



# 7 STRATEGIC IMPERATIVES FOR SUSTAINABILITY

S-OIL Sustainability Report 2009



Consistently fulfilling  
the expectations of our  
**C.E.O.** (**C**ustomers, **E**mployees,  
**O**wners and other stakeholders) is  
the reason why S-OIL exists.



S-OIL, established in 1976, is Korea’s first joint corporation between an oil-producing country and an oil-consuming one. It is one of the most competitive refiners in the Asia-Pacific region.



Number of Executives and Employees	2,511
Total Assets	KRW 9.1 trillion
Business Sites	<div>• Head Office: Marketing, finance, general administration, etc.</div> <div>• Onsan Refinery: Production and shipments</div> <div>• 11 Product terminals/Depots: Product storage and shipments</div> <div>• 4 District Sales HQs/25 Sales Offices: Product Sale</div>
Affiliated Companies	<div>S-OIL Total Lubricants Co., Ltd.: Shared 50:50 with Total Lubricants of France</div> <div>S-International Ltd.: 100 %-owned overseas subsidiary</div>

Fuel Business	
Crude Distillation	580,000 BPD
Bunker-C Cracking	148,000 BPD
Bunker-C Desulfurization	149,000 BPD
Diesel and Kerosene Desulfurization	120,000 BPD

Petrochemical Business	
BTX	300,000 tons / year
Paraxylene	700,000 tons / year
Propylene	200,000 tons / year

Lube Business	
Ultra-S Base Oil	25,000 BPD
Super Base Oil	5,100 BPD
Premium Base Oil	8,600 BPD

Sales Revenues	KRW 17.4 trillion
Fuel Business	KRW 14.9 trillion
Petrochemical Business	KRW 1.4 trillion
Lube Business	KRW 1.1 trillion
Overseas Sales	62 %



# About this Report

S-OIL has annually published a sustainability report outlining its business activities at its Seoul Head Office and the Onsan Refinery. This one is our third sustainability report covering the period January 1 – December 31, 2009. The performance indicators that have been used are based on data from 2007 to 2009, allowing us to show trends more clearly. In addition, important management changes include some data that extend into 2010. Data that change every year, such as information on human resources, have been given as of December 31, the last day of the fiscal year, while special cases have been marked with asterisks.

The S-OIL Sustainability Report 2009 is based on our seven strategic imperatives, and is in accordance with the AA1000APS (2008)<sup>1)</sup>. In addition, the GRI G3 Guidelines<sup>2)</sup> and the IPIECA/API Guidance<sup>3)</sup> have been applied to the main indicators. Notes have been used to indicate cases where the company's management standards have been applied instead.

The reliability of the report was verified by an independent and objective assurance group based on the AA1000AS<sup>4)</sup> (2008) and ISAE3000<sup>5)</sup> international assurance standards. The assurance report can be found in the appendix to the report.

The report is available on S-OIL's homepage, at [www.s-oil.com](http://www.s-oil.com). If you have questions or need further information, please contact the S-OIL Management Coordination Team at +82 2 3772 5235, fax us at +82 2 3772 5239, or email us at [sustainability@s-oil.com](mailto:sustainability@s-oil.com).

- 1) AA1000APS (2008) provides a framework for an organization to identify, prioritize and respond to its sustainability challenges.
- 2) GRI (Global Reporting Initiative) G3 Guidelines provides sustainability report guidelines that were written and revised by the GRI in 2006. The GRI was established by CERES and UNEP.
- 3) IPIECA/API (International Petroleum Industry Environmental Conservation Association/American Petroleum Institute) Guidance refers to sustainability report guidelines governing the environmental, health and safety, and social and economic performances reported by companies in the petroleum industry.
- 4) AA1000AS provides international verification standards that are used to evaluate the inclusivity, materiality, and responsiveness of sustainability reports.
- 5) ISAE3000 provides international verification standards governing the reliability of information other than financial data.

## 7 Strategic Imperatives (SI)



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## To Enhance Stakeholders' Values, S-OIL Prepares for New Growth Engines

### **Dear S-OIL's Customers, Employees, Shareholders and Other Stakeholders:**

Due to the effects of environmental disasters, climate change, and the economic downturn intensified by the US-led financial crisis and by financial challenges in the EU, stakeholders' desire for sustainable management, especially for crisis management and efficient energy management, is greater than ever.

S-OIL understands that a strategy for sustainable growth requires awareness of the expectations of the C.E.O. (Customers, Employees and Owners and other stakeholders) and the reflection and execution of those expectations in the company's management policies. Responding to an increasingly unstable business environment, S-OIL identified potential major management risks and established a corporate-wide risk management system, overcoming negative impacts caused by the global economic downturn. S-OIL's risk management system was evaluated as the one of the best in the world by the Dow Jones Sustainability

Index (DJSI), a leading international sustainable management evaluation index.

S-OIL enhances safety at the production level and prevents various safety, health, and environment-related accidents by integrating safety, health, environment and quality systems. We have taken a lead in environmental protection by providing customers with the highest quality environmentally friendly fuels, and have responded to climate change through systematic energy management including energy reduction activities. S-OIL will continue these efforts because we place top priority on satisfying the expectations of our customers, employees, shareholders and other stakeholders.

S-OIL has new challenges for future sustainable growth on hand. That is "securing new growth engines," in addition to the Onsan



Refinery Expansion Project which will be completed in 2011, so that stakeholders' expectations for sustainable growth can continue to be met today and in the future. S-OIL has selected three strategic directions : 'further investment in the refining business,' 'integration with the petrochemical business' and 'seeking renewable energy business.' To successfully carry out these strategies, we will secure core resources and capabilities and cooperate with external partners.

S-OIL's efforts for sustainable growth are being made available to you through transparent communication. S-OIL's strategic management approaches and activities will be delivered to you in an easily understood way through our sustainability report, with the subtitle "7 Strategic Imperatives for Sustainability."

I am sure that S-OIL can overcome challenges in the future as we have done in the past, and we will continue to consider your

expectations for the company's sustainable growth and the development of the global community.

We are honored to be with you in the journey of achieving sustainable growth, and we are aware of the responsibility that we have to accomplish this goal for our stakeholders. We ask for your continued interest and support. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ahmed A. Subaey'.

**Ahmed A. Subaey**

Representative Director and Chief Executive Officer

# S-OIL's System for Establishing Strategies

## Strategic Framework

S-OIL has established a mission of “Sustainable, Profitable Growth” and has devised a series of detailed action plans to achieve it. The plans derive from the expectations of the company’s C.E.O. (Customers, Employees, and Owners and other stakeholders), reflecting what they want and how to fulfill their expectations. Those plans will enable S-OIL to maximize C.E.O.’s profits across a full range of social, economic, and environmental values.

However, even though the mission and the action plans share the same direction, discrepancies may still arise in how they are executed. To remedy this problem, S-OIL has established a Strategic Framework as a means of integrating the mission and the action plans. It is composed of three axes.

The first axis is Strategic Direction, indicating what the long-term growth directions for the future of S-OIL should be like. S-OIL is currently one of the most profitable oil companies in the Asia-Pacific region, but whether that situation will continue depends largely on our strategic directions.

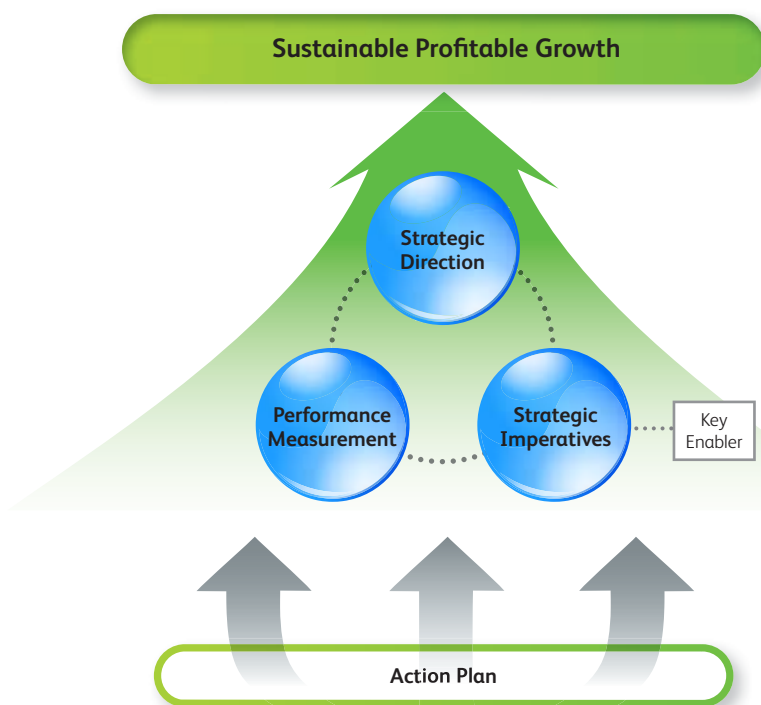
The second axis is Strategic Imperatives. This refers to the management principles that S-OIL should adopt to arrive at the highest possible position, irrespective of which strategic directions we pursue. S-OIL calls the core resources and capabilities it needs to achieve these strategic imperatives Key Enablers.

In addition to the two axes described above, evaluating and managing performances is also important. Therefore, the last axis in S-OIL’s strategic framework is Performance Measurement based on KPIs, or Key Performance Indicators.

With this strategic framework in place, what the C.E.O. expect from S-OIL and what the company should do to satisfy these expectations and achieve sustainable growth are encapsulated in its 7 Strategic Imperatives.

## S-OIL's 7 Strategic Imperatives

- Enhance Customer-Centric Management
- Pursue Best-in-Class Work Environment
- Achieve Operational Excellence
- Contribute to Society
- Follow Global Best Practices of Corporate Governance
- Attain Highest Level of Capital Efficiency
- Develop Platform for Sustainable Growth



## Stakeholder Participation

### Sustainable Growth through Stakeholder Participation

The values of the C.E.O. are the starting point by which S-OIL establishes its long-term growth and development targets. S-OIL determines what the C.E.O.'s expectations are by communicating with them both externally and internally. After the company establishes action plans to fulfill these expectations by correlating them with its own strategic directions and imperatives, the results are applied to the company's management activities through analyses and reviews. These activities and performances are also included in our sustainability report, which is designed for active communication with C.E.O. Overall, stakeholder

participation forms a positive circle where C.E.O.'s expectations are utilized in our sustainable management.

### Communication Channels and Stakeholder Expectations

For effective participation and communication with C.E.O., S-OIL establishes a variety of participation channels, considering each stakeholder group's characteristics. The information that it derives from these sources regarding C.E.O.'s expectations is then reflected in its management activities. To improve this process, S-OIL continuously seeks ways to improve the existing channels, so that such expectations are managed more systematically.

	Major C.E.O. Participation Channels		C.E.O. Expectations
<b>Customers</b>	<b>Private Customers</b> <ul style="list-style-type: none"> <li>Customer Complaints Processing System</li> <li>Customer Satisfaction Suggestion Program</li> <li>Customer Satisfaction Index Survey</li> </ul>	<b>Service Stations/Dealerships</b> <ul style="list-style-type: none"> <li>Seminars to Support Service Stations</li> <li>Service Station Management Magazine</li> </ul> <b>Corporate Customers</b> <ul style="list-style-type: none"> <li>Strategy Meetings</li> <li>Customer Appreciation Days</li> <li>Base Oil Dinners</li> </ul>	<b>Private Customers</b> <ul style="list-style-type: none"> <li>Reasonable Prices</li> <li>Product Quality Guarantees</li> <li>Service/Convenience</li> <li>Accessibility</li> </ul> <b>Service Stations/Dealerships/Corporate Customers</b> <ul style="list-style-type: none"> <li>Reasonable Prices</li> <li>Product Quality Guarantees</li> <li>Win-Win Partnerships</li> <li>Financial/Technical Supports</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Employee Satisfaction Survey</li> <li>Meetings with CEO</li> <li>Monthly Conferences</li> <li>Ethics Management Help Desk</li> <li>Labor-Management Conferences</li> <li>Production Site Visits</li> </ul>		<ul style="list-style-type: none"> <li>Comfortable Work Environment</li> <li>Competitive Compensation/Benefits</li> <li>Job Security/Post-Retirement Management</li> <li>Proper Balance Between Life and Work</li> <li>Fair Performance Evaluations</li> <li>Company Vision, Growth Potential</li> <li>Education/Opportunities for Personal Growth</li> <li>Free and Open Communications</li> </ul>
<b>Owners and Other Stakeholders</b>	<b>Shareholders/Investors</b> <ul style="list-style-type: none"> <li>General Shareholder's Meeting</li> <li>Telephone/E-Mail Consultations</li> <li>Investors' Relations/Conferences/Investors' Meetings</li> <li>Meetings with Analysts</li> <li>Website Postings</li> </ul>	<b>Business Partners</b> <ul style="list-style-type: none"> <li>Meetings by Department</li> </ul> <b>Local Communities</b> <ul style="list-style-type: none"> <li>Public Hearings/Seminars</li> <li>Visits to Refinery</li> <li>Activities Through Associations</li> <li>Sunshine Sharing (CSR Activities)</li> </ul>	<b>Shareholders/Investors</b> <ul style="list-style-type: none"> <li>Dividends</li> <li>Developing Future Growth Engines</li> <li>Corporate Governance</li> <li>Risk Management</li> </ul> <b>Business Partners</b> <ul style="list-style-type: none"> <li>Fair Competition/Fair Trade</li> <li>Resolving Problems</li> </ul> <b>Local Communities</b> <ul style="list-style-type: none"> <li>Fulfilling Environmental/Social Responsibilities</li> <li>Job Creation and Increased Investments</li> </ul>



## Materiality Evaluations and Identifying Key Issues

### Report Contents

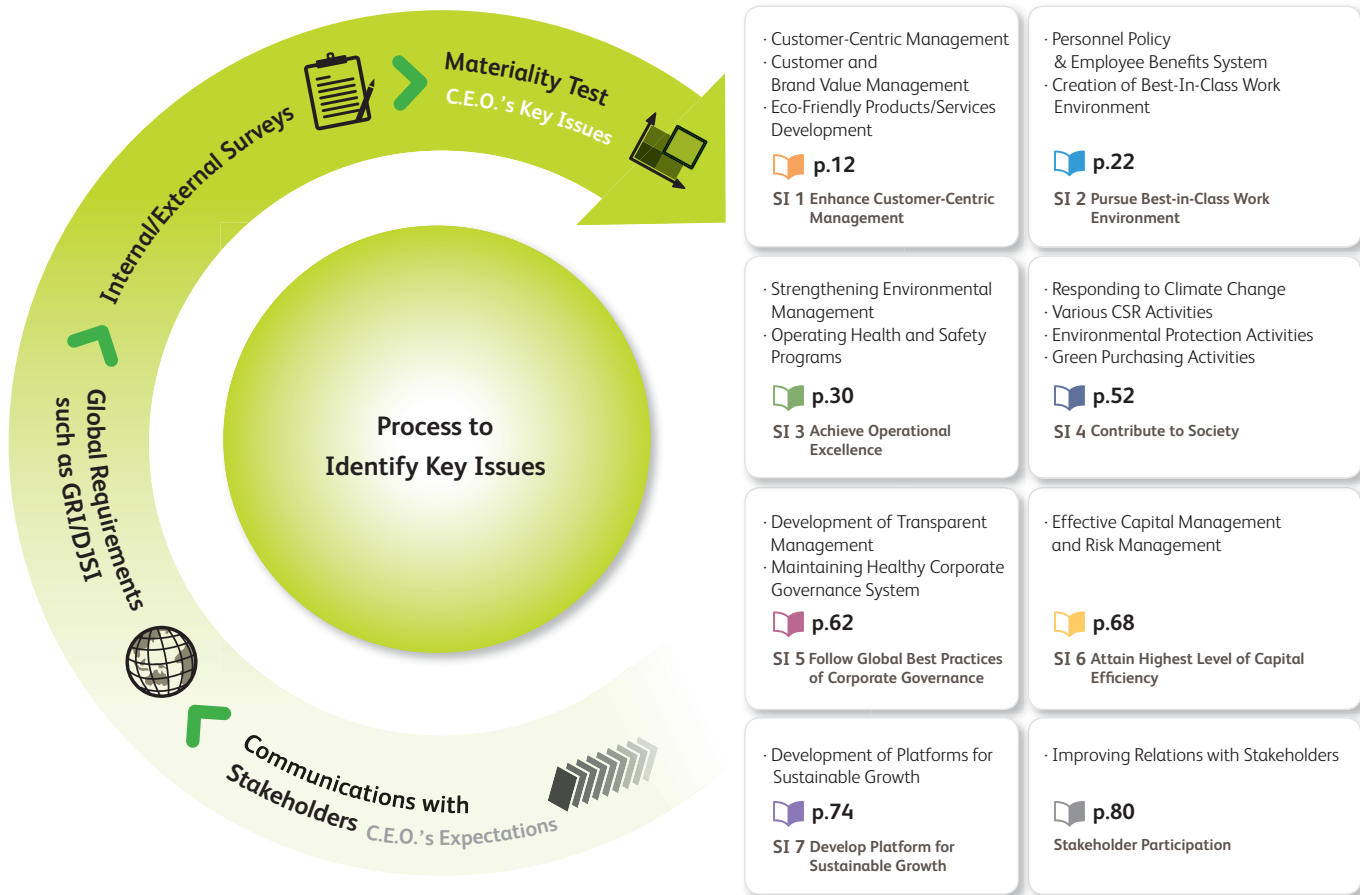
The people and groups who are interested in S-OIL's management activities want to be kept informed about them. Responding to such needs, S-OIL publishes its sustainability report with the aim of two-way communication. It includes information on all matters of interest to the C.E.O. from the economic, environmental, and social viewpoints, in accordance with the global guidelines for such publications and the company's seven strategic imperatives. In addition, through a materiality test, S-OIL identifies major subjects and indicators that might influence the C.E.O.'s decision-making activities, and covers them in detail in its sustainability report. S-OIL will continue to abide by its principle of disclosing information regarding its management activities and performances in an honest and transparent manner so as to facilitate its stakeholders' decision-making. We believe that this will help not only the company itself but also contribute to society's own sustainable development process.

### Process to Identify Key Issues

S-OIL's materiality test is issue-oriented. It uses the following processes to identify major issues from the perspective of its stakeholders.

- ① Identify C.E.O.'s expectations through stakeholder participation
- ② Select 16 key, common issues found in GRI, DJSI, and soon-to-be-released ISO 26000 from overall list of C.E.O. expectations
- ③ Gather opinions from 527 people (344 internal stakeholders, 183 external stakeholders) through an online survey to test the materiality of the selected issues
- ④ Narrow list to 5 common issues among both internal and external stakeholders through a Materiality Matrix.

S-OIL then deals with the key issues that have been selected in the report. They are chosen by considering their overall degree of social interest and the company's own internal strategic directions. We strive to provide our readers with information that they will find meaningful and useful.



# Key Economic, Environmental & Social Performances

	2007	2008	2009
<b>Economic Performance</b>			
Sales (KRW million)	15,229,398	23,000,291	17,423,951
Net Income (KRW million)	712,094	474,614	273,246
Earnings Per Share (KRW)	6,717	4,076	2,346
Dividend Per Share			
- Common (KRW)	13,425	5,000	1,350
- Preferred (KRW)	13,450	5,025	1,375
Return on Equity ( % )	22.74	12.98	7.45
<b>Environmental Performance</b>			
Fuel Usage (TOE)	1,620,920	1,599,625	1,561,683
Electricity Usage (MWh)	1,379,526	1,437,455	1,420,921
Water Usage (thousand tonnes)	20,752	21,027	21,420
Wastewater Discharges (thousand tonnes)	9,773	8,761	9,548
Greenhouse Gas Emissions (thousand tonnes_CO2e)	7,463	7,605	7,482
Environmental Investments (KRW million)	11,631	8,039	22,993
<b>Social Performance</b>			
Number of Employees	2,416	2,455	2,511
Number of Newly Hired Employees	107	135	132
Full Time Employees ( % )	96.23	96.37	95.94
Annual Average Training Hours Per Employee	54	71	56
Injury Rate ( % )	0.27	0.2	0
Employee Satisfaction (points out of five)		3.27	3.47
Sunshine Sharing Donations (KRW million)	4,867	6,775	4,041
Employees' Volunteer Hours (hours)	12,378	16,123	22,693

# Board of Directors: Ensuring Honest and Transparent Corporate Governance

S-OIL, formed by Saudi Arabia's state-run oil company and the Hanjin Group, has a Board of Directors (BOD) that ensures open and honest corporate governance based on a system of checks and balances. By separating the CEO and the Chair of the BOD, the CEO is able to concentrate on running the company on a daily basis, while the BOD is tasked with overseeing its operations from a more objective perspective.

## Independent and Professional BOD Members

One means by which S-OIL ensures open and honest corporate governance is through a BOD whose members are both independent and professional. The BOD is composed of six independent outside directors, one inside director, and four non-standing directors. All the outside and non-standing directors possess a wealth of expertise and experience in the refining industry, adding depth to the BOD. Since the non-standing directors comprise the majority of the BOD, they are able to supervise the company's activities and performances objectively and independently.

## Separate Management by Chair of BOD and Company's CEO

Since 2003, S-OIL's CEO and the Chair of its BOD have managed the company separately. To ensure responsible and transparent management, the CEO is responsible for the company's everyday operations, while the BOD Chair oversees its overall performance and activities in a way which will raise shareholders' profits.

## Establishment and Operation of Committees

The BOD's Board Audit Committee, Compensation Committee, and Outside Director Candidates Recommendation (ODCR) Committee each comprise six outside directors and one non-standing director to ensure efficient, professional, and transparent management. The Board Audit Committee, which supervises all aspects of the company's business management, is in charge of evaluating the Internal Accounting Control System and reporting on the results of all internal audit activities. The Compensation Committee establishes the company's compensation system, including employee salaries, severance pay-

Composition of BOD (as of March 2010)

	Name	Position
Inside Director	A. A. Al-Subaey	· Representative Director and CEO
Non-Standing Directors	K. G. Al-Buainain	· Non-Standing Director
	B. A. Abul-Hamayel	· Non-Standing Director
	Y. H. Cho	· BOD Chair (Non-Standing Director)
	K. H. Chang	· Board Audit Committee member (Non-Standing Director)
Outside Directors	S. A. Al-Ashgar	· Board Audit Committee Chair · ODCR Committee Member
	A. M. Al-Seflan	· Board Audit Committee Member · Compensation Committee Member · ODCR Committee Member
	A. O. Al-Ajaji	· Compensation Committee Member
	M. S. Chung	· ODCR Committee Chair · Board Audit Committee Member
	K. W. Lee	· Compensation Committee Chair · ODCR Committee Member
	S. E. Park	· Compensation Committee Member

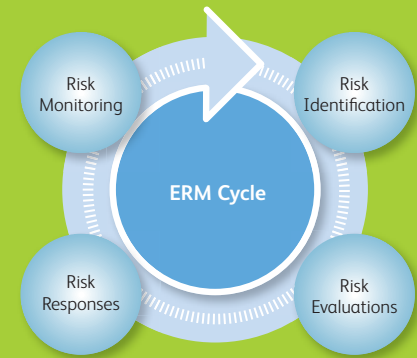
ments, and incentives. The ODCR Committee decides whether candidates are qualified according to all relevant rules and regulations, selects the most proficient ones, and recommends them as outside directors at the General Shareholders' Meeting.



S-OIL's Board of Directors

# World-Class Enterprise Risk Management

S-OIL effectively manages potential risks to protect its corporate value, and is prepared for any possible contingency.



## Preventative Risk Management

The term ERM (or Enterprise Risk Management) means protecting an enterprise's corporate value through the constant monitoring of risks that might result from uncertainties about and/or changes to its management environment. S-OIL established an integrated, company-wide risk management system in February 2008. It also established risk management policies that correlate with its overall management strategies. It monitors their implementation, carries out risk prevention activities, and draws up appropriate response measures through monthly meetings of the ERM Committee, which is composed of the CEO, the head of each business line, and the head of the Planning & Coordination Office.

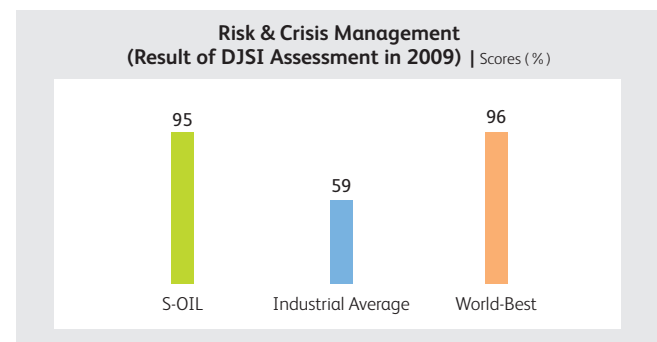
## Risk Management Procedures

Risk management used to focus either on defensive management to reduce corporate losses or on strengthening internal control systems to minimize fluctuations in a company's performance. In contrast, S-OIL's ERM system prioritizes the proactive prevention of risks by constantly searching for changes in its management environment. Our ERM system identifies all the risks that might impact negatively on our management objectives. This is done through a series of processes that are performed in the following order: risk recognition, evaluations, selection of measurements, responses, monitoring, and reporting. Major risks are identified based on the possibility of their occurrence and their potential degree of impact. The system's risk profile is constantly revamped through a regular re-assessment of all risks. Risks are divided into five categories: strategies, markets, finances, management, and compliance with regulations. They are carefully monitored, as we have set Key Risk Indicators (KRIs) for each major risk. Examining for these risks helps us to prevent them from happening and

minimizes the possibility of accidents, losses, and disasters. Any necessary actions are taken swiftly and systemically, in line with our risk response manual. The outcomes of this monitoring and our responses to them are regularly reported to the ERM Committee. This ensures that top management is always familiar with the results of the risk management process, and can make appropriate decisions based on this knowledge.

## World's Best Risk Management

The DJSI (Dow Jones Sustainability Index) considers an enterprise's risk management capacity to be an essential component of its assessments of "Corporate Economic Sustainability." S-OIL was included in the oil refining sector of DJSI Korea, the world's first-ever country-based index, and received satisfactory ratings in every criteria-including the top spots in management transparency and risk management. We will take whatever steps are needed to improve our responses to changes in our management environment. In addition, we will maintain the highest standards of risk management by continually improving our systematic infrastructure including the ERM system and strengthening our monitoring activities.

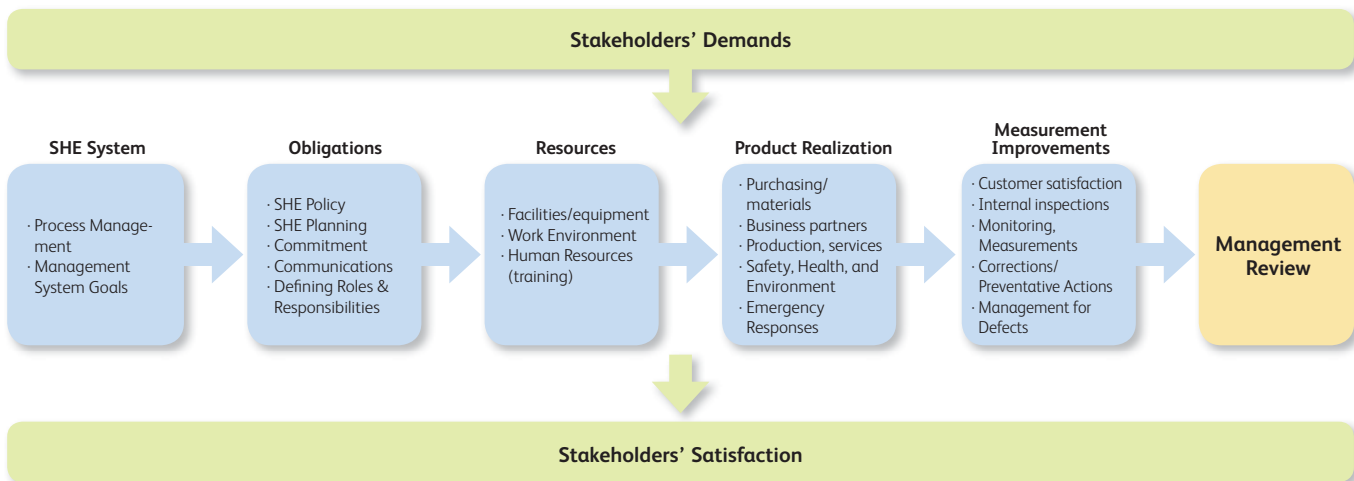




# Integrated Safety, Health, and Environment System

S-OIL has always recognized the importance of a safe, healthy, and environmentally friendly workplace. It operates a Safety, Health, and Environment (SHE) management system intended to manage factors that can affect our safety, health and environment, throughout the company's various business activities, thereby minimizing any negative impacts.

## SHE System Activities



## Integrated SHE System

S-OIL carries out safety, health, and environment management systematically, not just by its efficient SHE system but also by operating various management systems based on a PDCA cycle, such as the Safety Health Management System (OHSAS 18001), Quality Management (ISO 9001) and Environment Management (ISO 14001), etc. In the meantime, the company provides a safety/environment mileage program and online training to promote each department's own SHE management activities and performances. The operation of the SHE system and the management activities that flow from it have improved the management of the company's production facilities and enhanced the development of eco-friendly technologies. S-OIL was recently recognized as a "world's best" in the Ministry of Environment's evaluation of automotive fuels.

### Environmental Friendliness of S-OIL's Products

Year		Gasoline Sulfur Content (ppm)	Grade	Diesel Sulfur Content (ppm)	Grade
2007	1H	11	★★★★★	8	★★★★★
	2H	9	★★★★★	6	★★★★★
2008	1H	8	★★★★★	5	★★★★★
	2H	9	★★★★★	6	★★★★★
2009	1H	4	★★★★★	5	★★★★★
	2H	4	★★★★★	5	★★★★★

★★★★★ : Highest by international standards according to MOE evaluations

★★★★ : Close to highest by international standards according to MOE evaluations


\* S-OIL maintained five stars for its gasoline and diesel in the first half of 2010. (SK Energy, five stars for both products; GS Caltex and Hyundai Oilbank, four stars for gasoline and five stars for diesel)

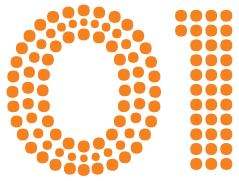


## 7 Strategic Imperatives for Sustainability

S-OIL provides leadership beyond its statutory duties and responsibilities.

It is committed to improving the economy, the environment, and society, as well as increasing stakeholder values.

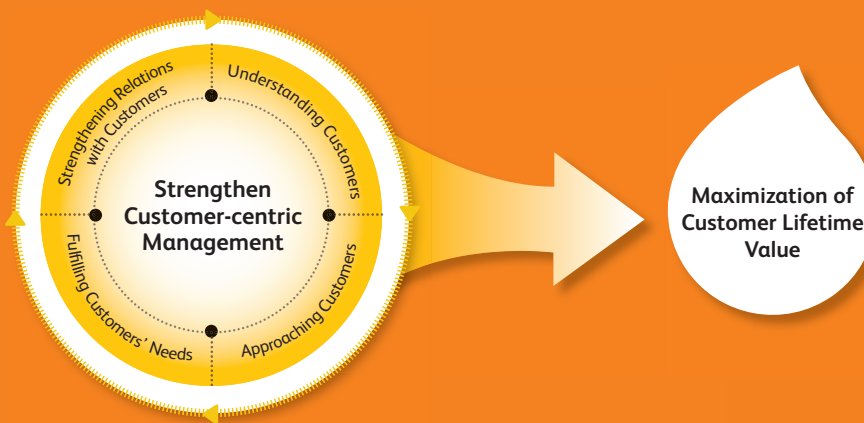




# Enhance Customer-Centric Management



## Management Approach



“Customer-centric management is an essential component of any company’s sustainability. S-OIL primarily makes efforts to understand its customers’ needs and wants. Based on our findings, we plan and carry out a wide variety of activities for their eventual benefits. We also offer them high-quality, eco-friendly products, and provide additional benefits and advantages through our affiliation programs. We also strengthen our relationships with our customers through various types of communications--an integral part of our strategy of maximizing Customer Lifetime Value at every level.”

**Bong-Soo Park** (Executive Vice President\_Marketing B/L Head)



# Understanding Customers

S-OIL's customer-centric management strategy starts with hearing its customers' voices, since maximizing value for them requires a clear understanding of their needs. Since its customers' needs are constantly changing, S-OIL devotes itself to always keeping in tune with them.

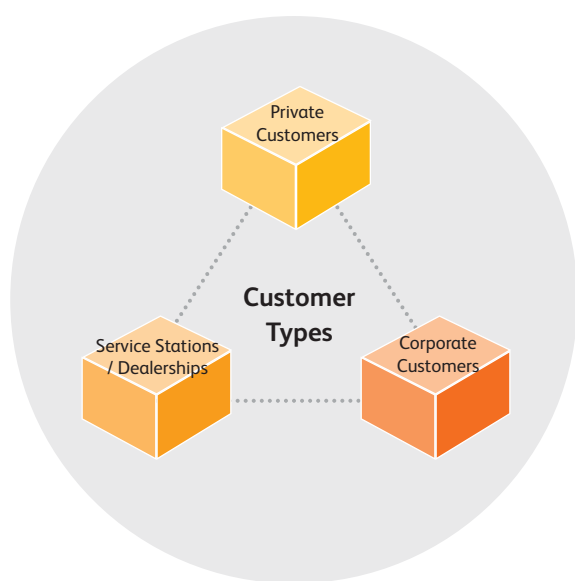
## Learning About Customers' Needs

S-OIL keeps informed about its customers' needs through a wide range of channels in order to respond to them more effectively. This includes an annual survey to gather their opinions about our products, service, and sales environments, as well as soliciting their opinions through our customer center and by ARS and e-mail. We also carry out marketing activities such as promotions and events, taking into account customers' suggestions. Furthermore, we will organize a "loyal customer group" from which we collect ideas for the development of our sales strategies.

## Strengthening Customer Data Analysis

Customer data analysis is essential in various sales areas of all the department contacting customers. Execution of various analysis based on the customer-related data generated in all the customer contact departments such as marketing, sales, service and call center enhances understanding about customers. S-OIL plans to realize an environment appropriate for dividing and targeting customers by introducing various analysis tools through more advanced bonus card system and therefore, to execute more effective marketing, service and sales activities in 2010. Establishment of an environment to analyze and understand customers better based on various customer data including customers' characteristics, transaction behaviors, consulting history, complaints, point accumulation/usage history will become a foundation to better understand and approach closer to customers.

### S-OIL Customer Types





# Approaching Customers

S-OIL's advertisements, promotion, and card marketing activities are designed to strengthen its brand recognition, add to its customer base, and distinguish it from its competitors.

We are committed to ensuring that our marketing efforts are not misleading and do not contravene any laws or regulations.

## Enhancing Our Corporate Image Through Friendly, Creative Ads

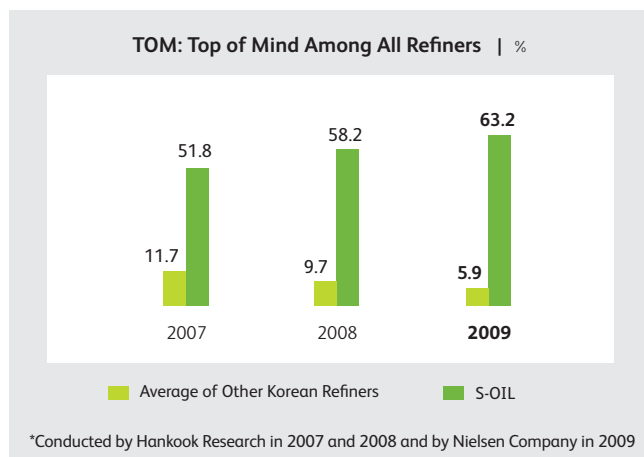
S-OIL enhances its corporate image through unique and lively images and ads, encouraging viewers to think that "Good Oil = S-OIL." In addition, we strengthen our image as a trustworthy, reliable, and socially responsible company through warm and friendly "infotising" that details our contributions to the nation and our society.

### Creative Ads

The ad campaign entitled "You Are Superman," which depicted a father and mother, their daughter-in-law, and students working hard in the midst of an economic downturn, was very well-received by viewers. The combination of pleasant yet lively images with public-service messages on such themes as not parking in a school zone makes our ads both creative and educational.

## Warm and Trustworthy Corporate Image Ads

In 2009, S-OIL ran an ad outlining its contributions to the national economy through petroleum product exports and the production of value-added products under the slogan "Good People, Good Oil." The ad, the purpose of which was to soften the company's corporate image, was one of a series that ran in Korean newspapers and magazines. All of them received positive responses, since they portrayed the company as a leader in the drive for environmental protection and a strong believer in the need for social contributions activities, such as a natural monument protection campaign, supporting heroic firefighters, etc. S-OIL will continue to burnish its corporate image of "a generous and trustworthy company" by communicating with the public through other creative and informative advertisements.



Promoting Corporate Image Through Paper Advertisements

## Events and Promotions

S-OIL is totally committed to its customers. We enter into relationships with them through our products and services and various other channels, including sports, cultural, and promotional events.

## Sports Marketing

S-OIL burnishes its image of being first-rate, active and eco-friendly to potential customers by hosting and sponsoring a variety of sports events. This also helps to boost the public's interest in sports. In addition to being the lead sponsor of the KLPGA/MBC-Tour S-OIL Champions Invitational golf tournament since 2007, the company also backs professional golfers and racing teams. We also provide premium services to satisfy and favorably impress customers, such as inviting them to golf pro-ams and various sports events. S-OIL will continue sports marketing which is effective in increasing brand attractiveness among potential customers.



KLPGA/MBC-Tour S-OIL Champions Invitational

Racing Team Sponsorship (Champion for 3800cc, Super Race Championship 2009)

## Cultural Events

S-OIL hosts a variety of cultural events to enrich the lives of its customers. These allow us to not only repay our customers, but to meet with them in a relaxed and informal atmosphere.

## Customer Services through Affiliations

S-OIL offers its customers a wide range of additional services to increase their level of satisfaction. Customized services through bonus cards, affiliated credit cards, and gift certificates are developed and distributed by customer type to better reflect their characteristics and needs.

S-OIL designs its services in a way which is valued by its customers. As a result, it is constantly adding to its number of bonus point member shops, such as online shopping malls, portal sites, car repair chains, movie theaters, and airlines. We also plan to continue our affiliation programs, including providing the best fueling benefits in affiliation with the credit cards that are most preferred by our customers.

Video Clip for  
TV Commercial,  
"Dad is Superman"



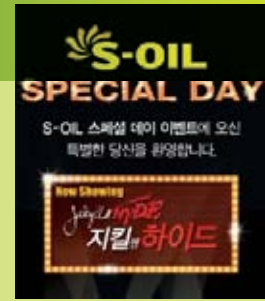


## Yellow Concerts

S-OIL offers "Yellow Concerts" every month as part of its campaign to bring high-quality cultural events to customers in marginalized regions of the country with few cultural facilities.

## S-OIL Special Day with Musical Jekyll and Hyde

As part of its cultural events program to enhance its image as a culture-friendly corporation and to maximize customer satisfaction, in August 2009 S-OIL worked with the internationally acclaimed "Original Jekyll and Hyde Musical Team," which was then visiting Korea. They hosted a "S-OIL Special Day" for 1,500 loyal customers, including providing refreshments. We have hosted many such events for our premium customers, including such favorites as "Dream Girls," "Cats," and "La Boheme." Our cultural events will provide more benefits to our customers as we continue to identify which events they prefer.



	Operation Status	Benefits
<b>Bonus Cards</b>	<ul style="list-style-type: none"> <li>Specialized Service</li> <li>Bonus cards for truckers</li> <li>Bonus cards for female drivers</li> <li>Bonus cards for donors privilege</li> <li>Civil group affiliated cards</li> </ul> <p>· No. of members (10,000 persons)</p> <p>260 350 412</p> <p>2007 2008 2009</p>	<ul style="list-style-type: none"> <li>Accumulate 5 points per liter according to service station usage history; bonus point can be used for fueling, gifts, and other affiliated services</li> <li>Truck Bonus Cards: issued to truckers and preferential treatment given to bonus point accumulation</li> <li>Donor Privilege Cards: 6 points accumulated per 1,000KRW, 3 points donated to Chest</li> <li>Civil Group Affiliation Cards: Provide discounts on service charges at car repair shops that are members of "Use Cars for 10 Years Campaign."</li> </ul>
<b>Affiliated Credit Cards</b>	<ul style="list-style-type: none"> <li>One Card, S-OIL bonus card are integrated with affiliated credit card, is in services.</li> </ul> <p>· Types of ACC (cards)</p> <p>20 51 83</p> <p>2007 2008 2009</p>	<ul style="list-style-type: none"> <li>Discount of 60 KRW per liter at most</li> <li>Accumulation of 80 bonus points per liter at most</li> </ul>
<b>Gift Certificate</b>	<ul style="list-style-type: none"> <li>Three types of paper certificate (KRW10,000,30,000 and 50,000) are in sale at HQ, sales offices, service stations and factories.</li> </ul>	<ul style="list-style-type: none"> <li>Available at 20 affiliated partners including gas station and LPG station/Home Plus/Bennigans/Outback Steakhouse/Hyatt Regency Incheon</li> </ul>

# Fulfilling Customers' Needs

S-OIL exists to satisfy its customers. We identify their needs in such areas as price, quality, and privacy protection, and implement policies and activities that are necessary to meet those needs.

## Reasonable Pricing Policy

In pursuit of ethics management with the motto, "fair and transparent pricing," S-OIL is opposed to all forms of dishonest and unethical behavior, including price-fixing, collusion, and other unfair trading practices.

The price of the company's products is based on objective data, including international petroleum product prices, the current exchange rate, our supply and demand situation, and domestic market trends. S-OIL has led fair and reasonable pricing in the domestic market with its independent pricing system.

The prices for our domestic light oil products (i.e., gasoline, diesel, and kerosene) are set daily by our Pricing Committee, which is composed of executives and employees from relevant departments. To guarantee fairness, they are based on a basket of price adjustment factors, including international oil prices, petroleum product price trends, and exchange rates. Our prices for individual customers reflects this price and other factors, such as the current market situation and what our competitors are doing.

S-OIL adds to the transparency of its pricing practices by publicizing the petroleum product prices at over 95 % of its service stations across the nation. This is done through the opinet ([www.opinet.co.kr](http://www.opinet.co.kr)), which has been operated by the Korea Oil Corporation since May, 2009.

## Fair Trade

The company has also published a "fair trade self-observation guide." It illustrates the company's commitment to free and open competition, enhances our customers' understanding of fair trade, and helps to prevent the breaking of industry-related rules and regulations by its employees. The guide includes explanations of laws relating to the regulation of monopolies and fair trade, actual cases that have been taken before the Korea Fair Trade Commission, and ancillary matters.

Despite these efforts, the fact that domestic petroleum product prices must always reflect international ones, along with the extremely high costs involved in entering the industry, have made S-OIL an easy target for allegations of price fixing and unfair trade. In 2004, for example, the company, along with three other domestic refiners, was fined by the Korea Fair Trade Commission for allegedly conspiring to fix the price of domestic light oils. We filed an appeal in April 2007, asking for the decision to be declared null and void. The Supreme Court of Korea ruled in our favor in February 2010.

In December 2009, S-OIL and LPG importers and refiners were fined KRW 668.9 billion in total by the Korea Fair Trade Commission for allegedly conspiring to fix the price of LPG. S-OIL was fined KRW 38.5 billion for its portion; however, since it had committed no wrongdoing, it launched an appeal right away, and legal proceedings are currently underway.



## Environmentally Friendly Products

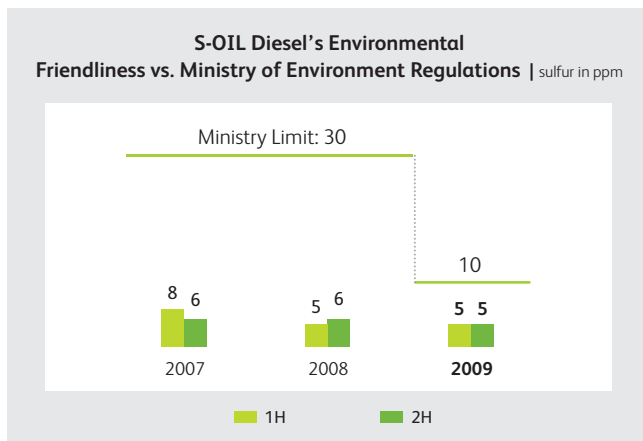
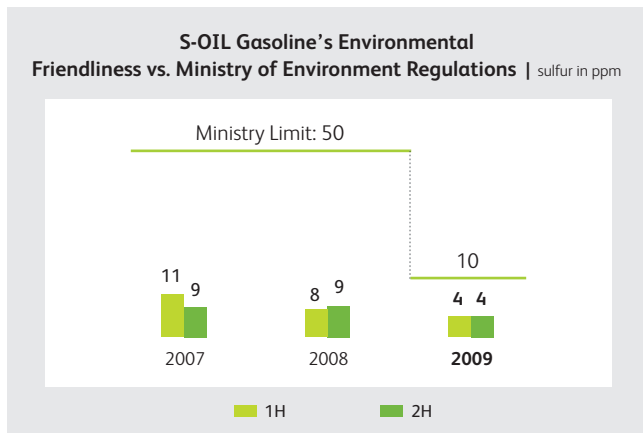
S-OIL produces high-quality, eco-friendly products that exceed all regulatory demands and environmental regulations. This illustrates our commitment to environmental protection and our awareness of the need to take action against global warming, as well as fulfilling customers' expectation.

The company operates the B-C Cracking Center and cutting-edge hydrodesulphurization units. As a result, all of its products boast a low sulfur, light content. In addition, Alkylate, which S-OIL has been producing since 2009, has been recognized as an eco-friendly gasoline. A high-octane gasoline mixture with a low steam pressure, it is free of such harmful substances as sulfur, olefin, aromatics, and benzene. The introduction of the Alkylate production process was S-OIL's proactive response to constantly tightening petroleum product-related environmental regulations around the world. The company has also developed a long-life gasoline engine oil in collaboration with the Hyundai Kia Car Research Center. It uses antioxidants and a shear stabil-

ity-improved VI additive to prevent such quality-related problems as viscosity decreases. Because of this, its life-span can be doubled, because it does not suffer from such degradation and does not destroy the oil's film coating. S-OIL has applied for a patent for it in Korea, the USA, and China. In addition, we are developing diesel and gasoline engine oils that could improve fuel efficiency dramatically by maintaining their anti-friction and anti-abrasion functions for longer periods. This would result in enhanced viscosity properties at low temperatures, and a longer overall life-span for the oils.

### Environmentally Friendly, High-Quality Lube Base Oil (Ultra-S)

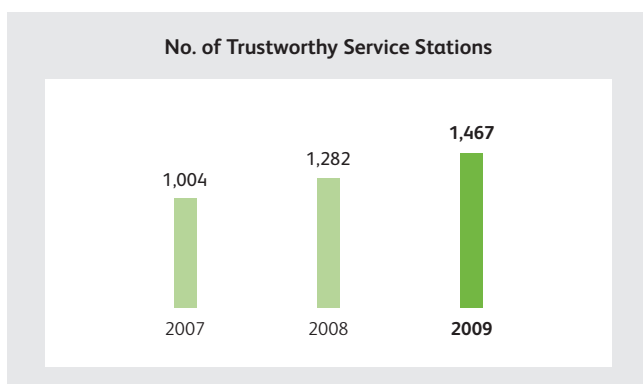
Requirements for improvements to automotive fuel efficiency due to constantly tightening global environmental regulations and the need for energy savings have led to increased efforts to develop engine oils with lower viscosities and longer life-spans. As a result, the demand for Group III lube base oil, a prime source of such high-quality lubricants, has increased markedly. S-OIL, which boasts 25% of the world's supply capacity of group III lube base oil, has responded to this need with its "Ultra-S" eco-friendly, premium lube base oil, which is used to produce high-quality, low-sulfur lubricants for diesel trucks. Lubricants made with Ultra-S boast longer-lasting exhaust systems and improved fuel efficiency, since they reduce damage to the vehicles' emission control devices dramatically.



## Quality Controls and Activities

### Quality Guaranteeing Trustworthy Service Stations

S-OIL operates a "Trustworthy Service Station" program to ensure that its customers are purchasing safe and trustworthy products. Through it, S-OIL and its service stations guarantee the quality of the products they sell. S-OIL also entered into an agreement with a Trustworthy Service Station that promises it will reimburse any losses caused by faulty products. When customers see "Trustworthy Service Station" on a service station's signboard, they know they can patronize it with confidence. By the end of 2009, 1,467 of our affiliated service stations had signed a Trustworthy Service Station Agreement allowing them to participate in the program. We will continue to increase the number of Trustworthy Service Stations.



### Quality Manager System

Our “Quality Manager System” ensures that our facilities have been carefully inspected for purposes of quality control. Quality control managers visit each service station to examine their products and inspect their quality control facilities. They also respond to customers’ complaints regarding product quality, give them detailed explanations about the quality control process, and provide them with data and information on the steps that are taken to ensure they are buying quality products and receiving first-class service. During these visits, the service station manager learns the results of holding-tank moisture inspections, gas pump meter inspections, and sample analyses, so that the “right” amount of a product can always be provided to his or her customers. As of 2009, S-OIL had inspected a total of 632 of its Trustworthy Service Stations, and plans to provide the service to all of them in 2010. In addition to Trustworthy Service Stations, S-OIL will expand its Quality Manager System to serve corporate customers. S-OIL has always provided its customers with accurate product information, and has never been penalized for breaking any relevant laws.

### Strengthening Customer Data Protection

The number of S-OIL bonus card members had reached 4.12 million as of the end of 2009. As a result, the company added hardware such as additional security infrastructures and upgraded operation technology to ensure the safety and security of its customers’ private data. These improvements included a customer data management system and enhanced data security recognition processes.

In addition, the company completed a customer data encoding program and introduced I-PIN (an online registration number for personal identification verification). It also established a DLP (or Data Loss Prevention System) to strengthen its customer data management capabilities.

We only allow access to customer data to authorized persons, who have to pass through an internal control system for added security. In addition, permission from department heads is required to utilize any customer data at all our worksites. Information on customer data protection is also included in the Code of Business Ethics and Conduct for executives and employees to recognize the importance of information security.

The Ministry of Public Administration and Security carried out a special inspection of our private information management infrastructures and systems in April 2010. No improvements were needed. S-OIL has never experienced a case of customer data leakage, theft, or loss.

#### Customer Data Protection System and Improvement Plans

Classification	Description
Improvements to Bonus Card System	· Manage customer data stored in the bonus card system centrally, and encode them using more advanced technologies
Customer Data System Upgrade	· Put customer database access control solution in place · Enhance encoding of customer data
Customer Data Loss Prevention	· Strengthen controls on internally distributed customer data by adding network-based DLP
Privacy Impact Assessment System	· Establish customer data status and risk monitoring system during entire life cycle, from collection of customer data to its deletion.
Integrated Log Analysis System	· Real-time monitoring of access to customer DB and distribution of data on customers

# Strengthening Relations with Customers

S-OIL wants to have long-term relationships with its customers, not temporary ones. We support the managers of our service stations in a variety of ways, and have a host of programs in place to strengthen our relations with overseas customers. Our Customer Complaints Processing System and Customer Satisfaction Suggestion Program are designed to improve our customer service capabilities and deal with customer complaints efficiently and effectively.

## Strengthening Relations with Service Station Managers

Service stations, an essential component of S-OIL’s domestic sales network, are both its customers and its partners. We offer a wide variety of support activities to facilitate long-term and mutually beneficial relationships with the managers of our affiliated service stations and enhance both their competitiveness and the quality of their operations.

Activities to Support Managers of Service Stations	
Classification	Main Activities
Presentations on Marketing Policy and Support System	· Around 1,000 managers of our affiliated service stations nation-wide participate
Service Station Management Magazine	· Published every two months to provide information on managing stations, outline exemplary performances, and discuss service station support system
Cyber Education	· Online training ( <a href="https://ebiz.s-oil.com">https://ebiz.s-oil.com</a> ) providing information about our marketing policies, operating manuals for service stations, laws and regulations related to service stations
Service Station Management Consulting	· Assisting through company-employed professional marketing consultants regarding issues ranging from sales management and promotions to facility renovations and supplementary businesses
YES Team (service improvement team)	· It visits our service stations to offer them support and information relating to service training and promotional activities.

## Station Awards System: Champions Club

S-OIL rewards managers of its service stations who have excellent performance records in terms of service, quality of management, sales, and profitability by offering them memberships in the S-OIL Champions Club. This encourages competition and the sharing

of best practices among our stations and enhances the operations of all our service stations. We are planning to offer step-by-step training for our service station operators, offering them courses that are tied to job proficiency and difficulty. Rather than relying on theory-based education, we will use practical activities to help them learn through experience and apply what they have learned to their work. We will also identify supplementary business possibilities for our service stations by benchmarking other companies, distributors, and even other industries. At the same time, we will increase the operators’ success rate for entering into new supplementary businesses by adding to the quality of the advice we give them. We also plan to help each station’s supplementary businesses through joint marketing efforts with our affiliated partners in such businesses.

## Mutually Beneficial Relations with Overseas Customers

S-OIL has focused on breaking into overseas markets ever since its establishment. As a result, more than 60% of our sales now comes from there. We are committed to strengthening our relationships with our overseas customers, treating them as valued partners and highly esteemed advisors in furthering our international operations. S-OIL has strengthened its partnerships with overseas importers to secure stable exporting outlets through direct channels and long-term supply contracts. We has been increasing our supply through long-term contracts with Australian wholesalers and retailers. In addition, we have signed a long-term contract for the supply of refined petroleum products with a Japanese importer who has a wide sales network in that country. We have also developed local markets in tandem with

local importers and/or major oil companies. In addition, we reduce the risks inherent in starting up new local businesses by developing an overseas distribution base and offering our partners generous benefit-sharing programs. This guarantees us both stable supplies and profitability. In order to offer our customers values that reflect their specific needs, we carry out relationship enhancement programs that include a “best product” quality guarantee and a flexible pricing policy. We frequently check the lube base oil product quality index in strategic markets, and do thorough monitoring to respond to their demands for high-quality products. In addition, we promote technological exchanges and joint developments to meet their technological needs, and have adopted a Customer Information IT System to work with them more efficiently. We also offer a wide range of customer satisfaction activities, such as inviting them to visit our facilities and publishing brochures that are targeted specifically at them.

Communications Channels	
Refined Petroleum Products	<ul style="list-style-type: none"> <li>Annual reception for participants at AAPEC (Asia-Pacific Petroleum Conference) in Singapore since 2007</li> <li>Engagement with main customers &amp; potential ones</li> </ul>
Petrochemical Products	<ul style="list-style-type: none"> <li>Hold regular strategy meetings with main customers</li> <li>Maintain mutually beneficial relationships</li> </ul>
Lube Base Oil	<ul style="list-style-type: none"> <li>Events for main local customers</li> <li>Events for Overseas Customers from the USA, Europe, and Japan</li> <li>Other: Strengthening face-to-face contact with main customers; quarterly review meetings, video conferences, etc.</li> </ul>

## System for Handling Customer Complaints

The speedy and accurate handling of customer complaints is a basic element of customer satisfaction management. S-OIL adds to its customers’ satisfaction through its CCPS, or Customer Complaints Processing System. As soon as a complaint has been categorized and registered, the concerned team investigates its cause or causes, tries to establish the true nature of the facts, puts a plan in place for dealing with the problem, and attempts to bring it to

CCPS Performance (no. of registrations and responses)		
Types of Complaints	2008	2009
Product Quality	283	207
Service/Delivery	743	634

\* Complaints about alliance services, such as for bonus cards, affiliated credit cards, gift certificates, etc., are not included.

a resolution. All of these steps are entered into our CCPS records, with access being provided to all our executives and employees to prevent them from re-occurring.

### Case Improvements by CCPS

Classification	Main Activities
Complaint Prevention	<ul style="list-style-type: none"> <li>Produced “Affiliated Service Station Customer Satisfaction Training Materials” and prevent recurrences of similar complaints</li> <li>Provided intensive trainings to service stations with many complaints</li> <li>Provided materials for prevention/post-treatment of oil mix-ups</li> <li>Strengthened training to reduce complaints about quality and handling of Diesel fuel due to sudden drops in temperature</li> </ul>
Dispute Resolution	<ul style="list-style-type: none"> <li>When the actual amount of fuel pumped is greater than a vehicle’s specifications</li> <li>Training in how to collect a sample from a customer’s vehicle and the service station to accurately find the cause of a complaint</li> </ul>

## Customer Satisfaction Suggestion Program

S-OIL adds to its customers’ satisfaction by directly listening to them and reflecting their suggestions in its management activities. The “Customer Satisfaction Suggestion Program” is open to all customers, and all their suggestions will be examined every quarter in terms of effectiveness, feasibility, creativity, and cost, with a small gift being given to all participants. Excellent suggestions will be included in our detailed action plan for customer satisfaction management.

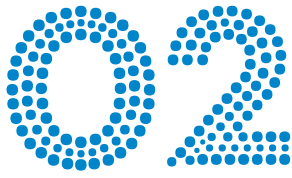
### An Example of a Worthwhile Customer Satisfaction Suggestion

The Waiting Time Notification System and the Credit Card Number Masking System, both suggested by a customer, have greatly improved our customer service processes. The Waiting Time Notification System adds to customer convenience by telling customers how long they will have to wait when there is a high volume of calls at the Oil Customer Center. The Credit Card Number Masking System plays a crucial role in protecting private customer information when they are using a credit-plus bonus card.



*“Many companies use this system. I have been interested in it and have made many suggestions to many companies, with few responses. However, S-OIL utilizes its customers’ suggestions and feedback, which makes them feel more wanted. I loved getting a gift certificate as a reward, but what was even more impressive was the fast response from the company.”*

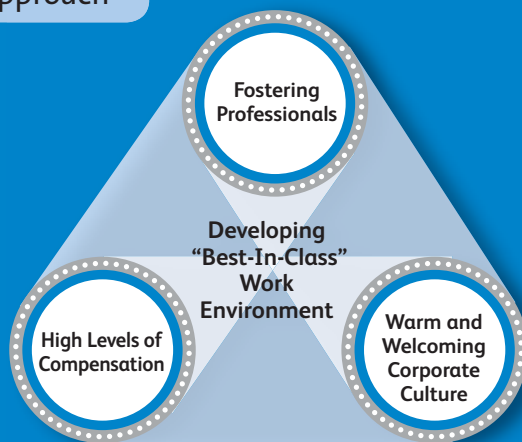
**Tae-Soo Han** (Customer, Gosan-myeon, Wanju-gun, Jeonbuk)



# Pursue Best-in-Class Work Environment



## Management Approach



“S-OIL recognizes that employee satisfaction is a key determinant of its success, and that its employees’ dynamic energy comes from “best-in-class” work environment. As a result, the company is committed to creating safe and pleasant workspaces. This includes a people-oriented office environment and warm and welcoming work areas. Other notable features of our work environment include our top-of-the-line educational and training programs and our generous compensation packages.”

**Dong-Cheoul Kim** (Executive Vice President\_ Administration B/L Head)





# Fostering Professionals

S-OIL's ideal employee is a committed and highly-trained professional who can live and work anywhere in the world. Our training and career development programs are geared to each worker's capabilities and interests, while our job competency development system produces global talents through a state-of-the-art leadership program.

## Integrated Training System

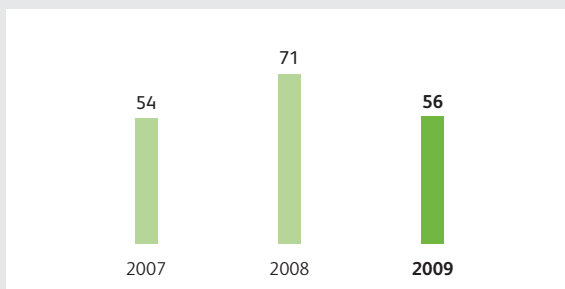
S-OIL fosters the development of experts who can face the challenges of the future. We offer all our employees both company-wide and individualized training options to enhance all their job competencies, including their leadership abilities. Our office workers must take at least forty hours of training a year. In 2009, their average number of training hours was 56. This was less than the previous year's, due to reduced company-wide competency training opportunities, which cannot be repeated easily every year. Despite this, the quality of our training has increased since we have switched to job competency training by outside organizations. S-OIL has made its training programs more efficient to facilitate employee convenience and increase the participation rate. For example, we offer short-term training programs at an easy-to-access location at our own training facility in Seoul, as well as various cyber-training courses that focus on specific tasks.

## Global Training Program

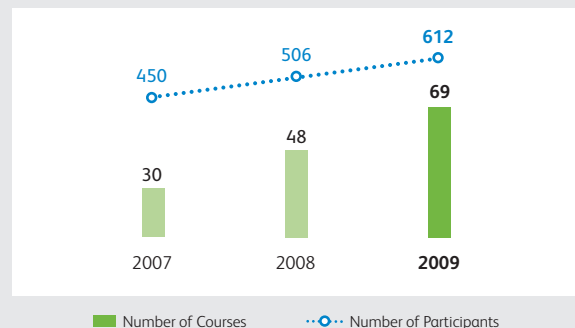
S-OIL supports its employees' participation in work-related outside seminars and conferences to increase their ability to deal with global issues, such as the energy crisis and climate change. Our very best workers can even study abroad to get an MBA or an advanced degree in the natural sciences or engineering, while others are sent abroad to gain expertise in an overseas environment. In addition, many of our engineers go to Saudi Arabia for training at Saudi Aramco. 150 people are selected for overseas training every year. We also provide foreign language courses.



Annual Average Training Hours Per Employee | hours



Cyber Education (Except Foreign Languages and Communications)



## Individual Development Plan (IDP)

S-OIL encourages all of its employees to design an individualized career plan, called an IDP. This motivates them to focus more on their jobs. Under the IDP, employees set their own goals in relation to their capabilities and interests, choosing courses according to their career goals and long-term career objectives. The company then establishes a “training history tracking system” to support their plans—including a Job Rotation System to enhance their career development through a



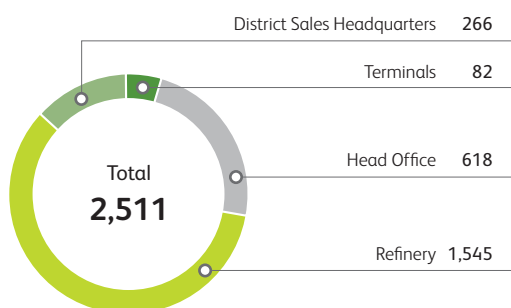
Training Course  
Designed by  
the World's Leading  
Training Provider for  
the Energy Industry

variety of job experiences. This system has now been expanded company-wide, targeting top-level employees who have worked at the same job for a long period of time, and always taking their IDP into consideration. In 2009, 165 (or 14.8%) of our office employees were on job rotations. We are planning to facilitate our employees' career development and our own internal communications by operating an in-company Job Posting System in tandem with the Job Rotation System. Besides offering employees an excellent opportunity to apply for different kinds of work, the Job Posting System is an efficient way to facilitate inter-departmental communications. It also helps the company to allocate its human resources more efficiently.

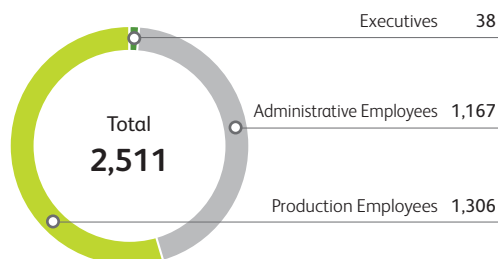
## Core Workforce Nurturing System

Hiring a core group of employees and nurturing their development is essential to S-OIL's future success. The company has a number of programs in place to achieve this goal. They involve

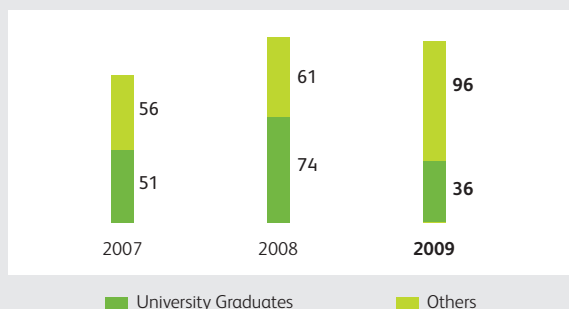
Employment Status by Business Site | persons



Employment Structure | persons

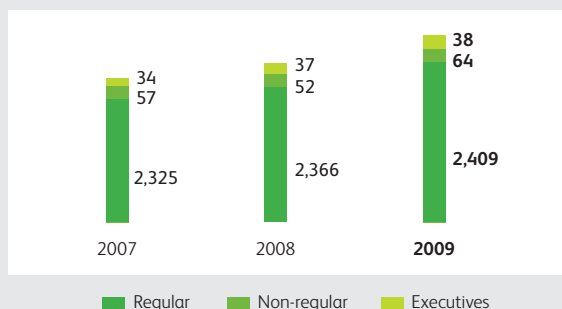


Recruitment Status | persons



\* "Others" includes executives, experienced, non-regular employees, etc.

Employment Status: Regular/Non-regular | persons



\* Difference from the previous report: For 2007, three acting executives, who were previously counted as "Regular," are now corrected as "Executives."

determining the needs and competencies of the employees who have been chosen to be members of this core group, and then fostering their development through a series of training programs developed by the company and handed off to external professional organizations for presentation. Those workers who complete the program will become major contributors to S-OIL's continuing growth. Some of these courses were offered in 2009. We are now developing them further, and intend to offer them to executives this year as an initial step.

### Support for New Hires

We provide new hires with a mentoring program so they can develop job skills and perform well from the earliest stages of their careers. We also offer them fostering services, such as a relocation program. Made available after one year of service, they are based on the employee's aptitudes and career choices.

### Developing Specialists

S-OIL is planning to introduce a program to foster the development of specialists more effectively, since they often face disadvantages in promotions and job rotations. The purpose of this new development is to create an environment in which employees with special assignments are allowed to concentrate on their work and contribute to the company by enhancing their expertise. In the case of office workers, the career development plan will be subdivided into two tracks: general occupations and specialized ones. Professional workers who wish to take advantage of this program will be offered a wide range of training

Video Clip  
for Mentoring  
Program



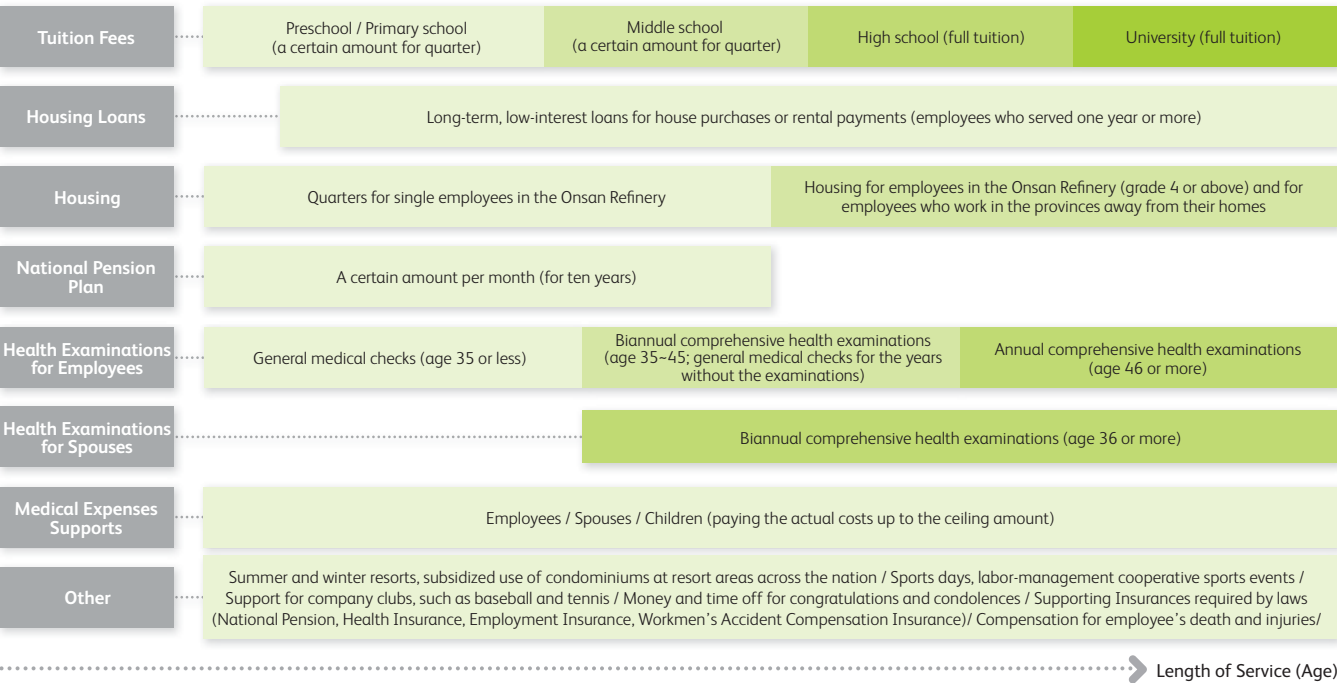
# Compensation and Benefits

S-OIL believes that prime talents should receive compensation that reflects the value of their performances and rewards their abilities. We encourage our employees to do their best by providing them with honest and fair evaluations that reflect their competencies and achievements and offering them appropriate compensation and employee benefits.

## Generous Compensation and Employee Benefits System

S-OIL's compensation rates are the highest in the industry, and our employee benefits package is equally generous. This makes our workers feel proud to work for us, and increases their dedication to their jobs. We pay newly-hired university graduates 363% of the country's minimum wage, the highest compensation offered by any company in our field. Our pay and benefits packages are gender-neutral.

S-OIL's employee benefits policies have been designed according to life cycle, meaning that they are based on an employee's age and length of service. In addition to such benefits as health insurance, employment insurance, workers' compensation insurance, and the national pension plan (all of which are mandated under Korea's labor laws and regulations), we provide supports for housing loans, health care expenses, tuition fees, congratulations and condolences, and leisure activities.



## Intensive Holiday Program

S-OIL is planning to introduce an intensive holiday program to help its employees refresh themselves and concentrate more on their work when they return. At present, all our employees are guaranteed two consecutive weeks for vacation at any time of the year, not more than the total number of vacation days allowed for each individual for a year. Employees can discuss their plans with their supervisors-provided that they have outlined them at the beginning of the year. The HR department manages all the plans that have been confirmed, after receiving them from each department.



An External Expert's Lecture on Stress Management for Executives and Employees

## Fair Performance Evaluation & Promotion Policy

S-OIL's merit-based personnel policy takes each employee's personal achievements and his or her unit's performance into account, rather than his or her level of seniority. All executives and employees are evaluated in terms of their personal achievements and competencies, and are provided with feedback so they can improve both the company's performance and their own. Evaluation results at the level of manager or above are used to determine salary rates that are fair and equitable. We are planning to expand this policy to all our employees. In the case of promotions, we have introduced a scoring system that requires an employee to obtain a certain number of points at each grade to qualify for advancement. One signal advantage of this system is that it results in faster promotions for outstanding workers.

### Evaluation Process

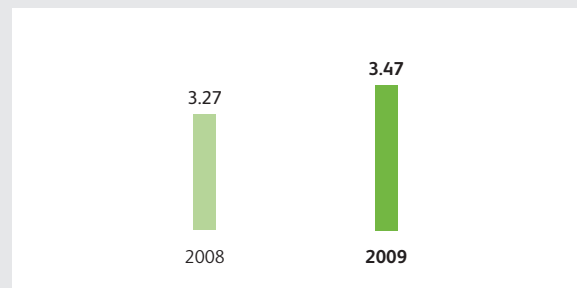


- Individual Grade for the Comprehensive Evaluation
- Individual Strength and Weakness
- Basis for Individual Development Plan (IDP)

## Employee Satisfaction Survey

S-OIL has been conducting a survey of employee satisfaction with its personnel policies (including employee benefits) every year since 2008. In 2009, the satisfaction index regarding pay levels, hiring practices, job rotations, and job evaluations was 3.47 out of 5, an increase of 0.2 from the year before.

### Employee Satisfaction Index (points out of five)





# A Warm and Welcoming Organizational Culture

S-OIL believes that a warm and welcoming organizational culture, combined with an efficient and worker-centered workplace, results in happier and harder-working employees. As a result, we have developed a harmonious workplace culture, in which each worker truly cares about his or her peers. We also give priority to positive labor-management relations that are based on trust and harmony, and a working environment that places the health and safety of our employees above profits.

## Positive and Harmonious Labor-Management Relations

S-OIL boasts an exemplary labor-management relationship, with no labor disputes since the establishment of its union in 1980. This is the result of genuine trust and cooperation between labor and management. Both sides have worked together to ensure that all labor-related rules and regulations are obeyed, that the union's activities are respected, and that the opinions of the union's members are taken seriously.

S-OIL guarantees its workers the right to engage in collective labor union activities, and all its labor terms and benefits are outlined in its personnel policies and the collective agreement with the union. We observe all labor-related laws and principles, and prohibit any unjustifiable interference with our human

resources or infringements of our management activities. The union belongs to the Federation of Korean Chemical Workers' Union, under the auspices of the Federation of Korean Trade Unions. Employees at the rank of foreman or below are free to join or leave the union. As of the end of 2009, its membership was 1,333, with 3 full-time union officers.



Settled Salary without Bargaining

Labor-Management Communications Channels		
Category	Channel	Description
Handling Complaints	Monthly Conferences	A team-building activity in which employees from each department gather together to have candid discussions about their work life and their work problems and seek solutions to them.
	Labor-Management Conferences	Every quarter, 10 representatives from each party discuss issues regarding productivity improvements, the work environment, and employee benefits.
	Production Site Visits	Executives pay weekly visits to production sites to check the work environment and listen to workers' complaints.
Labor-Management Negotiations	Salary Adjustments	Negotiations on salary adjustments take place every year
	Collective Bargaining	Negotiations on working conditions, except salary, take place every other year
	Industrial Safety and Health Committee	Meetings are held quarterly to discuss industrial safety issues, including dangerous work conditions and health risks.
Understanding Management Environment	Labor-Management Joint Workshops	Labor and management join together to discuss management conditions and labor issues and offer their opinions.

## Severance Policy

S-OIL is also developing a warm and welcoming organizational culture by ensuring its employees' job security until they retire and supporting them afterwards. We established new guidelines for the re-employment of retired workers in the 2007 collective agreement, enabling retired employees to work for up to two more years under the same working conditions that were in force when they retired. In addition, the severance payment for employees with over 20 years of service is 1.5 times higher than the legally mandated rate. If workers with more than 10 years of service leave their jobs for reasons such as poor health, we offer them additional benefits.

## Creating a Pleasant Work Environment

A pleasant working environment is a basic requirement to improve employee satisfaction and work efficiency. Our convenient and comfortable facilities and workplaces are designed with this in mind.

### Onsan Refinery

For the added convenience of our employees and visitors, we constructed both underground and ground-level parking lots at our main gate. We have also enhanced the working environ-



J.K. Lee, Working out in the Fitness Center of the Refinery

ment of our partners while they are at our work sites, offering them such facilities as restaurants and showers. In addition, we have revamped outmoded facilities. Finally, we hire outside experts to assess our working environment on a regular basis.

### Head Office

Slated for occupancy by the middle of 2011, S-OIL's new head office building in Mapo-gu, Seoul is equipped with an automated and eco-friendly Intelligent Building System to optimize energy use. It also boasts convenient access to subways and the airport railway, promoting the use of public transportation and reducing the need for private vehicles. Its amenities will include pleasant work spaces, staff restaurants, fusion restaurants for business meetings, a fitness center, financial institutions, and coffee shops.

## Activities to Improve Our Corporate Culture

In an effort to augment its productivity by making its employees more committed to their jobs, S-Oil has created a corporate culture that facilitates effective communications among its employees, increases their motivation, and enhances their pride in their work.

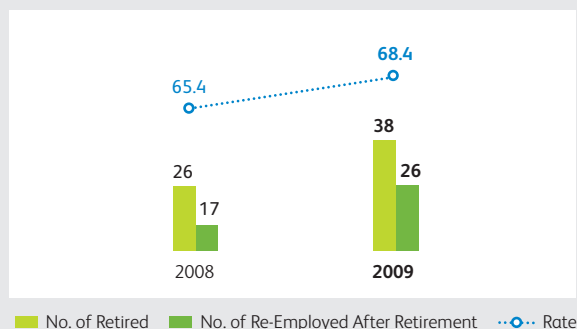
### Developing a More Effective Corporate Culture

In 2009, as part of its efforts to enhance its corporate culture, S-Oil hired a specialist outside organization to conduct a survey to find what gaps there were between its current corporate culture and an ideal one desired by employees. The strong and weak points that were discovered in the survey will be reviewed and reflected in the company's corporate culture improvement activities, which are scheduled to be implemented in 2010.

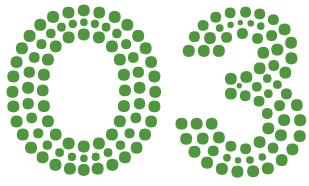
Total Number and Rate of Executive & Employee Turnover | persons, %



No. of Re-Employed After Retirement | persons, %



\* The number of re-employed after retirement does not affect the numbers of turnover or recruitment until the final retirement.



# Achieve Operational Excellence



## Management Approach



S-OIL recognizes that operational excellence is at the root of creating economic results and an important imperative for the conservation of ecosystems, environmental protection, and the safety and development of community. Through an optimized supply system, S-OIL has been providing products and services to customers with stability while maintaining comprehensive safety in all of our operations. Our safety policies are based on our people-centered management principle. In addition, we practice environmental management to keep the earth clean and green.

**Sung-Ki Ha** (Executive Vice President\_Refining B/L Head),

**Yong-Hee Lee** (Senior Vice President\_Head of Operations)



# Stable & Optimized Supply

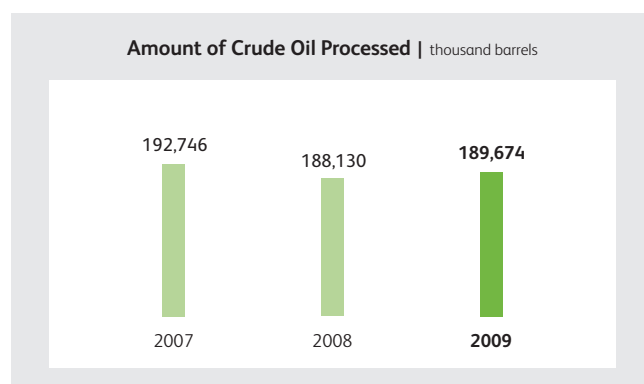
In this age of ever-intensifying energy supply and demand, a stable supply of products is a key factor in the development of a national economy. S-OIL has built an optimized supply system that ranges from oil imports to production, transportation, and sales, achieving unparalleled operational efficiencies in the process.

## Crude Oil Imports

S-OIL's crude oil imports are not just about a company securing a raw material, but about supplying the global community with a stable and economically efficient source of energy. We contribute to the global economy by securing crude oil that meets the capacities of our production facilities and transporting it to them efficiently.

### Ensuring a Stable Supply of Crude Oil

S-OIL concluded a long-term purchasing agreement with Saudi Aramco, our principal shareholder, in May 1991. This means that the company was able to secure a steady and long-term source of crude oil despite the uncertainties of the market as a whole. These uncertainties include potential reductions in oil production caused by geopolitical factors, growing demand in developing countries due to an increased number of refineries, and concerns about resources depletion. Given Korea's extreme dependence on oil, reducing these risks plays an important role in terms of national security.



Our production facilities are optimized to refine crude oil imported from Aramco, allowing us to produce high value-added products very efficiently. By doing so, we can supply our products to our domestic and international customers at an extremely reasonable cost. This is an unrivaled core capability for S-OIL.

### Chartering Vessels

In-depth planning is needed to transport a cargo that is subject to as much price volatility as crude oil. We transport 50% of our oil through long-term chartered vessels to reduce the risk of rising freight changes. The other 50% is transported on a spot basis to maximize our profits in case of falling rates. S-OIL will continue to develop strategies to minimize its exposure to freight risks and maximize its profits.

## Production

S-OIL developed upgrading facilities to produce high value-added products much earlier than its competitors. Our capital expenditures are used to augment the efficiency of our operations and keep our equipment in peak condition.

### Capital Expenditure to Optimize Manufacturing Process

S-OIL is committed to meeting the economic, environmental, and social needs of its stakeholders by optimizing its production process. In order to improve the quality standards of our gasoline and enhance our profitability, we have invested a total of 135 billion won since September of 2007, and in 2009, we completed building a plant that can produce 9,200 barrels of Alkylate a day within the Onsan Refinery. We also spent 46 billion won on building a new pier with a capacity of 50,000



tonnes. This enabled us to prepare for a global trend towards bigger vessels. It also made shipping more stable and smoother, helping us reduce the costs of pier rentals. Our need to reserve piers for our own use also decreased, lowering the demurrage rate. We also laid the foundations for a proper loading and supply system to accommodate an expected increase in the export of our petrochemical products.



Alkylation Unit

New Jetty

## Maintaining Equipment for Stable Operations

S-OIL has devised seven maintenance strategies to ensure that it has a world-class equipment maintenance system. A new program called “Risk-Based Inspection” is now in the pipeline, and will be in place by 2011. It manages equipment based on its reliability and the risk of defects, allowing for systematic interactions and feedback between the company’s production and maintenance workers and letting the company manage its human and material resources more efficiently. It also increases the reliability of the machinery, ensures the stable operation of the plant. The company’s preventative maintenance team is tasked with developing the most up-to-date maintenance and diagnostic technologies possible. We also invest in preventative maintenance to keep our equipment in good condition and ensure it is running well. By doing this, we keep the plant operating more stably, and are able to extend our maintenance cycles. In addition, we establish a periodic maintenance plan every year by managing for such factors as safety, quality, and the scheduling of key maintenance work. We try to complete it in the shortest possible time. These efforts have resulted in a high mechanical availability and significantly reduced maintenance costs. S-OIL will continue to carry out a specialized assessment on maintenance to establish strategies for improvement and develop state-of-the-art techniques. We will make our best efforts to become capable of operating plants under any circumstances.

### Seven Maintenance Strategies

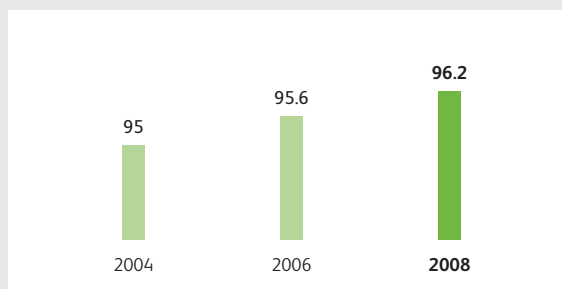
#### Equipment Reliability

- Asset Policy
- Eliminating Defects
- Operator-Driven Reliability

#### Maintenance Efficiency

- Risk-Based Work Selection
- Planning & Scheduling
- Job Performance Profile
- Key Performance Indicator

### Mechanical Availability \* | %



\* Weighted average of mechanical availabilities, the percentages of scheduled time in which production facilities are mechanically able to work

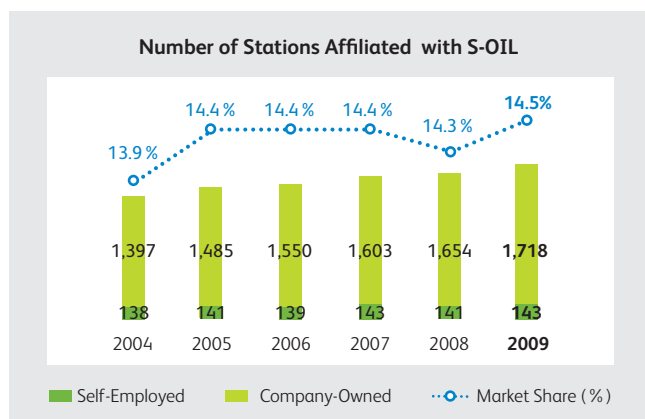
## Sales

Our products are used as fuels for transportation vehicles and raw materials for many living goods. In order to meet the demands of our customers and ensure a smooth supply of various necessities at the same time, S-OIL’s products must be supplied through optimized sales networks. This is important not only in enhancing our profitability, but also in reducing social costs and increasing social benefits.

### Expanding Domestic Sales Networks

We considered the central government’s long-term development plan to determine which regions had the most potential for new demands created from the construction of new towns and streets. The company also identified areas where an increase in demand was expected and performances were below par. Based on the results, we decided to develop some new sales networks, and 66 service stations became new partners with us. As of the end of 2009, S-OIL had a business relationship with 1,861 service stations, or 14.5% (as counted by S-OIL) of the total market. The company will continue to develop more long-term sales networks--especially high-quality ones that are easy accessible by our customers.





## Expanding Overseas Sales Networks

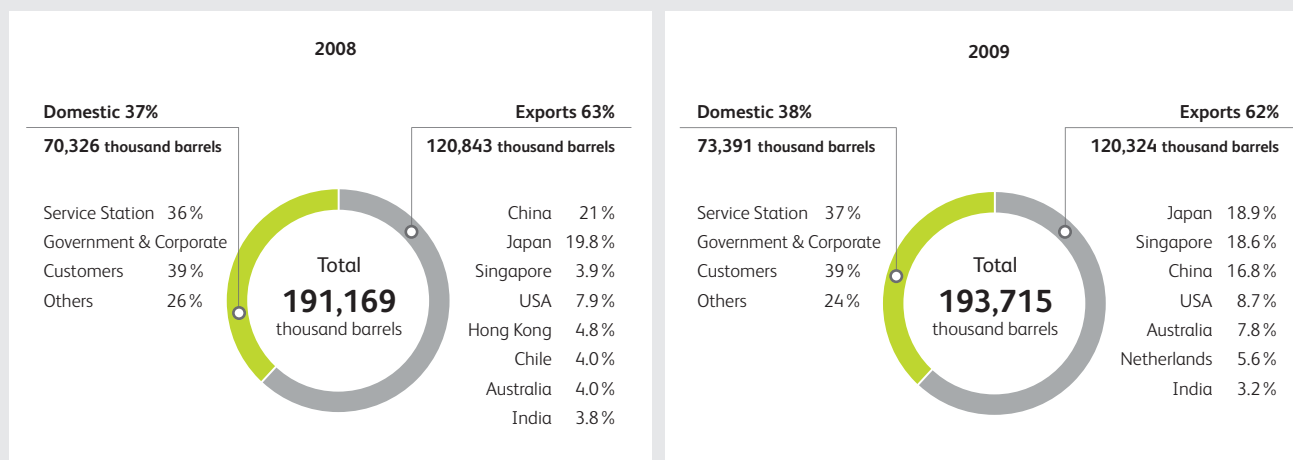
Despite the global financial crisis in 2008 and ensuing difficulties in the market, S-OIL has strengthened its partnership with global companies to ensure a stable supply of products to its regular international partners and assist in the expansion of its overseas sales networks. While it was solidifying its partnerships with major companies in its existing markets (including Australia, the EU, Japan, and North America), the company was also focusing on developing a cooperative global marketing mechanism. As a result, we achieved sales of high-quality refined petroleum products in Southeast Asia and some islands in the Pacific Ocean (please see pages 76 and 77) as well as high-quality lubricant base oil products in the EU and Australia. We

will respond to market changes swiftly in a way to expand our customer base; for example, establishing new overseas offices in addition to the existing Singapore Branch, if necessary.

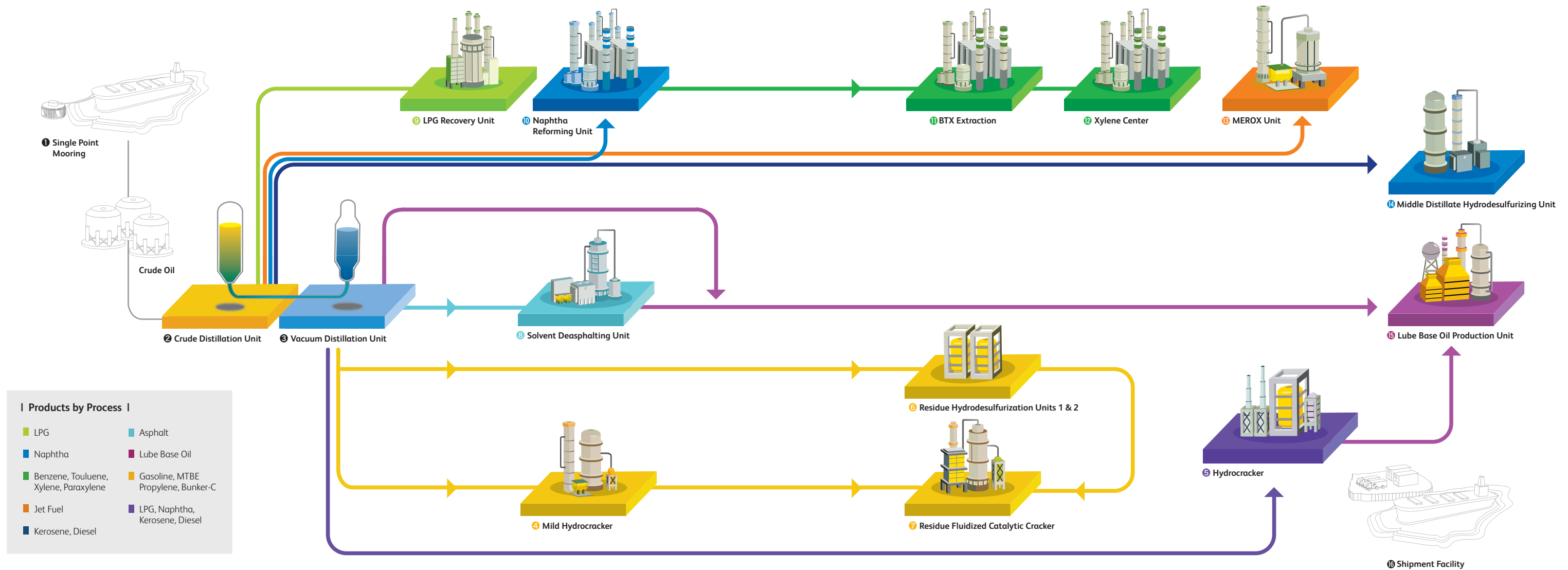
## Establishing Overseas Sales Bases

	Market Condition	Response
Australia	Increase in demand for importing products is expected as it is difficult to construct new refineries due to strict and environmental regulations and as lubricant base oil plants there have shut down.	Establishing local sales bases for gasoline, diesel, and lubricant base oil.
EU	Increase in demand for high-quality lubricant base oil is expected	<ul style="list-style-type: none"> <li>Expanding local storage facilities</li> <li>Establishing a direct sales system for lubricant base oil</li> <li>Expanding sales networks through partnerships</li> </ul>
Japan	Local supply is expected to decrease due to weakened competitiveness of oil refining industry	Increasing share of wholesale market for refined petroleum and lubricant base oil products by forming long-term partnerships with local importers
North America	Increased demand for high-quality lubricant base oil	Developing sales bases for high-quality lubricant base oil through partnerships with major US oil companies
China	Rapidly growing demand for lubricant oil	Developing the market through long-term partnerships with local importers and major sales networks

## Domestic and Overseas Sales | %



# Production Process



## 1 Single Point Mooring (SPM)

Buoys anchored offshore serve as a mooring point for tankers to unload crude oil. The unloaded crude oil is then sent to an onshore storage tank through underwater pipelines.

## 2 Crude Distillation Unit (CDU)

Through distillation, the crude oil is separated into major oil fractions to produce LPG, naphtha, kerosene, diesel, etc.

## 3 Vacuum Distillation Unit (VDU)

The residue from the CDU is separated into light and heavy oil fractions at reduced pressure.

## 4 Mild Hydrocracker (MHC)

Light oil fractions from the VDU are desulfurized and fed into the Residue Fluidized Catalytic Cracker Unit, or the gasoil fraction from the CDU is desulfurized to produce

ultra-low-sulfur diesel.

## 5 Hydrocracker (HYC)

Light oil fractions from the VDU are converted into high-value products like naphtha, ultra-low-sulfur kerosene and diesel, and lube base oils at high pressure and temperature.

## 6 Residue Hydrodesulfurization Units 1 & 2 (RHDS)

Sulfur, nitrogen, and asphalt contents are removed from the residue from the CDU or VDU to produce ultra-low-sulfur bunker-C or feedstock for the Residue Fluidized Catalytic Cracker Unit.

## 7 Residue Fluidized Catalytic Cracker (RFCC)

Desulfurized feedstock from the RHDS and MHC is cracked at high temperature to produce high-value products like gasoline, propylene, etc. The catalyst used in this unit is continuously regenerated.

## 8 Solvent Deasphalting Unit (SDA)

Deasphalted oil and asphalt are produced from residues from the VDU. Deasphalted oil is used to produce lube base oils.

## 9 LPG Recovery Unit

The LPG recovered in the CDU is further separated into propane and butane.

## 10 Naphtha Reforming Unit

The naphtha recovered in the CDU is reformed into an aromatic-rich structure.

## 11 BTX Extraction

Benzene, toluene, and xylene are extracted from the reformed naphtha.

## 12 Xylene Center

High-value paraxylene is produced from mixed xylene, toluene, and heavy aromatics.

## 13 MEROX Unit

Sour and foul odors (Mercaptan) are removed from the kerosene fraction to produce jet fuel.

## 14 Middle Distillate Hydrodesulfurizing Unit

The sulfur content is removed from kerosene and diesel at high pressure and temperature.

## 15 Lube Base Oil Production Unit

Light oil fractions from the VDU and deasphalted oil from the SDA are processed to produce high-quality lube base oils, used as a blending stock for manufacturing lubricants. Lube base oils are blended with additives to produce high-quality lubricants, such as marine lubricants.

## 16 Shipment Facility

Products are sent out via ships, tank trucks, rail tank cars, and pipelines.

# Advanced Operating Systems

S-OIL’s advanced operating systems are designed to maximize the efficiency of all its procedures. These include its process automation, environmental management, and customer support systems.

## Upgrading the ERP System & Establishing IFRS

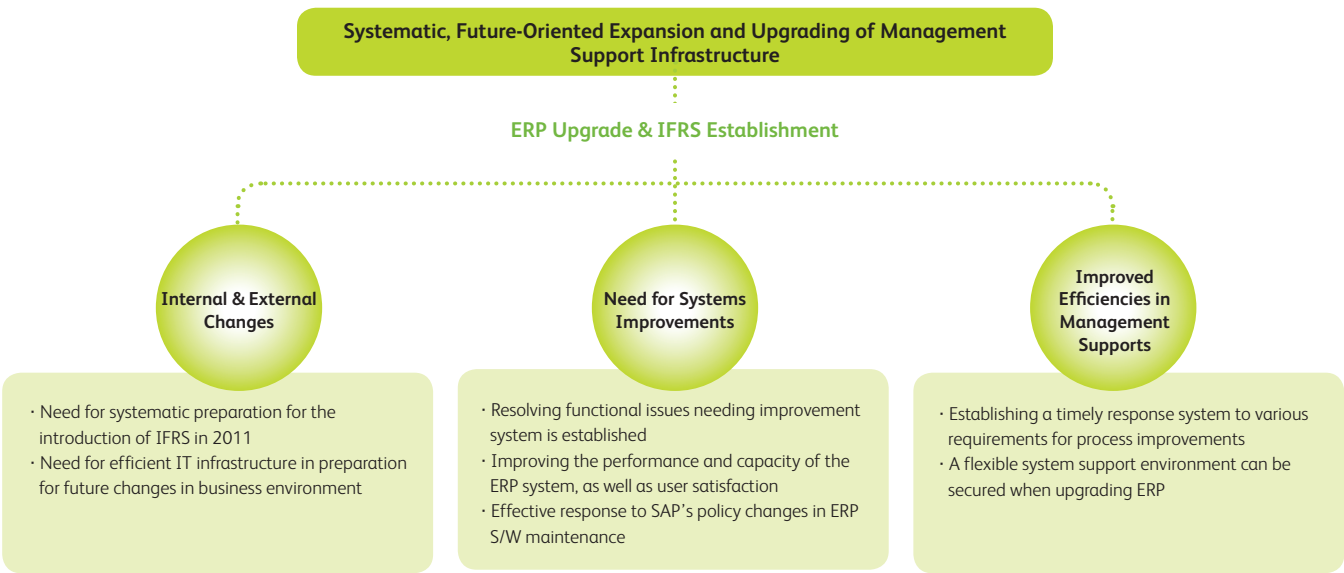
Management changes often require improvements to various processes. S-OIL is constantly enhancing its infrastructure to cope with such requirements in a timely manner, thereby increasing the efficiency and flexibility of all its work processes. This included upgrading our Enterprise Resource Planning (ERP) system in 2009.

Since its introduction in 2006, our ERP system has been a major part of infrastructure. This upgrade was done to respond to internal and external management changes and to meet the requirements for system-wide ERP improvements in preparation for the mandatory introduction of IFRS (International Financial

Reporting Standards) in 2011. Our ERP system now meets all global standards.

The upgrade enhanced the functions of the ERP’s applications, increased user convenience, and made maintenance easier. We also carried out an 8-month project to meet the requirements for IFRS on our ERP. For example, we changed our methods for managing tangible assets, evaluating inventories, and preparing financial statements. They all meet IFRS standards now.

The upgrade was completed at the end of 2009, and the improved ERP system has been in operation since January 2010. The company will continue to upgrade its management infrastructure to deal with future management changes.

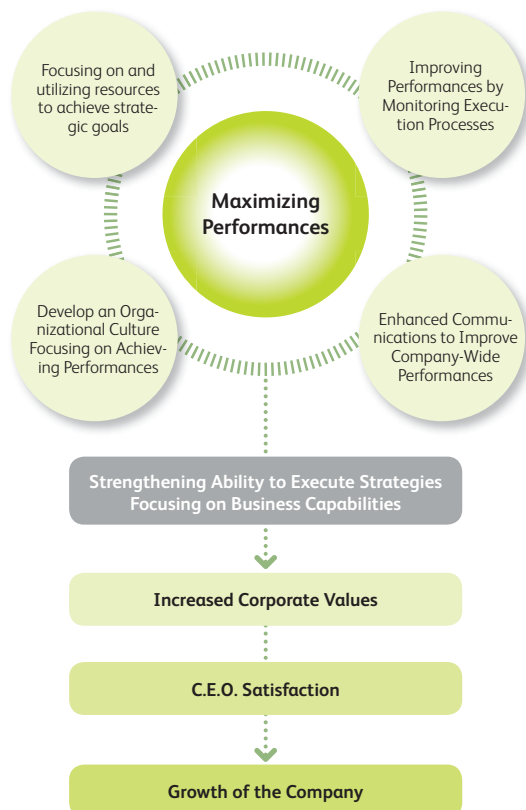


## Strategic Performance Management

S-OIL's strategic performance management system allows its employees to set strategic targets for major market changes and business issues, share them with their co-workers, and take appropriate action.

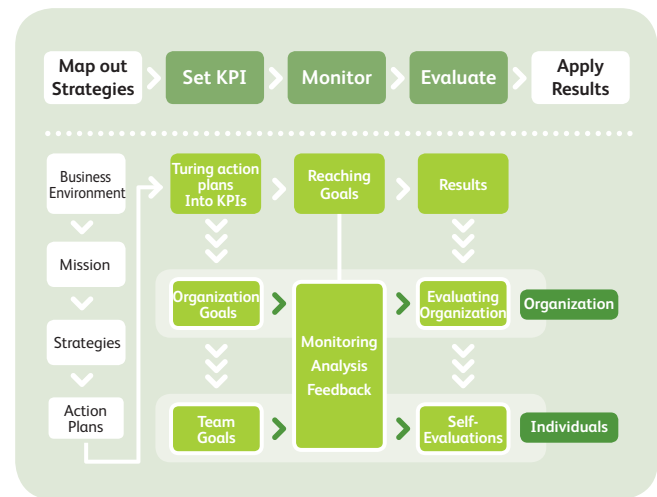
### Objectives of Strategic Performance Management

Strategic performance management is a system that uses KPIs (Key Performance Indicators) to help an organization perform tasks that are necessary to achieve its goals. In 2008, S-OIL adopted a BSC (Balanced Scorecard)-based performance management system. BSC is a tool for translating corporate visions and strategies into measurement indicators. KPI is one of the outcomes facilitating the effective execution of strategies and concrete action plans. By running it, the company maximizes the ability of both individuals and teams to execute strategies for achieving company-wide strategic targets and creating "one-step higher" corporate values.



### How the KPI System Works

The operation of the KPI consists of 3 steps: setting it up, monitoring, and evaluating.



To carry out its corporate strategies and create values to the fullest, S-OIL connects the strategies and its organizational and individual KPIs in the KPI development phase. By doing so, we can see which parts require sustained efforts to achieve our goals and remain consistent while doing so. In the evaluation phase, the goal is to create a win-win situation for both individuals and the organization by establishing a strategic performance management system and fair and objective evaluations of employee performances. To do this, we apply the KPI results to the evaluations of the employees' performances, inking them to the level of compensation. In 2009, the company built a performance management IT system to increase its objectivity. This is yet another way of enhancing the company's competitiveness.

S-OIL will continue upgrading its KPI so that it can respond to changes in its business environment, check on its main tasks effectively, and enhance the fairness and objectivity of its performance measurement system. In order for the strategic performance management system to take root, we will offer our employees training sessions and PR activities through various internal media channels.

## Information Strategy Planning

In order to achieve sustained growth, a company needs strategic tools to realize its objectives. The term “Information Strategy Planning” refers to the activities required to set up a comprehensive information system for a business and define its role in an enterprise’s mid- to long-term strategies. These activities are undertaken in the belief that a general direction for its information strategies is integral to a company’s success.

### Establishing an Information Strategy Plan

S-OIL’s Information Strategy Plan helps the company decide on long-term goals for its IT system and establish a framework to continue building it in a future-oriented and consistent manner so that it can carry out its mission and its business strategies effectively. In 2009, we analyzed our strategic targets, our strategic direction, our business requirements and work processes, and the newest IT trends, and prepared an information strategy plan for the next 5 years. We anticipate that the plan will improve our efficiency and create new business values.

### New IT Tasks

S-OIL is utilizing its Information Strategy Plan to undertake many projects in 2010. They include an upgrade of its CRM (Customer Relation Management) system based on bonus cards and establishing a BI/EDW (Business Intelligence & Enterprise Data Warehouse) system, a Rolling Forecasting system, and a GHG (Greenhouse Gas) management system. In order to respond better to changes in its business environment, S-OIL will continue with other strategic information projects to help implement its corporate strategies while developing IT strategies.

## IT Emergency Response System

Today, companies are easily exposed to risks caused by accidents and malfunctions in their IT systems. S-OIL is strengthening its ability to identify and control risk factors that can threaten the stable operation of its IT system.

### Establishing an Emergency IT Infrastructure

S-OIL has set up an IT emergency response infrastructure to minimize any interruptions to its information services in the event of an accident and maintain its business continuity. In 2007, the company opened a Disaster Recovery Center in a separate location. It is equipped with an identical IT infrastructure that can constantly replicate data from the head office and restore it within three hours of a disaster, if and when the head office system crashes. Thanks to this system, we recorded zero IT-related accidents in 2009. To increase the stability of its IT service even more, the company is planning to move the center to an exclusive Internet data facility equipped with an earthquake-resistant design and a stable power supply. This will help us operate our IT system even more safely.

### Risk Response Manual

S-OIL has written a Risk Response Manual that outlines each employee’s role and responsibilities in different types of situations to ensure the effective execution of all relevant procedures.



# Safety and Health Management System

S-OIL considers the health and safety of employees and local residents to be important, and has therefore implemented a “Safety & Health Prioritizing Management” system. In 2007, we established a global-standard safety and health system and earned the international OHSAS 18001 (Occupational Health and Safety Assessment Series) certification. We continue our safety and health activities to maintain an injury-, illness-, and accident- free workplace.

## Abiding by Safety Law

As the management environment changes rapidly, related laws are continuously being established or amended. Therefore, S-OIL, as a corporate citizen, keeps up to date regarding new/amended laws and prepares response measures based on any changes. Every month, a meeting is held among related departments to share new and amended laws and response measures, and the meeting results are reported to management. S-OIL does not satisfy itself with merely meeting the minimum standard of legal requirements, but actively strives to maintain and enhance the safety and health of its employees. We will continue to implement

Safety and Health Prioritizing Management Principles.

## 2009 Safety Inspection Status

S-OIL applies both domestic and overseas safety requirements at all of its production and safety and health-related facilities right from the design stage. All of our facilities are managed and operated according to these regulations.

In 2009 we were subject to 96 separate random investigations by government bodies that are responsible for industrial safety, high pressure gas and energy operations, fire safety, and health. No violations were found.

### Changes to Laws in 2009, and Responses

Law	Change	Influence & Response
Industry Safety and Health Act	Harmful, hazardous machine regular inspection and internal inspection were integrated to safety inspection system and voluntary inspection program was to replace safety inspection	Replace regular inspection and safety inspection is conducted by inspection body appointed by the Ministry of Labor (currently, the Ministry of Employment and Labor)
	Strengthen asbestos removal operation regulation	Give work to specialized operators
High Pressure gas Safety Management Act	Inspection of partially-completed high pressure gas production facility	If construction work is partially done, inspection can be run on the completed part without requiring the entire project to be finished.
	Increased specific safety inspection period	Possible to run closer safety inspection beyond regular maintenance period
Hazardous Material Safety Management Act	Eased standard on the welding part of tanks subject to radiation permeable tests and water filling and water pressure tests	Apply eased inspection standards for regular tank inspections
Heat Material Management Regulation	Eased pressure of water pressure tests for boiler and pressure container	Increase worker convenience by easing management standards for heat-using materials

### 2009 Administrative Inspection Status (96 cases)

Area	Inspection Organization	Contents
Pressure Containers	Korea Occupational Safety & Health Agency	Mandatory safety inspections: 369
	Korea Gas Safety Corporation	Pressure container re-inspections: 491
	Korea Energy Management Corporation	Open inspections: 144
LPG Ball Tanks	Korea Gas Safety Corporation	· Open inspections: 8 · Acoustic Emissions (AE) test: 1
Crane, Hoist	Korea Elevator Safety Technology Institute	Mandatory safety inspections: 94
Elevators	Korea Elevator Safety Technology Institute	Regular inspections: 8
Hazardous Storage Tank	Korea Institute of Fire Industry & Technology	Regular inspections: 13 units

\*Acoustics Emissions Test: A test that is used to analyze ultrasonic sounds that are created when a force is applied to the outer surface of a storage tank. It is used to check on the tank's condition and to look for damage to it. It can identify damage to a storage tank at a very early stage. The tank does not need to be opened, and all work operations can continue, increasing operating efficiency.

## Voluntary Improvement System

Safety is not guaranteed by a past accident-free history but by continued efforts to create a safe workplace. S-OIL has built an effective system to manage its health and safety goals and to make all necessary improvements. All of its employees participate in the company's safety and health activities, setting clear goals for improvements and deciding on the organization, responsibilities, and the process needed to achieve their goals. Both material and human resources are effectively distributed and managed by the Safety and Health Management System. (Please see "Occupational Health and Safety Assessment Series," in the box below.)

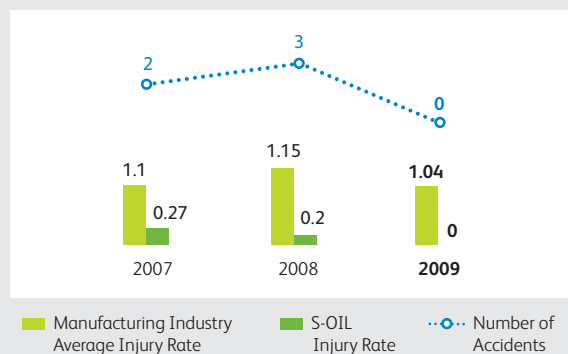
Each department establishes its own safety and health goals and implementation strategies. These are maintained in the SHE Integrated Information Management System for better management.

The company's entire management team is involved in safety activities to emphasize the importance of safety awareness and accident prevention. In addition, safety-related items are given priority in the company's KPIs (Key Performance Indicators). S-OIL is committed to making all necessary improvements to its safety and health programs, and makes any and all changes needed as soon as it can. Items requiring long-term planning are managed until the desired results are achieved.

### Occupational Health and Safety Assessment Series (OHSAS 18001)

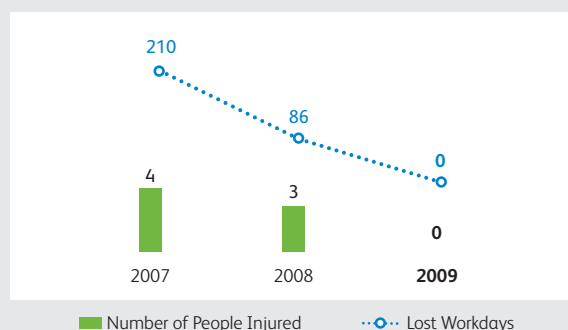
S-OIL identifies potential dangers in its workplace and analyzes and evaluates them to find a workable prevention method. In 2007, we became the first Korean oil company to introduce a safety and health management system and to earn certain certifications (KGS/OHSAS 18001, KGS: Korea Gas Safety Corporation, OHSAS: Occupational Health and Safety Assessment Series). The introduction of this system is a testimony to S-OIL's efforts to achieve zero accidents. Based on our goal to create a zero-accident workplace, we identify potential dangers and systematize inspections to prevent safety and health accidents as well as to reduce loss of human resource and materials caused by accidents and halts of production.

Injury Rate | %, cases



\* On-the-job accident standard

Number of Injured & Lost Workdays | No. of people, day



\* On-the-job accident standard

### Recorded Longest Accident-free Period Since Establishment

S-OIL has voluntarily implemented "Accident-Free Campaign" to make our work places completely safe avoiding accidents through employees' recognition of safety issues. As part of such efforts, we set a target accident-free period, and reward employees when we accomplish it. We recorded 4 million accident-free person-hours for the second time on October 1, 2009, and recorded 4,856,274 accident-free person-hours as of December 31, 2009. This is the longest zero-accident period since the company was established.

0%

2009  
work-related  
illness rate

4,856,274

person-hours  
(as of December  
31, 2009)

## Prioritizing Safety & Health

Safety and health is a priority for S-OIL in all of its management activities. Its CEO and management are taking the initiative in stressing the importance of a safety-oriented work culture under the slogan “safety is doing things, not talking about them.” The company’s employees and its management team both participate in safety inspections, and the company encourages everyone to increase their awareness of safety issues through regular safety and health education and training.

### Management Safety Inspection

All of the managers at S-OIL’s headquarters and factory, including the CEO, hold annual “safety walk-throughs” to emphasize the need for safety awareness. The factory manager does the same thing once every quarter. By checking the entire factory, we can identify dangerous elements in the manufacturing process, unsafe worker behavior, irregular behavior of workers, the overall safety of the factory, and any potential dangers.

### Safety, Health Education and Training

S-OIL emphasizes the importance of safety education for accident prevention, and runs regular safety education and training



Safety Walk-Through

sessions for both managers and employees to determine the best response strategies if accidents occur. We hold training on internal safety and health education as mandated by the Industrial Safety and Health Act, special education on 39 dangerous operations including hypoxia, new employees education, monitoring supervisors education, and basic safety rules education for the workers of partner companies. We also provide safety and health improvement education to both S-OIL’s employees and to employees of partner companies. For the Head Office is stationed in a tall building with the possibility of contingency such as fire, S-OIL annually conducts an evacuation drill in which all executives and employees participate.

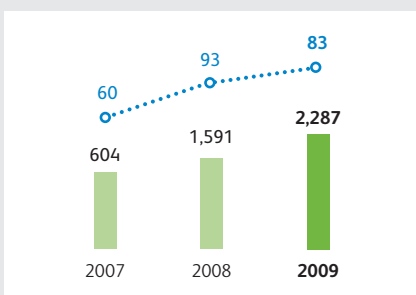
### Partner Company Safety Management

The continuous implementation of our safety and health management system led to zero accidents in 2009. The safety and health management system is also applied to all of our partner companies so that their workers can improve their safety management abilities.

### Named Excellent Safety Management Partner Company

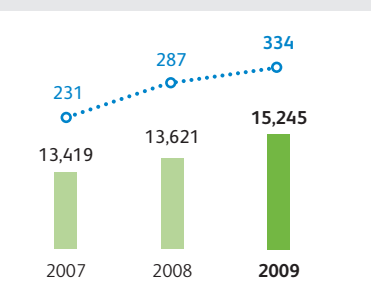
To encourage pride and voluntary safety management, S-OIL evaluates the safety management of all of its on-site and off-site partners and suppliers (with the exception of project and TA vendors) on an annual basis, and offers rewards to the best ones. The results of these evaluations are used to encourage those with an excellent result to do better, and to discourage bidding by companies with a low safety management level. This enhances the safety management capability of partner companies working on-site.

**Safety Management Education for Employees**  
| No. of people, cases



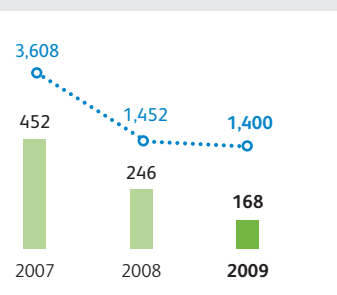
■ Number of People Completed Education  
●●● Number of Education

**Safety Management Education for Contractors**  
| No. of people, cases



■ Number of People Completed Education  
●●● Number of Education

**Health Education\***  
| Number of people, hours



■ Number of People Completed Education  
●●● Number of Hours for Education

\* In 2007, there was corporate-wide training for first aid treatment, which resulted in a high number of people who completed education and education hours, compared to other years.



Meeting with Partners

## S-OIL/Partner Company Win-Win PartnerShip Signing Ceremony Hosted by Korea Industry Safety and Health Corporation

S-OIL joined the "mother company/vendor win-win program" hosted by the Korea Industry Safety and Health Corporation and the Ministry of Labor. This was done to prevent accidents at partner companies which lack the capacity to implement industrial accident prevention activities due to poor management conditions. We signed win-win partnership agreements with 13 on-site partner companies, vendors, suppliers and subcontractors. S-OIL will support their safety and health training activities, educate their employees in safety and health management methods, and share technical data of our safety management electronic system to assist our partner companies in the implementation of appropriate safety management systems.



Signing Win-Win Partnership Agreements with S-OIL and Partner Companies



Signing Ceremony for Win-Win Partnership between S-OIL and Partner Companies

## Safety Permits Needed Before Erecting Scaffolding

S-OIL is committed to preventing accidents caused by falls. As part of our efforts, all installation and dismantling of scaffoldings must be inspected by a safety engineer before being used and use of scaffoldings must be authorized according to our safety permit system. Scaffolding with a red tag means that it is under either installation or maintenance, so only scaffolding installation workers can use it. A green tag means that the installation has been completed and it is safe to use. A yellow tag means the scaffolding is unsafe, and workers must wear safety gear before using it. To further ensure safe scaffolding operations, all scaffolding tags and safety attachments must be checked during workplace safety inspections and be managed appropriately.

## Operating Permit Certificate Training

S-OIL strictly abides by the operating permit procedures to create a safe workplace. We use an adapted operation permit authorized program which only allows certified persons to give out work permits. The issue and approval of a work permit can only be done by an Issuer and Receiver, who must complete the required training course and pass a test. 236 production managers, as well as day and alternative team managers, have received and completed 12 hours of training. The certification must be reissued again every 2 years.



Work Permit Certification Education

## Safety Permits Needed Before Erecting Scaffolding



Green (Safe)



Yellow (Wear Safety Gear)



Red (Use Prohibited)

## Accident Prevention and Response Training

To ensure the safety of our employees and local communities, S-OIL has made every effort to prevent any possible accident from occurring and at the same time has set countermeasures against contingencies. In addition, we carry out and continuously improve our regular training programs according to each risk, and conduct on-site inspections in all departments to prevent accidents and minimize damages arising from them. In addition, the company has devised a set of emergency responses and guidelines for employees to follow for each type of risk. We have also organized an emergency response team to respond to fires, explosions, leaks, marine oil spills, and information system crashes, and conduct annual emergency drills featuring risk-simulated scenarios.

### Efforts and Training to Prevent Marine Pollution

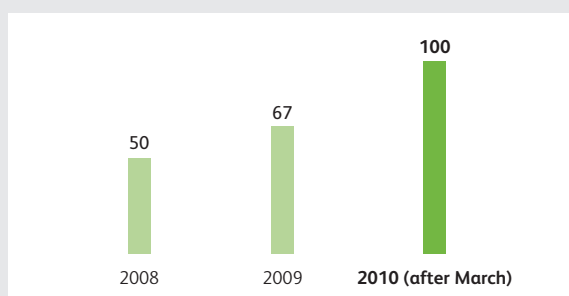
Marine pollution caused by oil spills could damage the environment and the economy of the local community. To lessen the possibility of this happening, S-OIL has established a vetting system for evaluating and managing the safety of its tankers, and prescribes safe loading and unloading procedures for all its ships. To prevent oil spills caused by aging tankers, the maximum age of any tanker is limited to twenty years. In addition, we have increased our use of “double-hulled” ships, which means that there are two complete layers of watertight hull surface that should hold most or all of the leaking oil when a ship becomes stranded. Half of our chartered vessels were double-hulled in 2008, 67 % in 2009. By March 2010, all of our vessels will be double-hulled. We have also introduced safety guidelines for unloading oil. Given the possibility of marine oil spills due to the nature of its busi-

ness, S-OIL has established a set of company-wide marine pollution prevention procedures, and willingly share its guidelines for the prevention and early detection of such incidents. S-OIL provides training and carries out oil spill drills to ensure speedy and proactive responses to any and all incidents. The company also has a drill assessment team in place to evaluate and improve on its contingency plans after each exercise and scenario. To further these endeavors, we purchased a 70-tonne oil spill response vessel in January 2009. This complements our three existing 20-tonne patrol vessels, and all four have been placed on full alert around our crude oil loading dock to prevent collisions and minimize damage in the event of accidents. The larger vessel is equipped with 600-meter-long deep-sea booms to prevent oil from spreading, as well as high-pressure water spray, dispersants, absorbing materials, and oil skimmers. S-OIL plans to enhance its preventative action and emergency response capabilities through more investments and emergency drills.

### Response Training for Fires, Explosions, and Leaks

In addition to preventing marine contamination, S-OIL also works to avoid accidents that can happen while storing or shipping its products. The semi-fixed firefighting facility in our factory was replaced with a fixed one, to improve our firefighting abilities at the early stage of a fire in a storage tank. This is expected to contribute to speeding up the initial stage of firefighting by reducing the time needed to connect pipes for foam insertion. In addition, we have invested 4.8 billion won from 2008 to 2012 to improve storage tanks in the Onsan Refinery. To achieve safe shipping, our tanker trucks are inspected periodically for potential leaks, and safe driving guidelines are established and taught to tanker truck drivers through periodic education and sharing

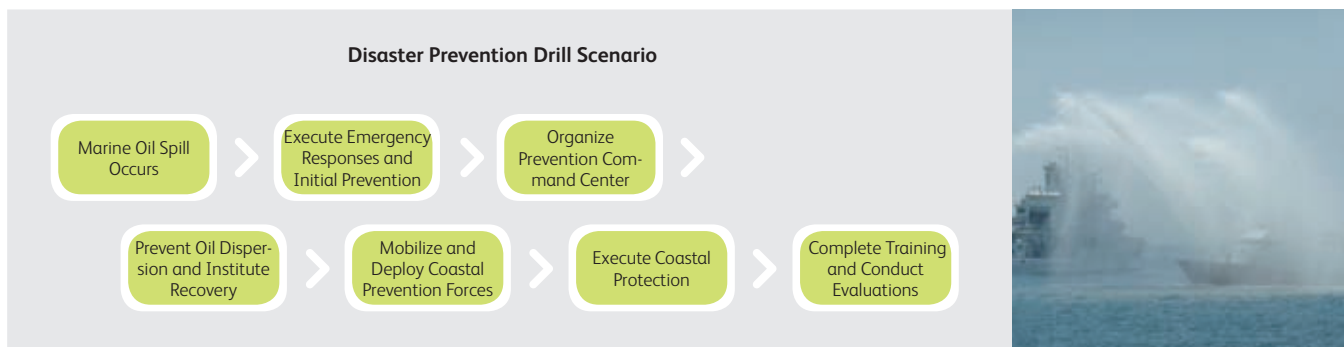
Double Hull Rate | %



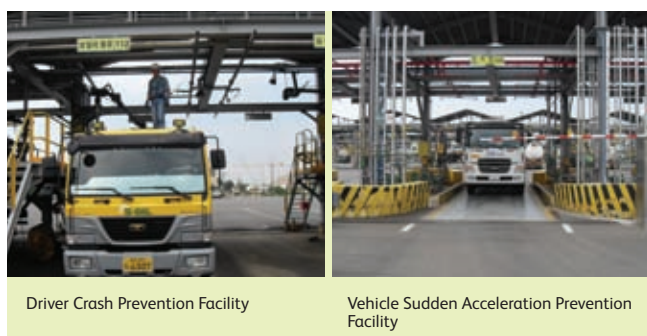
### Safe Crude Unloading

Facility / Equipment	Operation
SPM	Safety inspections prior to unloading crude, and periodic equipment inspections
SPM Mooring Rope Tension Monitoring System	Real-time monitoring of safe mooring of crude oil tankers
SPM ARPA Radar System	Prevents accidental crashes into nearby ships and reduces possibility of oil spills
Tailing Tugboat and Oil Spill Response Vessel	24-hour stand-by to prevent marine pollution and minimize damage in case of emergency while unloading crude





of case studies of accidents. In addition, we are minimizing the possibility of potential accidents by upgrading our safety facilities for drivers to protect them from accidents during the loading process, and have improved our protection facilities to prevent environmental pollution. S-OIL is continuously enhancing its emergency response system to minimize environmental pollution when accidents occur. In order to respond effectively to fires, explosions, leaks, and other accidents, the degree of danger is evaluated and used to establish appropriate emergency response scenarios. Drills are held on an annual basis, so that we are prepared to respond promptly and effectively. S-OIL puts every effort into preventing accidents and carries out continuous drill training to be able to proactively respond to disasters when they occur.



### Firefighter Training

Two or more sessions of firefighter training and emergency drills based on emergency scenarios each year

Strategic training according to type of accident to improve firefighters' techniques

One or more emergency fire drills each year for all employees, including new recruits

### Major Responses / Simulation Drills





### Refinery Terrorist Prevention Training

S-OIL conducted a terrorist response drill with the military, police, fire department, and neighboring companies on August 19, 2009. It maintains cooperative relationships with all these parties to respond to large-scale disasters more effectively.

## Safety- and Fire-related External Communications

### Onsan Refinery Hazardous Materials Safety Management Council

The Onsan Fire Department and nine companies including S-OIL that have storage facilities for large hazardous liquids in the Onsan Industrial Complex hold a meeting every other month to share information on advanced technologies for treating hazardous materials and their management. In addition, we discuss prevention methods and ensure that the local community is safe from such hazardous materials.



Onsan Refinery Hazardous Materials Safety Management Council Meeting

### Onsan Industrial Complex Safety Management Council

All forty partner companies in the Onsan Refinery meet once a month to share safety and fire information. Based on this information, we collect information to help set up fire prevention measures and establish close cooperative relationships with related government organizations. In addition, we have signed partnership agreements to support each other's fire and emergency situations, and conduct periodic training.

# Preventative Green Governance

“Preventative Green Governance” means preventing hazardous environmental elements and dangers in every step of every operation. S-OIL practices green governance to protect the environment through the use of our highly advanced environmental operation system.

## Abiding by Environmental Law

S-OIL is committed to preventive green governance, responding proactively and preemptively to environmental regulations. Rather than viewing increased regulations as a burden, we see them as an opportunity for giving us a competitive edge. We have pursued environmentally-friendly management by introducing an optimal prevention system from the early factory construction stage, and have strived to minimize environmental impacts from management activities by abiding by legally-binding laws and by setting up strict internal standards. S-OIL's efforts to operate the optimal prevention facility and to communicate with the local community resulted in emissions below the permitted amount and zero marine oil spills for the last three years. Due to strict internal standards, we are observing relevant laws completely. Preventive internal inspections are practiced on a daily basis and elements that fail to meet the guidelines are improved immediately.

As a result, no violations were found by any external entities in 2009. S-OIL received a Minister Prize in the Green Management category at the National Environmental Operations Grand Prix for green governance, for its high law-abiding spirit and

environmental management initiatives. We will continue to respond to local communities' demands for increased information, and will only invest in and operate emissions facilities that exceed statutory requirements. In addition, we will continue to follow strict environmental management principles.

## Efforts to Improve the Environment

We continuously invest in the environment to minimize any environmental impacts caused by our activities and to preserve the environment. We particularly want to enhance the management of pollutants such as offensive odors and NOx emissions, which are mostly generated in advanced countries, as well as to run an environmental-friendly operation. To this end, we established mid- and long-term environmental investment plans to ensure greater effects rather than implementing temporary measures.

### Mid-to Long-term Environmental Investment Plan

#### Marine VRU System Installation Plan

- To collect oil vapors generated during the storage and shipment of products at sea

#### Wastewater RTO Installation Plan

- To reduce offensive odors at wastewater treatment facility
- To collect VOC & odors and change them into odorless and harmless materials

#### SCR Installation Plan

- To reduce the level of NOx
- In process of installing SCRs in 8 boilers

#### LDAR System Plan

- To efficiently manage pollutant-scattering materials



Receiving a Minister Prize at the Ceremony for National Environmental Operations Grand Prix

Environmental Investments (KRW million)			
Categories	2007	2008	2009
Air Quality/ Offensive Odors/VOC	1,412	5,111	<b>14,801</b>
Water Quality	2,864	1,179	<b>1,090</b>
Soil	23	23	<b>648</b>
Wastes	0	167	<b>0</b>
Energy Savings/ Technical Supports	7,137	1,313	<b>6,342</b>
Landscaping and Other	195	246	<b>112</b>
Total	11,631	8,039	<b>22,993</b>

### Establishment of Environmental Impact Assessments (ISO 14031)

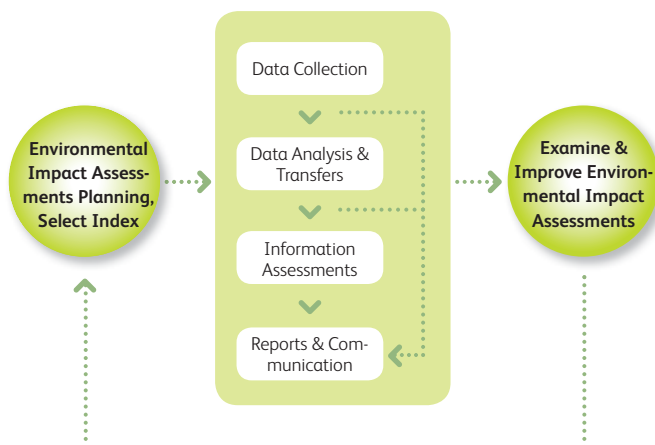
S-OIL has proactively responded to the enactment of an environmental information disclosure system, and carries out Environmental Impact Assessments to provide objective and credible data to all of its stakeholders. The Environmental Impact Assessments identify, index, collect and analyze data to evaluate the environmental impacts of our corporate activities, and assessment results are regularly reviewed and used in the decision-making process. S-OIL abides by the Environmental Impact Assessments guidelines of the Ministry of Environment, as well as the ISO 14031 standard. We have established an internal impact index to support our environmental governance principles. The emphasis was decided by the AHP (Analytic Hierarchy Process) method, which places great priority on procedural fairness and objectivity, reflecting the past experience of environmental operation managers and the opinions of the management team. Our last internal impact index showed that our 2009 figures were 20% higher than in 2008, demonstrating the excellent environmental management performance of the company. We obtained excellent results regarding how we constructed our index, the performance indicator for the EPE (Environmental Performance Evaluation), and weighted values through the KFQ's objectivity review of our overall system. S-OIL will continue to provide information for decision making on its environmental investments through the environmental impact assessment system and will continue to practice its principles. S-OIL is currently preparing for the construction of an environmental accounting system, and will carry out more systematic and transparent en-

### Objectives of Environmental Impact Assessments

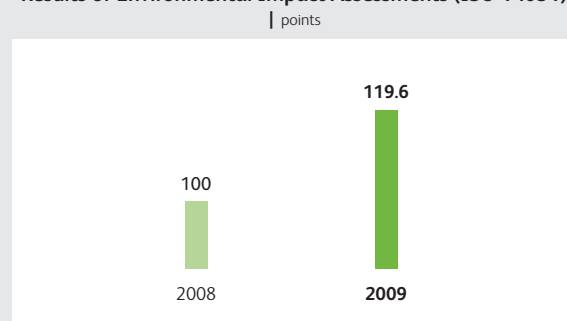
- Prevent environmental pollution & identify strategic business opportunities
- Report environmental impacts to management and support decision-making
- Sustainable EMS improvements
- Information disclosures with environmental report
- Compare achievements between divisions (plants)
- Improve organizational efficiency and usability



### Constructing an Environmental Impact Assessment System



### Results of Environmental Impact Assessments (ISO 14031)



environmental investments and cost management analyses in the future.

## Environmentally Friendly Governance and Minimizing Environmental Impacts

S-OIL has invested heavily in constructing facilities that produce eco-friendly products, gaining a competitive edge by doing so as environmental issues are of great concern in today's world.

### Environment-, Safety-, and Health-Related Certifications

S-OIL is committed to building a system for environment, safety and health management, and for the effective operation and strict observation of all relevant laws. Consequently, it was awarded an ISO 14001 (Environmental Management System) certification in November 1996; this applies to all production processes relating to the production of fuel oils, lube base oils, and petrochemicals. Annually, our environmental management system is subject to continuous improvements through both internal and external audits on ISO 14001 standards. We also earned an OHSAS 18001 (Occupational Health and Safety Assessment Series) certification in April 2007.

#### S-OIL's Certification Acquisitions

Type of Certification	Date obtained	Organization
ISO 14001	'96.11.09	Korean Foundation for Quality
ISO 9001	'03.09.23	
ISO/IEC 17025	'06.01.26	Korea Laboratory Accreditation Scheme
OHSAS 18001	'07.04.10	Korea Gas Safety Corporation

In addition to considering our products' environmental impacts, we practice environmental friendly operations by minimizing our impacts on the air, water, and soil. In addition, we have instituted strict processes for the management of offensive odors, wastes, and hazardous chemical substances.

### Management of Air Pollutants

Reflecting its strong commitment to the environment, S-OIL has adopted internal emissions standards that are even stricter than legally-mandated ones, and works hard to reduce air pollutants. We reduce the level of our SOx emissions through the use of clean off-gas and low-sulfur fuel. In addition, we have invested to protect the environment through the operation of electronic precipitators and ultra-low-NOx burners, and maintain a consistently high level of pollutant emission reductions. In 2009, we installed eight units of an advanced selective catalytic reduction system to prepare for stronger NOx regulations slated to come in 2010.

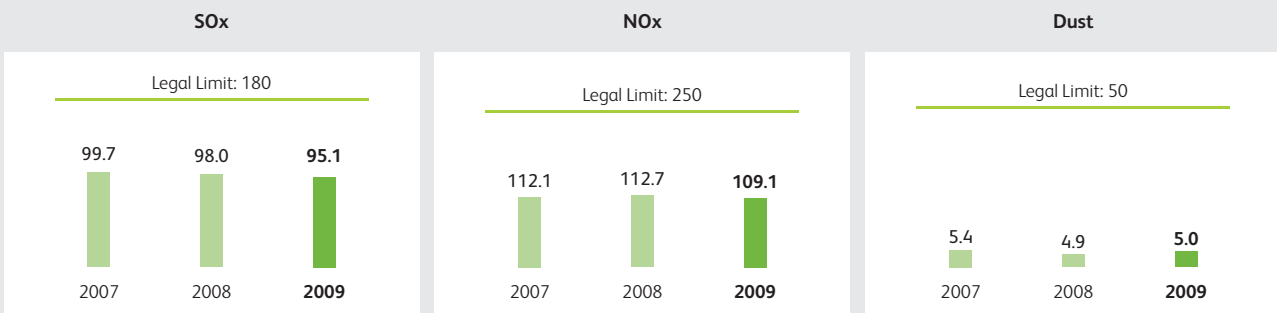
### Management of VOC and Offensive Odors

S-OIL has implemented strict internal emissions standards to minimize the environmental impact of VOCs (Volatile Organic Compounds) and offensive odors generated from the production,



Air Pollution Prevention Facility

#### Air Pollutant Emissions (TMS heater/boiler average annual rate) | SOx, NOx – ppm, dust - mg/Sm<sup>3</sup>





storage and loading facilities. To manage arsenic acid emissions resources more systematically (i.e., pollutants such as chemical substances that are emitted into the air without a legally designated passing point source), we constructed an LDAR (Leak

Detection and Repair) system in 2009. Moreover, to effectively manage the offensive odors generated from our waste water processes, we are planning to install an RTO (Regenerative Thermal Oxidizer) as part of our sustainable effort to improve VOC and offensive odors management.

## Constructing the LDAR System

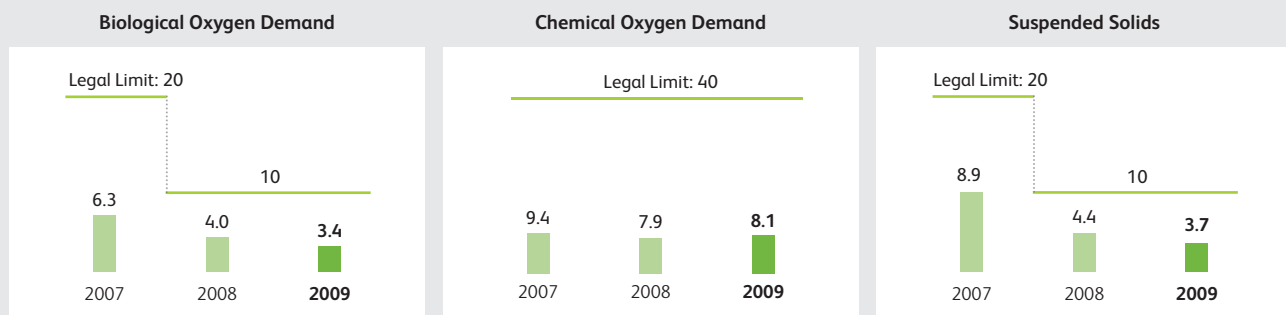
The LDAR system is a periodic leak detection system which monitors fugitive emission sources. It measures the VOC and offensive odors emissions of the Onsan Refinery and monitors, repairs, and maintains fugitive emission sources. S-OIL achieved reductions of more than 90% of its chemical substances emissions in fugitive emission sources in 2009 through the LDAR system. We expect that it will contribute even more to improving the health of our workplace in the future.



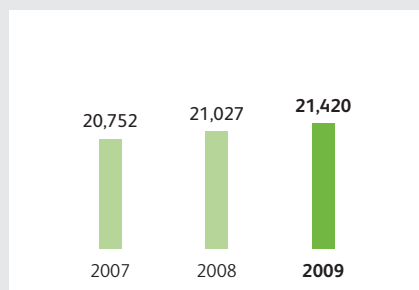
## Water Quality Management

If wastewater containing a high volume of chemical substances is wrongfully managed and released, the local community's water supply could be severely impacted. S-OIL's water comes from the Nakdong River, and we strictly control our water discharge into nearby waters to minimize our impact. We are the only plant with expertise on water quality management in the Onsan Industrial Complex that uses its own wastewater treatment system, instead of the municipal sewage treatment plant. This ensures more thorough wastewater management. To monitor the status of our released water in real time, we installed a tele-metering system that transfers its information to an administrative center of the

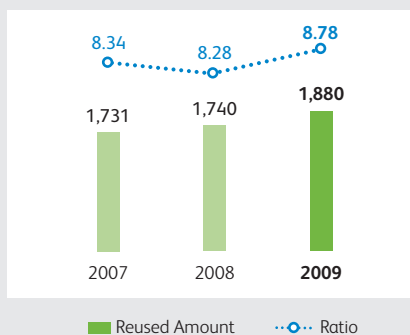
Discharge Density of Water Pollutants | ppm \*Based on water sampling



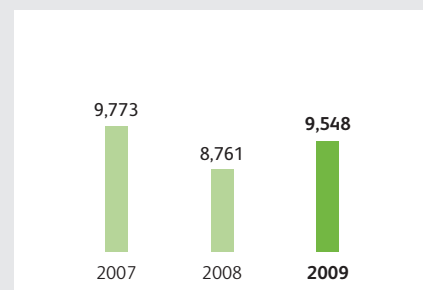
Annual Water Usage | thousand tonnes



Reused Water Amounts and Ratios (Onsan Refinery) | thousand tonnes, %



Amount of Wastewater Discharges (Onsan Refinery) | thousand tonnes



\* In 2009, the amount of wastewater discharges increased as S-OIL started up newly invested Alkylation Unit.

government. Wastewater generated from our production facility undergoes physical, chemical, and biological treatments in a first- and second-step process, resulting in the highly effective removal of pollutants. We then reuse this treated wastewater from each operation process to reduce our water usage and minimize the generation of more wastewater.

Managing Lawful Wastes Storage & Separate Collections

Management

- Establish waste management system within SHE system, give departments access to waste information and management

Treatment

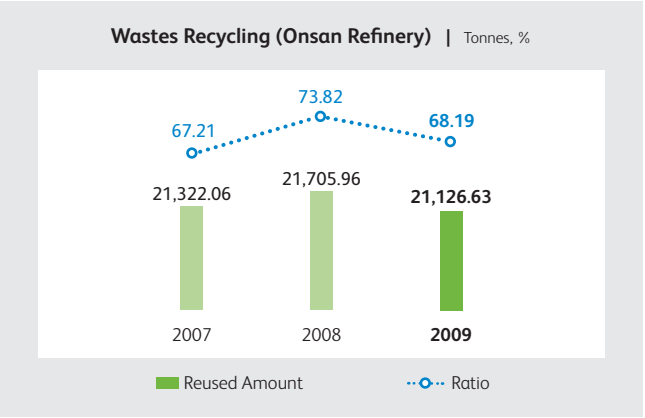
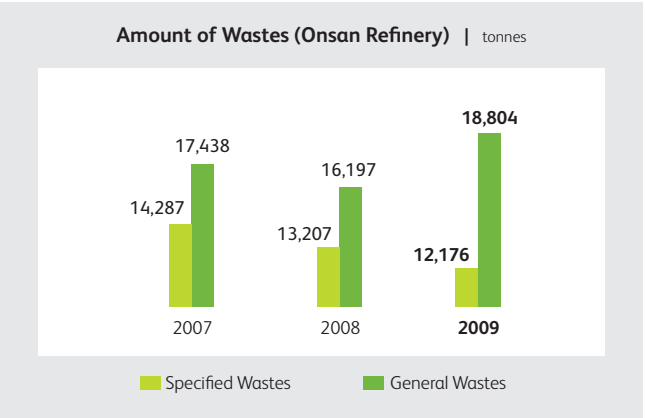
- Review qualifications of the licensed waste management contractor and supervise its treatment of wastes, from the initial phase to follow-up phase, through actual inspections of the treatment in view of all relevant laws

Inspections

- Perform general waste management (i.e., monitor for proper storage and conditions) and periodic on-site inspections for items subject to special management, such as large-scale expansion construction

Training

- Train all employees and business partners in waste treatment procedures
- Waste treatment training for managing inspector



## Waste Management

For environmentally friendly circulation of resources, S-OIL has continuously decreased our generation of waste and increased our recycling rate thorough a separate collection process. We will continue our effort to recycle resources through proactive technological evaluations.

## Hazardous Chemical Substances Management

S-OIL thoroughly manages hazardous chemical substances by regularly carrying out systematic site inspections in accordance with internal management procedures, which reflect relevant domestic and international laws and agreements. We also perform thorough on-site inspections to manage hazardous chemical substances. In May 2005, we signed a voluntary agreement with the Ministry of Environment to reduce chemical substances emissions, and installed a steam recovery facility and an LDAR system. In 2009, these efforts resulted in an 84 % drop in emissions compared to the base year of 2001.

Hazardous Chemical Substances Material Safety Data Sheet (MSDS) Management

- When a hazardous substance is purchased, its safety and health information is registered and shared with all teams

Inspections of Treatment Facilities

- Daily and periodic inspections of managers in charge of hazardous substances treatment facilities and production team employees

Training in Hazardous Substances

- Periodical education on properties of hazardous substances, handling and disposal processes, protective gear, emergency contact system, emergency measures, and MSDS, etc.

Agreement on Chemical Substances Emissions Reductions

- Signed voluntary agreement for chemical emissions reduction
- Set chemical emissions reduction targets for each workplace

Voluntary Agreement on Chemical Emissions Reductions					kg/year
Chemical Substances Emissions Amounts	2001	2007 (1st year)		2009 (2nd year, final)	
	Base year	Goal*	Result*	Goal	Result
	836,030	461,300 (45 % decrease)	433,893 (48 % decrease)	225,600 (73 % decrease)	137,562 (84 % decrease)

\* As per the voluntary agreement, reduction results for 2007 and 2009 were submitted to the Ministry of Environment

## Installation of Marine Shipment Facility VRU

S-OIL installed a VRU facility to treat offensive odors generated by marine shipments and VOC substances in 2009. Its recovery rate is 99%.



## Managing Contaminated Soil

We conduct regular inspections to prevent and respond to soil contamination. In December 2002, we signed a “VA on Soil Contamination Inspections and Restoration” with the Ministry of Environment, and have faithfully adhered to it. In addition, we carried out oil contamination and leakage inspections at the Onsan Refinery in 2009, meeting all requirements.

### Result of Soil Contamination Inspection

Category	Inspected sample	Result
Total petroleum hydrocarbons (TPH)	208	Good
Benzene, Toluene, Ethylbenzene, Xylene	96	Good

## Environmental Impact Assessments

S-OIL conducts strict environmental impact assessments. These include procedures and standards that flow from our own environmental management policies, as well as those mandated by law (such as ex-post-facto reports). We only carry out environmental improvement activities after conducting environmental impact evaluations and analyses of our activities, products, and services through our own internal environmental impact assessment system. We then share the results of the assessments with our employees through our Intranet. This adds to their environmental awareness, and assists concerned departments in carrying out their own improvement activities.



Assessment of Marine Pollution

## Eco-friendly Management through Internal and External Communication

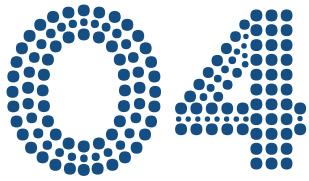
S-OIL sets extremely strict standards for its environmentally friendly management activities, and continuously communicates with its external stakeholders to detect and analyze trends of the global environment and relevant domestic law. We frequently reflect the findings in our environmental management system. We also enhance our environmental management activities by sharing information with local residents and relevant organizations and listening to their opinions. In addition, we participate in local communities’ environmental preservation events to protect the environment and foster close relationships with them.

## Environmental Education

S-OIL offers all of its employees differentiated environmental training programs according to their tasks, to increase their awareness about the environment and run eco-friendly management more efficiently. In addition, for key personnel involved in our environmental programs, we hold regular training programs as required by law and encourage them to attend external seminars and in-house training sessions in environmental technology to help them respond to internal and external environmental issues and improve their expertise. We provide all employees with regular training on the treatment of hazardous chemical substances. Furthermore, we provide training to our partner companies in the separation and disposal of wastes, the prevention of soil and water contamination and observance of relevant laws, so that our strict environmental management policies can reach all the way down from our worksites.

### Environmental Education Courses

	Course	Subject
1	Environmental regulations	All executives / Employees
2	Internal environmental auditor training	Environmental auditors
3	Environmental techniques	Technicians
4	Environmental policy manual training	All employees
5	Toxic substances safety training	All employees
6	Partner companies environmental education	Partner companies / All management
7	Environmental education for new recruits	New recruits



# Contribute to Society



## Management Approach



“S-OIL carries out a wide range of corporate social responsibility activities. They are based on three principles: genuineness, impacts, and timing. We support people who strive to do the following: build a healthy society, improve local communities and cultures, and care for the environment. To provide this support, we have outside organizations assess our social contribution activities for objectivity. We then use the results to develop new programs and make needed improvements. S-OIL plays a role as a corporate citizen by taking initiatives in greenhouse gas reduction in support of the United Nations Framework Convention on Climate Change (UNFCC) and Korea’s national policy, “green growth.”

**Young-Hee Lee** (Senior Vice President\_Head of Maintenance & Technical)

# Principles of Sunshine Sharing

S-OIL carries out “Sunshine Sharing” activities, reflecting the meaning of the sun’s rays in its corporate identity or CI. Based on three principles: Genuineness, Impacts, and Timing, they are aimed at helping the underprivileged in our society.

## Principles of Sunshine Sharing

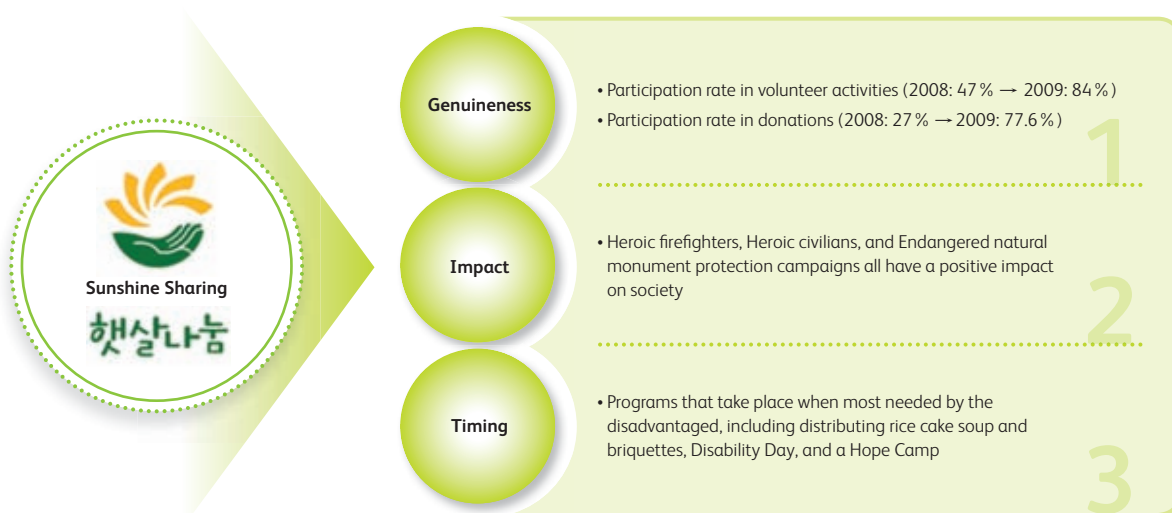
S-OIL has established three guiding principles for a successful social contribution program. The first is “genuineness” (meaning voluntary participation). The second is “impacts” (for having positive impacts on society and becoming a well-respected company). The last is “timing” (meaning that we try to carry out our CSR programs when and where they are needed the most).

Our “Choice and Concentration” guidelines are designed to efficiently allocate our financial resources and revitalize our social contribution activities. We reflect program performances when

establishing our annual goals to earmark additional funds for programs that need to be reinforced.

S-OIL targets to budget 2 % of the value of its pre-tax income for social contribution activities, regardless of its actual revenues, to ensure that its CSR activities are an integral part of its corporate culture. In addition, we plan to increase the participation rate of management and employees to over 80 %. We are going to review and apply various methods to develop effective CSR strategies. This includes consultation with a social contribution activities expert and research on “best case” studies.

### Three Guiding Principles of Sunshine Sharing





# Sunshine Sharing Activities

S-OIL, with the voluntary participation of all its employees, is engaged in three social contributions areas: for heroes, for the environment, and for local communities. These activities help our society when and where they are needed.

“Sunshine Sharing,” our CSR brand name, promotes the company and raises the recognition level of its corporate social responsibility activities. It means lighting and warming our society like sunshine, and demonstrates the company’s desire to make our society better through sharing. The campaign has three themes: “communities,” “heroes,” and “the environment,” which are the basis for the company’s social contribution activities, as well as for a volunteer group participated in by employees. Led by the three pillars, we develop and improve CSR programs and continue to more satisfy recipients and volunteers.

## For Local Communities

S-OIL established the “S-OIL Ulsan Welfare Foundation” in 2007, becoming the first company in the region to do so. Based on the ties that we forged through the S-OIL foundation with social welfare organizations in the region, we identify needs of the local communities effectively, develop various programs, and contribute to the development of local societies. The S-OIL foundation actively conducts projects to support the less fortunate, such as seniors, the disabled, and teenagers. Every year, we purchase chemical-free rice that has been harvested in Onsan, and donate it to the needy. The company also sponsors a TV show that raises funds for disabled and underprivileged people, and hosts a “hope sharing” camp and provides group homes to add to the dreams and hopes of children, the heroes of the future. In addition, we support underprivileged people who have been identified in the press, and sponsor an international marathon tour for disabled people.

We are planning to support ping-pong, one of Korea’s less-popular sports, as part of our local community sports promotion pro-

S-OIL Public Service Corps  
Voluntary Social Activities



Sponsoring Foreign Marathon Tour for the Disabled



Hope Sharing Camp for Children

gram. We also launched an S-OIL ping-pong team to revive table tennis throughout the country, and provide an environment for athletes to train in and improve their skills.

## Activities for Unsung Heroes

“Activities for Unsung” celebrates heroes in our society, such as heroic citizens and firefighters who protect us during disasters. S-OIL’s support program for heroic firefighters has been in place since 2006. In 2008, we launched another support program to applaud those who voluntarily put themselves in harm’s way to help others.

### For Heroic Firefighters

We support firefighters who have put their lives at risk to protect and save lives and property. This is done by making donations to the families of firefighters who have died and to those injured while on duty.

### For Heroic Civilians

We launched a support program for those who freely put themselves in harm’s way to help others. We support funding for heroic civilians who have been injured or given their lives, and for their families. In addition, we host a ceremony at the end of the year to add to people’s feelings of citizenship.



Donations to the Children of Heroic Firefighters



Recognition of Heroic Civilians

## Activities for Environmental Communities

S-OIL’s Onsan Refinery is located in an industrial complex, and is operated under strict conditions of environmental management to prevent the local environment from being affected by products and services produced in the refinery. The company carries out various activities to protect and preserve the environment in recognition of the importance of the environment, as part of its efforts to fulfill its corporate responsibility.

## Endangered Natural Monuments Protection Campaign

S-OIL designates endangered biological species that are directly and indirectly related to the company every year and participates in habitat protection activities. In May 2008, we signed a natural monuments protection agreement with the Cultural Heritage Administration, and selected the otter (Natural Treasure No. 330) as the natural monument we would protect. In 2009, we selected the crane (Natural Treasure No. 202). Some of our other activities have included supporting a professional institute’s research, habitat protection, running a children’s ecology camp, launching our first-ever college students’ natural monuments protection corps, and volunteering by employees. We will continue to protect endangered species that are related to our corporate activities, along with our one company/one stream revival program and our seacoast purification activities. In doing so, we will play a role as an eco-friendly company.



Launching Ceremony for Crane Protection Program



Children’s Natural Monuments Workshop

## Environmentally Friendly Purchases

In 2005, S-OIL signed a “green” purchasing agreement with the Ministry of Environment, to actively promote eco-friendly production and consumption. It was re-signed in 2009 when the agreement expired, for the purpose of building a low carbon, eco-friendly society through the efficient use of energy and natural resources. Under the agreement, eco-friendly products are divided into seven types – environmental mark-certified products; excellent recycling products; hazardous substances reductions products; waste reduction products, etc. – so that those responsible are encouraged to purchase eco-friendly products.

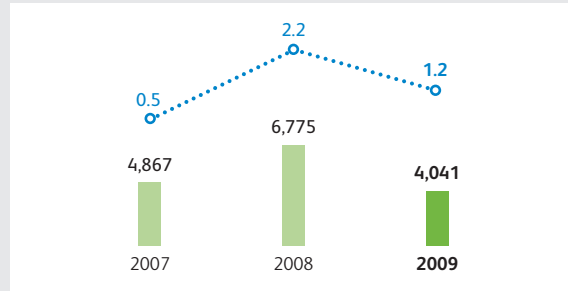


## S-OIL launches a corps of natural treasure protectors

S-OIL had a launching ceremony for its “corps of natural treasures protectors” consisting of university students at its head office in Seoul’s 63 Building on November 19. The company said that the campaign is designed to foster a professional environmental volunteer corps and develop future environmental leaders. The corps has 38 members, including undergraduate and graduate students in biology or life science, members of wildlife protection clubs, and other volunteers. In May 2008, S-OIL signed an agreement with the Cultural Heritage Administration for the protection of natural treasures. As its first project, it carried out various activities to protect otters (Natural Treasure No. 330). This year, it selected the crane (Natural Treasure No. 202) as the “natural treasure of the year,” and is continuing with its environmental protection campaign that includes protecting wildlife habitats, feeding wildlife, and operating a children’s eco-camp.

(November 19, 2009, Maeil Business Newspaper)

Annual Donations and Percentage of Pre-Tax Income | KRW million, %



■ Donations    ◆ Donations Percentage of Pre-Tax Income

- Donations for 2008 do not include KRW 6,790 million payable to the Korean refineries’ joint CSR Fund
- 2009 donations include a KRW 276 million job-sharing fund

## S-OIL Public Service Corp Activity

The S-OIL Public Service Corps is a volunteer employee organization that was launched in 2007 to carry out our “Sunshine Sharing” campaigns. It consists of two secretariat offices and six regional teams. For the systemic management of volunteering employees, we registered it with the Social Welfare Volunteer Activities Certification Center of the Korean National Council on Social Welfare which was designated by the Ministry of Health & Welfare. This enables us to manage our employees’ volunteer

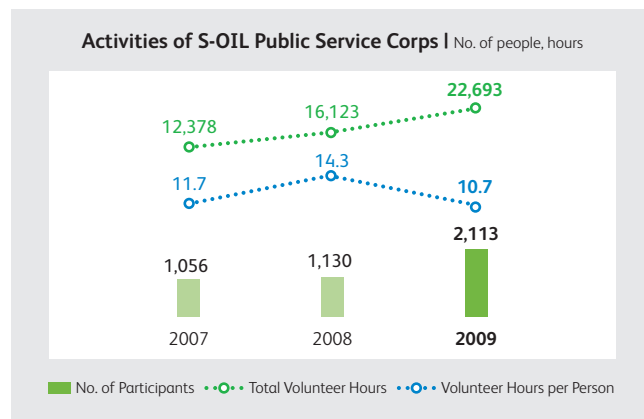
## Sunshine Sharing Donation Activities

Major Activities	Description	Donations (KRW million)	
		2008	2009
For Local Communities	<b>Community supports</b> <ul style="list-style-type: none"> <li>Ulsan Welfare Foundation: Supports for the disabled, teenagers, and seniors</li> <li>Supports for cultural and sports events</li> <li>Supporting farmers by purchasing pears and rice</li> </ul>	5,875	2,941
	<b>For the less fortunate</b> <ul style="list-style-type: none"> <li>Holiday fundraising</li> <li>10% donation of ARS funds raised by television program</li> <li>Sponsoring international marathon tour for the disabled</li> </ul>		
	<b>For Children</b> <ul style="list-style-type: none"> <li>“Give Back a Smile” campaign (support for treatment costs for biliary atresia patients)</li> <li>Hope sharing concert/Child cancer patients’ hope camp</li> <li>Group home children’s English camp and Christmas event</li> </ul>		
For Heroes	<b>Social volunteers’ activities</b>	800	950
	<b>Other</b>		
For the Environment	<b>For Heroic Firefighters</b> <ul style="list-style-type: none"> <li>Condolence payments to deceased firefighters’ families and tuition payments for children</li> <li>Encouragement payments to injured firefighters and prizes for “best firefighters”</li> </ul>	100	150
	<b>For Heroic Civilians</b> <ul style="list-style-type: none"> <li>Deceased/Injured/Active civilians reward payments</li> <li>Support campaign for finding unknown heroes</li> </ul>		
For the Environment	<b>Endangered Natural Monuments Protection Campaign</b> <ul style="list-style-type: none"> <li>Supported Korea Crane Protection Association’s activities</li> <li>Children’s National Treasure Workshop/Ecology Camp for Children</li> <li>Corps of Natural Treasure Protectors for college students</li> </ul>	100	150
Total		6,775	4,041

activities through the Social Welfare Volunteer Activities Certification Center ([www.vms.or.kr](http://www.vms.or.kr)), which comprehensively manages nation-wide volunteer activities.

S-OIL's Public Service Corps activities carried out by six regional teams include kimchi making, briquette donations, heating apparatus donations, New Year's Day and Chuseok food distribution events, New Year's Eve celebrations, birthday parties, Parents' Day, Children's Day, and Disability Day events, and assisting underprivileged families and seniors living alone. In S-OIL, various social contribution activities are becoming a unique part of its corporate culture, and more appropriate and effective CSR programs will be developed in a way to increase executives' and employees' participation, thereby contributing even further to society.

In 2008, the S-OIL Public Service Corps signed a "Strategic Partnership to Revitalize Social Volunteering" agreement with the Korean National Council on Social Welfare. We also carry out our "Sunshine Sharing" campaign (automated donation system, 1 person 1 share account and 1 person 1 volunteer activity) with the voluntary participation of our employees and run a web-page dedicated to promoting volunteer activities and communications.



Major Activities				
S-OIL Public Service Corps Major Activities	Number of participants		Average monthly donations (KRW million)	
	2008	2009	2008	2009
Automated Donation System	516	1,299	2	7
1 Person, 1 Share Account	1,164	1,440	11	15



Briquette Donations



Food Sharing on New Year's Day



### Automated Donation System (Employees' voluntary donation of the rounded portions of their salaries)

A Korean child patient with biliary atresia has been selected as a recipient of the funds raised through the Automated Donation System, an integral part of the Sunshine Sharing Campaign. Our Deputy General Manager, Han Yoon-chul, accompanied by Kim Eun-jung, donated 5 million won to the patient on behalf of the company. Biliary atresia is a rare condition of newborn infants, in which the bile duct between the liver and the small intestine is blocked or absent. It can lead to death due to liver damage, and occurs in about 30 children each year. Over 70% of children with biliary atresia can survive if they have an operation within eight weeks of their birth. 11 infants have been supported up to the end of December 2009, since S-OIL began its campaign for biliary atresia patients in April. 1,299 employees participate in this program, and the total funds collected are KRW 63,149,500.



# For Better Sunshine Sharing

In an effort to maximize the benefits of its Sunshine Sharing programs, S-OIL has its CSR activities evaluated by an outside professional institute on a regular basis. In addition, we strive to ensure that our program reaches every corner of this society by continuously indentifying the expectations of our stakeholders.

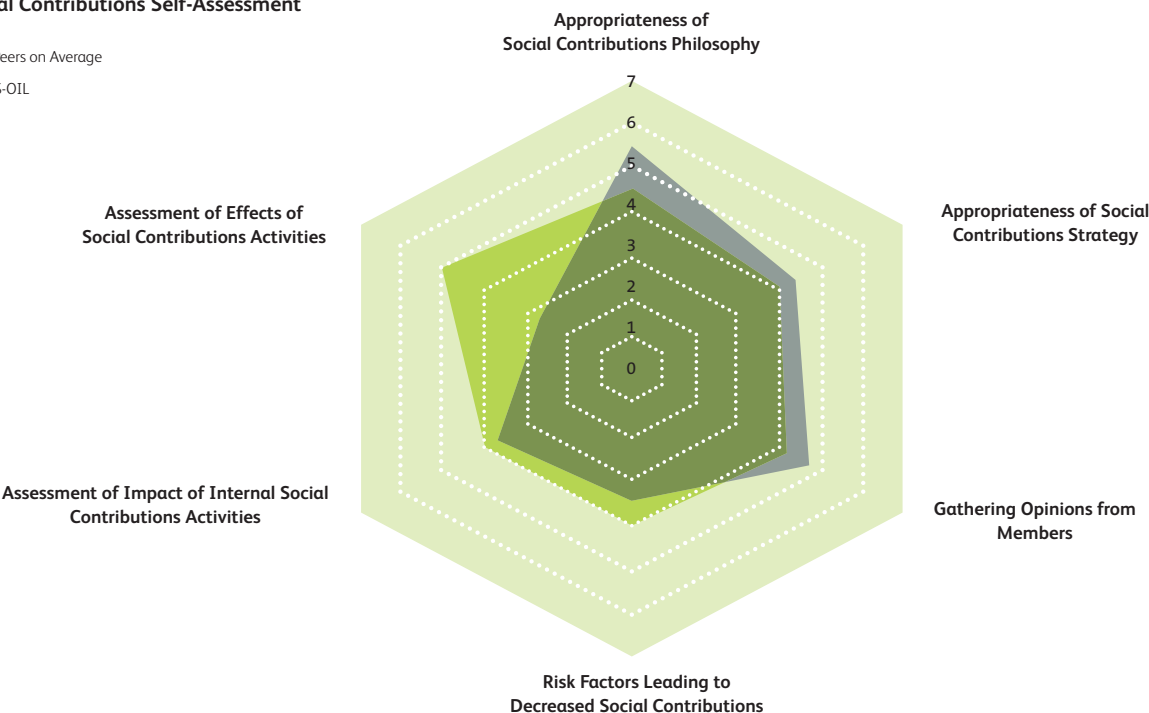
To ensure an objective assessment of its CSR activities, S-OIL applied “Social Contributions Self-Assessment” social contributions index developed by the Korean Association of Non-Profit Organizational Research and the Social Contributions Information Center of the Korean National Council on Social Welfare. This allows us to carry out social contribution activities in an organized and systemic way so that we can maximize the efficiency and effects of those activities.

Our most recent assessment showed that S-OIL performed

better than other peer companies on average, in terms of the appropriateness of its social contributions philosophy and strategies, collection of opinions of internal members, and its treatment of risk factors that stand in the way of its social contributions activities. However, the internal impacts assessment and the effects assessment showed that it was underperforming. We will continue to have our social contribution programs assessed by outside professional institutes so that we can analyze our social contribution activities in a systemic way and continue to improve them.

## Social Contributions Self-Assessment

■ Peers on Average  
■ S-OIL





# Climate Change and Energy Conservation

S-OIL has established an advanced environmental management system to respond to climate change and the energy crisis. It is also committed to using energy efficiency practices to reduce greenhouse gas emissions. In addition, we are taking a leading role in greenhouse gas reduction.

## Responses to Climate Change

The 15th climate change conference, held in Copenhagen, Denmark at the end of 2009, was a disappointment, since it failed to achieve any agreements despite the fact that we are facing such critical energy and environmental challenges. Although some worry that this failure could weaken the world's interest in climate change, it did not lessen S-OIL's commitment to the environment. Although Korea has not been yet included in the list of countries subject to reduction obligations, S-OIL plays a role as a corporate citizen by joining with the international effort to cut greenhouse gases.

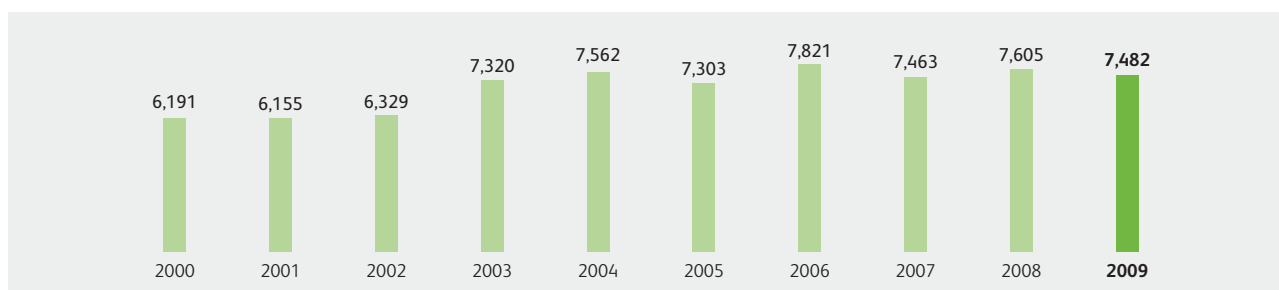
### Establishing Inventory for Greenhouse Gases and Verification

To cut greenhouse gas emissions effectively, objective and accurate standards must be used to identify, record, and estimate

the emissions. A greenhouse gas inventory system is a systematic and efficient method for corporate entities to manage all stages ranging from calculation of the amount of greenhouse gases generated by their activities to reports made.

S-OIL established an international-standard greenhouse gas inventory in 2009, and an audit of our inventory was carried out by a UN-designated operational entity. We also appointed departments and experts to manage the data on our activities, estimate and assess our emissions amounts, and produce a report. Based on the strong and weak points that were discovered during this exercise, S-OIL will adopt mid- and long-term goals for achieving CO<sub>2</sub> emissions reductions that will be recognized both internally and externally.

Amount of Greenhouse Gas Emissions (Onsan Refinery) | thousand tonnes\_CO<sub>2</sub>e



\* Flare gas emissions are included; data for 2009 will be verified by a third party.



Signing for the Pilot Project for Verifying Greenhouse Gases Inventory

became Korea's first oil refiner to participate in the Korean Energy Management Corporation's Greenhouse Gas Registry program. Since then, we have been applauded for our greenhouse gas reduction results every year. This includes the registration of 16 greenhouse gas reduction projects worth 160,779 tonnes of CO<sub>2</sub>e a year, as of July 2010, representing about 5.7 % of the nation's total number of domestic greenhouse gas projects recorded at Greenhouse Gas Registry (283 cases) and 2 % of the company's CO<sub>2</sub> emissions as of the end of 2009. Our efforts to reduce greenhouse gas emissions will continue into the future.

## Improving Energy Efficiency

Reductions in greenhouse gas emissions are closely linked to the effective use of energy, because cutting the amount energy used also means lowered greenhouse gas emissions. S-OIL understands that the efficient use of energy is another method of responding to climate change, and is taking steps to reduce its energy use by making improvements to its production environment and its operating processes.

As part of these steps, we founded an energy management department in June 2009 to provide technological support regarding climate change and carry out general tasks regarding greenhouse gas reductions. In addition, we established an Energy Management Committee and an Energy Administrative Committee within the Refining Business Line to assess and report on energy use on a monthly basis and develop ideas for new energy reduction businesses. The Energy Management Committee is engaged in planning mid- and long-term energy saving plans

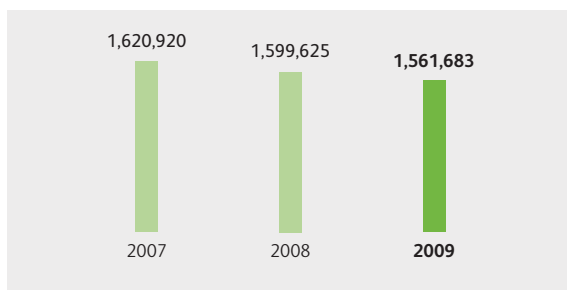
## Voluntary Greenhouse Gas Reductions

A rapid response is important in dealing with climate change. S-OIL is researching extensively to set its mid- and long-term CO<sub>2</sub> reduction goals. In addition, it is developing reduction projects that can be implemented immediately, thereby becoming a leader in greenhouse gas reduction. In 2005, the company

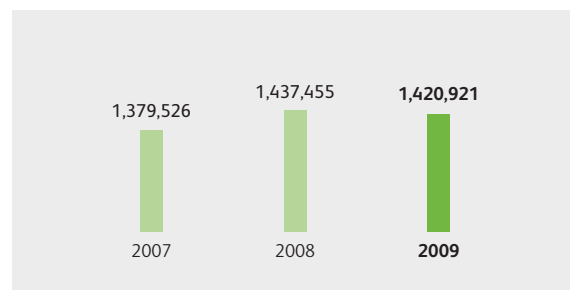


Verification for Greenhouse Gases Inventory

Fuel Use (Head Office & Onsan Refinery) | TOE



Electricity Use (Head Office & Onsan Refinery) | MWh



\* Differences from the previous report: Excludes the use of electricity generated from the company's own power station. It is included in "fuel use."

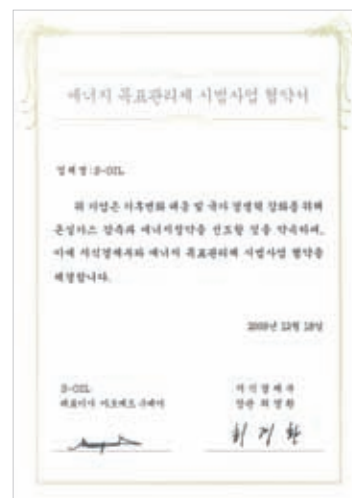
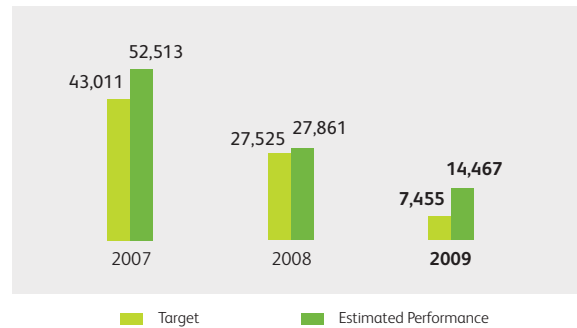
and approving energy reduction businesses developed by the Energy Administrative Committee.

S-OIL is also continuing with its energy-saving activities with the assistance of local and international consulting bodies, so as to identify categories for energy savings and facilities improvements. We reduced our energy consumption and improved our productivity by integrating our facilities improvement activities for energy reductions (such as improvements to outdated facilities and the addition of new facilities) with the company's profitability improvement programs. From recent research, we learned that we used 39 billion won less of energy in 2008 than in 2006.

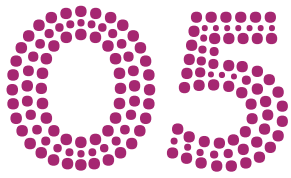
S-OIL formally declared its commitment to energy savings by signing a voluntary agreement with the Ministry of Knowledge Economy. We saved 384,246 tonnes of oil equivalent (TOE) during Voluntary Agreement Phase I (2001-2005). This is to be followed by Voluntary Agreement Phase II, which will run from 2006 to 2010. In 2009, we saved 14,467 TOE, equal to 0.7 % of the company's total energy consumption in the base year (i.e., 2,017,527 TOE in 2005). This means that S-OIL's 130,802 TOE accumulated energy reduction amount from 2006 to 2009 exceeded our VA Phase II goal of 108,717 TOE/5 years.

As part of achieving the central government's national greenhouse gas reduction program, a "Negotiated Agreement" will take effect in 2010. In December 2009, S-OIL signed an agreement to participate in this program with the Ministry of Knowledge Economy. The "Negotiated Agreement" sets energy use targets for energy-intensive workplaces and large buildings in which energy use exceeds a certain level. They then win incentives or receive penalties from the central government according to their achievements (or lack of same). S-OIL will set its energy usage targets by discussing them with the government, and will then take whatever steps are needed to meet them.

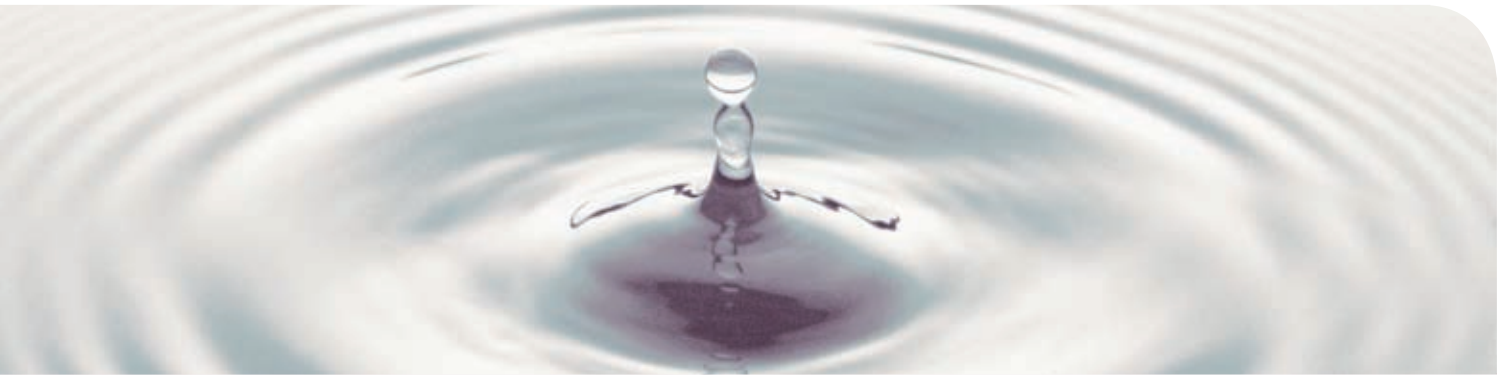
Energy Savings, VA Phase II | TOE



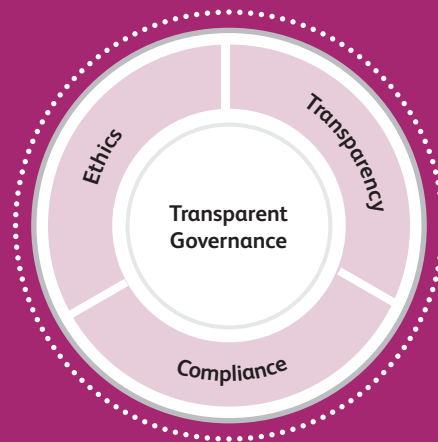
Agreement on Participating in the Government's Pilot Project for Setting & Managing Energy Use Targets



# Follow Global Best Practices of Corporate Governance



## Management Approach



S-OIL operates an independent board, comprised of local and foreign board members who have expertise and are rich in experience. In addition, S-OIL has secured an advanced corporate governance structure that meets global standards. It is built with the three pillars of: ethics management, compliance and transparency. We put first priority on ethics management in all our decision-making processes. We are making every effort to cultivate a transparent and ethics management system and corporate culture by constantly improving internal controls and demanding a strict adherence to laws and regulations.

**Young-Il Cho** (Senior Vice President\_Head of Domestic Sales Headquarters)

# Strengthening Ethics Management

S-OIL's CEO, executives, and employees participate in an ethics management system because they believe that ethics management contributes to the long-term growth of a company. We also disseminate this belief among our business partners, so that we can continue to grow together.

## Ethics Management, Our First Priority and Dominating Corporate Culture

### Creating Common Ground Between the CEO and Our Employees

At S-OIL, ethics management is not a slogan but an inherent part of our corporate culture. Our CEO is tasked with delivering a clear message to our employees about the importance of and need for ethics management.

#### CEO's Message

### The Company's Long - term Success Hinges on Ethics Management.

"Ethics Management is essential to the longevity and sustainability of the company. Ethics Management is the first requirement of our decision-making. It takes priority over all our other financial indicators, including profitability. Keep in mind that our approaches and practices, rooted in Ethics Management, will bring the company long-term success; otherwise, our success will be short-lived."

S-OIL offers various programs and activities to ensure that its employees have a high standard of ethical judgment, both in their workplace and in their daily lives. All employees are required to take training in ethics management once a year. In addition, we have established a website dedicated solely to ethics management (<http://ethics.s-oil.com>), and provide handbooks on ethics management to ensure that our employees have constant access to information and counseling. We also ensure that ethical behavior is built into our corporate culture by conducting an annual online self-monitoring exercise in ethics management.

#### Results of Ethics Training in 2009

Courses	Participants	Hour(s)
Training executives and employees in Code of Business Ethics and Conduct	2,413 executives and employees (95.3 %)	1
Sexual harassment prevention training	All employees	1
Ethics training with outside instructors	8 executives, 154 employees	2

### Functions of the Ethics Committee

Trivial conflicts of interest between S-OIL's executives and employees and the company can escalate into major ethical problems. As a result, we prohibit transactions between the company and its employees or their spouses. We also make it mandatory to receive permission from the Ethics Committee when lineal ascendants or descendants of current employees or retirees engage in transactions with the company. This is done to mitigate the possibility of conflicts of interest between employees or retirees and management. In 2009, our ethics committee was convened 23 times and deliberated 134 cases. There was one case violating the company's Code of Business Ethics and Conduct, and the proper corrective actions were taken as directed by the Committee.



Education on Code of Business Ethics & Conduct



## Ethics Committee

This committee is composed of an HR Officer, the Head of the Planning and Coordination Office, the General Counsel, and the Controller. Their qualifications are evaluated by the Board Audit Committee of the Board of Directors before the CEO appoints them. The committee reports on its activities to the CEO every six months and to the Board Audit Committee every year. All employees can access information on its activities through the company's ethics management website.

## Growing with Our Business Partners Through Ethics Management

S-OIL's commitment to ethics management goes beyond the company. Based on the recognition that we are a partner in sustainable management, we guide our business partners in implementing principles of ethics management. In addition, we promote ethics management among suppliers invited to our biddings by requiring them to sign a "Supplier/Bidder Employee Ethics Code Compliance Agreement." We also consider their ethics management level as one of the criteria in the supplier and contractor selection process. We have stipulated and clarified all terms related to safety regulations, labor and human rights laws, and environmental protection duties in our contracts with an outside company in order to encourage them to adhere to all relevant laws.

## Outside Evaluations of our Ethics Management and Improvement Efforts

In recognition of our commitment to ethics management, S-OIL was selected to join the Dow Jones Sustainability Indexes (DJSI) Korea on October 20, 2009. In addition, by joining the UN Global Compact, the largest voluntary corporate citizen initiative in the world, we showed our willingness to contribute to the world's economies' and societies' prosperity in a more stable, comprehensive, and fairer way.

We will continue to identify needed improvements through the constant analysis and evaluation of our ethics management practices and policies and reflect them in our management system.

## Contract Terms with Suppliers and Contractors

### Agreement Terms

- The Supplier's staff, employees, and employers must thoroughly observe the Orderer's general operations guidelines, procedures, and safety regulations.
- The Supplier must obey all labor-related laws and regulations.
- To prevent accidents and injuries during operations, the Supplier is responsible for scheduling and providing training regarding operational details, methods, and safety for its employees.
- Supplier's Duty to Protect the Environment: While performing the terms of the contract, the Supplier must minimize impacts on the environment and obey all environment-related laws and regulations.
  - If the Orderer requests the return of waste materials, recyclable materials, or waste for recycling or internal treatment, the Supplier must transport such materials to a place designated by the Orderer under the construction manager's supervision.
- The Supplier is responsible for the treatment or disposal of wastes not listed above, using only legal methods. Documentary evidence for such processes must be submitted to the Orderer's Construction Management Department, which will make a copy and send it to the Environmental Management department for verification.

## Statement of Acknowledgement

### Supplier/Bidder Employee Ethics Code Compliance Agreement

1. A supplier or bidder shall not commit any unfair act, such as price-fixing, etc., that could conceivably influence the process of submitting a quotation.
2. A supplier or bidder shall not provide economic benefits, such as money, valuables, dinners, entertainment, etc., to the Orderer or offer or promise to do so.
3. A supplier or bidder shall fully understand the Orderer's policies, bylaws, and other related regulations and faithfully observe them when carrying out its services.
4. A supplier or bidder shall not use the Orderer's property or information to take profits.
5. If the Orderer requests money, valuables, dinners, entertainment, etc., the supplier or bidder shall immediately report the request to the Orderer's Auditing Team.



Video Clip for  
DJSI Korea  
Recognition  
Ceremony



# Enhancing Compliance Activities

As part of its pursuit of becoming an advanced global company, S-OIL has established internal regulations stricter than legal requirements to prevent violations of all laws and regulations. We strive to ensure that all our stakeholders understand our expectations in terms of the economy, the environment, and our society, and how we are reflecting them in carrying out our business.

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## Improving Our Legal Infrastructure

S-OIL improves the efficiency of its risk management processes by developing checklists that enable the prior monitoring of legal risks arising from job performance as well as the standardization of procedures for performing legal tasks. In addition, we are seeking to standardize the format of our contracts to minimize legal risks. We provide training in laws and contract practices to our employees in our headquarters and branch offices and those working at factories. This helps them learn about laws related to their individual tasks and reduces the legal risks. We also hold legal seminars that are tailored to the needs of each department. We have also produced manuals on complying with fair trade rules and regulations and distribute them to all our departments. They can be used as workplace guidelines to minimize the possibility of violations of fair trade laws, which is one of the biggest risks for any company. In addition, we reduce the chances of legal infringements by providing continuous training in the law. S-OIL acts proactively and preventatively by indentifying the potential legal risks of its business activities and constantly examining relevant laws. We are also establishing a system to constantly monitor newly enacted and revised laws, notify involved departments of our findings, and prepare statements based on inter-departmental cooperation. This will allow us to respond swiftly to the enactment or revision of laws and changes in such areas as the environment that directly affect the company.

## Monitoring Internal Controls in Real Time

We are introducing an “Early Warning System” to monitor risk factors for important management issues. It allows us to enhance the efficiency of our internal controls. The system enables

the prior management of operating processes in risk areas and reduces losses resulting from risks and costs, improving job performances. In addition, it allows us to improve our operating processes by monitoring unusual transactions, indentifying their causes, and taking corrective action. We can also prevent the illegal use and distortion of information data through constant improvements to the system’s functions and operations, increasing the reliability of our financial information and the effectiveness of our internal controls.

## Implementing Risk-Based and Value-Added Audits

S-OIL’s risk-based and value-added audits are used to evaluate the added value of the entity being audited. Since the adoption of company-wide risk assessments and risk-based audits in 2005—including the outcomes of our Enterprise Risk Management activities and benchmarking global practices—we have been assessing risk factors that can affect the achievement of our management goals. We also established a one-year plan based on these assessments and carried out audits. This has helped us to reach the goals of the entire organization and increase its overall value. In addition, experts with various certifications related to auditing (Certified Internal Auditor, Certified Information Systems Auditor, Certified Public Accountant, etc.) assess the effectiveness of the entity being audited in terms of our governance process, our internal controls, and our risk management programs, and search for needed improvements. These audits focus on raising the company’s level of ethical awareness, compliance, and transparency to protect the interests of its stakeholders.

# Promoting Transparency

S-OIL recognizes the impact of transparent company information disclosures on its relationship with its stakeholders. It strives to improve the transparency of its business activities, including its decision-making processes and its management system.

## Streamlining the Decision-Making Process and Sharing Management Information

S-OIL strives to ensure that every decision is made efficiently by maintaining a system of checks and balances for its general affairs and streamlining its recurring checking functions. It also responds to the ever-changing mobile environment, including the advent of smart phones. We are improving our management system to ensure that the management philosophy, vision, and strategies of the C.E.O. have been transmitted to our workers clearly, so that they can perform their duties efficiently and effectively.

## Providing Information Transparently

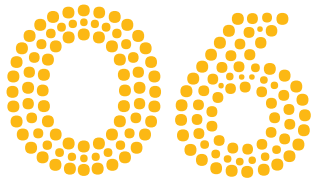
S-OIL has put an Internal Accounting Control System and K-IFRS (International Financial Reporting Standards) in place to add to the transparency of its accounting information. We will continue to increase the transparency of our accounting processes by raising the level of our accounting system and procedures to international standards and reflecting them in our ERP system. We are also implementing "Disclosure Information Management Regulations" to provide accurate and timely information to our stakeholders. All our information is disclosed completely and fairly, in accordance with these regulations. We are also committed to increasing the general public's access to company information, disclosing the most accurate information possible, and increasing the disclosure of useful information. We will continue to improve our sustainable management system by regularly monitoring and analyzing issues that are of seminal importance to our stakeholders and reflecting the outcomes in our sustainability reports.

## Increasing the Transparency of our Regulations and Policies

We have established 10 groups consisting of experts in various fields within our company to increase the fairness and transparency of our business activities. These groups have the power to prevent policies or decisions from being made arbitrarily, lessening the possibility of such adverse effects as losses caused by bad decision-making. We modify these regulations to reflect changing conditions, such as alterations in the work environment. In addition, we have made it mandatory that they can only be revised after a relevant department has evaluated them in advance. This is done to ensure that any revisions are made in a balanced way, to maintain consistency, and to prevent redundancies and omissions.

### Committees to Assist CEO





# Attain Highest Level of Capital Efficiency



## Management Approach



“Increasing uncertainties in the management environment after a financial crisis call for changes in the roles played by a company’s financial units for sustainable growth; from maximizing growth engines to balancing between risks and performances. S-OIL’s response in these situations is to set clearly-defined financial goals that will maximize its corporate value and maintain the soundness of its financial structure. In addition, the company takes concrete steps to ensure that its capital is managed efficiently over the long term. We also strive to maintain our corporate credibility at the highest level, and attempt to strike the right balance between having enough capital for investments to ensure our sustainable growth and paying reasonable dividends to our shareholders. All our risks are managed through our Enterprise Risk Management System.”

Yul Ryu (CFO\_Finance B/L Head)





# Optimizing Resources

S-OIL establishes clear financial measurements and maintains a high credit rating to ensure optimal capital efficiency.

## Establishing Optimal Financial Measurements

S-OIL's overall management goal is to maximize its corporate value through capital efficiencies and the optimization of its financial structure. To do this, we establish financial measurements with goals set at an appropriate level to ensure that our financial structure is optimized in terms of both capital efficiency and financial soundness. These measurements include ROCE (Return On Capital Employed), EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), Debt-Equity-Ratio, Current Ratio, Debt/EBITDA, and RCF (Retained Cash Flow)/Debt, which represents a company's ability to repay its loans from the proceeds of its business activities and is carefully watched by credit rating agencies. Besides these measurements, we have benchmarked financial indicators in terms of profitability, efficiency, and stability, and develop other financial measurements that assess the financial situation of the company through gap analyses of its goals and its actual achievements.

## Maintaining a High Credit Rating

A company should be able to raise sufficient capital in any situation. The ability to finance capital in a timely manner is important, particularly when instability exist in the financial market as it does now. S-OIL has maintained a high credit rating by communicating frequently with credit rating agencies and managing the core measurements used to determine credit ratings. It also maintains a close relationship with prominent domestic and overseas banks to ensure access to a sufficient and stable line of credit.

## Domestic Credit Ratings

NICE and KIS rated S-OIL AA for the issuance of its corporate bond for the first time in 2003. Our rating has remained unchanged since they upgraded it to AA+ in June, 2007.

### Domestic Credit Ratings

Evaluation Date	Credit Rating	Credit Rating Agencies
June '06	AA	KIS * / NICE **
June '07	AA+	KIS / NICE
September '09	AA+	KIS / NICE
May '10	AA+	KIS / NICE

\* KIS: Korea Investors Service

\*\* NICE: National Information and Credit Evaluation

\*\*\* S-OIL's credit rating in 2008 was not estimated, since its public offering bond, issued in 2003, had expired.

## Overseas Credit Ratings

S-OIL received credit ratings of BBB (moderate) and Baa2 (moderate) from S&P and Moody's, respectively, in March, 2009, making it easier to diversify its sources of loans for investments. This is the highest rating within the Korean energy industry, and is among the highest in Asia with the exception of some national refining companies. With these high credit ratings, S-OIL will be able to finance its operations at more advantageous terms both at home and abroad. We will ensure our financial security by maintaining a stable and reliable credit line and raising our credit ratings.

## Increasing Shareholder Values

### Communicating Better with Shareholders and Investors

S-OIL provides all its shareholders and investors with accurate information on its management plans and performances to increase their understanding of and trust in its operations. At the same time, it conducts a wide range of IR activities to ensure that its value is assessed impartially, allowing it to conform with its present and future values. Despite the overall stagnation in the oil refining industry, we carried out a wide range of IR activities in 2009. They included participating at conferences and NDRs (Non-Deal Road Shows) targeting domestic and overseas investors. Our goal was to present our mid- to long-term vision, which includes increased profits from new petrochemical facilities that are scheduled to be in operation by 2011. The number of our IR meetings exceeded 530, an increase of about 80 from 2008. We also offer IR activities for individual investors through our website and by phone. S-OIL is committed to

expanding its shareholder-friendly structure and forging close ties with its shareholders. to share the companies development and achievements in the long term.

### Reasonable Dividend Policy

One of S-OIL's main management goals is to increase its shareholder values, based on its stable financial structure and transparent corporate governance structure. This includes a reasonable dividend policy. To decide on the size of a dividend, we consider such matters as our capital structure, a reasonable return of our profits to our shareholders, and the need for cash reserves for future investments. S-OIL has paid interim dividends since 2000. They are paid semi-annually, based on the performance of the company, to increase shareholder profits. We contribute to the growth of a shareholder-driven management culture by benefiting our long-term shareholders, who assign more importance to dividends than to short-term capital gains.

Current Status of IR Activities		
	2008	2009
Investors' Meetings	450 (including 170 company visits and meetings)	531 (including 142 company visits and meetings)
Hosting of NDRs	5	4
Participating in Conferences	2	3
Conference Calls	4	4

Dividend Payments				
Classification		2007	2008	2009
Total Dividends Paid (Unit: KRW billion)		1,297.6	582.2	157.3
Cash Dividends ( % )		182.22	122.67	57.55
Rate of Cash Dividends ( % )	Common	16.08	7.52	2.41
	Preferred	19.27	10.38	3.01
Amount of Cash Dividends per Share (KRW)	Common	13,425	5,000	1,350
	Preferred	13,450	5,025	1,375

\* Including a special dividend of KRW 700.8 billion (8,300 per share) in 2007

### Economic Value Creation and Distribution

Economic Value Creation			KRW billion
	2008	2009	
Sales	23,000.3	17,424.0	
Purchase Cost	-21,122.7	-16,631.7	
Other Income	1,934.6	1,225.6	
Other Expense	-2,554.7	-1,141.2	
Depreciation & Amortization	-169.3	-177.5	
Economic Value Created	1,088.2	699.2	

\* Additional information is available on the IR section of our corporate website.

Economic Value Distribution				KRW billion
Stakeholders	Account	2008	2009	
Employees	Labor Cost	255.8	255.3	
Government	Tax	204.6	66.6	
Local Communities	Social Contribution	13.6	3.8	
Creditors	Interests	139.6	100.2	
Shareholders / Companies	Dividends, Retained Earnings	474.6	273.3	
Distributed Economic Value		1,088.2	699.2	

\* Social Contribution for 2008 include KRW 6.8 billion payable to the Korean Refineries' Joint CSR Fund.

\* Social Contribution for 2009 does not include KRW 276 million for job sharing.

# Managing Capital Efficiently

In order to manage the funds it has raised most efficiently, S-OIL emphasizes the need for the balanced management of its working capital, systematic budgeting, and the efficient distribution of its assets.

## Managing Our Working Capital

S-OIL determines an appropriate level of its cash holdings by taking into account oil prices and its investment plans. This ensures that the proper amount of cash is always available. In addition, we monitor financial market trends and our cash flow, and invest our retained cash in long-term, low-risk products at reputable financial institutions.

Our Cash Management Committee is tasked with the efficient and stable management of our capital. Through it, we discuss major pending issues within our company and respond to unstable financial market conditions in a timely manner.

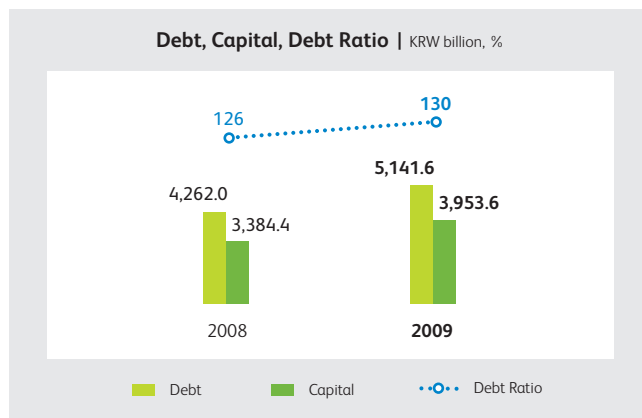
\* Cash Management Committee (CMC) - Consists of the CFO (chairperson), the head of the Planning & Coordination Team, the Controller, and the Treasurer (assistant administrator). The CMC establishes our financial policies and guidelines, and reviews any

capital and cash management plans that were not included in the annual operating plan.

## Effective Budget Management

S-OIL strives to ensure that all its groups draw up their budgets responsibly, and that they execute them pursuant to pre-established guidelines. In order to respond to further instabilities in the management environment resulting from the global recession, we have been exercising company-wide austerity measures since 2008, minimizing our spending on non-essential and non-pressing matters. We have also reduced inefficiencies by planning budget cuts and analyzing work performances on a monthly basis. In addition, we have augmented our financial stability so that we can undertake general business activities as planned.

S-OIL will continue to improve its analyses of its costs and capital expenditures to set and manage its investment priorities more effectively and manage its resources more efficiently. In addition, we will manage our budgets better by regularly taking into account feedback on the achievement of our action plans.



# Managing Financial Risk

## Managing Financial Risks

S-OIL's liabilities and debts in foreign currencies, including accounts payables due to crude oil imports, bankers' usance financing, and accounts receivable from product exports, are continually exposed to foreign exchange rate risks. Since 60% of our production volume is exported in US dollars, while 40% is sold in Korean won (based on the current international price with the application of the exchange rate), the company's income is also influenced by the exchange rate. To avoid drastic fluctuations in our quarterly income, we endeavor to manage our foreign exchange position (i.e., liabilities in foreign currencies minus assets in foreign currencies) at an optimal level. We also forbid speculative trading and try to eliminate or minimize risk generated by cash transactions and hedges connected to spot trades.

### Risk Management Organizations

S-OIL's Contract Trading Risk Management Committee (CTRMC) is in charge of managing product price fluctuation risks, while the Cash Management Committee (CMC) is tasked with managing exchange rate fluctuation risks. With regard to risks, the relevant team monitors the foreign exchange markets, writes a report, and obtains CMC approval for execution.

\* CTRMC (Commodity Trading Risk Management Committee) - Consists of CFO (Chairperson), the head of the Planning & Coordination Team, and executives in charge of overseas sales. The CTRMC is responsible for minimizing risk exposure in overseas commodity markets, determining the risks that the company is exposed to, deciding on necessary measures, and monitoring the market risk management process.

## Foreign Currency Risk Management

In order to manage foreign exchange rate fluctuation risks, we hold an appropriate amount of our liabilities in foreign currencies. This is done in the belief that the foreign exchange profits and losses from our foreign currency liabilities and the impact of the exchange rate on our operating income will balance each other out. We use currency forwarding contracts and interest rate swap contracts to limit the danger of untoward fluctuations in exchange and interest rates, and sign forward contracts to curb the risk of fluctuations in crude oil and other products. All derivatives trades must be made within the limits of the loss amounts and quantities set by the BOD's regulations. Trading in derivatives for the purpose of bargaining requires approval from the BOD. We will increase our monitoring of foreign exchange markets to minimize risks arising from fluctuations in currency exchanges and augment our financial stability by improving the management of our liabilities in foreign currencies.

# Financial Achievements

## Balance Sheet Summary

KRW million

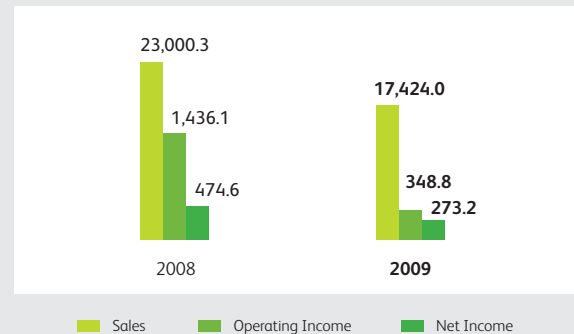
Categories	2008	2009
<b>Current Assets</b>	5,620,016	<b>5,843,616</b>
Quick Assets	3,787,549	<b>3,180,745</b>
Inventory	1,832,467	<b>2,662,871</b>
<b>Non-Current Assets</b>	2,026,337	<b>3,251,519</b>
Investments	181,713	<b>203,534</b>
Property, Plants, and Equipment	1,713,644	<b>2,876,703</b>
Intangible Assets	14,465	<b>14,326</b>
Other Non-Current Assets	116,515	<b>156,956</b>
<b>Total Assets</b>	<b>7,646,353</b>	<b>9,095,135</b>
Current Liabilities	4,206,178	<b>4,576,624</b>
Non-Current Liabilities	55,784	<b>564,953</b>
<b>Total Liabilities</b>	<b>4,261,962</b>	<b>5,141,577</b>
Capital Stock	291,512	<b>291,512</b>
Capital Surplus	1,799,248	<b>1,799,248</b>
Capital Adjustments	-1,876	<b>-1,876</b>
Accumulated Other Comprehensive Income	66,938	<b>607,439</b>
Retained Earnings	1,228,569	<b>1,257,235</b>
<b>Total Stockholders' Equity</b>	<b>3,384,391</b>	<b>3,953,558</b>
<b>Total Liabilities/Total Stockholders' Equity</b>	<b>7,646,353</b>	<b>9,095,135</b>

## Income Statement Summary

KRW million

Categories	2008	2009
Sales	23,000,291	<b>17,423,951</b>
Cost of Sales	21,131,421	<b>16,661,906</b>
Gross Profit	1,868,870	<b>762,045</b>
Operating Income	1,436,079	<b>348,766</b>
Income Before Income Tax Expenses	662,773	<b>329,192</b>
Net Income <sup>a</sup>	474,614	<b>273,246</b>

## Sales, Operating Income, Net Income | KRW billion



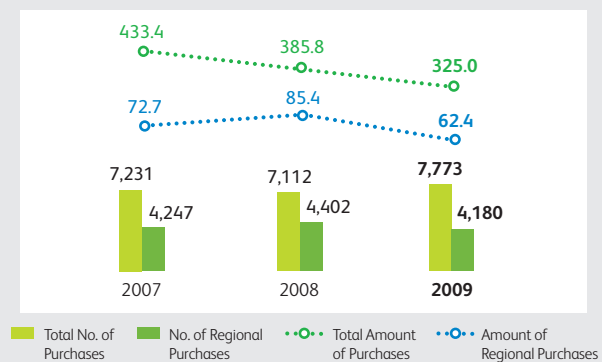
## Financial Indicators

%, multiple

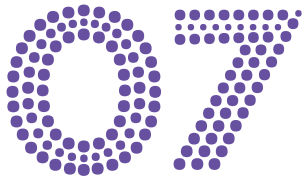
Categories	2008	2009
Current Ratio	133.61	<b>127.68</b>
Debt Ratio	125.93	<b>130.05</b>
Borrowings to Total Assets	32.89	<b>30.06</b>
Times Interest Earned	10.28x	<b>3.48x</b>
Operating Income to Sales	6.24	<b>2.00</b>
Net Income to Sales	2.06	<b>1.57</b>
Return on Equity	12.98	<b>7.45</b>
Operating Cash Flow to Total Assets	-4.32	<b>-3.49</b>
Sales Growth Ratio	51.03	<b>-24.24</b>
Operating Income Growth Ratio	38.49	<b>-75.71</b>
Net Income Growth Ratio	-33.35	<b>-42.43</b>
Total Assets Growth Ratio	-18.76	<b>18.95</b>

\* Differences from the previous report: To introduce IFRS from 2010, S-OIL changed its evaluation method for inventory assets from LIFO (last in, first out) to FIFO (first in, first out) in 2009. Accordingly, its financial performances for 2008 also have been re-assessed as above; the performance for 2007 has been excluded.

## Regional Purchases | Cases, KRW billion







# Develop Platform for Sustainable Growth



## Management Approach



“In order to achieve sustainable growth through becoming a more competitive total energy provider, S-OIL strives to expand its oil refining business, integrate itself with the petrochemical business, and seek out business opportunities in the renewable energy industry. The expansion of our Onsan Refinery, with an expected completion date of 2011, will be the basis to further strengthen our petrochemical business. In the meantime, entering into the renewable energy business will become a new growth engine for the company, which pursues green growth. It will also enable us to better respond to changes within the business environment in the energy industry that stem from climate change.”

**Jong-Bum Ahn** (Vice President\_Head of Planning & Coordination Office)

# Developing the Oil Refining Business as a High-Value-Added Business

S-OIL adds value to the oil refining industry by developing high-quality and eco-friendly products.

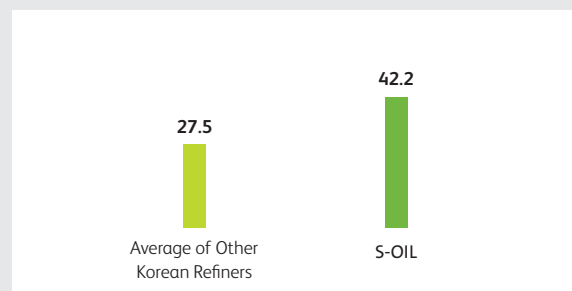
## Increasing Production Capacity: Expansion of the Onsan Refinery

Thanks to S-OIL's steady investments in high-value-added facilities after the 1990s, its degree of upgrading in oil refining and its capacity for producing lubricating oil are the highest in Korea.

Taking advantage of our proximity to China, we are conducting the Onsan Refinery Expansion Project, which will make us the largest supplier in the Asian market. To this end, we have invested KRW 1.4 trillion building facilities capable of producing 900,000 tonnes/year of paraxylene and 280,000 tonnes/year of benzene. Completion of construction is scheduled for June, 2011. When this project is completed, S-OIL will have a PX plant with 1.6 million tonnes of production capacity--the highest for a single facility and more than double its current level. As a result, the company will add to its status as Asia's largest PX supplier. In addition, its operating profit will increase by approximately 20%, based on projected growth in demand for petrochemical products in Asia--including China, which accounts for 79% of world demand for PX.

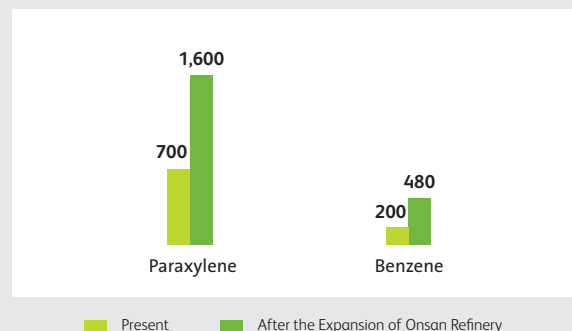
S-OIL is constantly seeking opportunities to increase its capacity and produce high-value-added products that meet new global trends. The Onsan Refinery expansion project will help us to continue implementing our strategies for expanding the oil refining business.

Upgrading Ratios of Korean Refiners | %



\* Upgrading Facilities: Hydrocracker, RFCC, Reformer, RHDS, Coker  
 \* Average of Other Korean Refiners: Weighted average of upgrading ratios of three other domestic refiners according to the registration standards of refineries in "Business Law of Oil & its Alternative Fuels," as of December 2009

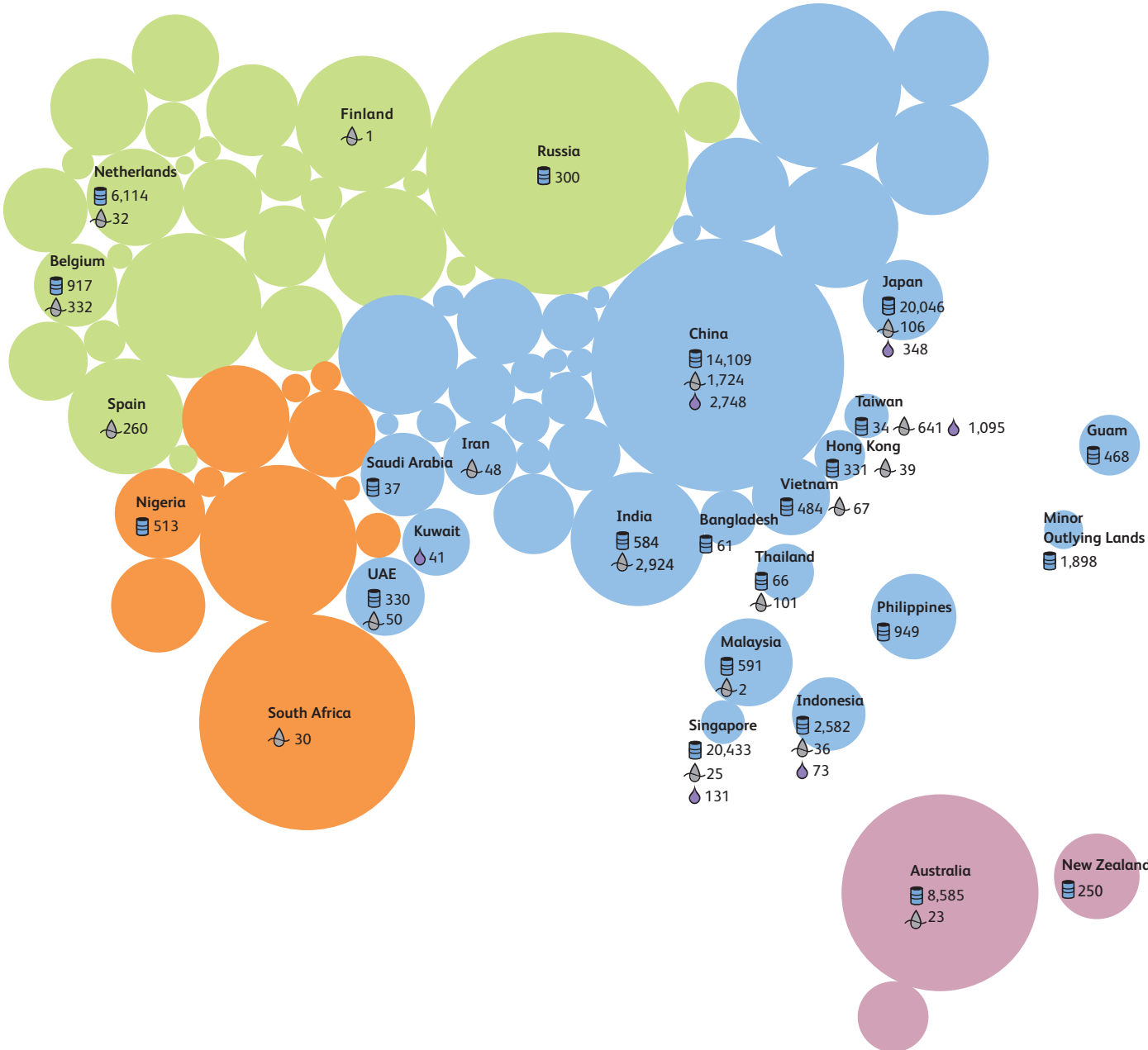
Increase in P/X Benzene Production Capacity | KTA



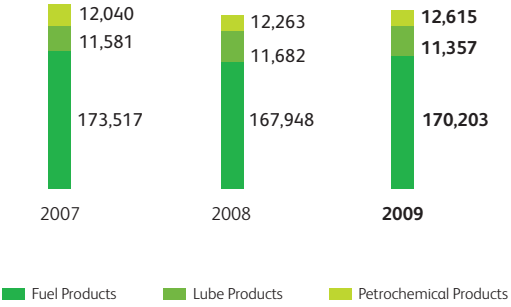
Ongoing Onsan Refinery Expansion Project

# Exports by Product in 2009 | thousand barrels

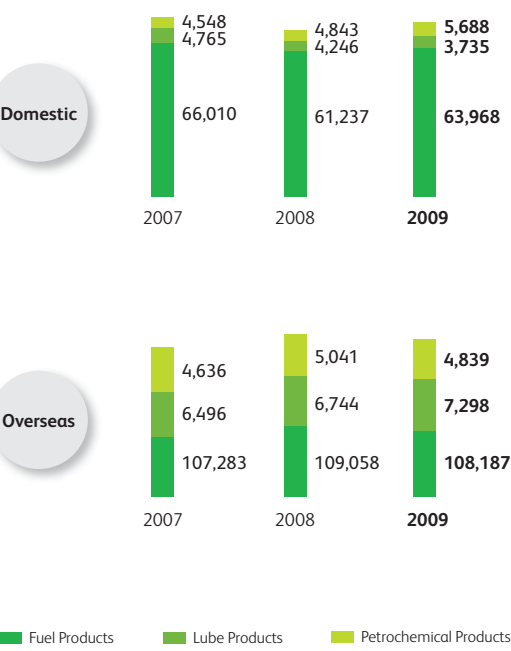
- Fuel Products
- Lube Products
- Petrochemical Products



Production | thousand barrels



Sales | thousand barrels



## Expanding Overseas Markets

Since its establishment, S-OIL has entered overseas markets with a wide range of competitive products. As a result, its marketing structure has been striking a balance between domestic consumption and its exports needs. This helped to turn the Korean oil industry into a strategically important export industry.

S-OIL's efforts to expand into new markets continued in 2009. It expanded its sales network to the nearby Pacific region and to Europe by signing direct supply contracts with local wholesalers and retailers and by forging partnerships with other global players. As a result, it exported 62.1% (approx. KRW 10.53 trillion) worth of its total volume of products overseas and increased its operating rate, despite a world-wide decrease in demand for petrochemicals. This contributed immensely to improving Korea's trade balance.

The company will continue to follow its localization strategies, since stable sales of newly-produced products will become an important task for it in 2011, when the Onsan Refinery expansion project is completed. To prepare for this, we will expand our sales network by signing direct supply contracts with end users in Korea and strategically important overseas markets, such as Taiwan, Japan, and China. This will help us to develop secure overseas logistics hubs in 2010. Using our experience in establishing long-term partnerships with importers in Australia and Japan and our successes in increasing sales through strategic alliances with major oil refiners such as TOTAL and ConocoPhillips, we will develop new loyal sales outlets while minimizing the risk of market fluctuations.

S-OIL will continue to develop such strategies as mid- to long-term marketing, new market entries strategies, and optimizing its logistics to continue its expansion into profitable overseas markets.

## Strengthening R&D

S-OIL's R&D center carries out research and development activities, such as the development of eco-friendly petrochemical products, in-house technological supports, and customer-based analysis services. We also operate a high-pressure pilot plant that produced Korea's first clean lube base oil, and another

for heavy oil desulfurization. As a result, we boast Korea's most upgrading facilities and greatest level of experience in petroleum processing.

In addition, we have recently completed the construction of a pilot plant to turn low-cost heavy oil into high-value-added light oil. We are now conducting research into this. Through it, we will learn about up-to-date technology trends regarding residues (including processes and catalysts) and use it to improve on the process. This will add to our profitability.

S-OIL also conducts research to diversity the functions and the efficiency of catalysts. Catalysts are an essential factor in chemical processes that speed reactions without being affected themselves. We are developing a new Zeolite catalyst, which is frequently used in the development of desulfurization catalysts and in oil refining and petrochemical processes. We hope to develop improved technologies in catalyst production that will enhance the efficiency of the process.

In addition, we are carrying out various other research projects. They include the development of a "heater cleaner" that increases heater efficiency and reduces fuel costs by removing precipitates accumulated in each process; a high-quality production technology that uses the by-products of petrochemical products; a technology to remove impurities from gas; a technology to improve asphalt penetration; and a technology to decompose ligneous biomass.

S-OIL carries out new research projects every year, and has also conducted research with outside organizations. We strive to ensure that these efforts lead to the strengthening of our own R&D capacity, and that the activities we have undertaken so far will contribute to the continuing growth of the company.

# Developing New Growth Engines through Competitive Advantages

Using the energy paradigm shift that has resulted from the climate change issue as an opportunity for business breakthroughs, S-OIL will develop new growth engines that will help it secure a competitive advantage and meet the expectations of its C.E.O.

## Developing New Growth Engines

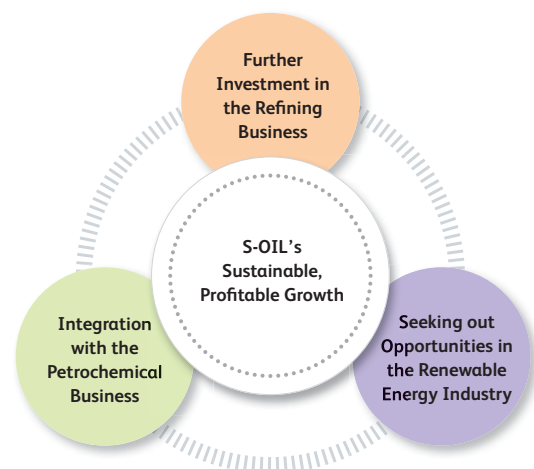
Due to a rapidly changing market environment and intense competition, companies strive to add to their business capacity and develop synergies based on their competitive advantages. Oil refiners around the globe endeavor to create new synergies through integration within the petrochemical industry. This goes beyond securing competitive advantages to include the construction and/or expansion of upgrading facilities. In addition, the issues of CO<sub>2</sub> reductions and climate change have become a core global issue that has transformed the former energy paradigm. Under the slogan of “Low Carbon and Green Growth,” countries around the world have designated new businesses, including new and renewable energy projects, as national projects.

S-OIL believes that this change in the business environment is a foundation for new breakthroughs, rather than a crisis. We will lay a foundation for future sustainable growth by actively responding to it through the diversification of our business portfolio.

## Strategy to Secure New Growth Engines

As part of its effort to secure new growth engines, S-OIL will put its strategy of increasing its profits through the timely expansion of its petro-chemical business into practice through the Onsan Refinery expansion project, which will be completed in 2011. At the same time, we will expand our interests to include the lower parts of the petrochemical industry, creating more value as a result.

Recognizing that there has been an energy-related paradigm shift in relation to climate change, S-OIL will find the most appropriate areas to conduct its business activities, such as new and renewable energy and carbon trading, and enter into them with well-conceived strategies. To this end, the company pays close attention to changes in the market and energy policies, seizing opportunities that are profitable and in line with its strategies for sustainable growth. In addition, we strive to secure and nurture the resources and capacity necessary to implement those strategies, and actively communicate and build alliances with our stakeholders and outside partners.







# Appendix

S-OIL Recognitions  
and Memberships in Associations

Glossary of Terms

Independent Assurance Report

GRI/IPIECA Content Index

Contact Information

Survey of Readers' Opinions

# S-OIL Recognitions and Memberships in Associations

## S-OIL Recognitions in 2009

Date Awarded	Award	Awarding Organization
March	KRW 500 Billion National Tax Tower	Ministry of Strategy and Finance
June	Korea Gas Safety Awards given by Minister of Knowledge Economy (Organization Category)	Ministry of Knowledge Economy
July	Fortune Global 500 Companies (441 <sup>st</sup> )	Fortune
July	Local Investment Facilitation Award (Presidential Award)	Ministry of Knowledge Economy
September	Top Company of the Year (World Class Category)	Korea CEO Association
October	DJSI Korea Index	Korea Productivity Center (with Dow Jones and SAM)
December	The 2009 Global Energy Awards: #1 for Refining/Sale/Logistics Sector	Platts, USA
December	Most Respected CEO	Korea CEO Association
December	Global CSR Awards: #1 for Social Contributions	Hankyoreh Economic Research Institute (sponsored by Ministry of Strategy and Finance and Ministry of Knowledge Economy)
December	National Environmental Operations Grand Prix	Ministry of Knowledge Economy

## Memberships in Associations

Association	Year of Joining
Korea Petroleum Association	1980
Onsan Industrial Complex Environment Management Association	1983
Korea Oil Stations Association	1985
Onsan Industrial Complex Safety Management Association	1986
Korea Fire Safety Association	1993
Korea Chemical Management Association	1997
Korea Fair Competition Federation	2001
Korea Business Council for Sustainable Development	2008
Onsan Industrial Complex Hazardous Material Safety Management Council	2008
UN Global Compact	2010



Korea Business Council for  
Sustainable Development



Dow Jones  
Sustainability Indexes  
DJSI Korea Member 2009/10



# Glossary of Terms

## Alkylation

The process of manufacturing high-octane, high-quality alkylate(clean blending stock) by making butylene react to isobutene, which is produced from fluid catalytic cracking.

## Barrel

A measure of liquid volume. One US barrel for petroleum products equals 42 US gallons or 158.984 liters.

(\*BPSD = Barrel per Stream Day)

## BOD (Biochemical Oxygen Demand)

The amount of oxygen required by microorganisms to oxidize pollutants in wastewater. Used as a measure of the degree of water pollution; it usually employs dissolved oxygen (DO) that has been consumed for five days.

## Bunker-C Cracking Center

Upgrading facility that removes pollutants, such as sulfur and NO<sub>x</sub>, from heavy oil and upgrades it to light oil. Hydrocrackers and residue fluidized catalytic crackers are examples of such facilities.

## COD (Chemical Oxygen Demand)

The amount of oxygen required to oxidize organic compounds in water. Used for determining the amount of organic pollutants and degree of water pollution.

## Cracking

A petroleum cracking method that produces light oil distillates from heavy oil through high temperatures, high pressures, hydrogen gas, or catalysts.

## Data Loss Prevention (DLP)

A solution that stops the leakage of classified data from PCs at home, at work, or in the field. It leaves a log of its activities.

## Greenhouse Gases

Gases that cause global warming, including carbon dioxide (CO<sub>2</sub>), hydrofluorocarbons (HFCs), nitrous oxide (N<sub>2</sub>O), and methane (CH<sub>4</sub>).

## Greenhouse Gas Inventory

A general greenhouse gas management system to identify, record, estimate, and report the amount of greenhouse gases emitted from corporate activities.

Establishment and Verification Procedure:

Compile list of pollutants → Set up a perimeter → Select estimation method → Compile data and take inventory → Devise regulations and procedures → Verify by professionals → continue to manage the inventory

## Heavy Oil

Petroleum products with high boiling points and specific gravities, such as Bunker-C oil.

## ISO/IEC 17025

Policy that affirms the public trustworthiness and the credibility of evaluation reports of an institution designated by the Korea Laboratory Accreditation Scheme's comprehensive assessment of the institution's evaluation competency, equipment, and facilities according to the international standard of ISO 17025.

## ISO 9001

An international quality management standard established by the International Organization for Standardization (ISO). It describes the requirements that organizations need to meet to practice and guarantee quality management while ensuring customer satisfaction.

## ISO 14001

An international standard established by the ISO, this environmental management system outlines the requirements that organizations need to meet to achieve continuous environmental improvements through the PDCA (Plan, Do, Check, Act) cycle.

## Light Oil

Petroleum products with low boiling points and specific gravities, such as gasoline, naphtha, kerosene, and diesel.

## Lube Base Oil

Main raw material for lubricants that used for the smooth operation of equipment such as general machines, automobiles, vessels, and industrial machines. Certain additives are mixed to the lube base oil to produce lubricants.

## Naphtha

Distillation products obtained from petroleum boiling, used primarily as a raw petrochemicals material.

### **NOx (Nitrogen Oxide)**

A gaseous compound composed of nitrogen and oxygen. The Clean Air Conservation Act includes regulations on the level of NO<sub>2</sub> emissions.

### **MSDS (Material Safety Data Sheet)**

A form containing data concerning the properties of chemical substances or subject matters with chemical substances.

An essential document used to protect the health and lives of workers and prevent industrial accidents, it includes such information as physical data, toxicity, health effects, first aid, reactivity, storage, disposal, protective equipment, and environmental impacts.

### **Octane (Number)**

A numerical value that measures the ability to prevent knocking (i.e., explosions following abnormal combustion) during combustion.

### **OHSAS 18001**

Standing for Occupational Health and Safety Assessment Series, this is a program that establishes goals to maintain and promote the safety and health of workers. It also identifies and manages responsibilities and procedures to prevent industrial accidents and create a more pleasant working environment.

### **Pilot Plant**

A mock-up factory that tests the performance of catalysts used in refining processes or seeks their optimum operating conditions.

### **RTO (Regenerative Thermal Oxidizer)**

Equipment that processes volatile organic compounds and offensive odors into odorless and harmless materials through incineration. Also functions as a preventative facility to minimize fuel consumption by using thermal storage, thereby reducing CO<sub>2</sub> levels and energy use.

### **SCR (Selective Catalyst Reducer)**

A De-NO<sub>x</sub> system that sharply reduces the level of NO<sub>x</sub> from combustion gases through the use of catalysts.

### **SOx (Sulfur Oxide)**

Generated when sulfur or fuels with sulfur in them are combusted. The Clean Air Conservation Act includes regulations on the level of SO<sub>2</sub> emissions.

### **SS (Suspended Solids)**

Also called suspended substances, these are small-diameter particles that do not melt, cause turbidity in water, and hinder photosynthesis by water-based flora.

### **TMS (Tele-Metering System)**

System that measures pollutant emissions from the outlets of air and water quality management and pollution prevention facilities and transfers the data for proper management.

### **TOE (Tonnes of Oil Equivalent)**

A unit used to measure energy, including petroleum, gas, and electricity. It is defined as the amount of energy needed to burn a ton of crude oil.

### **Ultra-Low NOx Burner (ULNB)**

A burner that suppresses the generation of nitrogen oxides by controlling the characteristics of fuel or oil mixtures or the density of oxygen and the temperature of flames.

### **Upgrading Facility**

Facility to upgrade heavy oil and naphtha, which are produced from the initial distillation of crude oil, into high-value-added light oil and aromatic products. The ratio of production from the upgrading facility to the total crude oil distillation capacity is called the upgrading ratio.

### **VOC (Volatile Organic Compounds)**

Air pollutants that are organic compounds in a liquid state or gases that evaporate easily under high steam pressure.

### **VRU (Vapor Recovery Unit)**

A facility to collect volatile organic compounds (VOCs) generated during the storage and shipment of products.

# Independent Assurance Report

We have been engaged by S-OIL to perform an independent assurance engagement in regard to the following aspects of S-OIL's Sustainability Report 2009 (the "Report"), which includes this print publication and an e-book on S-OIL website.

## Scope and subject matter

The information for the year ended December 31, 2009 (hereinafter, collectively referred to as the "Sustainability Information") on which we provide limited assurance consists of:

- S-OIL's conclusion on meeting the principles of Inclusivity, Materiality and Responsiveness in the AA1000 AccountAbility Principles Standard 2008 ("AA1000APS");
- The following selected information in the Report (the "Sustainability Data") which is prepared, based on the reporting principles set out on "About This Report" (the "Reporting Principles").
  - Composition of BOD in the Board of Directors section
  - Gasoline's/Diesel's Environmental Friendliness vs Ministry of Environment Regulations and Customer Complaints Processing System (CCPS) Performance data in the Enhance Customer-Centric Management section
  - Training, education and employment data except Number of Re-employed After Retirement in the Pursue Best-in-Class Work Environment section
  - Operation, safety & health, prevention activities and environmental performance data except Amount of Crude Oil Processed, Number of Stations Affiliated with S-OIL and Domestic and Overseas Sales in the Achieve Operational Excellence section
  - Social contribution and energy consumption data except Amount of Greenhouse Gas Emissions in the Contribute to Society section
  - Results of Ethics Training data in the Follow Global Best Practices of Corporate Governance section
  - Dividend Payments and Economic Value Creation and Distribution data in the Attain Highest Level of Capital Efficiency section
  - Exports by Product data in the Develop Platform for Sustainable Growth section

With regard to the financial data included in the key figures in the Attain Highest Level of Capital Efficiency section, our procedures were limited to verifying that they were correctly derived from S-OIL's 2009 year-end audited financial statements and 2010 1st quarter reviewed financial statements.

We read the other information included in the Report and consider whether it is consistent with the Sustainability Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Sustainability Information. Our responsibilities do not extend to any other information.

## Assurance work performed

We conducted our engagement in accordance with ISAE 3000<sup>1)</sup> and AA1000AS<sup>2)</sup>. The term 'moderate assurance' used in AA1000AS is designed to be consistent with 'limited assurance' as articulated in ISAE 3000. Our assurance is a Type II assurance engagement as defined in the Guidance for AA1000AS.

- <sup>1)</sup> International Standard on Assurance Engagement 3000 (Revised) – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by International Auditing and Assurance Standards Board
- <sup>2)</sup> AA1000 Assurance Standard (2008), issued by AccountAbility

Our work involved the following activities:

1. Interviews with the personnel responsible for internal reporting and data collection to discuss their approach to stakeholder inclusivity, materiality and responsiveness.
2. Visits to Seoul Head Office and the Onsan Refinery: to review the systems and processes in place for managing and reporting on the Sustainability Data.
3. Review of a sample of internal documents relevant to output from the risk assessment process, sustainability-related policies and standards, the sustainability Materiality Assessment Matrix and other documents from stakeholder engagement activities
4. Evaluating the design and implementation of the key processes and controls for managing and reporting the Sustainability Data.
5. Limited testing, through inquiry and analytical review procedures, of the preparation and collation of the Sustainability Data.

## Respective responsibilities of the management of S-OIL and Samil PricewaterhouseCoopers

The management of S-OIL is responsible for establishing assessment criteria that meets the principles of Inclusivity, Materiality and Responsiveness in the AA1000APS, measuring performance based on the "Assessment Criteria," and reporting this performance in the Report.

Our responsibility is to provide a conclusion based on our assurance procedures in accordance with ISAE 3000 and AA1000AS.



This report, including the conclusion, has been prepared for the management of S-OIL as a body, to assist the management in reporting on S-OIL's sustainability performance and activities. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the management of S-OIL as a body and S-OIL for our work or this report save where terms are expressly agreed and with our prior consent in writing.

### Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

A limited assurance engagement is less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement. In particular:

- We did not attend any stakeholder engagement activities. Therefore, our conclusions are based on our discussions with management and staff of S-OIL and our review of selected documents provided to us by S-OIL.
- The scope of our work was restricted to 2009 performance only, as set out in the scope and subject matter section above. Information relating to the year ended December 31, 2008 and earlier periods have not been subject to assurance by us.

### Conclusion

Based on the results of the assurance work performed and the Assessment Criteria, our conclusion is as follows:

- On the AA1000APS principles;

#### • Inclusivity

- S-OIL has collected concerns and opinion through stakeholder communication channels that include Customers, Employees, Owners and Other stakeholders.

- Nothing has come to our attention to suggest that material stakeholder groups were excluded in these channels.

#### • Materiality

- S-OIL has identified most relevant and significant sustainability issues through process for Materiality Evaluation and Identifying Main Issues.
- Nothing has come to our attention to suggest that material issues were omitted in this process.

#### • Responsiveness

- S-OIL has included in the Report its response to the material sustainability issues which are defined through process for identifying material issues.
- Nothing has come to our attention to suggest that there is material deficiency in issue management system.

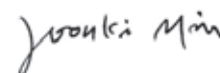
- Nothing has come to our attention that causes us to believe that Sustainability Data for the year ended December 2009 are not fairly stated, in all material respects, in accordance with the Reporting Principles.

### Recommendations

From our work, we have provided the following recommendations to the management.

- S-OIL's internal reporting guidelines, KPI, and control procedures need to be revised to ensure accuracy, consistency and completeness of the sustainability data and information.
- S-OIL's detailed and attainable sustainability targets, current status and plans for major activities need to be included in the sustainability report.
- The report boundary needs to include all the entities over which S-OIL exercises control or significant influence.

Samil PricewaterhouseCoopers  
September 2010



**Joonki Min**  
Partner, Assurance

# GRI/IPIECA Content Index

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1.2	Description of key impacts, risks, and opportunities			9, 59-61, 79	
2. Organizational Profile					
2.1	Name of the organization			Inner cover page	
2.2	Primary brands, products, and/or services			Inner cover page	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures			8	
2.4	Location of organization's headquarters			Inner cover page	
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			Innerr cover page	
2.6	Nature of ownership and legal form			Inner cover page	
2.7	Markets served			76-77	
2.8	Scale of the reporting organization			Inner cover page	
2.9	Significant changes during the reporting period regarding size, structure, or ownership			18, 32	Operation of newly-built Alkylation Unit
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3. Report Parameters					
• Report Profile					
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3.7	State any specific limitations on the scope or boundary of the report			About this report	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations			About this report	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.			47, 51	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement			24, 56, 60, 73	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report			-	Not applicable
• GRI Content Index					
3.12	Table identifying the location of the Standard Disclosures in the report			86-92	
• Assurance					
3.13	Policy and current practice with regard to seeking external assurance for the report			84-85	

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• Governance					
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			8, 62-67	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer			8	
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			8	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body			67	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization’s performance			-	S-OIL Sustainability Report 2008
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided			8, 67	
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			8, 67	
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			4, 8	
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			8	
4.10	Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance			8, 67	
• Commitments to External Initiatives					
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization			9, 46, 47, 51, 72	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses			9, 64, 81	
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization			81	
• Stakeholder Engagement					
4.14	List of stakeholder groups engaged by the organization			5, 6	
4.15	Basis for identification and selection of stakeholders with whom to engage			5, 6	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group			5, 6	
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			5, 6	
Economic Performance					
	Disclosure on Management Approach to Economic Performance			68, 74	
Economic Performance					
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	ECO-1	Tax Expenses	70	
		ECO-2	Dividends Paid Plus Share Repurchases	70	
		ECO-3	Capital Expenditures	70	
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		ECO-A3	Interest Paid	70	

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EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change			59-61	
EC3	Coverage of the organization's defined benefit plan obligations			26, 29	
EC4	Significant financial assistance received from government			-	No financial assistance from any government (other than general tax credits)
<b>Market Presence</b>					
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation			26	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation			55, 73	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	SOC-A3	Local Employment Opportunities	-	No significant overseas operating locations
<b>Indirect Economic Impacts</b>					
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	SOC-A4	Social Investments	53, 58	
		SOC-A5	External Capacity Building	54-57	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts			70, 73, 75-79	
		ECO-A1	Transparency of Payments	-	Not applicable
<b>Environmental Performance</b>					
	Disclosure on Management Approach to Environmental Performance			30, 52	
<b>Materials</b>					
EN1	Materials used by weight or volume			31	
EN2	Percentage of materials used that are recycled input materials	ENV-A5	Recycled, Reused or Re-claimed Materials	-	No recycled materials used, due to characteristics of business
<b>Energy</b>					
EN3	Direct energy consumption by primary energy source	ENV-5	Energy Use	60	
EN4	Indirect energy consumption by primary source	ENV-5	Energy Use	60	
EN5	Energy saved due to conservation and efficiency improvements			60, 61	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	ENV-A8	New & Renewable Energy Resources	18, 79	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved			60, 61	
<b>Water</b>					
EN8	Total water withdrawal by source	ENV-A7	Freshwater Use	49	
EN9	Water sources significantly affected by withdrawal of water			49	
EN10	Percentage and total volume of water recycled and reused			49	
<b>Biodiversity</b>					
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas			-	Our head office and Onsan Refinery are not located in areas of high biodiversity.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	ENV-A9	Biodiversity	55	
EN13	Habitats protected or restored			-	Not applicable
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	ENV-A9	Biodiversity	55	

GRI Guidelines		IPIECA/API Guidance		Page	Note
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EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	ENV-A9	Biodiversity	-	Not applicable
<b>Emissions, Effluents and Waste</b>					
EN16	Total direct and indirect greenhouse gas emissions by weight	ENV-3	Greenhouse Gas Emissions	59	
		ENV-4	Flared and Vented Gas	59	
EN17	Other relevant indirect greenhouse gas emissions by weight	ENV-3	Greenhouse Gas Emissions	-	S-OIL is reviewing the way to report Scope III data.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved			61	
EN19	Emissions of ozone-depleting substances by weight			-	No use of ozone-depleting substances
EN20	NOx, SOx, and other significant air emissions by type and weight	ENV-A6	Other Operational Air Emissions	48	
EN21	Total water discharge by quality and destination	ENV-2	Controlled Discharges to Water	49	
EN22	Total weight of waste by type and disposal method	ENV-A2	Other Effluent Discharges	50	
		ENV-A3	Hazardous Waste	50	
		ENV-A4	Non-Hazardous Waste	50	
		ENV-A5	Recycled, Reused or Re-claimed Materials	50	
EN23	Total number and volume of significant spills	ENV-1	Hydrocarbon Spills to the Environment	-	Not applicable
		ENV-A1	Other Spills and Accidental Releases	-	Not applicable
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			-	No such waste transported
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			49, 51	
<b>Products and Services</b>					
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation			10, 18	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category			-	Little or no packaging materials are used, due to the characteristics of the products sold.
<b>Compliance</b>					
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations			46	
<b>Transport</b>					
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce			31, 44	
<b>Overall</b>					
EN30	Total environmental protection expenditures and investments by type			47	



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		ENV-6	Environmental Management Systems	10, 47	
<b>Labor Practices and Decent work</b>					
	Disclosure on Management Approach to Labor Practices and Decent Work			22	
<b>Employment</b>					
LA1	Total workforce by employment type, employment contract, and region			24	
LA2	Total number and rate of employee turnover by age group, gender, and region			29	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	ECO-A2	Payroll and Benefits	26-29	
		SOC-A2	Employee Satisfaction	27	
<b>Labor/Management Relations</b>					
LA4	Percentage of employees covered by collective bargaining agreements			28	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements			-	S-OIL Sustainability Report 2008
<b>Occupational Health and Safety</b>					
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			28	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	H&S-4	Occupational Injury and Illness Rates	40	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	H&S-2	Employee Participation	10, 26, 27, 39-41	
LA9	Health and safety topics covered in formal agreements with trade unions	H&S-2	Employee Participation	28	
<b>Training and Education</b>					
LA10	Average hours of training per year per employee by employee category	SOC-5	Training and Development	23	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	SOC-5	Training and Development	24, 25, 29	
LA12	Percentage of employees receiving regular performance and career development reviews			27	
<b>Diversity and Equal Opportunity</b>					
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	SOC-4	Non-Discrimination and Equal Opportunity	24	
LA14	Ratio of basic salary of men to women by employee category			24	
		SOC-6	Non-retaliation and Grievance System	28	
<b>Operational Health &amp; Safety Management Systems</b>					
		H&S-1	Health & Safety Management Systems	10, 39-45	
		H&S-3	Workforce Health	39- 45	
<b>Human Rights</b>					
	Disclosure on Management Approach to Human Rights			22	
<b>Investment and Procurement Practices</b>					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening			-	Not applicable

GRI Guidelines		IPIECA/API Guidance		Page	Note
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HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken			64	
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			63	
Non-discrimination					
HR4	Total number of incidents of discrimination and actions taken	SOC-4	Non-Discrimination and Equal Opportunity	-	No cases of discrimination
Freedom of Association and Collective Bargaining					
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	SOC-7	Labor Practices	28	
Child Labor					
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	SOC-7	Labor Practices	-	S-OIL Sustainability Report 2008
Forced and Compulsory Labor					
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	SOC-7	Labor Practices	-	S-OIL Sustainability Report 2008
Security Practices					
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	SOC-9	Security	-	Outside firms are in charge of security at locations of operation; S-OIL does not provide direct training programs.
Indigenous Rights					
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	SOC-A6	Indigenous Communities	51, 54	
		SOC-A7	Resettlement and Land Rights	-	Not applicable
Human Rights Policy					
		SOC-1	Human Rights	64	
Society					
	Disclosure on Management Approach to Society			52, 62	
Community					
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	SOC-8	Community Relationships	58	
Corruption					
SO2	Percentage and total number of business units analyzed for risks related to corruption			66	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures			63	
SO4	Actions taken in response to incidents of corruption	SOC-2	Bribery and Corruption	63, 64, 66, 67	
Public Policy					
SO5	Public policy positions and participation in public policy development and lobbying	SOC-A1	Political Lobbying and Advocacy	-	Not applicable
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	SOC-3	Political Contributions	-	Not applicable
Anti-Competitive Behavior					
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes			17	

GRI Guidelines		IPECA/API Guidance		Page	Note
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SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations			17	
Product Responsibility					
	Disclosure on Management Approach to Product Responsibility			12	
Customer Health and Safety					
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	H&S-5	Product-related Health Risks	18-21	
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			-	No violations
Product and Service Labelling					
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	H&S-5	Product-related Health Risks	18-21	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes			19	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction			21	
Marketing and Communications					
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship			14-16	
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			-	No violations
Customer Privacy					
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data			21	
Compliance					
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services			17	



## GRI G3 Application Level

S-OIL has prepared its sustainability report 2009, which includes this e-book and our printed report, with reference to the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines (GRI G3 Guidelines). According to the GRI Application Level Table, S-OIL has declared its application level to be "A+." In addition, Samil PricewaterhouseCoopers has confirmed that the report meets the requirements for the GRI's "A+" application level.

\* The "+" means that a report has been examined by a third party.

## Contact Information

S-OIL wants to hear from its stakeholders in order to provide them with better sustainability reports in the future.  
Please contact us with your opinions and suggestions.

Tel | +82 2 3772 5234, Fax | +82 2 3772 5239, E-Mail | [sustainability@s-oil.com](mailto:sustainability@s-oil.com)

Address | Management Coordination Team

63 Building, 60 Yeouido-dong, Yeongdeungpo-gu, Seoul 150-607, South Korea



## Survey of Readers' Opinions

### 1. Which of the following applies to you?

- |  |   |   |  |
|--|---|---|--|
| <input type="checkbox"/> Customer            | <input type="checkbox"/> S-OIL employee                 | <input type="checkbox"/> Shareholder / Investor | <input type="checkbox"/> Local resident      |
| <input type="checkbox"/> Business partner    | <input type="checkbox"/> NGO                            | <input type="checkbox"/> Media                  | <input type="checkbox"/> Government employee |
| <input type="checkbox"/> Research / Academia | <input type="checkbox"/> Other (                      ) |   |  |

### 2. How did you find out about S-OIL's sustainability report?

- |  |   |   |
|--|---|---|
| <input type="checkbox"/> S-OIL website | <input type="checkbox"/> Seminar / Lecture / Exhibition | <input type="checkbox"/> S-OIL employee                 |
| <input type="checkbox"/> Other website | <input type="checkbox"/> Newspaper / Magazine           | <input type="checkbox"/> Other (                      ) |

### 3. Which section of the report did you find most interesting?

- |   |   |
|---|---|
| <input type="checkbox"/> CEO's Message                              | <input type="checkbox"/> S-OIL's System for Establishing Strategies           |
| <input type="checkbox"/> Special Feature                            | <input type="checkbox"/> Enhance Customer-Centric Management                  |
| <input type="checkbox"/> Pursue Best-in-Class Work Environment      | <input type="checkbox"/> Achieve Operational Excellence                       |
| <input type="checkbox"/> Contribute to Society                      | <input type="checkbox"/> Follow Global Best Practices of Corporate Governance |
| <input type="checkbox"/> Attain Highest Level of Capital Efficiency | <input type="checkbox"/> Develop Platform for Sustainable Growth              |

### 4. Which part, if any, of the report should be added to?

- |   |   |
|---|---|
| <input type="checkbox"/> CEO's Message                              | <input type="checkbox"/> S-OIL's System for Establishing Strategies           |
| <input type="checkbox"/> Special Feature                            | <input type="checkbox"/> Enhance Customer-Centric Management                  |
| <input type="checkbox"/> Pursue Best-in-Class Work Environment      | <input type="checkbox"/> Achieve Operational Excellence                       |
| <input type="checkbox"/> Contribute to Society                      | <input type="checkbox"/> Follow Global Best Practices of Corporate Governance |
| <input type="checkbox"/> Attain Highest Level of Capital Efficiency | <input type="checkbox"/> Develop Platform for Sustainable Growth              |

### 5. Does this report include all the key issues that you think should be addressed?

- ☐ Yes                      ☐ No

### 6. If not, which issue should be added to?

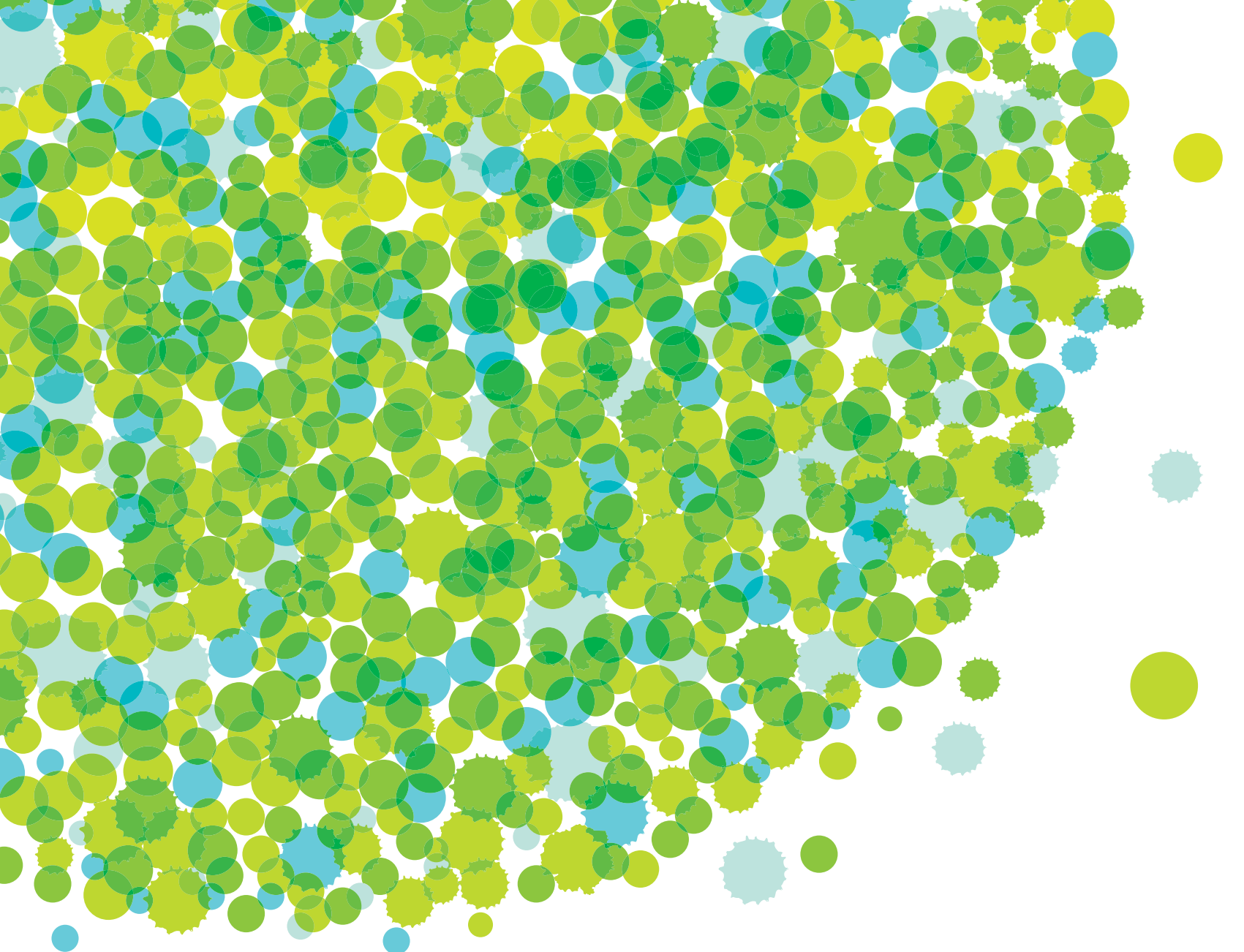
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### 7. This report frame is based on S-OIL's 7 Strategic Imperatives. If you have any further comments on the report (for example, its frame and contents or S-OIL's Sustainability Initiative), please feel free to specify them.

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# 7 STRATEGIC IMPERATIVES FOR SUSTAINABILITY

S-OIL Sustainability Report 2009







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