



About This Report

Reporting Scope

S-OIL has published an annual Sustainability Report since 2008. This is the 10th Sustainability Report covering the Company's activities at the Head Office in Seoul, the Onsan Refinery, terminals, and sales offices from January through December 2016. All performance indicators and related data cover three-year trends, from 2014 to 2016, and important management initiatives include some data that extend into 2017. Data that is subject to frequent changes, such as information on human resources, was reported as of December 31, the last day of each fiscal year, with footnotes provided in special cases. Financial data was drawn in compliance with Korean International Financial Reporting Standards (K-IFRS).

Guidelines

The 2016 S-OIL Sustainability Report adopted GRI G4 Guidelines¹⁾ and added annotations when applying the Company's management standards.

Assurance

The reliability of this Report was verified by an independent and objective assurance institution based on the AA1000AS (2008)²⁾ and ISAE3000³⁾ International Assurance Standards. The Assurance Report can be found in the appendix of this Report.

Communication with Stakeholders

Sustainability Management at S-OIL starts from communication with stakeholders. The framework of this Report changed from management principles to C.E.O. (Customers, Employees, Owners & other stakeholders) for communication with stakeholders. We conducted a wide range of stakeholder surveys and interviews to identify their concerns and expectations and to introduce our management policies as presented by the top management.

Additional Information & Inquiries

This Report and additional information on S-OIL's Sustainability Management can be accessed via our website (www.s-oil.com). Please contact the Sustainability Management Team (82-2-3772-5238, sustainability@s-oil.com) for additional information about this Report.

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

2) AA1000AS provides International Verification Standards used to evaluate the inclusivity, materiality, and responsiveness of Sustainability Reports.

3) ISAE3000 provides International Verification Standards governing the reliability of information other than financial data.



26

Issue 1
Customers



37

Issue 2
Employees



47

Issue 3
Owners &
Other
Stakeholders

Contents

Introduction

CEO's Greetings	2
Corporate Profile	4
Sustainability Management Scheme	6
Message of Top Management	8
Value Creation & Impact Valuation	10
Stakeholder Engagement & Materiality Test	12
Communicating with Stakeholders	14

Business Fundamental

Corporate Governance	16
Compliance Management	18
Ethics Management	20
Risk Management	22

Sustainable & Profitable Growth

Customers

C01 Realization of Customer Satisfaction	27
C02 Product Quality Assurance	30
C03 Enhancement of Marketing Activities	33
C04 Protection of Customers' Personal Information / Fair Competition in the Market	35

Employees

E01 HR Management / Fair Evaluation & Compensation	38
E02 Talent Cultivation	40
E03 Healthy Corporate Culture / Establishment of Harmonized Labor-Management Relations	42
E04 Industrial Safety & Health Management	45

Owners & Other Stakeholders

O01 Investment in New Projects	48
O02 Improvement of Operational Efficiency	50
O03 Establishment of Financial Soundness / Transparent Management Information Disclosure	52
O04 Management of Sustainability in Supply Chain	55
O05 Environment Management	57
O06 Response to Climate Change	61
O07 Social Contribution Activities	63
O08 Contribution to Local Communities	66

Performance Review

Key Sustainability Management Performances	70
--	----

Appendix

Independent Assurance Statement	80
GRI G4 Index / UNGC Index	82
Accolades & Recognitions / Association Memberships	88

CEO's Greetings

S-OIL will continue to enhance corporate value and make uppermost efforts to become the most competitive and admired energy and chemical company in Asia Pacific.



Respectable stakeholders of S-OIL

On the occasion of publishing the 2016 Sustainability Report, I would like to express my sincere gratitude to all stakeholders for your confidence and constant support to S-OIL.

S-OIL has firmly established the foundation for sustainable growth by striving to create values that equally serve the interest of the environment and society as well as the economy. In 2016, the Company successfully conducted investments and business activities to reinforce the competitiveness in existing businesses and to set a new foundation for future growth. We also made continuous efforts for minimizing environmental effects of our business and creating values shared with society as a corporate citizen.

First, on economic aspect, the Company successfully completed the S-OIL Upgrading Project of Existing Refinery (SUPER Project) in the first half of this year to enhance the operational efficiency of existing production facilities. The Residue Upgrading Complex & Olefin Downstream Complex Project (RUC/ODC Project), which is the largest investment by the Company in its history, is making smooth progress toward start-up in 2018. This project will let us make significant improvement on profitability and secure future growth engines by foraying into petrochemical downstream. What is more, S-OIL will contribute more to the national economy and local communities by creating tremendous values and jobs.

Our efforts to secure a stable sales foundation paid off. Our share of the domestic retail light oil market reached the highest level in our history. Strategic sales outlets were expanded in overseas markets by securing additional customers in new areas. The Company successfully secured largescale financing for the RUC/ODC Project at competitive costs, while still maintaining a sound financial structure and credit ratings. S-OIL also defined ethics management and compliance as ones of its core values for ensuring the transparency of corporate governance, and established

necessary regulations and systems to routinize ethics management and compliance in day-to-day business operations. And we have improved internal systems so that our employees can grow and realize their full potential at the Company.

Most of all, S-OIL is making uppermost efforts to enhance social and environmental values by safety management, environmental protection, CSR activities, etc. We have cut back on greenhouse gas emission through companywide energy saving activities, and have faithfully complied with the carbon emission trading scheme launched in 2015. Safety is the overriding value at S-OIL as we look to upgrade safety management system to world-class and implant our safety-first culture to contractors thus promoting mutual growth. Furthermore, we also spread the value of sharing through differentiated, systematic CSR programs to make social contribution and preserve the ecosystem.

In recognition of various efforts that we have made, as such, S-OIL was named as one of World Companies in Dow Jones Sustainability Indices (DJSI), the world's leading authority in the field of sustainability management, for seven years in a row until 2016. We also received the outstanding award in the ESG (Environment, Society & Governance) Evaluation by Korea Corporate Governance Service for five consecutive years.

Going forward, S-OIL will continue to enhance corporate value and make uppermost efforts to become the most competitive and admired energy and chemical company in Asia Pacific. I would like to ask for warm-hearted interest and advice from our stakeholders.

Thank you very much.



Representative Director & CEO
Othman Al-Ghamdi

Corporate Profile



No. of employees



3,128 persons

Total assets



KRW **14** trillion

Business sites



Head Office
Marketing, finance, general services



Onsan Refinery
Production and shipping



13 Product terminals/depots
Product storage and shipping



3 District Business HQs/22 domestic and 4 overseas sales offices
Product sales

Affiliated companies



S-OIL Total Lubricants Co., Ltd.
A 50:50 joint venture with France's TOTAL



S-International Ltd.
A 100%-owned overseas subsidiary



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

Fuel Business

Since S-OIL began the commercial operation of its 1st oil refinery with a capacity of 90,000 barrels/day in 1980, it has expanded facilities on two occasions, and today, S-OIL is a large oil refining company with a refining capacity of 669,000 barrels/day. The Company proactively responded to the growing demand for light oil products and the toughening environmental regulations globally, launching the large upgradability facilities of Bunker-C Cracking Center (BCC) to produce all kinds of products which were hardened or low-sulfurized ahead of its rivals in 1996. Extracting expensive hard oil from less expensive high-sulfur bunker-C, the BCC opened a new chapter in the history of the oil refining industry as it resulted in domestic refinery business, only regarded as a simple manufacturing industry, transforming into a high-value exportation industry. This facility is a new concept high-tech processing facility that increased the handling amount while maintaining relatively low costs. Thanks to this facility, S-OIL stands high as the leading oil refining company, while achieving high valuing of products and optimization of all production facilities. In the past, the oil refining industry was generally known for having facilities to meet domestic demand, but S-OIL focused on pioneering overseas markets from the beginning. Based on the BCC which is a global-standard enhancement facility, the Company plays an important role as the hub of hard oil provision in the Asia Pacific region. S-OIL started to export environment-friendly and high-value Ultra Low Sulfur Diesel (ULSD) for the first time in Korea in 2001. From 2005, the Company started to export Ultra Low Sulfur Gaso-

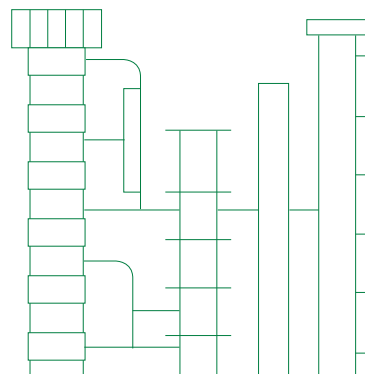
line (ULSG). Currently, the Company exports high quality environment-friendly oil products to Asia, the U.S., Europe, and Oceania, generating added value in overseas markets.

Products

gasoline, premium gasoline, kerosene, diesel, aviation gasoline, LPG, bunker-A, bunker-C, LSFO, asphalt, and more.

Lube Business

Ever since its foundation in 1976 as the first lube oriented oil refinery in South Korea, S-OIL has been the leading manufacturer of lube base oils in domestic market by localizing premium base oils which had been entirely imported. The Company employed Gulf's hydro-treating process and Texaco's MEK dewaxing process, both of which were the latest technology then, in the early stage of business. Later, by combining ExxonMobil's MLDW (Mobile Lube Dewaxing) process, the Company rose as a premium base oil producer with a capacity of 8,000 B/D of base oil. In 2002, the Company upgraded hydrocracker facilities and began to produce Very High VI base oil. Today, S-OIL is one of the largest base oil makers producing 42,700 barrels of GroupIII and GroupII base oils.



Production Capacity

Sales Revenue in 2016



Crude Distillation

669,000 B/D

Bunker-C Cracking

142,000 B/D

Bunker-C Desulfurization

109,000 B/D

Diesel and Kerosene Desulfurization

120,000 B/D

Fuel Business



Ultra-S Base Oil

29,000 B/D

Super Base Oil

5,100 B/D

Premium Base Oil

8,600 B/D

Lube Business



Benzene

600,000 tons/year

Para-xylene

1,830,000 tons/year

Propylene

200,000 tons/year

Petrochemical Business



Since 1989 when the Company launched lubricant business, S-OIL has solidified its status as the leading lubricant company of change and innovation. S-OIL produces the high-end lubricant brand “S-OIL SEVEN” and the highly economical product “Dragon.” S-OIL Total Lubricant Co., Ltd., a JV which was set up in 2008 with TOTAL Raffinage Marketing S.A., produces and sells the Company’s lubricant products.

Products

Ultra-S base oil (Ultra-S2, 3, 4, 6, 8), Super base oil (S-8, 31, 96), Premium base oil (P-8, 20, 31, 96, 116, 480), S-OIL SEVEN, Dragon, and more

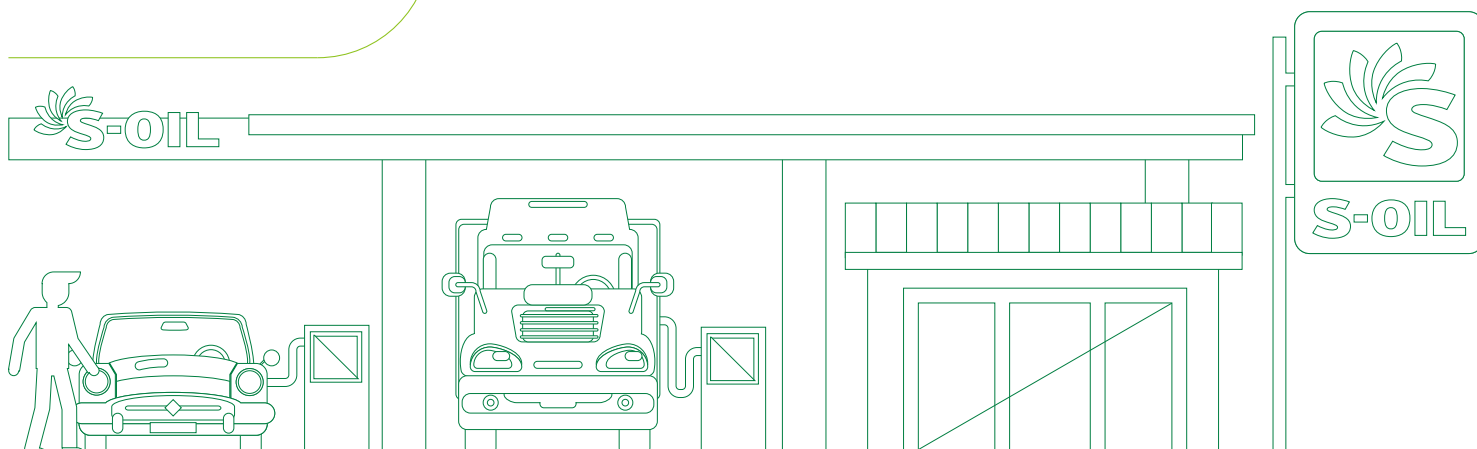
Petrochemical Business

S-OIL, committed to delivering products of added values, diversified its business portfolio once again in 1991 when it commercialized the Naphtha Reforming Plant and BTX production facilities. In 1997, the Company constructed the Xylene Center, the largest in the world as a single process, with an annual production capacity of 700,000 tons, ushering in the petro-chemistry era for the Company. In this way, the residue fluidized catalytic cracking (RFCC) unit started to produce 200,000 tons of propylene in 1997 and expanded

the petrochemical business. This was an opportunity to provide the foundation to acquire competition superiority in the petro-chemistry downstream sector. In 2011, S-OIL built the 2nd Aromatic Complex composed of the aromatic facility that produces BTX and the 2nd Xylene Center that produces para-xylene, which is the base material of compound fiber. With the operation of this facility, S-OIL obtained leading competitiveness in the petrochemical business, as well as in the lubricant and oil refining business, while running the 600,000 ton benzene production facility and the 1.7 million ton para-xylene production facility. S-OIL is now entering the olefin downstream business through its RUC/ODC Project. The successful completion of the RUC/ODC Project in 2018 will lay the groundwork to realize the Company’s “Vision 2025” of becoming the “most competitive and admired energy & chemical company in Asia Pacific,” along with its business expansion in the petrochemical industry.

Products

benzene, toluene, xylene, para-xylene, propylene, and more



Sustainability Management Scheme

Sustainability management at S-OIL starts from understanding the expectations of what we call C.E.O. --- Customers, Employees, and Owners & other stakeholders. By correctly understanding what they expect of us and what we have to do to meet their expectations, we are making a concerted effort to maximize their economic, environmental, and social values, with their expectations reflected in our management policies. Thus, we will achieve our Vision 2025 of becoming the “most competitive and admired energy & chemical company in Asia Pacific.”

The most competitive and admired energy & chemical company in Asia Pacific, with excellence in operations, strategic investment, and human talent

VISION
2025
S-OIL

Strategic
Target

Company-level goals that measure success in achieving the vision

Common values that guide our decision and action under any circumstances

Core
Value

Strategic
Objective

Top management's high priority agendas that best support the achievement of vision

Potential investment items to realize growth

Investment
Roadmap

Customers — Employees — Owners & other stakeholders



Core Value



Excellence

We thirst to learn, adapt, and evolve constantly to surpass expectations and deliver nothing but the best quality, service, and profitability to customers, employees, and owners.



Passion

We aspire with a burning desire to aim higher than ever before to achieve our dream, fueled by boundless energy, strong motivation, and a can-do spirit.



Integrity

We never compromise on our commitment to honesty, fairness, and the highest moral and ethical standards embracing them as essential values to our ultimate success.



Collaboration

We work together as a team to keep raising the bar of success by sharing knowledge, opportunities and best practices.



Sharing

We share our success with the communities where we live and work as a responsible and model corporate citizen.



Message of Top Management



S-OIL is striving to maximize C.E.O.'s economic, environmental, and social values, with their expectations reflected in its management policies, and thus achieve its Vision 2025 of becoming the “most competitive and admired energy & chemical company in Asia Pacific.”

In its pursuit of future growth engine to ensure sustainable growth, S-OIL concentrates company-wide resources and capabilities into the RUC/ODC Project. Once completed, the project will enable the Company to further strengthen the production capacity of gasoline and other value-added products while expanding its business portfolio into olefin downstream in addition to existing fuel, lube, and petrochemical business. The balanced business portfolio will also make a great contribution to the profitability and reliability of the Company. What is more, the Company continues to reinforce operational excellence by executing a variety of profit-improvement activities such as SUPER Project aimed at boosting the profitability of existing facilities.

S-OIL delivers top quality products and services at most competitive prices. The Company's marketing activities are built around customers' needs to ensure they reap real benefits. The Company conducts programs designed to help service stations and LPG filling stations sharpen competitiveness and builds lasting relations with them, thus seeking sustainable win-win growth.

S-OIL is committed to creating the safest and most environmentally friendly worksite in the world. Our preemptive and well-designed safety management system and environment management system ensure that we stand ready for increasingly stringent regulations. We strive to prevent safety accidents by investing in safety, health, and the environment on a lasting basis.

S-OIL pledges to endeavor to deliver sustainable growth as the Company seeks to secure future growth engine, improve operational excellence, conduct customer-oriented marketing activities, and build a world-class safety, health, and environmental culture.

Bong-Soo Park
President / Head of Operations

In the face of the fast-changing management environment, S-OIL has set forth the Vision 2025, a new goal to advance the Company's strategic system to attain sustainable growth. The Company will rise as the most competitive and admired energy & chemical company in Asia Pacific by achieving the strategic goals prescribed in the renewed corporate vision – exploring new business opportunities and commercialization.

At the very core of the Vision 2025 is the cultivation of creative and competent employees. Through a transparent and fair recruitment system, the Company attracts people of initiative and sound philosophy who value autonomy and teamwork. Our systematic training programs ensure that employees at S-OIL will grow into integral assets for the Company's future. What is more, our reasonable and fair HR system and rewarding policies lead to a performance-based corporate culture. The New Pension Program brings balance to work and family as an advanced rewarding system. S-OIL fulfills its responsibility as a corporate citizen as it engages with stakeholders in different social contribution initiatives. The Company carries out social responsibility campaigns---“For Heroes,” “For Environment,” “For Local Community,” and “For Needy People”---to benefit not just the Company itself but society in general.

S-OIL pledges to fulfill its social accountability as a corporate citizen and grow together with its employees in the best working environment. As we come united under the Vision 2025, we will explore opportunities in new markets to secure future growth engine and enhance the competitiveness of existing business, thus achieving sustainable growth for our stakeholders.

Yul Ryu
President /
Head of Corporate Strategy & Services



Amid uncertainties in the management environment, a company's competitive edge lies in stability in its financial structure and efficiency in the operation of limited resources. S-OIL's insightful investment and firm financial structure lead to outstanding performance.

Although S-OIL is currently raising a considerable amount of capital to finance the RUC/ODC Project, the Company retains the No. 1 credit rating in the domestic refining industry. S-OIL is securing investment capital on favorable conditions as planned, thanks to its excellent cash generation capabilities.

S-OIL maximizes corporate value as well as shareholders' value through a reasonable dividend policy which sustains balance between internal reserves for investment and dividend payout. It also pays tax faithfully and shares economic value with a wide range of stakeholders, thus contributing to the development of society and the nation.

S-OIL promises to retain stability in its financial structure and maximize its corporate value by securing investment resources necessary for sustainable growth. What is more, the Company will share information in a transparent manner and keep implementing shareholder-friendly policies, while fulfilling the roles and responsibilities as a corporate citizen.

Young-Il Cho

Executive Vice President / CFO

Though a latecomer to the domestic market that was then already saturated, S-OIL expanded into overseas markets from the early stage of its establishment. It now generates more than 50% of sales outside Korea, contributing to the national economy.

Having invested in upgrading facilities ahead of rivals, the Company obtained the world's No. 1 price competitiveness and quality. S-OIL is solidifying its presence in the global market by making flexible responses to toughening international standards.

The Company's persistent efforts at developing overseas markets have turned the domestic refining industry, simply regarded as manufacturing business, into a value-added export industry as it serves as the supply hub of light oil products in Asia Pacific.

S-OIL will yet again reinforce global sales and develop new overseas markets by producing high added-value light oil products and petrochemical goods once the RUC/ODC Project goes into operation in 2018.

Building on our rich expertise and know-how in overseas marketing, we will reinforce a strategic partnership with our suppliers and customers. We promise to strengthen marketing capabilities in fuel, lube, and petrochemical business, hence ensuring sustainable growth in the global market.

Jong-Bum Ahn

Executive Vice President /
Head of International Marketing

At S-OIL, decisions are made by directors with best-in-class expertise and experience under transparent and sound governance in observance of rules and regulations. This system ensures that corporate value is best generated by meeting stakeholders' needs on economic, social, and environmental fronts.

At S-OIL, there are three subcommittees under the Board of Directors (BOD) making the most well-informed decisions in the face of the fast-evolving business environment.

Led by the CEO who believes in the importance of compliance and ethics management, S-OIL fulfills its role and accountability as a corporate citizen.

The Company's compliance system ensures that laws and regulations are observed at every phase of management activities.

Thus, the Ethics Committee renders reasonable and objective resolutions on ethical issues involving conflicts of interest.

S-OIL promises to practice compliance management and ethics management while carrying out anti-human rights abuse and anti-corruption campaigns to grow together with stakeholders.

Sung-Woo Park

Senior Vice President /
Head of Legal & Compliance HQ

Value Creation

S-OIL generates economic values by supplying quality fuel and raw materials to the transportation, power generation, and petrochemical industries. The Company shares the values with diverse stakeholders to contribute to the development of the national economy and society. S-OIL will commit itself to successfully completing the RUC/ODC Project, the largest investment in its history, hence creating a variety of added values, such as the invigoration of the local economy, the expansion of exports, and the creation of jobs, to contribute to the sustainable growth of the national economy and society.

04 MARKETING & SALES

Market Share for Retail Light Oil Products
21.8 %

03 TRANSPORTATION

02 PRODUCTION

Fuel Business
199,631 thousand barrels

Lube Business
13,576 thousand barrels

Petrochemical Business
21,298 thousand barrels

04 MARKETING & SALES

Proportion of Export
56.6 %

05 CREATED ECONOMIC VALUE

KRW **2,153.4** billion

06 DISTRIBUTED ECONOMIC VALUE

Employees
Salary and pension
KRW **478.9** billion

Business partners
Procurement
KRW **14,020.9** billion

Local communities
Social contribution
KRW **6.7** billion

Environment
Environmental investment
KRW **16.1** billion

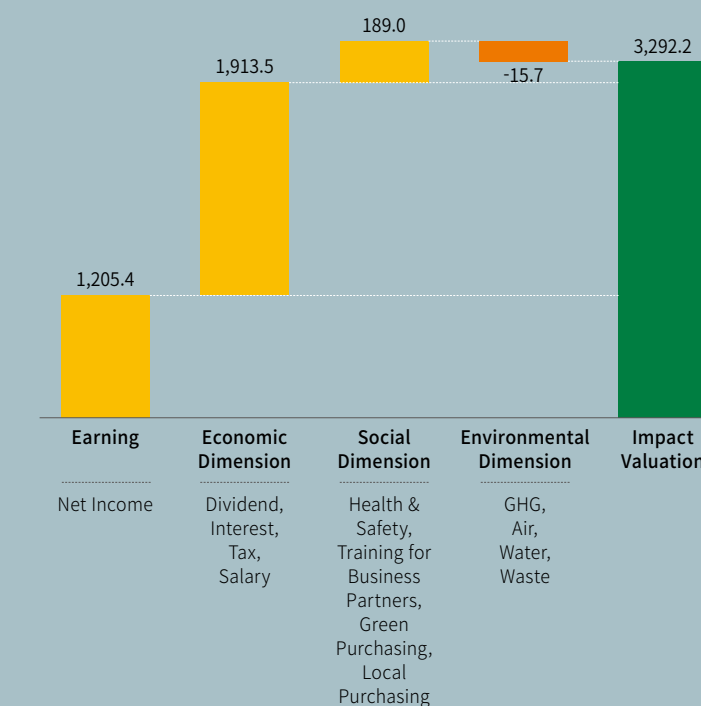
01 CRUDE OIL

231,185 thousand barrels

Impact Valuation

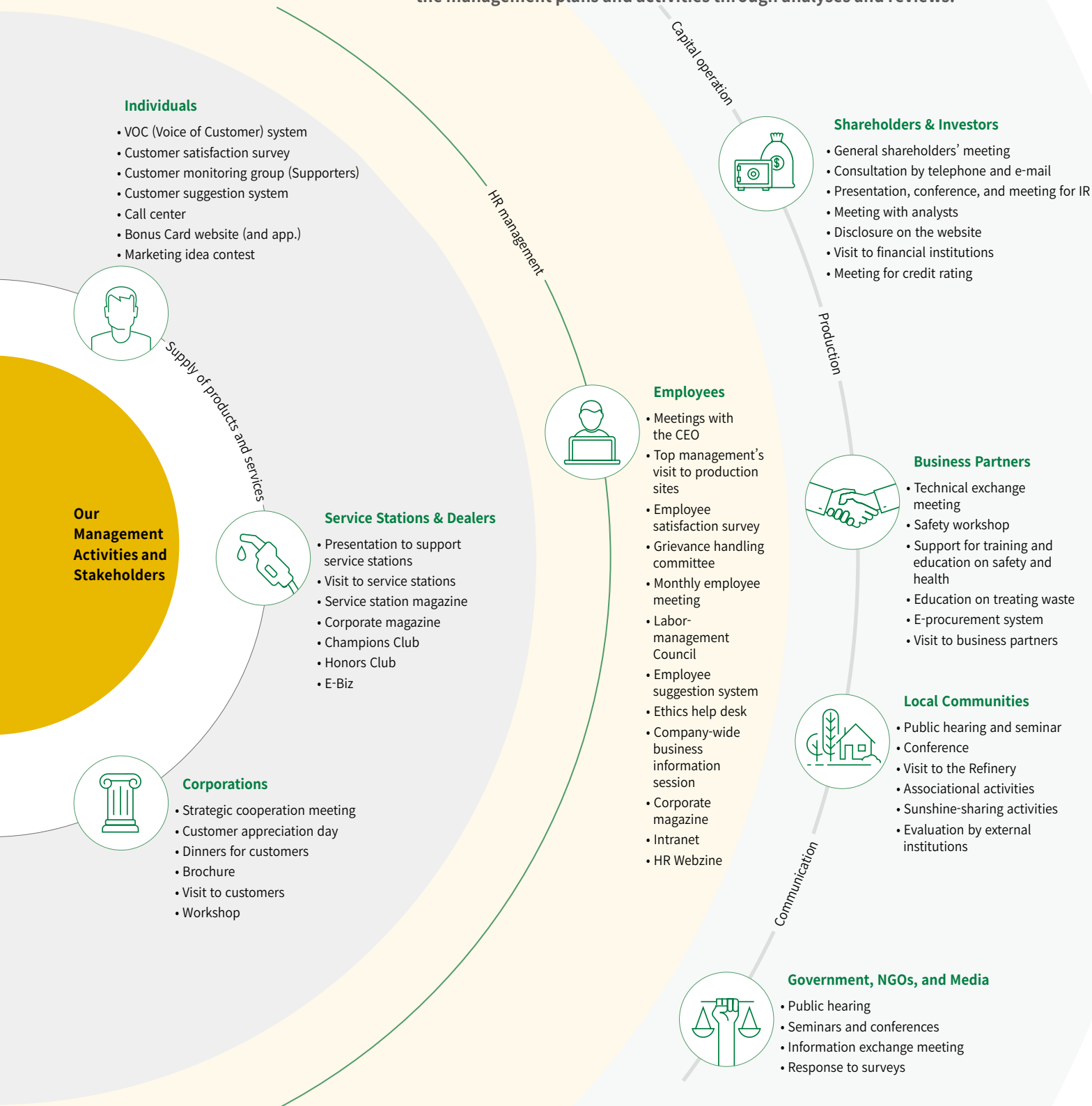
S-OIL contributes to the development of the national economy and society by creating social and environmental values as well as distributing economic values it creates. In 2016, the Company measured social and environmental impacts it generated and reduced, and then translated them into a monetary value. Impacts of health & safety, training support for business partners, green procurement, and local procurement were measured to calculate social value, while impacts of greenhouse gas, air environment, water use, and waste were measured to assess environmental value.

(Unit : KRW in billion)



Stakeholder Engagement

S-OIL operates a variety of stakeholder engagement channels customized to each group's characteristics in order to identify what their expectations are. We then establish action plans to fulfill these expectations in line with the Company's strategic directions and initiatives. Ultimately, the results are reflected in the management plans and activities through analyses and reviews.



Materiality Test

This Sustainability Report contains economic, environmental, and social issues from the angles of C.E.O., our stakeholder groups, and based on global reporting guidelines. We conducted the materiality test through a survey targeting internal as well as external stakeholders and identified 27 key issues with a significant influence on our sustainability management activities.

Materiality analysis process

Step 1

Identifying sustainability management issues (forming an issue pool)

- Benchmarking of global sustainability initiatives and the industry at home and abroad, media research (687 news articles covering the Company by 10 major Korean newspapers in 2016), and customer opinions received from VOC
- A pool consisting of 30 issues

Step 2

Evaluating stakeholders' interest and concerns (stakeholder survey)

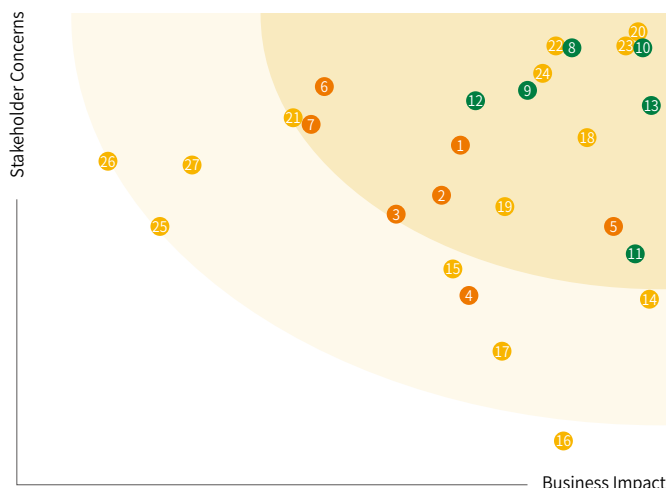
- Surveyed on: Key sustainability issues with significant influences on the Company and stakeholders among 30 issues in the pool
- Period: 8 days (Feb. 1 to Feb. 8, 2017)
- Targets: 5,619 stakeholders including customers, employees, and business partners (response rate: 20.3%)
- Survey media: Corporate groupware and e-mail

Step 3

Selecting key issues (review by the top management and materiality matrix analysis)

- Top management's participation in the materiality test through a review of selected issues
- Selected 27 key issues through materiality matrix analysis

Materiality Matrix



Key Issues by C.E.O. (a total of 27 issues)

C.E.O.	Key Issues	Reporting Scope	Stakeholders	Page
Customers	1 Realization of customer satisfaction	Inside and Outside of S-OIL	Customers	27-29
	2 Product quality assurance in the distribution stage	Inside of S-OIL	Customers, Government	30-32
	3 Promotion of fair marketing activities			33-34
	4 Reinforcement of R&D		Customers	33-34
	5 Enhancement of marketing activities	Inside and Outside of S-OIL	Customers, Government	35-36
	6 Enhancement of customers' personal information protection			35-36
	7 Prevention of activities that impede fair competition			
Employees	8 HR management	Inside of S-OIL	Employees	38-39
	9 Fair evaluation and compensation			40-41
	10 Talent cultivation			42-44
	11 Healthy corporate culture	Inside and Outside of S-OIL	Employees, Business partners, Local communities, Government	45-46
	12 Establishment of harmonized labor-management relations			45-46
Owners & other stakeholders	13 Industrial safety and health management	Inside and Outside of S-OIL	Employees, Business partners, Local communities, Government	45-46
	14 Investments in new projects	Inside of S-OIL	Employees, Shareholders & investors	48-49
	15 Efficiency improvement		Shareholders & investors	50-51
	16 Establishment of financial soundness		Customers, Employees	52-54
	17 Transparent management information disclosure		Shareholders & investors, Business partners, Local communities, Government	52-54
	18 Management of sustainability in supply chain	Inside and Outside of S-OIL	Business partners	55-56
	19 Fair selection of business partners			55-56
	20 Enhancement of environmental management system	Inside of S-OIL	Employees, Local communities, Government	57-60
	21 Management of air pollutants			57-60
	22 Management of environmental impact			
	23 Economic impact by climate change	Inside and Outside of S-OIL	Customers, Shareholders & investors, Business partners, Local communities, Government	61-62
	24 Promotion of social contribution activities			63-65
	25 Evaluation of the factory's impacts on local communities			66-67
	26 Economic development of local communities	Inside of S-OIL	Customers, Employees, Local communities, Government	66-67
	27 Treatment of grievances of local communities			66-67

Communicating with Stakeholders

The sustainability management of S-OIL starts from communicating with stakeholders through diverse channels. In this regard, interviews were conducted before the publication of the Sustainability Report to listen to their opinions on sustainability management. The following has been extracted from some of the interviews.



S-OIL gains an understanding of important economic, social, and environmental issues, and systematically manages them for sustainable growth of the Company and stakeholders. How would you evaluate such efforts of the company?



Anyone who frequently goes to a gas station will tell you that price and quality are the key factors when choosing a gas station. I am generally satisfied with both. I believe S-OIL has high price competitiveness because it does not have separate sales organizations that would need additional margins. S-OIL has fewer stations compared to competitors, but they are currently on the increase, so I look forward to better accessibility in the future.

Seo Hyung-woo, Customer, S-OIL Supporters



S-OIL puts a lot of effort into protection of private information, and actively recommends employees of partner companies to participate in personal information protection education. However, there is a limit to the participation in other self-development education or awareness improvement programs as the contract between S-Oil and our company was made for just IT outsourcing. S-OIL needs to develop a relationship with business partners that goes beyond a simple contract for shared growth. In this respect, I think the company could also think about systematic improvements so partner company employees can work with a sense of ownership of S-Oil.

Lee Seung-youn, Expert Adviser,
Hyundai Information Technology



Since the 1990s, S-OIL has conducted three large-scale investments in facilities, including the current large-scale project. Particularly, the current project was a bold investment decision to choose at a time when domestic oil companies recorded unprecedented deficits after the sudden drop in international oil prices. However, S-OIL has secured a stable financial structure and sufficient financial liquidity backed by achieving a record high profit in the previous year, which allows the smooth investments underway. I believe the efforts for business diversification and appropriate investment decisions at the right time are S-OIL's biggest points of competitiveness and driving force of sustainable growth.

Kim Min-jong, Manager,
Yeoeui-do Corporate Banking Center of Shinhan Bank

Q
uestion

What are your hopes for sustainable growth of S-OIL?

Gas stations that only sell certified S-OIL products are called “Trustworthy Service Stations.” However, consumers do not fully understand this concept. It might be a lack of promotion, or it might be because gas station owners are burdened by the promise to be a “Trustworthy Service Station.” In order to activate this system and raise faith of customers, the Company must select gas stations that have passed thorough inspections and quality evaluations and allow only them to attach the sign, for differentiation.

Nam Chul-joong, President, Ssangyong Gas Station in Hwaseong-si



A
nswer



There is a low proportion of female employees and managers in the petrochemicals industry. S-OIL is no exception. However, the percentage of managers and general manager is continuously increasing through promotions each year. A new female team leader was recently appointed, and I believe having more female managers will lead to a bright future for the company. Female executives will be produced before long as a lot of talented female employees are working at S-OIL. Our company has good maternity leave and childcare leave systems that employees can freely use. However, paternity leave is not taken actively yet, in Korea as a whole. S-OIL is a leading company in terms of work culture and social contributions, and I look forward to the Company encouraging men to actively take paternity leave, too.

Lee Yoo-jin, Employee, S-OIL PP Business Team

A
nswer

The strength of the social contribution activities of S-OIL lies in beneficiary-focused continuous supports. Continuous activities are important from the beneficiary's position. Therefore, I think S-OIL is doing a good job.

However, the Sustainability Report shows that the overall amount used for social contribution is decreasing. As a partner, I would like them to continue to expand. I also hope S-OIL employees spend more time on volunteering services for local communities. S-OIL supports the culture and arts events for local communities. I would like to suggest holding performances once or twice in an open outside space, to encourage participation of local communities, and for promotional effects.

Kim Shin-eui, Manager, Korea National Council on Social Welfare



A
nswer

Corporate Governance

Transparent and sound corporate governance is the bedrock of ensuring corporate transparency and productivity improvement. It also contributes to gaining trust from diverse stakeholders and elevating corporate value, thereby becoming an essential element of corporate sustainable growth.

S-OIL has established a transparent and sound corporate governance structure through organizing the Board of Directors (BOD) and subcommittees with diversity and rich expertise and ensuring an appropriate level of checks and balances in their activities.

Balance between Diversity and Independence of the BOD

S-OIL nominates director candidates with diversity including nationality, race, gender, etc. and expertise to ensure that various stakeholders' interests are duly represented and mutual complement can be maintained in accordance with ready-made internal procedures. They are officially appointed as directors at the shareholders' meeting. Further, to ensure the independence of the BOD, a candidate is also screened for factors that may be material to that director's ability to be independent. Thus, whether he/she is working or has been working for the Company for the past five years, whether he/she is engaging or has been engaged in any audit or consulting service for the Company, and whether he/she has any material relationship or trans-

action with the Company are comprehensively taken into consideration. For outside directors, in particular, the Outside Director Candidates Recommendation Committee consisting of four outside directors directly recommends the most suitable candidates to the general shareholders' meeting, after evaluating the candidates in accordance with internal standards to confirm that they have no vested interest in the Company or any other reasons for disqualification. The BOD, newly launched in 2017, consisted of directors with professionalism in the fields of engineering, economy, trade, accounting, audit, and administration. Having served in various fields, such as the government, international organizations, industry, and academia, they will greatly contribute to enhancing the expertise and independence of the BOD.

Corporate Governance Rating in 2016 (Korea Corporate Governance Service)



Ordinary General Meeting of Shareholders

BOD Composition

(as of March 30, 2017)

Classification	Name	Position & Duty	Service Term
Inside Director (1)	Othman Al Ghamdi	• Representative Director & CEO	Sep. 5, 2016~
	A.I. Al-Saadon		Mar. 18, 2016~
Non-standing Directors (4)	S.A. Al-Hadrami	• Member of the Compensation Committee	Mar. 20, 2015~
	A.M. Al-Hereagi		Mar. 18, 2016~
	N.A. Al-Nuaim		
	Y.A. Al-Zaid	• Chairman of the Audit Committee • Member of the ODCR Committee	Mar. 18, 2016~
Outside Directors (6)	A.A. Al-Talhah	• Member of the Audit Committee • Member of the ODCR Committee • Member of the Compensation Committee	
	C. S. Kim	• Chairman of the BOD	
	S. W. Lee	• Chairman of the ODCR Committee	Mar. 20, 2015~
	S. W. Hong	• Chairman of the Compensation Committee • Member of the Audit Committee	
	E. S. Shin	• Member of the Audit Committee • Member of the ODCR Committee	
		• Member of the Compensation Committee	



BOD members' visit to the Onsan Refinery

Balance between Checks and Cooperation

S-OIL seeks to establish sound and transparent corporate governance led by the BOD and subcommittees pursuing checks and cooperation. The BOD members are individually appointed to serve a one-year term at the shareholders' meeting and independent outside directors hold over the majority. The roles of the BOD chairman and the CEO have been separated and all members except for the CEO who is an inside director are non-standing directors. This allows the BOD to objectively and independently oversee and check the management activities and performances of the CEO and the Company. Thus, decisions are always made in a way that maximizes the value of stakeholders including shareholders.

Enhancement of Expertise of the BOD

To enhance the expertise of the BOD, S-OIL submits a monthly report to directors on economic, social, and environmental issues that may affect the Company's sustainability. Moreover, in order to support the directors' reasonable decision-making, a pre-meeting to handle business status, risks, and major agenda is held before the BOD convenes. The BOD regularly visits the Onsan Refinery to stay abreast of the Company's operational status. We plan to invite the BOD members to the sites in which we are making a massive investment. In addition, S-OIL has three subcommittees in support of the BOD's independence and efficient decision-making: the Audit Committee, the Compensation Committee, and the Outside Director Candidates Recommendation Committee. Also, the Management Committee contributes to enhancing the Company's sustainable growth by pre-analyzing critical issues on social, economic, and environmental fronts to ensure the BOD's reasonable decision-making on annual and long-term management plans, budget, and labor policy.

Ratio of outside directors

(as of March 30, 2017)



*6 Outside Directors of Total 11 Directors

Independency Policy of Outside Director

To help the BOD conduct independent and objective decision-making for the protection of the rights of shareholders and investors, S-OIL appoints outside directors who satisfy the following independency policy. Existing outside directors also lose their posts when they cannot meet the independency policy.

1. Directors, executive directors and employees who are engaged in the regular business of the relevant company, or directors, auditors, executive directors and employees who have engaged in the regular business of the relevant company within the last two years;
2. The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a natural person;
3. Directors, auditors, executive directors and employees of a corporation, in cases where the largest shareholder is the corporation;
4. The spouses, lineal ascendants, and lineal descendants of directors, auditors and executive directors;
5. The directors, auditors, executive directors and employees of a parent company or a subsidiary company of the relevant company;
6. Directors, auditors, executive directors and employees of a corporation which has a significant interest in the relevant company, such as business relations with the company; and
7. Directors, auditors, executive directors and employees of another company for which directors, executive directors and employees of the relevant company serve as directors and executive directors.

Compliance Management

New regulations are on the rise recently regarding occupational safety, environment, anti-corruption, and fair trade. With punishment increasingly getting stringent for violations, stakeholders' expectations on compliance are rising. It is, therefore, critical to comply with global regulations for a company to sustain growth.

Violations of the Improper Solicitation and Graft Act in 2016



0 case

Led by the CEO with a firm sense of compliance, S-OIL takes compliance management as its top priority in becoming a global major energy and chemical company. The Company operates a system to ensure that all employees comply with regulations in their everyday work.

Compliance Management as Corporate Culture

Employees at S-OIL examine whether a task meets compliance standards before undertaking the job and look into legal issues which may be involved. The Company provides employees with the latest updates on law amendment and revision in real time while offering education on and monitoring key laws. Compliance activities are reported to the management on a regular basis. Furthermore, S-OIL builds its unique compliance culture through the proactive participation of the management and employees. The Company also enhances employees' awareness of compliance by compliance newsletters, reports of compliance by global corporations, and compliance campaigns. S-OIL reinforces compliance management through in-depth analysis of laws and regulations, guidelines, and, customized education. It is through these programs that S-OIL's compliance activities have been recognized as excellent by the media.



Hankook Daily's report (Jan. 20, 2016)

Activities to Comply with the Improper Solicitation and Graft Act

S-OIL conducted comprehensive compliance activities, such as educating its officers and employees on what they must observe while performing their duties, in an effort to fully comply with the Improper Solicitation and Graft Act (the "Anti-Graft Act") that took effect in Sep. 2016.

- Education on the Act for executives and team leaders
- Publication and distribution of guidelines
- Checklist-based autonomous inspection
- Monitoring of autonomous inspection on compliance activities
- Publication and distribution of the "Do's & Don'ts"
- Operation of standard articles and pledge

12 Compliance Activities

1. Regular Inspection
2. Priority Management
3. Frequent/Special Monitoring
4. Legal Update
5. Legal Information Meeting
6. CEO Legal Update
7. Management Report
8. Profile Update
9. Compliance Guide Update
10. Compliance Education
11. Compliance Campaign
12. Compliance Newsletter



Workshop on Anti-Graft Act

Violations of internal regulations in 2016

Monitoring of the Compliance with Regulations



Appropriate Response to Legal Disputes

S-OIL abides by global regulations and is thus trusted by stakeholders as it takes preventive measures against potential legal disputes and makes appropriate responses if an actual conflict arises. In 2016, S-OIL won the case against Korea National Oil Corporation over the tax reimbursement on oil imports and protected the interests of the Company's shareholders and customers. The victory confirmed that S-OIL complied with laws and regulations in performing business. Korea National Oil Corporation had clawed back KRW 32.8 billion in oil import tax return from S-OIL after judging that the waste gas generated in the oil refinery was not eligible for tax exemption. In response, S-OIL filed a lawsuit claiming that the judgement was a misinterpretation of the current law, resulting in the court ruling in favor of the Company.

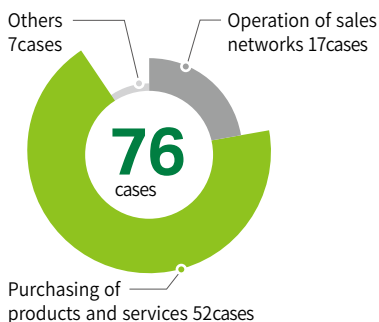
Compliance Monitoring System

S-OIL introduced the compliance monitoring system in 2011 to minimize the chances of work confusion and risks due to negligence. The Company conducts compliance monitoring against 120 checklists on 37 regulations on a quarterly basis. The results are reflected in the performance assessment of team leaders and the heads of divisions to encourage employees' voluntary compliance with in-house regulations.

Ethics Management

For a business to ensure a long-term survival and generate high economic values, sustainable growth must be achieved by addressing incorrect practices according to ethical standards. Ethics management is what a company must observe and is the key management principle that the management as well as employees has to put into practice.

Deliberations of the Ethics Committee in 2016



Education Hours of Ethics Management for S-OIL Employees in 2016



Education on Ethics Management for Business Partners and Subsidiaries in 2016



At S-OIL, ethics management consists of three organically connected pillars: Code of Business Ethics & Conduct; Ethics Committee; and Education on Ethics Management.

Methodical Ethics Management System

Code of Business Ethics and Conduct

The Code of Business Ethics and Conduct consists of two parts; Code of Business Ethics stipulates attitudes toward customers, business partners, shareholders, and investors as well as responsibilities to employees, society and the community; and Code of Conduct defines basic ethics for employees, prohibition of conflict of interests, prohibition of bribery/entertainment/convenience, and reporting process of violations. Our business partners, subsidiaries and joint ventures are required to abide by the Code of Business Ethics and Conduct. Business partners, in particular, must sign and submit the “Pledge of Code of Ethics” to register as a vender company. If our suppliers are found to be involved in legal violations or unethical acts, they may either be excluded from partners’ list or face disadvantage. S-OIL updates the Code of Business Ethics and Conduct on a regular basis by reflecting the changing social standards on ethics and reviewing ethics regulations of leading global companies.

Ethics Committee

S-OIL operates the Ethics Committee consisting of four officers: three officers for Legal & Compliance, HR, and Corporate Planning Divisions, respectively, and the Controller. They are appointed by the CEO after eligibility assessment by the Audit Committee. The Committee assists the Company in making the best ethical decisions regarding ethics-related matters, such as the conflict of interests. If stakeholders of employees with the highest

chances of conflict of interests make a transaction with S-OIL, the Ethics Committee must review the trade to prevent violation of ethics regulations. In 2016, the Ethics Committee convened 27 times and deliberated on 76 cases, out of which only one was found to be a violation of the Code of Business Ethics and Conduct. The case was a “financial transaction between an employee and a customer,” so the Company took disciplinary action against the employee according to internal regulations, shared the details with all officers and employees, and gave education to officers and employees in sales offices to prevent the recurrence of similar cases. The Committee reports activities to the CEO and the Audit Committee on a regular basis, while disclosing its activities to all employees through the S-OIL Ethics Management website.

Education on Ethics Management

S-OIL offers education on ethics management tailored for different positions and job functions to raise employees’ ethical awareness in daily business activities while inviting outside experts for special lecture. In 2016, seven courses on ethics management were offered. For the company-wide ethics management, in particular, S-OIL held education on the Improper Solicitation and Graft Act given by an outside expert. Also in March 2016, case-based marketers’ education was open for sales offices with high chances of ethics violation due to frequent encounters with business partners. The Company has been hosting ethics management seminars for employees of business partners since 2013 to help understand the basic principles of ethics regulations, raising the

Self-assessment of Ethics Management in 2017



Company-wide Ethics Management training

quality of ethics management across the supply chain. Moreover, the self-assessment system of ethics management was introduced in 2015 to raise employees' awareness of ethics. The system will be updated on a regular basis according to revision and amendment regarding relevant regulations.

Human Rights Protection

As a member of the UN Global Compact, S-OIL is committed to protecting employees, suppliers, local residents, and stakeholders in accordance with its independent set of policies established after the principles of the UN Global Compact on human rights and labor. The Company shares human rights policy with business partners and stakeholders according to internal process while identifying potential danger groups and issues by conducting assessment on a regular basis. Risk factors identified in the assessment are addressed, followed by monitoring to prevent the recurrence of similar cases. The

assessment result of suppliers, in particular, is reflected when evaluating supplier qualifications. In 2016, a health risk of employees and suppliers while working in high heat during the summer months was found through internal human right inspection process. The Company newly introduced "Thermal Injury Prevention Measures" and also conducted campaigns in cooperation with the Korea Occupational Safety and Health Agency. No other human rights infringement was found.

At S-OIL, it is banned to donate political funds or mobilize the Company's organizations, employees, or properties for political purposes according to the code of ethics. S-OIL has neither donated to nor purchased from a non-profit foundation for political purposes. S-OIL will execute its budget exclusively for social purposes, ensuring that additional budget is not spent in exerting political power.

Spending in Business Associations in 2016



Ethics Management Help Desk

Phone : 82-2-3772-5231

Fax : 82-2-3772-5239

e-mail : ethics@s-oil.com

Homepage : ethics.s-oil.com

Human Rights Policies

S-OIL shall respect basic human rights as prescribed in the Universal Declaration of Human Rights, the U.N. Guiding Principles on Business and Human Rights, the U.N. Convention on the Rights of the Child, the ILO Declaration on Fundamental Principles and Rights at Work, and other international human rights policies as below:

1. (Employees) S-OIL shall observe regulations on working hours and wage prescribed in labor laws, guarantee the freedom of assembly, and ban unfair discrimination, child labor, and forced labor.
2. (Suppliers) S-OIL shall make the best efforts to work with suppliers which observe labor and human rights laws and standards of international organizations or groups, protect human rights by assessing their implementation of human rights policy in accordance with the pledge of code of ethics for bidders, and encourage business partners to adopt the same human rights policy as the Company.
3. (Affiliated companies and investors) S-OIL shall invest in businesses which observe labor and human rights laws and standards of international organizations or groups and encourage its affiliated companies and investors to adopt the same human rights policy as the Company.
4. (Local community) S-OIL shall contribute to economic, environmental, and social development of the local community where its operations are based, respect residents and culture of the local community, and analyze and minimize factors which may have a negative impact on human rights.
5. (Human rights protection activities) S-OIL shall systemically monitor potential human rights risk groups and issues, promptly take measures upon identifying risk factors, and strive to prevent the recurrence of similar cases.

Risk Management

As factors affecting business management become increasingly diverse and complicated, uncertainties are mounting in the management environment. It is for this reason that systematic risk management is crucial in order for businesses to overcome countless potential risks that threaten their survival, and thus, achieve sustainable growth.

S-OIL operates a highly-advanced risk management system to overcome potential risks, generate economic, social, and environmental values, and growth together with investors and stakeholders. What is more, the Company conducts a thorough internal audit to address improper practices and inefficient cost structure, thus laying the foundation for sustainable growth.

Systematic Company-wide Risk Management Activities

Given that the causes and nature of risks affecting business management are evolving, a customized response process should be established by understanding different risk factors. Operating the Enterprise Risk Management (ERM), an integrated company-wide risk management system, S-OIL responds to all kinds of risks that may arise from management activities. Also, having developed risk-specific response programs, S-OIL ensures sustainable management under any risk situation. Employees at S-OIL conduct optimized risk response activities through risk management systems including ERM System, Emergency Control Program (ECP), Early Warning System (EWS), and Internal Accounting Management System (IAMS).

Risk Management Governance

S-OIL runs integrated risk management governance where all employees from frontline departments to the Board of Directors perform their duties in a systematic manner. The ERM Committee, spearheaded by top management including the CEO, ensures that risk management activities are up to the Company's strategic management principles. The ERM Committee receives reports on the company-wide risk management status on a regular basis while supervising the risk management process so that the Company can be timely alerted to an emergency and take prompt countermeasures. Important matters involving risk management are reported to the Board of Directors when necessary and then reflected in

the Company's strategic risk management policies.

Company-wide Response System to Key Risks

S-OIL operates the ERM to monitor changes in the management environment, thus ensuring that risks do not translate into real dangers which stand in the way of achieving management goals. The ERM makes it possible for the Company to check key risks through identification, assessment, selection of indicators, response, and monitoring processes, and to take countermeasures, enabling systematic control of emerging risks as well.

Optimized Risk Response System of the ECP

In case a major crisis breaks out, S-OIL runs the ECP aimed at taking a company-wide response to minimize loss of people and property. Furthermore, by conducting the company-wide Emergency Drill on a regular basis, S-OIL examines and improves risk response capability. S-OIL updates the organizational and operational regulations on the ECP to ensure efficient collaboration between an on-site response organization and a company-wide supporting organization.

Prompt Risks Response through the EWS

S-OIL's EWS ensures prompt response to a variety of risks related to work by monitoring risk-generating factors. Departments share abnormal data regarding their work via the EWS, taking early actions to prevent the aggravation of risks.

IAMS for Effective Internal Control

S-OIL operates the IAMS and conducts the evaluation of internal control on a yearly basis to let employees independently evaluate work process for the purpose of securing the reliability of financial information and the appropriateness of work execution and complying with laws and regulations. S-OIL upgraded the internal control system to evaluate internal control in a more effective manner in 2016. S-OIL reviewed the control items by key process and removed the ones whose effectiveness of evaluation decreased while developing new evaluation items, thus raising the efficiency of internal control.

Operation of an Efficient Internal Audit System

S-OIL has an independent audit organization under the control of the Audit Committee to guarantee the independence and expertise of internal audit. The Company enhances transparency and corporate value by conducting a comprehensive internal audit of accounting and business in general. Auditors with rich experience and in-depth understanding of business operations concentrate their auditing capabilities on sustaining a sound internal control system and addressing inefficiency in work process and cost structure. In 2016, the Committee issued an improvement recommendation on the management of supplies and nonconforming products at the Onsan Refinery. Also, by recommend-

ing the timely recovery of spare parts after construction and the optimization of replacement of gasoline quality standard, the Company will save more than KRW 700 million in cost per year. Auditors carry out an intensive audit and regular monitoring of the ongoing RUC/ODC Project, contributing to the success of the project. In 2016, the Committee launched an intensive audit into procurement for the project, improving contract cost management and contract change process. By conducting regular monitoring activities across the project, the Committee prevents risks involving safety, investment cost, project schedule, and compliance. The Company helps auditors improve competency by supporting education and certificate examination while introducing professional software Audit Command Language (ACL) for in-depth data analysis. S-OIL strives to raise corporate value through the objective and independent operation of the Audit Committee and audit organization, the establishment of an effective audit system equivalent to that of leading global corporations, and the execution of audit centered around process improvement.

Sustainable & Profitable Growth

Sustainability management at S-OIL starts from understanding the expectations of C.E.O. (Customers, Employees, Owners & other stakeholders). Going forward, the Company will create economic, environmental, and social values reflecting the expectations of C.E.O. and contribute to the development of society and the nation.



Customers
p. 26

Employees
p. 37

Owners &
Other
Stakeholders
p. 47



Customers

At S-OIL, customer satisfaction comes before everything. We continue to build our brand value through reasonable price and utmost product quality, and focus on satisfying customer needs to secure their trust which will constitute the foundation for our sustainable growth. We also strive to sharpen our overseas marketing capabilities by enhancing strategic partnerships with key customers abroad and, at the same time, exploring new markets.

Proportion of Export

56.6 %



Market Share for
Retail Light Oil Products

21.8 %



Key Issues	Report Subject	Aspect (Reporting scope)	Major Stakeholders
<ul style="list-style-type: none"> Realization of customer satisfaction 	<ul style="list-style-type: none"> C01 Realization of customer satisfaction 	<ul style="list-style-type: none"> Customer Relationship (Inside and Outside of S-OIL) 	<ul style="list-style-type: none"> Customers
<ul style="list-style-type: none"> Product quality assurance in the distribution stage Reinforcement of R&D Promotion of fair marketing activities 	<ul style="list-style-type: none"> C02 Product quality assurance 	<ul style="list-style-type: none"> Customer Health & Safety (Inside of S-OIL) 	<ul style="list-style-type: none"> Customers Government
<ul style="list-style-type: none"> Enhancement of marketing activities 	<ul style="list-style-type: none"> C03 Enhancement of marketing activities 	<ul style="list-style-type: none"> Brand Management (Inside of S-OIL) 	<ul style="list-style-type: none"> Customers
<ul style="list-style-type: none"> Enhancement of customers' personal information protection Prevention of activities that impede fair competition 	<ul style="list-style-type: none"> C04 Protection of customers' personal information / Fair competition in the market 	<ul style="list-style-type: none"> Customer Relationship (Inside and Outside of S-OIL) 	<ul style="list-style-type: none"> Customers Government


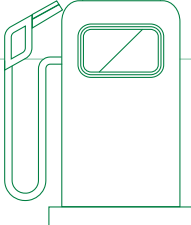
C01 Realization of Customer Satisfaction

Why is This Important?

As customer needs diversify, customer-oriented management is critical to the survival of businesses today. Amid intensifying competition in the business environment and rising

consumer demands for services and products, in particular, it is imperative for companies to maximize consumer benefits.

Our Commitment

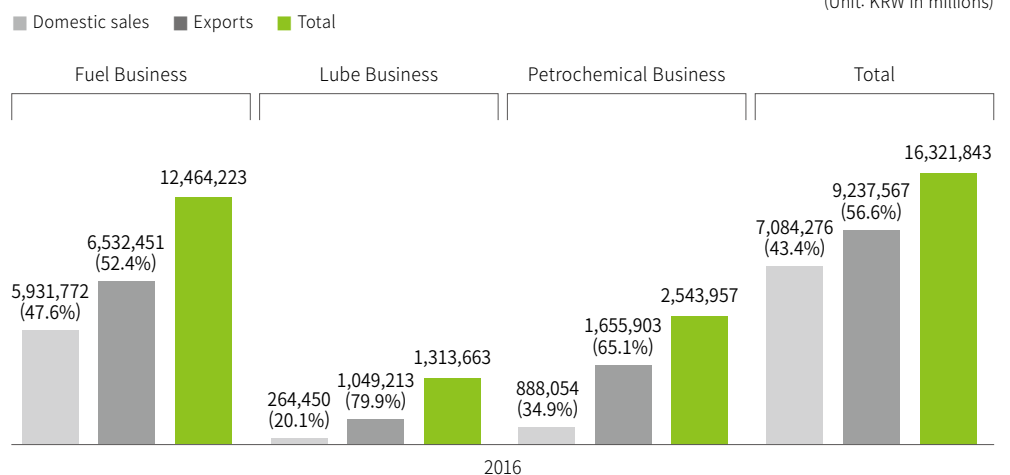
				
Commitment		Targets in 2016	Performances in 2016	Targets in 2017
Product prices to maximize customer usability		<ul style="list-style-type: none">Decision of rational product pricesMarket share for retail light oil products: over 20.8%Market share for service stations: over 17.6%	<ul style="list-style-type: none">Decision of rational product pricesMarket share for retail light oil products: 21.8%Market share for service stations: 17.8%	<ul style="list-style-type: none">Decision of rational product pricesIncrease of market share for retail light oil productsExpansion of service station network
Swift and accurate treatment of customer complaints		<ul style="list-style-type: none">Treatment of VOCs within a designated period (2 business days for inquiries / 5 business days for complaints)	<ul style="list-style-type: none">Time spent on treating VOCs (0.7 business day for inquiries / 2.4 business days for complaints)	<ul style="list-style-type: none">Treatment of VOCs within a designated period
Reinforcement of the competitiveness of service stations and LPG filling stations		<ul style="list-style-type: none">Ratio of service stations with low service quality by customer evaluation: under 25%Ratio of service stations with high hygiene by customer evaluation: over 50%	<ul style="list-style-type: none">Ratio of service stations with low service quality by customer evaluation: 25%Ratio of service stations with high hygiene by customer evaluation: 52%	<ul style="list-style-type: none">Ratio of service stations with low service quality by customer evaluation: under 15%Ratio of service stations with high hygiene by customer evaluation: over 60%

Our Response

S-OIL concentrates its capabilities on enhancing consumer satisfaction with products of top quality and reasonable prices. S-OIL delivers practical benefits to consumers through

consistent and comprehensive marketing activities while seeking shared growth with gas stations and LPG filling stations based on long-term relations.

Sales performances in 2016



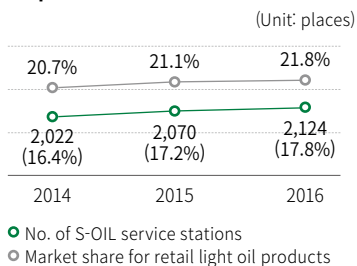
Reasonable Product Pricing

S-OIL strives to resolve consumers' suspicions and realize consumer benefits by sticking to reasonable and competitive pricing policy. Operating an independent product pricing system to take into consideration factors that affect domestic oil product prices such as fluctuations in international oil prices, F/X and domestic market conditions, S-OIL is leading the domestic pricing with fair and reasonable policy. Although consumers rarely feel the instant impact of lower crude oil price first hand due to high taxes and the lagging structure, the Price Operation Committee at S-OIL sets standard prices of gasoline, diesel, and kerosene in the domestic market. S-OIL promises to maintain this fair product pricing policy to deliver products to consumers at reasonable and competitive prices, thus contributing to stabilizing domestic oil prices and maximizing consumer benefits.

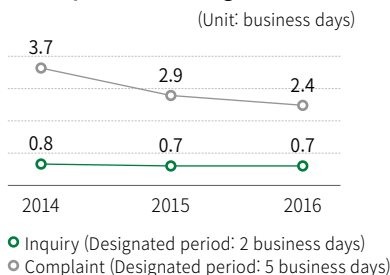
Expansion of Domestic Market Share and Enhancement of Consumer Convenience

As the slowing demand for petrochemical products, increasing market uncertainties, and intensifying competition among suppliers aggravate sales conditions, S-OIL is striving to boost its domestic market share on many fronts. For example, while securing a reliable source of demand by expanding its sales network with LPG filling stations, service stations, and direct sales offices, the Company carries out differentiated programs to enhance competitiveness by solidifying ties with existing trading partners. Despite the decreasing number of gas stations across the nation, S-OIL is the only refinery in Korea to see the number of gas stations increase, thus minimizing inconvenience for customers. As a result, S-OIL captured a 21.8% share of the domestic market for retail light oil products in 2016, record high since its establishment. S-OIL promises to expand its sales network to enhance consumer convenience and boost its domestic market share by exploring new business opportunities.

Market share for retail light oil products



Time spent on treating VOCs



Swift and Accurate Treatment of Customer Complaints

S-OIL established an integrated VOC operation system in 2012 to handle all customer feedback received via customer centers and websites. The VOC handling period is set by VOC type and reflected in KPI for swift treatment. Also, the result of the satisfaction survey on VOC handling is reflected in the VOC operation procedure for a continued improvement of the system. The handling status is notified to customers via SMS and e-mails. We also run the "Compensation for Excellent VOC Activities," an incentive system since 2015 to boost the morale of employees who handle VOCs. The big data collected in the integrated VOC operation system are utilized to identify patterns in customer complaints. The results are shared in the customer complaints analysis report and training materials for service stations and LPG filling stations. In addition, we select particular service stations and LPG filling stations each month to support their customer complaints response program called "See You Again Call" and share tips on how to stave off customer complaints categorized by complaint type. In 2016, the "Hidden VOC" program was launched to find out customers' negative experiences they did not file with the Company in a direct manner by visiting services stations, LPG filling stations, and business partners, which contributes to preemptively responding to customer complaints.

Support for Competitiveness Enhancement for Service Stations and LPG Filling Stations

S-OIL is committed to helping service stations and LPG filling stations to enhance competitiveness and improve management by conducting a variety of supporting programs as part of efforts to promote win-win partnerships.

GOODOIL Etiquette & Clean Up Campaign

According to a survey on consumer awareness of service stations and LPG filling stations, consumers found service attitude and restroom hygiene most unsatisfactory. It is based on



S-OIL Champions Club



YES Team



GOODOIL Etiquette and Clean Up Campaign

this result that S-OIL launched the “GOODOIL Etiquette and Clean Up Campaign” in 2016 aimed at boosting customers’ revisit rate. All employees of the Company have visited affiliated gas stations and LPG filling stations 1,500 times per year to clean up restrooms and provide core services to customers as part of the “Smile Day” activities. S-OIL also launched the “GOODOIL Etiquette with U” campaign where service staff welcomed customers with smile. The Company produced three video clips for public goods to encourage customers’ participation and uploaded the clips on YouTube. 20 gas and LPG stations participated in the free gas filling event for customers who greeted sales staff with smile.

Operation of the Field Management System

In order to improve service quality at gas stations and LPG filling stations to meet increasingly rising customer expectations, S-OIL launched “YES Team” for field education, “Encouragement Team” to teach employees on HR management, and “Monitoring Team” to inspect service status at gas stations and LPG filling stations. In 2017, S-OIL plans to enhance education on systematic response to customer complaints to minimize customer inconvenience.

Academy for Management Capability Enhancement

S-OIL provides a wide range of supporting programs such as on- and off-line education, consulting by in-house consultants, and the GOODOIL Family Magazine to help affiliated service stations and LPG filling stations enhance management capabilities. “Education for gas station owners” and “on-site education” are offered by District Business HQs and sales offices respectively. The bi-monthly GOODOIL Family Magazine contains information on management, relevant law and regulations, policies, and the Company’s major marketing activities and support programs.

Revenue Diversification through Developing and Supplying Non-Oil Business

With the profitability of gas stations and LPG filling stations compromised by intensifying

price competition, S-OIL has developed non-oil business which affiliated gas stations and LPG filling stations can adopt to diversify their revenue portfolio and secure their competitive edge. S-OIL has introduced non-store and small-budget non-oil business such as car supplies sales, brokerage business, and bottled water sales to its affiliated gas stations and LPG filling stations since 2014. Beginning in 2015, the Company is providing affiliated gas and LPG stations with quality PB products such as urea solution and ethanol washer fluid at competitive prices.

Awarding System for Gas Station and LPG Filling Station Owners

S-OIL selects owners of gas stations and LPG filling stations who achieved remarkable performance in terms of service, facility management, sales volume, and profitability, and awards the “S-OIL Champions Club” to them every year. The “S-OIL Champions Club” boosts competition in good faith and lets selected gas and LPG stations share good service cases, contributing to improving their management capabilities.

Support for Promotional Events

S-OIL supports the purchase of bottled water, wet tissue, and other promotional goods for affiliated gas stations and LPG filling stations according to the yearly promotion plan. The Company implements differentiated promotions for different regions for competitiveness enhancement.

Enhancement of Customer Relationship

S-OIL operates a No. 1 membership system in the oil refining industry. S-OIL is the only refinery in Korea that entered into partnership with all five credit card companies and launched the welfare credit card for freight car drivers. The Company also carries out customized promotions through the Customer Relationship Management System for its Bonus Card subscribers while offering a wide range of price discount in partnership with most domestic credit card companies. S-OIL will continue to conduct diversified marketing campaigns in collaboration with credit card companies and provide customers with practical benefits.


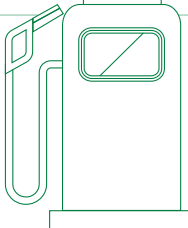
C02 Product Quality Assurance

Why is This Important?

With environmental regulations spreading across the world and consumers increasingly conscious about quality products, it has risen as the key competitive edge in securing sus-

tainable growth for a business to protect consumer interests and minimize impact on the environment and the safety of consumers by delivering eco-friendly products.

Our Commitment

				
Commitment		Targets in 2016	Performances in 2016	Targets in 2017
Operation of the quality management system		<ul style="list-style-type: none"> · Maintenance of the ISO 9001 certification 	<ul style="list-style-type: none"> · Maintenance of the ISO 9001 certification 	<ul style="list-style-type: none"> · Renewal of the ISO 9001 certification (Upgrade of standards)
Enhancement of R&D capabilities		<ul style="list-style-type: none"> · Development of new products · Introduction of the latest analysis equipment and technology · Reinforcement of joint researches with external institutions 	<ul style="list-style-type: none"> · Development of one engine oil and three industrial oils · Replacement of 11 analysis devices · Completion of two joint researches and one on-going joint project 	<ul style="list-style-type: none"> · Development of two engine oils and three industrial oils · Introduction of the latest analysis equipment and technology · Three joint researches with external institutions
Production of high-quality eco-friendly products		<ul style="list-style-type: none"> · Introduction of new processes and process improvement · Zero sub-quality products 	<ul style="list-style-type: none"> · Introduction of diesel dewaxing process and improvement of lube process · Zero sub-quality products 	<ul style="list-style-type: none"> · Introduction of new processes and process improvement · Zero sub-quality products
Improvement of product quality competitiveness		<ul style="list-style-type: none"> · Expansion of quality inspection on service stations and LPG filling stations · Lowest detection rate of abnormal products · Expansion of the Trustworthy Service Station 	<ul style="list-style-type: none"> · Quality inspection on 14,461 service stations and LPG filling stations · Detection rate of abnormal products: 1.5% (Average of domestic refineries : 1.8%) · 1,552 Trustworthy Service Stations (73%) 	<ul style="list-style-type: none"> · Expansion of quality inspection on service stations and LPG filling stations · Lowest detection rate of abnormal products · Expansion of the Trustworthy Service Station

Our Response

S-OIL operates the quality management system in observance with ISO 9001, producing quality products which meet customers' expectations. With the system, S-OIL provides consumers with products of top quality while minimizing environmental and safety impact by developing eco-friendly goods.

R&D projects such as high value-added product technology based on by-products from petrochemical products, benzene removal technology, BTX conversion technology, new desulfurization technology, CO₂ utilization technology, high-efficiency eco-friendly fuel oil development, and more.

Enhancement of R&D Capabilities

S-OIL continues to invest in R&D activities aimed at improving product quality and advancing production facilities to build on the technology the Company has already developed. The Company also works with prestigious colleges and research institutes in many

Development of New Products

S-OIL holds domestic patents on "long life gasoline engine oil" and "long life diesel engine oil of improved fuel efficiency" that were developed jointly with the Hyundai-Kia Automotive Group Namyang R&D Center. S-OIL continues to engage in joint R&D projects, developing engine oil as well as auto transmission engine oil.

Environmental Quality Evaluation on Automotive Fuels in 2016

Classification	1H	2H
Gasoline	★★★★★	★★★★★
Diesel	★★★★★	★★★★★

*Environmental Quality Rating System for Vehicle Fuel: The Ministry of Environment has been evaluating ratings of vehicle fuels since the second half of 2006 by taking gasoline and diesel samples from terminals and service stations of each refinery which are located in the metropolitan area and commissioning the Korea Institute of Petroleum Management for test (the highest rating: ★★★★★)

The Company also develops hydraulic oil and other types of industrial oils to meet varying consumer needs.

Technology Support through Pilot Plants

Having succeeded in operating a high pressure pilot plant, which produces clean lube base oil, and another BCC pilot plant, S-OIL possesses the most advanced research facilities and experience in the refining process. Our sophisticated facilities contribute to improving production process and catalyst assessment. As a result, the Company has raised profitability as well as minimized impact on the environment and consumer safety by manufacturing the entire products as light oil or ultra-low sulfur products.

Introduction of the Latest Analysis Equipment and Technology

S-OIL has introduced the latest analysis equipment and technology to ensure stable quality management and customer trust. The reliability of analysis is secured by regularly checking the accuracy of equipment through authorized institutions as well as in-house verification programs. We also conduct training programs to help improve our analysis ability, thereby securing industry-leading quality improvement capabilities and increasing production efficiency. Moreover, the Company participates in the comparison test on the degree of precision between laboratories at home and abroad hosted by professional agencies such as ASTM and K-Petro every year, which contributes to securing analysis reliability, verifying analysis methods, and further improving the accuracy of analysis technologies.

Production of High-quality Eco-friendly Products

S-OIL has won the highest grade for its gasoline and diesel in the environmental quality evaluation. The Company's kerosene also obtained the "Eco-Labeling" certification in 1994 for the first time among Korean refiners in recognition of its superior eco-friendliness, and has maintained the certification ever since and won the Minister Prize of Environment in 2014.

Introduction of New Processes

The Company is proactive in introducing new processes as well as revamping and upgrading them to develop and supply high-efficiency eco-friendly products. For example, the diesel dewaxing process was introduced to innovatively improve the stability of diesel performance even at low temperature in winter. Moreover, we upgraded our lube base oil production process, which dramatically reduced the emission of a hazardous chemical substance PAH (Poly Aromatic Hydrocarbon) and allowed us to supply more eco-friendly and safer lube base oil to the market. The introduction of alkylation process and RFCC process is now promoted to ensure better quality of gasoline.

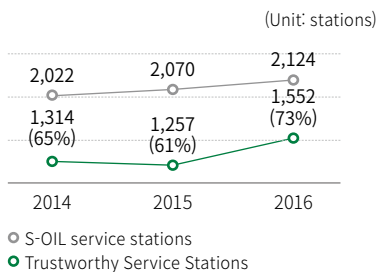
Prevention of Market Distribution of Sub-quality Products

Our real-time quality monitoring system detects in advance any factor that can have negative effects on product quality throughout the entire production process from purchase of raw materials to market distribution, which ensures the supply of only the products satisfying quality standards to our customers.

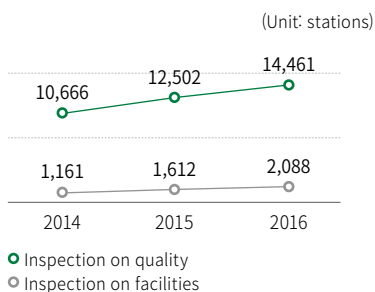


Trustworthy Service Station

Trustworthy Service Stations



Inspection on Product Quality and Facilities of Service Stations & LPG Filling Stations



Enhancement of Quality Management in the Market Distribution Process

S-OIL always pays full attention to systematic product quality management in the entire market distribution process, as well as in the production process, with the aim of preventing pollution or quality degradation of products at service stations and LPG filling station and ensuring customers' rights to purchase products with specified quality and quantity. As a result, our diesel was selected as the best customer value product by winning top marks in the diesel category of "2016 THE PROUD CONSUMER SURVEY" hosted by KMAC (Korea Management Association Consulting).

Strict Inspection on Product Quality of Service Stations and LPG Filling Stations

Quality inspection on all affiliated service stations and LPG filling stations is conducted at least six times a year, which is guided by the Inspection Team dedicated to quality inspection and the Management Team responsible for prevention activities. Diverse possible means are tried to ensure efficient quality inspection such as injecting specific markers, running on-site handy analyzers and the abnormal symptom monitoring system, and checking dealer information. Service stations and LPG filling stations found to sell fake oil face the strictest possible penalties including de-branding. In addition, S-OIL runs the "Product Quality

Tracking IT System" which integrates product distribution and quality information encompassing the Onsan Refinery, service stations, and customers to trace back distribution routes. In 2017, we plan to launch the "Service Station & LPG Filling Station Quality Grade System" to provide customers with the best quality products.

Trustworthy Service Station

To build an environment where customers can easily purchase high-quality products, S-OIL operates the "Trustworthy Service Station" program that guarantees product offering according to quality and quantity specifications. At least six quality inspections and one quantity specification inspection a year are prerequisite to maintaining the qualification as the Trustworthy Service Station. The Company intends to make over 90% of affiliated service stations join this program by 2018 in order to heighten the level of trust customers will place on the Company's products.



Strict Inspection on Product Quality of Service Stations and LPG Filling Stations

C03 Enhancement of Marketing Activities

Why is This Important?

Customer-centered management has become an essential strategy for corporate survival due to diversified customer needs. Therefore, companies are today required to proactively

meet customers' expectations and make the best efforts for enhancing their brand value and corporate image for winning fierce competition.

Our Commitment



Commitment	Targets in 2016	Performances in 2016	Targets in 2017
Improvement of brand competitiveness	<ul style="list-style-type: none"> Improvement of brand value through differentiated advertising campaigns Implementation of various marketing activities utilizing the GOODOIL character Execution of distinctive sports and culture events Enhancement of marketing activities for service stations through effective promotion 	<ul style="list-style-type: none"> Production of a differentiated fantasy animated film (TOM 60.3%) Launch of diverse GOODOIL Family programs such as animated films and pop-up stores Brand exposure and corporate image improvement by sponsoring golf tournaments and culture events Attraction of participation from customers by adding valuable gifts 	<ul style="list-style-type: none"> Improvement of brand value through differentiated advertising campaigns Enhancement of awareness of and affinity for the GOODOIL Family Improvement of corporate image and customer loyalty by sponsoring diverse sports and culture events Enhancement of marketing activities for service stations through systematic promotion
Obtainment of positive corporate image	<ul style="list-style-type: none"> Advertising on corporate image that symphonizes and communicates with customers 	<ul style="list-style-type: none"> Creation of corporate image that fulfills social responsibility 	<ul style="list-style-type: none"> Advertising on corporate image that symphonizes and communicates with customers

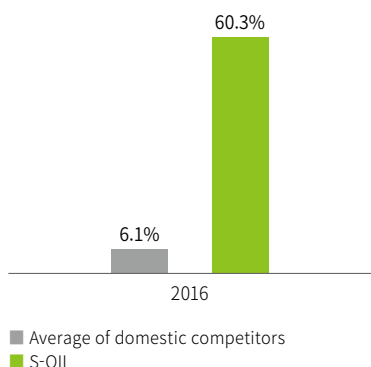
Our Response

Brand Marketing Activities for Customers

Brand Advertising Campaign to Provide Comfort and Inspire Courage

In 2016, S-OIL launched a TV ad campaign with the title "Good Oil Drives Us to Good Places." The ad containing beautiful images and a song represents the heart of modern people who want to go off toward their own paradise beyond the reality. The ad film racked up 11 million views on YouTube and Facebook. The Company also published a story-telling coloring book to offer customers special experiences. These efforts contributed to promoting a positive image of S-OIL, which resulted in achieving a 60.3% TOM (Top of Mind) awareness and winning the best ad award at the "2016 Korea Communication Award." Going forward, the Company will promote a series of brand ad campaigns using the GOODOIL Family characters to communicate with customers more pleasantly and creatively.

Top of Mind Awareness in TV Advertising in 2016



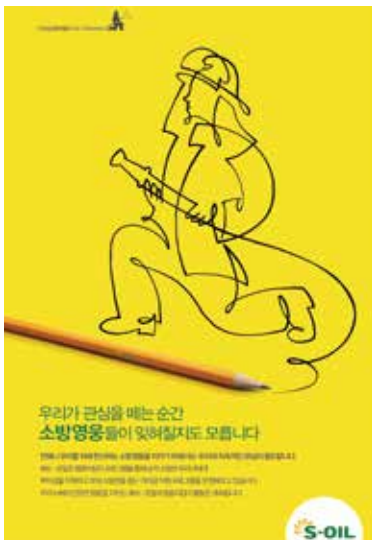
TV Ad campaign



GOODOIL Giveaway Event



KLPGA S-OIL Champions Invitational



Printed advertisements

Differentiated Character Marketing

S-OIL has proactively utilized the GOODOIL character symbolizing good oil for diverse marketing activities as well as advertising campaigns since 2012 in order to more closely relate to customers and to effectively communicate with customers. In 2016, the Company produced seven 3D animated films of GOODOIL Family characters to deliver a sense of affinity and opened a pop-up store at its head office where visitors could directly take a look at and purchase the characters. Other activities included exhibiting large GOODOIL Family character structures in the International Horticulture Goyang Korea and installing a GOODOIL Christmas tree in Cheonggyecheon, Seoul, thereby offering customers more chances to enjoy with the GOODOIL characters. Particularly, the GOODOIL emoticons won popularity by being downloaded more than 250 thousand times and used over 11 million times through the Kakao Talk. S-OIL plans to create more opportunities for better communicating with customers by capitalizing on the GOODOIL characters.

Expansion of Sports and Cultural Marketing Activities

Our support for diverse sports and cultural events contributes to making our brand more dynamic and prestigious. S-OIL has been hosting the "KLPGA S-OIL Champions Invitational" since 2007 and sponsoring the "Pro-Am Golf Championship" to deliver exclusive values to customers. S-OIL has also organized cultural events such as "culture date" and "S-OIL cinema date." Moreover, we sponsored Verdi's "La Traviata" in Korea in 2016 to give customers a good chance to enjoy a high-quality cultural performance, and have started distinctive sports marketing activities in 2017 including outdoor advertising and promotions at Sajik Baseball Park in Busan, home to the Lotte Giants professional baseball team. The Company intends to expand sports and cultural marketing activities to build a friendlier brand image.

Effective Promotional Activities

S-OIL engages in a variety of promotional activities to provide more benefits to customers who visit its affiliated service stations and LPG filling stations and increase their satisfaction. As part of this, in 2016, we held the "GOODOIL Giveaway Event" at service stations and LPG filling stations all over the country twice, through which more than 2.2 million customers received diverse free gifts such as GOODOIL characters and daily supplies. We also opened a mobile point shopping mall to help our Bonus Card members easily use their bonus points, and added to the shopping mall daily supplies, such as mineral water and wet tissue, which were well-liked by customers. The Company continues to implement more effective promotional activities to increase customer satisfaction.

Creation of an Image as a Friendly Company That Fulfills Social Responsibility

We strive to build a corporate image that implies friendliness, swiftly communicates with consumers, and fulfills social responsibility through diverse advertisements. The "Useful Knowledge" series on the front page of major dailies, launched in 2016, was well received by consumers with its valuable information. In 2017, S-OIL plans to form a friendlier corporate image by carrying out the "A Safe Day" and "The Place We Want to Go" campaigns featuring the GOODOIL characters. Meanwhile, the Company has showcased creative printed advertisements featuring "For Heroes" and "For Environment" activities. In 2016, we installed a large billboard on the wall of our Head Office to deliver a message of hope to the local communities.

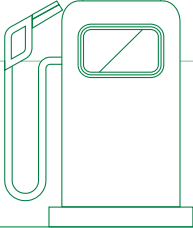
C04 Protection of Customers' Personal Information / Fair Competition in the Market

Why is This Important?

Recently increasing personal information leakage causes not only psychological and physical damages to customers but also economic losses such as reliability deterioration and financial compensation. In addition, both

consumers and the government are highly interested in fair trade in the oil refining business as the domestic oil market is monopolized by a few companies and oil products have a great influence in consumer prices.

Our Commitment

		S-OIL		
Commitment		Targets in 2016	Performances in 2016	Targets in 2017
Enhancement of customers' personal information protection		<ul style="list-style-type: none"> · Maintenance of the Personal Information Management System (PIMS) certification · Maintenance of the Information Security Management System (ISMS) certification 	<ul style="list-style-type: none"> · Maintenance of the PIMS certification · Maintenance of the ISMS certification 	<ul style="list-style-type: none"> · Maintenance of the PIMS certification · Maintenance of the ISMS certification
Promotion of fair marketing activities		<ul style="list-style-type: none"> · Establishment of a fair trade culture · Regular and irregular voluntary inspections on fair trade · Use of written contracts based on fair trade 	<ul style="list-style-type: none"> · Implementation of training on fair trade once · Regular and irregular voluntary inspections on fair trade · Reflection of the Fair Franchise Transaction Act 	<ul style="list-style-type: none"> · Establishment of a fair trade culture · Regular and irregular voluntary inspections on fair trade · Use of written contracts based on fair trade and consistent check

Our Response

S-OIL carries out systematic activities to protect personal information provided by stakeholders including customers in accordance with a strict set of policies. In recognition of its privacy protection efforts, S-OIL became the first Korean oil company to obtain the certification on Personal Information Management System (PIMS) and Information Security Management System (ISMS) from the government in 2015.

PIMS-based Systematic Personal Information Protection

Minimum Retention of Customers' Personal Information

To comply with the Act on the Protection of Personal Information and minimize personal information leakage, S-OIL deleted sensitive personal information such as resident registration number from the Company's customer DB. In addition, the IT Security Team is largely

responsible for monitoring how personal information is accessed, stored, and altered. And work process was revamped to minimize the handling of personal information.

Encryption of Personal Information and Access Control

At S-OIL, customer information is encrypted and stored under rigorous control. Any unauthorized access is denied by the personal information protection system and access history is regularly monitored by security workforce. Furthermore, the Server Based Computing (SBC) system allows access only when the user is disconnected from the Internet. IT system managers can have access to our IT system only through the Virtual Desktop Infrastructure (VDI) that separates Internet and business networks. Access to the IT system is available after entering password and One Time Password (OTP).

Education on Personal Information Protection

S-OIL's employees as well as those from contractors who access the Company's customer DB are required to participate in regular education programs on privacy protection at least twice a year. The Information Protection and Management Committee presided over by the Chief Security Officer (CSO) convenes more than twice a year to raise awareness of security issues by reviewing privacy protection policies and implementation plans, monitoring personal information protection status, and creating relevant guidelines in everyday life.

Activities to Protect Crucial Corporate Information

Our information protection activities are conducted systematically in all of managerial, technical, and physical areas based on the ISMS. The latest security technologies are adopted for the corporate security system to efficiently respond to rapidly-growing hacking technologies. We also collaborate with professional information security firms to set up an information leakage response system, understand up-to-date information protection trends, and take technical advice. Moreover, to effectively control advanced persistent threats (APT), the Company introduced security equipment dedicated to blocking APT attacks, as well as virus vaccine software, to offer safer IT services to customers and employees. The end-point security solution detects abnormal situations of user PCs in advance, ensuring higher response ability to unsung malignant codes. The Mobile Device Management (MDM), Mobile Application Management (MAM), and Mobile Content Management (MCM) solutions ensure safer IT services through mobile devices. The Company's IT systems are operated at the data center equipped with the best security solutions, thereby being safely protected from intrusions.

Fair Competition in the Market

Education on Fair Trade

Boosted by the CEO's strong commitment to reinforcing compliance management, especially in relation to fair trade laws, S-OIL published a compliance manual and must-follow guidelines "Dos & Don'ts" that employees need to adhere to when conducting sales activities. S-OIL also hosts education on fair trade every year to raise employees' awareness of compliance with relevant laws. As a result of these efforts, S-OIL has recorded no violation of fair trade laws since 2012, and the Company's commitment to fair trade and protection of consumer interests is embedded in its corporate culture.

Autonomous Inspection on Fair Trade through the Compliance System

S-OIL conducts autonomous inspection on violations of fair trade in business operations regularly and irregularly by capitalizing on its compliance system. In addition, the Company not only provides employees with enactment and amendment of fair trade laws and regulations in real time, but also implements education and monitoring about detailed law articles in order to encourage employees to thoroughly comply with fair trade.

Use of Written Contracts Based on Fair Trade

We use standardized written contracts containing recommendations by the Fair Trade Commission when initiating transactions with business partners. Moreover, in accordance with the "Fair Franchise Transaction Act" enforced in December 2016, the Company has reflected mandatory trade conditions in the written contracts.

Violations of the Fair Trade Law in 2016



Yongin Data Center

Employees

Our reasonable HR system ensures the establishment of a performance-oriented corporate culture. The fair recruitment and evaluation process allow us to attract and train talented employees, and diverse training programs contribute to cultivating core talents who will spearhead the Company. Our industry-leading compensation system and welfare package lead to a better work-life balance for employees.




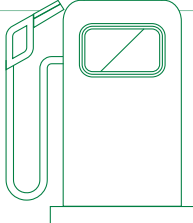
Key Issues	Report Subject	Aspect (Reporting scope)	Major Stakeholders
<ul style="list-style-type: none"> • HR management • Fair evaluation and compensation 	<ul style="list-style-type: none"> • E01 HR management / fair evaluation & compensation 	<ul style="list-style-type: none"> • Employment, Diversity & Equal Opportunity, Non-Discrimination (Inside of S-OIL) 	<ul style="list-style-type: none"> • Employees
<ul style="list-style-type: none"> • Talent cultivation 	<ul style="list-style-type: none"> • E02 Talent cultivation 	<ul style="list-style-type: none"> • Training & Education (Inside of S-OIL) 	<ul style="list-style-type: none"> • Employees
<ul style="list-style-type: none"> • Healthy corporate culture • Establishment of harmonized labor-management relations 	<ul style="list-style-type: none"> • E03 Healthy corporate culture / establishment of harmonized labor-management relations 	<ul style="list-style-type: none"> • Benefit, Economic Performance, Labor/Management Relations (Inside of S-OIL) 	<ul style="list-style-type: none"> • Employees
<ul style="list-style-type: none"> • Industrial safety and health management 	<ul style="list-style-type: none"> • E04 Industrial safety & health management 	<ul style="list-style-type: none"> • Safety Management (Inside and Outside of S-OIL) 	<ul style="list-style-type: none"> • Employees • Business partners • Local communities • Government

E01 HR Management / Fair Evaluation & Compensation

Why is This Important?

A performance-oriented corporate culture is essential for sustainable growth. It can be founded when hiring and cultivating competent talents beyond regionalism and school relations and compensating for their performances in a fair and reasonable manner.

Our Commitment

				
Commitment		Targets in 2016	Performances in 2016	Targets in 2017
Enhancement of HR management		· Securing talented employees through fair recruitment procedure	· Recruitment of 293 persons	· Securing talented employees through fair recruitment procedure
Reinforcement of performance-based corporate culture through reasonable and fair HR management systems		· Enhancement of the performance-based evaluation system · Enhancement of the performance-based compensation system	· Improvement of evaluation systems · Enhancement of the performance-based compensation system	· Enhancement of the performance-based evaluation system · Enhancement of the performance-based compensation system

Our Response

Securing Talented Employees through Fair Recruitment Procedure

S-OIL pursues the diversity of its employees and strives to create a corporate culture where every employee unleashes their full potential and contributes to corporate growth through innovation. Our recruitment procedure ensures that no applicant is discriminated against on grounds of gender, academic

background, region, age, or disability. We are also proactive in hiring socially marginalized groups such as disabled people and non-regular workers. The channels to hire competitive talents are extended to campus recruiting, internship, and scholarship support programs. We do not require potentially discriminatory items of applicants and conduct a blind interview system where personal information including academic background is not provided to interviewers, which ensures fair evalu-

New Employment in 2016



New employees' greeting at the opening ceremony



Invitation of new employees' parents



ation based only on competence and qualifications instead of applicants' specifications. Our reasonable and transparent recruitment procedure has become a driving force for our sustainable growth despite increasingly fierce competition.

Performance-based Evaluation and Compensation

Improvement of the Evaluation System Aimed at Enhancing Individual Competence and Organizational Performance

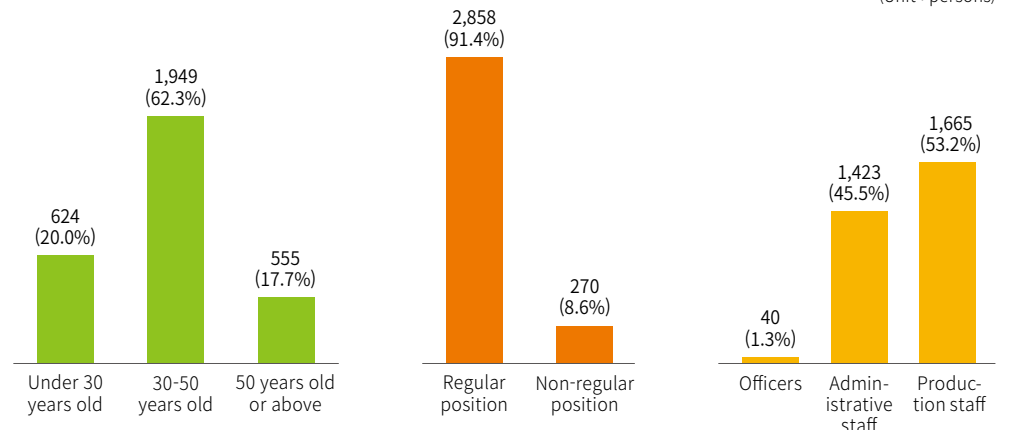
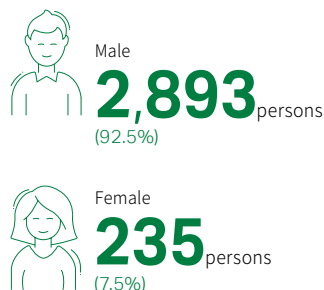
S-OIL has advanced its evaluation system to build a performance-oriented corporate culture. As for individual competence evaluation, we improved the existing system where grades were given simply in accordance with evaluation results. Under the new system, every employee creates tailored competence development plans based on their evaluation results. And then, they carry out the plans and monitor and manage the processes and results throughout the year. These activities contribute greatly to developing individual

competency. Performance evaluation was also upgraded to make sure that both organizational and individual goals would be closely interconnected. Every employee sets up individual action plans in line with organizational goals and their activities are managed by a phase-by-phase check process to ensure individual performance improvement. And then, specific performances are evaluated on action plans, which increases fairness and reliability in the evaluation.

Enhancement of the Performance-based Compensation System

In line with the performance-based organizational culture, we have reduced seniority-based compensation while strengthening performance-based compensation. Wage increase in line with the service period for the same position was scaled down while that from promotion further expanded. In addition, we introduced a merit-based system for office workers in accordance with annual evaluation results to boost their inspiration to raise performance at work.

Employment Status in 2016




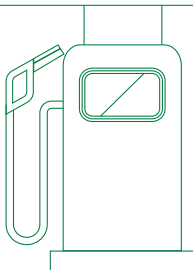
E02 Talent Cultivation

Why is This Important?

The competitiveness gap among oil refiners in terms of production facilities has declined due to the narrowing technological gap and intensifying investment competition. And the development of renewable energy technologies

requires changes to the oil refining business. Therefore, it is imperative for us to strengthen employee competence and increase operational efficiency in order to gain a competitive edge and make inroads into new markets.

Our Commitment

			
Commitment	Targets in 2016	Performances in 2016	Targets in 2017
<p>Offering of various education programs to improve employee competence</p> 	<ul style="list-style-type: none">· Operation of an effective education system· Cultivation of next-generation leaders	<ul style="list-style-type: none">· Implementation of leadership enhancement programs, S-OIL Academy, engineer ECP, training of new operators· Setup of a framework to cultivate next-generation leaders	<ul style="list-style-type: none">· Operation of an effective education system· Cultivation of next-generation leaders

Our Response

The Company's competence development model consists of basic competence for all employees, leadership competence for leaders, and job competence. And systematic education is offered in accordance with employees' role level (job grade).

Operation of an Effective Education System

Based on competence evaluation results, we provide employees with not only in-house collective training but also various online education courses accessible via mobile devices so that employees can develop their competences anywhere, anytime. Commissioned training is also offered to meet increasing needs for more specialized education. In 2016, new courses such as understanding of our specific production process, basic finance, and basic work skill were launched to foster basic competence for all employees. We also initiated the Learning Cell, an open learning platform for employees who want to share their knowledge and experience while satisfying their

own needs for learning. This program allows employees to form study groups on any topic they are interested in to meet for a small group lecture, group learning, or reading discussion. The Communication Center offers employees opportunities to cultivate their foreign language skill. The Company provides employees attending these programs with learning materials and expenses to promote their active interaction and competence development.

Introduction of the Learning Management System (LMS)

The LMS, launched in 2015, has been contributing to increasing the efficiency of educational administration and effectively supporting employees' competence enhancement. The LMS analyzes the patterns of users who access the system and customizes the main page for individual users. It also features "My Classroom" for the community learning while allowing users to search a wide variety of video clips and materials for self-driven study. E-learning courses from the LMS are available via both PC and mobile devices, serving regular learning.

The introduction of the LMS has let employees benefit from systematic individual competence development programs while raising the operational efficiency of educational administration for the Company.

Leadership Enhancement Programs

Leader groups such as officers and team leaders play a key role for building an active organizational culture and making decisions on critical matters. To strengthen their capabilities, S-OIL diagnosed their leadership styles in collaboration with professional consulting firms in 2016 and conducted one-on-one coaching programs guided by professionals based on the results with the purpose of presenting leadership types required of them. Going forward, S-OIL plans to develop various effective leadership programs to help leader groups cultivate their competence and take the initiative for changes and innovation.



Communication Center



Internal training program

Average Time Spent on Education per Employee in 2016

- Office staff (Excluding team leaders)
- Production staff



ECP for Engineer Competence Enhancement

S-OIL has operated the Engineer Cultivation Program (ECP) since 2015 to support the systemic training of engineers. Under this program, engineers draw up the Customized Personal Training Program (CPTP) related to individual functions and career path based on the job function training database Pool of Refinery Training Courses (PoRT) and interviews with their supervisors. The training outcomes and records are systemically monitored through the LMS. In addition to the ECP, the Intensive Overseas Training Program is operated so as to cultivate engineers with a global mindset and competency.

Intensive Education for New Operators

To ensure a successful operation of our largest-ever project, S-OIL offers a six-week American Petroleum Institute (API) course, basic job training about process and facilities, and safety training to new operators who have joined the Company since 2015. After this training, they are required to complete the 20-week Job Task Standard (JTS) course at each department. During this period, intensive training including self-learning on basic jobs and monthly evaluation on training results are carried out to help them learn diverse skills needed for their future jobs. One-on-one mentoring service is also offered to faithfully manage their training process.

Nurturing Next-generation Leaders

With a clear awareness of the importance of cultivating future talents, S-OIL has established a systematic HR development program. To nurture the next generation leaders, for example, we select talented employees with great potential and engage them in diverse job rotation both in and outside the Company. They also benefit from the Company's support for their MBA studies in Korea or overseas, or for the Master's program in science and engineering in IFP School in France. We also focus on developing diverse female leader cultivation programs. These advanced training programs will produce many core talents who can lead S-OIL to a sustainable future.

E03 Healthy Corporate Culture / Establishment of Harmonized Labor-Management Relations

Why is This Important?

Corporate productivity can be maximized when employees who are the key assets to corporate sustainable growth are able to be immersed in their jobs. Moreover, the corporate culture to encourage creative and strate-

gic ideas and pursue efficient work process enables employees to enjoy a work-life balance. Harmonized labor-management relationship is a driving force of ensuring corporate sustainable growth as well.

Our Commitment



Commitment	Targets in 2016	Performances in 2016	Targets in 2017
Activation of communication among organizations	· Activation of communication among organizations	· Activation of communication among organizations	· Activation of communication among organizations
Operation of an industry-leading welfare benefit system	· Improvement of the welfare benefit system in consideration of employees' needs · Systematic employee health management	· Operation of the New Pension Program · Enhancement of employee health management	· Improvement of the welfare benefit system in consideration of employees' needs · Systematic employee health management
Enhancement of the work-life balance	· Development of new systems for improving the work-life balance	· Implementation of Intensive Holiday Program, MRD, and Off-duty Day	· Development of new systems for improving the work-life balance
Creation of the best work environment	· Satisfaction with general affairs service: targeting over 8.7 points	· Satisfaction with general affairs service: 8.71 points	· Satisfaction with general affairs service: targeting over 8.7 points
Establishment of harmonized labor-management relations	· Zero labor dispute	· Zero labor dispute	· Zero labor dispute

Our Response

S-OIL has established a productive and healthy corporate culture where swift communication is ensured. We operate industry-leading welfare benefit programs that reflect employees' needs, and continue to add items necessary for the physical and mental well-being of employees. Furthermore, we strive to provide employees with the best work environment to assure higher job efficiency.

Establishment of a Healthy Corporate Culture by Enhancing Communication

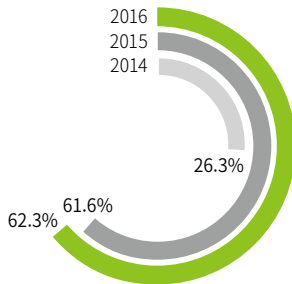
The Company establishes a productive and healthy corporate culture which ensures better job efficiency by enhancing communication among individuals and organizations. In

this regard, surveys on job efficiency and satisfaction are conducted and the results are reflected in diverse activities aimed at smoothing internal communication. In 2016, we held the company-wide presentation on business status twice where the management including the CEO explained the Company's operating performance and outlook and critical business issues and had a Q&A session. S-OIL also encourages diverse programs aimed at expanding communication between leaders and their members and strengthening teamwork. Going forward, the Company will make a concerted effort to boost not only vertical communication between leaders and their members but also horizontal communication among individuals or organizations.



Year-end party

Welfare Benefits to Labor Costs



Industry-leading Welfare Benefits

To provide a workplace where employees can feel deeply engaged in their work, S-OIL offers industry-leading incentives and welfare benefits. In addition to the basic welfare package (4 major public insurances and congratulations & condolences program), we offer a specialized set of benefit programs tailored for life cycle to ensure that employees can fully engage in their work as well as satisfy themselves in terms of housing, health, children's education, and leisure activities. In 2016, the Company started the construction of workplace daycare centers at its Head Office and Onsan Refinery in order to help employees with preschool children be immersed in their work. The daycare centers will be completed in 2017.

Introduction of the New Pension Program

Given that Korea's average life expectancy is rising fastest in the world while most people cannot afford a reliable retirement plan, S-OIL pays full attention to ensuring a stable life for employees after retirement. In this regard, S-OIL became the first Korean company to introduce the "New Pension Program," a matching grant scheme where the Company pitches in for employees' post-retirement resources. Currently, 99% of total employees subscribed to the program. We will continue to upgrade the operation of the New Pension Program by seeking methods to increase employees' satisfaction with this program. The New Pension Program is anticipated to help our employees ease uncertainties over their future while assuring that their life after retirement will be stable.

Employee Health Management

S-OIL operates health clinics to properly respond to emergencies that may arise during work hours as well as take care of employees' health in normal times, and nursery rooms for expectant and breastfeeding mothers at the Head Office and the Refinery. The Company also commissions prestigious medical institutes for annual check-up of employees while ensuring a quick and convenient recovery from disease by providing medical subsidies and a medical leave of absence. Mental stability as well as physical health is critical for full employee engagement. To that end, S-OIL runs the Employee Assistance Program (EAP), a comprehensive consultation service where outside professionals provide tips on personal problems and job-triggered stress, interpersonal relations at work, family relations, child care, and more.

Enhancement of Employee Engagement through Refreshment

Employees are able to be absorbed in their work more creatively and passionately when they strike a balance between work and life and have time to recharge themselves. Thus, we continue to beef up policies to ensure sufficient relaxation from work and chances for refreshment for our employees. As part of this, we introduced the Intensive Holiday Program to assure two-week vacations and the Off-duty Day Program in 2010. In addition, the Monthly Refreshment Day (MRD), started in 2015, allows employees to take a leave once every two months, letting them relieve stress from work and spend more time with family. S-OIL runs condominiums across the nation available for reservation for employees going on a vacation.



Company-wide presentation

Satisfaction with General Affairs Service in 2016



* Target : 8.7 points

Number of Labor Disputes in 2016



Employees are also free to check in at hotels and resorts in popular tourism destinations in the summer and winter months. More than 50% of employees visit those recreational facilities every year. Going forward, S-OIL plans to open more recreational facilities available for employees and their family.

Providing Best-in-Class Work Environment

S-OIL provides employees with the best-in-class work environment by creating an optimized workplace and serving swift business support. In 2016, the Company opened the Creative Lounge in the Head Office to help employees practice self-development and take a rest and installed a variety of spaces dedicated to supporting external projects, which contributes to enhancing business efficiency. Moreover, the main auditorium at the Head Office is offered to employees for a wedding event of themselves or their children. S-OIL intends to develop new ideas and proposals with the aim of assuring the best-in-class work environment for employees.

Collaborative Labor-Management Relations

Our labor-management relationship has set an example in the industry as there has been no labor dispute for the past 36 years since the inception of the labor union in 1980. This resulted from mutual trust and cooperation between the labor union and the Company that have respected union activities and listened to the voices of union members as well as complied with relevant regulations. The labor and management have been collaborating in elevating corporate competitiveness, improving the quality of employees' lives, and fulfilling corporate social responsibility through a variety of communication channels including the Labor-Management Council, the Industrial Safety & Health Committee, and joint workshops as well as wage negotiations and collective bargaining.



Creativity Lounge



S-OIL Family Athletic Meeting

E04 Industrial Safety & Health Management

Why is This Important?

Industrial accidents not only cause loss in workforce and compromised productivity but also lead to enormous social costs. In response, the government has placed the safety of the people at the top administrative agenda and stiffened onsite investigations and pun-

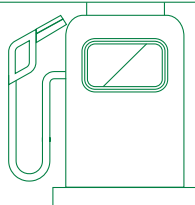
ishment for safety violations to control industrial accidents at the government level. Therefore, the accident-free plant is the prerequisite for a sustainable growth of society as well as the Company.

Our Commitment



Commitment

Establishment of an advanced safety culture by tightening the SHE management system



Targets in 2016

- DNV safety culture score: over 8.1 points (World Class)
- Zero safety & environmental accident

Performances in 2016

- DNV safety culture score: 7.9 points
- One fire

Targets in 2017

- DNV safety culture score: over 8.1 points (World Class)
- Zero safety & environmental accident

Our Response

With the setup of the company-wide safety goal in 2016 at building the world's best safety culture and maintaining zero accident workplaces, S-OIL has made a concerted effort to raise the awareness of safety culture. Particularly, the Safety Control Tower focused on enhancing the company-wide safety management system encompassing the Onsan Refinery, terminals, the Head Office, and the Magok TS&D Center.

World's Top Safety Culture

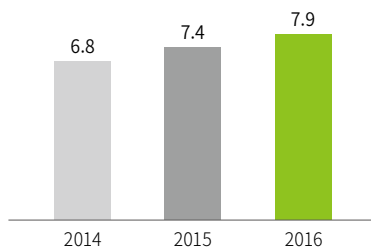
S-OIL has established an IT-based management system based upon the check list in accordance with the toughened SHE (Safety, Health & Environment) regulations and carried out a wide array of activities to comply with SHE requirements. As a result, S-OIL saw its worksite safety culture score rise to a globally recognized level of 7.9 points in 2016, taking a step closer to embedding a safety culture into the Company. Going forward, under the operation guideline of "Establishing a World-class Safety Worksite Based on SHE-first Management," S-OIL will strive to take its safety culture to the next level.

Enhancement of the Company-wide Safety Management System

The Company's safety management system was further upgraded with the launch of the Safety Control Tower guided by the Chief Safety Officer (CSO) and the company-wide Safety Management Committee in 2016. Major roles of the Safety Control Tower include setup, practice, evaluation, and feedback of safety policies for all workplaces as well as support for safety activities. The head of the Safety & Health Division is designated as the CSO who is responsible for improving safety systems and establishing safety goals and policies. The Company is also proactive in supporting safety activities of relevant departments and encouraging individual organizations to voluntarily comply with safety regulations and procedures. The company-wide Safety Management Committee is convened every quarter to share a wide array of safety issues such as safety-related policies, goals, systems, activities, and real cases, and deliberate on improvements.

DNV Safety Culture Score

(Unit : points)



*An index to evaluate the level of corporate safety culture in a quantitative manner created by DNV GL (0~10 points. World Class: over 8.1 points, Leading Edge: 6~8 points)



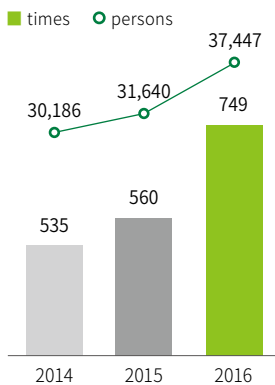
Zero Accident Declaration Ceremony
(Signing Ceremony of the Agreement on
Cooperation with Business Partners in
Occupational Safety & Health)



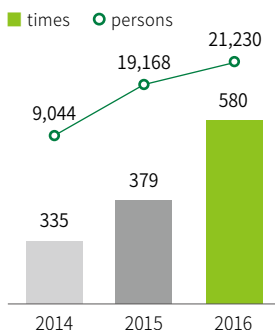
Company-wide Simulated Risk Response Drill

Education on Safety Management

S-OIL



Business partners

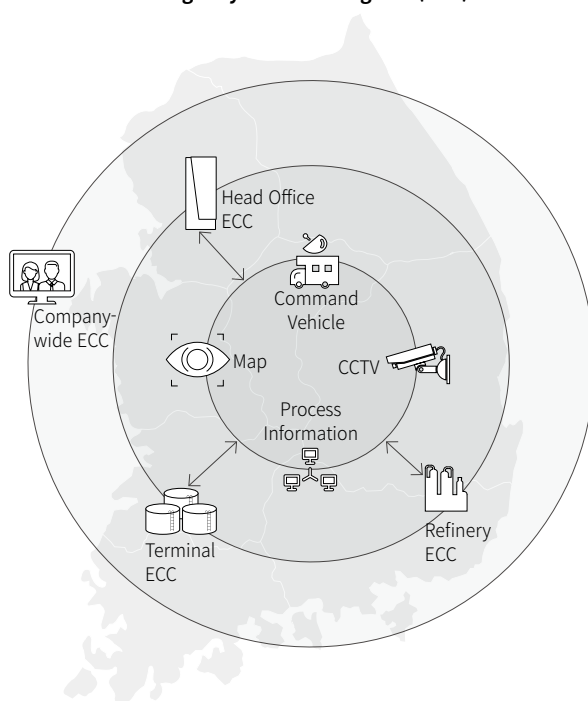


Development of Emergency Response Capability

Operation of the Emergency Control Program (ECP)

Initial response is critical to prevent an accident from escalating into a major disaster. Recognizing this, S-OIL has established the ECP, one of the company-wide integrated risk management systems. In case of an accident, the ECP ensures that the Company takes preemptive measures in a swift manner by supporting real-time communication, thus minimizing damage to the Company and local communities. The key feature of the ECP is the ECC (Emergency Control Center), which convenes an emergency meeting if an unlikely accident ever occurs and shares site information via video conference system to control the situation. The ECC is activated from the Head Office and the site simultaneously. The command vehicle dispatched to the site transmits accident status to the ECC in real time, and then the ECC makes immediate decisions based on the live feed to control the site from remote.

Emergency Control Program (ECP)



Company-wide Simulated Risk Response Drill

We conduct company-wide simulated risk response drills in accordance with a ready-made scenario or in an unexpected manner in order to enhance emergency response capabilities of employees. Particularly, in 2016, an emergency evacuation in preparation for earthquake was added. Site response teams and the top management were able to quickly sum up the situation and take proper measures by communicating seamlessly in real time, thereby proving top class risk response capabilities by organic cooperation between the Head Office and the Refinery. S-OIL promises to develop the leading emergency response capabilities by conducting company-wide emergency drills for various situations.

Support for Safety Management of Business Partners

S-OIL formed a consultative body with business partners to share its advanced safety culture practices. The consultative body convenes for regular safety meeting once a month and carries out collective inspection on a quarterly basis. It also engages not only in promoting the mentoring program among business partners and joint safety campaigns but also in offering special lectures on safety culture and education on risk evaluation. In 2016, 10 business partners who received technical and financial support from the Company obtained the OHSAS 18001 certification, and other 19 business partners acquired the certification on risk evaluation. S-OIL's continued support for its business partners on safety management has resulted in the Company earning the A-Grade from the government in the evaluation of shared growth programs in 2015 and 2016.

Owners & Other Stakeholders

S-OIL has been investing in the RUC/ODC Project based on a stable financial structure with the aim of laying the foundation for sustainable growth. The Company is also proactive in transparently and accurately disclosing management information to protect stakeholders' interest as well as pursuing shared growth with business partners. We are not only joining climate change response activities conducted at the global level but also carrying out differentiated environmental management activities. Our social contribution is implemented in line with our management strategies in order to pursue co-prosperity with local communities.

Total Volunteer Work Period
by the Sunshine Sharing Public
Service Corps

24,154 hours

Environmental
Investment

16.1 billion
KRW

Profitability
Improvement Results

190.5 billion
KRW

Key Issues	Report Subject	Aspect (Reporting scope)	Major Stakeholders
• Investments in new projects	• O01 Investments in new projects	• Economic Performance (Inside of S-OIL)	• Employees, Shareholders & investors
• Efficiency improvement	• O02 Improvement of operational efficiency	• Economic Performance Energy (Inside of S-OIL)	• Employees Shareholders & investors
• Establishment of financial soundness • Transparent management information disclosure	• O03 Establishment of financial soundness / transparent management information disclosure	• Economic Performance Transparency (Inside of S-OIL)	• Customers Employees Shareholders & investors Business partners Local communities Government
• Fair selection of business partners • Management of sustainability in the supply chain	• O04 Management of sustainability in the supply chain	• Supplier Relationship (Inside and Outside of S-OIL)	• Business partners
• Enhancement of the environmental management system • Management of air pollutants • Management of environmental impact	• O05 Environmental management	• Water Effluents & Waste Compliance (Inside of S-OIL)	• Employees Local communities Government
• Economic impact of climate change	• O06 Response to climate change	• Economic Performance Emission (Inside and Outside of S-OIL)	• Customers Shareholders & investors Business partners Local communities Government
• Promotion of social contribution activities	• O07 Social contribution activities	• Local Community (Inside and Outside of S-OIL)	• Customers Employees Local communities Government
• Economic development of local communities • Handling of grievances of local communities • Evaluation of the refinery's impacts on local communities	• O08 Contribution to local communities	• Local Community (Inside and Outside of S-OIL)	• Customers Employees Local communities Government

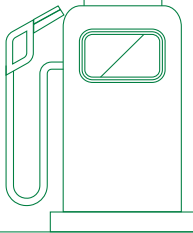
001 Investment in New Projects

Why is This Important?

Under uncertain business environments such as prolonged global economic recession and intensifying competition among refiners, it is imperative for us to secure a long-term growth strategy and core competences for sustain-

able growth. Thus, investments in new projects based on the diversification strategy will become a driving force for securing future growth engines.

Our Commitment

		S-OIL		
Commitment		Targets in 2016	Performances in 2016	Targets in 2017
Successful completion of the RUC/ODC Project		· Target rate of completion: 31%	· Actual rate of completion: 35%	· Target rate of completion: 92%
Enhancement of technological competitiveness in the petrochemical downstream business by building the TS&D Center		<ul style="list-style-type: none"> · Starting the construction of the TS&D Center · Recruitment of talents for operating the TS&D Center · Development of training programs in collaboration with technology partners 	<ul style="list-style-type: none"> · Started the construction of the TS&D Center · Recruitment of talents in the petrochemical business and relevant academies · Completion of the development of training programs 	<ul style="list-style-type: none"> · Completion of the TS&D Center · Additional recruitment of talents for operating the TS&D Center · Implementation of training programs in collaboration with technology partners

Our Response

To realize the Vision 2025 aimed at evolving into the most competitive and admired energy & chemical company in Asia Pacific, S-OIL has been promoting the Residue Upgrading Complex & Olefin Downstream Complex (RUC/ODC) Project since 2015 after receiving approval from the BOD. In addition, the Technical Service & Development Center (TS&D Center) is under construction with the aim of strengthening technological competitiveness needed for developing petrochemical downstream products and ensuring smooth technical support for customers.

Successful Progress of the RUC/ODC Project

Through years of meticulous examination into the strategic directions, S-OIL has been implementing the RUC/ODC Project by investing about KRW 4.79 trillion, the largest investment in its history. As of the end of 2016, about 35% of the entire process was completed with favorable progress in all areas, including de-

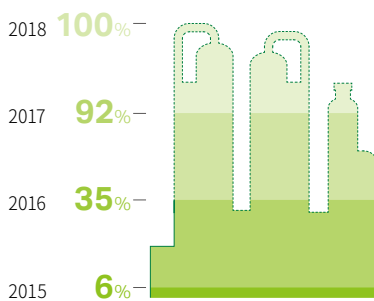
tailed design, procurement, and construction. Detailed design was perfectly finished with a 3D modeling technology in view of the stability of facility operation, operational efficiency, and maintenance conditions. Currently, the blueprint is being produced in line with the construction schedule on time. We selected suppliers and contractors through a fair and transparent bid process and have made assurance for quality control and timely supply of materials. The construction processes, including civil engineering, steel-frame works, plumbing, and equipment installation, are being actively implemented. S-OIL will strive to ensure high-quality construction management and strict onsite safety control to make this project move forward as planned. Now we are also setting up plans for commissioning before the commercial operation in 2018.



RUC/ODC Project Construction Site

Progress of the RUC/ODC Project

Rate of progress (target)



Upon the completion of the RUC/ODC Project, S-OIL will demonstrate its unrivaled competence to produce high value-added products such as gasoline by capitalizing on residue, thereby increasing profitability from the fuel business. This project will also allow us to produce high value-added petrochemical products including polypropylene (PP) and propylene oxide (PO), which will ensure high profitability and stable business diversification. S-OIL will focus its capabilities on successfully completing the RUC/ODC Project in order to enhance competitiveness and eventually increase corporate value. The International Maritime Organization (IMO) intends to significantly strengthen global sulfur cap on marine fuel from 3.5% to 0.5% in order to protect the atmospheric environment. This is a great risk for oil refineries that do not have sufficient desulfurization facilities. The RUC/ODC Project will significantly increase the capacity of our desulfurization capacity and it is an optimal response to sulfur regulations.

Enhancement of Technical Service Capabilities for the Petrochemical Downstream Business

In the petrochemical downstream business with a wide spectrum of products, it is essential to enhance Technical Service capabilities needed for product development and technical assistance tailored to meet market needs. To this end, S-OIL started the construction of the TS&D Center on a site spanning 29,100 square meters in the Magok Industrial Complex, Seoul, in 2016. The construction of the Chemical Pilot Building and the Lube Test Building is progressing favorably with a schedule of completion set in 2017, which will contribute to enhancing R&D capabilities for the petrochemical downstream business and the existing lube business, respectively. The Company also gives impetus to building systems and processes to support the development of value-added products and core technologies. Diverse joint researches with prestigious colleges have been conducted since 2015 with the aim of cultivating talented researchers and securing technological competitiveness. In 2016, we started the development of a variety of training programs in cooperation with major technical partners. Going forward, the TS&D Center will play a key role in securing new technologies as well as supporting existing businesses, contributing to developing new business opportunities and creating future growth engines.



Aerial View of the TS&D Center


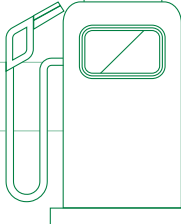
002 Improvement of Operational Efficiency

Why is This Important?

The competition in the industry is becoming increasingly intense due to a supply glut from the expansion of refining and petrochemical facilities across the world. And low crude oil prices triggered by the emergence of shale gas have given rise to an uncertain business

environment for oil refining companies. Faced with these market conditions, operational excellence should be secured through a variety of profit improvement activities in order to enhance a company's competitive edge.

Our Commitment

				
Commitment		Targets in 2016	Performances in 2016	Targets in 2017
Profitability improvement from existing facilities through the SUPER Project		· Upgrade of lube and ultra-low sulfur diesel production facilities and the RFCC complex	· Completion of the upgrade of lube and ultra-low sulfur diesel production facilities and the RFCC complex	· Upgrade of aromatics production facilities
Enhancement of competitiveness through diverse profitability improvement activities		· Profitability improvement target: KRW 97 billion	· Profitability improvement result: KRW 190.5 billion	· Profitability improvement target: KRW 80.9 billion
Continuous energy saving		· Practice of five energy saving ideas	· Completion of the practice of five energy saving ideas	· Practice of six energy saving ideas
Realization of Work-Smart by upgrading IT systems		· Realization of Work-Smart by upgrading IT systems	· Improvement of the ERP and ATSS servers, and replacement of outdated IT infrastructure	· Realization of Work-Smart by upgrading IT systems

Our Response

Promotion of the SUPER Project

In order to elevate the profitability of existing production facilities, S-OIL is promoted the SUPER Project (S-OIL Upgrading Project of Existing Refinery) for Onsan Refinery. This project aims to secure higher process volume of production facilities, increase the production capacity of high value-added products, extend the repair cycle, and reduce energy consumption. Started in 2015 after receiving approval from the BOD, the SUPER Project has been implemented in three packages in consideration of construction volume, level of difficulty in revamping by process, schedule by process, and work efficiency. The first stage of the package-1 project to upgrade the hydrocracking process, completed in 2015, allowed us to increase the production capacity of kerosene, diesel, and lube oil as well as to extend our repair cycle to four years. The second

stage of the package-1 project aimed at lube upgrading and RFCC upgrading, completed in 2016, contributed to increasing the production capacity of lube oil, gasoline, propylene, and steam, and reducing energy consumption with the extension of the repair cycle. The package-2 MHC (Mild Hydrocracker) revamping project, completed in 2016, increased the diesel production capacity by over 20 thousand barrels, upgraded diesel quality, and reduced the use of additives. The annual production capacity of para-xylene rose by 140 thousand tons backed by the completion of the first stage of the package-3 CFU/Aromatics revamping project in 2015. Upon the completion of the second stage in the 1st half of 2017, the production capacity of aromatics further increases as crude oil can be treated through the CFU. The Company sees the SUPER Project creating higher profits compared with the investment of KRW 370 billion. The profitability

Results of Profitability Improvement Activities in 2016



HYC Upgrading



Lube Upgrading



MHC Revamping

improvement effect of this project amounts to KRW 200 billion a year in consideration of current oil prices. We expect it to reach KRW 230 billion when completed the second stage of the package-3 project in 2017 and to create approximately 130 thousand jobs every year. Our strict safety control has tolerated no industrial accident until now.

Profitability Improvement Activities

S-OIL has made a concerted effort to improve operational efficiency by minimizing loss factors throughout all processes from import of crude oil to production and market distribution. Major focuses have been on optimizing operational conditions of production facilities, increasing production capacity of high value-added products, and reducing fuel consumption. To this end, a dedicated team was organized to monitor and control the quantification of profitability and diverse relevant indices in a consistent manner. The profitability improvement reward system and the company-wide proposal system were launched to encourage employees to join the activities. As a result, we achieved an estimated profit increase of KRW 190.5 billion in 2016.

Reduction of Energy Consumption and Efficiency Improvement

The Company has reduced energy consumption by commissioning professional consulting agencies and gathering the ideas of engineers. In 2016, we reduced GHG emissions of 61 thou-

sand tons and created profitability improvement of KRW 2.5 billion through successful commercial operation of waste heat power generation facilities. The introduction of low cost steam from LS-Nikko Copper and Korea Zinc Company around our Onsan Refinery has allowed us to cut energy consumption and those companies to create additional profits. S-OIL will continue to explore new items for shared growth in energy by cooperating with neighboring suppliers, participating in government-led energy efficiency policy and pushing to become a refinery with the highest energy efficiency in the Asia Pacific.

Realization of Work-Smart by Upgrading IT Systems

S-OIL has been creating the Work-Smart environment by capitalizing on IT systems with the aim of swiftly and flexibly responding to changes of management surroundings and conducting work more efficiently. In 2016, upgrading the ERP-BW Analytics system enabled information analysis to be more convenient and competitive, and revamping the ERP for polymer premarketing also supported the RUC/ODC Project in an efficient manner. Moreover, upgrading and dualizing the ATSS (Automated T/T Scheduling System) server ensured higher safety and efficiency in product transportation, while replacing outdated IT infrastructure improved stability and performance of entire IT systems.

Promotion of the SUPER Project

Classification	Details	Completion	Effects
Package-1	HYC Upgrading	Nov. 2015	Increase of the production capacity of kerosene, diesel, and lube base oil Extension of the repair cycle (3 → 4 years)
	Lube Upgrading		Increase of the lube base oil production capacity Extension of the repair cycle Reduction of energy consumption
	RFCC Upgrading	Nov. 2016	Increase of the production capacity of propylene and gasoline Increase of the steam production capacity
Package-2	MHC Revamping		Increase of the diesel production capacity Improvement of diesel quality Reduction of use of additives
Package-3	CFU/Aromatics Revamping (1st stage)	Nov. 2015	Increase of the para-xylene production capacity
	CFU/Aromatics Revamping (2nd stage)	May 2017	Treatment of diverse crude oils through the CFU Increase of aromatics production volume

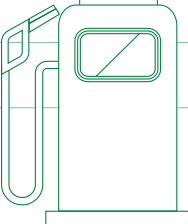
003 Establishment of Financial Soundness / Transparent Management Information Disclosure

Why is This Important?

Securing financial flexibility and maintaining a stable financial structure that is undisturbed by environmental changes are prerequisites to ensuring sustainable growth of a company. In addition, transparent management informa-

tion disclosure helps solve information imbalance, announces major decisions and changes in financial status, and protects the interest of stakeholders.

Our Commitment

Commitment		Targets in 2016	Performances in 2016	Targets in 2017
Maintenance of a stable financial structure		· Maintenance of excellent credit ratings	· Maintenance of industry-leading credit ratings	· Maintenance of excellent credit ratings
Financial resources for investments in sustainable growth		· Optimized fundraising for the RUC/ODC Project	· Fundraising with competitive methods including corporate bonds	· Successful fundraising for the RUC/ODC Project
Balanced performance sharing		· Balanced performance sharing	· Industry-leading dividend payments	· Balanced performance sharing
Transparent management information disclosure		· Zero violation of disclosure · Proactive IR activities	· Zero violation of disclosures, one training session on disclosure · Eight NDRs, participation in eight IR conferences	· Zero violation of disclosure · Proactive IR activities



Our Response

Maintenance of a Stable Financial Structure

To ensure stable fundraising and financial soundness, S-OIL monitors major financial indices on a regular basis and makes financial decisions based on the results. Particularly, our credit ratings from both domestic and foreign credit rating agencies have remained at a high level backed by proactively managing key indicators needed for credit evaluation. Cred-

it rating agencies have highly appreciated our credit rating in consideration of S-OIL's strategic importance to Saudi Aramco and increasing possibility of business and financial support from the parent company as well as our excellence in financial soundness. For these reasons, despite large-scale capital financing for the investments in new projects, S-OIL has maintained the highest credit ratings among domestic refiners.

S-OIL's Credit Ratings

(As of December 31, 2016)

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

Securing Financial Resources for Sustainable Investment

S-OIL has been raising large-scale funds on competitive terms and conditions for the successful completion of the RUC/UDC Project by capitalizing on its financial excellence. For example, the Company signed an agreement on a KRW 1.5 trillion long-term loan for facility construction and a KRW 1.2 trillion stand-by credit line commitment with nine financial companies, securing financial flexibility that helps raise funds any time during the project. What's more, we have secured KRW 400 billion in 2015 and KRW 700 billion in 2016 by issuing corporate bonds at the most competitive conditions in the financial market. These results allow us not only to reduce financial costs but also to preemptively respond to possible interest rate increase risks. Meanwhile, S-OIL has secured KRW 4.2 trillion in available cash as of the end of 2016 by achieving record-high operating performance. By capitalizing on funds raised by an optimal plan and cash flows generated by business activities, S-OIL will push ahead with the largest-ever investment project in its history without setbacks.

Budget Management for Efficient Resource Allocation

The Company makes up and executes its budget in a systematic manner to ensure efficient allocation of fund resources. The ZBB (Zero Base Budgeting) system is operating to avoid waste in the budget and formulate optimized budget that is organically linked with corporate management policies and strategies, and a strict review of budget management departments should be preceded before executing the budget. In 2016, we also focused on minimizing waste in the budget and reducing costs at the enterprise level in order to support the successful completion of the RUC/UDC Project. Going forward, the systematic and objective setup and execution of the budget will continue to improve the efficiency of resource allocation.

Honest Tax Payment

S-OIL believes honest tax payment is one of its responsibilities for the development of the national economy and local communities as a corporate citizen. Therefore, we always comply with tax related laws and regulations and pay our taxes faithfully according to our tax policy. Moreover, detailed tax items such as corporate tax, deferred corporate tax, and the available tax rate are reported on through the independent auditors' report and disclosed to the public through the DART system as well.

Tax Policy

With a belief that honest tax payment is one of its responsibilities for the development of the national economy and local communities as a corporate citizen, S-OIL complies with the following tax policies.

1. We faithfully comply with tax related laws and international standards (OECD guidelines, etc.).
2. We disclose tax payment results based on timeliness, transparency, and clarity principles.
3. We do not practice tax accounting that is abnormal or that distorts the original intention of tax law.
4. We respect local tax regulations in countries or regions where we do business.

Dividend Payments in 2016

Cash dividend payout ratio



Cash dividend yield



Major Financial Indicators in 2016

Total liabilities to equity ratio (Stability)



Return on equity (Profitability)



Operating income growth ratio
(Growth and activity)



Balanced Performance Sharing

We promote a rational dividend policy aimed at harmonizing internal capital reserves and the return of profits to shareholders, thereby maximizing corporate value and increasing shareholder value. Despite the largest-ever investments, S-OIL paid a record-high dividend in 2016 backed by achieving excellent operating performance and retaining financial soundness. The Company will continue to return profits created through business activities to shareholders in consideration of financial conditions, the level of profit reserves, and debt redemption ability, pursuing shareholder-centric management.

Compliance with Disclosure Regulations

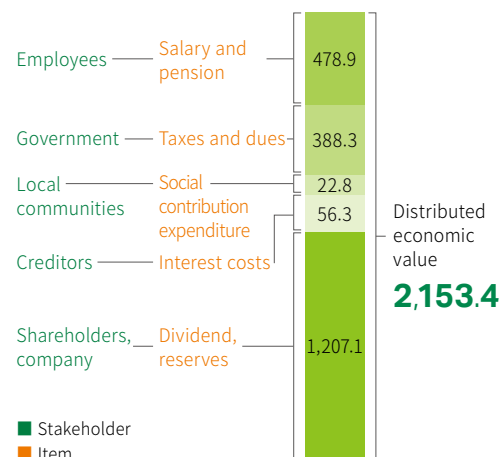
In order to enhance shareholder trust and comply with disclosure regulations, S-OIL is proactive in monitoring enactment and amendment of relevant regulations and offering education on those matters to employees, which prevents omissions of disclosure items. In 2016, we educated all employees about what we should pay attention in accordance with amended disclosure regulations. As a result, we were able to transparently announce our management information to shareholders and investors by disclosing 55 items with no violation of disclosure regulations in 2016. Education on disclosure will continue with the aim of raising the awareness of the importance of transparent disclosure and ensuring compliance with regulations.

IR Activities to Enhance Corporate Value

S-OIL is working on IR activities to provide shareholders and investors with management information and enhance corporate value. For example, we survey analysts about their satisfaction on our IR activities every year and then reflect the results in upgrading the quality of IR activities. In particular, the major focus of the IR in 2016 was on delivering correct information on the RUC/ODC Project as well as the favorable business environment. We conducted non-deal road shows eight times and participated in large-scale IR conferences seven times in 2016. We will make efforts to actively announce the anticipated effects from the completion of the RUC/ODC Project more efficiently in order to be held in high esteem by shareholders and investors.

Distribution of Created Economic Value in 2016

(Unit: KRW in billions)



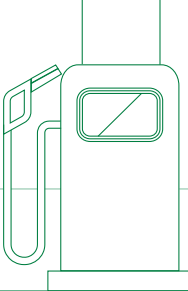
004 Management of Sustainability in Supply Chain

Why is This Important?

Securing a stable supply chain and encouraging healthy competition among suppliers are very important to corporate sustainable growth. It is also critical to ensure fair and transparent supplier selection procedures for the establishment of a favorable environment where a company and its suppliers can enjoy

shared growth based on mutual trust. In the aspect of sustainability management, companies are required to create new business opportunities for co-prosperity with suppliers as well as to minimize risks from suppliers by helping them secure competitiveness.

Our Commitment

		S-OIL		
Commitment		Targets in 2016	Performances in 2016	Targets in 2017
Improvement of suppliers' understanding of our purchasing policy		· Supplier invitation program (once a year)	· Implementation of the supplier invitation program once a year (413 suppliers attended)	· Supplier invitation program (once a year, Encourage new suppliers' participation)
		· Evaluation of suppliers' satisfaction on purchasing: over 9.3 points	· Evaluation of supplier satisfaction on purchasing: 9.39 points (680 suppliers)	· Evaluation of suppliers' satisfaction on purchasing: over 9.3 points
Enhancement of bidding competence by discovering new suppliers		· Development of 180 new suppliers	· Registration of 198 suppliers	· Development of 180 new suppliers

Our Response

Improvement of the Procurement Process

Transparency, objectivity, and fairness in procurement have innovatively improved since the introduction of new systems such as Auto-Invitation and Blind-Bidding in 2013. Procurement of goods and services is initiated through automatically inviting all suppliers who joined each sourcing group through preliminary reviews of the Sourcing Group(SG) Deliberation Committee in accordance with the Auto-Invitation procedure. And then main suppliers are selected through the Blind-Bidding procedure guided by automatic quotation bidding of the e-Procurement system. This new procurement process enables the selection of suppliers to be more transparent and fair. We plan to consistently upgrade our procurement process by activating communication with suppliers.

Critical Suppliers: 18 companies including Saudi Aramco

Selection Standards

1. Stable and sustainable crude oil supplier: Saudi Aramco
2. Irreplaceable supplier
3. Long-term stable maintenance service supplier
4. Patent supplier such as main process licensor

Improvement of the SRM System

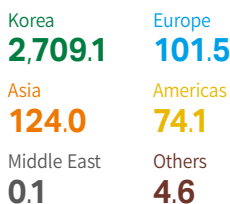
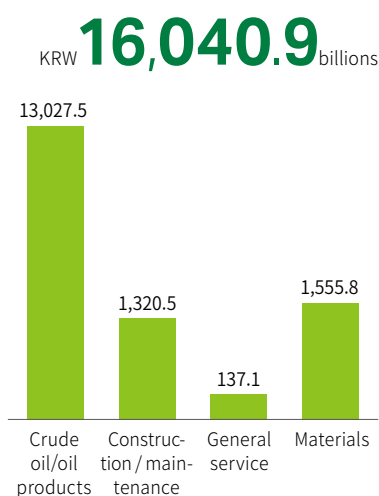
The Company has been operating the SRM (Supplier Relationship Management) system since 2010 with the purpose of selecting suppliers in a fair and transparent manner. The SRM system ensures objectivity and reliability as supplier evaluation is conducted on the basis of the Korea Enterprise Data (KED)'s credit ratings and performance assessment on suppliers.



Information Session for Suppliers

Procurement in 2016

(Units: KRW in billions)



KRW 3,013.5 billions
*Excluding crude oil/oil products

Systematic Supplier Sustainability Management

The Company established the zero accident of safety & environment and the ethics management as the goal of supply chain sustainability management, and systemically manages its suppliers. The Company evaluates not only suppliers' basic competence such as financial stability and technological prowess but also their sustainability competence encompassing business ethics, conflicts of interest, safety, and the environment. Bidding opportunities are given to only suppliers who pass the evaluation process, and all suppliers are required to be reevaluated annually. When there is necessary to conduct an in-depth evaluation due

to risks, etc., we conduct in-depth evaluations through the SG Deliberation Committee consisting of professionals in the fields of compliance, technology, and management. In 2016, a total of 144 suppliers were evaluated by the SG Deliberation Committee. Suppliers who fall short of the standards or have disqualifications in the aspect of sustainability are excluded from the sourcing group. Moreover, suppliers of S-OIL are required to submit and practice a pledge on complying with our Code of Ethics. The Company has invited suppliers for training on our procurement system and our Code of Ethics and checking their compliance every year since 2013. In 2016, a total of 413 suppliers were invited to this program.

Ethics Policy for Suppliers

S-OIL's suppliers shall comply with the S-OIL Supplier Ethics Policy as stated below and shall make efforts to build sustainable supply chains.

1. We comply with international ethics-related regulations as well as anti-corruption and anti-bribery regulations as a member of the nation and local communities.
2. We do not carry out any illegal act such as bid rigging that affects cost estimates.
3. We do not provide or promise to give valuables or entertainment to project owners.
4. We eliminate discrimination in terms of gender, race, nationality, disability, religion, and union activity.
5. We respect business partners and their employees, and do not have an impersonal manner. We do not restrain employees' physical and psychological freedom illegally, and we do not force people to work against their will.
6. We comply with the working hour requirement and the minimum wage as determined by labor-related laws and regulations.
7. We prohibit employment of minors under the age of 15, and exclude employees under the age of 18 from work with higher potential health and safety risks.
8. We guarantee the freedom of association, and prohibit any disadvantage from it.
9. We comply with labor conditions determined by labor-related laws and regulations in each country and region.
10. We provide employees and relevant staff with a safe and healthy work environment, and take proper action to prevent them from being exposed to potential safety risks.
11. We comply with environmental laws and regulations, and recognize that environmental protection is our basic social responsibility.
12. We strive for continuous job creation, and implement social contribution activities for the development of local communities and the national economy.
13. We make our best effort to apply S-OIL's procurement policy to our suppliers.

Direction of Supply Chain Sustainability Management

- Enhancement of fairness and transparency in the selection of bidders by systematically improving the supplier evaluation process
- Saving on purchasing prices and quality management costs through the differentiation of suppliers
- Integration of procurement processes & enhancement of interactive information sharing with the suppliers
- Enhancement of collaboration with outstanding suppliers
- Provision of adequate information to support decision-making for effective purchasing

005 Environment Management

Why is This Important?

Today, the government and local communities expect and require more corporate responsibilities for environmental management. Particularly, systematic measures to control pollutant emissions are necessary in the re-

fining industry as wide-ranging environmental issues are likely to arise concerning the handling, production, transfer and delivery of raw materials.

Our Commitment

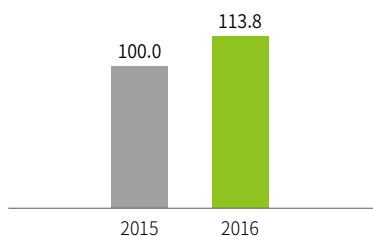


Commitment	Targets in 2016	Performances in 2016	Targets in 2017
Environmental performance evaluation	·110 points	·113.8 points	·120 points
Reduction of environmental pollutant emissions by systematic management	<ul style="list-style-type: none"> ·215.9% reduction of air pollutants compared with 2008 (by 2016) ·31% reduction of benzene emissions compared with 2009 ·Maintenance of the rate of fugitive emissions under 0.5% 	<ul style="list-style-type: none"> ·22.5% reduction of air pollutants ·65% reduction of benzene emissions ·Rate of fugitive emissions of 0.13% 	<ul style="list-style-type: none"> ·50% reduction of benzene emissions compared with 2009 ·Maintenance of the rate of fugitive emissions under 0.3%
Enhancement of emergency response ability to leakage of oils and hazardous chemical substances	<ul style="list-style-type: none"> ·Implementation of at least two emergency drills ·Zero oil spill 	<ul style="list-style-type: none"> ·Three company-wide emergency drills (twice for hazardous chemical substances, once for oil spills) ·Zero oil spill 	<ul style="list-style-type: none"> ·Enhancement of emergency response ability through consistent drills ·Zero oil spill
Compliance with environmental regulations	·Zero violation	·Zero violation	·Zero violation
Promotion of registering chemical substances with the government	<ul style="list-style-type: none"> ·Inspection and selection of chemical substances subject to registration ·Agreement on joint registration in the industry by chemical substance 	<ul style="list-style-type: none"> ·Selection of chemical substances subject to registration ·Agreement on joint registration of chemical substances (continuously) 	<ul style="list-style-type: none"> ·Checkup on changes in chemical substances subject to registration ·Purchasing, production, and submission of registration data concerning chemical substances

Our Response

Environmental Performance Evaluation

(Unit: No. of points)



*We redefined 2015 as the base year by adopting the ISO 14001:2015 certification and tightening environmental regulations as well as adjusting certain indices.

To minimize pollutant discharge and environmental impacts, S-OIL has been operating a methodical environmental management system and preemptively responding to diverse environmental regulations.

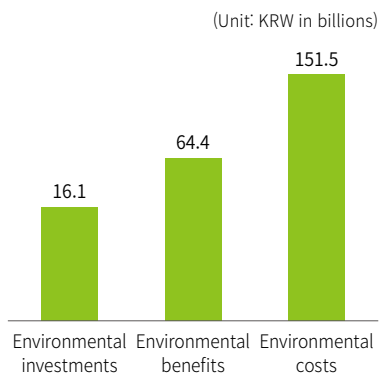
Methodical Environmental Management System

Environmental Management Strategy and System

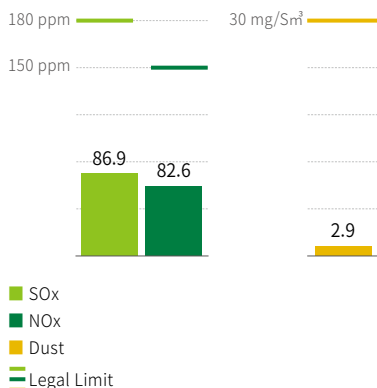
At S-OIL, preemptive green management has been the first priority of its environmental policy. We not only produce high-quality eco-friendly products by continuously re-

vamping production processes and introducing new technologies, but also secure environmental impact reduction facilities such as desulfurization, denitrification, wastewater treatment, and dust collection facilities. Since 1996, ISO 14001 has been adopted to all production processes and terminals step by step, which has enabled us to carry out systematic environmental management activities throughout the entire product life cycle. Moreover, our environmental management system has been upgraded by continuously increasing environmental investment, conducting objective evaluations on environmental performance, and operating the ISO 14031

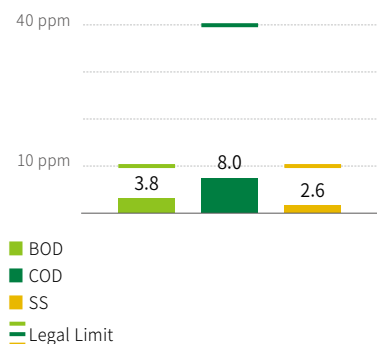
Environmental Accounting in 2016



Air Pollutant Emissions Intensity at Onsan Refinery in 2016



Water Pollutant Emissions Intensity at Onsan Refinery in 2016



certification. The environmental performance evaluation process includes selecting environmental indices, gathering and analyzing environmental data, assessing environmental performance, conducting regular reviews and making improvements to help stakeholders and the management make decisions.

Environmental Accounting (EA) System

S-OIL established and has been operating an in-house environmental accounting system in accordance with the government's guidelines with the aim of objectively judging environmental investments and their ensuing performance as well as practicing the philosophy of environmental management. In 2016, our environmental investment focused on replacing pump dual seals, introducing digital TMS to prevent the direct emission* of HAPs (Hazardous Air Pollutants) and improving energy efficiency. Going forward, the Company will continue to develop mid- and long-term environmental investment items to take the initiative in environmental management.

*Fugitive emissions refer to substances that arise from production processes and facilities, etc. which are directly emitted into the air without filters such as smokestacks designated by the Ministry of Environment.

Environmental Pollutant Control and Environmental Effect Evaluation

Air Pollutant Control

S-OIL has in place much stricter in-house emission standards than legally required to reduce air pollutants. Using clean by-product gases and low-sulfur fuel oil as fuel, S-OIL commits itself to cutting emissions. We have made continued investment in environmental facilities such as ULNB (Ultra Low NOx Burner) and SCR (Selective Catalytic Reduction), and electrical precipitator, which resulted in maintaining a high rate of pollutant control. In addition, the LDAR (Leak Detection and Repair) systemically controls the direct emission of HAPs, which may be produced during product storage, delivery, and processing, into the air without being filtered by vents as prescribed by the enforcement decree of the Ministry of Environment. Since 2015, we have expanded the LDAR management point from the existing

130,000 to 430,000 points, efficiently innovatively reducing the leakage rate of HAPs. In 2016, we strictly controlled the leakage density under 500 ppm compared with the legal 2,000 ppm, resulting in lowering the rate of fugitive emissions to 0.13%. Meanwhile, S-OIL is upgrading facilities based on ready-made in-house guidelines in response to the Clean Air Conservation Act, which was amended in 2015 for tightening fugitive emissions of HAPs. In addition, we signed an agreement on autonomous environmental management aimed at reducing 31% of benzene discharge by 2017, compared to that of 2009. In response, the Company set up its internal reduction target at 50% and thoroughly controlled benzene emissions, resulting in outperforming the target and reaching 65%.

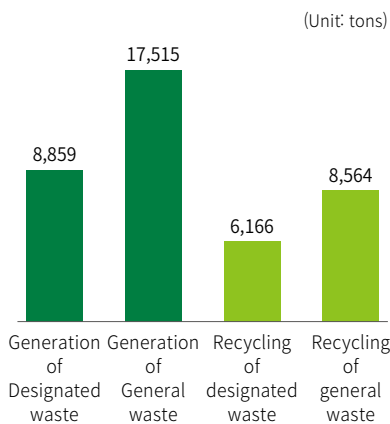
Water Quality Control

S-OIL runs a waste water treatment plant in a stable manner to minimize the impact on the nearby sea. Waste water is treated by physical, chemical, and biological methods at the plant to ensure pollutants are effectively removed. The Tele-Metering System (TMS) transmits data on water quality to administrative agencies in real time in preparation of an emergency. These efforts have resulted in the Company being recognized as a leading business in TMS operation in 2015. S-OIL also expanded rainfall storage tanks and strengthened monitoring of 20 kinds of specific substances harmful to water quality such as Cu, Pb, and As, contributing to improving water quality.

Soil Environment Control

The Company carries out regular checks as well as legally mandatory inspections to prevent soil pollution in plant areas, including terminals. We also continue to improve facilities in a systematic manner by laying pipes on the ground instead of underground. Signing the "Voluntary Agreement on Soil Environmental Protection" with the Ministry of Environment, S-OIL conducts not only voluntary soil pollution inspections on its terminals and service stations but also prompt soil restoration activities in case of discovering soil pollution. To follow the agreement, we conduct legal inspections as necessary to monitor soil pollu-

Waste Generation and Waste Recycling at Onsan Refinery in 2016



tion while carrying out voluntary inspections every three years to prevent soil pollution. Moreover, our new and remodeled service stations are built with the concept of “Clean Service Station.” Clean Service Stations are environmentally-friendly facilities as they prevent leakage of pollutants with double-layered tanks and pipelines. Even if pollutants are leaked, leakage sensors and alarms go off instantly, stopping spread of pollution in a swift manner.

Waste Control

S-OIL has strived to reduce waste discharge while increasing the recycling rate to create a virtuous circle of eco-friendly resources. We have maintained a high rate of waste recycling by strictly practicing separate waste collection. In 2015, S-OIL participated in the “Industrial Sectors’ Declaration for Sustainable Korea 2030,” affirming its strong commitment to enhancing the nation’s resources circulation and resources productivity. Other activities for better waste control include discovering competitive waste recycling companies and upgrading waste control facilities for preventing fire accidents and pollutant emissions. We will continue to invest in technology development to improve the recycling rate.

Prevention of Hazardous Substance Leakage

S-OIL has systematic response procedures to prevent leakage of hazardous chemical substances on land under which facilities are subject to regular inspection and drills are held to beef up emergency response capabilities. For example, we have installed oil spill detectors in more than 30 rain water drains and monitor-

ing wells to prevent oil spill accidents. Moreover, the Company executes refinery-wide emergency drills against leakage of hazardous chemical substances and oils based on ready-made scenarios every year. Going forward, S-OIL plans to develop various scenarios and manuals in preparation for oil spills and chemical leakage and enhance tailored emergency drills.

Prevention of Oil Spills

In order to prevent marine oil spills, S-OIL operates the Vetting System which bars vessels that fall short of strict safety standards from entering port facilities. Under the system, all vessels are evaluated on their risk factors and only double-hulled tankers are permitted into the port in order to minimize risk of oil spill resulting from vessel accidents. We also have a protection system consisting of radar, tidal current measurement, and mooring tension measurement systems as well as the SPM (Single Point Mooring), which is the onshore mooring facilities for VLCCs, for the first time among domestic refining companies. In 2015, the Oil Spill Free TFT was organized with a mission to lower oil spill accidents to zero. We also installed CCTVs on water surface cleaners for 24-hour monitoring of SPMs and oil fences around the pier for bunker-c oil, enhancing our capabilities to respond to an emergency and to prevent the expansion of oil spills. We have a plan to install oil spill detectors on the sea-front and emergency shut-down valves to fundamentally prevent marine pollution. Also, the Company will install oil spills detectors at the coast and emergency block valves at pipelines of a loading port to prevent marine oil spills until 2018.



Leakage Response Mock Training

Response to Environmental Effect
Evaluation and Environmental
Regulations

Implementation of Environmental
Effect Evaluation

S-OIL has been recognized as an eco-friendly company that fully complies with the Environmental Impact Assessment Act and pursues corporate growth with consideration of possible environmental impact on neighboring areas. In case of new projects or large-scale construction, we commission professional environmental effect evaluators to adopt pollutant reduction methods in project design and execute periodic measurements of air, water, the ecosystem, and soil quality. The result of environmental effect evaluation is submitted to administrative agencies before the project. What's more, we implement follow-up environmental effect evaluations even during and after the project for the purpose of minimizing any environmental impact from our businesses.

Preemptive Response to Tightening
Environmental Regulations

The Company responds to tightening environmental regulations in accordance with its environmental policy "Preemptive Green Management." As part of this, we build optimized pollution prevention facilities from the initial stage of refinery construction and prepare stricter in-house environmental criteria than legal requirements. And daily self-inspection

on potential environmental impact is carried out and insufficiencies are promptly corrected, solidifying our autonomous environmental management system. We also cope with the government's environmental policy in a positive manner and reflect changes in environmental regulations in our management strategies. Particularly, relevant departments convene a meeting every month in order to review environmental regulations, report the results to the management, and share those with production departments.

Internal and External Communication

We collect global environmental management trends and changes in relevant regulations at home and abroad through communication with various stakeholders including local communities, the government, the media, and academia, and reflect those data in our company-wide environmental management system. Local communities, relevant institutions, and other stakeholders are also able to share our environmental management information and propose their opinions to the Company. S-OIL is proactive in participating diverse environmental events in local communities and supporting local small-sized companies for environmental activities, thereby widening relationships with local communities and contributing to their environmental improvement. We will continue to comply with environmental regulations and satisfy environmental requirements of local communities.

Preemptive Response to Environmental Regulations

Regulation	Main Content Revised	Our Responses
Chemicals Control Act	<ul style="list-style-type: none">· Tighten the criteria for handling and facilities to prevent hazardous chemical substance related accidents· Enhance prompt reporting of chemical accidents and penalties when accidents occur· Newly establish off-site consequence analysis and risk management plans, implement safety training, etc.	<ul style="list-style-type: none">· Ongoing investment in safety facility improvement· Autonomously reviewed and improved hazardous chemical substance facilities· Expanded personal protective equipment and enhanced response training against chemical accidents· Set up and submitted off-site consequence analysis and risk management plans· Enhanced safety training about hazardous chemical substances
Clean Air Conservation Act	<ul style="list-style-type: none">· Prepare facility control criteria for reducing fugitive emissions of HAPs	<ul style="list-style-type: none">· Recorded and reported the process in accordance with facility control criteria· Completed the improvement of dual sealing pumps for HAPs· Completed the improvement of closed liquid samplers· Completed the installation of VRUs at terminals· Enhanced LDAR management

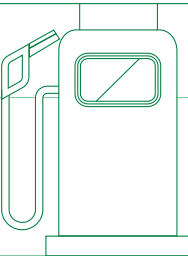
006 Response to Climate Change

Why is This Important?

The Paris Agreement whereby UNFCCC members made a pledge on joint responses to climate change at the COP21 was officially launched in November 2016. The Korean government also promised to reduce 37% of its

GHG emissions BAU by 2030. The construction of an eco-friendly factory will become a significant challenge or opportunity to S-OIL, which is concentrating on the RUC/ODC Project, the largest investment in its history.

Our Commitment

		S-OIL		
Commitment		Targets in 2016	Performances in 2016	Targets in 2017
Strategic carbon response		· Advancement of the company-wide emissions trading scheme response system	· Completion of advancement	· Implementation of the emissions trading scheme
Communication to solidify our position as an eco-friendly company		· Obtainment of certifications on carbon management (CTS, etc.)	· Completion of certification	· Obtainment and renewal of certifications on carbon management

Our Response

We believe the Paris Agreement will bring more business opportunities to us and changing public attitudes regarding climate change will have an enormous effect on our brand value. In response, S-OIL considers climate change as a pressing issue and proactively participates in global GHG reduction efforts by operating an advanced carbon management system.

Establishment of a System to Respond to the Emissions Trading Scheme

Korea became the first Asian country to operate the emissions trading scheme (ETC) in 2015. The ETC price soared in 2016, which increased financial burden on a lot of companies. In order to preemptively respond to the ETC, S-OIL has established an IT-based carbon inventory system featuring its complex process since 2012. Today, our carbon monitoring competence outperforms the government's requirements by adopting a stricter in-house

inspection process and being certified by a third-party assessor. The real-time energy monitoring system built in 2010 has enabled us to analyze process operation information and energy consumption patterns. Moreover, we reformed the organization and procedures to build an enterprise-wide collaboration system for estimating emissions volume and ensuing financial costs and setting up emissions trading plans. In particular, we reflect carbon costs in our mid- to long-term operation and investment plans to ensure efficient resource allocation and encourage employees' participation by introducing the energy efficiency index in connection with organizational strategy as an individual KPI. S-OIL is committed to systematically responding to the emissions trading scheme by capitalizing on accumulated GHG management knowhow.

GHG Emissions in 2016

Scope I/II

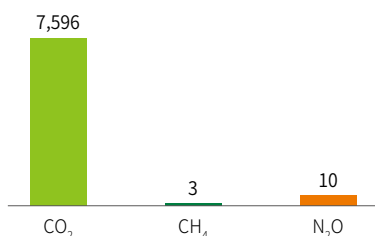


Intensity
Scope I/II



GHG Emissions in 2016

(Unit: thousand ton CO₂e)



Energy Consumption in 2016

Scope I/II

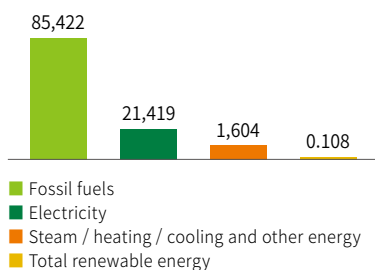


Intensity
Scope I/II



Energy Usage in 2016

(Unit: TJ)



GHG Reduction Performance

S-OIL devotes itself to reducing direct GHG emissions to minimize both regulatory and financial risks. To this end, we continuously develop new tasks for energy efficiency improvement through internal and external energy diagnosis, and adopt those to environmental management activities step by step. More than ten energy efficiency improvement projects are conducted every year. Particularly, the installation of the waste heat recovery system on the PX production process and the reuse of waste heat generated from neighboring factories enabled us to reduce 120 thousand and 140 thousand tons of GHG emissions, respectively. As a result, in 2016, S-OIL reduced 540 thousand tons of GHG emissions compared with 2011, and intensity GHG emissions also decreased 14% from 2011.

Participation in Public and Global Initiatives

S-OIL makes a wide array of efforts to build a national consensus on addressing climate change. As part of this, the Company obtained the "Carbon Trust Standard," a global carbon management certification, in 2012 for the first time in Korea, and joined the Carbon Disclosure Project (CDP) to effectively respond to requirements on carbon emissions and reduction performance. Furthermore, as a member of the "Korea Business Council for Sustainable Development (KBCSD)," which was launched to promote government-industry cooperation on sustainable growth, we worked to encourage businesses to take proactive measures against climate change. In 2016, we initiated a cogeneration plant project in collaboration with KD POWERTECH. This project is to generate 16.4 MW of electricity by recycling waste heat from the petrochemical process and to sell it to KEPCO, which contributes to reducing GHG by 61 thousand tons every year. In addition, we have implemented various campaigns aimed at raising consumers' awareness of carbon reduction, which include Eco Campaign since 2012, Car Diet, and Stopping Engine Idling, etc.

Business Diversification to Meet Changes in Demand

S-OIL is carrying out the RUC/ODC Project with a schedule of completion set in 2018 in order to flexibly respond to changing demand for oil products. This is our strategic choice that aims to positively cope with the rapidly-changing business environment by reorganizing our business portfolio. The Company will continue to examine possible risk and opportunity factors from climate change and reflect the results in our mid- and long-term strategies and management activities.

Case Study

Entering the Cogeneration Business

As a global corporate citizen, S-OIL is actively participating in the "Climate Action," one of the 17 SDGs officially known as "Transforming Our World: the 2030 Agenda for Sustainable Development," which was adopted by the UN in 2015. As part of its efforts for evolving into the most competitive and admired energy and chemical company in Asia Pacific, S-OIL entered the cogeneration business using waste steam to actively support the Climate Action and at the same time create additional profits. In 2016, we started commercial operation of a cogeneration plant that uses extra steam (1.1 million Gcal per year) generated from our Onsan Refinery. This project is expected to reduce GHG by 61 thousand tons, supply 16.4MW of electricity, which is enough energy to power up more than five times the households of Onsan-eup, and create KRW 9.1 billion in profit per year. S-OIL will continue to strive to develop new business models that can create profits as well as solve social issues.

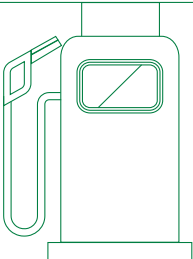
007 Social Contribution Activities

Why is This Important?

Companies are required to create new values for the community and fulfill their social responsibility by conducting strategic social contribution activities. Moreover, those should be guided by a clear set of business strategies

and periodically evaluated to ensure sustainability. By doing so, social contribution will be promoted more systematically and attract voluntary participation from all stakeholders.

Our Commitment

				
Commitment		Targets in 2016	Performances in 2016	Targets in 2017
Promotion of systematic social contribution activities		<ul style="list-style-type: none">· Execution of social contribution activities linked with strategic directions· Execution of social contribution activities that include stakeholder opinions· Continuous improvement of social contribution activities	<ul style="list-style-type: none">· Execution of For Heroes, For the Environment, For the Local Community, and For Needy People activities· Execution of social contribution activities that include stakeholder opinions· Continuous improvement of social contribution activities	<ul style="list-style-type: none">· Execution of social contribution activities linked with strategic directions· Execution of social contribution activities that include stakeholder opinions· Continuous improvement of social contribution activities

Our Response

Strategic Direction of Our Social Contribution

For more productive and strategic social contribution activities, S-OIL is proactive in understanding expectations of local communities through diverse communication channels. And then, we conduct differentiated social contribution activities in accordance with the three pillars of Impact, Timing, and Beneficiary under the vision statement of Sunshine Sharing.

For Heroes (applicable to SDGs #3)

The “For Heroes” program was prepared to support righteous people in our society: “Hero Firefighters” who commit themselves to saving lives despite tough working conditions; “Hero Maritime Policemen” who take the initiative in marine environmental protection and sea-rescue operations; and “Hero Neighbors” who throw themselves into helping neighbors in danger. This program helps make our society healthy and bright.



Healing Camp for Firefighters



Hero Neighbors of the Year Awards Ceremony



Providing Learning Devices Tailored to Youths with Disabilities



Helping Battered Female Migrants

Green Purchasing in 2016



KRW **16,158** millions

For the Environment

(applicable to SDGs #14 and #15)

S-OIL has engaged in protecting endangered natural treasures since 2008 with the aim of bequeathing our valuable nature and ecosystem to succeeding generations. Major activities are as follows: supporting professional organizations dedicated to protecting natural treasures; running natural treasure classes for children; operating a university student natural treasure protection corps; and sponsoring natural habitat protection activities carried out by employees and customers. The Company is also expanding its green purchasing.

For Local Communities

(applicable to SDGs #3 and #4)

The Company carries out a variety of social contribution activities for co-prosperity with local communities where our worksites are located. Those include promoting the Culture & Arts Sharing Campaign, supporting needy people who live around our terminals and the TS&D Center, operating the GOODOIL Café, establishing the Ulsan Welfare Foundation, sponsoring cultural events at Taewharu in Ulsan, and supporting welfare facilities in Ulsan.

For Needy People

(applicable to SDGs #1 and #2)

The “For Needy People” program aims to help the underprivileged stand their own feet and contribute to society as healthy citizens. Major activities include supporting heating fuels, providing learning devices tailored to youths with disabilities, helping battered female migrants, aiding in the recovery of fire-damaged low-income families, and supporting the participation of the disabled in an overseas marathon race as well as implementing service stations’ sharing campaign and sponsoring Ethiopian children.



Activities for preventing endangered natural treasures



Sponsorship of Heart-Heart Orchestra Consisting of Youths with Developmental Disabilities



Delivery of Coal Briquettes

Activities of the S-OIL Public Service Corps in 2016



Performances in the Sunshine Sharing Campaign in 2016

Wage tail-cut contribution

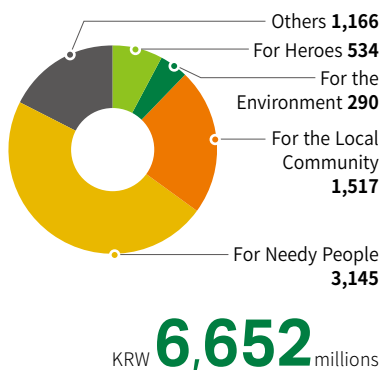


1 person-1donation account



Performances in Social Contribution Activities in 2016

(Unit: KRW in millions)



In addition to the four flagship activities, S-OIL has been executing a wide array of social contribution activities such as delivering Ttokguk (Korean rice soup), Songpyeon (rice cakes), Kimchi, and coal briquettes to low-income families since the launch of the Sunshine Sharing Public Service Corps in 2007. Our employees also participate in the wage tail-cut contribution to help children suffering from biliary atresia and in the 1 person-1 donation account campaign to support children raised by grandparents.

Social Contribution Activities That Reflect Stakeholder Opinions

S-OIL is proactive in developing distinctive social contribution programs such as a marketing idea contest that can attract stakeholders' engagement, connect with our business, and have a positive effect on society. For example, the Company grants scholarships to college students majoring in engineering who should be discharged from residential facilities due to age requirements. We intend to expand the scholarship program to help high school students who live in residential facilities acquire diverse licenses, thereby developing their self-reliance even after being discharged from the facilities.

*More than 18,000 youths live in 700 residential care facilities nationwide, of which about 1,000 persons are discharged from the facilities and just 25% enter universities.

Continued Improvement through Assessment

S-OIL developed the Social Impact Index in collaboration with social contribution experts to assess the impact of its social contribution programs in 2014. The evaluation found the "Culture & Arts Sharing Campaign," in particular, to be generating about KRW 24 million worth of economic value for S-OIL and KRW 50 million for the society for its role in boosting the culture industry. Building upon the areas to be improved, which were identified in the assessment of the "For Endangered Species" in 2015, S-OIL has strived to keep on developing new social contribution activities aimed at protecting biodiversity.



Sunshine Sharing Camp


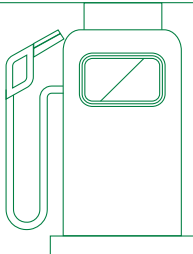
008 Contribution to Local Communities

Why is This Important?

Contributions to local communities in the aspects of economy, society, and the environment have played a critical role in ensuring healthy society as well as corporate sustain-

ability. Therefore, it is necessary to conduct social contribution activities that meet increasing needs of local communities.

Our Commitment

			
Commitment	Targets in 2016	Performances in 2016	Targets in 2017
Contribution to local communities	 <ul style="list-style-type: none">· Expansion of the base of local culture and arts· Handling of grievances of local communities	<ul style="list-style-type: none">· No. of participants in the Culture & Arts Sharing campaign: 3,330 persons· KRW 172.7 billion worth of purchasing and recruitment of 87 persons in Ulsan	<ul style="list-style-type: none">· Expansion of the base of local culture and arts· Handling of grievances of local communities

Our Response

Expansion of the Base for Local Culture and Arts

S-OIL supports local cultural events as a way to build a better quality of life including cultural exposure to local communities and motivate artists. In recognition of its wide-ranging efforts to expand cultural infrastructure for local communities, S-OIL was awarded the Minister of Culture, Sports and Tourism Prize in 2015.

Supporting Cultural Activities of Local Communities around the Head Office

Since 2011, S-OIL has been promoting the Culture & Arts Sharing Campaign at its Head office in Mapo, Seoul. As part of this, diverse culture and arts events are held at the auditorium every month, through which local residents enjoy high-quality culture and art performances for free. More than 3,000 local people join the campaign every year. In a survey of local people who participated in the campaign, they attend two cultural events on average every year, which attests to the fact that S-OIL is contributing to the growth of culture and arts for local communities.

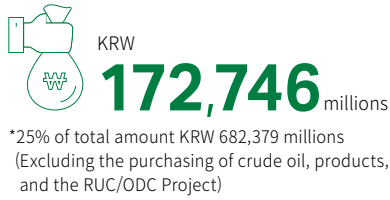
Participants in the Culture & Arts Sharing Campaign in 2016

 **3,330** participants



Culture & Arts Sharing Campaign

Local Purchasing in Ulsan in 2016



Employment in Ulsan

(Unit: No. of persons)



Support of Cultural Infrastructure in Ulsan

Our activities for expanding the base of culture and arts have been active in Ulsan as well. S-OIL established one of Korea's most prestigious literary awards, the "Oh Young-soo Literary Prize," in 1993 in honor of the talented short story writer from the region. Additionally, S-OIL has been holding the "Beautiful Eye Art Festival" since 1996, an arts event that mainly invites amateur artists. Furthermore, S-OIL donated KRW 10 billion, the total budget required for the Taewharu Restoration Project, boosting the pride of Ulsan citizens while giving them access to a comfortable public rest area. This project was completed in 2014 and since then, we have supported culture and arts events held at Taewharu. We have also sponsored the "Taewharu Culture and Arts Academy" where local people can take culture classes provided by renowned local artists since 2015. Other events supported by us include the Cheoyong Cultural Festival, the Ulsan Whale Festival, Byeongyeong Seonang Chigi Folk Festival, and Onggi Expo Ulsan Korea.

Efforts for Handling Grievances of Local Communities

S-OIL has been expanding local purchasing to support economic stimulation of Ulsan. Particularly, in order to help local farmers who are suffering from the opening of the agricultural market, we purchase rice and pear produced in local communities around our refinery and donate them to social contribution activities. Moreover, we have employed local talent necessary for the RUC/ODC Project, contributing to the increase of local job creation. Another major activities aimed at solving local issues include donations of funds for school development, scholarships, and books to elementary, middle, and high schools in Ulsan. We also opened the GOODOIL drinking fountain in front of our head office in Seoul, our office building in Ulsan, and also our Gangnam branch where anyone can enjoy natural water and tea for free. The Company will continue to take the lead in solving local grievances and pursuing co-prosperity.



GOODOIL Drinking Fountain



Oh Young-soo Literary Prize

Performance Review

Key Sustainability Management Performances

S-OIL is committed to creating stakeholder value through sustainable growth, contributing to the happiness of mankind as well as the development of society and economy. To this end, we dedicate not only to promoting bold innovation in entire business areas for enhancing our quality competitiveness and brand value but also to practicing shared growth with business partners and local communities based on the management philosophy centered on co-prosperity, fulfilling our responsibility as a corporate citizen.



Business Fundamental
p. 70

O
p. 74

C
p. 71

E
p. 72



Key Sustainability Management Performances

Business Fundamental

Corporate Governance Rating

(Korea Corporate Governance Service)

Classification	2013	2014	2015	2016
Corporate Governance Rating	A	A+	A	A+

Ratio of Outside Directors

(Unit: persons)

Classification	2013	2014	2015	2016
Directors	11	11	11	11
Outside directors	6 (54.5%)	6 (54.5%)	6 (54.5%)	6 (54.5%)

Violations of the Improper Solicitation and Graft Act

(Unit: cases)

Classification	2013	2014	2015	2016
No. of violations	-	-	-	0

Violations of Internal Regulations (Monitoring of the Compliance with Regulations)

(Unit: cases)

Classification	2013	2014	2015	2016
No. of violations	0	1	0	0

Deliberation of the Ethics Committee

(Unit: times, cases)

Classification	2013	2014	2015	2016
No. of the Ethics Committee meetings	31	19	19	27
Operation of sales network	25	26	57	17
Purchasing of goods and services	38	24	25	52
Others	0	3	5	7
Total	63	53	87	76
No. of violations of ethics regulations	0	0	2	1

*Disciplinary in 2016 : a money transaction between a employee and a customer

Ethics Training for Employees

(Unit: cases, times, persons, hours)

Classification	2013	2014	2015	2016
No. of training programs	10	8	7	7
No. of trainings	34	15	17	12
No. of participants	3,156	2,973	3,063	3,643
Hour spent on training	3,291	4,119	4,470	4,711

Education on Ethics Management for Business Partners and Subsidiaries

(Unit: times, companies, persons)

Classification	2013	2014	2015	2016
No. of trainings	5	4	5	4
No. of participating companies	307	255	1	413
No. of participants	362	282	137	510

Self-assessment on Ethics Management

(Unit: persons, points)

Classification	2015	2016	2017
No. of participants	2,423 (86%)	2,492 (86%)	2,729 (86%)
Average score	98.8	99.0	99.1

Spending in Business Association

(Unit: KRW in millions)

Classification	2013	2014	2015	2016
Business association Spending	1,404	1,557	1,481	1,558

*Top five business associations with large spending:
Korea Petroleum Association (KRW 1,256 million),
Ulsan Chamber of Commerce and Industry (KRW 120 million),
Onsan Industrial Complex Association (KRW 84 million),
Korea Employers' Federation (KRW 32 million)
Korea Lubricating Oil Industries Association (KRW 18 million)

C01

Sales Performance

(Unit: KRW in millions)

Classification		2013	2014	2015	2016
Fuel products	Domestic	10,260,026	9,210,616	6,230,800	5,931,772
	Export	15,248,569	13,869,523	7,823,408	6,532,451
	Sub-total	25,508,595	23,080,139	14,054,208	12,464,223
Lube products	Domestic	429,006	452,299	320,453	264,450
	Export	1,322,609	1,519,260	1,019,309	1,049,213
	Sub-total	1,751,615	1,971,559	1,339,762	1,313,663
Petro-chemical products	Domestic	1,605,796	1,335,609	958,467	888,054
	Export	2,292,522	2,170,255	1,537,835	1,655,903
	Sub-total	3,898,318	3,505,864	2,496,302	2,543,957
Total	Domestic	12,294,828 (39.5%)	10,998,524 (38.5%)	7,509,720 (42.0%)	7,084,276 (43.4%)
	Export	18,863,700 (60.5%)	17,559,038 (61.5%)	10,380,552 (58.0%)	9,237,567 (56.6%)
	Sub-total	31,158,528	28,557,562	17,890,272	16,321,843

Market Share for Retail Light Oil Product

(Unit: stations)

Classification	2013	2014	2015	2016
No. of nationwide service stations	12,658	12,366	12,061	11,923
No. of S-OIL service stations	2,000 (15.8%)	2,022 (16.4%)	2,070 (17.2%)	2,124 (17.8%)
Market share for retail light oil product	20.4%	20.7%	21.1%	21.8%

*Based on service stations in business (estimated by S-OIL)

VOC Treatment

(Unit: cases)

Classification	2013	2014	2015	2016
Bonus/associated card	1,148	1,370	964	1,289
Promotion/gift card	415	2,610	467	450
Service/transportation, etc.	689	660	769	991
Quality	257	196	178	244
Total	2,509	4,836	2,378	2,974

*Number of VOCs in 2014 increased due to gift offering events.

Time Spent on Treating VOCs

(Unit: days)

Classification	2013	2014	2015	2016
Inquiry (designated period: 2 days)	0.6	0.8	0.7	0.7
Complaints (designated period: 5 days)	2.6	3.7	2.9	2.4
Rate of treating VOC within designated period	100%	100%	100%	100%

National Customer Satisfaction Index (NCSI)

(Unit: points)

Classification	2013	2014	2015	2016
S-OIL	73	72	74	74

C02

Environmental Quality

Evaluation on Automotive Fuel

Classification	2013		2014		2015		2016	
	1H	2H	1H	2H	1H	2H	1H	2H
Gasoline	★4	★4	★4	★4	★5	★5	★5	★5
Diesel	★5	★5	★5	★5	★5	★5	★5	★5

*Environmental Quality Rating System for Vehicle Fuel: The Ministry of Environment has been evaluating ratings of vehicle fuels since the second half of 2006 by taking gasoline and diesel samples from terminals and service stations of each refinery which are located in the metropolitan area and commissioning the Korea Institute of Petroleum Management for test (the highest rating: ★5)

Inspection on Product Quality and Facilities of Service Stations & LPG Filling Stations

(Unit: stations)

Classification	2013	2014	2015	2016
Inspection on quality	10,820	10,666	12,502	14,461
Inspection on facility	1,311	1,161	1,612	2,088

Trustworthy Service Stations

(Unit: stations)

Classification	2013	2014	2015	2016
S-OIL service stations	2,000	2,022	2,070	2,124
Trustworthy service stations	1,353 (68%)	1,314 (65%)	1,257 (61%)	1,552 (73%)

C03

Top of Mind Awareness in TV Advertising

(Unit: %)

Classification	2013	2014	2015	2016
S-OIL	64.4	51.2	62.9	60.3
Average of domestic competitors	7.0	8.7	6.1	6.1

*Based on tracking check result of advertising impact by professional research institutions

C04

Violation of the Fair Trade Law

(Unit: cases)

Classification	2013	2014	2015	2016
No. of violations	0	0	0	0

E01

Employment Status

(Unit: persons)

Classification		2013	2014	2015	2016
Officers		43	39	37	40
Administrative staff	Regular employees	1,239	1,255	1,340	1,368
	Non-regular employees	73	88	61	55
	Sub-total	1,312	1,343	1,401	1,423
Production staff	Regular employees	1,374	1,396	1,418	1,450
	Non-regular employees	63	57	46	215
	Sub-total	1,437	1,453	1,464	1,665
Total		2,792	2,835	2,902	3,128

Employment by Age and Gender

(Unit: persons)

Classification	Age	Gender	2013	2014	2015	2016
Officers	30~50	Male	14	7	4	3
		Female	0	0	0	0
	50 or above	Male	29	32	33	37
		Female	0	0	0	0
Employees	Under 30	Male	430	403	416	550
		Female	70	72	80	74
	30-50	Male	1,849	1,874	1,830	1,793
		Female	137	146	147	153
	50 or above	Male	259	297	387	510
		Female	4	4	5	8
	Male		2,581	2,613	2,670	2,893
	Female		211 (7.6%)	222 (7.8%)	232 (8.0%)	235 (7.5%)
No. of male managers (manager or higher levels)		658	686	733	783	
No. of female managers (manager or higher levels)		18	26	27	38	

*Ratio of employees aged 55 or above in 2016: 4.4% (138 out of 3,128 persons)

*No. of employees aged under 20: None

*Revised the status of employment calculated by more than 50 years old at 2015 Report to 50 years old and over at this Report

Employment by Workplace in 2016

(Unit: persons)

Classification	Officers	Employees
Head office	28	724
Refinery	11	2,021
District Business HQ	1	264
Terminal	0	79
Total	40	3,088

New Employment

(Unit: persons)

Classification	2013	2014	2015	2016
University graduates (female)	80 (8)	42 (5)	83 (8)	31 (3)
Others (female)	78 (16)	83 (23)	66 (24)	262 (18)
Total	158 (24)	125 (28)	149 (32)	293 (21)
Ratio of female employees	15.2%	22.4%	21.5%	7.2%

*All forms of recruitment such as production workers, experienced workers, and non-regular workers excluding university graduates

Retirees

(Unit: persons)

Classification	2013	2014	2015	2016
No. of retirees	79	82	82	67

Employment of the Disabled

(Unit: persons)

Classification	2013	2014	2015	2016
No. of employees with disabilities	49 (1.8%)	49 (1.7%)	47 (1.6%)	48 (1.5%)

Return to Work after Parental Leave

(Unit: persons)

Classification	2013	2014	2015	2016
Staff to return	3	7	10	13
Returned staff	3 (100%)	7 (100%)	10 (100%)	13 (100%)

E02

Training Cost (Unit: %)

Classification	2013	2014	2015	2016
Training Cost compared with Labor Cost	1.4	0.85	0.85	0.95

Training Hours per Employee (Unit: hours)

Classification	2013	2014	2015	2016
Administrative staff (Excluding team leaders)	52	42	45	55
Production staff	13	21	22	21

E03

Welfare Benefit (Unit: %)

Classification	2013	2014	2015	2016
Welfare Benefit compared with Labor Cost	38.3	26.3	61.6	62.3

Satisfaction with General Affair Service (Unit: points)

Classification	2013	2014	2015	2016
Satisfaction score (target: 8.7 points)	8.89	8.98	8.83	8.71

Labor Union (Unit: persons, cases)

Classification	2013	2014	2015	2016
No. of union members	1,431 (52.1%)	1,448 (51.8%)	1,455 (50.8%)	1,519 (49.2%)
No. of employees covered by collective bargaining agreements	2,749 (100%)	2,796 (100%)	2,865 (100%)	3,088 (100%)
No. of labor disputes	0	0	0	0

E04

DNV Safety Culture Evaluation (Unit: points)

Classification	2014	2015	2016
DNV safety culture score	6.8	7.4	7.9

*An index to evaluate the level of corporate safety culture in a quantitative manner created by DNV GL (0~10 points. World Class: over 8.1 points, Leading Edge: 6~8 points)

Number of Injured Employees and Occupational Injury Rate (Unit: persons, %)

Classification		2013	2014	2015	2016
S-OIL	No. of injured employees	2	0	1	4
	Injury rate (LTIR/TRIR)	0.10/0.15	0.00/0.11	0.05/0.10	0.19/0.28
Business partners	No. of injured employees	4	0	1	1
	Injury rate (LTIR/TRIR)	0.17/0.22	0.00/0.00	0.09/0.09	0.03/0.07

*Injury rate = No. of injured employees x 200,000/Total working hours

*LTIR (Lost-time Injury Rate) means lost-time injuries while the meaning of TRIR (Total Recordable Injury Rate) extends to minor accidents without lost-time injuries.

Occupational Illness (Unit: persons, cases)

Classification		2013	2014	2015	2016
S-OIL	No. of incidents	0	0	0	0
	No. of incidents per million hours	0	0	0	0
Business partners	No. of incidents	0	0	0	0
	No. of incidents per million hours	0	0	0	0

Process Safety Events (Unit: cases)

Classification	2013	2014	2015	2016
Process safety events per million hours	0.93	0.16	0.35	0.60

Safety Accident (Unit: cases)

Classification	2013	2014	2015	2016
No. of fire accidents	1	0	1	1
No. of accidents from violations of regulations	0	0	0	0

Safety Training (Unit: times, persons)

Classification		2013	2014	2015	2016
S-OIL	No. of trainings	281	535	560	749
	No. of participants	23,148	30,186	31,640	37,447
Business partners	No. of trainings	341	335	379	580
	No. of participants	18,371	9,044	19,168	21,230

*Including commissioned trainings and firefighting drills

001

Progress of the RUC/ODC Project

(Unit: %)

Classification	2015	2016	2017	2018
Rate of progress (target)	6 (5)	35 (31)	(92)	(100)
Detailed design	25 (21)	90 (84)	(100)	-
Civil engineering	1 (1)	53 (47)	(93)	(100)
Steel-frame work	-	19 (12)	(96)	(100)
Plumbing	-	8 (5)	(92)	(100)
Equipment installation	-	1 (0)	(91)	(100)

002

Treatment of Crude Oil

(Unit: thousand barrels)

Classification	2013	2014	2015	2016
Treatment of crude oil	216,246	227,462	219,680	231,185

Production

(Unit: thousand barrels, KRW in millions)

Classification	2013	2014	2015	2016
Fuel products	Volume	187,764	193,679	185,601
	Amount	24,924,075	23,932,890	13,029,020
Lube products	Volume	10,907	13,236	11,810
	Amount	1,623,722	1,785,243	921,272
Petro-chemical products	Volume	23,587	25,960	25,693
	Amount	4,239,157	3,964,906	2,455,129
Total	Volume	222,258	232,875	223,104
	Amount	30,786,954	29,683,039	16,405,421

Profit Improvement

(Unit: KRW in billions)

Classification	2013	2014	2015	2016
Profit improvement	104.2	358.0	190.0	190.5

Estimated Profit Improvement by Employee Suggestion Program

(Unit: KRW in billions)

Classification	2013	2014	2015	2016
Estimated profit improvement	8.3	17.4	16.5	4.5

003

Summarized Financial Positions

(Unit: KRW in millions)

Classification	2013	2014	2015	2016
Current assets	7,911,340	5,706,292	5,688,480	7,973,051
Non-current assets	4,003,595	4,543,122	5,096,466	5,977,625
Total assets	11,914,935	10,249,414	10,784,946	13,950,676
Current liabilities	5,884,823	3,955,145	3,222,157	4,832,781
Non-current liabilities	680,507	1,390,052	2,180,898	2,732,648
Total liabilities	6,565,330	5,345,197	5,403,055	7,565,429
Capital stock	291,512	291,512	291,512	291,512
Capital surplus	379,190	379,190	379,190	379,190
Reserves	1,002,488	977,843	977,959	977,313
Treasury stocks	(1,876)	(1,876)	(1,876)	(1,876)
Retained earnings	3,678,291	3,257,548	3,735,106	4,739,108
Total equity	5,349,605	4,904,217	5,381,891	6,385,247
Total liabilities and equity	11,914,935	10,249,414	10,784,946	13,950,676

*Based on non-consolidated financial data prepared in accordance with K-IFRS

Summarized Income Statement

(Unit: KRW in millions)

Classification	2013	2014	2015	2016
Revenue	31,158,528	28,557,562	17,890,272	16,321,843
Cost of sales	(30,229,317)	(28,282,216)	(16,438,773)	(14,020,892)
Gross profit	929,211	275,346	1,451,499	2,300,951
Selling expenses	(475,847)	(479,102)	(532,845)	(576,645)
Administrative expenses	(87,320)	(85,948)	(101,050)	(107,417)
Operating profit (loss)	366,044	(289,704)	817,604	1,616,889
Other income	517,835	480,780	491,316	495,344
Other expenses	(537,965)	(468,024)	(392,871)	(475,037)
Financial income	290,879	220,230	145,960	184,999
Financial expenses	(250,001)	(329,258)	(253,480)	(244,830)
Profit before income tax	386,792	(385,976)	808,529	1,577,365
Corporate tax expense (gain)	(97,486)	97,811	(180,393)	(370,282)
Net profit (loss)	289,306	(288,165)	628,136	1,207,083
Other comprehensive income	(3,082)	(37,214)	(22,303)	5,926
Total comprehensive income	286,224	(325,379)	605,833	1,213,009

*Based on non-consolidated financial data prepared in accordance with K-IFRS

Payout of Dividends

Classification	2013	2014	2015	2016
Total dividends paid (KRW in millions)	154,935	17,559	279,505	721,904
Cash dividend propensity(%)	53.55	-	44.50	59.81
Cash dividends per share (KRW)	Common	1,330	150	2,400
	Preferred	1,335	175	2,425
Cash dividend yield(%)	Common	1.81	0.30	2.97
	Preferred	2.52	0.55	5.09

*Based on non-consolidated financial data prepared in accordance with K-IFRS

Major Financial Indicators

(Unit : %, multiples)

Classification		2013	2014	2015	2016
Stability	Current ratio	134.44	144.28	176.54	164.98
	Total liabilities to equity ratio	122.73	108.99	100.39	118.48
	Borrowings to total assets	26.91	35.49	33.34	33.76
	Times interest earned	6.83	(6.79)	22.82	28.72
Profitability	Current ratio	1.17	(1.01)	4.57	9.91
	Total liabilities to equity ratio	0.93	(1.01)	3.51	7.4
	Borrowings to total assets	5.40	(5.62)	12.21	20.52
	Times interest earned	6.50	8.51	24.59	13.84
Growth and Activity	Current ratio	(10.27)	(8.35)	(37.35)	(8.77)
	Total liabilities to equity ratio	(53.18)	(179.14)	382.22	297.76
	Borrowings to total assets	(50.12)	(199.61)	317.98	292.17
	Times interest earned	(4.62)	(13.98)	5.23	29.35

*Based on non-consolidated financial data prepared in accordance with K-IFRS

Creation of Economic Value

(Unit: KRW in billions)

Classification	2013	2014	2015	2016
Revenue	31,158.5	28,557.6	17,890.3	16,321.8
Cost of sales	(30,085.0)	(28,197.8)	(16,361.0)	(13,921.3)
Other income	808.7	701.0	637.3	680.3
Other expenses	(723.5)	(746.2)	(605.5)	(640.8)
Depreciation cost	(367.8)	(339.7)	(273.2)	(286.7)
Created economic value	790.9	(25.1)	1,287.9	2,153.4

*Based on non-consolidated financial data prepared in accordance with K-IFRS

Distribution of Economic Value

(Unit: KRW in billions)

Stakeholder	Item	2013	2014	2015	2016
Employees	Salary and pension	325.1	294.9	421.8	478.9
Government	Tax and dues	112.0	(83.0)	197.2	388.3
Local communities	Social contribution expenditure*	10.8	8.5	5.1	22.8
Creditors	Interest costs	53.6	42.6	35.8	56.3
Shareholders, company	Dividend, reserves	289.3	(288.2)	628.1	1,207.1
Distributed economic value		790.9	(25.1)	1,287.9	2,153.4

*Based on non-consolidated financial data prepared in accordance with K-IFRS

*Including only donations on the financial statements

S-OIL's Credit Ratings

Classification		2013	2014	2015	2016
Overseas	Moody's	Baa2	Baa2	Baa2	Baa2
	S&P	BBB	BBB	BBB	BBB
Domestic	Korea Ratings	AA+	AA+	AA+	AA+
	NICE Investors Service	AA+	AA+	AA+	AA+
	Korea Investors Service	AA+	AA+	AA+	AA+

Violation of Disclosure Regulations

(Unit: cases)

Classification	2013	2014	2015	2016
No. of violations	0	0	0	0

004

Procurement in 2016

By Product

(Unit: KRW in billions, suppliers)

Classification	Crude oil/oil products	Construction/ maintenance	General service	Materials	Total
Procurement amount	13,027.5	1,320.5	137.1	1,555.8	16,040.9

*There is a difference between above data and the purchasing amount at 10 page which is the cost of sales in the financial statements.

By Region

(Unit: KRW in billions, suppliers)

Region	Procurement amount	No. of suppliers
Korea	2,709.1	1,279
Asia	124.0	65
Middle East	0.1	4
Europe	101.5	56
Americas	74.1	50
Others	4.6	4
Total	3,013.5	1,458

*Excluding crude oil/oil products

005

Environmental Performance Evaluation (Unit: points)

Classification	2013	2014	2015	2016
Evaluation score	-	-	100.0	113.8

*We redefined 2015 as the base year by adopting the ISO 14001:2015 certification and tightening environmental regulations as well as adjusting certain indices.

*Environmental performance evaluation score: 134.4 points in 2013, 135.1 points in 2014, 154.5 points in 2015

Environmental Accounting

(Unit: KRW in billions)

Classification	2013	2014	2015	2016	Note
Environmental cost	164.5	156.5	154.9	151.5	Post-treatment facility operation costs, etc.
Environmental benefits	133.0	125.7	119.8	64.4	Energy saving amount / Revenue from selling by products
Environmental investments	40.7	5.7	12.9	16.1	Investments in environmental facilities

Detailed Environmental Investments

(Unit: KRW in millions)

Classification	2013	2014	2015	2016	Note
Air quality, stench, HAPs	5,565	678	4,421	7,193	HAPs dual seal, sampling system improvement, introduction of digital TMS
Water quality	3,559	1,413	1,020	1,045	B/D system improvement
Support for energy saving technology	31,239	3,347	7,401	1,386	Installment of heat changers
Soil/others	359	293	38	6,524	Concrete paving for preventing soil pollution SHE system upgrade
Total	40,722	5,731	12,880	16,148	

Air Pollutant Emissions Intensity at Onsan Refinery

Classification	Legal standards	2013	2014	2015	2016
SOx	180ppm	62.3	76.8	82.0	86.9
NOx	150ppm	83.3	83.9	83.0	82.6
Dust	30mg/Sm ³	2.6	2.5	2.6	2.9

*Annual average pollution concentration from TMS heaters and boilers of existing and new facilities

Water Pollutant Emissions Intensity at Onsan Refinery

Classification	Legal standards	2013	2014	2015	2016
BOD	10 ppm	4.0	4.2	3.7	3.8
COD	40 ppm	8.5	9.8	8.1	8.0
SS	10 ppm	2.6	3.0	3.0	2.6

*Water quality data and TMS data were used for calculating BOD and COD, respectively.

Air Pollutant Emissions at Onsan Refinery

(Unit: tons, tons/mUEDC*)

Classification	2013	2014	2015	2016
SOx	3,450	4,315	4,273	4,959
NOx	3,574	3,509	3,354	3,518
Dust	82	79	66	71
Density of SOx emissions	1.36	1.62	1.65	1.81
Density of NOx emissions	1.41	1.32	1.29	1.28
Density of Dust emissions	0.03	0.03	0.03	0.03

*UEDC: An indicator developed by Solomon, a world's renowned oil company evaluation agency, with the aim of objectively evaluate production capacity of each oil company. This shows total production capacity calculated by considering process complexity and operational performance compared with the crude distillation unit (CDU) of each oil company.

Wastewater Generation at Onsan Refinery

(Unit: thousand tons)

Classification	2013	2014	2015	2016
Wastewater generation	9,128	9,598	9,371	9,584

Recycled and Reused Water (Unit: thousand tons)

Classification	2013	2014	2015	2016
Water supply	20,248	20,518	20,322	20,688
Reused water(%)	1,775 (8.8)	1,759 (8.6)	1,658 (8.2)	1,885 (9.1)

*Water recycling and ensuing effect: Sour water with H₂S and NH₃ generated from production process is flowed into strippers and then it is reused for desalters of the CDU process after eliminating salts by LP stream, which help reduce water consumption.

Detailed Water Consumption at Onsan Refinery (Unit: thousand tons)

Classification	2013	2014	2015	2016
Municipal water supplies	20,248	20,518	20,322	20,688
Fresh surface water (lakes, rivers, etc.)	0	0	0	0
Fresh ground water	0	0	0	0

Waste Generation and Recycling at Onsan Refinery (Unit: tons)

Classification	2013	2014	2015	2016
Generation of designated waste	11,972	10,966	10,555	8,859
Generation of general waste	14,692	14,172	18,508	17,515
Total	26,664	25,138	29,063	26,374
Recycling of designated waste	6,656	7,129	7,985	6,166
Recycling of general waste	8,316	9,366	11,842	8,564
Total	14,972	16,495	19,827	14,730

Emissions of Hazardous Chemical Substances (Unit: tons)

Classification	2013	2014	2015
S-OIL	119	97	116.4
Average of domestic competitors	288	279	

*Data for 2015 may be changed according to the inspection result of the Ministry of Environment.

Oil Spill (Unit: cases)

Classification	2013	2014	2015	2016
No. of oil spill accidents	0	1	0	0

*A leakage occurred within artificial barricades due to the chip off of mixer on the underpart of crude oil tanker (There were no environmental pollution and no administrative punishment in regard to this.)

006

GHG Emissions (Unit: thousand ton CO₂e)

Classification	2013	2014	2015	2016
Scope I	6,399	6,406	6,380	6,537
Scope II	894	996	986	1,072
Total ¹⁾	7,293	7,402 (7,433)	7,366 (7,396)	7,609 (7,641)
Intensity Scope I/II (ton CO ₂ e/kUEDC ²⁾)	2.88	2.78	2.84	2.78
Scope III ³⁾	23	24	26	28

- Figures in parenthesis mean emissions that include additional items in accordance with the amendment of the Target Management Scheme in 2014..
- UEDC: An indicator developed by Solomon, a world's renowned oil company evaluation agency, with the aim of objectively evaluate production capacity of each oil company. This shows total production capacity calculated by considering process complexity and operational performance compared with the crude distillation unit (CDU) of each oil company.
- Scope III includes only vehicles in the downstream business.

Detailed GHG Emissions

Classification	2013	2014	2015	2016
CO ₂ (thousand ton)	7,282	7,391	7,355	7,596
CH ₄ (ton)	134	140	139	156
N ₂ O (ton)	25	27	27	31

Classification	2013	2014	2015	2016
CO ₂ (thousand ton CO ₂ e)	7,282	7,391	7,355	7,596
CH ₄ (thousand ton CO ₂ e)	3	3	3	3
N ₂ O (thousand ton CO ₂ e)	8	8	8	10
Total	7,293	7,402	7,366	7,609

Energy Consumption (Unit: TJ)

Classification	2013	2014	2015	2016
Scope I	79,329	75,240	79,673	85,422
Scope II	19,634	21,745	21,816	23,024
Total	98,963	96,985	101,489	108,445
Intensity Scope I/II (MJ/kUEDC*)	39.1	36.3	39.2	39.6
Scope III	332	336	370	378

*UEDC: An indicator developed by Solomon, a world's renowned oil company evaluation agency, with the aim of objectively evaluate production capacity of each oil company. This shows total production capacity calculated by considering process complexity and operational performance compared with the crude distillation unit (CDU) of each oil company.

Detailed Energy Consumption (Unit: TJ)

Classification	2013	2014	2015	2016
Fossil fuels	79,329	75,240	79,673	85,422
Electricity	18,353	19,953	19,297	21,419
Steam / heating / cooling and other energy	1,281	1,792	2,519	1,604
Total renewable energy	0.108	0.108	0.108	0.108

Sales of Energy (Unit: TJ)

Classification	2013	2014	2015	2016
Steam	-	-	-	1,356

007

Performance in Social Contribution Activities

(Unit: KRW in millions)

Classification	2013	2014	2015	2016
For Heroes	1,130	846	1,130	534
For the Environment	310	170	290	290
For Local Community	8,053	5,278	1,829	1,517
For Needy People	-	724	1,255	3,145
Others	2,765	2,651	1,773	1,166
Total	12,258	9,669	6,277	6,652

*Others: Supports for S-OIL Science Prodigy and Culture Foundation, S-OIL Table Tennis Team, Sochi Olympics/Rio Paralympics Squad

*Donations stated in the business report do not include those to S-OIL Table Tennis Team and GOODOIL Café

*Moved the Performance of Public Service Corps at 2015 Report from "Others" item to "For Local Community" item at this Report

Activities of S-OIL Public Service Corps (Unit: persons, hours)

Classification	2013	2014	2015	2016
Number of participants	2,294	2,313	2,194	2,129
Participation hours	29,877	28,195	22,947	24,154

Sunshine Sharing Campaign (Unit: persons, KRW in millions)

Classification	2013	2014	2015	2016
Wage tail-cut contribution				
Number of participants	1,593	1,642	1,669	1,769
Amount of supports	100	95	98	104
1 person-1 donation account				
Number of participants	1,483	1,428	1,391	1,385
Amount of supports	61	61	57	58

Green Purchasing (Unit: cases, KRW in millions)

Classification	2013	2014	2015	2016
No. of green purchasing products	66	46	59	128
Amount of green purchasing	40,783	5,741	12,890	16,158

008

Participants in the Culture & Art Sharing Campaign

(Unit: times, persons)

Classification	2013	2014	2015	2016
No. of events	13	10	11	12
No. of participants	5,330	4,920	3,390	3,330

Employment in Ulsan

(Unit: persons)

Classification	2013	2014	2015	2016
New employment	158	125	149	293
New employees graduated universities in Ulsan	10 (6.3%)	25 (20.0%)	19 (12.8%)	87 (29.7%)

Local Purchasing in Ulsan

(Unit: cases, KRW in millions)

Classification	2013	2014	2015	2016
Total number of purchasing	8,643	7,073	9,127	8,492
Total amount of purchasing	521,289	593,742	835,300	682,379
Number of purchasing in Ulsan	4,459	3,755	5,100	4,934
Amount of purchasing in Ulsan	187,881 (36%)	93,080 (16%)	203,402 (24%)	172,746 (25%)

*Excluding crude oil/oil products and purchasing for the RUC/ODC project

Appendix

Independent Assurance Statement	p. 80
GRI G4 Index / UNGC Index	p. 82
Accolades & Recognitions / Association Memberships	p. 88

Independent Assurance Statement

To the stakeholders of S-OIL Corporation

The Korea Productivity Center (the “Assurer”) was asked by S-OIL Corporation to provide independent assurance of the “S-OIL Corporation 2016 Sustainability Report” (the “Report”) and hereby provides the following assurance statement.

Responsibility and Independence

S-OIL Corporation is entirely responsible for all information and opinions presented in this Report. The Assurer is solely responsible for the assurance statement on the content of the Report. As an independent assurance agency, the Assurer was neither involved in the process of preparing this Report nor in any conflicts of interest that may undermine our independence.

Assurance Standards

The Assurer performed assurance in accordance with Type 2 defined in ISAE 3000 and AA1000AS (2008). It indicates that the Report was comprehensively reviewed in terms of the effectiveness and reliability of reporting standards in the assurance. The assurance standards are based on the risk reduction with limitations defined in ISAE 3000 and correspond to the moderate level of assurance defined in AA1000AS (2008).

Limitations

The Assurer identified the reliability of performance in the Report based on the above-mentioned assurance scope and standards as follows. The on-site inspection was conducted for Seoul headquarters and Onsan Plant. Financial data was verified through the financial statement and disclosed documents audited by an auditing agency. The environmental and social performance data secured reliability suitable for assurance standards (Type 2, Moderate Level) through the verification process by sampling.

Methodology

The following method was used to provide the assurance about the Report:

- Verified whether requirements from the Core Option of the GRI G4 Guidelines were fulfilled.
- Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI G4 Guidelines.
- Verified the suitability of the information and expression errors through a comparison analysis with other publications.
- Verified the evidence of data and information, internal process, and system through an on-site inspection of the Seoul headquarters and Onsan Plant.
- The scope and boundaries of the assurance process have been conducted according to the boundaries of the time period, region, and value chain of the Report. Therefore, the scope of the assurance process meets 100 percent coverage of the non-consolidated revenue of the company. Unless there are any special remarks, data regarding the supply chain has not been included in the scope of assurance.

Findings & Conclusion

The Assurer verified that the Report accurately and fairly illustrates S-OIL Corporation’s sustainability management activity and performance. Moreover, through the assurance, the Assurer verified that S-OIL Corporation’s Report fulfilled the requirements of the GRI G4 Guidelines’ Comprehensive Option.

In the case of General Standard Disclosures, the Assurer verified that the Report is written in compliance with the requirements of the Comprehensive Option. For the Specific Standard Disclosures, the Assurer reviewed the Disclosure on Management Approach (DMA) and indicators about material issues by using the reporting criteria process below.

Material Issue	Material Aspect	DMA & Indicators
Realization of Customer Satisfaction	Product and Service Labeling	DMA – Realization of Customer Satisfaction PR3, PR4, PR5
Product Quality Assurance in the Distribution Stage		DMA – Product Quality Assurance
Implementation of Fair Marketing Activities	Marketing Communication	DMA – Product Quality Assurance PR6, PR7
Reinforcement of R&D		DMA – Product Quality Assurance
Reinforcement of Marketing Activities	Marketing Communication	DMA – Product Quality Assurance PR6, PR7
Reinforcement of Customer Personal Information	Customer Personal Information	DMA – Protection of Customers’ Personal Information / Fair Competition in the Market PR8
Prevention of Anticompetitive behavior	Anti-competitive behavior	DMA – Protection of Customers’ Personal Information / Fair Competition in the Market SO7
HR Management	Employment	DMA – HR Management / Fair Evaluation & Compensation LA1, LA2, LA3
Fair Evaluation and Reward	Education and Training, Diversity and Prohibition of Discrimination, Prohibition of Discrimination	DMA – HR Management / Fair Evaluation & Reward LA9, LA10, LA11, LA12, HR3
HR Cultivation	Education and Training	DMA – Talent Cultivation LA9, LA10, LA11
Sound Labor-Management Culture	Freedom of Association Right to Collective Bargaining	DMA – Healthy Corporate Culture / Establishment of Harmonized Labor-Management Relations HR4
Establishment of Harmonious Labor- Management Relations	Freedom of Association Right to Collective Bargaining	DMA – Healthy Corporate Culture / Establishment of Harmonized Labor-Management Relations HR4
Occupational Health & Safety Management	Occupational Health & Safety, Asset Preservation Management and Process Safety	DMA – Industrial Safety & Health Management LA5, LA6, LA7, LA8, OG13
Investment in New Business		DMA – Investment in New Projects
Improvement of Efficiency		DMA – Improvement of Operational Efficiency
Securing Financial Soundness		DMA – Establishment of Financial Soundness / Transparent Management Information Disclosure
Disclosure of Transparent Management Information		DMA – Establishment of Financial Soundness / Transparent Management Information Disclosure
Management of Supply Chain Sustainability	Evaluation of Supply Chain (Society, Labor, Human Rights, Environment)	DMA – Management of Sustainability in Supply Chain EN32, EN33, LA14, LA15, HR10, HR11, SO9, SO10
Fair Selection of Suppliers	Evaluation of Supply Chain (Society, Labor, Human Rights, Environment)	DMA – Management of Sustainability in Supply Chain EN32, EN33, LA14, LA15, HR10, HR11, SO9, SO10
Reinforcement of Environmental Management System		DMA – Environment Management

Material Issue	Material Aspect	DMA & Indicators
Management of Air Pollutants	Emission	DMA – Environment Management EN15, EN16, EN17, EN18, EN19, EN20, EN21
Effect on Environment	Energy, Water, Effluent and Waste, Compliance of Environmental Regulations, Overall Environment-Related Issues	DMA – Environment Management EN3, EN4, EN5, OG2, OG3, EN6, EN7, EN8, EN9, EN10, EN22, EN23, EN24, EN25, EN26, EN29, EN31
Economic Effect of Climate Change	Economic Performance	DMA – Response to Climate Change EC1, EC2, EC3, EC4
Social Contribution Activities	Indirect Economic Effect, Local Communities	DMA – Social Contribution Activities EC7, EC8, SO1, SO2, OG10, OG11
Evaluation of the Effect of a Plant on Local Communities	Local Communities	DMA – Contribution to Local Communities SO1, SO2
Economic Development of Local Communities	Market Status	DMA – Contribution to Local Communities EC5, EC6
Handling Grievances in Local Communities	Environmental Grievances Handling System, Grievances Handling System for Social Effects	DMA – Contribution to Local Communities EN34, SO11

Inclusivity: Participation of Stakeholders

The principle of inclusivity articulates that organizations should include stakeholders in the process of developing strategic responses to and achieving sustainability. In this regard, S-OIL Corporation defines major stakeholders as C.E.O. (Customers, Employees, Owners and other stakeholders) and clearly classifies expectations of stakeholders and communication channels. We verified that opinions have been reflected in management policy through this process. Especially, the company performs the participation process of selecting issues having an effect on S-OIL and stakeholders by conducting an annual survey.

Materiality: Significant Issue Identification and Reporting

The principle of materiality articulates that organizations should focus on issues relevant and material to both the organization and its major stakeholders. The Assurer found that S-OIL Corporation successfully identified issues relevant and material to the company and its major stakeholders based on a reasonable materiality analysis process. Especially, the company selected major issues by reflecting opinions from the top management through the effectiveness review process. This shows the company's efforts to adopt sustainability management as a company-wide management issue.

Responsiveness: Response to Issues

The principle of responsiveness articulates that organizations should be responsive to issues that may influence the performance of their stakeholders. The Assurer found that S-OIL Corporation successfully identified issues which may impact stakeholders' performance, implemented measures to address them, and adequately presented relevant information in the Report. In particular, the appropriately presents the current performance and future target for each issue and responds to those issues. S-OIL Corporation faithfully discloses its response activities and performance through the Report for key sustainability management issues.

Recommendations

Upon appraising S-OIL Corporation's various efforts and performance for enhancing its sustainability, the Assurer makes the following proposals for future publications of the Report and a higher standard of sustainability.

- Review for UN SDGs: It is recommended to review the connection of sustainability activities by S-OIL Corporation with sustainable developments goals (SDGs) presented by UN. With this connection, a clear goal for positive effect of S-OIL's sustainability management on society will be established.
- Establishment of a long-term goal for major issues by each C.E.O.: S-OIL Corporation has appropriately reported sustainability management activities by displaying targets and performance in the reporting period and goals for the next year through the Report. To show such efforts more proactively, it is required to set a long-term goal and report the progress to accomplish this target. A long-term goal for the next three to five years will help stakeholders to understand the direction of sustainability management by S-OIL Corporation.



June 2017
CEO **Sun-jick Hong**

Sun-jick Hong

Dong-soo Kim, Director

D.S. Kim

Yang-ho Lee, Team Manager

Yang-ho Lee

Dae-kwon Yang, Senior Fellow

D. K. Yang

Jeong-eun Han, Researcher

Jeong-eun Han

The Sustainability Management Center of the Korea Productivity Center is an assurance agency officially certified by AccountAbility [the organization that established AA1000, the international standard for stakeholder participation and verification] and is qualified to conduct independence assurance engagements. Our Assurance Committee consists of competent experts who have in-depth experience in sustainability management consulting and assurance and have completed the relevant training.

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

• AA1000APS (2008): The AA1000 AccountAbility Principles Standard (2008) is an international assurance standard set by AccountAbility that provides the principles of the AA1000 standards.

GRI G4 Index

General Standard Disclosure

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

G4	Indicator	Reported page	Report coverage	Note	External assurance
Strategy and Analysis					
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	3	●		80-81
G4-2	Provide a description of key impacts, risks, and opportunities	6-9	●		
Organizational Profile					
G4-3	Report the name of the organization	cover	●		80-81
G4-4	Report the primary brands, products, and services	4-5	●		80-81
G4-5	Report the location of the organization's headquarters	cover	●		80-81
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	4	●		80-81
G4-7	Report the nature of ownership and legal form	4	●		80-81
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	4	●		80-81
G4-9	Report the scale of the organization	4	●		80-81
G4-10	Report the total number of employees	72-73	●		80-81
G4-11	Report the percentage of total employees covered by collective bargaining agreements	73	●		80-81
G4-12	Describe the organization's supply chain	56, 75	●		80-81
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	4-5	●		80-81
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	22-23	●		80-81
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	87	●		80-81
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization	88	●		80-81
Identified Material Aspects and Boundaries					
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report"	cover	●		80-81
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries b. Explain how the organization has implemented the Reporting Principles for Defining Report Content	12-13	●		80-81
G4-19	List all the material Aspects identified in the process for defining report content	13	●		80-81
G4-20	For each material Aspect, report the Aspect Boundary within the organization	13	●		80-81
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	13	●		80-81
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	cover	●		80-81
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	cover	●		80-81
Stakeholder Engagement					
G4-24	Provide a list of stakeholder groups engaged by the organization	12	●		80-81
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	12	●		80-81
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	12	●		80-81
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	12	●		80-81
Report Profile					
G4-28	Reporting period (such as fiscal or calendar year) for information provided	cover	●		80-81
G4-29	Date of most recent previous report (if any)	cover	●		80-81
G4-30	Reporting cycle (such as annual, biennial)	cover	●		80-81
G4-31	Provide the contact point for questions regarding the report or its contents	cover	●		80-81
G4-32	a. Report the 'in accordance' option the organization has chosen b. Report the GRI Content Index for the chosen option (see tables below) c. Report the reference to the External Assurance Report, if the report has been externally assured. (GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.)	82-86	●		80-81

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

G4	Indicator	Reported page	Report coverage	Note	External assurance
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided c. Report the relationship between the organization and the assurance providers d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report"	80-81	●		80-81
Governance					
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decisionmaking on economic, environmental and social impacts	16-17	●		80-81
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	16-17	●		80-81
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	16-17	●		80-81
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	16-17	●		80-81
G4-38	Report the composition of the highest governance body and its committees	16-17	●		80-81
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	17	●		80-81
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	17	●		80-81
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders	16-17	●		80-81
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	16-17	●		80-81
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	16-17	●		80-81
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice"	16-17	●		80-81
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities"	16-17	●		80-81
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	16-17	●		80-81
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	16-17	●		80-81
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	16-17	●		80-81
G4-49	Report the process for communicating critical concerns to the highest governance body	16-17	●		80-81
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	16-17	●		80-81
G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives"	16-17	●		80-81
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	16-17	●		80-81
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	16-17	●		80-81

GRI G4 Index

General Standard Disclosure

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

G4	Indicator	Reported page	Report coverage	Note	External assurance
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	-	●	CEO is the highest-paid individual in the company. His compensation is five times the median annual total compensation for all employees (excluding CEO).	80-81
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	-	●	And it is applied by the same increase rate of annual total compensation for all employees.	80-81
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	20	●		80-81
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	18-21	●		80-81
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	18-21	●		80-81

Specific Standard Disclosures

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

G4	Indicator	Reported page	Report coverage	Note	External assurance
Disclosures on Management Approach					
DMA	a. Why the Aspect is material. Report the impacts that make this Aspect material b. How the organization manages the material Aspect or its impacts c. The evaluation of the management approach	-	●		80-81
Performance Indices by Aspects					
Economic					
Economic Performance					
G4-EC1	Direct economic value generated and distributed	75	●		80-81
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	61-62	●		80-81
G4-EC3	Coverage of the organization's defined benefit plan obligations	43	●		80-81
G4-EC4	Financial assistance received from government	-	N/A		80-81
Market Presence					
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant location of operation	-	N/A		80-81
G4-EC6	Proportion of senior management hired from the local community at significant location of operation	-	N/A		80-81
Indirect Economic Impact					
G4-EC7	Development and impact of infrastructure investments and services supported	62-67, 78	●		80-81
G4-EC8	Significant indirect economic impacts, including the extent of impacts	67, 78	●		80-81
Procurement Practices					
G4-EC9	Proportion of spending on local suppliers at significant location of operation	78	●		80-81
Environmental					
Energy					
G4-EN3	Energy consumption within the organization	77	●		80-81
G4-EN4	Energy consumption outside of the organization	77	●		80-81
G4-EN5	Energy intensity	77	●		80-81
G4-OG2	Total amount invested in renewable energy	-	N/A		80-81
G4-OG3	Total amount of renewable energy generated by source	-	N/A		80-81
G4-EN6	Reduction of energy consumption	50-51	●		80-81
G4-EN7	Reductions in energy requirements of products and services	62	●		80-81

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

G4	Indicator	Reported page	Report coverage	Note	External assurance
Water					
G4-EN8	Total water withdrawal by source	77	●		80-81
G4-EN9	Water sources significantly affected by withdrawal of water	-	N/A		80-81
G4-EN10	Percentage and total volume of water recycled and reused	77	●		80-81
Emission					
G4-EN15	Direct greenhouse gas (GHG) emissions	77	●		80-81
G4-EN16	Energy indirect greenhouse gas (GHG) emissions	77	●		80-81
G4-EN17	Other indirect greenhouse gas (GHG) emissions	77	●		80-81
G4-EN18	Greenhouse gas (GHG) emissions intensity	77	●		80-81
G4-EN19	Reduction of greenhouse gas (GHG) emissions	62	●		80-81
G4-EN20	Emissions of ozone-depleting substances (ODS)	-	N/A		80-81
G4-EN21	NOx, SOx and other significant air emissions	76	●		80-81
Effluents and Wastes					
G4-EN22	Total water discharge by quality and destination	76-77	●		80-81
G4-EN23	Total weight of waste by type and disposal method	58-59, 77	●		80-81
G4-EN24	Total number and volume of significant spills	77	●		80-81
G4-EN25	Weight of transformed, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	-	N/A		80-81
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies related habitats significantly affected by the organization's discharge of water and runoff	-	N/A		80-81
Compliance					
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	-	●	No violation for recent 3 years	80-81
Overall					
G4-EN31	Total environmental protection expenditures and investment by type	76	●		80-81
Supplier Environmental Assessment					
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	55-56	●		80-81
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and action taken	55-56	●		80-81
Environmental Grievance Mechanisms					
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanism	60	●		80-81
Social					
Labor Practices and Decent Work					
Employment					
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	72	●		80-81
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or parttime employees, by significant locations of operation	42-44	●		80-81
G4-LA3	Return to work and retention rates after parental leave, by gender	72	●		80-81
Occupational Health and Safety					
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	45	●		80-81
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	73	●		80-81
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	73	●		80-81
G4-LA8	Health and safety topics covered in formal agreements with trade unions	45-46	●		80-81
Training and Education					
G4-LA9	Average hours of training per year per employee by gender, and by employee category	41, 73	●		80-81
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	40-41	●		80-81
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	38-41	●		80-81
Diversity and Equal Opportunity					
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	39, 72	●		80-81
Supplier Assessment for Labor Practices					
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	55-56	●		80-81
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and action taken	55-56	●		80-81

GRI G4 Index

Specific Standard Disclosures

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

G4	Indicator	Reported page	Report coverage	Note	External assurance
Human Rights					
Non-discrimination					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	38	●		80-81
Freedom of Association and Collective Bargaining					
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	42-44	●		80-81
Supplier Human Rights					
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	55-56	●		80-81
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	55-56	●		80-81
Society					
Local Communities					
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	63-67	●		80-81
G4-SO2	Operations with significant actual and potential negative impacts on local communities	63-67	●		80-81
G4-OG10	Number and description of significant disputes with local communities and indigenous peoples	-	N/A		80-81
G4-OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	-	N/A		80-81
Anti-corruption					
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risk identified	-	N/A		80-81
G4-SO4	Communication and training on anti-corruption policies and procedures	18, 20, 70	●		80-81
G4-SO5	Confirmed incidents of corruption and actions taken	20	●		80-81
Public Policy					
G4-SO6	Total value of political contributions by country and recipient/beneficiary	21	●		80-81
Anti-competitive Behavior					
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	71	●		80-81
Supplier Assessment for Impacts on Society					
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	55-56	●		80-81
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	55-56	●		80-81
Grievance Mechanisms for Impacts on Society					
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	60	●		80-81
Product Responsibility					
Customer Health and Safety					
G4-PR1	Percentage of significant products and services categories for which health and safety impacts are assessed for improvement	30-32	●		80-81
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	-	●	No violation for recent 3 years	80-81
Product and Service Labeling					
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and services subject to such information requirements	-	N/A		80-81
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-	●	No violation for recent 3 years	80-81
G4-PR5	Results of surveys measuring customer satisfaction	71	●		80-81
Marketing Communications					
G4-PR6	Sale of banned or disputes products	-	N/A		80-81
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	-	●	No violation for recent 3 years	80-81
Customer Privacy					
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	-	●	No case for recent 3 years	80-81
Asset Integrity and Process Safety					
G4-OG13	Number of process safety events, by business activity	45-46	●		80-81

UNGC Index

Classification	UNGC 10 Principles	Contents	Page
Human Rights	<p>Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.</p> <p>Principle 2. Businesses should make sure that they are not complicit in human rights abuses.</p>	<p>Ethics Management</p> <p>O04 Management of sustainability in the supply chain</p>	<p>21</p> <p>56</p>
Labour Standards	<p>Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p> <p>Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.</p> <p>Principle 5. Businesses should uphold the effective abolition of child labor.</p> <p>Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p>	<p>Ethics Management</p> <p>E01 Management / Fair evaluation and compensation</p> <p>E02 Talent cultivation</p> <p>E03 Healthy corporate culture / Establishment of harmonized labor-management relations</p> <p>O04 Management of sustainability in the supply chain</p>	<p>21</p> <p>38-44</p> <p>56</p>
Environment	<p>Principle 7. Businesses should support a precautionary approach to environmental challenges.</p> <p>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.</p> <p>Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Risk Management</p> <p>E04 Industrial safety and health management</p> <p>O05 Environmental management</p> <p>O06 Response to climate change</p> <p>O07 Social contribution activities</p> <p>O08 Contribution to local communities</p>	<p>22-23</p> <p>45-46</p> <p>57-67</p>
Anti-Corruption	<p>Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>Corporate Governance</p> <p>Compliance Management</p> <p>C04 Protection of customers' personal information / Fair competition in the market</p> <p>O03 Establishment of financial soundness / Transparent management information disclosure</p>	<p>16-19</p> <p>35-36</p> <p>52-53</p>

Accolades & Recognitions in 2016

Accolades & Recognitions in 2016

Month	Accolades & recognitions	Awarded by
July	Selected as the best product for customers at The PROUD (High-cetane Diesel)	Korea Management Association Consulting
September	Listed on the DJSI World Index (Oil & Gas Refining & Marketing Industry)	Dow Jones, RobecoSAM, Korea Productivity Center
October	Listed on Top 250 Global Energy Company (Oil & Gas Refining & Marketing Companies)	S&P Global Platts
October	Selected as the best company at Social Responsibility Management Quality Award	Social Responsibility Management Quality Institute
November	Selected as the company with the best corporate governance	Korea Corporate Governance Service
December	Selected as the best marketing company at The Management Grand Award	Korea Management Association Consulting
December	Selected as the best service station at Korea Net Promoter Score (KNPS) Index	Korea Management Association Consulting

Association Memberships

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



This report is printed in soy ink and
on FSC®-certified paper.



Head Office

S-OIL, 192, Baekbeom-ro, Mapo-gu, Seoul, 04196, Korea

Onsan Refinery

68, Onsan-ro, Onsan-eup, Ulju-gun, Ulsan, 44995, Korea

www.s-oil.com