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www.s-oil.com



Sustainability Report 2012



S-OIL is committed to serving as a responsible corporate citizen through meeting the expectations of various stakeholders.

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	2,713
Total Assets	KRW 12.5 trillion
Business Sites	Head Office : Marketing, finance, administration, etc. Onsan Refinery : Production and shipments 12 Product Terminals/Depots : Product storage and shipments 4 District Sales HQs/25 Domestic and 4 Overseas Sales offices : Product sales
Affiliated Companies	S-OIL Total Lubricants Co., Ltd. (STLC) : Shared 50:50 with Total Lubricants of France S-International Ltd. : 100 % -owned overseas subsidiary

Production Capacity

Crude Distillation
669,000 BPD
Bunker-C Cracking
148,000 BPD
Bunker-C Desulfurization
149,000 BPD
Diesel and Kerosene Desulfurization
120,000 BPD
Benzene
560,000 tons/year
Paraxylene
1,800,000 tons/year
Propylene
200,000 tons/year
Ultra-S Base Oil
26,000 BPD
Super Base Oil
5,100 BPD
Premium Base Oil
8,600 BPD



About This Report

Report Scope | S-OIL has annually published a sustainability report since 2008. This one is our sixth 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, 2012. The performance indicators are based on data of three years, from 2010 to 2012, in order to show trends more clearly. In addition, important management initiatives include data that extend into 2013 (the year of publication). 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. Financial performance data is compiled under separate criteria compliant with K-IFRS.

Guidelines | The S-OIL Sustainability Report 2012 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.

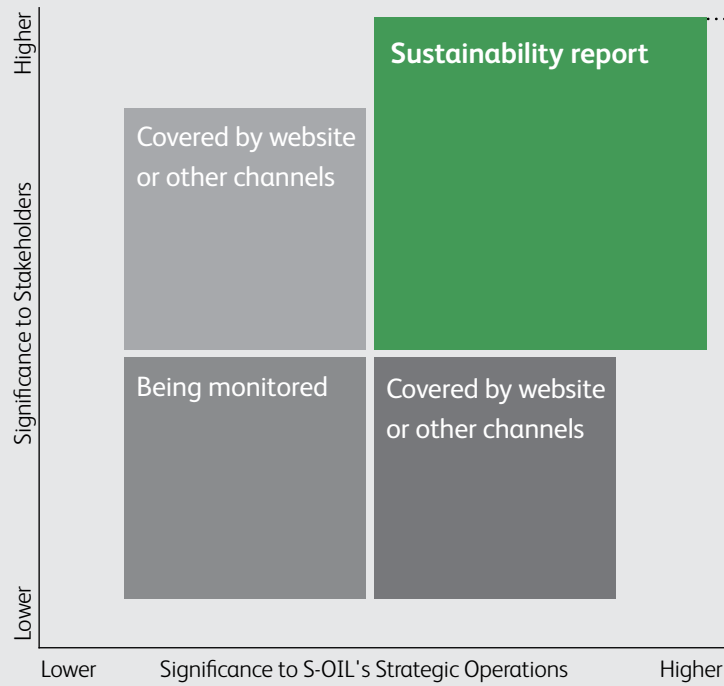
Further Information/Suggestions | The report and additional information on S-OIL’s sustainability management can be viewed on S-OIL’s homepage, at www.s-oil.com. If you have questions or need further information, please contact the Sustainability Management Team of S-OIL at +82-2-3772-5237 or email us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

Key Issues and Reporting Contents

This sustainability report encompasses the most important concerns of the C.E.O. – Customers, Employees, and Owners & Other stakeholders – 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 2012
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



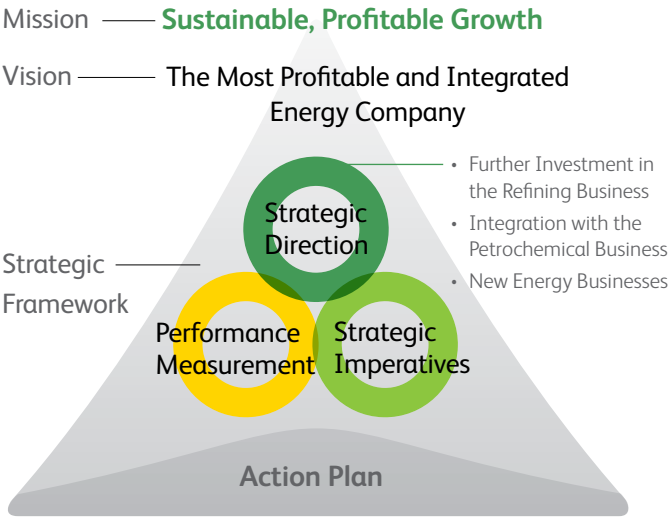
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Sustainability Management Scheme



Expectations of Stakeholders and Company Mission | S-OIL's sustainability management begins with the expectations of its C.E.O. – 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.

S-OIL Grand Vision 2020 | S-OIL will be the most profitable and integrated energy company encompassing refining, lube, and petrochemical businesses with excellence in operation, quality, and customer partnership.

- To that end, S-OIL will focus on
- further enhancing facility competitiveness to maximize production value,
 - proactively expanding business territory globally, and
 - prudently pursuing new competitive business opportuni-

ties where S-OIL can fully leverage the company's core competencies with strengthened R&D capabilities.

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 two are implemented effectively. 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.

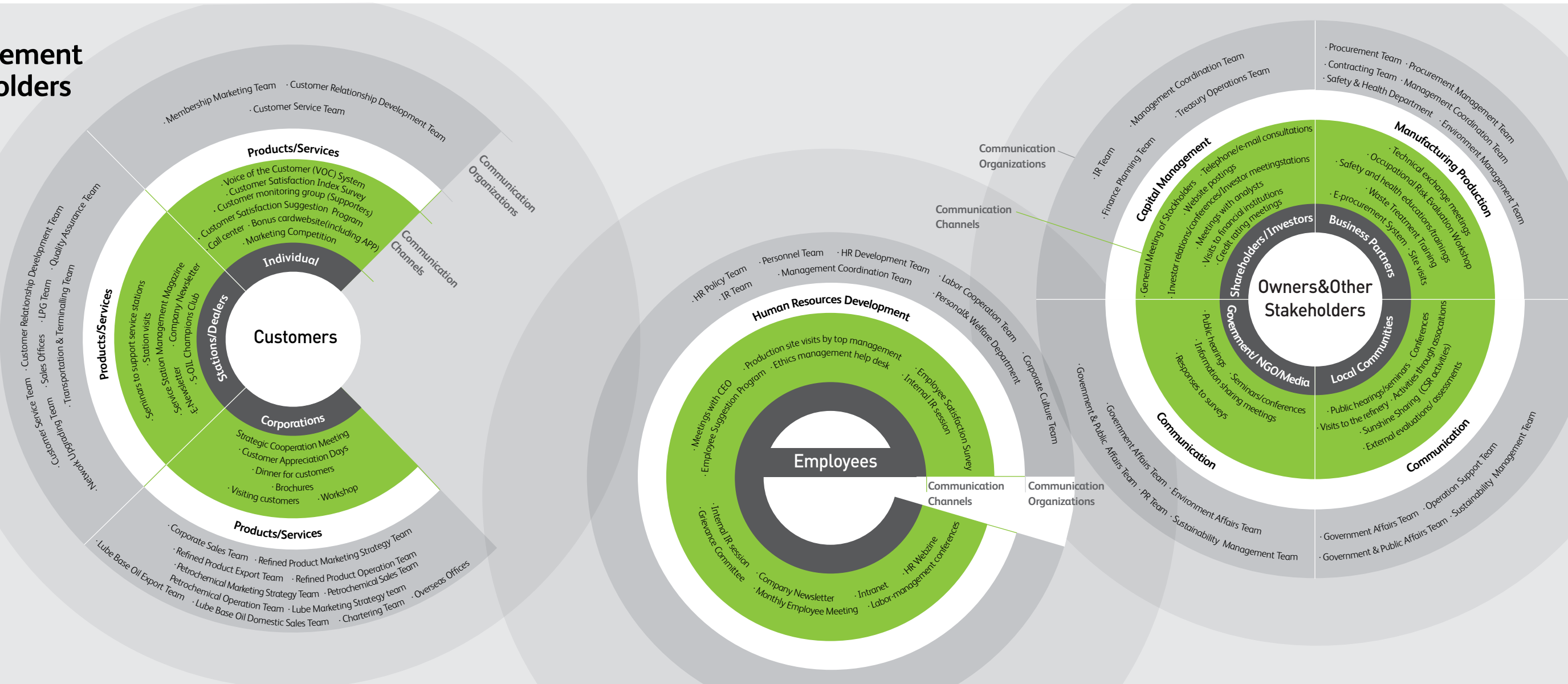
7 Strategic Imperatives

- 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

Sustainability Management Activities and Stakeholders

Stakeholder Participation Channels and Communications

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.



All officers and employees of S-OIL work as a team, not a single member. We all care about your expectations and will continue to listen to your voice. I have a vision and strategies that are aligned to satisfy your ultimate expectations, Sustainable Profitable Growth of S-OIL.



Dear Valued Stakeholders of S-OIL :

It is a great pleasure to present you with our sixth sustainability report.

Last year, 2012, was a tough, but historic time for S-OIL. Despite a stagnant global economic recovery and stiff fluctuations in crude prices, our financial performance was solid with our highest sales ever – 30.8 billion USD – on a decent operating income of 694 million USD. Our presence both in local and overseas markets increased with a record-high local market share of more than 18 % and the export of our products to more than 30 countries around the world.

Safety remains our first priority, which we will never compromise. Through our persistence, we have had seven million accident-free man-hours for as long as 709 days since May 10, 2010. S-OIL is the first and only local refiner who acquired the Safety-zone Certificate from the government.

We also devoted more attention to protecting and preserving the Mother Nature. We reduced carbon emissions by 149 thousand tons of CO₂ in a year, which is 2 % less than the previous year. As a trusted corporate citizen of the global village, S-OIL supports the efforts of international and local communities to address climate change and willingly participates in activities that tackle such issues.

Valued Stakeholders and staunch supporters of S-OIL,

All officers and employees of S-OIL work as a team, not a single member. We all care about your expectations and will continue to listen to your voice. I have a vision and strategies that are aligned to satisfy your ultimate expectations, Sustainable Profitable Growth of S-OIL.

We have made good progress making this vision more concrete on three strategic directions, i.e. further investment in oil refining, integration with petrochemicals, and new energy business. Along this journey, as we successfully fulfill our vision, S-OIL will live up to expectations of C.E.O., customers, employees, and owners and other stakeholders, particularly the international norms and standards including the UN Global Compact and its ten principles, which embrace issues such as human rights, labor, the environment, and anti-corruption.

Our sustainability report will serve as a constant messenger to convey our ceaseless effort and results. I hope you enjoy exploring our sustainability report.

Thank you.

Nasser Al-Mahasher
Representative Director and CEO

Major Sustainability Performances

Economy				
		2010	2011	2012
Sales (KRW million)		20,511,068	31,913,863	34,723,291
Operating Income (KRW million)		823,239	1,697,503	781,764
Net Income (KRW million)		710,066	1,192,426	580,015
Total Liabilities (KRW million)		5,498,903	7,977,747	7,120,050
Total Stockholders' Equity (KRW million)		4,504,595	5,226,354	5,371,991
Dividend Per Share	Common (KRW)	2,500	4,800	2,650
	Preferred (KRW)	2,525	4,825	2,675
Return on Equity (%)		16.82	24.51	10.95
Total Liabilities to Equity Ratio (%)		122.07	152.64	132.54
Total Amount of Purchases (KRW million)		373,090	554,153	424,800
Total Amount of Local Purchases (KRW million)		90,095	89,084	78,042
Volume of Crude Oil Processed (thousand barrels)		186,866	218,714	232,812
Production (thousand barrels)	Fuel Products	164,855	188,128	197,720
	Lube Products	12,866	14,234	13,125
	Petrochemical Products	12,730	21,252	25,467
Sales (thousand barrels)	Fuel Products	169,330	195,491	205,274
	Lube Products	12,411	13,662	12,597
	Petrochemical Products	10,265	16,908	20,324

Society				
		2010	2011	2012
Number of Employees	Total	2,589	2,661	2,713
	Executives	38	39	42
	Regular Employees	2,479	2,491	2,523
	Non-regular Employees	72	131	148
Number of Newly Hired Employees		181	181	137
Number of Retirees		103	109	85
Percentage of Outside Directors in BOD		54.5	54.5	54.5
Percentage of Female Employees		7.2	7.1	7.3
Percentage of Disabled Employees		1.8	1.7	1.7
Average Annual Training Hours per Administrative Employee		56	52	68
Percentage of Education and Training Cost in Labor Cost		0.8	1.4	1.7
Percentage of Fringe Benefits in Labor Cost		59.5	62.5	51.4
Labor Disputes		0	0	0
Sunshine Sharing Donations (KRW million) ¹⁾		5,234	7,149	11,713
Employees' Volunteer Hours		22,596	28,823	30,828
Amount of Green Purchases (KRW million)		23,934	4,531	25,326

Environment				
		2010	2011	2012
Direct Greenhouse Gas Emissions: Scope I (thousand tons CO ₂)		6,504	7,308	7,088
Indirect Greenhouse Gas Emissions: Scope II (thousand tons CO ₂)		683	874	945
Direct Energy Use (TJ)		60,691	79,044	85,164
Indirect Energy Use (TJ)		14,337	18,424	20,732
Reduction in Air Pollutant Emissions (Onsan Refinery) (tons)	SOx	3,093	4,620	3,656
	NOx	3,091	3,753	3,820
	Dust	89	116	105
Air Pollutant Emissions ²⁾ (Onsan Refinery) (Legal Limit / S-OIL)	SOx (ppm)	180.0/91.0	180.0/77.5	180.0/60.2
	NOx (ppm)	150.0/95.2	150.0/79.5	150.0/76.9
	Dust (mg/Sm ³)	30.0/3.9	30.0/3.8	30.0/2.9
Discharge Density of Water Pollutants ³⁾ (Onsan Refinery) (ppm) (Legal Limit / S-OIL)	BOD	10.0/3.0	10.0/2.7	10.0/2.5
	COD	40.0/7.3	40.0/7.1	40.0/7.4
	SS	10.0/2.9	10.0/2.8	10.0/2.5
Marine Oil Spills (Onsan Refinery)		0	0	0
Water Use (Onsan Refinery) (thousand tons)		20,667	21,451	20,775
Water Reused (Onsan Refinery) (thousand tons)		1,663	1,683 ⁴⁾	1,928
Waste Water Discharges (Onsan Refinery) (thousand tons)		9,570	10,003	9,552
Designated Waste (Onsan Refinery) (tons)		9,787	16,096	14,908
General Waste (Onsan Refinery) (tons)		16,233	15,380	14,161
Waste Recycled (Onsan Refinery) (tons)		17,420	23,069	17,880
Environmental Investments (KRW million)		9,820	14,589	24,445

Safety				
		2010	2011	2012
Percentage of Occupational Injury of Employees		0.11	0	0.12
Percentage of Occupational Injury of Employees of Partner Companies		0.09	0.04	0.19
Number of Injured		2	0	2
Fire		0	2	0
Accidents due to Regulation Violations		0	0	0
Number of Lost Work Days (Based on Man-Days)		52	0	87
Safety Management Training for Employees	Number of Trainees	5,505	11,376	12,071
	Number of Trainings	91	130	158
Safety Management Training for Partner Companies	Number of Trainees	15,030	14,424	7,910
	Number of Trainings	319	336	313

1) Figures for 2011 are different from the previous report, as donations to the S-OIL Table Tennis Team and the S-OIL Science Prodigy and Culture Foundation began to be tallied from the 2012 Report.

2) TMS Heater/ Boiler,average annual rate

3) Data are based on the company's own water analysis. But TMS data have been used to measure COD and SS since 2011.

4) Data changed due to different measurement criteria adopted for 2011-2012.

SPECIAL REPORT 1.

S-OIL's Approach to Creating Social Value

S-OIL identified the expectations of its stakeholders by engaging with them in diverse communications, and devised 7 Strategic Imperatives for sustainable management that needed to be undertaken to meet those expectations. Through the Strategic Imperative “Contribute to Society,” S-OIL is pursuing social contribution activities for the country and society in connection with its own corporate strategies. In addition, it has established the vision for its social contribution activities as “Sunshine Sharing,” and strives to realize sustainable growth through S-OIL’s unique programs that are rooted in three principles – genuineness, impact, and timing.

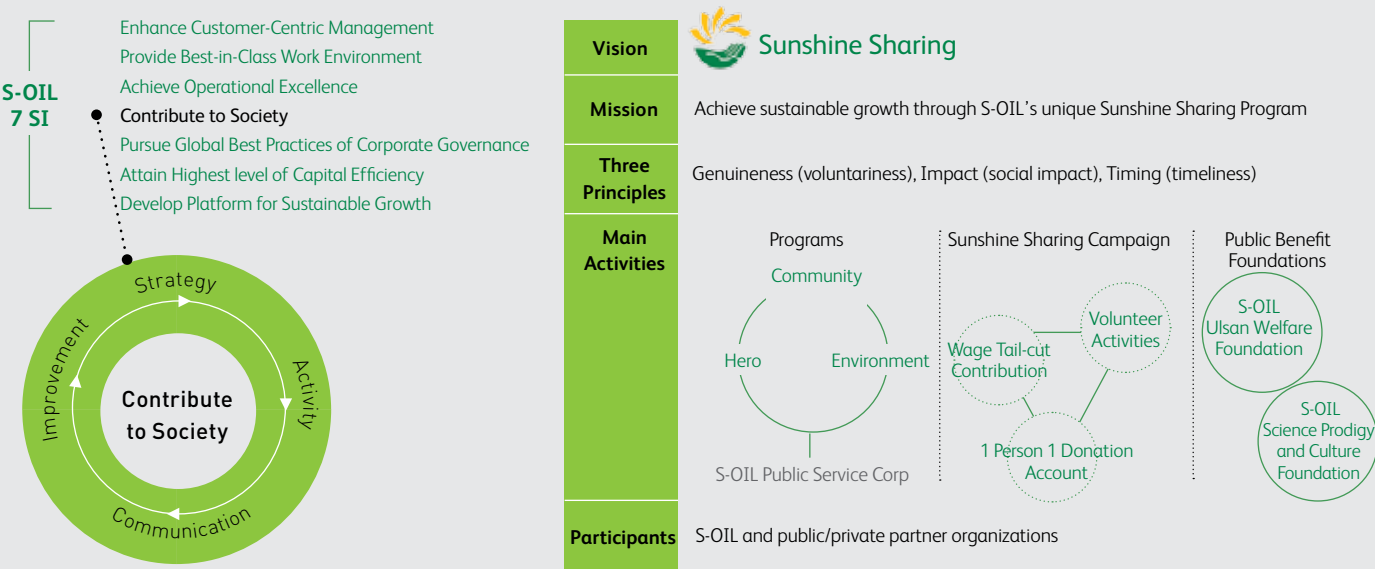
In the beginning, S-OIL’s social contribution activities were focused on providing financial support to the less privileged in society. However, the changing awareness of social contribution activities and the gradual expansion of the domain of CSR linked with sustainability have made it impossible for the company to rely solely on its financial aids or charity works. Hence, S-OIL is expanding the scope of its social contribution activities in line with the expectations of its stakeholders.

On top of its continued interest in and support for less privi-

leged individuals and communities, the company conducts “Endangered Natural Monuments Protection” activities and Biodiversity Preservation activities as part of its efforts to preserve the beautiful natural environment and for future generations to enjoy. As contributions to society, it conducts the “Hero Firefighters Support Program” and “Hero Citizens Support Program” campaigns to create a joyful and resilient community, by lauding the true heroes who dedicate themselves to working for society.

S-OIL has also helped social contribution take root as a beautiful corporate culture by encouraging voluntary donations and volunteer work on behalf of its employees through its Sunshine Sharing campaign. Furthermore, aiming to produce Nobel laureates in science by actively providing support to the basic science field in which Korea lagging behind other countries, the company established the “S-OIL Science Prodigy and Culture Foundation” and gives “Leading Scientist of the Year Fellowship” and “Excellent Thesis of the Year Prize,”the most prestigious academic awards in Korea’s basic science sector. S-OIL will continue its efforts to create new social values and forge more positive influences from society.

S-OIL's Strategic Social Contribution System



CASE STUDY. Supporting Outstanding Talents and Their Education
- S-OIL Science Prodigy and Culture Foundation

On January 6, 2011, S-OIL established the S-OIL Science Prodigy and Culture Foundation in order to pave the way for Korea’s prominent scientists to excel on the global stage by fostering talents in basic sciences, supporting the academic research activities of scientists, and expanding the basis of science culture, with the ultimate goal of producing Korea’s first Nobel laureate in the field of science. With a board of directors consisting of prominent figures from Korea’s academic, media, and financial worlds, the foundation is conducting its target business in a transparent and efficient manner, and has since spent approximately KRW2 billion to support various initiatives.

Scholarships for Talents in Pure Science

S-OIL Leading Scientist Fellowship | S-OIL has implemented its “S-OIL Leading Scientist Fellowship” program, which selects and provides support to scientists who have achieved world-class research results in the field of basic science, thereby boosting their motivation and allowing them concentrate on their research. Each year, one scientist from the fields of physics, chemistry, mathematics, biology, or earth science is selected to receive a total of KRW 300 million over a period of six years. The first fellowship went to Dr. Ji-Soon Lim, the chair professor of physics at Seoul National University, in 2012.

Exemplary Doctoral Thesis Award | An analysis of past Nobel Prize winners revealed a strong link between the award and their doctoral thesis. Accordingly, S-OIL began selecting and awarding outstanding doctoral theses written by PhD candidates in basic sciences, in order to contribute to fostering top-tier PhD graduates and next generation leaders in the field of basic science.

Support for Academic/Society Activities in Basic Sciences | To promote the active exchange of ideas by Korea’s science talents on the global stage, S-OIL provides support to the various academic activities hosted by Korea’s representative science institutions, such as the Korean Academy of Science and Technology and KAIST. To date, it has sponsored the International Presidential Forum, KAST-RSAS* Spring Bilateral Symposium, Inter-academy Seoul Science Forum, the “Korea Day” event at the Lindau Nobel Laureate Meetings (a con-

ference where Nobel Prize winners and young scientists from across the globe interact), and many other events.

Support for Science Projects

Sponsor of the Encore Korea Project | S-OIL Science Prodigy and Culture Foundation is a sponsor of the “EncoreKorea Project” led by the Korea Technology Management Research Institute. The “EncoreKorea Project” is an international knowledge donation program aimed at passing on to less-developed, developing, and newly emerging countries the rich experience and expertise of the now-retired scientists who had worked for the advancement of Korea’s science and technology at national institutes, universities, and companies. Through this program S-OIL is engaged in diverse activities to transfer scientific knowledge and provide technical consulting in countries like Ethiopia, Mongolia, and Indonesia. In addition, it provides financial support for building the program website (www.encorekorea.com) and integrated databases for each specialized field, developing tailored projects for participating countries, and dispatching retired scientists overseas for volunteer work.

Support for the Global Students Mentoring Forum | S-OIL has set up a mentoring system that connects students from developing nations currently studying at Korean universities and graduate schools with senior scientists and young, elite entrepreneurs, arranging regular meetings and individual mentoring sessions. Through its mentoring activities, this program aims to contribute to sustaining friendly and cooperative relationships between Korea and the students’ countries by not only utilizing the advanced knowledge of Korean scientists but also offering practical help to promising scientists of these nations.



Exemplary Doctoral Thesis Award

* KAST : Korea Academy of Science and Technology
RSAS : Royal Swedish Academy of Sciences

SPECIAL REPORT 2.

S-OIL's Approach to Communicating with Customers

S-OIL strives to enhance its customers' satisfaction and convenience through diverse marketing initiatives. In particular, the year 2012 marked a turning point where it surpassed its competitors in terms of customer communication through its character marketing and corporate image advertising. Meanwhile, the company is fully complying with related laws in all of its marketing activities, including the Broadcasting Advertisement Act and the Giveaway Announcement Act.

Advertising Campaign that Boosts Brand Value | In 2012, S-OIL launched a new commercial that featured the character "GOODOIL" as a model, in addition to the company's enduring message on "good oil," the Yellow Frame, and the enjoyable commercial song. The TV commercial, showing a real-life backdrop and the 3D character, focused on delivering the brand's genuineness and friendliness through "GOODOIL." To further boost the customers' recognition of this character as well as its likability, the company also engaged in moment of truth (MOT) activities through guerilla marketing, trick art, emoticons, etc. As a result of this integrated advertising campaign, S-OIL's top-of-mind awareness jumped from 48%, measured prior to the airing of the commercial, to 58.8%. In 2013, S-OIL plans to further use the "GOODOIL" character in a new commercial to add a fun and original aspect to its current merry and lively image.

Corporate Image Advertising that Speaks to the Public | Breaking free from the conventional method of engaging in one-way communication about the company, S-OIL has launched its "30-letters of Nice Messages for YOU Campaign" advertisement that empathizes and communicates with the public. The campaign selects heartwarming messages submitted by individuals and publishes one message per day four times a week in Korea's ten major daily news-

papers, right next to the newspaper title on the front page. It has been covered extensively on TV, in newspapers, and through other media outlets thanks to the public's keen participation and interest, and won a number of prestigious advertisement awards (given by Chosun Ilbo, Hankyoreh Newspaper, etc.).

Advertisement of S-OIL as a Company Working for Public Interests | A series of corporate image advertisements showing S-OIL as a leader in environmental protection and altruistic sharing through various social contribution activities such as the Natural Monuments Protection campaign and the Hero Firefighter Protection campaign were published in newspapers and magazines. In addition, to promote S-OIL's image as an exporter contributing to Korea's economic growth, the company featured a newspaper advertisement of the USD 20 billion Export Tower Award it had won, which was also well recognized. Through more creative corporate image advertising, S-OIL will continue to strengthen its image as a warm and sincere company that communicates with the public.

Marketing Contest that Communicates with Potential Customers | To reinforce its communication with university students who represent its future customer base, in November 2012 S-OIL launched its third marketing contest, the "2013 S-OIL Brand Awards," for approximately three months. The contest featured three categories that were aimed at collecting ideas on "GOODOIL." They were: 1) Character Storytelling, 2) Character Merchandising, and 3) Character Artwork. Some 500 individuals participated through a total of 233 teams, all displaying great enthusiasm. The ideas submitted at the contest are being widely used in the company's marketing activities. S-OIL plans to continue strengthening its communication with potential consumers through its marketing contests.



30-letters of Nice Messages for YOU Campaign

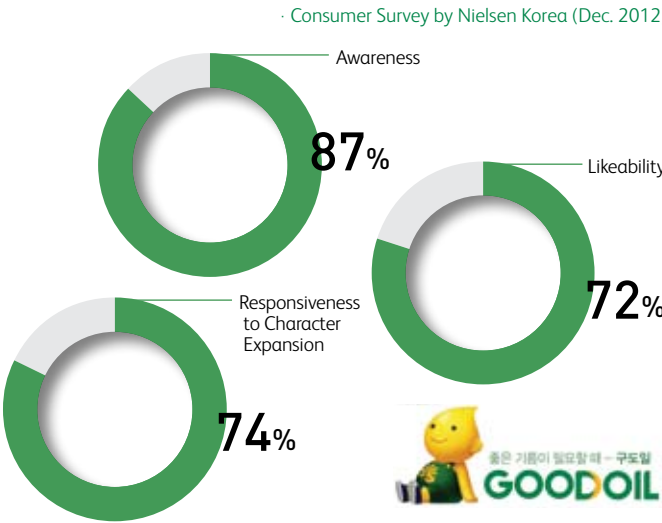


Corporate Image Advertisement

CASE STUDY. "GOODOIL" : S-OIL's Symbol That Wrote a New Chapter in Brand Marketing

Background behind Its Introduction | In 2012, S-OIL introduced "GOODOIL," a character that symbolizes "good oil," as its new advertising model. Through this character, the company was able to deliver its story to the consumers in a natural and friendly manner while maintaining the novelty of its brand. In addition, it brought about a change in perception by breaking away from the common notion that "it's difficult to know the true nature and quality of oil by touching or looking at it" and spreading the idea that "oil contains a tangible nature that allows the consumers to feel the difference."

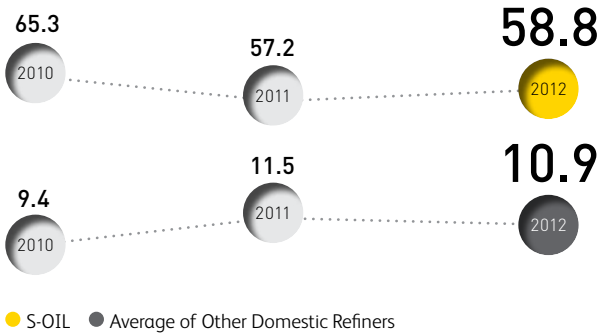
Awareness/Likeability/Responsiveness to Character Expansion for "GOODOIL" (Unit : %)



Outcome of S-OIL's Character Marketing | Amidst aggressive advertisement campaigns launched by other domestic refiners, S-OIL's "GOODOIL" campaign that began in mid-May of 2012 was well received by consumers as well as service station managers, and achieved notable results. First, it led to a significant increase in S-OIL's TOM awareness, which is expected to have a positive impact on the company's future sales. In addition, the new character became another brand asset that sets S-OIL apart from the others; it will further boost the company's brand value and create a synergy effect that integrates all of S-OIL's marketing activities. Based on its highly enhanced brand awareness, S-OIL plans to focus on upgrading its premium brand image, and the "GOODOIL" character will serve as an effective medium in its brand strategy.

TOM Among Ads of Refiners (TOM : Top-of-Mind) (Unit : %)

· Ad Tracking Survey Results by Nielsen Korea



Future Direction of S-OIL's Character Marketing | S-OIL has been pursuing change and innovation in its marketing activities, and created a social sensation with its commercial song in 2006. The use of its new character also represents an innovative move never attempted before in the refining industry, and served to shed new light on the concept of character marketing. Refusing to be complacent, however, S-OIL plans to further develop the "GOODOIL" character into a mascot that symbolizes the company. It will strive to achieve its ultimate goal of moving away from one-way marketing that requires selling to marketing that simply sells - in other words, becoming a brand that consumers seek on their own. In the future, S-OIL will engage in creative brand marketing that boosts its brand value, led by a systematic strategy aimed at developing its character, including advertisement campaigns that utilize "GOODOIL," integration with the company's CI and SI, commercialization, and diverse forms of collaboration.



GOODOIL TV-CF

SPECIAL REPORT 3.

S-OIL's Approach to Supporting Its Employees' Growth

From the stages of recruitment to employee placement, transfer, and training, S-OIL has in place diverse systems aimed at enhancing its employees' individual competencies and developing their careers. They are all aimed at fostering S-OIL's uniquely ideal type of employees—adventurous talents who are willing to take part in realizing the company's vision, talents equipped with global acumen and caliber, talents who value autonomy and teamwork, and talents who have a sound set of values and morals. S-OIL's HR development system, aimed at fostering key talents, represents a virtuous cycle consisting of career development programs that enhance basic, leadership, and job competencies, and a fair and reasonable evaluation system that assesses each employee's competencies and performance. Furthermore, to ensure that the HR development system caters to the needs of individual employees, the latter are required to set their mid- to long-term goals by drafting their own Individual Development Plan (IDP) each year, while the company provides its full support to help them achieve those goals effectively.

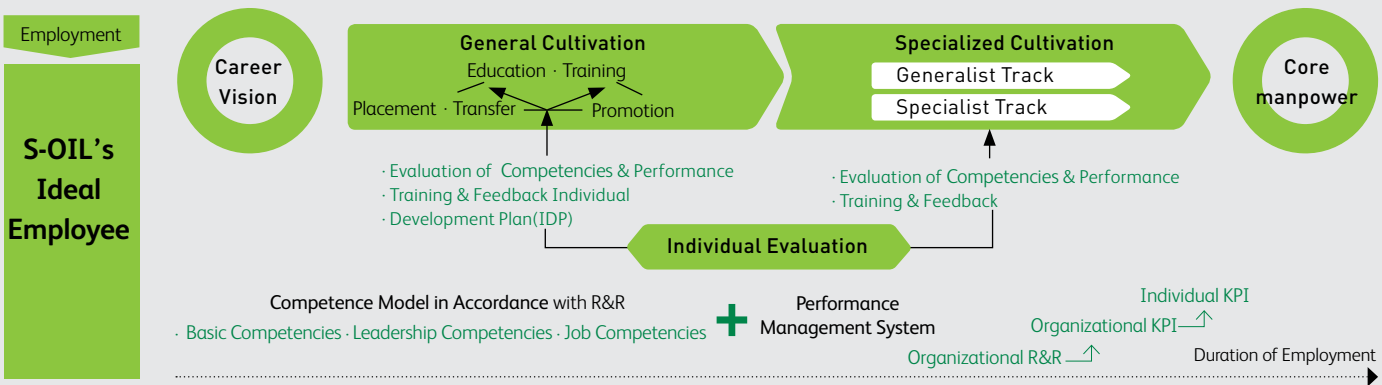
Diverse Training Programs for Core Competency Development | S-OIL supports its employees' development of core competencies through the basic competencies training course in which S-OIL's basic values are shared, the leadership training course, and a number of specialized job training courses aimed at enhancing the employees' expertise. In particular, its development and operation of the S-OIL Academy has enabled the company to offer tailored training for improving job competencies, which in turn has helped the employees become more active learners. Besides its group training, S-OIL also provides online courses on diverse topics such as business administration, the humanities, and foreign languages, creating an infrastructure in which its employees

can develop their careers regardless of time or place.

Career Development Program that Offers Diverse Job Experience | By optimally placing and transferring its employees based on their competencies and job suitability, S-OIL meets their needs for career development while also promoting the vitalization of its organization. After performing a job for a certain period, an employee can be transferred to another job function upon self-request or via his supervisor through the company's Job Rotation system. This not only enables the employees to enjoy the opportunity for career development by performing diverse jobs, but also boosts their commitment to the organization. Meanwhile, the Job Posting system allows employees to select their job function through an in-house application procedure. By applying the market principle to HR management, the system gives individuals a chance to voluntarily choose the jobs they want. Hence, they get to develop the essential capabilities required at the company by experiencing various job functions that are in line with their own Career Development Plan (CDP).

Systematic Programs to Foster Next Generation Leaders | With a clear understanding of the importance of the next generation's key talents, S-OIL has established a systematic HR development system. To nurture next generation leaders, for example, it selects talented employees with great potential and provides support for their MBA studies in Korea or overseas, or for their Master's program in science and engineering offered at IFP School in France. In addition, it analyzes the competencies of the key employees, and then establishes tailored development plans and provides diverse training programs based on the results. Through this process, S-OIL's employees will become the core of the company's growth engine.

Systematic HR Development Plan



CASE STUDY. Programs to Facilitate the Early Adaptation of New Recruits

Recruiting talented individuals and growing with them is the source of any company's sustainability. As an enthusiastic supporter of its employees' growth, S-OIL has in place a number of programs to help new recruits become adapted for the organization.

Group Training and On the Job Training (OJT) | The new recruits first undergo a group training program that is conducted for a total of eight weeks, with four weeks spent at the head office and the remaining four weeks at the company's plants. The program is conducted to help the new employees, who have just made the transition from being students to fully participating as a member of society, change their awareness as S-OIL's employees, establish their basic mindset, experience the organization through teamwork, and understand the company itself. Through this program, the new recruits can gain a full understanding of S-OIL and the roles played by each of its departments. After the group training they participate in the OJT program, where they can experience the company's functional departments prior to their placement. The OJT program allows the new employees to gain experience in diverse departments through their understanding of each department and their interactions with senior colleagues, in order to help them learn about the company and its work processes and quickly acclimate. The program is conducted for six weeks for office employees and 12 weeks for those in technical posts. It has proven effective in helping the new recruits adapt after their placement.

Differentiated Mentoring Program | Once the new employees are placed in the departments of their choice after the OJT program is completed, a mentoring program is conducted to help them adapt for the company and develop their potential. For one year, each employee is paired with a mentor, who is typically an assistant manager or someone in a more advanced position. Through this, the employee grows to become a key

member of S-OIL by enhancing his or her integration into the company and boosting social skills. By participating in this mentoring program, which was launched in 2009, the mentees quickly become adapted for the company while the mentors have an opportunity to develop their leadership skills as mid-level managers. One special aspect of S-OIL's mentoring program is that during the one-year program, the mentors are changed every half year. That is, the first six months of the program is focused on helping the mentees quickly adapt for their new departments by pairing them with a mentor from the same department. Then for the latter half of the program, the mentors are chosen from outside the mentees' departments, which allows the new employees to form their own in-house networks and vitalizes work-related communication within the company. In addition, a themed mentoring session is offered in which the mentor and the mentee choose a topic of common interest together and the latter maps out his or her life in ten years' time based on that theme. This gives the new employees a chance to plan their future at the company from the moment of their recruitment and helps them lead successful lives at S-OIL.

Retention Program ("Dynamic Rookies") | Once the year-long mentoring is completed, a retention program called "Dynamic Rookies" is conducted for the employees who are into their second year at the company. Launched in 2010, the program boosts their challenging spirit and unity and helps them understand the company's future direction through communication with top management. It also strengthens the employees' solidarity, thereby enhancing their satisfaction at the company. Along with the introduction of this program, the turnover rate among employees whose service year is less than two years dropped by almost half; such results show that the introduction of S-OIL's mentoring program and Dynamic Rookies has made significant contribution to the successful adaptation of the new employees and the enhancement of their satisfaction with the company.



Mentor-Mentee Activities



Dynamic Rookies

SI 1

ENHANCE CUSTOMER-CENTRIC MANAGEMENT

VOICE OF STAKEHOLDERS

In this era of customer capitalism, all employees must predict and prepare for the values that their customers will truly cherish. Only those that can envision their customers' future value can rise to the top on the global economic stage. _ Pil-Young Jung, Director of Innovation Management Institute



Yul Ryu
Executive Vice President
Head of Marketing&Sales

Our customers lie at the heart of all of S-OIL's business activities. Striving to deliver the best value to its customers through the supply of eco-friendly products, reasonable pricing, expansion of sales channels, compliance with fair trade regulations, and diverse communication activities, S-OIL meets its customers via some 2,000 service stations in Korea, as well as in about 30 countries around the world. Our efforts to repay the affection and trust our customers have shown us will never cease, proven in our aim to achieve harmonious growth together through enhanced quality control, rational prices, and diverse services.

PERFORMANCE SUMMARY

Plans for 2012

- Enhance customer satisfaction by improving the Happy Call System, which gauges customer satisfaction regarding the way their complaints are handled.
- Improve the efficiency of customer complaint management by integrating the various channels and processes related to the voice of customers (VOC) into an IT system.
- Expand the Bonus Card Membership and improve loyalty through stable operation of the Bonus Card System.
- Promote the qualitative improvement of customer service through stable operation of a customer service center.

- Implemented an IT-based, integrated VOC system that enabled company-wide sharing and management of various VOCs from different channels.
- Selected as an outstanding call center by the Korea Management Association by offering a one-step customer service based on Customer Relationship Management (CRM).

- Enhance communication with customers by selecting and fostering key advisors within the "S-OIL Supporters," the company's prosumer group.
- Improve customer trust and satisfaction by fostering customer relations experts.

- Launch multiple initiatives to facilitate the public's understanding on the feasibility of product prices and on fair competition amongst refinery companies.
- Analyze the market and technological trends for eco-friendly products and offer high quality, eco-friendly products that meet the customers' expectations.
- Reinforce quality inspection at affiliate service stations to prevent the distribution of fake oil and other abnormal products.

- Provided the market with information on rational product prices, such as the prices for different service stations, via the company's smartphone application, "S-OIL Bonus Card."
- Was the only domestic oil refinery company to win the highest environmental quality grade every year since 2009 for gasoline and 2006 for diesel.
- Launched and operated a "Quality Inspection Group," which consists of outside experts beyond the existing quality managers, for reinforcement of quality inspection.

- Expand the company's sales network and stabilize its product prices by actively identifying new business opportunities in the domestic market.
- Continue reinforcing quality inspection and offer eco-friendly products.

- Strengthen brand PR using various channels to enhance S-OIL's image as a warm and friendly brand while preserving its fundamental stance on quality oil.

- Raised S-OIL's brand awareness and TOM through a marketing strategy that used the company's new mascot, "GOODOIL"
- Delivered sincere and touching stories submitted by individuals and spread positive messages across the community through a public contest titled "30-letters of Nice Messages for YOU Campaign." This earned the company the 2012 Advertising Awards given by Chosun Ilbo and Hankyoreh Newspaper.

- Through creative corporate advertisement, strengthen S-OIL's image as a friendly and sincere company that communicates with its stakeholders.

Achievements in 2012

Future Plan



Committed to achieving harmonious growth with its customers, S-OIL always strives to set reasonable prices, comply with fair trade guidelines, and provide quality products, hoping to share the burden placed on customers by high oil prices amidst a global economic recession.

A Pricing Policy Aimed at Creating Win-win Relationships with Customers

Surveys show that customers are most sensitive to a product’s quality and price. Committed to achieving harmonious growth with its customers, S-OIL always strives to set reasonable prices, comply with fair trade guidelines, and provide quality products, hoping to share the burden placed on customers by high oil prices amidst a global economic recession.

Efforts for Reasonable Pricing | The company’s pricing system for domestic oil products guarantees rational and competitive prices that are based on international petroleum product prices, such as the Mean of Platts Singapore (MOPS), fluctuations in the exchange rate, in-house supply and demand, domestic market trends, and other objective data. Having led the competition for quality oil products by launching its high octane, high output gasoline in the 1990s, S-OIL has also positioned itself as a pioneer in fair and reasonable pricing in Korea’s petroleum market with its independent price adjustment system. In order to ensure pricing fairness, a pricing committee composed of executives and employees from relevant departments determines the standard prices for domestic light oil products (i.e. gasoline, diesel, and kerosene) each day. These prices reflect the changes in cost adjustment factors, such as the international price of petroleum products and exchange rates. In addition, S-OIL has improved the transparency of its pricing by disclosing the prices of its petroleum products sold at over 95 % of its service stations across the nation since May 2009 on Opinet (www.opinet.co.kr), a website managed by the Korea National Oil Corporation. The company’s smartphone application, “S-OIL Bonus Card,” also allows users to check the prices at each service station (only available for iPhones; a new mobile platform will be launched in the

second half of 2013 for all smartphone users).

Compliance with Rules on Fair Competition Order | As a latecomer in the refinery industry, S-OIL has been playing the role of a “maverick” that sparks fierce competition in the market. It knows only too well that price-rigging, unfair trade and other deeds that threaten the fair trade order can destroy within seconds the trust a company has gained from its customers and shareholders over several years. Hence, S-OIL has been making ceaseless efforts to earn the trust of its customers through its compliance with the guidelines on fair trade order. For example, it has been conducting a fair trade training program since 2010, enhancing its employees’ understanding of voluntary compliance with fair trade guidelines and preventing non-compliance with relevant regulations in their performance of duties. In 2011, it provided fair trade training to 200 employees at its regional sales headquarters and sales offices in Korea. S-OIL has been offering additional specialized fair trade courses since 2012, by signing a training service contract with the Fair Competition Federation, an organization specializing in fair trade training. In addition to this training program, the company also requires the members of its Domestic Marketing Headquarters, who are more closely related to fair trade than any other employees, to conduct voluntary inspections on a regular basis, thus encouraging them to internalize compliance with fair trade regulations. In June 2012, S-OIL introduced the “Voluntary Inspection Program for Fair Trade/Ethics Regulation Compliance,” in order to prevent any actions during its marketing activities that may be misconstrued as a violation. Despite these initiatives, the fact that domestic petroleum product prices always reflect international market prices,

along with the prohibitively high entry barrier of the industry, has made S-OIL a target for allegations of price fixing and unfair trade. To date, however, none have been proven to be true. For example, the Korea Fair Trade Commission issued corrective orders and imposed fines on S-OIL for allegedly participating in an LPG price-fixing scheme in December 2009 and for colluding to not trade with service stations affiliated with other refiners in September 2011. Having committed no such wrongdoings, however, the company immediately lodged appeals, and legal proceedings are currently underway. In the case of its appeal to revoke the disposition on the latter allegation, S-OIL filed the appeal in October 2011 and was found not guilty of collusion by the Seoul High Court in August 2012; the case is currently pending in the Supreme Court.

For more information on S-OIL’s legal cases, visit the Business Report section of Investor Relations on the company website.

Implementation of Dos & Don’ts | S-OIL strives to maintain a fair competition order. Boosted by its CEO’s strong commitment to reinforce compliance management, especially in relation to the Fair Trade Act, in 2012 it established and shared organizational principles and guidelines (including an explanation on unfair collusive acts and document preparation guidelines) that employees must follow at informal gatherings, big business meetings, and small meetings with employees of competing companies. These will aid employees based on the emerging need for clear principles and guidelines on compliance with the Fair Trade Act as they go about performing their work in an oligopolistic market. Employees’ strict compliance with these principles and guidelines will also minimize S-OIL’s risk of violating the Fair Trade Act.

S-OIL Bonus Card App.



Fair Trade Training



Online Self-assessment for Compliance with Rules on Fair Trade



S-OIL’s “Quality Manager System” ensures that service station facilities have been thoroughly inspected. In addition, from 2012 S-OIL has increased the number of quality inspections of service stations to the highest in the industry with the establishment of its “Quality Inspection Group.”

Quality that Ensures Customer Satisfaction

The Trustworthy Service Station Program | Based on its customers’ trust in the S-OIL brand, S-OIL operates the “Trustworthy Service Station” program to meet their needs for safe and reliable products. From the second half of 2011, the company began entering into Trustworthy Service Station Agreements only with service stations verified through its quality inspection. Then in 2012, it reinforced its follow-up management by conducting ad hoc quality re-inspections at service stations that had already signed the agreement, and terminated the agreement with those that failed to meet the company’s standards, thereby truly becoming a brand that customers can trust. As a result of these initiatives, as of 2012 the company had signed the Trustworthy Service Station Agreement with 1,372 affiliated service stations, showing a slight decrease compared to 2011. Through systematic management and support, S-OIL will make ceaseless efforts to expand its network of Trustworthy Service Stations that customers can count on.

Tougher Quality Control | S-OIL’s “Quality Manager System” ensures that service station facilities have been thoroughly inspected in order to guarantee quality control. Through this system, service station managers receive the results of holding tank moisture inspections, gas pump meter inspections, and recent sample analyses, which are needed to provide accurately dispensed genuine products. Quality managers also respond promptly to customer complaints regarding product quality. Their rich experience and expertise allows them to provide detailed explanations about the problem-solving process, thereby winning the trust of customers. In addition to the Quality Manager System, from 2012 S-OIL has increased the number of

SI 1. Enhance Customer-Centric Management

A Pricing Policy Aimed at Creating Win-win Relationships with Customers

Quality that Ensures Customer Satisfaction

A Network that Ensures Customer Convenience

Services that Ensure Customer Satisfaction

quality inspections of service stations to the highest in the industry with the establishment of its “Quality Inspection Group.” It also introduced a marker to diesel (diesel marker), in addition to gasoline, in order to make it easier to detect adulterated oil products. This improved the speed and reliability of quality inspections by making it possible to check the analysis results on the spot, and also lowered the number of affiliated service stations selling adulterated oil products. The company further boosted the reliability of its product quality by introducing a quality control system for LPG stations in 2012.

Quality Marketing | To help consumers directly experience and recognize its message that “S-OIL is good oil,” an image that has become its brand asset, S-OIL was fully involved in the Ministry of Environment’s petroleum/diesel environmental quality assessment and received the highest grade. It also held its second fuel efficiency marathon with Peugeot while promoting the high quality of its products through a contest in which drivers share their S-OIL related experience.

A Network that Ensures Customer Convenience

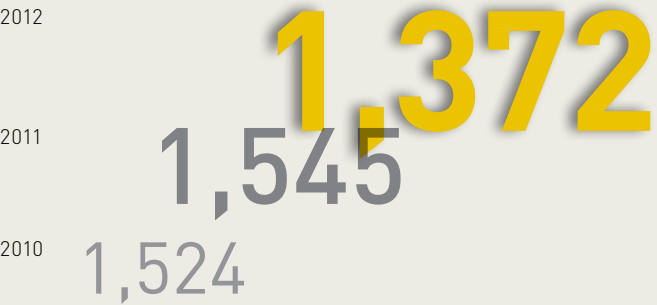
Effort to Further Expand Sales Network | S-OIL has been sustaining its efforts in a number of areas to increase its share in the domestic market. While securing a fixed demand pool by increasing the number of its sales channels (service stations, direct buyers, etc.), it strengthened its relationship with existing trade partners and efficiently implemented competitiveness reinforcement programs and various promotions to boost sales. As a result, in 2012 it achieved a market share of 18.6 % (based on in-house calculations) for retail light oil products (gasoline, diesel, and kerosene), a record high since the company’s founding. This feat was achieved in spite of Korea’s economic slowdown

resulting from the global recession, the increasing number of the government’s “thrifty” service stations, an increase in imported oil, and other obstacles in the business environment. S-OIL will strive to further boost its market share by actively seeking new business opportunities in the domestic market while effectively implementing its existing sales measures.

Service Station Satisfaction | Service stations are S-OIL’s key customers and partners. Faced with a saturated market where competition is growing fiercer by the day, S-OIL is implementing various brand marketing activities to enhance its competitiveness in service station operation while also engaging in diverse support activities to solidify its long-term partnership with service station managers.

Diverse Support Activities for Service Station Managers	
	Highlights
S-Family Magazine	Published every other month to offer expertise on service station management and enhance understanding of S-OIL's sales policy and service station support programs
Service Station Training	Online and offline training (www.s-oiledu.co.kr) provided throughout the year for improving service station operating capabilities
Service Station Management Consulting	Tailored operation strategies provided regularly by S-OIL's in-house consultants on issues including start-up, sales management, promotion, and supplementary businesses
YES Team	Service training for service station employees and support for sales promotion provided through on-site visits by YES Team, a specialized service group, for service improvement

No. of Trustworthy Service Stations (Unit : stations)



Domestic Market Share (Retail Light Oil Products) (Unit : %)



Champions Club Award Ceremony





Min-Ho Lee
Senior Vice President
Head of Overseas HQ

Since its founding, S-OIL has put forth tireless efforts to deliver products and services that maximize customer value by identifying the needs of overseas customers. Thanks to these efforts, S-OIL was able to continue its growth with customers even in the midst of fierce global market competition. Intent on remaining a trustworthy company for its customers, S-OIL vows to consistently improve customer value.

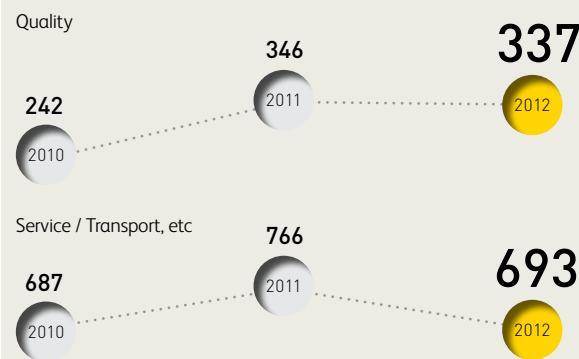
Services that Ensure Customer Satisfaction

S-OIL is fully aware that the first step to achieving customer satisfaction is listening to their voices. It identifies the needs of its customers through diverse channels, including the Customer Relationship Management (CRM) System and supporter activities, in order to provide optimized services by reflecting their valuable opinions in its policies. In addition, it responds to and resolves customers’ complaints and difficulties through its customer center, the Integrated Voice of Customer (VOC) Management System, and the Happy Call System.

S-OIL Supporters: A Communication Channel with Customers | In order to provide top-notch service to its customers, S-OIL reflects into its business activities the customer needs that are identified through the eyes of the customers themselves by managing the S-OIL Supporters, a prosumer group. Consisting of some 1,500 S-OIL VIPs spread nationwide, the S-OIL Supporters conduct monitoring activities on the company’s products and marketing policies and actively offer proposals and suggestions for improvement, playing a pivotal role in the growth of the S-OIL brand. They are also becoming S-OIL’s meaningful partners through their active participation in the Sunshine Sharing activities, the company’s social contribution campaign. In 2013, S-OIL plans to select a handful of S-OIL Supporters to create its Key Advisor Group, encouraging their active input as the company’s partner marketer by giving them an opportunity to serve as specialists on the various marketing issues.

Upgraded Activities for Identifying Customer Needs | Customer-centered management begins with the identifi-

Performance of Integrated VOC* Management System (Unit : cases)



· Data changed due to different measurement criteria adopted for 2011-2012.
* VOC : Voice of Customer

SI 1. Enhance Customer-Centric Management

A Pricing Policy Aimed at Creating Win-win Relationships with Customers Quality that Ensures Customer Satisfaction A Network that Ensures Customer Convenience Services that Ensure Customer Satisfaction

cation of what customers want. S-OIL introduced its CRM system in 2011 to ensure smooth communication with its customers and provide differentiated services. This enabled a systematic and scientific management of the Bonus Card members’ information, which in turn allowed the company to offer tailored benefits and conduct targeted promotional activities starting in 2012. In particular, under the concept of 3S (Speed, Smart, and Sweet), S-OIL’s customer center provides a one-step VOC process that utilizes the CRM system, which contributed to KSQI selecting the company for three consecutive years for their outstanding call center since 2010.

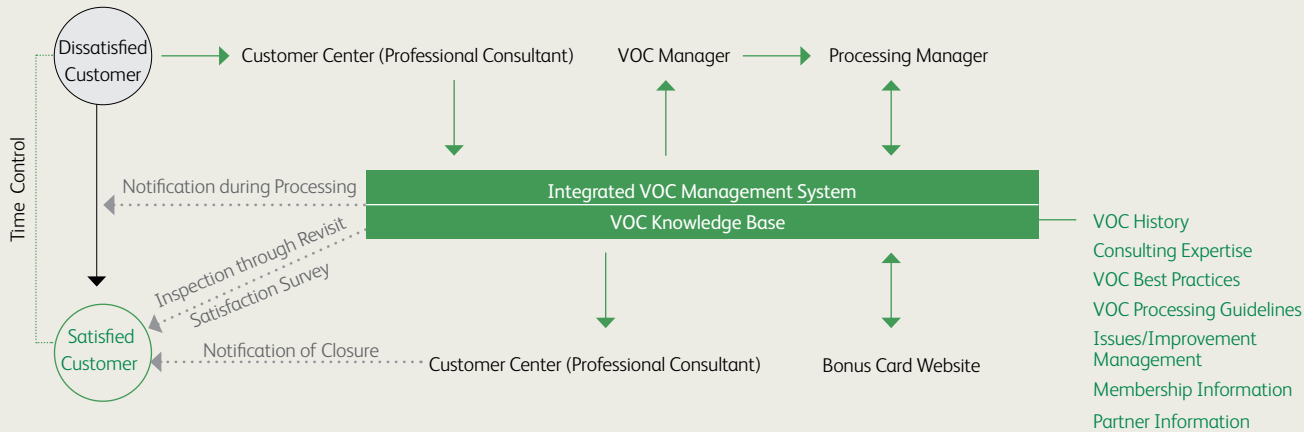
Integrated Operation of VOC Management System | In 2012, S-OIL launched an integrated VOC management system that categorizes, registers, processes, analyzes, compiles, and shares the VOCs within the company. This is an improvement over its numerous VOC management systems that were formerly operated separately for different channels, such as the customer center and the company website. The system has made it possible to manage the VOCs without omissions, compile integrated statistical data, process the VOCs swiftly, and make improvements to the work process. From the first half of 2013, professional consultants with related expertise will be communicating with the customers throughout the entire process, starting from the moment a complaint is received; this is expected to greatly boost their trust in S-OIL as well as their satisfaction.

Happy Call System | S-OIL is the first Korean company to operate the Happy Call System, in which professional consultants call the customers after their complaints have been

processed in order to check their level of satisfaction regarding the complaint processing procedure and ask for feedback for improvement. Through this system, customers rate their satisfaction with the procedure on a scale of 1 to 10; the results of their evaluation are compiled and analyzed by the lead department and then passed onto the relevant departments. These improvement activities are aimed at maximizing the satisfaction of customers. Also, from the first half of 2011, S-OIL began applying its Happy Call System to service stations, evaluating their satisfaction with the company’s complaint processing procedure.

Clean & Smile Campaign | To ensure that its service stations consistently offer a pleasant customer experience, S-OIL actively runs the “Clean & Smile Campaign,” a customer service program for service stations. Since 2012, employees at S-OIL’s service stations have been required to wear a photo ID badge, a measure aimed at boosting their sense of responsibility. In addition, the company has created a page on its Bonus Card website where customers can submit positive feedback to service station employees who provided outstanding service. S-OIL also provides an online music broadcast at its service stations to create a lively and pleasant atmosphere, and in 2013 it launched the “Clean Campaign.” It will communicate and grow with its customers based on these efforts.

Integrated VOC Management System Process



SI 2

PROVIDE BEST-IN-CLASS WORK ENVIRONMENT

VOICE OF STAKEHOLDERS

Younger generations focus as much on their hobbies and leisure activities as they do on achievement at work. We hope Family Day takes root and grows into a system that fosters individuals' creativity and enhances the company's competitiveness. _ A S-OIL employee



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

S-OIL's employees are the most valued energy that drives the company to success. It is the dedication and passion, creativity and cooperation of all employees that shape who and what we are today. Well aware of their precious and valuable energy, S-OIL provides employees support so that they can grow into professionals in their own field equipped with outstanding capabilities and realize their full potential. S-OIL is committed to making a Great Work Place where the company and employees can grow together by rewarding our best employees, providing systemic and various talent nurturing programs and creating a warm, human-oriented corporate culture.



PERFORMANCE SUMMARY

Plans for 2012

- Apply customized development programs and HR management differentiated for each specialist.
- Develop and operate educational programs tailored to the development needs of executives and team leaders.
- Develop and manage "S-OIL Academy for Operations" for engineers and production employees.

- Improve corporate culture and systemic support to ensure employees' work-life balance.

- Continuously improve evaluation systems to enhance employees' trust in and acceptance of the systems.

- Realize an optimized working environment that promotes work efficiency and convenience.
- Adopt BI/EDW for swift information sharing and collaboration between different organizations and transform the existing groupware into a Communication Portal (CP) for vibrant communication within the organization.
- Establish a grievance management system to improve employees' job satisfaction and sense of belonging.

Achievements in 2012

- Refined the specialist system designed to nurture employees with job-related capabilities.
- Conducted learner-centered education for executives based on the competency evaluation results.
- Developed the "S-OIL Academy for Operations" program and strengthened on-site technical education at plants through having a dedicated team manage the education.

- Introduced new HR systems, including Weekly Family Day and Core Working Hours, for employee work-life balance.
- Provided an integrated health management system, providing 1:1 counseling with external physicians and operated a health management website.

- Improved the assessment method of new hires and changed the share of individual performance evaluation in KPI calculation in order to make sure fairer and more rational evaluation.

- Transformed the existing Group Ware into the Communication Portal (CP) with greater system stability and convenience, thus encouraging communication across the organization.
- Built an integrated document management system to register key documentation at the refineries in the system as intellectual property.
- Saved more than KRW 16.8 billion a year by implementing a campaign to promote the use of the in-house proposal system.

Future Plan

- Upgrade the education programs and career development system on an ongoing basis following the changing trends of the time.
- Establish "S-OIL Academy for Finance" and "S-OIL Academy for HR" courses as part of the effort to expand job education to other areas.
- Continue to improve the talent recruitment system to hire capable engineers.

- Develop and implement various systems to create a family-friendly corporate culture.

- Encourage work initiatives and improve job satisfaction of employees through continuously upgrading evaluation systems.

- Promote a Smart Workplace through realigning mobile groupware.
- Hold various events to encourage all officers and employees to make suggestions for improvement and move ahead with a system upgrade for user convenience.

To create a workplace where employees can delve into their work based on financial stability, S-OIL strives to offer the best compensation rates and employee benefits in the industry.

Harmonious Work-Life Balance

Top-notch Compensation and Employee Benefit System |
To create a workplace where employees can delve into their work based on financial stability, S-OIL strives to offer the best compensation rates and employee benefits in the industry. Newly hired university graduates are paid 340 % of the country’s minimum wage, the highest compensation offered by any Korean company in this sector. In addition, the company’s pay and benefits package are gender-neutral. Employees (manager or above) in managerial positions and executives receive their base pay and merit-based pay according to their unit’s performance as well as individual achievements. In the future, S-OIL plans to expand this system to include all employees in order to enhance a meritocratic corporate culture. S-OIL’s employee benefits package is rationally designed according to the employee’s lifecycle - that is, their age and length of service. In addition to mandatory welfare benefits such as health insurance, employment insurance, occupational health and safety insurance, and the national pension plan, the company provides support for its employees’ stable livelihood, healthcare, tuition fees, congratulations and condolences, as well as individual pensions and leisure activities through its leading benefits package.

For more information on the welfare benefits provided according to years of service, visit the Employee Benefits Package section of Recruitment on the company website.

Intensive Holiday System | In 2010, S-OIL introduced the Intensive Holiday System that allows the employees to take two-weeks off any time of the year at their convenience. By ensuring work-life balance and helping employees to get time for refreshment, the system contributes to enhancing productivity at work and employee satisfaction. Additionally,

when executives or team leaders are on their intensive holidays, executives or team leaders from other business units act as proxies according to a preset plan. This has proven to be very effective in promoting their understanding of other departments’ functions as well as vitalizing interdepartmental communication.

Diverse Family-friendly Policies | Through a number of programs aimed at improving its corporate culture, S-OIL strives to boost work efficiency and create a more family-friendly culture. To this end, it launched the “Weekly Family Day (Wednesday)” and “Core Working Hours” program in 2012, encouraging its employees to concentrate on work during the working hours and to leave work on time in order to spend time with their families or to get involved in self-improvement activities. The employees’ level of participation in and satisfaction with these initiatives are quite high.

Employee Health Management | S-OIL operates Health Clinics at both the head office and the refinery, in order to respond to emergencies that may arise during the working hours as well as to promote the employees’ health. Specialized nursing staff is always on standby, providing first aid treatment, basic health checks, health counseling, and other specialized and integrated health management services. In 2013, the company also launched the “S-OIL Family Doctor,” a website for health care that offers the latest information on health, in order to provide practical help with the systematic health care of its employees and their families. Through this website, employees can easily access to useful information related to common illnesses, healthcare, hospitals categorized by region and specialty, and many other topics. S-OIL

also offers annual checkups conducted by specialized external medical institutions in accordance with the age and occupation of its employees. Employees who are diagnosed with health issues, or who need consultation regarding their healthcare or that of their families, are provided with one-on-one consultation with an outside medical specialist. In addition, there are stretch breaks two times a day, in the morning and the afternoon when the employees’ fatigue reaches its peak. Then, the employees get up from the desks and stretch, thus preventing musculoskeletal disorders in their everyday lives.

A Work Environment Filled with Motivations

It is said that individuals experience the greatest happiness when they achieve something as a result of focused efforts. Striving to ensure the happiness of its employees, S-OIL is leading the way in upgrading its in-house work systems and improving its corporate culture in order to create a work environment filled with motivations.

Upgraded Mobile Groupware | S-OIL employees have been using electronic approvals, checking their e-mails, and managing their schedules through a mobile application since 2008, when the company preemptively implemented a mobile office system. The application underwent an overhaul in the beginning of 2013, which added a number of convenient functions and also made it possible for all employees to use the mobile groupware regardless of their smartphones’ operating system. S-OIL also developed the “e-Learning” application that enables its employees to take the company’s multi-content Cyber Education courses using not just their PCs but also their phones. As a result of these efforts, they can use the

Weekly Family Day



Health Management Website “S-OIL Family Doctor”



Mobile Groupware



mobile groupware without any constraint of time or space.

Promotion of Collaboration and Communication | In 2012, S-OIL built the Enterprise Contents Management (ECM) System, which improved the sharing and use of key technical and work documents inside the company’s refinery by turning them into information assets. This initiative created a collaborative work environment in which employees can share their documents in real-time, since it saves the electronic documents that were once dispersed among personal computers and file servers onto an integrated system, allowing users to create, access, and use the documents any-time, anywhere. Also in 2012, the company created a smarter work environment by restructuring its existing groupware into a communication portal (CP), which promotes communication and information sharing among employees, boasts a user-friendly interface that utilizes widgets, and boosts work efficiency.

Say Yes to PRICE Campaign | S-OIL is engaged not only in company-wide activities aimed at improving its work processes through the system overhaul, but also in initiatives launched at the headquarters level. In particular, the company’s domestic and overseas marketing headquarters launched the “Say Yes to PRICE Campaign” in 2012 in order to guarantee efficiency and boost their members’ expertise through the improvement of their work processes. “PRICE” stands for Process improvement, compliance with Regulations, Information sharing, promotion of Communication, and reinforced Education – the five initiatives required to ensure their work expertise and reliability. A number of programs are in place for each initiative. Faced with the need for closer communication that arises from the decentralization and specialization of work, a result of the company’s expansion, S-OIL was able to successfully promote communication through its regular interdepartmental meetings, CP-based sessions for sharing mistakes, and specialized training programs. In the future, it will continue its efforts to offer the best work environment through activities for work process improvement and IT-based program improvement.

Introduction of Knowledge Management System (Jisik Plus) | While strengthening its problem-solving capabilities as well as the foundation for long-term growth by reinforcing expertise and knowledge sharing among employees, S-OIL also introduced Jisik Plus, a company-wide knowledge management system, in October 2012. The system aims

to lay the groundwork for knowledge-based management by promoting integrated knowledge management enabled through the systematic accumulation and sharing of in-house information. Jisik Plus is composed of the “Knowledge Q&A” section, where knowledge is accumulated and shared through work-related questions and answers, and the “Knowledge Sharing” section, where employees share and amass their knowledge through postings. In addition, a Knowledge Master is designated to answer the uploaded questions, evaluate and approve the requested information, ensuring the smooth operation of Jisik Plus.

Employee Suggestion Program | While incorporating its employees’ ideas for improvement into its work processes, S-OIL also established and introduced the Employee Suggestion Program (Suggestion Box) in 2009 to share those ideas within the company. Since then, the program has become a win-win system in which the employees who submit their suggestions are rewarded by the company, while the latter enjoys diverse benefits that result from these ideas such as cost reduction, productivity improvement, and accident prevention. In 2012, the company launched a number of activities to enhance employee awareness regarding suggestions and encourage their participation; for example, it selected outstanding participants and the most active participants on a quarterly basis, held the “1-1-1 Suggestion Campaign,” and at the end of the year granted the CEO’s award and promotion bonus points to outstanding participants, and KPI bonus points to departments that submitted outstanding suggestions. As a result, the numbers of suggestions and participants doubled year on year, and thanks to the diverse ideas, the company was able to save more than KRW 16.8 billion in cost.

Say Yes to PRICE Campaign



Expansion of In-house Communication Channels | S-OIL develops and manages numerous communication channels in order to facilitate in-house communication and information sharing. Since 2011 it has published the quarterly “HR Webzine” to gather employee feedback about the company’s HR system and management practices, ensuring mutual communication. In the latter half of 2012, it introduced the “Well Done” bulletin board on the in-house intranet and shared the names and detailed achievements of the employees who won awards within and outside the company. By spreading stories of success among employees, the bulletin board is promoting a culture complimentary praise as well as a cheerful and positive corporate culture. S-OIL also provides its full support to diverse in-house clubs that are open to all employees regardless of their position and age; currently some 2,300 employees are actively involved in 36 clubs. In 2013, the company is further promoting these clubs by designating the third Wednesday of every month as “Club Day” and providing additional funding for inter-club activities.

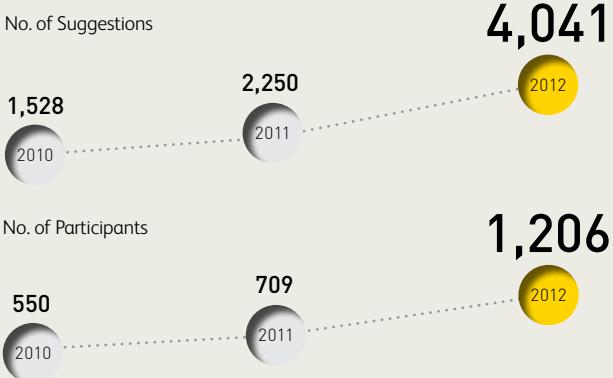
Improvement of Corporate Culture through Surveys | S-OIL has a variety of corporate culture improvement programs in place in order to create a mutually cooperative corporate culture rooted in optimism and trust among employees. Having established a dedicated department in 2011, it has been conducting an annual survey of all employees on S-OIL’s corporate culture and communication. Survey results show that the corporate culture has improved, becoming more community-oriented and autonomous.

Harmonious Labor-Management Relations | S-OIL boasts an exemplary labor-management record, having experi-

enced no serious labor disputes since the establishment of its union in 1980. This is attributable not only to the company’s compliance with the relevant regulations, but also to the cooperation between the labor and the management whereby the company fully respects and embraces the activities and opinions of the labor union. As recognition for these achievements, S-OIL was awarded the Labor-Management Harmony Grand Prize in 2012. As of 2012, the number of union members stood at 1,435, including two full-time union officers. (Union density recorded 53.78% as of the end of 2012)

Human Rights & Labor (S-OIL’s Policies on Human Rights such as Compliance with Labor Laws) | S-OIL respects the human rights of all stakeholders and complies with relevant laws. It determines the working conditions of employees, its internal stakeholders, by signing a collective bargaining agreement in accordance with an agreement between the labor and the management. At the same time, the company guarantees its employees’ working conditions in compliance with the labor laws and regulations as well as the International Labor Organization standards. Furthermore, it does not tolerate gender discrimination. It does not discriminate between male and female employees in performance evaluations or promotions, and allows its employees paternity and maternity leaves in accordance with the government’s policies to promote childbirth. S-OIL also strives to promote a sound sense of camaraderie among employees through its annual anti-sexual harassment training. S-OIL strictly abides by the Labor Standard Act, which prohibits child labor and forced labor, and avoids engaging with other business sectors at high risk for engaging in these acts.

Suggestion Activities



In-house Club Activities



From Employment to Retirement

Open Recruitment in Connection with Society | S-OIL strives to provide quality jobs with the belief that job creation is the leading way to contribute to society faced with high youth unemployment triggered by the global economic recession. As a result of its efforts, it was named one of the “Top 100 Job Creation Companies” by the Ministry of Employment and Labor in 2012.

Pursuing open recruitment together with the community, S-OIL hires individuals who embody its envisioned ideal values of employee, regardless of their gender and academic background. Out of the company’s total recruits for 2012, female employees accounted for approximately 17.6% (23 employees), and individuals with educational attainments equal to or lower than those of graduates of regional universities and junior colleges accounted for about 48.9% (64 employees).

S-OIL will continue its efforts to help diverse types of talents realize their potential in society through its meritocratic open recruitment practices.

Job Security for Win-win Labor-Management Growth | S-OIL strives to guarantee job security while simultaneously pursuing efficient HR management. In 2007, it launched a program to evaluate and re-employ retirees for up to two additional years under the same working conditions they enjoyed before their retirement. To date, the program has continued to be successfully implemented. Then in 2011, the company introduced a program to evaluate and promote non-regular employees to regular status, if they possess the skill sets needed by the company. This system guarantees

employees’ job security while giving the company a chance to secure a talented labor force, and will lay the foundation for S-OIL’s steady growth.

Retirement Management Program in Preparation for Aging Society | In an aging society, a comfortable life after retirement is an important motivation for workers. 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 for all employees to communicate the need for and stability of the plan. It currently has 18 retirement pension plan providers. In addition, S-OIL runs an office for its retirees, where they can easily seek the company’s help. It also holds numerous events for the retirees, and provides opportunities for its employees and retirees to communicate through means such as the company magazine.

For more information, visit the Work Environment section of Sustainability on the company website.

HR-related Indicators (Employment - Retirement)

Status of Employment (Unit : persons)			
	2010	2011	2012
College Graduates	28	98	64
Others*	153	83	73
Total	181	181	137

* “Others” refers to total employment including junior college graduates, experienced workers, and non-regular workers except for university graduates.

Employment Status: Regular / Non-regular (Unit : persons)			
	2010	2011	2012
Executives	38	39	42
Regular Employees	2,479	2,491	2,523
Contract Employees	72	131	148
Total	2,589	2,661	2,713

Employment Structure (Unit : persons)			
Executives	Administrative Employees	Production Employees	Total
42	1,246	1,425	2,713

Employment by Business Site (Unit : persons)					
	Head Office	Refinery	District Sales HQs	Terminals	Total
Executives	27	15	0	0	42
Employees	635	1,684	268	84	2,671

Employment by Age/Gender (Unit : persons, %)					
	Age	Gender	2010	2011	2012
Executives	30-50	Male	8	9	14
		Female	1	1	-
	50 or Above	Male	29	29	28
		Female	-	-	-
Employees	Under 30	Male	309	361	406
		Female	74	73	68
	30-50	Male	1,768	1,794	1,806
		Female	110	113	126
	50 or Above	Male	289	278	261
		Female	1	3	4

Employment of Disabled People (Unit : persons)			
	2010	2011	2012
Disabled Employees	47	45	47
All Employees	2,589	2,661	2,713
Percentage of Disabled Employees	1.8	1.7	1.7

Number of Retirees (Unit : persons)			
	2010	2011	2012
Retirees by Age Limit	47	39	48
Others	56	70	37
Total	103	109	85*

* Excluding irregular workers who became regular workers after the end of their contracts (5) and employees who retired because they were appointed as executives (9)

Cyber Education (Except for foreign language and book reading)			
	2010	2011	2012
Classes	96	110	171
Persons	510	370	532

Yearly Average Training Hour per Administrative Employee (Unit : hours)		
2010	2011	2012
56	52	68

Education and Training Cost to Labor Cost (Unit : %)		
2010	2011	2012
0.8	1.4	1.7

Fringe Benefits to Labor Cost (Unit : %)		
2010	2011	2012
59.5	62.5	51.4

New Employee Orientation



Office for Retirees



SI
3

ACHIEVE OPERATIONAL EXCELLENCE

VOICE OF STAKEHOLDERS

Industrial accidents should be highlighted more, given the serious damage such an accident can cause at the national or industrial level, let alone to the affected individuals. In order to maximize the effectiveness of the “zero worksite accidents” campaign, a company must devise a practical strategy that fits the current on-site reality, and implement it in a systematic way. Employees and companies, both beneficiaries of zero accidents, should also actively practice the campaign as one.

_ Seung-Ho Kim, Professor at the Korea Occupational Safety and Health Agency (KOSHA)



Bong-Soo Park
Executive Vice President
Head of Operations



Yong-Hee Lee
Senior Vice President
Head of Production HQ

S-OIL aims for a zero-accident workplace where employees work safely. This is because employees of S-OIL and our partners are valuable assets to our business, but at the same time they are precious parents, sons, and daughters in their family. Based on the Safety Zone Certification it received from the Korean government for the first time in the domestic oil refining industry, S-OIL is doing its utmost for safety at the production sites. In addition, it practices environmental management trusted by the local community through transparent communication with internal and external stakeholders, continuously striving to reduce industrial waste and taking preventative steps to curb waste production at the outset.



Environment Investment
KRW 24.4 billion

Zero-accident
7 million Man-hours

Safety Management Education
for Employees of Partner Companies
213 cases

PERFORMANCE SUMMARY

Plans for 2012

- Continue to maintain zero-accident records and enhance the Safety Management System by placing top priority on safety.

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

Achievements in 2012

- Achieved 7 million zero-accident man-hours (on April 17, 2012).
- Became the first refinery in Korea to have obtained the Safety Zone Certification for fire prevention systems.
- Introduced a behavior-based safety (BBS) program, establishing a safety culture in which all employees engage in identifying and addressing potential on-site hazards.
- Engaged in a parent company/partner win-win program for safety and health throughout 2012 to help prevent industrial accidents at partner companies, and received the highest “A” grade from the Ministry of Employment and Labor in recognition of this effort.

- Enhanced the real-time monitoring and management of data on air/water/odor pollutants by implementing an integrated monitoring system.
- Exceeded the goal for voluntary reduction of air pollutant emissions and renewed the voluntary environmental agreement on air pollutant control

Future Plan

- Undertake various support activities, including workshops, to meet the goal of achieving BBS implementation rate of over 95 %
- Expand investment in safety management systems including interlocks and reinforce various investigation and monitoring activities, to enhance safety management.
- Identify potential hazards through periodic risk assessment for processes and tasks.
- Implement mandatory task risk assessment before the safety management plan is submitted for each
- Improve safety management levels by continuing the win-win program with partners.
- Update/distribute educational video on key dangerous tasks, and provide safety handbook

- Renew a voluntary environmental agreement for soil environment preservation and step up eco-friendly management activities through participation in external initiatives led by the government or society.

By continuously improving and developing the Safety and Health Management System, S-OIL is taking the lead in promoting a culture of safety, creating accident-free and disease-free sites that guarantee the health of its workers, and is building a responsible corporate image.

Work Sites that Prioritize Safety

S-OIL administers the Safety and Health Management System, in which all employees participate in to prevent industrial disasters and create a pleasant work environment. This is achieved by setting clear goals aimed at enhancing their safety and health and by defining the dedicated organizations, responsibilities, and procedures to efficiently distribute and manage the company’s physical and human resources. By continuously improving and developing this system, the company is taking the lead in promoting a culture of safety, creating accident-free and disease-free sites that guarantee the health of its workers, and is building a responsible corporate image.

Top Management’s Commitment to Safety | In accordance with the company’s business philosophy that “safety is the number one priority in all business activities,” S-OIL’s top management is at the forefront of promoting a culture of safety; for example, it conducts regular safety walk-throughs at the sites. Such involvement of top management conveys a clear message to all S-OIL employees that safety is the number one priority. As part of these endeavors, the company reflects the safety KPI in the performance records of all executives and managers, including those in charge of operation. It is also strengthening its commitment to safety by inserting the phrase “Safety First” in all of its documents.

Acquisition of Safety Zero Certification | In 2012, S-OIL became the first domestic refiner to acquire the Safety Zero Certification. Supervised by the National Emergency Management Agency and provided by the Korea Safety Certification Institution, this certification is Korea’s only fire protection evaluation system that assesses and certifies the maintenance, management, and operation of fire protection systems. The Safety Zero Certification is an objective proof of S-OIL’s outstanding fire safety management capabilities. In addition, through its continued maintenance efforts regarding its fire fighting facilities and disaster prevention activities, the company implemented a system that ensures a systematic response to emergencies.

Introduction of Behavior-based Safety (BBS) Program | S-OIL’s Onsan Refinery implemented the BBS program in September 2012. Proven by Dupont, ExxonMobil, and other safety leaders for its disaster reduction benefits, the BBS program identifies the unsafe behaviors of workers, which are the most common causes of industrial accidents, and eradi-

cates their potential risks in advance. The introduction of the BBS program is expected to contribute greatly to S-OIL’s promotion of safety culture.

Zero-accident Man-Hours Achievements | S-OIL’s safety activities are ultimately aimed at creating accident-free work sites. The company set a short-term target of 10 million zero-accident man-hours and continued to launch diverse campaigns, backed by the full participation of its employees. As a result, it reached an astounding 7 million zero-accident man-hours on April 17, 2012. Through the expansion of safety campaigns to all units, S-OIL’s employees are making continued efforts for its zero-accident achievements.

Win-win Partnership Program on Safety & Health | Throughout 2012, S-OIL implemented its “Win-win Partnership Program on Safety & Health” to prevent industrial disasters involving its partner companies. The program is aimed at preventing industrial disasters by improving the partner companies’ on-site safety and health through risk assessment and technical support activities. Thanks to its successful implementation, S-OIL received a grade “A” in an evaluation conducted by the Ministry of Employment and Labor among the companies which participated in the evaluation.

Safety & Health Education | S-OIL is engaged in continuous training activities, fully aware that helping its workers acquire safety awareness through safety training is an integral part of maintaining a safe work site. As part of the company’s measure to enhance the effectiveness of training, all employees take part in the online training course provided through the SHE(Safety-Health-Enviro-

nement) system, as well as safety and health courses offered by specialized training institutions. In the case of Turn Around(T/A), the company develops curricula that are tailored to the job functions of the targeted employees and offers special safety training courses for each type of high-risk job.

Safety Education for Employees (Unit : persons)			
	2010	2011	2012
First Aid	— ¹⁾	144	80
MSDS ²⁾	973	3,601	1,092
Total	973	3,745	1,172

1) First aid training was not provided in 2010

2) MSDS : Material Safety Data Sheet

Safe Driving of Transportation Vehicles | By using a GPS system, S-OIL keeps its tank truck drivers away from water supply source protection areas and dangerous areas such as those with frequent traffic accidents, in order to minimize potential pollution during transportation. It also prevents oil leakage from its vehicles through regular checkups, and conducts thorough preventive maintenance to prevent vehicle accidents. Since 2010, S-OIL has been encouraging safe driving through its reward program for exemplary drivers. It also began publishing and distributing a booklet titled “Safe Driving Regulations” from 2007. All tanker drivers are required to acquaint themselves with their contents and carry the booklet with them, so that they can prevent accidents and take swift emergency measures in the event of an accident. As a result of these initiatives, in 2012 S-OIL recorded zero oil leaks from transportation vehicles.

Acquisition of Safety Zone Certification



7 Million Zero-accident Man-Hours



Oil Spill Prevention (Initiatives to Preserve the Marine Environment) | S-OIL is producing great efforts to prevent marine pollution accidents caused by oil spills and to preserve the marine environment. Internally, it reinforced its safety management regulations to enhance its employees’ safety awareness. It is also leading the way in tanker safety management, becoming the only refiner to use tugs for small-sized tankers, which is typically not required. The company’s other initiatives include the introduction of a vetting system, which fundamentally bans the access of tankers that do not meet the safety requirements, as well as the replacement of its large-sized tankers with double-hulled tankers prior to the government’s enactment of the related law. S-OIL also holds yearly workshops for its ship owners and shippers to hear their grievances and provide training and discussion sessions on the company’s safety management policies as well as the trend in the government’s maritime safety policies. This has allowed the company to establish a win-win system that is based on mutual understanding on the importance of safety management as well as on mutual trust. Another example of S-OIL’s diverse efforts is the oil spill drills that are aimed at enhancing its emergency response capabilities; they are based on the company-wide anti-marine pollution response procedure established upon advice from specialists. These initiatives have led to a number of positive changes, such as the elimination of various marine pollution accidents and the maximization of safety and efficiency in its operation of facilities. As a result, in 2012 S-OIL became the only refiner to receive a presidential commendation on Marine Day in recognition of its contributions of preventing tanker accidents and preserving the marine environment.

Green Management in Harmony with Environment Environmental Management System

Among its environment-related goals, S-OIL has placed top priority on preemptively establishing green management. It is making continued efforts to produce eco-friendly products by improving its processes and environment-related facilities and introducing new work methods; for example, it has secured desulfurization and denitrification facilities, state-of-art wastewater treatment facilities, and precipitation facilities. S-OIL acquired the certification for environmental management systems (ISO 14001) for fuel oil, lube base oil, and petrochemical products in 1996; since then, the certificate has been renewed five times. The company practices high-level environmental management through regular reviews in accordance with the company’s unique business environment. Moreover, having passed through the settlement stages such as the publication of its safety, health, environment, and sustainability reports and the introduction of an environmental performance evaluation system (ISO 14031), it is further developing its Environmental Management System and has recently implemented an independent environmental accounting (EA) system.

Working-level Environmental/Safety Council | S-OIL efficiently carries out all of its environmental/safety activities based on a clear set of roles and responsibilities. It responds to company-wide issues related to the environment and safety through its Working-level Environmental/Safety Council, which consists of members from departments at the company’s head office and a refinery that are in charge of environmental/safety policies and their implementation. The Working-level Environmental/Safety Council reviews and

deliberates on various environmental issues that can arise at each stage of the value chain from production, distribution/ logistics, and sales to marketing and purchase, and also sets policy directions. Their efforts ensure that the company’s environmental/safety management is intentionally implemented at its business sites.

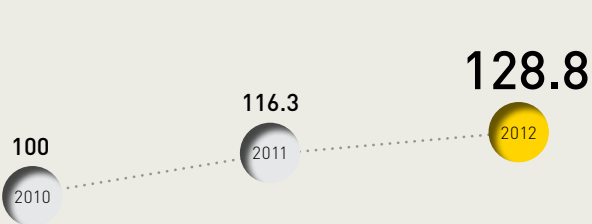
Establishment of Integrated Monitoring System | On top of establishing the water quality/atmospheric outlet monitoring system, the SHE system (overall management of environment-related work), and the consecutive odor monitoring system based on the existing Tele-Metering System (TMS), S-OIL established a new integrated monitoring system in 2012 for its environmental preservation activities in the Ulsan region. The integrated monitoring system combines the existing atmosphere/water quality TMS with odor data and enables real-time monitoring without access to a separate computing system. It consists of two monitors that can be used to view and monitor the data on the atmosphere, water quality, and odor, as well as announcements on work-related and environmental issues, S-OIL’s PR video, and work-related image information. The fact that the system enables swift response upon the detection of abnormal signs in addition to real-time monitoring of the environment makes it a perfect example of S-OIL’s strong commitment to environmental preservation.

Compliance with Environmental Regulations | S-OIL strictly abides by the regulations on environmental impact assessment and preliminary environmental review, as well as other environment-related laws. It has also established strict in-house standards in order to minimize the environmental

impact of its business activities. In particular, a voluntary environmental management system is taking root within the organization, which involves conducting daily inspections aimed at prevention and implementing swift measures for improvement or review of inadequacies. The company also ran an optimized odor prevention facility, Regenerative Thermal Oxidizer(RTO), based on this strong commitment to environmental preservation; despite its endeavors, however, it receive a correction order in 2012. It is currently installing enhanced equipment at the back end of its existing odor prevention facilities for additional odor reduction. S-OIL will continue to actively meet the community’s demand for information while also boosting its investment in the operation of legitimate discharge facilities and environmental improvement.

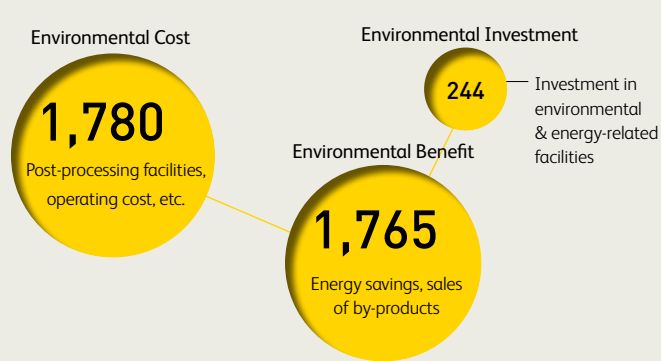
Internal and External Communication | While moving forward with its environmental management based on rigorous internal standards, S-OIL monitors and analyzes global environmental trends and the latest developments related to the domestic laws and regulations through regular communication with its various external stakeholders such as the government, media, and academia, and reflects the results in its Environmental Management System. At the same time, the company improves its environmental management activities by sharing information on environmental management with the local residents and related organizations and by collecting their opinions. S-OIL also participates in the environmental preservation activities conducted by the local community in order to practice environmental protection and build close ties with the community.

2012 Environmental Performance Evaluation (ISO 14031) Results (Unit : points)



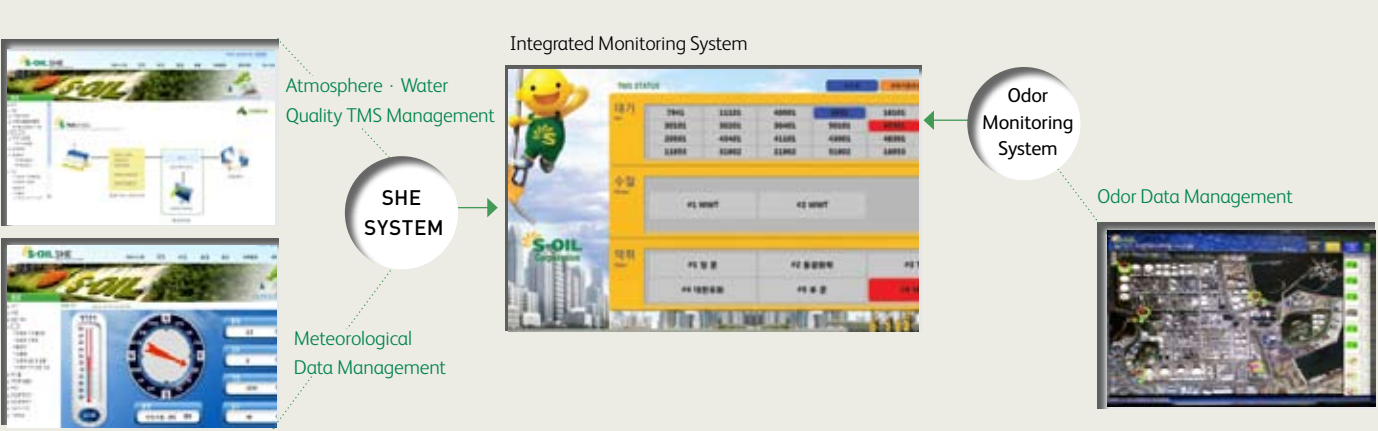
· To ensure systematic environmental performance management, the base year has been adjusted from 2008 to 2010, with the results for 2010 set as 100 points.

Environmental Accounting (Unit : KRW 100 million)



· Criteria : Environmental Accounting Guideline by the Ministry of Environment
· Increased environmental cost due to an increase in the operation period of new processes

Integrated Monitoring System



Voluntary Environmental Management Agreement | S-OIL is an enthusiastic proponent of the government’s environmental policies. To convey its strong commitment to environmental preservation, it has signed a number of voluntary agreements (VA) in relation to soil contamination prevention, air pollutant reduction, green purchasing, and other initiatives. By signing a second voluntary agreement on air pollutant reduction in 2012, after the expiration of the first agreement, the company displayed strong commitment to the environmental policies of Ulsan, a region designated by the government as a special air pollutant control zone. In addition, the company renewed its existing voluntary agreement on soil environment preservation in 2013, agreeing to conduct voluntary soil contamination tests and clean-up activities until 2023.

For more information, visit the Operational Excellence section of Sustainability on the company website.



Minimum Environmental Impact

VOC Odor Control | S-OIL has established a strict set of in-house emission standards to minimize the environmental impact of volatile organic compounds (VOC) and odorous substances. It has also set up the Leak Detection and Repair (LDAR) system to control fugitive emission sources (sources of pollution that emit pollutants such as chemical substances straight into the air without sending them through the point emission sources, which are designated by the law). S-OIL plans to increase its investment in facilities as well as the number of LDAR control points in order to reinforce the HAPs control system. In the future it will continue to take the lead in pollutant reduction and control.

Hazardous Chemical Substance Control | S-OIL is engaged in diverse activities to minimize the impact of hazardous chemicals in the event of an accident. For example, it strictly controls the manufacturing, storage, and handling of hazardous chemicals in accordance with the Toxic Chemicals Control Act

and the company’s own regulations, conducts regular on-site inspections in accordance with internal control guidelines that reflect domestic and international laws and agreements, and launches campaigns on toxic chemicals control. In particular, S-OIL set up its Chemical Inventory within the SHE system to ensure the systematic management of all hazardous chemicals, including those used in its refinery. This enables the company to review and/or manage all information on the chemical substances it uses, such as the related laws, departments using the substances, their main ingredients, and the MSDS. S-OIL plans to prepare a manual on handling toxic substances according to their characteristics and to purchase/install additional preventive devices, aiming to minimize damage through swift measures in the event of a leakage.

Main Control Items for Hazardous Chemical Substances

- Conduct a preliminary legal review prior to introducing a new toxic chemical**
 - Minimize impact by reviewing the related laws prior to purchasing the chemical.
- Conduct an independent inspection of the handling facilities**
 - Conduct daily and regular inspections on workers operating the handling facilities as well as those in the manufacturing department.
- Provide training on toxic substances**
 - Conduct regular training on topics such as the characteristics of toxic substances, handling and disposal procedures, protective gears, emergency contact system, first aid measures, and MSDS.
- Establish and manage Chemical Inventory**
 - Control the substances systematically through the Chemical Inventory.
 - Review and manage information on the main ingredients, MSDS, and application of related laws.
- Prepare manuals on and devices for toxic chemicals according to their characteristics.**
 - Prepare tailored manuals on hazardous chemicals according to their characteristics.
 - Make plans for the purchase and installation of additional preventive devices.

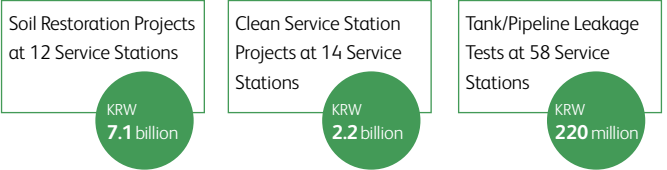
Air Pollutants Control | S-OIL minimizes its emission of sulfuric compounds (SO_x) by using clean process by-product gas and low-sulfur fuel oil. It also maintains a high pollutants removal rate through the appropriate level of treatment, by making continued environmental investments such as the efficient operation of its electrical precipitator and the installation of ultra low NO_x burner (ULNB) and selective catalytic reduction (SCR) unit.

Water Quality Control | S-OIL strives to minimize its impact on the water quality of nearby waters through the stable operation of wastewater treatment facilities and thorough monitoring/control of wastewater discharge. It also sends real-time data to administrative agencies via a TMS. The company has achieved high-level efficiency in pollutant removal by treating wastewater from production facilities using physical, chemical, and biological treatment methods. In particular, in 2012

it replaced worn-out dehydrators with centrifugal dehydrators in order to enhance the efficiency of wastewater treatment facilities as well as to preserve the environment and improve employee health through odor reduction.

Soil Contamination Control | Since the signing of the voluntary agreement for soil contamination surveys and cleanup with the Ministry of Environment in 2002, S-OIL has conducted regular soil contamination surveys for prevention and restoration. It also adheres strictly to the Soil Environment Preservation Act. In addition, the company carries out soil contamination tests and leakage tests in accordance with the legally designated periods to ensure thorough control, while also conducting independent monitoring to detect soil contamination for systematic management. In order to control soil contamination at its service station sites, S-OIL prevents contamination in advance by modernizing related facilities and conducts restoration activities for service stations where soil contamination is in progress. Furthermore, to prevent soil contamination at the fundamental level, it is replacing old pipelines and tanks to meet the standards for “Clean Service Station” certified by the Ministry of Environment.

Service Station Soil Contamination Control in 2012



Waste Control | S-OIL has been lowering its waste volume in order to minimize waste and ensure the eco-friendly recycling of resources through an improved recycling rate. It also maintains a high recycling rate through rigorous recycling activities. The company will continue its initiatives aimed at improving eco-

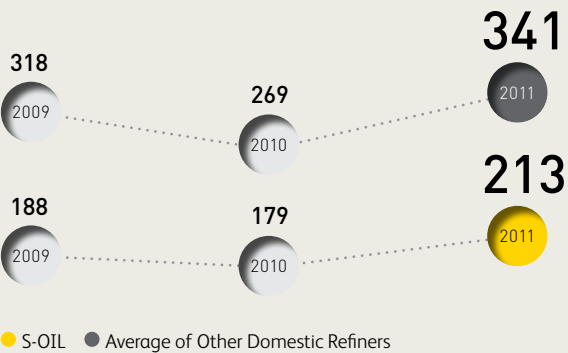
friendly resource recycling through active technology reviews.

Lawful Storage and Separate Disposal of Waste

- | Control | Disposal | Check | Training |
|---|---|--|--|
| Establish a waste control system within the SHE system to monitor and control each department’s waste generation. | Thoroughly manage the waste disposal process from its preliminary stage to post-management stage by reviewing the disposal agencies’ permit eligibility and conducting inspections on their disposal processes to ensure compliance with the law. | Conduct regular checks on waste storage and control along with special on-site checks for activities such as large-scale expansion work. | Conduct environmental training with employees and partner companies.
Distribute guidelines on construction waste disposal among partner companies and provide related training. |

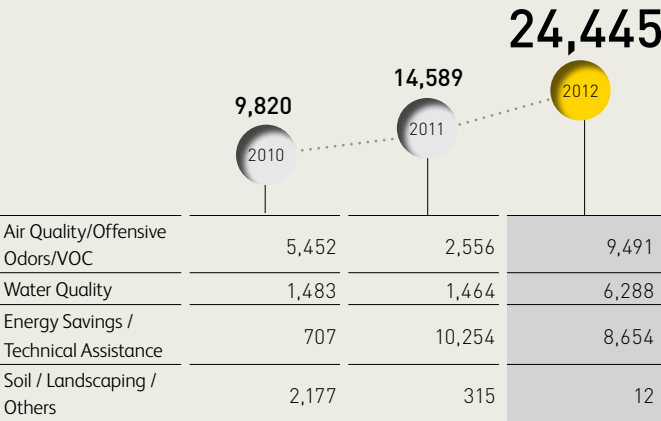
Environmental Education to Enhance Awareness | Every year S-OIL conducts environmental training with all of its employees as well as those of its partner companies. It offers legally mandatory training programs for its environmental experts, and also encourages them to attend diverse technology seminars as well as the company’s own seminars on environmental technology to enhance their capabilities and better respond to the external and internal issues on the environment. In addition, it systematically renews and manages the training results and materials through its SHE training management system, and successfully improved its environmental training system by publishing and distributing a textbook for environmental training (S-OIL Environmental Management Handbook) among employees and partner companies, in which it explains the company’s environmental management status and pending issues related to environmental policies. S-OIL also provides general knowledge and information on the environment through its monthly refinery newsletters, while ensuring practical and efficient training by holding group environmental training sessions for its supervisors.

Emission of Hazardous Chemical Substances (Unit : tons)



* Source: Data disclosed by Ministry of Environment (2013)
* Data for 2012 was disclosed in 2014.

Environmental Investment (Unit : KRW million)



SI 4

CONTRIBUTE TO SOCIETY

VOICE OF STAKEHOLDERS

It is in the nature of any business to strive to create more profit and revenue. That said, at a time of a widening gap between the haves and have-nots and hyper competition, more attention is placed on a “good company,” which tries to strike a happy medium by putting its philanthropic love, capital and effort into the neighbors and society, rather than blindly pursuing material gains. _ Ui-Dal Song, Editor of Weekly Biz, Chosun Daily



Chang-Jae Lee
Senior Vice President
Head of Administration HQ

S-OIL desires to become warm sunshine that lights up every corner of our society. We believe that healthy growth of a company is possible only when society in which the company operates is sustainable. Having carried out differentiated, responsible social contribution programs, such as activities for heroic citizens, the environment and local communities, S-OIL contributes to bringing out positive changes and creating new values in our society.

S-OIL Public Service Corps' Activities
30,828 hours

PERFORMANCE SUMMARY

Plans for 2012

- Continue to develop practical social contribution programs and encourage employees' voluntary participation in social contribution activities.

- Assess the social impact of the company's CSR programs by introducing a social contribution index developed by a specialized external organization and reflect the results in its CSR plans.

- Take part in community-based environmental preservation activities. Promote biological diversity activities through continuous protection of endangered species.
- Develop a variety of CSR programs to help local communities and lower-income brackets with practical benefits.
- Fully fund the project to restore Taewharu, a historic pavilion in Ulsan originally constructed during the Three-Kingdom Period but burned down during the Japanese invasion into Korea in 1592 (KRW 10 billion over three years).

Achievements in 2012

- Retained a high level of employee participation in social services (over 85% of all employees) and recorded an increase in the average volunteer hours per capita (from 12.5 hours in 2011 to 13.3 hours in 2012).

- Held a joint workshop with staff from external welfare facilities to evaluate and receive feedback on the company's social contribution activities.

- Received an official commendation from the Korea Cultural Heritage Administration in 2012 for its continuous effort to protect threatened species.
- Held a “Culture & Arts Sharing” campaign at the Head Office premises twice a month; provided support for community cultural activities, including the Mapo Salted Shrimp Festival.
- Funded the entire project to restore Taewharu under an MOU signed with Ulsan City (a total of KRW 10 billion over three years from 2012).

Future Plan

- Motivate employees to take part in social contribution initiatives through various internal and external channels, such as an in-house journal, Communication Portal and Sustainability Report.

- Benchmark best practices of others to further develop social contribution programs.

- Develop new programs to pursue in parallel with the existing protection activities (maritime police program, etc.).
- Undertake social contribution activities in harmony with local communities by actively engaging in the establishment and implementation of public policies in various areas, both in the public and private sectors.

Donations
KRW 11.7 billion



Green Purchase
KRW 25.3 billion



Guided by its belief in sharing management, S-OIL delivers much needed warmth to every corner of our society through “Sunshine Sharing” activities under the themes “Heroes,” “Communities,” and “the Environment.”

Social Contribution Activities

S-OIL undertakes “Sunshine Sharing” activities, which portray the company’s corporate identity – the sun’s rays. Anchored by the three principles – Genuineness (voluntary participation), Impact (becoming a respected corporate citizen while having a positive effect on society), and Timing (conducting activities when and where needed) – the activities deliver much needed warmth to every corner of our society under the themes “Heroes,” “Communities,” and “the Environment.” S-OIL’s social contribution activities are run and supported by its employees who actively participate in donations for those in need as well as the S-OIL Public Service Corp, the in-house volunteering organization.

For Heros | “Hero Support Programs” applaud and encourage heroes in our society such as the heroic citizens and fire-fighters who commit themselves to saving lives and property by risking their own in adverse working conditions. In 2012, S-OIL newly organized the “Healing Camp for Firefighters” to provide a get-away time and rejuvenate themselves with their families. In 2013, it will launch programs for respected maritime police officers who work to protect the maritime environment or come to rescue in accidents.

For the Environment | S-OIL’s endangered natural monument protection campaigns are aimed at preserving natural heritage for future generations. To this end, the company signed an agreement with the Cultural Heritage Administration in May 2008 to protect otters (Natural Monument No. 330), cranes (Natural Monument No. 202) and hemibarbus mylodon (Natural Monument No. 259). S-OIL’s environment protection programs also cover other activities including: supporting protection and research activities of the relevant organizations; 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. S-OIL also undertakes community-based environment protection activities focused on preserving the marine environment and resources. In order to protect the evergreen forest of Mokdo (Natural Monument No. 65) near Onsan Refinery, volunteers from the refinery have engaged in seacoast clean-up activities, such as collecting waste wood and nourishing trees, while those active in the in-house diving club have removed waste from the seabed. In acknowledgement of such sincere activities, S-OIL received a commendation from the

Korea Cultural Heritage Administration in September 2012.

For Communities | S-OIL Ulsan Welfare Foundation was founded in 2007 and has since operated with the objective to effectively carry out a variety of CSR activities targeting community citizens, the underprivileged, and social welfare facilities in Ulsan. S-OIL is the first business operating in Ulsan to launch a welfare foundation, and the beginning of its social welfare activities can be traced back to 2001, even before the establishment of the Foundation, when it purchased rice from nearby farming families for donation to marginalized populations. A decade later, it still strives to locate those in need and find appropriate measures to assist them through regular communication with local residents. In addition, the company supports welfare facilities for the disabled, war veterans and patriots, and social welfare facilities with the aim of providing help to those in need, and donates heating oil to 500 low-income families during winters. S-OIL also makes a contribution to the Mapo District, where the company’s Head Office is located, and organizes volunteer programs with welfare facilities for low-income families within the district.

For more information, visit the Contribute to Society section of Sustainability on our website.

Community Arts, Culture and Education Support Programs

Education for Local Youngsters | In cooperation with the Ministry of Education, it runs the “Children’s Science Magic School,” which in an innovative departure from traditional teaching methods employees magic to teach children about scientific principles to foster their creativity. In addition, the company supports athletics clubs, book purchases and af-

ter-school programs at seven local elementary and middle schools, and undertakes a wide range of social contribution initiatives such as scholarship foundations to serve the Onsan area, study facilities for youth, and the Winter Snail School for Children with Disabilities. S-OIL received recognition for these efforts and was selected as an Education Donation Organization by the Ministry of Education, Science and Technology in January 2013.

Taewharu Restoration Project | Ulsan, the home of S-OIL, underwent rapid growth and is now a large industrial center, but lacks adequate public space to enjoy rest and recreation, as some have suggested. With that in mind, in March 2012, the company signed an MOU with the Ulsan Metropolitan Government to donate KRW 10 billion towards the restoration of the city’s Taewharu pavilion. Built during the Shilla Dynasty, Taewharu was one of the three most beautiful pavilions of the region along with Yeongnamru in Milyang and Chokseokru in Jinju, but was destroyed during the Japanese invasion of Korea in 1592. Upon its completion scheduled for 2014, the restored pavilion, which carries historical significance, will stand as one of the city’s landmarks and the pride of Ulsan citizens in addition to offering a comfortable, easy-to-access public rest area.

Activities for Communities



Activities for the Environment



Cultural Events Sponsorship for Artists and Local Communities | S-OIL organizes and supports various local cultural events in order to enhance the quality of cultural life for local citizens and to encourage artists to participate in cultural events. The company has hosted free performances for residents near the Head Office twice a month (lunchtime and evening) as part of our Cultural Art & Sharing campaign. It also supports the “Mapo Salted Shrimp Festival,” a long-held cultural event of the area, thus helping preserve the traditional culture of the local community. In Ulsan, the company established the Oh Yeong-su Literary Prize in 1993 to commemorate Oh Yeong-su, a famous short story writer born in the region. Today, the prize has become one of the nation’s most prestigious literary awards. S-OIL has held the Beautiful Eye Art Festival since 1996 in support of creative activities of amateur artists. The company has been leading the efforts to promote local culture, illustrated in its sponsorship of various 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 “Byeongyeng Seonang Chigi,” and the Onggi Expo Ulsan Korea. In 2011, it screened a video about the petrochemical industry at the Two-Dimensional Circle Screening Room it installed at the Ulsan Museum, which is the city’s first general museum.

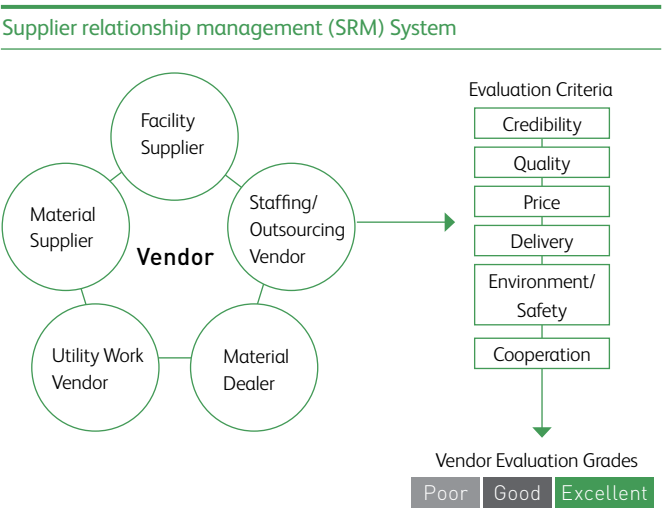
S-OIL’s Pursuit of Sustainable Growth of Society

Participation in Policy Formulation | S-OIL, the leader of sustainability management in the energy industry, is actively taking part in public policy making/implementation programs in a variety of fields, both in the public and private sectors, to ensure a sustainable, balanced growth with society. Fully complying with the Korean government’s “Low Carbon, Green Growth” policy, the company has developed specific plans for phased implementation based on mid- to long-term GHG reduction targets under a strategic carbon management system. At the same time, it is also joining the “Emission Trading Scheme Pilot Program,” which is driven by the Ministry of Trade, Industry and Energy in the run-up to the “GHG Emission Trading Scheme (ETS)” to go into effect in 2015. S-OIL, as a member of the Korea Petroleum Association, regularly communicates with the government and delivers its position and opinions on government policies, thus contributing to the creation and effective implementation of rel-

evant policies and institutions. Notably, an initiative to create a KRW 100 billion Joint CSR Fund was agreed upon among refiners in 2008 to share the weight of the national burden imposed by the onset of high-oil prices. Under its scheme, S-OIL has supported energy heating oil for the marginalized class, and runs energy efficiency improvement programs. The company also has signed an agreement with the Cultural Heritage Administration in relation to its Environment Protection programs, and has contributed its opinions through diverse channels such as regular sessions and workshops. In the private sector, S-OIL is a member of the Korea Business Council for Sustainable Development (KBCSD), which is joined by CEOs of domestic companies under a broad consensus for sustainable growth of humanity by striking a balance between environmental preservation and economic growth. Through KBCSD’s various programs geared towards facilitating cooperation between the government and industry on sustainable growth, S-OIL vigorously supports research and policy development activities in the areas of sustainability management, climate change and energy policy, while exploring effective ways to meet the GHG emission targets for the industry and nation. In addition, it takes the lead in raising awareness about the industry’s response to climate change through its wintertime energy conservation campaign as well as a nationwide campaign and education for GHG reduction and energy saving, in cooperation with KBCSD.

In 2012, it sponsored the Sustainability Management Ability Test (SMAT) Development Project, which is being undertaken for the first time in the world by KBCSD with the objective of highlighting the importance of sustainability management in our society and nurturing talented people with sustainability management capabilities. The company also participated in the Carbon Footprint Gallery event hosted by the Korea Productivity Center in August 2012 to help citizens better understand low carbon, energy efficient processes and products, and thus fostering their development and consumption.

Supplier Relationship Management (SRM) System | S-OIL pursues win-win growth with partner companies by creating a transparent bidding culture based on fair evaluation. To achieve this, it implemented the SRM system in 2010 and plans to enhance both the evaluation criteria and relevant systems in order to raise the credibility and availability of the SRM evaluation to next level in 2013.



Supplier Visit Program | S-OIL commenced a supplier visit program in order to build mutual trust and understanding for sustained cooperation. Under the program, S-OIL shares the company’s ethics management as well as a transparent and objective procurement system, and in turn partner companies present their products, technologies and recent performance, thereby boosting mutual understanding. In addition, S-OIL listens to suppliers’ difficulties and suggestions, and makes every effort to provide appropriate solutions and feedback, so as to ensure the company’s sustainability management philosophy is widely shared with suppliers for win-win growth.

Number of Partner Companies Visited in 2012			
Q1	Q2	Q3	Q4
3	7	6	2

Support for Social Enterprises | Guided by its commitment to mutual prosperity with society, S-OIL supports social enterprises. Joining the “1 Company 1 Social Enterprise” campaign of Ulsan Metropolitan City, Onsan Refinery signed an agreement in December 2011 with Nanuri Corporation, a social enterprise, and launched promotion activities within the company. Under the agreement, S-OIL installs used clothing donation boxes at the company housing, and the social enterprise collects, repairs and gives away used items to those in need. S-OIL is also a steering committee member of the “Ulsan Network for Social Enterprise Promotion,” organized by Ulsan Metropolitan City in April 2012, sharing ideas and supporting policies.

Community-based Social Contribution Activity – Nanum Stations | Capitalizing on its countrywide network of stations, S-OIL launched the “S/Ss’ ‘N(Nanum=sharing)’ Campaign” which is a more systematic and comprehensive CSR activity that is also deeply connected to the company’s core capabilities. Approximately 300 S-OIL service stations voluntarily took part in the program in 2012 to share the profit with local communities, and donated a total of KRW 530 million to 300 social welfare facilities across the country. Going forward, S-OIL will continue to engage in community-based volunteer programs, including “Good Buy Campaign” and diverse public service activities for the purpose of encouraging a giving culture in our society.

Carbon Footprint Gallery



S/Ss’ “N(Nanum=sharing)” Campaign





Kyeong-Pyo Ryu
Senior Vice President
Head of Refinery Management
& Coordination HQ

S-OIL, as a corporate citizen of Ulsan where its Onsan Refinery operates, is committed to fulfilling its social responsibility through a variety of social contribution initiatives, such as establishing S-OIL Ulsan Welfare Foundation, leading the mecenat movement of the region, sponsoring the Taewharu Restoration Project and operating the S-OIL Public Service Corps at the Refinery. Going forward, S-OIL will spare no efforts to grow together with the local communities while developing and implementing social contribution programs that cater to the needs of the communities.

Close Connection with Local Communities | S-OIL engages with communities as it grows. Whenever there is a complaint reported that is related to the company in Mapo or Ulsan where its premises are located, the case is immediately directed to the relevant team for swift resolution. In 2012, the company installed a free vending machine called “GOODOIL Café,” named after the company’s character at its Head Office location, and is expanding them across the country. In the future, S-OIL will remain committed to establishing and maintaining close connections with local communities.

Ever-evolving CSR Activities of S-OIL | S-OIL operates an internal process to assess its social contribution performance and receive feedback from external experts, further evolving its CSR activities. For this, a year-end workshop is held each year at the Onsan Refinery for coordinators from each volunteer corp, welfare facility staffs and staffs in charge of the company’s social contribution activities to collect grievances or suggestions from all parties concerned including volunteers, beneficiaries and staffs in charge. The company subsequently reflects the feedback in its social contribution plan for the following year. In addition, a satisfaction survey is conducted for each recipient welfare center on their satisfaction levels of S-OIL’s programs to identify opportunities for improvement.

The company holds a social contribution workshop at the beginning of each year to recognize and award outstanding volunteer programs, while inviting external experts for special lectures and best practice presentations, in a bid to nurture in-house social contribution experts.

GOODOIL Café



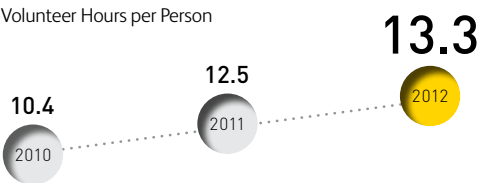
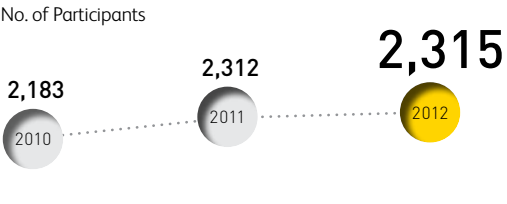
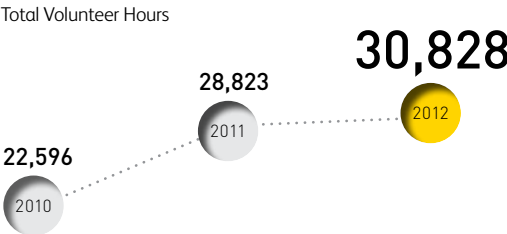
Social Contribution-Related Indicators

Social Contribution Programs and Investments in 2012

	Program	Donation (Unit : KRW million)
For Heroes	<ul style="list-style-type: none">Hero Firefighter ProgramHero Citizens Program	970
For the Environment	<ul style="list-style-type: none">Support for research and protection activities by specialized groupsNatural monument education for childrenChildren’s ecology campCollege Student Natural Monument Protection GroupVoluntary service by employees and customers	280
For Communities	<ul style="list-style-type: none">Support for low-income families affected by house firesCultural Art & Sharing campaignSharing campaign by service stationsSupport for the disabled to participate in overseas marathonsDonation to underprivileged neighborhoodsUlsan Social Welfare Foundation	4,663

· Others: KRW 1 billion for the Table Tennis Team, KRW 1.5 billion for the S-OIL Science Prodigy and Culture Foundation, and KRW 3.3 billion for the Taewharu Restoration Project

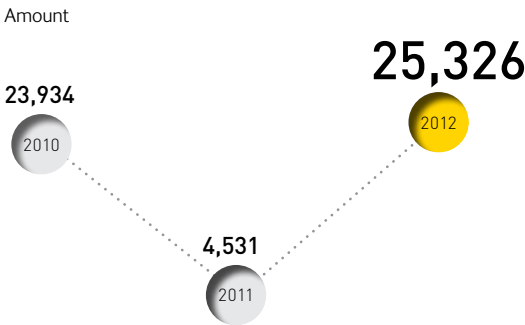
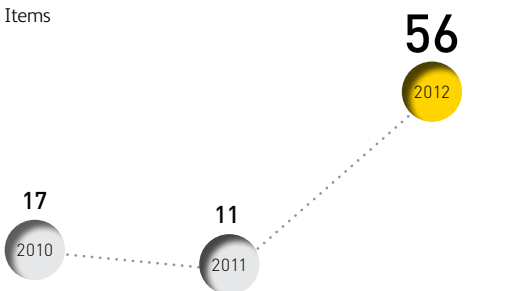
Activities of S-OIL Public Service Corps



Achievements of Sunshine Sharing Campaign

	Year	Wage Tail-Cut Contribution	1 Person 1 Donation Account
No. of Participants	2010	1,377	1,517
	2011	1,446	1,564
	2012	1,538	1,513
Average Monthly Donations (Unit : KRW million)	2010	7	15
	2011	7	15
	2012	7	15

Green Purchasing (Unit : cases, KRW million)



Local Purchasing Local Purchasing (Unit : cases, KRW million)

	2010	2011	2012
Total No. of Purchases	7,823	7,647	6,881
No. of Local Purchases	4,474	4,369	3,745
Total Amount of Purchases	373,090	554,153	424,800
Amount of Local Purchases	90,095	89,084	78,042

PURSUE GLOBAL BEST PRACTICES OF CORPORATE GOVERNANCE

VOICE OF STAKEHOLDERS

Underpinned by integrity and transparency, ethics management is the one and only solution to the dilemma a company faces between the economic mandate for various stakeholders and the social mandate. That is, a sincere corporate culture is the very source of sustainable global competitiveness.

— Myung-Hoon Yoo, CEO of Korea CSR Consulting Group



Dong-Yeol Shin
Senior Vice President
Head of Domestic Marketing HQ

Ethics management lies at the core of S-OIL's sustainability management. Guided by the belief that "ethics management is the First Hurdle Rate to be satisfied in all decision making," all employees from the CEO to rank-and-file employees are devoted to creating a corporate culture that adheres to the basics and principles based on ethics management. In addition, the Board of Directors operated on a system of checks & balances and a well-established compliance management system are creating new corporate values. In the pursuit of harmonious growth with various stakeholders based on transparency and cooperation, S-OIL also makes significant efforts to monitor and manage its supply chain in a systematic manner as part of its broader efforts to instill ethics management in its partner companies. Going forward, S-OIL will further intensify its efforts for ethics management, which is an essential element of "sustainability management for all," including both the Company and its partners.



Transparent corporate governance is a prerequisite for win-win growth for a company and its stakeholders. S-OIL has established solid and transparent corporate governance through its BOD, which plays an important role based on a sound system of checks and balances.

Transparent Corporate Governance Living up to Stakeholders’ Trust

Transparent corporate governance is a prerequisite for win-win growth for a company and its stakeholders including shareholders and employees, as well as the community at large. S-OIL, a joint venture between Saudi Arabia’s state-run oil company and Korea’s Hanjin Group, has established solid and transparent corporate governance through its committees and the Board of Directors (BOD), which plays an important role based on a sound system of checks and balances. The BOD is able to supervise the company’s management activities and performance objectively and independently, in that its majority is comprised of outside directors (54.54 %) and most directors are non-standing directors. The BOD convenes on a quarterly basis to make strategic and critical decisions regarding the company and to be briefed on business progress from company officers. Ad-hoc BOD meetings can be convened when and where needed; in 2012, five BOD meetings were convened.

Separation of BOD Chairman and CEO | One of the most noticeable features of S-OIL’s BOD is that the roles of the CEO and the Chairman of the BOD are separated, allowing the CEO to concentrate on strengthening his expertise and the BOD to oversee the CEO’s management activities from a more objective perspective. Having such a procedure in place, S-OIL strives to increase shareholder value and maximize stakeholder interest.

Establishment and Operation of Committees | To ensure efficient, professional, and transparent operation of the BOD, all six outside directors and one non-standing director participate in the BOD’s Board Audit Committee, Compensation Com-

mittee, and 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’ qualifications according to all relevant rules and regulations, selects those most suitable, and recommends them as outside directors at the general meeting of shareholders. In particular, the Board Audit Committee, comprised of three outside directors and one non-standing director, actively engages in ethics management, receiving annual reports on ethics management activities from the Ethics Committee, and offering recommendations to top management to improve the company’s ethics management.

Composition of BOD (as of March 22, 2013)

	Name	Position
Inside Director (1)	Nasser Al-Mahasher	Representative Director and CEO
	Y. H. Cho	BOD Chairman
Non-Standing Directors (4)	A.F. Al-Wuhaib	Non-Standing Director
	M.O. Al-Subaie	Non-Standing Director
	T. S. Suk	Board Audit Committee Member
	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	Compensation Committee Member
	Y.S. Ahn	Compensation Committee Member ODCR Committee Member

Transparent Management that Creates Corporate Value

Work Process Audit for Higher Corporate Value | S-OIL focuses all capabilities of its auditors on increasing corporate value through enhancing the business process in terms of materiality, commerciality, and practicality from the perspective of audit clients for use beyond sole compliance. Auditors, capitalizing on their extensive work experience, improve their capabilities as expert auditors by attaining a variety of certifications or acquiring audit software competence for in-depth data analysis. 2012 marked a leap forward in the company’s audit activities with cooperation from external professionals. In-house auditors who boast profound understanding of the business process and external consultants who share expertise and vast consulting experiences worked together to derive audit recommendations that help save cost and improve work process efficiency. Furthermore, S-OIL received the 13th Korea’s Best Auditor Award from the Financial Supervisory Service in 2012. Selected among other award-winners as an outstanding business leading transparent management based on an exemplary audit system, S-OIL was recognized for its objective, independent operation of the Board Audit Committee and Audit Organization, separation of the CEO and BOD Chairman, implementation of a world-class audit system and planning of advanced risk-based audits, and audits conducted for effective compliance and process improvement.

LCS Implementation Project | Following recent amendments to the Commercial Code of Korea, listed companies with assets of KRW 500 billion or more are required to appoint a compliance officer and establish compliance standards. The project was driven by the CEO, who believes the Legal

Committees to Assist CEO



Legal Compliance System (LCS)

Prevention

- Register/Manage Major Laws/Regulations
- Manage Prior Review Process
- Conduct Self Assessment
- Operate Help Desk
- Run Training Sessions



Detection

- Manage Process to Conduct Compliance Control Activities
- Assess Compliance Issue Response Results
- Maintain System to Establish Recurrence Prevention Plan and Share Information
- Manage Controls against Violations

Response

- Support Compliance Control Monitoring Activities
- Operate Whistleblower Program
- Investigate Legal/Regulatory Violation Cases and Manage Correction Process

Seamless Cycle of Prevention and Detection and Response Activities



Duck-Soon Lim
Senior Vice President
Head of Maintenance&Technical HQ

S-OIL, as a responsible corporate citizen, focuses on supporting sustainability management in its partner companies in various ways such as reinforcing ethics management and transparent bidding culture in their organizations. It will continue its effort to grow with its partners based on a transparent corporate culture created.

Compliance System (LCS) will be the basis of the company’s sustainability and transparent business operations, which betrays his strong commitment to compliance management. The LCS implementation project was launched in 2012. For this project, a company-wide Task Force was formed under the Legal Team. S-OIL aims to fully implement the system in 2014 after producing deliverables in stages such as compliance standards, the Legal Requirement Library, a compliance manual and checklist, and compliance training plans. S-OIL expects the LCS implementation will create incentives for criminal/administrative/civil actions, increase the international credit standing, protect interests and rights of stakeholders, enhance competitiveness, and ultimately, firmly establish the compliance management system of the company.

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 corporate risk management activities. All employees review whether or not proper internal control activities on their work processes were carried out. This is followed by a thorough assessment of results by the company-wide Task Force. In particular, the CFO double-hats as Internal Accounting Manager who is in charge of the Internal Accounting Management System and regularly reports status of the system’s operations to the BOD and the Board Audit Committee.

e-Accounting for Stronger Internal Control | Adapting to the rapid advances in the IT environment, S-OIL developed an e-Accounting system by computerizing the existing payment statement-related process, which was rolled out on December 1, 2012. To implement the system, all payment transactions that occur in the company were analyzed for standardization. A variety of procedures were incorporated into the system so that relevant rules on payment approval and documentary evidence can be applied automatically when a payment statement is prepared. The company also expanded operation of the corporate card/e-tax statement system, while making available online and on mobile devices the entire process flow of payment statement from generation and transfer to storage and payment. Though the successful implementation of the e-Accounting system, S-OIL strengthens internal control.

Key Performance Indicators (KPIs) for Compliance with Rules | As an institutional framework to allow all employees to familiarize themselves with the company’s rules and comply with them in their routine work, the “Compliance Monitoring System” was implemented in 2011 to minimize confusion and risks associated with non-compliance. Monitoring is conducted every three months against a checklist of 114 items related to 35 rules in total, and the results are reflected in the “Compliance KPIs” of each team and department so that employees can voluntarily adhere to the company’s rules and policies at work.

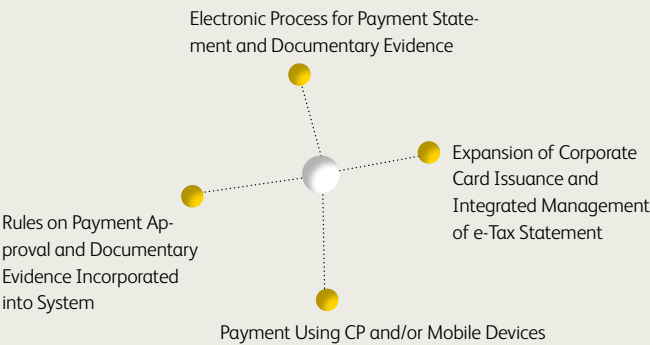
Transparent Disclosure of Business Information | S-OIL is committed to increasing both public access to company information and the value of disclosed information. Its accounting procedures and system are in compliance with K-IFRS standards, and the company carries out constant monitoring and regular improvements in order to provide more transparent and accurate financial information. To this end, it has directed significant resources into maintaining and upgrading the Enterprise Resource Planning (ERP) system. At the General Meeting of Shareholders convened after the end of each fiscal year, the business status of the company is briefed to shareholders, while providing them with accurate information needed for specific decision-making. Information is provided in an objective manner to shareholders and stakeholders under the information disclosure principle of the Public Information Management rule. In addition, the company’s website provides a wealth of investment information as well as a Q&A section, which enables shareholders and stakeholders to easily and fully understand S-OIL’s business management systems.

For its efforts in the transparent disclosure of financial data, S-OIL was selected in 2012 to be among the companies with outstanding corporate disclosure records (five publicly-traded companies) from Korea Exchange.

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 2012, the company conducted IR activities for institutional investors (including foreigners) and analysts 937 times, similar to the previous year. In addition, the company engaged in IR activities for individual investors by website and phone, etc. The company will continue to step up efforts to share the fruits of future growth and performances with shareholders.

IR Events (Unit : times)			
	2010	2011	2012
Investors’ Meeting	618	943	937
Hosting of NDR	10	11	7
Participation in Conference	11	15	17
Conference Call	4	4	4

Key Changes Following e-Accounting System



General Meeting of Shareholders



CEO's Communique

Our Attitude towards Customers and Contractors



The Company has maintained close relationships with customers and contractors as a large refining and petrochemical corporation, and has continuously committed ourselves to CSR activities to share with others in need and serve the local community as a responsible corporate citizen.

Unfortunately, there have been some incidents where large corporations and their members committed disgraceful acts against their customers, contractors, and service providers, which were revealed by those on the receiving end. We need to look back on ourselves and see if there has been any negligence in the way we treated our customers, contractors, and service providers. Especially, we should bear in mind, reviewing a lesson learned from the case of an officer dismissed for insulting a flight attendant in duty.

It is the duty for the Company and each and every member of the Company to treat customers, contractors, and service providers with kindness as have always been, and care for them with utmost consideration to assure of win-win for all. Please bear in mind that every little bit of your words and actions towards customers, contractors, and service providers has a heavy impact on how the Company is recognized in the society at large. With that, I will look forward to your concerted and sincere efforts in helping the Company earn recognition as a faithful member of society that lives together with others.

Employee Training on Disclosure Regulations | S-OIL provides training and shares information on disclosure regulations, in a bid to familiarize employees with disclosure requirements they might face at work, and prevent them from engaging in unfair transactions of the company's stocks by taking advantage of insider information. It provided notifications of major disclosure announcements and regulation changes via the company's electronic board twice in 2012.

Ethics Management for Win-Win Growth

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 achieve this, the company strictly prohibits 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 an employee's lineal descendant or a retired employee engaging in transactions with the company is thoroughly reviewed and approved by the Ethics Committee. The Committee is comprised of four executives – HR Officer, Head of Corporate Planning, General Counsel, and Controller. Their qualifications are evaluated by the Board Audit Committee under the Board of Directors prior to being 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 all employees via the company's Ethics Management website. In 2012, the Ethics Committee convened 22 times and deliberated on 55 cases.

Whistleblower Program | S-OIL operates a Help Desk (+82-2-3772-5231) and the Ethics Management website to file reports on unethical acts. The website offers 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 the corporate website and intranet to facilitate easy reporting by stakeholders. The reporting channel is described in the Ethics Management Handbook that is distributed to employees and other stakeholders, and is introduced to employees through the corporate ethics management training conducted annually. Furthermore, S-OIL receives reports through the Customer Center and the website.

Anti-Corruption Policies | According to the S-OIL's Code of Business Ethics and Conduct, employees should honor domestic and foreign laws and regulations as well as the company's policies and regulations with a strong sense of ethical values. In particular, the code prohibits unjust or wrongful orders, good offices, favors, and duty-related bribery. Employees are prohibited from receiving money or goods, treats, entertainment or benefits related to their jobs from stakeholders. An investigation launched in 2012 regarding an external report on bribery discovered one case involving a breach of ethics rules, resulting in disciplinary action of the affected employee.

Upgrading of Employee Ethics Training | S-OIL conducts ethics management training continuously to imbed the importance of ethics into the day-to-day business activities. Ethics management training was originally designed around two tracks one for all employees and the other for

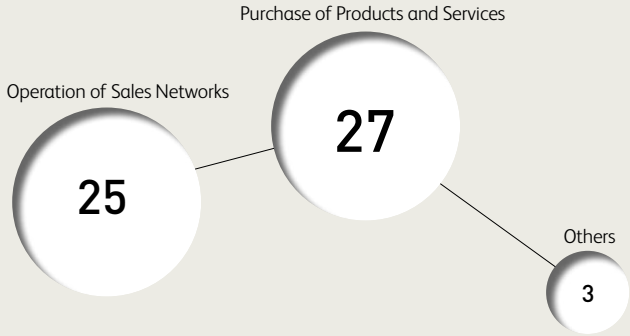
new employees. In 2012, it was expanded to include a total of nine programs to better cater to employees in different positions and jobs. The quality of training programs was also significantly enhanced with external experts invited to give lectures. In the future, S-OIL will introduce diverse training techniques and develop more effective programs, while promoting ethics management through presentations for various stakeholders including partner companies.

Support for and Strengthening of Ethics Management for Partner Companies | S-OIL supports its partner companies to promote ethics management within their organizations by helping them understand and comply with the guiding principles and contents of the company's Code of Business Ethics and Conduct. As part of this effort, every business partner that participates in the company's bidding is asked to submit "a pledge to comply with the Code of Ethics and Conduct for suppliers/bidders." Partners found to have committed illegal or unethical activities are excluded from the list of S-OIL partner companies. S-OIL also plans to support ethics management of its affiliates, including subsidiaries and joint ventures as well.

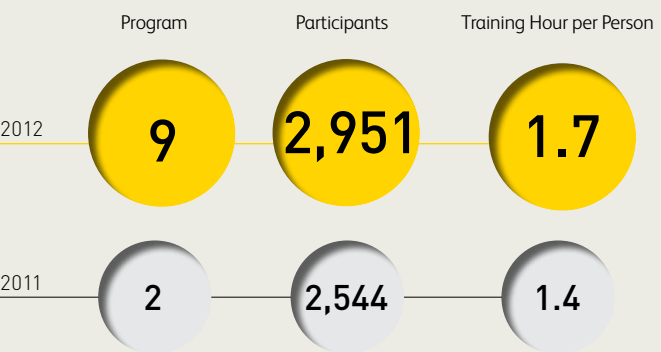
Ethics Management Training



Deliberation of Ethics Committee in 2012 (Unit : cases)



Ethics Management Training



SI 6

ATTAIN HIGHEST LEVEL OF CAPITAL EFFICIENCY

VOICE OF STAKEHOLDERS

In order to achieve the ultimate goal of growth, a company needs to devise a comprehensive and diversified strategy, with which it responds flexibly to the environmental changes and improves its capital management efficiency, while also enhancing its risk management and securing the capabilities necessary to handle crises. _ Hyo-Chan Jeon, Research Fellow at Samsung Economic Research Institute



Young-Il Cho
Senior Vice President
CFO & Head of Finance HQ

With increasing uncertainties and complexities in the business environment, a stable financial structure and efficient capital management is gaining even more in importance. Having grown into a “sound corporate” together with the local community by focusing its core capabilities in the refining, petrochemical, and lube base oil business, S-OIL is engaged in the efficient management of capital as well as world-class risk management. This has equipped the company with a financial structure that ensures stable and competitive capital management, regardless of the business environment. Through a rational dividend policy, it also strives to enhance the value of its shareholders as well as its own. Going forward, S-OIL will continue its efforts to grow hand in hand with the local community as a healthy capital entity.

Borrowings to Total Assets

28.02%

Cash Dividends
53.21%

DJSI Assessment in Risk Management Area
Perfect Score
(on a 100-point Scale)

PERFORMANCE SUMMARY

Plans for 2012

- Optimize the distribution of resources and reinforce the budget preparation/control process by developing evaluation techniques for zero-base budgeting.
- Continue to review and execute measures for optimizing capital efficiency and financial structure to maximize the enterprise value.

- Maintain top credit ratings and continue to secure a stable credit line.

- Sustain world-class risk management capabilities by promoting a risk management culture within the organization and boosting the capabilities needed to respond to risks.
- Reinforce the management system for latent risks by stabilizing early warning system and updating monitoring scenarios.

Achievements in 2012

- Improved feedback on the results of budget execution, which were analyzed based on zero-base budgeting.

- Maintained a stable credit line through the efficient issuance of company stocks (non-guaranteed public offering bonds worth KRW 500 billion) and repayment.

- Recognized for its world-class risk management capabilities by receiving top score (100 points) in DJSI's risk management evaluation for three consecutive years since 2010.

Future Plan

- Improve budget management efficiency by reinforcing the economic analysis on costs and capital expenditures and enhancing regular feedback on budget execution performance.

- Sustain cooperative ties with outside credit-rating agencies to maintain and upgrade top credit ratings.
- Engage in active IR activities to ensure a fair enterprise value assessment by the market.

- Reestablish key risks in line with the changing environment to maintain the world's best risk management capabilities.
- Reinforce the monitoring function of early warning system via connection with BI/EDW/e-Accounting.

Since its foundation in 1976 under the philosophy to become a stable supplier of energy to the national economy, S-OIL has focused its core capabilities on fuel, petrochemical and lube businesses. It will continue its growth as sound capital based on cooperation with its surrounding communities.

Sound Capital that Has Grown with Society

With the gap between the haves and have-nots widening in our society, there is a voice calling for a fundamental review on the direction the Korean economy should be headed. This voice, often dubbed “economic democratization,” means that the industries that contributed to the national economy through pursuing quantitative growth now needs to build a new economic model for harmonious growth with society. Indeed, there are many companies that have failed to grow hand in hand with society and ensure long-term growth by channeling their core capabilities on achieving short-term gains only. Founded in 1976 under the philosophy to become a stable supplier of energy to the national economy, S-OIL has focused its core capabilities on its current growth engines – fuel, petrochemical and lube businesses – avoiding broader business expansion such as to SME businesses, as it knows large enterprises and SMEs should operate in different areas. S-OIL’s focus only on its key grown engine has propelled it to grow into a major refiner with the fifth largest crude refining capacity, the largest paraxylene production capacity, and the second highest lube base oil production capacity in the world. In addition, the total capital, which stood at KRW 4 billion at the time of foundation, increased to KRW 5,372 billion as of the end of 2012, which can be translated into a 22.2 % growth on an annual average basis. Going forward, S-OIL will continue its growth as sound capital based on cooperation with its surrounding communities.

Creation and Distribution of Economic Value | In 2012, S-OIL created economic value of about KRW 1.1 trillion through revenue generation, job creation, fair trade and investment in local communities. Well aware of the fact this achievement

Creation of Economic Value (Unit : KRW 100 Million)			
	2010	2011	2012
Sales Revenue	205,111	319,139	347,233
Purchasing Costs	(190,981)	(294,911)	(332,200)
Other Income	7,593	10,292	8,559
Other Expenses	(6,716)	(10,722)	(8,257)
Depreciation & Amortization	(2,761)	(3,758)	(3,838)
Economic Value Created	12,246	20,040	11,497

was made together with all stakeholders – shareholders and investors, employees, local communities and the government – , S-OIL shares these created economic values with all stakeholders.

Efficient Capital Management

S-OIL draws up its annual budget for the efficient distribution of resources after receiving approval from the BOD. It also reports budget expenditures to the BOD on a regular basis. To achieve its management goals, S-OIL promotes its financial soundness by reducing excessive budget spending and eliminating inefficiencies through careful inspection and regular analysis of expenditures. Furthermore, the company implemented the “Zero-Base Budgeting” system in 2012 to ensure the company’s business is conducted as planned, and is making plans to analyze budget execution results to maximize benefits. In the future, S-OIL will continue to distribute resources efficiently by means of ensuring systematic and objective budgeting and strengthening economic analysis of its costs and capital expenditures, while enhancing its budget management efficiency by reinforcing regular feedback on expenditures.

Low-cost Financing Based on Transparency | For 37 years since its founding in 1976, S-OIL has continued its growth by incorporating profit-oriented management strategies and internalizing an enterprising spirit for the global era. It is also the only independent refining company not owned by a conglomerate in Korea. It has established a solid and transparent corporate governance through its committees and the Board of Directors (BOD), which plays an important role based on a sound system of checks and balances. S-OIL’s corporate

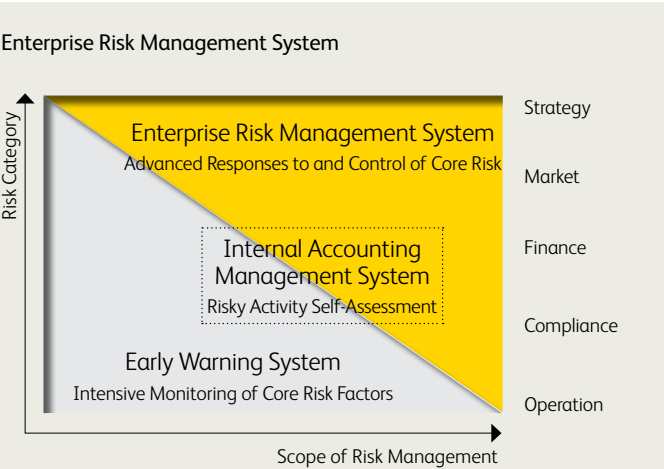
value is highly appreciated in the market for its management know-how and transparent corporate governance. In addition, it proactively manages the core indicators used by credit rating agencies for assessment, enabling the company to secure stable and competitive financing conditions for working capital and investment resources.

World’s Best Risk Management

Enterprise Risk Management | S-OIL has implemented the Enterprise Risk Management (ERM) System to navigate through the ever evolving, unpredictable business environment, and carried out multi-faceted risk management activities based on risk levels and types. Under the ERM System, risk is classified into five types – strategy, market, finance, compliance, and operation – and carefully monitored against the Key Risk Indicators (KRI). Risk assessment helps the company prevent risks in advance and minimizes the impact and loss through a systematic response in case of an incident. Risk management activities are performed promptly and systematically as described in the pre-defined risk response manual, and the outcomes are regularly briefed to the ERM Committee comprised of the CEO and other senior management, to ensure risk management is in line with the overall management strategy.

Around-the-clock Monitoring Systemy | Most of the business transactions are processed in the form of system data and important management information is offered through the corporate information system. S-OIL operates Around-the-clock Monitoring system to conduct scenario-based analysis of vast amount of data generated from business activities, and to communicate data of anomalous transactions

Distribution of Economic Value (Unit : KRW 100 Million)					
Stakeholders	Account	2010	2011	2012	
Employees	Labor Cost	3,020	3,346	3,238	
Government	Tax and Dues	1,776	4,081	1,460	
Local Communities	Social Contribution	60	105	143	
Creditors	Interest	290	584	856	
Shareholders/ Company	Dividends, Retained Earnings	7,100	11,924	5,800	
Economic Value Distributed		12,246	20,040	11,497	



to relevant staff. This system immediately responds to signs of risky transactions that had been monitored in advance, and helps minimize losses that could have been incurred if a risk were realized by constantly managing work processes in risky areas, thereby enhancing the company’s business performance.

World’s Best Risk Management | The Dow Jones Sustainability Indexes (DJSI) considers an enterprise’s risk management capacity to be an essential part of its measurement of “Corporate Economic Sustainability.” S-OIL has been listed in the oil and gas producers sector in the DJSI World since 2010, and its risk management, in particular, has been evaluated as “world best” for three consecutive years since 2010 and is often cited as an exemplary case. It intends to hone its world-class risk management capabilities by strengthening its preemptive risk response and improving relevant systems in preparation for future changes in the business landscape.

Transparent Dividend Distribution

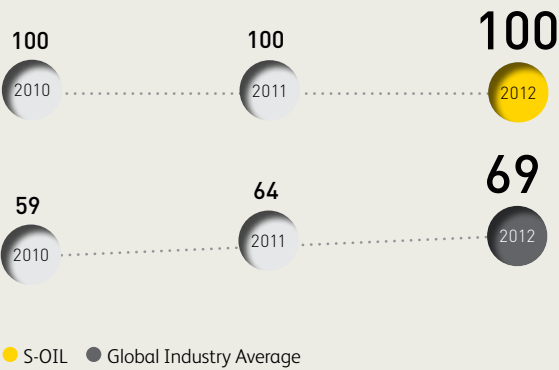
S-OIL has maintained a stable financial structure based on excellent performance, and has focused on maximizing corporate value through a reasonable dividend policy that balances the need to set aside resources for sustained growth investment and the need to return profits to shareholders. Despite a reduction in its 2012 performance compared to the previous year due to the severe economic crisis, the company set its dividend payout ratio at 53 %, which is higher than the 2011 level, to protect shareholders’ interest. As part of its shareholder-oriented management, S-OIL has paid interim dividends since 2000. This incorporates S-OIL’s management philosophy of fostering a shareholder-driven management culture in which both the company and its shareholders thrive, by satisfying the needs of long-term shareholders who value dividends, rather than investors who pursue short-term capital gain.

Dividend Payments					
		2010	2011	2012	
Total Dividends Paid (KRW million)		291,147	558,915	308,611	
Cash Dividends(%)		41.29	46.87	53.21	
Rate of Cash Dividends(%)	Common	2.77	4.54	2.49	
	Preferred	4.37	8.22	4.33	
Amount of Cash Dividends per Share(KRW)	Common	2,500	4,800	2,650	
	Preferred	2,525	4,825	2,675	

Listed in the DJSI World



2012 DJSI Assessment in Risk Management Area (Unit: points)



Financial Achievement

These financial data were reported in accordance with the newly adopted K-IFRS

Statements of Financial Position (Summary) (Unit : KRW million)			
	2010	2011	2012
Current Assets	5,992,212	8,823,100	8,580,342
Non-Current Assets	4,011,286	4,381,001	3,911,699
Total Assets	10,003,498	13,204,101	12,492,041
Current Liabilities	4,573,416	7,235,988	6,275,121
Non-Current Liabilities	925,487	741,759	844,929
Total Liabilities	5,498,903	7,977,747	7,120,050
Capital Stock	291,512	291,512	291,512
Capital Surplus	379,190	379,190	379,190
Reserves	1,008,124	993,911	1,003,200
Treasury Stock	[1,876]	[1,876]	[1,876]
Retained Earnings	2,827,645	3,563,617	3,699,965
Total Equity	4,504,595	5,226,354	5,371,991
Total Liabilities and Total Equity	10,003,498	13,204,101	12,492,041

Statements of Comprehensive Income (Summary) (Unit : KRW million)			
	2010	2011	2012
Revenue	20,511,068	31,913,863	34,723,291
Cost of Sales	[19,252,374]	[29,695,742]	[33,410,816]
Gross Profit	1,258,694	2,218,121	1,312,475
Selling Expenses	[365,832]	[437,007]	[445,912]
Administrative Expenses	[69,623]	[83,611]	[84,799]
Operating Income	823,239	1,697,503	781,764
Financial Income	241,760	326,402	369,489
Financial Expenses	[230,423]	[379,443]	[194,536]
Other Income	517,522	702,752	486,450
Other Expenses	[476,126]	[761,617]	[731,004]
Profit Before Income Tax	875,972	1,585,597	712,163
Income Tax Expense	[165,906]	[393,171]	[132,148]
Net Income	710,066	1,192,426	580,015
Other Comprehensive Income	[21,289]	[28,173]	[9,346]
Total Comprehensive Income	688,777	1,164,253	570,669

Financial Indicators (Unit : %, multiple)			
Stability Indicators	2010	2011	2012
Current Ratio	131.02	121.93	136.74
Total Liabilities to Equity Ratio	122.07	152.64	132.54
Borrowings to Total Assets	26.18	28.35	28.02
Times Interest Earned	28.38	29.06	9.14
Profitability Indicators	2010	2011	2012
Operating Income to Sales	4.01	5.32	2.25
Net Income to Sales	3.46	3.74	1.67
Return on Equity	16.82	24.51	10.95
Operating Cash Flow to Total Assets	8.65	3.79	5.72
Growth/Activity Indicators	2010	2011	2012
Sales Growth Ratio	17.72	55.59	8.80
Operating Income Growth Ratio	136.06	106.18	[53.95]
Net Income Growth Ratio	159.86	67.93	[51.36]
Total Assets Growth Ratio	9.96	31.99	[5.39]

Domestic Credit Ratings		
Evaluation Date	Credit Rating	Credit Rating Agencies
2007.6	AA+	KIS ¹⁾ /NICE Rating
2009.9	AA+	KIS /NICE Rating
2010.5	AA+	KIS /NICE Rating
2011.6	AA+	KIS /NICE Rating
2012.6 ²⁾	AA+	KIS /NICE Rating

1) Korea Investors Service
2) Regular ratings by credit rating agencies in June 2012 reflected.

SI 7

DEVELOP PLATFORM FOR SUSTAINABLE GROWTH

VOICE OF STAKEHOLDERS

To navigate the rapidly changing business environment and continue sustainability management, a company should make efforts to foresee the future and build a new growth momentum. Continuous transformation and innovation are the building blocks of a centennial company.

_ Hyung-Won Shin, Research Fellow at Samsung Economic Research Institute



Jong-Bum Ahn
Senior Vice President
Head of Corporate Strategy &
Planning HQ

Creative thinking shapes our future. Fully aware that a company without innovation cannot achieve sustainable growth, S-OIL is securing new growth engines based on three strategic directions - further investment in the refining business, integration with the petrochemical business, and new energy business - to achieve its mission, "Sustainable, Profitable Growth." As a result of these endeavors, the company has risen to the top in key business areas, coming in fifth place on the global stage in terms of refining capacity, first place in paraxylene production, and second place in lube base oil production capacity. In the future we will continue to strengthen our position as a sustainable global company by ceaselessly identifying new growth engines, based on pioneering investments and the passion to pursue new changes and put them into action.



In order to further solidify its presence as a sustainable global company, S-OIL will continue to maintain its leading position in the main business while exploring and exploiting high value-added new business opportunities.

Strengthening Competitiveness in Core Business

Thanks to its long-term outlook and continuous facility investment S-OIL has attained outstanding competitiveness in the oil refining sector, its core business. Notably, it has made significant contributions to the nation’s energy security and economic growth by developing and efficiently operating advanced facilities for transforming atmospheric residual oil into 100% high value-added products, ahead of domestic competitors. In order to further solidify its presence as a sustainable global company in the unpredictable business landscape, S-OIL will continue to maintain its leading position in the main business while focusing its core capabilities on exploring and exploiting high value-added new business opportunities.

To achieve this goal, it will expand residue oil upgrading facilities and increase production capacity of lube base oil and petrochemical products. At the same time, it will reinforce R&D and engineering capabilities by securing the best and the brightest on a sustainable basis, and vigorously seek opportunities to enter the olefin group of petrochemicals and other energy business sectors with promising growth prospects. Any new business plan, once it becomes concrete, will be communicated with the stakeholders accordingly.

Effort to Develop High-quality, Eco-friendly Products | Guided by its vision of “creating future competitiveness by optimizing its production process and developing high-quality, eco-friendly energy technologies,” the S-OIL R&D Center undertakes various R&D activities, including the development of clean, eco-friendly petroleum products, in-house 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, it successfully installed and operated the B-C cracking center as well as cutting-edge kerosene and diesel hydro-desulfurization units including production processes and catalyst evaluation. As a result, all products boast an extremely low-sulfur and light content, serving as a contributor to the company’s profitability.

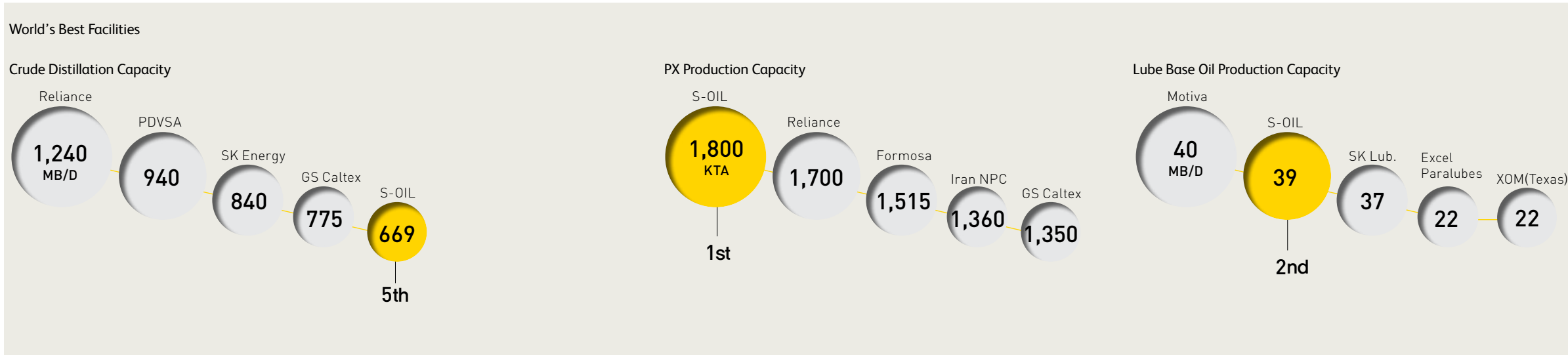
S-OIL produces and delivers high-quality, eco-friendly products that exceed all regulatory requirements and environmental regulations. With such continued effort, S-OIL was awarded the highest grade (five stars) for its gasoline and diesel products in the environmental friendliness evaluation of oil products conducted by the Ministry of Environment in both the first half and the second half of 2012, becoming the only refiner in Korea to receive the highest grade on its gasoline and diesel eight and 14 consecutive times, respectively. In recognition of its contribution to environmental preservation through product quality enhancement, the company also received an official commendation from the Minister of Environment in April 2012.

In collaboration with the Hyundai-Kia Automotive Research Center, S-OIL has also developed an improved fuel economy, long-life diesel engine oil that follows suit after its long-life gasoline engine oil. The products prevent a decrease in fuel efficiency and general quality degradation caused by increased oxidation and viscosity of engine oil caused by 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. Rather than acting with complacency

in what it has achieved, the S-OIL R&D 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 benzene elimination technology, BTX conversion technology, diesel stream and LPG desulfurization technology, and CO₂ utilization technology, as well as initial research on power storage technology. Through efforts such as these the Center aims to accelerate technological developments for the sustainable growth of the company.

Response to Climate Change

As the international community continued its effort to tackle climate change despite challenging economic times, the 2011 UN Climate Change Conference held in Durban, South Africa, agreed to establish a legally binding framework regarding emissions mitigation obligations for all countries from 2020 onward. The Korean government is implementing the Greenhouse Gas and Energy Target Management System from 2011, and revising relevant institutional systems in the run-up to the Emissions Trading System, which will take effect in 2015. Joining such efforts at home and abroad, S-OIL actively participates in the government’s policy making and creates a social consensus on climate change, while undertaking various GHG emissions initiatives as part of the effort to mitigate climate change. In addition, it strives to adapt to climate change, which is an ongoing challenge that is currently unfolding.



S-OIL will contribute to a more reliable energy security of Korea, which imports most of the energy it consumes, by keeping a close eye on domestic and overseas political trends and government policies that can change the current energy mix, and actively responding to them.

Participation in Public Policy Processes and Other Initiatives | S-OIL believes the foremost importance in climate change response lies in creating social consensus and developing policies that are in line with these standards. It has been organizing the Fuel Efficiency Marathon since 2011, raising awareness among drivers to join the international effort to reduce greenhouse gases with good driving habits. The company also contributes to the Korean government’s policy formulation by actively engaging in the government-led forum on climate change and presenting its opinions both directly and indirectly.

In addition, S-OIL sets a good example for other companies by making preemptive efforts to tackle climate change through various initiatives: taking part in the Carbon Disclosure Project initiated to urge investors, governments and companies across the world to ramp up climate action; earning carbon management accreditation from Carbon Trust, the first for a domestic company; and engaging in the government-sponsored pilot Emissions Trading System.

Climate Change Mitigation Activities | With the Greenhouse Gas and Energy Target Management System established in 2011, S-OIL manages its GHG emissions in a systematic way by: monitoring monthly GHG emissions; forecasting future emissions and the amount of abatement needed; conducting GHG mitigation activities; and sharing GHG information across the company through the company’s information system. It contributes to the society’s efforts to reduce GHG emissions by delivering products with fuel efficiency 1 % greater than its domestic competitors. Additionally, its Onsan Refinery has been using the waste heat from LS-Nikko Copper since 2008, helping save the company’s

energy costs and reducing CO₂ emissions. In 2012, it saved KRW 16.3 billion by purchasing 430,000 tons of steam. S-OIL is also leading the efforts to create a low-carbon, eco-friendly society with its internal initiative started in 2009 that favors environmentally-friendly purchases. These efforts have paid off and S-OIL reduced its 2012 GHG emissions by 149,000 tons, or 2 % of the total, compared to 2011. It will continue GHG reduction activities throughout 2013.

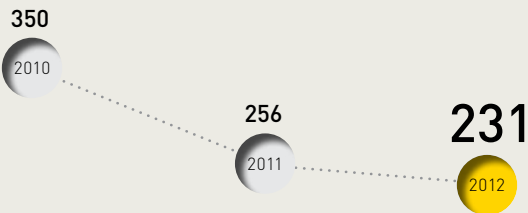
Climate Change Adaptation Activities | Given that climate change is an ongoing global phenomenon, efforts to adapt to it are just as important as effort to mitigate it. We need to make necessary preparations for climate change, due to its numerous effects on the earth, such as torrential rains and typhoons. S-OIL operates Intelligent Diagnostic Alert System (IDAS), and tries to maintain a stable operation of its refinery in case of an emergency such as a power outage due to a heavy rain or typhoon by diagnosing the situation accurately and taking prompt measures. It also carries out periodic drills based on pre-defined emergency response plans for various scenarios. S-OIL is contemplating facility investment to ensure flexible response to potential changes in product demand caused by climate change, while proactively managing both challenges and opportunities posed by climate change by constantly exploring investment opportunities in the new energy sector.

Preemptive Response to Future Energy Mix Countries across the world are putting forth significant efforts to efficiently use existing fossil fuels and utilize new energy sources, considering the social and economic benefits. Korea is no exception to this trend as it has revisited its nuclear power generation plan following the Fukushima nuclear disaster, and is attempting to uncover ways to expand the use of natural gas, which is expected to emit less greenhouse gases than coal or oil for each unit of energy that is produced, with the increased shale gas production in North America. S-OIL will contribute to a more reliable energy security of Korea, which imports most of the energy it consumes, by keeping a close eye on domestic and overseas political trends and government policies that can change the current energy mix, and actively responding to them.

Finding New Business Opportunities | The Saudi Arabian Oil Company, or Saudi Aramco, has made investments in S-OIL from a long-term perspective, with the expectation that S-OIL would grow to be model relationship between oil producing and oil consuming countries. Living up to these expectations, S-OIL has grown into one of the leading oil refiners representing Korea, while serving as a bridge between Saudi Arabia and Korea. Underpinned by the win-win strategic partnership with Saudi Aramco, S-OIL will exert unremitting efforts to achieve profitable, sustainable growth.

GHG Emissions per Revenue and UEDC*

GHG Emissions per KRW revenue (Unit : ton CO₂ /KRW 1 billion)



* Utilized Equivalent Distillation Capacity (UEDC) : Index developed by Solomon, a company specialized in benchmarking refining companies around the world, to objectively measure the refinery’s throughput capability against Crude Distillation Unit (CDU), considering process complexity and operation performance.

GHG Emissions per UEDC (Unit : ton CO₂ /kUEDC)



Carbon Trust Standard(CTS) Certification



Independent Assurance Statement

To the Stakeholders of S-OIL :

S-OIL commissioned the Korea Productivity Center (the “Assurer”) to provide an independent assurance of S-OIL’s 2012 Sustainability Report (the “Report”).

Responsibility and Integrity

S-OIL is entirely responsible for the reliability and accuracy of all information and opinions presented in this Report. The Assurer holds the responsibility that lies solely in providing a third party verification of the content in the Report. As an independent assurance agency, the Assurer was neither involved in the process of preparing this Report with S-OIL, nor in relationship with any conflicts of interest that may undermine our independence.

Assurance Standard

This independent verification audit adhered to the ISAE 3000 issued by the International Certification Standards Committee (IAASB) and AA1000AS (2008) Type 1 Moderate assurance, but was performed according to the level of waste and water management and industrial safety during the data collection process as indicators for Type 2 have been applied. AA1000APS Accountability Principles (2008) of Inclusivity, Materiality and Responsiveness were determined, and the assurance was additionally performed to ascertain the organization’s adherence to the Global Reporting Initiative (GRI) G3.1 Guidelines in preparing and presenting sustainability performance information.

Assurance Limitations

Based on the aforementioned assurance standards, the Assurer performed verification of the organization’s sustainability performance during 2012. However the boundary of assurance did not include the reliability of additional data used during assurance, which is publicly disclosed within the annual report, public domains and information linked with S-OIL’s website. On-site assurance was performed for the head office in Seoul and the Onsan Refinery.

Assurance Methodology

The assurance was undertaken following the methodology specified below:

- 1) Verified if the Report satisfies requirements for the GRI Application level A by reviewing the coverage rate of and presentation method for indicators specified in the GRI G3.1 Guidelines including sector supplement.
- 2) Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI G3.1 Guidelines.
- 3) Verified selection of the key issues and acceptable technical content within this report through media research and benchmarking analysis.
- 4) Verified the appropriateness of the report content with other sources for erroneous information through comparative analysis.
- 5) On-site verification at the head office and plant has been conducted to confirm evidences for key data and information as well as internal processes.

Findings and Conclusions

It is the Assurer’s opinion that the Report fairly and accurately presents the sustainability efforts and performance of S-OIL. The assurance also verified that the self-declared requirements claimed by S-OIL for the GRI Application Level A have been met. The following are the results of the assurance according to AA1000APS Accountability Principles (2008) of Inclusivity, Materiality and Responsiveness.

1. Principle of Inclusivity: Stakeholder Engagement

The principle of inclusivity articulates that organizations should include stakeholders in developing and achieving an accountable and strategic response to sustainability. Through the validation, S-OIL is in compliance with the principles of inclusivity through various improvement efforts toward progress in 2012. Key stakeholders, identified by the C.E.O as Customers, Employees, Owners and Other Stakeholders, and communication channels and expectations have been clearly established and their opinions have been reflected in the management policy. S-OIL established communication channels for each major stakeholder group in order to identify key issues and detailed opinions as well as insight.

2. Principle of Materiality: Selection of and Reporting on Material Issues

The principle of materiality articulates that organizations

should focus on issues relevant and material to both the organization and its major stakeholders. The Assurer discovered key issues that are significant to the organization and its major stakeholders and are identified by the materiality test. In 2012, S-OIL reported activities and performances related to 27 key issues, selected in further detail with 7 strategic imperatives within the Report. This report to stakeholders utilizes the selection of key issues by S-OIL to understand the importance and background of each material aspect.

3. Principle of Responsiveness: Organizational Response to Issues

The principle of responsiveness articulates that organizations should be responsive to issues that may have impacts on stakeholders’ performance. The Assurer found that S-OIL successfully identified key expectations that influence stakeholders’ performance, and performed responsive activities. The key issues report in conjunction with the 7 strategic imperatives on the activities and performance could be evaluated. S-OIL’s responsiveness is identified through focusing the reporting on promotional activities in 2012.

Recommendations

The Assurer commends S-OIL for making a variety of efforts to improve sustainability resulting in positive performance, and presents the following recommendations to enhance future sustainability reports and sustainability management.

- 1) For the materiality test, the Assurer recommends that the influences of each issue need to be subdivided into economic, environmental, and social aspects. Furthermore, the results of the assessment lead S-OIL to grasp accurate risks and opportunity factors and be further able to effectively correspond with the significant issues that relate to S-OIL. In addition, as S-OIL reports on these issues as important factors from each aspect, it will improve communication and continued growth in S-OIL’s sustainability management activities.
- 2) The Assurer recommends reviewing the integrated report publication, which integrated financial performance and non-financial performance. Based on corporate strategy, the integrated report on financial and non-financial values, which resonates from the complete business model,

effectively conveys the direction for sustained growth along with the achievement of S-OIL.

- 3) For sustainable management, the Assurer recommends S-OIL to expand the scope of management. To this end, it advises encompassing the entire supply chain including suppliers to identify and manage sustainability and to ensure the sustainability of the supply chain and long-term revenue generation while administering short-term risk management.



June 2013
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The Sustainability Management Center of the Korea Productivity Center is an assurance agency officially certified by AccountAbility, which established AA1000, the international standards for stakeholder participation and verification, and holds qualifications to perform independent assurance engagements. Our Assurance Committee is also comprised of competent experts who have in-depth experience in sustainability management consulting and assurance and have completed the relevant professional training.

GRI/IPIECA Content Index

Korea Productivity Center has confirmed that our Sustainability Report 2012 applies GRI G3.1 Application Level A+.

● Fully Reported● Partly ReportedN/A Not Applicable					
Index	Content	IPIECA / API	Page	Application Level	Note
1. Strategy and Analysis					
1.1	CEO’s Statement	-	4, 5	●	
1.2	Key impacts, risks and opportunities	-	cover, 2-5, 57-58, 62-65	●	
2. Organizational Profile					
2.1-2.9	Organizational Profile	-	cover, 2-3, 48-49, 65	●	
2.10	Awards received in the reporting period	-	72	●	
3. Report Parameters					
3.1-3.3, 3.6-3.11	Reporting parameters	-	cover	●	3.9-11: There are notes throughout this report.
3.4	Contact point	-	cover	●	
3.5	Process for defining report content	-	cover-1	●	
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.	-	68-71	●	
3.13	External assurance policy and practice	-	66-67	●	
4. Governance, Commitments and Engagement					
4.1-4.7, 4.9-4.10	Governance	-	46-53	●	
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	-	2-3, 14-15, 22-23, 30-31,38-39, 46-47, 54-55, 60-61	●	
4.11	Precautionary principle	-	32-37, 57-58	●	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	-	72	●	
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization	-	72	●	
4.14-4.17	Stakeholder engagement	SE1	cover-3, 20-21, 27, 34-45, 51-53	●	
Economic Performance					
Disclosure on Management Approach to Economic Performance			54-55, 60-61	●	
EC1	Direct economic value generated and distributed	SE4, SE13	6-7, 56-57, 59	●	
EC2	Implications of climate change	-	5, 7, 63-65	●	
EC3	Defined benefit plan obligations	-	28	●	
EC4	Financial assistance received from government	-	-	N/A	Not applicable
EC5	Standard entry level wage compared to local minimum wage	-	24	●	
EC6	Locally based suppliers	SE5, SE7	45	●	
EC7	Local hiring	SE5, SE6	-	N/A	No significant overseas operating locations
EC8	Infrastructure investments and services for public benefit	SE4	8-9, 40-45	●	
EC9	Significant indirect economic impacts	SE6	8-9, 40-45, 62-65	●	
OG1	Volume and type of estimated proved reserves and production	-	-	N/A	Not applicable

Index	Content	IPIECA / API	Page	Application Level	Note
Environmental Performance					
Disclosure on Management Approach to Environmental Performance			30-31	●	
EN1	Materials used by weight or volume	-	7	●	
EN2	Percentage of materials used	-	-	N/A	No recycled materials used, due to characteristics of business
EN3-4	Energy consumption	E2	7	●	
OG2	Total amount invested in renewable energy	E3	-	●	http://www.s-oil.com/siteEng/sustainability/growth/growth.asp
OG3	Total amount of renewable energy generated by source	E3	-	●	http://www.s-oil.com/siteEng/sustainability/growth/growth.asp
EN5-7	Initiatives to reduce energy consumption	E2-3	42, 62-65	●	
EN8-10	Water withdrawal and recycled and reused	E6	7	●	EN8: 77.7 % : Nakdong River Won-dong Intake Facility, 22.3 % : Daegok Dam, Sayeon Dam EN9: Not applicable
EN11-13, 15	Biodiversity	E5	-	N/A	EN11: Our head office and Onsan Refinery are not located in areas of high biodiversity. EN13, EN15: Not applicable
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	E5	34, 40-41	●	
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	E5	34	●	
EN16-20	Significant air emissions and initiatives to reduce them	E1, E4, E7	7, 35-36, 62-65	●	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	E9	6, 34	●	
OG5	Volume and disposal of formation or produced water	E6	-	N/A	Not applicable
EN22-24	Waste and Hazardous Waste, including significant spills	E10	7, 36-37	●	EN23: Not applicable EN24: No such waste transported
EN25	Water bodies and related habitats significantly affected by discharges of water and runoff	-	-	N/A	Not applicable
OG6	Volume of flared and vented hydrocarbon	E4	-	N/A	Not applicable
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	E9-10	-	N/A	Not applicable
EN26	Initiatives to mitigate environmental impacts of products and services	-	62-65	●	
EN27	Products sold and their packaging materials that are reclaimed by category	-	-	N/A	Little or no packaging materials are used, due to the characteristics of the products sold.
OG8	Benzene, lead and sulfur content in fuels	-	63	●	
EN28	Environmental fines and sanctions	-	35	●	
EN29	Environmental impacts of transporting products and other goods and materials used and transporting members of the workforce	-	33-34	●	
EN30	Environmental protection expenditure and investments	-	6-7, 37, 45	●	

Index	Content	IPIECA / API	Page	Application Level	Note
Labor Practices and Decent work					
Disclosure on Management Approach to Labor Practices and Decent Work			22-23	●	
LA1-3	Employment	-	29	●	LA3: Not applicable
LA4	Percentage of employees covered by collective bargaining agreements	-	27-28	●	
LA5	Minimum notice period(s) regarding significant operational changes,including whether it is specified in collective agreements.			⓪	Sustainability Report 2008
LA6-9	Occupational health and safety	HS1-3, SE16	24-25, 32-33	●	
LA10-12	Training and education	SE17	12-13, 29	●	
LA13-14	Diversity and equal opportunity	SE15	28-29, 48-49	●	
LA15	Return to work and retention rates after parental leave, by gender.	-	27	⓪	
Human Rights					
Disclosure on Management Approach to Human Rights			22-23	●	
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	SE8-9	-	N/A	Not applicable
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	SE8-9	42-43, 52-53	●	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	SE8-9	42-43, 52-53	⓪	
HR4-7	Managing human rights risk in operations	SE18	27, 42-43, 52	●	HR4: No discrimination case
HR8	Security practices	SE10	-	N/A	Outside companies are in charge of security at locations of operation; S-OIL does not provide direct training programs.
HR9	Indigenous rights	-	-	N/A	Not applicable
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	SE1	-	N/A	Not applicable
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	-	-	N/A	Not applicable
HR11	Number of grievances related to human rights fi led, addressed and resolved through formal grievance mechanisms.	-	-	N/A	Not applicable
Society					
Disclosure on Management Approach to Society			38-39, 46-47	●	
SO1	Impacts of operations on communities	SE1-5	35-36, 42	●	
SO2-4	Managing risks related to corruption	SE11-12	50-53	●	
SO5	Participation in public policy development	SE14	42	●	
SO6	Political contributions	SE14	-	N/A	Not applicable
SO7	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	-	16-17	●	
SO8	Significant fines and non-compliance with laws and regulations	-	16-17	●	

Index	Content	IPIECA / API	Page	Application Level	Note
OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process	SE3	-	N/A	Not applicable
OG13	Number of process safety events, by business activity	HS5	7	●	
SO9	Operations with significant potential or actual negative impacts on local communities.	-	-	N/A	Not applicable
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	-	30-37, 63-64	●	
OG10	Number and description of significant disputes with local communities and indigenous peoples	SE1-2	36, 44	⓪	
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	-	-	N/A	Not applicable
Product Responsibility					
Disclosure on Management Approach to Product Responsibility			14-15	●	
PR1-2	Customer health and safety	HS4	62-63	⓪	PR2: No violations
PR3-5	Product and service labelling	HS4	18-21	●	PR4: No violations
PR6-7	Marketing and communications	HS4	10	●	PR7: No violations
PR8	Customer privacy and losses of customer data	-	-	N/A	Not applicable
PR9	Non-compliance with laws and regulations concerning products and services	-	16-17	●	
GRI Oil & Gas Sector Supplement					
OG14	Volume of biofuels produced and purchased meeting sustainability criteria	E3	19, 63	⓪	S-OIL purchased biodiesel corresponding to 2% of the company's domestic sales volume of diesel in 2012

UNGC Index

	UNGC 10 Principles	Contents	Page
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2. Businesses should make sure that they are not complicit in human rights abuses.	SI2. Provide Best-in-Class Work Environment · Harmonious Work-Life Balance · A Work Environment Filled with Motivations · From Employment to Retirement	22-29
Labour Standards	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 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; Principle 8. Undertake initiatives to promote greater environmental responsibility; and Principle 9. Encourage the development and diffusion of environmentally friendly technologies.	SI3. Achieve Operational Excellence · Work Sites that Prioritize Safety · Green Management in Harmony with Environment SI7. Develop Platform for Sustainable Growth · Strengthening Competitiveness in Core Business · Response to Climate Change · Preemptive Response to Future Energy Mix	30-37 60-65
Anti-Corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery	SI5. Pursue Global Best Practices of Corporate Governance · Transparent Corporate Governance Living up to Stakeholders' Trust · Transparent Management that Creates Corporate Value · Ethics Management for Win-Win Growth	46-53

S-OIL Recognitions and Memberships in Associations

S-OIL Recognitions in 2012		
Date Awarded	Award	Awarding Organization
February	Labor-Management Harmony Award – Grand Prize for large enterprises	The Korean Employers Federation
April	Eco-friendly Management –Minister of Environment Award	Korean Ministry of Environment
May	Maritime Day (Company with a contribution to marine ecosystems) – Presidential Citation	Korean Ministry of Land, Infrastructure and Transport
June	Excellent Company in ESG (Environmental, Social and Governance)	Korea Corporate Governance Service
June	Korea’s Top Award – World-class of the Year Award	Korea CEO Association
June	The 13th Best Auditor Award	Financial Supervisory Service and Korea Listed Companies Association
July	Excellent Company Responding to Climate Change	Korea Chamber of Commerce and Industry
July	2012 Fortune Global 500 (383rd Place)	Fortune, USA
August	The 2012 Korea BSC Strategy Execution Award, 2012 BSC Hall of Fame Award	Palladium Group, USA HBSP (Harvard Business School Press)
September	Included in DJSI World Indexes (Oil & Gas Producer)	Dow Jones, SAM and Korea Productivity Center
October	Top 250 Global Energy Company (63rd), Global Petroleum and Gas Refining and Marketing Company (7th)	Platts, USA
October	Best in the Materials sector of the 2012 IR Award	Money Today
October	Joined “Carbon Management Global Leaders Club” - 1st in Energy/Utility Sector	Carbon Disclosure Project Korea (CDP Korea) Committee
October	Green Ranking of Joong-Ang Ilbo	Joong-Ang Ilbo
December	Awarded USD 20 billion Export Tower on Trade Day	Korean Ministry of Knowledge Economy and Korea International Trade Association
December	Good Company Award (former Best Economic Justice Award) in metal, non-metal and chemical sector	Korea Economic Justice Institute under the Citizen’s Coalition for Economic Justice

Memberships in Associations

Association	Year of Joining
Korea Petroleum Association	1980
Onsan Industrial Complex Environment Management Association	1983
Korea Oil Stations Association	1985
Onsan Industrial Complex Safety Management Association	1986
Korea Industrial Safety Association	1988
Korea Fire Safe Association	1993
Korea Chemical Management Association	1997
Korea Fair Competition Federation	2001
Environment Protection Council	2002
Forest for Life	2003
Korea Forum for Progress	2005
Korea-Middle East Association	2007
Korea Business Council for Sustainable Development	2008
Onsan Industrial Complex Hazardous Material Safety Management Council	2008
UN Global Compact	2010



For More Information

S-OIL wants to hear from you about the S-OIL Sustainability Report 2012. 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
- ☐ Other ()

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

- ☐ S-OIL website
- ☐ Smartphone/Tablet App.
- ☐ Seminar/Lecture/Exhibition
- ☐ S-OIL employee
- ☐ Other website
- ☐ Newspaper/Magazine
- ☐ Other ()

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. Key Issues and Reporting Contents

2. Sustainability Management Activities and Stakeholders

3. CEO’s Message

4. Major Sustainability Performences

5. SPECIAL REPORT 1. S-OIL’s Approach to Creating Social Value

6. SPECIAL REPORT 2. S-OIL’s Approach to Communicating with Customers

7. SPECIAL REPORT 3. S-OIL’s Approach to Supporting Its Employees’ Growth

8. SI 1. Enhance Customer-Centric Management

9. SI 2. Provide Best-in-Class Work Environment

10. SI 3. Achieve Operational Excellence

11. SI 4. Contribute to Society

12. SI 5. Pursue Global Best Practices of Corporate Governance

13. SI 6. Attain Highest Level of Capital Efficiency

14. SI 7. Develop Platform for Sustainable Growth

15. Other ()

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

- ☐ Yes
- ☐ No

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

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

From



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