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Onsan Refinery
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Ulsan, 689-892, Korea



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S-OIL 2013
SUSTAINABILITY REPORT



S-OIL is committed to remaining a responsible corporate citizen by meeting the expectations of diverse stakeholders.

Established as Korea’s first joint venture between an oil producer and an oil consumer in 1976, S-OIL has grown into one of the most competitive refiners in the Asia-Pacific region.

Corporation Overview

No. of Officers and Employees	2,792
Total Assets	KRW 11.9 trillion
Business Sites	Head Office : Marketing, Finance, General Services Onsan Refinery : Production and shipping 12 Product terminals/Depots : Product storage and shipping 3 District Business HQs/22 Domestic and 4 Overseas Sales offices : Product sales
Affiliated Companies	S-OIL Total Lubricants Co., Ltd. (STLC): a 50:50 joint venture with France's TOTAL S-International Ltd. : a 100%-owned overseas subsidiary

Production Capacity		Sales	
Crude Refining	669,000BPD	KRW 25.5 TRILLION	Fuel Business
Bunker-C Cracking	148,000BPD		
Bunker-C Desulfurization	149,000BPD		
Diesel and Kerosene Desulfurization	120,000BPD		
Benzene	560,000 tons/year	KRW 3.9 TRILLION	Petrochemical Business
Paraxylene	1,800,000 tons/year		
Propylene	200,000 tons/year		
Ultra-S Base Oil	29,000BPD	KRW 1.8 TRILLION	Lube Business
Super Base Oil	5,100BPD		
Premium Base Oil	8,600BPD		

SALES REVENUES IN 2013

KRW 31.2 TRILLION

About This Report

Reporting Scope

Since 2008, S-OIL has published an annual sustainability report. This is the seventh sustainability report covering our business activities from January 1 to December 31, 2013. The reporting scope followed the stipulations as provided in the GRI G4.0 Guidelines¹⁾ In principle, all performance indicators and related data cover three-year trends, from 2011 to 2013. Important management initiatives include data that extend into 2014. Data that is subject to frequent changes, such as information on human resources, was reported as of December 31, 2013, the last day of the fiscal year, with footnotes provided in special cases. Financial performance data was compiled under separate criteria and is compliant with Korean International Financial Reporting Standards (K-IFRS). ◆ G4-17, 23

Guidelines

The 2013 S-OIL Sustainability Report was compiled based on the Company's Seven Management Principles and in accordance with the AA1000APS²⁾ (2008). GRI G4.0 Guidelines and IPIECA-API Guidance³⁾ have also been used to highlight important indicators and separate notes have also been included to indicate cases where the Company's management standards have been applied. The Report was checked 'Materiality Matters' by GRI.



Assurance

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

Communication with Stakeholders

S-OIL's sustainability management has its roots in interactive communication with stakeholders. S-OIL runs surveys to learn about stakeholder concerns and expectations of the Company, with top management providing feedback on stakeholder concerns through corporate management policies.

Further Information/Suggestions

This report and additional information on S-OIL's sustainability management can be viewed via various media.

Homepage Sustainability Management Team
www.s-oil.com 02-3772-5237, sustainability@s-oil.com
Android, IOS Application

¹⁾ GRI (Global Reporting Initiative) G4.0 Guidelines provide sustainability report guidelines that were written and revised by the GRI in 2013. The GRI was established by CERES and UNEP.
²⁾ AA1000APS (2008) provides a framework for an organization to identify, prioritize and respond to sustainability challenges.
³⁾ IPIECA/API (International Petroleum Industry Environmental Conservation Association/American Petroleum Institute) Guidance refers to sustainability report guidelines governing the performance of companies in the petroleum industry.
⁴⁾ AA1000AS provides international verification standards 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.

Sustainability Management Scheme

C.E.O. Expectations and Corporate Mission

Sustainability management activities at S-OIL are centered on understanding and meeting the expectations of what we call C.E.O.—Customers, Employees, and Owners & Other stakeholders. The Company strives to achieve its mission of sustainable, profitable growth, while reflecting the expectations of all stakeholders in the Company's policies that prioritize the C.E.O.'s economic, environmental and social values.

S-OIL Grand Vision 2020

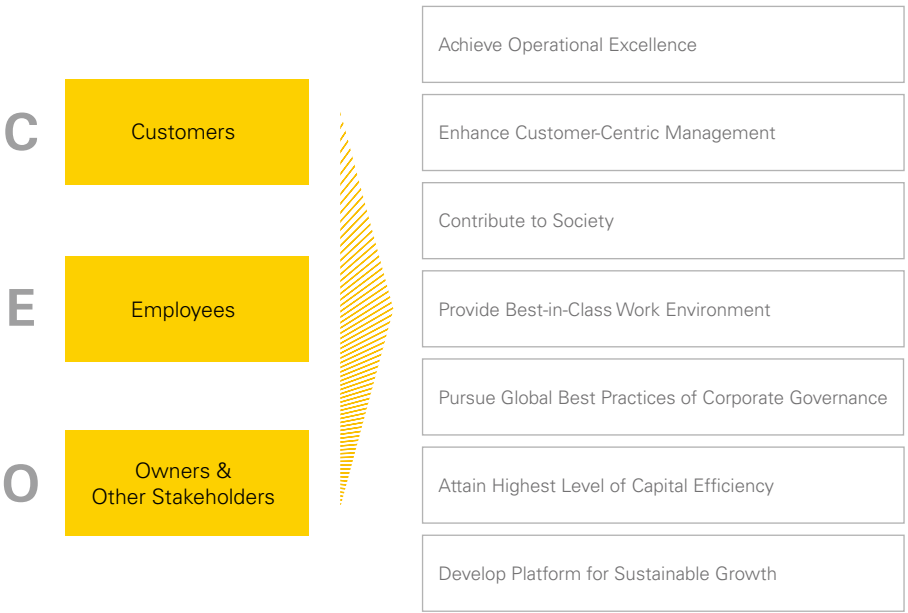
S-OIL will be the most profitable and integrated energy company encompassing refining, lube, and petrochemical businesses with excellence in operation, quality, and customer partnership. To that end, S-OIL will focus on:

- Further enhancing facility competitiveness to maximize production value
- Proactively expand business territory globally
- Prudently seeking new competitive business opportunities 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 with three aspects to it that will allow the Company to accomplish its mission. The first is the Company's strategic direction, which sets long-term growth directions for the future of S-OIL. The second involves strategic imperatives. These refer to Management Principles that will keep S-OIL on the right path to realize optimum outcomes no matter which strategic directions it chooses to pursue. The final is performance management, which ensures that the above two aspects are implemented effectively. With that strategic framework in place, the C.E.O.'s expectations of S-OIL and the Company's responsibilities in meeting them and achieving sustainable growth are embodied in S-OIL's Seven Management Principles.

Seven Management Principles



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“The ultimate goal of S-OIL’s sustainability management lies in maintaining a balanced triple bottom line of sustainability in economic, social and environmental aspects. We will also remain steadfast in our commitment to sustainability management and keep interactive communication channels open with all of our stakeholder groups.”



CEO’s Message

Dear valued stakeholders of S-OIL,

It is a great pleasure to present to you the 7th sustainability report of S-OIL.

As expected from all of the Company’s stakeholders, S-OIL has committed itself to genuine sustainability management in order to promote values that not only benefit our stakeholders but also the economy, the environment and communities at large.

S-OIL set “the most profitable and integrated energy company encompassing refining, lube and petrochemical business” as the Company’s new vision. The Company developed strategic initiatives and upgraded its performance management system to make this vision a reality. Today, S-OIL is preparing to take the next step forward and overcome uncertainties in the business environment and drive sustainable growth. To this end, we are bolstering our competitive edge in existing businesses and keeping a close eye on changes in the business environment, while securing new growth engines.

The cracked oil tank incident at S-OIL’s Onsan Refinery in April 2014 was a wake-up call to remind all of us at S-OIL about the magnitude of the impact our business activities can have on the environment and local communities. The Company took counteractions in a timely manner by faithfully observing risk management procedures with which we held regular drills, thus leaving no casualties or marine pollution. All officers and employees at S-OIL are clearly aware of the expectations stakeholders have for the Company’s role in keeping communities safe and the environment clean. As a responsible corporate citizen, S-OIL will fulfill all of its roles and responsibilities to ensure communities and the environment to be sustainable.

The ultimate goal of S-OIL’s sustainability management lies in maintaining a balanced triple bottom line of sustainability in economic, social and environmental aspects. We will also remain steadfast in our commitment to sustainability management and keep interactive communication channels open with all of our stakeholder groups. At the same time, S-OIL will continue to comply with its social responsibilities and related international norms, including the UN Global Compact’s 10 principles, while proactively participating in a worldwide commitment to address climate change, thereby boost universal value of the global village.

In closing, I would like to reiterate my appreciation to all those stakeholders who have contributed to S-OIL’s sustainability through their invaluable feedback and suggestions. Moving forward, we will continue to heed your opinions on S-OIL’s business activities as we grow stronger encouraged by your ceaseless support.

Thank you

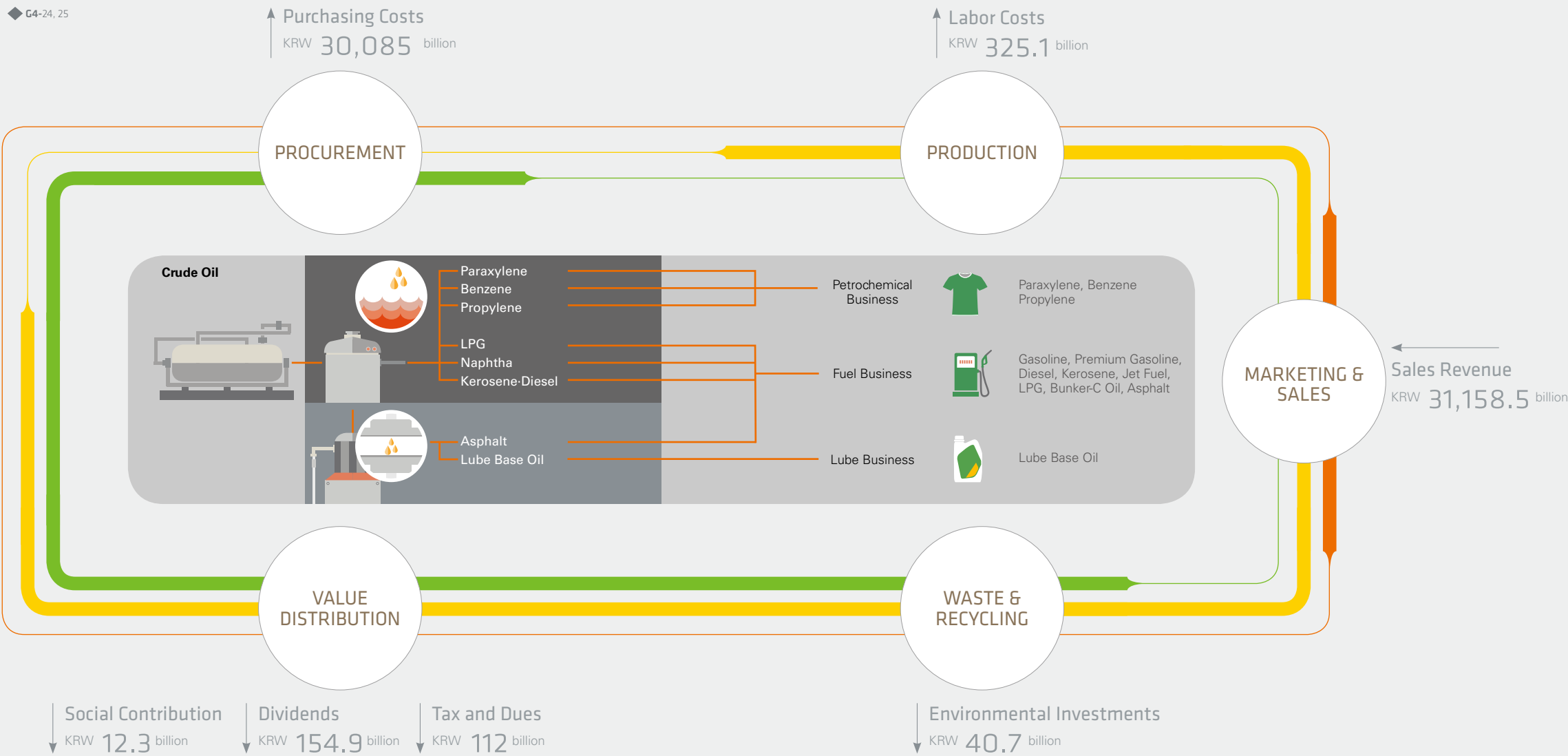

Nasser Al-Mahasher
Representative Director and CEO

VALUE CHAIN & STAKEHOLDER ENGAGEMENT ◆ G4-24, 25

S-OIL shares in the economic value generated from its business activities with all stakeholders.

Stakeholder Engagement
S-OIL runs a variety of C.E.O. engagement channels customized to each group’s characteristics in order to identify what their expectations are. We then establish action plans to fulfill these expectations in line with the Company’s strategic directions. Ultimately, the results are reflected in the following management plans and activities through analyses and reviews.

- Customers
- Employees
- Owners & Other Stakeholders



CUSTOMERS

Individual	Service Stations-Dealerships	Corporations	Employees
COMMUNICATION CHANNELS VOC Handling System, Customer Satisfaction Survey, Customer Monitoring Group (Supporters), Customer Suggestion System, Call Center, Bonus Card Website (and App.), Marketing Idea Contest	COMMUNICATION CHANNELS Service Stations Support Presentations, Visit to Service Stations, Service Station Magazine, E-Newsletter, Corporate Magazine, Champions Club	COMMUNICATION CHANNELS Strategic Cooperation Meeting, Customer Appreciation Days, Dinners for Customers, Brochures, Visiting Customers, Workshops	COMMUNICATION CHANNELS Meetings with CEO, Top Management’s Visit to Production Sites, Employee Satisfaction Survey, Grievance Committee, Monthly Employee Meeting, Labor-Management Conferences, Employee Suggestion Program, Corporate Magazine, Intranet
COMMUNICATION ORGANIZATION Membership Marketing Team, Brand Marketing Team, Customer Service Team	COMMUNICATION ORGANIZATION Customer Service Team, Brand Marketing Team, Network Upgrading Team, Sales Offices, Agent Sales Team, LPG Team, Quality Assurance Team, Transportation Team	COMMUNICATION ORGANIZATION Corporate Sales Team, Refined Product Marketing Strategy Team, Light-Heavy Product Export Teams, Refined Product Operation Team, Petrochemical Marketing Strategy Team, Petrochemical Sales Team, Petrochemical Operation Team, Lube Marketing Strategy Team, LBO Export Team, LBO Domestic Sales Team, Lube Operation Team, Lube Technology Team, Overseas Office	COMMUNICATION ORGANIZATION HR Policy Team, Personnel Team, HR Development Team, Labor Cooperation Team, IR Team, Management Coordination Team, Personnel & Welfare Dep’t

OWNERS & OTHER STAKEHOLDERS

Business Partners	Local Communities	Shareholders & Investors	Government-NGO-Media
COMMUNICATION CHANNELS Technical Exchange Meetings, Occupational Risk Evaluation Workshop, Health & Safety Education/Trainings, Waste Treatment Training, E-procurement System, Site Visits to Business Partners	COMMUNICATION CHANNELS Public Hearings, Seminars, Conferences, Visits to the Refinery, Associational Activities, Sunshine Sharing (CSR Activities), External Evaluations/ Assessments	COMMUNICATION CHANNELS General Meeting of Shareholders, Telephone/e-mail Consultations, Website Postings, Investor Relations, Conferences, Investor Meetings, Meetings with Analysts, Visits to Financial Institutions, Credit Rating Meetings	COMMUNICATION CHANNELS Public Hearings, Seminars, Conferences, Information Sharing Meetings, Surveys
COMMUNICATION ORGANIZATION Procurement Team, Refinery Procurement Team, Management Coordination Team, Safety & Health Dep’t, Environment Management Team, Mechanical Facility Management Dep’t, E&I Facility Management Dep’t	COMMUNICATION ORGANIZATION Accounting & General Affairs Dep’t, Operation Support Team, Gov’t & Public Affairs Team, Sustainability Management Team	COMMUNICATION ORGANIZATION IR Team, Management Coordination Team, Finance Planning Team, Treasury Operations Team, Project Financing Team	COMMUNICATION ORGANIZATION Government Affairs Team, Environment Affairs Team, PR Team, Sustainability Management Team

MATERIALITY TEST ◆ G4-18, 19

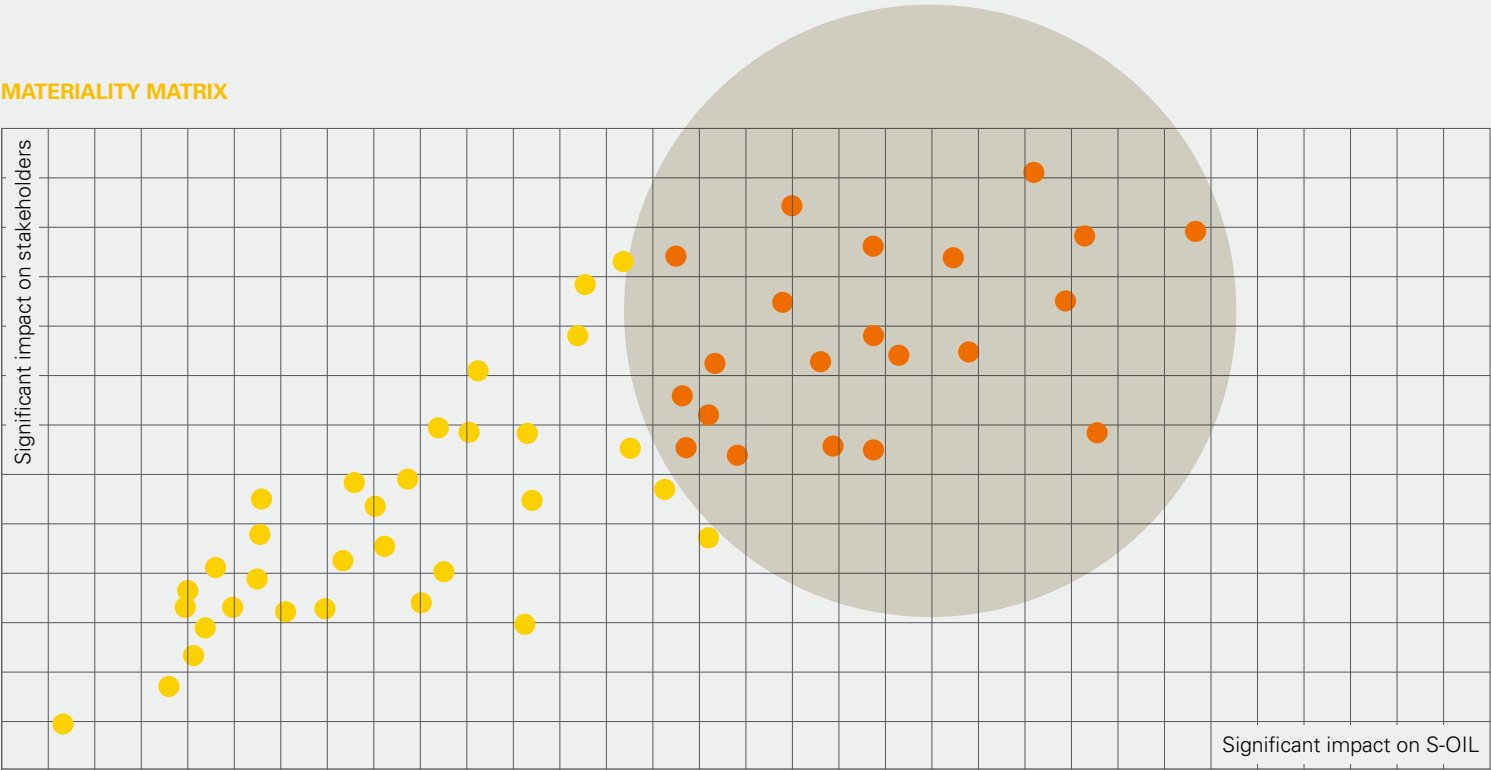
This sustainability report encompasses the most important concerns of customers, employees, and owners & other stakeholders from economic, environmental, and social points of view. The report is also prepared in accordance with global guidelines for such publications and the Company’s Seven Management Principles. In addition, we ran a materiality test (as shown in the flowchart below) to identify 21 key issues with a significant influence on our sustainability management activities, and included them with detailed descriptions in this report.



MATERIALITY TEST PROCESS ◆ G4-26

Step 1	Listing sustainability issues	Step 2	Stakeholder survey	Step 3	Finalizing key issues
Identifying sustainability issues 1. Selecting 40 sustainability issues after benchmarking global sustainability management standards 2. Selecting 11 additional issues from media research on 715 news articles covering the Company by 10 major Korean newspapers throughout 2013 3. Adding six new issues after benchmarking industry peers at home and abroad		Stakeholder concerns and current status of listed issues Survey : selecting key issues with a significant influence on the Company and stakeholders from 57 listed issues Participants : 4,551 stakeholders drawn from customers, employees and partner groups Period : two weeks (January 20-February 2) Survey media : corporate groupware and e-mail surveys		Selecting key sustainability issues through top management review and materiality test matrix Top management participation in materiality analysis by reviewing selected issues list Materiality test matrix analysis and conclusion of 21 key issues	

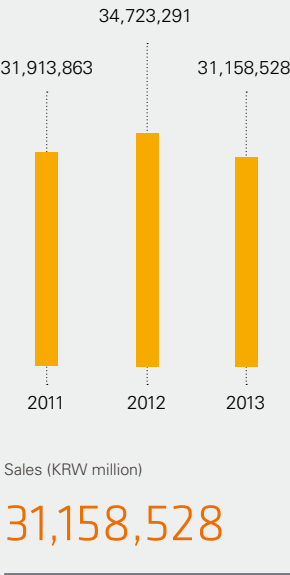
MATERIALITY MATRIX



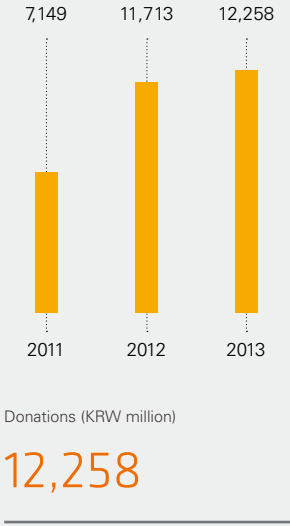
MATERIAL ISSUES BY MANAGEMENT PRINCIPLES (21)

Achieve Operational Excellence <ul style="list-style-type: none">• Efforts to enhance energy efficiency• Environmental management principles and systems• Compliance with environmental regulations	Provide Best-in-Class Work Environment <ul style="list-style-type: none">• Fair performance evaluation and compensation• Fringe benefits• Corporate culture	Attain Highest Level of Capital Efficiency <ul style="list-style-type: none">• Systematic risk management• Managing and distributing resources for sustainable growth
Enhance Customer-Centric Management <ul style="list-style-type: none">• Efforts to maximize consumer utility• Activities to enhance brand value	Pursue Global Best Practices of Corporate Governance <ul style="list-style-type: none">• Establishing transparent corporate governance• Compliance management system• Transparent disclosure on management information• Efforts toward shared growth with partner companies	Develop Platform for Sustainable Growth <ul style="list-style-type: none">• Sustainability management vision and strategies• Building competitiveness to achieve sustainable growth• Reinforcing R&D efforts• Reducing carbon emissions
Contribute to Society <ul style="list-style-type: none">• Company-wide strategic social contribution• “Sunshine Sharing” activities• Cultural · Artistic sponsorships		

KEY SUSTAINABILITY PERFORMANCE RESULTS



Economy		2011	2012	2013
Sales(KRW million)		31,913,863	34,723,291	31,158,528
Operating Income(KRW million)		1,697,503	781,764	366,044
Net Income(KRW million)		1,192,426	580,015	289,306
Total Liabilities(KRW million)		7,977,747	7,120,050	6,565,330
Total Stockholders' Equity(KRW million)		5,226,354	5,371,991	5,349,605
Dividend Per Share	Common(KRW)	4,800	2,650	1,330
	Preferred(KRW)	4,825	2,675	1,355
Return on Equity(%)		24.51	10.95	5.40
Total Liabilities to Equity Ratio(%)		152.64	132.54	122.73
Total Amount of Purchases(KRW million)		554,153	424,800	521,289
Total Amount of Local Purchases(KRW million)		89,084	78,042	187,881
Volume of Crude Oil Processed(1,000 barrels)		218,714	232,812	216,246
Production (1,000 barrels)	Fuel	188,128	197,720	185,143
	Lube	14,234	13,125	10,904
	Petrochemical	21,252	25,467	23,582
Sales (1,000 barrels)	Fuel	195,491	205,274	198,802
	Lube	13,662	12,597	10,945
	Petrochemical	16,908	20,324	18,738



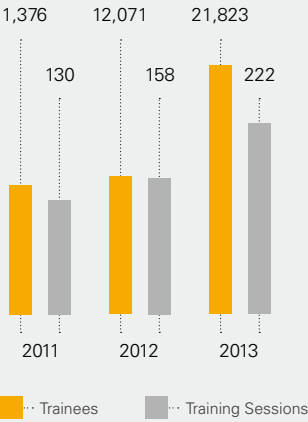
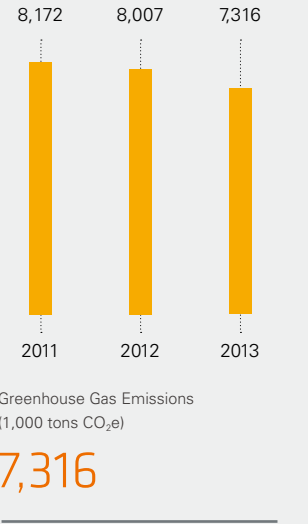
Society		2011	2012	2013
Number of Employees	Total	2,661	2,713	2,792
	Executives	39	42	43
	Regular Employees	2,491	2,523	2,613
	Non-regular Employees	131	148	136
Number of New Employees		181	137	158
Number of Retirees		109	85	79
Percentage of Female Employees(%)		7.1	7.3	7.6
Percentage of Disabled Employees(%)		1.8	1.9	1.8
Percentage of Outside Directors on the BOD(%)		54.5	54.5	54.5
Average Annual Training Hours per Administrative Employee		52	58	52
Ratio of Education · Training Cost to Labor Cost(%)		1.4	1.7	1.4
Ratio of Fringe Benefits to Labor Cost(%)		62.5	51.4	38.3
Labor Disputes		0	0	0
Donations (KRW million)		7,149	11,713	12,258
Employee Volunteer Hours		28,823	30,828	29,877
Amount of Green Purchases (KRW million)		4,531	25,326	40,738

Environment		2011	2012	2013
Greenhouse Gas Emissions (1,000 tons CO ₂ e)	Scope I	7,269	7,038	6,399
	Scope II	878	945	894
	Scope III ¹⁾	25	24	23
Energy Use (TJ)	Scope I	79,044	85,164	79,329
	Scope II	18,424	20,732	19,634
	Scope III ¹⁾	348	341	322
Air Pollutant Emissions (Onsan Refinery) (tons)	SOx	4,620	3,656	3,450
	NOx	3,753	3,820	3,574
	Dust	116	105	82
Air Pollutant Discharge Density ²⁾ (Onsan Refinery)	SOx (ppm)	180.0/77.5	180.0/60.2	180.0/60.1
	NOx (ppm)	150.0/79.5	150.0/76.9	150.0/78.4
(Legal Limit/S-OIL)	Dust (mg/Sm ³)	30.0/3.8	30.0/2.9	30.0/2.8
	BOD	10.0/2.7	10.0/2.5	10.0/4.0
Water Pollutant Discharge Density ³⁾ (Onsan Refinery) (ppm) (Legal Limit/S-OIL)	COD	40.0/7.1	40.0/7.4	40.0/8.5
	SS	10.0/2.8	10.0/2.5	10.0/2.6
Marine Oil Spills (Onsan Refinery)		0	0	0
Water Use (Onsan Refinery) (1,000 tons)		21,451	20,775	20,248
Water Reuse (Onsan Refinery) (1,000 tons)		1,683	1,928	1,775
Wastewater Discharge (Onsan Refinery) (1,000 tons)		10,002	9,552	9,128
Designated Waste (Onsan Refinery) (tons)		16,096	14,908	11,972
General Waste (Onsan Refinery) (tons)		15,380	14,161	14,692
Waste Recycled (Onsan Refinery) (tons)		23,069	17,880	14,972
Environmental Investments (KRW million)		14,589	24,445	40,722

1) The current Scope III calculation includes only vehicle-based downstream transportation.
2) TMS Heater/Boiler, average annual rate
3) BOD data is based on the Company's own water analysis, with TMS data used to measure COD and SS

Safety		2011	2012	2013
Number of Injured Employees		0	2	2
Occupational Injury Rate of Employees*		0	0.12	0.10
Occupational Injury Rate of Employees* at Partner Companies		0.04	0.19	0.19
Number of Lost Work Days		0	87	56
Accidents Due to Regulation Violations		0	0	0
Safety Management	Number of Trainees	11,376	12,071	21,823
Training for Employees	Number of Training Sessions	130	158	222
Safety Management Training for Partner Companies	Number of Trainees	14,424	7,910	18,413
	Number of Training Sessions	336	313	342

* Injury Rate = Number of Injured Employees X 200,000 / Total Working Hours



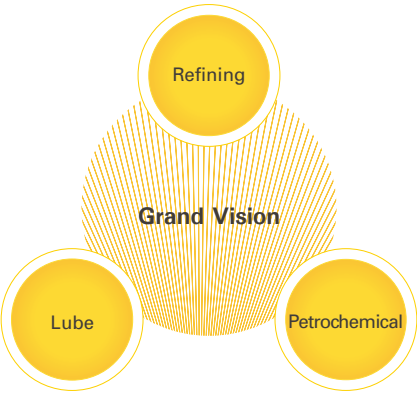


Early on, S-OIL had made preemptive investments in upgrading facilities and its residue upgrading facilities today boast far greater excellence compared with those of its competitors. Production capacity of high value-added PX and lube base oil has also been expanded to the world’s highest level among single plants, allowing for a highly profitable performance.

However, the business environment of the refining industry is undergoing drastic changes, ranging from aggressive facility expansion and facility upgrading by competitors at home and abroad to a huge upheaval in the energy and petrochemical industries caused by a shale gas revolution in North America, slowing the growth of global oil consumption amid protracted low growth in the global economy, and tightening environmental regulations. In order to achieve sustainable growth in such a volatile business environment with growing uncertainties, the Company needs to clarify its strategic direction and rework its strategy implementation framework to create greater results.

Grand Vision : The Most Profitable and Integrated Energy Company

As such, S-OIL set a “Grand Vision” in 2013 that it will become the most profitable and integrated energy company encompassing refining, lube, and petrochemical businesses with excellence in operation, quality, and customer partnership. To attain this vision, the Company is making constant efforts to maximize production value by improving facility competitiveness, expand its presence across the world and develop new growth engines such as high value-added petrochemicals that are built upon its core competences and R&D capabilities.



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.

Upgrade of Strategic Framework

In order to achieve sustainable growth amid the fast-changing business environment, S-OIL has clearly defined the strategic direction of its business management and reorganized its framework to implement these strategies.

9 Corporate Initiatives and KPI System : Upgrade of Companywide Strategies and Implementation Framework

In order to realize the Company's Grand Vision, S-OIL developed nine Corporate Initiatives (CI) as mid- to long-term initiatives based on the results of an extensive analysis of its business environment. The nine CIs are essential tasks for the Company to achieve within two to three years by concentrating all resources and capabilities of its management and employees, including the CEO. The nine CIs are grouped into four categories: 1) strengthen the refining business, the source of S-OIL's competitiveness, and develop new growth engines are based on it; 2) stabilize the consumer base both at home and abroad by strengthening customer loyalty; 3) secure industry-leading efficiency in facilities operation and production cost competitiveness; and 4) upgrade management infrastructure to a performance-based one.

Any top system or strategy will remain only an empty slogan if it is not properly put into action. As a result, S-OIL has revised its Key Performance Indicators (KPI) as a practical means of implementation.

The nine CIs were specifically allocated to the KPIs of all officers, and their accomplishments on KPIs will be monitored on a regular basis. If necessary, catch-up plans will be established. As such, the Company has revamped the entire process of strategy implementation, from setting strategies to implementation, monitoring and further to evaluation and compensation.





Work Sites Prioritizing Safety

At S-OIL, every employee participates in the Company's Safety and Health Management System to prevent industrial disasters and create a pleasant work environment. While setting clear goals aimed at enhancing their safety and health, associated organizations, duties, and procedures are articulated to efficiently distribute and manage the Company's physical and human resources. By continuously improving upon this system, S-OIL is playing a leading role as a responsible corporate citizen in promoting a culture of safety and establishing an accident/disease free working environment that improves the health of its workers. Top management's commitment to safety control is imperative to enhancing the safety culture within the organization. As part of S-OIL's practical activities to promote safety culture, all meetings in the Operations begin with a safety talk. In addition, bi-weekly meetings attended by the CEO and executive officers begin with presentations on safety tips, followed by a lively discussion on the subject to reaffirm top management's commitment to safety management.

Chief Safety Council & Subcommittees

At S-OIL, safety is of paramount importance in all business activities. Thus, S-OIL's top management sends a clear and consistent message to the entire workforce concerning the promotion of safety culture. In 2013, the Chief Safety Council (CSC), which is chaired by the CEO, was created to set long-term safety management goals and reflect safety issues in major business policies. The CSC spearheads three subcommittees—a Safety Steering Committee (SSC), Incident Investigation Review Committee (IIRC) and Safety Audit Committee (SAC)—to support its activities and encourage all members under the Operations to further build upon their commitment to safety.



Declaration of Safety Golden Rules on Oct. 1

With the aim of becoming one of the world's top safety leaders, S-OIL has in place numerous safety protocols and procedures. A safe workplace can only be realized when every safety regulation and procedure is strictly adhered to. Keenly aware of this, S-OIL has singled out the eight most important negligence factors which can lead to severe consequences. The Company then proclaimed Safety Golden Rules to prevent such violations, reiterating its commitment to top safety practices.

Safety & Health Education

S-OIL is engaged in continuous training activities with the belief that safety-conscious workers constitute a safe work site. For a more effective training, the Company offers online training courses to all employees through the SHE (Safety, Health, Environment) system, as well as safety and health courses provided by specialized external training institutions. Additionally, the Company developed and then implemented turnaround (T/A) curriculum which is tailored to the job functions of specific employees and offers special safety training courses for each type of high-risk job in which

Leading a Good Safety Culture, S-OIL

Putting safety at the top of the priority list in its operations, S-OIL is establishing a 'safety-first' culture at the workplace through counseling and continued education.



potential risk needs to be prevented. Furthermore, S-OIL has produced and distributed special safety training video clips focusing on major high-risk jobs as a reference material for employees of the Company and partner companies.

Prevention of Oil Spills

Oil spill incidents and the resultant marine pollution not only have an environmental impact but also lead to tremendous economic losses, requiring a great deal of time and effort to clean up. Thus, the prevention of oil spills is crucial. As part of its preemptive measures to address this issue, S-OIL has adopted a vetting system which bans any vessels that fail to meet the Company's strict safety requirements by calculating all the risk factors associated with a vessel. Furthermore, S-OIL has mandated that all oil tankers be double hulls (a tanker that has a double-layered hull plate surrounding the cargo tank) to minimize the risk of any oil leakage should there be a vessel accident. In fact, S-OIL implemented this requirement well ahead of the Korean government's enactment of the related law. It also makes use of tugboats for smaller tankers, and became the first Korean refiner to adopt a protection system (radar, current measurement, and mooring tension measurement system) in single buoy mooring (SPM), which is an onshore mooring piece of equipment for VLCCs, to prevent large-scale marine pollution accidents.



In addition, S-OIL holds annual safety workshops for ship owners and shippers, offering training and discussion sessions on the Company's safety management policies as well as any developments in the government's maritime safety policies. This has allowed the Company to establish a win-win system based on mutual understanding concerning the importance of safety management and mutual trust. Oil spill drills are another example of S-OIL's commitment to oil spill prevention.

Aimed at enhancing its emergency response capabilities, these drills are based on the company-wide anti-marine pollution response procedure which was originally established on the advice of specialists in the field. In the unlikely event of an emergency, S-OIL also has a collaboration network in place with all related organizations nearby, including the Korea Coast Guard, Korea Marine Environment Management Corporation and refiners (SK Energy and KNOC), to ensure swift recovery measures.

In April 2014, S-OIL ran a company-wide drill simulating the response to an oil spill accident. The objective of the drill was to conduct effective recovery of an oil spill and subsequent pollution based on close communication between the Head Office and the Refinery. This drill was extremely beneficial in that it helped employees internalize their roles and responsibilities in responding to an emergency situation.



Company-wide Consensus on Compliance Management

Although a relative latecomer to the refining industry, S-OIL has continually been expanding its market power with high-quality products. Legal compliance with occupational safety & health, environmental protection and fair trade are also integral to achieve sustainable growth and earn the trust and support of all stakeholders, including customers and shareholders. As a company that is clearly aware of legal compliance, everyone at S-OIL agrees that legal compliance should be firmly established within its corporate culture.

CEO’s Message (Jan. 23, 2013)

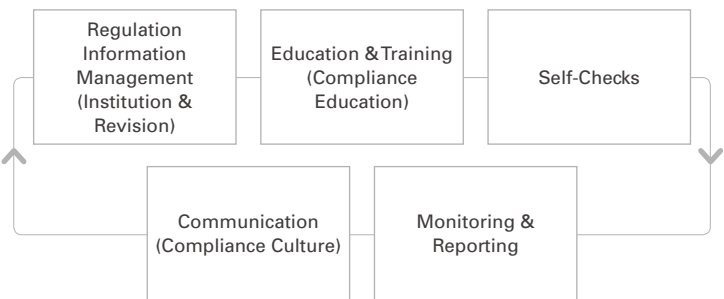
“I firmly believe that a legal compliance system is a key part to the sustainability and transparency of the Company’s business activities...The Legal Compliance Officer I appoint from among our employees will have an excellent understanding of our business operations to ensure the legal compliance system is operated in line with the Company’s business plans and directions. Ultimately, this will allow us to achieve both sustainable and profitable growth, as well as transparent compliance management.”

Legal Compliance System

On January 1, 2014, S-OIL officially launched a Legal Compliance System (LCS) after a two years of preparation. Based on extensive interviews with officers and employees at the Head Office, the Onsan Refinery, District Biz. HQs, sales offices and terminals, the Company developed a profile on all related laws and regulations, checklist for self-checks, guidelines describing key regulations in detail, and a monitoring module on laws and regulations that are to be enacted or revised. The LCS includes five key activities that encompass prevention, detection and response measures to ensure seamless cooperation at every stage. Further to that, the system helps all employees practice legal compliance through self-checks in their fulfillment of day-to-day duties.



Five Key Activities



Beyond Legal Compliance in Corporate Culture

Legal compliance has always been an integral part of business activities at S-OIL. The Company has established a concrete legal compliance system to make sure that compliance is fully embedded in the corporate culture.



Enforcement of Legal Compliance Management Regulations

As of January 1, 2014, S-OIL put into force Legal Compliance Management Regulations as guidelines for company-wide legal compliance in accordance with Paragraph 13, Article 542 of the Korean Commercial Act. The regulation is aimed to ensure fair and transparent work and business activities in compliance with all related laws conducive to delivering growth and earning customer trust.

Message from the Head of the Legal & Compliance

“We will be able to steer clear of any significant legal, social and economic risks or impact on the Company or its employees when we faithfully abide by the Legal Compliance Management Regulations and internalize the Legal Compliance System (LCS). This will also facilitate our efforts to coordinate the legitimate interests of the Company’s customers, suppliers, shareholders and others.”

Compliance Officer & Legal Compliance Team

In November 2013, S-OIL appointed a Compliance Officer who is responsible for LCS operations. The following month, a dedicated team was launched to support the Compliance Officer’s legal compliance activities. The up-and-running LCS organization has allowed for the practical support for all Company members to check legal risks in their activities. The main duty of the Compliance Officer is to establish the LCS and all compliance management practices within the corporate culture.



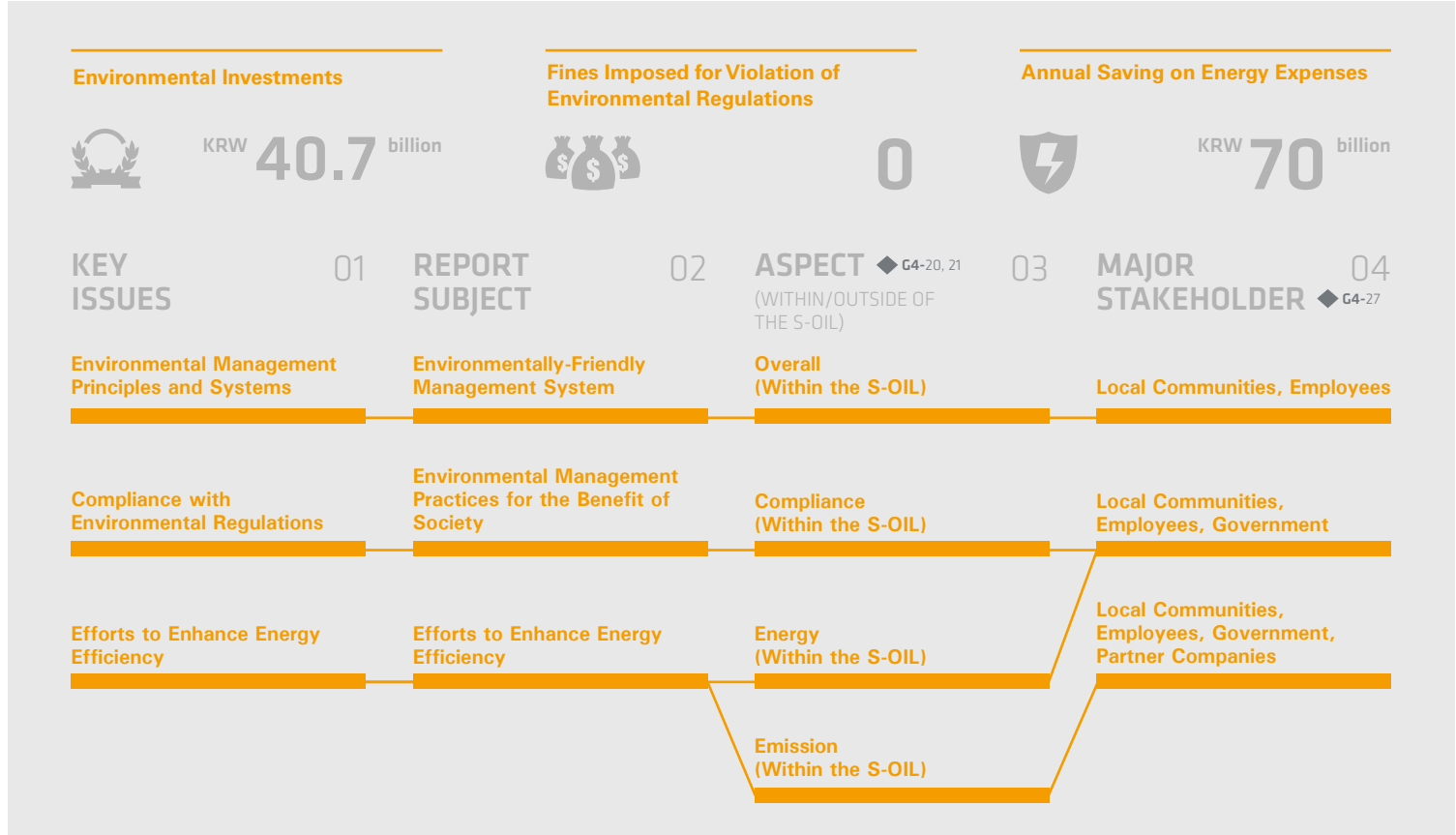
Compliance Management Practices in Corporate Culture


While establishing the compliance infrastructure throughout the Company, including relevant regulations and a compliance-dedicated team, S-OIL understood that the organizational consensus on compliance management was integral to establishing compliance management practices within the corporate culture. To that end, the Company has given the entire workforce LCS training to raise their awareness of compliance management and to help them utilize the LCS with self-check mechanisms. Customized training courses are also being developed to address different needs by job functions and positions. Going forward, S-OIL will make every effort to develop more systematic compliance training programs in order to fully embed legal compliance within its corporate culture.






Achieve Operational Excellence






Voice of Stakeholders

Cost reduction through higher efficiency is essential to creating sustainable profit in a deteriorating business environment. What does S-OIL do to improve energy efficiency?





Bong-Soo Park, Executive Vice President, Head of Operations

Operational excellence is one of the most critical management activities, as it is directly linked to the creation of constant profit and ensuing reinforcement of competitiveness.

S-OIL makes every effort to optimize the production process so as to maximize profitability and competitiveness. To that end, we carry out R&D activities to generate additional profits, apply innovative ideas to production lines, and constantly work on facilities improvement.

In 2013, S-OIL generated an additional profitability of KRW 120 billion by creating added value. In particular, 38 energy conservation projects contributed to a 2.5 percent improvement in energy efficiency and KRW 70 billion in cost savings.

Going forward, S-OIL will continue to hone its competitiveness through consistent and innovative activities for profit generation and energy efficiency improvement.

1.1

Environmentally-Friendly Management

Why Is This Important?

Today’s highly advanced technologies have enlarged the size of production facilities significantly. The environmental impact of operating these facilities has increased in proportion to their growing size. When coupled with diverse external/internal factors, a slight mistake can lead to environmental incidents, impeding upon the sustainable growth of a company.

To prevent environment-related incidents from occurring, S-OIL has established an environmental management system that can efficiently manage the environmental impact of its business activities. As its entire value chain—from handling feedstock and production to transportation and distribution of its products—is highly exposed to various environmental risks, the Company makes every effort to minimize its environmental impact and pollutant discharge from all its operational procedures. Additionally, S-OIL has in place an environmental performance assessment system that adheres to all ISO 14031 criteria, and an environmental accounting system for the transparent and accountable management of its environmental activities and investments.

Our Commitment

- Environmental Management System (EMS)
- Education to enhance the environmental awareness

Our Response

Environmental Management System

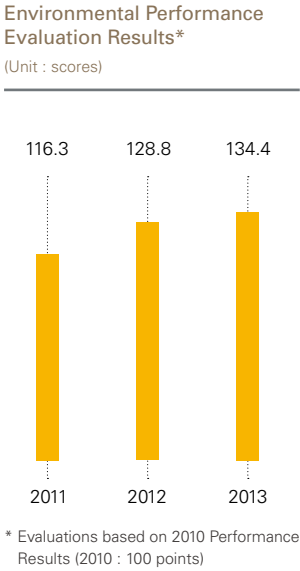
S-OIL puts preemptive green management practices at the top of its environmental policy list. As it continues to innovate its processes and environment-related facilities, the Company also adopts new techniques to produce eco-friendly products on a continual basis. In fact, it has been introducing desulfurization and denitrification facilities, cutting-edge wastewater treatment facilities, and precipitation facilities for years.

In 1996, S-OIL acquired the ISO 14001 (certification for Environmental Management Systems) on all its production processes for fuel oil, lube base oil, and petrochemical products. Since then, the certificate has been renewed five times. S-OIL practices high-level environmental management through regular reviews in accordance with the Company’s unique

business environment, and constantly develops and improves its Environmental Management System (EMS). With the introduction of the ISO 14031, the Company’s EMS has successfully taken root within the organization, which is also publishing annual SHE (safety, health, and environment) report and sustainability report. The Company is now further developing its EMS and has recently implemented an independent Environmental Accounting (EA) system. In 2013, its terminals in Incheon, Yeongcheon and Gunsan obtained the ISO 14001 certificate, completing full and comprehensive EMS control over the Company’s entire production process.

Working-level Environmental · Safety Council S-OIL has clarified the roles and responsibilities of environmental · safety activities to enhance efficiency in company-wide SHE operations. Working-level Environmental · Safety Council, which consists of environmental · safety officers from the Head Office and the Onsan Refinery, allows for a company-wide integrated response and approach to any environmental · safety issue. The Council reviews and deliberates various environmental issues that can arise at each stage of the value chain, from production, distribution · logistics and sales to marketing and purchasing, based on which it sets relevant policy directions. Its main functions are to proactively put the Company’s commitment to environmental · safety management into action at each and every of its business sites. More importantly, the Council speaks for the Company in the Korean government’s policy-making procedures.

Environmental Performance Evaluation System (ISO 14031) S-OIL established a standard Environmental Performance Evaluation (EPE) system under ISO 14031 guidelines in order to objectively assess its environmental investments and activities, and to reflect assessment results in subsequent environmental management plans. EPE refers to procedures that range from listing environmental indicators and regularly collecting and analyzing environmental data to reviewing and improving environmental performance to reflect all results in future decision-making by top management and stakeholders. In 2013, the Company posted tangible results with increased environmental/energy investments, reduced emissions of air and water pollutants, and less Toxic Release Inventory (TRI) and water consumption. Moving forward, S-OIL will further



accelerate its efforts with its green management practices.

Environmental Accounting (EA) System For a more systematic analysis and operation of environmental investments in line with its environmental management system, S-OIL has developed its own Environmental Accounting (EA) system under guidelines provided by the Korean Ministry of Environment. The 2013 environmental accounting results show that the Company’s environmentally-friendly management resulted in a decrease in its environmental cost, from KRW 178 billion in 2012 to KRW 164.5 billion in 2013, while environment · energy investments surged from KRW 24.4 billion in 2012 to KRW 40.7 billion in 2013. The Company will continue to keep track of its environmental management performance.

Environmental Accounting Results (Unit : KRW million)		
Category	2013	Remarks
Environmental Costs	164,535	Post-treatment facilities, Operating costs
Environmental Benefits	133,087	Energy savings, Sales of by-products
Environmental Investments	40,722	Investments in environmental & Energy-related facilities

Key Environmental Investment Results (Unit : KRW million)			
Category	2011	2012	2013
Air · Odor · VOC*	2,556	9,491	5,565
Water Quality	1,464	6,288	3,559
Energy Savings · Technical Support	10,254	8,654	31,239
Soil · Others	315	12	359
Total	14,589	24,445	40,722

* VOC : Volatile Organic Compounds

Integrated Monitoring System As part of its preemptive green management practices, S-OIL mobilizes diverse monitoring systems to ensure the least possible impact on the environment.

Established in 2012, S-OIL’s integrated monitoring system combines an atmosphere · water quality Tele-Metering System (TMS) with odor data, enabling real-time monitoring without access to a separate computing system. The dual monitoring system concurrently displays all related data on the Company’s air/water quality and odor, management and environmental issues, as well as the Company’s PR video clips and business-related video informa-

tion. While allowing real-time monitoring of the Company’s environmental impact, the Integrated Monitoring System facilitates a prompt response upon detection of any abnormal signs, proof of S-OIL’s strong commitment to environmental preservation.

Education to Enhance the Environmental Awareness

S-OIL provides annual environmental training to all its officers and employees and those of its partner companies. In addition to the legally mandated training programs for environmental technicians, it also encourages employees to attend diverse technology seminars and holds its own seminars on environmental technologies to help enhance their capabilities and have them better respond to external and internal environmental issues. In particular, SHE training management system is in place to update training results and training materials. S-OIL Environmental Management Handbook, which is the environmental training materials covering updates on environmental management and policies published and distributed to partner companies, has significantly contributed to advancing the Company’s environmental training system. The monthly newsletters is another means in which officers and employees can have access to information on the environment. Furthermore, all managerial-level employees in Onsan Refinery are required to take collective environmental training sessions for more effective environmental training.

Environmental Monitoring System

Measure	Description
On-Site Measurement	Regular on-site measurement and analysis
TMS	Real-time measurement and monitoring of concentration of air · water pollutant emissions
SHE System	Oversees the company-wide environmental management program
LDAR*	Monitoring fugitive emission sources
Odor Monitoring System	Continuous automatic odor measurement · control system
Integrated Monitoring System	TMS and odor real-time monitoring

* LDAR : Leak Detection and Repair

1.2

Environmental Management that Reaches Communities

Voluntary Agreement	
<div>Voluntary agreement to conduct soil ontamination tests and restoration activities (2003~2023)</div>	Conducting voluntary soil contamination tests and soil clean-up activities every three years or less
<div>Voluntary green purchasing agreement (2005~2016)</div>	Promoting the production, distribution and purchase of green products
<div>Second voluntary agreement on air pollutant controls (2012~2016)</div>	Reducing the total emissions of air pollutants such as dust, SO ₂ , NO _x , and VOC by 16 percent compared to the base year (2008)
<div>Voluntary agreement on the reduction of chemical substance emissions (2013~2017)</div>	Reducing the total emissions of benzene by 31 percent compared to the base year (2009)
<div>Agreement on participating in a joint Korean Auto-Oil Program (2011~2015)</div>	Participating in joint research projects with the government, automakers, and fuel suppliers to reduce air pollution and GHG emissions

Why Is This Important?

As the Korean government heightens its regulations and penalties on environmental issues in tandem with growing social concerns over environmental responsibilities of companies, environmental management has become an integral part of business activities. S-OIL maintains all its environmental facilities at the highest level of reliability and implements various measures to achieve the targets that it has voluntarily set for reduction on its pollutant discharge. Additionally, the Company continuously enhances its environmental management practices through facility innovation and stricter regulations, while proactively responding to enactments and revisions of environmental regulations. S-OIL is making every effort to adhere to environmental management as it maintains diverse communication channels with stakeholders to make sure their thoughts do not go unheard.

- Our Commitment**
- Compliance with environmental regulations
 - Voluntary Environmental Management Agreement
 - Internal/External communication to reinforce environmental management
 - Addressing environmental complaints

Our Response

Compliance with Environmental Regulations At S-OIL, the SHE Integrated Management Policy puts forward “Preemptive Green Management” as its environmental management guidelines in preemptive response to environmental regulations. All facilities at S-OIL adopt these optimal preventive systems right from the construction stage. Furthermore, the Company applies stricter environmental standards beyond legal requirements in order to minimize environmental impact of its business activities. In particular, a voluntary environmental management system has taken root in the corporate culture, with daily inspections and swift measures to improve or review inadequacies. As a result, S-OIL steered clear of any environmental violations in 2013. In the future, the Company will build on its improvements and investments in environmental management and operate the highest quality discharge facilities. Through these efforts, the Company will continue to meet community expectations by further strengthening its environmental management standards.

Responses to Changes in Environmental Regulations

Hydrofluoric acid leaks at Gumi and other incidents where toxic substances were leaked sent an alarming sign, prompting the Korean Ministry of Environment to proclaim revised Toxic Chemicals Control Act with stricter standards on toxic chemical controls and penalties to prevent recurrence of such incidents. The Ministry also plans on strengthening environmental regulations on toxic chemical substances and air pollutant emissions. In proactive response to the pending revision, S-OIL is preparing appropriate countermeasures and working hard to enhance its environmental management practices by improving facilities and heightening controls.

Voluntary Environmental Management Agreement (VA) S-OIL is an ardent proponent of the Korean government’s environmental policies. As part of its strong commitment to environmental preservation, S-OIL has signed a number of Voluntary Agreements (VA) in relation to S-OIL pollution prevention, air pollutant reduction, green purchases and other environmental initiatives. By renewing its voluntary agreement on air pollutant reduction (which expired in 2012), the Company reaffirmed its steadfast commitment to environmental policies in Ulsan, which was designated by the Korean government as a special air pollutant control zone. In 2013, it renewed the existing Voluntary Agreement on soil environment preservation which expired that same year and added VA on reducing chemical substance (benzene) emissions, systematically carrying out voluntary soil pollution tests and clean-up activities as well as reducing its discharge of chemical substances.

Internal and External Communication S-OIL applies stricter standards on its environmental management activities and maintains continuous communication with diverse external stakeholder groups, such as the government, mass media, and academia. At the same time, it keeps abreast of industrial and global trends and the latest developments related to domestic environmental laws and regulations in order to keep its environmental management system up to date. Additionally, the Company improves its environmental management practices by sharing information on environmental management with local residents and related organizations, and by reflecting their feedback on its environmental management practices. S-OIL also participates in environmental prevention activities organized by local communities in a bid to

protect the environment and maintain close ties with them. In recognition of its consistent commitment to preserving the environment of local communities through monthly clean-up campaigns at the Daeuncheon Stream in Ulsan since 2003, the Ulsan municipal government singled out S-OIL as the outstanding performer of the “2013 One-Company, One-Stream Clean-up Campaign.”

Addressing Environmental Complaints Upon reception of any complaints on environmental issues related to our Ulsan refinery, S-OIL promptly deals with issues at site. All questions and inquiries made to the Head Office regarding the Company’s environmental policies or practices are answered by e-mail or by phone. While adopting an odor monitoring system for the systematic control of odors—a frequent subject of complaints at our refineries and plants—the Company provides objective data to claimants and takes appropriate measures in consideration of the wind direction and weather conditions to effectively contain the sources of odor. When it is required for environmental management practices, related stakeholders are invited to visit the site in person, which also serves as an opportunity to communicate with people on its outstanding environmental management practices.

Why Is This Important?

The entire process of refining crude oil and producing petroleum products out of it consumes a great deal of energy sources, including fuel oil, fuel gas, electricity and steam, which are all counted in the cost of production. Today, competition has intensified in petroleum product markets of gasoline and diesel. As a result, efficient management of energy costs, which account for 70 percent of the cost of production, has become the premise to competitiveness in the global market.

In fact, the growth in the production of shale gas in North America lowered energy costs for local refiners. In meeting the ever-competitive global market, where the Middle East and Chinese competitors are growing with high-efficiency plants equipped with state-of-the-art technologies, low-cost and high-quality products are critical to ensure a competitive edge over competitors. Furthermore, the Greenhouse Gas (GHG) emissions trading scheme takes effect as of 2015 in Korea, which is part of the government’s commitment to global endeavors to mitigate climate

change and reduce GHG emissions. S-OIL is now working to enhance its competitiveness through effective management of energy use, while fulfilling its corporate social responsibilities in addressing climate change issues.

- Our Commitment**
- Target at reducing energy use by an annual average of 1.5 percent
 - Diverse efforts to enhance energy efficiency

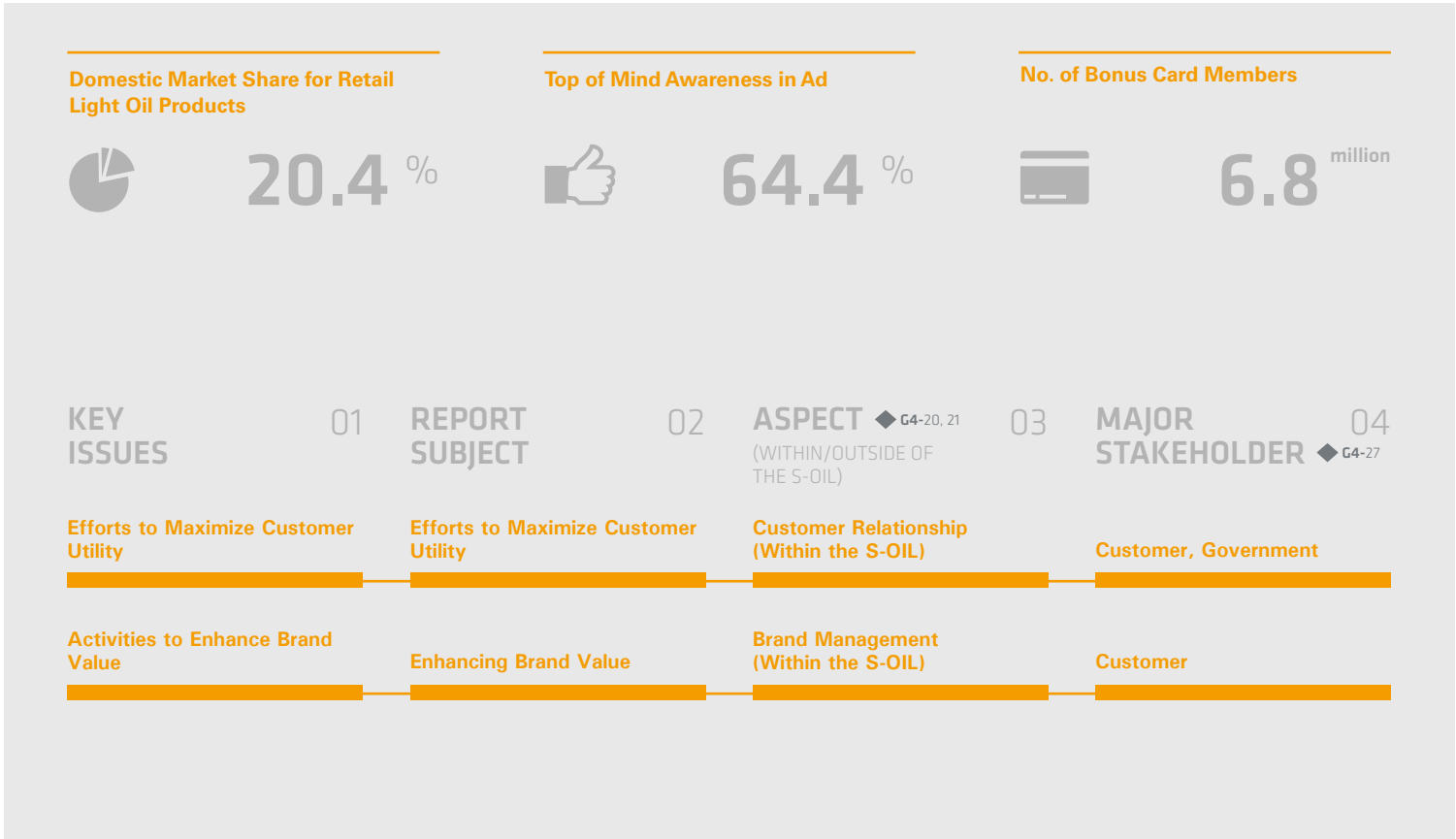
Our Response

Energy Conservation Target In an effort to achieve its vision of becoming the most profitable and integrated energy company, S-OIL has strived to reduce energy use in all ways. With the clear goal of reducing energy use by an annual average of 1.5 percent, the Company is enhancing energy use practices and making investments to achieve the highest energy efficiency in the Asia-Pacific region.

Energy Efficiency Enhancement and Energy Cost Conservation Plans S-OIL has set an energy conservation target for efficient energy use and has adopted a system that allows real-time monitoring and analysis of energy use and production process company-wide. In 2013, more than 38 energy-saving projects were completed during the comprehensive turnaround (T/A) period, improving energy efficiency by more than 2.5 percent or KRW 70 billion in annual energy costs.

In 2014, the Company is continuing its efforts to realize the highest energy efficiency in the Asia-Pacific region by consulting with an external specialized agency and adopting the advanced technologies of leading global refiners. In order to ensure that the entire workforce is in synch with this energy conservation initiative, the Company motivates employees to participate in the company-wide energy saving campaign with energy conservation incentives. Furthermore, its Onsan Refinery has been reusing the waste heat from nearby LS-Nikko Copper since 2008 to produce low-cost steam, more than 40 tons per hour, saving KRW 12 billion in energy costs annually. Buoyed by this accomplishment, the Company plans to adopt more low-cost steam initiatives from Korea Zinc. Going forward, S-OIL will do its best to optimize its energy efficiency and spread its energy optimization efforts to neighboring companies and local communities, contributing to the national GHG reduction drive.

Enhance Customer-Centric Management



Voice of Stakeholders

What kind of strategies does S-OIL implement to enhance its brand value? S-OIL needs to raise its top-of-mind awareness, thereby branding S-OIL as customers’ first choice in service stations.



Yul Ryu, Executive Vice President, Head of Marketing & Sales

As a pioneer in upgrading the quality of petroleum products, S-OIL maximizes customer value by providing the highest quality products at economic prices.

In a bid to improve customer accessibility to S-OIL’s services, we are continuously expanding our national network of service stations, while also using the GOODOIL character as an integrated means for marketing communication with customers.

S-OIL made strategic use of the GOODOIL character in approaching customers with more familiarity, earning heartfelt support from customers.

As a result, the Company saw record-high performance results in 2013, capturing a 20.4 percent share of the domestic market in the sale of retail light oil products and becoming the first Korean refiner to win the Presidential Prize at the Korea Brand Awards that same year.

Although firmly rooted in the domestic market, S-OIL’s leading brand image has become widely recognized around the world. In fact, the Company now exports more than 60 percent of its products to 30 overseas markets. Through diverse activities to establish firm relationships with customers, S-OIL has continued raising its brand recognition and become a reliable partner to them.

In the future, S-OIL will do its utmost to realize the highest customer satisfaction as it raises its brand value from the customer’s perspective.

2.1

The Highest Quality Products and Customer Services

Why Is This Important?

Customer-centric management is essentially about maximizing customer value by timely satisfying customer expectations based on a clear understanding of their needs. In today's oversupplied markets, customers apply higher standards to the products and services they choose. Consequently, meeting these expectations has become the primary mission of all businesses to maximize customer utility. At S-OIL, we make every possible effort to provide differentiated, high-quality products at reasonable prices so as to ensure the greatest customer utility of our products.

Our Commitment

- Fair prices
- Corresponding to government policies on oil price stabilization
- Consistent quality control system

Our Response

Product Prices Maximizing Consumer Utility

Fair Prices S-OIL always remains steadfast to its fair pricing policy. S-OIL's pricing system for domestic oil products accounts for all variables, such as international oil prices, foreign exchange rate fluctuations, internal supply conditions, domestic market trends and other objective data, all of which guarantee competitive prices. From its years of experience in the international oil business, S-OIL has learned that a consistent pricing policy at a fair and competitive level that customers can agree with plays a pivotal role in the Company's long-term growth.

Corresponding to Government Policy on Oil Price Stabilization

Committed to stabilizing oil prices, the Korean government is taking various measures to revamp the domestic oil distribution structure. These initiatives include expanding a national network of Thrift Service Stations, promoting e-commerce for trading petroleum products, and allowing brand service stations to sell competitors' products. As of the end of 2013, 881 Thrift Service Stations, or 8 percent of all Service Stations nationwide, were in operation, with taxes and trading regulations reconfigured as of July 2013 to invigorate the participation of oil refiners in e-commerce. To support mixed brand offerings at brand service stations, the government organized a council to oversee this initiative and received applications for mixed brand selling by service stations across the nation. In proactive response to these government policies, S-OIL won the business rights to supply its products to Thrift Service Stations in certain regions in 2013, offering the Company's high-quality products to end users at fair prices. Moreover, the Company encouraged e-commerce in oil trading and completed a review and revisions on contracts related to mixed brand sales at service stations.

S-OIL will continue to provide quality products at fair prices and faithfully observe government policies, thereby bringing customer utility to the highest level possible.

Quality Control for the Highest Customer Satisfaction

The Trustworthy Service Station Program In response to rising customer concerns over quality control, S-OIL runs a Trustworthy Service Station program to meet customer needs for safe and reliable products, which in turn enhances customers' trust in the Company's product brands. Based on agreements with Trustworthy Service Stations, S-OIL guarantees the quality of all products sold at these service stations. In fact, the Company takes full responsibility for any damage or loss to customer property due to defects in its products, offering very fair compensation in these cases. Since the second half of 2011, S-OIL has signed Trustworthy Service Station agreement with only qualified service stations that pass its rigorous quality inspection as part of an effort to satisfy growing customer needs' on quality. Since 2012, the Company has been regularly checking up on signatory service stations' quality control practices, and immediately terminates its agreement with those that fail to meet the Company's high standards. Through systematic management and support, S-OIL is continuously working hard to expand its network of Trustworthy Service Stations.

Heightened Quality Control S-OIL's Quality Management System ensures that service stations facilities have been thoroughly inspected so as to guarantee quality control. Quality managers promptly respond to customer complaints concerning product quality and make full use of their extensive knowledge and

abundant experience in maintaining quality control, providing dealers with feedback and detailed information on the problem-solving process. Since 2012, S-OIL has been operating a Quality Inspection Team and has increased the number of quality inspections at all service stations, conducting them to the highest level in the industry. It has also introduced gasoline and diesel labeling in order to make it easier to detect adulterated oil products and begun quality inspection tests at LPG filling stations. Results from these inspections are announced on the spot, enhancing the speed and reliability of the inspections.

In addition to these quality control systems, S-OIL plans on monitoring all on-the-spot operational information and inventories of service stations from 2014. This will facilitate timely countermeasures against alleged attempts to sell adulterated oil products by immediately running quality tests at alleged stations. Any detection of such an attempt is not tolerated and swiftly addressed. Furthermore, the Company has developed key performance indicators to track detection records of adulterated oil products, and reflect these results in performance evaluations of sales offices, which ultimately heightens our quality control activities.



2.2

Creating the Best Brand Value with Customers

Why Is This Important?

In order to secure customer loyalty in today’s extremely competitive business world, companies are engaged in a wide range of marketing activities aimed at establishing their own brand value, and one that is unique from the competition. High brand value tends to improve customer acceptability of corporate marketing campaigns while helping secure a customer base with a high level of brand loyalty. The resultant price premium leads to increased profits and larger market share. This then forms higher entry barriers against competitors and eventually contributes to higher corporate value. Aware of such benefits, S-OIL makes use of diverse marketing channels to communicate with customers. This includes advertisements, promotions and credit card marketing initiatives to build upon its brand value and realize higher customer value.

Our Commitment

- Enhancing TOM with effective advertisements
- Strengthening brand marketing by utilizing the GOODOIL character
- Enhancing communication with prospective customers through a new marketing idea contest
- Implementing unique events · promotions

Our Response

Communicating with Customers through Advertisements

While consistently meeting the changing needs of customers, S-OIL engages in numerous marketing initiatives, such as advertisements, special events, and promotions to provide unique benefits to customers. With all of our marketing activities, S-OIL fully complies with every related law, including those which fall under the Broadcasting Advertisement Act and the Giveaway Announcement Act.

Winning Over Customers through TV Commercials

In 2013, S-OIL focused its advertising campaigns on solidifying public awareness of GOODOIL (GOODOIL = S-OIL = good oil brand), offering customers a number of different opportunities to familiarize themselves with the marketing character, which served as a turning point in the Company’s brand promotion initiatives. TV advertisements continued to utilize the GOODOIL character to ensure greater attention to the brand and higher public interest. They also delivered uplifting messages about stress relief, family and

travel in an effort to bring about a more positive image of the Company. Two S-OIL TV spots were among the highest ranked TV advertisements according to an online TV evaluation carried out between June and August 2013. Additionally, S-OIL was the overwhelming winner in the Top of Mind (TOM) survey on the refining industry. As we move forward in the future, we will continue to make full use of the GOODOIL character in all of our brand and consumer marketing campaigns and advertisements.



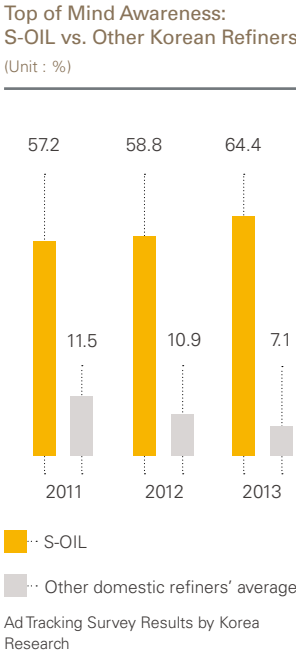
GOODOIL TV-CF

Presidential Prize at the 2013 Korea Brand Awards

S-OIL was awarded the Presidential Prize at the 15th Korea Brand Awards. Held at the Korea Chamber of Commerce and Industry on November 6, 2013, S-OIL was singled out for its systematic and consistent brand management practices and character-based brand differentiation. Organized by the Ministry of Trade, Industry and Energy and arranged by the Institute for Industrial Policy Studies (IPS), the Korea Brand Awards is the nation’s only brand-related governmental award program. In 2013, S-OIL became the first Korean oil refiner to ever win the honorable Presidential Prize.

Corporate Image Advertisements that Appeal to Audiences

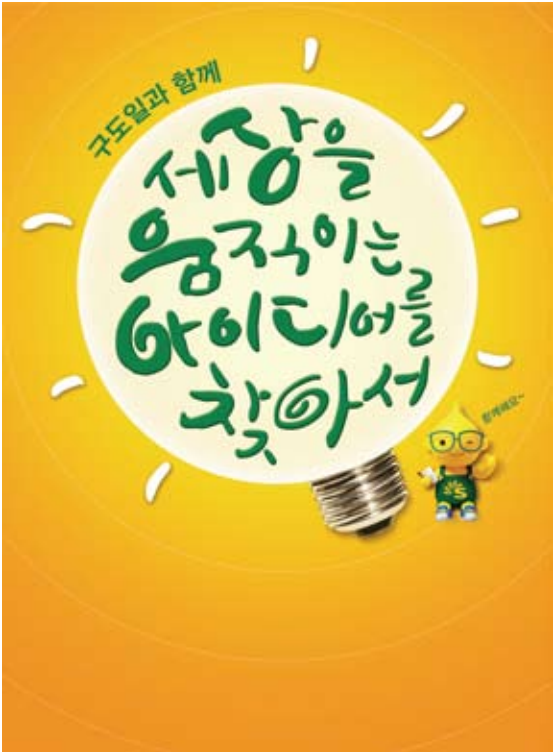
In November 2013, S-OIL put an end to the 18-month “30-letters of Nice Messages for YOU Campaign” advertisement, which communicated with the public on the front pages of Korea’s major daily newspapers. With a total of 10,000 people having submitted heartwarming messages, this campaign received extensive coverage on TV, newspapers, and other media outlets, winning a number of prestigious advertisement awards along the way from newspapers such as the Chosun Ilbo and Hankyoreh. In 2014, we began running a new advertising campaign called “Heroes and the Environment” in which S-OIL paid tribute to everyday heroes like firefighters, maritime policemen, and heroic citizens, while reminding the



public about the importance of environmental protection with quizzes on endangered species. This public service advertisement campaign has been well received to date by consumers, and won the Excellent Advertisement Prize at the Consumer Choice Advertisement Awards after consumers and consumer-related civic groups alike weighed in with their votes. In the future, S-OIL will continue to build upon its image as a sincerely compassionate company that communicates with the public through highly creative and unique advertising initiatives.

New Marketing Idea Contest for Prospective Customers

As a means of communicating with university students, who represent potential customers in the future, S-OIL held its 4th marketing idea contest, the 2014 S-OIL Brand Awards, for three months from November 2013. The contest invited university students to submit strategic ideas for practical sales increases in four different categories, including a comprehensive marketing communication campaign, S-OIL bonus card, S-OIL mobile app, and eco-promotion. A total of 392 teams made up of roughly 900 individuals took part in the contest. S-OIL will reflect the brilliant ideas generated through this contest in future marketing activities in an effort to make its brand more appealing to consumers.



New Marketing Idea Contest

Events·Promotions for Greater Customer Satisfaction

Sports Marketing S-OIL is building a high-end brand image that is both dynamic and familiar through several sports event sponsorships as we continue to help promote sports in Korea. Since 2007, we have been hosting the annual KLPGA Tour S-OIL Champions Invitational and sponsoring several professional golfers. The Company also invites customers to its Pro-am Golf Tournaments and other sports events, realizing higher customer satisfaction with its premium services. As S-OIL continues to expand its sports marketing, it will further raise its brand recognition among customers and potential customers.

GOODOIL Giveaway To further enhance customer satisfaction through premium benefits, S-OIL held a giveaway event at its service stations on July 15-31, 2013. During the event, 800,000 customers took home practical items such as eco-friendly dishwasher detergent. S-OIL will continue to run various forms of promotional activities tied to giving practical benefits in the future to ensure the highest customer satisfaction.

Invitation to Musicals and Concerts As a company that values arts & culture, S-OIL sponsors various cultural events as a means to build upon its strong relationship with customers. In 2013, the Company held a number of cultural events through its Culture Date program, which offers free tickets to cultural performances, and the S-OIL Cinema Date program, which offers free movie tickets to customers. These programs have been a big hit with customers and contributed to higher customer satisfaction. S-OIL will continue to develop a wide variety of cultural events to enrich customers’ cultural experience.

Contribute to Society



Donations

KRW 12,258 million

Activities of S-OIL Public Service Corps

29,877 hours

No. of Local Residents Participating in a "Culture & Arts Sharing" Campaign

5,960

KEY ISSUES

01

REPORT SUBJECT

02

ASPECT ◆ G4-20, 21 (WITHIN/OUTSIDE OF THE S-OIL)

03

MAJOR STAKEHOLDER ◆ G4-27

Company-wide Strategic CSR	Company-wide Strategic CSR Activities	Indirect Economic Impacts (Within the S-OIL)	Local Communities, Employees
Sunshine Sharing Activities	Sunshine Sharing Activities	Local Community (Within the S-OIL)	Local Communities, Employees
Cultural & Artistic, Sports Sponsorships	Cultural & Artistic Sponsorships		Local Communities, Employees, Government



Voice of Stakeholders

Social contribution requires strategically selecting where to concentrate resources rather than just becoming involved in numerous programs. In the same context, S-OIL needs a strategic approach to differentiate its social contribution activities.



Chang-Jai Lee, Senior Vice President, Head of Corporate Services HQ

Today, corporate social responsibility has become as integral to business activities as profit generation. Departing from mere one-time donations and charity work, social contribution has been integrated into corporate strategies to create greater value for both the company and society as a whole.

As a responsible corporate citizen, S-OIL made “Contribute to Society” one of its Seven Management Principles, pledging to engage in social contribution activities in line with its corporate strategies.

Based on the three social contribution principles of impact, timing and a beneficiary, S-OIL pursues harmonious growth with society and the environment through its unique social contribution program called Sunshine Sharing.

As the Company moves forward, S-OIL will continue to bring about positive changes throughout society.

3.1 Strategic Social Contribution

Why Is This Important?

With growing social demand for Corporate Social Responsibility (CSR), CSR activities have become an integral part of business initiatives. Strategic social contribution in its true meaning goes beyond symbolic gestures or one-time donations. Rather, it signifies a company's commitment to actively fulfilling its social responsibilities, with stakeholders lending their full support to this cause. As a result, companies need to manifest their commitment to social contribution in their business strategies and organize dedicated teams and a control tower for the strategic implementation of these activities, while also earmarking the required funds for this cause. In addition, partnerships with NGOs are integral to effectively carry out such social contribution commitments. Hence, S-OIL reflects its strategic social contribution activities in its business strategies, encouraging its entire workforce to participate in the cause.

Our Commitment

- Social contribution activities in line with corporate strategies
- Sunshine Sharing activities

Our Response

Social Contribution Activities in Line with Corporate Strategies

After identifying the expectations of its stakeholders through diverse communication with stakeholder groups, S-OIL devised Seven Management Principles for sustainable management that needed to be undertaken to meet those expectations. Through the Management Principle “Contribute to Society” S-OIL is pursuing social contribution activities for the country and society in line with its own corporate strategies. Furthermore, S-OIL has established a vision for its social contribution activities called Sunshine Sharing, and strives to realize sustainable growth through S-OIL's unique programs that are rooted in three principles: impact, timing, and beneficiary-oriented approach.

On top of its continued interest in and support for the underprivileged and local communities, the Company engages in an Endangered Natural Treasure Protection campaign and a Biodiversity Preservation campaign as part of its efforts to preserve the environment for future generations. On the social front, S-OIL is continuing with its Hero Firefighters Program



Environment Protect Campaign



Activities for Unsung Heroes



S-OIL Public Service Corps

and Hero Neighbors Program to contribute to happier communities by publicly recognizing some of the true heroes who devote themselves to bettering society. S-OIL has established several social contribution activities within its corporate culture by encouraging employees to make voluntary donations and carry out charity work through its Sunshine Sharing campaign. At the same time, S-OIL devotes its resources and know-how to promoting the basic sciences, as Korea still lags behind other nations relative to its economic position within the global community. With the aim of fostering Nobel Laureates in the sciences, S-OIL established the “S-OIL Science Prodigy and Culture Foundation”, instituting two different awards, the “S-OIL Leading Scientist Fellowship” and “Dissertation of the Year Award”. These awards have quickly become the most prestigious academic awards in Korea's basic sciences sector. Moving forward, S-OIL will continue its efforts to create greater social value and inspire more positive influences in society.

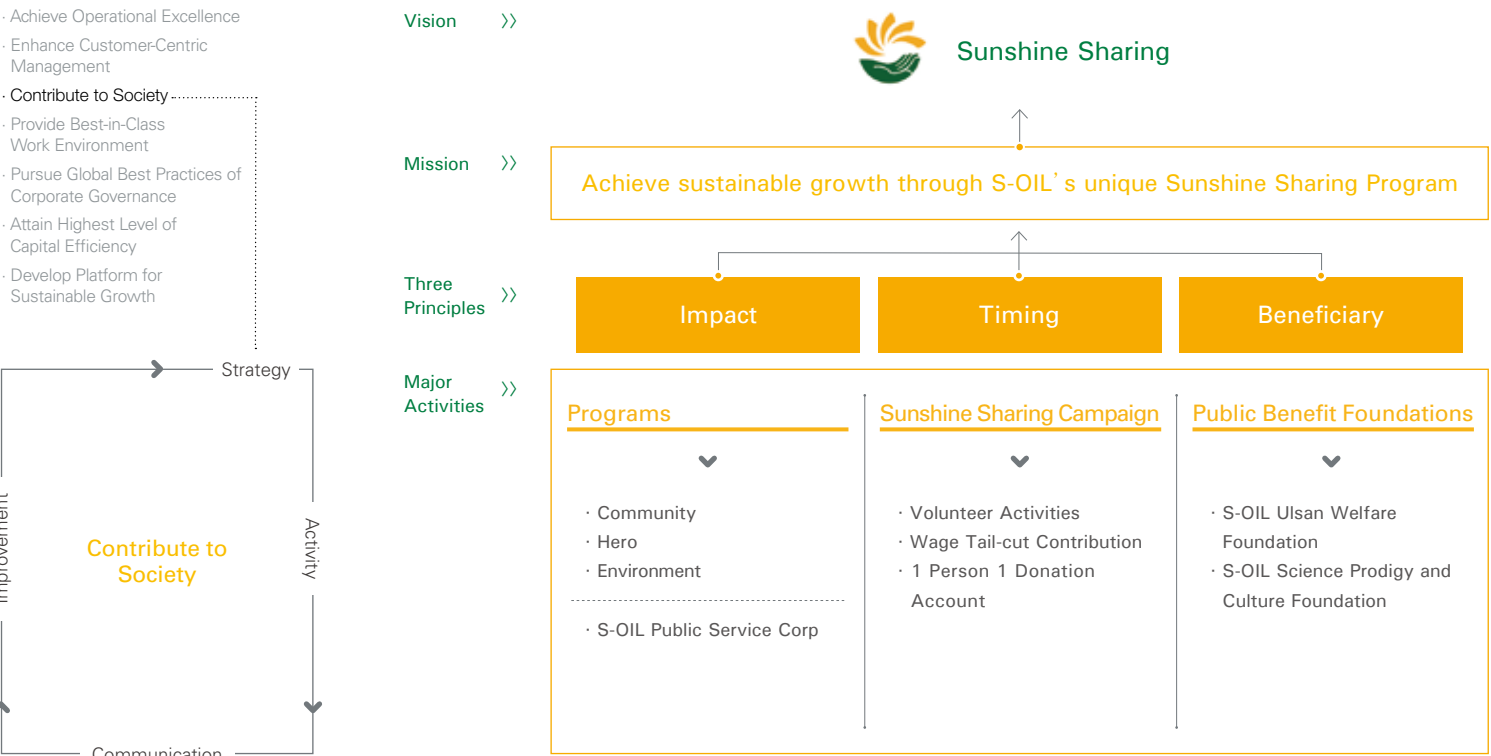
leged children; operating a university students' natural treasure protection corps; and sponsoring natural habitat protection activities carried out by employees and customers. S-OIL also undertakes community-based environmental protection activities focused on preserving the marine environment and resources. For example, to protect Mokdo's evergreen forest (Natural Treasure No. 65) near our Onsan refinery, volunteers from the Company have helped clean up the coastline area, collecting waste wood and tending to trees. S-OIL's in-house diving club members have removed waste from the seabed for years. In acknowledgement of these initiatives, the CHA bestowed a commendation upon S-OIL in September 2012. In 2014, the Company will begin activities on ecological exploration of Ulsan's Taehwa River, further expanding its environmental protection activities in the city.

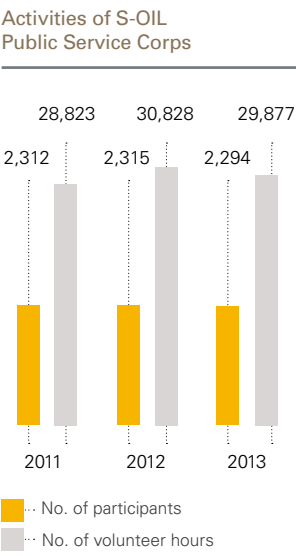
For Heroes The Hero Support Programs recognize heroes within society, such as everyday citizens and firefighters who commit themselves to saving lives and property by risking their own lives in adverse working conditions. In 2013, S-OIL added maritime policemen to the beneficiaries of this program in recognition of their commitment in protecting the marine environment and performing marine rescue activities. In 2014, the Company plans on adding a Healing Camp for maritime policemen and their spouses who work on remote islands.

Sunshine Sharing Activities

For the Environment S-OIL engages in diverse campaigns to protect endangered natural treasures and preserve natural heritage sites for future generations. Under an agreement signed with the Cultural Heritage Administration (CHA) of Korea in May 2008, the Company has been involving in activities to protect otters (Natural Treasure No. 330), cranes (Natural Treasure No. 202) and Korean dotted barbels (Natural Treasure No. 259). In 2013, long-horned beetles (Natural Treasure No. 218) were added to the campaign. S-OIL's environment protection programs also cover other activities: supporting protection and research activities for selected organizations; running natural treasure classes and ecology camps for underprivi-

S-OIL's Strategic Social Contribution System





For Local Community S-OIL established the S-OIL Ulsan Welfare Foundation, the first welfare foundation established by a company located in the city, in 2007 to effectively carry out a variety of CSR activities targeted at local citizens, the underprivileged, and social welfare facilities within the city. Even before systematic CSR activities were launched through the foundation, S-OIL had been purchased rice from nearby farms and then donating it to underprivileged people in the area since 2001. A decade later, the Company still strives to locate those in need and find appropriate measures to assist them through regular communication with local residents. In addition, it 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 every winter. S-OIL also organizes volunteer programs with welfare facilities for low-income families within the Mapo-gu, Seoul, where the Company's Head Office is located.

In 2014, S-OIL plans on further specializing its social contribution activities to the different needs of the underprivileged and local communities in Ulsan and Mapo-gu, where its operations are located.

S-OIL Public Service Corps S-OIL employees launched the S-OIL Public Service Corps in 2007. Consisting of two bureaus and six regional groups, this corps offers voluntary assistance to the marginalized of society. For the systemic management of employee volunteers, this organization is registered with the Social Welfare Volunteer Activities Certification Center of the Korean National Council on Social Welfare which was designated by the Ministry of Health & Welfare. This enables us to manage our employees' volunteer activities through the Social Welfare Volunteer Activities Certification Administration (www.vms.or.kr) which is responsible for comprehensive management of nation-wide volunteer activities. Every year, the Corps delivers Ttokguk (Korean rice soup) to the homeless in the run-up to New Year's Day and Songpyeon (rice cakes) to elderly citizens living alone

Achievements of Sunshine Sharing Campaign
(Unit : persons, KRW million)

Category	Year	Wage Tail-cut Contribution	1 Person 1 Donation Account
Participants	2011	1,466	1,564
	2012	1,538	1,513
	2013	1,593	1,483
Average monthly donation	2011	7	15
	2012	7	15
	2013	7	15

before Korean Thanksgiving. Every winter, they also make kimchi and deliver briquettes to low-income families. Additionally, each of the six regional volunteer groups engages in diverse charity work, such as going on picnics with the disabled, hosting birthday parties for marginalized elderly citizens, organizing cultural events for underprivileged children, and cleaning up at neighborhood community centers. Both the Volunteer Corps and the Company's diverse social contribution activities have helped S-OIL establish practices of sharing with the underprivileged in its corporate culture.

As of the end of 2013, 2,294 employees, or 80 percent of the Company's workforce, were active in 150 volunteer programs at six regional volunteer groups. Additionally, 58 percent of our employees (1,593 employees) voluntarily donate a little less than KRW 10,000 from their monthly paychecks to fund approximately KRW 0.1 billion annually for operation bills of children suffering biliary atresia. Furthermore, 1,483 people, or 54 percent of our employees, have their own special bank account to donate as much as they can to charities every month.

Social Contribution Programs and Investments in 2013
(Unit : KRW million)

Category	Program	Total Donation
For Heroes	Firefighter heroes	1,130
	Maritime policemen heroes	
	Citizen heroes	
For the Environment	Support for research and protection activities by specialized groups	310
	Natural monument class for children	
	Ecology camp for children	
	College student natural monument protection group	
	Voluntary service by employees and customers	
For Local Community	Support for married immigrants suffering from domestic violence	4,753
	Support for low-income families affected by house fires	
	Cultural Art & Sharing campaign	
	Sharing campaign led by service stations	
	Support for the disabled to participate in overseas marathons	
	Donations to underprivileged neighborhoods	
	Ulsan Social Welfare Foundation	

* Others include the KRW 1.3 billion donated to the Company table tennis team, KRW 1.5 billion to the S-OIL Science Prodigy and Culture Foundation, and KRW 3.3 billion for restoring Taehwaru Tower.

Green Purchasing (Unit : cases, KRW million)

Category	2011	2012	2013
No. of Green Purchased Items	11	56	66
Amount of Green Purchases	4,531	25,326	40,783

Local Purchasing (Unit : cases, KRW million)

Category	2011	2012	2013
Total No. of Purchases	7,647	6,881	8,643
No. of Purchases from neighborhoods	4,369	3,745	4,459
Total Amount of Purchases	554,153	424,800	521,289
Amount of Local Purchases	89,084	78,042	187,881

3.2 Cultural and Artistic Sponsorships for Local Communities

Why Is This Important?

Corporate social responsibility has evolved from financial aid and charity work, with cultural and artistic sponsorships having become a new category of social contribution. A growing number of companies are recognizing the hardships people in arts & culture face, and consequently now sponsor independent artists' creativity activities. In response to the growing need for equal opportunities in arts & culture, the government launched the Presidential Committee for Cultural Enrichment (PCCE) and revised the Artist Welfare Act to promote cultural and artistic activities among Korean. Thus, it appears likely companies will further enhance their arts & culture sponsorships as part of their CSR, and S-OIL will do its part by continuing with its various cultural events and artistic sponsorships in local communities.

Our Commitment

- Cultural event sponsorships for artists and local communities



Our Response

Cultural Event Sponsorships for Artists and Local Communities

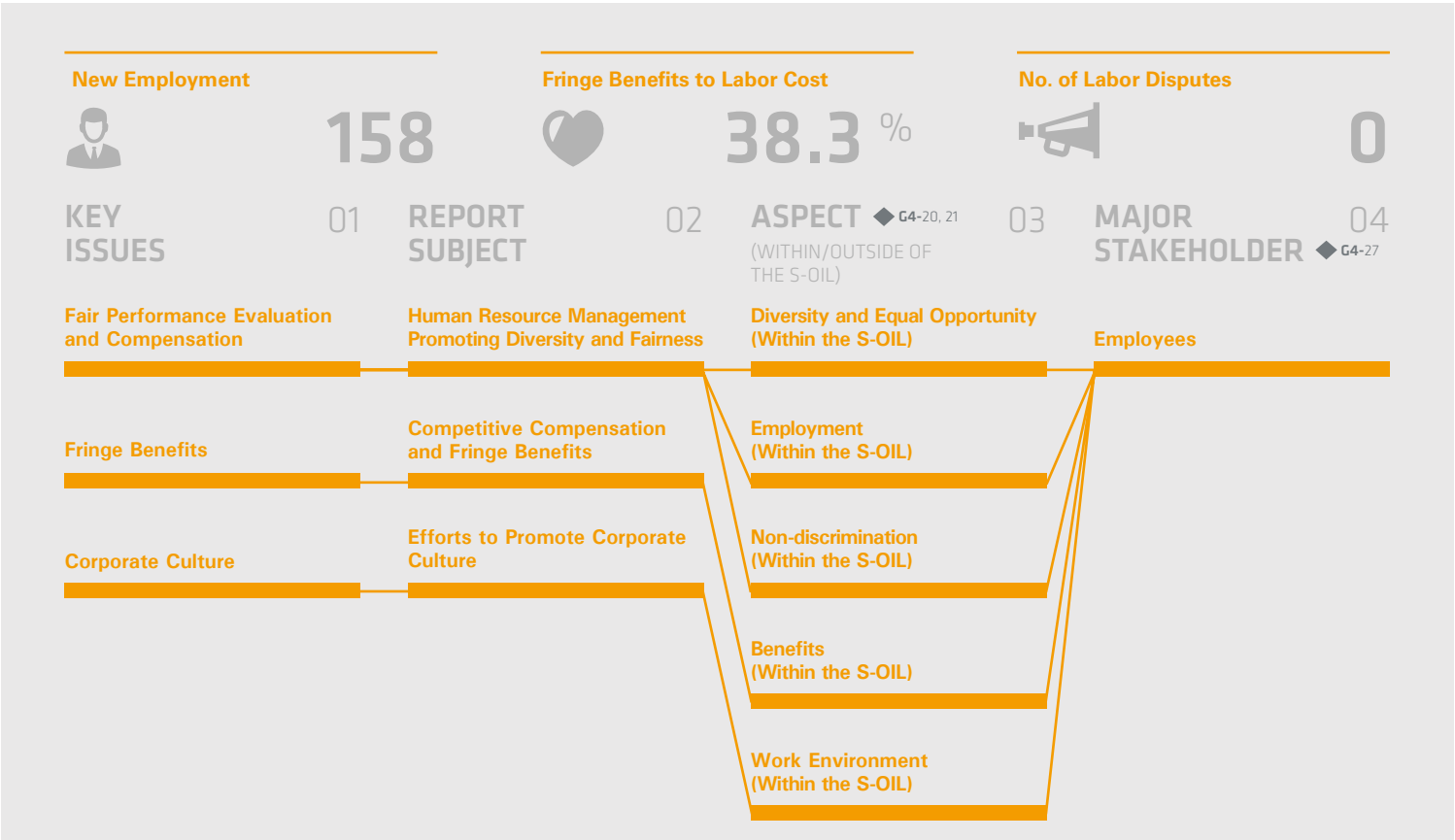
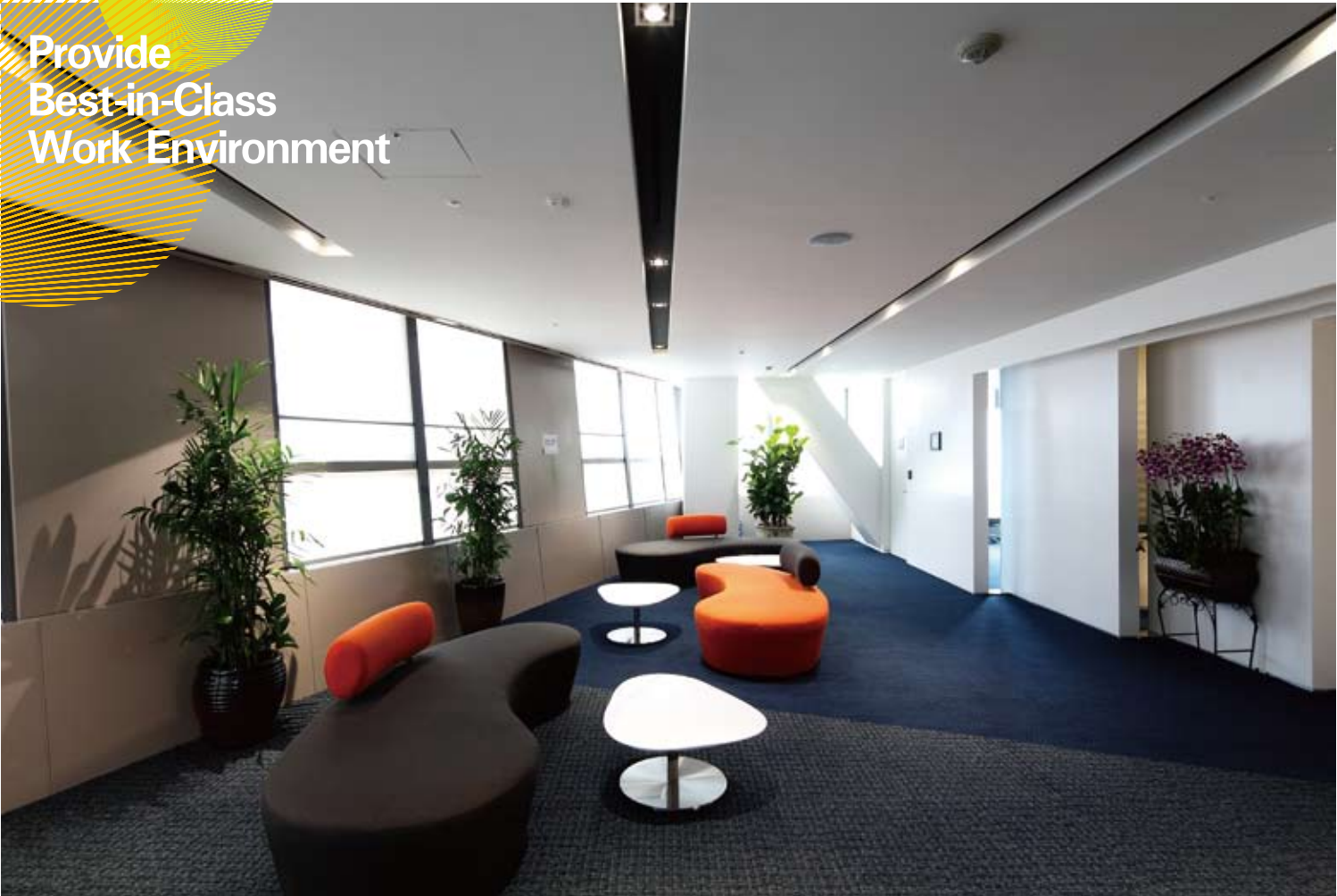
S-OIL both organizes and supports various local cultural events in order to enhance the quality of culture available for all people and to encourage artists to participate in cultural events. The Company also hosts free performances near its Head Office every month. Each event draws 300-400 people of all ages, who get to enjoy free performances in numerous art forms. S-OIL will continue to operate these cultural events in the future. In addition, it supports the Mapo Salted Shrimp Festival, a long-held event in the Head Office district, thus helping preserve an important traditional cultural festival for the community.

In Ulsan, where the Company's refinery is located, S-OIL established the Oh Yeong-su Literary Prize in 1993 to commemorate the talented short story writer, who was born in the region. Today, the prize has become one of the nation's most prestigious literary awards. Additionally, S-OIL has held the Beautiful Eye Art Festival since 1996 in support of amateur artists. The Company has also been leading efforts to promote local culture, as illustrated in its sponsorship of various regional, cultural and artistic events such as the Spring Literary Contest by the local newspaper Gyeongsang Ilbo, the Cheoyong Cultural Festival, the Ulsan Whale Festival, the traditional musical performance Byeongyeong 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 at Ulsan Museum, which is the city's first general museum.

Through diverse cultural events and programs customized to the local needs of the community, S-OIL has established a reputation as the region's leader in mecenat activities. The excellent reputation has been built on its community engagement programs, which help the Company in its business activities, such as constructing and operating refinery and solving safety and environmental issues.



Provide Best-in-Class Work Environment



Voice of Stakeholders

What are the Company’s plans for enhancing employee engagement and motivation?



Byung-Ho Lee, Senior Vice President, Head of Corporate Transformation HQ

Fair compensation and employee competency-building originate from unbiased performance evaluations. A performance-oriented corporate culture and human resources development both play pivotal roles in a company’s sustainable growth.

Knowing this, S-OIL strives to ensure equal opportunity for advancement to all its employees based on their competencies under a Management Principle that provides the best work environment, and compensates fairly based on an unprejudiced and rightful evaluation of one’s performance.

In 2013, the Company adjusted its compensation program for administrative staff to a more merit-based one in line with strategies for sustainability growth. This was done as part of its initiative to promote a more efficient and performance-oriented corporate culture that is globally competitive amid the adverse business environment.

Going forward, S-OIL will continue to maintain optimal working conditions, assisting employees in realizing their full potential for the sustained growth of the Company and themselves.

4.1

Human Resource Management Promoting Diversity and Fairness

Why Is This Important?

A meritocratic corporate culture thrives on unbiased recruitment of the best and brightest as well as performance-based fair evaluations and compensation schemes. At S-OIL, fair and transparent human resources management system supports employees' competency-building efforts and does not tolerate any form of discrimination, ensuring optimal working conditions under which employees can realize their full potential.

Our Commitment

- Promoting diversity in the workforce
- Performance-based fair evaluations and compensation schemes
- No discrimination

Our Response

Promoting Diversity in the Workforce S-OIL strives to provide quality jobs under the belief that job creation is one of the most effective ways of contributing to a society suffering from high youth unemployment due to the global economic recession. As a result of its efforts, S-OIL was named one of the Top 100 Job Creation Companies by the Ministry of Employment and Labor in 2012. With an unbiased recruitment policy that has zero tolerance on discrimination, S-OIL hires competent and creative individuals who embody its values, regardless of their gender or academic background. Of all the people S-OIL hired in 2013, females accounted for approximately 15.3 percent, or 24 people, while graduates of junior colleges or lower accounted for 36.5 percent, or 57 people. Committed to promoting diversity within Korean society, S-OIL will continue its efforts to help people of all backgrounds realize their potential in society through its merit-based, unbiased recruitment practices.

Fair Evaluation and Compensation Fair evaluation and compensation schemes positively motivate employees to work hard, which is important in realizing shared goals across the Company. S-OIL has in place fair evaluation and compensation schemes so its employees can devote themselves to their duties, contributing to higher profitability and sustainable growth for the Company. In order to enhance accuracy in the evaluation, the evaluation scheme distinguishes between performance results and competencies and applies different criteria and procedures according to job function and grades. The Company trains and compensates employees based on these evaluation results. In order to enhance fairness of the evaluation,

the Company consistently upgrades the evaluation scheme after reflecting upon all relevant feedback.

Compensation for directors and employees is determined by the Compensation Committee after weighing in on corporate business results and the overall business environment. Consisting of three outside directors and one non-standing director, the members of the Compensation Committee are elected by the Board of Directors (BOD). With the objective of establishing transparent and efficient compensation scheme and determining the appropriate level of compensation, the Compensation Committee deliberates on top management's suggestions regarding employee compensation schemes, wage increase rates, and incentive pay ratio. In order to ensure a rational decision-making process on the compensation schemes, the committee takes into account the Company's business performances, labor relations, and wage competitiveness as well as the rate of inflation. All the procedures for deciding upon a raise in wages and incentives were reviewed by outside agencies such as Towers Watson and then looked over by the Compensation Committee before making a final decision. In 2013, compensations were made based on the guidelines set forth by these procedures and the highest amount of compensation made to any one employee was at most five times greater than the income median paid to other employees for the same period. Furthermore, the annual compensation raise rate was the same for all S-OIL employees that same year. Beginning in 2014, the compensation program will be going through a drastic revamp in order to strengthen merit-based compensation and reduce seniority-based compensation.

Zero Tolerance Policy for Discrimination S-OIL respects the human rights of every stakeholder and complies with all relevant laws. Working conditions for employees—the Company's internal stakeholders—are determined based on a collective agreement between labor and management. The Company also guarantees working conditions in compliance with Korean labor laws and regulations as well as International Labor Organization standards. Furthermore, S-OIL does not tolerate discrimination of any kind. Employees are classified into regular and non-regular employees according to their different job functions, but neither category is discriminated upon in terms of wages or treatment. In addition, male and female employees are not discriminated upon in performance evaluations or promotions. As a staunch advocate to the government's childbirth promotion policy, S-OIL encourages all employees to take paternity

4.2

Industry-Leading Compensation and Fringe Benefits

and maternity leaves when required, helping them in the transition back to work as well. Finally, all S-OIL employees are obliged to receive sexual harassment prevention training once a year to promote gender equality as part of the corporate culture.

Why Is This Important?

Employees are the internal stakeholders of S-OIL and the driving force behind the Company's sustainability management. Employee engagement is enhanced when employees feel affluent and safe with their job, which in turn contributes to higher productivity. Well aware of this, S-OIL's industry-leading salaries and fringe benefits programs reflect employee needs. Furthermore, the Company cares about the physical and mental health of employees and reflects this in its fringe benefit programs.

Our Commitment

- Industry-leading fringe benefit system
- Systematic management of employees' health

Our Response

Industry-Leading Compensation & Fringe Benefits To ensure that the Company provides a workplace where employees can feel confident about their financial stability, S-OIL offers industry-leading compensation and fringe benefits. Newly hired university graduates are paid 370 percent more than Korea's legal minimum wage, the highest level offered by any Korean company in the industry. In addition, the Company's salary and benefits package program is gender neutral. Employees in managerial or above positions and officers receive their base pay and merit-based pay according to their organization's performance as well as individual achievements. Starting in 2014, this system is being expanded so that it eventually covers the entire workforce. S-OIL's benefit program is prudently designed around employees' lifecycle (i.e. age and length of employment). In addition to mandatory benefits such as health insurance, employment insurance, occupational health and safety insurance, and the national pension plan, the Company provides support for the stable livelihood of its employees, including healthcare, tuition fees, congratulation and condolence money, as well as individual pensions and leisure activities through its advanced benefits package.

* For more information on the fringe benefits provided according to one's length of employment, visit the Employee Benefits Package section under the corporate website's Recruitment page.

Employee Health Management S-OIL operates health clinics at both the Head Office and the Onsan Refinery so that it can properly respond to emergencies that may arise during work hours, while also promoting good health among all employees. Specialized nursing staff members are always on standby, providing first aid treatment, non-prescription medicines, health counseling and other healthcare services. All S-OIL officers and employees receive annual health check-ups in accordance with their specific age group and occupation. Employees who are diagnosed with health problems, or who need consultation regarding their healthcare or that of their family members, are provided with one-on-one consultation services with outside medical specialists. Also, to prevent musculoskeletal diseases, all worksites offer stretching breaks twice a day, once each in the morning and afternoon, when the employee fatigue reaches its peak. Furthermore, the Company promotes a healthy workplace with non-smoking campaign and healthy drinking campaign. Since 2013, the Company has been running an Employee Assistance Program (EAP) that is consigned to an external specialized agency to assist with the mental and psychological health of employees and their families.



4.3

A Healthy Work-Life Balance

Why Is This Important?

It takes the right strategies for a company to achieve its mission and vision. The power of execution only gains steam when every member of the organization is fully engaged in the shared goal. While working hard to promote its corporate culture this way, S-OIL runs regular surveys to learn if the Company is on the right path, and reflects these results in improving its systems and programs.

Our Commitment

- Planning improvements based on corporate culture analysis
- Enhancing employee work-life balance
- Company-wide interactive communication

Our Response

Community-oriented Organizational Culture

S-OIL runs annual surveys of its corporate culture and communication with employees in order to ensure its cooperative corporate culture is based on positivity and trust. Results show that the corporate culture is growing autonomously and community-oriented. Based on these results, the Company has implemented initiatives to improve the work-life balance for employees and to promote interactive communication across the board. At the end of 2013, team leaders’ leadership and employee satisfaction were added to the criteria for the survey and analysis. Future initiatives will be implemented based on the results of these new criteria.

A Healthy Work-Life Balance

In 2013, S-OIL earned a Family-Friendly Company certificate from the Korean government for its commitment to work-life balance and family-friendly policies. The Company also received a commendation from the Minister of Gender Equality and Family as the best performer among family-friendly certified companies.

Intensive Holiday Program Adopted in 2010, the Intensive Holiday Program allows employees to take two weeks off any time of the year. The program has proven effective in enhancing employee engagement by ensuring a better work-life balance and helping employees take time for themselves. When officers or team leaders are on long holidays, their vacancies are filled by acting officers or team leaders based on a pre-set plan. This contributes to

effective promotion of their understanding of other department functions as well as vitalizing interdepartmental communication.

Weekly Family Day S-OIL adopted a Weekly Family Day program in 2012, encouraging employees to concentrate on their job during work hours and to leave the office on time so as to spend time with their families or involve themselves with self-development activities. The program has been well received by employees.

Maternity Program S-OIL offers special healthcare services to pregnant employees enlisted in HR management database. The Company has a nursery room in the Head Office building for expectant mothers and breastfeeding mothers. It also provides subsidies to celebrate when employees give birth to a baby and offers childcare subsidies to employees for children under the age of five.

Diverse Channels for Company-wide Interactive Communication

S-OIL has diverse channels to assist in across-the-board interactive communication. Published since 2011, the quarterly online magazine HR Webzine serves as a medium for the interactive exchange of opinions among employees on the Company’s HR system and management practices. Every month, roughly 1,000 employees view the webzine. In the latter half of 2012, the bulletin board named “Let’s praise” opened an in-house intranet to single out people and share detailed achievements made by employees who had won awards within and outside the Company. By sharing success stories among employees, the bulletin board helps promote a culture of complimentary praise as well as raise morale among employees. In addition, S-OIL provides full support to diverse in-house club activities that are open to employees of all ages and positions. At the moment, approximately 2,100 employees are active in 35 clubs. Starting in 2013, the Company broadened the scope of its support to club activities by designating a monthly Club Day, offering subsidies for the event and awarding Best Club Awards at the end of every year.

HR-Related Indicators (Employment – Retirement)

Status of Employment (Unit : persons)

Category	2011	2012	2013
University Graduates	98	64	80
Others	83	73	78
Total	181	137	158

* Others refers to all forms of recruitment, including junior college graduates, experienced workers, and non-regular workers, but not university graduates.

Employment Status : Regular-Non-Regular (Unit : persons)

Category	2011	2012	2013
Officers	39	42	43
Regular Employees	2,491	2,523	2,613
Non-regular	131	148	136
Total	2,661	2,713	2,792

Employment Structure (Unit : persons)

Category	Executives	Administrative Staff	Production Staff	Total
	43	1,282	1,437	2,792

Employment by Business Site (Unit : persons)

Category	Head Office	Refinery	District Biz. HQs	Terminals	Total
Officers	32	11	-	-	43
Employees	705	1,696	268	80	2,749

Employment by Age-Gender (Unit : persons, %)

Category	Age	Gender	2011	2012	2013
Officers	30~50	Male	9	14	14
		Female	1	-	-
	50 or above	Male	29	28	29
Employees	Under 30	Female	-	-	-
		Male	361	405	420
		Female	73	68	70
	30~50	Male	1,794	1,806	1,849
		Female	113	126	137
	50 or above	Male	278	261	259
Total		Female	3	4	4
		Male	2,471	2,515	2,581
		Female	190	198	211

Employment of the Disables (Unit : persons, %)

Category	2011	2012	2013
The Disables	45	47	49
Entire Workforce	2,661	2,713	2,792
Percentage of the Disables	1.7	1.7	1.8

Retirees (Unit : persons)

Category	2011	2012	2013
Retirees by Age Limit	39	48	45
Others	70	37	34
Total	109	85	79

* Others refer to all causes to retirement except for by age limit, such as death, contract termination or voluntary retirement.

Return to Work Rate after Parental Leave (Unit : persons)

Category	2011	2012	2013
Staff to Return	7	6*	3
Returned Staff	7	4	3
(Percentage)	(100%)	(67%)	(100%)

* Two of the employees retired on their own will after the parental leaves.

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

Category	2011	2012	2013
Yearly Average Training Hours	52	58	52

Cyber Education (Unit : classes, persons)

Category	2011	2012	2013
Classes	110	171	154
Participants	370	532	538

* Except for Foreign Language or Book Reading

Education and Training Cost to Labor Cost (Unit : %)

Category	2011	2012	2013
Education and Training Cost	1.4	1.7	1.4

Fringe Benefits to Labor Cost (Unit : %)

Category	2011	2012	2013
Fringe Benefits	62.5	51.4	38.3

Pursue Global Best Practices of Corporate Governance



Voice of Stakeholders

It is important that S-OIL ensures corporate legal compliance and transparent management through its compliance management system and audit system. At the same time, employees’ ethics awareness should be upgraded to a world-class level through extensive training.



Sung-Woo Park, Vice President (Sr.), Head of Legal & Compliance

In the “Information Age” brought by the so-called digital revolution, it is a global mandate for every participant in the global capital market to ensure transparency in business.

Transparency in corporate governance can increase enterprise value by promoting stakeholders’ trust and also enable a closer examination of the company process resulting in more ethical practices and improved cost effectiveness. These improvements, in turn, enhance corporate competitiveness and maximize economic values; ultimately ensuring sustainable growth, together with corporate integrity.

S-OIL is making its utmost efforts to maximize corporate transparency by integrating the legal compliance system into its structure, managing a healthy internal control system, and conducting stringent internal audits through a fully unbiased independent audit organization.

The Management as well as all officers and employees of S-OIL are fully committed to moving forward with enhancing corporate transparency.

5.1
Transparent
Corporate
Governance

Why Is This Important?

Over the years, corporate governance has evolved in line with economic development and the level of business sophistication. As the size of businesses has grown and economic concentration has become a matter of public dispute and criticism over the years, corporate governance has shifted its focus to address this issue, thus emphasizing transparency in its structure. Nowadays, in addition to alleviating an egalitarian concern over the concentration of economic power, transparent corporate governance is also recognized as the key to enhancing investors’ trust and corporate values as well as increasing the transparency, efficiency, and productivity in businesses activities. In light of these considerations, S-OIL will continue to build transparent and robust corporate governance that will meet stakeholders’ demands and operate in a responsible and accountable manner to stakeholders.

Our Commitment

- Transparent corporate governance
- Committees that enhance transparency

Our Response

Transparent Corporate Governance S-OIL is a joint venture between a state-run Saudi Arabian oil company and Hanjin Group. It has established healthy and transparent corporate governance through the Board of Directors (BOD) and board committees with an appropriate level of checks and balances. The objectivity and independence of the BOD’s supervision over management activities and corporate performance is secured by the board structure, where most of the board directors are non-standing, and the majority of directors are outside directors (54.54%). The most notable feature of S-OIL’s BOD is the separation of the roles of the CEO and the BOD chairman, which maximizes the CEO’s expertise, while protecting the BOD’s independence in the monitoring of the CEO’s management activities. The BOD convenes on a quarterly basis to make strategic and critical business decisions to which the top management reports directly on major business issues. Extraordinary BOD meetings can be convened on a needs basis. In 2013, the BOD convened for a total of five times.

BOD Subcommittees Three subcommittees exist under the BOD: the Audit Committee, the Compensation Committee, and the Outside Director Candidates Recommendation (ODCR) Committee. All six outside

directors and two non-standing directors are required to serve as committee members at one of the three committees at a minimum, to ensure a professional and transparent operation of the BOD. The Audit Committee, consisting of three outside directors and one non-standing director, evaluates overall business activities and the current status of the Internal Accounting Control System, and receives internal audits reports. The Committee also makes suggestions to top management about business ethics practices and receives annual reports on ethics management activities from the Ethics Committee. The Compensation Committee develops the Company’s compensation policies and systems, including wages, severance pay, and incentives. The ODCR Committee examines the qualifications of the candidates for outside directors as set forth in relevant rules and regulations, and selects and recommends the candidate most qualified to carry out the role of outside director to the general meeting of shareholders.

BOD Composition (as of March 24, 2014)

Category	Name	Position
Inside Director (1)	Nasser Al-Mahasher	CEO
	Y. H. Cho	Chairman of the BOD
	A.F. Al-Wuhaib	Non-standing director
	M.O. Al-Subaie	Member of the Compensation Committee
	T. S. Suk	Member of the Audit Committee
Outside Directors (6)	S.A. Al-Ashgar	Chairman of the Audit Committee
		Member of the ODCR Committee
	S.B. Al-Kaki	Member of the Compensation Committee
	H.T. Al-Saadoun	Member of the Audit Committee
		Member of the ODCR Committee
	M. S. Chung	Chairman of the ODCR Committee
		Member of the Audit Committee
	S. E. Park	Member of the Compensation Committee
	Y. S. Ahn	Chairman of the Compensation Committee
		Member of the ODCR Committee

5.2
Enhancing
Corporate Value
through Transparent
Management
Practices

Committees Assisting the CEO 22 assistant committees take part in the main decision-making processes of the Company in assistance of the CEO. Each committee acts as the best advisor in their expert area to the CEO in making critical decisions. In particular, the Management Committee (MC) reviews economic, social, and environmental issues that may have major impact on the Company to support the CEO’s decision on corporate mid- to long-term plans, annual business plans, budgets, and labor policies, and thereby contribute to the Company’s sustainable management. Comprised of the Company’s top management, the MC meetings are held at the request of the CEO or the MC Secretary. The MC held a total of 18 meetings in 2013.

Why Is This Important?

Transparency in management activities is integral to the sustainable growth of a company by enhancing the credibility of disclosed data regarding corporate business activities and performance, which establishes a trust-based relationship between the Company and stakeholders, such as customers, investors, and employees. The key to transparent management lies in sharing information of all management activities with stakeholders. Transparent disclosure of all information regarding business activities, excluding business secrets, induces a reasonable engagement of employees in management activities and also facilitates a low-cost funding from external investors. Additionally, transparency in the relationship management with customers, business partners, and government authorities will help boost corporate image, which, in turn, contributes to higher corporate value.

Our Commitment

- An Audit Organization for Higher Transparency
- Process innovation auditing for higher corporate value
- Enhancing transparency through stronger internal control
- Enhancing IR competencies

Our Response

An Audit Organization for Higher Transparency S-OIL has an independent audit organization under the control of the Audit Committee, which carries out an unbiased and independent audit on corporate accounting and business activities, and thus plays a key role in promoting corporate transparency and main-

taining a sound internal control system. Members of the audit organization are encouraged to obtain either a Certified Public Accountant (CPA) degree, Certified Internal Auditor (CIA) degree, or Certified Information System Auditor (CISA) degree to cultivate expertise related to their job functions. The Company also provides these staff members with the opportunity to participate in various audit training programs and audit specialist programs with the help of external specialists, while making use of auditing software programs to enhance the expertise of auditing activities. In 2012, S-OIL received Korea’s Best Auditor Award from the Financial Supervisory Service and the Korea Listed Companies Association(KLCA) for its advanced internal control system and its audit and risk management system, in compliance with the highest global standards.

Process Innovation Auditing for Higher Corporate Value S-OIL, in addition to legal compliance activities, also stresses on the audit activities of commercial and practical process innovation deemed material by its internal clients. As a result, process innovation took up the majority of the audit team’s recommendations in its 2013 audit report. In 2013, auditors at S-OIL re-defined their mission as “contributing to the sustainable growth of the Company through independent and unbiased assurances and consulting services to enhance corporate value and process innovation.” Furthermore, the Company articulates the auditors’ job ethics of integrity, objectiveness, and competency-building, and has set the guidelines for auditing activities of expertise, interactive communication, value addition, rationality and technology-based audit activities in order to guarantee the effectiveness of its auditing and consulting activities for process innovation.

KPIs for Compliance with Regulations As an institutional framework to allow all officers and employees to internalize the Company’s rules and regulations and comply with them in conducting their daily job activities, the Compliance Monitoring System was implemented in 2011, which has minimized unnecessary confusion and risks associated with non-compliance. Monitoring is conducted every three months against a checklist of 117 items related to 36 regulations, and the results are reflected in the Compliance Key Performance Indicators (KPI’s) of each team and department so that employees can voluntarily adhere to the Company’s rules and policies at work.

e-Accounting for Stronger Internal Control In January 2013, S-OIL adopted an e-Accounting system for automating existing payment statement-based processes. For the implementation of the system, the scope of the payment by corporate credit cards and the use of an e-tax system have been expanded, with the forms of supporting evidence standardized, and review processes streamlined. Also, both online and mobile processing of payment statements, including generating, transferring, archiving of payment statements and actual payment, are now available. The successful adoption of the e-Accounting system helped increase work efficiency and reinforce an internal control throughout the organization.

Transparent Disclosure of Management Information and IR Activities Transparent disclosure of management information plays an important role in business management activities, as it protects shareholder value by reducing information asymmetry and strengthens investors’ trust in the Company, which leads to a fair evaluation of corporate value. As such, S-OIL is fully engaged in diverse IR activities to provide stakeholders with management information in a fair and transparent manner. In 2013, a total of 52 disclosures were made to provide material management information to investors in a fair and prompt manner in compliance with disclosure regulations. No cases of violations of such regulations on S-OIL’s part were found during the same period. Additionally, a total of 765 investors’ meetings and three plant tours were held as part of S-OIL’s active efforts to communicate with investors at home and abroad during the year 2013.

Expected benefits of e-Accounting

Tasks	Expected benefits of e-Accounting	
	Enhancing convenience at work	Strengthening internal control
Expanding payments with corporate credit cards	Reducing handwritten slips · personal credit card slips for small expenses	Tight monitoring on expenses
Expanding e-tax system usage	Eliminating losses arising from delayed submission of receipts and slips	Preventing unintended failure of tax reporting and enhancing efficiency in receipt management
Standardization of receipt-related regulations and system controls	Automated submission of related receipts and documentary evidence	Stronger compliance with regulations on receipts
Streamlining screening regulations and enhancing system control	Automatic reference to approval authorities	Strengthening compliance with regulations on screening prior to settlements
Establishing a computerized receipt system	Reducing documentary evidence to enhance work efficiency	Keeping in check any potential errors through a computerized receipt database
Establishing an e-Approval system	Reducing paper-based approval to enhance work efficiency	Real-time monitoring of approval progress

IR Meetings (Unit : times)			
Category	2011	2012	2013
Investors’ Meetings	943	937	765
Non-Deal Roadshows	11	7	8
Conferences	15	17	14
Conference Call	4	4	4

Employee Training on Disclosure Regulations S-OIL provides annual training opportunities to IR employees to help them better understand disclosure related regulations so that they can perform their duties in compliance with all relevant laws and regulations. Furthermore, the Company encourages employees to actively monitor disclosure issues to minimize the risk of non-compliance. In 2013, the Company provided the summary of major disclosure announcements and regulatory changes to employees via an intranet bulletin board.

5.3

Efforts Towards Shared Growth with Partner Companies

Why Is This Important?

Many businesses have seen their profits steadily rise following the end of the global economic crisis, but this also led to a widening gap between the haves and have-nots, giving rise to much social concern around the world. In dealing with this issue, establishing a sound business ecosystem, where large corporations and their small-sized suppliers can maintain a sustainable growth and keep generating high-quality jobs, has become imperative to realizing a truly advanced domestic economy. S-OIL is keenly aware of the fact that the sustainability of its partner companies constitutes S-OIL’s true competitiveness advantage, and therefore makes active and diverse efforts to establish a mutually beneficial value chain with its partner companies.

Our Commitment

- Procurement Enhancement Project
- Improving the SRM system
- Trust-building with partner companies
- Supporting ethics management at partner companies

Our Response

Procurement Enhancement Project From November 2012 to August 2013, S-OIL revamped its procurement procedures with innovative processes, such as auto-invitation and blind bidding systems, as part of the Procurement Enhancement Project. The auto-invitation system automatically invites all companies registered in sourcing group list to the bids for new projects. Blind bidding refers to the preliminary computerized screening of bidders based on submitted project budgets. The new process allows higher transparency and fairness in bidding processes. In the future, we plan on further improving the procurement process and system based on a continuous communication with partner companies, for the purpose of promoting a mutual growth.

Improving the Supplier Relationship Management (SRM) System S-OIL adopted a Supplier Relationship Management (SRM) system in 2010 to ensure a transparent and fair evaluation in selecting its suppliers. As part of the Procurement Enhancement Project, S-OIL made significant improvements on the partner company performance evaluation process and developed a system for follow-up assessments of partner companies’ performance in order to reinforce the objectiveness and credibility of the SRM system in 2013.

Open Communication with Partner Companies for Sustainable Trust-based Relationships S-OIL maintains trust-based, long-term relationships with its partner companies through continuous communication, for the purpose of enhancing the level of mutual understanding. In 2013, we held a total of five meetings with 307 partner companies, which served as good opportunities for S-OIL to explain its ethics management principles and practices as well as the changes in its procurement system implemented by the Procurement Enhancement Project. The meetings also proved resourceful for partner companies to make suggestions and grievances, as well as in presenting new products and services, and informing S-OIL of new trends and technologies in the industry.

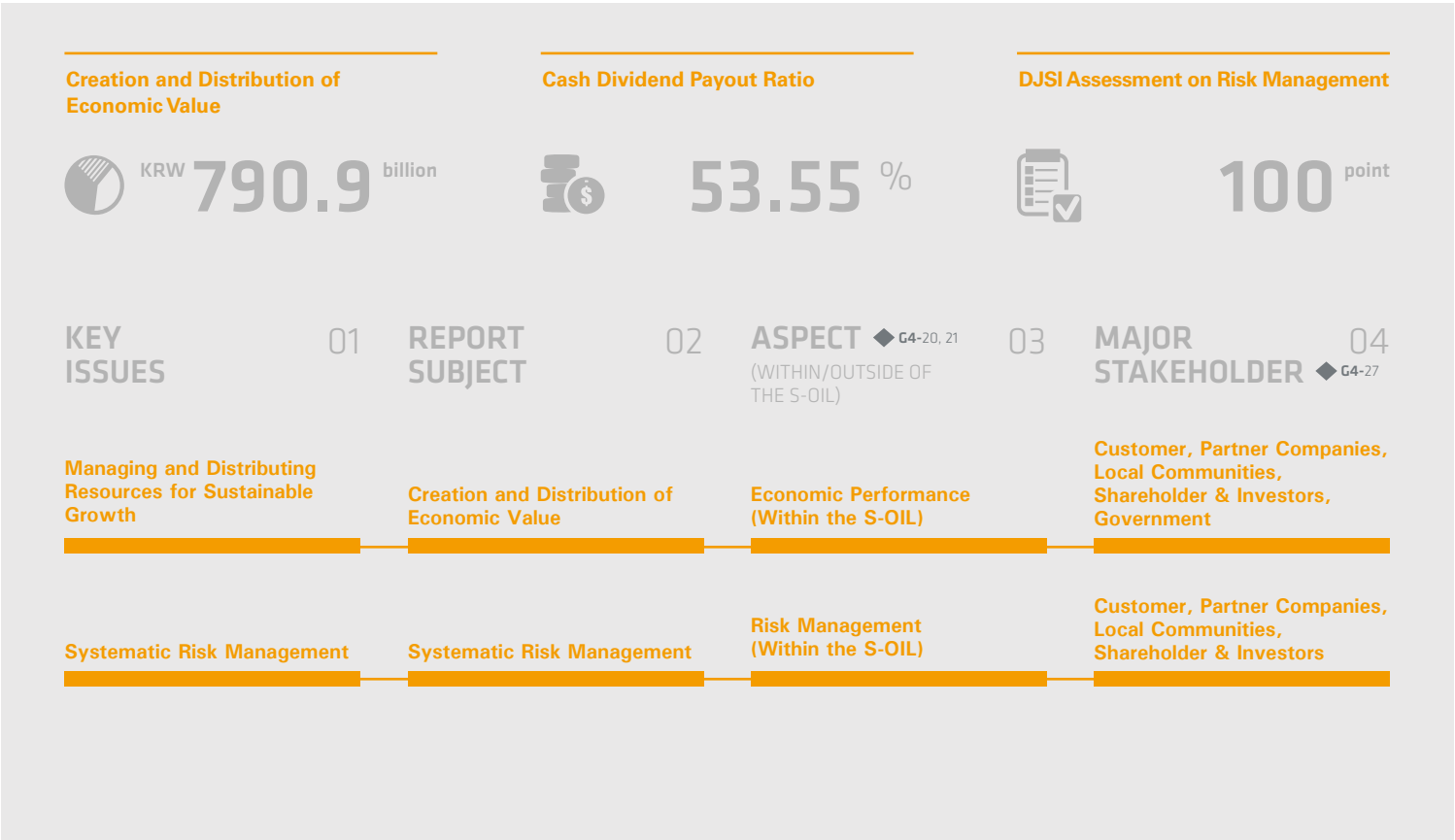
Supporting Ethics Management at Partner Companies

S-OIL supports its partner companies in enhancing the level of ethics management within their organizations, by helping them fully understand and comply with the guiding principles and provisions of S-OIL’s Code of Business Ethics and Conduct. As part of this effort, every business partner that participates in S-OIL’s bidding is asked to submit “a pledge to comply with the Code of Ethics and Conduct for suppliers and bidders.” The names of the partner companies found to have committed illegal or unethical behaviors during bid processes are excluded from the list of S-OIL partner companies for new bids. Furthermore, S-OIL provided ethics training to 362 employees of 307 partner companies in 2013. Also, S-OIL supports the ethics management of its affiliates, including its subsidiaries and joint venture companies.





Attain Highest Level of Capital Efficiency



Voice of Stakeholders

We expect S-OIL to fairly distribute all value in order to grow with different stakeholder groups.



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

S-OIL clearly understands that its business results are a credit to its stakeholders, and this includes employees, local communities, the government, shareholders & investors, and partner companies.

Hence, the Company ensures that the economic value created through rational budget execution and efficient capital management is fairly distributed to stakeholders, while creating new growth opportunities in the long run.

The Company pays taxes to the government fairly with profits generated from its business operations, while our unbiased recruitment creates quality jobs for young people, as we deal with today's unemployment issues. We also give back to society through constant social contribution activities. By maintaining a stable financial structure, we embrace a sound dividend payout ratio, striking the right balance between retaining earnings for investments and returning profits to shareholders.

6.1

Creation and Distribution of Economic Value

Why Is This Important?

As a responsible corporate citizen, companies should develop a balanced business model that can achieve sustainable growth. While consistently making efforts to maximize their corporate value, companies should also pursue business continuity through social contribution and fair distribution of economic value.

S-OIL lives up to its core values and enhances stakeholder value through the efficient and systematic management and distribution of capital.

Our Commitment

- Efficient capital management
- Creation and distribution of economic value
- Balanced dividend distribution

Our Response

Efficient Capital Management In meeting with the rising uncertainties and complexities in the business environment, maximizing economic value through efficient management of capital is as important to sustainable growth as is a stable financial structure and low cost of funding.

S-OIL has identified the optimal capital structure that can maximize corporate value and keeps the BOD updated on its targets for capital structure on a regular basis in order to ensure stability in its financial structure. As a result, our sound financial structure has helped us maintain an industry-leading credit rating, securing competitive funding conditions.

Furthermore, we maintain an appropriate level of hurdle rates, the criteria for investment feasibility studies, based on the Weighted Average Cost of Capital (WACC) of the Company every month as a

means to ensure efficient distribution of corporate resources into profitable investments. This allows us to maximize corporate value by channeling corporate resources into high-yield investments, exceeding shareholder and creditor demands.

Creation and Distribution of Economic Value In 2013, S-OIL created economic value equal to approximately KRW 790.9 billion through revenue generation, job creation, fair trade and investment in local communities. We share this created economic value with all our stakeholders under the firm belief that our shareholders, investors, employees, local communities, and the government have all contributed to this achievement. In the future, we will continue to pursue new opportunities for growth on the chain of creation and fair distribution of economic value.

Balanced Dividend Distribution S-OIL has maintained a balanced dividend payout ratio in consideration of the appropriate level of cash flow, investment and profits for its sustainable growth. Based on this dividend policy and sound financial structure, the Company set its dividend payout ratio at 53 percent, the same as that of the previous year, to protect shareholders’ interests despite relatively stagnant financial results in 2013. As part of its shareholder-oriented Management Principle, S-OIL has paid interim dividends since 2000. These moves materialize the Company’s management philosophy of fostering a shareholder-driven corporate culture in which both the Company and its shareholders thrive together.

6.2

Minimize Uncertainties through Effective Risk Management

Why Is This Important?

Today, unpredictable crises and risk factors abound in the business environment and globalization has only put economies everywhere under the influence of these crises, pushing economies around the world towards further uncertainty. Consequently, risk management capability has become an essential part of sustainability management in order to ensure the trust of stakeholders, especially investors.

Our Commitment

- Enterprise risk management system
- Round-the-clock risk management monitoring

Our Response

Enterprise Risk Management System S-OIL has established an Enterprise Risk Management (ERM) system to navigate through the ever-evolving and unpredictable business environment. For timely recognition of and preemptive response to risk factors and crises, S-OIL classifies risks into five types: strategy, markets, finance, compliance and operations. By closely monitoring key risk indicators, we take appropriate measures to counter risk factors in advance. In the event of a crisis, we have an established manual to employ company-wide systematic measures and promptly respond to minimize any losses.

Additionally, we carry out annual risk assessments to recognize new risk factors in advance and review existing risks in the changing business environment. In the future, we will incorporate key risk response procedures into daily duty performance procedures.

Furthermore, the Enterprise Risk Management (ERM) Committee will organize key risk response drills in which working-level departments and top management will both take part in an effort to enhance practical risk response capabilities and to further improve the enterprise risk management system.

All these risk management activities are controlled and overseen by the ERM Committee, which consists of the CEO and top management, and falls in line with corporate business strategies. Performance results from annual enterprise risk management activities are reported to the board of directors.

Round-the-Clock Risk Management Monitoring

Today, almost all business activities are computerized. Based on an exhaustive analysis of the extensive database of business activities, S-OIL has developed and put in place a round-the-clock monitoring system that keeps in check all risk factors associated with normal business activities. By applying the monitoring system to the work process, the system automatically identifies any irregularities and supports the staff in charge with a team-based approach to effectively counter the risks. S-OIL has developed company-wide monitoring scenarios that encompass all business activities, including finance, procurement, marketing, HRM, IT and operation for work process innovation to timely address abnormalities and prevent risks in daily business activities.

Creation of Economic Value

(Unit : KRW billion)

Category	2011	2012	2013
Revenue	31,913.9	34,723.3	31,158.5
Purchasing Costs	(29,491.1)	(33,220)	(30,085)
Other Income	1,029.2	855.9	808.7
Other Expenses	(1,072.2)	(825.7)	(723.5)
Depreciation	(375.8)	(383.8)	(367.8)
Created Economic Value	2,004	1,149.7	790.9

Distribution of Economic Value

(Unit : KRW billion)

Category	Paid Value	2011	2012	2013
Employees	Labor Costs	334.6	323.8	325.1
Government	Taxes & Dues	408.1	146	112
Local Communities	Social Contribution*	10.5	14.3	10.8
Creditors	Interest Expenses	58.4	85.6	53.6
Shareholders, Company	Dividends, Retained Earnings	1,192.4	580	289.3
Economic Value Distributed		2,004	1,149.7	790.9

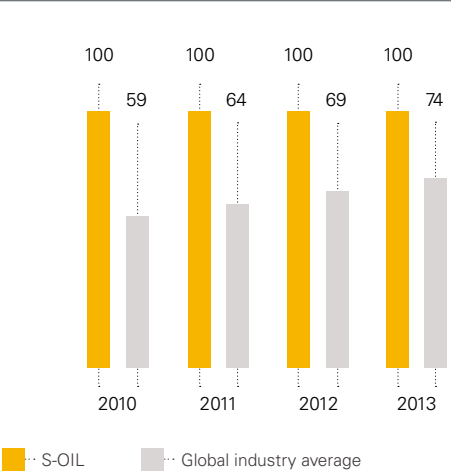
* Donations as stated in financial statements



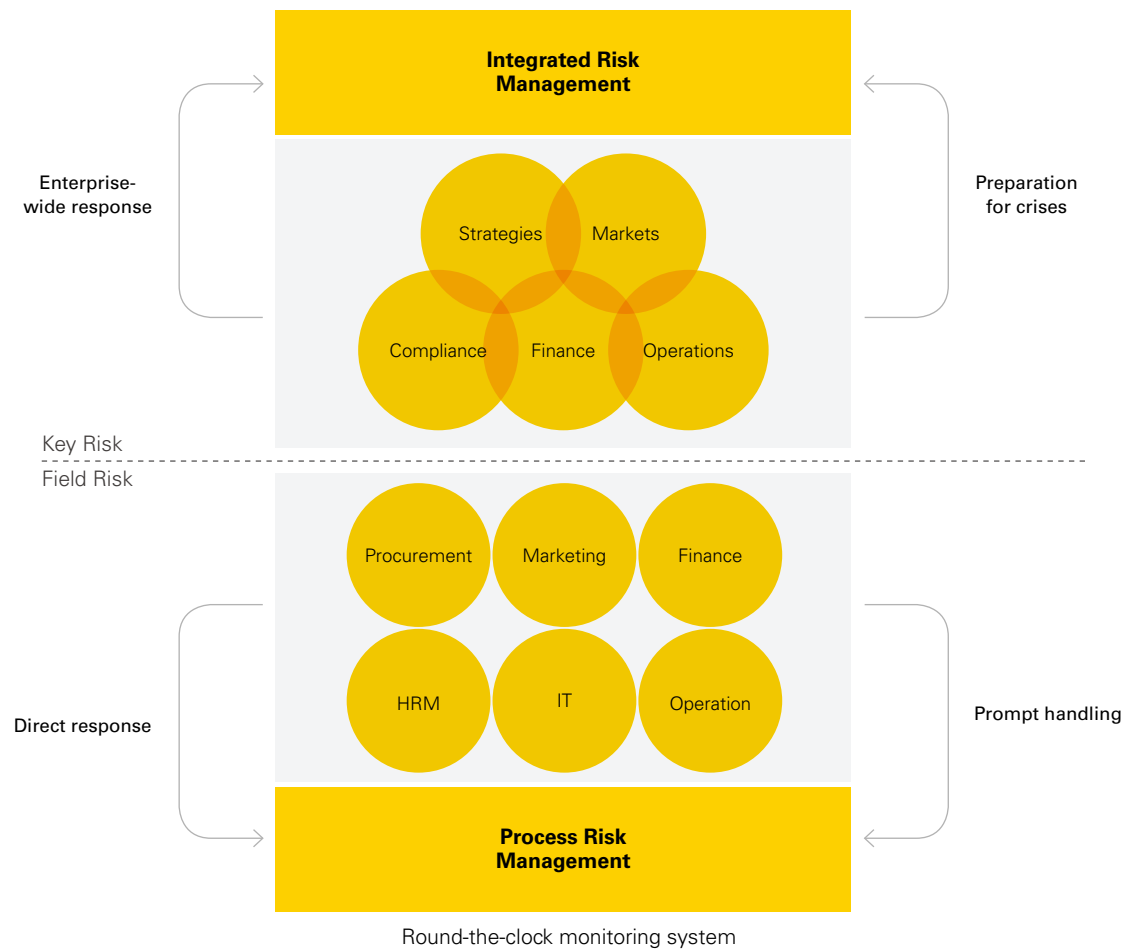
Enterprise Risk Management Training

World-Class Risk Management Capabilities 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 of the DJSI World since 2010. Its risk management has been evaluated as the “World’s Best” for four years in row since 2010 and is often cited as an exemplary case. S-OIL will further hone its world-class risk management capabilities by strengthening its preemptive risk response systems and improving relevant systems in preparation for future changes in the business landscape.

DJSI Assessment on Risk Management Performance
(Unit : points)



Enterprise Risk Management System



Financial Achievements

This financial data was reported in accordance with the newly adopted K-IFRS.

Statements of Financial Position (Summary) (Unit : KRW million)

Items	2011	2012	2013
Current Assets	8,823,100	8,580,342	7,911,340
Non-Current Assets	4,381,001	3,911,699	4,003,595
Total Assets	13,204,101	12,492,041	11,914,935
Current Liabilities	7,235,988	6,275,121	5,884,823
Non-Current Liabilities	741,759	844,929	680,507
Total Liabilities	7,977,747	7,120,050	6,565,330
Capital Stock	291,512	291,512	291,512
Capital Surplus	379,190	379,190	379,190
Reserves	993,911	1,003,200	1,002,488
Treasury Stock	(1,876)	(1,876)	(1,876)
Retained Earnings	3,563,617	3,699,965	3,678,291
Total Equity	5,226,354	5,371,991	5,349,605
Total Liabilities and Total Equity	13,204,101	12,492,041	11,914,935

Statements of Comprehensive Income (Summary) (Unit : KRW million)

Items	2011	2012	2013
Revenue	31,913,863	34,723,291	31,158,528
Cost of Sales	(29,695,742)	(33,410,816)	(30,229,317)
Gross Profit	2,218,121	1,312,475	929,211
Selling Expenses	(437,007)	(445,912)	(475,847)
Administrative Expenses	(83,611)	(84,799)	(87,320)
Operating Income	1,697,503	781,764	366,044
Financial Income	326,402	369,489	290,879
Financial Expenses	(379,443)	(194,536)	(250,001)
Other Income	702,752	486,450	517,835
Other Expenses	(761,617)	(731,004)	(537,965)
Profit Before Income Tax	1,585,597	712,163	386,792
Income Tax Expense	(393,171)	(132,148)	(97,486)
Net Income	1,192,426	580,015	289,306
Other Comprehensive Income	(28,173)	(9,346)	(3,082)
Total Comprehensive Income	1,164,253	570,669	286,224

Financial Indictors (Unit : %, multiple)

Stability Indictors	2011	2012	2013
Current Ratio	121.93	136.74	134.44
Total Liabilities to Equity Ratio	152.64	132.54	122.73
Borrowings to Total Assets	28.35	28.02	26.91
Times Interest Earned	29.06	9.14	6.83

Profitability Indictors	2011	2012	2013
Operating Income to Sales	5.32	2.25	1.17
Net Income to Sales	3.74	1.67	0.93
Return on Equity	24.51	10.95	5.40
Operating Cash Flow to Total Assets	3.79	5.72	6.50

Growth · Activity Indictors	2011	2012	2013
Sales Growth Ratio	55.59	8.80	-10.27
Operating Income Growth Ratio	106.18	-53.95	-53.18
Net Income Growth Ratio	67.93	-51.36	-50.12
Total Assets Growth Ratio	31.99	-5.39	-4.62

Payout of Dividends

Category		2011	2012	2013
Total Dividends Paid (KRW million)		558,915	308,611	154,935
Cash Dividends (%)		46.87	53.21	53.55
Rate of Cash Dividends	Common	4.54	2.49	1.81
	Preferred	8.22	4.33	2.52
Amount of Cash Dividends	Common	4,800	2,650	1,330
per Share (KRW)	Preferred	4,825	2,675	1,355



Develop Platform for Sustainable Growth

TS&D Center (Bird's-eye View)



Voice of Stakeholders

As market competition intensifies with the advent of shale gas and aggressive investments in energy facilities by countries in the Middle East and Southeast Asia, S-OIL believes it is imperative to define a vision and strategies to secure growth engines for sustainable growth and concentrate on selected new growth engines to create new profits.



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

In an age of uncertainty, it is important to reinforce the core competencies of a business. When setting a foot in a new business area, a company should make sure to focus on selected areas where it can gain a competitive edge drawn from capabilities accumulated through the operation of core businesses.

In that respect, S-OIL set a new vision in 2013 that we will become the most profitable and integrated energy company encompassing refining, lube, and petrochemical businesses by 2020. We also defined corporate initiative and upgraded our KPI system so as to channel all our resources and capabilities into achieving the highest performance possible.

Today, S-OIL is considering making new investments in residue upgrading complex and petrochemical complex. This investment plan will help to enhance the upgrading ratio of the Company's refinery and maximize synergy between refining and petrochemical businesses, which in turn will double our profit generating capability.

In addition, the Company will reinforce its R&D capability with the construction of a new Technical Service & Development Center, thereby securing key competencies required for the success of the petrochemical business and reinforce our growth engines in the long term.

7.1

Developing Core Competencies for Sustainable Growth

Why is This Important?

Amid the current global economic recession, refining companies are facing deteriorating refining margins due to severe competition in the market stemming from sluggish demands and competitors' refining capacity expansion. Based on its past experiences in which S-OIL secured an edge over the competition through insightful investments, the Company is now redoubling its efforts to develop new growth engines. In 2013, S-OIL set its Grand Vision at becoming the most profitable and integrated energy company. To attain this goal, the Company is pushing forward with unprecedentedly large facility investments to construct the most advanced residue upgrading complex and olefin downstream complex that make use of the highly cost competitive olefins from the upgrading complex. At the same time, it is planning to construct a Technical Service & Development (TS&D) Center that will meet the highest global standards in order to reinforce its technological competitiveness in its existing and the new business areas as well as to equip it with the very best customer service and R&D capabilities, integral factors to the success of the olefin downstream business.

Our Commitment

- Constructing a Residue Upgrading Complex and an Olefin Downstream Complex
- Reinforcing Competitiveness in Existing Businesses
- Reinforcing R&D Capabilities
- Responding to the Shale Gas Boom with New Projects

Our Response

Deepening Competition in the Business Environment The growth in market demand for petroleum products worldwide is predicted to slow down to an annual average of 1 percent by 2020. While industrial development in non-OECD countries is expected to lead the growth in demand, the demand for petroleum products in OECD countries is forecast to decline due to stagnant economic growth rates and continuous improvement in fuel efficiency. Specifically, heavy oil products, which are used mainly for power generation and ocean-going vessels, are anticipated to suffer market demand contraction due to the shift to alternative fuel sources such as LNG and stricter environmental regulations on marine fuel. At the same time, a major fundamental shift is expected in the supply side of the petroleum product market. Smaller refinery plants that are relatively old are being shut down in Europe, Australia and Japan, and are quickly being replaced by very large,

highly complex, energy-efficient refineries that are being newly constructed in Asia, home to a growing number of petroleum product consumers, and the Middle East, which has the advantage as crude oil producer. Additionally, the shale oil boom has turned the U.S.—traditionally the biggest oil importer—into a major petroleum product exporter, while Russia is also aggressively expanding investments in its refinery facilities. As a result, pressure is going to mount on Asian export-oriented refiners.

Taking a closer look at newly constructed refinery facilities these days, there are more integrated refinery-petrochemical complexes under construction with the aim of producing even petrochemical products, which are predicted to see a growth in average annual market demand of 4 percent, than just refining facilities producing merely petroleum products.

As such, the ongoing paradigm shift in the petroleum refining industry calls for minimizing the production of heavy oil products and upgrading them into high value products. Constructing integrated refinery-petrochemical complexes that employ cost-competitive raw materials and state-of-the-art technologies is the best solution for diversifying the business portfolio through integration with the petrochemical business, going beyond the mere production of fuel oil products that will see limited growth in market demand. To that end, Saudi Aramco, S-OIL's largest shareholder, is investing in large-scale integrated refinery-petrochemical complexes jointly with global chemical companies from around the world, such as Sumitomo Chemical and Dow Chemical, with the aim to join the highest rank in global chemical industry.

S-OIL has maintained its competitive edge by preemptively responding to changes in the industry through successfully proactive investments in upgrading facilities, such as its Bunker-C Cracking Center and Aromatics Complex, well ahead of competitors. Furthermore, the Company will continue to share strategic directions with Saudi Aramco, so that S-OIL can solidify its leadership as a front-running refiner through preemptive investments in the face of fierce competition in the business environment.

Constructing a Residue Upgrading Complex and an Olefin Downstream Complex S-OIL is working on mega-scale projects to construct the most advanced residue upgrading complex and the phase one of olefin downstream complex utilizing olefins from the newly built upgrading complex as feedstock, with mechanical completion target by the end of 2017. When completed on schedule, the project will

have added facilities to convert heavy fuel oil, which has a lower value than crude oil and is expected to see a decline in market demand and profitability due to stricter environmental regulations on marine fuels, into high value-added gasoline and olefins, significantly enhancing the Company's profitability.

The projects will also enable the supply of olefins—highly cost-competitive products from the residue upgrading complex—to olefin downstream complex that are to be constructed simultaneously, thus providing a competitive edge for the Company in its ambitious entry into the olefin downstream business.

While competitiveness of naphtha cracking centers has been severely undermined by the shale gas boom, residue upgrading technology has emerged as the most competitive one because it can produce, in commercial quantities and at competitive prices, propylene that cannot be sufficiently produced from gas cracker due to low yield. In step with these changes in the industrial environment, S-OIL is building a new residue catalytic cracker by adopting the most advanced technology which can produce more volumes of propylene than conventional technologies. High profitability and stable operation of the most advance residue catalytic cracker can be secured backed by its cost competitiveness which is much superior to not only naphtha cracker but also CTO (Coal-To-Olefin) and PDH (Propane-Dehydrogenation) that recently emerge as new sources of propylene in China.

This project is monumental for S-OIL because it does not simply aim to expand the Company's existing refining facilities. Rather, it will diversify the Company's business areas to the olefin downstream business, which produces high-tech materials with a wide array of applications, ranging from automobiles to home appliances, and further to high value-added areas such as IT and bio-technology. Most conspicuously, the project will testify once again to the capabilities of the Company which has sustained growth by preemptive response to uncertain-

ties in the business environment. The sound growth in market demand for olefin downstream products is expected to continue into the future, especially in developing countries where per capita consumption has remained at a relatively low level up until now.

Furthermore, S-OIL's technological partnership with a global leading petrochemical company and the construction of the integrated petrochemical complex that is connected to the residue upgrading facilities, which will feed the low-cost olefins as raw materials, are expected to further consolidate the Company's industry-leading competitiveness.

As a result, S-OIL's business diversification through its advance into the olefin downstream business is expected to significantly contribute to improving its profitability. S-OIL will build upon the success of phase 1 of the olefin downstream project and push ahead with phase 2. With a balanced business portfolio between olefin downstream business and its existing businesses, refining, lube and aromatics, thus generating stable operational performance, the Company will grow into a technologically competitive integrated energy company.

Reinforcing Competitiveness in Existing Businesses

Since the commercial operation of its first refining facility with a capacity of 90,000 B/D in 1980, S-OIL has grown into a refiner with 669,000 B/D, the world's fifth largest in terms of a daily refining capacity at a single plant. Preemptively responding to market changes such as growing demand for light oil products and stricter environmental regulations, S-OIL has successfully established large-scale upgrading facilities, such as residue cracking/desulfurization units, more than a decade before its competitors in the mid-1990s, ensuring the stable supply of high-quality, eco-friendly petroleum products, which in turn enhanced its competitiveness and profitability.

Recently in coping with the changing business environment within the refining industry such as deteriorating refining margins, the Company adjusts



its utilization rate and optimizes its operational conditions to enhance profitability, and continues to develop and implement profit improvement programs that can increase efficiency in energy consumption and facility operations with smaller investments.

In the lube base oil business, S-OIL upgraded its existing facilities in 2013 in tandem with the growing market demand for premium lube base oils. This increased its production capacity for premium lube base oils by 3 MBD, overall expanding to lube base oil production capacity of 42.7 MBD, the world’s second largest at a single plant. In 2014, the Company will carry out more aggressive marketing activities and reinforce its business for various finished lubricant products to ensure its market stance as a global leading company.

In the aromatics business, S-OIL successfully completed the construction of its second aromatics complex in 2011, equipping itself with the world’s largest level of paraxylene (PX) production capacity at a single plant at 1,800 kilotons per annum (KTA). More recently, the Company has been concentrating on strengthening its trust-based customer relationships and on attracting new customers in response to intensified competition in the market as a result of competitive PX investments made by other market players. Since the opening of its Shanghai Branch in 2012, S-OIL has been continuously striving to raise its brand value and awareness in China to maintain its competitive edge in the world’s largest PX market.

Reinforcing R&D Capabilities In a bid to support its successful entry into the olefin downstream business and to reinforce its R&D capabilities—the key factor to sustainable growth—, S-OIL is planning to build a Technical Service & Development (TS&D) Center that will meet the highest global standards. To that end, the Company signed a contract with Seoul metropolitan government in February 2014 to enter the R&D-oriented Magok Industrial Complex, where it will construct a TS&D Center on a site spanning 29,091m2 and with the aim of completing it by the end of 2016.



Located in Seoul, the capital city and center of business, academia and culture in Korea, the Magok Industrial Complex is the very best place in Korea for R&D activities. Thus, the TS&D Center is expected to achieve industry-leading R&D performances by attracting numerous competitive researchers and helping to form an outstanding R&D network.

As the olefin downstream business pursued by the Company is a market-oriented industry, product development that can satisfy market demand and customer-oriented services are critical success factors before any others. To that end, the new TS&D Center will carry out customer service, product development and core technology R&D activities connected to high value-added petrochemical products that will be produced at the olefin downstream facilities. The Company will expand and reinforce such function of the TS&D center further along with the expansion of the Company’s olefin downstream business.

Moreover, the Magok TS&D Center will integrate and reinforce TS&D functions for petroleum products that have been conducted by the Onsan R&D Center up to this point, including petroleum product R&D, process R&D, and technical support company-wide and to customers. All of this will be done with the aim of further upgrading the Company’s R&D activities for the existing refining business.

In the long run, the TS&D Center will lay a foundation for the Company to achieve sustainable growth based on its technological competitiveness by strengthening its functions of identifying and developing new business opportunities as an independent business developer.

Responding to the Shale Gas Boom with New Projects Growing shale gas production led by North America is expected to increase LNG supply at competitive prices and have clear impact on the global energy market in the long term. The ethane price advantage makes ethylene an attractive substitute feedstock for petrochemical products. Also, it is highly likely to speed up the replacing of fuel oils for power generation and heating with LNG. While keeping a close eye on these trends in the market, S-OIL is using LNG as a raw material for producing hydrogen and as process fuel. In addition, the Company is seeking ways to turn risk factors arising from the change in the industrial landscape into opportunities. S-OIL will continue to monitor changes in the business environment caused by vigorous shale gas development activities so as to turn risks into new business opportunities.

7.2 Response to Climate Change



GHG Emissions per UEDC*

Energy use per UEDC

YEAR	MJ/kUEDC
2011	38.5
2012	38.3
2013	39.1

GHG emissions per UEDC

YEAR	tonCO ₂ /kUEDC
2011	3.22
2012	2.88
2013	2.88

* Utilized Equivalent Distillation Capacity (UEDC) : an index developed by Solomon, a company that specializes in benchmarking refining companies around the world, to objectively measure a refinery’s throughput capability against the Crude Distillation Unit (CDU) after taking into consideration process complexity and operational performance.

Why is This Important?

With the growing amount of greenhouse gas (GHG) emissions in the air cited as the main culprit for this extreme weather, a number of nations have reached an agreement on a single international GHG reduction system that is applicable to developed economies and developing economies starting from 2020. For its part, the Korean government which has set its own voluntary GHG reduction goal to lower GHG emissions by 30 percent of 2020 emissions on a BAU (Business-As-Usual) basis will enact a GHG Emissions Trading System (ETS) starting in 2015 as the fourth country in the world.

S-OIL is an advocate for both domestic and international moves to address climate change, willingly supports the government’s policy initiatives, and is helping build a consensus across society on tackling related issues. At the same time, the Company has in place practical programs for mitigating and adapting to climate change.

Our Commitment

- Participation in Public Policy Processes
- Mitigating/Adapting to Climate Change

Our Response

Participation in Public Policy Processes In the run-up to the enforcement of the GHG ETS in 2015, S-OIL is actively taking part in climate change policy forums organized by the government and various other programs arranged by the Korea Business Council for Sustainable Development, making its opinions known directly and indirectly on various ways to effectively attain industry-regulated and national GHG reduction goals. S-OIL has set an example for other companies to follow in addressing climate change issues in several ways: participating in the Carbon Disclosure Project since 2011, becoming the first Korean company to earn carbon management certificate from the Carbon Trust in 2012 and renewing the certificate in 2013, and engaging in the Korea Productivity Center’s Carbon Footprint Gallery.

Mitigating Climate Change S-OIL has developed specific plans for setting its mid- to long-term GHG reduction targets and for phased implementation of the initiatives to reach the targets under a strategic carbon management system. The Company manages its GHG emissions in a systematic way by monitoring GHG emissions, forecasting future emissions and the required amount of abatement, conducting GHG mitigation activities, and sharing GHG information companywide through the corporate information system. In particular, internal protocols were altered to take into account carbon costs for all new

investment decisions made starting in 2013. This has allowed us to make significant progress in our GHG reduction initiatives through our business activities.

At its production lines, S-OIL strives to reduce its GHG emissions by enhancing energy efficiency and reusing waste heat. S-OIL made improvements at 18 waste heat recovering facilities and processes in 2013. As a result, the Company was able to cut down on its GHG emissions by approximately 110,000 tons, or 1.3 percent, from 2012 levels, except for the natural reduction in GHG emissions arising from the large-scale turnaround. At the same time, S-OIL contributes to the nationwide effort to curtail GHG emissions by delivering products with one percent higher fuel economy than domestic competitors, extending the scope of its GHG emissions reduction initiative right down to the consumer.

By installing an additional MVR that recovers waste heat on each process of production, the Company expects to save approximately KRW 30 billion in annual fuel costs, with a 120,000-ton reduction in GHG emissions annually. In partnership with Ulsan’s municipal government, S-OIL plans to reuse the waste heat from its petrochemical refinery process to produce steam energy, which will fuel the steam turbine power generators used to produce and distribute enough electricity to supply 5,400 households. This plan is expected to lower GHG emissions by approximately 60,000 tons annually.

In the future, S-OIL will work on further systematic GHG reduction plans and align itself with the GHG ETS that goes into effect in 2015, playing an active role in helping achieve the nation’s target for GHG emissions reduction.

Adapting to Climate Change In a bid to minimize the direct damage to life or property from natural disasters, S-OIL has in place an intelligent diagnostic alert system for the stable operation of its production facilities. Based on case-by-case scenarios of possible responses to emergencies in the event of typhoons or blackouts, we run drills on a regular basis, devising improvements to any shortcomings detected during these drillings. At the same time, we control water quality at a level above legal requirements by enhancing efficiency in wastewater treatment and our water recycling rate to minimize damage from water shortages or contagious diseases that may arise from extreme weather. In flexible response to changes in market demands that have arisen from climate change, we are continually seeking new investment opportunities in preemptive management of risks and opportunities that come about from climate change.

Independent Assurance Statement

To the Stakeholders of S-OIL

The Korea Productivity Center (“the Assurer”) was requested by S-OIL to provide an independent third party assurance statement on the validity of contents and information provided in S-OIL’s 2013 Sustainability Report (“the Report”), and hereby presents following assurance statement:

Responsibility and Independence

S-OIL entitles complete responsibility on the information and opinions provided in the Report. The Assurer’s sole responsibility is to provide an independent assurance statement and opinions on the data and contents written in the Report. The Assurer was neither involved in preparation of the Report nor engaged in any conflicts or interests that may undermine Assurer’s state of independence.

Assurance Standard

The following assurance was conducted in accordance with ISAE 3000 published by International Auditing and Assurance Standards Board (IAASB) and with type 2 moderate level of AA1000AS(2008) assurance standard. It verified the organization’s adherence to AA1000APS(2008) Principles of inclusivity, materiality, and responsiveness. Moreover, the Assurer checked whether S-OIL complied with Global Reporting Initiatives (GRI) G4 Guideline.

Limitation

Based on the aforementioned assurance standard, the Assurer conducted the following assurance on sustainability performance in 2013 and verified the reliability of performances stated on the Report as followings: Financial data was verified with financial statements and disclosed documents that were audited by the auditing agency and environmental and social performance data were verified in accordance to type 2 moderate level assurance standard. Moreover, site inspection was conducted on S-OIL’s headquarter in Seoul, Korea and Onsan Refinery.

Methodology

The following assurance was conducted in accordance with methodology specified below:

- 1. Verified whether the Report fulfilled the requirements of GRI G4 Guidelines’ Comprehensive Option.
- 2. Verified whether the Report was in compliance with the principles dictating the reporting contents and quality based on GRI G4 Guidelines.
- 3. Examined appropriateness of contents provided in the Report and erroneous information through comparative analysis with other sources.
- 4. Verified the basis of key data and information through site inspection on S-OIL’s headquarter in Seoul and Onsan Refinery and checked internal process and system.

Findings and Conclusion

The Assurer verified that the Report fairly and accurately displayed S-OIL’s sustainability management activities and performances. Furthermore, it is verified that the Report fulfilled requirements of GRI G4 Guideline’s Comprehensive Option.

For general standard disclosures, the Assurer verified that the Report is compliant with the requirements of Comprehensive Option; for specific standard disclosures, the Assurer reviewed Disclosure on Management Approach and indicators regarding material issues that were found using the process below.

Material Aspect	DMA & Indicators
Customer Relationship	N/A
Brand Management	N/A
Diversity and Equal Opportunity	DMA, G4-LA12
Employment	DMA, G4-LA1~3
Non-discrimination	DMA, G4-HR3
Benefits	N/A
Work environment	N/A
Overall(Environment)	DMA, G4-EN31
Compliance(Environment)	DMA, G4-EN29
Energy	DMA, G4-EN3~7, G4-OG2~3
Emission	DMA, G4-EN15~21
Indirect Economic Impacts	DMA, G4-EC7~8
Procurement Practice	DMA, G4-EC9
Economic Performance	DMA, G4-EC1~4
Local Community	DMA, G4-SO1~2, G4-OG10~11

1. Inclusivity : Participation of Stakeholders

S-OIL categorizes key stakeholders into customers, employees, and owners and other stakeholders and differentiates each group of stakeholders’ expectations and communication channel. In doing so, S-OIL applies these opinions into its management decisions and policy. Particularly, through annual surveys, there is a participation process in deciding issues that affect S-OIL and its stakeholders.

2. Materiality : Key Issue Identification and Reporting

S-OIL has a material testing process that identifies key issues related to the industry and company. Through the effectiveness-reviewing process, S-OIL applies top management team’s opinions into identification of key issues. This shows S-OIL’s effort to apply sustainability management as a total management issues. By reporting identified key issues in relation to Management Principles, S-OIL illustrates its direction to respond toward these issues.

3. Responsiveness : Organization’s Response toward Key Issues

Through the Report, S-OIL understood why key issues are important and is appropriately responding toward these issues and performances. The Assurer believes that interviews with executives who represent each management issue can clearly show S-OIL’s response to their issues.

Recommendation

The Assurer commends S-OIL’s various effort and performance to improve its sustainability and offers following recommendations in order to improve future reports and its sustainability management standards:

- 1. It is necessary to check whether the effect of key issues occur within or outside of S-OIL. By doing so, S-OIL can respond toward potential risks that can occur. Stakeholders can also recognize S-OIL’s activities to reduce the effect.
- 2. The Assurer recommends S-OIL to report the commitment process for each issue in future reports. Reporting performance and process toward goals can show stakeholders S-OIL’s effort to improve its sustainability management.
- 3. It is necessary to check the measurement of financial impact from sustainability management activities related 7 SI’s. If S-OIL can report activities and factors of each business process with financial values, it can suggest company’s long-term growth and prospects through sustainability management to stakeholders.



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May 2014

The Sustainable Management Center of Korea Productivity Center is an assurance agency certified by AccountAbility, an institution that establishes global international standards AA 1000 for stakeholder participation and verifications, thereby qualified to conduct assurance on an independent basis. Moreover, our Assurance Committee is consisted of competent experts, who have ample experiences in sustainability management consulting and assurance and have completed relevant professional training.

* AA1000AS(2008) : AA1000 Assurance Standard(2008) is an international assurance standard, set by AccountAbility, that provides method of reporting sustainability management issues by evaluating the organization management on performances, compliance with principles, and reliability of performance information

* AA1000APS(2008) : AA1000 Account Ability Principles Standard(2008) is an international assurance standard set by AccountAbility that provides principles of AA1000 standards.

General Standard Disclosure

● Fully reported ◐ Partially reported ○ Not reported N/A Not Applicable

G4	Indicator	Reported Page	Report Coverage	Note	External Assurance
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	p. 2~3	●		p. 64
G4-2	Provide a description of key impacts, risks, and opportunities.	p. 12~13	●		p. 64
G4-3	Report the name of the organization.	Foldout	●		p. 64
G4-4	Report the primary brands, products, and services.	Foldout	●		p. 64
G4-5	Report the location of the organization's headquarters.	Foldout	●		p. 64
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Foldout	●		p. 64
G4-7	Report the nature of ownership and legal form.	Foldout	●		p. 64
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Foldout	●		p. 64
G4-9	Report the scale of the organization.	Foldout	●		p. 64
G4-10	Report the total number of employees.	Foldout	●		p. 64
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	p. 30	◐		p. 64
G4-12	Describe the organization's supply chain.	p. 4~5	◐		p. 64
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Foldout	●		p. 64
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	p. 22~27	●		p. 64
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	p. 70	●		p. 64
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization.	p. 70	●		p. 64
G4-17	- List all entities included in the organization's consolidated financial statements or equivalent documents. - Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Foldout	●		p. 64
G4-18	- Explain the process for defining the report content and the Aspect Boundaries. - Explain how the organization has implemented the Reporting Principles for Defining Report Content.	p. 6~7	●		p. 64
G4-19	List all the material Aspects identified in the process for defining report content.	p. 6~7	●		p. 64
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	p. 22, 28, 34, 40, 46, 52, 58	●		p. 64
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	p. 22, 28, 34, 40, 46, 52, 58	●		p. 64
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	-	●		p. 64
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Foldout	●		p. 64
G4-24	Provide a list of stakeholder groups engaged by the organization.	p. 4~5	●		p. 64
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	p. 4~5	●		p. 64
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	p. 4~7	●		p. 64
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	p. 22, 28, 34, 40, 46, 52, 58	●		p. 64
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	Foldout	●		p. 64
G4-29	Date of most recent previous report (if any).	Foldout	●		p. 64
G4-30	Reporting cycle (such as annual, biennial).	Foldout	●		p. 64
G4-31	Provide the contact point for questions regarding the report or its contents.	Foldout	●		p. 64
G4-32	- Report the ‘in accordance’ option the organization has chosen. - Report the GRI Content Index for the chosen option (see tables below). - Report the reference to the External Assurance Report, if the report has been externally assured. (GRI recommends the use of external assurance but it is not a requirement to be ‘in accordance’ with the Guidelines.)	GRI Index page	●		p. 64

General Standard Disclosure

● Fully reported ◐ Partially reported ○ Not reported N/A Not Applicable

G4	Indicator	Reported Page	Report Coverage	Note	External Assurance
G4-33	- Report the organization's policy and current practice with regard to seeking external assurance for the report. - If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. - Report the relationship between the organization and the assurance providers. - Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	Foldout	●		p. 64
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	p. 48	●		p. 64
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	p. 48	●		p. 64
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	p. 48	●		p. 64
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	p. 48	◐		p. 64
G4-38	Report the composition of the highest governance body and its committees.	p. 48	●		p. 64
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	p. 48	●		p. 64
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	p. 48	●		p. 64
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	p. 48	●		p. 64
G4-42	Report the highest governance body's and senior executives’ roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	Foldout, p. 48	●		p. 64
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	-	●	Monthly	p. 64
G4-44	- Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. - Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	p. 42	●		p. 64
G4-45	- Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. - Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	p. 42	◐		p. 64
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	p. 55	●		p. 64
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	p. 48	●		p. 64
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	p. 6	●		p. 64
G4-49	Report the process for communicating critical concerns to the highest governance body.	p. 6	●		p. 64
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the echanism(s) used to address and resolve them.	p. 48	◐		p. 64
G4-51	- Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration. - Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives’ economic, environmental and social objectives.	p. 42	◐		p. 64
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	p. 42	●		p. 64
G4-53	Report how stakeholders’ views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	-	◐	Refer to Business Report	p. 64

General Standard Disclosure

● Fully reported
 ❶ Partially reported
 ○ Not reported
 N/A Not Applicable

G4	Indicator	Reported Page	Report Coverage	Note	External Assurance
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	p. 42	●		p. 64
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	p. 42	●		p. 64
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	p. 18~21	●		p. 64
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	p. 18~21	●		p. 64
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	p. 18~21	●		p. 64

Specific Standard Disclosure

● Fully reported
 ❶ Partially reported
 ○ Not reported
 N/A Not Applicable

G4	Indicator	Reported Page	Report Coverage	Note	External Assurance
DMA	Generic DMA	p. 54, 60~63	●		p. 64
EC1	Direct economic value generated and distributed	p. 4~5, 54	●		p. 64
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	p. 62~63	●		p. 64
EC3	Coverage of the organization's defined benefit plan obligations	-	●	Visit our website	p. 64
EC4	Financial assistance received from government	-	N/A		p. 64
DMA	Generic DMA	p. 34~36	●		p. 64
	Aspect Specific DMA - Explain whether the organization conducted a community needs assessment to determine the need for nfrastructure and other services. If so, describe the results of the assessment.	p. 36	●		p. 64
EC7	Development and impact of infrastructure investments and services supported	p. 34~39	●		p. 64
EC8	Significant indirect economic impacts, including the extent of impacts	p. 30	●		p. 64
DMA	Generic DMA	p. 51	●		p. 64
	Aspect Specific DMA	p. 51	●		p. 64
	- Describe actions taken to identify and adjust the organization's procurement practices that cause or contribute to negative impacts in the supply chain				
	- Describe policies and practices used to select locally-based suppliers, either organization-wide or for specific locations.				
	- Describe policies and practices used to promote economic inclusion when selecting suppliers. (Suppliers owned or staffed by members of vulnerable, owned by women, marginalized or underrepresented social groups, Small and medium sized suppliers)				
EC9	Proportion of spending on local suppliers at significant locations of operation	p. 39	●		p. 64
DMA	Generic DMA	p. 27	●		p. 64
	Aspect Specific DMA - Describe whether the organization is subject to any country, regional, or industry regulations and policies for energy.	p. 27	●		p. 64
EN3	Energy consumption within the organization	p. 9	●		p. 64
EN4	Energy consumption outside of the organization	p. 9	●		p. 64
EN5	Energy intensity	p. 63	●		p. 64
OG2	Total amount invested in renewable energy	-	N/A		p. 64
OG3	Total amount of renewable energy generated by source	-	N/A		p. 64
EN6	Reduction of energy consumption	p. 39	●		p. 64
EN7	Reductions in energy requirements of products and services	p. 62	●		p. 64
DMA	Generic DMA	p. 62~63	●		p. 64
	Aspect Specific DMA - Explain whether the organization is subject to any country, regional, or industry regulations and policies for emissions./In addition to using the DMA Guidance for reporting on targets, when reporting on GHG emissions targets, identify whether offsets are used to meet the target	p. 62~63	●		p. 64
EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	p. 9	●		p. 64
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	p. 9	●		p. 64
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	p. 9	●		p. 64
EN18	Greenhouse gas (GHG) emissions intensity	p. 63	●		p. 64
EN19	Reduction of greenhouse gas (GHG) emissions	p. 27, 62	●		p. 64
EN20	Emissions of ozone-depleting substances (ODS)	-	N/A		p. 64
EN21	NO _x , SO _x , and other significant air emissions	p. 9	●		p. 64

Specific Standard Disclosure

● Fully reported
 ❶ Partially reported
 ○ Not reported
 N/A Not Applicable

G4	Description	Page	Report Coverage	Note	External Assurance
DMA	Generic DMA	p. 26	●		p. 64
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	p. 26	●		p. 64
DMA	Generic DMA	p. 24~25	●		p. 64
EN31	Total environmental protection expenditures and investments (by type)	p. 25	●		p. 64
DMA	Generic DMA	p. 42	●		p. 64
	Aspect Specific DMA	p. 42	❶		p. 64
	- Describe actions taken to determine and address situations where work undertaken within the organization's supply chain does not take place within appropriate institutional and legal frameworks.				
	- Describe actions taken to determine and address situations where working conditions in the organization's supply chain did not meet international labor standards or national labor law.				
	- Describe actions taken to determine and address situations where work undertaken within the organization's supply chain is inadequately remunerated.				
LA1	Total number and rates of new employee hires and employee turnover (by age group, gender, and region)	p. 45	❶		p. 64
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	p. 44	●		p. 64
LA3	Return to work and retention rates after parental leave, by gender	p. 45	❶		p. 64
DMA	Generic DMA	p. 42	●		p. 64
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	p. 45	●		p. 64
DMA	Generic DMA	p. 42	●		p. 64
HR3	Total number of incidents of discrimination and corrective actions taken	p. 42	●		p. 64
DMA	Generic DMA	p. 36~37	●		p. 64
	Aspect Specific DMA	p. 36~37	❶		p. 64
	- References and statements regarding the collective rights of local communities				
	- How both women and men are engaged in local communities				
	- How works councils, occupational health and safety committees or other independent employee representation bodies are empowered to deal with impacts on local communities				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	p. 36~37	❶		p. 64
SO2	Operations with significant actual or potential negative impacts on local communities	-	N/A		p. 64
OG10	Number and description of significant disputes with local communities and indigenous peoples	p. 27	❶		p. 64
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	-	N/A		p. 64

UNGC Index

	UNGC 10 Principles	Contents	Page
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	Provide best-in-class work environment · Promoting Diversity and Fairness	40~45
Labour Standards	Principle 2. Businesses should make sure that they are not complicit in human rights abuses. Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	· Industry-Leading Compensation and Fringe Benefits · A Healthy Work-Life Balance	
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor. Principle 5. Businesses should uphold the effective abolition of child labor. Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.		
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges. Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility. Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	Achieve operational excellence · Environmentally-Friendly Management · Environmental Management that Reaches Communities · Enhancing Energy Efficiency to Mitigate Climate Change Develop platform for sustainable growth · Developing Core Competencies for Sustainable Growth · Response to Climate Change	22~27 58~63
Anti-Corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	Pursue global best practices of corporate governance · Transparent Corporate Governance · Enhancing Corporate Value through Transparent Management Practices · Efforts Towards Shared Growth with Partner Companies	46~51

Recognition of S-OIL

Month	Award	Organization
Feb.	Outstanding corporate disclosure records	Korea Exchange
Jun.	Korea's Top Award: World-Class Company of the Year Award	Korea CEO Association
Jun.	Most Outstanding Company in Corporate Governance	Korea Corporate Governance Service
Jul.	2013 Fortune Global 500 (371st)	Fortune, U.S.
Sep.	Mayor's commendation at the 14th Social Welfare Day Awards	Seoul Municipal Government
Sep.	Listed to the DJSI World Index (Oil & Gas)	S&P Dow Jones, RobecoSAM, Korea Productivity Center
Oct.	Top 250 Global Energy Company (98th) Global Petroleum and Gas Refining and Marketing Company (14th)	Platts, U.S.
Nov.	Carbon Management Global Leaders Club : 1st in the Energy/Utility Sector	Carbon Disclosure Project Korea (CDP Korea) Committee
Nov.	Green Ranking by the JoongAng Ilbo daily newspaper	JoongAng Ilbo
Nov.	Presidential Prize at the Korea Brand Awards	Ministry of Trade, Industry and Energy
Nov.	Prime Ministerial Prize at the Korea Safety Awards	National Emergency Management Agency
Nov.	Named an excellent performer in the Clean SYS (funnelTMS) operation	Ministry of Environment
Dec.	Ministerial commendation for family-friendly companies	Ministry of Gender Equality & Family

Association Memberships

Association	Year of Joining
Korea Petroleum Association	1980
Onsan Industrial Complex Environment Management Association	1983
Korea Oil Station Association	1985
Onsan Industrial Complex Safety Management Association	1986
Korea Industrial Safety Association	1988
Korea Lubricating Oil Industries Association	1992
Korea Fire Safety 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



COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

MEMBER OF

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM



지속가능발전기업협의회
Korea Business Council for Sustainable Development



Environmental : A+
Social : A+
Governance : A

한국기업지배구조원의 2013년 ESG통합평가(환경, 사회, 기업지배구조)등급입니다.

한국기업지배구조원의 ESG 통합등급은 S, A+, A, B+, B, C, D 등급으로 분류되어 있습니다.



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Donation for Education
교육기부기관
교육과학기술부

S-OIL welcomes your feedback on the 2013 S-OIL Sustainability Report.
Please contact us with your opinions and suggestions.

Tel: +82-2-3772-5237 Fax: +82-2-3772-0964 E-mail: sustainability@s-oil.com
Address: Sustainability Management Team, S-OIL, 192, Baekbeom-ro, Mapo-Gu, Seoul 121-805, Korea

Readers' Opinions

1. Which of the following stakeholder groups do you belong to?

- ☐ Customer
- ☐ S-OIL employee
- ☐ Shareholder/Investor
- ☐ Local resident
- ☐ Partner company
- ☐ NGO
- ☐ Media
- ☐ Government
- ☐ Research/Academia
- ☐ None of the above ()

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

- ☐ S-OIL website
- ☐ Smartphone/Tablet app
- ☐ Seminar · Lecture · Exhibition
- ☐ S-OIL employee
- ☐ Other website
- ☐ Newspaper · Magazine
- ☐ None of the above ()

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, do you find requires additional information? ()

<Section>

① CEO's Message

② Value Chain & Stakeholder Engagement

③ Materiality Test

④ Key Sustainability Performance Results

⑤ SPECIAL REPORT 1. Upgrade of Strategic Framework

⑥ SPECIAL REPORT 2. Leading a Good Safety Culture, S-OIL

⑦ SPECIAL REPORT 3. Beyond Legal Compliance in Corporate Culture

⑧ Achieve Operational Excellence

⑨ Enhance Customer-Centric Management

⑩ Contribute to Society

⑪ Provide Best-in-Class Work Environment

⑫ Pursue Global Best Practices of Corporate Governance

⑬ Attain Highest Level of Capital Efficiency

⑭ Develop Platform for Sustainable Growth

⑮ Others ()

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

- ☐ Yes
- ☐ No

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

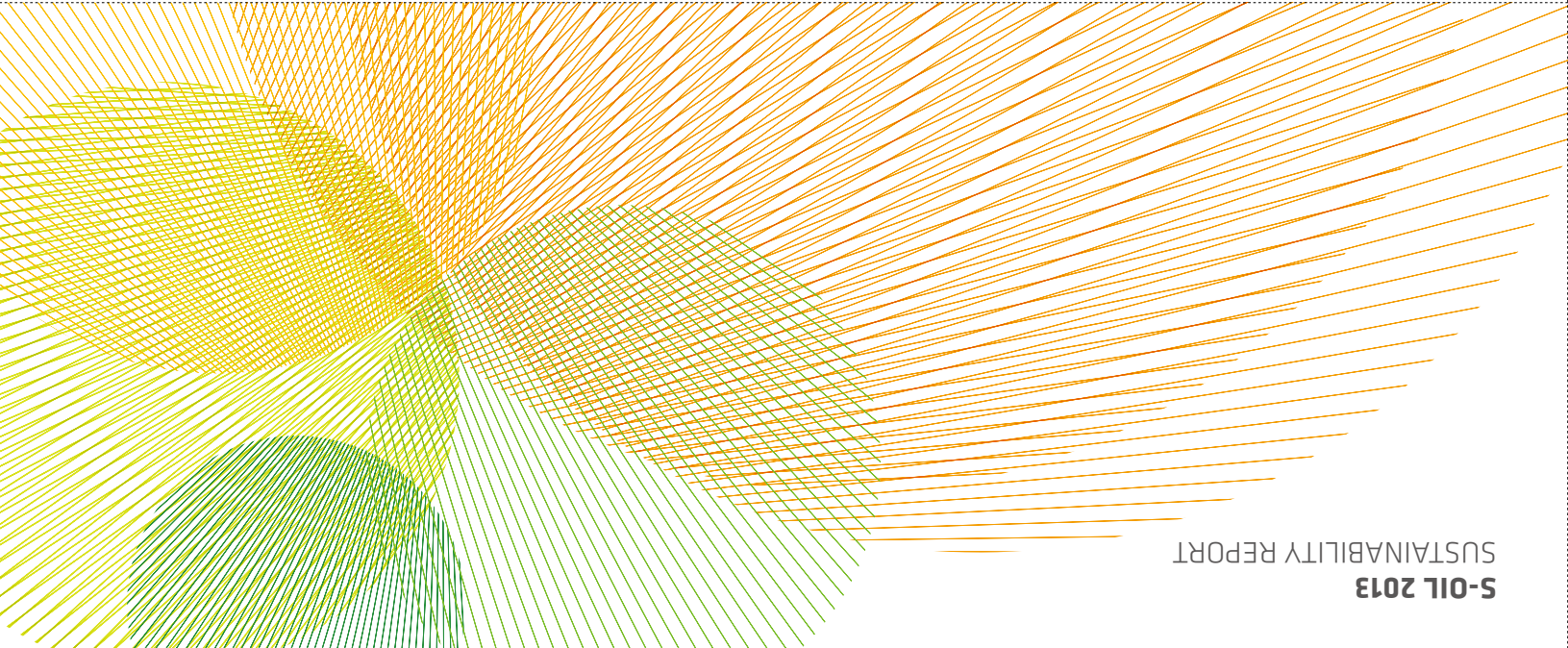
7. The report frame was structured based on S-OIL's Seven Management Principles as well as Special Reports. If you have any further comments on the report (e.g. its structure and content or the Company's sustainability initiatives in general), please feel free to specify them.

From



Sustainability Management Team, S-OIL, 192,
Baekbeom-ro, Mapo-gu, Seoul, Korea

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S-OIL 2013
SUSTAINABILITY REPORT