ocean.

Economic

A close-up of a smiling male worker wearing an orange safety cap and a blue jacket with an orange high-visibility vest. The vest has the SK logo and some text on it. He is looking towards the right.

Social



Safety, Health,
Environment

Economic Performance

Under the vision of becoming a technology-driven innovation company, SK innovation is tirelessly working to develop its new growth engines with its world-leading original technologies. Through the strategic spin-off of its subsidiaries and reshuffling of its CIC organization, the company has optimized its competitiveness in each business area. SK innovation and its subsidiaries will strive to become a major international company by closely working under the “independent but united” strategy.

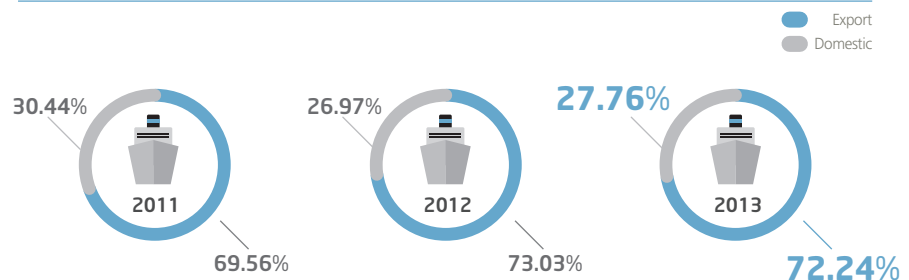


Creation of Economic Value

Revenue at Key Businesses as of Dec. 31, 2013 Unit: KRW billion

		2011	2012	2013
Petroleum Businesses	Exports	23,549.5	26,552.1	22,861.1
	Domestic market	27,189.4	26,324.1	24,847.0
	Overseas subsidiaries	37,205.4	58,653.1	20,662.1
	Subtotal	87,944.3	111,529.3	68,370.2
Petrochemical Businesses	Exports	11,269.1	9,108.1	9,810.2
	Domestic market	6,923.5	7,008.9	7,520.3
	Overseas subsidiaries	4,342.7	2,399.9	1,007.5
	Subtotal	22,535.3	18,516.9	18,338.0
Lubricants Business	Exports	388.9	464.0	534.1
	Domestic market	642.7	526.3	644.2
	Overseas subsidiaries	1,953.2	2,084.9	1,844.4
	Subtotal	2,984.8	3,075.2	3,022.7
E&P and Others	Exports	1,196.1	1,192.2	1,155.9
	Domestic market	369.8	1,177.8	359.9
	Overseas subsidiaries	15.4	13.6	11.0
	Subtotal	1,581.3	2,383.6	1,526.8
Consolidated Adjustment		-46,674.5	-62,175.0	-24,588.2
Total		68,371.2	73,330.0	66,669.5

Domestic Market vs. Export Contribution to Overall Revenue





2013 Financial Statements Summary

Condensed Income Statement

Unit: KRW million

	2011	2012	2013
Sales	68,371,155	73,330,011	66,669,522
Cost of goods sold	63,551,358	69,743,724	63,407,690
Gross margin	4,819,797	3,586,287	3,261,832
SG&A expenses	1,860,314	1,886,923	1,878,941
Operating income	2,959,483	1,699,364	1,382,891
Finance income	2,704,798	2,165,208	1,641,325
Finance costs	2,736,881	2,323,725	1,866,347
Gains or losses from equity method	106,229	131,086	67,709
Non-operating income	2,191,143	110,990	130,351
Non-operating expenses	916,124	94,201	238,570
Income before income taxes	4,308,648	1,688,722	1,117,359
Income taxes	1,132,804	506,370	338,626
Net income	3,175,844	1,182,352	778,733
Other comprehensive income	166,274	-226,432	55,585
Total comprehensive income	3,342,118	955,920	834,318

* 2013 Financial Highlights are based on the consolidated financial statements of the 2013 Annual Report.

Condensed Balance Sheet

Unit: KRW million

	2011	2012	2013
Current assets	19,886,932	17,885,166	16,997,440
Non-current assets	15,139,949	15,945,914	18,291,430
Total assets	35,026,881	33,831,080	35,288,870
Current liabilities	14,305,452	12,024,818	11,665,350
Non-current liabilities	5,889,819	5,458,238	6,708,265
Total liabilities	20,195,271	17,483,056	18,373,615
Capital attributed to owners of the parent company	14,577,275	15,371,342	15,839,458
Capital	468,570	468,570	468,570
Other paid-in capital	5,741,388	5,757,017	5,756,998
Consolidated retained earnings	8,202,693	9,114,823	9,535,337
Other capital	164,624	30,932	78,553
Non-controlling interests	254,335	976,683	1,075,796
Total shareholders' equity	14,831,610	16,348,025	16,915,254

Government Grants

In 2013, SK innovation received a total of USD 7.6 million through the Korean government's Success Repayable Loan System program*¹ for five overseas exploration and production (E&P) projects, including those in Colombia, Peru, Kazakhstan, Australia and Equatorial Guinea. The key blocks funded through this loan included the Zhambyl block in Kazakhstan, the Z-46 block in Peru, and the CPO-4 block in Colombia, where seismic surveys and drillings are underway at the moment.

Government Grants

Unit: USD 1,000

	2011	2012	2013
	52,430	24,673	7,592

*¹ The Korean government subsidized E&P projects with a low chance of success in the form of loans, of which the principal and interest are repayable only if the exploration proves successful and generates a profit.

Credit Rating

The international credit rating agency Moody's upgraded SK innovation from the previous Baa3 to Baa2 in 2013 for its financial stability. This was backed by a diversified business portfolio as well as continued reduction in borrowings.

Return to Shareholders

Dividends as of Dec. 31, 2013

	2011	2012	2013
Par value per share (KRW)	5,000	5,000	5,000
Earnings per share (KRW)	34,004	12,720	7,832
Dividends per common share (KRW)	2,800	3,200	3,200
Dividends per preferred share (KRW)	2,850	3,250	3,250
Total cash dividends (KRW million)	261,001	298,278	298,278

* Earnings per share refers to the earnings per equity attributable to owners of the parent company

Subsidiaries & Shareholders as of Dec. 31, 2013

• Shareholders with more than 5 percent of outstanding shares

Unit: shares, %

Name	No. of shares in holdings	Ownership
SK Corp.	30,883,788	33.40
National Pension Service	7,946,224	8.59

• Subsidiaries

Unit: %

SK energy	SK global chemical	SK lubricants	SK incheon petrochemical*	SK trading international
100	100	100	68	100

*1 SK incheon petrochemical increased its capital by issuing new preferred stocks on July 16, 2013 (common share 100%).

* SK innovation's ownership of each subsidiary

Risk Management

Dependence on Foreign Sources of Crude Oil and Market Price Fluctuation Risks

Most Korean petroleum production companies are entirely dependent on importing crude oil, which constitutes a significant feedstock for all oil-related products. Both the supply and price of imported crude oil are determined by numerous factors. SK innovation takes numerous measures to minimize the risk factors arising from the fluctuation in market prices of crude oil, but various global factors—whether economic, regulatory or political, as well as weather conditions—can alter market prices. SK innovation's capability to secure crude oil is relatively stable because we import most of our crude oil based on long-term contracts with a variety of oil providers, and only a small portion through the spot market. Since exchange rates have a significant impact on oil imports and sales, they are considered critical risk factors.

To reduce the risk from such fluctuations in foreign exchange rates, SK innovation closely monitors foreign exchange-related risks in its operating and non-operating profits/losses using the VaR (Value-at-Risk) methodology.

It also hedges excessive risks with derivative products such as future exchanges and currency swaps under foreign currency management rules. The Treasury Team at SK innovation keeps track of all profits or losses to do with foreign exchange transactions, while also maintaining a derivatives portfolio and hedge plans, all of which it then provide reports to top management regularly.



Risks Arising from Concentrated Facility Operations and Environmental Regulations

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

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

Compliance System in Response to Regulatory Risks

SK innovation has in place a compliance system (CS) for its executives, management and employees to ensure the company-wide legal compliance in regards to sustainability management, society and the environment.

The system devises plans on evaluating/managing legal risks associated with all business activities conducted by its employees in compliance with related regulations and systematically responds to the legal risks through education, support and monitoring of compliance practices, while also reviewing the effectiveness of these activities and improving their practices. Based on key risk factors identified through our in-house tests, we have assigned specific organizations in charge of each factor to establish an efficient system for legal risk management in the daily fulfillment of duties by compliance organizations. We also provide real-time monitoring and legal counseling on key risk factors around the clock and collect these self-check results from each team to run feasibility tests with key risk factor management practices.

Compliance System

	Key Risk Factor	Compliance organizations	Major Activities
Sustainability management	General shareholders' meeting/ Board of directors meeting	Finance Office/Office of the Board of Directors	Holding GSM and supporting BOD meetings
	Ethical management	Internal Audit Office	Accounting audits, business audits, ethics consulting/reporting programs
Economy	Investment management	Portfolio Mgt. Office	Supporting legal compliance at investment companies
	Accounting/taxation/disclosure/ foreign exchange	Accounting Office/ Tax Office/ Finance Office	Reviewing taxation/disclosure/accounting/foreign exchange issues, establishing/operating an internal accounting control system
	Protecting intellectual properties	Global Technology Strategy Office	Filing/Managing intellectual properties, including patent rights
SHE	SHE Management System	SHE Division	SHE Regulation risk response/check
Society	Working conditions/non-regular employees	Human Resources Office	HRM Committee, reviewing labor issues, sexual harassment prevention education
	Subcontracting/Win-win partnerships	Procurement Office	Reviewing subcontracting issues, Win-Win Partnership Committee
	Fair transactions (anti-trust, unfair transactions)	Corporate Relations Office	Legal advisory/Education on various subjects including fair transactions

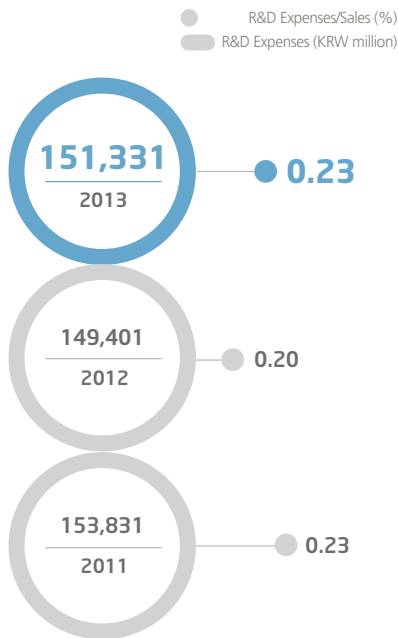
Global Technology

With the aim of becoming a technology-driven innovative company, SK innovation is actively pursuing new technology R&D and new business in the renewable energy, petroleum/ petrochemical and new materials industries based on its world-class original technologies. The Global Technology serves a pivotal role in the R&D and engineering support of SK innovation and its subsidiaries. The Global Technology is comprised of Engineering Division, Global Technology Strategy Office, and GT Management Support Office and of a Institute of Technology that consists of an Energy R&D Center, Lubricants R&D Center, Chemicals R&D Center, Performance Materials R&D Center, Catalyst · Process R&D Center and Battery R&D Center.

SK innovation assetizes its R&D results and held a total of 1,068 patent rights as of the end of 2013. Most patents deal with the refinery process, lubricants, polymers, I/E materials and batteries, all of which are key to SK innovation's main business operations or with a high potential for key technologies in the future.

R&D Expenses

as of Dec. 31, 2013



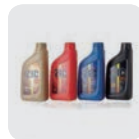
R&D Areas



• Petroleum

We are playing a leading role in the development and production of oil resources through consistent R&D efforts to develop advanced petroleum-related technologies associated with processing extra-heavy oil processing and increasing the production of crude oil.

E&P technology / Oil improvement technology / Eco-friendly/high-performance petroleum products / Asphalt



• Lubricant

We produce a VHVI (very high viscosity index) premium lube base oil called YUBASE™ and an advanced lubricant called ZIC™ that is based on YUBASE™.

High-grade lube base oil (YUBASE™) / High-performance lubricant (ZIC™) / HVI lube base oil



• Petrochemical

We have original catalyst technologies and process them to create high value-added aromatics products. In addition, our technological depth was backed up when we became the world's first company to develop fluidized catalytic naphtha cracking technology.

Olefin technology / Aromatics technology / Petroleum technology / Petrochemical technology



• Polymers

We were the first company to commercialize CO₂-based plastics technology and we possess the world's most competitive technologies in manufacturing high-performance polyolefin and PE-RT products.

GreenPol / Nexlene / EPDM rubber / On-demand products



• Advanced Battery

Lithium polymer batteries for electric vehicles and energy storage systems.

EV batteries / Energy storage systems / next-generation batteries



New Technology Development & Awards (2013)

Dec. 19, 2013
HBD earned the NET accreditation

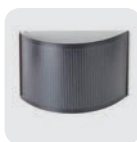
Nov. 12, 2013
FCCL received the Presidential Commendation at the 2013 New Technology Commercialization Awards

Nov. 12, 2013
FCCL was awarded the Ministerial Commendation at the 2013 Korea Technology Awards

Oct. 30, 2013
Cho Yong-Gyun, Principal Researcher, was awarded the Component & Material Technology Prize at the 2013 Global Component & Material Industrial Awards

Oct. 24, 2013
Kim Suk-Joon, Principal Researcher, won the YOONCHANGGU prize from the Korea Institute of Chemical Engineers

Apr. 21, 2013
Cho Yong-Rae, Principal Researcher, earned the Ministerial Commendation at the Scientific Technology Promotion Merit Awards



- New Energy**
 Developing future-oriented innovative energy technologies, including next-generation biofuels, clean coal energy, and hydro energy
 Clean coal energy / Biofuels / Hydrogen energy



- New Materials**
 Drawing on our core competencies in the polymer and petrochemical businesses, we are actively developing new materials for the I/E and energy sectors.
 LiBS (Lithium-ion Battery Separators) / FCCL (Flexible Copper Clad Laminates) / Optic film

2013 R&D Achievements

- GreenPol**
 SKI was the world's first company to successfully transform CO₂ into polymers in commercial size to produce eco-friendly plastics.
- Green Coal (Clean Coal Energy)**
 The Green Coal project was named one of the "Top 100 future-leading technologies of Korea by 2020" in 2013 by Korea's National Academy of Engineering. Commercial-level, low-rank coal gasification technology package development completed.
- High-performance Polyethylene (Nexlene)**
 SK innovation was the first Korean company to develop original technology for high-performance polyethylene (Nexlene) utilizing a single-site catalyst. Newly constructed and with an annual capacity of 230,000 tons within the Ulsan complex, the Nexlene plant will reinforce our high value-added petroleum product portfolio.
- Hydro-treated Biodiesel**
 The oxygen-isomerase reaction integration process technology for enhancing productivity of hydrotreated biodiesel earned national accreditation with New Excellent Technology and related patents. This is currently under work for international licensing.



What is the strength of this technology and what influence does it have on our daily lives?

SK innovation was the world's first company to successfully develop the continuous production process, commercializing GreenPol technology at a reduced cost. In fact, we have already supplied GreenPol-based products in plastic bags for Paris Baguette, Korea's largest bakery franchise. It is a biodegradable plastic product and is going to be commercialized in the near future, as it has shown a low defect rate. In the future, we expect an explosive increase in the use of GreenPol in tandem with the growing needs for more eco-friendly products.

Kwon, Tae-wook
GreenPol Project Team Leader, SK innovation

Social Performance

① Employees

SK innovation is building a great workplace where its employees can enjoy working in desirable working conditions. As its people constitute the fundamental competitiveness of the company, it strives for human resource development and motivates its employees with performance-based compensation and generous fringe benefits as well as fair recruitment.



Fair Opportunities and Respect for Diversity

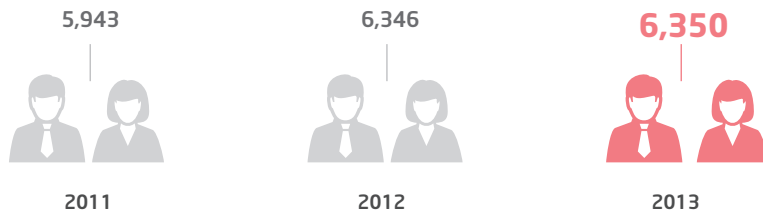
SK innovation strictly prohibits discrimination in any form against employees at its business premises, and always strives to ensure fair, reasonable opportunities for employees so that they can realize their full potential. All recruitment procedures abide by Korea's Labor Standards Act and Equal Employment Act to ensure fair procedures across the board. In addition, the terms and conditions of employment fully comply with Korea's standard collective bargaining agreement, employment standards, and employment agreements.

Female employment is adhered to under all applicable laws regarding the prohibition and regulations of gender-based discrimination, with the company also offering an annual training session to prevent sexual harassment in the workplace. SK innovation ensures equal opportunity for female employees and equal pay for equal positions. Furthermore, women who have just given birth can take advantage of a generous maternity leave package and rest assured that they can later return to their same position.

Also, SK innovation closely collaborates with the Promotion of Employment for the Disabled with the Korea Employment Promotion Agency for the Disabled so that 2.5 percent of its workforce will soon be made up of disabled people, the legally required percentage of disabled employees.

Workforce

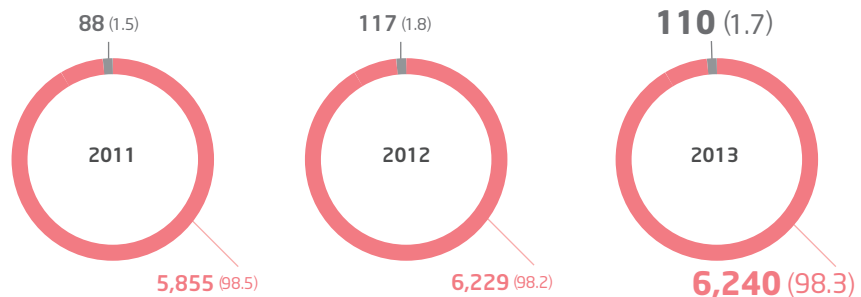
Unit: persons



Regular/non-regular employees

Unit: persons(%)

● Regular ● Non-regular

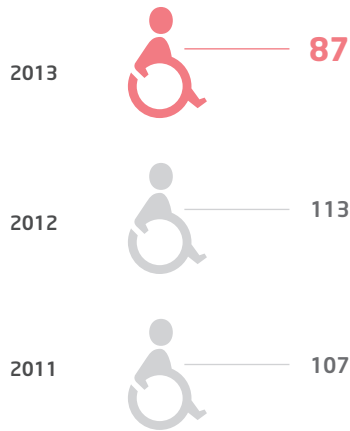




Social

No. of disabled employees

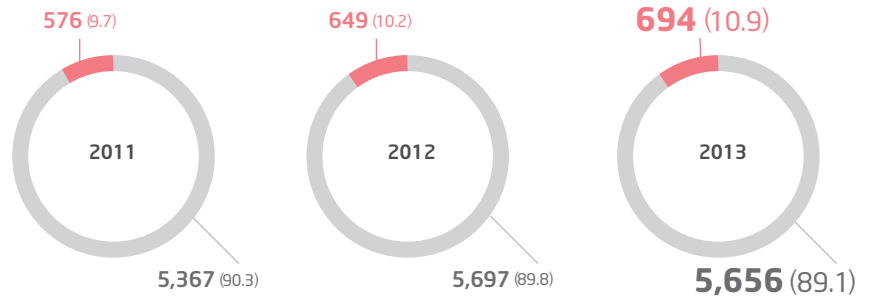
Unit: persons



Workforce breakdown by gender

Unit: persons(%)

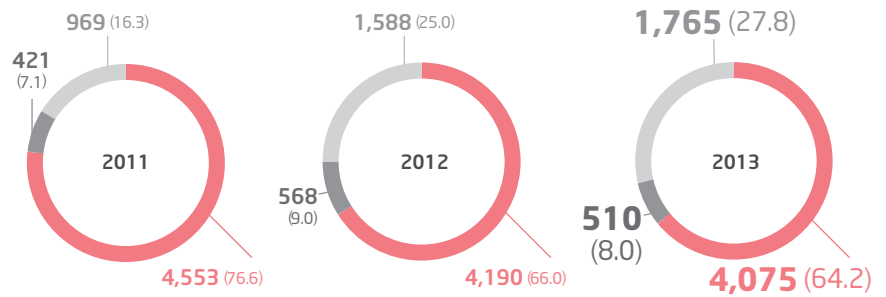
Male Female



Workforce breakdown by age group

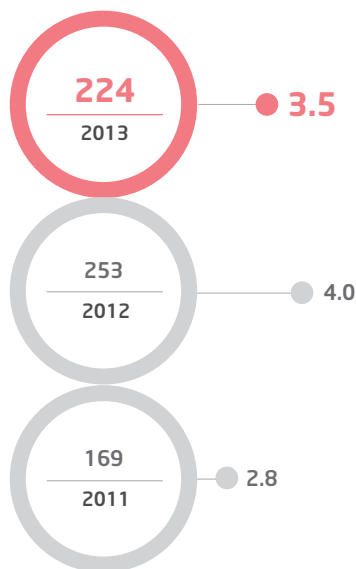
Unit: persons(%)

Under age 30 Between 30 and 50 years of age Above age 50



No. of retirees and severance rate

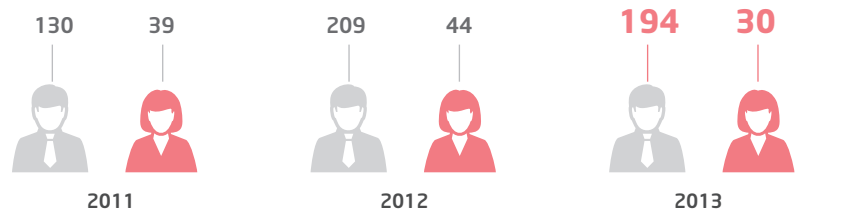
Severance Rate(%)
No. of Retirees(persons)



No. of retirees by gender

Unit: persons

Male Female



Average service years

Unit: year



Employees on Parental Leave

Unit: persons

	2011	2012	2013	Remarks
Male employees entitled to paternity leave	853	1,042	927	No. of employees who have children under the age of six
Female employees entitled to maternity leave	151	182	191	
No. of male employees who used parental leave	-	-	1	As of the first day of parental leave
No. of female employees who used maternity leave	31	43	58	
No. of male employees who worked at least one year after returning from paternity leave	-	-	-	Starting from the first day of returning from leave
No. of female employees who worked at least one year after returning from maternity leave	35	48	41	

Respect for Human Rights & Non-Discrimination

SK innovation upholds the human rights of all employees and strictly bans any form of discrimination to ensure equality and harmonious relations within the organization. In compliance with all relevant labor laws, the company guarantees employees' right to work and every labor union member's freedom of association and collective bargaining under related labor laws. Furthermore, the company consults with the labor union regarding management issues of significant impact on employee rights, while details concerning business operations are shared with the labor union on an ongoing basis. In addition, the company immediately reports all results from its restructuring efforts and rewards/punishments to the labor union.

SK innovation does not own any businesses that have a high risk of child labor, nor does it encourage forced labor and strictly prohibits such illegal activities.

SK innovation Labor Union

Unit: persons

Associations	No. of Permanent Union Office Members	Membership
Federation of Korean Trade Unions	3,569	7

Recruitment and Human Resources Development

SK innovation has adopted a "Right People" recruitment protocol to avert the usual recruitment procedures that focus on specific skill sets. The new application forms request applicants' background knowledge or special experiences, offering advantageous points for experience with running their own business/filing for patent rights or club/community activities. The paper screening stage has eliminated any specific skill set check and replaced it with a personal statement to see if applicants have the competencies suitable to the given job position and their adaptability to a given job.

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

All HRD systems are based on the company's management principle that pursues SUPEX through human-oriented management practices.

Based on these four categories, SK innovation's HRD programs encourage its employees with self-led HRD programs and building a happy working environment where they can voluntarily and passionately work hard with a high level of engagement.

Annual Training Hours Per Employee

Unit: hours



55



Fair Evaluation & Compensation

At SK innovation, employee evaluation systems are taking place in line with SK Values, competencies and performance standards. The company evaluates individual competencies, capabilities and accomplishments on a regular basis, which then provides the criteria for promotions, transfers, training and compensation. The evaluation criteria and processes differ depending on the job characteristics and position of each employee. Compensation is made in an established salary and bonus system to ensure fair compensation based on employees' abilities, credentials, and performance. Bonuses are graded and paid out based on performance by calculating the company's financial resources according to the EVA (economic value added) and KPI (key performance indicators). With a fair, reasonable promotion management program in place that takes into consideration employee evaluation results, SK innovation also takes into account each person's abilities and credentials.

Supporting Employee Welfare

SK innovation offers employees generous fringe benefits in support of their self-development and financial stability to raise their morale.

The main programs include health check-ups, medical bill subsidies, housing loans, and scholarships for child tuitions. There are also diverse vacation/leave programs, congratulations/condolence support, and resort/condominium sharing programs.

In recognition of their long-term service, the company confers rewards to employees of merit who are retiring and those who have served the company for a long period of time.

SK innovation Fringe Benefits



Lifestyle programs

Housing loans
Children scholarships
Health management and medical bill subsidies



Culture/leisure programs

Vacations/leaves
Congratulations and condolence support
Resort & condominium sharing



Employee rewards program

Retirement pay of merit
Long-year service rewards

Social Performance

② Social Contribution

Committed to creating sustainable value for society, SK innovation fulfills its role as a corporate citizen and takes a far-sighted approach to tackle social issues with more fundamental solutions such as social enterprises, job creation, and underprivileged support.



Employee Volunteerism

SK innovation's Released-Time program, which counts volunteer activities as part of job fulfillment, encourages employees to engage in company-wide volunteerism by incorporating volunteer activities into the corporate culture. Launched in July 2004, SK innovation's 1004 Volunteer Corps oversees all company-wide volunteer activities controlling the 68 volunteer teams at its five worksites.

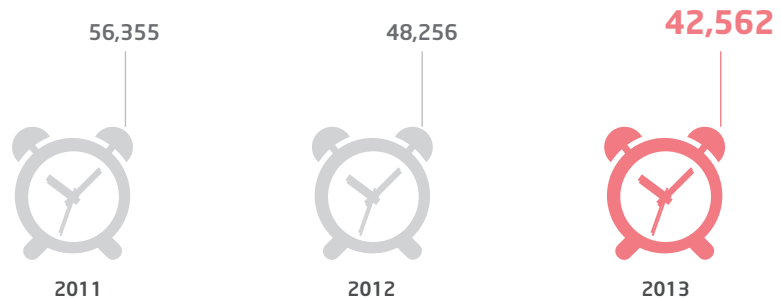
No. of Volunteers

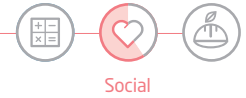
Unit: persons



Annual Volunteer Hours

Unit: hours





Social Contribution Programs

Guided by the value to contribute to a higher quality of life, SK innovation is involved in a number of programs committed to making Korea a happier society. Departing from one-time donations or short-sighted contributions, the company continuously implements new social contribution programs to tackle fundamental social problems and to stimulate sustainable change for a better society.

Our social contribution programs focus on creating and supporting social enterprises and the social and economic ecosystems around them. We also attend to the different needs of local communities where our worksites are located through customized programs, while our employees volunteer in various activities, thereby effectively building connections with local residents.

Pursuing Social Values



1 Pop-up Stores for Social Enterprises

2 Jeju United FC & Happiness Sharing Happy Wings Campaign

- **Supporting Social Economies**

SK innovation collaborates with the Community Chest of Korea through a joint project to “support seniors in finding jobs and contribute to the development of social economy.” To date, we have supported social economies (social enterprises, community businesses, and social co-operatives) in four regions across the nation, providing them with continued consulting services customized to their different needs as well as financial support.

- **Pop-up Stores for Social Enterprises**

In a bid to support the promotion of social economies, SK innovation has engaged in diverse support activities, such as pop-up stores, marketing education, and arranging transactions. On Social Enterprise Day in July 2013, we opened the first pop-up store for a social enterprise in Korea.

- **Sponsoring Social Enterprises**

SK innovation began sponsoring social enterprises in 2007. In 2011, the company created one of its own social enterprises, Happy Farm. After taking care of all the administrative and financial aid for earning the business certification and stable operation of Happy Farm, we are proud of the fact that we established a successful social enterprise model.

- **Jeju United FC & Happiness Sharing Happy Wings Campaign**

SK innovation runs a youth football club that has its own football ground and is attached to the Jeju United FC as a means to foster promising young football players from the local community. Whenever the Jeju United FC wins the home game, its 18 sponsor companies make donations in kind or cash to the fund, which is then delivered to the needy in the local communities as part of the Happiness Sharing Happy Wings Campaign.

- **SK Sugar Gliders Women’s Handball Team & Sports Voucher Project**

SK innovation established the SK Sugar Gliders women’s handball team in support of the relatively unpopular sport in Korea. The company also runs a handball class for students in promotion of sports club activities. In connection with the sports voucher project, it also invites underprivileged children living in local communities to watch games.

Environmental Stewardship

- **Environmental Composition Contest**

Celebrating its 21st anniversary in 2013, the Environmental Composition Contest expanded its eligibility in 2012 to include audibly challenged students and developmentally challenged students in 2013. In 2014, approximately 1,300 blind, deaf and developmentally challenged students from elementary, middle and high schools participated in the contest and 53 award winners were invited to an overnight camp to share a precious experience together.



1 Rose Festival in Ulsan Grand Park
2 Happy Flower Garden



3 Happy Companionship
4 Love Books
5 Barrier Free Tour

• **Rose Festival in Ulsan Grand Park**

SK innovation built and then donated Ulsan Grand Park to Ulsan City. Since then, it has hosted an annual rose festival for local residents. In 2013, the company held the 8th festival under the theme “Rose City Ulsan!” in which 1.52 million people enjoyed the spectacle.

• **Happy Flower Garden**

Since 1985, SK incheon petrochemical has been opening itself up to people to enjoy the local environment, including the city’s annual cheery blossom festival. The event serves to entertain local residents and provide them with the opportunity to visit the eco-friendly petrochemical plant in person. Attracting an annual average of 20,000 visitors, the festival has become a famous festival in Incheon.

• **Happy Flower Garden and Han River Flower Bed**

SK innovation has been building flower gardens at social welfare centers every spring for years. In 2013, its employees created flower gardens in 14 social welfare centers where they pay regular visits for volunteer activities. In collaboration with Seoul’s Hangang Park office, SK innovation employees volunteered to plant 15,000 bushes and flowers in Mangwon Hangang Park (Mapo-gu, Seoul) in 2013.

Giving Back to Society

• **Happy Companionship**

SK innovation provides various support to its small- and medium-sized (SME) suppliers who lack financial and human resources and know-how in social contribution activities. By publicly inviting new ideas for social contribution activities from 240 of its suppliers and those of its subsidiaries, SK innovation grants funds and consulting services to prize winners for putting their ideas into action. Five finalists were supported with funds and consulting services in 2013.

• **School for Love**

Since 2000, SK innovation has been subsidizing financially distressed children in communities near its Ulsan CLX and SK incheon petrochemical sites with scholarships, meal expenses and school uniform expenses. In 2013, the number of beneficiaries amounted to 1,000 students from elementary, middle and high schools near its operations.

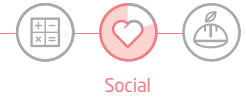
• **Love Books**

We signed an agreement with the Ministry of Health and Welfare and SBS in May 2013 to donate books for small libraries at local community childcare centers. Signatory SK gas stations and their customers now make donations and the raised funds are spent on buying books to donate to local community childcare centers. In 2013, the company also provided scholarships to children who won prizes at the Reading Camp and Reading Rewards Convention.

* The Love Books website <http://lovebook.enclean.com/> (Korean): Visit the website and leave a comment of cheering directed to the children of the local community childcare centers and we are donating one book per comment to the cited center.

• **Barrier Free Tour**

In partnership with the Korea Tourism Organization (KTO), SK innovation operates the Barrier Free Tour campaign, taking people with disabilities and financial distress to barrier-free trips to tourist attractions. In 2013, we organized four tours for 200 beneficiaries, including a low-income hearing impaired couples’ trip to Jeju and a trip for the physically challenged and those with cerebral palsy to the Busan-Ulsan-Gyeongju regions by pairing them with able university students.



- **Netruck House**

In promotion of the improved welfare of truck drivers, SK innovation runs Netruck House, a rest area service network exclusively for truck drivers. Since the opening of the first station in Gwangyang in October 2007, the network has grown to number 13 stations across the nation as of 2014.

- **Table for Two**

SK innovation adopted the Table for Two initiative in 2013. Every Friday, our employees can donate KRW 300 per person when they choose the Table for Two menu. The raised funds are spent on providing school meals to undernourished children in Kenya, Uganda and Rwanda.

Volunteer Activities

- **Sarang Kimchi & Coal Briquettes**

During SK innovation's Happiness Sharing Season every October, all of the company's employees go out and help the underprivileged prepare for the winter. In 2013, we provided 130,000 kilograms of kimchi to 11,000 households and 214 social welfare centers as well as 110,000 coal briquettes to 430 households across the nation in collaboration with the Korea Association of Volunteers' Center.

- **Prospective Science Mentoring and Quiz Contest for Children**

In partnership with the Yuseong District Office, SK innovation's Global Technology in Daedeok organized a prospective scientist mentoring event for 150 students from three elementary schools within the district. Since 2010, its Ulsan complex holds a quiz contest for 600 students from grades four through six in collaboration with the Ulsan Council of Social Welfare and a local community childcare center to inspire them with self-confidence and an interest in learning.

- **One Employee-One Donation Account Campaign**

SK innovation has been running the One Employee-One Donation Account Campaign since 2007. In 2013, 1,300 of our employees volunteered to chip in between KRW 5,000 and KRW 20,000 to the cause. The KRW 160 million fund raised through the campaign was delivered to the needy, including child patients with cancer for their medical bills.

- **Industrial-Academia Collaboration**

Under the industrial-academia collaborative agreement signed with JEl University's Department of Social Welfare in Incheon, SK innovation engages in a number of community services. The "Shoulder to Shoulder Festival", our signature annual event of this kind since 2010, is an event to invite 110 children from local orphanages and other community childcare centers in Incheon to attend several cultural performances and recreation programs. Additionally, we regularly help local elderly citizens living alone with their bathing and invite them to the university students' graduation exhibitions.

- **Walk with the Disabled Campaign**

SK energy hosts the Walk with the Disabled event every Fall in collaboration with the Ulsan Organization of the Disabled in an effort to help raise public awareness of disabilities and to provide the abled and disabled to come together and better understand each other. At the 10th event, in 2013, 240 disabled citizens, their families and volunteers took part, all of whom walked around Igidae Park and visited Oryukdo Island.



1 Prospective Science Mentoring and Quiz Contest for Children

2 Walk with the Disabled Campaign

Social Performance

③ Customers

SK innovation has implemented a number of customer satisfaction activities with high-quality customer service, maintaining trust-based relationships with its customers through ceaseless endeavors for sustainable customer value.



CS*1 Framework

*1 Customer Satisfaction

SK innovation aims to become a trustworthy company that is fully respected by its customers. To that end, the company has explicitly proclaimed its commitment to customer satisfaction in the basic principles of its business management framework (SKMS). Its CS Framework consists of on-site CS standards promotion, on-site CS surveys, on-site CS improvement activities and gathering Voice of Customer (VOC) systems.

Standards Promotion

SK innovation has in place CS standards for its SK service stations nationwide in order to provide the same high level of customer service across the country. The SK Service Station CS Guidelines stipulate the essential services that all SK service stations must follow, such as the clean management of all gas stations, how to deal with customers, and how to respond immediately to customer requests. The company also runs various programs to help service stations quickly adapt to the guidelines.

Practices at Customer Contact Points

SK innovation runs an on-site CS monitoring system at all its service stations called ACE (Appearance, Cleanliness, Evaluation). For the evaluation, panels selected by a the consigned research agency visit the gas stations and fill up as mystery shoppers to monitor CS practices and check the customer satisfaction level. The evaluation results are analyzed and sent to the gas station for future improvements.

Improvement Activities

- **On-site CS Improvement and CS 119 Team**

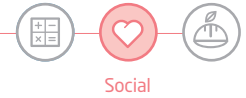
SK innovation's CS 119 Team is a CS consulting program in which CS experts visit service stations, check on their service levels, and suggest customized on-site training to help them improve their customer satisfaction levels. The focus is on increasing the CS mindset of operators at the stations and on providing intensive care to service stations that score below average.

- **Employee CS Campaign: Service Station CS Campaign**

SK innovation runs an annual Employee CS Campaign. The 2013 campaign was under the slogan "Your smile makes us happy" to learn the thoughts and requests of customers on-site and to reflect the findings in our plans for improving CS quality.



1, 2 Employee CS Campaign



- **Quality Assurance Program**

In order to further customers' trust in SK service stations, SK innovation runs a quality assurance program. The program monitors service station practices on a regular basis and offers rewards in advance if any customer discovers a problem with their car or their purchase after filling up at an SK service station in an effort to dispel customers' mistrust in any gas station's operations.

- **Increasing Membership and Affiliate Service Benefits**

SK innovation was Korea's first oil refiner to adopt a membership service in 1996. Today, the company offers all EnClean Bonus Card holders with 0.1 percentage of their purchase in OK Cashbag points for filling up with gas at SK service stations and 0.5 percentage of their purchase in OK Cashbag points for using LPG at its service stations. For all customers who use an SK service station since the first day of the previous month, the company offers a generous benefit of up to 30 percent discount/15 percent accumulated in mileage points with its alliance partners for the second visit in the following month.

Furthermore, we launched a new mileage card in 2012 that offers a discount service on the spot, with the discount amount printed on the receipt when filling up with gas. At the moment, the number of alliance cards available for this service has grown to 15 different types. Committed to providing even more benefits to customers, we plan to convert all our discount card benefits to allow on-the-spot discount benefits.

- **Legal Compliance**

SK innovation and its subsidiaries comply faithfully with the Broadcasting and Advertising Act, Consumer Protection Act, and other applicable laws, and did not violate any laws related to its products and services in 2013.

Voice of Customer (VOC) System

- **Collecting VOC**

At SK innovation's SK energy Customer Happiness Center, skilled CS attendants who are specialized in their respective service areas quickly address customer requests. The VOC feedback process allows the company to swiftly attend to customer complaints and the collected VOCs are reported to the department in charge.

- **Protecting Customer Information**

On May 30, 2014, SK innovation obtained the PIMS (personal information management system)^{*1} certification by the Korea Communications Commission and Korea Internet Security Agency on its customer information protection practices in order to safeguard the privacy of its EnClean membership holders. Keeping its anti-virus program up-to-date, the company always makes sure that customer information is safely protected and customer information is encrypted before transmitting anything via its networks.

The company's firewalls block any unauthorized external access to the information database and the newly established Security Operation Center (SOC)^{*2}, which reinforces the technical and physical security management of customer information. At the same time, we confine accessibility to customer privacy to only a handful of trained employees and the company gives regular on- and off-line education to all employees, while the Group has also implemented a Personal Information Protection Certification program so as to further enhance employee awareness of protecting customer privacy.

^{*1} Issued by the Korea Communications Commission, PIMS is a certification given to businesses that meet the given level of standards for protecting personal information in 118 criteria out of a total of 325 criteria in three categories of personal information management processes, privacy protection policy and personal information lifecycle.

^{*2} The SOC is a separate office for access to the personal information database where Internet access is blocked and admits only authorized personnel under the round-the-clock guidance of guards who stand at the metal detection gate to strictly control the carrying of any storage devices, including USBs.

Safety, Health, Environment Performance

SK innovation contributes to building a healthier and safer society, while taking the lead in its commitment to environmental stewardship through initiatives for minimizing greenhouse gas and pollutant emissions.



GHG Reduction

SK innovation has in place its own strategy to tackle global issues arising from climate change. Over the years, it has continued to carry out voluntary reduction activities, including earning carbon credits by reporting GHG (greenhouse gas) reduction results, improving manufacturing processes, and participating in pilot projects.

Building a Greenhouse Gas and Energy Management System (GEMS)

With the GHG and Energy Target Management System (GEMS) taking effect, SK innovation developed its own GEMS to monitor its GHG emissions on a daily basis in connection with its Operation Information System (OIS), augmenting its low-carbon management system.

The company's GEMS gathers all the necessary data to calculate GHG emissions from the OIS, which is monitored daily, and automatically tallies emissions, allowing the company to efficiently check its accomplishments against annual reduction targets through systematic calculations and periodical monitoring of company-wide emissions.

The creation of GEMS has dramatically increased accessibility and convenience for OIS users, letting them easily view and monitor GHG data. With employees throughout the company able to check on GHG emissions generated from the equipment they use at work, GEMS is expected to raise employee awareness concerning low-carbon management.

The OIS data, the underlying database of GEMS, is linked to the company's Accounting Management System, which will allow each production unit to reflect its carbon accounting once the Emissions Trading Scheme is adopted.

GHG and Energy Target Management System

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

Three subsidiaries at SK innovation—SK energy, SK global chemical and SK lubricants—have completed reporting their greenhouse gas and energy management practices and have them verified as mandated by the Framework Act on Low Carbon and Green Growth. SK Petrochemical, which spun off in 2013, was also allocated with a GHG& Energy Target management quota starting in 2014.



GHG Emissions

Unit: 1,000 tCO₂

		2011	2012	2013
SK energy	Direct	6,343	6,120	6,003
	Indirect	1,106	1,293	1,162
	Subtotal	7,449	7,413	7,165
SK global chemical	Direct	2,626	2,467	2,422
	Indirect	1,150	1,103	1,150
	Subtotal	3,776	3,570	3,572
SK lubricants	Direct	63	62	75
	Indirect	87	147	150
	Subtotal	150	209	225
SK incheon petrochemical	Direct	627	635	574
	Indirect	162	190	171
	Subtotal	789	825	745

* Following the spin-off of SK incheon petrochemical from SK energy in 2013, SK energy's GHG emissions for 2011 and 2012 were recalculated after excluding those of SK incheon petrochemical.

* Data is based on that which was reported in the 2013 GHG emissions and energy use specifications

Emissions Trading Scheme (ETS)

In 2007, SK innovation became the first Korean company to adopt an internal Emissions Trading System. It then expanded the ETS operation company-wide in 2009. Based on the data and information collected, SK innovation outlined a framework for adopting the ETS across the SK Group in 2010, then staged simulated trading with SK Group affiliates and Korea East-West Power Co. In 2011, the company participated in the government-led ETS pilot project (supervised by the Ministry of Knowledge Economy). In preparation for the enforcement of the ETS in January 2015, SK innovation and its subsidiaries are expediting their establishment of the optimal ETS framework based on inter-subsidiary GHG emissions and trading for carbon credits.

Minimizing the Emissions of Pollutants

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

At SK innovation, the company has made it standard operating procedure to have an environmental impact assessment conducted on all activities that may have an environmental impact—whether in the construction, expansion, or modification phase of a plant—in an effort to protect the environment in areas directly adjacent to each and every plant. In addition to the environmental impact assessments carried out on the manufacturing processes every 5 years, an environmental impact assessment on the procurement of raw/subsidiary materials is also carried out on a regular basis when changes are made to any processes or work methods. Neighboring areas around SK innovation plants are all petrochemical industrial complexes and thus not suitable as habitats for wild animals. Regardless, the company is still diligent when it comes to preserving and monitoring local ecosystems.

Based on data concerning wildlife protected areas and published by Korea's Ministry of Environment, we can certify that there are no areas with high levels of biodiversity that are adversely affected by the company's production activities.

Air Pollutant Controls

SK innovation applies strict emission standards and strives to limit the levels of pollutant emissions to an absolute minimum. At its major facilities where air pollutants are discharged, the company uses TMS (Tele-Metering Systems) for 24/7 pollutant emissions monitoring and also conducts periodic patrols and check-ups. At the same time, we control volatile organic compound (VOC) levels and odors by operating VOC and odor control systems in order to maintain a clean and agreeable plant environment. SK innovation does not produce, distribute or use any substances defined as harmful to the ozone layer as defined by the Montreal Protocol.

SK energy's Ulsan complex also signed up to the Phase 2 (2012–2016) Ulsan City Voluntary Agreement in 2012 and has exceeded the reduction target for 2013 by 13 percent. In addition, the plant reprocessed all sour water with corrosive content from its production process before reusing it as desalinating water, while also reusing some of the treated wastewater for fire extinguishing use and/or watering gardens. As a result, the plant maintains its discharge of emissions from wastewater treatment plant 10 to 40 percent lower than the legal minimum.

Air Pollutant Emissions Concentrations

Pollutant	Worksite	Legal Limit/ Company Standard	2011	2012	2013
SOx (ppm)	SK energy(Ulsan)	180/170	30.9	27.4	28.9
	SK global chemical(Ulsan)	180/160	40.1	16.9	14.9
	SK incheon petrochemical(Incheon)	180/160	43.0	20.2	15.1
NOx (ppm)	SK energy(Ulsan)	200/180	74	73.3	79.1
	SK global chemical(Ulsan)	150/130	110.0	94.4	91.6
	SK incheon petrochemical(Incheon)	250/235	84.3	74.2	69.3
Dust (mg/m ³)	SK energy(Ulsan)	50/40	5	5.4	4.7
	SK global chemical(Ulsan)	30/20	5.8	4.9	4.3
	SK incheon petrochemical(Incheon)	30/25	4.6	4.4	4.5

*Emission standards refer to the emission limits of SOx and NOx from heaters and the emission limit of dust from boilers. The average concentration level covers the entire process from the Ulsan complex.

Air Pollutant Emissions Volume

Pollutant	Worksite	2011	2012	2013
SOx(ton)	SK energy(Ulsan)	3,439	3,206	3,165
	SK global chemical(Ulsan)	498	213	208
	SK incheon petrochemical(Incheon)	684	360	225
NOx(ton)	SK energy(Ulsan)	5,895	6,226	6,097
	SK global chemical(Ulsan)	1,408	1,197	1,151
	SK incheon petrochemical(Incheon)	950	912	762
Dust(ton)	SK energy(Ulsan)	191	224	177
	SK global chemical(Ulsan)	43	38	32
	SK incheon petrochemical(Incheon)	21	20	17

*SK lubricants uses clean fuels and is not subject to measuring its air pollutant emissions, as its entire facilities are



Water Pollutant Controls

Recently, SK innovation completed work on an MBR (Membrane Bioreactor), a remote water quality monitoring system and highly efficient biological wastewater treatment system. Sour water, which contains corrosive materials generated from the production process, is reused as desalter feed water to reduce wastewater generation and water usage, with some of the reclaimed water used for fire extinguishing and watering gardens to maintain effluent discharge levels at or below 10 to 40 percent of emission standards. Furthermore, SK innovation treats spent caustic soda through a wet air oxidation (WAO) system, which was developed using the company's in-house technology.

Wastewater Treatment

Worksite	Treatment Facility	Treatment Method	Destination
SK energy (Ulsan)	Ulsan CLX Wastewater Treatment Plant	Biological + Advanced treatment	Public bodies of water (east coast)
	No. 2FCC Wastewater Treatment Plant	Biological treatment	Yongyeon Sewage Treatment Terminal
SK global chemical (Ulsan)	PE/PP Wastewater Treatment Plant	Physiochemical treatment	Yongyeon Sewage Treatment Terminal
	EPDM Wastewater Treatment Plant	Biological treatment	Yongyeon Sewage Treatment Terminal
SK incheon petrochemical (Incheon)	Incheon CLX Wastewater Treatment Plant	Biological + Advanced treatment	Gajwa Sewage Treatment Terminal

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

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

Wastewater Discharge

Unit: 1,000 tons

Worksite	2011	2012	2013
SK energy(Ulsan)	12,819	13,667	14,072
SK global chemical(Ulsan)	1,273	1,329	1,398
SK incheon petrochemical(Incheon)	1,767	1,573	1,568

Average Water Pollutant Emissions Concentration

Pollutant	Worksite		Legal Limit/ Company Standard	2011	2012	2013
COD (ppm)	SK energy	Ulsan CLX	40/20	11.5	10.5	8.1
		No.2FCC	90/70	23.3	17.3	14.9
	SK global chemical	PE/PP	90/70	10.6	8.5	8.4
		EPDM	90/70	29.4	24.1	25.0
	SK incheon petrochemical	Incheon CLX	90/40	17.6	19.8	14.6
SS (ppm)	SK energy	Ulsan CLX	10/8	2.9	2.9	4.4
		No.2FCC	80/60	35.9	36.7	32.5
	SK global chemical	PE/PP	80/60	10.9	16.0	16.0
		EPDM	80/60	15.0	13.0	14.0
	SK incheon petrochemical	Incheon CLX	80/30	10.9	10.8	5.9
Oil (ppm)	SK energy	Ulsan CLX	5/1	0.4	0.4	0.3
		No.2FCC	5/3.7	2.2	2.7	1.3
	SK global chemical	PE/PP	5/3.7	0.4	0.4	0.3
		EPDM	5/3.7	0.4	0.1	0.1
	SK incheon petrochemical	Incheon CLX	5/3	0.51	0.78	0.46

Soil and Groundwater management

SK innovation systematically manages the soil and groundwater at all its worksites and participates in the Voluntary Agreement Regarding the Survey and Restoration of Soil Containment promoted by the Korean government. Every two years, the company inspects soil quality, with the 2013 inspection results showing that soil pollutants were under the legal limits.

Annual Soil Containment Investigation Results

Pollutant	Worksite	2011		2012		2013	
		Spots	Results	Spots	Results	Spots	Results
TPH ^{*1}	SK energy(Ulsan)	528	Normal	716	Normal	620	Normal
	SK global chemical(Ulsan)	NA	NA	NA	NA	67	Normal
	SK lubricants(Ulsan)	17	Normal	22	Normal	16	Normal
	SK incheon petrochemical(Incheon)	10	Normal	208	Normal	222	Normal
BTEX ^{*2}	SK energy(Ulsan)	171	Normal	204	Normal	225	Normal
	SK global chemical(Ulsan)	NA	NA	NA	NA	60	Normal
	SK lubricants(Ulsan)	NA	NA	NA	NA	NA	NA
	SK incheon petrochemical(Incheon)	-	-	132	Normal	153	Normal
TCE ^{*3}	SK energy(Ulsan)	-	-	-	-	-	-
	SK global chemical(Ulsan)	NA	NA	NA	NA	NA	NA
	SK lubricants(Ulsan)	NA	NA	NA	NA	NA	NA
	SK incheon petrochemical(Incheon)	-	-	6	Normal	6	Normal

*1 TPH(Total Petroleum Hydrocarbon)

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

*3 TCE(Tri-Chloro Ethylene)

* Under the Korean Soil Environment Management Act, SK lubricants' facilities are subject only to the TPH analysis and the company does not own any designated soil contamination management facility that is subject to the BTEX and TCE application.

* SK global chemical conducted the 2011 investigation in 2010, with the next investigation scheduled for 2013.

* SK energy and SK incheon petrochemical run the BTEX and TCE analyses every two years, but the terms are adjustable to the checking cycles of tanks.

Waste Control

SK innovation sends waste oil to renewable fuel plants to produce recycled fuels and has developed its own waste treatment system using its proprietary technologies. While providing employees and suppliers with recycling training, we also periodically check on-site recycling practices to raise recycling rates. In 2013, SK innovation was not involved in or did not conduct any trans-boundary movement of waste as stipulated in the Basel Convention.

Waste Discharge Volume

Unit: tons

Pollutant	Worksite	2011	2012	2013
Special Waste	SK energy(Ulsan)	27,718	25,402	20,389
	SK global chemical(Ulsan)	3,291	5,007	5,438
	SK lubricants(Ulsan)	84	147	235.2
	SK incheon petrochemical(Incheon)	3,341	3,294	4,306
General Waste	SK energy(Ulsan)	71,290	49,551	42,363
	SK global chemical(Ulsan)	9,992	14,009	11,873
	SK lubricants(Ulsan)	3,518	2,654	591
	SK incheon petrochemical(Incheon)	4,012	3,205	4,147



Discharge Volume by Treatment Method

Unit: tons

	2011	2012	2013
In-house Treatment (landfill)	62.4	733.6	17.5
Outsourced Volume-Recycled	85,641	41,110	34,261
Outsourced Volume-Incinerated/landfilled	37,543	33,110	28,473

* Figures represent the volume of waste discharge treated at SK energy's Ulsan complex.

Hazardous Chemical Substance Emissions Control

SK innovation has established an MSDS (material safety data sheet) system based on the SK Group's e-MSDS in compliance with the GHS (globally harmonized system) to effectively take control of its hazardous chemical substance emissions. In addition, SK innovation has signed a volunteer agreement on reducing chemical substance emissions with the Korean government and makes every effort to achieve its pledged goal of reduction. Under the SMART program agreement with Korea's Ministry of Environment and Ulsan City on decreasing its chemical emission levels, the Ulsan complex at SK energy and SK global chemical pledged to curtail their benzene and butadiene emissions by 29 percent and 35 percent, respectively, compared to emissions levels in the base year (2009) for five years from 2013 to 2017. For the safe control of chemical substances and the reduction of chemical emissions, the complex continues to improve its chemical substance control system and is developing an LDAR*¹ system.

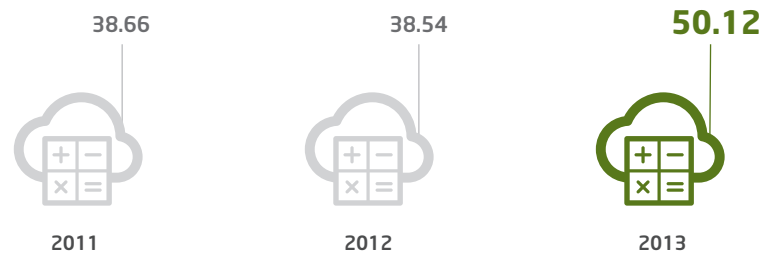
*¹ LDAR: Leak Detection and Repair System A system to create an inventory, measure concentration levels, feed data, improve equipment functionality and control repair & replacement of equipment to reduce chemical emissions from fugitive emission sources.

Environmental Investments

SK innovation continues with its environmental investments to enhance its energy efficiency as well as minimize pollutants generated at its plants.

Environmental Investment Expenses by Year

Unit: KRW billion



Enhancing energy efficiency

At SK innovation, we are well aware that energy and resource conservation helps reduce both our environmental impact and production costs. Therefore, we have made consistent efforts to utilize all resources as efficiently as possible. Based on the extensive research of leading examples of energy and resource conservation, we built a related database to improve the resource use efficiency at all our work processes. At the same time, we make continuous efforts to save energy by increasing facility efficiency, reduce energy loss in supply systems, and optimize power equipment.

Enhancing energy use control

SK innovation takes advantage of its Operation Information System (OIS) to ensure the highest level of reliability for data related to its energy consumption. It also utilizes other sophisticated computer programs like PMS (Process Monitoring System) for real-time energy use monitoring.

Energy Conservation Campaigns

SK innovation adopted electric vehicles (EVs) for business use and set up an accompanying charge station in 2012. Every employee at SK innovation and its subsidiaries, from top management to the lowest-ranked staff, participated in the company's energy conservation campaign to "unplug, untie, turn off, and take the stairs."

In 2013, we expanded the application of this campaign and established 50 action plans for saving energy that are applicable to our office buildings and worksites, encouraging the positive participation of employees.

SK innovation and its energy-related subsidiaries maximized the operation of their own power generators at each of their worksites during peak electricity times and replaced all lighting in service stations to high-efficiency LED lighting. The company also utilizes an Ice Thermal Storage System that takes advantage of idle electricity after midnight to make ice, which is reused to create cool air during the day when air-conditioning the office building. This has helped us save KRW 300 million in electricity bills annually.

SK innovation has also implemented a collective energy project to recycle and reuse its surplus resources for the low-cost, stable supply of steam to neighboring companies. In 2012, the company initiated a Steam Highway project to sell low-cost steam produced by SK chemical to affiliated subsidiaries and other non-SK Group companies, while continuously reducing its energy use. Furthermore, to make the most of biomass resources, SK innovation has been turning gas generated from the Seongam Sanitary Landfill in Ulsan (CO₂, CH₄) into fuels which it has started providing to Kumho Petrochemical Co., Ltd. and a waste incineration plant in Ulsan.

2013 Energy Use

Unit: TJ

	Direct		Indirect		Total
	Fuel	Electricity	Steam		
SK energy	67,835	16,504	-9,387		74,952
SK global chemical	53,411	9,144	9,628		72,183
SK lubricants	164	790	1,392		2,346
SK incheon petrochemical	15,543	3,513	-		19,056
Total	136,953	29,951	1,633		168,537

* Bunker-C and fuel gas are the main fuel sources.

* Data is based on that which was reported in the 2013 GHG emissions and energy use specifications



SHE

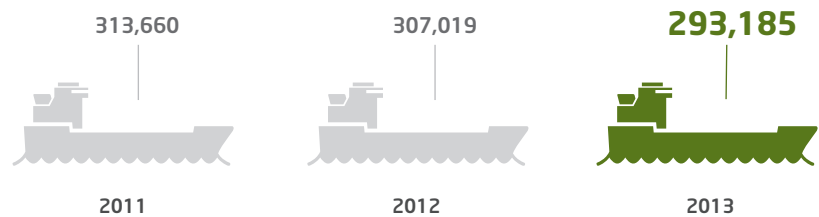
Amount of Energy Sales through Community Energy Supply Projects (steam) Unit: tons

	2011	2012	2013
Amount (Ulsan complex)	-339,354	-124,000	-1,018,720

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

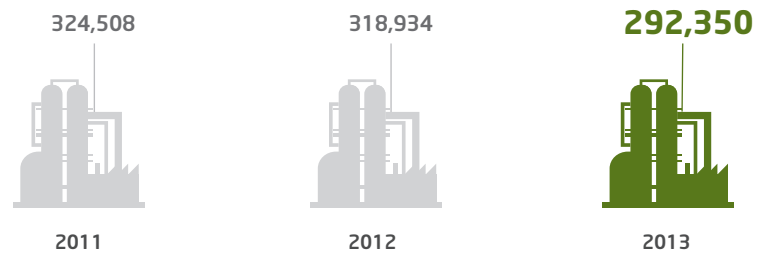
Resource use performance

Oil Imported Volume (PEDSIS*1) Unit: 1,000 barrels



*1 PEDSIS: as reported to the Korea National Oil Corporation

Crude Oil Process Volume Unit: 1,000 barrels



2013 Substance Process and Production Volume

	Substances	Annual processing and production volume
SK energy	Crude Oil	· Annual processing capacity: 279,551,000 barrels
SK global chemical	Basic Organic Petrochemicals (Ulsan complex)	· Annual production volume: 9,977,000 tons
SK lubricants	Lube Base Oil (Ulsan complex)	· Annual production volume: 9,653,586 barrels
	Lubricant (Ulsan complex)	· Annual production volume: 1,607,825 barrels
SK incheon petrochemical	Crude Oil	· Annual processing capacity: 12,799,000 barrels

Water Sources and Volume Unit: tons

Water Sources	2011	2012	2013
Nakdong River Daeamje/ Seonamje	35,301,920	34,832,388	35,420,067
Han River Water System (SK incheon petrochemical)	2,776,276	2,858,223	3,015,131

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

Environmental Impact of Products

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

Reporting on guidelines provided by the Korean Ministry of Environment (ME), SK innovation also monitors the benzene and chemical content levels of gasoline products, while the lead content of its products is not reported as the levels are negligible. In regards to diesel products, only sulfur content levels are required to be disclosed. SK innovation is dedicated to improving environmental friendliness by producing gasoline and diesel that meets the world's most stringent sulfur content levels, from 4 to 6 ppm. As a result, the company's excellent quality has been recognized by the ME.

As a proponent of Korean government's biodiesel promotion policy, we increased the mixed ratio of bio-diesel in commercial diesel from 0.5 percent in 2007 to 2.0 percent in 2010. We will continue to implement a variety of activities to reduce oil dependence and increase environmental protection. Most recently, we have joined the Renewable Fuel Standard (RFS) that will take effect in 2015.

Findings of the Quality Grade by the MOE

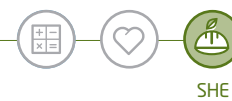
• Gasoline

	Legal Limit	2011		2012		2013	
		1H	2H	1H	2H	1H	2H
Sulfur Content (ppm)	Below 10	4	4	5	6	5	6
Sulfur Quality Grade	Below 10	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Benzene Content, vol%	Below 0.7	0.5	0.5	0.4	0.4	0.4	0.5
Benzene Quality Grade	Below 0.7	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Overall Quality Grade	-	☆★★★★	★★★★★	★★★★★	☆★★★★	☆★★★★	☆★★★★

• Diesel

	Legal Limit	2011		2012		2013	
		1H	2H	1H	2H	1H	2H
Sulfur Content (ppm)	Below 10	4	4	5	5	5	5
Sulfur Quality Grade	Below 10	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Overall Quality Grade	-	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★





Health and Safety at Workplaces

Process Safety Management (PSM) System

Committed to preventing severe occupational accidents and to establish binding safety management practices, SK innovation has adopted the PSM system as recommended by Korea's Ministry of labor. As of the end of 2013, 13 plants at SK innovation and its subsidiaries were subject to the PSM grading. Seven of them earned the highest 'P' grade and the remaining six held the second highest 'S' grade.

PSM Grade Earned in 2013

Site	Grade
SK innovation	Grade 'S' on three plants
SK energy	Grade 'P' on three plants and 'S' on two plants
SK global chemical	Grade 'P' on three plants
SK lubricants	Grade 'S' on one plant
SK incheon petrochemical	Grade 'P' on one plant

Employee Safety Education

At all worksites of SK innovation and its subsidiaries, we provide our employees and on-site operators with regular safety education to prevent occupational accidents under the Occupational Safety and Health Act. We also provide the same quality of education to the employees of our suppliers who work at our worksites for repair/maintenance of our facilities. For more effective education, SK innovation has in place a separate education system dedicated to company-wide safety and health management education and performance evaluation.

Occupational Safety Education Performance in 2013

Unit: persons, hours

Category		Annual total no. of trainees	Annual total education hours
Legally mandated safety & health education	SK innovation	187	3,064
	SK energy	1,700	34,440
	SK global chemical	970	20,944
	SK lubricants	130	2,636
	SK incheon petrochemical	684	28,248
SK innovation's safety & health education	SK innovation	683	6,082
	SK energy	1,096	7,661
	SK global chemical	1,488	21,760
	SK lubricants	-	-
	SK incheon petrochemical	191	1,924

*SK innovation's safety & health education programs include new employee orientation on safety at work, off-work safety education for on-site operators, CPR, and other SHE competency-building courses.

*SK energy independently runs its in-house PSM self-auditor training and in-house instructor training programs.

*SK lubricants did not hire any new employees in 2013 and conducted only the legally mandated courses for the year.

*SK innovation's education program is given to employees working at the Daedeok Tech R&D Center, and those at the Seosan and Jeungpyeong/Cheongju plants.

Safety Management Performance Assessment



* LTI : The number of lost time accidents / illnesses per 100 full time workers. (for every 100 people working approximately 2,000 hours for a year)

* UCL : The number of days lost due to unplanned suspension or reduced operations

Employee Health Management

At the Ulsan complex, we have an Industrial Health Center with eight doctors and nurses on full-time standby. The center also has an infirmary, physical therapy room, and physical strength testing & exercise room as well as medical equipment to assist employees' health management. In addition to the periodic replacement and maintenance of worn-out physical therapy equipment, the center also runs a FIT Test to preemptively monitor the potential risks of noise induced hearing loss of its employees. Starting in 2014, the regular health check-up has been upgraded to intense health check-up. In November 2013, the Tech R&D Center installed a health management center, hiring a full-time nurse on standby for the more systematic support of its employees' health.

At the same time, the head office, Ulsan complex and Tech R&D Center operate sports centers to help employees and their families keep healthy, while strictly controlling any harmful factors at workplaces.

Safety Control at Suppliers' Worksites

Suppliers' competence in health & safety management is a critical factor to SK innovation's sustainable competitiveness. As a result, the company provides continued support to enhance SHE practices. Starting in 2012, we began operating a Safety & Health Win-Win program under guidelines set forth by the Ministry of Labor, educating and training our partners on how to run risk tests before starting dangerous work procedures. In order to raise our business partners' safety control levels to our own, we provide support with their risk tests, training, safety rule compliance and on-site assistance through the Safety & Health Win-Win program so that they can enhance the quality of their facilities and working conditions. As a result, SK innovation received the Grand Prize at the 2013 Safety & Health Win-Win Program Contest, which was organized by the Ministry of Labor.

Industrial Safety and Health Committee

SK innovation operates its Industrial Safety & Health Committee under the Korean Occupational Safety & Health Law and under the Guidelines on the Operation of the Industrial Safety and Health Committee that labor and management had reached an agreement on in 2003.

The organization, operation, limits and counteractions of the committee are stipulated in Article 53 of the Collective Agreement (the organization and operation of the Industrial Safety & Health Committee).



Appendix

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GRI G3.1 Application	70
Awards & Associations	75

Third Party's Assurance Report



Relating to SK innovation Co., Ltd.'s Sustainability Report for the calendar year 2013

This Assurance Statement has been prepared for SK innovation Co., Ltd. in accordance with our contract but is intended for the readers of this Report.

Terms of Engagement

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by SK innovation Co., Ltd. (SK innovation) to provide independent assurance on its Sustainability Report for the calendar year 2013 ("the Report") against the assurance criteria below to a moderate level of assurance using AccountAbility's AA1000AS (2008), where the scope was a Type 2 engagement.

Our assurance engagement covered the operations and activities of SK innovation and its five major subsidiaries (SK energy, SK global chemical, SK lubricants, SK incheon petrochem and SK trading international) in Korea and specifically the following requirements:

- Evaluating adherence to AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness
- Confirming that the Report is in accordance with application level A of GRI's G3.1 Reporting Guidelines
- Reviewing whether the Report has been based on GRI's G3.1 oil and gas sector supplement (OGSS)
- Evaluating the accuracy and reliability of data and information presented in the Report
- Validating SK innovation's self-declaration for GRI's application level A+

Our assurance engagement excluded the data and information of suppliers, contractors and any third-parties mentioned in the Report associated with SK innovation and its five major subsidiaries.

LRQA's responsibility is only to SK innovation. LRQA disclaims any liability or responsibility to others as explained in the end footnote. SK innovation's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the Report and for maintaining effective internal controls over the systems from which the Report is derived. Ultimately, the Report has been approved by, and remains the responsibility of SK innovation.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that SK innovation has not:

- Met the requirements above
- Disclosed accurate and reliable performance data and information as no errors or omissions were detected
- Covered all the issues that are important to the stakeholders and readers of this Report.

The opinion expressed is formed on the basis of a moderate level of assurance and at the materiality of the professional judgement of the Verifier.

Note: The extent of evidence-gathering for a moderate assurance engagement is less than for a high assurance engagement. Moderate assurance engagements focus on aggregated data rather than physically checking source data at sites.

LRQA's Approach

LRQA's assurance engagements are carried out in accordance with AA1000AS (2008). The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Assessing the approach to stakeholder engagement of SK innovation and its five major subsidiaries, to confirm that issues raised by stakeholders were captured correctly. We did this through reviewing documents and associated records.

- Reviewing the process for identifying and determining material issues of SK innovation and its five major subsidiaries, to confirm that the right issues were included in their Report. We did this by benchmarking reports written by SK innovation and its five major subsidiaries, and their peers to ensure that sector specific issues were included for comparability. We also tested the filters used in determining material issues to evaluate whether SK innovation and its five major subsidiaries make informed business decisions that may create opportunities that contribute towards sustainable development.
- Auditing the data management systems of SK innovation and its five major subsidiaries, to confirm that there were no significant errors, omissions or mis-statements in the Report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification. We also spoke with those key people responsible for compiling the data and drafting the Report.
- Checking that the GRI Content Index allows stakeholders to access sustainability performance indicators.
- Reviewing additional evidence made available by SK innovation and its five major subsidiaries at their head office in Jong-ro, Jongno-gu, Seoul.

Observations

Further observations and findings, made during the assurance engagement, are:

- **Stakeholder Inclusivity:** We are not aware of any key stakeholder groups that have been excluded from stakeholder engagement process of SK innovation and its five major subsidiaries. SK innovation and its five major subsidiaries conduct open dialogues with their stakeholders on a timely manner depending on the intended engagement objectives.
- **Materiality:** We are not aware of any material issues concerning sustainability performance of SK innovation and its five major subsidiaries that have been excluded from the Report. It should be noted that SK innovation and its five major subsidiaries have established extensive criteria for determining material issues/aspects and that these criteria are not biased to management of SK innovation and its five major subsidiaries.
- **Responsiveness:** We are not aware that SK innovation and its five major subsidiaries have not provided a detailed response to their relevant stakeholders.
- **Reliability:** SK innovation should consider improving its process for gathering performance data and ensuring reliability particularly those from its five major subsidiaries.

LRQA's Competence and Independence

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

LRQA is SK innovation's certification body for ISO 9001, ISO 14001, OHSAS 18001 and TS 16949. We also provide SK innovation with a range of training services related to Management Systems. The verification and certification assessments, together with the training, are the only work undertaken by LRQA for SK innovation and as such do not compromise our independence or impartiality.

Signed
Dated: 21 July 2014
Hee-Jeong Yim



LRQA Lead Verifier
On behalf of Lloyd's Register Quality Assurance Limited

17th Floor, Sinsong Building, 67 Yeouinaru-ro,
Yeongdeungpo-gu, Seoul, Korea



GRI G3.1 Application

● Fully reported ◐ Partially Reported ○ Not Reported

No.	Description	Page	Reported	Explanation
Strategy and Analysis				
1.1	Statement from the most senior decision-maker of the organization.	4-5	●	
1.2	Description of key impacts, risks, and opportunities.	4-5	●	
Organizational Profile				
2.1	Name of the organization.	8	●	
2.2	Primary brands, products, and/or services.	8	●	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	8	●	
2.4	Location of organization's headquarters.	8	●	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	6-7, 8	●	
2.6	Nature of ownership and legal form.	42	●	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	6-7	●	
2.8	Scale of the reporting organization.	41, 46	●	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	2, 21	●	By spinning off SK trading international and SK incheon petrochemical in July 2013.
2.10	Awards received in the reporting period.	74	●	
Report Parameters				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	2	●	
3.2	Date of most recent previous report (if any).	2	●	
3.3	Reporting cycle (annual, biennial, etc.)	2	●	
3.4	Contact point for questions regarding the report or its contents.	2	●	
3.5	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	13-14	●	
3.6	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	2	●	
3.7	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	2	●	
3.8	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	2	●	
3.9	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	2	●	
3.10	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	2	●	
3.11	Table identifying the location of the Standard Disclosures in the report.	2	●	
3.12	Policy and current practice with regard to seeking external assurance for the report.	70-75	●	Included in the G3.1 Application Sector Guidance.
3.13	Reporting period (e.g., fiscal/calendar year) for information provided.	68-69	●	
Governance, Commitments, and Engagement				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	18-20	●	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	20	●	
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.	20	●	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	18-19	●	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	19, 20	●	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	19	●	
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.	19	●	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	10-11	●	

● Fully reported ◐ Partially Reported ○ Not Reported

No.	Description	Page	Reported	Explanation
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	18-19	●	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	18-19	◐	SK innovation evaluates the highest governance body's performance, but there is not regular process yet.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	42-43	●	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Index	●	SK innovation has been participated in UNGC since 2007.
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.	74	●	
4.14	List of stakeholder groups engaged by the organization.	12	●	
4.15	Basis for identification and selection of stakeholders with whom to engage.	12	●	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	12	●	
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.	12	●	
Disclosure on Management Approach (DMA)				
EC_DMA	Disclosure on Management Approach EC	16-17	●	
PR_DMA	Disclosure on Management Approach PR	54-55	●	
LA_DMA	Disclosure on Management Approach LA	16-17	●	
HR_DMA	Disclosure on Management Approach HR	16-17	●	
SO_DMA	Disclosure on Management Approach SO	16-17	●	
EN_DMA	Disclosure on Management Approach EN	16-17	●	
Economic				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	31-33 41	◐	SK innovation has distributed compensation, donations and other community investment in headquarters and three subsidiaries each, but does not monitoring yet so the total amount is not available yet.
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	56	●	
EC3	Coverage of the organization's defined benefit plan obligations.	49	●	
EC4	Significant financial assistance received from government.	41	●	The government isn't present in the shareholding structure.
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	48, 49	◐	SK innovation complies with the laws regarding minimum wage. No percentage rates are available yet.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	30	◐	SK innovation has common practices for preferring locally based suppliers but does not monitor them integrally so the percentage of the procurement budget is not available yet.
EC7	Procedures for local hiring and proportion of senior management hired from the community at significant locations of operation.	48	◐	SK innovation hires senior management from the local community but does not separate it from general employment. So percentage rates are not available.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	31-33	●	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	31-33 50-53	●	
Environmental				
EN1	Materials used by weight or volume.	63	●	
EN2	Percentage of materials used that are recycled input materials.	Index	●	SK innovation does not use any recycled resources.
EN3	Direct energy consumption by primary energy source.	62	◐	The data about energy intensity of oil and gas, refineries and petrochemical operations (in GJ/t throughput) has not been monitored yet.

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● Fully reported ◐ Partially Reported ○ Not Reported

No.	Description	Page	Reported	Explanation
EN4	Indirect energy consumption by primary source.	62	◐	The data about the corresponding primary energy consumed in the production of the indirect energy used has not been monitored yet.
EN5	Energy saved due to conservation and efficiency improvements.	62	●	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	62	●	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	62	●	
EN8	Total water withdrawal by source.	63	●	
EN9	Water sources significantly affected by withdrawal of water.	63	●	
EN10	Percentage and total volume of water recycled and reused.	59	◐	SK innovation reuses sour water but does not monitor the total volume so reporting the total volume is not available yet.
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	57	●	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	57	●	
EN13	Habitats protected or restored.	57	●	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	57	●	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	57	●	To SK innovation's knowledge, there are no areas with high levels of biodiversity that are affected by its production activities.
EN16	Total direct and indirect greenhouse gas emissions by weight.	57	●	
EN17	Other relevant indirect greenhouse gas emissions by weight.	Index	○	SK innovation does not have a system for calculating other indirect greenhouse gas emissions resulting from commuting or business travels. Because it is not material to our business.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	56	●	
EN19	Emissions of ozone-depleting substances by weight.	58	●	
EN20	NOx, SOx, and other significant air emissions by type and weight.	58	●	
EN21	Total water discharge by quality and destination.	59	●	
EN22	Total weight of waste by type and disposal method.	60-61	●	
EN23	Total number and volume of significant spills.	Index	●	No discharge of any significant hazardous substances during the reporting period.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	60	●	
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.	57	●	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	64	●	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Index	○	The percentage of products that require packing materials among those made by SK innovation is not high and insignificant impact to our business.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	57	●	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Index	○	SK innovation does not have a management system for tracking the environmental impacts of product and material transportation and employee movements but we will be able to report this information in 2016.
EN30	Total environmental protection expenditures and investments by type.	61	●	
Social: Labor Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	46-47	◐	SK innovation does not monitor a gender break down for each reported category of total workforce, but we will provide this in 2015.

● Fully reported ◐ Partially Reported ○ Not Reported

No.	Description	Page	Reported	Explanation
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	47	◐	SK innovation does not measure the number and rate of new employee hires in a way to the measurement that is requested by the GRI disclosure item.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	49	●	
LA4	Percentage of employees covered by collective bargaining agreements.	48	●	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	48	●	
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.	48	●	Total workforce is represented.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	66	●	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	66	●	
LA9	Health and safety topics covered in formal agreements with trade unions.	49, 66	●	
LA10	Average hours of training per year per employee by gender, and by employee category.	48	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	48	◐	SK innovation does not have a regular program regarding to this topic, but we will set up the regular program in 2015
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	49	●	Total workforce.
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	48	●	All of board members are male as of 2013.
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	49	●	
LA15	Return to work and retention rates after parental leave, by gender.	48	●	
Social: Human Rights				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Index	●	None of the important investment agreements to which SK innovation is a party has additional provisions on human rights, and the company does not have a particular human rights review process when entering into an agreement.
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	11	●	SK innovation does not have such form of screening.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	11	◐	It is not available to separate the hours by this topic because employees training regarding to this topic is included in the ethics training for employees.
HR4	Total number of incidents of discrimination and corrective actions taken.	11	◐	It is not available to separate total number by this topic because incidents regarding to this topic is included in the no. of cases whistle-blowing/ consulting/grievances received.
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	48	●	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	48	●	
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor.	48	●	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	11	◐	SK innovation has policies on human rights and apply it to third party organization partially but does not have regular training procedures yet, so the percentage of security personnel is not available yet.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Index	●	There is no incidents regarding this topic in domestic operations in the reporting period.
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	11, 48	●	All domestic business premises are applicable.
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	11	◐	It is not available to separate total number by this topic because it is included in the no. of cases whistle-blowing/consulting/grievances received.

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● Fully reported ◐ Partially Reported ○ Not Reported

No.	Description	Page	Reported	Explanation
Social: Society				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	31-33 50-53	●	
SO2	Percentage and total number of business units analyzed for risks related to corruption.	11	◐	SK innovation has a process for preventing and handling incidents of corruption in place, but does not conduct an analysis of risks related to corruption in any of its current business units.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	11	◐	It is Included in the ethics training for employees but No percentage rates are available yet.
SO4	Actions taken in response to incidents of corruption.	11	●	
SO5	Public policy positions and participation in public policy development and lobbying.	11	●	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Index	●	SK innovation does not give financial and in-kind contributions.
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	30	●	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Index	●	SK innovation was not received significant fines and sanctions during the reporting period.
SO9	Operations with significant potential or actual negative impacts on local communities.	31-33 50-53	●	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	31-33 50-53	●	
Product Responsibility				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	64	◐	SK innovation conducts a risk assessment of products but no percentage rates are available yet.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	54-55	●	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	54-55	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	55	●	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	54-55	●	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	55	●	
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.	55	●	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	55	●	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	55	●	

* Partially : Not available EC1, EC5, EC6, EC7 will be reported in 2015 / EN3, EN4, EN10 will be reported in 2016
 LA1, LA11 will be reported in 2015/ HR3, HR4, HR8, HR11 will be reported in 2015
 SO2, SO3 will be reported in 2016/ PR1 will be reported in 2016
 Not applicable LA2
 Does not exist 4.10
 * Not : Not available EN29 will be reported in 2016

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Oil and Gas Sector Supplement

● Fully reported ● Partially Reported ○ Not Reported

	Indicator	Page	Reported	Direct Answer and Supplementary Explanation	
EC	OG1	Volume and type of estimated proved reserves and production	63	●	Volume and type of estimated proved reserves and production are reported in the table of crude oil import.
EN	OG2	Total amount invested in renewable energy.	44	●	R&D Expenses.
	OG3	Total amount of renewable energy generated by source.	Index	●	SK lubricants has in place the solar power generation facilities, which generated 60,659KW of electricity in 2013. No other operations have any such kind of facilities.
	OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	57	●	The number is included in our environmental impact assessment.
	OG5	Volume of formation or produced water	Index	●	There is no formation or produced water.
	OG6	Volume of flared and vented hydrocarbon.	Index	●	The surplus gas generated from our production process is reused as fuel sources and our normal operation does not generate any flared hydrocarbon.
	OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal.	2	●	Overseas drilling projects do not fall on the reporting scope.
	OG8	Benzene, lead and sulfur content in fuels	64	●	
	HR	OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place.	Index	●
SO	OG10	Number and description of significant disputes with local communities and indigenous peoples.	Index	●	There is no case regarding this topic in domestic operations in the reporting period.
	OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	Index	●	There is no case regarding this topic in domestic operations in the reporting scope.
	OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process.	Index	●	Not applicable as most of our operations are located within industrial complexes.
	OG13	Number of process safety events, by business activity.	66	○	SK innovation has process safety events but does not monitor them integrally so the number is not available yet.
PR	OG14	Volume of biofuels produced and purchased meeting sustainability criteria.	44	●	Technology development is under way as in 2013.

*Partially : Not available – OG13 will be reported in 2016

Awards & Associations

Awards and Recognitions

- Recipient of the Grand Prize of the Environmental Award at the MTN Broadcasting/Advertisement Festival
- Recipient of a Presidential Commendation at the 2013 Mutual Growth Awards
- Recipient of the Prime Ministerial Commendation at the Korea Electrical Safety Awards
- Recipient of the Grand Prize at the 2013 Money Today IR Awards
- Named the 9th-week winner of the Industrial Research 52 Jangyoungsil Awards

Associations

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



Statement GRI Application Level Check

GRI hereby states that **SK Innovation** has presented its report “2013 SK innovation Sustainability Report” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level A+.

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

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

Amsterdam, 28 August 2014

A handwritten signature in black ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



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

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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 14 August 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

Sustainability Report Published Status

