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S - OIL

Sustainability Report 2011



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About This Report

Report Scope

S-OIL has annually published a sustainability report since 2007. This one is our fifth sustainability report covering our business activities at our Seoul Head Office, Onsan Refinery, product terminals and 25 domestic sales offices during the period from January 1 to December 31, 2011. The performance indicators are based on data of three years, from 2009 to 2011, in order to show trends more clearly. In addition, important management initiatives include data that extend into 2012 (the year of publication). However, as our accounting standards were changed into the K-IFRS beginning in 2011, we contained financial performance data of only two years, 2010 and 2011, in this report. Data subject to frequent changes such as information on human resources were reported as of December 31, the last day of the fiscal year, and notes were added for special cases.

Change in Data Production Standards

We reestablished data production standards on account of the expansion of the Onsan Refinery, the introduction of the K-IFRS and the expansion of the reporting scope of the sustainability report.

Guidelines

The S-OIL Sustainability Report 2011 is based on our 7 Strategic Imperatives and is in accordance with the AA1000APS (2008)¹⁾. Moreover, the GRI G3.1 Guidelaines²⁾ and the IPIECA/ API Guidance³⁾ have been used to highlight the important indicators. Notes have been used to indicate cases where the company's management standards have been applied instead.

Assurance

The reliability of the report was verified by an independent and objective assurance group based on the AA1000AS⁴⁾ (2008) and the ISAE3000⁵⁾ international assurance standards. The assurance report can be found in the appendix to the report.

Further Information/Suggestions

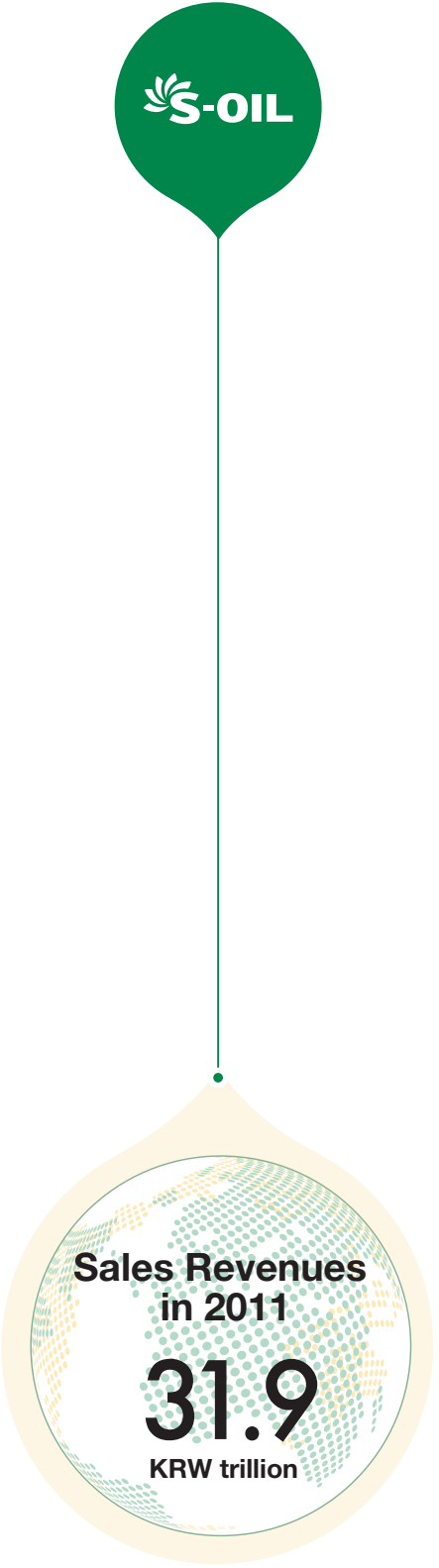
The report and additional information on S-OIL's sustainability management can be viewed on S-OIL's homepage, at www.s-oil.com. If you have questions or need further information, please contact the Sustainability Management Team of S-OIL at +82 2 3772 5237 or email us at sustainability@s-oil.com.

1) AA1000APS (2008) provides a framework for an organization to identify, prioritize and respond to its sustainability challenges.
2) The GRI (Global Reporting Initiative) G3.1 Guidelines provide sustainability report guidelines that were written and revised by the GRI in 2011. 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 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.

Established in 1976, S-OIL is Korea's first joint venture corporation formed between entities in an oil-producing country (Saudi Arabia) and an oil-consuming one (South Korea). Today, the company is one of the most competitive refiners in the Asia-Pacific region.

Number of Executives and Employees	2,661
Total Assets	KRW 13.2 trillion
Business Sites	Head Office: marketing, finance, administration, etc. Onsan Refinery: production and shipments 11 Product Terminals/Depots: product storage and shipments 4 District Sales HQs/25 Domestic and 3 Overseas Sales offices: product sales
Affiliated Companies	Hankook Silicon: 33.4% share (the 2 nd largest shareholder) S-OIL Total Lubricants Co., Ltd. (STLC): Shared 50:50 with Total Lubricants of France S-International Ltd.: A 100%-owned overseas subsidiary

Fuel Business	
Crude Distillation	669,000 BPD
Bunker-C Cracking	148,000 BPD
Bunker-C Desulfurization	149,000 BPD
Diesel and Kerosene Desulfurization	120,000 BPD
Petrochemical Business	
Benzene	580,000 tons/year
Paraxylene	1,790,000 tons/year
Propylene	200,000 tons/year
Lube Business	
Ultra-S Base Oil	26,000 BPD
Super Base Oil	5,100 BPD
Premium Base Oil	8,600 BPD



Sustainability Management Scheme



Expectations of Stakeholders and Company Mission

S-OIL's sustainability management begins with the expectations of its C.E.O. — its Customers, Employees and Owners and other stakeholders. The company strives to achieve its mission of sustainable, profitable growth by understanding those expectations and by ensuring they are reflected in management policies that prioritize its C.E.O.'s values — economically, environmentally and socially.

Strategic Framework

S-OIL has established a strategic framework to accomplish its mission. The framework comprises three axes. The first is the company's strategic direction, which indicates what the long-term growth directions for the future of S-OIL should be. The second involves strategic imperatives. These refer to the management principles that S-OIL needs to adopt to realize optimum outcomes whichever strategic directions it chooses to pursue. The final axis is performance measurement, which is to assure that the first two are implemented effectively.

7 Strategic Imperatives

With that strategic framework in place, the C.E.O.'s expectation of S-OIL and the company's responsibilities in meeting them and achieving sustainable growth are embodied in its 7 Strategic Imperatives.

- 7 Strategic Imperatives**
1. Enhance Customer-Centric Management
 2. Provide Best-in-Class Work Environment
 3. Achieve Operational Excellence
 4. Contribute to Society
 5. Pursue Global Best Practices of Corporate Governance
 6. Attain Highest Level of Capital Efficiency
 7. Develop Platform for Sustainable Growth



S-OIL aims to harness all of its resources and capabilities in pursuit of balanced strategies in the oil refining, the petrochemical, and the renewable energy businesses. At the same time, we will continue to balance our economic, environmental and social values based on our 7 Strategic Imperatives, so that we will ultimately grow into a valuable company that meets your expectations.

Dear Valued Stakeholders of S-OIL:
It gives me great pleasure to greet you in our fifth sustainability report.

As you may know from our previous reports, S-OIL has formulated and implemented Action Plans to meet the expectations of our stakeholders, reviewed its activities on the basis of a strategic framework, the core of its sustainability management, and delivered you the results of our efforts through our sustainability reports. Indeed, they have been well rewarded. S-OIL has performed exceptionally, posting strong financial results, constructing the #2 Aromatics Complex, attaining seven million accident-free man-hours, and achieving its largest-ever retail market share through its active marketing activities at home and abroad. We also forayed into the photovoltaic business and inaugurated our new head office building, which has provided improved working conditions for our employees. We owe all of these achievements to your steady support and encouragement for our sustainability management. Thus, on behalf of everyone at S-OIL, I offer you our heartfelt thanks.

In the current business environment of growing uncertainty in the global economy caused in part by the financial crisis in Europe, companies trying to enhance their corporate sustainability face numerous challenges. Nevertheless, bolstered by our conviction that growth and prosperity should be for the mutual benefit of both company and stakeholders, we aim to lead the way in sustainability management by thoroughly reflecting your expectations in our business activities.

In accordance with this plan, we will actively promote following activities:

S-OIL aims to harness all of its resources and capabilities in pursuit of balanced strategies in the oil refining, the petrochemical, and the renewable energy businesses. With our resolve to pursue this initiative, in close communication with the Board of Directors we have developed a roadmap through 2020. We will steadily improve this road map by reflecting the expectations of our stakeholders. In addition, we will enhance the status of the company not only in the domestic market but also in the global market by rapidly adapting our strategies to effectively cope with changes in the energy market. We thereby expect the company to achieve “sustainable, profitable growth” and ultimately to provide greatly enhanced value for stakeholders.

We will also devote greater effort to protecting and preserving the environment—in particular that of climate change, which affects us all. We wholeheartedly support the international community’s efforts to address climate

change, and alongside organizations and government we are participating in activities to tackle the issue. As a part of those activities, we have developed an advanced Strategic Carbon Management System that enables us to systematically manage and reduce greenhouse gas emissions caused by business activities both now and going forward. Our efforts in this area were recognized internationally when we became one of the first companies in Korea to receive a “Carbon Trust Standard” certificate from the Carbon Trust, an international carbon management certification agency. With a similar sense of responsibility, we also intend to preemptively tackle environmental issues such as biodiversity and water shortages and share our progress with our stakeholders.

We sincerely believe at S-OIL that companies should interact with communities, and that their activities and efforts can make society a better place in which to live. With that conviction, we will continue to run our “Sunshine Sharing” campaign, which operates on the three principles of genuineness, impact and timing. Through the campaign, we will continue to provide practical help to our local communities and citizens in a wide range of areas. Specifically, by practicing the universal human instinct of “sharing,” we will expand our care for the less fortunate among us and carry out social contribution activities for local communities under a long-term plan. In addition, we support the UN Global Compact and its ten principles related to human rights, labor, the environment and anti-corruption, all areas in which we aim to live up to the expectations of our various stakeholders.

Valued Stakeholders and staunch supporters of S-OIL, you should know that all of these activities are motivated by the unique value we assign to satisfying your expectations. In the future, we will continue to pursue our economic, environmental and social values based on our 7 Strategic Imperatives, all the while listening to your diverse voices and communicating with you. We pledge that in doing we will ultimately grow to become the company that you envision us to be. Our sustainability report will serve as constant to convey our ceaseless efforts and their results as we move ever closer to our noble goals.

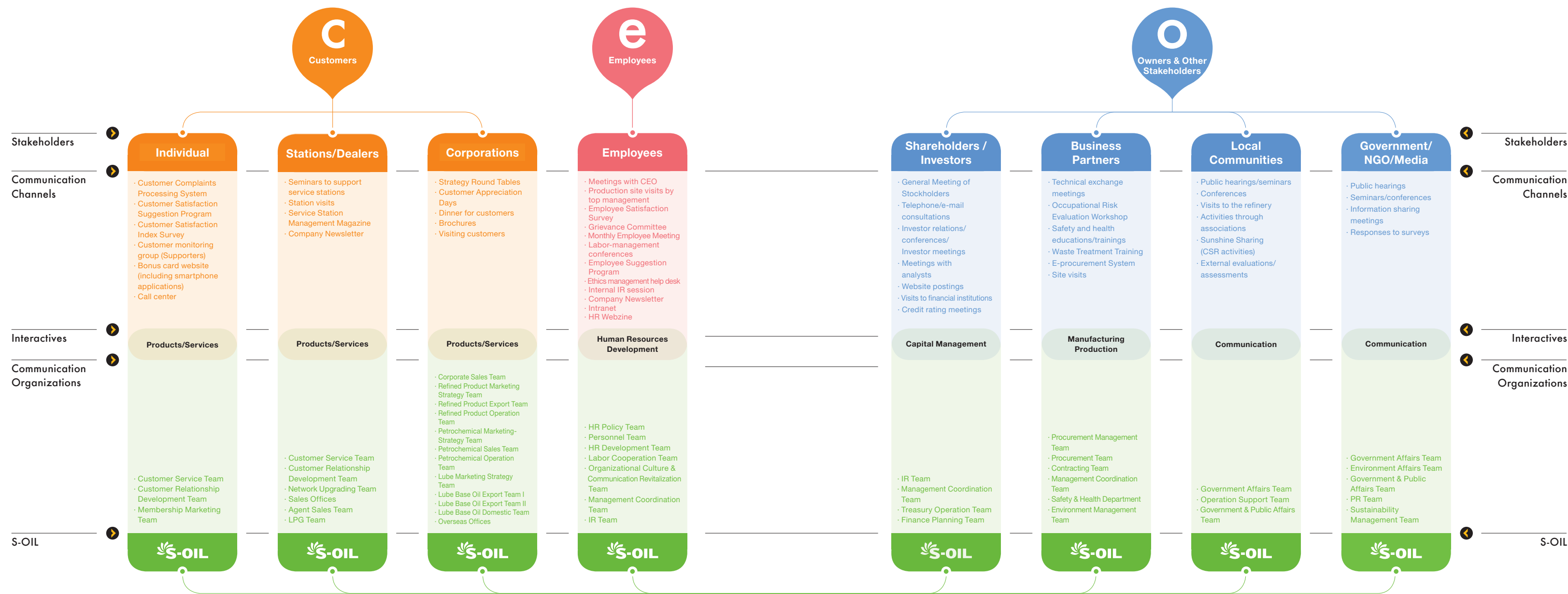
Once again, I deeply appreciate your trust in and support for S-OIL.



Nasser Al-Mahasher
Representative Director and CEO

Stakeholders and Key Issues

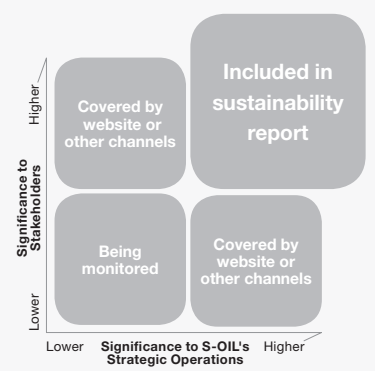
S-OIL operates a variety of C.E.O. engagement channels, considering each group’s characteristics, in order to identify what their expectations are. We establish action plans to fulfill these expectations by correlating them with our own strategic directions and imperatives; the results are applied to our management activities through analyses and reviews.



Key Issues and Reporting Contents

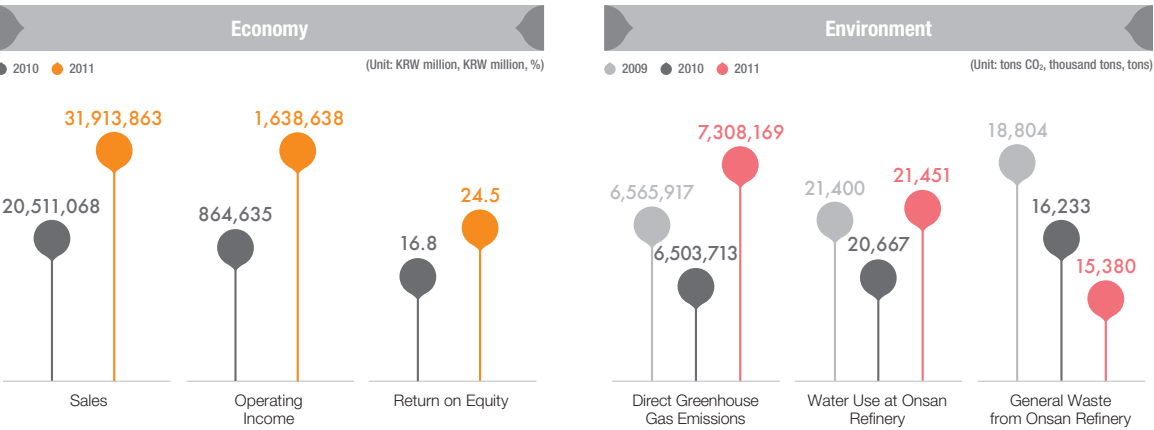
This sustainability report encompasses the most important concerns of the C.E.O., from economic, environmental, and social viewpoints, while following global guidelines for such publications and the company’s 7 Strategic Imperatives. In addition, through the following materiality test, S-OIL identified major subjects and indicators that might influence the C.E.O.’s decision-making and included them in detail in this sustainability report.

- ① Find common issues among C.E.O.’s expectations identified through engagements and global standards and guidelines, such as UN Global Compact, GRI, and ISO 26000
- ② Add the most recent issues to the list of common issues by analyzing news articles published in 2011
- ③ Add major issues covered by sustainability reports of leading domestic and overseas companies
- ④ Select reporting content for each strategic imperative by considering its significance to society and to S-OIL’s strategic directions
- ⑤ Review the materiality of the reporting content in three stages: team leaders, division heads, and top management
- ⑥ Have outside experts verify the materiality of the reporting content



Major Sustainability Performances

Key Performance Index



Economy



		2009	2010	2011
Sales (KRW million)		N/A	20,511,068	31,913,863
Operating Income (KRW million)		N/A	864,635	1,638,638
Net Income (KRW million)		N/A	710,066	1,192,426
Total Liabilities (KRW million)		N/A	5,498,903	7,977,747
Total Stockholders' Equity (KRW million)		N/A	4,504,595	5,226,354
Dividend	Common (KRW)	1,350	2,500	4,800
Per Share	Preferred (KRW)	1,375	2,525	4,825
Return on Equity (%)		N/A	16.8	24.5
Total Liabilities to Equity Ratio (%)		N/A	122.0	152.6
Total Amount of Purchases (KRW million)		324,999	373,090	554,153
Total Amount of Local Purchases (KRW million)		62,434	90,095	89,084

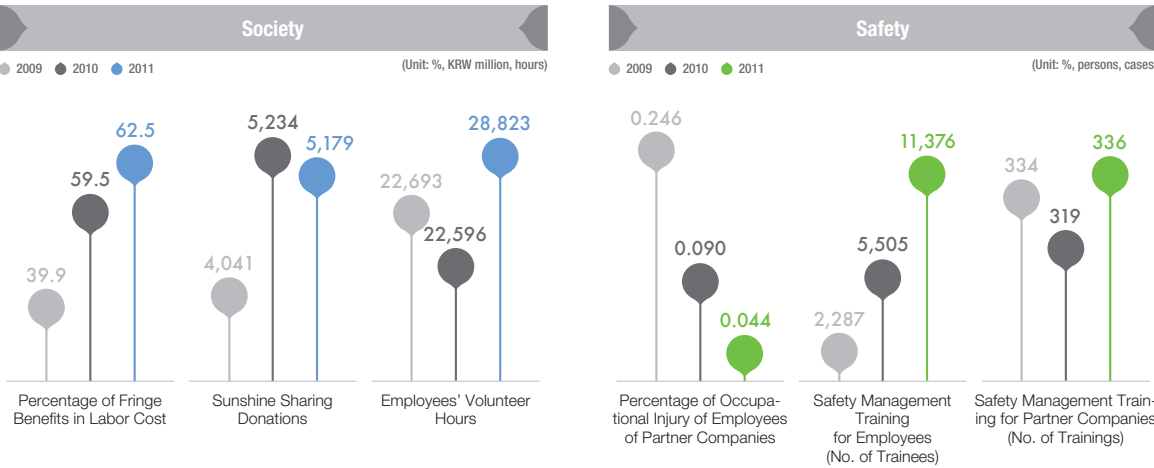
Environment



Volume of Crude Oil Processed (thousand barrels)		189,674	186,866	218,714 *
Direct Greenhouse Gas Emissions: Scope I (tons CO ₂)		6,565,917	6,503,713	7,308,169 *
Indirect Greenhouse Gas Emissions: Scope II (tons CO ₂)		660,806	683,457	874,080 *
Energy Use (GJ)		74,318	75,028	97,468 *
Toxic Chemical Emissions (tons)		188	179	N/A ¹⁾
SOx (tons)		4,031	3,903	4,620 *
NOx (tons)		3,543	3,091	3,753 *
Dust (tons)		131	89	116 *
Marine Oil Spills		0	0	0
Water Use at Onsan Refinery (thousand tons)		21,400	20,667	21,451 *
Water Reused at Onsan Refinery (thousand tons)		1,822	1,663	1,635
Waste Water Discharges from Onsan Refinery (thousand tons)		9,548	9,570	10,002 *
Designated Waste from Onsan Refinery (tons)		12,176	9,787	16,096 *
General Waste from Onsan Refinery (tons)		18,804	16,233	15,380
Waste Recycled at Onsan Refinery (tons)		21,127	17,420	23,069 *
Environmental Investments (KRW million)		22,993	9,820	14,589
Amount of Green Purchases (KRW million)		24,124	23,934	4,531

As the company has applied the Korean International Financial Reporting Standards (K-IFRS) for its financial reporting from January 1, 2011, sales, operating income, total liabilities, total equity, return on equity and total liabilities-to-equity ratio for 2009 calculated on the basis of K-GAAP are excluded.

* Increases are partly caused by the expansion of the Onsan Refinery.



Society



	2009	2010	2011
Number of Employees	2,511	2,589	2,661
Number of Executives	38	38	39
Number of Regular Employees	2,409	2,479	2,491
Number of Non-regular Employees	64	72	131
Number of Newly Hired Employees	132	181	181
Number of Retirees	63	76	109
Percentage of Outside Directors in BOD	54.5	54.5	54.5
Percentage of Female Employees	7.3	7.2	7.1
Percentage of Disabled Employees	1.9	1.8	1.7
Average Annual Training Hours Per Employee	56	56	52
Percentage of Education and Training Cost in Labor Cost	1.1	0.8	1.4
Percentage of Fringe Benefits in Labor Cost	39.9	59.5	62.5
Labor Disputes	0	0	0
Sunshine Sharing Donations (KRW million)	4,041	5,234	5,179 ²⁾
Employees' Volunteer Hours	22,693	22,596	28,823

Safety



Percentage of Occupational Injury of Employees	0	0.1	0
Percentage of Occupational Injury of Employees of Partner Companies	0.246	0.090	0.044
Number of Injured	0	2	0
Number of Lost Work Days	0	52	0
Safety Management Training for Employees	Number of Trainees	2,287	5,505
	Number of Trainings	83	91
Safety Management Training for Partner Companies	Number of Trainees	15,245	15,030
	Number of Trainings	334	319

1) Data for 2011 will be published in 2013.

2) Sunshine Sharing Donations do not include the amount spent for the Table Tennis Team and the S-OIL Science Prodigy and Culture Foundation, which were KRW 1.0 billion and 1.3 billion, respectively, in 2011.

Expansion of the Onsan Refinery

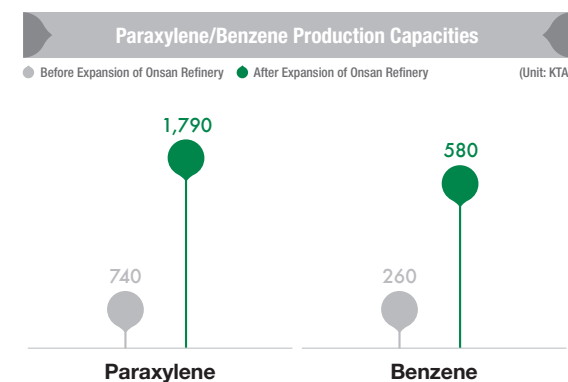


Successful Completion of the Onsan Refinery Expansion Project

Despite an economic slump triggered by the global financial crisis, S-OIL pressed ahead with its Onsan Refinery Expansion Project, investing KRW 1.3 trillion to double its production capacity of petrochemical products and secure maximum competitiveness in the petrochemical business on top of our existing competitiveness in the refining and lube businesses. After three years of planning, design and construction, the project was successfully completed in April 2011. With the project's completion, S-OIL cemented its position as a globally competitive supplier with annual production capacities of 1.79 million tons of paraxylene, the world's highest production capacity at a single complex, and 580,000 tons of benzene. S-OIL exports more than 50% of its production annually and with the expansion of its production capacity is now the largest paraxylene supplier in Asia. On the strength of an increase in demand for petrochemical products in Asia (including China, which accounts for 79% of global PX demand), S-OIL has been able to make a greater contribution to the development of local communities and the national economy thanks to expanding its exports by USD 2 billion and increasing its operating income by 20% or more.

Win-Win Partnerships Through a Large-Scale Project

The refinery expansion project occupied 184,500 square meters of land created through a three-phase



coastal land reclamation project started in 1996 as a joint project with the participation of the local community and partners. On average, 3,500 workers contributed to the project daily, and 1.32 million man-days were worked during the 22 months from June 2009 through April 2011. This huge endeavor involved more than 50 types of heavy industrial equipment, including hydraulic cranes, dump trucks, compressors, forklift trucks and pump cars, and consumed 100,000 cubic meters of concrete (the combined volume of 15,000 ready-mixed concrete trucks), 40,000 tons of steel structures, 700 kilometers of pipelines to transport feedstock and products, and 2,500 kilometers of power and process control cables.

In addition to Samsung Engineering, the project's main contractor, 270 local companies based in Ulsan, Busan and South Gyeongsang Province took part in the project. The refinery expansion directly and indirectly created jobs both during and after the project, while S-OIL's KRW 900 billion cash payment in construction fees made a significant contribution to stimulating the growth of the local economy. Remarkably, the project was completed in just 22 months, two months ahead of schedule. That feat was achieved in large part due to S-OIL's 30 years' experience in process technology and petrochemical production facility operation, as well as the involvement of its engineers in the project from the design stage. Construction costs saved by the reduction in the construction period were shared with partner companies.

An Environmentally Friendly Project

When embarking on the Onsan Refinery Expansion Project we placed top priority on the environment. Introducing optimal pollution prevention facilities from the design stage, we made additional investment of KRW 28 billion in facilities and equipment that resulted in maintaining air and water pollution levels far below those mandated by environmental regulations. We were also able to reduce pollutant emissions to a minimum. In addition, we were able to save energy by installing solar photovoltaic power generation facilities supplying up to 20 KW of electrical power a day for rooms and outdoor lighting facilities.

Successful Model of Korea-Saudi Arabia Economic Cooperation

In 1991, Saudi Arabia's state-run oil company Saudi Aramco invested USD 400 million in S-OIL, which was then the largest foreign private investment ever made in Korea. The two companies continue to enjoy a strong partnership based on a long-term contract for crude oil supply by which Saudi Arabia benefits from a stable buyer of its crude oil and by which Korea safeguards its energy needs through reliable supply from the world's largest oil field.

The Onsan Refinery Expansion Project is more than just a business investment by a company — it is a joint initiative managed by an oil producing nation and an oil importing one. The Onsan Refinery Expansion Inauguration Ceremony was held at the Onsan Refinery on October 20, 2011. Some 1,000 domestic and foreign guests including Lee Myung-Bak, President of the Republic of Korea, Ali Al-Naimi, Saudi Arabian Minister of Petroleum and Mineral Resources, and Khalid A. Al-Falih, President of Saudi Aramco, attended the event. "S-OIL is a successful model of economic cooperation between an oil producer and an oil consumer and symbolizes economic cooperation between Korea and Saudi Arabia. I hope that the two nations, which have mutually complementary industrial structures, will create a more advanced cooperation model in the future" said President Lee in his congratulatory message.

In order to live up to such expectations, S-OIL is making every effort to heighten the international standing and competitiveness of the Korean petrochemical industry and to take the lead in promoting bilateral economic cooperation and non-government interchanges.



"S-OIL's Onsan Refinery Expansion Project is incredibly meaningful because the company made an investment in the plant amid the global financial crisis in 2008. An excellent company is a company that invests during an economic slump. As S-OIL invested when the economy deteriorated, the company will prove to have made a timely investment when an economic boom comes back. In this context, I think, S-OIL made an exceptionally wise and meaningful investment."

- From South Korean President Lee Myung-Bak's congratulatory message during the Ceremony to Celebrate the Expansion of the Onsan Refinery on October 20, 2011.

Climate Change, Challenge and Opportunities

Response to Climate Change

Climate change is one of the most critical challenges facing humankind. The international community designated climate change an international agenda item in the early 1990s and explored ways to address the issue through a series of discussions and negotiations. The Korean government also joined the global initiative under the “Low-Carbon Green Growth” policy. S-OIL fully supports the international community and the Korean government in their efforts and activities to deal with climate change. The Korean government announced to the international community a voluntary target to reduce greenhouse gas emissions by 30% in terms of “Business as Usual” (BAU) by 2020. To accomplish the target, it is taking aggressive measures that include the Greenhouse Gas and Energy Target Management System (from 2011) and the Emissions Trading System (from 2015).

Government regulation of greenhouse gas emission would increase costs, thereby affecting the profitability of refiners in the short term and shift energy demand from fossil fuel to renewable energy in the mid to long term. Under these circumstances, S-OIL has striven to cut back on greenhouse gas by establishing a company-wide greenhouse gas emission management system, including emission measurement, responsible organizations, and reduction plans. Those efforts have been duly recognized by the Carbon Trust, an accredited international certification organization.

S-OIL has also made inroads into the renewable business sector as one of its three strategic directions for sustainable growth. After a two-year-long feasibility study, in June 2011 the company acquired a

Management Scheme to Tackle Climate Change	
Top Decision-Maker	<ul style="list-style-type: none">• Management Committee presided over by the CEO
Responsible Teams & Committees	<ul style="list-style-type: none">• Establishing climate change strategies and a road map to reduce greenhouse gases: Sustainability Management Team• Participating in government policies on climate change: Environment Affairs Team• Reducing greenhouse gas emissions through energy efficiency management and energy saving: Energy Technology/Management Team• Internal verification of greenhouse gas inventories: Environment Management Team• Related committees: Energy Management Committee and Working Committee
Operating System	<ul style="list-style-type: none">• Strategic Carbon Management System



Acquired a "Carbon Trust Standard" the First Certificate in Korea

Efforts to Reduce Greenhouse Gas Emissions at Business Sites	
Business Sites	<ul style="list-style-type: none">• All business sites located in Korea, including the head office, the refinery, sales offices, and product terminals
Reduction Plan for 2012	<ul style="list-style-type: none">• 110,791 tons CO₂ (nine reduction projects)
Reduction Programs	<ul style="list-style-type: none">• Greenhouse gas reduction through energy conservation<ul style="list-style-type: none">- Process improvement and investments to maximize energy efficiency are included in the Long Range Business Plan (LRBP).• Greenhouse Gas Reduction Record Registry (KCER, 2005~2009, reduction of 111,962 tons CO₂)<ul style="list-style-type: none">- S-OIL was the first domestic refiner to have its GHG reduction performance registered with the Korea Energy Management Corp's Greenhouse Gas Reduction Record Registry and has obtained certification on its reduction performance every year.• Greenhouse Gas and Energy Target Management System Pilot Project (NA pilot project, 2010, reduction of 382,908 tons CO₂)<ul style="list-style-type: none">- S-OIL reported its energy saving performances in 2010 and 2011 compared to the base years (2005-2007) in compliance with the agreement on Greenhouse Gas and Energy Target Management System's pilot project signed with the Ministry of Knowledge Economy in December 2009. It was verified in November 2010 that the company exceeded the annual intensity reduction target of 1% (TOE).• Energy saving at office facilities<ul style="list-style-type: none">- The company raises employees' awareness of company-wide energy saving through campaigns and uses highly energy-efficient bulbs.

33.4% stake (41,042,750 shares) in Hankook Silicon, a sound producer of high purity polysilicon used in solar cells. The KRW 265 billion strategic investment enabled S-OIL to enter into joint management of the company with Osung LST, the largest shareholder, and contribute to green growth and the development of sustainable energy. Since the polysilicon business is challenging for new players to enter due to its high technological barriers, the sector is a highly profitable part of the photovoltaic value chain.

A Foray into the Renewable Energy Business: Acquiring a Stake in Hankook Silicon

At the end of 2010, Hankook Silicon's annual production capacity amounted to 3,500 tons. With S-OIL's acquisition of a stake in the company and the expansion of its second plant, in May 2012 its annual production capacity increased to 15,000 tons, making it the second largest producer of polysilicon in Korea and fifth largest globally.

The photovoltaic industry is currently undergoing restructuring due to excessive investment in the mid-stream and downstream sectors made on expectations of steady market growth. Hankook Silicon, however, is positioned to become a leading global polysilicon producer by securing cost competitiveness matching global industry leaders and exporting the majority of its products from its enlarged facilities to China and Japan. Through win-win partnerships with Hankook Silicon, S-OIL aims to play a valuable role in developing overseas markets for the new and renewable energy business while contributing to strengthening the nation's ability to implement strategies for low-carbon green growth.

Efforts to Reduce Greenhouse Gas Emissions Through Lowered Fuel Consumption

S-OIL makes efforts to reduce greenhouse gas emissions not only in the production stage but also in the distribution stage. In the 1990s, S-OIL led the way in petroleum product quality with the launch of high-octane gasoline. Currently, the company is helping to reduce Korea's greenhouse gas emissions by supplying diesel that in tests conducted by S-OIL's R&D Center delivers fuel efficiency more than 1% greater than that of its domestic competitors. We also made efforts to educate consumers about the importance of good driving habits in 2011 by organizing a fuel efficiency marathon in cooperation with Peugeot, providing drivers with an opportunity to improve their fuel efficiency and at the same time protect the environment for a better future.

Construction of the Head Office Building



Background

S-OIL was established as an affiliate company of the Ssangyong Group in 1976. The company was separated from the group after the Asian financial crisis in 1998. In 2000, its head office building was located to the 63 Building in Yeoido, central Seoul. The rented office space, however, limited opportunities to improve working conditions for employees and systems to increase efficiency as the company grew. Therefore, in 2008 S-OIL invested KRW 190 billion in construction of a new head office building in Gongdeok-dong in Mapo-gu, Seoul. With careful consideration of the needs of both internal and external stakeholders at every stage, the building was completed in May 2011, 35 years after the company's foundation. The 23-story building (with seven basement floors) was designed to reflect S-OIL's status as an important contributor to the development of the Korean economy and as a globally competitive energy company and petroleum product exporter. The building's design symbolizes a dynamic traditional Korean mast, reflecting the historical and geographical heritage of Mapo.

Offering the Best Working Environment

The new building employs an intelligent building system (IBS) that integrates management of electricity, information and telecommunications, and disaster prevention systems. It also facilitates smart office environments that allow employees to work more efficiently and comfortably. Design features enhancing the workplace include interior office rooms that guarantee privacy and help employees focus on

their work, minimized office partitions that promote communication, and creatively arranged meeting spaces including video conference rooms on the 20th floor. The company has also created "Energy Stations," where employees can rest on each floor and on the rooftop, in an effort to enable them to work, relax and refresh in the same space. Amenities including a fitness center, a canteen and banking facilities are available on the lower and basement floors. In addition, the location of the building offers easy access to public transport including two subway lines, the airport railroad and provincial Gyeong-eui Line, and buses. This also creates the economic benefit of lowered transportation costs and environmental value of reduced greenhouse gas emissions due to less use of private vehicles.

Environmentally Friendly Head Office Building

S-OIL has minimized the environmental impact of the building during its lifecycle from planning and construction to operation and maintenance. The effect of construction on the area's natural and living environment was thoroughly evaluated ahead of groundbreaking. As a result, we were able to complete the project while complying with rigorous environmental laws and regulations and causing no environmental damage. The building features eco-friendly facilities such as energy-efficient LED lighting and water-saving taps. Tracts of greenery and rest spaces in and around the building offer company staff and local residents oases to relax, and the fourth, 20th and 23rd floors all offer refreshment areas. As a result, the S-OIL head office building was certified one of the most eco-friendly buildings by Seoul City in May 2011.

Invigorating the Local Economy

The construction of the new head office building also helped to invigorate a dilapidated urban environment and enhance urban functions of an area with poor infrastructure. S-OIL invested a total of KRW 190 billion and created jobs for 78,000 man-days during the two-year project period. The new building has increased the local floating and residential populations, including the employees of S-OIL and building users, thus stimulating the local economy. In addition, housing investment is expected to increase in the area around the new building as commercial and residential neighborhoods connected to the nearby downtown area flourish.

Promoting Local Culture

Upon moving into its new head office building, S-OIL committed to providing cultural and exhibition spaces in the building for young artists and the local community in an agreement to support a campaign for non-profit culture and art signed with Siru, a cultural network. Twice a month (midday on the second Wednesday and 7:00 pm on the last Wednesday of the month) the company hosts performances in a 300-seat auditorium on the third floor and in a cultural space in the building lobby. With the goal of giving everyone access to cultural events, performances are free of charge. Thanks to the financial support for arts and cultural activities such as plays, musicals, dances, Korean classical operas and fusion traditional Korean music, artists are able to put on top quality performances. To help the children of low-income families, on every second Wednesday of the month we hold a rice-ball sharing concert and donate the proceeds to social contribution activities. This is an example of the giving back to society that connects the shared values of S-OIL and Mecenat through cultural and socially responsible activities. By promoting cultural events in partnership with local communities, S-OIL is taking the initiative in turning the Mapo region into a dynamic downtown cultural spot with its head office building as a new local landmark.



Restaurant & Fitness Center in the Head Office Building

1 Enhance Customer-Centric Management

VOICE OF STAKEHOLDERS

"Although I had a complicated inquiry, the Customer Center responded to my email carefully and addressed my question. They even called me about it, which I really appreciated. The call center employees were very kind and really worked hard to address the problem. Sometimes I get annoyed at call center employees of other companies, but today I feel good thanks to the staff at the S-OIL Call Center."

Sang-Min Kwon,
a customer who sent an email to the Customer Center

"Customers' opinions are a driving force behind the steady, positive change at S-OIL. That is why S-OIL listens to the voices of customers through a variety of channels and reflects them in its management system. S-OIL uses its customers' voices as energy to enhance its value and rewards their support with better products and services."

Bong-Soo Park,
Executive Vice President_Marketing B/L Head

1,545

NO. of Trustworthy Service Stations (Unit: stations)

57.2

Top of Mind Awareness in Ad Tracking Studies (Unit: %)

2,150

S-OIL Supporters (Unit: persons)

PERFORMANCE SUMMARY

Sustainability Report 2010

· Expand the role of supporters from monitors to prosumers who participate in the company's policies and events.

Achievements in 2011

· Increased the number of supporters to 2,000.
· Contributed to enhancing the brand value of the company by nurturing supporters as prosumers who participate in not only in suggesting marketing policies and ideas for improvements but also in social contribution activities known as "Sunshine Sharing."

Future Plan

· Enhance customer satisfaction by reinforcing the Happy Call System, which evaluates customer satisfaction with the company's handling of their complaints.



· Regularly analyze the company brand through specialized external organizations.

· Steadily increased brand value through differentiated ads and promotions appealing to consumers. As a result, our advertisement had the highest TOM (top of mind) among ads run by refiners.

· Solidify brand awareness through various channels to promote a positive image of the company (Good Oil = S-OIL).
· Conduct publicity activities vigorously to increase public understanding of the oil industry and refiners.



· Expand the Quality Manager System to cover corporate customers.

· Provided corporate customers with various services for quality management by expanding the scope of the Quality Manager System.
· Raised quality standards of "Trustworthy Service Stations" and expanded the number of service station quality inspections with newly established Quality Inspection Group. (Six times a year)
· Increased the speed and reliability of oil product quality inspections by expanding to cover gasoline and diesel the use of a marker that helps identify adulterated petroleum.

· Analyze the market and technology of eco-friendly products and provide high-quality eco-friendly products that meet customers' expectations.
· Strengthen quality inspections at affiliate service stations to prevent the distribution of adulterated petroleum products.



· Upgrade the Customer Information System.
· Build an additional Privacy Information Assessment System and reinforce the Integrated Log Analysis System.

· Utilized the membership-based Customer Relation Management System in providing services differentiated by characteristics of customers.
· Encrypted Bonus Card members' information and reinforced firewall policies in order to securely manage the data.

· Increase the efficiency of customer complaint management by integrating and systemizing the Voice of Customer channels and processes through information technology.
· Improve the quality of Call Center services through the stable operation of the center.
· Expand the number of Bonus Card users and enhance loyalty through stable operation of the Bonus Card System.



S-OIL prohibits price-rigging, unfair trading, and any other acts that may adversely affect fair trading. This is because such acts could rapidly undermine customers’ trust in the company. S-OIL has been making steady efforts to stimulate active competition and observe fair trading.

Pricing Policy

The prices of the company’s products in the domestic market are based on objective data, including international petroleum product prices such as Mean of Platts Singapore (MOPS), exchange rates, its supply and demand situation, and domestic market trends. S-OIL has been at the forefront of the move toward fair and reasonable pricing. S-OIL has been leading the way in fair and rational pricing in the domestic petroleum market by running an independent price adjustment system while leading in the quality of petroleum products by launching high-octane, high-output gasoline in the 1990s.

In order to guarantee pricing fairness, a pricing committee comprising executives and employees from relevant departments meets to determine exclusive standard prices for our domestic light oil products i.e. gasoline, diesel and kerosene each day. These prices reflect changes in cost adjustment factors such as the international price of petroleum products and exchange rates among other factors. The transparency of our pricing practices is enhanced as the petroleum product prices at over 95% of our service stations across the nation are disclosed on the Opi-net (www.opinet.co.kr), operated by the Korea

National Oil Corporation since May 2009. In addition, customers can check prices at each gas station through the “S-OIL Bonus Card App,” a smart phone application (available from App Stores).

At the same time, S-OIL lowered the price of kerosene by KRW 60 per liter from the middle of February to the end of April 2011 while domestic oil prices continued to jump at unprecedented rates as international oil prices rose steadily. The company also made efforts to help ordinary people who felt the effects at the pump by lowering the price of gasoline and diesel per liter by KRW 100 for three months beginning in April.

Compliance with Rules and Demands on Fair Competition

In spite of fierce competition at home and abroad, there is a widespread misapprehension that the oil refining industry is free from competition due oligopolistic nature of the market. As company policy S-OIL prohibits price-rigging, unfair trading, and any other acts that may adversely affect fair trading. This is because such acts could rapidly undermine customers’ trust in the company. As a latecomer in the Korean oil refining industry, S-OIL has been making steady efforts to stimulate active competition and observe fair trading.

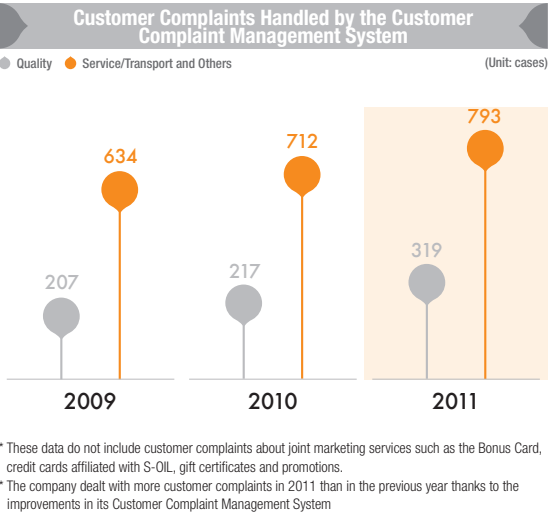
In February 2010, S-OIL published a “fair trade self-observation guide,” which is revised annually. The guide is distributed to all departments in order to prevent violations and misunderstandings stemming from a lack of understanding of regulations or carelessness in business activities. The guide includes the company’s declaration to honor fair trading rules, explanations of laws relating to the regulation of monopolies and fair trade, common types of unfair action and trade,

and other relevant matters to be considered. Since 2010, we have also provided annual fair trading education for employees. In 2011, 200 employees at our regional sales headquarters and sales offices received fair trading education.

Despite these initiatives, the fact that domestic petroleum product prices always reflect international market prices, along with the often prohibitively high costs involved in entering the industry, have made S-OIL a target for frequent allegations of price fixing and unfair trade. S-OIL was fined KRW 38.5 billion and KRW 43.8 billion by the Korea Fair Trade Commission for allegedly conspiring to fix the price of LPG in December of 2009 and for conferring on not trading with service stations affiliated with other refiners in September 2011 respectively. Since S-OIL had committed no wrongdoing, the company immediately launched an appeal, and legal proceedings are currently underway. In a similar case in 2004, the company was fined with three other Korean refiners by the Korea Fair Trade Commission for allegedly conspiring to fix the price of domestic light oils. In April 2007, we filed an appeal asking for the decision to be declared null and void. The Supreme Court of Korea ruled in our favor in February of 2010.

Understanding Customer Needs

S-OIL listens to the voices of its customers. The company identifies and meets customers’ needs through a wide range of channels, such as the Customer Relation Management System, supporter activities, and a customer satisfaction suggestion program, in order to provide optimized services by reflecting customers’ opinions in its business policies. We also respond to and resolve customers’ complaints and difficulties through our customer center, the Customer Complaint Management System, and the Happy Call System.



Enhance Customer-Centric Management

- Pricing Policy
- Compliance with Rules and Demands on Fair Competition
- Understanding Customer Needs
- Customer Satisfaction
- Enhancing Brand Value

Activities to Deal with Customer Complaints	
Highlights	
S-OIL Customer Center	<ul style="list-style-type: none">Helped customers ask questions or receive counseling via the ARS Customer Center (1644-5151) and responded faster and more accurately through the CRM System.S-OIL was selected as a company with an outstanding call center in the call center service evaluation by the Korea Management Association Consulting in 2011 (three straight years since 2009)
Customer Complaint Management System	<ul style="list-style-type: none">Handled complaints with customers after the company classified and registered customer complaints received through the home page and the ARS system, and the concerned teams and the investigation team checked and resolved them.
Happy Call System	<ul style="list-style-type: none">Assigned a specialized counselor to call customers to check how they were treated during the complaint treatment processes and to seek suggestions for improvements.

Activities to Catch Customer Needs	
Highlights	
S-OIL Supporters	<ul style="list-style-type: none">Monitored S-OIL's products and marketing policies and suggested opinions and areas for improvement through the S-OIL Bonus Card website and various offline events
CRM	<ul style="list-style-type: none">Completed the upgrade of the membership-based CRM in 2011 and provided differentiated services for customers by analyzing personal information and trade information through the CRM.
Customer Satisfaction Suggestion Program	<ul style="list-style-type: none">Allowed customers to offer their opinions and suggestions for improvements directly using the Bonus Card website.



S-OIL Smartphone Application

Customers really matter to S-OIL. The customers of S-OIL can be divided into individual customers, service stations and corporate customers. With the aim of meeting customer needs, S-OIL is striving to steadily provide and develop optimal services for customers.

Customer Satisfaction

Individual Customer Satisfaction

S-OIL wants its customers to feel happy whenever they visit an S-OIL service station. We offer differentiated services to customers to encourage them to return our service stations repeatedly

The Trustworthy Service Station Program

Based on customers' trust in the S-OIL brand, S-OIL operates the "Trustworthy Service Station" program to meet customers' desire for safe and reliable products. In the second half of 2011, the company reinforced the program by entering into a Trustworthy Service Station Agreement only with service stations verified by a quality inspection and by re-examining product quality at service stations which had already signed the agreement to allow customers to patronize those service stations in complete confidence. As of the end of 2011, 1,545 of our affiliated service stations had signed the Trustworthy Service Station Agreement.

Quality Manager System Our "Quality Manager System" ensures that service station facilities have been thoroughly inspected in order to guarantee quality control. Our quality manager informs a service station manager of the results of holding-tank moisture inspections, gas pump meter inspections, and recent sample analyses, so that top quality, accurately dispensed products are consistently provided to the station's customers. Quality managers also respond promptly to customers' complaints regarding product quality. Their wealth of experience and expertise allows them to provide detailed explanations about the problem-solving process, thereby winning the trust of customers. We have been expanding the scope of the system to allow corporate customers to receive various quality control services since 2011.

Tougher Quality Control In addition to the Quality Manager System, beginning in 2012 S-OIL increased the number of quality inspections of gas stations to the highest in the industry with the establishment of the Quality Inspection Group (outsourcing service). We also extended the marking system from gasoline to diesel (Diesel Mark), to make it easy to detect adulterated oil products. This is expected to accelerate the speed of quality inspections and expand their reliability through on-the-spot analyses.

Clean & Smile Campaign The Clean & Smile Campaign aims to give customers' a more pleasant experience at S-OIL service stations. The purpose of "The Clean & Smile Campaign" is to provide the highest levels of personal attention to customers (quick service, polite greetings, etc.) on a regular basis, so that our service stations are perceived as pleasant places that customers will want to visit constantly.

Service Station Satisfaction

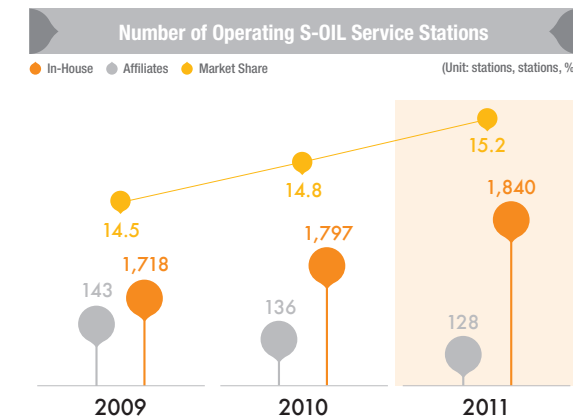
Service stations are S-OIL's key partners as well as customers. In a saturated market where competition is growing fiercer, S-OIL is implementing a variety of support activities in an effort to advance stations' operational quality and competitiveness and to solidify our long-term partnership with them.

Corporate Customer Satisfaction

A core need of corporate customers who are taking great part of Korean national economy is the stable operation of their plants. S-OIL understands that its corporate customers' business activities around the world contribute to the growth of the nation's economy and is therefore committed to helping them increase their competitiveness. Corporate customers have spe-

cial needs and business conditions related to volume, price, qualities and transport in accordance with the nature, size and regions of their business. S-OIL applies flexible pricing policies to meet the different needs of corporate customers to the best of its ability. At the same time, we are implementing a partnership program including quality management consulting where Quality Managers visit corporate customers to check products and operational conditions at quality-related facilities and to offer various materials and information related to quality control. In particular, we are maintaining strong partnerships with corporate customers with our recognition that a priority is to supply proper volume on time while also reviewing and conducting various measures for logistics optimization.

Enhance Customer-Centric Management
Pricing Policy
Compliance with Rules and Demands on Fair Competition
Understanding Customer Needs
Customer Satisfaction
Enhancing Brand Value



Champions Club Award Ceremony

Activities to Support Service Station Managers	
Highlights	
Champions Club Award	Give prizes and encourage operators of outstanding service stations through annual inductions into of the S-OIL Champions Club every year.
Presentations on Marketing Policy and Support System	Introduce sales policy and support system through visits to service stations by region and provide special presentations by outside lecturers as well as meetings.
Service Station Management Magazine	Publish the magazine every two months in order to share information about station management and exemplary cases, and to introduce service station support and programs.
Cyber Education	Operate a website (https://ebiz.s-oil.com) to provide information about sales policy, service station management manuals, laws and regulations related to service stations, and training.
Service Station Management Consulting	Assign S-OIL's salespeople who are trained as consultants to visit service stations to address and support issues about service station operations including start-up, sales management, promotion, facility renovation, and supplementary businesses.
YES Team	Visit service stations for the service improvement, providing customer service training and supporting promotional activities

S-OIL provides various value-added services through its Bonus Card, credit cards affiliated with S-OIL, gift certificates, and promotions that offer benefits to customers. In addition, the company is instilling its dynamic and friendly image in customers through a wide variety of marketing activities including sports marketing such as holding or sponsoring sporting events.

Enhancing Brand Value

S-OIL is conducting various marketing activities such as advertisements, events, and promotions to meet changing customer needs and offer differentiated benefits. In addition, we comply with relevant domestic laws such as the Broadcasting Advertisement Act and the Giveaway Announcement Act.

TV Ads Winning over Customers

In 2006, S-OIL launched a TV advertising campaign designed to satisfy the public's desire for "good" (high quality) oil, the essence of the refining industry. The campaign has since been extended to encompass "good life" and "good driving." In 2011, with the slogan "The Power of One Liter of Good Oil," we delivered the message that with only a small amount of oil meaningful, valuable things can be achieved. The campaign received a positive response from consumers and was named "Corporate Advertisement of the Year" by the Korea Advertising Society. In 2012, S-OIL will continue to run advertisements that people can relate to and convey a positive and dynamic image of the company.



"Good Oil, Good Drive" Campaign

Efforts to Enhance Image of Product Qualities

S-OIL is also carrying out various activities to increase the resonance of its brand asset, "Good Oil = S-OIL," with consumers. The activities include quality tests by external organizations, a fuel efficiency marathon with Peugeot, and the publicity of the company's winning the best environmental grade.

Marketing Contest for Potential Customers

From December 2011 to March 2012, S-OIL hosted the "2011 S-OIL Brand Awards," its second marketing contest aimed at strengthening communications with university students, who are its future customers. Approximately 1,000 contestants in 461 teams competed in four sectors: 1) enhancement of the S-OIL brand value, 2) new customer value to make S-OIL attractive, 3) pleasant gas stations, and 4) brand characters that consumers identify with. Because S-OIL believes that the most important thing is human energy, it intends to host this competition regularly in order to provide an opportunity for students to unleash their creativity and passion.

A Wide Array of Marketing Activities

S-OIL is instilling its dynamic and friendly image in customers through a wide variety of marketing activities including sports marketing such as holding or sponsoring sporting events. In addition, we offered prizes to about 900,000 customers in the "2011 Customer Love Year-End Giveaway Event," held at service stations for one month. Furthermore, we held the "Yellow Concert" in partnership with colleges and local festivals as well as events to invite customers to popular musicals and concerts. Such a variety of cultural marketing activities successfully appeals to people by providing customers with opportunities to experience culture and arts.

*For more information, visit the Enhance Customer-Centric Management section of Sustainability on our website.

Various Joint Marketing Services

S-OIL provides various value-added services through its Bonus Card, credit cards affiliated with S-OIL, gift certificates, and promotions that offer benefits to customers. In 2011, the company significantly expanded its customer base by launching a joint membership program with the Lotte Group and expanded its services through additional affiliations with online shopping malls, such as G Market, and movie theaters (Lotte Cinema). In addition, we are making steady efforts in cooperation with credit card companies to offer the best gas discount service in the industry.



Opening Ceremony for Shanghai Branch

Enhance Customer-Centric Management

- Pricing Policy
- Compliance with Rules and Demands on Fair Competition
- Understanding Customer Needs
- Customer Satisfaction
- Enhancing Brand Value

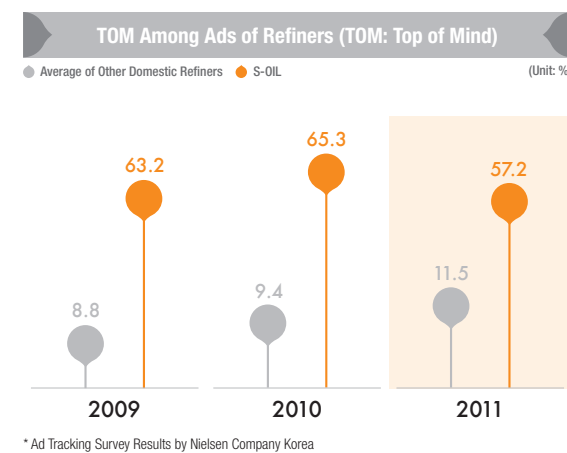


Min-Ho Lee
Senior Vice President
Head of Overseas Headquarters

"S-OIL places great importance on its overseas marketing activities, which are designed to develop and promote relationships with both existing and potential customers. In addition, we are concentrating on nurturing cooperative relationships and maximizing synergies through strategic tie-ups with international partners and creating sustainable partnerships through a variety of activities."

Channels of Communication with Overseas Customers

With exports accounting for over 65% of the company's total production, S-OIL recognizes that international customers are crucial partners in its efforts to enter and expand in overseas markets. We are therefore strengthening our long-term cooperative relationships with those partners and continuing to establish multiple and differentiated channels of communication. Since 2007, S-OIL has hosted the annual reception for attendees at the Asia-Pacific Petroleum Conference (APPEC) which takes place in Singapore, in order to further develop overseas markets for refined petroleum products. In this way, we helped to facilitate worldwide exchange opportunities between industry experts and 800 current and potential customers in 2010. In addition, we continue to strengthen our customer relations programs by hosting events for customers of refined petroleum and petrochemical products.



2 Provide Best-in-Class Work Environment

VOICE OF STAKEHOLDERS

“In the rough and tumble of the business world, competitiveness in R&D, marketing, production, innovation, etc. are critical. However, I think the most important thing is improving employees’ morale and desire to work by creating the best working environment.”

Eui-Dal, Song
Editor of Weekly Biz, Chosun Ilbo (a Korean daily newspaper)



“S-OIL’s most valuable assets are its employees, who fulfill their duties through their outstanding capabilities and experience. We keep in mind that a company can grow steadily only when its employees use their abilities to the full. That is why we have provided an outstanding working environment in the form of a highly advanced new building and are taking the initiative in an era of working smart by creating a mobile office system. We also offer employees a wide range of programs to enhance their work-life balance, so that they can live rich and happy lives both mentally and physically. S-OIL is continuing to make every effort to provide the finest working environment for its employees.”

Dong-Cheoul Kim,
Executive Vice President_Administration B/L Head

2,661

NO. of Employees
(Unit: persons)

52

Yearly Average Training Hours
per Administrative Employee
(Unit: hours)

62.5

Percentage of Fringe Benefits
in Labor Cost (Unit: %)

PERFORMANCE SUMMARY

Sustainability Report 2010

- Apply a human resources management system and a human resources development program to run a specialist management system.

Achievements in 2011

- Encouraged specialists to develop their specialties and capabilities by helping them obtain job-related master's degrees and licenses.
- Developed and managed "S-OIL Academy for Marketing B/L," a job education course for Marketing B/L employees to reinforce internal sales capabilities.

Future Plan

- Apply customized development programs and HR management differentiated for each specialist.
- Develop and operate a customized educational program for development of executives and team leaders.
- Develop and manage "S-OIL Academy for Refining B/L" for Refining B/L engineers and production employees.



- Study programs to effectively reduce employees' job stress.

- Provided integrated health management services through Health Management Office and specialized medical staff.

- Improve corporate culture and systematic support to realize employees' work-life balance.



- Improve performance-related compensation system while maintaining competitive compensative levels.

- Implemented a system to convert competent non-regular employees to regular ones through internal reviews.

- Move forward with a steady improvement in evaluation systems to enhance employees' trust in and acceptance of the systems.



- Actively reflect employees' preferences and suggestions to create an improved working environment.

- Completed the environmentally friendly new head office building with enhanced working environments and facilities for employee in Mapo (June 2011)
- Implemented a smart device-based mobile office system
- Activated internal communication and improved the system for handling employees' complaints through the establishment of a department in charge of corporate culture and communication.

- Realize an optimized working environment that increases work efficiency and convenience.
- Proceed with transformation of existing groupware into a communication portal (CP) for rapid information sharing and activate collaboration.
- Activate the system to deal with employees' complaints to increase employees' job satisfaction and sense of belonging.



S-OIL is geared toward nurturing a group of global professionals. Our training and career development programs reflect each employee's capabilities and interests, while the company produces global leaders through a leadership program to nurture next-generation leaders.

Recruitment and Job Creation

Given the ever deepening woes of unemployed youth, S-OIL is striving to provide talented individuals with decent jobs in the belief that job creation is the best social contribution a business can make. In recognition of such efforts, in 2011 S-OIL was named one of the “Top 100 Job Creation Companies” by the Ministry of Employment and Labor. Despite its achievements, S-OIL is not content with the status quo and continues its efforts to create good, stable employment opportunities through its steady growth. The company observes domestic laws and international guidelines on working condition of non-regular employees by providing the same treatment for regular and non-regular employees who perform the same jobs.

Human Resources Development

S-OIL is geared toward nurturing a group of global professionals. Our training and career development programs reflect each employee's capabilities and interests, while the company produces global leaders through a leadership program to nurture next-generation leaders. In particular, the company has developed S-OIL Academy, which offers specialized education courses related to job capabilities. In 2011, the company opened “S-OIL Academy for Marketing B/L” to strengthen its sales power. We are also planning to develop “S-OIL Academy for Refining B/L” in 2012. S-OIL will continue to develop and run its own job education programs in the future. *For more information, visit the Provide Best-in-Class Work Environmen section of Sustainability on our website

Job Security

S-OIL strives to guarantee job security while pursuing the efficient management of its work force. In 2007, we launched a program to re-employ retirees for up to two additional years under the same working conditions they enjoyed before retirement. This re-employment program has been successfully implemented and 61.5% of employees who retired in 2011 (24 out of 39) were rehired. In 2011, the company introduced a program to promote to a regular status non-regular employees who have the skill sets required by the company. So far 10 employees have transited to regular status. This system reinforces the job security and commitment of employees and provides the company with an opportunity to effectively secure a workforce with proven abilities, thereby laying the foundation for steady growth.

Retirement Management

In 2011, S-OIL established a system to support retirees by introducing a retirement pension plan. Prior to the plan's implementation, the company held briefing sessions with all employees to reach consensus on the proposal. Sixteen retirement pension plan providers were then selected, and all employees signed up for the defined benefits retirement plan for the first year considering the security of principal. The company allows employees to switch to the defined contribution retirement plan from the second year in order to meet their individual needs. Meanwhile, communication between retirees and employees was facilitated by holding of events and distribution of company magazines.

Human Rights and Labor

S-OIL respects the human rights of all stakeholders and complies with relevant laws. The company guarantees the human and labor rights of employees, its internal stakeholders, and decides working conditions by signing a collective bargaining agreement in accordance with an agreement between labor and management.

At the same time, the company guarantees human rights and working conditions in compliance with labor laws and regulations and International Labor Organization standards. In addition, the company does not tolerate gender discrimination. We do not discriminate between men and women in work performance evaluations or promotions and allow employees paternity and maternity leave in accordance with government policies to promote childbirth. Furthermore, we are promoting corporate team spirit among employees by providing anti-sexual harassment education once a year.

Ban on Child Labor and Forced Labor

S-OIL does not engage in business sectors that run the risk of involving child labor or forced labor, and strictly abides by the Labor Standard Act, which prohibits child labor and forced labor.

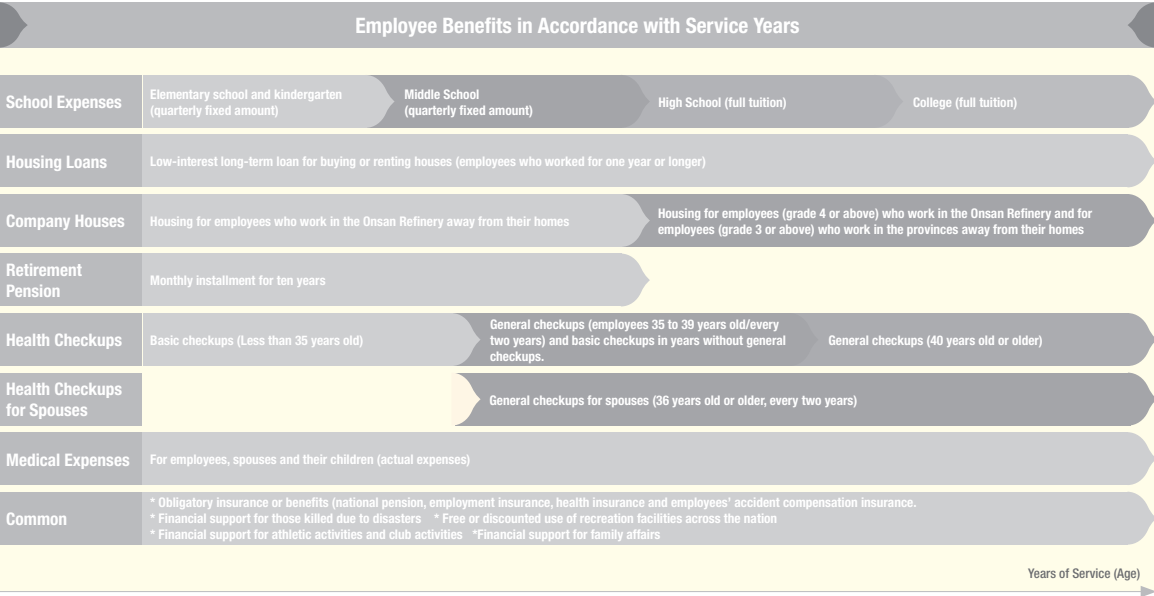
All employees of S-OIL work of their own free will and enjoy proper compensation, evaluation and promotion in accordance with their achievements and abilities.

Working Conditions

Best-in-Class Compensation and Employee Benefit System

S-OIL strives to pay the highest-level compensation rates in the industry; our employee benefits package is substantial and among the best in the industry. This financial stability instills pride in employees and increases their dedication to their jobs. We pay newly-hired university graduates 340% of the country's minimum wage, the highest compensation offered by any company in our field in Korea. Our pay and benefits packages are also gender-neutral. Managers and executives receive base pay and merit-based pay according to their unit's performance and individual achievements. S-OIL's employee benefits policies have been reasonably shaped and fashioned according to one's 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, employees' compensation insurance, and the national pension plan, we provide support for housing loans and related support such as health care expenses, tuition fees, congratulations and condolences, as well

- Provide Best-in-Class Work Environment
- Recruitment and Job Creation
- Human Resources Development
- Job Security
- Retirement Management
- Human Rights and Labor
- Ban on Child Labor and Forced Labor
- Working Conditions
- Work Smart
- Harmonious Labor-Management relations
- Activities to Improve Corporate Culture
- Trust and Communication (Conversation with CEO)



S-OIL boasts of an exemplary labor-management record and has experienced no serious labor disputes since the establishment of its union in 1980. This is attributable to cooperation between labor and management whereby the company abides by labor laws and fully respects the activities and opinions of the labor union.

as pension and leisure activities and intensive holiday through our leading welfare benefits system. In 2011, our fringe benefits were 62.5% of our labor cost.

Employee Health Management

S-OIL operates Health Management Offices at both the head office and the refinery. Specialized nursing staff is always ready to take care of employees at the offices. They provide various health management services such as first aid, basic medicines, basic examinations and health counseling. We offer various checkups conducted by specialized external medical institutions depending upon an employee's age and occupation. We enable employees who are diagnosed with health issues to have one-on-one customized health consultations. This helps employees identify severe diseases earlier, better manage their health, and do their best in the workplace.

Work Smart

S-OIL has implemented a mobile office environment to help employees work and communicate anytime and anywhere. With an eye toward building a workplace where employees can respond flexibly to changes in business environments, the company has established a smart framework that systematically accumulates and shares

knowledge by managing/utilizing its information and activating internal communication.

Mobile Office

S-OIL employees have used electronic approvals, e-mail and schedule management through a mobile application since 2008, when the company pre-emptively implemented a mobile office system. In 2011, the company kicked off the Smart Mobile Office System on a full scale with the introduction of tablet PCs and a company-wide wireless network. As a result, we have enhanced efficiency and taken another step toward creating a green office through a reduction in the use of paper used for reports and meeting materials. We are planning to expand the system's application through the development of content such as e-learning and social networking.

Activating Intelligence, Collaboration and Communication

S-OIL is pushing for a Business Intelligence/Enterprise Data Warehouse (BI/EDW) in order to systematically integrate and manage a variety of data and information. BI/EDW aims to offer employees core information for decision-making on time while raising reporting efficiency through stronger analysis capabilities. The company expects that employees will be able to share information faster and more transparently and collab-

orate better through the new system. Moreover, we are transforming existing groupware into a communication portal (CP) to improve internal communication and provide an efficient working environment. The CP is expected to promote vertical and horizontal communication from senior management's business policies and communication among internal units. Furthermore, improved features of the CP will enable employees to use a smarter portal by enhancing work efficiency, sharing internal knowledge, managing information, and offering personalized information to employees.

Harmonious Labor-Management Relations

S-OIL boasts of an exemplary labor-management record and has experienced no serious labor disputes since the establishment of its union in 1980. This is attributable to cooperation between labor and management whereby the company abides by labor laws and fully respects the activities and opinions of the labor union. These efforts have paid off, and In February 2012, the Korea Employers Federation awarded S-OIL the Labor-Management Harmony Grand Prize. Furthermore, the company guarantees its employees the right to engage in collective labor union activities, and all its labor terms and benefits are clearly spelled out in S-OIL's personnel policies as well as in collective agreements. We observe all labor-related laws and principles and prohibit

any unjustifiable interference with our human resources or infringements of our management activities including prohibiting unfair labor practices. The union is a member of the Federation of Korean Chemical Workers' Union, under the auspices of the Federation of Korean Trade Unions. As of the end of 2011, the number of the union members stood at 1,430 including two full-time union officers.

Activities to Improve Corporate Culture

S-OIL has been involved in a variety of activities designed to create a corporate culture in which the company's strategies are effectively carried out and employees are firmly committed to their jobs. In 2011, the company analyzed its corporate culture through a competing value model with the participation of 81.2% of its employees. The difference between employees' future expectation level and current level was 9.3% lower than in 2009, indicating that the company's corporate culture preferences are changing in favor of employees. In the future, we will dedicate ourselves to creating a more harmonious and cooperative corporate culture on the basis of a positive attitude and trust by regularly conducting improvement activities. In addition, we established a team dedicated to creating a positive corporate culture. This team is planning to introduce various programs and carry out company-wide improvement activities to regularly review its corpo-

- Provide Best-in-Class Work Environment
 - Recruitment and Job Creation
 - Human Resources Development
 - Job Security
 - Retirement Management
 - Human Rights and Labor
 - Ban on Child Labor and Forced Labor
- Working Conditions
- Work Smart
- Harmonious Labor-Management relations
- Activities to Improve Corporate Culture
 - Trust and Communication (Conversation with CEO)



BI/EDW



Mobile Office

S-OIL operates a mentoring program to help new employees adjust to their new workplace by having veterans show them the ropes and introduce them to their new surroundings. In addition, the company develops and operates various communication channels to facilitate communications among its employees and to enhance information accessibility.

rate culture and develop a new corporate culture where internal units communicate and cooperate smoothly with one another.

Trust and Communication
(Conversation with CEO)

Communication with New Employees

S-OIL operates a mentoring program to help new employees adjust to their new workplace by having veterans show them the ropes and introduce them to their new surroundings. In addition, the CEO takes part in the Dynamic Rookies Program and the Young Professionals Program for employees who have been with the company for less than four years, contributing to closer communication between senior management and employees.

Expansion of Internal
Communication Channel

S-OIL develops and operates various communication channels to facilitate communications among its employees and to enhance information accessibility. Since 2011, we have published periodic HR webzines to introduce HR-related programs, to cover complaint consultation, and to serve as a communication channel for employees to learn about the company's HR policies and operations. We also encourage employees to communicate by actively supporting club activities such as sports, hobbies and arts, where they can participate regardless of position or age.



Byung-Ho Lee
Senior Vice President
Head of Human Resources & Employee Relations Office

“With a strong belief that outstanding human resources are a major driving force behind sustainable growth at S-OIL, we strive for the best possible performance in the workplace by encouraging employees to realize fully their abilities. We are also progressively conducting activities aimed at creating a harmonious corporate culture where constructive labor-management is based on trust and where the health and safety of employees is foremost.”

HR-Related Indicators

Status of Employment			
	2009	2010	2011
College Graduates	36	28	98 ¹⁾
Others ²⁾	96	153	83
Total	132	181	181

Employment Status: Regular / Non-regular			
	2009	2010	2011
Executives	38	38	39
Regular Employees	2,409	2,479	2,491
Non-regular Employees	64	72	131
Total	2,511	2,589	2,661

Employment of Disabled People			
	2009	2010	2011
Disabled Employees	48	47	45
All Employees	2,511	2,589	2,661
Percentage of Disabled Employees	1.9	1.8	1.7

Number of Retirees ³⁾			
	2009	2010	2011
Retirees by Age Limit	38	47	39
Others	38	56	70
Total	76	103	109

Employment by Gender						
	2009		2010		2011	
	Execu-tives	Em-ployees	Execu-tives	Em-ployees	Execu-tives	Em-ployees
Male	37	2,290	37	2,366	38	2,433
Female	1	183	1	185	1	189
Total	38	2,473	38	2,551	39	2,622
Percentage of Female	2.6	7.4	2.6	7.3	2.6	7.2

Employment Structure			
Executives	Administrative Employees	Production Employees	Total
39	1,217	1,405	2,661

Employment by Business Site					
	Head Office	Refinery	District Sales HQ	Terminals	Total
Executives	26	13	0	0	39
Employees	645	1,624	276	77	2,622

Yearly Average Training Hour per Administrative Employee			
2009	2010	2011	
56	56	52	

Cyber Education (Except for foreign language and book reading)			
	2009	2010	2011
No. of Classes	69	96	110
No. of Employees Educated	612	510	370

Education and Training Cost to Labor Cost			
2009	2010	2011	
1.1	0.8	1.4	

Fringe Benefits to Labor Cost			
2009	2010	2011	
39.9	59.5	62.5	

1) Two periods of recruitment of university graduates were conducted in the first (40 people) and the second half (58 people) of 2011
2) "Others" refers to total employment including junior college graduates, experienced workers, and non-regular workers except for university graduates
3) Excluding irregular workers who became regular workers after the end of their contracts and employees who retired because they were appointed as executives

- Provide Best-in-Class Work Environment
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SI 3 Achieve Operational Excellence

VOICE OF STAKEHOLDERS

"The zero-accident campaign embodies a business philosophy that values each and every individual and respects life and dignity. employees and companies, both beneficiaries of zero accidents, should actively practice the campaign as one."

Seung-Ho Kim,
Professor at Korea Occupational Safety and Health Agency (KOSHA) and
Ph.D. in Engineering

"At S-OIL, 'Safety First' is more than just a slogan. That is because the safety of employees can never be a matter for compromise, and because production facilities are also a valuable asset that we should protect. 'Safety' is a top priority for all employees at S-OIL. With its strict safety management, S-OIL set a record of seven million zero-accident man-hours for the first time in its history in April 2012. This will be a meaningful milestones in realizing safe and accident-free workplaces. S-OIL is also striving for the protection of environment, which is threatened by global warming. In 2011, the company reduced CO₂ emissions by 95,333 tons through 11 energy-saving projects. And we reduced emission intensity per Utilized Equivalent Distillation Capacity (UEDC). S-OIL is actively addressing climate change through its systematic management of energy and greenhouse gases."

Sung-Ki Ha,
Executive Vice President_Refining B/L Head

Yong-Hee Lee,
Senior Vice President_Head of Operations

0

Injury Rate of Executives
and Employees (Unit: %)

146

Environment Investment
(Unit: KRW 100 million)

336

Safety Management Education
for Employees of Partner
Companies (Unit: cases)

PERFORMANCE SUMMARY

Sustainability Report 2010

- Establish strategies for the implementation of the Greenhouse Gas and Energy Target Management System.
- Create IT infrastructure for the efficient management of energy and greenhouse gas emissions.

- Improve and implement various safety management measures.
- Introduce safety education e-learning system to provide safety education and raise safety awareness of employees at partner companies.

- Steadily and actively push for mid- to long-term environmental investment.

Achievements in 2011

- Created an IT-based strategic carbon management system including the financial impact assessment and company-wide optimization of carbon regulation in connection with mid- to long-term management strategies.
- Acquired a "Carbon Trust Standard" (CTS) certificate, an international carbon management certificate, as one of the first companies in Korea to receive it from the Carbon Trust, an international carbon management certification agency (in April 2012).

- Achieved 500 million zero-accident man hours and 600 million zero-accident man hours (as of the end of 2011).
- Received "P" grade, the highest grade in process safety management evaluation by the Ministry of Employment and Labor, awarded to only the top 12% domestic business sites as of the end of 2010.
- Helped partner companies build safety management systems through win-win partnership programs and provided safety and health capability development education.
- Held monthly safety meetings with partner companies and introduced a system to encourage partner companies' excellence in safety management.

- Prevented environmental pollution accidents by minimizing the environmental impact of production activities through expanded investment related to the air, water, ocean and soil environments.
- Made KRW 14.6 billion in environmental investments.

Future Plan

- Advance a strategic carbon management system.

- Extend zero-accident man hours and enhance Safety Management System placing top priority on safety.

- Actively move forward with environmentally Friendly management such as introducing optimized prevention facilities to minimize environmental impact of production activities and produce eco-friendly products.
- Aim for 16% voluntary reduction of air pollutant emissions in accordance with a voluntary environmental agreement signed with the goal to reduce air pollutants in Ulsan between 2012 and 2016.



S-OIL practices environmentally friendly management by minimizing environmental impact on air, water and soil and by thoroughly managing offensive odors, waste and hazardous chemical substances in its production process management.

Environmental Management System

S-OIL has made endeavors to realize its environmental philosophies – respecting people’s life and dignity, taking the lead in developing better qualities of petroleum products, and realizing customer satisfaction through environmental preservation and protection. The company acquired an ISO 14001 certificate for fuel oil, lube base oil, and petrochemical products, which has been renewed five times since 1996. We practice high-level environmental management through regular reviews in accordance with the company’s unique business environment. Moreover, the company is developing its Environmental Management System including creation of an Environmental Accounting System after passing its settlement stage such as publication of its environment and sustainability reports and introduction of ISO 14031 System for the systematic development of its environmental management system.

*For more information, visit the Achieve Operational Excellence section of Sustainability on our website.

Environmental Investment			
	2009	2010	2011
(Unit: KRW million)			
Air Quality/ Offensive Odors/ VOC	14,801	5,452	2,556
Water Quality	1,090	1,483	1,464
Energy Savings/ Technical Assistance	6,342	707	10,254
Soil/ Landscaping/ Others	760	2,177	315
Total	22,993	9,820	14,589

Environmental Performance Evaluation System (ISO 14031)

S-OIL’s Environmental Performance Evaluation System (ISO 14031, EPE) objectively evaluates environmental investment and eco-friendly management performance. The company reflects the results in environmental management activities. In particular, the company changed the standard year to 2010 from 2008 and adjusted criteria to match the current statement in order to manage environmental performances in a more systematic manner. In 2011, we made progress in increasing environmental investment and training and decreasing polluting materials (greenhouse gas emissions and water pollutants) and will practice green management through steady improvements and target management.

Environmental Accounting System

Following the guidelines of the Ministry of Environment, S-OIL established an environmental accounting system to systematically manage all of its environmental costs and environmental investments, and to accurately designate and integrate its own classification system. In 2011, the system was reinforced by adjusting formulas for

Environmental Performances (ISO 14031)		
	2010	2011
(Unit: points)		
Evaluation Results	100	116.3

Environmental Accounting in 2011		
	2011	Remark
(Unit: KRW 100 million)		
Environmental Cost	1,612	Operating cost of post-processing facilities, etc.
Environmental Benefit	710	Sales of by-products and energy saving, etc.
Environmental Investment	146	Environmental facility installations, etc.

* Production Standard: Environmental Accounting Guideline by the Ministry of Environment

and classification of certain items for more accurate management. As a result of an environmental accounting settlement, environmental costs rose due to the expansion of new processes, and environmental effects and benefits expanded thanks to an increase in by-product sales and a decrease in energy costs. In addition, we practiced green management through active environmental investment. In the future, we plan to systematically manage environmental performances.

Environmental Organization (Environmental Council)

S-OIL carries out all of its environmental activities efficiently based on a clear set of roles and responsibilities. The company formed the Environmental Council involving teams in charge of environment at the head office and the Onsan Refinery and has the council deal with company-wide environmental issues. The Environmental Council practices environmental management at business sites by reviewing and deliberating on various environmental issues that can arise from all value chains such as purchase, production, marketing, sale, and distribution/logistics, and setting policy directions.

Abiding by Environmental Laws

S-OIL is strongly committed to preventative and preemptive green governance using the SHE integrated management policy and accordingly responds preemptively to all environmental rules and regulations. We have established environmentally friendly management by introducing an optimal prevention system starting from the early

plant construction stage, and we have strived to minimize environmental impact from management activities by complying with the laws and by setting up strict internal standards. Despite these efforts, air pollutant emissions exceeded the limit temporarily due to process trouble in 2011. But, we immediately took measures to tackle the problem and devised measures to prevent such from happening again. S-OIL will increase investment in operating emission facilities in a legitimate manner and improve the environment based on strict eco-friendly management while meeting the needs of local communities.

Eco-Friendly Management and Minimum Environmental Impact

Hazardous Chemical Substances

S-OIL handles hazardous chemical substances carefully by regularly employing systematic on-site inspections in strict accordance with internal management procedures, which in turn reflect relevant domestic and international laws and agreements. In 2011, we built chemical inventories in the existing SHE System to systemati-

Chemical Inventory System

Retrieve general information on chemicals used by the company

- Read general information such as CAS numbers, components, production companies

Check laws and regulations on chemical substances

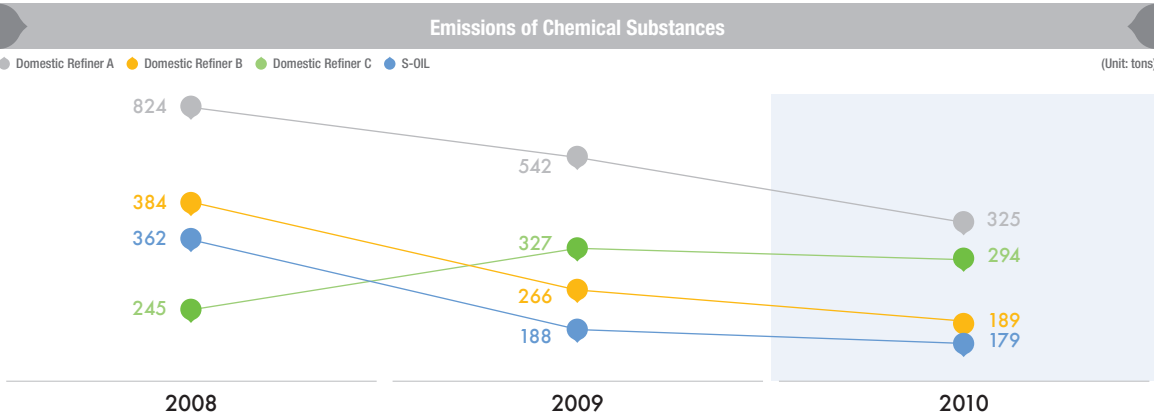
- Check whether they are toxic or hazardous.

Check whether or not a new regulation covers the substance

- Check whether the substance is subject to the revised regulations

Refer to MSDS

- Check MSDS of chemical substances



* Source: the Ministry of Environment (2012)
* The 2011 data will be released in 2013.

- Achieve Operational Excellence
- ▶ Environmental Management System
 - ▶ Environmental Organization (Environmental Council)
 - ▶ Abiding by Environmental Laws
 - ▶ Eco-Friendly Management and Minimum Environmental Impact
 - Environmental Communication
 - Safety Management
 - Safe Driving of Transportation Vehicles
 - Oil Spill Prevention

S-OIL rigorously abides by the Soil Environment Preservation Act in order to prevent soil contamination. The company is committed to preventing oil contamination by modernizing facilities at service stations and restoring contaminated soil at service stations.

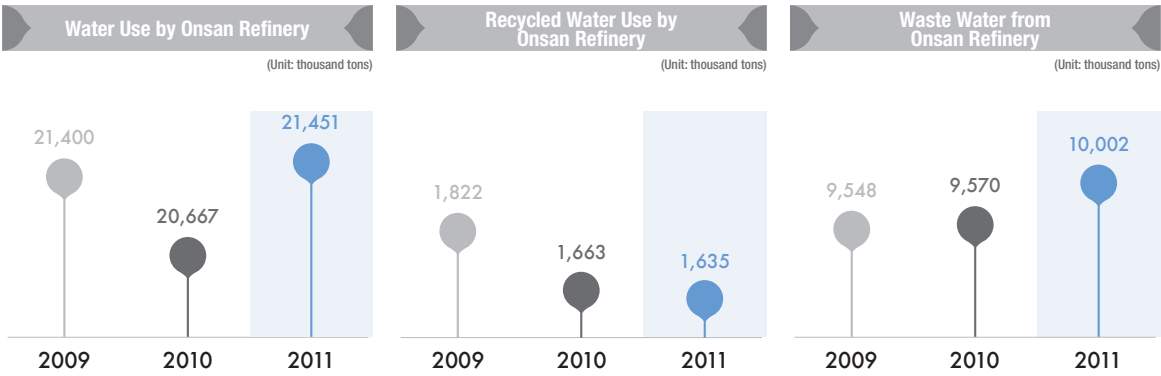
cally manage all chemicals including hazardous chemical substances used at the Onsan Refinery. This system enables the company to manage hazardous substances through the integrated management of regulations on chemical substances used at the refinery, departments which use them, their major components and MSDSs (Material Safety Data Sheet).

Water Quality

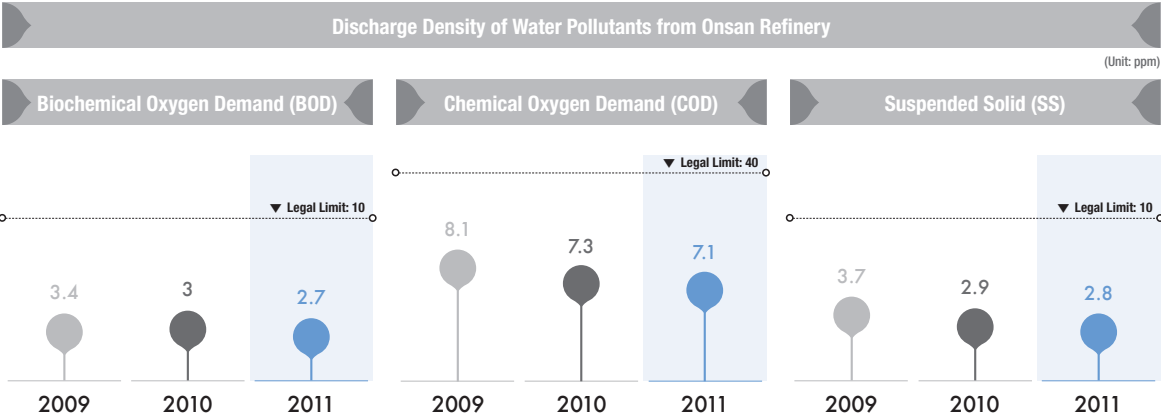
S-OIL sends data to administrative agencies via a tele-metering system. The company achieved high-level efficiency in removing pollutants by



Awarded the best TMS Operation site of Water Quality from the Minister of Environment



* In 2011, water use and waste water increased partly due to the expansion of the Onsan Refinery.



* Data are based on the company's own water analysis in 2009 and 2010
* COD, SS TMS data have been used since 2011/ Water analysis data were used to measure BOD.

treating wastewater from production facilities through physical, chemical and biological treatment methods. The company received the Environment Ministerial Prize as the "Best Water Quality TMS Business Site of 2011" for its operation of a stable water quality monitoring system.

Soil Contamination (Restoration of Soil Environment at Service Stations)

S-OIL rigorously abides by the Soil Environment Preservation Act in order to prevent soil contamination. The company is committed to preventing oil contamination by modernizing facilities at service stations and restoring contaminated soil at service stations. Currently, the company is replacing old pipelines and tanks, major culprits behind soil contamination. In 2011, we conducted soil restoration projects (KRW 36 million) on eight service stations and converted single pipelines and tanks into dual ones at eight service stations. In addition, S-OIL examined tanks and pipelines at 45 service stations and investigated soil contamination at eight service stations and certified 11 service stations as clean.

Soil Contamination Prevention through Facility Modernization				
2012	2013	2014	2015	Total
13	11	10	5	39

Soil Contamination Management

VA and soil clean-up activities to reduce soil contamination

- Managed soil contamination since signing a VA on surveying soil contamination and clean-up VA with the Ministry of Environment in December 2002.

Replacement of old pipelines

- Replaced old pipelines, which are a potential cause of soil contamination, with new steel pipes

Placement of pipelines above ground and removal of major contaminants (manholes)

- Installed pipelines above ground and directly connected underground steel pipes after removing manholes to prevent oil contamination due to old underground pipes.

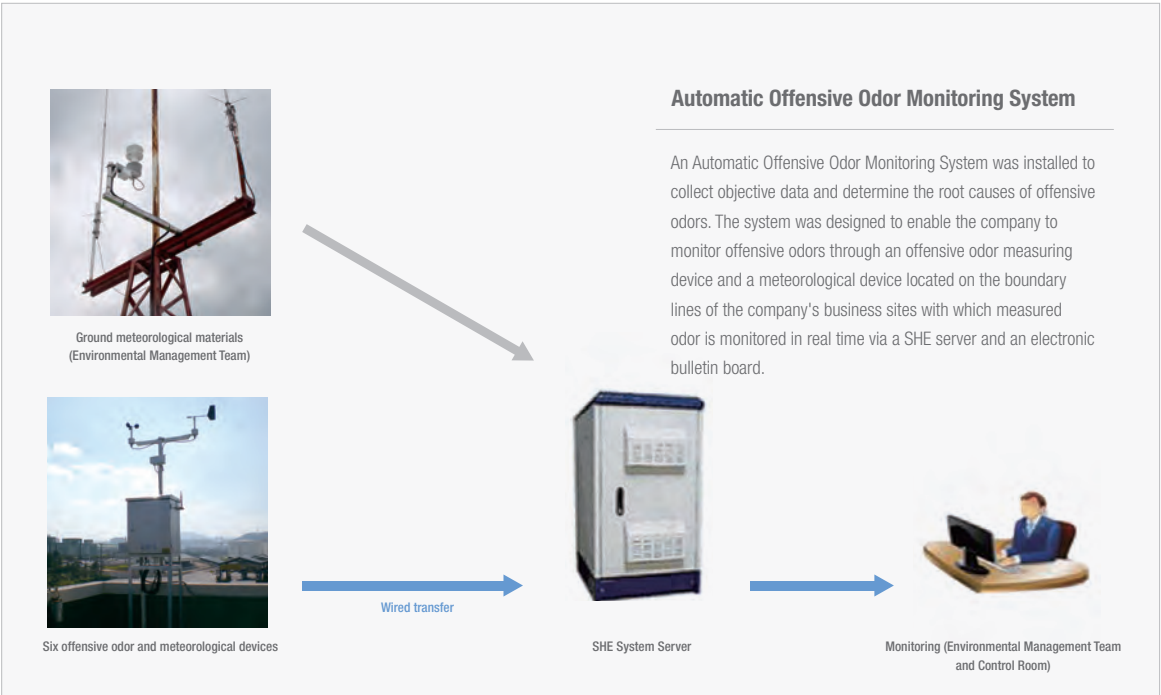
In-house survey on soil contamination, etc.

- Surveyed and monitored soil contamination in vulnerable areas for own management including in years that do not fall in the legally required period.

- Achieve Operational Excellence
- Environmental Management System
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 - Oil Spill Prevention

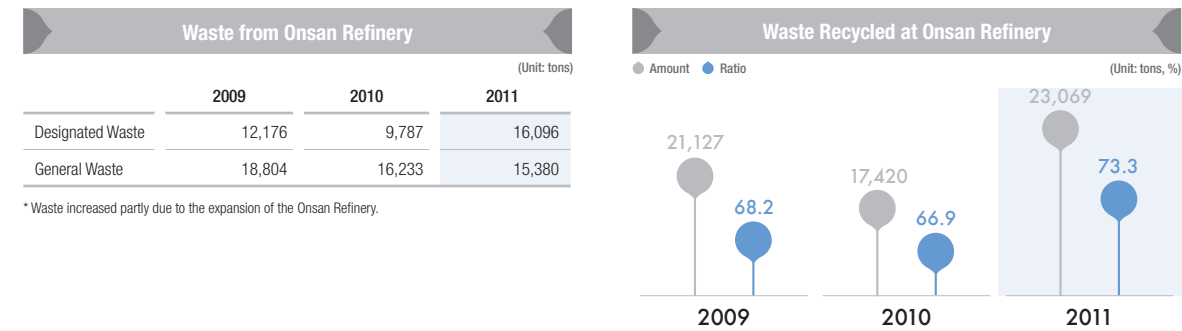
VOC · Offensive Odor

In addition to its LDAR (Leak Detection and Repair) System for existing processes, S-OIL has minimized emission of VOC (Volatile Organic Compounds) by applying the LDAR System to #2 Aromatics Complex immediately after commercial operation in 2011. We have implemented a consecutive automatic offensive odor monitoring system to ensure systematic management of offensive odors.

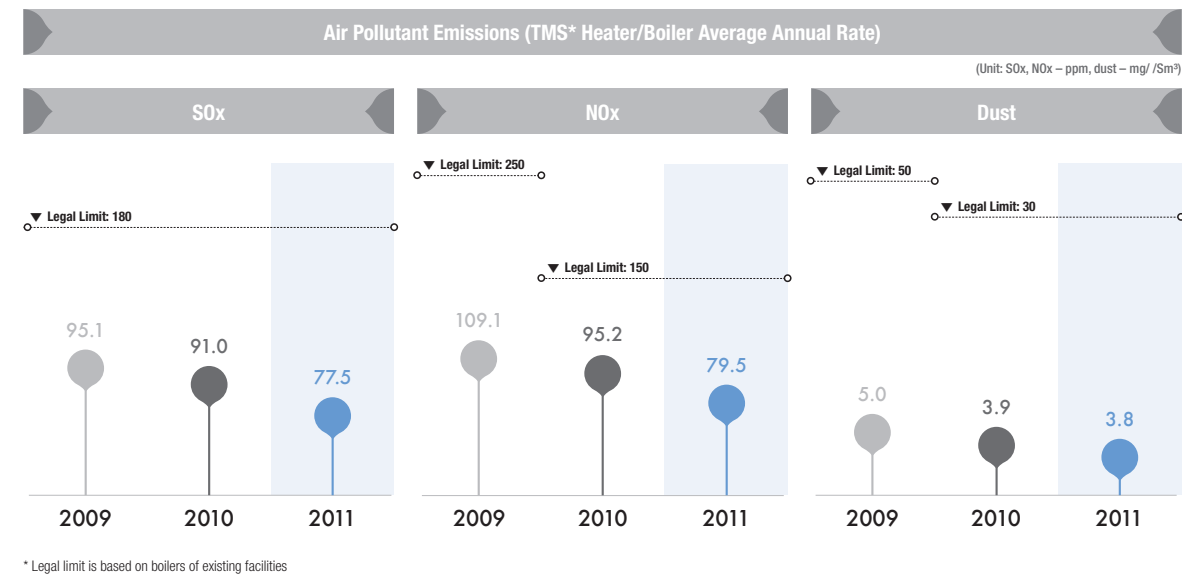
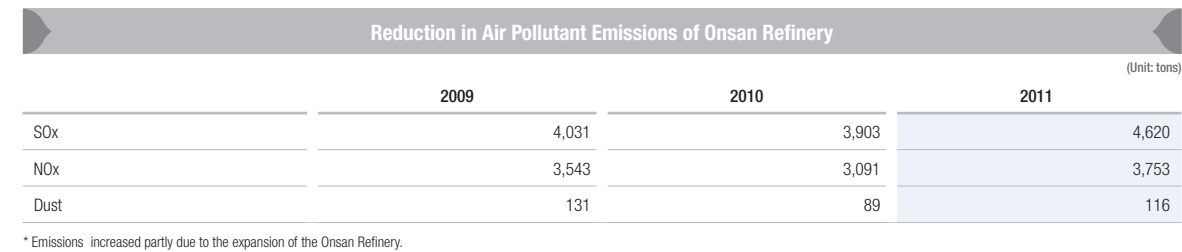


S-OIL runs the Safety and Health Management System (OHSAS 18001) to efficiently distribute and manage internal physical and human resources by setting clear goals to enhance the safety and health of employees and by precisely defining organizations, responsibilities and procedures.

Waste



Air Pollutants



Environmental Impact Assessments

S-OIL follows strict environmental impact assessments and an advanced environmental review system in compliance with related laws and regulations. The company conformed to environmental impact assessments when carrying out the Onsan Refinery Expansion Project and building its head office and regularly reported environmental impact on the surrounding environment such as ecology, underground water and air quality.

Environmental Communication

Internal and External Communication

While moving forward with environmental management with rigorous internal standards, S-OIL monitors and analyzes global environmental trends and the latest developments in related domestic laws and regulations through regular communication with various external stakeholders such as the government, mass media and academia, and reflects the results in its Environmental Management System. At the same time, the company improves environmental management activities by sharing environmental management information with local residents and related organizations and by collecting their opinions. In addition, we put environmental protection into practice and form close relationships with our local communities by joining local events to protect the environment.

Environmental Education

To enhance employees' awareness of the environment and carry out eco-friendly management more efficiently, S-OIL provides all of its employees with range of environmental training programs by job. For key personnel involved in our environmental programs, we hold regular training programs, as required by law, and encourage them to attend external and internal technological seminars to help them better respond to internal and external environmental issues and to improve their expertise. Additionally, we offer our employees systematic training on how to treat hazardous chemical substances through the SHE System and provide training to our partner companies on separation and disposal of waste, prevention of soil and water contamination, and compliance with relevant laws to ensure that the company's stringent environmental management policies reach grass roots level.

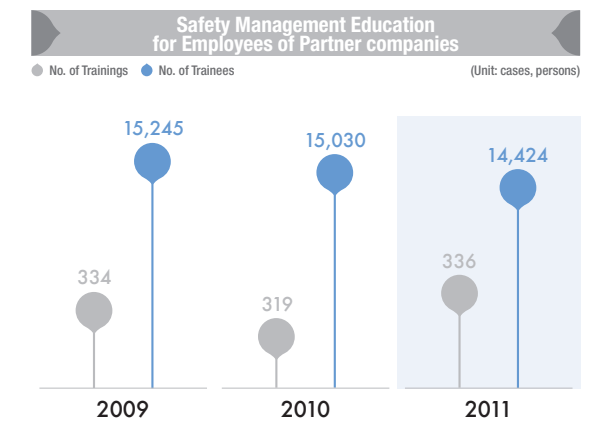
Safety Management

Acquisition of Top Grade in Process Safety Management

In 2010, S-OIL obtained "P" grade, the highest grade for a regular inspection in accordance with the process safety management evaluation system of the Ministry of Employment and Labor. The grade was awarded to only top 12% of domestic business sites as of the end of December 2010. This exempts S-OIL from the PSM check by the Ministry for four years from 2011. Nevertheless, the company will conduct in-house inspections of its own during the period. In 2001, we conducted PSM inspections and OHSAS 18001 internal reviews and shared the results with all departments. Since then, we have steadily managed the process by discovering root causes of flaws and searching for fundamental improvement measures.

Safety Management of Partner Companies

In 2011, S-OIL signed partnership agreements with 16 partner companies and accordingly supports their safety management activities through various programs. In order to lead partner companies to practice safety management on their



Support for Partners

- Safety and health education to prevent industrial disasters
- Joint safety and health inspections and technological assistance
- Joint campaign to enhance employees' awareness on safety
- Support for fundamental safety improvement of partner companies when selecting partner companies
- Support for SHE System
- Support for industrial health

Achieve Operational Excellence

- Environmental Management System
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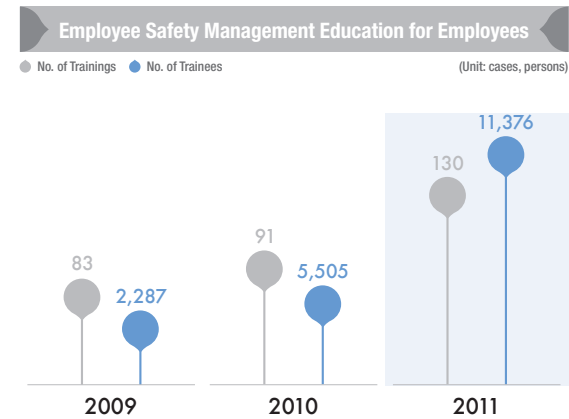
S-OIL keeps tank truck drivers away from water supply source protection areas and dangerous areas such as spots vulnerable to frequent traffic accidents in order to minimize the potential for pollution during transportation. The company prevents vehicles from leaking oil through regular vehicle checkups as well.

own, the company rewards and encourages outstanding companies and conducts annual safety management assessments. S-OIL did Special checkups of about 5,600 employees of partner companies in 2011.

Zero-Accident Man Hours Achievements
S-OIL has been running a Zero-Accident Man Hours Campaign to reward employees who have attained their zero-accident target hours as a gesture to encourage engagement in voluntary safety activities. We reached five million zero-accident man-hours on September 14, 2011 and 5,953,636 zero-accident man-hours as of De-

cember 31, 2011. We have continued to record 601 zero-accident days since May 10, 2010 and 0% in occupation disease rate.

Safety Education
S-OIL conducts health and safety efficiency improvement education both for employees of the company and for partner companies. The program includes self-safety and health education designated by the Occupational Safety and Health Act, special education for 39 dangerous jobs including oxygen depletion, training for new employees and administrators, and basic safety training for employees of partner companies. We have also provided special safety education on-line through the SHE System to all employees at the refinery. In 2011, education on facility safety standards was provided to 9,393 employees on



Health Education			
	2009	2010	2011
First Aid	76	-*	144
MSDS	926	973	3,601
Total	1,002	973	3,745

* Health education was not conducted in 2010 as all employees completed health education programs

six occasions. S-OIL plans to provide regular, carefully chosen safety education programs to all refinery employees, thereby enhancing their safety awareness and establishing a safe and accident-free work environment.

Safe Driving of Transportation Vehicles

S-OIL keeps tank truck drivers away from water supply source protection areas and dangerous areas such as spots vulnerable to frequent traffic accidents in order to minimize the potential for pollution during transportation. The company prevents vehicles from leaking oil through regular vehicle checkups as well. “Safe Driving Regulations” and “Oil Leak Know-How” are in place to prevent accidents and take first aid measures to keep damage to minimum. Furthermore, the company ensures safe transportation by providing regular training and sharing accident cases. Such efforts have paid off, and the company recorded zero oil leaks in 2011.

Oil Spill Prevention

Marine pollution caused by oil spills can severely damage both the environment and the economy of local communities. It can also take much time and effort to recover from such accidents. To fundamentally lessen the possibility of oil

spills, 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 usage of all tankers is limited to 20 years. In addition, we use only 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 in case a ship becomes stranded. We have significantly elevated the stability of the operation of crude oil unloading facilities in 2011 by installing current meters on SPM buoys in addition to the existing ARPA radars and tension meters. As a result, in 2011 we recorded no oil spills causing sea pollution. In addition, as only rapid, early anti-disaster activities can minimize damage in the case of a marine pollution accident, S-OIL established an anti-marine pollution accident procedure system with advice from specialists. According to the procedure, S-OIL provides training on a regular basis and carries out oil spill drills to ensure speedy and proactive responses to any and all incidents. It also maintains close partnerships with relevant organizations such as the Korea Coast Guard and the Korea Marine Environment Management Corporation. In November 2011, 70 employees from the refinery, the head office and terminals participated in a company wide marine pollution prevention drill.



Oil Spill Prevention Drill

4 Contribute to Society

VOICE OF STAKEHOLDERS

"Sincerity is the best strategy for a company's social contribution. A company and its employees can double the effect of their social contribution activities when they voluntarily carry out the activities with one accord. This is because true hearts move and energize one another and give the world dreams and hopes."

Tae-Hyung Lim,
Director, Community Relations Center, Korean National Council on Social Welfare

"S-OIL pursues growth that can benefit our society. We are an important contributor to the nation's green growth and economy and share our profits with the less fortunate as a good corporate citizen. S-OIL with employees in one accord is involved in social contribution activities in accordance with three principles — genuineness, impact, and timing. S-OIL's social contribution activities, called 'Sunshine Sharing,' will continue to develop as the company reflects the expectations of local communities in its activities."

Young-Hee Lee,
Senior Vice President, Head of Maintenance & Technical

40+41

20,040

Economic Value Created
(Unit: KRW 100 million)

100

Financial Support to Restore
Taehwaru Pavilion
(Unit: KRW 100 million)

2,312

No. of Participants on Public
Service Corps (Unit: persons)

PERFORMANCE SUMMARY

Sustainability Report 2010

- Encourage more than 80% of company employees to take part in wage tail-cut program.
- Develop various programs to motivate employees and enhance the impact of social contribution activities.

- Steadily seek to improve social contribution programs by referring to assessment results by specialized external organizations.

- Introduce and develop various CSR programs which reflected needs of local communities.

- Regularly conduct activities to protect natural heritage and invite customers' families to participate in voluntarily activities to protect natural heritage sites.

Achievements in 2011

- 80% of executives and employees (total 2,157) voluntarily participated in the wage tail-cut program and "1 Person 1 Social Contribution Account" Campaign.
- 84% of employees (a total of 2,312) voluntarily participated in social services.
- Expanded voluntary "talent-sharing" services (family photos with the Employee Photography Club, ties between sports clubs and local children centers and a marathon for the blind with the Employee Marathon Club).

- Held Cultural Art & Sharing campaign twice a month in the new head office building for residents in the local community based on feedback from Korean National Council on Social Welfare.

- Donated KRW 500 million to social welfare facilities recommended by 250 S-OIL service stations and carried out voluntary service activities for such facilities by holding the "Happiness Sharing N" Campaign in partnership with the Ministry of Health and Welfare and the Korean National Council on Social Welfare.
- Donated KRW 500 million and 2.4 million barrels of refined oil products to help Japan's earthquake victims.
- Founded the S-OIL Science & Prodigy Foundation and gave financial support to leading scientists in basic science.

- Held the Endangered Natural Monument Protection Campaign and Ecological Camp where customers and children of low-income families participated; managed the Natural Monument Protection Group consisting of college students and sponsored research activities by specialized groups.

Future Plan

- Steadily develop practical social contribution programs and promote employees' voluntary social contribution activities.

- Assess social impact of social contribution activities by introducing a social contribution index developed by a specialized external organization and reflect the results in social contribution plans.

- Develop various CSR programs to help local communities and low-income households.
- Give full financial support (KRW 10 billion for three years) to restore Taehwaru, a historic structure in the Ulsan area built during the Three-Kingdom Period and burnt down during the Japanese invasion of Korea in 1592.

- Vigorously take part in environmental preservation activities in connection with local communities. Promote biological diversity activities through steady protection of endangered natural monuments.



S-OIL’s securing crude oil means that the company was able not only to secure a steady and long-term source of feedstock but was also able to supply energy to the global community in a stable and economical manner. Given Korea’s high dependence on oil, reducing these risks plays an important role in national security.

Contribution Through Stable Energy Supply

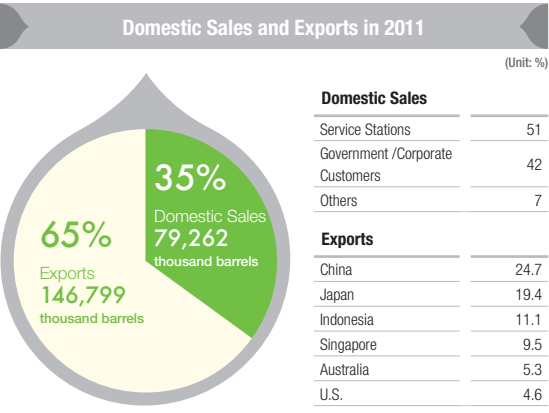
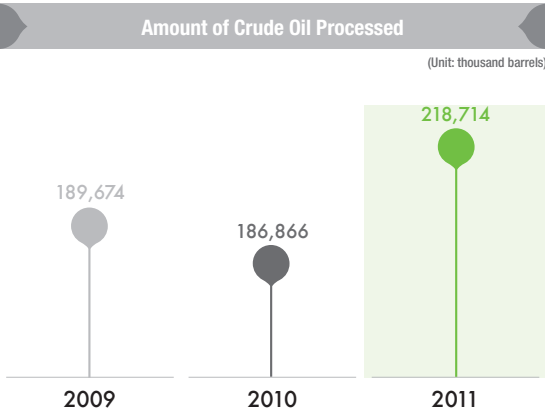
Maintaining a steady and stable supply of energy is important for any nation’s economic development in an environment of ever-changing supply and demand. In February 2012, S-OIL renewed a 20-year-long crude purchase agreement with Saudi Aramco, the principal shareholder of Aramco Asia that is the major shareholder of S-OIL, and the national oil company of the world’s biggest oil producing country, Saudi Arabia. The long-term agreement is a rare occasion in the crude oil market, where one-year contracts are common.

The signing of the deal is credited to the long-term partnership between Saudi Aramco and S-OIL, which has lasted for over 20 years since the first contract in May 1991, and the long-standing and amicable relationship between Korea and Saudi Arabia. This means that the company was able not only to secure a steady and long-term source of feedstock but was also able to supply energy to the global community in a stable and economical manner. Given Korea’s high dependence on oil, reducing these risks plays an

important role in national energy security. In addition, the company’s production facilities are best suited to refining crude imported from Saudi Aramco, enabling S-OIL to produce high value-added products in an economical and efficient way. By doing so, we can supply products to our domestic and international customers at highly competitive prices, an unrivaled core capability of the company.

Contribution to Trade between Korea and Saudi Arabia

Saudi Aramco invested in S-OIL with the expectation of establishing a model relationship between an oil producing country and an oil consuming country, and to lay the foundation for S-OIL’s long-term growth. S-OIL lived up to such expectations by serving as a strong bridge between Korea and Saudi Arabia in terms of trade and other areas. Today, Saudi Arabia is Korea’s biggest trading partner in the Middle East, with mutual trade volume in the region of USD 44 billion in 2011. The Onsan Refinery Expansion Project in 2011 is a prime example of S-OIL’s role in promoting trade ties between the two countries.



Contribution Through Exports

Ahead of other domestic oil refiners, S-OIL exported its products to developed countries such as those in Europe with rigorous environmental standards by taking the initiative in producing eco-friendly products form early on in its business. We have therefore been able to establish a marketing strategy balancing domestic demand and exports. In 2011, the company continued to expand its export markets. We enlarged our sales network in the Pacific region, Southeast Asia and Europe by strengthening direct supply contracts with overseas retailers and wholesale companies and by fostering partnerships with globally competitive companies. As a result, we exported approximately 65% of our products to about 30 countries. We have also upgraded our liaison office in Singapore — one of Asia’s most important oil, logistics and trading hubs — to an office, and we are further expanding our strategic overseas markets as we opened offices in China and Amsterdam in 2011.

Contribution as a Taxpayer

The refining industry dependably pays all taxes owed on profits created through its sales activities. It also assists government tax collection by collecting various taxes on petroleum products. Eight types of taxes and dues are imposed on petroleum products, including tariffs. Total tax revenues collected in 2009 were approximately KRW 27.6 trillion, accounting for 13.2% of total tax revenues in the year. Growing yearly through profitable and sustainable management, S-OIL contributes an increased amount in income tax expenses each year. In 2011, the company paid KRW 393.2 billion in income tax expenses, more than double than in the previous year, making the company a significant contributor to the national economy.

Income Tax Expenses (Unit: KRW million)

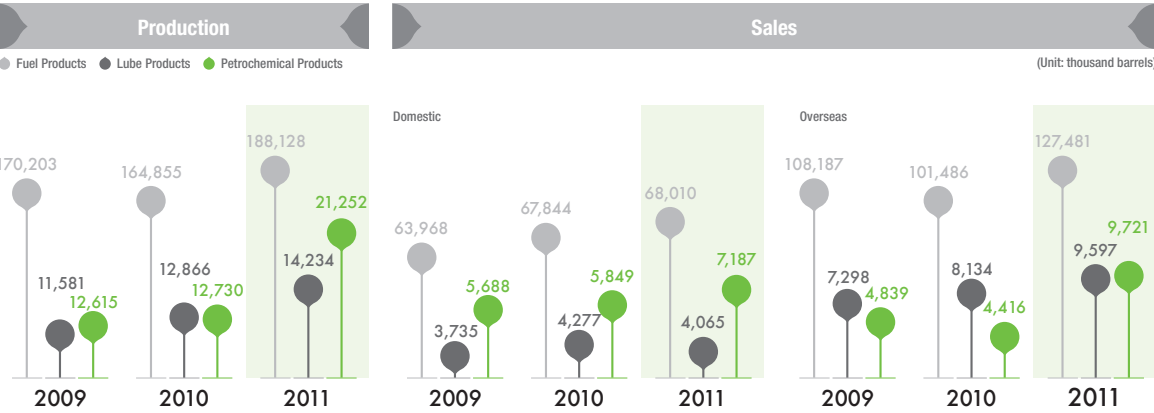
2010	2011
165,906	393,171

Creation of Economic Value (Unit: KRW 100 million)

	2010	2011
Sales Revenue	205,111	319,139
Purchasing Costs	(190,981)	(294,911)
Other Income	7,593	10,292
Other Expenses	(6,716)	(10,722)
Depreciation & Amortization	(2,761)	(3,758)
Economic Value Created	12,246	20,040

Distribution of Economic Value (Unit: KRW 100 million)

Stakeholders	Account	2010	2011
Employees	Labor Cost	3,020	3,346
Government	Tax	1,776	4,081
Local Communities	Social Contribution	60	105
Creditors	Interest	290	584
Shareholders / Company	Dividends, Retained Earnings	7,100	11,924
Economic Value Distributed		12,246	20,040



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 - Mitigating Negative Side Effects of Urbanization
 - Education for Local Youngsters
 - Nurturing Scientists
 - Promoting Local Community Sports
 - Reflecting Stakeholders' Opinions

S-OIL shares its profits with society’s underprivileged through its “Sunshine Sharing Activities.” The company sponsors endangered natural monument protection campaigns in order to preserve Korea’s natural heritage for future generations.

Local Purchasing

S-OIL contributes to win-win growth with small-and-mid-sized companies and to growth of the local economy by making over 4,000 purchases or more than 50% of its annual total purchases from small-and-mid-sized companies. In 2011, the company bought 4,700 bags of rice cultivated in an eco-friendly farming method from 49 farming families near Ulsan for donation to the needy in the local community. We have also helped economically troubled local farmers since 2004 by purchasing pears from farm near the Onsan Refinery as gifts for employees of the company and partner companies. S-OIL will continue such purchases to promote the win-win growth of the company and the many local communities surrounding its facilities.

Green Purchasing

S-OIL employs its own internal regulations that favor environmentally friendly purchases. In 2005, the company signed a voluntary “green” purchasing deal with the Ministry of Environment to promote eco-friendly production and consumption. The agreement was renewed in 2009 to contribute to the government's devel-

opment of a low carbon, eco-friendly society through the efficient use of energy and natural resources. In addition, the company is embarking on diversified efforts in green purchasing. Under the agreement, eco-friendly products are divided into seven types including environmental mark-certified products, excellent recycled products, hazardous substance reduction products, and waste reduction products. Therefore, staff in charge of purchasing is encouraged to purchase green products according to the company’s preferential purchase standards while improving the existing green purchasing system.

Social Contribution Activities

S-OIL shares its profits with society’s underprivileged through its “Sunshine Sharing Activities.” Bringing much needed human warmth to people in need, the activities are based on three principles — genuineness (voluntary participation), impact (becoming a respected corporate citizen while having a positive effect) and timing (conducting activities timely). Employing those principles under the themes “Heroes,” “Communities” and “the Environment,” executives and employees share their time and effort with communities through the S-OIL Public Service Corp, the company’s volunteer organization for employees.
* For more information, visit the Contribute to Society section of Sustainability on our website.

Social Contribution Programs and Investments in 2011		
(Unit: KRW million)		
	Program	Donation
For Heroes	• Hero Firefighter Program • Hero Citizens Program	840
For the Environment	• Support for research and protection activities by specialized groups • Natural monument education for children • Children's ecology camp • College Student Natural Monument Protection Group • College Student Natural Monument Protection Group • Voluntary service by employees and customers	250
For Local Communities	• Support for low-income families affected by house fires • Cultural Art & Sharing campaign • Sharing campaign by service stations • Support for the disabled to participate in overseas marathons • Donation to underprivileged neighborhoods • Ulsan Social Welfare Foundation	4,089
* Others: KRW 1 billion for S-OIL Table Tennis Team and KRW 1.3 billion for the S-OIL Prodigy and Culture Foundation		

Achievements of Sunshine Sharing Campaign			
(Unit: persons, KRW million)			
	Year	Wage Tail-Cut Program	1 Person, 1 Share Account
No. of Participants	2009	1,299	1,440
	2010	1,377	1,517
	2011	1,446	1,564
Average Monthly Donations (KRW million)	2009	7	15
	2010	7	15
	2011	7	15

Biodiversity (Endangered Natural Monuments Protection Campaign)

S-OIL sponsors endangered natural monument protection campaigns in order to preserve Korea’s natural heritage for future generations. In May 2008, we signed agreements with the Cultural Heritage Administration to protect natural monuments and selected otters (Natural Monument No. 330), cranes (Natural Treasure No. 202) and hemibarbus mylodon (Natural Monument No. 259) to receive support for protection and research activities by relevant organizations. Some of our other activities have included running children’s natural monument classes and ecology camps, launching a university students’

natural monument protection corps, and sponsoring natural habitat protection activities by employees. In addition to our continuing support for campaigns to protect endangered species, we are putting utmost effort into preserving the marine environment and resources by participating in seacoast clean up activities near the Onsan Refinery.

Support to Victims of the Japan Earthquake

On March 20, S-OIL contributed KRW 500 million to the Community Chest of Korea to assist Japan’s earthquake victims. Apart from the donation, S-OIL supplied 2.4 million barrels of petroleum products including kerosene, diesel oil, low-sulfur bunker-C oil and 300,000 barrels of gasoline to Japan’s oil refining industry. Those amounts were the highest among donations to Japan, indicating S-OIL’s genuine commitment to social contribution. Looking ahead, we plan to expand the scope and reach of our global social contributions for the prosperity of all humankind.

Support for Local Residents

The objective of the S-OIL Ulsan Welfare Foundation is to carry out a variety of social welfare projects to improve the lives of the underprivileged in Ulsan. In 2007, we became the first business in Ulsan to launch a welfare foundation. The company locates those in need through regular communication with local residents and tries to find appropriate measures to help them. Since 2001, even before the establishment of the Foundation, the company purchased rice from nearby farming families for donation to the less fortunate and donated heating oil to 500 low-income families during winters. In addition, we support welfare facilities for the disabled, war veterans and patriots, and social welfare facilities with the aim of providing help, however small, to those in need.

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Mitigating Negative Side Effects of Urbanization

Education for Local Youngsters

Nurturing Scientists

Promoting Local Community Sports

Reflecting Stakeholders' Opinions

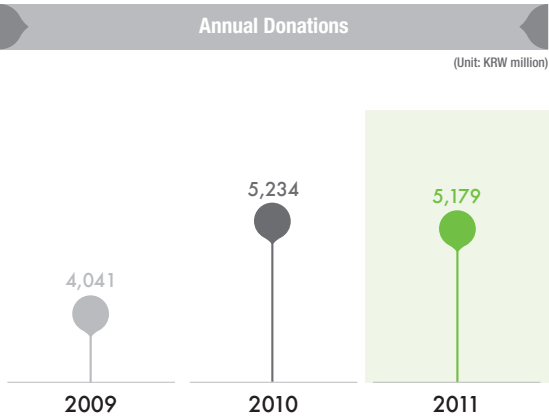
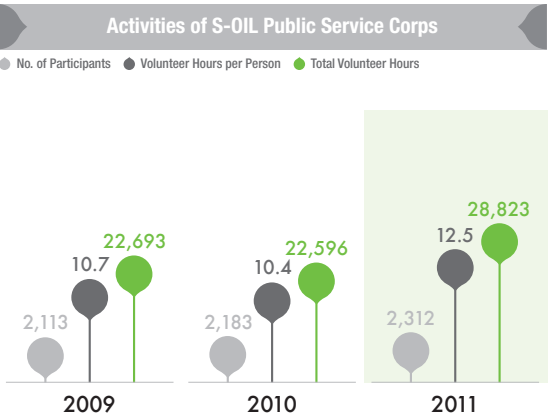
S-OIL gives support to local cultural events for local resident's better quality of life, runs educational and scholarship programs for teenagers' bright future. At the same time, the company supports leading scientists to develop the basic science sector through the S-OIL Science Foundation.

Preservation of Local Culture

S-OIL supports local cultural events in order to enhance the quality of cultural life for Ulsan citizens and to preserve historic arts and culture. In 1993, the company established the Oh Yeong-su Literary Prize in memory of Oh Yeong-su, a famous short story writer born in Ulsan. Today, the prize is one of the nation's most prestigious literary awards. Since 1996, we have held the Beautiful Eye Art Festival to support the creative activities of amateur artists in the region. We also promote local culture by sponsoring a wide range of regional, cultural and art events such as the Spring Literary Contest organized by the Gyeongsang Ilbo, a local newspaper, the Cheoyong Cultural Festival, the Ulsan Whale Festival, the traditional musical performance "Byeongyeong Seonang Chigi", and the Onggi Expo Ulsan Korea. In 2011, we screened a video of excellence of the petrochemical industry at the Two-Dimension Circle Screening Room in Ulsan Museum, which is the city's first general museum.

Mitigating Negative Side Effects of Urbanization

Ulsan, the home of S-OIL, became a large industrial center when companies began to operate in the region during Korea's industrial expansion. Due to its rapid growth, some have suggested that the city lacks adequate public rest spaces for the people. With that in mind, the company signed an agreement with the Ulsan Metropolitan Government to donate KRW 10 billion towards the restoration of the city's Taehwaru pavilion. Built during the Shilla Dynasty and destroyed during the Japanese invasion of Korea in 1592, Taehwaru is one of three important small pavilions in the region along with Yeongnamru in Milyang and Chokseokru in Jinju. Upon its planned completion in 2014, the restored pavilion will not only offer a comfortable public rest space, but will also stand as the defining landmark of the city and the pride of the people of Ulsan.



* Donations for 2009 include the Job Sharing Fund (KRW 276 million)
* Donations for 2010 do not include Korean Refineries' Joint CSR Fund (KRW 1.693 billion)
* Donations for 2011 do not include Korean Refineries' Joint CSR Fund (KRW 3.994 billion)

Education for Local Youngsters

S-OIL is dedicated to creating a brighter future for teenagers in the community through its support for the Green Dream High School, an alternative school, and elementary schools in the Ulsan region. To nurture the creativity of local children, the company runs the "Children's Science Magic School," which in an innovative departure from traditional methods uses magic to teach children about scientific principles. In addition, we support athletics clubs and after-school programs at seven local elementary and middle schools and organize a wide range of social contribution activities such as book donations, scholarship foundations to serve Onsan, study facilities for teenagers, and the Winter Snail School for Handicapped Children.

Nurturing Scientists

S-OIL established the S-OIL Science Prodigy and Culture Foundation in January 2011 in order to nurture leading scientists who can represent Korea in the basic science sector. The company and the foundation also give financial support to distinguished Korean scientists by establishing the Leading Scientist of the Year Fellowship and young scientists in physics and chemistry by establishing the Excellent Thesis Prize.

Promoting Local Community Sports

S-OIL launched its table tennis team in July 2010 in order to enhance its brand image, contribute to the nation's sport promotion policy, and promote local community sports. The team is based in Ulsan, home to the Onsan Refinery, and comprises a head coach and seven players. With the committed support of S-OIL the team has performed outstandingly, winning silver medals in the Korea Amateur Table Tennis Championship and the National Sports Festival in September and October 2011 respectively. In addition, team member Jo Eon-rae was selected for the Korea National Table Tennis Team in January 2012.

Reflecting Stakeholders' Opinions

S-OIL's CSR activities were assessed by the Community Relations Center of the Korean National Council on Social Welfare in 2010. Based on its assessment results and feedback, from 2011 we have held free performances for residents near our head office building twice a month (lunchtime and evening) as part of our Cultural Art & Sharing campaign. As one of the social contribution activities connected to our business, we also engage in activities to share our profits with local communities in cooperation with service stations across the nation. Those sharing activities and our commitment to serving those in need will continue in 2012.



Dong-Yeol Shin
Senior Vice President
Head of Refinery Management & Coordination

"With a view to fulfilling our social responsibilities as a corporate citizen, S-OIL engages in a wide range of social activities that can contribute to local communities. Our initiatives include establishing the S-OIL Ulsan Welfare Foundation, promoting local culture by taking the lead in the regional Mecenat movement, supporting the Taehwaru pavilion restoration project, and operating voluntary service groups staffed by refinery employees. We are continuing to make endeavors to grow with our local communities by developing social contribution programs that meet their needs."

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Pursue Global Best Practices of Corporate Governance

VOICE OF STAKEHOLDERS

"It is no exaggeration to say that corporate governance is key to the success of a company in the long term. Maintaining transparent corporate governance and forming an ethical organizational culture is an unconditional proposition for a good company."

Jong-Sun Park,
Director of the Korea Business Ethics Institute

"S-OIL has grown into one of the most competitive companies in the Asia-Pacific region. The company is managed with the recognition that transparent and ethical corporate management is indispensable to sustainable growth. S-OIL's Board of Directors oversees the company to map out and execute its development plan in line with its strategies, underpinned by a decision-making process where checks and balances are harmonized. In addition, the BOD has cemented the foundation for accountability-based, transparent management by separating the chairman and the CEO, and based on this, the company implemented company wide ethical management. It enhances its fair, lawful, anti-corruption practices by applying ethical standards as a top priority in decision-making through ethical management and extends this activity to its partner companies. In the future, we aim to become a global beacon of ethical management and transparent corporate governance."

Young-II Cho,
Senior Vice President, Head of Domestic Marketing Headquarters

54.5

Percentage of Outside
Directors in BOD (Unit: %)

2,544

Trainees of Ethical Management
Education (Unit: persons)

200

Fair Trade Education
(Unit: hours)

PERFORMANCE SUMMARY

Sustainability Report 2010

· Identify areas for improvement based on analysis of global standards of ethical management and sustainability management such as ISO 26000.

Achievements in 2011

· Advanced the audit information system in order to revise risk-based audit programs and deal with changes in the audit environment by reflecting advanced global cases.

Future Plan

· Make improvements related to management strategies by analyzing international standards and guidelines on ethical management and sustainability management.



· Explore year-round monitoring and continuous improvement in the accounting system and procedures to apply K-IFRS and provide transparent and accurate financial information.

· Improved the company's accounting policies and processed to a global standard by reflecting K-IFRS and revisions in tax laws and regulations.

· Steadily improve the company's accounting policies and processes to a global standard by reflecting accounting trends and revised laws and regulations.



· Renew website to enhance access to company information.

· Redesigned company website around the 7 Strategic Imperatives for sustainability management and realized a web-based reporting system in connection with the sustainability report.

· Develop an interactive information communication method consistent with the rapidly changing IT environment that gives stakeholders easy access to sustainability management activities and performances.



· Establish a procedure to effectively share new and revised laws and regulations.

· Revised and improved "Fair Trade Handbook," an internal working-level guideline on revision of laws and compliance with the Fair Trade Act.

· Held a legal seminar by inviting external specialists.

· Build a legal compliance system by reflecting standards and procedures on legal compliance for employees.



S-OIL, a joint venture between Saudi Arabia’s state-run oil company and the Hanjin Group, has established solid and transparent corporate governance through the Board of Directors (BOD) which plays an important role based on a sound system of checks and balances. The company ensures efficient and transparent operation by delegating authority as necessary to the approval line, which runs from the CEO all the way down to team leaders. Various systems to support the decision-making process also contribute to further boosting transparency.

Transparent Corporate Governance

S-OIL, a joint venture between Saudi Arabia’s state-run oil company and the Hanjin Group, has established solid and transparent corporate governance through the Board of Directors (BOD), which plays an important role based on a sound system of checks and balances. The BOD’s 11 directors comprise one inside director, four non-standing directors, and six independent outside directors. The outside and non-standing directors possess a wealth of expertise and experience in the refining industry. Since the majority of the BOD is comprised of outside directors and most of them are non-standing directors, they are able to supervise the company’s management activities and performance objectively and independently. The Board of Directors, which convenes every three months, makes strategic and critical decisions regarding the company and receives reports on business progress from company executives. The BOD meeting can be convened when necessary. In 2011, BOD meetings were held five times.

Establishment and Operation of Committees

To ensure efficient, professional, transparent operation of the BOD, six outside directors and one non-standing director participate in the BOD's Board Audit Committee, Compensation Committee, and/or Outside Director Candidates Recommendation (ODCR) Committee. The Board Audit Committee evaluates overall business management and the current status of the Internal Accounting Control System and also receives reports on internal audits. The Compensation Committee establishes the company’s compensation policy and system, including employee salaries, severance pay, and incentives. The ODCR Committee examines candidates’ quali-

cations according to all relevant rules and regulations, selects those most suitable, and recommends them as outside directors at the General Meeting of Stockholders. In particular, the Board Audit Committee, comprising three outside directors and one non-standing director, is actively engaged in ethical management. It receives and considers ethics management activities from the Ethics Committee and offers recommendations to senior management on how to improve the ethical management of the company.

Separation of BOD Chairman and CEO

By separating the role of the CEO and the Chairman of the BOD, the CEO is able to concentrate on strengthening his expertise while the BOD is able to oversee the CEO’s management activities from a more objective perspective. Thanks to this, the BOD is currently making decisions in a way which will increase shareholders value and maximize stakeholder interest.

Shareholders’ Suggestions and Management Issues Handled at General Meeting of Stockholders

Two report items and five resolution items submitted to the 2011 General Meeting of Stockholders all obtained approval from the shareholders. The above-mentioned items are made public

Report Items

Audit reports by Board Audit Committee

Business reports

Resolution Items

Approval of the 37th balance sheet, income statement and statements of appropriation of retained earnings

Change in Articles of Incorporation

Appointment of director

Appointment of members of Board Audit Committee

Compensation for directors

in the electronic disclosure systems of the FSS and the Korea Stock Exchange

Transparent Management System

S-OIL ensures efficient and transparent operation by delegating authority as necessary to the approval line, which runs from the CEO all the way down to team leaders. Various systems to support the decision-making process also contribute to further boosting transparency.

Risk-Based Audit for Work Process Improvement

Experienced auditors with a variety of certifications systematically assess the effectiveness and efficiency of business process, governance, internal control, and risk management of entity being audited. Particularly, in an effort to add value to the company, the auditors focus on improving business process in terms of materiality, commerciality, and practicality. In 2011, S-OIL revised its audit program to reflect the most advanced global standards by introducing audit data analysis software and audit management software to tackle changes in the audit environment. Such improvements enabled the company to retrieve, collect and analyze vast IT data while significantly enhancing its risk monitoring function. This improved process also eased audit organizations’ pressure to submit the materials

of audited organizations. In addition, online audit reports have created a paperless environment and an efficient service that assists each audited department and the entire company to reach its goals.

Ethics Committee

S-OIL strives to prevent any small conflict of interest between the company and its employees from developing into a significant ethical issue. To this end, the company prohibits executives/employees and their spouses from engaging in any kind of transaction with the company. Even the smallest likelihood of a conflict of interest arising as a result of executives/employees’ lineal descendants or retired executives/employees’ engaging in transactions with the company is thoroughly checked by the Ethics Committee. The Committee comprises four executives — the HR Officer, the Head of the Planning and Coordination Office, the General Counsel, and the Controller. Their qualifications are evaluated by the Board of Directors’ Board Audit Committee before they are appointed by the CEO. The Committee reports its activities to the CEO every six months and to the Board Audit Committee once a year. Its activities are disclosed to executives and employees via the company’s ethics management website. In 2011, the Ethics Committee convened 24 times and deliberated on 87 cases.

- Pursue Global Best Practices of Corporate Governance
- Transparent Corporate Governance

Transparent Management System

Supply Chain Monitoring and Management

Supporting Partners' Sustainability Management

Composition of BOD (as of March 23, 2012)		
	Name	Position
Inside Director (1)	Nasser Al-Mahasher	• Representative Director and CEO
	Y. H. Cho	• BOD Chairman
Non-Standing Directors (4)	K. G. Al-Buainain	• Non-Standing Director
	B. A. Abul-Hamayel	• Non-Standing Director
	T. S. Suk	• Board Audit Committee Member(Non-Standing Director)
	S. A. Al-Ashgar	• Board Audit Committee Chairman • ODCR Committee Member
Outside Directors (6)	S. B. Al-Kaki	• Compensation Committee Member
	H. T. Al-saadoun	• Board Audit Committee Chairman • Compensation Committee Member • ODCR Committee Member
	M. S. Chung	• ODCR Committee Chairman • Board Audit Committee Member
	S.E. Park	• Board Audit Committee Member
	Y.S. Ahn	• Compensation Committee Member • ODCR Committee Member

According to the S-OIL's Code of Business Ethics and Conduct, employees should honor domestic and foreign laws and regulations and the company's policies and regulations with a strong sense of ethical values. S-OIL launched a Supplier Visit Program in 2011 to boost mutual exchanges and trust and to demonstrate its enthusiasm as a purchaser for laying the foundation of sustainable cooperation.

Purchase Process Improvement

S-OIL ensures its purchase process is ethical and transparent as part of its goal of robust, ethical management. In bidding processes three or more vendors should participate, except if any bidder is a retired employee, in which case the participation of four or more vendors is compulsory in order to ensure a fair process. Moreover, we have introduced a monitoring system to enhance employees' awareness of business ethics. The results of the monitoring are reflected in our key performance indicators (KPIs). In addition, we provided company-wide ethical management education to deepen employees' understanding of ethical management and encourage them to practice business ethics.

Anti-Corruption Policies

According to the S-OIL's Code of Business Ethics and Conduct, employees should honor domestic and foreign laws and regulations and the company's policies and regulations with a strong sense of ethical values. In particular, the code prohibits unjust or wrongful orders, kind offices, favors and receiving economic benefit in connection with their duties. Employees are not allowed to receive money or goods, treats, entertainment or convenience related to their jobs from stakeholders.

Whistleblower Program

S-OIL operates a Help Desk (+82-2-3772-5231) and the Ethical Management website to field reports on unethical acts. The website has FAQs and Q&As to help employees understand what constitutes unethical behavior. Moreover, the company installed a reporting channel on the home page of the website , which is connected to its corporate website and intranet to facilitate easy reporting by stakeholders. The reporting channel is described in the Ethical Management Handbook distributed to employees and stakeholders and has introduced employees to various ethical issues via annual company-wide ethical management education. Furthermore, S-OIL receives reports through the Customer Center and the website.

Supply Chain Monitoring and Management

S-OIL launched a supplier visit program in 2011 to boost mutual exchanges and trust and to demonstrate its enthusiasm as a purchaser for laying the foundation of sustainable cooperation. As part of the program, S-OIL fully explains the company's transparent and objective ethical management and purchase system, listens to suppliers' questions and proposals, and makes every efforts to provide appropriate solutions and feedback.

Supporting Partners' Sustainability Management

S-OIL Total Lubricants Co.,Ltd (STLC)

Established in May 2008, STLC is a joint venture between S-OIL and TOTAL Raffinage Marketing S.A. (S-OIL: 50% plus one share and TOTAL: 50% minus one share). The firm produces and sells lubricants using lube base oil from the On-san Refinery and utilizes the lubricant production technology and marketing know-how of TOTAL. S-OIL participates directly in the management of STLC by providing its Head of Business Operations and CFO. The BOD of STLC comprises three people from S-OIL, three people from TOTAL and one auditor from S-OIL.

Hankook Silicon

Through strategic investment to acquire a 33.4% stake (41,042,750 shares) in Hankook Silicon, S-OIL became the company's second largest shareholder and participates in its management in form of a joint investment with Osung LST, the largest shareholder. S-OIL plays no direct role in Hankook Silicon's operations but endeavors to make sustainable management an integral part of the company. In particular, the transparent corporate governance of Hankook Silicon made it easier for it to adopt S-OIL's advanced management know-how and systems, thereby laying the foundation for rapidly achieving ethical standards and sustainability matching leading global companies. Currently, the company's BOD comprises eight directors of which S-OIL has the right to appoint three seats. Senior executives at S-OIL were appointed as directors of Hankook Silicon to take part in key decisions and maintain close communications in order to take Hankook Silicon's growth to a higher level.

Deliberation of Ethics Committee in 2011		
	Number of Items Deliberated	
Operation of Sales Networks	22	
Purchase of Products and Services	62	
Others	3	

Ethics Education in 2011		
	(Unit: persons, hours)	
	Trainees	Hours
Ethical Management	2,544 ¹⁾	1~2
Prevention of Sexual Harassment	All employees	1
Fair Trading	200 ²⁾	1

1) Company-wide education: 2,473 employees; education of new employees: 71
2) Employees of domestic district sales HQs/25 domestic and 3 overseas sales



6 Attain Highest Level of Capital Efficiency

VOICE OF STAKEHOLDERS

"A company must build a strong crisis management system to deal with changes in its business environment and various crises. Employees of the company should develop their capabilities to enable them to overcome any crisis."

Min-Yeon Jo,
Director, Enterprise Risk Services of Anjin Accounting Co.

"In recognition of its stable financial structure, S-OIL received the highest credit rating among its domestic peers from both local and global credit rating agencies. Such rating allows the Company to enjoy low-cost financing, upon resolution by the Cash Management Committee, for operational activities and for investments. In 2011, S-OIL introduced a zero-base budgeting system to ensure more efficient budget control and steadily improved its ability to manage risk by integrating its Risk Management System, Internal Accounting Management System and Early Warning System. Those efforts to create a deep-rooted, world-class risk management system were recognized when the Company received a perfect rating for risk management in the Dow Jones Sustainability Indexes 2011, a globally renowned model benchmarking corporate sustainability"

Yul Ryu,
Executive Vice President, Finance B/L Head (CFO)

54+55

943

Investor's Meeting
(Unit: times)

16,386

Operating Income
(Unit: KRW 100 million)

28.35

Borrowings to Total Assets
(Unit: %)

PERFORMANCE SUMMARY

Sustainability Report 2010

- Grasp potential challenges and devise appropriate measures in close cooperation with external credit rating agencies to enhance credit rating.

Achievements in 2011

- Maintained a "AA+" domestic rating since 2007.
- Maintained a "BBB (stable)" rating and a "Baa2 (stable)" rating from S&P and Moody's respectively.

Future Plan

- Maintain the highest credit rating and continue to secure a stable credit limit.



- Develop budgeting procedures and management measures for zero-base budgeting.
- Enhance budget management system and efficiency.

- Introduced a zero-base budgeting system for efficient and transparent resource distribution despite business environment uncertainties.
- Minimized inefficient budget use through performance analysis.

- Reinforce optimal resource distribution, budgeting and control process by developing method to assess zero-base budgeting.



- Improve systems infrastructure such as the ERM and strengthen preventive risk monitoring by coping with changes in the business environment.

- Implemented an early warning system to monitor high-risk work processes in advance and quickly manage to risk through analysis of a scenario-based management information system.
- Risk management rated world-class by Dow Jones Sustainability Index, the most prestigious sustainability evaluation index.

- Maintain a world-class risk management capability by diffusing risk management culture within the organization and expanding capability to deal with risk.
- Reinforce potential risk management by establishing an early warning system and updating the monitoring scenario.



- Increase financial stability by reinforcing F/X market monitoring and by maintaining NDL at an optimum level.

- Hedged risk from foreign exchange rate fluctuations that affect operating income net dollar liabilities to optimize financial structure.

- Study ways to optimize capital efficiency and financial structure to maximize corporate value.



S-OIL maintains an appropriate level of working capital every year that takes account of oil price forecasts, sales targets, and investment plans. S-OIL has maintained a consistently high credit rating through regular communication with credit rating agencies and proactive management of the core measurements used to determine credit ratings that enable it secure stable and competitive financing conditions.

Optimal Working Capital and Management of Financial Indicators

S-OIL maintains an appropriate level of working capital every year that takes account of oil price forecasts, sales targets, and investment plans. In 2011, the company raised its credit line with healthy financial institutions in order to deal with volatility in the financial market triggered by the eurozone crisis, allowing it to secure the cash liquidity required for operations. In addition, we monitor financial market trends and our cash flow regularly and invest our retained cash in stable products of reputable financial institutions to generate cash from working capital. We set and manage goals for the company’s optimal financial structure in terms of financial soundness and capital efficiency and manage major financial indicators such as RCF (Retained Cash Flow)/Debt and Debt/EBITDA. The company’s Cash Management Committee convenes frequently to discuss key company-wide issues and respond to volatility in financial markets to ensure efficient and stable operation.

Maintaining a High Credit Rating

S-OIL has maintained a consistently high credit rating through regular communication with credit rating agencies and proactive management of the core measurements used to determine credit ratings that enable it secure stable and competitive financing conditions. In 2003, NICE¹⁾ and KIS awarded S-OIL an AA credit rating. That rating was upgraded to AA+ in June 2007 and has remained unchanged. S&P and Moody’s awarded the company credit ratings of BBB (moderate)

and Baa2 (moderate) respectively in March, 2009, thereby making it easier for the company to expand its sources of loans for investments. The ratings are among the highest in Asia with the exception of some state-run refining companies.

Domestic Credit Ratings		
Evaluation Date	Credit Rating	Credit Rating Agencies
2007. 6	AA+	KIS ²⁾ /NICE
2009. 9	AA+	KIS/NICE
2010. 5	AA+	KIS/NICE
2011. 6 ³⁾	AA+	KIS/NICE

1) Changed the company name from Hankook Sinyong Jeongbo to NICE in September 2011
2) KIS : Korea Investors Service
3) Reflected regular ratings by credit rating agencies in June 2011.

Effective Budget Management

S-OIL prepares its annual budget for the efficient distribution of resources after receiving approval from the BOD. It also regularly reports budget expenditures to the BOD. S-OIL enhances its financial soundness by reducing redundant budget spending and eliminating inefficiencies through careful inspection and regular analysis of expenditures. Furthermore, in 2011, the company introduced a “Zero-Base Budgeting” system to prepare for budget management in increasingly uncertain business environments in 2012. S-OIL will continue to distribute resources optimally using the zero-base budgeting system and strengthening economic analyses of its costs and capital expenditures. The company also aims to enhance its budget management efficiency by reinforcing long-term feedback on expenditures.

Reasonable Dividend Policy

One of S-OIL’s business goals is to enhance shareholder value through a reasonable dividend policy that takes into account financial soundness, profits for shareholders, and financial resources while also allowing for steady growth based on the company’s stable financial structure and transparent corporate governance. As part of its shareholder-oriented management, S-OIL has paid interim dividends since 2000. Through our regular dividend payments we are sharing profit with shareholders and contributing to the growth of a shareholder-driven management culture by rewarding our long-term shareholders who value dividends over short-term capital gain.

Integrated Risk Management System

Enterprise Risk Management (ERM)

S-OIL’s ERM (Enterprise Risk Management) system prioritizes the proactive prevention of risk by constantly monitoring changes in its management environment. Risk is classified into five types — strategy, market, finance, compliance and operation — and carefully monitored against Key Risk Indicators. Analyzing these risks helps us to prevent them and minimizes the possibility of accident, loss, or disaster. Any necessary actions are taken swiftly and systemically according to predefined response described in a risk response manual. The outcomes of monitoring and our responses to them are regularly reported to the ERM Committee, which comprises the CEO, the head of each business line, and the head of the Planning & Coordination Office. Key issues are also regularly reported to the Board Audit Committee and the BOD. This ensures that senior management is always familiar with the results of the risk management process and can make decisions based on this knowledge.

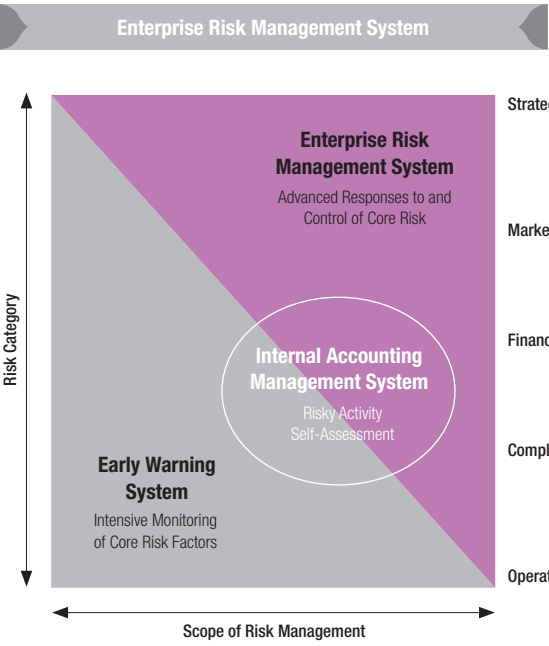
Internal Accounting Management System

S-OIL has expanded the Internal Accounting Management System for internal control to secure the reliability of financial reporting, into a

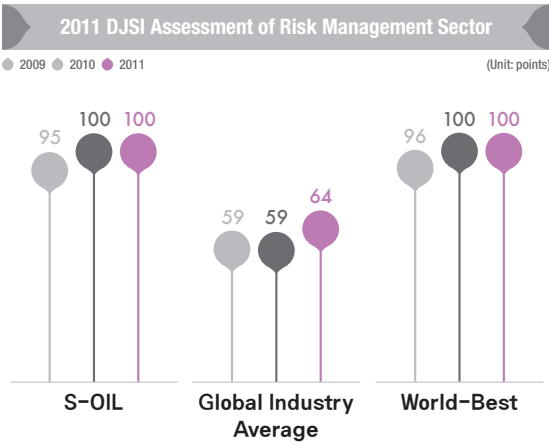
self-assessment system on overall risk management activities. All employees check whether or not proper internal control activities on their work processes were carried out. Then, the company-wide Task Force Team thoroughly assesses the results. In particular, the CFO sits as Internal Accounting Manager who is in charge of the Internal Accounting Management System and regularly reports on the status of the System’s operations to the BOD and the Board Audit Committee.

Early Warning System

We process most of the business transactions in the form of system data and offer important management information through an information system. S-OIL is operating the Early Warning System that analyzes vast amounts of data generated from work activities on a scenario basis and report data of anomalous transactions to employees in charge. This system is operated to quickly respond to potential risky transactions and contributes to enhancing our job performances by constantly managing work processes in risky areas and therefore, minimizing losses incurred by risk.



- Attain Highest Level of Capital Efficiency
- ▶ Optimal Working Capital and Management of Financial Indicators
 - ▶ Maintaining a High Credit Rating
 - ▶ Effective Budget Management
 - ▶ Reasonable Dividend Policy
 - ▶ Integrated Risk Management System
 - ▶ Closer Communication with Shareholders and Investors



World’s Best Risk Management

The DJSI (Dow Jones Sustainability Index) considers an enterprise’s risk management capacity to be an essential part of its measurement of “Corporate Economic Sustainability.” S-OIL was included in the DJSI world oil and gas producers sector in 2010 and 2011. Its risk management was evaluated as world-leading and used as an exemplary case. We intend to maintain our world-class risk management capability by strengthening the operation of our risk management system and preventive risk monitoring activities by responding appropriately to changes in the business environment.

Closer Communication with Shareholders and Investors

Transparent Disclosure of Business Information

S-OIL is committed to increasing both public access to company information and the value of disclosed information. Our accounting procedures and systems comply with K-IFRS standards and we carry out constant monitoring and regular improvements in order to provide more transparent and accurate financial information. We have also directed significant resources into maintaining and upgrading our ERP system for that purpose. At the General Meeting of Stock-

holders convened after the end of each fiscal year, executives including the CEO and senior management explain the business status of the company and provide shareholders with the accurate information they need for specific decision-making. In addition, our website provides a wealth of investment information as well as a Q&A section, which enables our shareholders and stakeholders to easily and fully understand our business management systems and ask questions and make suggestions.

IR Activities

S-OIL is vigorously conducting IR activities to help shareholders and investors better understand and build trust in the company and have the present and future of the company fairly evaluated by offering them accurate information on the business policies and performances of the company. The company actively publicizes its strengths such as its financial stability, world-class risk management system and balanced pursuit of growth potential and high payout ratio. In 2011, the company conducted IR activities for institutional investors (including foreigners) and analysts 943 times, an increase of about 50% from the previous year. In addition, the company engaged in IR activities for individual investors through its home page and on the phone. In the future, we will step up our efforts to share the fruits of future growth and performances with our shareholders.

IR Events			
(Unit: times)			
	2009	2010	2011
Investors' Meetings	531	618	943
Hosting of NDRs ¹⁾	7	10	11
Participating in Conferences	11	11	15
Conference Calls	4	4	4

1) Non-Deal Roadshow

Financial Achievement

These financial data were reported in accordance with the newly adopted K-IFRS and belong to 2010 and 2011. Data for 2009 is based on January 1, 2010.

Statements of Financial Position (Summary)		
(Unit: KRW million)		
	2010	2011
Current Assets	5,992,212	8,823,100
Non-Current Assets	4,011,286	4,381,001
Total Assets	10,003,498	13,204,101
Current Liabilities	4,573,416	7,235,988
Non-Current Liabilities	925,487	741,759
Total Liabilities	5,498,903	7,977,747
Capital Stock	291,512	291,512
Capital Surplus	379,190	379,190
Reserves	1,008,124	993,911
Treasury Stock	(1,876)	(1,876)
Retained Earnings	2,827,645	3,563,617
Total Equity	4,504,595	5,226,354
Total Liabilities and Total Equity	10,003,498	13,204,101

Stability Indicators		
(Unit: %, times)		
	2010	2011
Current Ratio	131.02	121.93
Total Liabilities to Equity Ratio	122.07	152.64
Borrowings to Total Assets	26.18	28.35
Times Interest Earned	29.80	28.05

Profitability Indicators		
(Unit: %, times)		
	2010	2011
Operating Income to Sales	4.22	5.13
Net Income to Sales	3.46	3.74
Return on Equity	16.82	24.51
Operating Cash Flow to Total Assets	8.65	3.79

Statements of Comprehensive Income (Summary)		
(Unit: KRW million)		
	2010	2011
Revenue	20,511,068	31,913,863
Cost of Sales	(19,252,374)	(29,695,742)
Gross Profit	1,258,694	2,218,121
Selling Expenses	(365,832)	(437,007)
Administrative Expenses	(69,623)	(83,611)
Other Income	517,522	702,752
Other Expenses	(476,126)	(761,617)
Operating Income	864,635	1,638,638
Financial Income	241,760	326,402
Financial Expenses	(230,423)	(379,443)
Profit Before Income Tax	875,972	1,585,597
Income Tax Expense	(165,906)	(393,171)
Net Income	710,066	1,192,426
Other Comprehensive Income	(21,289)	(28,173)
Total Comprehensive Income	688,777	1,164,253

Growth/Activity Indicators		
(Unit: %, times)		
	2010	2011
Sales Growth Ratio	17.72	55.59
Operating Income Growth Ratio	147.91	89.52
Net Income Growth Ratio	159.86	67.93
Total Assets Growth Ratio	9.96	31.99

Dividend Payments			
(Unit: KRW 100 million, %, KRW)			
	2009	2010	2011
Total Dividends Paid	1,573	2,911	5,589
Cash Dividends	57.55	41.00	46.87
Rate of Cash Dividends	Common	2.41	2.77
	Preferred	3.01	4.37
Amount of Cash Dividends per Share	Common	1,350	2,500
	Preferred	1,375	2,525

- Attain Highest Level of Capital Efficiency
- Optimal Working Capital and Management of Financial Indicators
 - Maintaining a High Credit Rating
 - Effective Budget Management
 - Reasonable Dividend Policy
 - Integrated Risk Management System
 - Closer Communication with Shareholders and Investors

SI 7 Develop Platform for Sustainable Growth

VOICE OF STAKEHOLDERS

"Long-term strategic investment is not a cost but is an essential effort for business. To create a sustainable future, companies that try to create new value should be increased."

Jae-Yun Choi,
Representative of Cross Management Institute

"Companies need to endeavor to invest with insight into the future in order to secure competitiveness in a rapidly changing business environment. S-OIL has become Asia's largest paraxylene supplier by pushing forward with the Onsan Refinery Expansion Project despite the global financial crisis in 2008. It has also strategically advanced into the polysilicon business, the upstream sector in the value chain of the photovoltaic industry, which is expected to lead an entirely new future energy sector. S-OIL will continue to strive to carry out its mission of 'sustainable, profitable growth' through seeking new business opportunities and responding preemptively to changes in the future energy mix."

Jong-Bum Ahn,
Senior Vice President Head of Planning & Coordination Office

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Production Capacity of
Paraxylene
(Unit: 10 thousand tons)

15,000

Production Capacity of
Hankook Silicon
(Unit: tons)

6

The Highest Environmental Friendli-
ness Grade from the Ministry of
Environment (Unit: consecutive
times recognized)

60+61

PERFORMANCE SUMMARY

Sustainability Report 2010

· Seek opportunities to expand our capacity to produce high-value-added products by carefully monitoring industrial trends.

Achievements in 2011

· Established 2020 Roadmap, which includes future investment in the Onsan Refinery, the backbone of creating profits for the company, after analyzing various industrial trends and intensive discussions.

Future Plan

· Study the feasibility of investment in upgrading facilities to enhance our competitiveness and profitability in the refining business.
· Expand R&D in cooperation with specialized external organizations.



· Plan to produce 1.79 million tons of paraxylene and 580,000 tons of BTX a year by starting commercial operation in April 2011.

· More than doubled petrochemical production capacity (paraxylene: 1.79 million tons a year and BTX: 580,000 tons) by successfully completing the Onsan Refinery Expansion Project after three years of planning, design and construction, subsequently becoming the most influential petrochemical supplier in the Asia and Pacific region, the world's largest booming petrochemical market.

· Study ways to foray into the high-value-added downstream sector in the oil industry.



· Steadily seek new business opportunities in the new and renewable energy sector

· Selected polysilicon, a promising part of the photovoltaic industry value chain, the fastest growing sector in the new and renewable energy market as a future growth engine. Participated in the management of Hankook Silicon with proven technology and know-how in process operation (33.4% stake, the second largest shareholder).

· Support Hankook Silicon in reinforcing its competitiveness and stead growth by transferring an advanced management system and taking an active role in its business operations.



S-OIL has attained outstanding competitiveness in the oil refining sector, its core business, thanks to its long-term outlook and continuous facility investment. We will continue to invest in improving facilities and expanding our penetration of the high-value-added downstream sector in the petrochemical sector with a view to expanding our competitiveness in the oil refining sector and increasing profitability. S-OIL will make every effort to promote stable growth of photovoltaic energy as part of the future energy mix by increasing efficiency of solar photovoltaic products such as through high purity polysilicon.

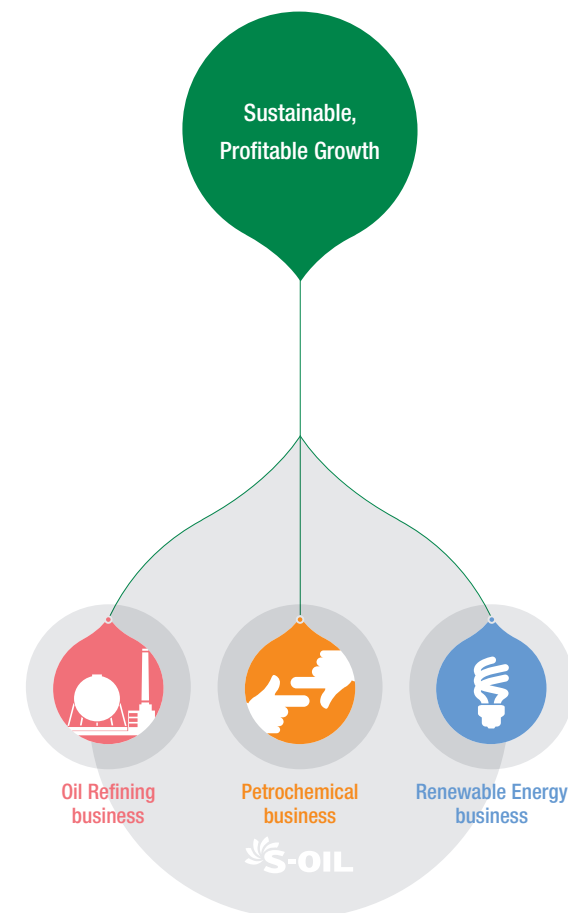
Strengthening Competitiveness of the Oil Refining Business

S-OIL has attained outstanding competitiveness in the oil refining sector, its core business, thanks to its long-term outlook and continuous facility investment. We have surpassed domestic competitors with the development and efficient operation of advanced facilities for transforming atmospheric residue (Bunker-C oil) into 100% high value-added products with world-leading environmental qualities. We have also invested in facilities to enhance operational efficiency and conduct rigorous facility maintenance to ensure stable operations. Those investments mean that today we can reliably supply the highest quality products while at the same time meeting the social, economic and environmental expectations of our stakeholders.

Establishing 2020 Roadmap to Reinforce Long-Term Growth Engine

As part of effort to further solidify its world-class competitiveness, in 2011 S-OIL completed a long-term roadmap for 2020 developed through study and discussion of a broad range of industrial trends. The roadmap contains the company's master plan for investment in the Onsan Refinery, the backbone of a stable oil supply and creation of high economic value, and measures to increase operational efficiency. We will continue to invest in improving facilities and expanding our penetration of the high-value-added downstream sector in the petrochemical sector with a view to expanding our competitiveness in the oil refining sector and increasing profitability. Moreover, with the largest production capacity of

lube base oil in Korea, S-OIL constantly monitors industrial trends in order to be able to react to a rise in demand for high-quality lube base oil (Group II and Group III). We will cement our leading position by seeking opportunities to expand production capacity in the future.



Efforts to Supply New and Renewable Energy

Solar photovoltaic energy is the most realistic alternative energy to replace fossil energy along with wind power generation and has huge growth potential in the new and renewable energy sector. Although the cost of photovoltaic power generation is currently higher than that of fossil fuel-based power generation, due to recent industry restructuring the cost of photovoltaic products has fallen and efficiency risen. As a result, grid-parity, when photovoltaic power generation cost is equal to fossil fuel-based power generation, is likely to be realized earlier than expected. Thus, in partnership with Hankook Silicon, S-OIL will make every effort to promote stable growth of photovoltaic energy as part of the future energy mix by increasing efficiency of solar photovoltaic products such as through high purity polysilicon.

Development of Eco-Friendly Products & Services and Clean Energy

The S-OIL R&D Center envisions creating future competitiveness by optimizing its production process and developing high-quality, eco-friendly energy technologies. In pursuit of this vision,

we have undertaken various R&D activities, including the development of clean, eco-friendly petroleum products, in-company technological assistance, and customer analysis.

Thanks to its operation of a high-pressure pilot plant and a heavy oil desulfurization pilot plant to produce Korea's first ever clean lube base oil, S-OIL has more experience at oil refining and more advanced research facilities than any other refiners operating in Korea. Harnessing these facilities and experience, we have successfully installed and operated the Bunker-C cracking center as well as cutting-edge kerosene and diesel hydrodesulphurization units including production processes and catalyst evaluation. As a result, all of our products boast an extremely low-sulfur and light content, thus contributing to the enhancement of the company's profitability.

S-OIL produces and provides high-quality, eco-friendly products that exceed all regulatory requirements and environmental regulations. This underscores our commitment not just to abide by ever-strengthening environmental regulations around the world, and not just our awareness of the need to take action against climate change, but also our commitment to fulfilling customers' expectations about environmental protection.

Efforts to Develop Sustainable Products

• S-OIL R&D Center

- The R&D Center conducts activities aimed at realizing an environmentally friendly production environment and developing environmentally friendly oil products with its vision of "Creating competitiveness by supporting optimal operation of the refinery and developing high-quality, environmentally friendly energy technology."

• Taking the Lead in Environmental Quality Competition

- S-OIL is reducing greenhouse gas emissions by development of a long-life diesel engine oil that increases fuel economy and prevents reduction in the fuel efficiency of vehicles.
- Signing an agreement on participating in a Korean-type auto-oil program, the company pushes for joint research projects among the government, automakers and fuel suppliers with a view to slash air pollution and greenhouse gas emissions from vehicles.

Develop Platform for Sustainable Growth

- ▶ Strengthening Competitiveness of the Oil Refining Business
- ▶ Establishing 2020 Roadmap to Reinforce Long-Term Growth Engine
- ▶ Efforts to Supply New and Renewable Energy
- ▶ Development of Eco-Friendly Products & Services and Clean Energy
- ▶ Efforts to Improve Fuel Efficiency at Consumption Stage

S-OIL produces and provides high-quality, eco-friendly products that exceed all regulatory requirements and environmental regulations. In terms of technological development, the company will not rest on its laurels. We will step up our efforts for technological development for sustainable growth such as the improvement of production facilities and product qualities in cooperation.

Efforts to Improve Fuel Efficiency at Consumption Stage

In collaboration with the Hyundai-Kia Automotive Research Center, S-OIL has developed an improved fuel economy, long-life diesel engine oil that follow on from its long-life gasoline engine oil. The product prevents against a decrease in fuel efficiency and general quality degradation due to an increase in oxidation and viscosity of engine oil caused by a longer-term use. S-OIL holds a domestic patent in this sector and is engaging in similar research and development in the transmission oil sector. The S-OIL R&D Center will not rest on its laurels. The center is

advancing various research and development activities for the improvement of production facilities and product qualities in cooperation with noted academic institutions and research organizations. The company is also carrying out various R&D activities such as the development of technologies to produce high-value-added products using the by-products of petrochemical products, the development of diesel stream and LPG desulfuration technology and CO₂ utilization technology, and initial research on power storage technology. Through efforts such as these we aim to boost technological developments for the sustainable growth of the company.

The Highest Environmental Friendliness Grade from the Ministry of Environment

S-OIL was awarded the highest grade (five stars) for its gasoline and diesel products in the environmental friendliness evaluation of oil products conducted by the Ministry of Environment in both the first half and the second half of 2011, becoming the only refiner in Korea to receive the highest grade for its gasoline and diesel six consecutive times. The company received an official commendation from the minister of environment in April 2012.

Environmental Friendliness of S-OIL							
(Unit: ppm)							
		2009		2010		2011	
		1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half
Gasoline	Sulfur Content	4	4	3	4	4	3
	Grade	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
	Composite Grade	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Diesel Oil	Sulfur Content	5	5	4	5	4	4
	Grade	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
	Composite Grade	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★

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

INDEPENDENT ASSURANCE REPORT

We have performed to provide independent assurance services over S-OIL Corporation’s Sustainability Report 2011 (the “Report”). The management of S-OIL Corporation is responsible for preparing the Report. Our responsibility is to carry out a limited level of assurance engagement on the information presented in the Report and to provide our conclusion. We conducted our assurance engagement in accordance with ISAE 3000 (“International Standard on Assurance Engagement 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information”), issued by the International Auditing and Assurance Standards Board (IAASB), and AA1000AS (“AA1000 Assurance Standard”). The extent for a “limited level” of assurance is less than that of a “reasonable” assurance engagement and therefore a lower level of assurance is provided for the Report. An engagement is limited primarily to inquiries of company personnel and review procedures applied to the data S-OIL Corporation provided. The scope of our work was restricted to 2011 performance only. Information relating to the earlier periods has not been subject to our assurance.

- Our work included the following activities:
- Interviews with the personnel responsible for aggregation and reporting of the subject data.
 - An evaluation of the design, existence and operation of the systems and methods used to collect and process the subject data.
 - Reviews on the subject data through inquiries and analytical procedures.
 - Visit to the head office and the Onsan Refinery for a limited testing of the subject data aggregation and preparation.
 - Verify the subject data that they were correctly reported from appropriate and reasonably balanced sources.

In conclusion, nothing has come to our attention that cause us to believe that the subject data referred to above are not fairly stated, in all material respects, in accordance with the reporting principles of S-OIL Corporation.

- With the intention of reporting sustainability performances and activities to internal and external stakeholders, S-OIL Corporation applied a reporting practice in accordance with the AA1000APS(2008) [AA1000 Accountability Principles Standard 2008] through its 7 Strategic Imperatives for reporting and applied the GRI G3.1 Guidelines and the IPIECA/API Guidance as main indicators.
- S-OIL Corporation has applied detailed procedures to identify, collect, compile, and validate the data for 2011.
- Data for 2011 is consistent with data accumulated as a result of these procedures and appropriately reflected the Report. In addition, through the results we have obtained from material review, we concluded that the information presented in the Report provides an appropriate and reasonably balanced picture of the S-OIL Corporation’s material sustainability aspects.

GRI/IPECA CONTENT INDEX

GRI G3.1 Application Level Deloitte Anjin has confirmed that our Sustainability Report 2011 applies GRI G3.1 Application Level A+.

GRI		IPECA/API		
Index	Content	Index	Page	Note
1. Strategy and Analysis				
1.1	CEO's Statement		2, 3	
1.2	Key impacts, risks and opportunities		2, 3, 10-11, 57-58, 62	
2. Organizational Profile				
2.1 - 2.9	Organizational Profile		Cover, 8-13, 51, 42-43	
2.10	Awards received in the reporting period		68	
3. Report Parameters				
3.1-3.3, 3.6-3.11	Reporting parameters		Cover	3.9, 3.10, 3.11: There are notes throughout this report.
3.4	Contact point		Cover	
3.5	Process for defining report content		4, 5	
3.12	Table identifying the location of the Standard Disclosures in the report. Identify the page numbers or web links where the following can be found.		66-67	
3.13	External assurance policy and practice		65	
4. Governance, Commitments and Engagement				
4.1-4.7, 4.9-4.10	Governance		48-53	
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		1, 14, 15, 22, 23, 30, 31,40, 41, 48, 49, 54, 55, 60,61	
4.11	Precautionary principle		33, 37-39, 57-58	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses		68	
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization		68	
4.14-4.17	Stakeholder engagement	SOC-A6	1, 4, 5, 9, 12, 13, 17-21	
Economic Performance				
Disclosure on Management Approach to Economic Performance			54-55, 60-61	
EC1	Direct economic value generated and distributed	ECO-1, ECO-2, ECO-3, ECO-A2, ECO-A3	6-7, 11-13, 32-33, 42-47,59	
EC2	Implications of climate change		3, 10-11	
EC3	Defined benefit plan obligations		25	
EC4	Financial assistance received from government		-	EC4: Not applicable
EC5	Standard entry level wage compared to local minimum wage		25	
EC6 2	Locally based suppliers		44	
EC7	Local hiring	SOC-A3	-	EC7: No significant overseas operating locations
EC8	Infrastructure investments and services for public benefit	SOC-A4, SOC-A5	44-47	
EC9	Significant indirect economic impacts		8-13, 42-44, 62-63	
		ECO-A1	-	Not applicable
Environmental Performance				
Disclosure on Management Approach to Environmental Performance			30-31	
EN1	Materials used by weight or volume		42	
EN2	Percentage of materials used	ENV-A5	-	EN2: No recycled materials used, due to characteristics of business
EN3, EN4	Energy consumption	ENV-5	6	
EN5-EN7	Initiatives to reduce energy consumption	ENV-A8	11-13, 62-64	
EN8-EN10	Water withdrawal and recycled and reused	ENV-A7	6, 34	
EN11-EN15	Biodiversity	ENV-A9	41, 45	EN11: Our head office and Onsan Refinery are not located in areas of high biodiversity. EN13, EN15: Not applicable
EN16-EN20	Significant air emissions and initiatives to reduce them	ENV-3, ENV-4, ENV-A6	6, 10, 11, 36, 63, 64	EN17: S-OIL is reviewing the way to report Scope III data. EN19: No use of ozone-depleting substances
EN21	Total water discharge by quality and destination	ENV-2	6, 34	

GRI Guidelines		IPECA/API		
Index	Content	Index	Page	Note
EN22-EN24	Waste and Hazardous Waste, including significant spills	ENV-A2, ENV-A3, ENV-A4, ENV-A5, ENV-1, ENV-A1	6, 33, 36	EN 23: Not applicable EN 24: No such waste transported
EN25	Water bodies and related habitats significantly affected by discharges of water and runoff		45	
EN26	Initiatives to mitigate environmental impacts of products and services		11, 63, 64	
EN27	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.
EN28	Environmental fines and sanctions		33	
EN29	Environmental impacts of transporting products and other goods and materials used and transporting members of the workforce		39	
EN30	Environmental protection expenditure and investments		32, 45	
		ENV-6	32-33	
Labor Practices and Decent work				
Disclosure on Management Approach to Labor Practices and Decent Work			22-23	
LA1-LA3	Employment	ECO-A2, SOC-A2	29	Not applicable
LA4, LA5	Labor/management relations		27	LA5: Sustainability Report 2008
LA6-LA9	Occupational health and safety	H&S1, H&S2, H&S3, H&S4	25-26, 37-39	
LA10-LA12	Training and education	SOC-5	24, 29	
LA13-LA14	Diversity and equal opportunity	SOC-4	24-25, 29, 50-51	
LA15	Return to work and retention rates after parental leave, by gender.		25	
		SOC-6	27	
Human Rights				
Disclosure on Management Approach to Human Rights			22-23	
HR1-HR3	Investment and procurement practices	SOC-1	25, 52-53	HR1: Not applicable
HR4-HR7	Managing human rights risk in operations	SOC-1, SOC-4, SOC-7	25	HR4: No discrimination case
HR8	Security practices	SOC-1, SOC-9	-	Outside companies are in charge of security at locations of operation; S-OIL does not provide direct training programs.
HR9	Indigenous rights	SOC-1, SOC-A7	-	Not applicable
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	SOC-1		Not applicable
HR11	Number of grievances related to human rights fi led, addressed and resolved through formal grievance mechanisms.			Not applicable
Society				
Disclosure on Management Approach to Society			40-41, 48-49	
S01	Impacts of operations on communities		37	
S02-S04	Managing risks related to corruption		51-52	
S05	Participation in public policy development	SOC-A1	-	Not applicable
S06	Political contributions	SOC-3	-	Not applicable
S07	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		16-17	
S08	Significant fines and non-compliance with laws and regulations		16-17	
S09	Operations with significant potential or actual negative impacts on local communities.			Not applicable
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities		30-39	
Product Responsibility				
Disclosure on Management Approach to Product Responsibility			14-15	
PR1-PR2	Customer health and safety	H&S-5	17-18	PR2: No violations
PR3-PR5	Product and service labelling	H&S-5	17-20	
PR6-PR7	Marketing and communications		20-21	PR7: No violations
PR8	Customer privacy and losses of customer data		17	
PR9	Non-compliance with laws and regulations concerning products and services		16-17	

UNGC INDEX

UNGC 10 Principles		Contents	Page
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights; and	SI 2. Provide Best-in-Class Work Environment · Human Rights and Labor · Ban on Child Labor and Forced Labor · Working Conditions · Harmonious Labor-Management Relations	22-29
	Principle 2. Businesses should make sure that they are not complicit in human rights abuses.		
Labour Standards	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	SPECIAL REPORT 2. Climate Change, Challenge and Opportunities SI 3. Achieve Operational Excellence · Environmental Management System · Eco-Friendly Management and Minimum Environmental Impact SI 7. Develop Platform for Sustainable Growth · Efforts to Supply New and Renewable Energy · Development of Eco-Friendly Products & Services and Clean Energy · Efforts to Improve Fuel Efficiency at Consumption Stage	10-11, 30-37,
	Principle 4. The elimination of all forms of forced and compulsory labour;		
	Principle 5. The effective abolition of child labour; and		
	Principle 6. The elimination of discrimination in respect of employment and occupation.		
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges;	60-64	
	Principle 8. Undertake initiatives to promote greater environmental responsibility; and		
	Principle 9. Encourage the development and diffusion of environmentally friendly technologies.		
Anti-Corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery	SI 5. Pursue Global Best Practices of Corporate Governance · Transparent Corporate Governance · Transparent Management System	48-53

S-OIL RECOGNITIONS AND MEMBERSHIPS IN ASSOCIATIONS

S-OIL Recognitions in 2011			Memberships in Associations	
Month	Details	Awarding Organization	Year of Joining	Association
June	2011 Korean Industry Service Quality Index-Certification for Best Call Center Service	Korea Management Association Consulting	1980	Korea Petroleum Association
	Grand Prize in the World-Class Company Category of Best Korean Company Awards	Korea CEO Association	1983	Onsan Industrial Complex Environment Management Association
July	Prize of Minister of Environment at National Excellent TMS Case Awards	Korea Environment Corporation	1985	Korea Oil Stations Association
October	Included in DJSI World Index (Oil & Gas Producer)	Dow Jones, SAM and Korea Productivity Center	1986	Onsan Industrial Complex Safety Management Association
	Top 250 global Energy Company (91st) Global Petroleum and Gas Refining and Marketing Company (10th)	Platts, USA	1988	Korea Industrial Safety Association
November	Presidential Commendation for Contribution to Prevention of Fires	National Emergency Management Agency	1993	Korea Fire Safe Association
	Presidential Commendation at 6th Sustainability Management Awards	Ministry of Knowledge Economy	1997	Korea Chemical Management Association
December	1st in Energy/Utility Sector of Green Ranking of Joong-Ang Ilbo	Joong-Ang Ilbo	2001	Korea Fair Competition Federation
	Gold Tower Industrial Medal on Trade Day	Ministry of Knowledge Economy and Korea International Trade Association	2002	Environment Protection Council
			2003	Forest for Life
			2005	Korea Forum for Progress
			2007	Korea-Middle East Association
			2008	Korea Business Council for Sustainable Development
			2008	Large Dangerous Substance Safety Management Council of Onsan Industrial Complex
			2010	UN Global Compact



FOR MORE INFORMATION

S-OIL wants to hear from you about the S-OIL Sustainability Report 2011. Please contact us with your opinions and suggestions.

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READERS' OPINIONS

1. Which of the following applies to you?

☐ Customer☐ S-OIL employee☐ Shareholder/Investor☐ Local resident☐ Business partner

☐ NGO☐ Media☐ Government☐ Research/Academia☐ Others ()

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

☐ S-OIL website☐ Smartphone/iPad App☐ Seminar/Lecture/Exhibition

☐ S-OIL employee☐ Other websites☐ Newspaper/Magazine☐ Others ()

3. Referring to the box below, which section of the report did you find most interesting? ()

4. Referring to the box below, which section, if any, of the report should be added to? ()

<Section>

① CEO Message

② Sustainability Management Scheme

③ Stakeholders and Key Issues

④ Major Sustainability Performances

⑤ SPECIAL REPORT 1. Expansion of the Onsan Refinery

⑥ SPECIAL REPORT 2. Climate Change, Challenge and Opportunities

⑦ SPECIAL REPORT 3. Construction of the Head Office Building

⑧ Enhance Customer-Centric Management

⑨ Provide Best-in-Class Work Environment

⑩ Achieve Operational Excellence

⑪ Contribute to Society

⑫ Pursue Global Best Practices of Corporate Governance

⑬ Attain Highest Level of Capital Efficiency

⑭ Develop Platform for Sustainable Growth

⑮ Others ()

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

☐ Yes☐ No

6. If not, which issue(s) should be added?

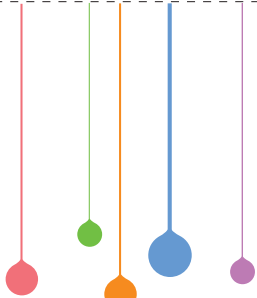
7. This report framework is based on S-OIL's 7 Strategic Imperatives. If you have any further comments on the report (for example, its framework and content or S-OIL's sustainability initiatives), please specify them.

From



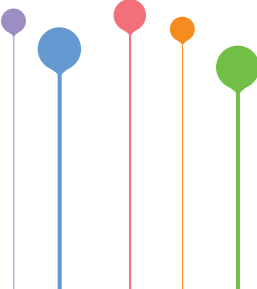
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Sustainability Report 2011

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