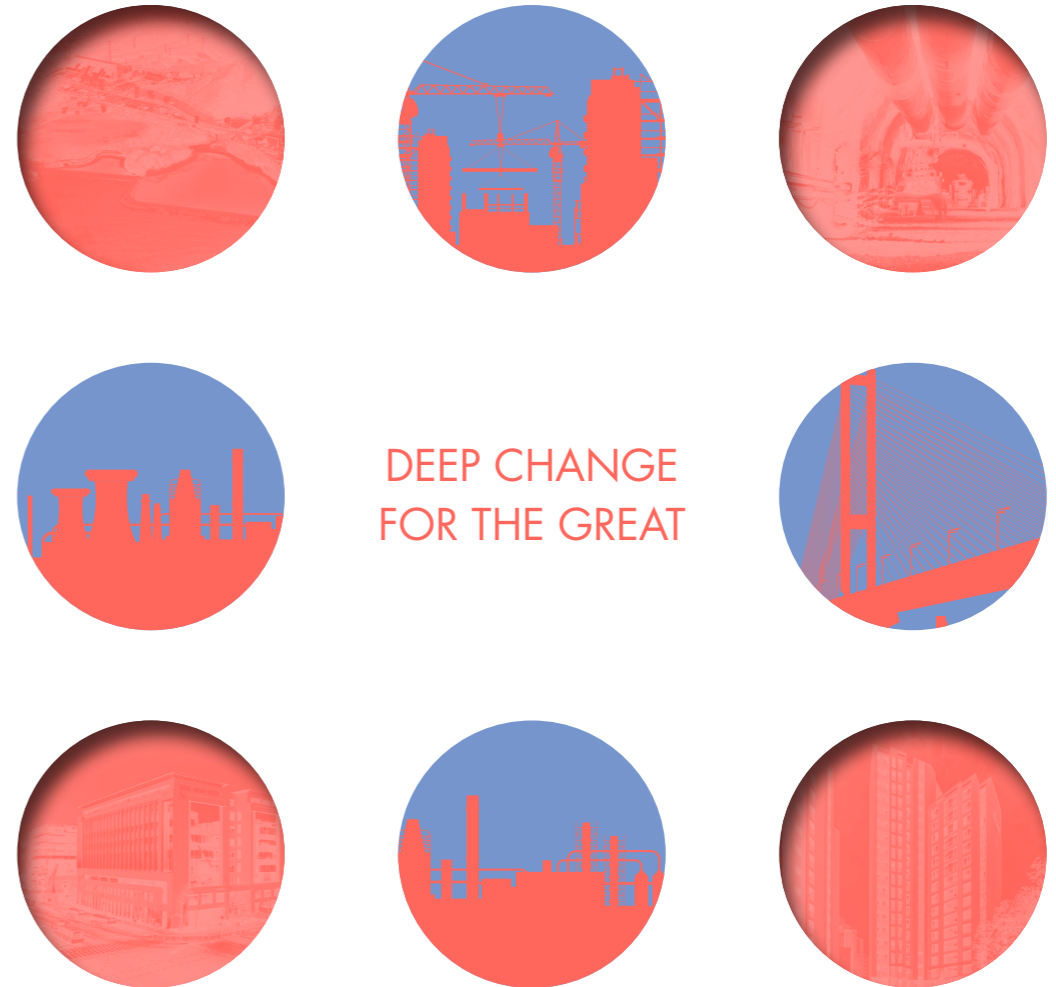


SK E&C 2017 CORPORATE SOCIAL RESPONSIBILITY REPORT

2017 CSR REPORT



SK E&C 2017 CORPORATE SOCIAL RESPONSIBILITY REPORT 2017 CSR REPORT



ABOUT THIS REPORT

This is SK E&C's third CSR report with a focus on our social responsibility activities and performance in 2017 based on our CSR strategy. This report consistently presents SK E&C's contributions to the sustainable development of society and our efforts to proceed toward Deep Change, the direction SK E&C targets in its pursuit of social value.

Reporting Period

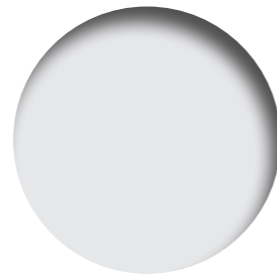
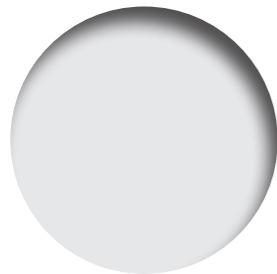
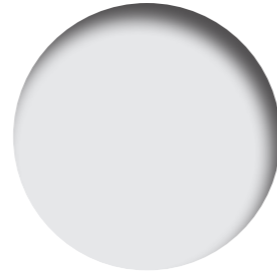
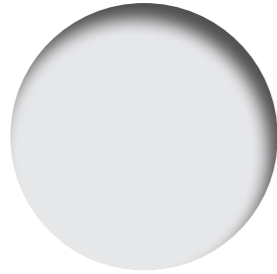
This report covers SK E&C's activities and performance from January 1, 2017 to December 31, 2017. Furthermore, it also includes significant activities in 2018 affecting management operations and thus worth mentioning. When it comes to the major achievements towards fulfilling our social responsibility, we report the data from the last three years as well to make it easier to identify the quantitative trend.

Reporting Boundary

This report includes the social responsibility activities and performance of the headquarters as well as domestic and overseas projects of SK E&C. With regards to performance in 2015, also included are data related to SK TNS, a corporate spun off in September 2015 from the u-business division of SK E&C. In the event of any other exceptions in the reporting boundary, they will be indicated separately in the content.

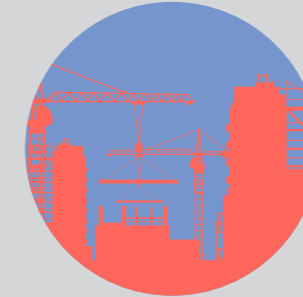
Reporting Standard

This report references the Global Reporting Initiative(GRI) Standards. It presents SK E&C's performance as transparently as possible, reflecting the ten principles of the UN Sustainable Development Goals(SDGs).



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**DEEP CHANGE
FOR THE GREAT**



CEO MESSAGE

We Build the Great Great Life, Great World



Ki-Haeng Cho
SK E&C CEO/Vice Chairman

조기행



Jae-Hyun Ahn
SK E&C CEO/President

Ahn Jae-Hyun

SK E&C is making every effort to realize our mission with our top technological and engineering capabilities acknowledged in the respective areas including plant, infrastructure, and architecture & housing business.

Dear valued shareholders, customers and Biz Partners,
I am deeply grateful for your ongoing encouragement and support.

“We Build the Great Great Life, Great World”

SK E&C is making every effort to realize our mission with our top technological and engineering capabilities acknowledged in the respective areas including plant, infrastructure, and architecture & housing business. In 2017, our corporation posted a pre-tax profit surplus for the third consecutive year, in a business environment that has been more uncertain and challenging than ever. This achievement was the result of a balanced portfolio and the consolidated principle of substantial management. At the same time, we are strengthening our position as a globally respected enterprise acquiring large sized projects consistently from the Middle East, Turkey, Southeast Asia, and other regions notwithstanding the severe competition in the worldwide market. Today, SK E&C is poised to sustainably enhance ‘Social Value’ together with ‘Economic Value’ as an enterprise responsible towards society. Declaring 2018 as the starting point of creating social value, the company and employees will together do our best through our dedication to the engineering & construction business and strive towards upgrading the social contribution activities that have been implemented continuously up to now.

SK E&C is incessantly making efforts towards building a sustainable society in the areas of safety, health, ethical management, and shared growth. Our project leaders are implementing Safety-RM(Risk Management) activities to prevent risks to workers' safety and health and this initiative is expanding into Biz Partners. In addition, we are enhancing quality control standards by establishing a COPQ(Cost of Poor Quality) management system and consolidating a transparent management system through enactment of ethics code and providing ethical management training for employees.

Furthermore, SK E&C is pursuing ‘Happy management’ through shared growth and fair trade activities for realizing a win-win business model. As the result of these efforts, we received the only best grade among domestic construction and engineering companies at evaluation of Win-Win Index from the Korea Commission for Corporate Partnership as well as the award for the Grand Prize of the Improvement of Cooperation in Construction Industry and the best grade of Mutual Cooperation Evaluation from the Ministry of Land, Infrastructure and Transport. These awards and accolades have raised the positive image of SK E&C as a leading enterprise of shared growth and superior reliability in the engineering and construction industry.

In 2018, we are going to propose a new paradigm of co-prosperity improving the standard of shared growth further and sharing the management infrastructure of SK E&C with Biz Partners. In this way, SK E&C is not sparing any efforts towards distinguished and systematic support for strengthening the base for mutual prosperity with Biz Partners.

Dear valued shareholders, customers and Biz Partners,
We are presenting the 3rd CSR Report this year. SK E&C is committed to do its best to build a sustainable society and meet the expectations of our diverse stakeholders. We hope you will continue to support SK E&C with your affectionate trust this year, too.

Thank you.

SK E&C CEO/Vice Chairman **Ki-Haeng Cho**
SK E&C CEO/President **Jae-Hyun Ahn**

INTRODUCTION

Corporate Overview

SK E&C, since its establishment in 1977, has been growing steadily, successfully implementing large projects in Korea and overseas with its indomitable spirit to innovate and meet new challenges in areas as diverse as plant, infrastructure, and architecture & housing. Moving forward, we are set to enhance company value by expanding the business model for our development projects in areas such as business planning, construction and operation accompanying investment. We are also striving to strengthen competitiveness of the existing EPC contract business through innovative of business models.

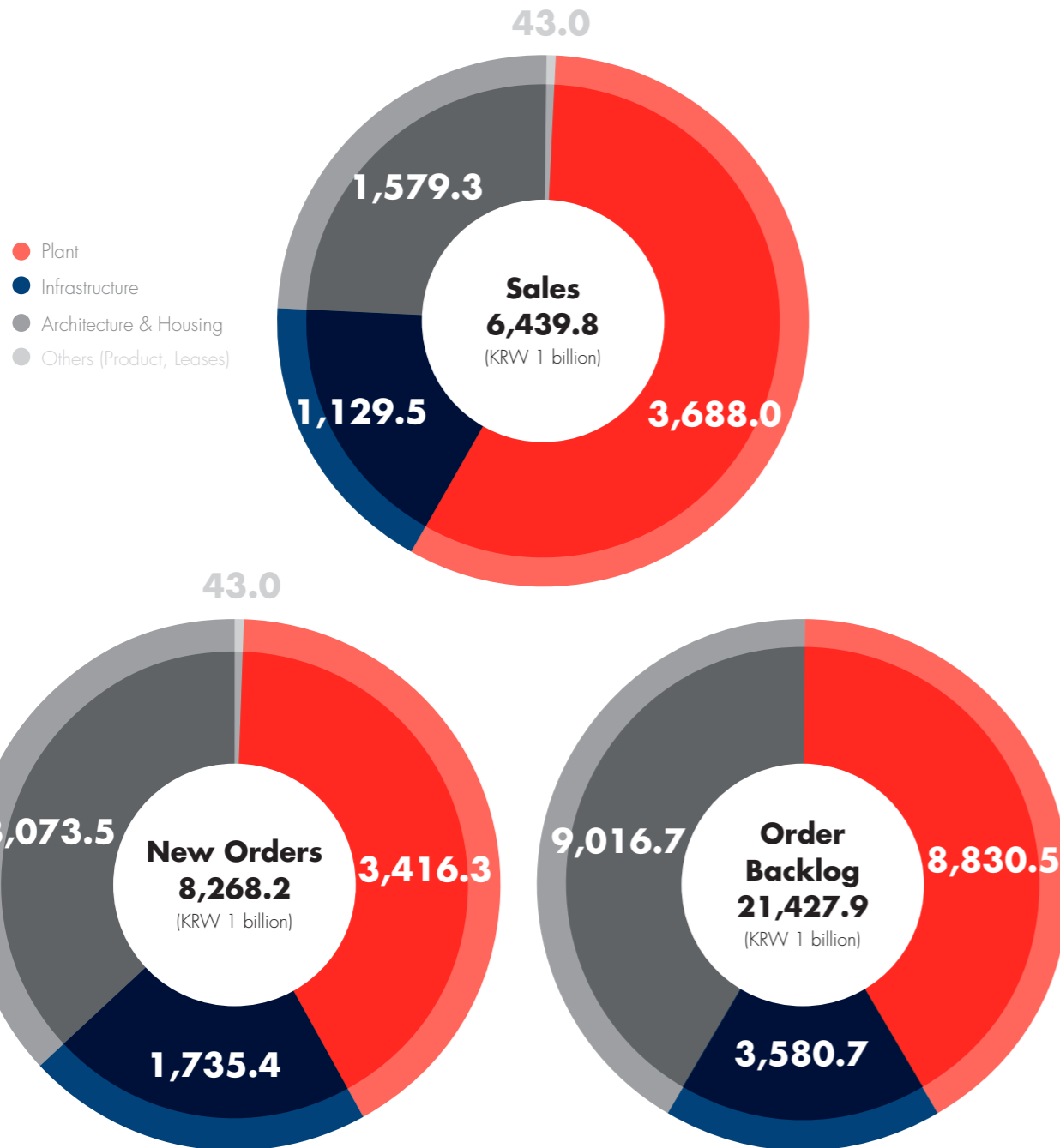


● Overseas Branches
 ● Local Subsidiaries

INTRODUCTION

Main Business Areas

Company Name | SK Engineering & Construction
 Established Date | August 1, 1977
 CEO | Ki-Haeng Cho, Jae-Hyun Ahn
 Head Office Address | 32, Insadong 7-gil, Jongno-gu, Seoul, Korea



Oil & Gas Plant

SK E&C is commanding a broad portfolio covering all areas of chemical plant including oil refinery, petrochemicals, petroleum/gas processing facilities, oil-sands and LNG projects, etc. We have proven our distinguished competency as a global top-tier business based on high-end engineering technology, management and engineering capabilities accumulated through a vast array of large sized domestic and overseas projects. Based on an immaculate track record of successful implementations, we are leaping up as a total solution provider covering business development, basic design, EPC and O&M. Recently, we are focusing on diversification of our portfolio implementing world's largest oil-sands plant project of Canada as well as acquiring Polyols plant project of Thailand and large ethylene complex project of Vietnam.

Power Plant

SK E&C is providing top-notch, optimized services to customers in business areas including not only coal-fired electrical power, combined cycle power, nuclear power, and renewable power but also IPP(Independent Power Producer). Through our work on the Goseong Green Power Project, Korea's largest private coal-fired electrical power plant, we are strengthening our position as an IPP business while also successfully performing large sized power plant EPC projects in overseas markets such as Turkey, Panama, Chile, etc. We will be doing our best to diversify future business through expanding our market worldwide and locating new business prospects.

Industrial Plant

SK E&C has a rich history of achievement through various projects including semiconductor, battery materials for electric car (LiBS), pharmaceutical production facilities, etc. Notably, we are implementing a semiconductor project at Wuxi and Chongqing area of China based on our clean room technologies and know-how accumulated through the SK Hynix M14 and M15 projects. This way, we are upgrading our business performance capacity through accumulation of know-how and securing technologies and human resources for various products and markets. Our ultimate goal is to maximize value of our customers and our company and gain the basis for sustainable growth.



Infrastructure

SK E&C is improving the quality of human living through different infrastructure such as roads, railroads/subways, bridges, tunnels, cavern, port, hydroelectric power, industrial complex/residential land, etc. Our projects for the Eurasia Tunnel and the 3rd bridge at Bosphorus of Turkey have demonstrated our technological prowess to the entire world. Based on the firm foundations of business experiences and expertise accumulated in Korea and overseas for many years, we will develop into a 'Global Asset Player' with stable profit portfolio based on reserved assets. We are constantly pursuing expansion of the global EPC market and consolidating our achievements from development projects.

Architecture & Housing

SK E&C is drawing global attention as leader of constructing environment-friendly buildings and knowledge industry complexes based on the newest construction methods and leading-edge systems. We are also persisting in our research and development efforts for developing comfortable and flexible spaces. SK VIEW, introducing the concept of architectural esthetics, focuses on 'comfort' and 'convenience', the intrinsic values of a residence space and realizes the value of customer happiness. In recognition of our best efforts to satisfy customers with optimum quality and leading designs, our company received a host of awards related with well-being, environment-friendly engineering, marketing and design.

INTRODUCTION

Management Philosophy

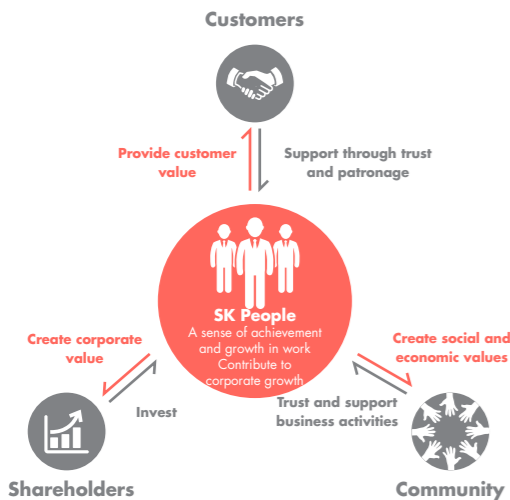
SKMS(SK Management System) contains SK's own unique management philosophy which is shared and agreed by all SK affiliates including SK E&C. SKMS has been greatly helpful in making constant development and growth up to now.

Foundation of Sustainability Management, SKMS

SKMS, which was established in 1979, has become a foundation in building corporate culture of SK and criteria for effective decision-making regarding management activities and everyday work. All members of SK believe that the happiness of stakeholders can be achieved with the culture of SUPEX Quest through Voluntarily & Willingly Brain Engagement(VWBE).

SK E&C considers the long-term happiness among stakeholders to be harmonious and balanced, both in the present and future. This is the true definition of 'Sustainability Management' in SK E&C.

* SUPEX : The abbreviation for super-excellent level, which means the highest performance level attainable



The relationships and roles of the company and its stakeholders

Creating Culture and Environment of SUPEX Quest through VWBE

All SK People are voluntarily creating a favorable environment for the SUPEX Quest, while at the same time implementing and developing it as SK's culture.

Through this effort, SK People are committed to strengthening Paegi, which means the determination to succeed in one's work, and making Paegi SK's own unique culture.

Mission & Vision

MISSION

WE BUILD THE GREAT GREAT LIFE, GREAT WORLD

We realize happiness and better life for human beings.

VISION

GLOBAL TOP TIER CITY DEVELOPER & INFRASTRUCTURE BUILDER

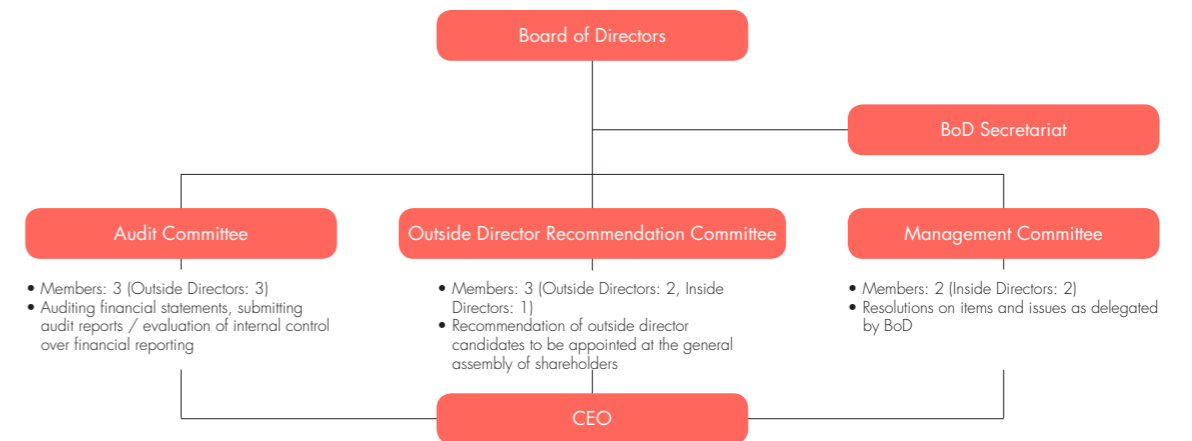
The company whose main business is the global city development while planning/developing, working on composite EPC and providing solutions.

Governance

We are committed to making the right decisions with respect to the management of SK E&C. Although SK E&C is not publicly traded, we aspire to the highest standards of corporate governance by filling the majority of our board with outside directors with a view towards enhancing the transparency and independence of decision-making.

Board of Directors

Currently, the Board of Directors of SK E&C is composed of seven directors (four of them are outside directors). They provide supervision and support to the management activities of the CEO through three Board-level Committees: (1) the Audit Committee- charged with auditing corporate activities and ensuring accounting transparency and; (2) the Outside Director Recommendation Committee- responsible for the nomination of outside director candidates to the general meeting of shareholders and; (3) the Management Committee- established to enable effective decision-making with respect to management activities. In addition, the BoD Secretariat supports the outside directors in the performance of their duties.



Operation of the Board of Directors

In 2017, SK E&C addressed forty nine agenda items over a total of ten BoD meetings. The committees also addressed twelve agenda items over a total of nine meetings – six of the meetings by the Management Committee, two by the Audit Committee and one by the Outside Director Recommendation Committee.

<BoD Activities>

Category	No. of Items	No. of Reports	Main Activities
General shareholders' meeting, BoD, corporate governance	5	1	Convening of the general shareholders meeting, revisions to BoD regulations, appointment of CEO, etc.
Investments, planning & management	4	0	Liquidation, share sales, security provision, etc.
Accounting, financial management	7	3	Approval of financial statements, capping debt and payment guarantees, etc.
Other	9	15	Key management issues, etc.
Workshop	0	5	SK E&C quality management, etc.
Total (49 items)	25	24	

<Committee Activities>

Committee	No. of Meetings	No. of Items	Agenda Items
Management Committee	6	6	Changes to branch representatives, establishment of branches, etc.
Audit Committee	2	5	Financial statements, audit reports, etc.
Outside Director Recommendation Committee	1	1	Recommendation of candidates for director position, etc.
Total	9	12	



CSR OVERVIEW

- CSR OVERVIEW**
- MATERIAL ISSUES
- CSR MANAGEMENT
- APPENDIX

CSR OVERVIEW

CSR System and Materiality Test

CSR System

CSR Implementation System

SK E&C has set up a system for implementation of CSR in pursuit of its mission, 'We realize happiness and a better life for human beings'. We are striving to realize the target value and achieve harmony and balance among them by setting goals for each stakeholder groups. Through this, we hope to contribute towards creating a sustainable future where economic, environmental and social values can be harmonized.



CSR Strategy

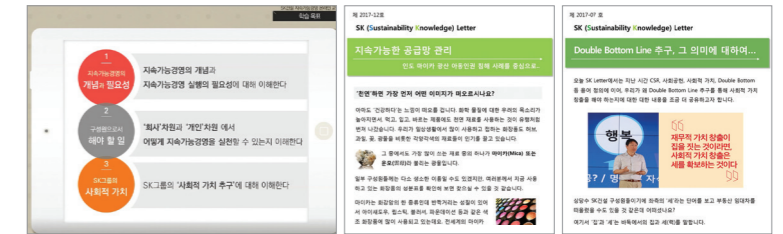
SK E&C has established four core strategies— strategic management, project-oriented management, talent management and social sharing management. They are comprised of 13 sub-areas that encompass ethics, quality, safety and health, environment, human resource development, shared growth, social contribution, etc. Each department in charges of the respective detailed areas are responsible for efforts to control risks and enhance standards through optimization of the internal system and processes, securing competency and recognition of all employees. In addition, we have assigned the sustainability management team as the control tower for monitoring and encouraging activities and performance in each area.



CSR Awareness Activities

Education for Employees

SK E&C has been providing online education on sustainability management for all employees each year since 2013. In 2017, a total of 4,649 employees availed the education program that focused on not only concept and activities of sustainability management but also on helping employees understand the company's pursuit of social value. At the same time, SK Letter (Sustainability Knowledge Letter), issued biweekly to employees through internal email, contributed to enhancing employees' awareness. Released a total of 21 times in 2017, the letter published contents related to trends in social responsibility activities in Korea and overseas and the direction of SK group's pursuit of social value.



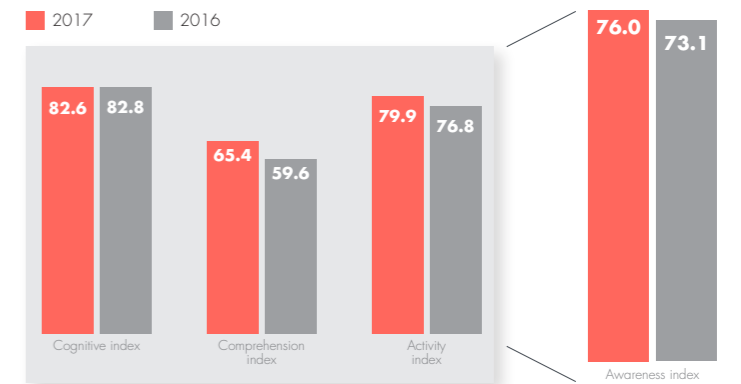
Online sustainability management training SK Letter

S-Program(Sustainability Program)

In order to raise awareness of sustainability management and induce employees to practice it proactively and positively, SK E&C has been conducting an initiative known as S-program. S-program enables employees to easily practice mandatory activities during their work hours such as health checkups and training for prevention of sexual harassment, and take part in programs such as pledges, training related to social responsibilities and social contribution activities based on the 4 core strategies of CSR(strategic management, project-oriented management, talent management, social sharing management). We are also constantly monitoring and encouraging employees to ensure compliance with the 'S-point'.

Sustainability Management Awareness Survey

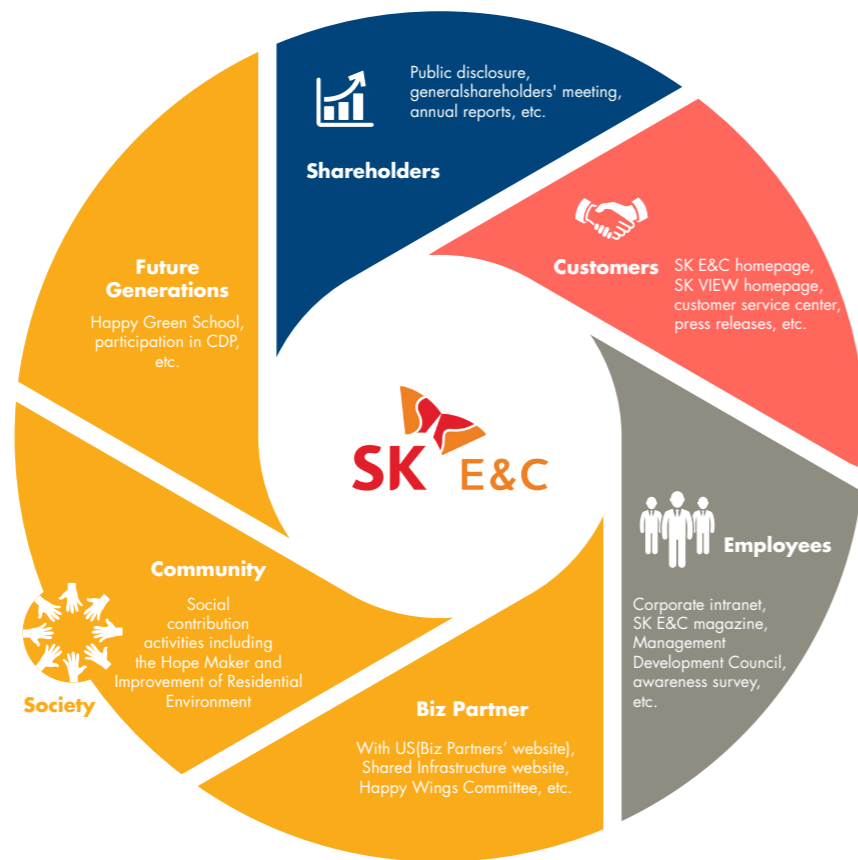
SK E&C has been conducting a survey on sustainability management awareness for all employees. This is to diagnose the level of employees' awareness of the sustainability management, understanding of the company's approach to sustainability management and level of practice as reflected in business activities. The results of the survey were measured based on cognitive index, comprehension index, and activity index. The awareness index for 2017 was 76 points, higher by 2.9 points than 2016, thanks to diverse awareness activities such as online sustainability training, publishing of SK Letters, etc. We will continuously improve the awareness index of SK's sustainability management through reminding and encouraging employees to join the campaign.



● Materiality Test

Communication with Stakeholders

In line with the SKMS(SK Management System), SK E&C defines stakeholders as shareholders, customers, employees and society. We are striving to reflect stakeholders' opinions and expectations to management activities, and operating diverse communication channels depending upon the characteristics of stakeholders. We intend to enhance transparency of management activities of SK E&C and secure stakeholders' trust in the long term.



Materiality Test

SK E&C is making efforts to address major issues that concern internal and external stakeholders through materiality test to identify key issues and reporting them at [MATERIAL ISSUES]. For the future, we are preparing to identify issues of concern to stakeholders as well as their influence on business activities, and intensively report them.

STEP 1. COLLECTING OF ISSUE POOL

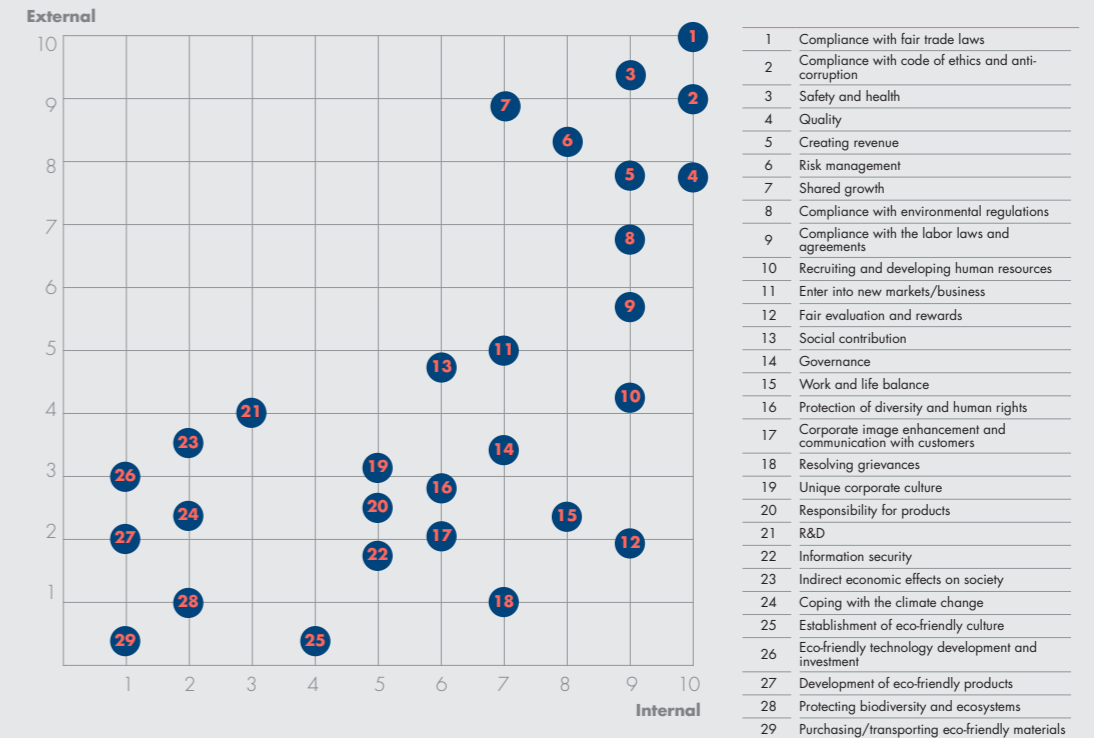
We have reviewed global standards, competitors' tendencies, direction of SK E&C's management strategy, etc., and selected 29 issues related with SK E&C's business activities to organize an issue pool.

- Global standards : International standards such as GRI Standards, DJSI, ISO 26000, SDGs, etc., and analysis of assessment results.
- Tendency of competitor companies : Benchmarking of CSR trends in construction industry through analysis of CSR issues.
- SK E&C's direction of management strategies : SK E&C's internal issues that are identified by review of internal management strategies.

STEP 2. MATERIALITY TEST

Among the 29 issues derived from the issue pool, we have identified priorities through materiality test with internal and external stakeholders.

- Materiality test of external stakeholders : Analysis of 1,165 positive and negative reports related to SK E&C exposed to media as news and others. Reflected weight in the social issues related with construction industry occurred in 2017.
- Materiality test of internal stakeholders : Survey done on materiality of 29 issues targeting all employees of SK E&C.



STEP 3. SELECTION OF CORE ISSUES AND REPORTING STRUCTURE

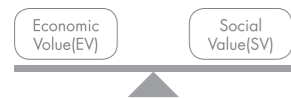
Based on the results of materiality test for stakeholders, we have selected the topmost 6 issues as core issues. For the selected core issues, we have established [MATERIAL ISSUES] for reporting intensively on activities and performances in 2017, while basic management activities related to core issues such as management policy and organization are being published through [CSR MANAGEMENT]. Further, issues not selected as core issues are also being reported in equilibrium. However, among CSR issues, those related with economic aspects are excluded and issues related with social or environmental aspects handled in this report.

Core Issues	MATERIAL ISSUES	Stakeholders					Page	
		Share holders	Customers	Employees	Biz P.	Community Future Generation		
1 Compliance with fair trade laws	1. Fair Trade / Compliance with Code of Ethics and Anti-corruption	●	●	●	●		21-24	
2 Compliance with code of ethics and anti-corruption								
3 Safety and health	2. Safety and Health			●	●		25-28	
4 Quality	3. Quality	●	●				29-32	
7 Shared growth	4. Shared Growth				●	●	33-36	
8 Compliance with environmental regulations	5. Compliance with Environmental Regulations					●	●	37-40

CSR OVERVIEW

Pursuit of Social Value

Direction of the Pursuit of Social Value



SK group pursues DBL (Double Bottom Line), seeking 'Economic Value' and 'Social Value' at the same time and preparing for the forward leap toward a NEW SK through realization of new values. Reflecting this intent, we added the clause 'SK grows together with society through creation of social values' to the articles governing SK group and its major affiliates in an expression of the group's will internally and externally to create not only economic value but social value as well.

SK E&C's Pursuit of Social Value

Creation of Social Value and SDGs

SK group defines social value as 'achievements that resolve the social problems through business activities', and takes UN SDGs' 17 goals as the standards for resolving social problems. SK E&C selected SDGs closely related with the overall construction business and CSR management activities such as ethics, safety, environment, social contribution, etc., to create social values by solving social problems.

* UN SDGs (UN Sustainable Development Goals) : Officially selected by UN in 2015, these issues related to the earth's environment and economic, social problems of mankind are to be resolved by the international community by 2030.

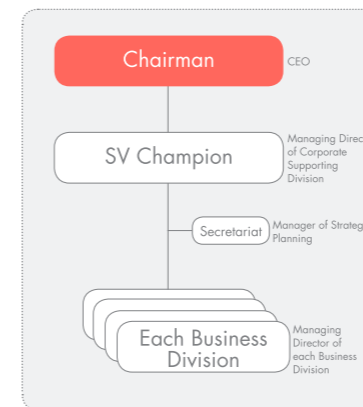
<Social Values Related to Business Areas>



< Social Value Related to Management Activities>



<Social Value Pursuit Committee>



Plan for Pursuit of Social Value

In the year 2018, we plan to build a quantitative basis to manage and measure social value creation performance, establishing methods and systems to evaluate social value with SV Champion as the center that leads initiatives for creation of social value throughout the company. By this process, we are going to publish a CSR Report that quantitatively evaluates our social value creation achievements from next year. Additionally, we organize a 'Social Value Pursuit Committee' led by the CEO to establish a social value pursuit strategy and encourage achievements in each business division. In the long term, we intend to focus on creation of social value connected with the construction business for innovation of the business model targeting Deep Change. Our goal is to create social values through securing distinguished competitiveness and developing a new business model that can bring social values together with expansion of existing development businesses.

[Project Case] Turkey Çanakkale Bridge Project

- Client: KGM (Turkey General Directorate of Highways)
- Type of project : Public Private Partnership
- Project period : March 2018~May 2034
- Total project budget : Turkish lira 10.35 billion (about KRW 3,500 billion)

Annual Social benefit Creation Effect

: Total of KRW 219.5 billion

- Shortening of travel time and distance : KRW 160.6 billion
- Creation of local employment : KRW 54.6 billion
- Invigoration of tourism industry : KRW 12.2 billion
- Reduction of existing ocean transportation : KRW 7.9 billion

Turkey Çanakkale Bridge project is a bridge construction connecting Lapseki and Gelibolu that face each other over the Dardanelles Strait of Çanakkale State, Turkey. A total 88.4 km road including a 3.6 km long suspension bridge will be constructed, with the distance between the main towers that are at the center of the bridge to be 2,023 meters. After completion, the bridge will be known as the 'world's longest suspension bridge'. With this invested development project, which involves an investment of 25% of equity followed by construction and operation over 16 years and 2 months and then delivery to the Turkish government, SK E&C expects to create annual social benefit worth around KRW 200 billion resulting in improvement of living quality and invigoration of local community economy through reducing distance and time taken for crossing the strait and through creating job opportunities during the project construction and operation period.





MATERIAL ISSUES

CSR OVERVIEW	ISSUE 1. FAIR TRADE / COMPLIANCE WITH CODE OF ETHICS AND ANTI-CORRUPTION
MATERIAL ISSUES	ISSUE 2. SAFETY AND HEALTH
CSR MANAGEMENT	ISSUE 3. QUALITY
APPENDIX	ISSUE 4. SHARED GROWTH
	ISSUE 5. COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

ISSUE 1.

Fair Trade / Compliance with Code of Ethics and Anti-corruption



Why It Matters

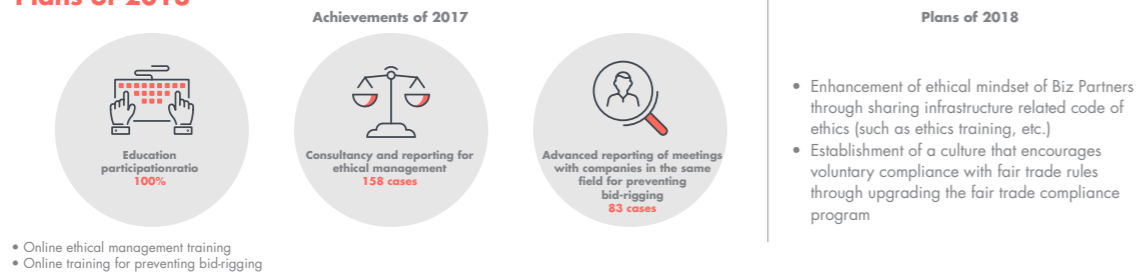


*EOA : Ethics Officer Association

How We Approach

SK E&C is pursuing ethical compliance activities in both hardware and software aspects, establishing implementation systems in order to practice compliance of ethical norms and to strengthen the fair trade culture on a company-wide scale. From the hardware aspect, rules, systems, processes and systems were arranged and in terms of software, diverse activities are being implemented so as to raise employees' awareness of ethics and compliance.

Achievements of 2017/ Plans of 2018



- Online ethical management training
- Online training for preventing bid-rigging

INTERVIEW WITH STAKEHOLDERS



Hyung Bae Lee
Manager of Compliance Operation Team, SK E&C

"A global top tier culture, which encourages employees to voluntarily comply with fair trade rules, takes root"

Starting 2008, SK E&C has been practicing diverse compliance activities and programs to voluntarily comply with fair trade rules for fair competition and efficient management. Every year, the CEO send out a message conveying the company's firm determination and policy and all employees are expected to sign a pledge to practice fair trade voluntarily. We are also making efforts to enhance awareness among employees through fair trade campaigns and trainings by job categories as well as different internal publications and broadcasts. In addition, audits of head office and projects are held twice a year to prevent behaviors in violation of fair trade; audit results are reported to the board of directors. Furthermore the company encourages voluntary joining of compliance activities through operation of the consultative group for voluntary compliance by each business division.

As the manager in charge of the fair trade compliance program, I am committed to exerting my best efforts to ensure constant and sustainable development of the company by settling down a global top tier compliance culture. This fair trade compliance program is a manifestation of SK's will to contribute to transparent and fair business management activities.

Fair Trade Compliance Program

Operation of Fair Trade Compliance Program

At the end of 2007, SK E&C enacted the company's regulations for operating the fair trade compliance program as parts of the efforts to ensure compliance with the regulations on fair trade. Since 2008, we have been systematically operating seven key elements based on the CEO's strong determination to comply with fair trade laws and regulations.



Education for understanding the internal transaction by fair trade law

Fair Trade Compliance Program Activities

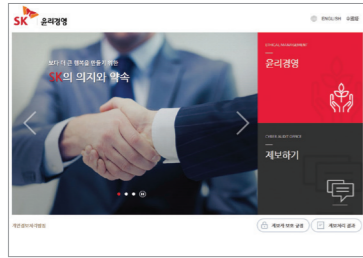
SK E&C is operating various activities such as yearly fair trade training and audit by core factors following the operation manual of the fair trade compliance program. Particularly, in 2017, we took proactive action to prevent possible violation of laws by reviewing 83 advanced reports after overall enforcement of advanced reporting of meetings with companies in the same field with the intent to eradicate bid-rigging.

Also, we contributed to fair trade practices taking roots in our corporate culture through training against unfair internal transactions and improvement of the advanced review process for internal transactions. In addition, we shared 57 cases related with fair trade through the compliance program bulletin board on intranet while assuming the responsibility of consultancy and report gathering on violation cases.

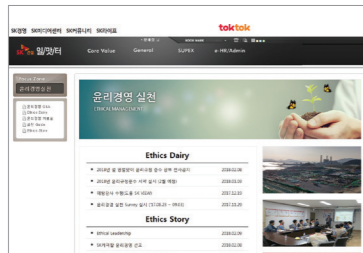
ACTION PLAN FOR JOINING MEETINGS WITH COMPANIES IN THE SAME FIELD

1. In case there is a possibility of violating the fair trade law or such an actual incident, immediately report to the person in charge of compliance administration through the division fair trade compliance officer.
2. Do not, under any circumstances, engage in discussions on bid-rigging related matters such as price (bid price, selection of successful bidder, supporting role, etc.) and bidding condition that are prohibited by the fair trade law.
3. Since bid-rigging is punishable as long as there is an agreement even without implementation, attendee should clearly express intention of non-participation if any discussion or resolution violating fair trade law is expected.
4. Even silence without expression of active consent is regarded as implicit violation. Therefore, our personnel shall clarify opposite intention (if meeting minutes are created, request a copy) and make the rejection intention of bid-rigging clear by way of leaving the place immediately, etc.
5. If record on any subject not discussed in the meeting or simple opinions by certain participants are found in documents like meeting minutes, create an information report or activity report, since such matters can be misunderstood as bid-rigging or misused as evidence of bid-rigging. Therefore, make sure that documents are written based on truth and that there is no false report (check the meeting related documents thoroughly)

Compliance with Code of Ethics and Anti-corruption Activities



Webpage for online consulting/report of ethical management



Internal portal site for ethical management

Hardware Aspect

Establishing ethical regulations and the business procedure guide
SK E&C, starting from establishment of ethical regulations, also enacted rules for internal audits, a guide for reporting procedure, standards for protection of individuals reporting violations, and a procedure guide to comprehensively prohibit corruption, bribery and bribe granting in line with ethical regulations.

Operating consultation and report channel for ethical management
We are operating various communication channels such as internet, email, post mail, telephone, fax, etc., to consult and report for ethical management. Stakeholders including employees, Biz Partner and customers can report unfair behaviors of employees and reported contents shall remain confidential. We are maintaining reporter protection program including secrecy, identity security, protective custody, prohibition on discrimination, etc., so that they can comfortably report in any case.

Operating the Risk Sensing System
In order to strengthen constant monitoring and internal control function based on IT, SK E&C developed and is running a Risk Sensing System. It helps to respond to risks proactively and implement a self-cleansing mechanism leading to change of employees' ethical awareness and mindset.

Opening the internal ethical management portal
Through operating an internal ethical management portal for ethical management activities, code of ethics, and Q&A for active communication with employees, we are enhancing the power to practice ethical management.

Software Aspect

Signing a pledge to abide by ethical regulations
At the beginning of every year, SK E&C is getting signature on the pledge to abide by ethical regulations from all executives and employees so as to assure complying with code of ethics and anti-corruption.

Execution training and workshop for ethical management
SK E&C is implementing 'Education on Ethical Management and Audit Cases' for new employees and career employees. And providing 'Ethical Management Execution Training' for project employees to internalize sustainable practice of ethical management and ethical mindset. And discussion oriented workshop to tackle dilemma cases for leaders (executives/team leaders) are helping raising ethical decision making capabilities through debate among leaders and employees.

Ethical management online training
All SK E&C employees completed SK group's online ethical management training course. We have enhanced execution power through strengthening consensus on ethical management practices among employees, and reinforced practice with training on realistic implementation methods and the sense of meaning that ethical management provides to SKMS.

Survey on practice of ethical management
In order to find points of improvement related to employees' mindset, practice and ethical management system/culture, we enacted a survey on practice of ethical management for all employees. The results of the investigation show high levels of awareness on overall compliance with code of ethics, but the awareness on employees' reciprocal ethics and transparent business practices was lower than average. Thus, we are seeking to strengthen the foundations, training activities and activation of reporting channels for reinforcing employees' ethical management mindset.



Ethical management execution training



Ethical management practicing workshop



Ethical management online training

Overseas Anti-Corruption Compliance Program

Putting ethics, transparency and honesty as the top-priority values in implementing the overseas projects, SK E&C is strengthening its competitiveness and integrity to jump up to be a Global Top Tier enterprise, through active and pre-emptive elimination of corrupt behaviors and compliance with anti-corruption laws and regulations.

In December 2014, SK E&C clarified the CEO's firm will to eliminate corrupt and illegal activities during overseas projects and established Anti-Corruption Compliance Program to effectively and efficiently implement the CEO's will. The Anti-Corruption Compliance Program regulates the ethical management procedure and internal rules for voluntary compliance with law and ethical behaviors by employees when pursuing and/or performing overseas projects.

Internally, SK E&C enacted the International Anti-Corruption Compliance Policies, based on the anti-corruption laws of Korea, USA and UK, which set specific rules and standards for the employees to abide by in order to lead the entire company to comply with anti-corruption laws. SK E&C educates employees on international anti-corruption issues by implementing educational programs customized according to the compliance needs of the business department, project and the employee's position by holding workshops and issuing internal newsletters including latest cases. Additionally, SK E&C is regularly providing online and offline trainings to enhance employees' awareness of anti-corruption culture and operate the Compliance Help Desk at compliance bulletin board of the intranet.

Externally, SK E&C updated the ethical management web page to introduce its Anti-Corruption Compliance Program to create and spread its culture of compliance and conducts due diligence processes on the Biz Partners with an aim to prevent and minimize any risks that may arise to the company from third parties committing corrupt acts.

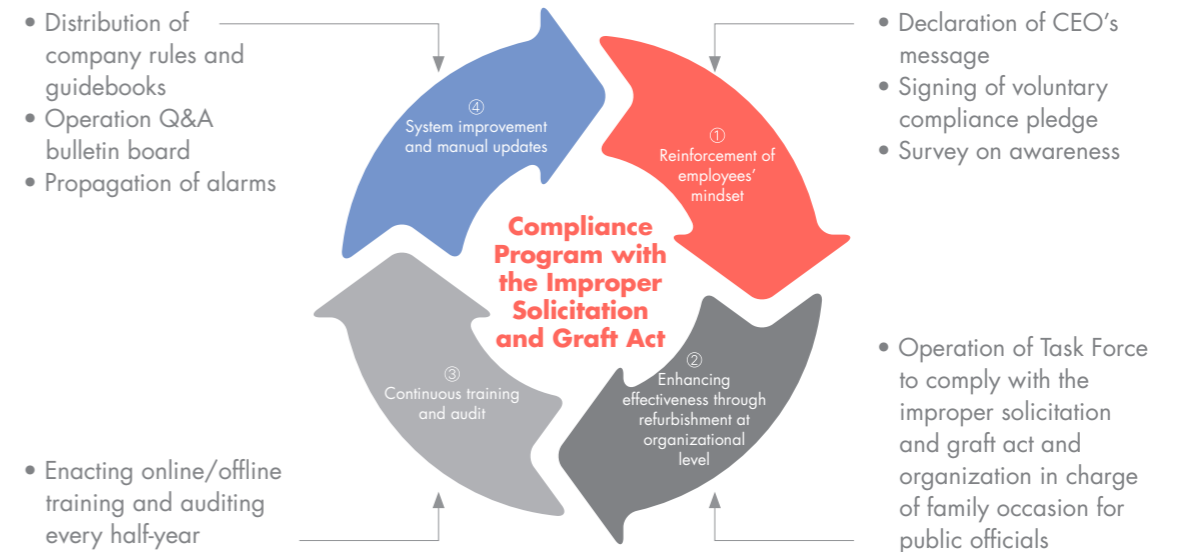
In 2017, SK E&C reorganized its Anti-Corruption Compliance Program by checking any violations and defects found at the initial operation stage and reinforced in-depth due diligence against Biz Partners having compliance issues to fully protect the company's interests. In 2018, SK E&C will continuously and effectively implement global ethics and its Anti-Corruption Compliance Program to have itself stand as a global enterprise leading anti-corruption.



Training of the improper solicitation and graft act

Compliance Program with the Improper Solicitation and Graft Act

SK E&C has implemented compliance program consisting of making and distributing guidebooks containing a self check list, FAQ and case studies as the 'The Improper Solicitation and Graft Act' was enforced effective September 28, 2016. Furthermore we stipulated internal punishment rules against violation of regulations prohibiting corrupt request and exchange of valuables. In this regard, we operate an online Q&A bulletin board for employees on intranet continuously posting various cases and latest issues that can happen in the business to reinforce employees' awareness. Specifically, in 2017, we carried out online training to all employees for establishing a culture of voluntary compliance with the improper solicitation and graft act and collective training to 400 officers in charge from related divisions, thereby minimizing risks of violation of the improper solicitation and graft act.



ISSUE 2.

Safety and Health



Why It Matters

Society's sensitivity toward safety and health is growing day by day and this means that businesses are expected to respond with a more responsible attitude to safety and health management. Together with the reinforcement of domestic and international law and standards related with safety and health, clients are suggesting stricter standards. Keeping pace with these evolving trends, SK E&C cherishes safety and health as the core value of business management.

How We Approach

SK E&C stipulated three basic principles that represent the CEO's philosophy of safety and health, applying these to all safety and health activities and implementing established activity standards in detail to convert the value of safety into action.

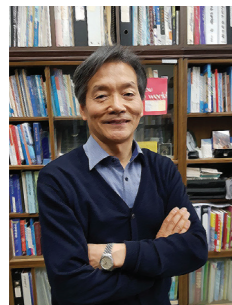
Achievements of 2017 / Plans of 2018



* announced by the Ministry of Employment and Labor in June 2017

** to be announced by the Ministry of Employment and Labor in June 2018

INTERVIEW WITH STAKEHOLDERS



Hong Seop Ahn
Current professor of Department of Architecture and Building Engineering at Kunsan National University
Current president of Korea Institute of Construction Safety
Previous president of Industrial Safety & Health Education Center in Korea Occupational Safety & Health Agency

"Frontier of safety in construction industry, SK E&C"

Since safety is an indispensable factor for sustainable growth, SK E&C strives to be a good model in the construction industry. Securing safety at a construction site is very hard due to its temporariness and excessive mobility and particularly, establishing a safety culture that demands a long term effort is even more difficult. Going by the present status of construction industry in Korea, there are several barriers to establishing safety culture; the numbers of skillful engineers are rapidly decreasing while involvement of foreign laborers is growing. Nevertheless, SK E&C is internalizing safety as a core value and sharing safety culture with all employees to materialize ideal operations of construction sites, promoting the awareness of safety as an ongoing process. As I visited sites and training places, it was evident that the company is pursuing incessant improvement. As far as confidence which is the starting point of safety and health management system is concerned, SK E&C prioritizes safety as the highest value that cannot be compromised. This is a good role model for competitors, and the company's operation of safety and health management is evaluated at the best level. Particularly, the company wide safety management system, where the SHE(Safety-Health-Environment) Department preemptively evaluates and controls, sends out important implications to domestic practice of construction where shortage of resources can happen easily. Going forward, SK E&C's safety activities contributing to safety of communities over the construction sites will accomplish its ultimate mission of serving society, and bring innovation to construction industry. I feel grateful that SK E&C's efforts in the safety and health area is serving as a ray of hope for construction industry that has been stained by accidents and distrust. As a member of construction industry, I thank the company and send my applause and compliments.

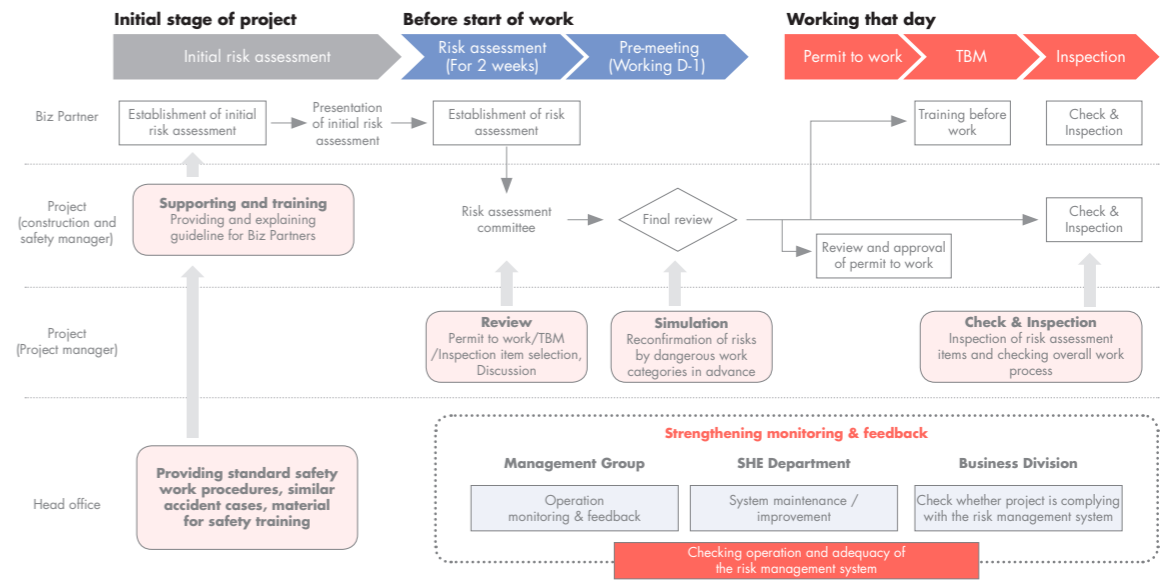
Major Activities of 2017

In 2017, SK E&C completed risk management system with implementation of Safety-RM(Risk Management) through collective intelligence organized by project leaders. We intended to materialize an accurate and righteous system by modifying the company wide operating system for safety and health and formulated a clear compliance environment for safety and health. And, to secure expertise for reducing safety and health risks and strengthening the basic attitude, we operated diverse programs not only for internal employees but also for Biz Partners and optimized operation of safety and health activities by reflecting the business characteristics of each division.

Safety-RM (IT & Mobile System)

From setting of the project to working that day, SK E&C established a risk management system to be led by the project manager. The system was set on mobile, and the IT system and mobile application were connected to provide speed and convenience, organizing a 24/7 monitoring system between head office and projects.

<Safety-RM Operation Process>



Enhancement of Understanding and Practicing Level of Biz Partners

Various programs including 'Biz Partner Safety Culture & Leadership Enhancement Program', 'Biz Partner Safety and Health Operations Enhancement Training', and 'Supporting Consultations for Acquisition of KOSHA18001 Certification' were enacted to empower and raise the practicing abilities of Biz Partners who are the practice agents of safety and health activities.



Biz Partner Safety Leader Training

Safety Culture & Leadership Enhancement Program for executives and team leaders of Biz Partners



A total of 149 Biz Partners joined
A total of 4 collective training done

Training of SHE Value & Culture, SK E&C systems/procedures, Safety-RM, etc.

Operation Enhancement Training for project manager and construction manager of Biz Partners



A total of 394 Biz Partners' employees joined
A total of 14 training by regional groups done

Safety-RM Operation Enhancement Training, exercise for improving risk prediction competency, etc.

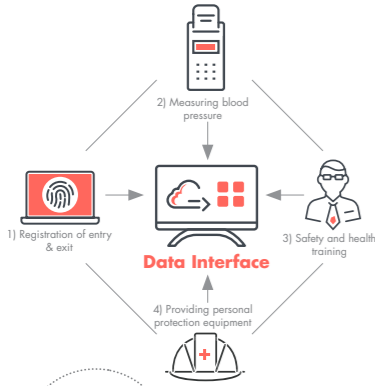
Building a safety infrastructure through diagnosis and support of Biz Partners' head office safety system



11 Biz Partners acquired the
KOSHA18001 Certificate

Consulting for KOSHA18001 certification (Supporting establishment of the documentation system and its operation)

<IoT Gate Management Process for Workers>



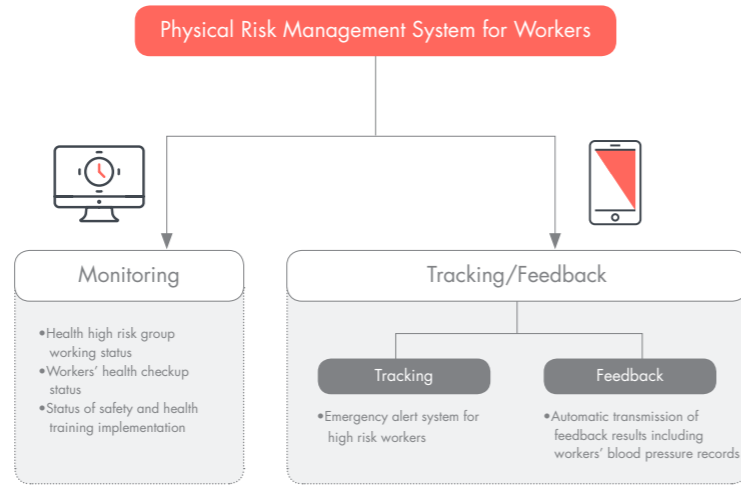
'Smart Tag'

- Location-based information
- Working control
- Emergency alert
- Workers' information



Management of Physical Risk for Workers through IoT Gate Management System

With the advent of the 4th Industrial Revolution, SK E&C is managing physical risk of workers, combining IoT technology with workers' health management and introducing a Smart Tag based real-time management system by health risk class.

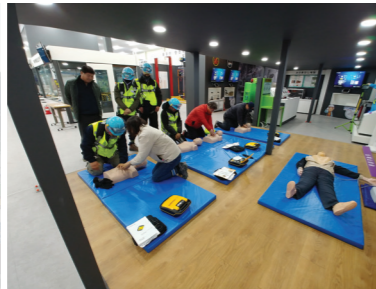


Operating the Health Enhancement Center

SK E&C is operating a Health Enhancement Center for workers as a part of efforts to realize our vision of 'comfortable workplace, healthy workers, and happy project'. Under the slogan of 'Health together with work', everyone at projects can join the health enhancement program and health consulting. Furthermore, we are providing diverse services ranging from regular cardiopulmonary training to virtual experience-based safety and health training.



Health Enhancement Center



Cardiopulmonary training



Health consulting



Show Case Certification of Singapore NS2 project

Operation of Show Case Certification System

The Show Case Certification System since 2015 is based on certification by an external expert, a representative activity for settling down a voluntary safety culture of project. Excellent cases selected by the Show Case Certification System are disseminated to other projects as a role model, thereby raising the standard of safety culture to upward level. Since introduction, a total of 33 projects acquired certification. In 2017, as two overseas projects acquired certification, it was applied extensively to all projects in domestic and overseas, positioning the system as a unique culture of SK E&C leading change and innovation in safety.

Major Achievements in 2017



Certificate for 120 million safe man-hours

120 Million Safe Man-hours Achieved (Wasit Gas Plant Project)

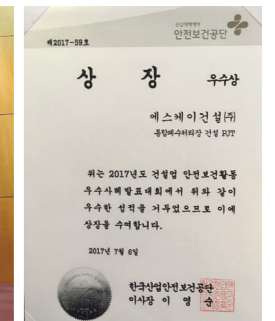
As SK E&C accomplished the mechanical completion of the Wasit gas plant project ordered by ARAMCO, the national petroleum company of Saudi Arabia, on November 23, 2017, the company updated its safe man-hours record to 120 million man-hours. This is a great record that was achieved through 1,000 workers performing construction work 10 hours per day without any accidents for 32 years and 8 months, marking one of the best safe man-hours record of an overseas project in the Korean construction industry history. The Wasit project is an extra large project where 15,000 workers were engaged on a daily average along with more than 500 vehicles and equipment. Even worse, the workplace condition was extremely bad with strong sand winds of the Middle East desert, coupled with heat wave over 50 degree centigrade and high humidity. Furthermore, project officers had to manage local workers coming from 15 countries of different languages and cultures. Construction industry recognizes that this achievement could not have been possible without high quality safety control capabilities.



- 2014 Grand Prize**
Younglong SK VIEW Project
- 2015 Grand Prize**
Paengseong-Oseong Road Construction Project
- 2016 Best Prize**
Woryeong SK Ocean VIEW Project
- 2017 Excellence Prize**
Integrated Wastewater Treatment Facility Construction Project

The Excellence Prizes Awarded for Best Practices Presentation of Safety and Health Activities in Construction Industry

SK E&C was awarded the excellence prize for its presentation on 'Safety Management Seeking Harmony between Strong Principles and Soft Principles' at the '2017 Best Practices Presentation of Safety and Health Activities' competition. This competition is organized by Korea Occupational Safety and Health Agency and best practices of safety and health activities are selected and awarded. SK E&C received the grand prize in 2014 and 2015, best prize in 2016 and excellence prize in 2017, consolidating its position as a leader in safety and health activities.



- Governmental Certification of Healthy Workplace, 2017**
- Woryeong SK Ocean VIEW Project
- Daeyeon SK VIEW Hills Project
- Songdo SK VIEW Project

Governmental Certification of Healthy Workplace, 2017

SK E&C is unfolding various health enhancement activities for employees of SK E&C and Biz Partner and workers to secure healthy and safe workplaces. In 2017, a total 3 projects were selected as excellent projects for enhancing workers' health. The projects are certified by the Ministry of Employment and Labor and Korea Occupational Safety and Health Agency and the certifications are given to projects that are excellent for building health management system and operating health enhancement program. SK E&C is constantly supporting this kind of health enhancement activities so that rather than getting a taste of the benefits just once, employees and workers can plan and implement healthy life in the long term.



Woryeong SK Ocean VIEW Project



Daeyeon SK VIEW Hills Project



Songdo SK VIEW Project

ISSUE 3. Quality

Why It Matters

SK E&C's power to consolidate customer satisfaction and social value comes from quality which is the original competitiveness of the construction business. 'Top quality', in order to produce top quality goods that are acceptable to ourselves and acknowledged by customers, SK E&C is facing construction with a consistent attitude of abiding by the fundamental principles as well as scrupulousness not missing even the most trivial details. Harnessing the eagerness and focus of every employee, SK E&C is fabricating quality that will deliver happiness to customers.

How We Approach

SK E&C maintains the system to set goals for realizing customer satisfaction and maximizing company profit and strives to implement, check, analyze and generate feed back as the basic foundation of company management. In pursuit of long term success through customer satisfaction, we are operating a company-wide integrated quality management system to utilize the overall tools as well as employees' participation in the whole management activities. Notably, we introduced the COPQ management system in 2016. SK E&C is dreaming of leaping toward the "Standard" of construction industry providing zero defect goods and services.

Achievements of 2017/ Plans of 2018



INTERVIEW WITH STAKEHOLDERS



Yoo Jeong Chung
Representative of Incheon SK Sky VIEW residents

"Very satisfied with the services provided through proactive communication"

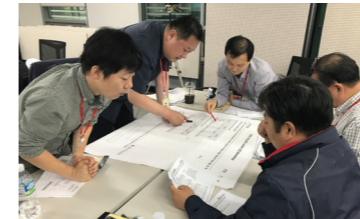
I am much satisfied with the design and quality of the complex that was built utilizing the characteristics of large scale apartments considering residents' convenience and safety. Particularly, the trail created as a differentiated landscape in the complex provides full satisfaction and is visited frequently by residents. Besides, even after completion, the Happiness Lounge manager and customer service team for maintenance are staying inside the complex unlike other brand apartments. Thanks to this, residents are happy with the services reflecting active communication with the residents. We are always grateful as they take care of even minor requests or complaints quickly and seriously. Last summer, I was impressed to see customer service team making best efforts in the sweltering heat to operate the swimming playground and checking water quality for our children's safety and health. It was very impressive that they fixed the swimming playground newly so as to provide a better environment. One thing I would regret is that equipment and facilities at the community center including fitness center need to be upgraded to fit the latest trends. Still, I think Incheon SK Sky VIEW was an excellent choice for me. I am highly satisfied with the brand value and feel proud as I personally reside at SK VIEW.

Major Achievements of 2017

SK E&C's quality planted many trees for the forest of quality under absolute support from top management.



Major Activities of 2017



Enhancement training for quality improvement leaders



Presentation of excellent cases of COPQ improvement

COPQ

COPQ is abbreviation for Cost of Poor Quality. It includes all unnecessary losses incurred in the company as a result of poor quality. SK E&C accurately apprehends how failure expense occurs through COPQ management (aggregation, analysis, improvement) and attempts to minimize quality failures.

• COPQ improvement activities

In 2017, 704 employees from 70 organizations and 127 task areas joined COPQ improvement activities. We identified large COPQ improvement tasks that were expected to have improvement effect after analyzing the measured COPQ of 2017. As the result of COPQ improvement activities, we realized improvements worth KRW 7.26 billion.

• COPQ training

We constantly expanded COPQ training through visiting project in field and implemented enhancement training for quality improvement leaders for maximization of improvement performance which led to sharing of know-how on effective improvement methods.

• Presentation of excellent cases

Presentation of excellent cases of COPQ improvement was enacted so as to share achievements, and expand and share a culture of constantly pursuing improvement company-wide. Five excellent teams were selected from 14 teams that joined the event. Those improvement cases including the five selected cases were shared with all employees through an exhibition.

<Excellent Cases Awarded for COPQ Improvement>

Award	Name of Organization	Title of Excellent Case for Improvement
Quality Improvement Prize	Hynix ENGG Team	Improvement of FAB unit temporary facility engineering method
	New Dongtan SK VIEW Park III Project	Reduction of concrete galvanizing/plastering through process setup
	Icheon integrated wastewater treatment facility & Hynix M1.5 OBL Project	COPQ improvement by PC Wall engineering method
Quality Innovation Prize	US Army Garrison(USAG) Humphreys Land Development	Reduction of loss expense at turnover phase
	JZR & TP Project	Minimization of project rework with early setting of TML* utilizing 3D modeling

*TML(Thickness Measurement Location) : Measurement location where the remaining usage period for machinery or pipes are checked

Enhancing Efficiency of the Quality Process

12 cases to enhance efficiency of the quality process were performed so that focus and concentration would be on the core processes. And to ensure improvement in connectivity between the quality system and achievement, 6 processes were integrated and operated.

<12 Cases to Enhance Efficiency of the Quality Process>

Eliminated (4 cases)	Improved (5 cases)	Internal tasks (3 cases)
<ul style="list-style-type: none"> - Quality Execution Plan Committee - Reporting Quality Implementation Rules - Status Reporting on the Responsible Real-name System - CQMI collecting of Infra and Building & Housing projects 	<ul style="list-style-type: none"> - Biz Partner Quality Gate - Quality Best Practice Certification - Project support/evaluation/audit - Improvement to double reporting of Quality issues - Management of project quality resource demob. plan 	<ul style="list-style-type: none"> - Quality risk prevention activities : Discontinued - Quality Improvement Committee : Discontinued - LL DB validity review : Deleted 2,200 items

Self-motivation among Employees for Enhancing Quality Implementation Capability

The Quality Rewarding System was applied in an expanded scale to induce participation from employees. By this, over 2,300 employees were devoted to expansion of quality culture. In addition, the 'Always Can Meeting' was held to induce voluntary participation of employees in quality management activities together with operating of Quality Mindset Enhancement Workshops and sharing of excellent and poor design cases by divisions to induce self motivation among employees.

Implementation of Quality Rewarding System

Since 2017, Rewarding System with points saving was launched in order to encourage quality activities and provide differentiated benefits to employees' quality efforts and achievements. Ultimately, we aim to save project costs and enhance the company's financial performance through quality improvement activities and also enhance employees' quality capabilities.

Publication of 'Channel Q', the Quality News Magazine

Previously, quality related news was delivered in a limited contents, segregated by different sources. Now, the 'Channel Q', quality news magazine is being published for sharing quality news regularly with all employees. The magazine is positioned as the representative communication channel for expansion of the equality culture and enhancement of positive attitude toward quality among employees.



Quality news magazine, Channel Q

Operation of Quality Best Practices Certification System

To ensure optimum quality and pursue sustainable improvement activities, SK E&C is operating Quality Best Practice Certification System. This is intended to help a 'The quality starting first with my work' take root as the unique quality culture of the company. We are systematically settling down the quality culture through implementation of quality best practices and awarding certification by evaluating the level of quality culture. Besides, the best practices that had been previously enacted in limited to the construction organizations was recently applied in expanded scale to cover the design and procurement organizations.



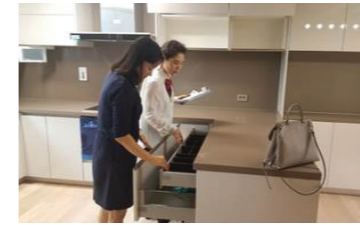
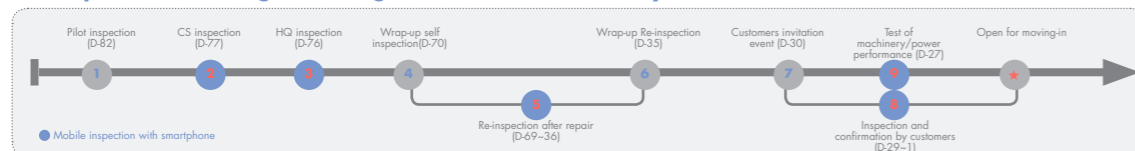
Acquired Quality Best Practice Excellency Level with JZR&TP project

Prior Quality Control Activities

SK E&C is carrying out preliminary self-inspection activities to meet the quality requirements for its housing projects from design to construction. In addition, we are committed to customer satisfaction and quality through the various inspection systems such as receiving the evaluation from the customers after finishing the construction and before the beginning of moving-in.

Customer Satisfaction Activities

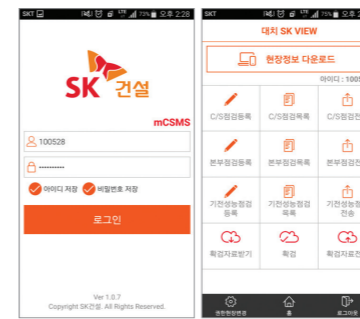
<9 Steps of the Moving-in Management Process for Newly Built House>



Customers invitation event



Operation of the Happiness Lounge



Mobile inspection application

Model house show

This is an inspection activity to find potential customer complaints such as difference between blueprint and model house, expected spot of defect, inconvenient parts, etc., in advance. It is attended by experts of design, product and construction.

Sample house inspection

This is an on-site joint inspection activity carried out by project technicians and experts from head office (design, product, technology, etc.) for the sample units by sizes before starting finishing works.

Quality check in advance (D-82~35)

After finishing all works, inspection managers composed of experts from head office (design, product, technology, etc.), project technicians and housewives perform inspections ahead of the customers' invitation event.

Customers invitation event (D-30)

Event wherein customers visit the newly built units for moving-in. They inspect all the items in their units to make sure the quality and find defects.

Test of machinery /power performance (D-27)

In order to prevent expected inconveniences during actual occupancy, advanced test of machinery and electricity products is performed such as performance check and supplementary action.

Operation of the Happiness Lounge

Based on the cooperation with the professional moving-in management company, specialized happiness managers stay at the site for the moving-in period, resolves inconveniences faced by the customers, as a measure for pursuing customer satisfaction.

Reinforcing Measures for Prevention of Recurring Defects and Sharing of Cases

SK E&C is implementing quality improvement activities through measures for preventing recurrence of defects and sharing of cases such as improvement of product-design-engineering standard, risk identification in advance, Monthly CSI Letter, etc.

Service on-site

SK E&C has three customer centers to resolve customer inconvenience through operating service teams composed of technicians in each field such as painting, wall papering, carpentry, facility and plastering at customer centers (Customer centers are located in Seoul, Gyeonggi-do and Busan).

E-book Library

SK E&C is operating an online electronic books library which customers can not only borrow & return e-books, also reserve and extend borrowing period at anytime, anywhere through internet as they do in a traditional library. Provided free of charge to SK E&C housing customers, one household can borrow up to maximum 5 volumes at a time and read with PC, dedicated terminals or smart phones.

Customer Happiness Center

SK E&C is listening to customers' voices through the 'Customer Happiness Center(Call center)'. It receives A/S request and complaints. After completing services, a survey on customer satisfaction is carried out by means of a 'Happy call'. In 2017, 94.1 points were achieved according to survey. We are checking if customers faced any inconvenience regarding A/S and considering all complaints to improve quality and services continuously.

ISSUE 4. Shared Growth



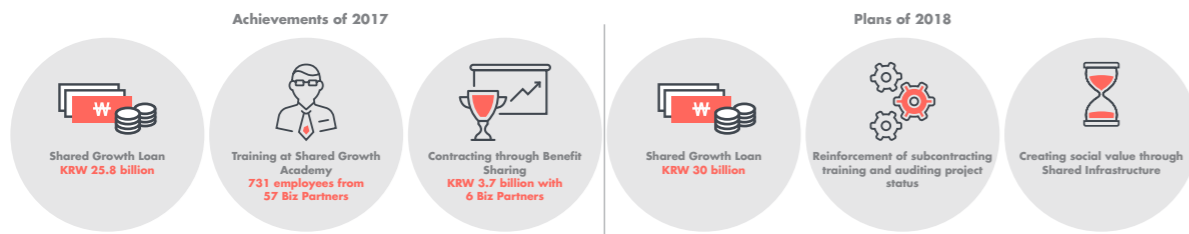
Why It Matters

Biz Partner's competitiveness is SK E&C's competitiveness. SK E&C is enhancing the competitiveness of Biz Partners through actual supporting programs that meet Biz Partners' needs. We are also going to settle down fair trade culture through proactive introduction and implementation of fair trade programs.

How We Approach

Guided by the firm conviction that 'Growth of Biz Partners is growth of SK E&C', SK E&C is always considering ways to nurture our Biz Partners. For this, we have developed and operated programs that are practically helpful in funding, employment, management, etc. and carried out programs aiming to reform the mindset of employees through training on the subcontracting law. This has aimed to prevent violation of the law, through auditing project status and introducing diverse systems proactively. In addition, we are planning to launch shared infrastructure to create social value through fundamental growth of Biz Partners. Shared infrastructure is intended to share tangible and intangible assets of SK E&C with Biz Partners to create new value and contribute to society.

Achievements of 2017/ Plans of 2018



INTERVIEW WITH STAKEHOLDERS



Young Sik Kang
CEO of Nambuk Electric Co., Ltd.

"SK E&C willingly cooperate with Biz Partner beforehand"

SK E&C is vigorously operating win-win activities, maintaining diverse shared growth programs over 10 times a year based on the 'Happy Wings Committee', in difficult times such as now when moving forward is very risky without companion. Particularly, we are happy to be together with SK E&C that shows servant leadership attitude of cooperate with Biz Partners proactively. We wish the next year will bring us opportunities to prosper together as Biz Partner of SK E&C and as a member of the Happy Wings Committee.



In-Soo Seo
CEO of Sungdo ENG

"Building stable trust through the Happy Wings Committee"

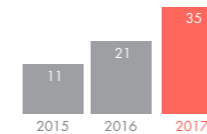
We were able to strengthen mutual trust through the Happy Wings Committee and shared growth programs from the New Year's Greetings and Green Meeting. In these confusing times at home and abroad and under the present difficult business environment, we have taken steady steps of shared growth. We hope this good relation will persist and wish year 2018 will see even further growth of the Happy Wings Committee.

Compliance with Subcontracting Law

2017 Training on Subcontracting Law



Number of project audited on subcontracting status



Supporting Biz Partner

Training on Subcontracting Law

Since 2014, SK E&C has been operating the training courses on subcontracting law aiming to achieve a "ZERO" status of subcontracting issues, thereby settling down a culture of shared growth. During the latter half of 2014, we developed our own online training course on subcontracting law for the first time in the construction industry, providing training on the outline of subcontracting laws, responsibilities of the ordering company, prohibited measures for the ordering company, thereby enhancing understanding among employees.

Subcontracting Status Audit

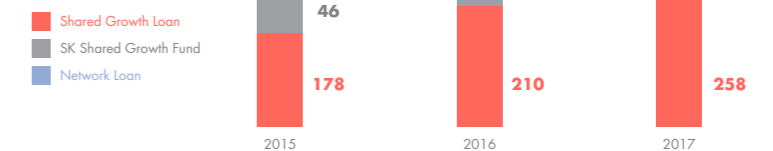
SK E&C introduced project status audit as the 2015 Subcontracting Risk Management system in order to fulfill our long term vision of 'Fair Trading Clean Company'. We are auditing status of compliance with the subcontracting law and Framework Act on the Construction Industry for major projects of each business division during 1st and 2nd half of the year. In 2017, we expanded the targets for auditing project and improved the auditing process so as to strengthen status audit. We are establishing a fair trade compliance culture among employees.

Financial Support and Improving Payment Terms

SK E&C is extending practical economic help to Biz Partners through financial support and improving the terms of payment. We also provide operating funds and facilities funds to Biz Partners without interest as a loan through the Shared Growth Loan System. In addition, we are providing indirect support to help Biz Partners avail loans as well as favorable interest rates and upgrading of loan limit from financial institutions based on the trading records through network loan agreement with the financial institutions. We provided financial support to 8 Biz Partners, presenting loan and savings of loan interest based on the SK Shared Growth Fund organized by SK E&C, SK affiliates, and financial institutions. On the other hand, we are gradually improving the subcontracting payment terms for our Biz Partners to secure cash flow and specifically, we are enhancing the fundamental competitiveness and securing cash flow for Biz Partners by paying subcontracting money within 10 days.

<Financial Support>

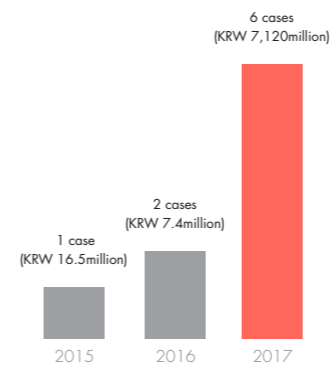
(Unit : KRW 100 million)



Technology Development and Protection

SK E&C is promoting new technologies developed by Biz Partners and seeks active utilization and application of new products and technologies developed by joint research with Biz Partners. Besides, we have introduced Technology Material Escrow system to prevent leak of technologies developed by Biz Partner and to use relevant technologies safely, thereby protecting the technology developed by small and medium-sized Biz Partners. Further, the Benefit Sharing System allows us to prepare the basis to actually grow together with Biz Partners. The Benefit Sharing System is a contracting model that supports achieving of common goals such as cost saving, R&D, etc., agreed in advance with Biz Partners.

Benefit Sharing System



Biz Partner	Task name
Shinpoong Stone	Value Engineering through design standardization collaboration of the Knowledge Industry Complex
White Metal	Cost saving through application of firewall/insulated sliding door and insulated stainless windows
Kukyoung G&M	Process and management improvement through industry innovation movement 3.0
White Metal	Process and management improvement through industry innovation movement 3.0
Sewon Electric Instrumentation	Quality improvement through the construction technology of dew condensation preventing electricity box and pipes adjacent to air
Jang Pyoung Construction	Cost saving and enhancement of process efficiency through applying Wing Wing Anchor

Supporting Biz Partner

Training Support

• SK E&C Shared Growth Academy

SK E&C is providing training for our Biz Partners to develop human resources through the SK Shared Growth Academy, which aims at nurturing the competitiveness of our Biz Partners. The Academy offers a course called 'Shared Growth CEO Seminar' to improve the management capability of the Biz Partners' CEOs and 'Shared Growth MBA Course' for middle-level managers of the Biz Partners. 'Shared Growth e-Learning' is an online training program for all the executives and employees of our Biz Partners and has more than 100 free courses on general management, marketing, financial accounting, etc.

Classification	CEO Seminar	MBA	e-Learning
Audience	Biz Partner CEO	Biz Partner middle-level manager	Biz Partner all executives and employees
Contents	Management, Economic trend, Leadership, etc.	Compulsory management know-how	Management general, IT, etc.
Number of Biz Partner	10	10	37
Number of Audience	10	10	711

• Overseas Projects Manager Training Course

Overseas Projects Manager Training Course is process to enable Biz Partners to employ excellent personnel who completed training with good score as the manager of overseas construction projects. The training was supported by the Ministry of Employment and Labor and completed 6 terms till 2017. SK E&C supported the training expenses necessary for the course and provided special lectures from its own Global OIT(Operation Intensive Training), our training course for employees assigned to overseas projects. We also supported education, training and recruitment, actively practicing shared growth. Furthermore, from 2018, we plan to add another course for training managers for domestic projects following request from Biz Partners.

Classification	Period	Completed persons	Job acquired persons	Biz Partner that employed trainees
1st group	July 2013 ~ November 2013	19	13	Sungdo ENG, Sebo MEC and 2 other Biz Partners
2nd Group	October 2013 ~ March 2014	24	22	Sungdo ENG, Kumyang Electric and 6 other Biz Partners
3rd Group	November 2014 ~ March 2015	20	18	Sungdo ENG, Dongah Geological Engineering and 5 other Biz Partners
4th Group	August 2015 ~ February 2016	21	19	Sungdo ENG, Daejung Eng & Const. and 3 other Biz Partners
5th Group	August 2016 ~ January 2017	14	13	Dongah Geological Engineering, Daejung Eng & Const. and 5 other Biz Partners
6th Group	July 2017 ~ November 2017	17	17	Dongah Geological Engineering, Daejung Eng & Const. and 7 other Biz Partners

Acquired the Only Best Grade of Win-Win Index in the Construction Industry

SK E&C received the best grade from the Korea Commission for Corporate Partnership in 2017, the only one to receive the best grade in the construction industry. This was in recognition of our systematized efforts through shared growth programs and diverse systematic support notwithstanding the difficult construction market environment. We also got the best score in the Mutual Cooperation Evaluation by the Ministry of Land, Infrastructure and Transport. We have acquired the best grade in the construction industry, the first one in the history of construction field and again acquired the same best grade, the only one to post such achievements in the industry in 2017.

Received Grand Prize for the Improvement of Cooperation in Construction Industry

SK E&C received Grand Prize from the Ministry of Land, Infrastructure and Transport for the Improvement of Cooperation in Construction Industry sponsored by the Korea Commission for Corporate Partnership, Ministry of Land, Infrastructure and Transport and Ministry of SMEs and Startups, and organized by CNEWS. The award committee selects a company that contributed to win-win collaboration and Shared Growth. And the assessing team evaluates training, management, finance, and other measures implemented by the awardee. By receiving the Grand Prize, we hope that the reliability of SK E&C in the construction industry will be enhanced and that we will have a more positive image as a company leading shared growth.



Award for the best grade winner of Win-Win Index

Major Achievements of 2017



Shared Infrastructure

WHAT IS SHARED INFRASTRUCTURE?

Background and Contents of SK E&C's Shared Infrastructure

'Shared infrastructure' means that enterprises share assets (infrastructure) to strengthen mutual competitiveness and create new value. It is a concept that expands the principle of 'sharing economy' among individuals to sharing among business entities.

BACKGROUND OF SHARED INFRASTRUCTURE

SK E&C has consistently implemented diverse activities for shared growth with Biz Partners. However, the industrial environment is changing fast and needs from clients have become more and more varied, with the level of demand also getting higher. Now that there is limit to separately strengthening competitiveness of SK E&C and Biz Partners, we are sharing core assets with Biz Partners, refurbishing the paradigm of win-win management for empowering competitiveness.

SHARED INFRASTRUCTURE OF SK E&C

As of January 2018, SK E&C is sharing Management Infra with Biz Partners of Happy Wings Committee and going to expand sharing partners gradually.

Management Infra	<ul style="list-style-type: none"> Management system (122 sets of management systems, 104 sets of construction standard documents) IT system (33 IT systems of the SK E&C's own development)
Supply Chain Infra	<ul style="list-style-type: none"> Equipment and materials (Pool of partners who signed an agreement with SK E&C) Project operation support (Order/Order receiving / Macro economy information, rental car service etc.)
Training Program	<ul style="list-style-type: none"> Online courses (187 of construction specialized courses, 110 of general management courses) Offline courses (On-request lectures, Collective training)
EPC Related Consulting	<ul style="list-style-type: none"> Construction business related trouble shooting Expertise and know-how on products, country/culture, and construction type
Space Infra	<ul style="list-style-type: none"> SK E&C's training room, meeting room, parking space, project office, etc.

Webpage of Shared Infrastructure

ISSUE 5.

Compliance with Environmental Regulations



Why It Matters



Since the December 2015 Paris Agreement, Korea is also obliged to reduce greenhouse gas emissions by 37% compared to the expected emissions volume(BAU) until 2030. Therefore, existing local laws and regulations will be strengthened and carbon management information request from stakeholders is also expected to grow. Thus, we must adopt carbon management company-wide in response to environmental regulation. Besides, with enhanced quality of life and launching of new government in Korea, the demand is getting stronger for management capacity to minimize impact on the environment throughout the entire process of engineering and construction.

How We Approach

SK E&C has been making consistent efforts to create new values through environment management activities beyond those mandated by common environment regulation or simple environmental preservation activities, to suggest the direction of environment management throughout the whole business process.

Achievements of 2017/ Plans of 2018

Achievements of 2017

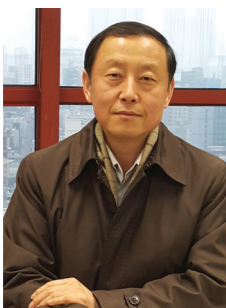
Greenhouse gas emission volume reduced by **9.92%**(3,380 tCO₂-eq) compared to previous year

Plans of 2018

No Environmental Accident over the last 3 years (2015-2017)

- Securing global competitiveness for carbon management performance index**
- Achieving certification standards of Science Based Targets to reduce greenhouse gas emissions in the mid to long-term
 - Improvement of environmental IT system to secure accuracy and reliability of greenhouse gas information inventory
 - Cooperation with Biz Partners in reducing use of energy and emission of greenhouse gas
- Expanding the current risk management system focused on construction phase to the overall process of marketing-design-construction-operation**
- Adding function to review and diagnose environment issues inside the business risk management system
 - Establishing cooperation processes to review legal issues for the whole process of design-construction-operation
- Minimizing environmental accidents by upgrading project environment management**
- Management through the classification of project environment risk and enhancement of environment pollution prevention facilities

INTERVIEW WITH STAKEHOLDERS



Jeong Mo An
Chairman of Korea Construction Environment Association

“Environment-friendly management is not a choice but essential”

As the Paris Agreement was adopted in 2015 and Emission Trading System was enacted in Korea, enterprises are being requested to set higher goals towards reduction of greenhouse gas. Thus, response to climate change through environment-friendly management is one of the most critical issues companies face; it is no longer regarded as an option but prerequisite to securing competitiveness and survival. To respond to change of environment in domestic and overseas, SK E&C has been actively practicing environment-friendly management from the perspective of the whole process. And furthermore, the company need to approach from the strategic dimension to offset the environmental destruction impact that is intrinsic to construction industry. I hope SK E&C will proceed to be recognized as the enterprise that creates social value and ultimately contribute to sustainable development of society by combining environment management with management strategy.

Coping with Climate Change

SK E&C systematically collects and manages data on energy use and greenhouse gas emission from the project and head office to actively cope with climate change. Based on this, we are identifying greenhouse gas reduction activities that can be practiced.

Goals to Reduce GHG Emissions

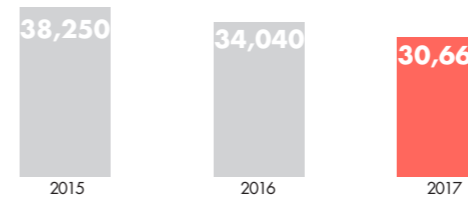
Mid- and long-term goals set by SK E&C are to reduce GHG emissions by at least 2.1% every year, by 20% up to 2020 and by 45% up to 2040 compared to GHG emissions of 2012. We are making efforts to reduce GHG emissions by systematically managing emissions and implementing reduction activities

Category	Goal	Expected reduction ratio
Mid-term goal	Reduction by more than 2.1% each year by 2020	Reduction of 20% by 2020 compared to emissions in 2012
Long-term goal	Reduction by more than 2.1% each year by 2040	Reduction of 45% by 2040 compared to emissions in 2012

GHG Emissions Management

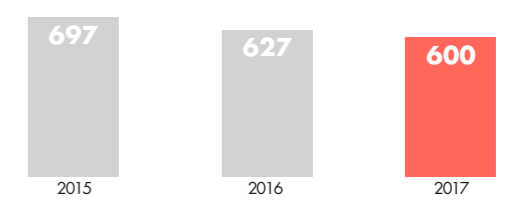
SK E&C accurately aggregates the data on energy consumption and GHG emissions of all domestic and overseas head office and projects through the GHG inventory every year. Currently, SK E&C's GHG emissions are below 50,000 tCO₂-eq per year, which does not meet the target set by the 'Greenhouse Gas and Energy Target Management System' in Korea. However, we submit 'greenhouse gas emission and energy usage statement' every year to the government. We are also making various efforts to reduce GHG emissions.

<Domestic GHG Emissions(tCO₂-eq)>



Domestic GHG emissions intensity (tCO ₂ -eq/ KRW 100 million)		
2015	2016	2017
0.81	1.06	0.72

<Domestic Energy Usage(TJ)>



Domestic energy usage intensity (GJ/KRW 100 million)		
2015	2016	2017
14.8	19.4	14.1

Reduction Activities of GHG Emissions

Since 2011, SK E&C has been carrying out reduction activities of GHG emissions for domestic projects in order to cope with climate change, and has achieved significant reductions in GHG emissions and energy savings. In particular, the goal for 2017 was to reduce 7% of the total expected GHG emissions. As a result, we were able to reduce GHG emissions by approximately 53,321 tCO₂-eq through active involvement of the entire project. In addition, GHG emission and reduction management is systematically and accurately managed through the Environmental Management Information System(EMIS), an integrated system operated by SK E&C.

<2017 GHG Reduction Performance by Factors>

Reduction factor	Direct reduction			Indirect reduction Purchased power	Reduction by Biz Partner			Total
	Fixed combustion	Vehicle	Construction machinery		Materials	Waste	Others	
GHG (tCO ₂ -eq)	167.37	70.52	2,590.27	81.62	17,859.45	50.06	32,502.22	53,321

CDP Participation

Despite not belonging to the corporates that requested the CDP response, SK E&C voluntarily participated in the CDP response in 2016 and obtained Management B grade. This was a measure to transparently disclose environmental information to the outside. As a result of voluntary participation, in 2014, SK E&C was awarded the carbon management special prize at the Carbon Management Honors Club hosted by the CDP Korea Committee. We have been continuously participating in this initiative through 2017 and making efforts to raise the level of environmental management at SK E&C.

Efforts to Minimize Impact on Environment



SK E&C is identifying risk expected during the construction phase by implementing initial environmental diagnosis and reflecting results to construction plans. Projects check legal compliance status of major works based on permit to work system. Furthermore, we strengthen support and monitoring by projects evaluating comprehensively energy, carbon emissions and environmental accidents. In case an environmental issue occurs, we make all efforts to prevent spread of damage by operating contingency report and response system.

Initial Risk Diagnosis / Establishing the Execution Plan

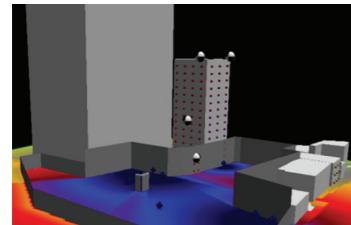
Through advanced simulation on the risk of noise, water quality, soil, and waste, we design and plan facilities for prevention of environmental pollution during construction and support and check implementation so that residents of adjoining areas are safeguarded from environmental damage.

<Initial Risk Diagnosis Process>

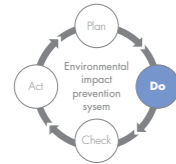


• Environmental pollution simulation program

SK E&C looks for optimum alternatives through performing advanced simulation of environmental impact that can arise during construction. In 2017, we performed a total of 22 simulations concerning noise for 11 projects that accounts for 90% of environmental impact at projects among noise, water quality and soil/waste factors, to identify optimum alternatives like quantity of equipment, change of engineering method, etc. and minimize environmental risk.



Noise simulation



Project Environment Management

• Upgrading of environment management by pollutants

SK E&C is managing environmental impacts that affect the surroundings during construction, classifying them into air quality, water quality, waste, soil and noise/vibration are ensuring compliance with legal standards for environmental pollution, standardizing and upgrading each pollution prevention facilities.

AIR QUALITY

- Water curtain to control flying dust in tunnels
- Auto wheel washing sensor machine
- Thermal system preventing freeze and rupture in the auto wheel washing space
- Standardization and upgradation of flying dust control facility
- Real-time measurement of flying dust

SOIL

- Introduction and proceduralization of soil pollution initial diagnosis process
- Operation of sandy soil disposal process

WATER QUALITY

- Operation of facility for reduction of environment-friendly nonpoint pollution and wastewater treatment facility
- Maintenance and operation of emergency control equipment for wastewater treatment facility and operation of water quality automated measurement

NOISE AND VIBRATION

- Establishment and implementation of noise integration plan through initial diagnosis of project noise
- Installation and operation of exterior electronic display for noise measuring
- Use of low noise equipment

WASTE

- Recycling in project to reduce occurrence of waste
- Operation of waste asbestos disposal process
- Installation of waste separating storage and assigning of dedicated personnel

OTHERS

- Disclosure of information on imported toxic chemical materials following the Law on Registration and Assessment of Chemical Materials
- Disclosure of information on imported toxic material and plastics following the Law on Saving and Promotion of Recycling of Resources

• Permit to Work

During construction, we select five construction types that most negatively impact environment and have project engineers check compliance with all environment regulations and ensure pollution prevention facilities is installed and ready 1 day before start of work. This is our effort not only to fulfill legal standards but also to prevent environmental inconvenience for local residents and this process applies to all projects of SK E&C.



Operation of Comprehensive Environment Evaluation System

SK E&C is monitoring performance of environment and economy through activities to save projects and offices energy and reduce carbon emission every year. Also, we enact regular inspections to evaluate the overall status including environmental risks for projects below 90% of construction progress and reflect it to the SHE monthly report of environment index and evaluation point by project units and classify. By the result, we are upgrading the standard of project environment management level through improvement of weak points. In addition, we award the projects with excellent evaluation with the Best Green Prize and spread the excellent case so that projects voluntarily try to prevent environmental risks.

Green Product



Geomdan SK VIEW



Munjeong SK V1 GL Metrocity

Certification of Environment-friendly Buildings

SK E&C considers energy reduction, water reduction, care for ecology and development of a suitable living environment as top priority from the design stage in order to provide sustainable buildings. We aim to realize energy-optimized buildings by applying diverse high-efficient and environment-friendly technologies to provide prominent products of high quality to our customers. In addition, we strive to develop environment-friendly technologies and construction materials that can reduce environmental impacts in order to respond proactively to government policy of promoting zero energy houses.

Based on these efforts, SK E&C acquired various domestic and international green building certifications in 2017. We will continue our efforts to create social values by reinforcing our competitiveness in environment-friendly design and engineering in line with government policy of promoting zero energy houses in 2018.

Project name	Certification	Grade
Geomdan SK VIEW	• Building Energy Efficiency Certification • G-SEED Certification	• 2nd grade • Green 2 grade
Gangbyeon SK VIEW	• Building Energy Efficiency Certification • G-SEED Certification	• 2nd grade • Green 2 grade
Uiwang Bugok Area 1 Redevelopment	• Building Energy Efficiency pre-Certification • G-SEED pre-Certification	• 2nd grade • Green 2 grade
Cheongju Bongmyeong Area 1 Reconstruction	• Building Energy Efficiency pre-Certification • G-SEED pre-Certification	• 2nd grade • Green 4 grade
Daejeon Sinheung Area 3	• Building Energy Efficiency pre-Certification • G-SEED pre-Certification	• 2nd grade • Green 4 grade
Munjeong SK V1 GL Metrocity	• Building Energy Efficiency Certification • G-SEED Certification	• 1st grade • Green 2 grade
Mullae SK V1 center	• Building Energy Efficiency pre-Certification	• 1st+ grade
Abu Dhabi PI Staff Accommodation	• ESTIDAMA*	• 2 Pearls

*ESTIDAMA : Environment-friendly building evaluation system set by Abu Dhabi City Planning Committee to minimize environmental pollution due to construction under the high temperature and humid environment of Abu Dhabi. In Arab word, it means 'Sustainability'.

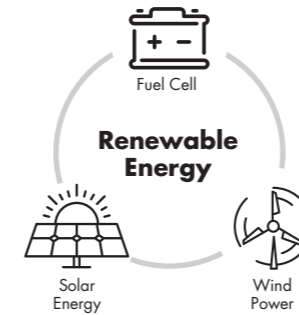
Renewable Energy

SK E&C is actively pursuing renewable energy business at home and abroad including solar energy and wind power with special focus on fuel cell power plant. Fuel cell power generate electricity and heat through electrochemical response mixing hydrogen and oxygen without burning fossil fuel which has a high annual operating hours. This new technology consumes only a small space and is an environment-friendly energy source optimized for distributed power source. In July 2017, we signed 'Joint Development Agreement' to develop renewable energy businesses with Seoul Metro and are preparing for a 20 MW fuel cell power plant inside Godeok Metro Garage as the first project. Furthermore, in September 2017, we started construction of a pilot plant for LPG/LNG dual model inside SK Gas basement at Ulsan. It is the first of its kind to be tested on site and will be expanded as another business.

Bundang 6th phase fuel cell power plant is Korea's first project where SOFC(Solid Oxide Fuel Cell) was applied. SOFC has superb competitiveness in terms of efficiency, stable output and demanded space over other fuel cell technologies with no white smoke and little carbon dioxide, and is regarded as the optimum environment-friendly power plant considering its location adjacent to the center of Bundang city.

In the first quarter of 2018, we will start construction a fuel cell power plant in the frozen logistics complex at the Pyeongtaek Oseong and are seeking another fuel cell business of 20MW volume inside the Arisu water purification center of Amsa-dong, Seoul city. Moreover, we are also planning to start engineering of hydrogen fuel cell power generation business applying new power generation technology to use low purity byproduct hydrogen, which is unprecedented in Korea.

In addition, we are taking part in renewable energy business focusing on solar energy and wind power responding to the government's renewable energy promotion policy. We are developing solar energy projects over middle and small sized reservoirs and lakes as well as land-based solar energy projects. In case of wind power generation, we are seeing visible achievement mainly on the sea as the feasibility was proven in line with recent development of relevant technologies.



Fuel cell power plant in the frozen logistics complex at Pyeongtaek Oseong



CSR MANAGEMENT

- CSR OVERVIEW
- MATERIAL ISSUES
- CSR MANAGEMENT**
- APPENDIX

- ETHICAL MANAGEMENT
- SAFETY AND HEALTH MANAGEMENT
- QUALITY MANAGEMENT
- SHARED GROWTH
- ENVIRONMENTAL MANAGEMENT
- TALENT MANAGEMENT
- SOCIAL CONTRIBUTION

CSR MANAGEMENT

Ethical Management

Ethical Management System

Establishment of Ethical Regulations

SK E&C has established an ethical management system to integrate ethical management into the corporate culture. In January 1998, based on SK E&C's standards of conduct and value judgment, SK E&C enacted the code of ethics and made it mandatory for all operations to be carried out in compliance thereof. The code of ethics, which is updated regularly, applies to all SK Group affiliates and Biz Partners as well as all employees.

Code of Ethics (Chapter 1)

SK E&C aims to become a world-class corporate by sincerely pursuing SKMS practice and SUPEX that are agreed upon by all as the subjects of corporate management. We understand the rapidly changing business environment, participate in management activities in a fair manner, and achieve mutual trust and transparent management. For this purpose, the code of ethics is formulated as the basis of our rational thinking and appropriate behavior and we are determined to practice it.

First, customers

I shall always respect the opinions of our customers, understand their needs, and provide world-class products that could satisfy them and gain their trust.

Second, Biz partners

I shall create a clean trade climate by granting equal opportunities to all qualified companies in accordance with the principle of free competition and fair trading procedures. And I shall pursue mutual development with them through providing technical support and management guidance.

Third, the corporate

As a manager of our corporate, I shall carry out transparent and fair management activities with a professional attitude. I shall also strive to create a healthy corporate climate, and fulfill my responsibilities and mission for our corporate's permanent survival and development.

Fourth, the country and society

I shall contribute to the development of the country and society by establishing exemplary moral values and observing the national economic order and social norms.

Detailed Ethical Rules

1. Politely refuse any money offered by stakeholders in connection with business. Never accept such money from them or give it to them.
2. Do not accept any offer of entertainment or hospitality from stakeholders in relation to work. Do not offer them such entertainment or hospitality either.
3. Do not receive any convenience in connection with work from stakeholders. Do not provide such convenience to them either.
4. Do not make any payment or repay on behalf of stakeholders for their credit cards, debts, loans, etc., in connection with business.
5. Do not receive any equity or loan guarantees for property offered by stakeholders in connection with business. Do not engage in any joint investment in movables, real estate, securities, goodwill, membership, etc., in the interests of stakeholders.
6. Do not borrow money from stakeholders in relation to work. Do not engage in monetary or personal property purchases from stakeholders for less than the normal price to take substantive profits.
7. Do not lease assets to or receive collateral from stakeholders in relation to business for your convenience or profit from stakeholders.
8. Do not accept guarantees of employment, employment contracts, and trade contracts offered by stakeholders in connection with business.
9. Do not send or receive money, entertainment or hospitality from stakeholders. Do not provide such things to stakeholders.
10. When engaging in international commerce, do not promise or donate money or benefits that can be construed as bribes, or indicate any willingness to do so in connection with business.

Execution Elements of Ethical Management

In order to seek sustainable development of the company through decision-making that fits social norms and ethical standards, 3C(Code, Compliance, Consensus) was set up as the execution elements of ethical management.

Code of ethics and practice guidelines

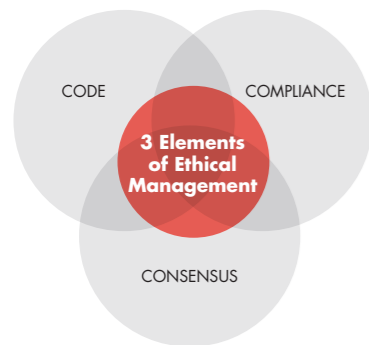
The responsibilities for stakeholders were defined based on the standards of business ethics, and specific and codified guidelines such as code of ethics and practice guidelines were established for the employees.

Operation of the system

SK E&C comprises various systems for practicing ethical management, dedicated organization for ethical management, functions of consultation/reporting, and ethical audit, etc.

Consensus

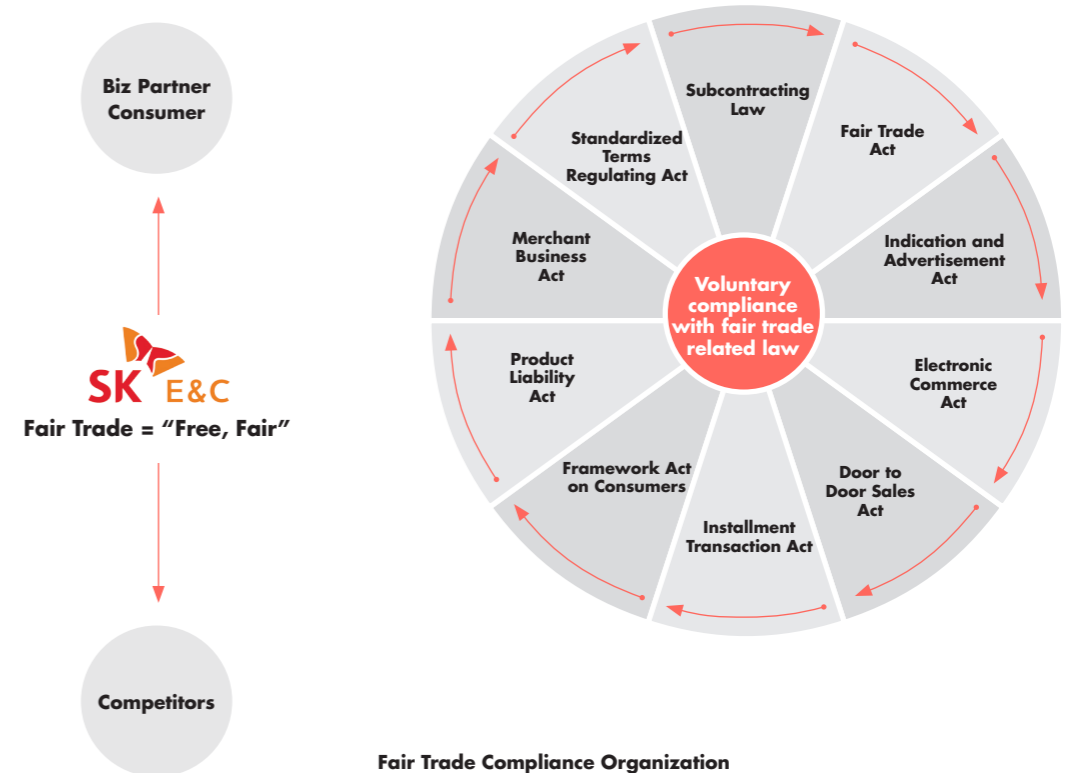
We try to establish consensus among employees about how to practice ethical management by providing systematic and periodic education, CEO's Messages, and campaign activities.



Fair Trade Compliance Program

Concept of Fair Trade Compliance Program

Fair trade means to pursue free and fair competition and transactions without abusing one's status for economic gain. Compliance means voluntary compliance with laws and regulations.



Fair Trade Compliance Organization

In order to systematically operate the Fair Trade Compliance Program, we have been organizing a self-compliance organization every year and providing professional training to the personnel in charge. We are striving to maximize synergy by strengthening the organic mutual cooperation system between each division and disseminating a culture of voluntary compliance with fair trade laws.

Pledging Voluntary Compliance with Fair Trade

SK E&C is practicing a system of inducing employees to take a pledge to comply voluntarily with fair trade every year since 2015 to strengthen their will and settle down a culture of voluntary compliance with fair trade.

Statement of Oath for Fair Trade Compliance

I resolve to actively participate in the operation of the Fair Trade Compliance Program for the establishment of fair competition and transparency, and will strive for the creation of a corporate culture of self-regulated fair trade compliance. I hereby take an oath in writing as follows:

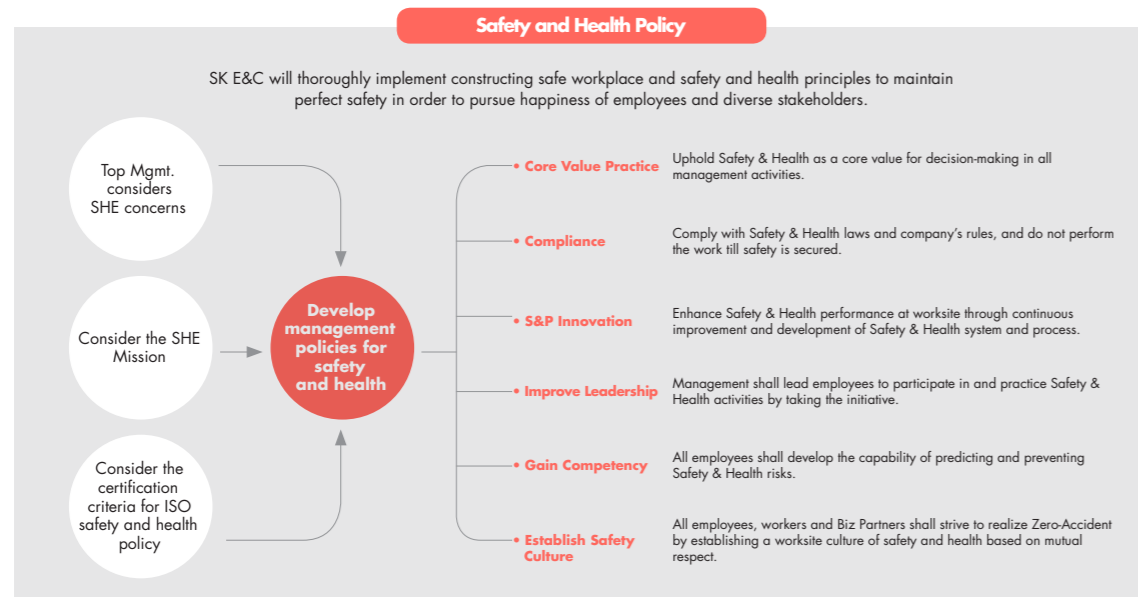
1. I, an employee of SK E&C, will not engage in unfair trade practices by abusing superior bargaining positions against Biz Partners, or participate in any bid-rigging.
1. I will never be engaged in bid rigging incident.
1. I will faithfully abide by Fair Trade Act based on trust and sincerity while making efforts to prevent relevant incidents in advance.
1. If breach of laws or regulations regarding Fair Trade is likely to occur, I will immediately notify the Compliance Secretariat of my findings.

CSR MANAGEMENT

Safety and Health Management

Safety and Health Policy

SK E&C has emphasized safety and health as corporate culture and declared it as the core value for the pursuit of stakeholders' happiness in July 2014. Notably in 2017, SK E&C renewed its safety and health management policy, reflecting the CEO's safety and health philosophy, mission, and ISO safety and health policy standards. We are continuing our efforts to realize accident-free through 'constructing safe workplace' and 'thorough implementation of safety and health principles'.



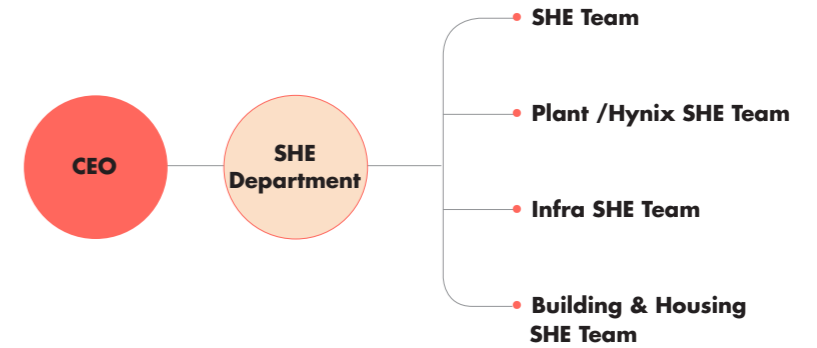
<Behavior Principles by Classes>

Safety is our core value and corporate culture	Accidents should never happen and we shall have strong belief that we can prevent it	Safety is a non-negotiable value; it should be the topmost priority in corporate management
Classification	Role Theme	Behavior Keyword
Management Group	<ul style="list-style-type: none"> Safety value management by leadership Lead initiatives to secure competitiveness of safety, setting management direction and suggesting vision 	<ul style="list-style-type: none"> Suggesting Safety Policy/Targets Exercising Safety Leadership Organizing the right atmosphere for safety activities
Team Leader & Project Manager	<ul style="list-style-type: none"> Taking initiative in leading change toward safety Induce safety behavior and practice for achieving safety performance of organization and dissemination of culture 	<ul style="list-style-type: none"> Spread and improve safety consciousness Active communication Taking initiative & inducing practice
Employees (Head office/Project/Safety Manager)	<ul style="list-style-type: none"> Practice of safety behavior by voluntary participation Every employee develops competency for achieving safety goal and practice safety in daily work 	<ul style="list-style-type: none"> Recognize safety as the basics and principle Confirmation and practice of safety during the work Embodiment of safety practices in daily life

Safety and Health Management Governance

Safety and Health Organization System

The SHE(Safety-Health-Environment) Department under the direct management of CEO is responsible for suggesting the direction, setting the strategy and managing the implementation of company wide safety and health. SHE Teams are separately operated under each division of Infra, Building & Housing and Plant/Hynix to consolidate specialized expertise of SHE for relevant business divisions. SHE Teams of each business division are strengthening operation competency through support and inspection of projects and making efforts to spread culture of safety and health and to optimize implementation by organically operating SHE Department/SHE Team at head office and each division and projects. Starting 2015, safety inspection meeting presided by the CEO is held bimonthly for sharing important issues with management group and promoting prompt decision-making to solidify responsible management of safety and health.



Safety and Health Management System

For settling down a voluntary safety and health management system, we have introduced and operated safety and health management system for domestic and overseas. We are operating the KOSHA18001* system certified by Korea Occupational Safety and Health Agency and OHSAS18001** system for overseas.

* KOSHA(Korea Occupational Safety & Health Agency)18001 : The name of the safety and health management system developed by Korea Occupational Safety and Health Agency. Certification based on the government's support responsibility for establishing voluntary safety and health management system at the place of business.

** OHSAS(Occupational Health & Safety Management System)18001 : International standard for health and safety management system of organizations stipulated by British Standards Institution(BSI).

Design/Construction Safety Review Committee

For securing technology safety, we are operating a technology review process between the head office and projects to analyze the technology risks related to design and construction. The committee comprehensively reviews technology safety, construction plan, possibility of applying a new engineering technology method, etc. for the items requested by projects facing dangerous construction work. The feedback on review is provided to projects for consistent confirmation and checking of the process.

Category	Major review items
Infra	<ul style="list-style-type: none"> Blasting work using explosives near impediment on or under the land Review of bearing power of heavy equipment New engineering method for movable temporary structure
Building & Housing	<ul style="list-style-type: none"> Constructing temporary scaffolding above 31 meters Waterproof method for excavation work over 10 meters
Plant	<ul style="list-style-type: none"> High pressure test Review of bridge safety for heavy rigging and transport

Accident Reporting System / Emergency Response Training

SK E&C is operating a reporting system for all kinds of accident and emergency situations that may arise in domestic and overseas projects. We are operating a company wide response system in order to prevent spread of damage through prompt assistance. Each project and head office are strengthening response capability for respective emergency cases through providing emergency response training to all employees.

Biz Partner Safety Gate System

SK E&C is operating Biz Partner Safety Gate System to identify, evaluate and manage excellent Biz Partners who are equipped with safety implementation capability. This system is playing an important role in upgrading and consistently improving the implementation capability of Biz Partners through evaluating and managing Biz Partners' safety culture level from the phase of registration, start of construction and implementation of project.

CSR MANAGEMENT

Quality Management

Quality Management Policy

Under the mission "To create customer satisfaction by the stronger quality culture starting with me", SK E&C is improving its quality system to the level of a global top tier and continuing to build a strong quality culture.



Quality Management System

In order to create a virtuous cycle for business process optimization and to ensure compliance with basics and principles, every year SK E&C constantly improves and adds sophistication to the quality management system by reviewing the effectiveness of total 4,772 types of manuals, procedure documents and others. In addition, for maintaining adequacy and effective execution of quality management system and inducing sustainable quality improvement, we implement regular internal quality inspection for domestic and overseas projects.

Quality Management System Certification

SK E&C acquired and maintains quality certification from reputable certification organizations such as International Organization for Standardization(ISO9001), Korea Electric Power Industry Code(KEPIC), and American Society of Mechanical Engineers(ASME) to provide our customers with credibility in quality. In addition, to rebuild the risk based quality management system, we fully renewed the ISO9001 (quality management system) of the head office and Singapore branch office to 2015 edition.

Certification	Certification contents	Certification authority
ISO9001	Quality management system for the construction industry	LRQA Korea Ltd.
KEPIC	Korea Electric Power Industry Code	KEA(Korea Electric Association)
ASME	Certification by American Society of Mechanical Engineers(ASME)	ASME(The American Society of Mechanical Engineers)

Quality Management Governance

In order to consolidate the execution power of quality management policy, we operate various conferences to discuss quality management issues of the company wide and each unit organization and regularly check their strategies and practices of quality management. In particular, the Quality Management Review Meeting is led by the CEO and is attended by executives of each division to check the status of quality management status and issues at corporate level and lead improvement activities to solve the issues establishing quality as the core value of SK E&C.

Meeting/Conference	Participants	Interval	Discussed contents
Quality Management Review Meeting	CEO, managing directors of each business division, E/P/C related director/head, manager of quality	Bi-monthly	<ul style="list-style-type: none"> Improving quality awareness based on top-down drive Strengthening implementation of management leadership
Quality Seminar for each Division	Project quality manager of each division	Once in a half year	<ul style="list-style-type: none"> Improving project quality and strengthening the capability of the quality manager Discussion of issues related with quality and sharing quality management work status
Video Conference	Project quality manager of each division, quality team of each division	Every month	<ul style="list-style-type: none"> Preventing quality risk through lessons learned from other projects Establishing proactive responding system by sharing cases inspected by external organizations

Spreading of Quality Culture

SK E&C is committed to making it a part of life to practice removing the root cause of quality failures through leadership practice of quality management and encouraging voluntary participation by employees.

Strengthening Quality Leadership

SK E&C defined Quality Leadership by classes and practices materialized behavior principle to realize it so that all employees recognize quality culture and practice the same.



Quality manager capabilities enhancement training

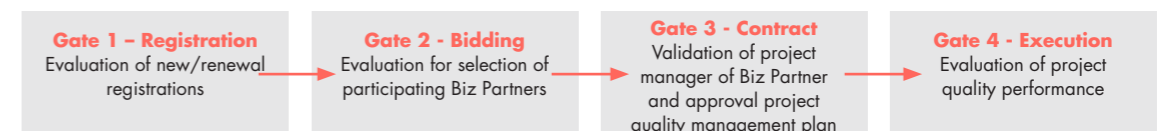
Strengthening Employees' Quality Capability

We are developing various quality training contents by trainees following expansion of the scale and area of business. In addition, we believe in recognizing and embodying quality as core value through operation that focuses on effectiveness. We also share know-how acquired during work through regular quality seminar for development of each employee.

Biz Partner Quality Gate System

Quality management capacities of Biz Partners determine the quality of construction. From this point of view, we operate a quality competence verification and reinforcement system for each stage of Biz Partner registration/bidding/contract/execution.

We also encourage Biz Partners to actively take part in quality activities by regularly assessing the quality of their construction work and strengthening control over the Biz Partners with poor construction quality.



CSR MANAGEMENT

Shared Growth

Shared Growth Strategy

SK E&C uses the name of "Biz Partners" instead of the name "subcontractors". The reason for this is to grow and develop together with our Biz Partners. SK E&C has been practicing management for the shared growth through a variety of institutional support and training programs for Biz Partners.



Creating a Shared Growth Culture

Strict Compliance with Subcontracting Law

SK E&C has introduced a standard field manual, standard subcontract agreements, and standard work instruction to thoroughly comply with Article 3 of the Subcontracting Law. We have established standardized field manual guidelines and use standard work instructions to improve old field manual that contained obscure and unclear work and over-estimates. We banned all kinds of verbal order that used to be practiced in the past.

Operation of Shared Growth Committee

SK E&C is operating an internal Shared Growth Committee to establish companywide subcontracting trade policies and foster a culture of fair trade and shared growth. The committee is composed of managing directors of each division and shares trends of government policies and reviews/takes decisions on subcontracting issues. The Shared Growth Committee has a subsidiary Shared Growth Working Committee, which is comprised of executives of each division. The role of Shared Growth Working Committee includes reviewing subcontracts and checking the status of subcontracting improvement activities. Top management group also calls for continued attention and action on these roles. In particular, the committee was operated both in the first and second half of 2017 and established method to expand project status auditing activities and to manage Biz Partners with poor performances.

Transparent Selection of Biz Partners

SK E&C has been strictly practicing the four important principles in relation to the subcontracting transactions. Every year, we recruit new Biz Partners publicly through a fair judgment and constitute a Win-Win Cooperation Committee to deliberate on fairness and legitimacy of the pricing process. In addition, we use a standard subcontracting agreement in accordance with the subcontracting rules.

Shared Growth Activities

Biz Partner Communication



SK E&C CEO's visit to Biz Partner



Awarding to excellent Biz Partners

Biz Partner Monitoring and Evaluation

SK E&C has built and run the response system for Biz Partners insolvency coming from the long term economic downturn largely in the construction industry. Utilizing credit rating agencies, we overhaul the Biz Partners with signs of any abnormality and manage risk proactively. We have also established proactive monitoring system using information on the Biz Partners' financial status. When a Biz Partner goes bankrupt, we have deposit claims process to follow.

Biz Partner Sustainability Assessment

SK E&C has developed the 'Biz Partner Sustainability Assessment Indicators' and evaluate the sustainability of Biz Partners. The subject of sustainability assessment includes a) the economic factors such as technology, equipment status, quality, and capacity, etc., b) five areas such as labor, human rights, anti-corruption, health and safety, and the environment. And then we take appropriate steps for the Biz Partners with any risk. For instance, we can reconsider the transactions or offer competence enhancement training depending on the level of risk.

Biz Partner Employee Participation in Overseas Project

Biz Partner Employee Participation in Overseas Project is a system to send employees of Biz Partners to overseas projects of SK E&C and support education and training which provides them with a bridgehead for successful approach to overseas market. In this system, SK E&C supplies a part of salary, residence, furniture and fittings for a limited period. Since 2010, employees of Biz Partners were dispatched to and are working for ongoing projects in Saudi Arabia, UAE, Laos, etc. We plan to achieve a successful joint approach to overseas market by helping in the recruitment and enhancing the overseas project performance capabilities.

Operation of Happy Wings Committee

Recognizing the necessity of official regular communication channel with Biz Partners, SK E&C launched 'Subcontractors Happy Wings Committee' focusing on excellent subcontracting Biz Partners in March 2011 and 'Procurement Happy Wins Committee' focusing on Biz Partners involved in procurement in March 2013. Both committees continue their efforts to closely share information and establish trust with Biz Partners by arranging meetings, CEO's visit to Biz Partners, Joint Walking Program, etc.

<Outline of SK E&C Happy Wings Committee>

Classification	Subcontractors Happy Wings Committee	Procurement Happy Wings Committee
Launched date	March 2011	March 2013
Participants	58 Biz Partners	47 Biz Partners
Subcommittee	Civil, Architecture, Mechatronics, Plant, Communication(5 subcommittees)	Machinery & Inspection, Piping, Civil & Architecture, Electric & Instrument, Larger companies Biz Partner (5 subcommittees)

Main Programs of Happy Wings Committee

SK E&C holds CEO New Year Meeting and shares greetings, company performance and plan with Biz Partners and listens to suggestions about current issues. We also sign Fair Trade Agreement with Biz Partners and shares opinions. Besides, during the subcommittee meetings, we listen to difficulties and recommendations by business division and discuss reasonable solution for shared growth. At the end of the year, year-end meeting is held inviting major Biz Partners and we express our gratitude for active cooperation for the year and give awards to selected excellent Biz Partners as encouragement.



Fair Trade Agreement Signing Ceremony of Happy Wings Committee

CSR MANAGEMENT

Environmental Management

Environmental Management Promotion System ECO-2020

In 2009, SK E&C established the vision of "Think Green, Build Green, Contributing to the sustainable development of society through environmental management activities". We have established Green Culture, Green Process, and Green Product as the execution axis for achieving such a vision and are pursuing consistent environmental management. In addition, ECO-2020, middle and long term promotion system for environmental management, aims to contribute to the establishment of a low-carbon, resource-recycling society, which is emerging as a countermeasure against global climate change and resource depletion.



As for Green Culture area, we aim to minimize the environmental burden in all business areas by demonstrating our company-wide eco-friendly practice capabilities centered on Green Office and Green Site. Greening of processes through improvement of environmental efficiency and the Green Process area configured to prevent environmental risk in advance are strengthened, thus visible results are being created. SK E&C strives to fulfill customer satisfaction and corporate social responsibility by supplying products and services that are eco-friendly, which is our core value.

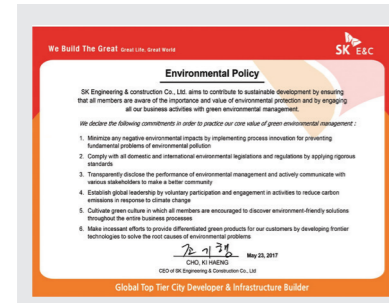
Environmental Management Policy

SK E&C is implementing eco-friendly activities in compliance with the SK E&C's Environmental Management Policy.

Environmental Policy

SK E&C aims to contribute to sustainable development by ensuring that all employees are aware of the importance and value of environmental protection and by engaging all our business activities with green environmental management.

1. Minimize any negative environmental impacts by implementing process innovation for preventing fundamental problems of environmental pollution
2. Comply with all domestic and international environmental legislations and regulations by applying rigorous standards
3. Transparently disclose the performance of environmental management and actively communicate with various stakeholders to make a better community
4. Establish global leadership by voluntary participation and engagement in activities to reduce carbon emissions in response to climate change
5. Cultivate green culture in which all employees are encouraged to discover environment-friendly solutions throughout the entire business processes
6. Make incessant efforts to provide differentiated green products for our customers by developing frontier technologies to solve the root causes of environmental problems



Environment Management System

SK E&C is constantly renewing certifications after acquisition of ISO14001, International Environment Management Standard, in 1997 and acquired certification of newly converted ISO14001:2015 Standard in 2017. Based on this, we are evaluating potential environmental risks and operation status of company-wide environment management system.

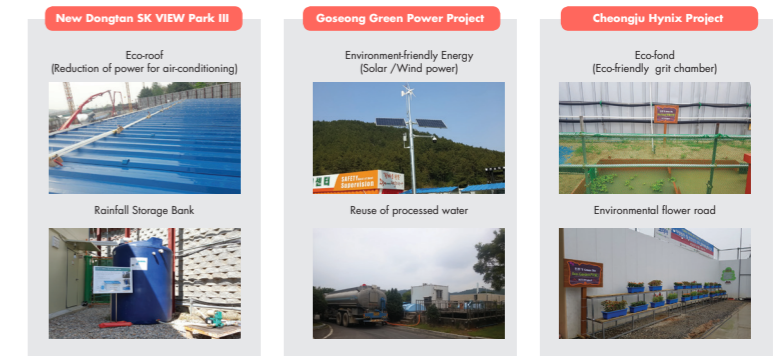
Environmental Management Activities



Eco-friendly integrated model, Green Site image

Operation of Eco-friendly Integrated Model Green Site

The Green Site is an eco-friendly integrated model unique to SK E&C. It is designed to meet the needs of various stakeholders of domestic and overseas, including system upgrading through compliance, consideration of community, use of clean energy to cope with climate change, and improvement of resource circulation efficiency. In 2015, we created and published the Green Site Guidebook containing the corresponding checklist and detailed installation guidebook. In this regard, we designated each field officer and conducted detailed training. Projects across the country are operating a Green Site that matches the characteristics of their projects.



Eco-friendly Communication

SK E&C shares environmental news through various channels to raise environmental awareness of employees. We have published an article called Beyond Green in the monthly corporate magazine to introduce environment-friendly projects, and to introduce our environmental practices in our lives. We also share green activities such as best practices of Green Site and Happy Green School with all employees through media such as internal broadcasting channel.

Participation at Voluntary Agreement on Reduction of Flying Dust

SK E&C started to join voluntary agreement on reduction of flying dust between Ministry of Environment and construction companies in 2016 and has been continuing activities to report performance to the Ministry and managing activities shall be implemented at all projects. In addition, though not included at the agreement, we have executed partial recommendations from the Ministry to reduce flying dust effectively as part of efforts to minimize damage to surrounding places.



Participation at voluntary agreement on reduction of flying dust

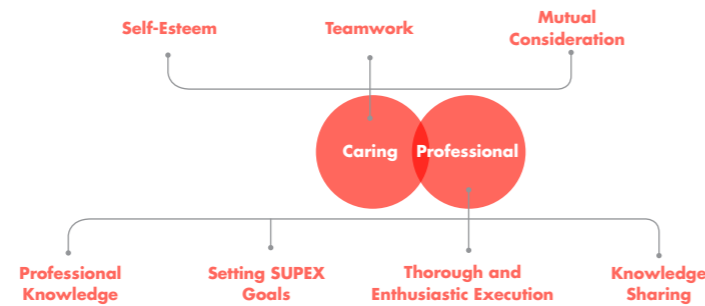


CSR MANAGEMENT

Talent Management

SK E&C People Model

The employees of SK E&C share the mission and belief to “Build the Great Great Life, Great World”, visualize the clear image of happiness and success, and carry out every work with passion and enthusiasm. This is the definition of SK E&C People Model “Caring Professional”. It indicates desirable attitudes and competencies to guide employees into happier and more successful life and help them contribute to stakeholder happiness enhancement. Moreover, it provides specific behavioral principles for employees to use them willingly as personal guidelines and corporate standards for operational policies to strengthen implementation of SKMS.



Recruiting Outstanding Human Resources

SK E&C operates transparent procedures to recruit excellent individuals that meet the concept of SK E&C People Model and provide equal opportunity to all applicants. In 2017, we recruited total 35 new employees through 'blind recruitment', a form of public recruitment, in order to overcome the problems in the existing method which is based on profile information in the resume and to recruit individuals that meet the concept of SK E&C People Model and job competency. In collaboration with Korea Employment Agency for the Disabled, we implemented special recruitment for the disabled wherein we provided one month of customized training and 3 months of internship program. After training and internship, we hired them as non fixed-term employees exceptionally in construction industry. Besides, we conducted 4 sessions of SK Employment Stepping Stone Program so as to resolve mismatch between Biz Partners who suffer from labor shortage and young job seekers who suffer from finding jobs. SK E&C provides job training and internship opportunities for young job seekers to enhance their competitiveness in finding jobs, and excellent human resources for Biz Partners to help strengthen their competitiveness.

Human Resource Development

In order to achieve mission and vision, SK E&C is striving to cultivate human resources that meet its human resources standards based on its philosophy of human resource development. The “Corporate” will nurture a competent group of leaders and experts, which will ultimately enhance the company’s competitiveness. The “Employees” will develop their career goals by developing personal competence and growing as experts.

Mission	Developing human resources that meet the concept of SK E&C People Model 'Caring Professional'
Philosophy	The human resource development system of SK E&C for achieving company's mission & vision aims <ul style="list-style-type: none"> To provide systematic and typical/atypical learning contents and infrastructure to fit individual career path and attain the required competency level To effectively enhance employees' competency through self-initiated learning

Major Training Systems and Programs

- **CDP (Career Development Program)**
This is a program that provides information on the necessary training/competency(CDP Map) for each career goal, and supports job experience and job transfer accordingly. Through the CDP Map, employees can see what growth path to follow and what capability to build to achieve career goals.
- **IDP (Individual Development Plan)**
SK E&C considers CDP Map in setting career goal to suit individual employees and established competency enhancement plan(Rotation Plan/Job Training/Nurturing through Work) to achieve these goals. We support each employee to achieve voluntary and effective competency enhancement through self-initiated career development called 'IDP establishment', and induces participation of leaders and employees through performance check regarding individual nurturing activities at the end of the year. Throughout the year, we arrange face to face meetings with leader and employee as part of our efforts to enhance practicing capability of nurturing.



PMU courses

- **PMU (Project Management University) Course**
In order to improve project management capability, SK E&C conducts the self-developed PMU (Project Management University) course, which is the highest level of the in-house training system. The PMU aims to nurture project professionals with insights as field managers, strategic thinking and business management skills. In addition to the PMU courses, we have developed and are operating the PMU Basic Courses for junior employees and the PMU Advanced Courses for managers/general managers.

- **Nurturing female talent**
SK E&C conducts the 'W-network Program', to promote networking for female human resources and to help leadership development into next leaders. Under the subject 'Leadership Coaching', individual tasks like 'establishment of improvement direction for women related systems' are performed in addition to book reading, discussion and group mentoring to pursue nurturing through work. We support establishment of desirable women leadership inside organization through constant nurturing of female talent.

Evaluation and Compensation

Evaluation System

SK E&C operates an evaluation system based on performance oriented system so that employees can achieve high performance based on superior value. The evaluation factors consist of value measurement and performance measurement. Value measurement considers SK E&C People Model as rating. Since we introduced an absolute evaluation system, the strength/weakness of individual is intensively analyzed to help voluntary practice of SK E&C People Model of employees. In case of performance measurement, evaluation is done half-yearly through performance check on task. After evaluation, one on one coaching is done about improvement points, nurturing direction, etc., through feedback meeting with the employee. In addition, for fairness and transparency of evaluation, we make diverse efforts such as disclosing evaluation result and strengthening claim process and are constantly complementing the system to settle down evaluation system by listening to opinions of employees about the system.

Compensation System

SK E&C adheres to 'Differentiation of compensation level based on Performance Orientation' and operates performance-related pay and IB(Incentive Bonus) system to implement it. Through performance-related pay, we pay according to the performance of each individual, and the eligibility and scale of IB is decided depending on the performance level of organization and individuals. Base pay and allowance differ depending on position, but there is no differentiation by gender or age.

Work & Life Balance

Maternity Protection Program

In July 2015, SK E&C introduced a maternity protection program to reduce the burden of female employees' birth and childcare and to prevent their career interruption. We are compliance with legal obligations related to maternity protection and female employees within 12 weeks or after 36 weeks of pregnancy can work shorter for 2 hours a day. There is a system in place to ensure that they are not disadvantaged during the performance evaluation, with which maternity leave and parental leave are strongly recommended. And we made it possible with unused annual leave transfer system for employees to use annual leave anytime when necessary after they get back to work from parental leave as a part of our efforts to lessen the burden of child raising. In addition, SK E&C has introduced a new system to allow female employees suffering from subfertility to take some time off from work in order to mitigate their difficulty and to support solving the social problem of low fertility. Finally, SK E&C is actively letting employees know about diverse systems for protecting maternity so that the systems can take root stably and also providing guidance separately to each team leader so that pregnant employees can use maternity protection programs without any burden.

Happy Wings Day Care Center

SK E&C operates Happy Wings Day Care Center in a workplace to participate in resolving the problem of low fertility in the Korean society and to resolve employees' difficulties in childcare. This center was certified by the Ministry of Health and Welfare with an excellent score and secured extended certification with good evaluation score as confirmed by the Korea Childcare Promotion Institute. As of January 2018, total 11 teachers, including representative of the center are caring 49 infants. The center is making its efforts to support work & life balance of SK E&C employees and provide optimum care environment for our infants who will lead the 21st century. Notably, at the time of admission, priority is granted to the socially disadvantaged, such as single parent families and female employee as part of the company's efforts to alleviate their difficulties in childcare.



Happy Wings Day Care Center

Welfare Program

SK E&C operates a variety of welfare programs to improve the quality of life for employees. Every year, we support health checkup for all employees. Based on the results of the checkup, employees with symptoms of 6 major diseases(hypertension, diabetes, triglyceride, abnormal lipid, obesity, and liver dysfunction) are provided with alarm messages and health-related information. For employees who belong to a high-risk group, hospital reservation is made for consultation and treatment and we support customized health management program consisting of meal, exercise, lecture. There is also an in-house affiliated dentistry that employees and their families can use at low costs.



SKetch Book(In-house library)

Also, we are implementing a program to measure the level of the employees' stress to protect their mental as well as physical health. In case of high-risk employees, we are helping their psychological healing through psychological counseling, 4 times a year. we support a certain amount of money when employees buy eco-friendly agricultural and marine products. We also operate a fitness center in the company to support voluntary efforts of employees for taking care of their health.



Fitness center

In addition, we support the tuition expenses of middle school, high school, and university for the children of employees. And we operate the SKetch Book, an in-house library with 6,900 books and 49,205 e-books for self-development of our employees.



Health lecture

Classification	Title of program
Employees' health support	Health checkup, Health promotion service, Health lecture, Health magazine, Health care center, Mental checkup, Eco-friendly agricultural and marine products, Affiliated dentistry, Fitness center, Group accident insurance
Birth/Childcare support	Nursing room, Female employees' rest room, Children Day Care Center
Self development / Children education support	Club, In-house library, Selective welfare point, Children's school expenses support

Protecting Human Rights and Dealing with Grievances

SK E&C pledges that it will support, respect and faithfully abide by the Universal Declaration of Human Rights and the major conventions of the International Labor Organization. In 2016, SK E&C announced its human rights policy, stating that it would fulfill its social responsibilities as a member of the international community. In addition, SK E&C operates a Grievance Committee to listen to and handle the grievances of employees. Besides, SK E&C operates Grievance Committee with officers in charge at each business division for creating happy and great workplace and resolving sexual harassment and related grievances. We are also conducting sexual harassment prevention education once a year for all employees to prevent possible sexual harassment in the company and to create an atmosphere in which employees can work safely.

Building Desirable Corporate Culture

SK E&C Human Rights Policy

SK E&C shall make effort on social responsibility through respecting for human rights and diversity to fulfill our mission, "We Build the Great, Great Life, Great World". SK E&C shall support, respect and declare to comply with principles faithfully for protecting human rights and labor standards as stipulated in the 'The Universal Declaration of Humans Rights' and 'The International Labor Organization'. Also, SK E&C has joined UN Global Compact and shall support and promote 10 principles of UN Global Compact officially.

Subject of Application and Detail Principles



- SK E&C does not discriminate against employees on recruitment and work for reasons for gender, nationality, religion, social status etc.
- SK E&C protects freedom of association and collective bargaining pursuant to constitutional law and laws related to labor relationship.
- SK E&C seeks sympathy and cooperation of employees to management issues under the equality principle between labor and management.
- SK E&C sets safety and comfortable workplace for employees' health and takes necessary measurements proactively for preventing accident.
- SK E&C treats employees equally, creates voluntary self-development atmosphere and supports training opportunities actively for employees.



- SK E&C does not make undue profits by unfair means and works against corruption in all its forms including bribery on the business activities
- SK E&C respects legitimate rights, demands and intentions of stakeholders.



- SK E&C respects diversities of ethnicity, race, religion and linguistic minorities in all domestic and overseas project sites and offices. Also, SK E&C makes efforts to realize equal opportunities of these people.
- SK E&C complies with global standard and law associated with protecting environment and makes every effort to protect environment during the entire business activities.

Management Development Council

Composed of representatives from management group and employees group, the Management Development Council, is a consultative body to promote SK E&C's development through mutual understanding and cooperation. The management group consists of the CEO and the executives appointed by the CEO. Employees group is made up of 10 employees elected by direct/secret ballot in proportion to the number of employees per division. As a general rule, the Management Development Council shall hold one regular meeting every quarter. They share information on major management issues, including management plans and quarterly performances and discuss matters related to employee benefits. In order to strengthen communication, they are also discussing their opinions and grievances through monthly Sympathy Meetings as well as regular meetings. In addition, they strive to reflect the voices of employees through various channels. In 2017, 4 regular meetings and 12 sympathy meetings were held. Through these meetings, we sought to fully gather opinions from employees about matters that are closely related to the working environment of our employees, such as the HR system, welfare, and relocation of the corporate building. The management group and employees group of SK E&C have such opportunities to communicate frankly about the management issues facing the corporate and contribute to building mutual trust.



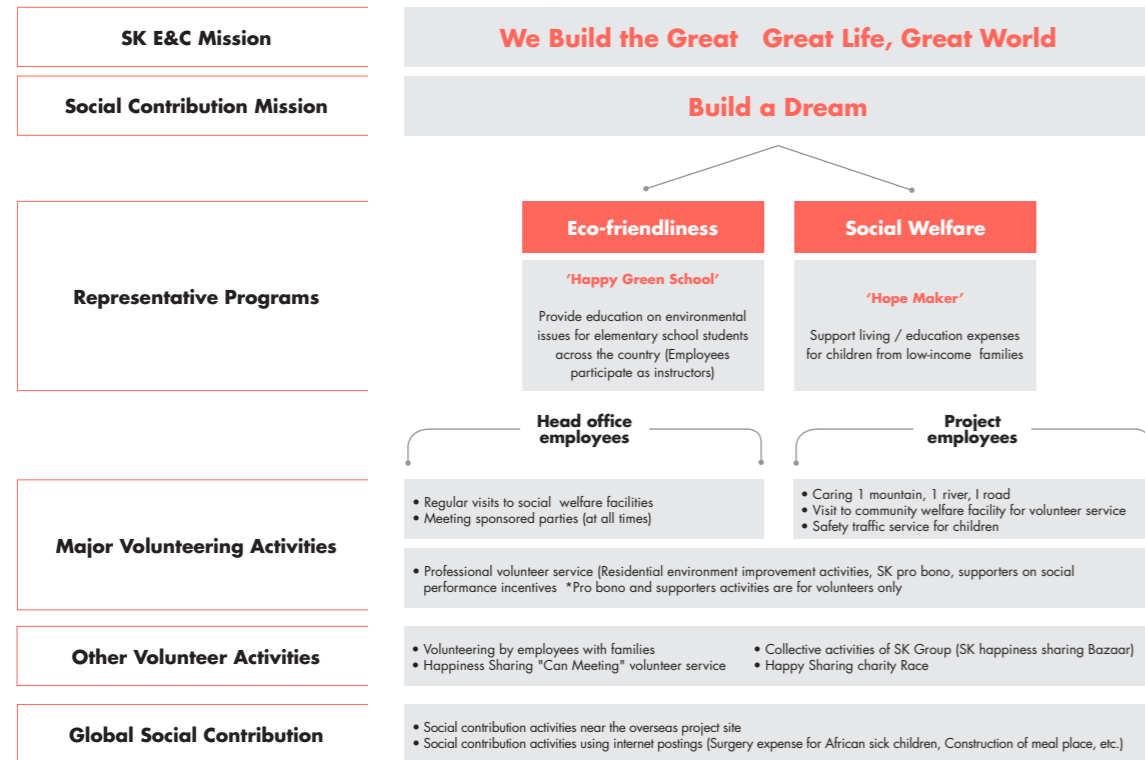
Regular meeting of Management Development Council

CSR MANAGEMENT

Social Contribution

Social Contribution System

The social contribution of SK E&C is based on the philosophy of SK Group's "happiness maximization". In order to fulfill its social responsibilities and realize a sustainable society, SK E&C has selected eco-friendly activity and social welfare as key areas. In line with this direction, SK E&C ultimately aims at spreading the culture of sharing for happiness of stakeholders and leading a respected corporate culture through social contribution activities participated by employees along with the disadvantaged, contributing to a healthy and safe eco-friendly lifestyle by implementing eco-friendly management measures such as environment purification activities and environment education.



Social Contribution Management Governance

SK E&C operates 'Social Contribution Committee' and 'Social Contribution Working Subcommittee'. Coordinators selected from each division/department as members of the Social Contribution Working Subcommittee are in charge of fair execution of contributed fund and are taking role of supporting the social contribution activities of respective organizations.

Representative Social Contribution Program



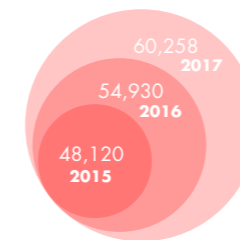
Restroom repairing at Dong Tien Elementary School, Tamdao Prefecture, Vinh Phuc Province, Vietnam

Hope Maker

SK E&C's Hope Maker is the flagship program of SK E&C, which has been continuing for 8 years to resolve social polarization with the slogan of "True sharing through donation". All employees of SK E&C are affiliated to 600 children and youth of low-income families in 7 districts of Gangnam, Guro, Dobong, Dongjak, Seongdong, Seongbuk and Junggu in Seoul and providing them with economic and emotional support continuously. Through the "Good Workplace" campaign where SK E&C employees and sponsored parties meet which was attended by 650 employees across 54 such events in 2017, we conduct cultural performances such as watching sports games regularly. Through emergency support and talent development support, we also make efforts to help people in need to grow into healthy members of society. In addition, through the Hope Giving Comment Posting Campaign, emergency support is provided to children and youth in need. For the children who need urgent operations, we support their expenses. We also support building restrooms at poverty area of Vietnam. SK E&C's Hope Maker caters to both home or abroad. Here's how. A story of a person in need of urgent support is posted on the intranet in the beginning of each month and whenever our employees make their supporting comment on the posting, KRW 2,000 is supposed to be donated through the company matching fund.



Accumulated students number who participated in Happy Green School



인증번호 : 2016-125호

Certification of Environmental Education Program by the Ministry of Environment

Happy Green School

SK E&C operates an eco-friendly social contribution program called Happy Green School. This is a program that our employees become elementary school teachers for one day and teach students about the right eco-values and a sustainable society. The Happy Green School started in 2009 and was expanded to cover elementary schools all over the nation in 2012. From 2014, the program is also covering Vietnamese schools near the project sites. By 2017, a total of 60,258 students from 2,042 classes in 583 schools were participated, we increased ratio of project oriented operation so that SK E&C can intensify communication with local communities and a good quality education opportunity can be provided for them.

In the aspect of education contents, the program handles climate change, sustainable consumption, eco-friendly practices, etc., focusing on eco-friendly science and technologies that are differentiated from existing contents of other environment education limited to environment protection. And we try to deliver latest eco-friendly issues and technologies to meet elementary school students' level through regular updates of text books. Notably, in 2013, the program was selected as Certified Environmental Education Program by the Ministry of Environment and was renewed in 2016, proving again superiority and reliability of the contents. We are committed to developing this social contribution program constantly so that SK E&C employees can proudly contribute to enhancing the students' understanding of righteous eco-friendly values and sustainable society.

<Award History>

2011	Silver Award from Ministry of Land, Infrastructure and Transport at Creative and Innovative Best Practice Competition
2013	Selected as Certified Environmental Education Program by the Ministry of Environment
2014	Encouragement Prize for Excellent Environmental Education Program by the Ministry of Environment

Social Contribution Activities by Employees

Volunteer Activities by Employees

Since 2004, Volunteer Corps, consisting of whole employees of SK E&C has been conducting constant volunteer activities such as visiting welfare facilities of local communities, environmental cleanup activities near project sites, etc. During traditional holidays and year end, we try to help by activities that can be of practical assistance such as food sharing, kimchi sharing, and coal briquette in collaboration with welfare center of local communities.

Volunteer Activities by Employees with Families

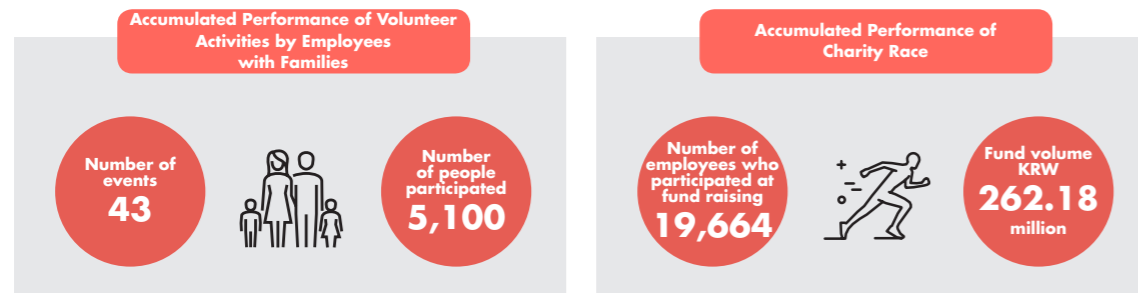
SK E&C performs volunteer activities involving families of employees 4 times a year so that employees and families can take part in and appreciate the importance of family and feel the joy of volunteer activities. Various events such as Seoul Forest Gardening, Traditional Holidays Food Sharing, etc., are held. Total 5,100 people participated across 43 events up to 2017.

Happy Sharing Charity Race

SK E&C Marathon Club is holding 'Happy Sharing Charity Race' in the first and second halves of each year. The 'Happiness Fund' prepared by donation of employees is delivered to the disadvantaged at the end of the year. Using the fund, we provided support to children of low-income families in the form of school uniforms, urgent operation, winter clothes for disabled children and career mentoring. In January 2017, SK E&C Marathon Club received an award from the Minister of the Interior and Safety at the 'Award Recommended by Citizens', an awarding event in which citizens take a direct part and is encouraged by government. The award was a recognition of the fact that they steadily contributed in supporting low-income families and practiced sharing.



SK E&C Marathon Club got award from the Minister of the Interior and Safety



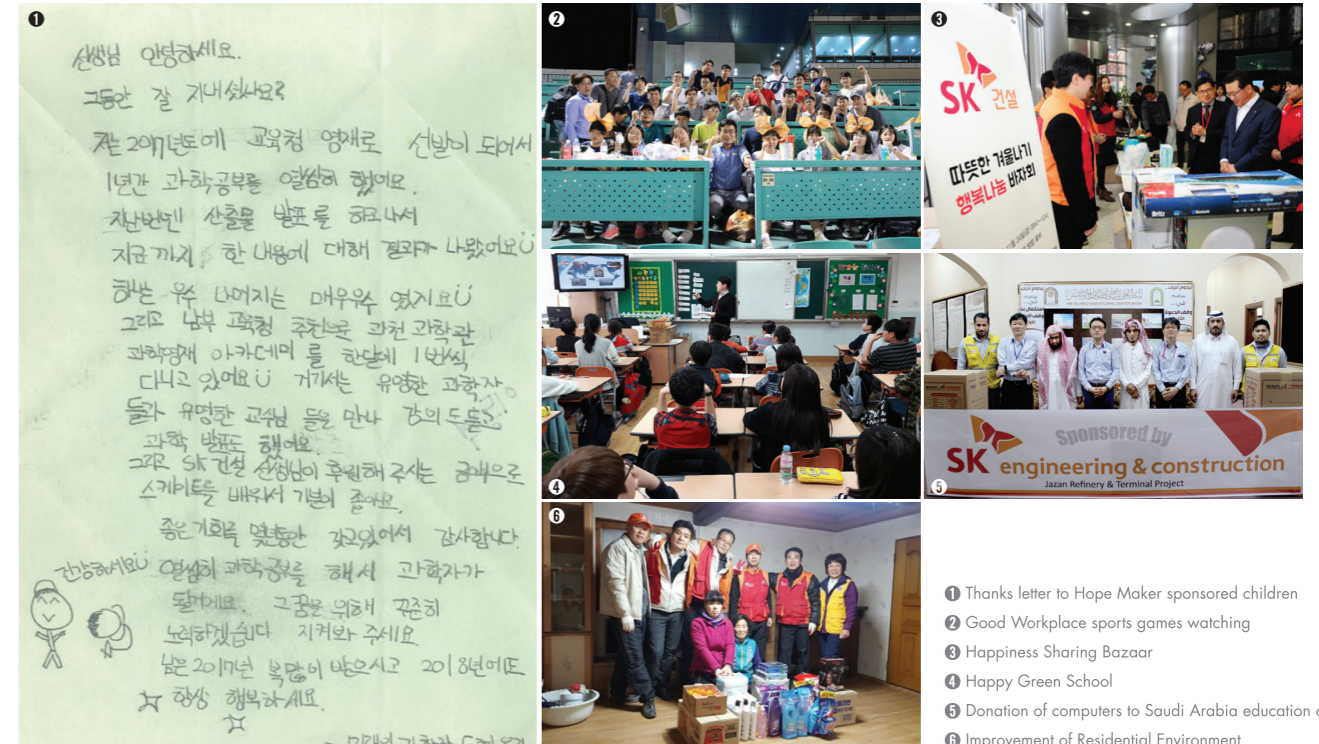
1 Hope Maker warm kit making
2 Seoul Forest Gardening by families of employees
3 Happy Sharing Charity Race

Global Social Contribution Activities

SK E&C, which is now expanding its business areas overseas, is engaged in various global social contribution activities in the countries where the company carries out projects. In 2017, we donated educational computers to The Islamic Educational Center at Baish, Jarzan Economic City of Saudi Arabia. When an earthquake struck Ecuador in South America in 2016, SK E&C visited the village affected by the earthquake to help it recover and delivered relief supplies. In 2015, we also supported renovation of facilities and IT equipment such as computers to Jaime Hurtado González elementary school in Esmeraldas. We also provided medical services such as medical treatment and delivery of medicines to low-income residents in the area. In North America, when a massive forest fire occurred in Fort McMurray, Alberta, we donated 100,000 Canadian dollars to the Calgary branch of the Alberta Red Cross at Fort Hills to help them recover from damage due to forest fire. In the Middle East, where SK E&C works actively, we built and donated 'Smart Classes' utilizing IT facilities and the internet to elementary school at Ahmadi area in southern Kuwait. We continue to support scholarship and educational equipment for schools and communities near our construction projects, not only in the Middle East but also in Asian countries such as India, Vietnam and Laos.

Improvement of Residential Environment

Every month, SK E&C performs improvement of residential environment nationwide helping low-income families including the families to be sponsored by Hope Maker, which started in April 2006 titled 'Helping children of families without parents'. Each month, we discuss with welfare centers at local communities such as Hope Maker affiliated organizations to select some households to create a comfortable residential space through plastering, room flooring and wall tiling, focusing on areas to be improved urgently. We have performed total 474 events, such as improvement of residential environment and year end sharing till December in 2017. Since 2015, we have performed improvement of residential environment for poor people aligned with Happiness Sharing Seasonal Event of SK Group. Our improvement of residential environment received a lot of prizes including Award by the Minister of Health and Welfare as an acknowledgement of our contribution. In 2018, we are going to enhance effect by focusing on 'functional improvement' such as insulation, heating and windows/doors rather than the existing focus on 'improvement of appearance', in order to improve the quality of our activities.



1 Thanks letter to Hope Maker sponsored children
2 Good Workplace sports games watching
3 Happiness Sharing Bazaar
4 Happy Green School
5 Donation of computers to Saudi Arabia education center
6 Improvement of Residential Environment



APPENDIX

- CSR OVERVIEW
- MATERIAL ISSUES
- CSR MANAGEMENT
- APPENDIX**

APPENDIX

CSR Performance

Social Performance

Classification	Item	Unit	Year 2015	Year 2016	Year 2017
Status of employees	Total number of employees	Person	6,165	5,404	5,130
	Male employees	Person	5,422	4,714	4,482
	Female employees	Person	743	690	648
	Executives	Person	91	83	82
	Non fixed-term employees	Person	4,722	4,384	4,164
	Fixed-term employees(project based)	Person	820	497	388
	Fixed-term employees(foreigners)	Person	58	14	8
	Fixed-term employees(site based)	Person	474	426	488
	Disabled employees	Person	81	94	78
	Foreign employees	Person	91	32	20
	Total number of new employees	Person	239	306	286
	New male employees	Person	179	219	222
	New female employees	Person	60	87	64
Maternity protection program	Total number of parental leave	Person	52	51	46
	Male parental leave	Person	11	10	11
	Female parental leave	Person	41	41	35
	Return rate after parental leave	%	84	81	80
Ethical management	Number of employees who completed offline ethical management training	Person	1,021	892	426
	Number of punishment for violation of ethical regulations	Person	25	25	6
Human resource development	Total training hours	Hour	296,258	203,798	159,790
Social contribution	Total number of employees who joined social contribution	Person	4,362	5,116	4,691
	Social contribution hours per employee	Hour	20.2	14.5	14.3

Environmental Performance*

Classification	Item	Unit	Year 2015	Year 2016	Year 2017
Energy consumption	Total energy consumption	GJ	1,299,819	1,300,035	1,282,212
	Energy Intensity	GJ/KRW 100 million	14.8	19.4	14.1
	Gasoline	L	595,927	369,842	527,250
	Diesel	L	17,859,022	21,399,609	19,090,779
	Kerosene	L	2,850,841	81,633	182,287
	LPG	kg	164,354	446,048	29,516
	LNG	Nm ³	1,687,371	1,468,455	1,362,775
	Lignite	kg	210,817	91,120	105,700
	Electricity	kWh	43,519,803	40,686,017	49,624,221
	Scope 1	GJ	280,150	236,656	123,945
	Scope 2	GJ	417,790	390,586	476,393
	Scope 3	GJ	601,879	672,794	681,875

* Environmental performance data covers head office and domestic projects.

Environmental Performance*

Classification	Item	Unit	Year 2015	Year 2016	Year 2017
Greenhouse gas emission	Greenhouse gas emission	tCO ₂ -eq	80,648	81,531	78,780
	Greenhouse gas emission Intensity	tCO ₂ -eq/KRW 100 million	0.8	1.1	0.7
	Fossil fuel emission	tCO ₂ -eq	11,483	9,469	3,727
	Electricity emission	tCO ₂ -eq	20,291	18,970	23,137
	Vehicles fuel emission	tCO ₂ -eq	2,761	2,139	2,814
	Construction machinery fuel emission	tCO ₂ -eq	46,113	50,953	49,101
	Scope 1	tCO ₂ -eq	17,871	15,070	7,523
	Scope 2	tCO ₂ -eq	20,291	18,970	23,137
	Scope 3	tCO ₂ -eq	42,486	47,491	48,120
	Resource consumption	Ready-mixed concrete	m ³	1,100,841	901,154
Cement		m ³	59,845	61,066	55,147
Aggregates		m ³	602,715	1,318,069	243,985
Recycled aggregates		m ³	41,514	11,406	43,709
Asphalt concrete		m ³	46,080	45,663	73,896
Reinforcing bar		ton	1,993,388	500,028	549,204
Steel frame		ton	34,766	14,984	9,757
Mold		m ²	5,472,839	2,143,888	2,125,599
Water consumption	Total water consumption	ton	362,263	236,571	475,837
	Piped water	ton	233,772	142,941	233,920
	Stream water	ton	88,054	18,695	47,541
	Underground water	ton	18,823	43,747	160,269
Sandy soil emission	Recycled water	ton	21,614	31,188	34,107
	Sandy soil emission	m ³	1,118,776	1,786,642	1,545,998
Waste emission	Construction waste	ton	454,345	476,045	372,669
	Waste concrete	ton	97,131	177,442	110,364
	Waste asphalt concrete	ton	28,550	32,962	55,437
	Mixed waste	ton	57,478	44,561	58,815
	Construction wastes grit	ton	48,694	32,900	74,274
	Waste sludge	ton	148,132	176,792	59,521
	Waste wood	ton	12,386	2,353	3,892
	Waste synthetic resin	ton	56,682	6,481	8,234
	Others	ton	5,293	2,552	2,132
	Recycled	ton	382,791	442,277	324,506
	Incinerated	ton	65,168	20,972	16,654
	Landfilled	ton	6,386	12,796	31,509
	Waste from business premises	ton	1,908	155	866
	Designated waste	ton	8.8	19.8	13.0
	Waste asbestos	ton	8.8	7.0	1.8
Waste oil	ton	0.0	12.8	11.2	

* Environmental performance data covers head office and domestic projects.

Some data of 2015 and 2016 was corrected due to error findings.(Reinforcing bar at Resource consumption, Waste concrete, Mixed waste, Waste wood and Waste synthetic resin at Waste emission)

APPENDIX

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GRI 100 Universal Standards

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	413-2	Operations with significant actual and potential negative impacts on local communities	39
Supplier social assessment	414-1	New suppliers that were screened using social criteria	46, 50
	414-2	Negative social impacts in the supply chain and actions taken	50

APPENDIX

Memberships and Awards

Memberships

Fair Competition Federation	Korea Federation of Construction Contractors	Korea Plant Industries Association
Seoul Chamber of Commerce and Industry	Korea Ports & Harbours Association	Korea Geotechnical Society
Korea Housing Association	Korean Environment Construction Association	Architectural Institute of Korea
Korea Industrial Technology Association	Korea National Committee on Large Dams	Fuel Cell Industry Promotion Association
Korea Road Association	Korean Railway Construction Association	Construction Association of Korea
Korea Railway Association	Korean Society of Civil Engineers	International Contractors Association of Korea

※ A total of 61 memberships joined

UN Global Compact



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

We welcome feedback on its contents.

In 2016, SK E&C joined the UN Global Compact(UNGC), a voluntary social responsibilities initiative, and endeavors to implement its 10 principles in the four areas of human rights, labor, environment and anti-corruption as we deeply empathize with these. We pledge continued support to the principles and are disclosing our activities and performance to abide by the 10 principles and this report will be submitted as COP(Communication on Progress) to UN Global Compact. SK E&C will continue to expand its sincere activities internalizing the 10 principles into management activities for the future.

Areas	10 Principles	Report Contents	Page
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights.	SK E&C is committed to abide by domestic Labor Standards Act and labor related laws as well as to support and faithfully follow the Universal Declaration of Human Rights and major conventions of the International Labor Organization(ILO). The human rights policy of SK E&C includes guidelines for employees/shareholders/customers/society and we operate a Grievance Committee for respecting human rights of employees, in particular.	56
	2. Businesses should make sure that they are not complicit in human rights abuses.		
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	SK E&C protects freedom of association and right to collective bargaining guaranteed by the labor related laws through human rights policy. In addition we make efforts to prevent forced labor and child labor by adding these to Biz Partner sustainability evaluation process. Also, we prohibit all forms of discrimination in employment and work through operation of blind recruitment and fair evaluation & compensation process.	50, 53, 54, 56
	4. Businesses should uphold the elimination of all forms of forced and compulsory labor.		
	5. Businesses should uphold the effective abolition of child labor.		
Environment	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	In order to respond to climate change and to minimize effect of construction on environment, SK E&C prevents risks through greenhouse gas reduction activities and initial diagnosis of environment pollution and trying to be responsible for environment by sophistication of projects environment management and operation of Green Sites. We also endeavor to spread environment-friendly products through environment-friendly buildings and renewable energy projects such as fuel cell, solar energy and wind power, etc.	37 - 40, 51 - 52
	7. Businesses should support a precautionary approach to environmental challenges.		
	8. Businesses should undertake initiatives to promote greater environmental responsibility.		
Anti-corruption	9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	SK E&C carries out activities to prevent all kinds of corruption including bribery and unfair bargain since the establishment of ethical regulations in 1998, that were intended for settling down ethical management as its corporate culture. In particular, we endeavor to eradicate violations by conducting internal programs such as Compliance Program with fair trade and the Improper Solicitation and Graft Act.	21 - 24, 43 - 44
	10. Business should work against corruption in all its forms, including extortion and bribery.		

2017 Awards

Date	Award	Awarding Institution
2017.01.17	Happy Sharing Charity Race Award by recommendation from citizens	Ministry of the Interior and Safety
2017.03.21	Occupational Accident Prevention Awards	Korea Occupational Safety and Health Agency
2017.03.29	2017 Grand Prize for Overseas Construction	Money Today News
2017.04.19	Award for Excellent Construction of Residential Facilities	Korea Land and Housing Corporation
2017.05.31	2017 Best Community Award for Korea Residential Service	Money Today News
2017.06.09	2017 Grand Prize for Representative Environment-friendly Apartments of Korea	Ministry of Land, Infrastructure and Transport
2017.06.13	Award for Devotion to Safety Management and Establishment of Advanced Construction Culture	Gangnam District of Seoul City
2017.06.27	Award for Well-being Apartment in Residential Culture Evaluation for the first half year of 2017	The Korea Economic Daily
2017.07.19	2017 Eco-friendly Construction Industry Award	Ministry of Land, Infrastructure and Transport
2017.07.20	2017 Construction Day Award	President
2017.08.30	Best Prize for 2017 Korea Masterpiece Housing	Money Today News
2017.09.14	Grand Prize in Win-Win Sector of the 12 th Asian General Construction Awards	Asia Economic Daily
2017.10.13	Award for Role Model Construction Site In Handling Flying Dusts	Eunpyeong District of Seoul City
2017.10.17	2017 e-Today Best Prize for Overseas Industry Sector of Smart Construction Awards	International Contractors Association of Korea
2017.10.24	LH Award for Excellent Defects Repairing Practice	LH Gwangmyeong-Siheung Business Division of Incheon City headquarters
2017.10.30	Best Prize for Eco-friendly Sector of 2017 Asia Today Green Construction Awards	Asia Today
2017.10.30	Grand Prize for Overseas Construction Sector in 2017 Aju Business Daily Construction Awards	Ministry of Land, Infrastructure and Transport
2017.11.22	Grand Prize for Overseas Construction Sector in 2017 e-Daily Construction Industry Awards	Ministry of Land, Infrastructure and Transport
2017.11.24	Award for 2017 Best Practices Competition for Construction Environment Management	The National Assembly of the Republic of Korea Environment & Labor Committee, Ministry of Environment, Ministry of Land, Infrastructure and Transport
2017.12.05	Grand Prize for Well-being Apartments in Residential Culture Awards for the second half of 2017	The Korea Economic Daily
2017.12.06	2017 Grand Prize for Green View in Green Housing Awards	Hankook Ilbo
2017.12.19	Best Prize for Overseas Civil Engineering Sector in the 13 th Korea Civil Engineering and Construction Technology Awards	Maeil Business News Korea, Architectural Institute of Korea, Korean Society of Civil Engineers
2017.12.29	Award for Devotion to Safe Management of Hazard	Gyeonggi-do Province
2017.12.29	2017 Award for Job Creation at Private Construction Projects	Seongnam City

Contributors for the Report

Contents	Department
Supervisor	Sustainability Management Team
Major Business Areas	Infra Planning Team Building & Housing Planning Team Global Business Planning Team
Management Philosophy	SKMS Team
Governance	Board of Directors Office
CSR Overview	Sustainability Management Team Çanakkale SPC
MATERIAL ISSUES 1. Fair Trade / Compliance with Code of Ethics and Anti-corruption CSR MANAGEMENT Ethical Management	Head of Internal Auditing Compliance Operation Team International Legal Affairs Team
MATERIAL ISSUES 2. Safety and Health CSR MANAGEMENT Safety and Health Management	SHE Team
MATERIAL ISSUES 3. Quality CSR MANAGEMENT Quality Management	Quality Innovation Team C/S Team
MATERIAL ISSUES 4. Shared Growth CSR MANAGEMENT Shared Growth	Shared Growth Management Team Strategic Planning Team
MATERIAL ISSUES 5. Compliance with Environmental Regulations CSR MANAGEMENT Environmental Management	SHE Team Building & Housing Technology Team Head of New Renewable Energy Program
CSR MANAGEMENT Talent Management	SKMS Team Human Resources Team Talent Management Team General Admin. & Support Team
CSR MANAGEMENT Social Contribution	Head of PR

SK E&C 2017 CSR REPORT

『SK E&C 2017 CSR Report』 can be viewed at website of SK E&C.

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