



S-OIL Sustainability Report 2014

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

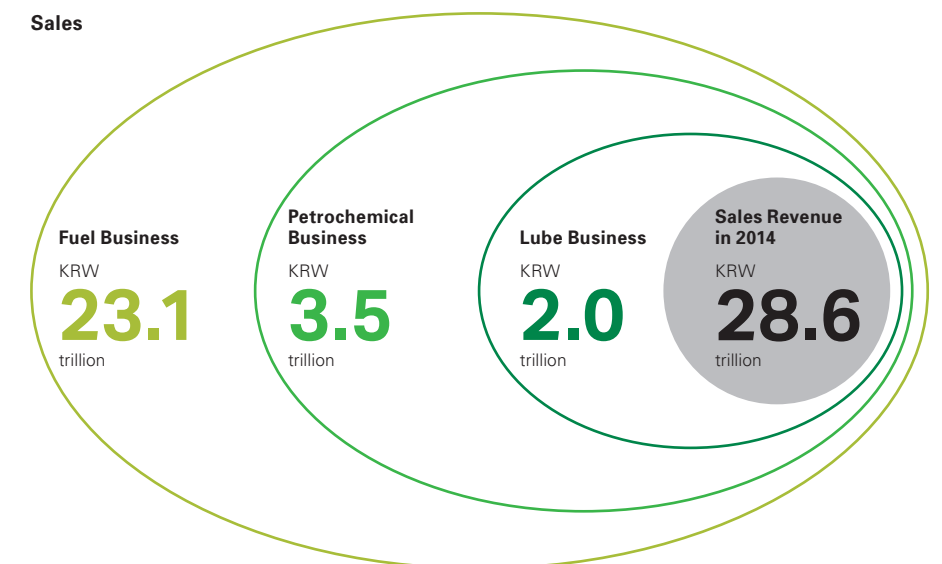
Corporation Overview ◆ G4-17

No. of employees	2,835 persons
Total assets	KRW 10.2 trillion
Business sites	Head Office : Marketing, Finance, General Services Onsan Refinery : Production and Shipping 13 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

1 Crude Distillation 669,000 BPD Bunker-C Cracking 148,000 BPD Bunker-C Desulfurization 149,000 BPD Diesel and Kerosene Desulfurization 120,000 BPD	2 Benzene 560,000 tons/year Paraxylene 1,800,000 tons/year Propylene 200,000 tons/year	3 Ultra-S Base Oil 29,000 BPD Super Base Oil 5,100 BPD Premium Base Oil 8,600 BPD
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Sales



About This Report

Reporting Scope

S-OIL has published an annual Sustainability Report since 2008. This is the eighth Sustainability Report covering our activities at the Head Office in Seoul, the Onsan Refinery, the Terminals and Sales Offices from January through December 2014. All performance indicators and related data cover three-year trends, from 2012 to 2014, and important management initiatives include data that extend into 2015. Data that is subject to frequent changes, such as information on human resources, was reported as of December 31, 2014, the last day of the fiscal year, with footnotes provided in special cases. Financial data was compiled on non-consolidated basis in compliance with Korean International Financial Reporting Standards (K-IFRS).

Guidelines

The 2014 S-OIL Sustainability Report was compiled based on the Company’s 7 Management Principles and in accordance with the AA1000APS (2008)¹⁾. We also adopted GRI G4 Guidelines²⁾ and IPIECA/API Guidance³⁾ and annotated in case of applying the Company’s management standards.

Assurance

The reliability of the report was verified by an independent and objective Assurance Institution based on the AA1000AS (2008)⁴⁾ and ISAE3000⁵⁾ International Assurance Standards. The Assurance Report can be found in the appendix of this report.

Communication with Stakeholders

Sustainability Management at S-OIL starts from communications with stakeholders. We conducted a wide range of stakeholder surveys and interviews to identify their concerns and expectations. This report, in particular, provides detailed management policies to meet their requirements.

Additional Information/Suggestions

This report and additional information on S-OIL’s Sustainability Management can be accessed via our website (www.s-oil.com) and Android and IOS applications. Please contact the Sustainability Management Team (82-2-3772-5237, sustainability@s-oil.com) for additional information about this report.

1) AA1000APS (2008) provides a framework for an organization to identify, prioritize and respond to sustainability challenges.

2) GRI (Global Reporting Initiative) G4 Guidelines provide Sustainability Report Guidelines that were written and revised by the GRI in 2013. The GRI was established by CERES and UNEP.

3) IPIECA/API (International Petroleum Industry Environmental Conservation Association/American Petroleum Institute) guidance refers to Sustainability Report Guidelines governing the 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

Stakeholders’ Expectation and Our Mission ◆ G4-25

Sustainability Management at S-OIL starts from understanding the expectations of what we call C.E.O.—Customers, Employees, and Owners & Other stakeholders. By correctly understanding what they expect of us and what we have to do to meet their expectations, we are making a concerted effort to maximize their economic, environmental, and social values and consequently achieve our mission of sustainable and profitable growth.

S-OIL Grand Vision 2020

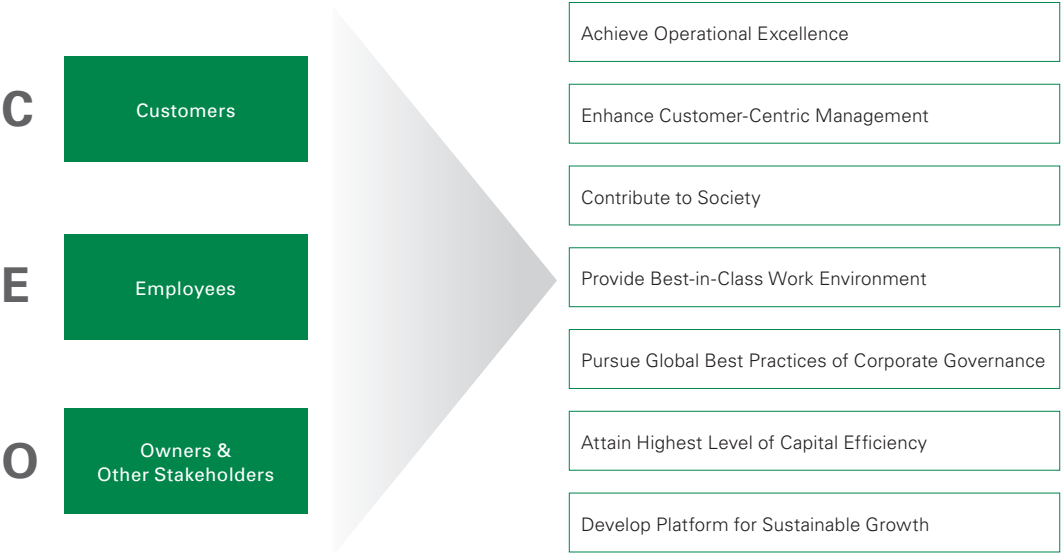
S-OIL will be the most profitable and integrated energy company encompassing refining, lube, and petrochemical businesses with excellence in operation, quality, and customer partnership. To that end, we will focus on

- further enhancing facility competitiveness to maximize production value,
- proactively expanding business territory globally, and
- prudently pursuing new competitive business opportunities where we can fully leverage our core competencies with strengthened R&D capabilities.

Strategic Framework ◆ G4-23

S-OIL has established a strategic framework consisting of three aspects to efficiently accomplish its mission. The first includes our long-term growth direction on how to shape our future. The second involves strategic imperatives. These refer to our 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. Under the strategic framework, we selected seven management principles that should be implemented in order to fulfill the expectations of C.E.O. and promote Sustainability Management.

Seven Management Principles



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CEO's Message

Dear valued stakeholders of S-OIL,

I would like to express my sincere appreciation for your unwavering trust and support.

In the face of uncertainties persisting in the business landscape, concerns keep mounting globally over sustainability management issues such as response to climate change, poverty eradication, safety control, and balanced growth with local communities.

As a responsible corporate citizen, S-OIL spares no efforts in contributing to the sustainable growth of humanity. The company-wide energy saving activities allowed us to cut CO₂ emissions by an annual average of 250,000 tons over the past four years. S-OIL has also made a strong commitment to transferring technology aimed at addressing global poverty as well as protecting endangered species.

At S-OIL, we put safety at the top of our priority list across all management activities, consistently staying strictly aware of safety management as a key to the Company's sustainable growth and improving safety management capabilities to the world's highest level. Furthermore, in a bid to promote safety culture and prevent accident over the industry, we have shared our safety management initiative with other companies.

S-OIL strives to generate economic value as we take it as our essential duty as a corporation. To achieve this, we have been conducting S-OIL Upgrading Program of Existing Refinery, a project designed to enhance the operational efficiency of existing facilities. Also, to cope with the changing management environment, the Company is promoting a large-scale project focusing on constructing integrated refinery-petrochemical facilities and bolstering R&D capabilities.

With the completion of the above projects, S-OIL will achieve its grand vision to become the most profitable and integrated energy company encompassing refining, lube, and petrochemical business. We will also make a greater contribution to sustainable development of the nation's economy and local communities by creating quality jobs and high added value.

As we make the journey towards sustainable growth, S-OIL will comply with global initiatives regarding corporate social responsibilities such as ten principles of the UN Global Compact and the Guiding Principles on Business and Human Rights of the UN Human Rights Council in order to fulfill its role as a global corporate citizen. Going forward, we will look forward to your great support while taking heed to your opinions.

Thank you.


Nasser Al-Mahasher
Representative Director and CEO

Creating Value for Stakeholders

S-OIL is committed to sharing its economic value generated from management activities with stakeholders.

(As of December 31, 2014)

01 CRUDE OIL

227,047 thousand barrels

02 PRODUCTION

Fuel Business	227,462 thousand barrels
Petrochemical Business	34,888 thousand barrels
Lube Business	14,560 thousand barrels

03 TRANSPORTATION

05 EXPORT

Proportion of Export	60.2 %
Exporting to	40 countries

06 CREATED ECONOMIC VALUE

Sales Revenue	KRW 28,557.6 billion
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07 DISTRIBUTED ECONOMIC VALUE

Employees	
Salary and Pension	KRW 294.9 billion
Business Partners	
Procurement	KRW 28,197.8 billion
Local Communities	
Social Contribution	KRW 9.7 billion
Environment	
Environmental Investments	KRW 5.7 billion

04 MARKETING & SALES

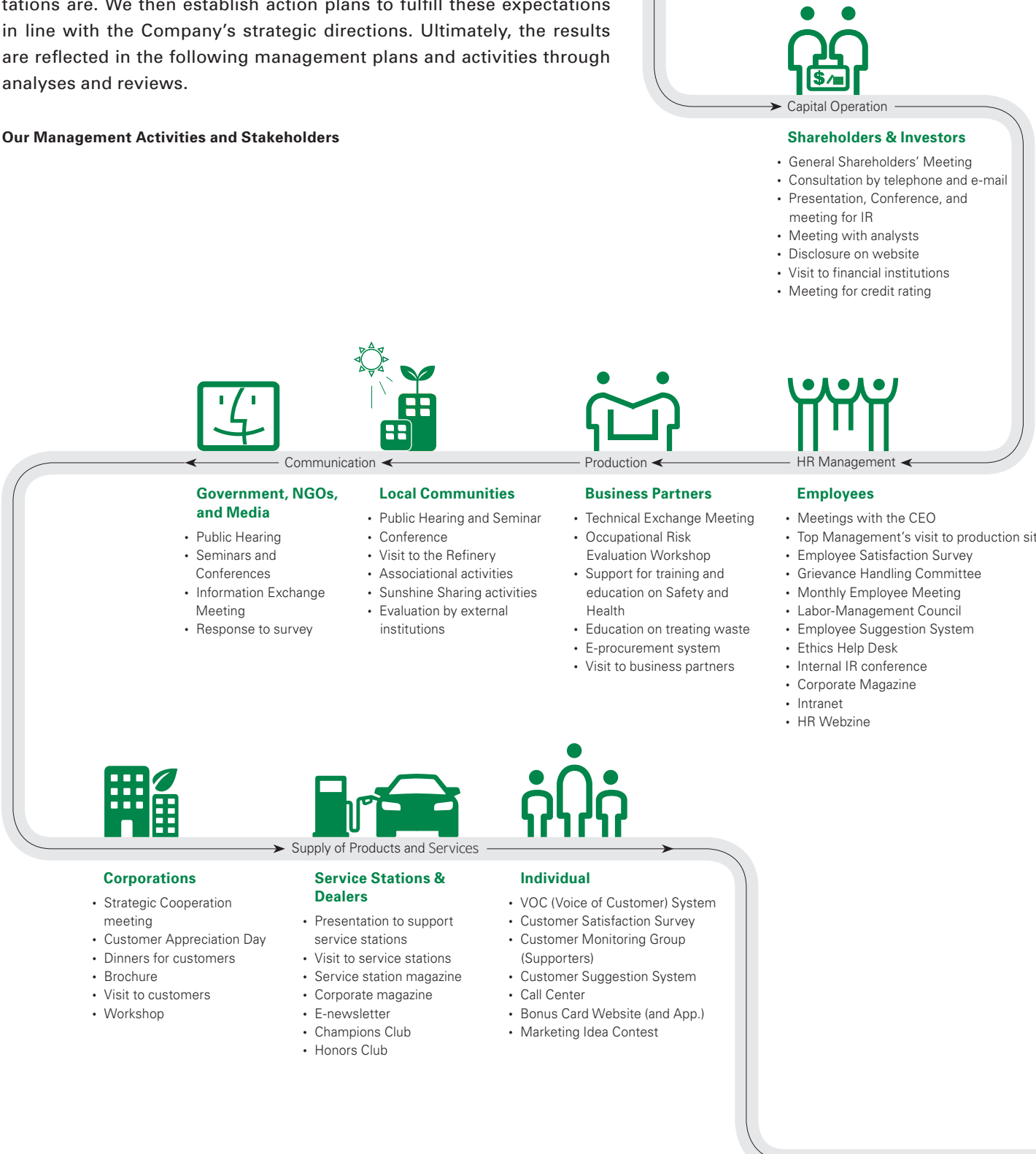
Domestic Market Share	20.7 %
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Stakeholder Engagement

G4-24

S-OIL operates a variety of stakeholder 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.

Our Management Activities and Stakeholders



Materiality Test

G4-18

This Sustainability Report contains economic, environmental, and social issues from angles of stakeholders on the basis of our seven management principles and global reporting guidelines. We conducted materiality test through a survey targeting internal as well as external stakeholders and identified 24 key issues with a significant influence on our Sustainability Management activities. The results are as follows:

Step 03 Selecting key issues

Selecting key issues through review of the top management and materiality matrix analysis

Our top management participated in materiality test by reviewing selected issues and finally a total of 24 key issues were selected materiality matrix analysis.

Step 02 Stakeholder Survey

Evaluating Stakeholders' interest and concerns G4-26

Surveyed on : Key sustainability issues with significant influences on the Company and stakeholders among 58 issues in the pool

Participants : 4,647 stakeholders including customers, employees, and business partners

Period : 2 weeks (Jan. 26 to Feb. 4)

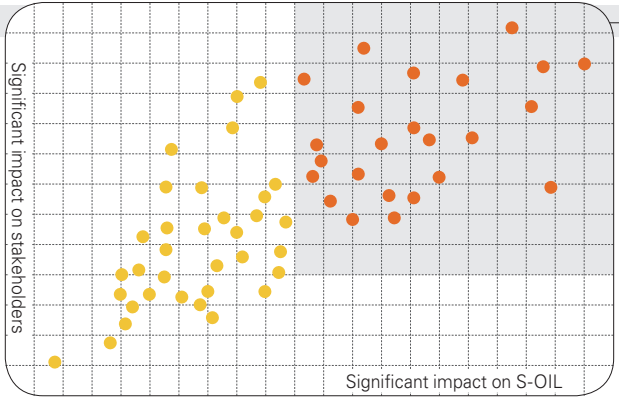
Survey media : Corporate groupware and e-mail

Step 01 Building an issue pool

Identifying Sustainability Management issues

1. Selected 35 issues through benchmarking of global sustainability initiatives
2. Added 14 issues through benchmarking of the industry at home and abroad
3. Selected 8 additional issues from media research on 809 news articles covering the Company by 10 major Korean newspapers throughout 2014
4. Added 1 issue by analyzing 4,833 items received from VOC (Voice of Customer)

Materiality Matrix

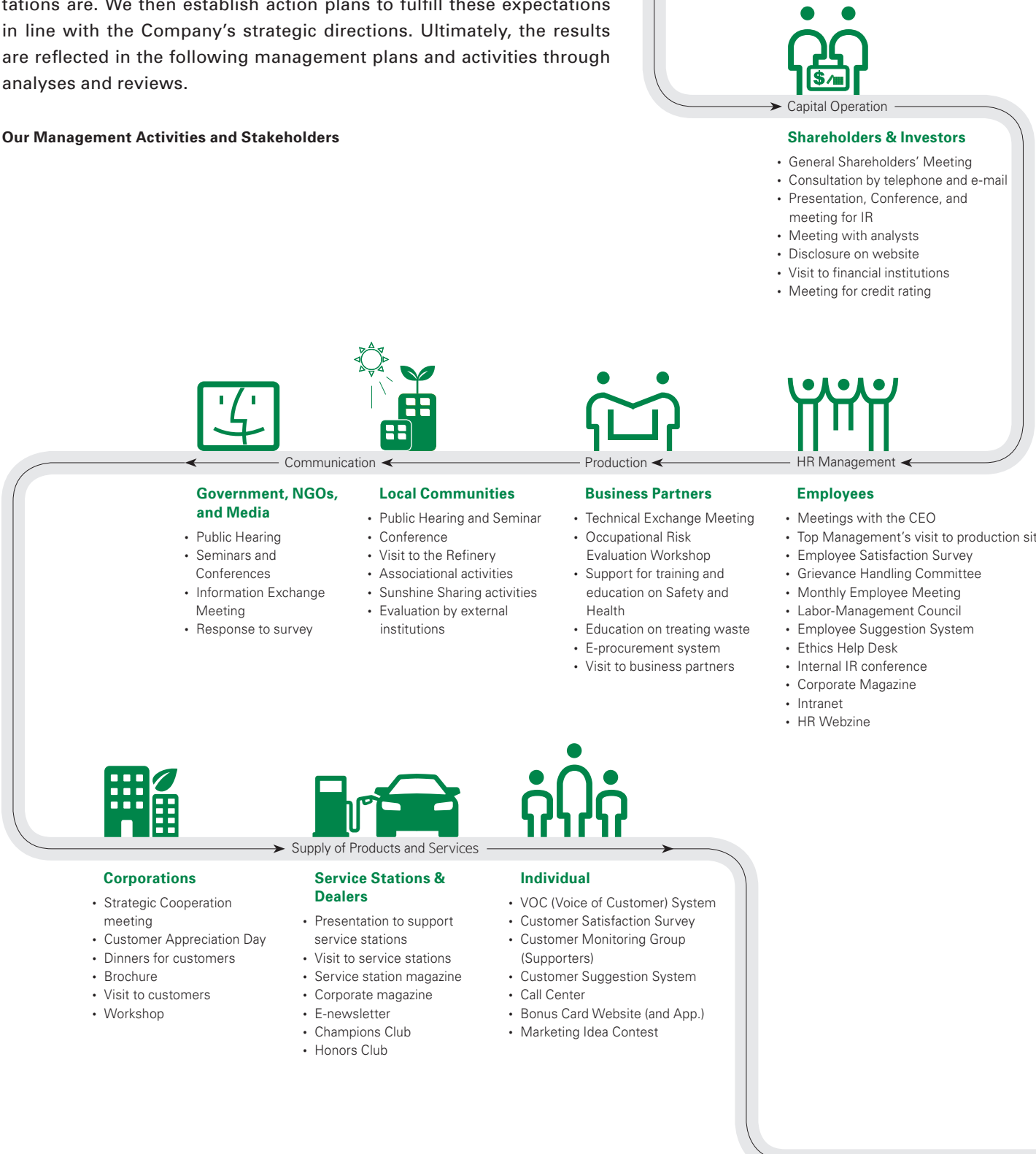


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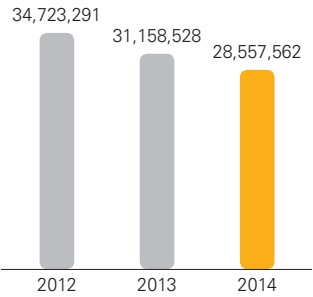
Key Issues by Management Principle (a total of 24 issues)

Management Principle	Key Issues	Report Subject G4-27	Page	Aspect G4-19, G4-20, G4-21
Achieve Operational Excellence	Efforts to Enhance Energy Efficiency and Save Energy	Enhancement of Operational Excellence	18	Energy (Inside the Company)
	Minimization of Impacts on the Environment	Minimization of Impacts on the Environment	19~20	Water, Effluents and Waste, Compliance, Overall (Inside the Company)
	Activities to Strengthen Safety Management	Reinforcing Safety Management	21~23	Safety Management (Inside & Outside the Company)
	Reinforcement of Product Competitiveness	Enhancement of Product Competitiveness	26~27	Customer Health and Safety (Inside the Company)
Enhance Customer-Centric Management	Enhancement of Brand Value	Enhancement of Brand Value	28~29	Brand Management (Inside the Company)
	Enhancement of Service Quality at Service Stations	Efforts toward Shared Growth with Service Stations and LPG Filling Stations	30~31	Customer Relationship (Inside the Company)
	Company-wide Social Contribution Activities	Company-wide Social Contribution Activities	34~35	Local Communities (Inside & Outside the Company)
Contribute to Society	Cultural and Artistic Sponsorship	Promotion of Cultural Infrastructure for Local Communities	36~37	
	Educational Support	Committing to the UN's Development Initiative	14~15	
Provide Best-in-Class Work Environment	Fair Performance Evaluation and Compensation	Performance-based Corporate Culture	40	Employment, Diversity and Equal Opportunity, Non-discrimination (Inside the Company)
	Prohibition of Discrimination and Provision of Fair Opportunities			
	Differentiated Education for Talent Cultivation	Reinforcement of Human Resources	41~42	Training and Education (Inside the Company)
	Various Welfare Benefit Systems	Work-Life Balance	42~43	Benefits, Economic Performance (Inside the Company)
Pursue Global Best Practices of Corporate Governance	Transparent Corporate Governance	Corporate Governance Pursuing Checks and Balances	12~13	Governance (Inside the Company)
	Transparent Disclosure on Management Information	Enhancement of Transparency	46	Transparency (Inside the Company)
	Enhancement of Compliance Management	Commitment to Compliance Management	47~48	Compliance (Inside & Outside the Company)
	Enhancement of Ethics Management of the Company and Business Partners	Ethics Management with Business Partners	49~51	Ethics & Integrity (Inside & Outside the Company)
Attain Highest Level of Capital Efficiency	Efficient Financial Activities	Efficient Financial Management to Maximize Corporate Value	54	Economic Performance (Inside the Company)
	Creation and Distribution of Economic Value	Value Chain, Creation and Distribution of Values	04~05	Economic Performance (Inside & Outside the Company)
	Systematic Risk Management	Systematic Risk Management	55~56	Risk Management (Inside the Company)
Develop Platform for Sustainable Growth	Upgrade of Competitiveness in Fundamental Businesses	Develop Core Competencies for Sustainable Growth	60~61	Economic Performance (Inside the Company)
	Investments to Secure New Growth Engines			
	Reinforcement of R&D Activities			
	Response to Climate Change	Response to Climate Change	62~63	Economic Performance (Inside & Outside the Company)
				Emission (Inside & Outside the Company)

Key Sustainability Management Performance



Economy

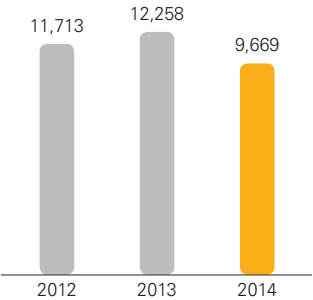


Sales (KRW million)

28,557,562



Society



Donations (KRW million)

9,669

Classification		2012	2013	2014
Sales (KRW in millions)		34,723,291	31,158,528	28,557,562
Operating income (KRW in millions)		781,764	366,044	(289,704)
Net income (KRW in millions)		580,015	289,306	(288,165)
Total liabilities (KRW in millions)		7,120,050	6,565,330	5,345,197
Total equity (KRW in millions)		5,371,991	5,349,605	4,904,217
Dividend per share	Common share (KRW)	2,650	1,330	150
	Preferred share (KRW)	2,675	1,355	175
Return on equity (%)		10.95	5.40	(5.62)
Debt-to-equity (%)		132.54	122.73	108.99
Total amount of purchasing (KRW in millions)		424,800	521,289	593,742
Total amount of local purchasing (KRW in millions)		78,042	187,881	93,080
Crude oil processed (thousand barrels)		232,812	216,246	227,462
Production (KRW in millions)	Fuel	28,034,974	24,924,075	23,932,890
	Lube	2,107,567	1,623,722	1,785,243
	Petrochemicals	4,648,082	4,239,157	3,964,906
Sales (KRW in millions)	Fuel	28,172,070	25,508,595	23,080,139
	Lube	2,254,215	1,751,615	1,971,559
	Petrochemicals	4,297,006	3,898,318	3,505,864

Classification		2012	2013	2014
Number of employees	Total	2,713	2,792	2,835
	Executives ¹⁾	42	43	39
	Regular employees	2,523	2,613	2,652
	Non-regular employees	148	136	144
Number of new employees		137	158	125
Number of retirees		85	79	82
Percentage of outside directors in the BOD (%)		54.5	54.5	54.5
Percentage of female employees (%)		7.3	7.6	7.8
Percentage of disabled employees (%)		1.7	1.8	1.7
Annual average training hours per administrative employee (hours)		58	52	42
Training cost-to-labor cost (%)		1.7	1.4	0.9
Welfare benefit-to-labor cost (%)		51.4	38.3	26.3
Number of labor disputes		0	0	0
Donations (KRW in millions)		11,713	12,258	9,669
Employee volunteer service hours		30,828	29,877	28,195
Number of green purchasing items		56	66	37
Amount of green purchasing (KRW in millions)		25,326	40,738	5,732

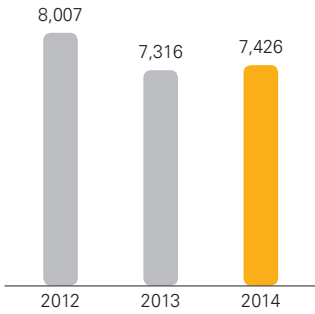
Classification		2012	2013	2014
Greenhouse gas emissions (thousand tons CO ₂ e)	Scope I	7,038	6,399	6,406
	Scope II	945	894	996
	Scope III ¹⁾	24	23	24
Energy consumption (TJ)	Scope I	85,164	79,329	75,240
	Scope II	20,732	19,635	21,746
	Scope III ¹⁾	341	332	336
Air pollutant emissions at Onsan Refinery (tons)	SOx	3,656	3,450	4,315
	NOx	3,820	3,574	3,509
	Dust	105	82	79
Density of air pollutants at Onsan Refinery ²⁾ (legal limit/S-OIL)	SOx (ppm)	180.0/60.8	180.0/62.3	180.0/76.8
	NOx (ppm)	150.0/80.1	150.0/83.3	150.0/83.9
	Dust (mg/Sm ³)	30.0/2.8	30.0/2.6	30.0/2.5
Density of water pollutants at Onsan Refinery ³⁾ (ppm) (legal limit/S-OIL)	BOD	10.0/2.5	10.0/4.0	10.0/4.2
	COD	40.0/7.4	40.0/8.5	40.0/9.8
	SS	10.0/2.5	10.0/2.7	10.0/3.0
Number of instances of oil leakage		0	0	1 ⁴⁾
Water use at Onsan Refinery (thousand tons)		20,775	20,248	20,518
Water reuse at Onsan Refinery (thousand tons)		1,928	1,775	1,759
Wastewater discharge at Onsan Refinery (thousand tons)		9,552	9,128	9,598
Designated waste at Onsan Refinery (tons)		14,908	11,972	10,966
General waste at Onsan Refinery (tons)		14,161	14,692	14,172
Waste recycling at Onsan Refinery (tons)		17,880	14,972	16,495
Environmental investment (KRW in millions)		24,445	40,722	5,731

Classification			2012	2013	2014
Number of injured employees	S-OIL		2	2	0
	Business partners		2	4	0
Occupational injury rate of employees ⁵⁾	S-OIL		0.12	0.10	0
	Business partners		0.19	0.19	0
Number of fire accidents			0	1	0
Number of regulation violations			0	0	0
Training on Safety Management ⁶⁾	S-OIL	Number of trainees	22,364	23,148	30,186
		Number of training sessions	269	281	535
	Business partners	Number of trainees	8,499	18,371	9,044
		Number of training sessions	340	341	335

- 1) Currently Scope III includes only vehicle-based downstream transportation
2) Data in 2012 and 2013 were modified due to the exclusion of CO incineration boilers
3) BOD data is based on the Company's own water analysis, with TMS data used to measure COD and SS
4) A leakage occurred within artificial barricades due to the chip off of mixer on the underpart of crude oil tanker (There were no environmental pollution and no administrative punishment in regard to this.)
5) Injury rate = Number of injured employees x 200,000/Total working hours
6) Data in 2012 and 2013 were modified by including education sessions commissioned to external institutes and fire drills

◆ G4-22, G4-23

Environment

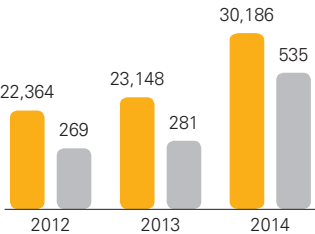


Greenhouse gas emissions (thousand tons CO₂e)

7,426

(Onsan Refinery)

Safety



Training on Safety Management

30,186 Number of trainees

535 Number of training sessions



Corporate Governance Pursuing Checks and Balances



S-OIL Board of Directors

Organizing the BOD with Expertise

S-OIL's Board of Directors consists of one inside director, four non-standing directors, and six outside directors. The objective and independent supervision over management activities by the BOD is ensured by the Board composition, where all of the directors are non-standing except for the CEO who is an inside director.

As set forth in the Company's internal procedure to ensure the unbiased and fair appointment of directors, the most qualified applicants undergo an in-depth examination and verification process before being recommended to the General Shareholders' Meeting. They are screened for management vision and leadership, expertise, past career experience, and competency to carry out an independent and objective role of outside director.

In particular, the Outside Director Candidates Recommendation (ODCR) Committee directly selects and recommends the most suitable candidates with no vested interest in the Company in accordance with relevant laws.

The newly launched Board of Directors at S-OIL in 2015 is led by directors with a long-term vision in the face of a rapidly changing business environment. Their abundant experience and expertise in government, international organizations, industry, and academia have taken the professionalism and independence of the BOD to the next level.

Operating Unbiased and Objective Decision-making Process

To meet stakeholder's expectations on the Company and ensure sustainable growth, S-OIL's BOD adheres to an unbiased and transparent process to make well-informed and reasonable decisions.

Convening on a quarterly basis, the BOD draws upon their unmatched expertise and rich experience from decades of engagement in the nation's energy industry policies. They remain strictly neutral and objective in making suggestions and decisions on the Company's strategically critical management issues. Furthermore, the BOD is called upon to supervise major business issues along with the authority over Corporate Social Responsibility and Sustainability Management issues.



Corporate Sustainability is founded upon transparent corporate governance. S-OIL has established sound and transparent corporate governance through the constitution of the Board of Directors (BOD) and their expert activities rooted in an appropriate level of checks and balances.



New BOD Members' Visit to the Refinery

Separation of the Roles of the BOD Chairman and the CEO

S-OIL has separated the roles of the BOD chairman and the CEO since 2003. Under this system, the CEO can carry out responsible management by channeling all of his attention into the Company's management while the BOD chairman oversees the CEO's management activities from a neutral perspective. Thus, decisions are always made in a way that reflects shareholders' value, resulting in maximizing stakeholders' interest.

Subcommittees in support of the BOD

S-OIL has three sub-committees in support of the BOD's efficient and professional activities: the Audit Committee, the Compensation Committee, and the Outside Director Candidates Recommendation (ODCR) Committee.

The Audit Committee, consisting of four outside directors, evaluates overall business activities and the current status of the Internal Accounting Control System, and receives internal audit reports. The Committee also proactively engages in Ethics Management as it makes suggestions to top management about business ethics practices and receives annual reports on ethics management activities from the Ethics Committee.

Comprised of three outside directors and one non-standing director, the Compensation Committee develops the Company's compensation policies and systems by taking into consideration the

Company's business performances, rate of inflation, and wage competitiveness. The ODCR Committee, which consists of four outside directors, examines the qualifications of the candidates for outside directors as specified in relevant rules and regulations, and selects and recommends the candidates deemed most qualified to carry out the role of outside director to the General Shareholders' Meeting.

BOD Composition			(as of March 20, 2015)
Classification	Name	Position & Duty	
Inside Director (1)	Nasser Al-Mahasher	• President & CEO	
Non-standing Directors (4)	A.F. Al-Wuhaib		
	M.O. Al-Subaie	• Member of the Compensation Committee	
	S.A. Al-Hadrami		
	I.Q. Al-Buainain		
Outside Directors (6)	S.A. Al-Ashgar	• Chairman of the Audit Committee	
		• Member of the ODCR Committee	
	A.A. Al-Talhah	• Member of the Audit Committee	
		• Member of the ODCR Committee	
		• Member of the Compensation Committee	
	C. S. Kim	• Chairman of the BOD	
	S. W. Hong	• Chairman of the Compensation Committee	
		• Member of the Audit Committee	
	S. W. Lee	• Chairman of the ODCR Committee	
	E. S. Shin	• Member of the Audit Committee	
		• Member of the ODCR Committee	
		• Member of the Compensation Committee	



Committing to the UN's Development Initiative



Sponsorship for Cement Industry Promotion in Ethiopia

Technical Support for Developing Countries to Eradicate Global Poverty

The EncoreKorea Initiative joined hands with the Development Alliance Korea as a founding member in 2012.

As its first overseas program, EKI signed MOU with Adama Science and Technology University (ASTU) in Ethiopia and offered advisory services such as core technology transfer, workforce training, establishment of a long-term plan for a technology center and more, so that Ethiopia could secure independent technologies on cement. This advisory project won an award at the technology transfer competition hosted by the Ministry of Science, ICT and Future Planning of Korea in 2013 and, as a result, the Ethiopian Cement technology Center at ASTU was established in 2014. This feat paved the way for EKI to provide advice to the Ethiopian Ministry of Industry on national plan for cement industry promotion, national human resource development plan for industrial technology, and national strategy for chemical industry promotion.

On top of this, EKI is involved in various global technology transferring projects across the world; ICT in Peru, Industrial Technology in Kazakhstan, and Green Technology in Mongolia.



Establishment of ASTU Cement Technology Development Center



The United Nations Millennium Development Goals, set forth at the Millennium Summit of the United Nations in 2000, aims to cut global poverty in half by 2015 in order to secure sustainable development of the international community. As a responsible global corporate citizen with the hope of helping the UN achieve this goal, S-OIL is carrying out global projects to address global poverty.

In 2011, S-OIL Science Prodigy and Culture Foundation launched the EncoreKorea Initiative (EKI), the first knowledge donation organization in Korea in which some 1,000 retired scientists participated.

Through EKI, many retired scientists have been dispatched to developing countries to spread Korea's advanced scientific technology. Furthermore, EKI supports a global mentoring program where students from the developing world attend Korean universities to build networks with their counterparts in Korea, and runs an academy for gifted young scientists in Korea. These knowledge donation activities by EKI are recognized also for presenting an effective solution to the issue of senior citizen's unemployment, a problem that Korea faces as it becomes an aging society.



GSMF's Volunteer Activities at Farmers Field

Global Students Mentoring Forum (GSMF) to Form a Network with Students from Developing Countries

In order to build ties with students from developing countries studying in Korea and seek opportunities for future international cooperation projects, S-OIL invites around 100 foreign students to regular mentoring forums six times a year and takes them on company tours. Students with good scores in the activities are given opportunities to participate in workshops in summer and winter. Foreign students wishing to learn Korea's advanced ICT can benefit from internship programs which S-OIL arranges for them with local ICT companies.

Science Prodigy Academy (SPA) to Train Next-Generation Scientists

In an effort to contribute to achieving one of the key tasks sought by the current administration, S-OIL runs the 'SPA', a pilot program where around 100 gifted elementary and junior high school students are nurtured into next-generation scientists.

The program differentiates itself from existing ones in that retired scientists offer advice on career paths for young participants until they enter college, and students, mentor professors and parents all come together in an organic relationship.

What makes the program extraordinary is that it features practical debating sessions designed to cultivate creativity and instill good character, departing from strictly memorizing and pre-studying, instead highlighting communication between professors and students.

The program aims to nurture young scientists who will lead the development of Korea into a science powerhouse.

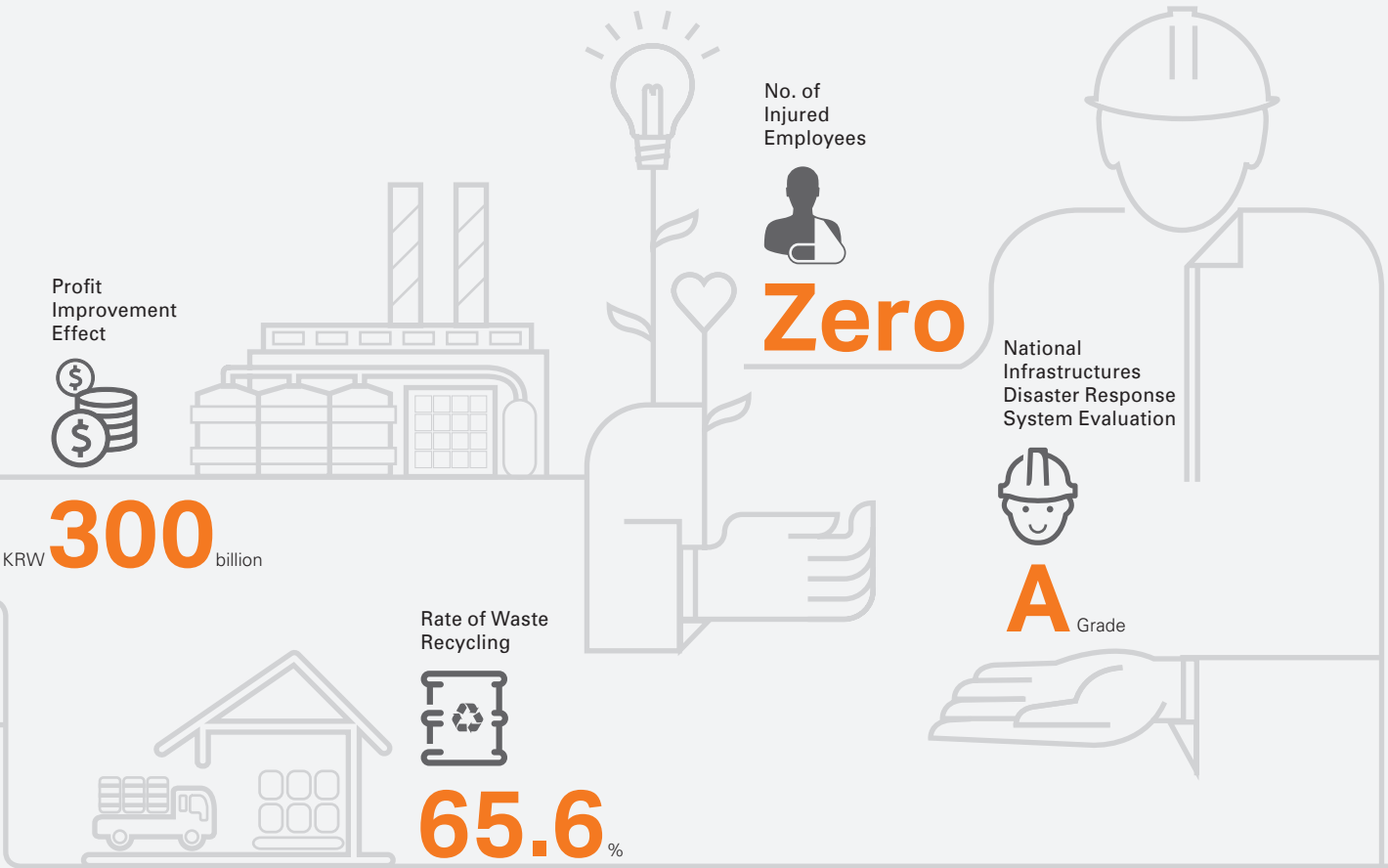


Achieve Operational Excellence

Faced with intensifying competition due to the increasing supply of petrochemical products and falling oil prices around the world, S-OIL is seeking to sharpen its competitive edge through profit improvement activities such as upgrading op-

erational excellence and energy cost savings. We also do our utmost to minimize discharge of environmental pollutants from operations while taking preventive measures against accidents that may affect workers and local communities.

Major Stakeholders	Key Issues	Report Subject	Aspect
Local Communities, Employees, Government, Business Partners	Efforts to Enhance Energy Efficiency and Save Energy	Enhancement of Operational Excellence	Energy (Inside the Company)
Local Communities, Employees, Government	Minimization of Impacts on the Environment	Minimization of Impact on Environment	Water, Effluents and Waste, Compliance, Overall (Inside the Company)
Local Communities, Employees, Government, Business Partners	Activities to Strengthen Safety Management	Reinforcing Safety Management	Safety Management (Inside & outside the Company)



Question

At the ‘Declaration Ceremony for Sustainable Korea 2030’ on March 27, 2015, member companies of the KBCSD agreed to work together in overcoming difficulties faced by domestic businesses and secure new growth engines based on operational excellence.

The keyword ‘operational excellence’ should also cover safety management issues.

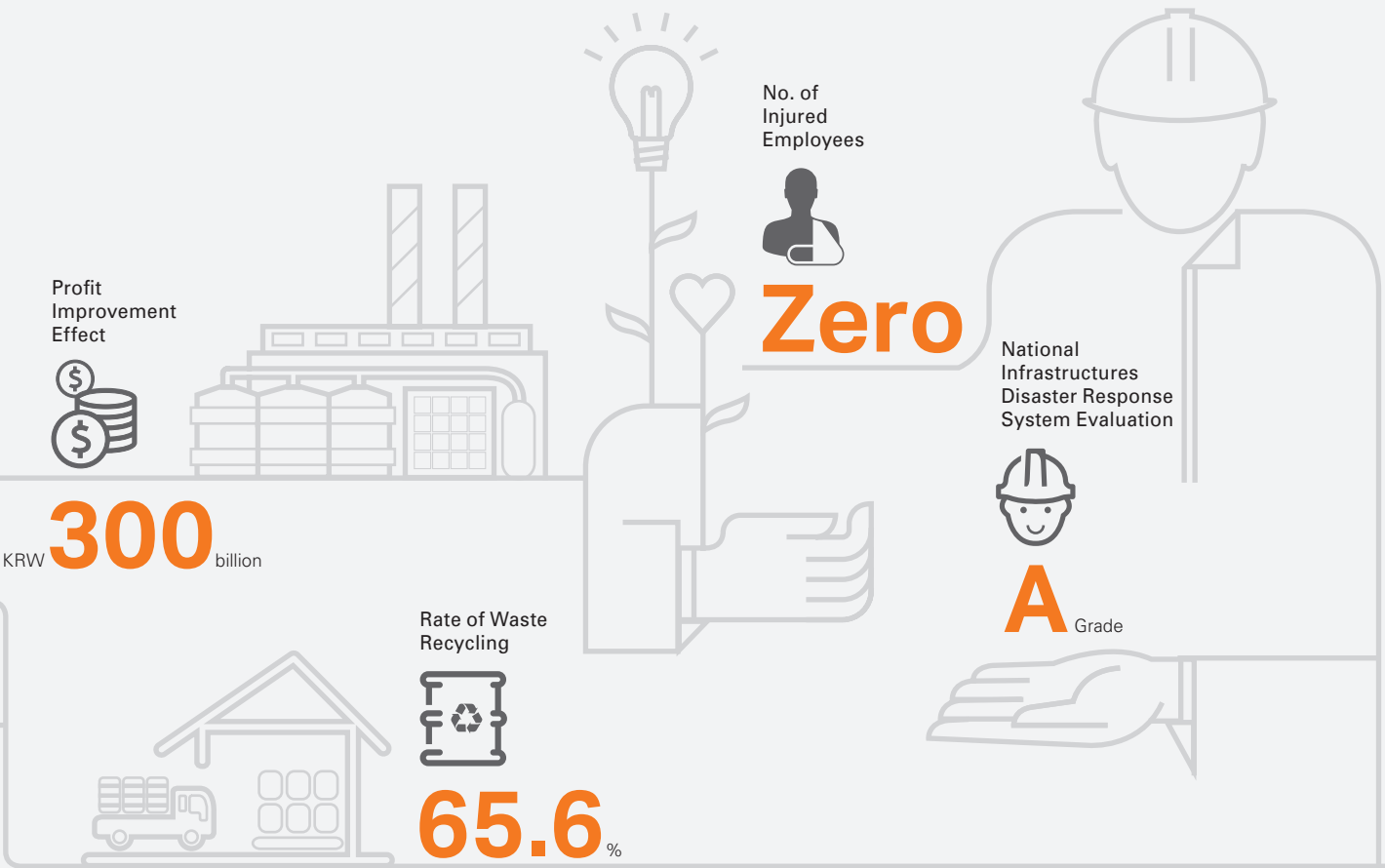
What is on top of the safety management list for S-OIL?

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Answer

S-OIL pursues a safe workplace that is free of accidents or injuries. To that end, we exert a wide range of efforts to establish the safest workplace in the world.

Our strategy for safety has three pillars. First, safety management is spearheaded by top management. We have formed a Chief Safety Council led by the CEO. The Council sets safety goals and devises safety policies. Management also takes the lead in practicing safety management and their safety performance is reflected in individual evaluation.

Second, we have an advanced safety control system in place. We operate a Behavior Based Safety program and provide all employees with safety education in order to raise their awareness of safety. In addition, a corporate culture of complying with laws and regulations is built through strict safety audits. We also check the safety culture index every year and see if the annual target is being met.

Lastly, we are proactive in supporting safety of business partners with the Company. We support them in their efforts to introduce safety management systems and offer safety education to their employees for accident prevention.

S-OIL is confident that our safety management activities are playing a pivotal role in creating accident-free workplaces and achieving sustainable growth. Going forward, S-OIL will do its utmost to become the world's No. 1 safety culture and accident-free workplace.

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



Management Principles 1-1

Why Is This Important?

Global oil business is faced with increasingly fiercer competition due to the emergence of shale gas and facilities expansion in regions like the Middle East, India, and China. Furthermore, the prolonged drop in oil price since mid-2014 is intensifying the uncertainties of the business environment.

Amidst these adverse conditions, S-OIL endeavors to achieve operational excellence and cut energy consumption, thereby improving the Company's bottom-line and ultimately its competitive edge.

Our Commitment

- Achieving profit improvement goal (KRW 300 billion in total from 2015 to 2018)

Enhancement of Operational Excellence

Our Response

Activities to Achieve Operational Excellence

S-OIL carries out a variety of programs aimed at sharpening its competitive edge through operational excellence.

The Company implemented profit improvement campaign where all employees voluntarily participated, and organized weekly idea meetings to explore what can be done to increase profits. The ideas collected from the meetings were thoroughly scrutinized before being implemented with real-time monitoring via refinery information systems, ensuring total accuracy.

In addition, S-OIL expanded its reward program for energy saving, in place since 2011, to cover all profit improvement activities and dramatically increased prize money, increasing the incentive for profit improvement. Moreover S-OIL identified a total of 229 items for profit improvement through cooperation with an external specialized agency in 2014.

As of 2014, a total of 85 new items were identified for profit improvement from increased production of high value added products, energy saving, and optimization of product delivery. The profit improvement that S-OIL achieved through these efforts is estimated at about KRW 300 billion a year, including the rise in production yield rate.



Cost Reduction from Energy Exchange Projects

Since July 2014 when S-OIL was designated as an integrated energy supplier, we have engaged in the power generation business using waste heat. We also cooperated with nearby companies in energy exchange projects, laying the foundation for cost reduction.

S-OIL has diversified sourcing channels of external energy to become more flexible in responding to fluctuating oil prices: we introduced low cost steam from LS-Nikko Copper in 2008 and then from Korea Zinc Company in late 2014.

By generating electricity with waste heat and recycling resources, we expect to curtail 61,000 tons of greenhouse gas emissions annually, equivalent to environmental protection efforts of planting more than 9 million 30-year-old trees. In addition, by generating electricity sufficient to power 7,000 households a year and increasing the electricity power reserve rate through distributed power generation, we contributed to alleviating electricity shortages during summer and winter months.



Management Principles 1-2

Why Is This Important?

Given the characteristics of business, systematic measures to control pollutant emissions are necessary in the refinery industry as wide-ranging environmental issues are likely to arise concerning handling, producing, transferring and delivering of raw materials.

S-OIL's varied measures to prevent pollutant emissions and their impact on the environment include facilities improvement, altering operation conditions, regular monitoring, emergency drills, and more. These efforts resulted in S-OIL being capable of maintaining the volume of operational pollutants far below the legal limits.

Our Commitment

- To reduce environmental pollutants through systematic control process
- To improve preventive capabilities against oil spills and hazardous chemical substances leakage

Waste discharge at Onsan Refinery*

(Unit: ton)

Classification	2012	2013	2014
Designated waste	14,908	11,972	10,966
General waste	14,161	14,692	14,172
Recycled waste	17,880	14,972	16,495

*We have been reporting waste discharge in accordance with legal standards since 2013.

Minimization of Impacts on the Environment

Our Response

Hazardous Chemical Substances Control

S-OIL conducts a thorough and regular inspection of the entire process of manufacturing, storing, and treating chemical substances in accordance with laws and internal regulations, thereby ensuring the safety of employees and preventing environmental contamination in the local communities.

S-OIL purchased the latest preventive devices and protective gear for chemical substances in 2014. In 2015, we will make a systemic development of hazardous chemical substances control process by improving facilities and personal protective equipment while beefing up emergency drills.

Strengthening hazardous chemical substances management

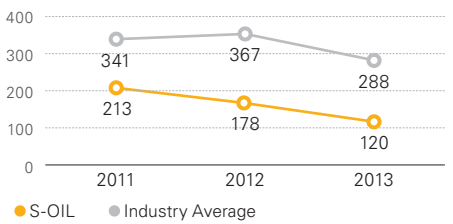
Enhancing emergency training against the leakage of harmful chemical substances

Continuously improving facilities to protect harmful chemical substances such as bump

Upgrading equipment to respond to emergency situation

Hazardous chemical substances emissions

(Unit: ton)



Waste Control

In refining business, wastes are released from the processing of raw and subsidiary materials (crude oil and catalyst), and the amount of wastes varies depending on the revamping of facilities.

S-OIL has increased its recycling rate in order to reduce waste discharge while storing waste in safe storage facilities equipped with a fire protection system.

The Company will continue to do its utmost to improve the recycling rate, thus expediting the promotion of a resources-recycling society.

Air Pollutants Control

Using clean by-product gases and low-sulfur fuel oil as fuel, S-OIL has cut the emissions of sulfuric compounds (SOx). Also, in order to reduce air pollutants, we have made continued investments in environmental facilities such as Ultra Low NOx Burner and Selective Catalytic Reduction, and electrical precipitator. Furthermore, the Company adopted much stricter in-house emission standards than legally required so as to minimize HAPs (Hazardous Air Pollutants) and odorous substances that may be produced during product storage, delivery, and process treatment. In addition, S-OIL introduced the LDAR (Leak Detection and Repair) system to keep the annual leakage rate of scattering sources below 0.5%, lower than the 3% as required by law.

We will further reinforce the HAPs control system by increasing the number of LDAR subjects more than three-fold from the existing 130,000 to 430,000 in 2015.

Management Principles

1-3

Why Is This Important?

A company’s sustainable growth requires diverse efforts on multiple fronts from productivity improvements to quality control. However, what comes first and foremost is safety, and creating a zero-accident worksite is essential to business continuity.

S-OIL’s endeavors to ensure safety for workers encompass the entire process from planning to design, construction, maintenance, and repair. Furthermore, in other pre-emptive attempts to avert fire or explosion that may affect not only our workers but also local communities, S-OIL carries out a wide range of safety management activities.

Our Commitment

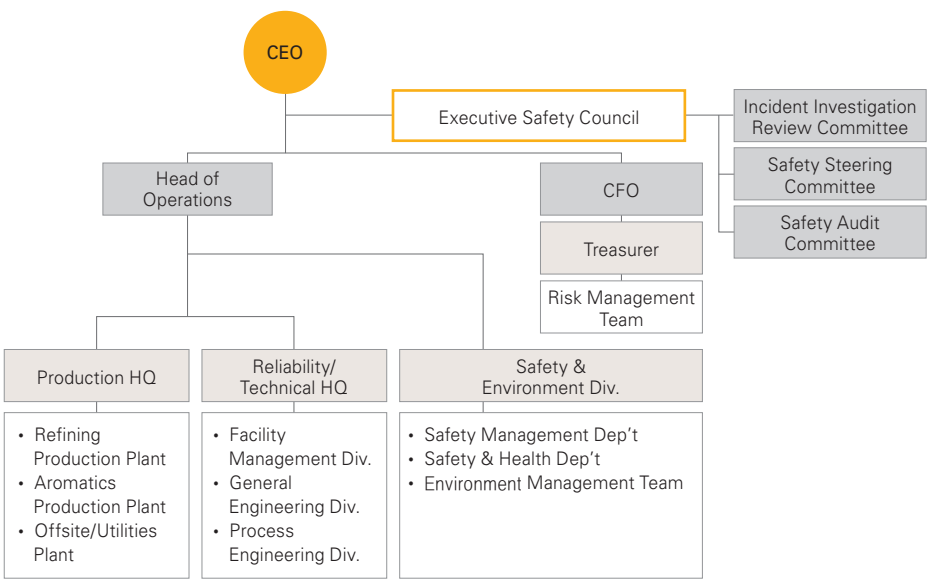
- Building a world-class safety culture (2016 Safety Culture Score Target: 8.1 points)
- Zero accidents

Reinforcing Safety Management

Our Response

Safety Management Organization

For the purpose of putting in place world’s top safety culture and establishing accident free worksites, S-OIL has been operating the Executive Safety Council that reports to the CEO and 3 sub-committees of Safety Steering Committee (SSC), Incident Investigation Review Committee (IIRC) and Safety Audit Committee (SAC) under the council. The committees ensure that the top management stays aware of the latest safety issues and makes well-informed decisions. Additionally, the Company operates Safety & Environment Division, Safety Management Department, and Safety & Health Department under the oversight of Head of Operations with a mandate to control safety and promote safety culture at work sites. In addition, S-OIL set up the Risk Management Team under the direction of the CFO in order to prevent and take pre-emptive actions against risks.



Safety Management System

S-OIL is the first refiner in Korea to introduce the Occupational Health and Safety Management System (KGS/OHSAS 18001) and obtained certification in 2007. We also established the Integrated Information Management System for SHE in 2008, a web-based platform to integrate Safety, Health, and Environment into a single system. This system facilitates the decision-making process and efficient operations through systematic information sharing. In addition to this, we put in place the Behavior-Based Safety (BBS) program in 2013 to analyze unsafe behaviors and address potential risk factors.



Officer's Safety Walk-through

Water Quality Control

S-OIL ensures the stable operation of wastewater treatment facilities in order to minimize the impact of its discharged wastewater on nearby waters. We maintain a high level of pollutant removal by treating wastewater using physical, chemical, and biological methods. Also, water quality data is automatically transmitted to relevant government authorities via the Tele-Metering System to protect against an emergency outbreak.

Prevention of Oil and Hazardous Chemical Substance Leakage

Prevention of Leakage on Land

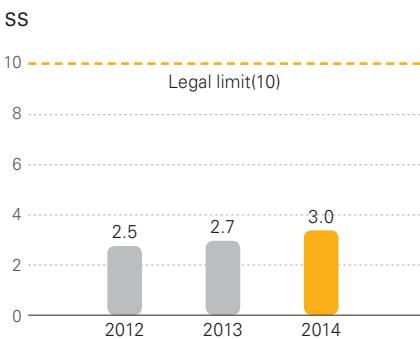
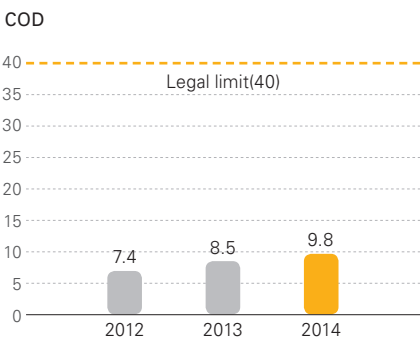
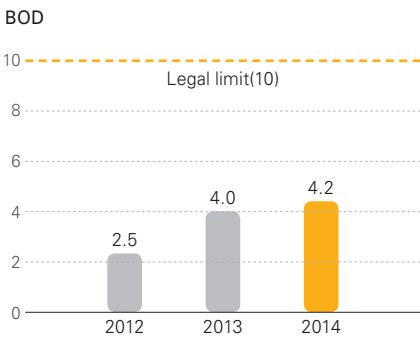
S-OIL has set up systematic response procedures to prevent the leakage of oil and hazardous chemical substances on land. Additionally, it carries out inspections on oil spills every day and hazardous chemical substance leakage every week, while conducting drills to enhance emergency response capabilities. With these efforts, S-OIL was able to prevent casualties and marine pollution when an oil spill incident occurred in its refinery in 2014. Looking back, crude oil leaked due to a broken mixer at the bottom of a storage tank and flew into dikes but S-OIL 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. Furthermore, building on its experience in oil spill prevention, the Company has upgraded the existing department-level drills to refinery-wide response exercises. In 2015, it plans to reinforce the response manual by adding a wide-range of scenarios, thereby enhancing the emergency drills.

Prevention of Leakage into the Sea

Assessing all the risk factors from vessels accessing its port facilities, S-OIL has taken the initiative in tanker safety management. We introduced the Vetting System, which fundamentally bans the access of vessels that fail to meet the Company’s strict safety requirements. Furthermore, to minimize the possibility of oil spill from vessels, we made it mandatory to operate double-hulled tankers and deploy tugboats for small-sized tankers. S-OIL is the first refiner in Korea to introduce a protection system (radar, tidal current measurement system, and mooring tension measurement system) featuring single buoy mooring (SPM), which is the onshore mooring facilities for VLCCs. As a preventive measure against oil spills at SPM, S-OIL additionally deployed a 131-ton oil spill response vessel in 2014. And in 2015, we introduced a 24-hour monitoring system that issues an accident alert around the pier and SPM, lowering the likelihood of any subsequent vessel accidents. We have a plan to set up emergency shut-down valves on pipelines along the borderline between land and sea, minimizing the risk of oil spills resulting from vessel collision while berthing.

Density of water pollutants at Onsan Refinery

(Unit: ppm)



Case Study

Grade 'A' in 2014 National Infrastructures Disaster Response System Evaluation

In 2014, the Ministry of Public Safety and Security conducted the government disaster response evaluation on businesses that operate strategic infrastructure critical to national interest, and S-OIL was the only domestic refiner to receive 'Grade A', and earned the Minister's prize. Highly recognized in this evaluation was S-OIL's swift and systematic approach through the public-private response system during the oil spill from its crude oil tank in April 2014.

Behavior-based Safety (BBS) Program

Behavior-based Safety (BBS) is a program that analyzes the unsafe behaviors of workers to take corrective measures in a systematic way. Under this program, all employees at worksites are required to identify at least two unsafe behaviors or cases each month. Officers then should ensure that the corrective measures are taken based on the risk assessment. In 2014, a total of 47,562 unsafe cases were reported and shared among all employees at worksites, which led to the elimination of potential risk factors.



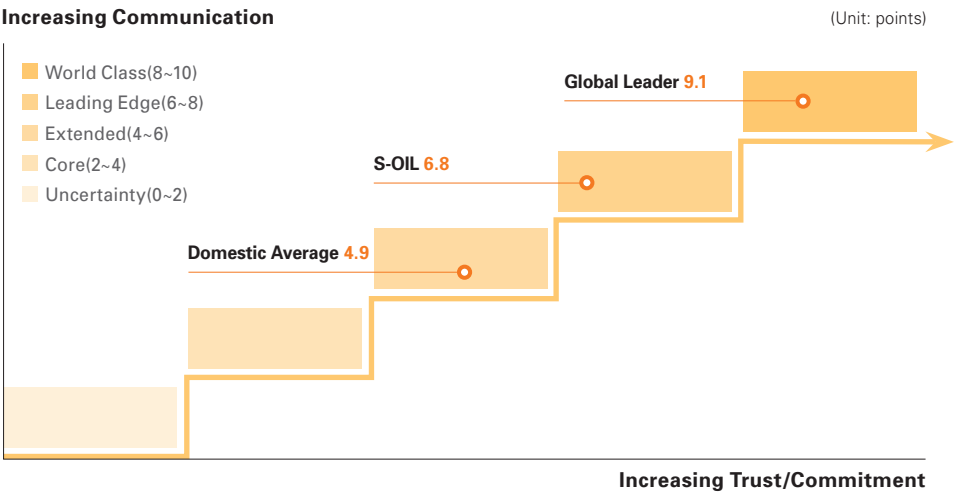
Declaration of Safety Golden Rules

Safety-first Culture at the Workplace

In October 2013, with the aim of encouraging employees to join the initiative of establishing disaster free worksites and raising awareness about safety rules, S-OIL proclaimed ‘Safety Golden Rules’ that all employees at both S-OIL and its partner companies should abide by. In 2014, S-OIL laid more stress on safety performance within KPI measurements to reinforce the responsibility of all executive officers for safety management. We also continue to benchmark safety management systems of global corporations, thereby promoting a culture of safety to take firm root company-wide.

Safety Culture Score Management

S-OIL checks and manages the track of Safety Culture Score that evaluates employees’ awareness of safety and reflects the results when drafting safety rules and policies. In the 2014 assessment, the score was 6.8 or ‘Leading Edge’, meaning that its safety culture stood at the upper middle grade.



Upgrade of Safety Education

S-OIL started providing 27 educational courses for the entire workforce according to their positions and roles in 2014. The goal of this tailored program is to raise the awareness of safety, and ultimately to establish a world-class safety culture. A total of 3,042 employees completed 15 courses in 2014 and the figure will be extended to 6,084 in 19 courses in 2015.

Goal of Education and Courses by Job and Position

	Purpose	System	Culture	Skill
Executive/Manager	Nurturing capability to motivate employees to raise their awareness of safety	• Process Safety Management	• Safety Leadership	• HAZOP* (Hazard and Operability)
Engineer	Developing capability to assess potential risks at sites and improve facilities and operation methods to reduce them	• Safety and Health Management System (OHSAS 18001)	• Safety Culture Enhancement	• Job Safety Assessment
Staff (Day, Shift) Supervisor Safety Engineer	Cultivating capability to figure out and improve unsafe conditions and behaviors at sites	• Safety Regulations	• Workshop for Safety Culture	• Inspection of Accidents
Operators Technicians Officers	Enhance capability to figure out potential risks and take measures at sites	• MOC	• Behavior-based Safety	• Safety at Petrochemical, Machinery, and Construction Labs
		• Safety Management of Contractors	• General Safety Regulations	• Quantitative Risk Assessment
		• Safety Management of Business Partners		• Fire Safety
		• Work Permission Process		• First Aid
		• Safety Engineer Course		• Material Safety Data Sheet

*HAZOP: A risk evaluation method to find out and eliminate risk factors in the process and potential operation risks that may impede efficient process.

*MOC : Management of change



Consultancy on Safety by an Overseas Professional Agency

S-OIL commissioned an overseas consulting agency to assess its safety culture and awareness compared with global leading companies. With the consultancy’s assistance, we identified four critical inadequacies and included them in the improvement plan. S-OIL continues to make improvement activities based upon the assessment results.

Major Improvements

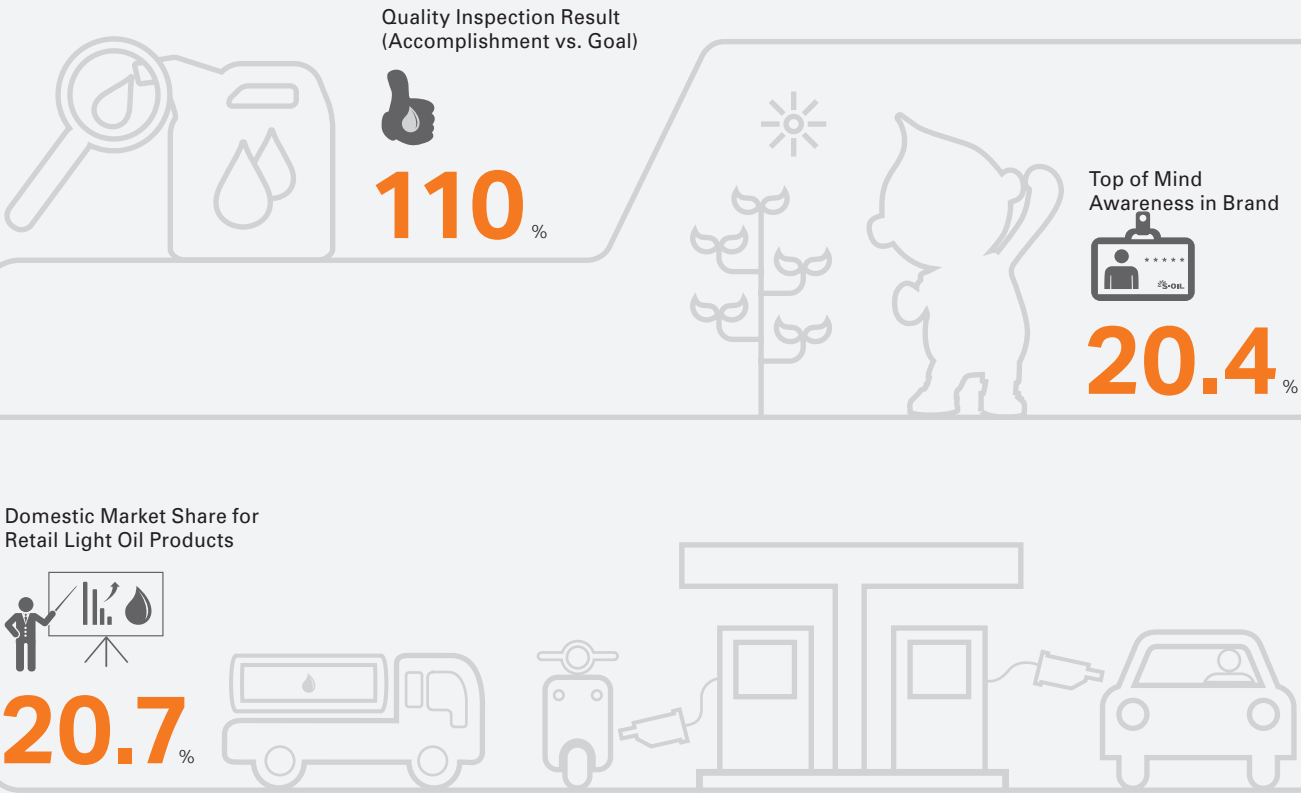
Item	Position & Duty
Upgrade of the BBS program	Improved behavior-based safety program - Operation of Zone BBS in each area, analysis of fundamental reasons of unsafe behaviors, etc.
Safety leading KPIs development	Figured out leading KPIs for accident prevention - On-site safety inspection by top management, meeting for safety evaluation by department, evaluation on audit of work permission, etc.
R&R/SHE structure	Re-established R&R of the safety organization, prepared training courses to upgrade capability of safety officers, etc.
Leadership training	Offered training programs to enhance safety leadership

Enhance Customer-Centric Management

In an attempt to increase customer satisfaction, S-OIL is committed to promoting diverse brand marketing activities as well as pursuing a reasonable price policy and quality improvement. In addition, we have been establishing a firm cooper-

ative relationship with service stations and offering various support to help them get through difficulties in business operation and grow together with us.

Major Stakeholders	Key Issues	Report Subject	Aspect
Customers, Government	Reinforcement of Product Competitiveness	Enhancement of Product Competitiveness	Customer Health and Safety (Inside the Company)
Customers	Enhancement of Brand Value	Enhancement of Brand Value	Brand Management (Inside the Company)
	Enhancement of Service Quality at Service Stations	Efforts toward Shared Growth with Service Stations and LPG Filling Stations	Customer Relationship (Inside the Company)



Question

S-OIL is more active in brand marketing than its competitors.

A lot of consumers, meanwhile, think fundamental competitiveness in product quality and service makes a great impact in the process of their purchase decision.

In the same context, we believe S-OIL also considers product and service competitiveness as a critical factor for increasing its market share and sales revenue. Please share with us your strategies for enhancing product and service competitiveness.

Enhance Customer-Centric Management

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	Enhancement of Service Quality at Service Stations	Efforts toward Shared Growth with Service Stations and LPG Filling Stations	Customer Relationship (Inside the Company)



Answer

At S-OIL, superior quality, reasonable price, and customer service come on top of the priority list as we seek to deliver the best possible value to our customers both at home and abroad.

To ensure our business goals aim at providing customers with the best products, we have been committed to continuously investing in facilities and new technologies through active communication between production and sales departments.

As a result, we have spearheaded the production of low-sulfur clean kerosene which acquired the first Eco-Label of its kind in Korea as well as top-quality gasoline and diesel, getting recognition for excellence in product quality from consumers.

Offering products at reasonable prices is important as well. We lower production cost by capitalizing on accumulated technologies and knowhow, and supply competitively priced products to service stations through our optimized distribution networks and rational pricing policies.

On top of that, we are carrying out the ‘Clean & Smile’ campaign to keep service stations clean and treat customers with kindness. We also pursue active communication among customers, service station owners, and supporters to seek ways to make customers want to continually visit our service stations again and again.

S-OIL will continue to listen to the voices of stakeholders including customers, service station owners, and supporters and reflect them in our business policies.

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



Management Principles
2-1

Why Is This Important?

Amid intensifying business competi-
tion and varying consumer needs, it is
imperative today that products and ser-
vices are up to consumers’ heightened
expectations. In particular, the increase
of luxury vehicles due to the rise in living
standards, brings about high interest in
oil product quality.
Thus, oil refineries have to deliver the
highest value to customers through rea-
sonable product prices and unwavering
efforts for quality improvement.

In that respect, S-OIL has never rest-
ed in its endeavor to sharpen its prod-
uct competitiveness. Such efforts bore
fruits in 2014 when we recorded a do-
mestic market share of 20.7%, the high-
est ever since the foundation.

Our Commitment

- Reasonable and competitive pricing policy
- Supply of high-quality and eco-friendly products

Enhancement of Product Competitiveness

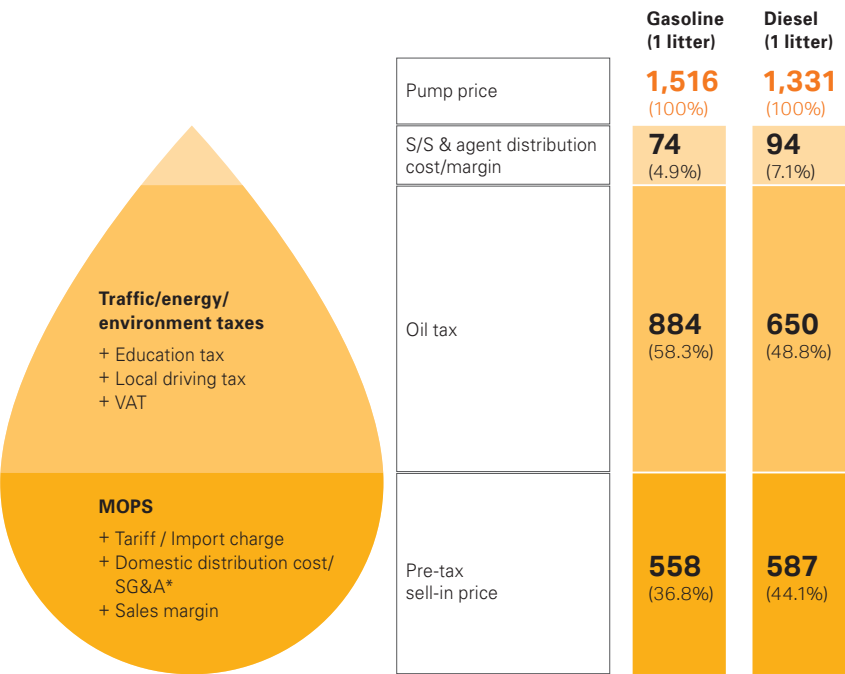
Our Response

Pricing Policy of S-OIL

Domestic oil prices are determined by objective data such as the Mean of Platts Singa-
pore (MOPS), fluctuations in the exchange rate and domestic market trends. However,
some raised doubts over the fairness of domestic pricing policies, pointing out that
the drop in the crude oil prices which persisted throughout late 2014 was not instantly
reflected in the domestic oil products prices at service stations.
To understand this structure, it needs to be noted that domestic oil products prices
are affected more by MOPS than crude oil prices and tax takes up a large share of do-
mestic oil products prices. S-OIL makes significant efforts to boost consumers’ trust in
prices by adhering to fair and competitive pricing policies.

S-OIL spearheads the fair and reasonable pricing practices in the domestic market with
its independent price adjustment system. When it comes to domestic light oil products
(i.e. gasoline, diesel, and kerosene), our pricing committee takes into consideration fac-
tors that affect domestic oil products prices on a daily basis, securing fairness in price.

Price Structure of Domestic Oil Products
(Average prices of the domestic oil products as of March 2015, source: Opinet)



*SG&A: Selling, General & Administration expenses

S-OIL’s Quality Competitiveness

Production of High-quality and Eco-friendly Products

S-OIL has been adopting a stricter set of standards than environmental regulations to develop and supply high-quality and eco-friendly products. This effort allowed S-OIL to win the highest grade for its gasoline and diesel products in the environmental quality evaluation*.

*See S-OIL’s website for the past environmental quality evaluation results on vehicle fuel

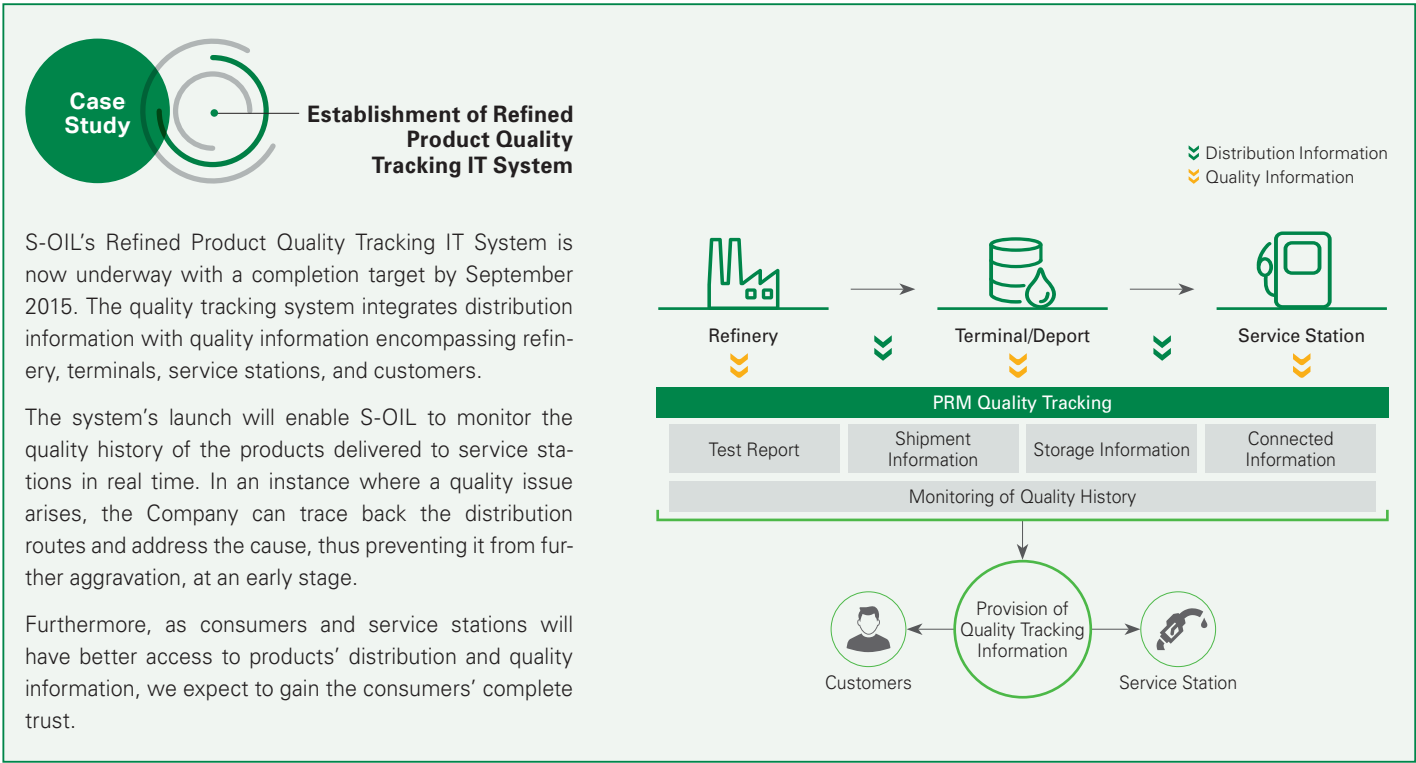
Enhancing Quality Control in the Distribution Stage

S-OIL continues to reinforce quality control in the distribution stage to ensure consum-
ers’ confidence in accurately dispensed genuine products.

A case in point, S-OIL operates the ‘Trustworthy Service Station’, a quality assurance program applied to affiliated service stations. Another example is the ‘Quality Manager System’, where quality managers with experience and expertise conduct gas pump meter inspections and tank moisture inspections for service station owners. S-OIL supports cleaning service for tanks whose quality has been identified as deteriorating.

Formed for the first time in 2012, the ‘Quality Inspection Team’ conducts quality in-
spections on affiliated service stations and LPG filling stations. Also to expedite quality inspection, we introduced the simplified analyzer, making it possible to review inspec-
tion results instantly. From 2014, in another effort to reinforce quality control in the distribution stage, we started to tap into information on sales offices as well as irregu-
larities monitoring data before selecting stations to be inspected.

Through this endeavor, S-OIL’s detection rate of abnormal products announced by the Korea Petroleum Quality & Distribution Authority was a mere 1.3%, the lowest among domestic oil refiners.



Management Principles

2-2

Why Is This Important?

Given the characteristics of oil products, it is not easy for consumers to know the product quality gap. Therefore, it is all the more critical for refiners to highlight their products’ strengths if they are to enhance their brand image based on consumers’ steadfast trust.

Among others, a company with a powerful brand image can offer their products at premium prices to their loyal customers. Thus, they can afford to lower marketing costs as prospective consumers will turn into devoted customers.

It is the reason why S-OIL undertakes a variety of aggressive brand marketing activities in a consistent manner.

Our Commitment

- Enhancing brand TOM (Top of Mind)
- Boosting consumer participation in marketing activities
- Strengthening brand marketing by utilizing the GOODOIL character

Enhancement of Brand Value

Our Response

Boom-up Communication


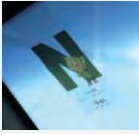


In 2014, with the aim of creating differentiated contents where customers were invited to participate firsthand, S-OIL organized boom-up communication campaigns in six categories featuring brand song, guerrilla event, Kakao Talk emoticon, eco-promotion, PPL in TV shows, and the World Cup song.

Case Study

Eco-promotion

S-OIL kicked off the eco-promotion in 2012 aimed at encouraging the public in ‘good consumption’ and raising their awareness of environmental protection. For example, in the ‘Car Diet Campaign’, drivers were encouraged to reduce car’s weight, while the ‘GOODOIL Tag Campaign’ was about maintaining the appropriate temperature inside cars. Those two campaigns won the grand prize and the special prize respectively at the Korea Communication Awards.

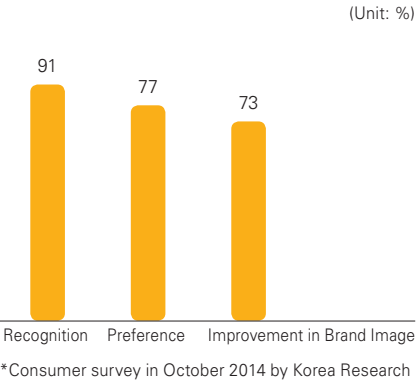
S-OIL continues to give consumers chances to voluntarily participate in the ‘good consumption’ campaign by distributing eco-promotion contents on SNS. We look forward to seeing our drive help to build a consensus on environmental protection as well as boosting consumers’ preference towards the S-OIL brand.

	2012: 1st Eco-promotion	2013: 2nd Eco-promotion	2014: 3rd Eco-promotion
Concept	<ul style="list-style-type: none">• Notice of parking spaces available ‘Here Balloon Campaign’ 	<ul style="list-style-type: none">• Gears in neutral when stopping ‘Neutral Sticker Campaign’ 	<div><ul style="list-style-type: none">• Lighter automobile, higher fuel efficiency ‘Car Diet Campaign’• Tag that tells the departure of proper temperature in the car by a color change ‘GOODOIL Tag Campaign’</div>

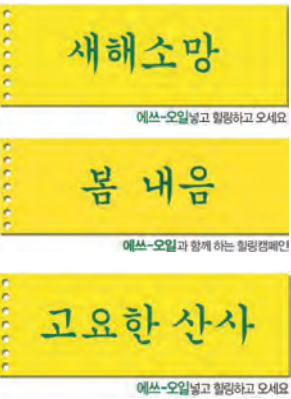


Seoul Character Licensing Fair 2014

Recognition/Preference on ‘GOODOIL’ and Improvement in Brand Image



Examples of the Healing Campaign in 2015



Character Marketing

A character plays an integral part in enhancing brand experience and friendliness. S-OIL introduced the character ‘GOODOIL’ in 2012 and has been utilizing it not only in its marketing campaigns but also communication with consumers. In 2014, S-OIL carried out distinctive marketing activities including the participation in the Seoul Character Licensing Fair and launch of the GOODOIL air sculpture.

A consumer survey conducted after the marketing campaigns found that 91% of respondents became aware of GOODOIL with 77% in favor of the character. Furthermore, 73% of them said that S-OIL’s brand image improved after GOODOIL marketing, clear evidence that the character was effective at instilling confidence in consumers to purchase S-OIL’s products.

Going forward, S-OIL will carry out diverse character marketing so as to enhance brand recognition and create new brand values through added characters and diversified communication channels.

Newspaper Advertisement that Identifies with the Public

S-OIL advertisement on the front page in major newspapers every day has played an important part as its novel communication channel with the public, facilitating the creation of our image as a ‘friendly corporation that works hand in hand with the public’ and ‘a company that fulfills its social responsibilities.’

Having carried out the ‘Heroes and the Environment’ campaign in 2014, S-OIL posted messages of gratitude to unsung heroes in our society like firefighters and heroic citizens while reminding the public of the importance of protecting endangered species. Well-received by the citizens, this advertisement campaign was awarded the Excellent Advertisement Prize in the newspaper category at the Consumer Choice Advertisement.

S-OIL launched a new advertisement campaign in 2015 featuring ‘healing words’, heart-warming messages to reflect on everyday happiness and to spread optimistic ideas.

Case Study

Selected in ‘Best Korea Brands 50’

S-OIL was selected in ‘Best Brands 50’, announced by ‘Interbrand Korea’, an affiliate of the global branding consultancy, ‘Interbrand’. S-OIL’s brand value, ranked 40th in 2014 with an estimated value of KRW 400.52 billion, jumped to 39th at KRW 402.957 billion in 2015.

This feat is attributed to S-OIL’s continued dedication to maintaining consistency throughout its communication campaigns (good oil, commercial song, yellow corporate color) aimed at boosting friendliness towards customers and gaining their trust.

Best Korea Brands 2015

Interbrand

Creating and managing brand value™

Management Principles 2-3

Why Is This Important?

Service stations and LPG filling stations constitute our key customer base and at the same time the two main pillars for our domestic distribution channel. However, the worsening market conditions in recent years have sent a number of stations reeling from dwindling revenues and a significant labor shortage, sometimes forcing them to suspend or, worse, shut down operation.

With the purpose of helping our business partners cope with such challenges through a business overhaul, S-OIL seeks to solidify long-term cooperative ties while working towards shared growth.

Our Commitment

- Enhancing management capabilities of service stations and LPG filling stations.
- Upgrading service capabilities of service stations and LPG filling stations.



S-Family Magazine

Efforts toward Shared Growth with Service Stations and LPG Filling Stations

Our Response

Enhancing Management Capabilities of Service Stations and LPG Filling Stations

S-OIL provides service station (S/S) and LPG filling station (F/S) managers with on/off-line education, consultancy by in-house professionals, and S-Family Magazine* to sharpen their management capabilities.

Particularly, the off-line collective education programs with the title of ‘Education for Service Station Managers’ organized by district business HQs and ‘On-site Visit Education’ hosted by domestic sales offices have been winning great favor from participants. A total of 270 S/S and F/S managers took part in the 27 sessions in 2014. It was confirmed from the 2014 education that station managers were highly interested in management know-hows and success stories of other stations. Given this fact, we plan to add programs to the existing seven courses, that is, benchmarking of good S/S and F/S management cases and sharing know-how.

*The bi-monthly magazine published to enhance understanding of service station management, S-OIL’s sales policy, and supporting programs for service stations.

S-OIL Champions Club & Honors Club

S-OIL gives awards to service station managers in recognition of their excellence in service, facilities management, sales volume, and revenue. The award was introduced to encourage sound competition between service stations and share exemplary management cases, thereby improving the standards of service at our affiliated stations. In particular, we have paved a way for service stations to grow into S-OIL’s proud partners as we increased the number of awardees in 2014 from the previous year.

The ‘Honors Club’, launched in 2014 with the goal of deepening ties with partners, is contributing to laying the groundwork for shared growth as it serves as an open communication channel between top-performing S/S and F/S and the Company’s management.



S-OIL Honors Club



Clean & Smile Service

Service Capability Upgrade of Service Stations and LPG Filling Stations

Clean & Smile Service

S-OIL has been carrying out ‘Clean & Smile Service’ since 2010, aimed at building a differentiated brand image for our affiliated service stations and enhancing customer experience so that they want to visit the station again in the future.

S-OIL undertook a variety of activities in 2014 as it announced four major tasks including; 1) ‘Smile & Tidy’ Smile Service, 2) spread of the ‘Clean’ campaign for pleasant service station experience, 3) voluntary participation by service stations, and 4) implementation of service quality control programs. Most notably, we opened an on-line recruitment website to address service quality issues arising from labor shortages and the frequent turn-over rate at service stations.

With these continued endeavors, ‘service by station employees’ item showed the biggest year-on-year increase among others in the service satisfaction survey on our customers.

In 2015, we intend to motivate S/S and F/S employees who are at the front line of customer contact to voluntarily cultivate a more refined service mindset. As part of that effort, the Company will conduct diverse programs such as selecting ‘excellent service employees’, collecting and rewarding good service ideas, and sharing praiseworthy service cases.

YES (Yellow Excellent Service) Team

S-OIL runs the YES Team whose mission is to provide on-site education for service stations. YES Team conducts customer service education and encouragement programs for service station employees, raising the service standards at our affiliated stations at large.

Starting from 2015, as part of our lasting efforts to boost customer satisfaction, S-OIL will engage individual service stations in customer satisfaction consultancy, helping them identify customers’ needs and implement improvement strategies.



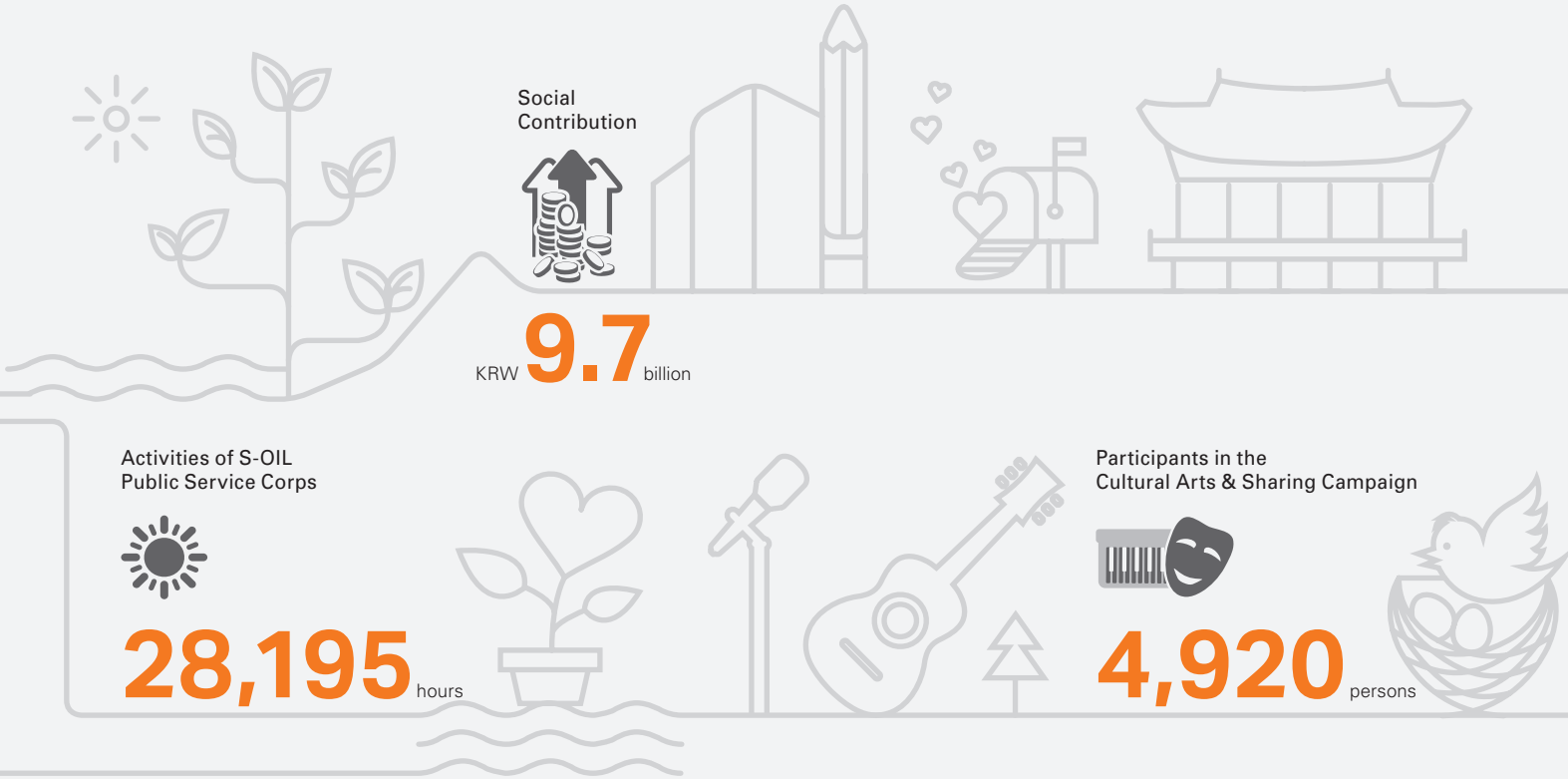
On-site Education by YES Team



Contribute to Society

S-OIL's social contribution activities are conducted in connection with its corporate strategies under the management principle of 'Contribute to Society.' As a member of the local community, we strive to improve local people's cultural life and

motivate local artists by supporting cultural events in various regions. Additionally, we sponsor the EncoreKorea Initiative to engage in activities to eradicate poverty throughout the world, fulfilling our role as a global corporate citizen.



Question

Since 2009, S-OIL has sponsored the Heart-to-Heart Orchestra of our Foundation, which is composed of young people with developmental disabilities.

Cultural enrichment is one of the key items on the government's cultural policy agenda.

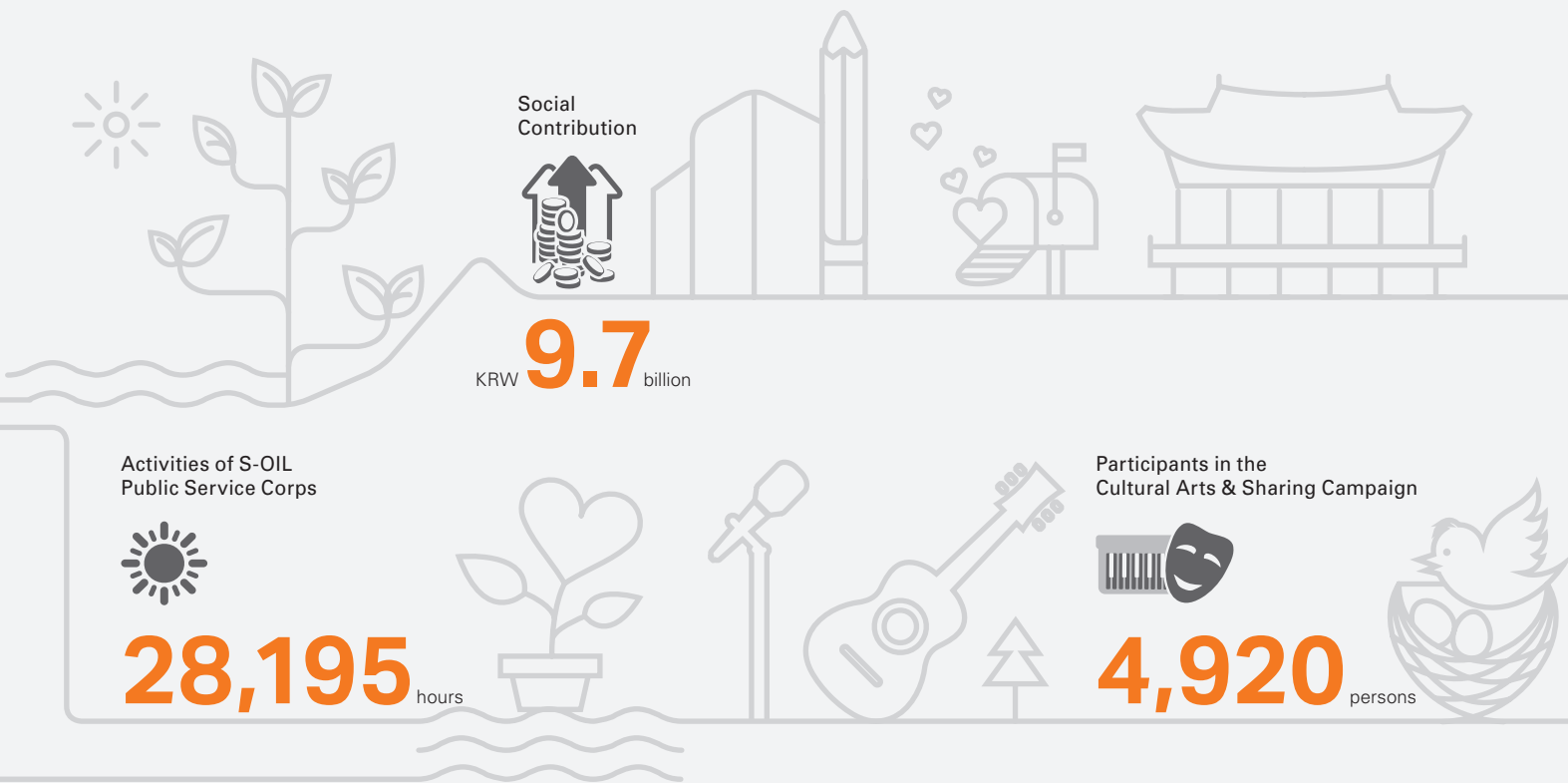
The government has also designated the Day of Culture. Given such trends, it is essential for companies to actively participate in nationwide efforts to share culture and art. What does S-OIL do to contribute to the development of culture and art of Korea?

Hee-Eun Kim, General Manager, Cultural Welfare Dept., Heart to Heart Foundation

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Answer

S-OIL has held the 'Cultural Arts & Sharing' event at the Head Office in Mapo, Seoul every month since 2011, providing hundreds of local people with opportunities to enjoy various genres of culture and art for free.

Furthermore, S-OIL sponsors the 'Oh Yeong-su Literary Awards' and the 'Beautiful Eye Art Festival' in Ulsan where the refinery is located. In particular, the Company supported the entire cost for the restoration of Taewharu, a historic landmark of Ulsan, in order to boost the pride of Ulsan citizens and give them a comfortable public rest area. The Project was completed in 2014.

S-OIL will continue to spare no effort to support cultural and art activities in order to enhance communication with local communities. On top of that, we will do our utmost to contribute to people's happiness and increase the brand value of Korean culture.

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



Management Principles 3-1

Why Is This Important?

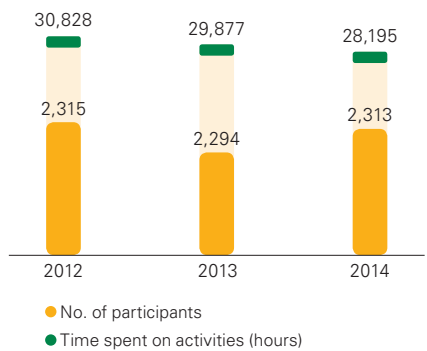
Amid the mounting social interest in Corporate Social Responsibility, a great number of businesses have launched their own social contribution activities. However, the general public still has doubts about the sincerity of their returning initiative. That is, in part, attributable to the intention to jump on the bandwagon while carrying out campaigns as a method to adorn their brand.

Social contribution activities are required to be deeply embedded in a company's strategy to maintain consistency. They can leave a full impact only when every employee truly understands the meaning of social contribution and heartily joins activities.

Our Commitment

- Carrying out social contribution activities in connection with the Company's strategic direction
- Reinforcing social contribution through evaluation
- Developing creative social contribution activities

Activities of the Public Service Corps

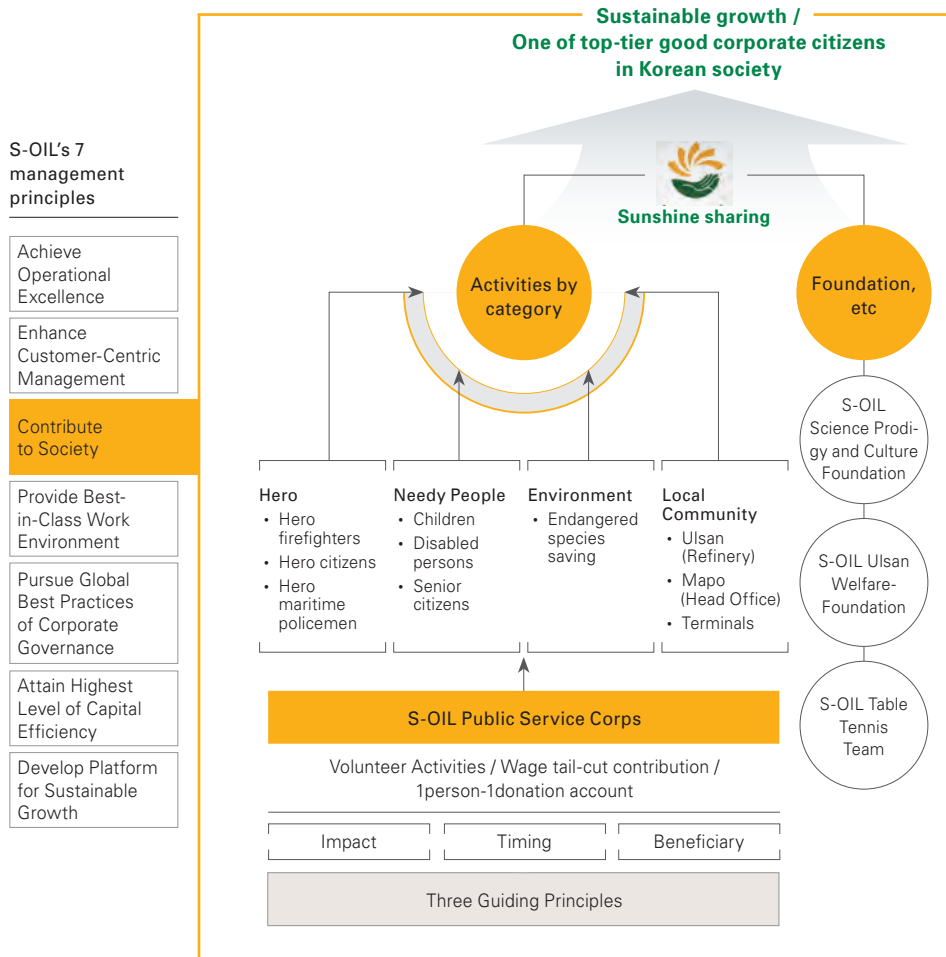


Company-wide Social Contribution Activities

Our Response

Social Contribution Activities Aligned with the Company's Strategic Direction

Based upon its management principle 'Contribute to Society,' S-OIL pursues social contribution activities in line with its own corporate strategies. In addition, it has established a vision for its social contribution activities known as 'Sunshine Sharing,' and strives to spread the value of sharing in our society through S-OIL's unique programs that are rooted in three principles of 'Impact,' 'Timing,' and 'Beneficiary'.



Achieve Operational Excellence

Enhance Customer-Centric Management

Contribute to Society

Provide Best-in-Class Work Environment

Pursue Global Best Practices of Corporate Governance

Attain Highest Level of Capital Efficiency

Develop Platform for Sustainable Growth

Performance of Social Contribution Activities in 2014

(Unit: KRW in millions)

Category	Donation
For Hero	846
For Environment	170
For Local Community	4,709
For Needy People	1,293

*Other donations were KRW 1,000 million to the Company's table tennis team, KRW 1,500 million to the S-OIL Science Prodigy and Culture Foundation, and KRW 160 million to the medalists at Sochi Olympics.

Sunshine Sharing Campaign

(Unit: persons)

Category		Wage tail-cut contribution	1 Person 1 Donation Account
No. of participants	2012	1,538	1,513
	2013	1,593	1,483
	2014	1,642	1,428

Reinforcing Social Contribution through Evaluation

S-OIL makes every effort to maximize impact of its social contribution activities by assessing and analyzing their impact on the Company and society. As part of this, S-OIL conducted a survey in 2014 to assess the impact of its flagship social contribution activities 'For Hero Firefighters', 'For Endangered Species Saving', and 'Cultural Arts & Sharing Campaign.' The assessment results formed the basis on which we developed a Social Impact Index, a tool to evaluate contribution activities.

The assessment also found that beneficiaries of social contribution activities developed high interest and loyalty to S-OIL, confirming that the activities met the intended goal. S-OIL will continue to reinforce reliability of the Social Impact Index, utilizing it as a means to plan future social contribution activities.



Social Contribution Activities – 'For the National Monuments'

Background

S-OIL has devised an endangered species saving campaign through ecological restoration, aimed at preserving natural heritage for future generations. To that end, S-OIL signed the 'One Company for One Natural Monument' agreement with the Cultural Heritage Administration in May 2008 and has been implementing activities to protect otters, cranes, Korean dotty barbels, and long-horned beetles.

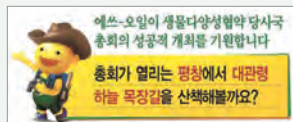


Establishment of Sustainable Implementation Model for Biological Diversity

S-OIL has undertaken ecology preservation projects in earnest so as to protect endangered species on a sustainable and effective basis beyond just a one-time event. The activities have contributed to raising awareness of the importance of preserving natural monuments and species in our society. Not just that, S-OIL is committed to reminding the public of the value of bio diversity by involving stakeholders such as environmental groups, employees, customers, low-income families, children, and college students in those activities.

Official Sponsor for the 12th Meeting of the Conference of the Parties to the Convention on Biological Diversity (COP12)

In addition to the activities to protect natural monuments, S-OIL signed a sponsorship agreement with the 12th Meeting of the Conference of the Parties to the Convention on Biological Diversity (COP12). S-OIL assisted in the success of the event by sponsoring necessary supplies and carrying out promotion campaigns in newspapers. Also, by highlighting prominent examples and sharing knowledge about protection of bio diversity in workshops and seminars, S-OIL publicized the environmental endeavors of the industry to the general public.



Management Principles

3-2

Why Is This Important?

A business grows when local communities grow together. Keenly aware of this, S-OIL carries out diverse activities to raise the awareness of culture and art while promoting cultural infrastructure for local communities where its operations are located.

Because we believe that culture and art are the cradle of improved quality of life, innovation, and creativity of our society.

Our Commitment

- Supporting the development of culture and art in local communities

Promotion of Cultural Infrastructure for Local Communities

Our Response

Cultural Event Sponsorships for Artists and Local Communities

S-OIL supports cultural events in Mapo-gu and Ulsan where the Company’s business sites are located in order to offer better cultural living environment to local people and to motivate local artists.

At the Head Office in Mapo, we have been hosting 38 free culture and art events since 2011, in which about 15,130 local people have participated for the past 4 years.

In Ulsan, where the Company’s Refinery is in operation, S-OIL established one of Korea’s most prestigious literary awards, the ‘Oh Yeong-su Literary Prize,’ in 1993 in honor of the talented short story writer from the region. Additionally, S-OIL has held the ‘Beautiful Eye Art Festival’ since 1996, an art event that mainly invites amateur artists. The Company has also been making 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 Byeongyeong Seonang Chigi, and the Onggi Expo Ulsan Korea.

Cultural Arts & Sharing Campaign to Enrich the Quality of Culture and Art

S-OIL carried out a survey targeting local residents who participated in the Cultural Arts & Sharing Campaign at the Head Office in December 2014. The survey showed that 87% of the respondents were content with the program. It also confirmed that people were attending about two more cultural events on an annual average basis after the program.

This attests to the fact that S-OIL is making a contribution to the growth of culture while creating social values by instilling interest in people’s minds for cultural events and, in turn, engaging them in cultural activities.



Cultural Arts & Sharing Campaign



Donation to Taewharu Restoration Project

Ulsan, where S-OIL’s Refinery is located, has rapidly grown into an industrial city but it lacks sufficient public spaces to enjoy cultural events and for relaxation. Taking heed of this complaint, the Company donated KRW 10 billion for the Taewharu Restoration Project in 2012, a project undertaken to boost the pride of Ulsan citizens and give them access to a comfortable public rest area. The restoration project of the historical pavilion was completed in 2014 after 19 months.



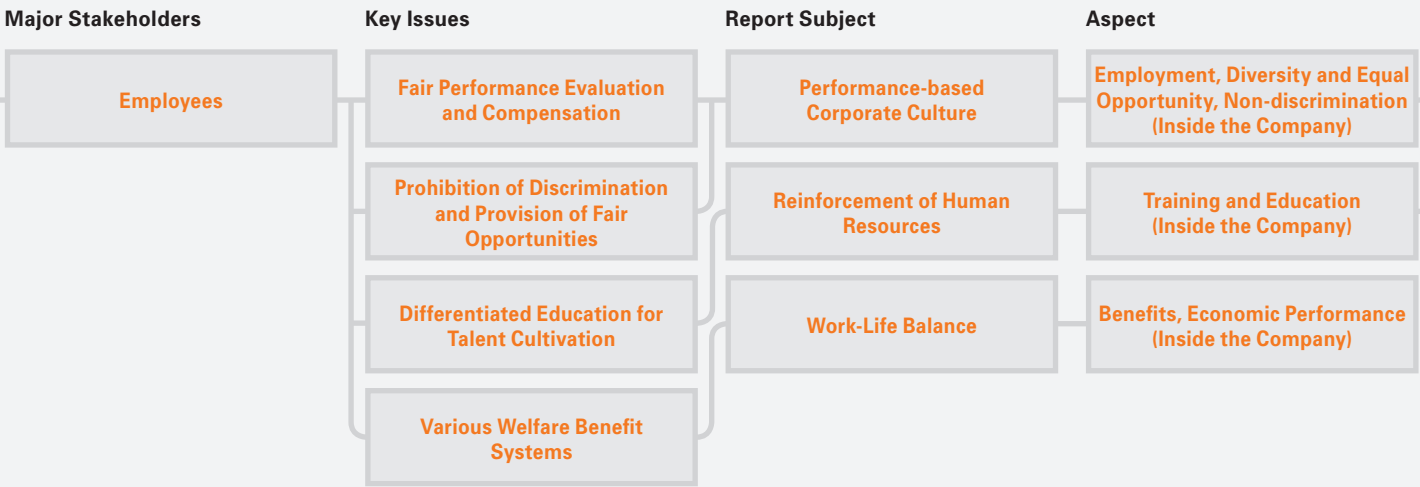
Taewharu, set up during the Shilla Dynasty, was once the landmark of Ulsan that stood out the most among the ‘three pavilions in Yeongnam’ for its beauty of construction, but was lost during the Japanese Invasion of Korea in 1592. Against this historical backdrop, the restored Taewharu will not only shed new light on the history and tradition of Ulsan, but also become a landmark as a public space where all the citizens come to enjoy culture and art and to relax.

According to a survey involving Ulsan citizens, law makers, and government officials, the Taewharu Restoration Project was selected as the most important undertaking of Ulsan city in 2014. Additionally, the project won the Land, Infrastructure and Transport Minister’s prize at the ‘Korean Land & City Competition 2014’ in recognition of its gracious colors, design, and shape that struck a perfect balance with the surrounding landscape. The Ulsan city government, on their part, opened the ‘Taewharu Academy of Culture and Art’ to invite its citizens to lectures given by renowned local artists in six categories such as calligraphy and fairy tales.

Provide Best-in-Class Work Environment

S-OIL has a fair and reasonable human resource management system, which was designed to motivate and encourage the best possible talent pool. We are also operating diverse competency development programs to nurture well-trained com-

petitive human resources. Moreover, our industry-leading welfare benefit programs help employees pursue work-life balance, which contributes to creating an environment where they can unleash potential to the fullest.



Question

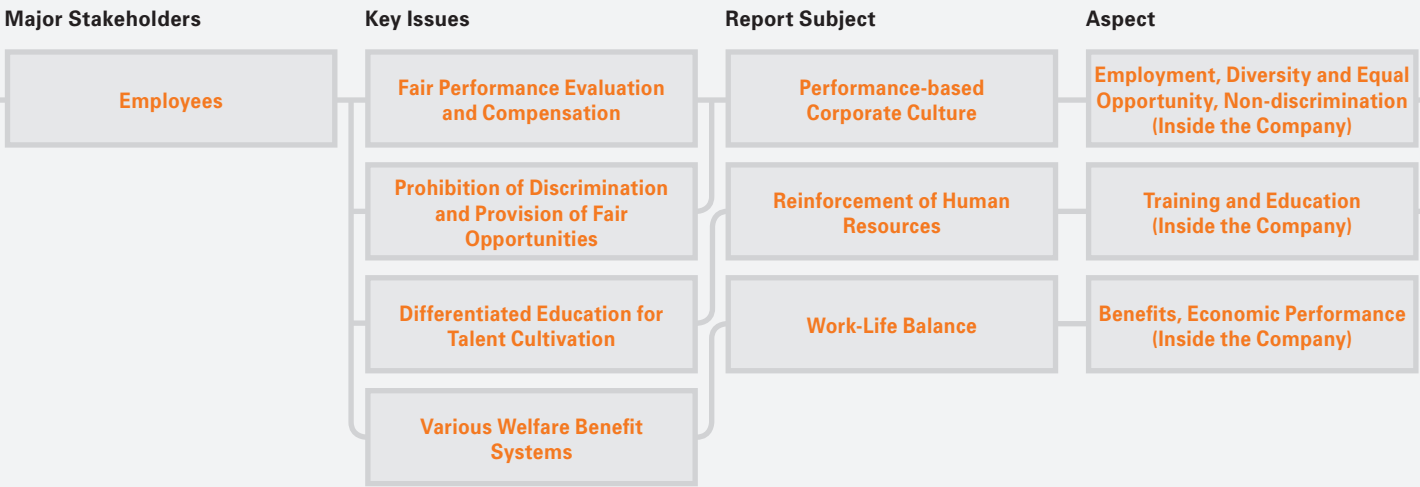
Korean society is aging more rapidly than any other advanced countries. Therefore, it is necessary for companies to operate welfare benefit programs which cover the entire lifecycle of employees.

Would you tell me S-OIL’s stance and plans to meet this trend?

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Answer

Putting emphasis on work-life balance, S-OIL is operating diverse employee welfare benefit programs aimed at enriching their lives.

Those have been reasonably designed to cover the needs of employees throughout their lifecycle, and are updated to keep up with inflation and changing economic conditions.

Amid mounting social concerns about post-retirement life from lack of stable income, S-OIL became the first Korean company to introduce an additional pension program beyond existing legal pension plans by starting the ‘New Pension Program’ in May 2015.

S-OIL’s unique New Pension Program is a matching grant scheme where the Company matches employee contributions.

We expect this new program will help employees relieve their uneasiness about the future during their working days and ensure a stable income for themselves after retirement.



Management Principles

4-1

Why Is This Important?

Faced with intensifying competition in the business environment, it is fundamental for a company to hire highly competent individuals and create an environment where they can tap into their full potential in order to achieve sustainable growth.

Also, performance-based corporate culture should be established to enhance work efficiency by means of fair evaluation and compensation.

Our Commitment

- Promoting a performance-based corporate culture rooted in a reasonable and fair HR management system

New Employment		(Unit: persons)		
Classification	2012	2013	2014	
University graduates	64	80	42	
Others*	73	78	83	
Total	137	158	125	

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



Meeting of the CEO and New Employees

Performance-based Corporate Culture

Our Response

Fair Recruitment System to Hire Talent

S-OIL hires competent and creative talent who embody the Company’s envisioned ideal values of an employee, regardless of their gender and academic background. To ensure unbiased recruitment, we deleted several potentially discriminatory items from the application form. Applicants undergo interviews where their private information including academic history is not divulged.

Additionally, in our bold attempt to reduce the share of non-regular workers, S-OIL recently abolished the existing practice where newly hired experienced workers were required to sign a one-year contract before concluding their regular employment contract. S-OIL strives to hire and train female workers while working to provide job security for disabled people as well as the socially marginalized.

Zero Tolerance Policy for Discrimination

Irrational discrimination in terms of position, gender, academic background, or religion is prohibited in the entire company administration including performance evaluation and promotion at S-OIL. Regular and non-regular workers are distinguished by their roles and functions only. Not a single non-regular worker is discriminated against as long as he/she performs the same job as his/her regular counterparts. In particular, S-OIL encourages all employees to take paternity and maternity leave when required, while ensuring that they do not suffer from any employment disadvantage when returning to work as well. Furthermore, all S-OIL employees are obliged to receive education on prevention of sexual harassment once a year to promote gender equality as part of the corporate culture.

Fair Evaluation and Compensation

To raise accuracy in employee evaluation, S-OIL separates performance from competencies and applies different sets of evaluation methods according to their functions and position. The evaluation results then form the basis for promotion, reward, transfer, training, and more. Officers and team leaders can expect to build on their leadership skills by multi-source feedback system involving team leaders and members. In the 2014 evaluation, multi-source feedback system was upgraded to look into superiors’ leadership skills, requiring team members to enter detailed feedback about their superior’s strengths and weaknesses. In addition, S-OIL collects feedback from employees to ensure fairness and reliability in the evaluation, thus improving the system on a continuous basis.

Meanwhile, seniority-based compensation has been reduced while strengthening performance-based compensation. Wage increase based on the same position is smaller than before but wage raise from promotion expanded. In addition, we introduced a merit-based system for compensation in accordance with the annual evaluation result.

Management Principles

4-2

Why Is This Important?

The comparative advantage between refiners in terms of production facilities is narrowing down due to the reduction of technological gap and fierce investment competition. Given this reality, it is imperative for businesses to strengthen human resources to gain a competitive edge by increasing operational efficiency of production facilities and making inroads into new markets.

To that end, S-OIL has in place diverse education programs aimed at nurturing talented employees. In particular, we set up an Engineer Cultivation Program to reinforce engineers’ expertise and train junior engineers. Furthermore, we offer tailored education programs as well as global competency development education for the next-generation leaders.

Our Commitment

- Upgrading competency development program based on employees’ needs
- Operating programs to reinforce engineers’ expertise



OTS Training

Reinforcement of Human Resources

Our Response

Competency Development Based upon Varied Needs

S-OIL supports its employees’ development of core competencies through the basic competencies training course in which S-OIL’s basic values are shared, the leadership training course, and a number of specialized job training courses aimed at enhancing the employees’ expertise.

In addition to various in-house collective training, S-OIL has established an external education support system to reflect the varying on-site needs of the education programs. Besides its group training, S-OIL also provides online courses on diverse topics such as business administration, the humanities, and foreign languages, creating an infrastructure in which its employees can develop their careers regardless of time or place.

S-OIL Academy, the Specialized Job Training Course

S-OIL has been running S-OIL Academy, a specialized job training course, since 2011. After S-OIL Academy for Marketing & Sales and S-OIL Academy for Operations were phased in, 10 to 20 education modules have been improved so far for each course every year. The Academy channels its educational resources into training marketing professionals, professional engineers, and operators who can respond to the fast changing industry.

S-OIL Academy for Marketing & Sales has been undergoing an advancement process since 2014, with 48 modules and 12 courses including the case of domestic oil products sales expected to be added by 2015.

The S-OIL Academy for Operations offered a total of 21 courses in 2014, recording a satisfaction score of 8.8 points out of 10. Based on the satisfaction survey result, we improved the programs in 2015. In order to establish a stable operational competency for each process and to develop emergency response capabilities, a training center opened in 2014 where an ‘Operation Training Simulator (OTS)’ training is offered. In addition to this, an advanced course is being developed and ready to open in the second half of 2015, aimed at supporting the building-up of competency for manager-level engineers or above through the latest technology acquisition.



OTS Training Center

ECP for Engineer Competency Enhancement

After eight months of consultancy from both internal and external experts and benchmarking of outstanding businesses at home and abroad, our Engineer Cultivation Program (ECP) was launched in 2015 with the mission to support systemic training of engineers. Under this program, engineers can refer to the job function training database

Pursue Global Best Practices of Corporate Governance

S-OIL practices transparent management through corporate governance pursuing checks and balances. We are also making a concerted effort to establish compliance management

as a corporate culture and encourage our business partners to promote ethics management with the aim of improving transparency throughout the supply chain.

Major Stakeholders	Key Issues	Report Subject	Aspect
Shareholders & Investors, Employees, Government	Transparent Corporate Governance	Corporate Governance Pursuing Checks and Balances	Governance (Inside the Company)
Shareholders & Investors, Employees, Government, Customers	Transparent Disclosure on Management Information	Enhancement of Transparency	Transparency (Inside the Company)
Employees, Business Partners	Enhancement of Compliance Management	Commitment to Compliance Management	Compliance (Inside & Outside the Company)
	Enhancement of Ethics Management of the Company and Business Partners	Ethics Management with Business Partners	Ethics & Integrity (Inside & Outside the Company)

Percentage of Outside Directors in BOD



54.54%

Corporate Governance Rating



A+

Monopoly Regulation and Fair Trade Act



Zero

No. of Partner Company Employees who Received Business Ethics Training from S-OIL



282 persons



Question

At S-OIL, are the social and environmental issues such as human rights, supply chain, reputation, climate change, and environment protection given priority by the supreme decision-making body?

Are the activities for solving issues and response processes monitored on a regular basis?

Pursue Global Best Practices of Corporate Governance

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282 persons

Answer

The Board of Directors of S-OIL is comprised of directors with utmost professionalism and knowledge and deals faithfully with social and environmental issues, such as human rights, supply chain, and climate change, which are related to our business in the decision-making process.

The Company also operates industry-leading systems to manage business ethics, HSE, and GHG emissions as well as an advanced compliance system. Our activities and processes to respond to those issues are regularly reported to the management by using inputs generated through an IT-based monitoring system.

Furthermore, S-OIL not only endeavors to enhance objectivity and transparency in the procurement process in order to promptly manage supply chain issues which may affect its businesses, but also strictly inspects fair transaction issues in advance.

We will continue to seek growth hand-in-hand with all stakeholders by taking preemptive actions on social and environmental issues related to our business activities.

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



Management Principles 5-1

Why Is This Important?

Transparency in corporate governance is ensured when timely providing stakeholders including employees, customers, shareholders, and investors with information necessary for rationally making decisions on business activities and performances. It is also one of social requirements for every company today along with ethics management and social responsibility.

Transparency is the foundation upon which a company builds trust with stakeholders, which in turn increases its corporate value. By taking measures on misguided practices and overhauling inefficient cost structure, a company can enhance internal integrity and, hence, achieve sustainable growth.

Therefore, transparent management is integral if a business is to create greater economic values and pursue lasting prosperity.

Our Commitment

- Increasing corporate value through transparency enhancement and process improvement
- Disclosing transparent management information to build trust with stakeholders

Enhancement of Transparency

Our Response

Operation of a Transparency-dedicated Organization

The spearhead of corporate transparency is audit activity. S-OIL has an independent audit organization under the control of Audit Committee, which carries out an unbiased and independent audit on corporate accounting and business activities, and thus plays a key role in corporate transparency enhancement, process improvement, and company value maximization.

The audit organization recently recommended that the Company enhance its procurement process. In accordance with that, S-OIL became the first in Korea to successfully introduce Auto Invitation as well as a Blind Bidding System through benchmarking and consultancy services, thereby taking its transparency in procurement to the next level. S-OIL also carried out audits aimed at maximizing corporate value by setting up a round-the-clock monitoring system overseeing its mega-projects in 2014.

Transparent Disclosure on Management Information

S-OIL is fully engaged in diverse IR activities to provide stakeholders with business information in a transparent manner. The trust built between our corporation and investors through IR activities translates into increased shareholder value and enhanced reputation regarding management, thus leading to valuable stock price and stable management.

S-OIL made a total of 47 disclosures in 2014 to provide investors with fair and swift management information without any violations or non-disclosure of any kind. The Company also held 541 IR activities to communicate with investors at home and abroad during the year. Furthermore, the Company provided major disclosure announcements and regulatory changes to employees via an intranet bulletin board, promoting employees' understanding of disclosure related regulations.

IR Meeting

(Unit: times)

Classification	2012	2013	2014
Investors' Meetings	937	765	541
Hosting of Non-deal Roadshows	7	8	8
Participation in Conferences	17	14	10
Conference Call	4	4	4

Management Principles 5-2

Why Is This Important?

As issues like industrial safety, environment, and personal information protection draw greater attention from the society, the Government authorities are also gradually expanding law-enforcement power. Furthermore, citizens' heightened awareness of the law more often results in interest disputes with companies in pursuit of continued growth, raising the likelihood of business being exposed to unexpected compliance risks.

Given the dominance by a few companies in the domestic market and oil products' influence on the price index, the domestic refining industry is likely to come under a more rigorous observation by antitrust laws.

It is, therefore, all the more imperative that S-OIL reinforces compliance management for sustainable growth.

Our Commitment

- Establish compliance management in corporate culture

Commitment to Compliance Management

Our Response

Establishment of Compliance Management

There are prerequisites for compliance management to become fully embedded in corporate culture; (i) top management's unwavering determination towards compliance management; (ii) systematic and professional support through a compliance system; and (iii) employees' full engagement in compliance activities. S-OIL launched its compliance system in 2014 after two years of preparation. In the same year, S-OIL appointed a Compliance Officer and formed the Compliance Team, solidifying the company-wide compliance management. In 2015, we completed the establishment of the IT-based compliance system to enhance the efficiency.

Although S-OIL is now recognized as a leader in the field of compliance management, we will spearhead the initiative towards embedding unique compliance within its corporate culture by encouraging the entire workforce to practice compliance management.

Advancing the Compliance System

S-OIL has put in place a 3 step compliance monitoring process which consists of (i) Self-Assessment of Employees, (ii) Frequent/Special Monitoring, and (iii) Rotational Priority Management on areas of particular importance such as industrial safety, environmental protection etc. The Company also opened an interactive communication channel between front-line employees and the Compliance Team in order to give a full support by enhancing the compliance system. In addition, by advancing the compliance system as required by the Commercial Law and ISO19600 Compliance Management Systems Guidelines*, S-OIL has brought its compliance system up to global standards.

* The guidelines to establish, develop, operate, evaluate, maintain, and improve the compliance system

Enhancing Compliance Activities Based on IT System

S-OIL has established the IT-based compliance system which facilitates compliance activities in everyday jobs. Through this system, all compliance activities are systematically managed, and we are able to monitor and at the same time support compliance activities taking place company-wide in real time. Furthermore, designed to stay synchronized with official government sites for Korean legal information maintained by the Korean Ministry of Government Legislation, S-OIL's compliance system ensures its employees stay up-to-date on revisions or amendments of relevant laws.



Compliance System

Case Study

Activities for Fair Trade

Boosted by CEO's strong commitment to reinforce compliance management, especially in relation to antitrust laws, S-OIL published guidelines that employees have to follow for sales activities. The guidelines, shared with all employees, describe detailed action guides and Dos & Don'ts that are applied to sales activities. S-OIL also signed an outsourcing contract with an external education agency to offer regular sessions on antitrust laws and fair trade to its employees.

As a result of these efforts, S-OIL recorded no violation of antitrust laws for the past three years.



Case Study

Protection of Customer Privacy

S-OIL has formed a team dedicated to protecting customer privacy based on internal policy, strengthening its company-wide privacy protection system.

Minimum Customer DB and Control Access to Private Information

S-OIL leaves nothing to chance when it comes to privacy protection. We established a company-wide privacy protection system in 2009 and organized a team dedicated to this mission under the control of the Chief Security Officer (CSO). We all remember the privacy leakage by financial institutions that stirred a social uproar in 2014. Following this incident, S-OIL beefed up its commitment to privacy protection as we deleted sensitive private information such as citizens' registration numbers from our customer DB.

At S-OIL, customer information is encrypted and stored under strict control. Any unauthorized access is denied by the private information protection system, which also keeps records of access history. Furthermore, the system allows access only when the user is disconnected from the Internet.

In recognition of its privacy protection efforts and advanced protection system, S-OIL was awarded a special prize at the 13th Information Security Award hosted by the Ministry of Science, ICT and Future Planning in 2014.

Education on Privacy Protection

S-OIL's employees as well as those from partner companies who access our customer DB are required to participate in regular education programs on privacy protection. Additionally, Information Protection and Management Committee convenes more than twice every year, sharing important policies and implementation strategies among key privacy teams.



Management Principles
5-3

Why Is This Important?

As businesses grow in size and influence, their outsourcing market is expanding with diversifying supplies, adding to the complexity of supply chain management(SCM). Even global companies had experienced out-of-hand crisis due to boycotts or a tarnished brand image caused by inadvertent supply chain management.

To express it differently, given that business partners have emerged as a critical factor in a corporation's value chain rather than simply a supplier, businesses today should do their utmost to forge close partnerships with them. A foundation for sustainable growth can be established only when ethics management is fully integrated into the corporation's value chain.

Our Commitment

- Reinforcing ethics management in the Company and business partners
- Upgrading ethics management system based upon self-assessment



Code of Business Ethics and Conduct

Ethics Management with
Business Partners

Our Response

Ethics Management System



Code of Business Ethics and Conduct

S-OIL's Code of Business Ethics and Conduct consists of two parts; Code of Business Ethics stipulates attitudes toward customers, business partners, shareholders, and investors as well as responsibilities to officers and employees, the society and community; and Code of Conduct defines basic ethics for officers and employees, prohibition of conflict of interests, prohibition of bribery/entertainment/convenience, and how to report violations. The Code of Business Ethics and Conduct also has three sub-regulations as follows; detailed implementation procedure; employee's possession or operation of sales networks of competitors; and outside reporting or inquiry process on issues with regard to ethics management.

Code of Business Ethics and Conduct is constantly updated and amended in response to social demands. Most notably, S-OIL is sharing it with an increasing number of outside organizations so as to reinforce ethics management in our business partners.

Furthermore, we support our business partners to properly understand these codes, while asking them to sign the 'a pledge to comply with the Code of Ethics & Conduct for suppliers and bidders' prior to all trades. Partners found to have illegal or unethical activities are excluded from the list of S-OIL partner companies.

Deliberation by the Ethics Committee in 2014 (19 meetings) (Unit: cases)

Proposed bills	
Operation of sales networks	26
Purchasing of products and services	24
Others	3
Total	53



Ethics Management Education for Business Partners

Ethics Committee

The Ethics Committee is comprised of four executives who are General Counsel, Head of HR Div., Head of Corporate Planning Div., and Controller. They are appointed by the CEO after eligibility assessment by the Audit Committee under the BOD.

The Committee enhances the Company’s ethics management and accomplishes best ethical decision makings regarding ethics-related matters including the conflict of interests. The Committee reports its activities to the CEO and the Audit Committee once a year and its activities are disclosed to all employees via S-OIL Ethics Management website.

In particular, any transaction between retirees or employees’ family members is required to undergo a thorough preliminary review by the Ethics Committee so as to ensure fair competition opportunities.

In 2014, the Committee reviewed 53 items through 19 meetings and there has been no violation of the Code of Business Ethics and Conduct.

Ethics Management Education

S-OIL continuously conducts ethics management education tailored to different positions and job functions to instill business ethics into daily business activities. The quality of training programs was also significantly enhanced with external experts invited to give lectures.

In particular, S-OIL supports its business partners to understand the basic guiding principles and contents of the Company’s Code of Business Ethics and Conduct, thereby enhancing the ethics standards throughout the supply chain. Ethics management education for business partners started in 2013 and a total of 282 employees from 255 business partners attended the education in 2014. S-OIL plans to support ethics management of its affiliates, including subsidiaries and joint ventures as well.

Ethical Management Education

Year	No. of programs	No. of participants	Education hour
2013	10	3,156 persons	3,291 hours
2014	8	2,973 persons	4,119 hours

Ethical Management Education for Business Partners

Year	No. of programs	No. of business partners	No. of participants
2013	5	307 companies	362 persons
2014	4	255 companies	282 persons



Self-assessments of the Code of Business Ethics & Conduct to Upgrade the Level of Ethics Management

S-OIL has run self-assessments on business ethics since January 2015 to ensure that ethics management takes a firm root in the everyday lives of employees.

The self-assessment consists of 42 questions; 9 questions on basic ethics and 33 questions on business ethics for interested parties. The business ethics for interested parties is classified into three categories; customers, officers & employees, and society & community. Each category comes with three items including general business ethics, prohibition of conflict of interests, and prohibition of bribery/entertainment/convenience.

S-OIL conducted self-assessments involving all officers and employees through the intranet in January 2015. In the assessment that drew 86% of the entire workforce, or 2,423 employees, the Company recorded an average point of 98.8. S-OIL plans to conduct self-assessments every year and design ethics management education reflecting its results, thus establishing ethics management firmly within its corporate culture.

Self-assessments of the Code of Business Ethics & Conduct

Questions on basic ethics (9)	9 questions				
Questions on business ethics for interested parties (33)			General business ethics	Prohibition of conflict of interests	Prohibition of bribery/entertainment/convenience
	Customers, Business Partners, Shareholders & Investors	»	5 questions	7 questions	3 questions
	Officers & Employees	»	7 questions	5 questions	3 questions
	Society & Community	»	3 questions	-	-

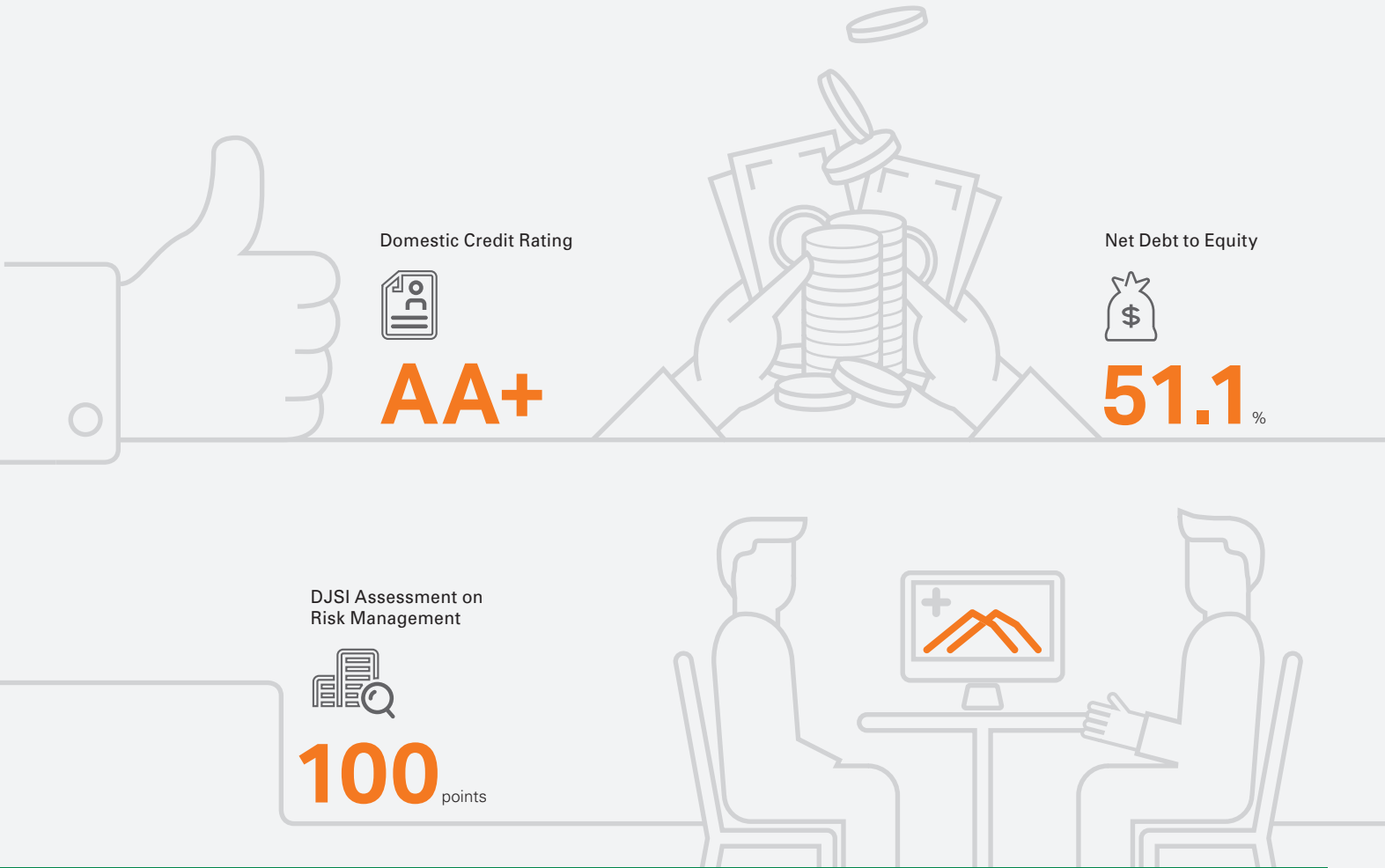


Attain Highest Level of Capital Efficiency

S-OIL is committed to maximizing corporate value by effectively capitalizing on its economic resources on the basis of a stable financial structure. In addition, our integrated risk man-

agement system helps us cope with the possible risk factors effectively.

Major Stakeholders	Key Issues	Report Subject	Aspect
Shareholders & Investors, Business Partners	Efficient Financial Activities	Efficient Financial Management to Maximize Corporate Value	Economic Performance (Inside the Company)
Customers, Business Partners, Local Communities, Shareholders & Investors, Government	Creation and Distribution of Economic Value	Value Chain, Creation and Distribution of Values	Economic Performance (Inside & Outside the Company)
Shareholders & Investors	Systematic Risk Management	Systematic Risk Management	Risk Management (Inside the Company)



Question

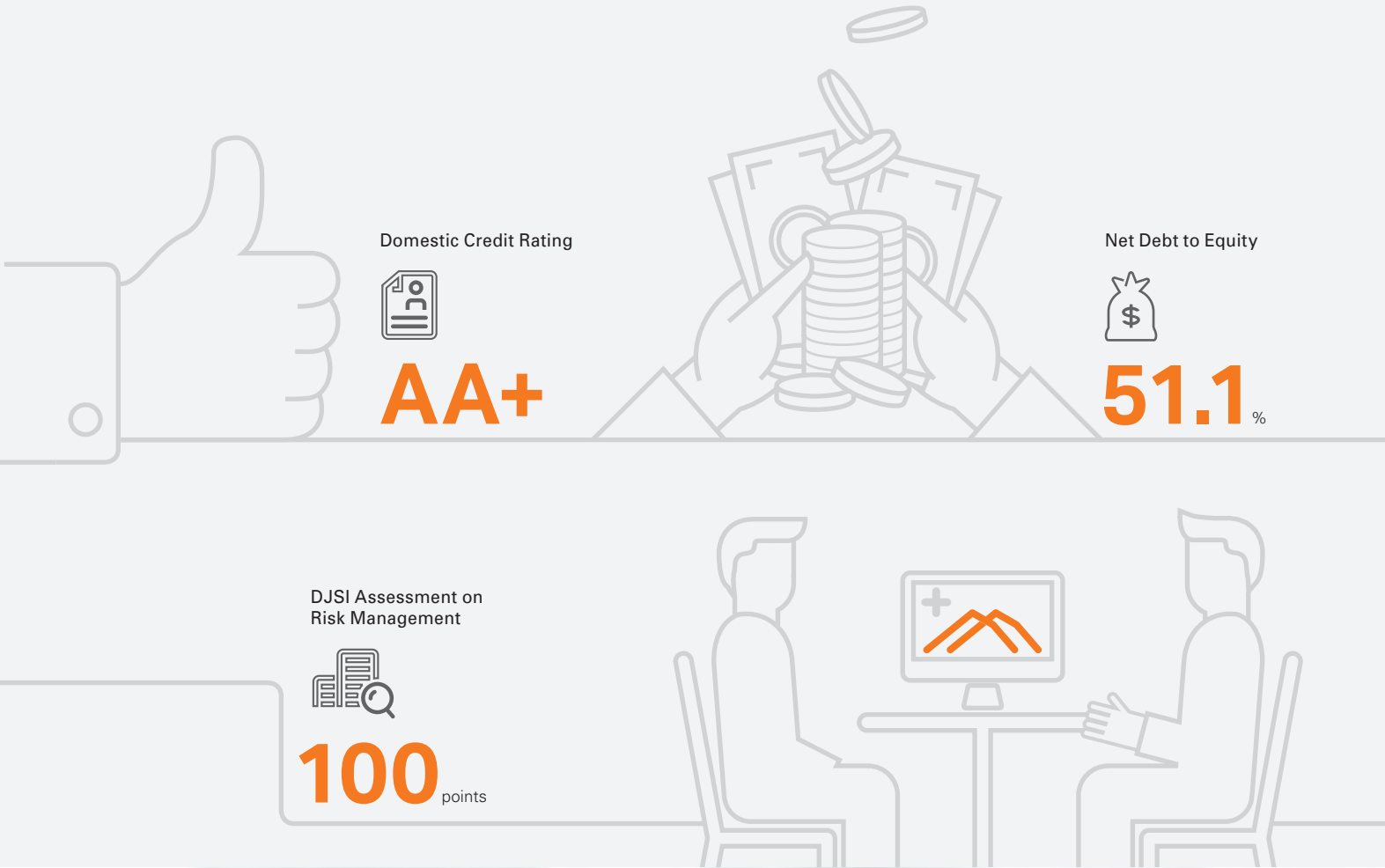
I would like to know about S-OIL’s commitment to securing stable and sound financial structure and ensuring performances that have been sources of overcoming the tough business environment and pursuing sustainable growth.

Attain Highest Level of Capital Efficiency

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Major Stakeholders	Key Issues	Report Subject	Aspect
Shareholders & Investors, Business Partners	Efficient Financial Activities	Efficient Financial Management to Maximize Corporate Value	Economic Performance (Inside the Company)
Customers, Business Partners, Local Communities, Shareholders & Investors, Government	Creation and Distribution of Economic Value	Value Chain, Creation and Distribution of Values	Economic Performance (Inside & Outside the Company)
Shareholders & Investors	Systematic Risk Management	Systematic Risk Management	Risk Management (Inside the Company)



Answer

The more uncertainty and complexity increases in the business environment, the more stable financial structure and efficient capital operation become critical for maximizing corporate value and securing a competitive edge.

S-OIL has outperformed its competitors by making proactive investments based on its stable financial structure even in times of a challenging business environment. The Company is putting forth a multilateral effort into strengthening capabilities to generate cash flow and maintaining a stable financial structure. These efforts have allowed us to demonstrate the highest credit rating in the industry despite an adverse outlook on the refining business these days.

We are also paying full attention to financial management to ensure profitability and cash flow creation competency. To this end, our focuses are now on the development of promising investment plans and efficient capital operation.

These efforts will enable the Company to achieve the management goal of corporate value maximization rooted in sustainable growth.

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



Management Principles 6-1

Why Is This Important?

To foster sustainability management, companies should establish an efficient capital structure based on financial soundness and work to maximize corporate value through efficiently managing economic resources created in the process.

Furthermore, companies should do their utmost to maintain balanced distribution of created economic values in the long term to promote sustainable growth and ensure the best interests for a full spectrum of stakeholders including shareholders.

Our Commitment

- Efficient capital structure
- Effective distribution of economic resources
- Maintaining financial competency for sustainable growth

Credit Ratings (as of December 31, 2014)

Overseas		Domestic		
Moody's	S&P	Korea Ratings	NICE Investors Service	Korea Investors Service
Baa2	BBB	AA ⁺	AA ⁺	AA ⁺

Efficient Financial Management to Maximize Corporate Value

Our Response

Efficient Capital Structure

It is of great importance to establish an efficient capital structure in order for a company to achieve sustainability in the business environment where uncertainties abound. Efficient capital structure should be supported by financial soundness. To this end, S-OIL has identified key financial indices and monitors them round-the-clock. Furthermore, the Company endeavors to manage key indicators with an impact on credit rating. S-OIL maintains stable credit ratings through good communications with credit rating agencies despite a negative outlook on the overall oil refining industry. It allows us to secure competitive funding conditions when raising working capital and investments, thereby solidifying an effective capital structure. Meanwhile, in January 2015, Saudi Aramco, S-OIL's largest shareholder, bought up all Hanjin Energy's shares in S-OIL. It has made S-OIL more strategically significant for Saudi Aramco, and also makes Saudi Aramco more likely to support S-OIL financially going forward, which, as a result, has helped us maintain an industry-leading credit rating.

Efficient Distribution of Economic Resources

To maximize corporate value, economic resources created through efficient capital structure should be effectively distributed. S-OIL ensures an optimal distribution of economic resources into profitable investment options by evaluating the appropriate level of hurdle rate, the criteria for investment feasibility studies, based on Weighted Average Cost of Capital (WACC) of the Company every month. This enables us to maximize corporate value as we channel corporate resources into high-yield investments, exceeding shareholder and creditor demand. In addition, S-OIL seeks to efficiently manage corporate resources through systematic budget management and execution to align resources distribution to the Company's long-term goals, while striving to maximize corporate value by preventing waste of resources through transparent budget execution and monitoring process.

Furthermore, despite the unprecedented performance deterioration in 2014, everyone in S-OIL had done all they could, to not harm the interests of shareholders and other stakeholders by taking austerity measures as required and implementing company-wide profit improvement programs.

Maintaining Financial Competency for Sustainable Growth

Companies should possess financial capacities to invest in new profitable businesses at all times in order to achieve sustainable growth, and maximize shareholder value. S-OIL has strived to acquire financial flexibility by seeking competitive new financing options and keeping amicable relationships with the financial market through maintaining sound financial status and constant monitoring of the market. These actions equip the Company with the competency of timely allocation of resources to new investment opportunities that can foster sustainable growth, and by doing so, the Company will make every effort to maximize corporate value.

Management Principles 6-2

Why Is This Important?

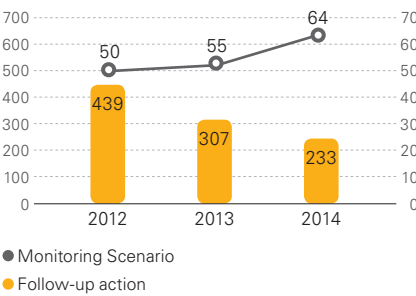
Today, the fast changing business environment intensifies the complexity of the market and also the types of risks that threaten corporate management. Therefore, risk management has become an essential corporate strategy as only the companies that overcome such hurdles and maintain sustainability can create economic, social, and environmental value.

S-OIL has in place an optimal risk management system that can counter a wide range of risks and crises to further consolidate the trust of stakeholders in our sustainability, within and outside the Company.

Our Commitment

- Advancing company-wide risk management system for sustainability management
- Acquiring efficient emergency response capabilities through Emergency Control Program (ECP)
- Securing world-class risk management capabilities

Operation of an EWS



Systematic Risk Management

Our Response

Integrated Risk Management System

The Company is operating an integrated risk management system in order to effectively respond to risks in all aspects of the economy, society, and the environment. Our integrated risk management system covers all stages from risk identification to responses into a single integrated process, thereby allowing all employees to carry out optimal responses to any given situation.

Responses to Key Risks

For timely recognition of risks and effective response to crises, S-OIL classifies risks into five types depending on their nature: strategy, markets, finance, compliance and operations. Also, through early identification of key risks and a round-the-clock monitoring that keeps in check all risk factors, S-OIL stands ready to take swift and systematic measures as set forth in the manual when an emergency breaks out. With this company-wide system in place, S-OIL prevents potential risks from turning into reality, while minimizing damage.

Major Risk Prevention Activities in 2014

1Q	<ul style="list-style-type: none">• Improved an IT-based security system to enhance private information protection• Upgraded an anti-collision system for vessels to prevent marine oil spill
2Q	<ul style="list-style-type: none">• Conducted company-wide risk response drills to cope with marine oil spill• Minimized physical and economic losses by rapid and effective responses to crack of oil tanks• Developed Emergency Control Program to build an integrated risk response system
3Q	<ul style="list-style-type: none">• Strictly monitored and prepared counter-measures to potential risks in terms of cutting off crude oil shipments caused by increasing troubles in the Middle East• Carried out safety and fire drills to respond to emergency situations at the head office building
4Q	<ul style="list-style-type: none">• Established plans to meet unfavorable business conditions from a slump in oil prices by convening the ERM Committee<ul style="list-style-type: none">– Prepared action plans for reducing operational costs– Promoted action plans for additional profit improvements• Prevented extensive possible losses by pre-emptive credit risk management (due to the bankruptcy of a major bunkering firm OW Bunker)

Early Warning System (EWS)

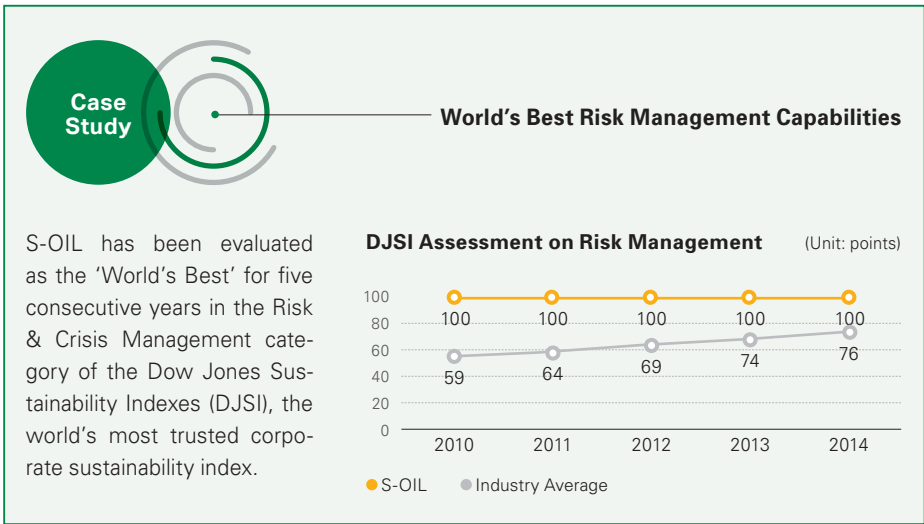
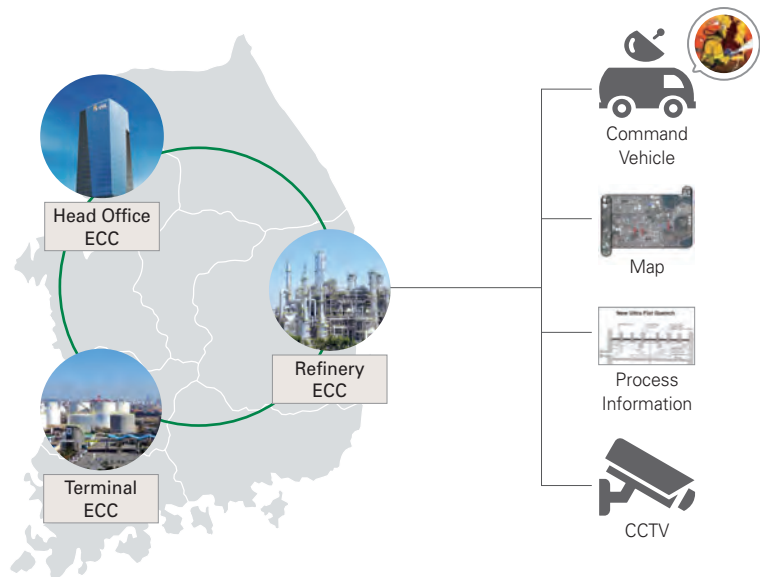
Based on an exhaustive analysis of the extensive database of business activities, S-OIL has developed and put in place a round-the-clock EWS to promptly respond to unexpected risks since 2012. The EWS automatically identifies any irregularities against pre-constructed scenarios, allowing an immediate team-based response to the risk. We have so far introduced a total of 64 scenarios since its establishment, building up the system's monitoring capability for potential risk factors. However, as risk management competency of each business field grows, the newly identified irregularities have started to slow down in number.

Introduction of Emergency Control Program (ECP)

Failure to take early action in an unpredictable crisis event due to changes in business environment may bring about great damage or aggravated risk. To prevent this, S-OIL has introduced the Emergency Control Program (ECP), which can facilitate pre-emptive measures through the real-time communication channel.

In 2014, for the ECP, S-OIL drew up regulations and procedures to stipulate R&R of each related organization. Then the Company completed the establishment of the Emergency Control Center (ECC) equipped with a video conference system as a real time communication channel both at the company-wide level and at the regional level.

In 2015, S-OIL plans to set up the latest surveillance system at Onsan Refinery that comes with an on-site command vehicle. S-OIL will conduct company-wide emergency exercises through the real-time communication between the top management and on-site response organizations by this mobile video conference system.



Financial Performances

Financial data was prepared in accordance with K-IFRS.

Summarized Financial Position

(Unit: KRW in millions)

Item	2012	2013	2014
Current assets	8,580,342	7,911,340	5,706,292
Non-current assets	3,911,699	4,003,595	4,543,122
Total assets	12,492,041	11,914,935	10,249,414
Current liabilities	6,275,121	5,884,823	3,955,145
Non-current liabilities	844,929	680,507	1,390,052
Total liabilities	7,120,050	6,565,330	5,345,197
Capital stock	291,512	291,512	291,512
Capital surplus	379,190	379,190	379,190
Reserves	1,003,200	1,002,488	977,843
Treasury stocks	(1,876)	(1,876)	(1,876)
Retained earnings	3,699,965	3,678,291	3,257,548
Total equity	5,371,991	5,349,605	4,904,217
Total liabilities and equity	12,492,041	11,914,935	10,249,414

Summarized Income Statement

(Unit: KRW in millions)

Item	2012	2013	2014
Revenue	34,723,291	31,158,528	28,557,562
Cost of sales	(33,410,816)	(30,229,317)	(28,282,216)
Gross profit	1,312,475	929,211	275,346
Selling expenses	(445,912)	(475,847)	(479,102)
Administrative expenses	(84,799)	(87,320)	(85,948)
Operating profit	781,764	366,044	(289,704)
Financial income	369,489	290,879	220,230
Financial expenses	(194,536)	(250,001)	(329,258)
Other income	486,450	517,835	480,780
Other expenses	(731,004)	(537,965)	(468,024)
Profit before income tax	712,163	386,792	(385,976)
Income tax expense	(132,148)	(97,486)	97,811
Net income	580,015	289,306	(288,165)
Other comprehensive income	(9,346)	(3,082)	(37,214)
Total comprehensive income	570,669	286,224	(325,379)

Major Financial Indicators

(Unit: %, multiples)

Stability	2012	2013	2014
Current ratio	136.74	134.44	144.28
Total liabilities to equity ratio	132.54	122.73	108.99
Borrowings to total assets	28.02	26.91	35.49
Times interest earned	9.14	6.83	(6.79)

Profitability	2012	2013	2014
Operating income to sales	2.25	1.17	(1.01)
Net income to sales	1.67	0.93	(1.01)
Return on equity	10.95	5.4	(5.62)
Operating cash flow to total assets	5.72	6.5	7.93

Growth and Activity	2012	2013	2014
Sales growth ratio	8.8	(10.27)	(8.35)
Operating income growth ratio	(53.95)	(53.18)	(179.14)
Net income growth ratio	(51.36)	(50.12)	(199.61)
Total assets growth ratio	(5.39)	(4.62)	(13.98)

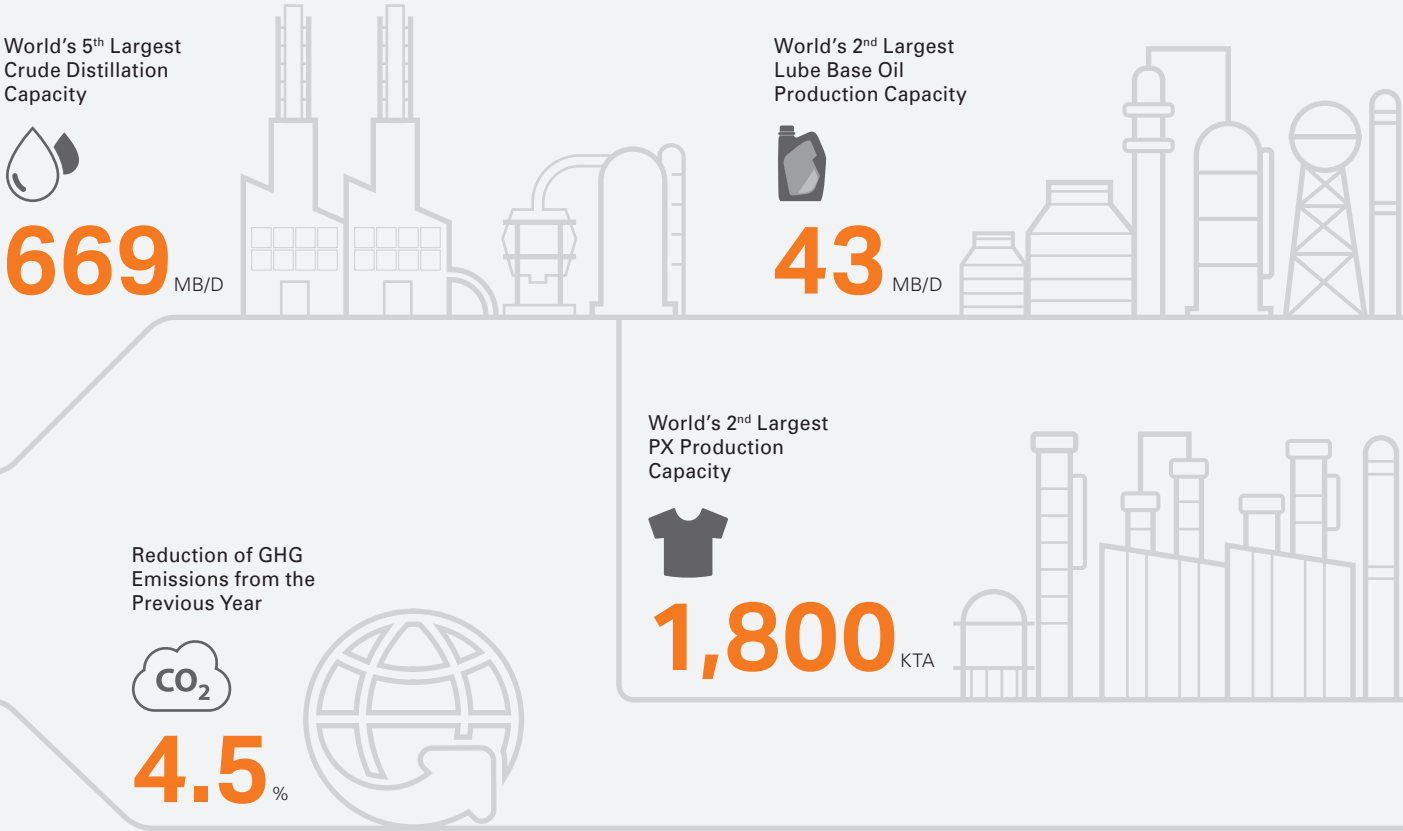
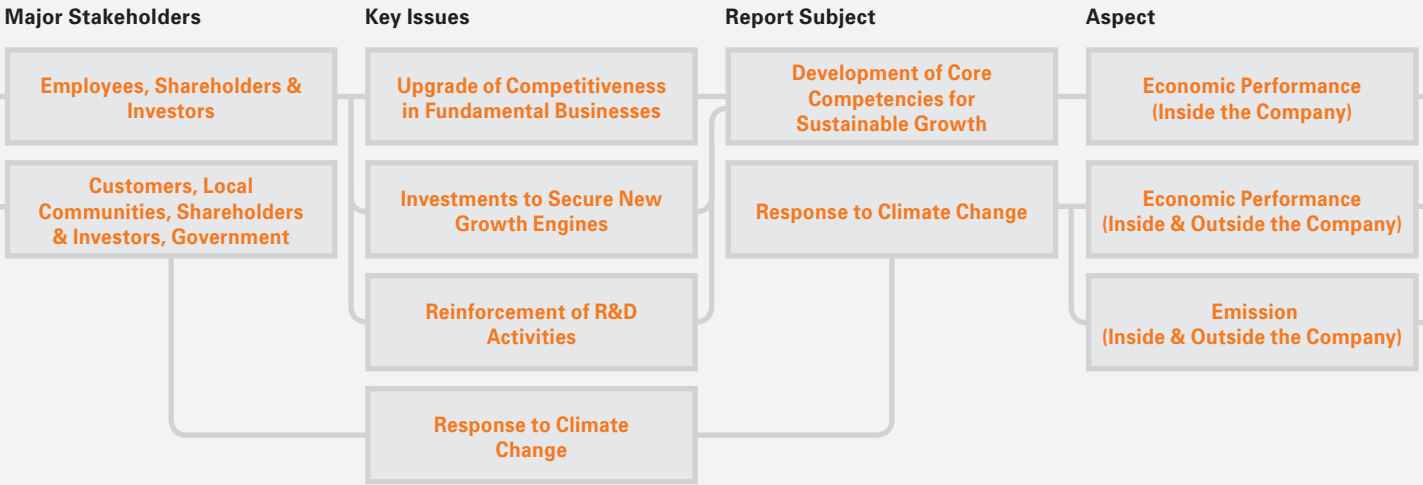
Payout of Dividends

Classification		2012	2013	2014
Total dividends paid (KRW in millions)		308,611	154,935	17,559
Cash dividend propensity (%)		53.21	53.55	-
Cash dividend yield (%)	Common	2.49	1.81	0.3
	Preferred	4.33	2.52	0.5
Cash dividends per share (KRW)	Common	2,650	1,330	150
	Preferred	2,675	1,355	175

Develop Platform for Sustainable Growth

In an attempt to secure core competencies for sustainable growth, S-OIL is pushing ahead with the SUPER project and ‘Residue Upgrading Complex & Olefin Downstream Complex’ project. We are also building the TS&D Center to strengthen

our R&D capabilities. In addition, the Company is proactive in responding to climate change issues that may affect corporate competitiveness by setting up company-wide strategies.



Question

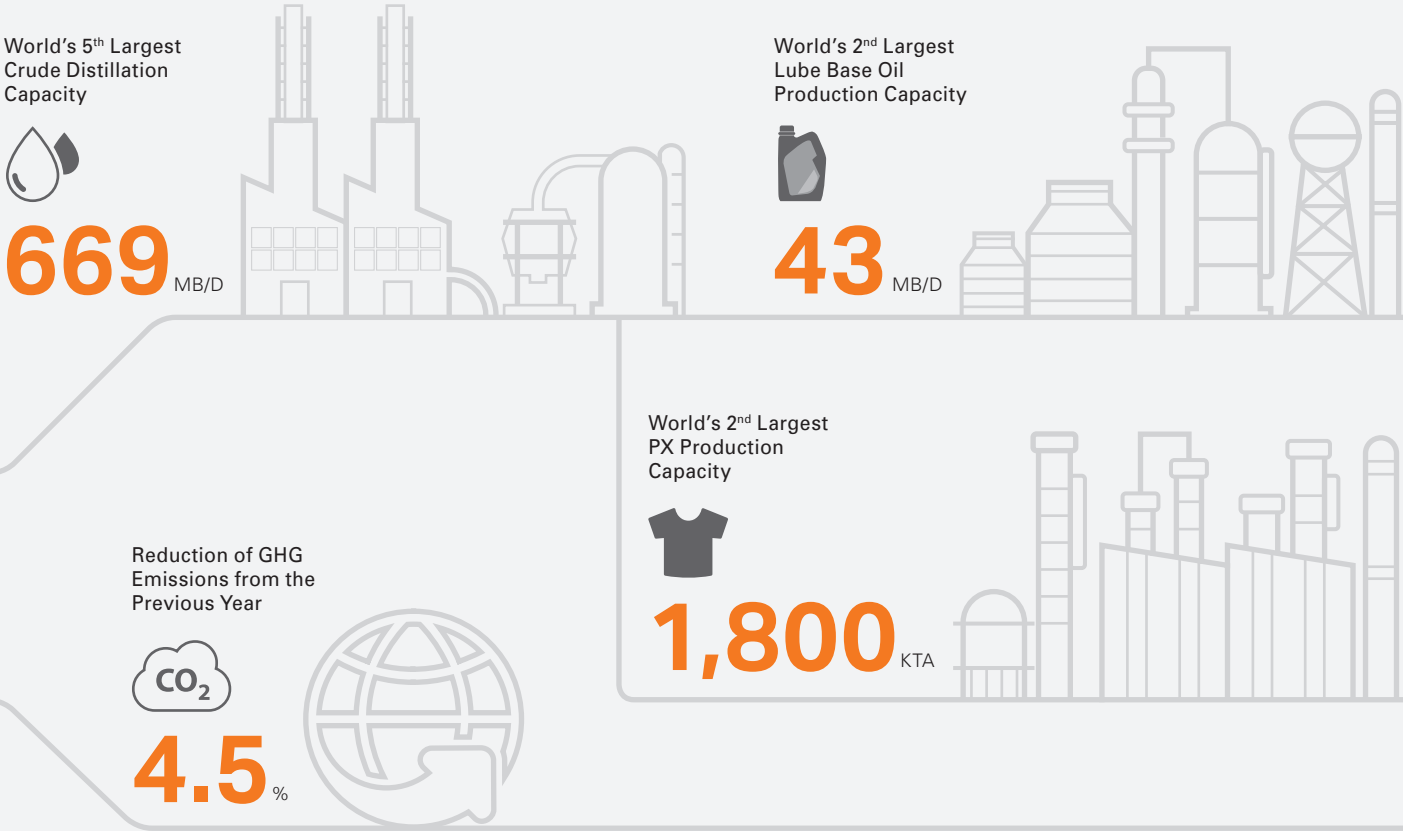
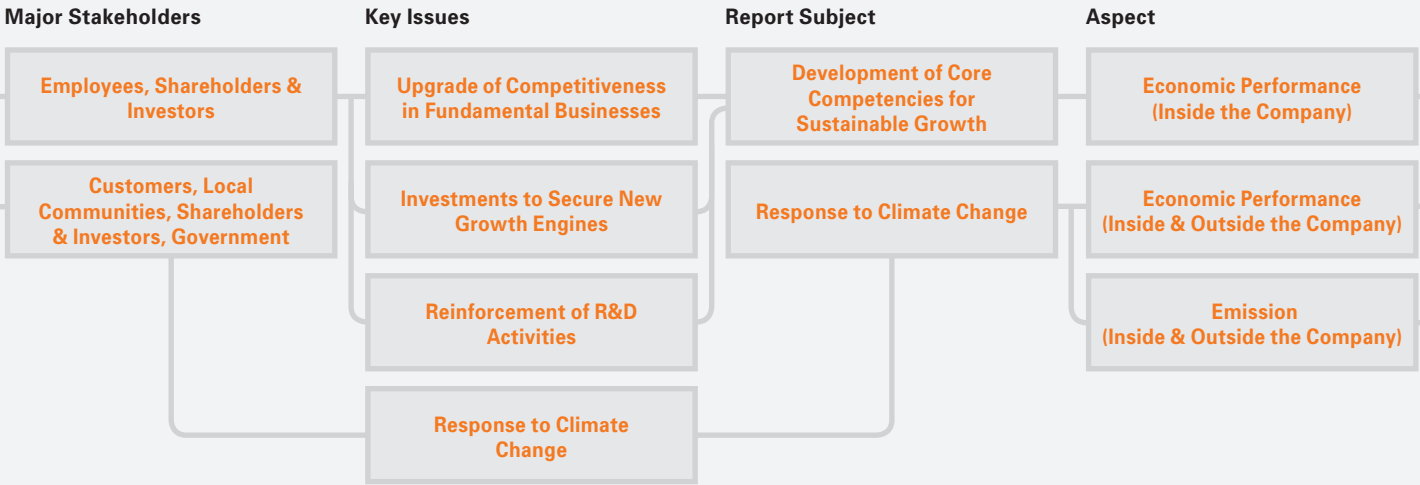
Every investor wants to know the blue print of a company’s strategic directions for the future.

If internal discussions were made, could you tell us your company’s future business strategies under the paradigm shift in the global energy market?

Develop Platform for Sustainable Growth

In an attempt to secure core competencies for sustainable growth, S-OIL is pushing ahead with the SUPER project and ‘Residue Upgrading Complex & Olefin Downstream Complex’ project. We are also building the TS&D Center to strengthen

our R&D capabilities. In addition, the Company is proactive in responding to climate change issues that may affect corporate competitiveness by setting up company-wide strategies.



Answer

S-OIL has drawn up strategic directions to ensure sustainable growth in response to the structural changes in the business environment.

By building on such efforts, the Company is pushing ahead with the largest investment project in its history to construct the most advanced residue upgrading complex and an olefin downstream complex utilizing olefins from the newly built upgrading complex as feedstock. Through this project, we will build up a balanced business portfolio that is expanded to olefin downstream products as well as existing refining, lube, and aromatics products, and eventually grow into the most profitable integrated energy company.

In addition, we are promoting the construction of the Technical Service & Development Center to strengthen capabilities for customer service and product development which are essential for the olefin downstream business.

To this end, we secured land spaces in the Magok Industrial Complex in Seoul, which is an advantageous location to attract competent researchers. In the long-term, the TS&D Center will play a key role in developing new technologies and projects which will be future growth engines and eventually contribute to laying the foundation for our sustainable growth.

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



Management Principles
 7-1

Why Is This Important?

Faced with a harsh business environment, including the global economic recession, increasing competition among refining companies triggered by their production capacity expansions, and the sharp drop in oil prices, S-OIL is putting in more efforts to identify ways to drive its future growth. Recent business circumstances, defined as the ‘New Normal,’ require enterprises to make structural and fundamental changes, and how they cope with these surroundings will decide whether they will survive and grow in a sustainable manner or not, in the future.

To deal with structural changes in the refining industry, S-OIL has been weighing its future strategic direction in a detailed manner for the last several years. Based on this, the Company has been not only executing revamping projects for improving profitability of existing facilities but also pushing forward with the ‘Residue Upgrading Complex & Olefin Downstream Complex’ project, the biggest investment in its history for the construction of integrated refining-petrochemical facilities. In addition, we are working on construction of the ‘Technical Service & Development (TS&D) Center,’ designed to strengthen our technological competitiveness and to advance the customer service and product development functions, thus reinforcing our R&D capability as the core competency for sustainable growth.

Develop Core Competencies for Sustainable Growth

Our Response

Successfully Complete the ‘Residue Upgrading Complex & Olefin Downstream Complex’ Project

S-OIL is pushing ahead with the biggest project in its history, to construct the most advanced residue upgrading complex adopting state-of-the-art refining technologies and an olefin downstream complex utilizing cost competitive olefin feedstocks from the newly built residue upgrading complex. Upon its completion, the Residue Upgrading Complex will significantly enhance the Company’s profitability by converting heavy fuel oil, which has a value lower than crude oil and is expected to see a decline in market demand and profitability due to stricter environmental regulations, into high value-added gasoline and olefins. Also, it will enable S-OIL to have high level of cost competitiveness in the olefin downstream business by providing olefin feedstocks produced from the low value residue via cutting-edge technologies. The Olefin Downstream Complex, poised to be built together with the Residue Upgrading Complex, will bring unmatched competitiveness in the industry to the Company, through the technology partnership and comprehensive collaboration with a world’s leading petrochemical company as well as low cost olefin feedstocks.

By construction of the Olefin Downstream Complex, S-OIL plans to make forays into the Polypropylene (PP) and Propylene Oxide (PO) businesses to extend its value chain to polypropylene and polyurethane areas. These new businesses will enable S-OIL to cope proactively with the industry trend of applying higher quality materials in the more value-added products used for information technology and biotechnology fields. Also S-OIL seeks to wean the domestic industry off the heavy reliance on imported materials like PO whose domestic supply is limited, thereby creating a stable income stream. This will allow Korean polyurethane industry as well as relevant industries to dramatically better their efficiency and competitiveness.

S-OIL will build up a balanced business portfolio by manufacturing olefin downstream products that are likely to grow steadily in market demand at an annual rate of around 5%, outpacing the demand growth of petroleum products, in addition to its existing businesses, refining, lube and aromatics. S-OIL will consolidate its status as the most profitable total energy company that achieves stable operating outcomes in an ever-changing business environment.

Construction of the TS&D Center to Reinforce R&D Capabilities

It is critical for the petrochemical downstream business to strengthen technological competitiveness aimed at product development to meet market needs and customer-tailored services such as technical support as the business has a wide range of product spectrum.

In a bid to make a successful foothold in the petrochemical downstream business, S-OIL is in the process of establishing the Technical Service & Development (TS&D)

Our Commitment

- Successfully complete the ‘Residue Upgrading Complex & Olefin Downstream Complex’ project
- Reinforce R&D capabilities to create future value
- Improve profitability of existing facilities through SUPER project



TS&D Center (Bird’s-eye View)



SUPER Project

Center to accommodate the Company’s needs for R&D reinforcement in the petrochemical business as well as existing oil refining business.

To that end, S-OIL signed a contract with the Seoul Metropolitan Office in February 2014 to enter the R&D Complex in Magok District where it will construct the TS&D Center on a site spanning 29,099 square meters. We are first designing the center with a total floor area of 43,805 square meters to be able to accommodate about 300 researchers under the schedule of groundbreaking in 2015 and completion in 2017.

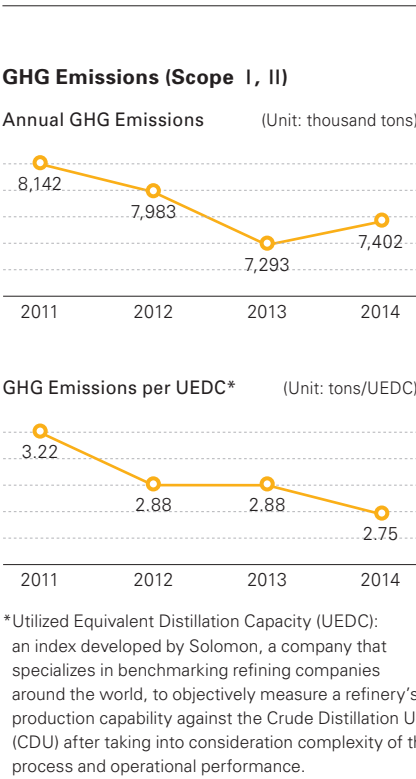
Upon its completion, the TS&D Center will carry out activities for technical support for customers, product development, and core technology R&D in relation to high value-added petrochemical products. It will also extend and reinforce the function in line with the expansion of our petrochemical downstream business. Furthermore, in the long-term, it will work on identifying new business opportunities and the business commercialization for future growth through securing new competitive technologies as well as supporting existing businesses.

R&D activities for existing refining business including fuel and lubricant will be integrated to the Petroleum TS&D Center to strengthen research functions, while R&D with respect to the production process, catalyst, analysis, and product development in relation to high value-added petrochemical products to be gone into business from now on will be promoted by newly building the Chemical TS&D Center. Studies on future growth engines will primarily emphasize nurturing talents and securing technology, through hiring domestic and international high quality researchers, building a research partnership with technology licensors, and conducting industry-academia cooperation with top-tier universities. For example, S-OIL is in talks for forging a joint research agreement with Seoul National University and Korea Advanced Institute of Science and Technology. In addition, S-OIL plans to establish an R&D roadmap aimed at building an R&D support system and securing future technologies for systematic and efficient research activities contributing the Company’s value creation.

Implementation of the SUPER(S-OIL Upgrading Program of Existing Refinery) Project

S-OIL strives towards generating additional profits, by doubling the efficiency and production capacity in its existing refining facilities. To this end, the Company has launched in earnest the SUPER project in 2015, a scheme developed to improve the production capacity of high value-added products, raise energy efficiency, and cut operating costs.

The SUPER project is being undertaken with the purposes of increasing high value-added diesel through revamping existing residue upgrading complex, securing higher process volume and quality of aromatics and lube base oil through improving production facilities, and reducing operating costs and raising energy efficiency based on long-term plans. The investment plan of the project was drawn up through a feasibility study and basic design with process licensors, before heading to the Board of Directors for approval in 2014. Each of the three different phases in the project has its own time schedule. The investment of Package-1 that has kick-started activities in engineering, procurement and construction (EPC) since December 2014 will be concluded by November 2015 or November 2016, according to related facilities’ regular maintenance plan. EPC projects for Package-2 and 3 were initiated in April 2015 and will be completed by November 2016 and May 2017, respectively. Upon the completion of these projects, our competitive edge in main businesses will be enhanced and the foundation for our sustainable growth will be further solidified as well.



Independent Assurance Statement

To the Stakeholders of S-OIL

The Korea Productivity Center (“the Assurer”) was requested by S-OIL to provide an independent assurance statement on the validity of contents and information provided in S-OIL’s 2014 Sustainability Report (“the Report”), and hereby presents the following assurance statement:

Responsibility and Independence

S-OIL is entirely responsible for all information and opinions presented in the “Report”. The Assurer is solely responsible for providing a third party verification of the contents of the “Report”. As an independent assurance agency, the Assurer neither was involved in the process of developing the “Report” with S-OIL, nor is in any conflict of interest that may undermine our 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 2014 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 Head Office 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 Head Office 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.

Key Issues	Material Aspect	Item
Transparent Corporate Governance	Governance	G4-34~55
Transparent Disclosure on Management Information	Report Profile	G4-28~34
Enhancement of Compliance Management	Ethics and Integrity	G4-56~58
Enhancement of Ethics Management of the Company and Business Partners	Ethics and Integrity	G4-56~58
Creation and Distribution of Economic Value	Economic Performance	EC1~4
Efficient Financial Activities	-	-
Systematic Risk Management	-	-
Upgrade of Competitiveness in Fundamental Businesses	-	-
Investments to Secure New Growth Engines	-	-
Reinforcement of R&D Activities	-	-
Response to Climate Change	Energy	DMA, EN6~7, OG2~3
	Emission	DMA, EN15~21
	Products and Services	EN27
Efforts to Enhance Energy Efficiency and Save Energy	Energy	DMA, EN3~4
	Water	EN8~10
	Effluents and Waste	EN22~26
	Compliance	EN29
Minimization of Impacts on the Environment	Overall(EN)	EN31
	Occupational Health and Safety	DMA, LA5~8
	Customer Health and Safety	DMA, PR1~2
	Compliance	EN29
Reinforcing Safety Management	Occupational Health and Safety	DMA, LA5~8
Reinforcement of Product Competitiveness	Customer Health and Safety	DMA, PR1~2
Enhancement of Brand Value	-	-
Enhancement of Service Quality at Service Stations	-	-
Company-wide Social Contribution Activities	Local Communities	DMA, SO1~2, OG10~11
Cultural and Artistic Sponsorship	-	-
Educational Support	-	-
Various Welfare Benefit Systems	Employment	DMA, LA1~3
Differentiated Education for Talent Cultivation	Training and Education	LA9~11
Fair Performance Evaluation and Compensation	Training and Education	LA9~11
Prohibition of Discrimination and Provision of Fair Opportunities	Diversity and Equal Opportunity	LA12
	Non-discrimination	HR3

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. S-OIL’s activities in each sustainability management sectors including environment, social contribution, and ethics are well conducted, and its management system is turning towards performance-based. The Assurer suggests expanding collaborative activities among all the areas which can strengthen connectivity and create synergy, thereby leading to more developed activities. For instance, S-OIL could pursue new, creative activities through by integrating the environmental

management through social contribution, the organic collaboration between ethics management and shared growth, the corporate-wide risk management based on employees’ competence.

- 2. The Assurer recommends S-OIL to establish a long-term strategy for sustainability in its supply chain. The issues with supply chain have a crucial influence to the Company’s business and reputation beyond a simple trade relation, and an increase in the complexity of supply chain could also increase risks. If S-OIL secures high quality supply chain by assessing sustainability factors from the selection process and implements strategic actions to enhance the sustainability standard of its supply chain, it will largely contribute to improve its business performance and to expand new business opportunities.

- 3. The Assurer believes that the Global Eradication of Poverty Project is an activity with very high social value. S-OIL will be able to further enhance its performance of social responsibility, if it continuously verifies the impacts of the project in social, business aspects, along with its efforts towards improving the performance.



May 2015
Korea Productivity Center
CEO Hong, Sun-Jik

Kim, Dong-Soo
Director

Lee, Yang-ho
Team Leader

Lee, Sung-sang
Team Leader

Lee, Ki-hwan
Team Leader

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 AccountAbility 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
Strategy and Analysis					
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.	02~03	●		65
G4-2	Provide a description of key impacts, risks, and opportunities.	Cover	●		65
Organizational Profile					
G4-3	Report the name of the organization.	Cover	●		65
G4-4	Report the primary brands, products, and services.	Cover	●		65
G4-5	Report the location of the organization's headquarters.	Cover	●		65
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.	Cover	●		65
G4-7	Report the nature of ownership and legal form.	Cover	●		65
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Cover	●		65
G4-9	Report the scale of the organization.	Cover	●		65
G4-10	Report the total number of employees.	Cover	●		65
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	66	●	75.8%	65
G4-12	Describe the organization's supply chain.	Cover, 04~09	●		65
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Cover	●		65
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	55~56	●		65
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	70	●		65
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization.	70	●		65
Identified Material Aspects and Boundaries					
G4-17	(1) List all entities included in the organization's consolidated financial statements or equivalent documents. (2) Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Cover	●		Yes, 65
G4-18	(1) Explain the process for defining the report content and the Aspect Boundaries. (2) Explain how the organization has implemented the Reporting Principles for Defining Report Content.	07~08	●		Yes, 65
G4-19	List all the material Aspects identified in the process for defining report content.	09	●		Yes, 65
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	09	●		Yes, 65
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	09	●		Yes, 65
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	10~11	●		Yes, 65
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Cover, 10~11	●		Yes, 65
Stakeholder Engagement					
G4-24	Provide a list of stakeholder groups engaged by the organization.	06	●		Yes, 65
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Cover	●		Yes, 65
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.	07~08	●		Yes, 65
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.	08	●		Yes, 65
Report Profile					
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	Cover	●		65
G4-29	Date of most recent previous report (if any).	Cover	●		65
G4-30	Reporting cycle (such as annual, biennial).	Cover	●		65
G4-31	Provide the contact point for questions regarding the report or its contents.	Cover	●		65
G4-32	(1) Report the 'in accordance' option the organization has chosen. (2) Report the GRI Content Index for the chosen option (see tables below). (3) 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.)	64~65	●		65

General Standard Disclosure

● Fully Reported ● Partially Reported ○ Not Reported N/A Not Applicable

G4	Indicator	Reported Page	Report Coverage	Note	External Assurance
G4-33	(1) Report the organization's policy and current practice with regard to seeking external assurance for the report. (2) If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. (3) Report the relationship between the organization and the assurance providers. (4) Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	Cover	●		65
Governance					
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decisionmaking on economic, environmental and social impacts.	12~13	●		65
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.	12~13	●		65
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.	12~13	●		65
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.	12~13	●		65
G4-38	Report the composition of the highest governance body and its committees.	12~13	●		65
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).	12~13	●		65
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.	12~13	●		65
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.	12~13	●		65
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.	12~13	●		65
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	12~13	●		65
G4-44	(1) 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. (2) 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.	12~13	●		65
G4-45	(1) 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. (2) 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.	12~13	●		65
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.	12~13	●		65
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	12~13	●		65
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.	12~13	●		65
G4-49	Report the process for communicating critical concerns to the highest governance body.	12~13	●		65
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.	12~13	●		65
G4-51	(1) Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration. (2) Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	12~13	●		65
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.	12~13	●		65
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.	12~13	●		65

GRI G4 Content Index

General Standard Disclosure

● Fully Reported ● 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.	67	●	The CEO is the highest-paid individual in the company. His annual total compensation is five times the median annual total compensation for all employees (excluding the CEO). And it is applied by the same increase rate of annual total compensation for all employees.	65
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.	67	●		65
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	49~51	●		65
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.	49~51	●		65
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.	49~51	●		65

Specific Standard Disclosures

● Fully Reported ● Partially Reported ○ Not Reported N/A Not Applicable					
G4	Indicator	Reported Page	Report Coverage	Note	External Assurance
Disclosures on Management Approach					
DMA	(1) Why the Aspect is material. Report the impacts that make this Aspect material (2) How the organization manages the material Aspect or its impacts (3) The evaluation of the management approach	18~20, 34, 40~41, 54, 62	●		65
Performance Indices by Aspects					
Economic					
Economic Performance					
G4-EC1	Direct economic value generated and distributed	57	●		65
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	62~63	●		65
G4-EC3	Coverage of the organization's defined benefit plan obligations	38~39	●		65
G4-EC4	Significant indirect economic impacts, including the extent of impacts	-	N/A		65
Environmental					
Energy					
G4-EN3	Energy consumption within the organization	11	●		65
G4-EN4	Energy consumption outside of the organization	11	●		65
G4-EN5	Energy intensity	11, 69	●	Energy use per UEDC · 2012: 38.3 MJ/kUEDC · 2013: 39.1 MJ/kUEDC · 2014: 36.0 MJ/kUEDC	65
G4-OG2	Total amount invested in renewable energy	-	N/A		65
G4-OG3	Total amount of renewable energy generated by source	-	N/A		65
G4-EN6	Reduction of energy consumption	11, 18, 62~63	●		65
G4-EN7	Reductions in energy requirements of products and services	62~63	●		65
Water					
G4-EN8	Total water withdrawal by source	11	●		65
G4-EN9	Water sources significantly affected by withdrawal of water	-	N/A		65
G4-EN10	Totawater withdrawal by source	11	●		65
Emission					
G4-EN15	Direct greenhouse gas (GHG) emissions	11	●		65
G4-EN16	Indirect greenhouse gas (GHG) emissions	11	●		65
G4-EN17	Other indirect greenhouse gas (GHG) emissions	11	●		65
G4-EN18	Greenhouse gas (GHG) emissions intensity	63	●		65

Specific Standard Disclosures

● Fully Reported ● Partially Reported ○ Not Reported N/A Not Applicable					
G4	Indicator	Reported Page	Report Coverage	Note	External Assurance
G4-EN19	Reduction of reenhouse gas (GHG) emissions intensity	63	●		65
G4-EN20	Emissions of ozone-depleting substances (ODS)	-	N/A		65
G4-EN21	NOx, SOx and other significant air emissions	11	●		65
Effluents and Wastes					
G4-EN22	Total water discharge by quality and destination	11	●		65
G4-EN23	Total weight of waste by type and disposal method	11	●		65
G4-EN24	Total number and volume of significant spills	19	●		65
G4-EN25	Weight of transformed, imported, exported, or treated wasted deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	-	N/A		65
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies related habitats significantly affected by the organization's discharge of water and runoff	-	N/A		65
Products and Services					
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	62~63	●		65
Compliance					
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	11, 19	●		65
Overall					
G4-EN31	Total environmental protection expenditures and investment by type	11, 20	●		65
Social					
Labor Practices and Decent Work					
Employment					
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	40, 43	●		65
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	40~43	●		65
G4-LA3	Return to work and retention rates after parental leave, by gender	43	●		65
Training and Education					
G4-LA9	Average hours of training per year per employee by gender, and by employee category	10	●		65
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	41~42	●		65
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	40	●		65
Diversity and Equal Opportunity					
G4-LA12	Composition of governance bodies and breakdown of employees	10, 43	●		65
Human Rights					
Non-discrimination					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	40	●		65
Society					
Local Communities					
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	14~15, 32~37	●		65
G4-SO2	Operations with significant actual and potential negative impacts on local communities	14~15, 32~37	●		65
Supplier Assessment for Impacts on Society					
G4-OG10	Number and description of significant disputes with local communities and indigenous peoples	-	N/A		65
G4-OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	-	N/A		65
Product Responsibility					
Customer Health and Safety					
G4-PR1	Percentage of significant products and services categories for which health and safety impacts are assessed for improvement	27	●		65
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	27	●		65

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 · Performance-based Corporate Culture · Reinforcement of Human Resources · Work-Life Balance	40~45
	Principle 2. Businesses should make sure that they are not complicit in human rights abuses.		
Labour Standards	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.		
	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.	Achieve operational excellence · Enhancement of Operational Excellence · Minimization of Impacts on the Environment · Reinforcing Safety Management	22~27
	Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.		
	Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	Develop platform for sustainable growth · Develop Core Competencies for Sustainable Growth · Response to Climate Change	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 · Enhancement of Transparency · Commitment to Compliance Management · Ethics Management with Business Partners	46~51

Accolades and Recognitions in 2014

Month	Accolades and Recognitions	Awarded by
July	Grand-Prix company on ESG evaluation (1st)	Korea Corporate Governance Service
July	Fortune Global 500 (427th)	Fortune, U.S.
September	Listed to the Korea Climate Change Index (Excellent company in the refining sector)	Korea Chamber of Commerce and Industry
October	Listed to the DJSI World Index (Oil & Gas Producer)	S&P Dow Jones, Robeco SAM, Korea Productivity Center
October	Top 250 Global Energy Company (143rd) Global Petroleum and Gas Refining and Marketing Company (19th)	Platts, U.S.
October	Carbon Management Global Leaders Club: 1st in the Energy & Utility Sector	Carbon Disclosure Project Korea (CDP Korea) Committee
December	Excellent company in evaluating the National Infrastructures Disaster Response System (Minister Prize of Public Safety and Security)	Ministry of Public Safety and Security

Association Memberships

Association	Year of joining
Korea Petroleum Association	1980
Onsan Industrial Complex Environment Management Association	1983
Onsan Industrial Complex Safety Management Association	1986
Korea Industrial Safety Association	1988
Korea Fire Safety Association	1993
Korea Chemical Management Association	1997
Korea Fair Competition Federation	2001
Environment Protection Council	2002
Korea Forum for Progress	2005
Korea Business Council for Sustainable Development	2008
Onsan Industrial Complex Hazardous Material Safety Management Council	2008
UN Global Compact	2010
Korea Council on the Protection of Personal Information	2011



S-OIL welcomes your feedback on the S-OIL Sustainability Report 2014. Please contact us with your opinions and suggestions.

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Readers’ Opinions

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

- ☐ Customer
- ☐ S-OIL Employee
- ☐ Shareholder / Investor
- ☐ Local Resident
- ☐ Business Partner
- ☐ NGO
- ☐ Media
- ☐ Government
- ☐ Research / Academia
- ☐ Others ()

2. How did you learn about S-OIL’s Sustainability Report 2014?

- ☐ S-OIL Website
- ☐ Smartphone / Tablet app
- ☐ Seminar / Lecture / Exhibition
- ☐ S-OIL Employee
- ☐ Other Website
- ☐ Newspaper / Magazine
- ☐ Others ()

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

4. Referring to the box below, which section, if any, do you find requires additional information? ()

<Section>

- ① CEO’s Message

② Sustainability Management Scheme

③ Creating Value for Stakeholders

④ Stakeholder Engagement & Materiality Test

⑤ Key Sustainability Management Performance
- ⑥ SPECIAL REPORT 1. Corporate Governance Pursuing Checks and Balances

⑦ SPECIAL REPORT 2. Committing to UN’s Development Initiative

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



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