



S-OIL
SUSTAINABILITY
REPORT 2015

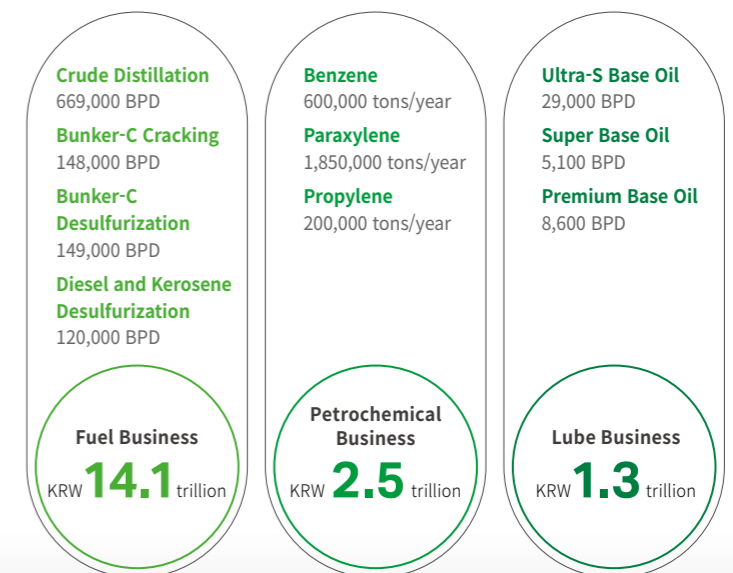


S-OIL is committed to remaining a responsible corporate citizen by meeting the needs and expectations of diverse stakeholders.

Corporation Overview ◆ G4-17

No. of employees	2,902 persons
Total assets	KRW 10.8 trillion
Business sites	Head Office: Marketing, Finance, General Services Onsan Refinery: Production and Shipping 13 Product Terminals/Depots: Product Storage and Shipping 3 District Business HQs/22 Domestic and 4 Overseas Sales Offices: Product Sales
Affiliated companies	S-OIL Total Lubricants Co., Ltd. (STLC): a 50:50 Joint Venture with France's TOTAL S-International Ltd: a 100%-owned Overseas Subsidiary

Production Capacity



Sales Revenue in 2015

KRW **17.9** trillion

About This Report

Reporting Scope

S-OIL has published an annual Sustainability Report since 2008. This is the ninth Sustainability Report covering our activities at the Head Office in Seoul, the Onsan Refinery, the Terminals and Sales Offices from January through December 2015. All performance indicators and related data cover three-year trends, from 2013 to 2015, and important management initiatives include some data that extend into 2016. 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 2015 S-OIL Sustainability Report was compiled based on the Company's Seven Management Principles and in accordance with the AA1000APS (2008)¹⁾. We also adopted GRI G4 Guidelines²⁾ for using key indicators and annotated in case of 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)³⁾ and ISAE3000⁴⁾ International Assurance Standards. The Assurance Report can be found in the appendix of this report.

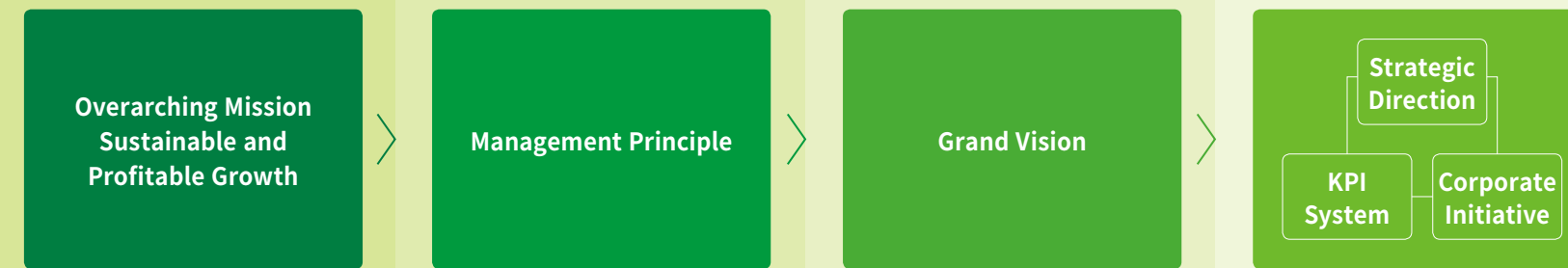
Communication with Stakeholders

Sustainability Management at S-OIL starts from communications with stakeholders. We conducted a wide range of stakeholder surveys and interviews to identify their concerns and expectations 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) and Android and IOS applications. Please contact the Sustainability Management Team (82-2-3772-5237, sustainability@s-oil.com) for additional information about this report.

Sustainability Management Scheme



Stakeholders' Expectation and Our Mission

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

Seven Management Principles

To have a clear understanding what C.E.O. expect and satisfy them under any circumstance and strategic direction, S-OIL established its unique seven management principles as shared values that should be complied with by all employees in daily works.

1. Achieve Operational Excellence
2. Enhance Customer-Centric Management
3. Contribute to Society
4. Provide Best-in-Class Work Environment
5. Pursue Global Best Practices of Corporate Governance
6. Attain Highest Level of Capital Efficiency
7. Develop Platform for Sustainable Growth

S-OIL Grand Vision 2020

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

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

Strategic Framework

S-OIL established a strategic framework consisting of three aspects to efficiently accomplish its mission.

The first includes our long-term growth direction on how to shape our future.

The second involves strategic imperatives. These refer to our management principles that will keep S-OIL on the right path to realize optimum outcomes no matter which strategic directions it chooses to pursue.

The final is performance management, which ensures that the above two aspects are implemented effectively.

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1) AA1000APS (2008) provides a framework for an organization to identify, prioritize and respond to sustainability challenges.
 2) GRI (Global Reporting Initiative) G4 Guidelines provide Sustainability Report Guidelines that were written and revised by the GRI in 2013. The GRI was established by CERES and UNEP.
 3) AA1000AS provides International Verification Standards used to evaluate the inclusivity, materiality, and responsiveness of Sustainability Reports.
 4) ISAE3000 provides International Verification Standards governing the reliability of information other than financial data.

CEO's Message



“S-OIL will pay full attention to carrying out the largest-ever new project without setbacks and dedicate itself to delivering balanced economic, environmental, and social values.”

Dear valued stakeholders of S-OIL

I take pleasure in presenting the 9th Sustainability Report to update you on the progress we are making on our journey towards sustainability management.

The year 2015 has seen deepening global income polarization, youth unemployment, and climate change. The challenges further sparked a global interest of the importance of sustainable development. A glaring example is the United Nations which adopted the Sustainable Development Goals highlighting tasks on such issues as economic growth, job creation, and climate change. Particularly, the intergovernmental organization has set forth new sustainable growth agenda when it adopted Paris Agreement aimed at encouraging the humanity to fight climate change.


S-OIL made a concerted effort to cope with this trend in 2015 as well. We finally decided to push forward the construction of integrated refinery-petrochemical complexes, the largest-ever mega project since our foundation. Through the project, we expect to secure the next growth engine while generating decent jobs for the community and contributing to the national economy.

We proactively joined the global community in addressing climate change as we keep investing to enhance energy efficiency and to reduce greenhouse gas emissions. We also faithfully participated in the emission trade system introduced locally since 2015. Our extraordinary social contribution activities have helped disseminate the value of sharing across the nation.

The year 2016 marks the 40th anniversary of our foundation. Our company will pay full attention to carrying out the largest-ever new project without setbacks. We will also dedicate ourselves to sustainability management as we have strived to deliver balanced economic, environmental, and social values. Furthermore, we pledge to fulfill the responsibilities required of a global corporate citizen to abide by international commitments such as the ‘Ten Principles of the UN Global Compact’ and the ‘UN Guiding Principles on Business and Human Rights’.

Your lasting encouragement and help would be greatly appreciated as we work to reach the goal of sustainability management.

Thank you.

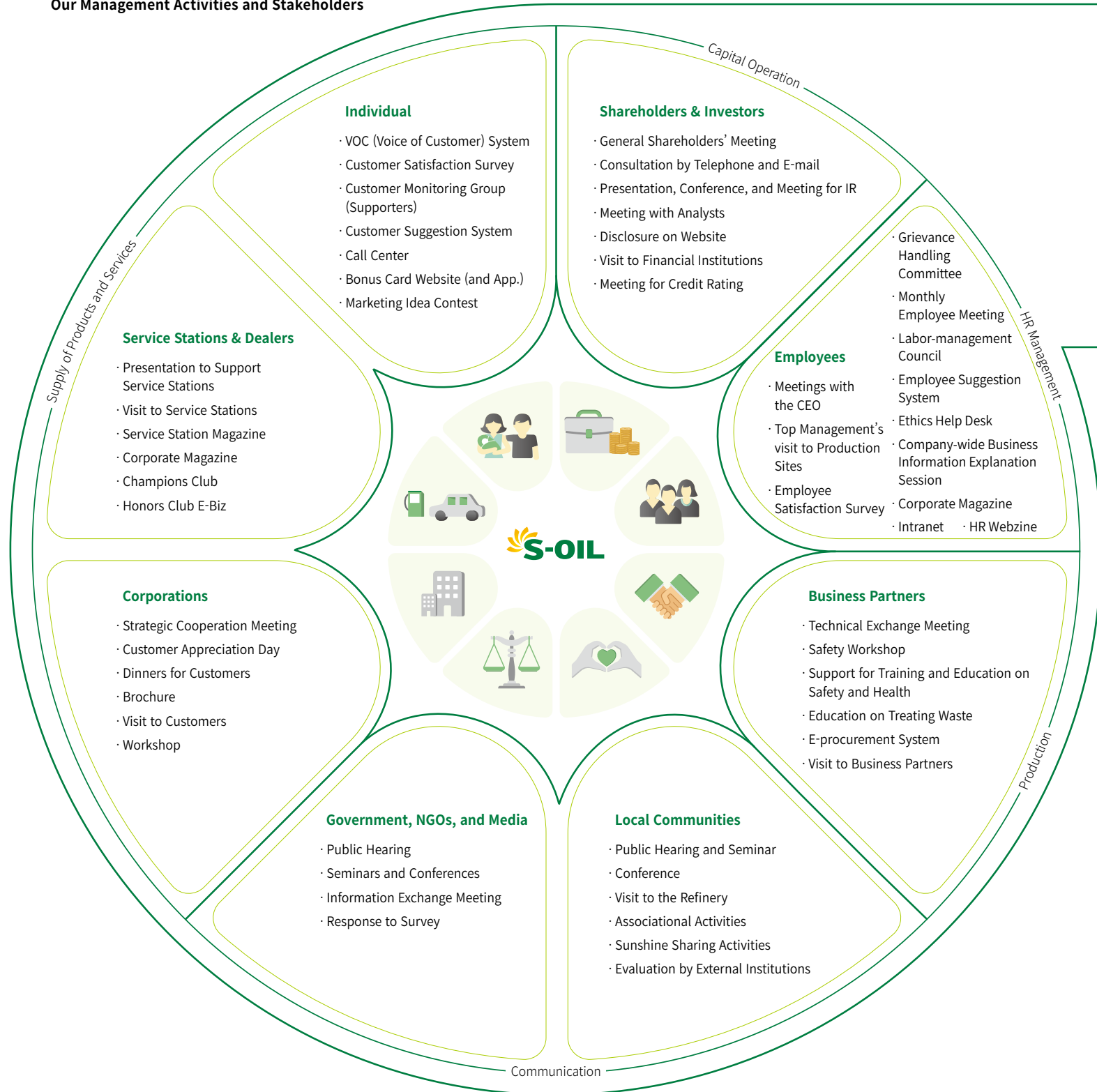

Nasser Al-Mahasher
Representative Director and CEO

Stakeholder Engagement

◆ G4-24

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

Our Management Activities and Stakeholders



Materiality Test

◆ G4-18

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

Step 01 Building an issue pool — Step 02 Stakeholder Survey — Step 03 Selecting key issues

Identifying Sustainability Management issues

1. Selected 30 issues through benchmarking of global sustainability initiatives
2. Added 8 issues through benchmarking of the industry at home and abroad
3. Added 9 issues through media research on 794 news articles covering the Company by 10 major Korean newspapers throughout 2015
4. Added 1 issue by analyzing 2,374 items received from VOC (Voice of Customer)

Evaluating Stakeholders' interest and concerns

Surveyed on: Key sustainability issues with significant influences on the Company and stakeholders among 48 issues in the pool

Period: one week (Feb. 1 to Feb. 7)

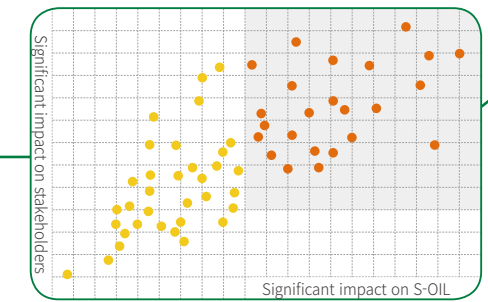
Targets: 4,566 stakeholders including customers, employees, and business partners (response rate: 18.1%)

Survey media: Corporate groupware and e-mail

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

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

Materiality Matrix



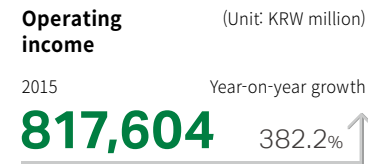
Key Issues by Management Principle (a total of 24 issues)

Management Principle	Key Issues	Reporting Scope	◆ G4-20, 21 Stakeholders	◆ G4-27	Page
Achieve Operational Excellence	Activities to Strengthen Safety Management	Inside and Outside of S-OIL	Local communities, employees, government, business partners		14
	Minimize Impacts on the Environment	Inside of S-OIL	Local communities, employees, government		16
	Efforts to Save Energy and Enhance Energy Efficiency	Inside of S-OIL	Local communities, employees, government, business partners		20
Enhance Customer-Centric Management	Efforts to Sharpen Product Competitiveness	Inside of S-OIL	Customers, government, local communities		24
	Activities to Improve Brand Value	Inside of S-OIL	Customers		26
	Acceleration of Global Marketing for Sustainable Growth	Inside of S-OIL	Customers		28
	Customer Satisfaction Activities	Inside and Outside of S-OIL	Customers		30
Contribute to Society	Strategy Linked Social Contribution Activities	Inside and Outside of S-OIL	Customers, local communities, employees, government		34
	Efforts to Expand the Cultural Base of Society	Inside and Outside of S-OIL	Customers, local communities, employees, government		38
	Contribution to the National Economy through Refining Business	Inside and Outside of S-OIL	Customers, local communities, employees, government, business partners		10
Provide Best-in-Class Work Environment	Rational and Fair HR System	Inside of S-OIL	Employees		42
	Diverse Activities to Support Growth of Employees	Inside of S-OIL	Employees		44
	Organizational Culture and Welfare Benefit System for Win-win Growth	Inside of S-OIL	Employees		47
Pursue Global Best Practices of Corporate Governance	Transparent Corporate Governance	Inside of S-OIL	Shareholders & investors, employees, government		52
	Enhancement of Compliance Management	Inside of S-OIL	Shareholders & investors, employees, government, business partners, customers		54
	Enhancement of Ethics Management of the Company and Business Partners	Inside and Outside of S-OIL	Shareholders & investors, employees, government, business partners		56
Attain Highest Level of Capital Efficiency	Enhancement of Corporate Transparency	Inside of S-OIL	Shareholders & investors, employees, government		58
	Efforts to Secure Financial Soundness (Raising Funds for New Project)	Inside of S-OIL	Shareholders & investors		62
	Systematic Risk Management	Inside of S-OIL	Shareholders & investors, employees, local communities, government		64
	Rational Distribution of Created Economic Value to Stakeholders	Inside and Outside of S-OIL	Customers, local communities, employees, government, business partners, shareholders & investors		67
Develop Platform for Sustainable Growth	Upgrade of Competitiveness in Fundamental Businesses	Inside of S-OIL	Shareholders & investors, employees, business partners		70
	Entrance into New Businesses to Secure Future Growth Engines	Inside of S-OIL	Shareholders & investors, employees, business partners		70
	Reinforcement of R&D Activities	Inside of S-OIL	Shareholders & investors, employees, business partners		70
	Response to Climate Change	Inside and Outside of S-OIL	Customers, local communities, government, business partners, shareholders & investors		74

Key Sustainability Management Performances

◆ G4-22, 23

Economy



Classification		2013	2014	2015
Sales (KRW in millions)		31,158,528	28,557,562	17,890,272
Operating income (KRW in millions)		366,044	(289,704)	817,604
Net income (KRW in millions)		289,306	(288,165)	628,136
Total liabilities (KRW in millions)		6,565,330	5,345,197	5,403,055
Total equity (KRW in millions)		5,349,605	4,904,217	5,381,891
Dividend per share	Common share (KRW)	1,330	150	2,400
	Preferred share (KRW)	1,355	175	2,425
Return on equity (%)		5.40	(5.62)	12.21
Debt-to-equity (%)		122.73	108.99	100.39
Crude oil processed (thousand barrels)		216,246	227,462	219,680
Production (KRW in millions)	Fuel	24,924,075	23,932,890	13,029,020
	Lube	1,623,722	1,785,243	921,272
	Petrochemicals	4,239,157	3,964,906	2,455,129
Sales (KRW in millions)	Fuel	25,508,595	23,080,139	14,054,208
	Lube	1,751,615	1,971,559	1,339,762
	Petrochemicals	3,898,318	3,505,864	2,496,302

Society

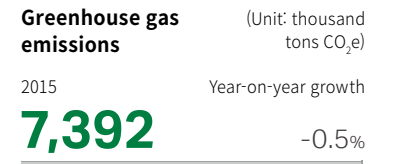


Classification		2013	2014	2015
Number of employees	Total	2,792	2,835	2,902
	Executives	43	39	37
	Regular employees	2,613	2,652	2,758
	Non-regular employees	136	144	107
Number of new employees		158	125	149
Number of retirees		79	82	82
Percentage of outside directors in the BOD (%)		54.5	54.5	54.5
Percentage of female employees (%)		7.6	7.8	8.0
Percentage of disabled employees (%)		1.8	1.7	1.6
Annual average training hours per administrative employee (hours)		52	42	45
Training cost-to-labor cost (%)		1.4	0.9	1.1
Welfare benefit-to-labor cost (%)		38.3	26.3	61.6
Number of labor disputes		0	0	0
Social contribution cost ¹⁾ (KRW in millions)		12,258	9,669	6,277
Employee volunteer service hours		29,877	28,195	22,947
Amount of local purchasing (KRW in millions)		187,881	93,080	203,402
Amount of green purchasing (KRW in millions)		40,738	5,732	12,890

Classification		2013	2014	2015
Greenhouse gas emissions (thousand tons CO ₂ e)	Scope I	6,399	6,406	6,380
	Scope II	894	996	986
	Scope III ²⁾	23	24	26
Energy consumption (TJ)	Scope I	79,329	75,240	79,673
	Scope II	19,635	21,746	21,816
	Scope III ²⁾	322	336	370
Air pollutant emissions at Onsan Refinery (tons)	SOx	3,450	4,315	4,273
	NOx	3,574	3,509	3,354
	Dust	82	79	66
Density of air pollutants at Onsan Refinery ³⁾ (legal limit/S-OIL)	SOx (ppm)	180.0/62.3	180.0/76.8	180.0/82.0
	NOx (ppm)	150.0/83.3	150.0/83.9	150.0/83.0
	Dust (mg/Sm ³)	30.0/2.6	30.0/2.5	30.0/2.6
Density of water pollutants at Onsan Refinery ⁴⁾ (legal limit/S-OIL)	BOD	10.0/4.0	10.0/4.2	10.0/3.7
	COD	40.0/8.5	40.0/9.8	40.0/8.1
	SS	10.0/2.7	10.0/3.0	10.0/3.0
Number of instances of oil leakage		0	1 ⁵⁾	0
Water use at Onsan Refinery (thousand tons)		20,248	20,518	20,322
Water reuse at Onsan Refinery (thousand tons)		1,775	1,759	1,658
Wastewater discharge at Onsan Refinery (thousand tons)		9,128	9,598	9,371
Designated waste at Onsan Refinery (tons)		11,972	10,966	10,555
General waste at Onsan Refinery (tons)		14,692	14,172	18,508
Waste recycling at Onsan Refinery (tons)		14,972	16,495	19,827
Environmental investment (KRW in millions)		40,722	5,731	12,880

Classification		2013	2014	2015
Number of injured employees and occupational injury rate ⁶⁾	S-OIL Number of injured employees (persons)	2	0	1
	Injury rate ⁷⁾ (LTIR/TRIR)(%)	0.10/0.15	0/0.11	0.05/0.10
Business partners Number of injured employees (persons)	Number of injured employees (persons)	4	0	1
	Injury rate ⁷⁾ (LTIR/TRIR)(%)	0.17/0.22	0/0	0.09/0.09
Number of fire accidents		1	0	1
Number of regulation violations		0	0	0
Training on Safety Management ⁸⁾	S-OIL Number of trainees	23,148	30,186	31,640
	Number of training sessions	281	535	560
Business partners Number of trainees	Number of trainees	18,371	9,044	19,168
	Number of training sessions	341	335	379

Environment



Safety (Onsan Refinery)



- 1) Donations in the business report do not include the table tennis team and the GOODOIL café
- 2) Currently Scope III includes only vehicle-based downstream transportation
- 3) Annual average concentration at TMS heaters and boilers of existing and new facilities
- 4) BOD data is based on the Company's own water analysis, with TMS data used to measure COD and SS
- 5) 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.)
- 6) Injury rate = Number of injured employees x 200,000/Total working hours
- 7) 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.
- 8) Data in 2013 were modified by including education sessions commissioned to external institutes and fire drills

Communicating with Stakeholders

Communication with stakeholders is at the heart of S-OIL's pursuit of sustainability management. We mobilize a variety of channels to listen to what our stakeholders want to say. The following are excerpts from the interviews with regard to our Seven Management Principles we had with stakeholders prior to publishing the Sustainability Report.

* S-OIL sat down with stakeholders to find out what they were wondering about our Seven Management Principles. The answers were provided by the Company's top management. For more detail, please refer to the DMA (Disclosure on Management Approach) pages in this report.

S-OIL keeps abreast of economic, social, and environmental issues while taking systematic measures to ensure a sustainable growth with stakeholders. Please share with us how you evaluate such efforts.

Question

Answer

One of S-OIL's major issues will be the prevention of safety-related accidents. I am well aware that S-OIL is engaged in a number of activities to protect the community and employees from major accidents like many other businesses do. I learned from the media that S-OIL has recently set up an integrated emergency control program under the command of the CEO. If the community and the company pull together in conducting response drills to ensure that the system stands ready against any unexpected accident, I believe that S-OIL's anti-disaster effort will reap its intended result.



Seung-Hyun Kwak, Manager of DNV GL - Business Assurance Asia-Pacific Region



Hwa-Jin Lee, Chief Researcher of the Institute for Industrial Policy Studies

Unlike other consumer goods, it isn't easy to distinguish the quality among brands when it comes to oil products. So, brand management is important to build customers' trust in a corporation. Given this, S-OIL seems to have done well in maintaining the clear brand identity in a long-term perspective. In particular, I believe that the character marketing featuring the "GOODOIL family" makes a great contribution to building your brand value.

The defining factor of a company's sustainability must be the economic performance. If the sustainability management is defined as the pursuit of economic values while leaving the social and environmental values uncompromised, securing new growth engines is an investment in the future to create sustainable values. S-OIL seems to be doing its best to secure new growth engines. The RUC&ODC project aimed at responding to the highly volatile oil prices and expanding business portfolio, the construction of the TS center to improve R&D capabilities, and the SUPER projects to reinforce the efficiency of the existing facilities will all play a significant role in identifying new growth locomotives.



Dong-Ho Kang, Partner and Cleantech Leader of Deloitte Anjin

Question

What are the issues that S-OIL needs to cover in the Sustainability Report in order to further enhance communication with stakeholders?

Answer

I have a suggestion to make regarding the transparent disclosure of information. A sustainability report has to deal with negative issues a company faces and explain what it does to resolve them. Stakeholders want to know how a company is responding to unfavorable problems. It means that stakeholders' trust can only be restored when a company lets us know the way it recognizes and responds to sensitive issues.



Se-Yeon Park, Senior Analyst of Sustainable Finance Center



Eun-Hee Lee, Relationship Manager of NH Bank

Recently, S-OIL has successfully raised a considerable amount of capital in the domestic financial market to finance the RUC&ODC project. When there is an issue like this, it is natural that stakeholders pay attention to the changes in a company's financial indicators. Therefore, I hope that the next sustainability report comes with information on the phased progress of the project and the efficiency of the capital execution.

It may be no other than drivers who encounter S-OIL most often in daily life. I'd like the sustainability report to cover how S-OIL engages in social contribution activities for drivers. If the service station network is mobilized for social contribution activities, it will have a far-reaching impact throughout the community and the environment. Besides, S-OIL will benefit from the increased corporate value.



Jin-A Kim, Member of the CSR Society at Seoul National University



Eu-Genie Lee, University Student

College students are the main subscribers of the informative sustainability report. I hope that S-OIL will explain more details in its sustainability report what process it follows to ensure talents from diverse backgrounds are employed.

Question

Lastly, please tell us your evaluation on our sustainability report.

Answer

S-OIL's sustainability report has an excellent readability. The headings to each chapter "Why is this important" is very helpful in getting the rough idea of the whole story. Other companies often describe achievements in sustainability management but fail to explain the background, making it difficult to relate to the importance of an issue itself. S-OIL's sustainability report, on the contrary, clearly summarizes the process to prioritize issues, which makes it very easy for readers to find the information they look for.

Jin-A Kim, Member of the CSR Society at Seoul National University

Sustainability reports from other companies often do no more than list content without a clear standard, thus missing the principle of materiality. However, S-OIL knows how to prioritize issues within the framework of its seven management principles. It should be the most important basics for any sustainability report to stay focused on stories which readers as well as stakeholders are most likely to be interested in.

Seung-Hyun Kwak, Manager of DNV GL - Business Assurance Asia-Pacific Region

Growing Together with Stakeholders

With the upgrading facilities constructed ahead of rivals and the world's second biggest production capability of petrochemical products and lube base oil, S-OIL contributes to the growth of the national economy. Our high-quality oil and petrochemical products are stably supplied to various industry sectors as well as vehicles, creating economic value and sharing it with a variety of stakeholders.

With the conviction that a company best serves the community amid the worsening youth unemployment, S-OIL strives to generate decent jobs for young people while leading the industry-wide efforts to build a better and more sustainable society.

As we work to complete the RUC&ODC project, the biggest investment since the foundation, we pledge to contribute to the lasting growth of the community by playing our part in job creation, revitalization of regional economy, and export increase.

Contribution to Economic Growth

Boasting the production capabilities of high added value goods and the optimized nation-wide distribution network, S-OIL generates added value by supplying a wide variety of products used in virtually every industry through its refining, lube, and petrochemical businesses. Our products are also exported to more than 50 countries around the world, contributing to the development of national economy. In 2015, S-OIL created added value of KRW 1.3 trillion which was distributed to various stakeholders including the government, local communities, employees, investors, and more.

In particular, the RUC&ODC project, the largest in the nation as a single plant construction, is expected to bring about KRW 1.11 trillion in added value. Upon its completion, the project will revitalize the related industry by supplying base materials to petrochemical downstream businesses in Ulsan, serving as the catalyst for regional economic growth in the long run. For the national economy, in the meantime, the project is expected to boost export volume by around \$2.5 billion per year by converting low-priced heavy oil into high value-added gasoline and olefin feedstock.

Job Creation

As a corporate citizen, S-OIL contributes to the development of the national economy through job creation.

Amid the harsh management environment resulting from the sluggish global economy and the dwindling domestic demand, youth unemployment has emerged as a serious social issue. In 2015, the total number of employees at the nation's 30 largest businesses fell by 0.4% compared to the previous year. S-OIL, however, held open job recruitment twice in 2015, resulting in hiring 19% more new employees over the previous year and raising the number of total employees by 2.4%. Furthermore, the RUC&ODC project is anticipated to generate about 12,700 jobs, making a greater contribution to the national economic growth.

Case Study

S-OIL CEO Nasser Al-Mahasher wins the Gold Tower Order of Industrial Service Merit

At the 15th Foreign Company Day hosted by the Ministry of Trade, Industry and Energy, S-OIL CEO Nasser Al-Mahasher won the Gold Tower Order of Industrial Service Merit in recognition of his contribution to the development of the Korean economy and job creation. The Ministry mentioned that S-OIL's investment in the RUC&ODC project conformed to the government's investment promotion policies and contributed to enhancing the nation's petrochemical industry.

04 MARKETING & SALES (OVERSEAS MARKET)

Proportion of Export
54.6%



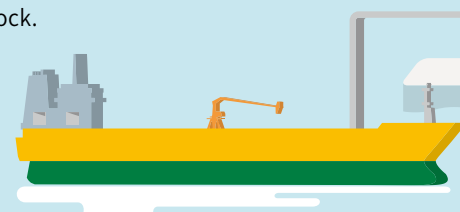
At the Forefront of Sustainable Growth

S-OIL engages in a wide array of social contribution activities to support the sustainable growth of the community while proactively participating in public policies and programs in both the government and private sectors.

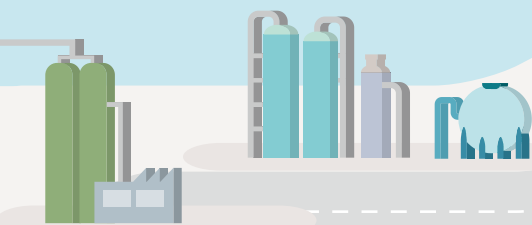
In 2015, the Company took the leading role in establishing the "Sustainable Korea 2030," a master plan the entire industry has to promote to ensure sustainable growth and value creation for the next 15 years. The "Sustainable Korea 2030" is an initiative driven by the industry to consistently create a virtuous circle of economic development and environmental protection in response to environmental and social mega trends. It was established by the Korea Business Council for Sustainable Development (KBCSD) consisting of CEOs from businesses who are at the forefront of promoting the sustainable growth in which S-OIL serves as a board member.

S-OIL pledges to comply with the code of conduct specified in the "Sustainable Korea 2030" and to encourage participation from the government, industry, local communities, and other stakeholders in the initiative, contributing to the sustainable growth and value creation for Korea.

(As of December 31, 2015)



01 CRUDE OIL
219,680 thousand barrels



02 PRODUCTION

Refining Business
185,601 thousand barrels
Petrochemical Business
25,693 thousand barrels
Lube Business
11,810 thousand barrels

03 TRANSPORTATION



04 MARKETING & SALES (DOMESTIC MARKET)

Market Share for Retail Light Oil Product
21.1%



05 CREATED ECONOMIC VALUE

KRW 1,287.9 billion

06 DISTRIBUTED ECONOMIC VALUE

- Employees**
Salary and Pension
KRW 421.8 billion
- Business Partners**
Procurement
KRW 16,438.8 billion
- Local Communities**
Social Contribution
KRW 6.3 billion
- Environment**
Environmental Investments
KRW 12.9 billion



KEY ISSUES	REPORT SUBJECT	ASPECT (REPORTING SCOPE)	MAJOR STAKEHOLDERS
Activities to Strengthen Safety Management	Enhance safety management	Safety Management (Inside and Outside of S-OIL)	Local Communities, Employees, Government, Business Partners
Minimize Impacts on the Environment	Minimize impacts on the environment	Water, Effluents and Waste, Compliance, Overall (Inside of S-OIL)	Local Communities, Employees, Government
Efforts to Save Energy and Enhance Energy Efficiency	Improve productivity of value chain	Energy (Inside of S-OIL)	Local Communities, Employees, Government, Business Partners



Management Principles 1

Achieve Operational Excellence

S-OIL is committed to preventing safety or environmental accidents as it complies with a set of safety standards which are stricter than legally required. In addition, the Company has in place an integrated company-wide emergency response system, ensuring swift early-stage countermeasures to minimize damages in case of any unlikely event of an accident.

We not only endeavor to improve productivity across the value chain encompassing plant operation, manufacturing, and delivery, but also engage with neighboring companies in energy exchange programs aimed at saving power consumption and pursue shared growth with local communities.





Question

The Ministry of Environment has been strictly controlling environmental pollution caused by the emissions of air pollutants or chemical substances through tightening relevant regulations.

I think it may become critical risks in S-OIL's business activities. What are you trying to cope with the challenge?

Seung-Hyun Kwak, Manager of DNV GL - Business Assurance Asia-Pacific Region

Answer

At S-OIL, compliance management comes before everything. Therefore, we closely look into the stiffening environmental regulations to craft systemic response strategies. The four pillars of these efforts are as follows: First, compliance management system. In case of any enactment and amendment of environmental regulations, we update our business procedure by reviewing their impacts on the Company. The status of compliance is monitored through the system on a regular basis. In response to the recently tightened Chemicals Control Act and regulations on hazardous air pollutants, we have established a roadmap following an in-depth analysis.

Second, sustained environmental investment. In addition to observance with regulations, we are promoting phased investments in environment and energy facilities with the aim of reducing the emissions of environmental pollutants and ultimately creating an eco-friendly workplace.

Third, systemic improvement of monitoring and controlling systems. We monitor pollutants on a regular basis to ensure that they do not exceed legal standards through our diverse systems including TMS. Also, in order to avoid noncompliance with regulations resulting from changes to facilities while enhancing efficiency in environmental control, we upgrade IT system for change management.

Last, strengthening its environmental training system. S-OIL continues to strengthen its environmental training system in an effort to raise employees' awareness and understanding of the compliance, hence preventing environmental accidents.

Bong-Soo Park, President, Head of Operations



Enhance Safety Management

Why Is This Important?

The Government has announced ‘Safety for the Public’ as one of its top administrative agenda to stiffen punishment for safety violations and reinforce in-field safety investigations while taking the management of industrial accidents to the government level. Industrial accidents not only cause loss in workforce and compromised productivity but also lead to enormous social costs. Therefore, accident-free plant is the prerequisite for a sustainable growth of the community as well as the company.

Our Commitment

Commitments

Build advanced safety culture by strengthening SHE system management

Targets in 2015	Performances in 2015	Targets in 2016
· Zero accident	· One fire accident	· Zero accident
· DNV Safety culture score* : 7.1 points	· DNV Safety culture score: 7.4 points	· DNV Safety culture score: 8.1 points

*An index to evaluate the level of corporate safety culture in a quantitative manner created by DNV GL (0~10 points). World Class and Leading Edge represent 8~10 points and 6~8 points, respectively. S-OIL aims to enter the World Class in 2016.

Our Response

In 2015, S-OIL set forth ‘Establishment of Advanced Safety Culture through Strengthening SHE System Management’ as one of the Refinery management principles. To that end, the Company has focused on preemptively responding to tightening safety regulations, enhancing emergency response capabilities against major accidents, raising employees’ awareness of safety, and supporting safety management of business partners. As a result, S-OIL saw its worksite safety culture score rise to the globally recognized level of 7.4, taking a step closer to embedding a safety culture into the Company. In 2016, 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.

Preemptive Response to Stiffening SHE Laws and Regulations

S-OIL has formed the SHE Compliance Support Team aimed at taking preemptive response to the increasingly toughening SHE laws and regulations. Also, having established an IT-based management system based upon the check list in accordance with the toughened SHE regulations, the Company carries out a wide array of activities to comply with SHE requirements.

Our IT-based management system ensures that employees are familiar with the revised laws regarding facilities and conduct investigation in accordance with the check list. We make our best effort to comply with laws through the preemptive budget planning and facilities improvement and to achieve the goal of preventing industrial accidents so that we meet the legal requirements by the time when the revised laws enter into force.



Establishment of Emergency Control Center



Company-wide emergency drill

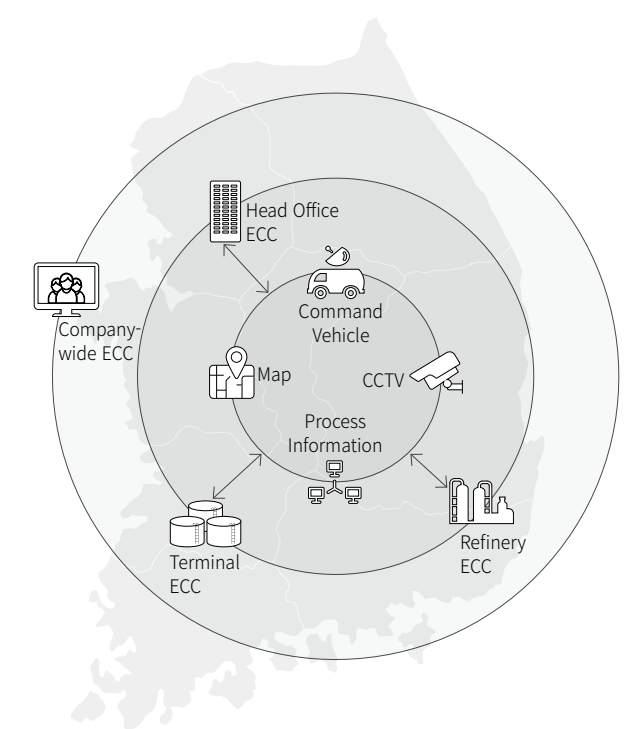
Establish Integrated Emergency Response System

Early response is critical to prevent an accident from escalating into a major disaster. Recognizing this, S-OIL has established the ECP (Emergency Control Program), 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 not only to the Company but 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 on the site transmits accident status to the ECC in real time. The Head Office ECC then makes immediate decisions based on the live feed to control the site from remote.

S-OIL also conducts company-wide simulated risk response drills to enhance emergency response capabilities of employees. In the random drill conducted in 2015 aside from the regular session, site response teams and the top management were able to quickly contain the situation by communicating seamlessly in real time and making perfect orders.

S-OIL promises to develop the leading emergency response capabilities by conducting company-wide emergency drills for various situations.

ECP (Emergency Control Program)



Support Safety Management of Business Partners

S-OIL has formed a consultative body with business partners to share its advanced safety culture practices. The consultative body convenes for regular safety meetings once a month and carries out collective inspection on a quarterly basis. We also offer a wide range of safety-related programs such as special lectures on safety culture and risk evaluation education.

In addition, S-OIL provided technological and financial supports for business partners, helping three of them to be accredited with OHSAS 18001 in 2015.

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 winning the Korea Occupational Safety and Health Agency President’s Award in the shared growth presentation contest.



Partnership agreement on daily maintenance with business partners

Minimize Impacts on the Environment

Why Is This Important?

Given the characteristics of our business, systematic measures to control pollutant emissions are necessary in the refining industry as wide-ranging environmental issues are likely to arise concerning handling, producing, transferring and delivering of raw materials. S-OIL's varied measures to prevent pollutant emissions and their impact on the environment include facilities improvement, altering operation conditions, regular monitoring, emergency drills, and more. These efforts resulted in S-OIL being equipped with the capability to maintain the volume of operational pollutants far below the legal limits.

Our Commitment

Commitments

Reduce environmental pollutant emissions by systematic management

Upgrade emergency response capabilities to oil and hazardous chemical substance spills

Targets in 2015	Performances in 2015	Targets in 2016
<ul style="list-style-type: none"> Reduce air pollutant emission by 15.9% compared with 2008 Reduce benzene emissions by 31% compared with 2009 Under 0.5% in leakage rate of scattering sources 	<ul style="list-style-type: none"> Achieved (28.8% reduction) Achieved (67% reduction) Achieved (0.2%) 	<ul style="list-style-type: none"> Reduce air pollutant emission by 15.9% compared with 2008 Reduce benzene emissions by 50% compared with 2009 Under 0.5% in leakage rate of scattering sources by applying more precise measurements and tightening control
<ul style="list-style-type: none"> Build emergency response system and conduct emergency response training more than two times Equip with emergency equipment 	<ul style="list-style-type: none"> Built emergency response manual and conducted emergency response training three times Equipped with emergency equipment and storage facilities 	<ul style="list-style-type: none"> Upgrade emergency response capabilities through consistent trainings

Our Response

Air Pollutants 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 pollutants control.

In addition, the LDAR (Leak Detection and Repair) systemically controls the direct emission* of release of HAPs (Hazardous Air Pollutants) that may be produced during product storage, delivery, and process treatment into the air without being filtered by vents as prescribed by the enforcement decree of the Ministry of Environment. In 2015, we expanded the LDAR management point from the existing 130,000 to 430,000 points, efficiently innovatively reducing the leakage rate of HAPs.

In the meantime, the Ministry of Environment has enacted the Clean Air Conservation Act in order to tighten the control of hazardous air pollutants Haps emission, laying out the standards for facility management. In response, S-OIL has set up in-house management standards for facilities improvement.

*Direct emission of substances produced during process or from facilities into the air through smokestack, etc. without being filtered by vents as prescribed by the enforcement decree of the Ministry of Environment.

Response to Revised Clean Air conservation Act

Regulation	Main Contents Revised	Our Responses
Clean Air Conservation Act	<ul style="list-style-type: none"> Build facility management criteria for reducing haps and fugitive emissions Pump: Establishment of pump dual seal Sampling system: Establishment of sealed sampling facilities Onshore shipment facilities: Establishment of bottom loading and oil mist recovery facilities Measurement of fugitive emissions facilities: Once a year 	<ul style="list-style-type: none"> Completed the report on complying with facility management criteria and conducted documentation in accordance with the criteria Recording and managing operation results every month Replacing and improving facilities in accordance with facility management criteria (plan to complete in May 2017) Pump: Replacing pump dual seal Sampling system: Installed sealed sampling facilities and carried out supplementation works Executing additional facility improvement works Completed the installation of oil mist recovery facilities at Gunsan Terminal (already completed at other worksites) Enhanced LDAR management (expanding monitoring objects, etc.)

Manage Water Quality

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 transmits data on water quality to administrative agencies in real time in case of emergency.

These efforts have resulted in the Company being recognized as a leading business in TMS operation in 2015. S-OIL promises to lead in the implementation of environmental initiatives by committing itself to environmental protection.



Certificate on an excellent TMS operator

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. We will continue to invest in technology development to improve the recycling rate.

Manage Soil Environment

S-OIL recognizes that it is our duty to conduct a thorough management of oil storage facilities. For example, we carry out regular checks as well as legally mandatory inspections to prevent soil pollution in plant area including terminals. We also continue to improve facilities in a systematic manner by laying pipes on the ground instead of underground.

S-OIL has signed the “Voluntary Agreement on Soil Environment Protection” with the Ministry of Environment where we promised to conduct voluntary soil pollution inspection on our terminals and service stations. To follow the agreement, we conduct legal inspections as necessary to monitor soil pollution 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.

Upgrade Hazardous Chemical Substances Management System

S-OIL conducts a thorough and regular inspection of the entire process of manufacturing, storing, and treating chemical substances in accordance with laws and internal regulations, thereby ensuring the safety for employees and local communities. Among others, as the Chemicals Control Act and the Act on the Registration and Evaluation, etc. of Chemical Substances entered into force in 2015 to toughen the control standards of hazardous chemicals and to systemize the management of hazards and risks of substances, S-OIL has come up with measures aimed at upgrading its chemical substance management system.

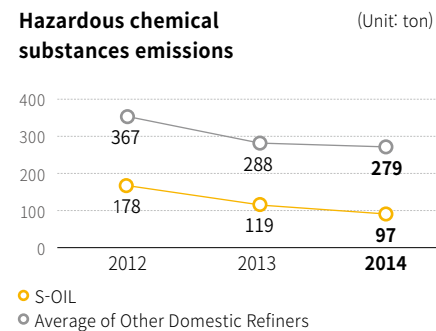
Through these efforts, S-OIL won the Minister of Environment Award in the “Presentation Contest on Cooperation of Chemical Accident Prevention” in October 2015.

Prevent 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.

S-OIL takes environmental investment seriously. One case in point is oil sensors we installed step by step to counter emergency situations with speed. In 2015, we upgraded the existing department-level drills to Refinery-wide response exercises based on a scenario of chemical leakage into the river.

Efforts to advance emergency drills will remain no less strong as we plan to develop wide range of scenarios on leakages based on which to build on response manuals and bolster private-public emergency drills.



Emergency drill against chemical accidents in the first half of 2015



Shutoff of leakage source



Initial move to prevent diffusion



Recovery of waste from prevention activities

Preemptive Response to Revised Regulations Regarding Hazardous Chemical Substances Control

Regulation	Main Contents 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 penalty in occurring accidents Newly establish off-site consequence analysis and risk management plan, implement safety training, etc. 	<ul style="list-style-type: none"> Revised hazardous chemical substances control process Revised criteria for handling hazardous chemical substances, wearing personal protective equipment, and so on by adopting the Chemicals Control Act Autonomously reviewed and improved hazardous chemical substance facilities Identified object facilities and invested in improvement Expanded personal protective equipment and enhanced response training to chemical accidents Distributed full-face-piece respirators, protective clothing, and protective gloves to procurement and relevant departments Set up and submitted off-site consequence analysis and risk management plan Established damage radius model, emergency handling plan, and residents dispersion plan in case of occurring chemical accidents Enhanced safety training about hazardous chemical substances Conducted safety training for employees working at hazardous chemical substance handling sites Educated about the Chemicals Control Act for production workers
Act on the Registration and Evaluation, etc. of Chemical Substances	<ul style="list-style-type: none"> Make the registration of data on risk and harmfulness of chemical substances compulsory in case of manufacturing or importing objects of registration 	<ul style="list-style-type: none"> Formed a TFT and selected the 1st objects of registration Promoted the registration of data on risk and harmfulness of objects of registration

Prevent Oil Spill

S-OIL operates a Vetting System which bars vessels that fall short of strict safety standards from entering port facilities. Under the system, all vessels are evaluated of 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. Tugboats are used to aid berthing of small-sized tankers and a protection system (radar, tidal current measurement system, and mooring tension measurement system) is built into SPM (Single Point Mooring), which is the onshore mooring facilities for VLCCs.

In the first half of 2015, we upgraded the existing system by introducing a 24-hour monitoring system that issues an accident alert around the pier and SPM, lowering the likelihood of any subsequent vessel accidents. And in the second half, we organized the Oil Spill Free TFT with the mission to lower vessel accidents to “zero” and identified 27 improvement tasks.

Based on the improvement tasks, we have a plan to set up emergency shut-down valves on SPM hoses by 2017 as part of the continuous investment in anti-leakage solutions, thereby protect the marine environment.

*A structure featuring double outer layers around cargo tanks

Improve Productivity of Value Chain

Why Is This Important?

Amid supply glut due to expansion of refining and petrochemical facilities across the world, competition in the industry is becoming increasingly intense. And as crude oil price continued to drop in 2015 triggered by the emergence of shale gas in the U.S., the global business environment is likely to see uncertainties further deepened.

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

Commitments

Enhance competitiveness through various profitability improvement activities

Targets in 2015

· Profitability improvement target: KRW 114 billion

Performances in 2015

· Profitability improvement actual: KRW 190 billion

Targets in 2016

· Profitability improvement target: KRW 97 billion

Our Response

Diversify Profitability Improvement Activities

S-OIL strives to achieve operational excellence across processes from purchase of crude oil to production and shipment. Detailed focuses are on optimizing Refinery operation in line with market conditions, raising production capacity of high value added products, and optimizing as well as increasing flexibility in product shipment.

In 2014, S-OIL introduced incentives for profitability improvement designed to encourage employees to voluntarily participate in activities for profitability improvement. We also implemented real-time monitoring of performances in those activities via the refinery information system to ensure that profitability is not impacted by adverse external conditions.

S-OIL came up with a total of 46 new profit improvement items in the fields of production increase, energy savings and optimization of product shipment. These items led to an estimated profit improvement of KRW 190 billion including increase in production yield rate.



Reward meritorious departments for profitability improvement



Ground-breaking ceremony for the waste power plant

Shared Growth in Energy

S-OIL pursues shared growth with neighboring businesses and the local communities where it belongs to.

Introduction of low cost steam from LS-Nikko Copper and Korea Zinc Company has allowed us to cut energy consumption. The steam suppliers, in return, are generating new profits by recycling waste heat and running surplus facilities, thereby contributing to higher national energy efficiency. S-OIL will continue to explore new items for shared growth in energy by securing more steam suppliers in neighboring area and purchasing low-cost hydrogen.

In July 2014, the Company registered itself as an integrated energy business operator based on which we steadfastly expanded energy exchange programs with neighboring businesses.

Construction of a power plant recycling waste heat generated in distillation tower is part of the program.

The waste heat power plant will enter into commercial operation in 2016 with the annual profit estimated at KRW 2.5 billion thereafter. On environmental and social fronts, the plant is expected to cut 61,000 tons of greenhouse gas emissions per year and generate electricity sufficient to power 7,000 households for one year, hence stabilizing the nation's power reserve.



KEY ISSUES	REPORT SUBJECT	ASPECT (REPORTING SCOPE)	MAJOR STAKEHOLDERS
Efforts to Sharpen Product Competitiveness	Reinforce Product Competitiveness to Secure Trust	Customer Health and Safety, Brand Management (Inside of S-OIL)	Customers, Government, Local Communities
Activities to Improve Brand Value			
Acceleration of Global Marketing for Sustainable Growth	Enhance Overseas Marketing for Sustainable Growth	Customers Relationship (Inside of S-OIL)	Customers
Customer Satisfaction Activities	Listening to the Voice of Customers	Customers Relationship (Inside and Outside of S-OIL)	Customers, Government



Management Principles 2

Enhance Customer-Centric Management

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 customer relations management satisfying customer needs to secure their loyalty 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.





Question

We understand that S-OIL generates 60% of its sales overseas. Then global customers must be important for the Company.

What efforts do you make to enhance competitiveness in overseas markets?

Hwa-Jin Lee, Chief Researcher of the Institute for Industrial Policy Studies

Answer

As a latecomer in the domestic market which was then already saturated, S-OIL has carried its eyes to overseas markets from the early stage of its establishment.

By undertaking preemptive investments in facilities to enhance quality and price competitiveness, we have focused on securing customer base and raising our brand recognition in the global markets such as the US, Japan, Hong Kong, and more.

Faced with the intensifying competition in the global market, we have been going strong by supplying market-specific products and efficient logistics services. A wide range of our products and optimized storage and forwarding facilities enable us to flexibly respond to customer requirements. Our efforts are focused on expanding direct supply channels by drawing upon our rich expertise in overseas sales, further solidifying relationship with major customers through concluding strategic partnerships, and securing sustainable sales capability by establishing local sales network.

Upon the completion of the integrated refinery-petrochemical complex construction in 2018, we will further give impetus to the sales of high value-added oil and petrochemical products in strategic markets and explore new markets, which will further expand our overseas sales capabilities.

Yul Ryu, President, Head of Marketing & Sales

VOC Handling Rate within Designated Period

100 %

Proportion of Export

54.6 %



Reinforce Product Competitiveness to Secure Trust

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, in particular, it is imperative for companies to win customers' trust for price and quality and ultimately raise their brand value.

Our Commitment

Commitments	Targets in 2015	Performances in 2015	Targets in 2016
Elevate price competitiveness	<ul style="list-style-type: none"> Set reasonable and competitive product prices Tighten inspection on quality of affiliated service stations 	<ul style="list-style-type: none"> Set reasonable and competitive product prices Inspected quality of 14,114 affiliated service stations and LPG filling stations 	<ul style="list-style-type: none"> Set reasonable and competitive product prices Expand inspection on quality of affiliated service stations and LPG filling stations Achieve the lowest level in the detection rate of off-spec. products
Enhance quality competitiveness	<ul style="list-style-type: none"> Expand the Trustworthy Service Station Introduce Product Quality Tracking IT System Improve brand value through differentiated advertising and campaigns 	<ul style="list-style-type: none"> Enhanced publicity of the Trustworthy Service Station Introduce Product Quality Tracking IT System Launched "GOODOIL family" Won Gold Prize at the Maeil Economic Daily Ad Award and Best Prize at the Korea Communication Award Brand TOM (Top of Mind): 20.7% 	<ul style="list-style-type: none"> Continuously expand the Trustworthy Service Station Complete introduction of Product Quality Tracking IT System Increase brand value via distinctive advertising and campaigns Raise the awareness and affinity for "GOODOIL family"
Sharpen brand competitiveness	<ul style="list-style-type: none"> Conduct various field marketing by utilizing "GOODOIL" character Implement distinctive sports and culture events 	<ul style="list-style-type: none"> Carried out field marketing activities such as "GOODOIL" pop-up store and "GOODOIL" lamp Held the "KLPGA S-OIL Champions Invitational Golf Tournament" and sponsored "S-OIL Alpensia-FIS International Alpine Ski Competition" Invited customers to culture events such as movies, musicals, and plays 	<ul style="list-style-type: none"> Execute diverse programs to strengthen ties with potential customers Implement distinctive sports and culture events and maximize customer participation

Our Response

Reasonable Product Pricing

The Price Operation Committee at S-OIL independently sets prices of gasoline, diesel, and kerosene by taking into consideration factors that affect domestic oil product prices such as fluctuations in international oil prices, F/X and domestic market conditions. Because tax makes up a large share in the prices of domestic oil products, consumers rarely

feel the instant impact of lower crude oil price first hand but S-OIL makes every effort to ensure that the changes in international oil prices are promptly reflected. S-OIL strongly believes that the principle of fairness comes first when setting domestic oil product prices and it will continue to be the guiding principle in our efforts to lead the market.

Activities to Raise Quality Competitiveness

Product quality should be consistent not just in production stage but across the distribution process. S-OIL produces high-quality and eco-friendly products that meet a strict set of standards while striving to ensure that quality is maintained until they reach consumers.

Production of High-quality and Eco-friendly Products

S-OIL won the highest grade* for its gasoline and diesel in the environmental quality evaluation. Prior to this, kerosene had obtained the "Eco-Labeling" certification in 1994 for the first time among Korean refiners in recognition of its superior eco-friendliness, and has been winning certification ever since.

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

Enhance Quality Management in the Distribution Stage

Quality Inspection on Service Stations and LPG Filling Stations

S-OIL conducts quality inspections on all affiliated service stations six times a year on average. To reinforce quality control, we analyze information provided by sales offices and monitoring data of abnormal conditions before determining stations subject to inspection. Service stations found of selling fake oil face the strictest possible penalties including de-branding.

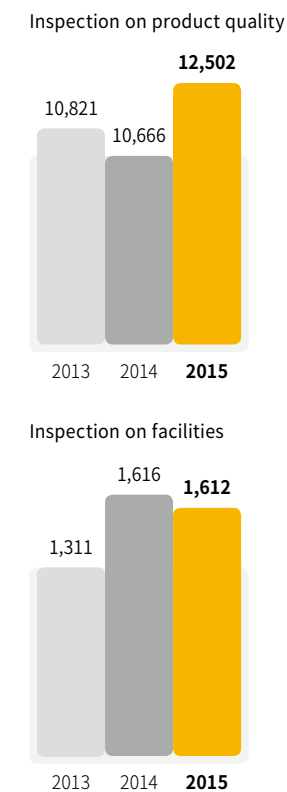
Trustworthy Service Station System

S-OIL operates the "Trustworthy Service Station" program that guarantees product offering according to quality and quantity specifications, S-OIL plans to further build on the program that will heighten the level of trust customers will place on the Company's products.

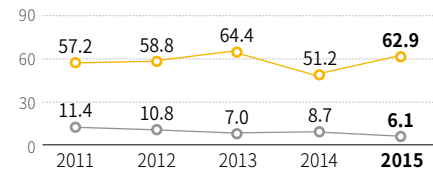
Product Quality Tracking IT System

It is important to track product quality in order to address quality issues arising from the stage of distribution to service stations. Aware of its criticality, S-OIL runs "Product Quality Tracking IT System" which integrates product distribution and quality information encompassing the Refinery, service stations, and customers to trace back distribution routes.

Quality Inspection on Service Stations and LPG Filling Stations (Unit: stations)



Top of Mind Awareness in Advertising (Unit: %)



○ S-OIL
 ◐ Average of Domestic Competitors
 *Survey on advertising traffic by Hankook Research



Advertisement on the front page of major dailies

Brand Marketing Activities

Advertisement Campaigns with the Concept of Delivering Happiness

S-OIL carries out advertisement campaigns both on TV and printed media to build its brand identity as a friendly company that stays in touch with the public.

In 2015, TV commercial series “Fill Up,” won the hearts of TV audience by resonating itself around family values and showing how people interact with one another in everyday life. S-OIL has also employed the highly effective “sonic branding” method to let consumers associate a certain sound clip with our brand and the “GOODOIL family”, the marketing characters, set us apart from other advertisements.

The Top-of-Mind (TOM) awareness of S-OIL advertisement in 2015 was 62.9%, up by 11.9%p from 2014. Our efforts for distinctive advertisement campaigns have earned us Gold Prize in the 42nd MK Advertisement Awards (TV section), and the Best Award in the Korea Business Communication Awards (promotional video section).

In 2016, S-OIL will carry on the “GOODOIL family” campaign on TV, adding a fun and unique image to the animated and lively characters.

S-OIL advertisement on the front page of major dailies serves as an extraordinary channel of communication with the general public. It also plays a key role in building the Company’s image as a friendly company that seriously believes in its role as a responsible corporate citizen.

The “healing words” series, launched in 2015, was well received by consumers with its heartwarming messages. In 2016, S-OIL plans to introduce a more informative series such as “common sense knowledge,” “oldies but goodies driving music,” and “local specialty” for a more contemporary and extensive communication with the public.

In printed media section, “I Will Remember” series featuring “For Heroes” and “For Environment” won the Silver Prize at the Korea Advertising Awards, Best Prize at the Advertising Professionals’ Choice Awards of the Year, and Good Advertisement Award in the People’s Choice Advertising Awards.



“Fill Up” Campaign



Printed advertisement



GOODOIL Family

Differentiated Character Marketing

S-OIL proactively conducts marketing activities featuring the “GOODOIL” character in order to more closely relate to customers and to effectively communicate our key brand value, “good oil.”

In 2015, we developed new characters, father “GOODADDY,” mother “AUDREY,” and pet dog “GOOMERONG,” adding them to the “GOODOIL family”. We created three-dimensional artworks of “GOODOIL family” on display in popular sites in Seoul and metropolitan area and for sales as character products at pop-up stores, adding to the intimacy with consumers. Furthermore, the characters are available in smartphone wallpapers and as icons via affiliation with SK Telecom and Kakao Talk.

In 2016, S-OIL plans to expose “GOODOIL family” on wider media channels to get in closer touch with consumers. We will relate with potential customers by launching the “GOODOIL family” spot animation season one consisting of eight episodes on social network sites and cable TV. Consumers will also have a chance to meet the “GOODOIL family” characters in special places such as pop-up stores, lantern festivals and balloon parades.



Meeting with GOODOIL in exotic places

Building Brand Image through Sports and Cultural Events

S-OIL hosts “KLPGA S-OIL Champions Invitational” and sponsors “S-OIL Alpensia·FIS International Alpine Ski Games,” which contribute to making our brand more dynamic and prestigious. S-OIL also organizes cultural events such as “culture date” and “S-OIL cinema date” striving to build a friendlier brand image.



KLPGA Tour S-OIL Champions Invitational

Enhance Overseas Marketing for Sustainable Growth

Why Is This Important?

As about 60% of our revenue is generated in overseas markets, global marketing capability is critical to our sustainable growth. Despite intensifying competition in the refining industry due to the sluggish global economy, S-OIL has kept sharpening its global marketing prowess by continuously expanding the export foundation, strengthening strategic partnerships and developing new markets.

Our Commitment

Commitments

Enhance global marketing

Targets in 2015	Performances in 2015	Targets in 2016
<ul style="list-style-type: none"> Expand the foundation in major markets and strengthen partnerships Improve profitability by developing new markets 	<ul style="list-style-type: none"> Expanded sales volume in major markets and developed new strategic partners Improved profitability by developing new markets 	<ul style="list-style-type: none"> Reinforce marketing capabilities to prepare for greater production capacity Improve profitability by developing new markets

Our Response

S-OIL closely examines trends in overseas markets before crafting marketing strategies tailored to respective business. This meticulous process ensures the Company to maximize sales performance across refining, petrochemical and lube businesses.

Refining Business

High-quality gasoline and diesel take up a very large part of S-OIL's sales portion. And this is what adds criticality to securing firm marketing foundation in Japan and Australia, which are major export destinations for those products. In particular, ongoing restructuring of the refining industry in Japan and shutdown of aging refining facilities in Australia give us a chance to enlarge export. Aware of the opportunities presented by these evolving changes, S-OIL will cement market status in these key markets by concluding strategic partnerships with key clients in Australia and Japan.

Partnerships with leading companies in Southeast Asian countries including the Philippines, where increase in demand for oil products is expected, will also be promoted to accelerate entrance into the global market.

Moreover, we signed an agreement on naphtha and diesel trade with Saudi Aramco Products Trading Company, a subsidiary of Saudi Aramco, strengthening mutual cooperative ties and adding a stable sales hub in the Middle East. Through this agreement, we have secured a reliable channel to source feedstocks for petrochemical business in more competitive terms and conditions.



Marketing seminar for petrochemical customers

Petrochemical Business

Considering the nature of petrochemical business with flagship markets differing by product, S-OIL reorganizes its product portfolio to take preemptive response to changes in target markets. We also increase direct transactions with key clients in target markets to enhance our own marketing capabilities. These efforts ensure solidifying our market dominance.

For example, with the prospect of weakening demand for Paraxylene (PX) in Korea, we have focused on expanding PX export to China, the largest PX importer. We plan to increase direct transactions with leading local clients to cement our presence in China. Our efforts to develop new markets in Japan, Taiwan, and the Americas will also continue.

As demand for benzene has surged in the US, which is the largest benzene importer and still growing, S-OIL started direct benzene supply to the largest US client in 2013 and focused on developing new local clients at the same time. We have also started to build presence in China that has been importing mass volume benzene from 2015.

Anticipating that the domestic propylene market would see supply glut from 2015 due to new facilities expansion by local competitors, S-OIL has been increasing exports to China. Going forward, we will do our utmost to develop more direct sales channels of propylene in China, thereby securing a market to supply greater volume after RUC&ODC go live.

Lube Business

S-OIL boasts the world's second largest lube base oil production capacity of 42.7 MBD in a single plant enabled by consistent investment into lubricant business it kicked off in 1981. Today S-OIL's high-quality lube base oil is exported to 36 countries. In 2015, S-OIL generated the highest income in lube base oil industry made possible by adjusting lube base oil production capacity according to changes in the market environment and selling out all the products based on tailored marketing strategies for each country.

"S-OIL SEVEN," the premium lubricant brand launched in 2014, has enjoyed positive responses in the global market. We have expanded customer-friendly services, participated in overseas exhibitions, held conferences for local agents and promoted

other marketing activities to boost sales. As a result, S-OIL SEVEN made its way to 33 countries including China and saw remarkable sales growth in 2015.

In order to meet rising demand for high-end lube base oil around the world and to secure a solid customer base, S-OIL will upgrade its production capacity and rigorously control product quality. We will also carry out intensive marketing activities in finished lubricants markets and build synergy with lube base oil business.



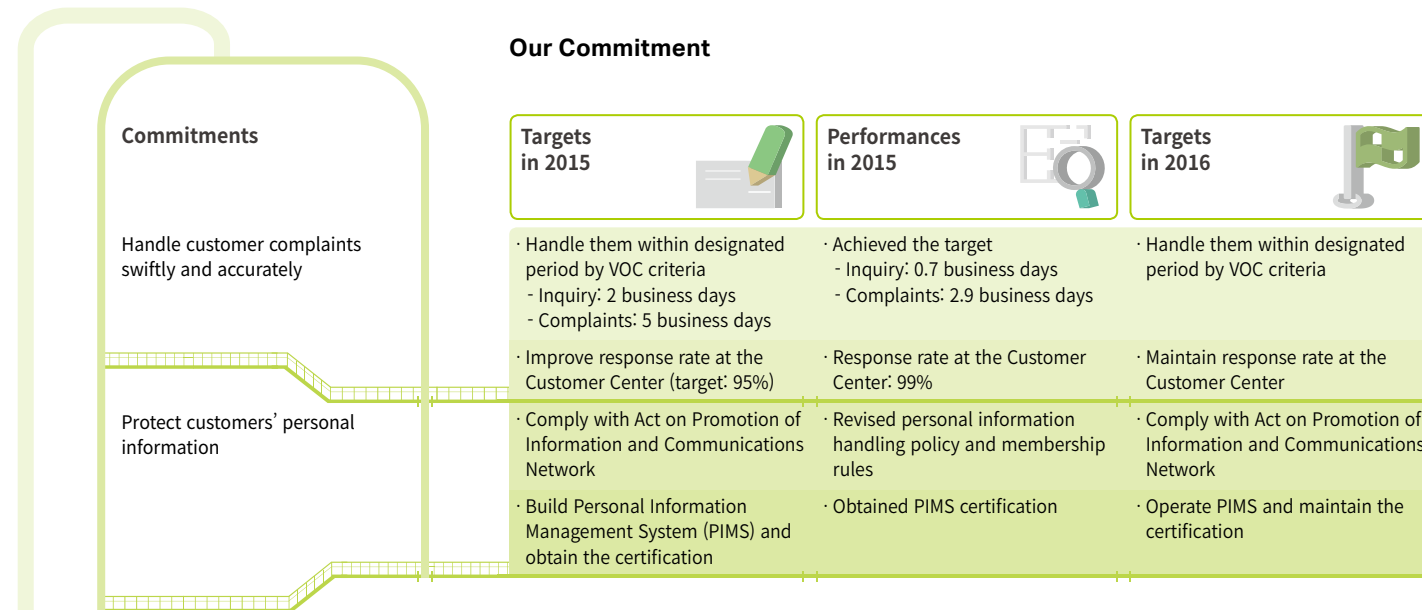
S-OIL SEVEN

Listening to the Voice of Customers

Why Is This Important?

To gain a distinct competitive edge in the increasingly cutthroat domestic market, it is critical to develop services reflecting customers' needs and clearly understand what they are complaining about. The loyal customer base built over a long term will constitute the foundation upon which a business realizes sustainability. However, it should not be at the expense of customers' personal information which should be protected at all times

Our Commitment



Our Response

Integrated Voice of Customer (VOC) Operation System

S-OIL established integrated VOC operation system in 2012 to handle all customer feedback received via customer centers and websites.

VOC handling period is set by VOC type and reflected in KPI for swift treatment. Also, satisfaction survey on VOC handling is reflected on the 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 customer complaints analysis report and training materials for service stations.

In addition, we support service station's customer complaints response program called "See You Again Call" to service stations selected every month and share tips on how to stave off customer complaints categorized by complaint type.

VOC Receipt Situation by Category

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

1) Increase in customer complaints in 2014 resulted mainly from a new bonus card registration process via Customer Center tightened to strengthen personal information protection and from mobile fuel voucher sweepstakes to bonus card members.

In 2016, S-OIL will launch a new program analyzing consumption pattern of customers who filed complaints. Purpose of this program is to put these customers at risk of leaving for competitors under intensive care and encourage re-visit.

Protection of Customers' Personal Information

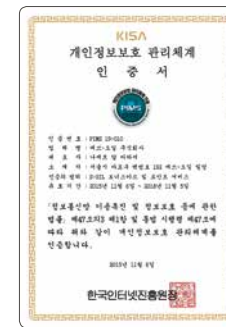
S-OIL carries out systematic activities to protect personal information provided by stakeholders including customers in accordance with a strict set of policies.

At S-OIL, customer information is encrypted and stored under rigorous control. Any unauthorized access is denied by the personal information protection system, which also keeps records of access history. Furthermore, Server Based Computing (SBC) system allows access only when the user is disconnected from the Internet.

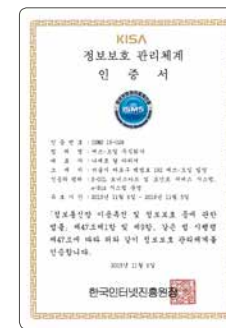
To minimize personal information leakage, S-OIL deleted sensitive personal information such as resident registration number from our customer DB. IT Security Team is largely responsible for monitoring how personal information is accessed, stored, and altered.

S-OIL's employees as well as those from contractors who access S-OIL customer DB are required to participate in regular education programs on privacy protection at least twice a year. Information Protection and Management Committee presided over by the Chief Security Officer (CSO) convenes more than twice a year. The Committee works 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.

In recognition of its privacy protection efforts, S-OIL obtained Personal Information Management System (PIMS) certification by the government in 2015.



PIMS Certifications



ISMS Certifications

CRM Based on Satisfaction Survey

Every year, S-OIL conducts customer satisfaction survey on quality, price, affiliated benefits, customer service at service stations and more via an outside consulting firm. The survey result serves as basis for crafting consumer satisfaction programs.

Based on the survey result of 2014, S-OIL conducted a variety of customer satisfaction activities focused on improving affiliated marketing and customer service at service stations. We launched affiliated credit cards offering the industry's highest discounts at service stations and allied with Samsung Pay to introduce mobile payment service for customer convenience for the first time in the refining industry. S-OIL also put forth programs focused on motivating attendants and operators of service stations as it is conducive to raising the quality of customer service. The efforts paid dividends as S-OIL came out on top in overall customer satisfaction survey among domestic refiners in 2015.

Going forward, we will build greater substance in the way we run customer satisfaction programs based on the feedback and take S-OIL's competitiveness to new heights.



KEY ISSUES

- Strategy Linked Social Contribution Activities
- Global Social Contribution Activities
- Efforts to Expand the Cultural Base of Society

REPORT SUBJECT

- Strategic Social Contribution Activities
- Leading the Fight against the Global Poverty
- Expand Cultural Infrastructure for Local Communities



Management Principles 3

Contribute to Society

S-OIL carries out social contribution activities aligned with its management strategies in a systematic manner. The impact from such activities are evaluated so that even more values are shared among stakeholders.

As a global corporate citizen, the Company works with the international community in the fight against poverty, supporting relief recipients for their economic independence. S-OIL's social contribution activities extend to culture & art as we engage in wide ranging programs aimed at enhancing cultural infrastructure in the communities where our operations are based.

ASPECT (REPORTING SCOPE) MAJOR STAKEHOLDERS

- Local Community (Inside and Outside of S-OIL)
- Local Communities, Government, Employees, Customers



Question

Social contribution activities help solidify corporate reputation and build positive awareness, not to mention enhancing trust with customers. How is S-OIL's CSR bringing results in terms of customer satisfaction and raising brand values?

Jin-A Kim, Member of the CSR Society at Seoul National University

Answer

Today, in addition to playing an economic role to generate profits for sustainable growth and create jobs based on growth, a corporation is also required to assume responsibility to contribute to solving social issues as a corporate citizen.

In response, S-OIL as a corporate citizen of the society engages in over 100 social contribution activities under four themes: hero citizens, environmental protection, contribution to local communities, and support for people in need.

We believe that our social contribution activities, with the pursuit of sharing love like the warm sunshine with the community, have helped reinforce our brand recognition and give a favorable impression to customers. We pledge to continue creating better society by continually implementing social contribution programs.

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

Participants in the Cultural Arts & Sharing Campaign

3,390 persons



Strategic Social Contribution Activities

Why Is This Important?

Companies must be able to create new values for the community through social contribution activities. They should be guided by a clear set of business strategies and periodically evaluated to ensure sustainability

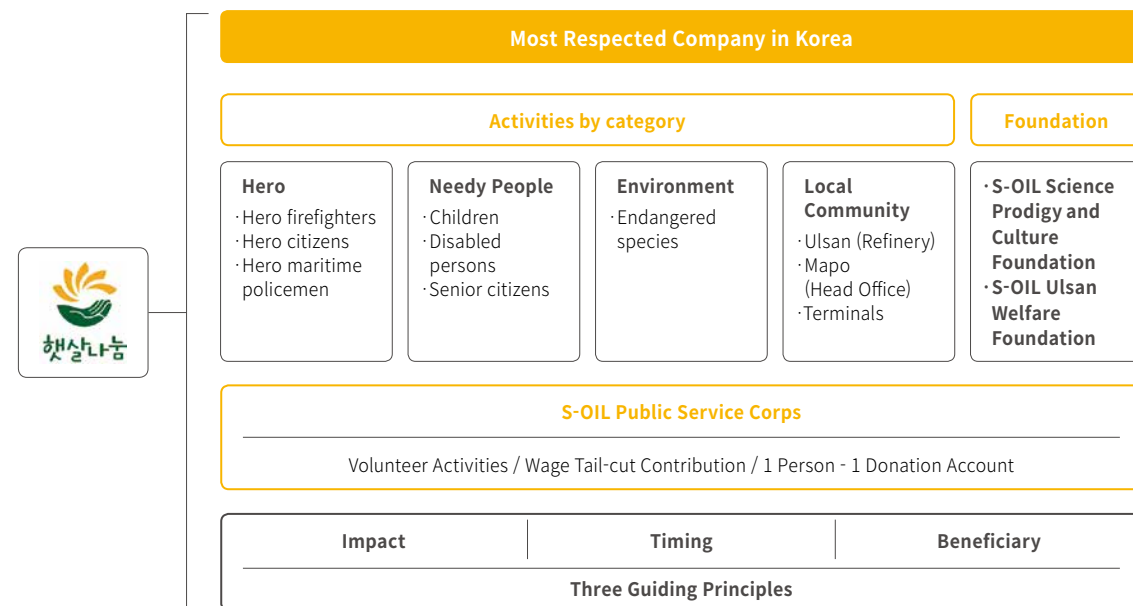
Our Commitment



Our Response

Internalization of Management Principles

Based on its management principle “Contribute to Society,” S-OIL has set forth its corporate mission of social contribution. the “Most Respected Company in Korea”. To that end, S-OIL pursues social contribution activities guided by the three pillars, “Impact,” “Timing,” and “Beneficiary.” S-OIL promises its continuous endeavor to spread the values of sharing across society and particularly will develop creative social contribution activities conducive to spreading positive values related to the Company’s business.

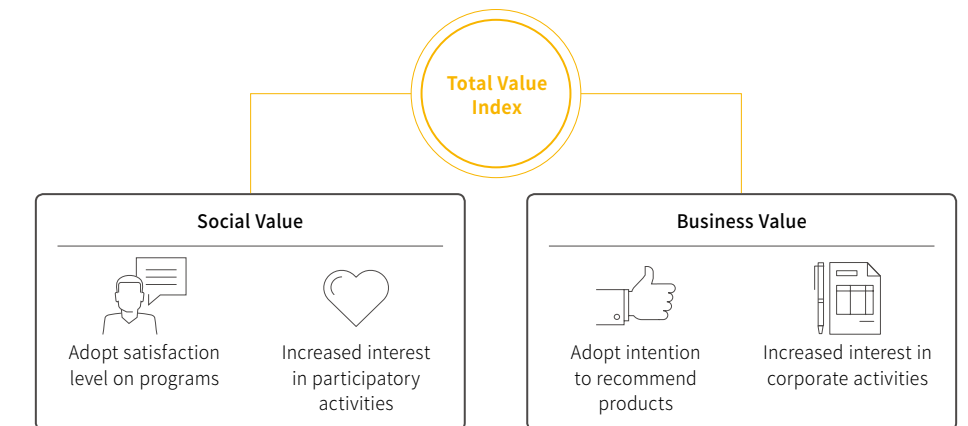


Continued Improvement through Assessment

In 2014, S-OIL developed “Social Impact Index” with social activity experts to assess the impact of our social contribution programs. We evaluated impact of our flagship social contribution activities “For Hero Firefighters,” “For Endangered Species,” and “Cultural Arts & Sharing Campaign” based on the index. The evaluation found “Cultural Arts & Sharing Campaign,” in particular, to be generating about KRW 24 million worth of economic values for S-OIL and KRW 50 million for the society for its role in boosting the culture industry.

Building upon the areas to be improvement, which were identified in the assessment of “For Endangered Species” in 2015, S-OIL will keep on developing new social contribution activities aimed at protecting bio diversity.

Social Impact Index Model



Leading the Fight against the Global Poverty

Why Is This Important?

In the United Nation's Sustainable Development Summit held in September 2015, the United Nations set forth the "Sustainable Development Goals (SDGs)" requiring governments around the world, businesses, and citizens to join hands in eradicating all forms of poverty by 2030.

As a responsible global corporate citizen aspiring to help the UN to achieve this goal, S-OIL is carrying out a wide array of activities to eradicate global poverty.

Our Commitment

Commitments

Eradicate global poverty

Targets in 2015

- Donate global knowledge through the EncoreKorea Initiative
- Support children in Africa

Performances in 2015

- Offered industrial technology supports to developed countries through the EncoreKorea Initiative
- Supported Shomoro Elementary School in Enemorena Ener

Targets in 2016

- Donate global knowledge through the EncoreKorea Initiative
- Plan to support Botena Elementary School in Enemorena Ener

Our Response

Financial aids or voluntary services are not enough to root out poverty. What's more important is to help build infrastructure on which they can stand on their own feet.

In 2011, S-OIL launched EncoreKorea Initiative (EKI) consisting of retired Korean scientists, transferring industrial technology to developing countries in need of Korea's science technology and development expertise. From 2015, we have engaged ourselves in social contribution activities at the global level, for example, helping Ethiopia's economic independence and literacy.

Global Knowledge Donation by EncoreKorea Initiative

In 2011, S-OIL Science Prodigy and Culture Foundation launched EKI, the first knowledge donation organization in Korea joined by some 1,000 retired scientists.

EKI sent many retired scientists to developing countries and transferred Korea's advanced scientific technology as part of the Company's global social contribution activities. EKI also provided consultancy services to the Ethiopian Ministry of Industry on a national plan for cement industry development and industrial workforce training followed by river water quality improvement project in 2015. Other activities include transferring IT technology to Peru, industrial technology to Kazakhstan and green technology to Mongolia.



EKI's river water quality improvement project in Ethiopia



Donations to support Ethiopian children

Support for Shomoro Elementary School in Ethiopia

In 2015, S-OIL embarked on a new activity towards fighting poverty in Ethiopia, which is the least developed country in Africa, we selected Shomoro Elementary School in Enemorena Ener, an impoverished region with scanty educational infrastructure. S-OIL signed an agreement to join forces to end the vicious circle of illiteracy and poverty while laying the groundwork for children to grow and prosper.

In the first year, S-OIL built a school with four classrooms and provided teaching materials improving learning conditions for students. Furthermore, we donated livestock for the community to facilitate their economic independence, which will contribute to generating stable income for them and raising the resources to provide kids in need of meals.

S-OIL pledges to sustain a wide ranging support programs to help developing countries fight illiteracy and poverty and at the same time encourage our employees to be part of this global cause.

Social Contribution Indices

Investments in Social Contribution Programs in 2015

Classification	Program	Donation (KRW in millions)
Hero	· Supports for hero firefighters · Supports for hero maritime policemen · Supports for hero citizens	1,130
Environment	· Supports for professional organizations' research and protection activities · Natural monument class for children · Ecology camp for children · Voluntary services by employees and customers	290
Local Communities	· Culture and art events · Supports for local communities by terminals and TS&D Center · GOODOIL Cafe · S-OIL Ulsan Welfare Foundation · Culture events in Taehwaru · Supports for welfare centers in Ulsan	1,285
Needy People	· Supports for battered women as survivors · Supports for recovery of fire-damaged low-income families · Service stations' sharing campaign · Supports for the participation of the disabled in overseas marathon race · Volunteer service centers	1,255
Others	· S-OIL Public Service Corps · S-OIL Science Prodigy and Culture Foundation · S-OIL Table Tennis Team	2,317

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

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

Performances in Sunshine Sharing Campaign (Unit: persons)

Classification	2013	2014	2015
Number of participants	1,593	1,642	1,669
Wage tail-cut contribution	1,483	1,428	1,391
1 person-1 donation account			

Green Purchasing (Unit: items, KRW in millions)

Classification	2013	2014	2015
Number of green purchasing items	66	37	59
Amount of green purchasing	40,783	5,732	12,890

Expand Cultural Infrastructure for Local Communities

Why Is This Important?

Today's corporate social contribution extends beyond charity events or social welfare to culture and art. It is also a keyword in the government as represented by "cultural prosperity", which is the government's primary initiatives, establishment of the Presidential Committee for Cultural Enhancement and designation of "Culture Day" on the last Wednesday of each month all designed to spread culture and art throughout the nation.

To keep abreast of the social changes, companies will open more opportunities for the culturally marginalized group to have wider access to culture and art and support pure art as part of the efforts to strengthen social contribution programs for culture and art.



Cultural Arts & Sharing Campaign

Fueling Cultural Activities of Local Communities around the Head Office

Since 2011, S-OIL held 62 free performances as part of Cultural Arts & Sharing Campaign at its Head office in in Mapo. About 20,300 local residents enjoyed the cultural event over the past five years.

In a survey of local people who participated in the Campaign, they attended two cultural events on average every year attesting to the fact that S-OIL is contributing to the growth of culture and art for local communities.

S-OIL plans to hold a total of 12 sharing events in 2016, giving the local communities a chance to savor culture and art while supporting art work of artists.

Support for Cultural Infrastructure in Ulsan

In Ulsan, S-OIL established one of Korea's most prestigious literary awards, the "Oh Yeong-su Literary Prize," in 1993 in honor of the talented short story writer from the region. Additionally, S-OIL has been holding "Beautiful Eye Art Festival" since 1996, an art event that mainly invites amateur artists. S-OIL has also been making efforts to promote local culture, as illustrated in its sponsorship of various regional, cultural, and artistic events such as the Spring Literary Contest by the local newspaper Gyeongsang Ilbo, the Cheoyong Cultural Festival, the Ulsan Whale Festival, the Byeongyeong Seonang Chigi, and the Onggi Expo Ulsan Korea.

Furthermore, S-OIL donated KRW 10 billion, the total budget required for the Taewha Pavilion Restoration Project, boosting the pride of Ulsan citizens while giving them access to a comfortable public rest area. This project was completed in 2014.

The Ulsan city government opened the "Taewha Pavilion Culture and Art Academy" to invite its citizens to lectures given by renowned local artists in six categories such as calligraphy and fairytales. S-OIL also supports various cultural events held in the Pavilion.



Sponsorship of a culture concert "Taste for the Art and Taewha Pavilion"



Our Commitment

Commitments

Support the development of culture and art in local communities where our workplaces are located

Targets in 2015



· Promote culture and art in Mapo and Ulsan

Performances in 2015



· Held various event for promoting culture and art in Mapo and Ulsan (a total of 11 Cultural Arts & Sharing Campaign in Mapo in which about 3,390 people participated)
· Signed an agreement to expand the "Culture Day" campaign

Targets in 2016



· Continuously support activities to promote culture and art in Mapo and Ulsan and develop new support programs (plan to hold 12 culture and art events in Mapo and develop new cultural events centered on Taehwa Pavilion in Ulsan)

Our Response



Agreement on the "Culture Day"

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 November 2015, we signed an agreement with Ministry of Culture, Sports and Tourism on spreading "Culture Day" and support the government's cultural prosperity initiative.

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.



KEY ISSUES	REPORT SUBJECT	ASPECT (REPORTING SCOPE)	MAJOR STAKEHOLDERS
Rational and Fair HR System	Reasonable and Fair HR Management System	Employment, Diversity and Equal Opportunity, Non-discrimination (Inside of S-OIL)	Employees
Diverse Activities to Support Growth of Employees	Promote the Development of Employee Competency	Training and Education (Inside of S-OIL)	
Organizational Culture and Welfare Benefit System for Win-win Growth	Work-Life Balance	Benefits, Economic Performance (Inside of S-OIL)	



Management Principles 4

Provide Best-in-Class Work Environment

Our reasonable HR system ensures the establishment of 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 work engagement enhancement and productivity increase, constituting the core at our competitiveness.





Question

S-OIL appears to run a fair recruitment procedure. It is impressive that S-OIL has deleted potentially discriminatory items from application form such as family members and screens applicants in blind interview. Then please elaborate on what else S-OIL is doing to guarantee fair chances for applicants “regardless of gender or academic background?”

Eu-Gene Lee, University Student

Answer

S-OIL's new employee recruitment system well represents our corporate culture that values performance. Put simply, we welcome anyone with outstanding ability and qualification. We also make diverse efforts to make sure that the recruitment is objective and fair all the time.

As Yu-jin Lee mentioned, the first round is the blind interview where, in particular, applicants' academic background is not evaluated in order to focus on the interview itself and to secure objectivity. Not just this, we do not require personal information on application form such as region of birth, religion, disability, or jobs of family members. When reviewing self-introduction essay, basic information like academic background, age, or gender is all hidden to ensure that the evaluation is solely based on the essay instead of applicant's backgrounds.

In addition, S-OIL measures applicant's capabilities in an objective manner to select outstanding employees with priority. The aptitude test conducted between document screening and interview, in particular, ensures that an applicant with prominent basic capabilities are given a chance for interview regardless of their school or language test score. Also, in the interview stage, applicants are evaluated on major-related PT and personality so that those with exceptional job competency are preferred.

As such, S-OIL has continued to attract highly competent talents through its reasonable and fair recruitment system, securing the driving force for the sustainable growth amid the increasingly intensifying management environment.

Dong-Cheoul Kim, President, Head of Industrial Relations



Welfare Benefits to
Labor Costs

61.7 %

Reasonable and Fair HR Management System

Why Is This Important?

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

Commitments

Strengthen performance-based corporate culture through reasonable and fair HR management system

Targets in 2015

- Enhance performance-based evaluation system
- Enhance performance-based compensation system

Performances in 2015

- Improved competency and performance evaluation systems
- Enhanced performance-based compensation system

Targets in 2016

- Enhance performance-based evaluation system
- Enhance performance-based compensation system

Our Response

Ensure Fairness in 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.

We place priority on hiring and training female employees while continuing to pay attention to socially marginalized groups such as disabled people and non-regular workers. In addition, our recruitment procedure ensures that no applicant is discriminated against on grounds of gender, academic background, region, age, or disability. For example, the application form does not require potentially discriminatory items such as family background and the blind interview system where personal information including academic background is not provided to interviewers is operated.

Performance-based Evaluation and Compensation

Improvement of Evaluation System Aimed at Enhancing Individual Competency and Organizational Performance

S-OIL has endeavored to advance its evaluation system to make performance-oriented corporate culture be deeply ingrained.

As for individual competency evaluation, we improved the existing system where grades were given simply in accordance with evaluation results. Under the new system, every employee creates tailored competency 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 the development of individual competency.



Welcoming reception for newly hired university graduates

Performance evaluation was also upgraded with the aim of making 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 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 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 the annual evaluation result to boost their inspiration to raise performance at work.

Human Resource Indices

New Employment

(unit: persons)

Classification	2013 (female)	2014 (female)	2015 (female)
University graduates	80 (8)	42 (5)	83 (8)
Others*	78 (16)	83 (23)	66 (24)
Total	158 (24)	125 (28)	149 (32)
% of female employees	15.2%	22.4%	21.5%

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

Employment by Age and Gender

(unit: persons)

Classification	Age	Gender	2013	2014	2015
Officers	30-50	Male	14	7	8
		Female	-	-	-
	50 or above	Male	29	32	29
		Female	-	-	-
Employees	Under 30	Male	430	403	416
		Female	70	72	80
	30-50	Male	1,849	1,874	1,946
		Female	137	146	148
	50 or above	Male	259	297	271
		Female	4	4	4

*Employment rate of the aged(over 55) in 2015: 4.0%

Employment Structure

(unit: persons)

Classification	2015
Officers	37
Administrative staff	1,401
Production staff	1,464
Total	2,902

Employment by Business Site

(unit: persons)

Classification	Officers	Employees
Head Office	27	807
Refinery	9	1,716
District Biz. HQs	1	264
Terminals	-	78
Total	37	2,865

Retirees

(unit: persons)

Classification	2013	2014	2015
Retirees by age limit	45	36	30
Others	34	46	52
Total	79	82	82

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

Return to Work Rate after Parental Leave

(unit: persons)

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

Promote the Development of Employee Competency

Why Is This Important?

The competitiveness gap among oil refiners in terms of production facilities has been on a constant decrease due to the narrowing technological gap and intensifying investment competition. Therefore, it is imperative for a refining business to strengthen human resources and increase operational efficiency in order to gain a competitive edge and make inroads into new markets.

Our Commitment

Commitments

Provide various education programs for improving employee competency

Targets in 2015	Performances in 2015	Targets in 2016
<ul style="list-style-type: none"> Efficiently operate and consistently upgrade employee competency development programs Sharpen the professionalism of engineers 	<ul style="list-style-type: none"> Offered tailored competency development programs in accordance with individual evaluation results Increased the efficiency of educational administration by building LMS Implemented programs for leadership enhancement Introduced ECP and offered mid-term overseas training programs 	<ul style="list-style-type: none"> Build a systematic framework to cultivate next-generation leaders Efficiently operate and consistently upgrade education programs for sharpening the professionalism of engineers

Our Response

Operation of Efficient Education Programs

S-OIL's competency model consists of basic competency for all employees, leadership competency for leaders, and job competency. Diverse education programs tailored for each level are provided to employees for their competency development.

Based on competency evaluation results, we provide employees with not only in-house collective training but also various online remote education courses accessible via mobile devices so that employees can develop their competencies anywhere, anytime. Commissioned training is also offered to meet increasing needs for more specialized education.

In 2016, we plan to launch the voluntary knowledge sharing program, 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 Company will provide employees attending the programs with learning materials and expenses to promote their active interaction and competency development.

Introduction of the Learning Management System (LMS)

In 2015, we supported employees' regular learning by providing e-learning programs and online study spaces, and introduced the LMS for the purpose of increasing the efficiency of educational administration and effectively supporting employees' competency enhancement.

The LMS analyzes the patterns of users who access the system and customizes the main page for individual users. The system 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. The system's accessibility has been greatly improved as employees who subscribe to e-learning courses can log into the service via PC and mobile devices on groupware.

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

Leadership Enhancement Program

All team leaders at S-OIL attended the leadership enhancement program organized by the KAIST College of Business in 2015.

The 3-session program, which ran from August 2015 through December 2015, focused on enhancing their competencies in changes and innovation to effectively respond to the rapidly changing business environment.

S-OIL Academy for Specialized Job Training

We have been running the S-OIL Academy for specialized job training since 2011. The S-OIL Academy consists of the "S-OIL Academy for Marketing & Sales" and the "S-OIL Academy for Operations" and is upgraded every year in order to reflect the changing market environment.



S-OIL-KAIST Team Leader Leadership Development Program

The S-OIL Academy for Marketing & Sales underwent an advancement process from 2014 to March 2015 to better train domestic sales professionals. The new course is now comprised of 48 modules and 12 courses including the sales case of domestic oil products.

We have introduced the Blended Learning which combines on- and off-line job courses into the S-OIL Academy for Operations, establishing a regular learning system. In order to establish a stable operational competency for Start-Up and Shut-Down for each process and to develop emergency response capabilities, the Training Center offers the Operation Training Simulator (OTS) program. Also, an advanced program has been run to support the building-up of competency for manager-level engineers or above. This program will continue in 2016.

Work-Life Balance

ECP for Engineer Competency Enhancement

S-OIL launched the Engineer Cultivation Program (ECP) in 2015 to support the systemic training of engineers.

Under this program, engineers fill out 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 interview with their supervisors. The training outcomes and records are systemically monitored through LMS.

In addition to the ECP, the Intensive Overseas Training Program will be operated so as to cultivate engineers with a global mindset and competency.

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.

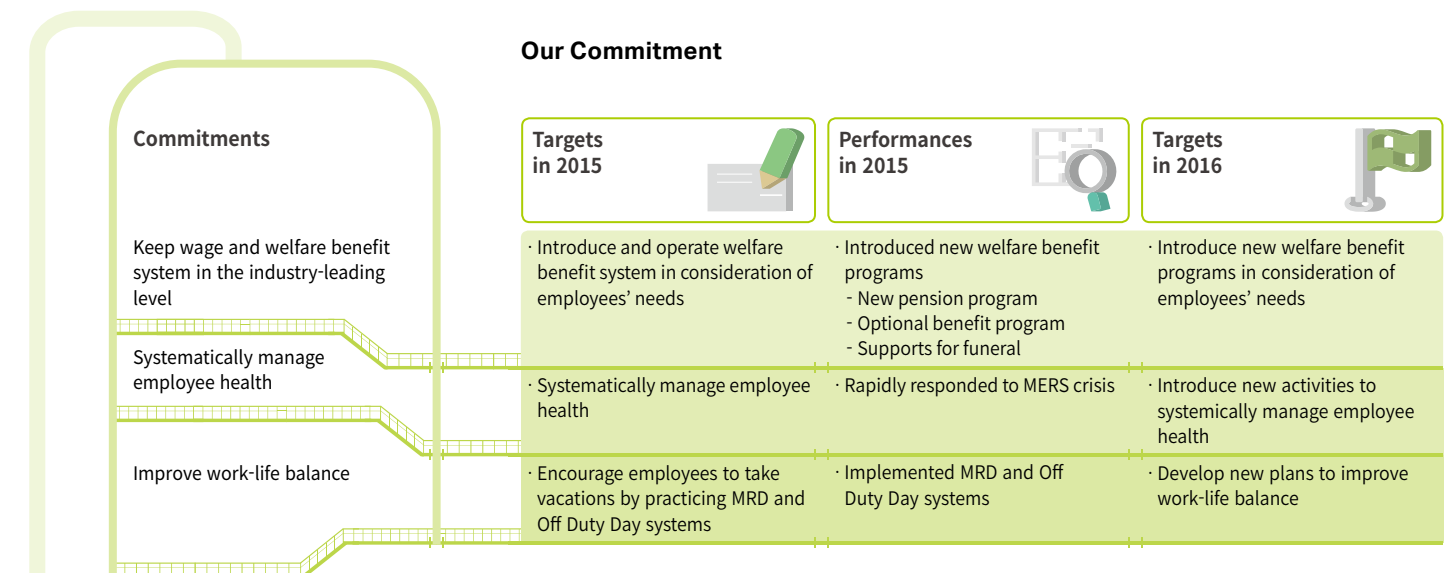
These advanced training programs will produce many core talents who can lead S-OIL to a sustainable future.

Why Is This Important?

Job engagement and productivity can be maximized when employees, who are stakeholders and at the same time the key assets to corporate sustainable growth, strike a balance between work and life.

In this regard, S-OIL operates industry-leading welfare benefit programs that reflect employees' needs and continues to add items necessary for the physical and mental well-being of employees.

Our Commitment



Our Response

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 and 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 life, health, and leisure activities.

In 2015, S-OIL introduced a selective welfare program to allow employees to design individual welfare items depending on their life style and preferences, bringing balance to work-family while enhancing welfare benefits in culture, sports, leisure, family life, and self-development.

* For more information on welfare benefits in accordance with seniority, please refer to the "welfare benefits" page under the "recruitment" menu on our corporate website.

Introduction of New Pension Program

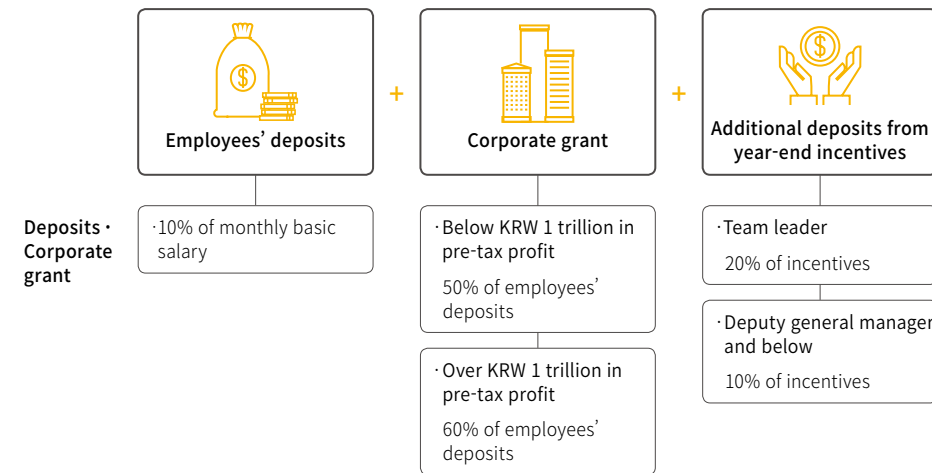
S-OIL pays its full attention to ensuring a stable life for employees not just throughout their career but also after retirement.

Given that Korea's average life expectancy is rising fastest in the world while most people cannot afford a reliable retirement plan, 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.

Under the New Pension Program, a subscribing employee saves 10% of their monthly wage in retirement pension and the Company, in return, additionally contributes 50% of the amount the employee deposits. In 2015 when the system was introduced for the first time, 99% of total employees subscribed to the program as they could expect not only tax benefits on retirement savings but also the Company's contribution.

The New Pension Program is anticipated to help our employees ease uncertainties over the post-retirement while they are at work and rest assured that their life after retirement will be stable.

Framework of New Pension Program



Enhancement of Employee Engagement through Refreshment

S-OIL believes that employee engagement is maximized only when they strike a balance between work and life and have time to recharge themselves. So we continue to beef up policies to ensure sufficient relaxation from work and chances for refreshment for our employees.

Since their adoption in 2010, the Intensive Holiday Program has been offered as a symbolic work-life balance model. In addition, the Monthly Refreshment Day (MRD) allows employees to take a leave on Friday 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. Employees are also free to check in at hotels and resorts in popular tourism destinations in 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.



Training on CPR (cardiopulmonary resuscitation)

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.

To ensure that employees can effectively respond to accidents or emergencies that may occur in everyday life in addition to health-related issues, the Company conducted a comprehensive safety drill for all employees in 2015 on CPR, automated defibrillator, first aid for respiratory obstruction, and more. We will continue to upgrade the program in reflection of the increasing awareness of safety in our society.

Countermeasures against MERS Crisis

At the outbreak of MERS that struck the nation in the summer of 2015, S-OIL took diverse preemptive actions to protect the spread of the contagious disease.

For example, thermal imaging cameras were set up at the entrances of the Head Office and the Refinery to screen those suspected of infection. In case that suspected infection or infection was reported, we compiled the MERS manual to ensure prompt countermeasures.

In addition, guidelines on the prevention of MERS spread were distributed to employees and monitoring activities continued. Thanks to those efforts, no case of infection was confirmed during the MERS crisis last year.

Case Study

Corporate Governance Rating
(Korea Corporate Governance Service)

A

Violations of Monopoly Regulation and Fair Trade Act

Zero

Management Principles 5

Pursue Global Best Practices of Corporate Governance

S-OIL pursues a profitable and sustainable growth through transparent and sound corporate governance. Maintaining an appropriate level of checks and balances while ensuring diversity and independence, the Board of Directors makes decisions in a way to maximize the interest of stakeholders. Additionally, committed to the strict compliance management, we endeavor to embed the compliance culture in the company while striving to establish ethics management across the supply chain.

The Company also operates an independent audit organization to enhance transparency in management and protects shareholders and investors by disclosing management information in an honest manner.

KEY ISSUES	REPORT SUBJECT	ASPECT (REPORTING SCOPE)	MAJOR STAKEHOLDERS
Transparent Corporate Governance	Ensuring the Soundness of Corporate Governance	Governance (Inside of S-OIL)	Shareholders & Investors, Employees, Government
Enhancement of Compliance Management	Commitment to Compliance Management	Compliance (Inside and Outside of S-OIL)	Shareholders & Investors, Employees, Government, Business Partners, Customers
Enhancement of Ethics Management of the Company and Business Partners	Community-engaged Ethics Management	Ethics & Integrity (Inside and Outside of S-OIL)	Shareholders & Investors, Employees, Government, Business Partners
Enhancement of Corporate Transparency	Enhancement of Management Transparency	Transparency (Inside of S-OIL)	Shareholders & Investors, Employees, Government





Question

S-OIL operates a strict compliance system. What makes the system different from others and how do you manage partners based on the system?

Se-yeon Park, Senior Analyst of Sustainable Finance Center

Answer

The compliance systems operated by many other companies are, most of the time, no more than declaratory or formal. However, I can say with confidence that S-OIL's system ensures that the practical implementation of compliance touch upon the entire business stage.

We provide legal information in a timely manner so that legal requirements are met at each of the organization level. Employees and officers are encouraged to perform self-initiated compliance assessments while they perform duties. In addition, the Company was able to establish an organic compliance system that connects various compliance activities, such as compliance monitoring and compliance education. Having set up an IT-based compliance system to ensure that compliance activities are readily carried out for everyday duties, S-OIL has successfully incorporated compliance activities into the corporate culture.

Furthermore, by conducting compliance monitoring on all purchasing procedures, we secure transparency and fairness in our relations with partners. We also provide our business partners with a wide variety of support, such as education on ethics management and health and safety. As a result, we have established win-win ties with our partners, not to mention, mutual trust and respect.

Such diverse efforts, along with the CEO's firm commitment for compliance, have allowed the compliance system to be embedded in the Company, thereby providing a solid groundwork for our own compliance culture.

Sung-woo Park, Senior Vice President,
Head of Legal & Compliance HQ

Self-assessment of
Ethics Management

99.0 points

Violations of Disclosure
Regulations

Zero



Ensuring the Soundness of Corporate Governance

Why Is This Important?

Transparent and sound corporate governance is the foundation of corporate sustainability. It is at the heart of a company's ability to enhance management transparency, raise productivity, win investors' trust, and create corporate value.

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

Our Commitment



Our Response

Balance between Checks and Balances

S-OIL seeks to establish sound and transparent corporate governance led by the BOD and subcommittees pursuing checks and balances.

The BOD members are individually appointed to serve a one-year term. 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.

Balance between Diversity and Independence of the BOD

S-OIL has an internal process that appoints directors from various backgrounds to ensure that diverse stakeholders' interests are duly represented and that expertise of the BOD is enhanced through mutual complement.

When selecting who will serve as a director for the BOD, S-OIL bases the decisions on what key competencies the BOD should possess in order to achieve sustainable growth of the Company. Accordingly, S-OIL follows internal procedures to screen the candidates for management vision and leadership, expertise, past career experience, and capability to carry out an independent and objective role of a director.

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 transaction with the Company, is comprehensively taken into consideration. For outside directors, in particular, the Outside Director Candidates Recommendation Committee consisting of four outside directors directly selects and recommends the most suitable candidates to the general shareholders' meeting, after evaluating in accordance with internal standards to confirm that the candidates have no vested interest in the Company or any other reasons for disqualification.

S-OIL's Board of Directors, newly launched in 2016, has appointed figures with long-term visions to guide the Company in the fast changing industrial environment. Having served in various fields, such as the government, international organizations, industry, and academia, the directors possess rich experience and knowledge in the energy sector and have made great contributions to enhancing the expertise and independence of the BOD.

BOD Composition

(as of March 18, 2016)

Classification	Name	Position & Duty	
Inside Director (1)	Nasser Al-Mahasher	President & CEO	
Non-standing Directors (4)	A.I. Al-Saadon	Member of the Compensation Committee	
	S.A. Al-Hadrami		
	A.M. Al-Hereagi N.A. Al-Nuaim		
Outside Directors (6)	Y.A. Al-Zaid	Chairman of the Audit Committee Member of the ODCR Committee	
	A.A. Al-Talhah	Member of the Audit Committee Member of the ODCR Committee Member of the Compensation Committee	
		C. S. Kim	Chairman of the BOD
		S. W. Lee	Chairman of the ODCR Committee
	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

Expertise Enhancement of the BOD

In its endeavor 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. Furthermore, the BOD visits the ONSAN Refinery and project sites regularly to stay abreast of the Company's operational status. What's more, in order to support the directors' reasonable decision-making, a pre-meeting is held on the BOD agenda before the BOD convenes.

S-OIL has three sub-committees in support of the BOD's independence and efficient decision-making: (i) the Audit Committee, (ii) the Compensation Committee, and (iii) the Outside Director Candidates Recommendation Committee. The Management Committee, in particular, 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.

Commitment to Compliance Management

Why Is This Important?

These days, due to growing awareness for personal information protection, environment, and industrial safety, along with a growing number of laws and regulations and stringent sanctions that regulate these issues, a business is more likely to be exposed to compliance risks. Furthermore, when developing overseas markets, businesses are required to comply with global standards on anti-corruption and fair trade.

Our Commitment



Embedding Compliance Activities into Daily Practices

When performing everyday business duties, S-OIL employees and officers always consider beforehand whether they are fully compliant with all relevant laws and regulations and conduct self-assessments on relevant legal issues. In order to assist employees and officers' compliance activities, the Legal Compliance Team provides employees and officers with real-time updates on new and amended laws, educates them on key legal matters, and regularly monitors compliance activities. The results are reported to the management on a regular basis so that the Company stays alert to company-relevant compliance issues and important compliance activities. Thanks to the management's strong will towards compliance and employees' passionate participation, the culture of compliance is being deeply embedded into the Company.

As a result, the Company-wide survey conducted in 2015 has confirmed that employees' conviction, knowledge, consensus, and willingness for compliance recorded the "High" level or above.

Optimization of the Compliance System

S-OIL has in place a 3-step circulatory compliance system of (i) Prevention, (ii) Monitoring, and (iii) Response that supports employees and officers' compliance activities. When there are any enactments or amendments to company-relevant laws, the Legal Compliance Team updates the Compliance System to reflect these regulatory changes, all the while actively interacting with frontline departments and teams. At S-OIL, all compliance activities are carried out on the IT-based system, ensuring easier and more

efficient compliance activities in normal duties.

Additionally, we introduced a third-party verification process by Deloitte Korea and Hankyul Law Group for an objective assessment of our compliance system's validity. The firms have confirmed that our compliance system serves its intended purposes as well as conforms to the provisions of the Commercial Act.

Enhancement of Compliance Support

In addition to supporting employees' ordinary compliance practices, the Legal Compliance Team is engaged in a wide array of activities aimed at raising compliance awareness throughout the Company: distribution of the compliance newsletter; report on compliance activities by global corporations; introduction of compliance campaigns; in-depth analysis on major laws; creation of compliance guidelines; operation of customized education on compliance, and more.

Compliance Education Programs

In 2015, the Legal Compliance Team conducted the following compliance education programs to familiarize officers and employees with company-relevant laws and regulations:

- Prevention of collusion (via e-mail)
- Prevention of collection of resident registration numbers (via e-mail)
- Precautions about contract signing (via e-mail)
- Understanding of criminal procedure (via e-mail)
- Amended civil law on strengthened protection of surety (via e-mail)
- Seminar on the amended Commercial Building Lease Protection Act
- Special lecture on compliance for officers and team leaders
- Education on fair trade for Fuel Product Sales HQ
- Education on the Improper Solicitation and Graft Act
- Seminar on understanding of drawing up a contract

Activities for Fair Trade and the Results

Case Study

Boosted by the CEO's strong commitment to reinforcing compliance management, especially in relation to antitrust laws, S-OIL published must-follow guidelines that employees need to adhere to when conducting sales activities. The guidelines, shared with all employees, describe detailed action guides and "Dos & Don'ts" that are applied to sales activities. S-OIL also hosts education on antitrust laws and fair trade on a regular basis for employees working at domestic sales offices.

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

S-OIL's commitment to fair trade has also been recognized by the Korean court in the "original supplier of oil collusion" case.

This case refers to the decision by the Fair Trade Commission on September 16, 2011 to impose an exponential amount of KRW 432.6 billion in fine on refiners including S-OIL (KRW 43.8 billion on S-OIL) for restricting competition to attract service stations. According to the Fair Trade Commission, refiners had allegedly colluded in the management of original oil suppliers from the early 2000s to 2011 for the purpose of defending their market share. During the court trial, S-OIL proactively defended its case, explaining how it had never been involved in the collusion and how, on the contrary, it had rather intensively competed to increase its market share, finally winning the case on January 29, 2015 in the Supreme Court.

Amid the oligopoly in the domestic oil distribution market, S-OIL will remain committed to fair competition while complying with fair trade laws to its best.

Community-engaged Ethics Management

Why Is This Important?

The importance of ethics management is ever-intensifying as we are faced with unlimited global competition beyond borders and the rapidly-changing and uncertain business environment. Nowadays, ethics management is imperative in order for corporation to survive and create higher economic value. Therefore, ethics management is emerging as the key asset in sharpening business competitiveness as well as sustainable growth.

Our Commitment

Commitments

Advance ethics management and enhance ethics education

Targets in 2015	Performances in 2015	Targets in 2016
<ul style="list-style-type: none"> Introduce self-assessment of ethics management 	<ul style="list-style-type: none"> Executed self-assessment of ethics management (86% of all employees) 	<ul style="list-style-type: none"> Enhance ethics management based on the results of self-assessment
<ul style="list-style-type: none"> Conduct professional and systematic ethics education 	<ul style="list-style-type: none"> Implemented ethics education for employees (4,470 hours) Provided subsidiaries with ethics education 	<ul style="list-style-type: none"> Revise the Code of Business Ethics & Conduct in line with amended laws Conduct professional and systematic ethics education

Our Response

Methodical Ethics Management System

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

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, the 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. The Code of Business Ethics and Conduct also has three sub-regulations as follows: detailed implementation procedure; employees' possession or operation of sales networks of competitors; and outside reporting or inquiry process on issues with regard to ethics management.

Our business partners, subsidiaries and joint ventures are required to abide by the Code of Business Ethics and Conduct. Partners found to have committed illegal or unethical activities are excluded from the list of S-OIL partner companies.

Deliberation by the Ethics Committee in 2015 (19 meetings)

Proposed bills	Number of items
Operation of sales networks	57
Purchasing of products and services	25
Others	5
Total	87

Education on Ethics Management for S-OIL Employees

Year	No. of programs	No. of participants	Education hours
2013	10	3,156	3,291
2014	8	2,973	4,119
2015	7	3,063	4,470

Education on Ethics Management for Business Partners and Subsidiaries

Year	No. of programs	No. of participants
2013	5	362
2014	4	282
2015	5	137

Self-assessment of Ethics Management

Year	No. of participants (percentage)	Average score
2015	2,423 (86%)	98.8 points
2016	2,492 (86%)	99.0 points

The Code of Business Ethics and Conduct is constantly updated and amended in response to social demands. With the Anti-Corruption and Bribery Prohibition Act scheduled to enter into force in September 2016, we plan to advance the provisions of the code while establishing detailed procedures.

Ethics Committee

The Ethics Committee is comprised 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 under the BOD. The Committee assists the Company in making the best ethical decision regarding ethics-related matters, such as the conflict of interests. The Committee not only reports its activities to the CEO and the Audit Committee once a year, but also discloses its activities to all employees through S-OIL Ethics Management website.

In 2015, two cases of ethics violations involving transaction with customers were reported. After taking disciplinary measures against the violators, we held three ethics education sessions for 180 employees responsible for relevant duties to prevent a recurrence of similar cases. Further, to raise employees' awareness for business ethics in sales activities, employees were provided with 5 major guidelines on how to abide by the Code of Ethics.

Education on Ethics Management

S-OIL has been conducting education on ethics management tailored for different positions and job functions to instill business ethics into daily business activities. To enhance the quality of education materials, a significant number of external experts were invited to give lectures.

In particular, S-OIL supports its business partners to understand the basic guiding principles and contents of the Company's Code of Business Ethics and Conduct. Education on ethics management for business partners started in 2013. In 2015, employees of S-OIL Total Lubricant Co., Ltd., a subsidiary, attended ethics education as part of our efforts to strengthen the level of ethics management throughout the supply chain.

Moreover, we introduced self-assessments on ethics management in January 2015 to raise employees' awareness of ethics. These self-assessment results will be used in various ways to enhance company-wide ethics management, such as sources for education on ethics management.

Enhancement of Management Transparency

Why Is This Important?

To build a strong groundwork for sustainable growth, a business should conduct strict audit activities to enhance transparency, all the while searching for and correcting misguided practices and inefficient cost structure.

By disclosing transparent information, a company not only protects shareholders and investors by solving the problem of information asymmetry, it also gains investors' trust, ultimately leading to an increase in corporate value.

Our Commitment

Commitments

Increase corporate value through audit activities

Disclose management information in a transparent manner

Targets in 2015	Performances in 2015	Targets in 2016
<ul style="list-style-type: none"> Focus on audit activities for process improvement, cost saving, etc. with the aim of increasing corporate value Conduct regular audit activities to support successful completion of large-scale projects 	<ul style="list-style-type: none"> Developed a lot of items for process improvement and cost saving Contributed to risk prevention and process improvement through intensive audit and regular monitoring activities of the RUC&ODC Project 	<ul style="list-style-type: none"> Focus on audit activities for process improvement, cost saving, etc. with the aim of increasing corporate value Conduct regular audit activities to support successful completion of large-scale projects
<ul style="list-style-type: none"> Transparently disclose management information through IR activities Zero violation of disclosure rules 	<ul style="list-style-type: none"> Expanded IR activities Surveyed the satisfaction on IR activities Zero violation of disclosure rules 	<ul style="list-style-type: none"> Transparently disclose management information through IR activities Zero violation of disclosure rules

Our Response

Operation of Efficient Audit System

S-OIL has an independent audit organization under the control of the Audit Committee. The audit organization carries out an unbiased and independent audit on corporate accounting and business activities, and thus plays a key role for maximizing corporate value through transparency enhancement and process improvement.

Auditors, with extensive experience and in-depth understanding of job process, continue to provide recommendations that contribute to process improvement and cost reduction. In particular, when it comes to projects, they intensively look into the appropriateness of the contract volume calculation process, safety, cost, timing, and compliance risks.

S-OIL also helps auditors improve their competency in auditing by encouraging them to participate in various training programs and assisting them in obtaining professional licenses. We also introduced the Audit Command Language (ACL) for an in-depth data analysis.

The independent Audit Committee and affiliated organizations, a world-class efficient audit system, and audit activities centered on process improvement contribute to enhancing the value of our company. In recognition of these efforts, S-OIL won the grand award in the “13th Audit Awards (corporate category)” in 2012, followed by the Audit Committee Chair’s winning of the auditor award in the “16th Audit Awards (individual auditor category)” in 2015.

Transparent Disclosure of Management Information

S-OIL is fully engaged in diverse IR activities to provide investors with transparent management information and to ensure that the Company is fairly valued.

In addition, we conduct an annual IR satisfaction survey aimed at analysts and reflect the results in our IR activities.

In 2015, we focused on delivering more accurate and persuasive IR messages to investors in order to showcase our growth engine based on the improved market conditions and the RUC&ODC Project. As part of that effort, we proactively engaged in IR activities throughout 2015 by, for example, hosting 8 NDRs both at home and abroad while attending 7 conferences.

Furthermore, we actively monitor revisions or amendments to regulations on disclosure to prevent any non-compliance and build investors' trust. Also, employees and officers are educated on disclosure regulations so that there is no omission of IR.

Thanks to these rigorous efforts, we provided investors with transparent management information by duly making a total of 44 disclosures in 2015. In 2016, S-OIL promises to continue to educate employees on disclosure regulations and conduct monitoring activities so that employees and officers may fully comply with IR regulations.



The 40th general shareholders' meeting



Domestic Credit Rating
AA+

KEY ISSUES

Efforts to Secure Financial Soundness

Systematic Risk Management

Distribution of reated Economic Value to Stakeholders

REPORT SUBJECT

Establish Efficient Capital Financing Plan

Systematic Risk Management

Creation and Distribution of Economic Value

DJSI Assessment on Risk Management
84 points

Management Principles 6

Attain Highest Level of Capital Efficiency

S-OIL is committed to maximizing its corporate value by capitalizing on economic resources to the best effect on the basis of stable financial structure.

Having undertaken the largest-ever investment in new facilities in 2015 in our history, we succeeded in attracting the capital under the most favorable terms by proactively showcasing the economic feasibility of the project and our excellent financial stability to the financial market.

In addition, we effectively respond to all kinds of risks which may arise throughout the business by operating the integrated company-wide risk management process.

ASPECT (REPORTING SCOPE)

MAJOR STAKEHOLDERS

Economic Performance (Inside of S-OIL)

Risk Management (Inside of S-OIL)

Economic Performance (Inside and Outside of S-OIL)

Shareholders & Investors

Shareholders & Investors, Employees, Local Communities, Government

Customers, Local Communities, Employees, Government, Business Partners, Shareholders & Investors





Question

Please explain how S-OIL has received stable ratings from credit rating agencies at home and abroad despite the recent major borrowings.

Eun-Hee Lee, Relationship Manager of NH Bank

Answer

S-OIL has been investing in the integrated refinery-petrochemical complex construction, the largest-ever project in its history. We are well aware of financial institutions raising concerns over the increase in borrowings.

However, we were able to secure the capital for the project in full as we saw a series of phenomenal successes in issuing corporate bonds and concluded agreements on raising capital for the project with financial institutions without setbacks. Furthermore, the timely combination of the rise in crude oil prices and the improved refining margin cleared away uncertainties over the possible instability in our financial status.

This project is expected to contribute to boosting our profit-generating capabilities and profitability through reinforced cost competitiveness while enabling us to draw up a balanced business portfolio by expanding petrochemical business. The anticipated synergy with Saudi Aramco, the largest shareholder, and the guaranteed assistance from it are other positive factors behind the improved ratings as well.

We believe that credit rating agencies in Korea and abroad granted the highest level credit ratings by highly appreciating those factors.

Young-Il Cho, Executive Vice President, CFO



Establish Efficient Capital Financing Plan

Why Is This Important?

S-OIL is pushing forward with the “Residue Upgrading Complex & Olefin Downstream Complex (RUC&ODC)” project, the biggest investment in its history, to secure a new growth engine for sustainable growth. For the success of this project, it is critical to establish an efficient capital financing plan to maintain a sound financial structure.

In response, S-OIL strived to assure financial stakeholders at home and abroad of the new project’s profitability and our excellent financial stability. The efforts enabled us to conclude an agreement on capital financing with highly favorable conditions despite the instability in the financial market.

Our Commitment

Commitments

Raise capital for investments in future growth engines in an optimal manner

Targets in 2015

- Establish an optimal capital financing plan for the RUC&ODC project
- Practice the capital financing plan in a timely manner

Performances in 2015

- Established an optimal capital financing plan for the RUC&ODC project
- Raised a total of KRW 3.1 trillion

Targets in 2016

- Raise capital for the RUC&ODC project in an optimal manner

Our Response

Capital Financing for Securing New Growth Engines

S-OIL has endeavored to come up with an optimal capital financing plan for the RUC&ODC project, the biggest since its foundation.

For example, the Company thoroughly examined and compared not just the traditional way of raising capital in financial markets at home and abroad but also new and innovative measures. We also closely consulted with our major shareholder Saudi Aramco with regard to the influence which the financing for a new major project may have on the Company’s financial stability. Through this process, we were able to devise an optimal plan to raise capital, obtaining the approval for investment in the BOD meeting held in September 2015.

And then, we designated the state-run Korea Development Bank as the main agent for capital financing and concluded a syndicated loan agreement, while staging proactive IR activities for financial institutions to showcase the feasibility of the project and our sustainability. As a result, despite tough conditions in the financial market, we succeed in attracting a major participation of domestic and foreign financial institutions, concluding the syndicated loan agreement of KRW 2.1 trillion with 9 financial institutes in December 2015. This agreement is all the more meaningful in that the capital was raised

as part of the “business investment promotion program” run by the Government, which has recognized our contribution to the national economy and job creation with our major facility investment.

In another effort to secure financial flexibility for the project period, S-OIL issued corporate bonds of KRW 400 billion at a low interest rate while signing a financial agreement valued at KRW 600 billion with four domestic and foreign banks.

By capitalizing on capital raised by an optimal plan and cash flows generated by the favorable business environment, S-OIL will push ahead with the largest facility investment project in its history without setbacks.

Credit Ratings Upgrade at Home and Abroad

Despite large-scale capital financing for the investments in RUC & ODC project, S-OIL has maintained the highest credit ratings among domestic refiners.

International credit rating agencies upgraded S-OIL’s credit outlook in 2015, followed by domestic credit rating agencies’ upgrade in March 2016. Moody’s and S&P cited “S-OIL’s strategic importance to Saudi Aramco, increasing possibility of business and financial support from the parent company, and promising operating results and favorable market conditions” for upgrading S-OIL’s credit ratings.

The superb credit ratings will allow us to raise capital in the domestic and foreign financial markets at competitive conditions.

*For more details about S-OIL’s efficient capital structure, please refer to “Attain Highest Level of Capital Efficiency” page under “Sustainability” menu on our corporate website.

Credit Ratings of S-OIL

(as of December 31, 2015)

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

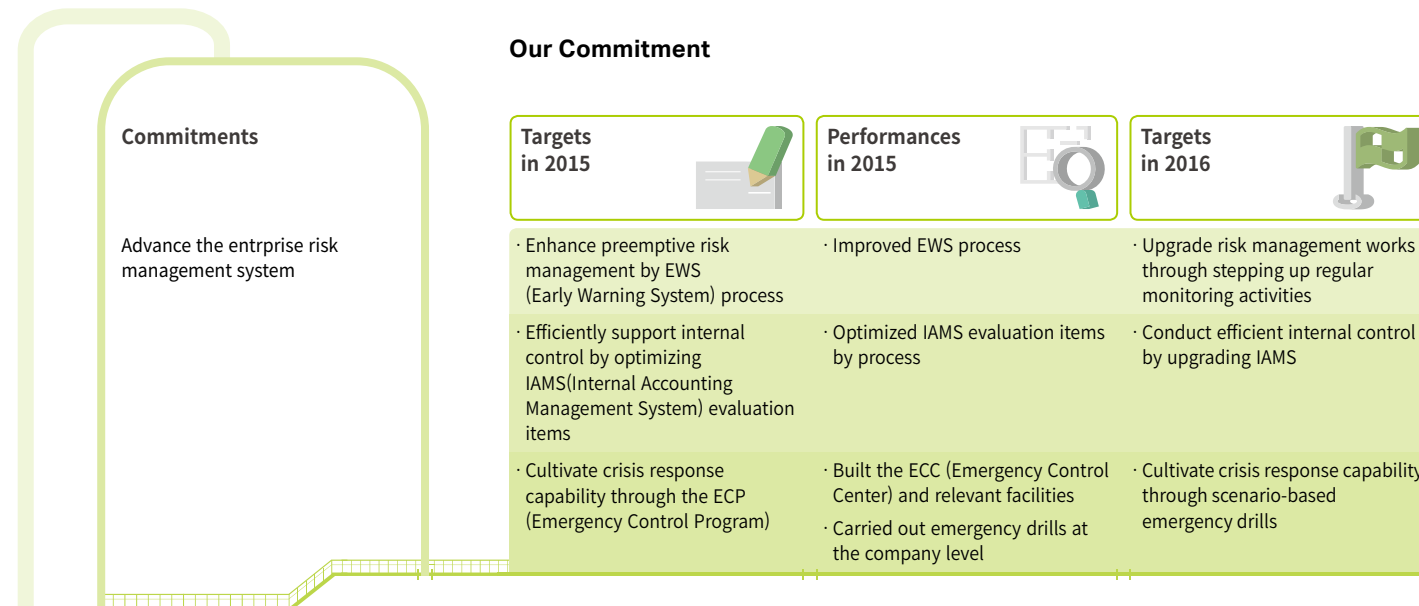
Systematic Risk Management

Why Is This Important?

Today, companies become more likely to be exposed to diverse uncertainties due to the rapidly changing and complicating business environment. Therefore, risk management has become an essential corporate strategy to overcome challenges and ensure sustainable growth through creating economic, social, and environmental values.

S-OIL makes a concerted effort to establish a top-tier risk management system in order to counter all kinds of potential risks and uncertainties in the pursuit of sustainable growth with stakeholders.

Our Commitment



Our Response

Operation of an Integrated Risk Management Process

In order to effectively respond to risks in all aspects of the economy, society, and the environment, S-OIL operates an integrated risk management system. Internal and external risks arising from business activities are collected and managed through the Enterprise Risk Management (ERM), Early Warning System (EWS), Internal Accounting Management System (IAMS), and Emergency Control Program (ECP) to allow employees to perform optimized risk response activities.

Risk Management Governance

S-OIL has established risk management governance which systemically allocates roles from frontline departments to the Board of Directors to ensure an integrated response to risks.

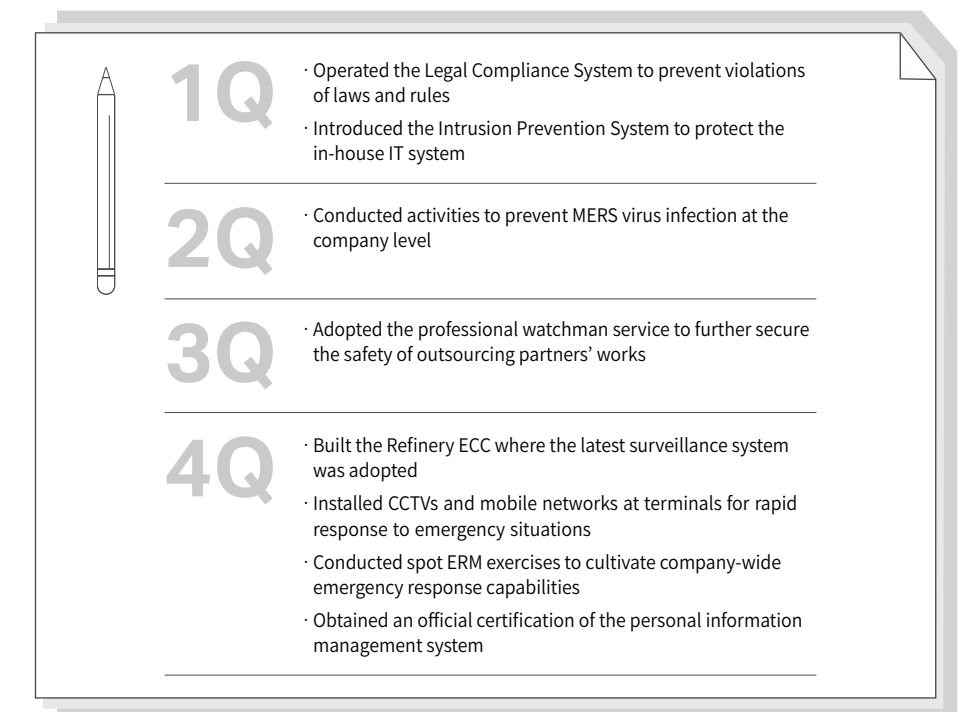
The Enterprise Risk Management (ERM) Committee, spearheaded by top management including the CEO, ensures that the risk management activities are up to the Company's strategic management principles. The ERM Committee receives reports on the company-wide risk management status on a regular basis while supervising the risk management process so that the Company gets alert to an emergency and take prompt countermeasures. Important matters involving risk management are reported to the Board of Directors when necessary to be reflected in the strategic risk management policies.

Company-wide Response System to Key Risks

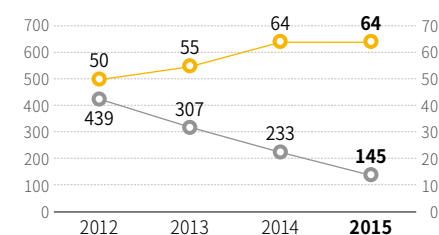
S-OIL operates the ERM to monitor changes in its management environment and finally ensure that risks do not translate into real dangers that hinder the achievement of its management goals.

The ERM makes it possible to preemptively 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.

Major Risk Preventions Activities in 2015



Operation of the EWS



○ No. of monitoring scenarios
○ No. of unusual data

Upgrade of the Early Warning System (EWS)

Based on a thorough analysis of the extensive database of business activities, S-OIL has developed and put in place the Early Warning System (EWS) to promptly respond to unexpected risks.

In 2015, monitoring items of the EWS were divided into independent management items and those requiring cooperation and inspection by relevant departments depending on the importance of scenario, further enhancing voluntary risk management activities by frontline departments.

Optimization of Assessment Items of the Internal Accounting Control System

To ensure that risks are managed under voluntary control, S-OIL runs the Internal Accounting Control System where employees assess their own job processes and job performances independently.

In 2015, we intensively reviewed procurement, IT, HR, general affairs, finance, and cost control processes and then, removed items with low effectiveness while adopting new assessment items, improving the system for more effective controlling activities.

Financial Performances

The following are non-consolidated financial data prepared in accordance with K-IFRS.

Summarized Financial Position (Unit: KRW in millions)

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

Summarized Income Statement (Unit: KRW in millions)

Item	2013	2014	2015
Revenue	31,158,528	28,557,562	17,890,272
Cost of sales	(30,229,317)	(28,282,216)	(16,438,773)
Gross profit	929,211	275,346	1,451,499
Selling expenses	(475,847)	(479,102)	(532,845)
Administrative expenses	(87,320)	(85,948)	(101,050)
Operating profit	366,044	(289,704)	817,604
Financial income	290,879	220,230	145,960
Financial expenses	(250,001)	(329,258)	(253,480)
Other income	517,835	480,780	491,316
Other expenses	(537,965)	(468,024)	(392,871)
Profit before income tax	386,792	(385,976)	808,529
Income tax expense	(97,486)	97,811	(180,393)
Net income	289,306	(288,165)	628,136
Other comprehensive income	(3,082)	(37,214)	(22,303)
Total comprehensive income	286,224	(325,379)	605,833

Payout of Dividends (Unit: KRW in millions)

Classification	2013	2014	2015
Total dividends paid	154,935	17,559	279,505
Cash dividend propensity (%)	53.49	-	44.27
Cash dividend yield(%)	Common 1.81 Preferred 2.52	0.30 0.55	2.97 5.09
Cash dividends per share (KRW)	Common 1,330 Preferred 1,355	150 175	2,400 2,425

Major Financial Indicators (Unit: %, multiples)

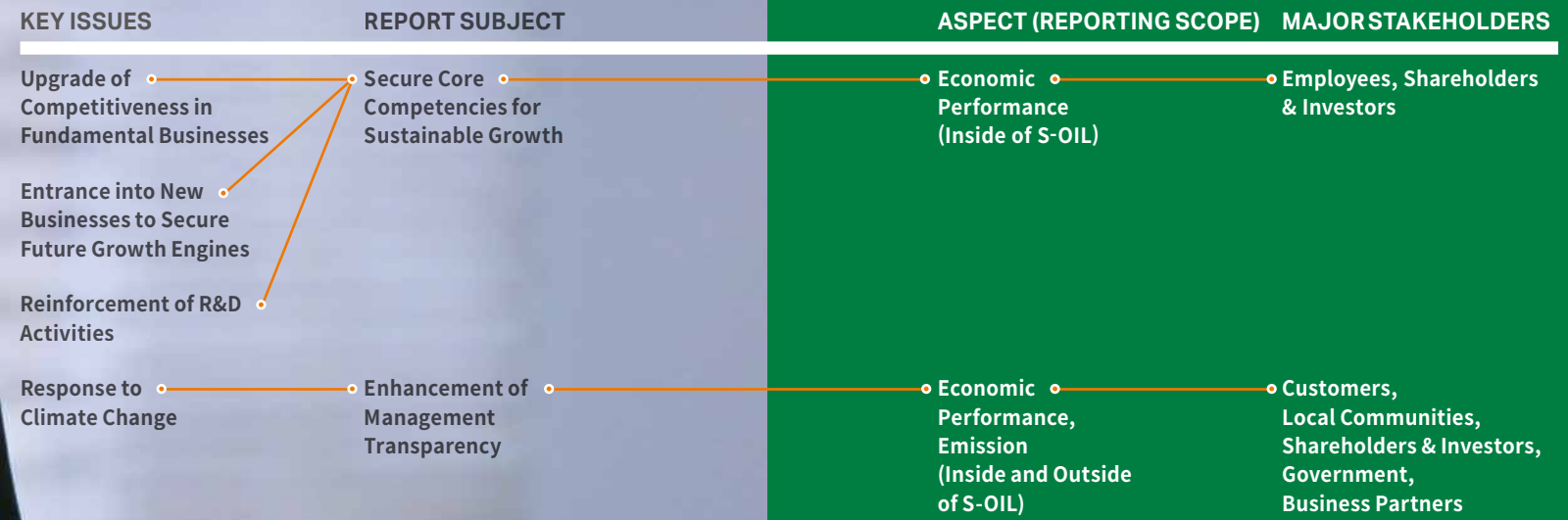
Stability	2013	2014	2015
Current ratio	134.44	144.28	176.54
Total liabilities to equity ratio	122.73	108.99	100.39
Borrowings to total assets	26.91	35.49	33.34
Times interest earned	6.83	(6.79)	22.82

Profitability	2013	2014	2015
Operating income to sales	1.17	(1.01)	4.57
Net income to sales	0.93	(1.01)	3.51
Return on equity	5.40	(5.62)	12.21
Operating cash flow to total assets	6.50	8.51	24.59

Growth and Activity	2013	2014	2015
Sales growth ratio	(10.27)	(8.35)	(37.35)
Operating income growth ratio	(53.18)	(179.14)	382.22
Net income growth ratio	(50.12)	(199.61)	317.98
Total assets growth ratio	(4.62)	(13.98)	5.23

Distribution of Created Economic Value (Unit: KRW in billions)

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



Management Principles 7

Develop Platform for Sustainable Growth

Aiming to secure the core capabilities necessary for sustainable growth, S-OIL is pushing ahead with the efficiency improvement project of production facilities and the construction of the integrated refinery-petro-chemical complex.

The international community has demonstrated their firm determination on responding to climate change as parties to the United Nations Framework Convention on Climate Change have signed the Paris Agreement. Exploring the risk and opportunity factors in this trend to be reflected in our management activities, we play our role in the global response to climate change.





Question

S-OIL has recently undertaken a large-scale investment in the RUC&ODC project. How will such efforts affect S-OIL and the domestic industry and the national economy as a whole?

Dong-Ho Kang, Partner and Cleantech Leader of Deloitte Anjin

Answer

Once the project is completed, S-OIL expects to dramatically boost profitability by producing high value added products such as propylene and gasoline in a much larger volume while lowering the share of lower-priced heavy oil. Furthermore, by expanding our business portfolio to olefin downstream business in addition to the existing refining, lube, and aromatics, we will grow into the most profitable and integrated energy company with a balanced business structure.

These efforts will have a positive effect on the domestic industry and the national economy as well. The investment amounting to KRW 5 trillion will stimulate production in many domestic industries from machinery and facilities to steel, contributing to job creation not just during the construction period but also after facility operation. Moreover, the project will lead to a fair competition in the domestic PO market most of which is imported due to the limited supply by businesses which monopolize the local market, improved trade balance by replacing imports, and investment increase in related businesses.

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



Reduction of GHG Emissions from
the Previous Year (Scope1,2)

36,000 tons CO₂e

Secure Core Competencies for Sustainable Growth

Why Is This Important?

Due to the prolonged global economic recession, intensifying competition among refiners, and the uncertain business environment, it is imperative for companies to secure a long-term growth strategy and core competencies for survival and sustainability.

Through years of extensive study and preparation, S-OIL has perceived that its sustainable growth can be realized through the maximization of operational excellence and cultivation of new growth engines. To that end, we have enhanced profitability by further improving operational excellence of existing refining facilities, while pushing forward with the “Residue Upgrading Complex & Olefin Downstream Complex” project.

Going forward, S-OIL pledges to secure its competitive edge by making far-sighted investments and exerting strategic flexibility that can generate stable values in the face of the fluctuating external conditions, ultimately laying the foundation for sustainable growth.

Our Commitment

Commitments

Successfully complete the RUC&ODC project

Enhance technological competitiveness to create future value

Improve profitability of existing facilities through the SUPER project

Targets in 2015

- Break ground for the RUC&ODC project
- Prepare the establishment of the TS Center to enhance technological competitiveness and support new businesses
- Secure a technological base to create future value
- Revamp the Hydrocracker
- Begin the 1st stage of revamping the aromatics production complex
- Begin the 1st stage of revamping the asphalt production complex

Performances in 2015

- Decided to invest in the project based on the result of detailed design
- Accelerated the preparation for building the TS Center
- Secured talents
- Cooperated with the domestic leading universities for joint research
- Completed the upgrade of the Hydrocracker
- Completed the 1st stage of revamping the aromatics production complex
- Completed the 1st stage of revamping the asphalt production complex

Targets in 2016

- Focus company-wide capabilities on successfully conducting the project
- Prepare the entrance into the olefin downstream business
- Start the construction of the TS Center
- Continue efforts for securing talents
- Build an organization for supporting systematic TS functions
- Revamp the lube base oil production complex
- Revamp the RFCC
- Revamp the ultra low sulfur diesel production complex

Our Response

Successful Completion of the RUC&ODC Project

Through years of meticulous examination into the strategic directions, S-OIL has decided to invest about KRW 5 trillion, the largest investment volume in its history, to construct the most advanced Residue Upgrading Complex and an Olefin Downstream Complex utilizing olefins from the newly built upgrading complex as feedstock. We will focus our capabilities on successfully completing this project.

Upon its completion, the Residue Upgrading Complex will significantly enhance our profitability by converting heavy fuel oil, which has a value lower than crude oil and therefore is experiencing a decline in market demand and profitability due to toughening environmental regulations, into high value-added gasoline and olefins. Furthermore, the Olefin Downstream Complex, poised to be built together with the Residue Upgrading Complex, will bring unmatched competitiveness to the Company, through the technology partnership and comprehensive collaboration with the world's leading petrochemical companies and feedstock of low cost.

With the construction of the Olefin Downstream Complex, S-OIL plans to make forays into the Polypropylene (PP) and Propylene Oxide (PO) businesses to extend its value chain to Polypropylene and Polyurethane areas. These new businesses will enable S-OIL to cope effectively with the industry trend of applying higher quality materials in the more value-added products used for information technology and biotechnology fields. Also S-OIL seeks to wean the domestic industry off the heavy reliance on imported materials like PO whose domestic supply is limited, thereby creating a stable income stream and dramatically enhancing the effectiveness and competitiveness of the domestic PU business and related industry. To that end, we crafted a scrupulous business strategy to realize high profitability. S-OIL will strive to discover potential customers home and abroad while expanding cooperation with business partners in pushing ahead with the project.



Ground-breaking ceremony for the RUC&ODC project



Efforts to Reinforce the Capabilities of Technical Service (TS)

To secure the competitiveness to guarantee a company's sustainable growth, it is essential to enhance Technical Service (TS) capabilities needed for product development and technical assistance tailored to meet market needs. To this end, S-OIL signed a contract with the Seoul Metropolitan Office in 2014 to enter the R&D Complex in Magok District where it will construct the Fuel Oil/Lube Oil Engine Test Building for the existing fuel business and the Chemical TS Center for expanding TS activities in the olefin downstream business on a site spanning 29,100 square meters.

In particular, given that in the olefin downstream business is the market-oriented business to meet diverse customer needs, the Chemical TS Center will lay the foundation for technical

assistance for customers and development of core technology and product to ensure the Company successfully establishes the olefin downstream business. The role of the Chemical TS Center will be further reinforced with the expansion of the olefin downstream business and, in the long term, lead the exploration of new business opportunities and commercialization through competitive new technology.

Also, we are promoting cooperation with technology licensors at home and abroad for TS capability enhancement while developing educational programs. To implement TS activities in a more efficient and practical manner, S-OIL is working to establish an organized technology task support system and technology support process. Besides, S-OIL has been in talks for concluding agreement on joint research with prestigious colleges since 2015, dedicating itself to nurturing talents and securing technology.



Fuel Oil/Lube Oil Engine Test Building and Chemical TS Center (Bird's-eye View)



Signed a license agreement with Sumitomo Chemical

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

The SUPER project is being undertaken for the following three purposes: first, increasing the production capacity of high value-added diesel through revamping the existing residue upgrading complex; second, securing higher process volume and quality of aromatics and lube base oil through revamping production facilities; and third, reducing operating costs, raising energy efficiency, and improving process reliability based on long-term plans.

Following the approval for investment by the Board of Directors in 2014, the SUPER project has been continuing in three phases (Package 1, 2, and 3) on the EPC contract basis in consideration of the project scale and implementation feasibility. The three phases will be completed by November 2015, November 2016, and May 2017, respectively.



Completed the upgrade of the hydrocracker

In 2015, S-OIL successfully completed the upgrade of the hydrocracking complex, resulting in increasing production volumes of high value-added diesel, kerosene, and lube base oil beyond the plan. The production volume of petrochemicals such as paraxylene also rose backed by the timely completion of the first stage of revamping the aromatic complex.

In 2016, S-OIL plans to complete revamping of the lube base oil production complex, the RFCC complex, and the ultra low sulfur diesel production complex, followed by an upgrade of the aromatics production complex scheduled for 2017.

Upon the completion of these projects, our competitive edge in main businesses will be further solidified. S-OIL will continue to develop, plan, and implement the next SUPER projects to revamp major production facilities and secure high profitability.

Response to Climate Change

Why Is This Important?

The world has finally joined hands in responding to climate change in December 2015 when 195 nations submitted their commitments on greenhouse gas emission cuts during COP21 in Paris. Korea pledged to cut greenhouse gas emissions by 37% on the basis of BAU by 2030. As part of this commitment, Korea introduced the Emissions Trading scheme in 2015.

S-OIL also joins the global effort in responding to climate change by analyzing risks and opportunities in line with this change and reflects them in management activities.

Our Commitment



Our Response

Response to Emissions Trading Scheme

The establishment of an exact carbon inventory is critical in systematic response to emissions trading scheme.

Recognizing this, S-OIL has been measuring the company-wide greenhouse gas emissions on a monthly basis with its IT-based carbon inventory system established in 2012. Additionally, in its preemptive response to the introduction of emissions trading scheme, we completed the advancement of the carbon management system to support diversified decision making. The system is applied to the decision making process with regard to: anticipation of future emissions based on mid- and long-term plans and annual operation plans; estimation of the carbon reduction unit cost of the energy saving project; and improvement task identification through analysis of carbon intensity of respective processes.

Furthermore, we overhauled the in-house procedure to establish a cooperative system on the emissions operation plan and emissions accounting. Also, the evaluation of economic feasibility including carbon costs is intimately involved in our decision making process on investment.

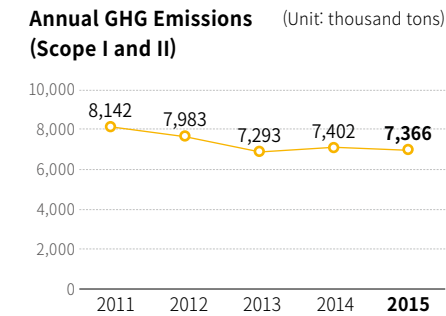
S-OIL plans to continue to advance the carbon management system to better respond to emissions trading scheme in a more efficient manner in 2016.

Reduction of GHG Emissions

S-OIL has made a concerted effort to develop energy efficiency improvement tasks in order to reduce direct emissions of greenhouse gas. In terms of the number of projects carried out for the past years, 18 projects were completed in 2013, 17 in 2014, and 10 in 2015. As a result, S-OIL cut about 776,000 tons of greenhouse gas emissions in 2015 compared with 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 has renewed the certification every two years. We have also been selected as the excellent company of the Carbon Disclosure Project (CDP) for four consecutive years since 2012.



Eco Campaign

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, for example, by announcing the “Sustainable Korea 2030” with KBCSD and advising the Government on policy making.

S-OIL is promoting a power generation project by recycling waste heat. This project is expected to improve the energy efficiency in local communities and reduce 61,000 tons of greenhouse gas every year. In addition, we have been organizing the Eco Campaign since 2012 to raise consumers’ awareness of carbon reduction. Last year’s campaign to stop car engine idling was particularly well received by car drivers.

Business Diversification to Meet Changing Oil Demand

The global efforts to address climate change are likely to affect the demand for fuel oil in the long term.

Turning the challenge into opportunity, S-OIL is pushing ahead with a major project to convert fuel oil into a high value added petrochemical feedstock. Furthermore, we seek to diversify our business portfolio by advancing into the olefin downstream business based on the petrochemical feedstock.

Drawing upon our extensive business experience, S-OIL will strive to proactively respond to the changing demand for products in the long term brought on by climate change.

Independent Assurance Statement

To the Stakeholders of S-OIL

The Korea Productivity Center (hereinafter the “Assurer”) was appointed by S-OIL to provide independent assurance of its “S-OIL Sustainability Report 2015 and the Sustainability section on its website” (hereinafter the “Report”), and hereby presents the following assurance statement.

Responsibility and Independence

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

Assurance Standard

This assurance was conducted in accordance with the ISAE 3000 and AA1000AS(2008) to provide Type 2 assurance which means that a comprehensive review was conducted on the effectiveness and reliability of the reporting standards. The level of assurance is based on the reduction of risk at a limited degree as defined in the ISAE 3000 which is the same as the Moderate Level defined in the AA1000AS(2008).

Limitations

The Assurer verified the S-OIL Sustainability Report in 2015 based on the aforementioned assurance standards. The on-site verification was carried out at the Head office in Seoul and the Refinery in Onsan. The financial data in the Report was verified through the financial statements and disclosure information which was audited by an auditor while its environmental and social performance data was verified in accordance with the Type 2 Moderate Level and sampling method.

Methodology

This assurance was conducted through the following methods:

- Verified if the requirements for comprehensive options of GRI G4 Guidelines were fulfilled.
- Verified the compliance with the principles of the Report contents and quality based on GRI G4 Guidelines.
- Verified the suitability of the contents and any errors in expression through comparison analysis with other sources.

- Verified the basis of core data and information and the internal process and system through on-site inspection at the Head office in Seoul and the Refinery in Onsan.

Findings and Conclusion

It is the Assurer’s opinion that the Report represents the sustainability efforts and performance results of S-OIL in a fair and accurate way. In addition, the Assurer verified if the requirements for comprehensive options of GRI G4 Guidelines were fulfilled. General Standard Disclosures were prepared in full compliance with the requirements for comprehensive options while Specific Standard Disclosures were reviewed in line the DMA (Disclosure on Management Approach) and indicators of the material issues identified through the process of determining report content as follows:

Material Issues	Material Aspect	DMA & Indicators
Activities to Strengthen Safety Management	Occupational Health and Safety	DMA, LA5-8
	Customer Health & Safety	DMA, PR1-2
	Asset Completeness & Process Safety	DMA, OG-13
Evaluation on and Management of Environmental Impacts	Materials	DMA, EN1-2
	Energy	DMA, EN3-7, OG2-3
	Water	DMA, EN8-10
	Emissions	DMA, EN15-21
	Effluents and Waste	DMA, EN22-26, OG5-7
	Compliance	DMA, EN29
Efforts to Save Energy and Enhance Energy Efficiency	Overall	DMA, EN31
	Energy	DMA, EN3-7, OG2-3
Efforts to Sharpen Product Competitiveness	Product & Service Labeling	DMA, PR3~7
Activities to Improve Brand Value	-	-
Acceleration of Global Marketing for Sustainable Growth	-	-
Customer Satisfaction Activities	Product & Service Labeling	DMA, PR3~7
Strategy Linked Company-wide Social Contribution Activities	Local Communities	DMA, SO1~2
Efforts to Expand the Cultural Base of Society	Local Communities	DMA, SO1~2
Contribution to the National Economy through Refining Business	Indirect Economic Impacts	DMA, EC7~8
Rational and Fair HR System	Employment	DMA, LA1~3
Diverse Activities to Support Growth of Employees	Training & Education	DMA, LA9~11
Organizational Culture and Welfare Benefit System for Win-win Growth	Economic Performance	DMA, EC1~4

Material Issues	Material Aspect	DMA & Indicators
Transparent Corporate Governance	-	-
Enhancement of Compliance Management	Compliance	DMA, SO8
Enhancement of Ethics Management of the Company and Business Partners	-	-
Enhancement of Corporate Transparency	-	-
Efforts to Secure Financial Soundness (Raising Funds for New Project)	-	-
Systematic Risk Management	-	-
Rational Distribution of Created Economic Value to Stakeholders	Economic Performance	DMA, EC1~4
Upgrade of Competitiveness in Fundamental Businesses	-	-
Entrance into New Businesses to Secure Future Growth Engines	-	-
Reinforcement of R&D Activities	Economic Performance	DMA, EC1~4
Response to Climate Change	Emission	DMA, EN15-21

Inclusivity: Stakeholder Engagement

The Assurer confirmed that S-OIL defines C.E.O., customers, employees, shareholders and owners, and other stakeholders as its key stakeholders and classifies their expectations and communication channels. It is verified that the input provided by the key stakeholders is applied in its practice. The company also conducts annual survey to select key issues that affect its stakeholders as part of its process to promote their engagement.

Materiality: Identification and Reporting of Material Issues

The Assurer verified that S-OIL used a materiality test process for identifying the key issues regarding its industries and corporation. The validation review process in particular is used to ensure that the intent of the senior management is reflected in the selection of key issues. This is a part of its efforts to implement sustainability management at a corporate-wide level. The selected issues are reported in line with the management principles to represent its response to these issues.

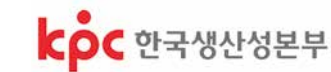
Responsiveness: Organization's Response to Issues

The Assurer verified that S-OIL identified major expectations that affect the stakeholders’ performance and took necessary measures in response to them. The interviews conducted with the officers who are in charge of each management issue provide valuable insights into their response to the issues. The company fully disclosed its responsive activities and performance on sustainability issues.

Recommendation

The Assurer recognizes the diverse efforts and performance made by S-OIL and suggests the following for the company's publication of the Report in the future and the improvement of its sustainability standards:

- S-OIL uses various channels to promote communication with its stakeholders and their engagement based on the characteristics of groups. It is advised to report its policies and activities in response to the stakeholders' input on a regular basis.
- The sustainability of the entire supply chain is the key to increase the level of S-OIL's sustainability. To that end, it is important to identify the factors that influence the sustainability in economic, environmental and social aspects within the supply chains. Once these risk factors are identified, their analysis and efforts to mitigate and reduce the risk needs to be implemented. Comprehensive disclosure of sustainability analysis and performance will help the stakeholders gain insight into S-OIL's entire supply chain.



May 2016
CEO Sun-jick Hong

Dong-soo Kim, Director

Yang-ho Lee, Team Manager

Seung-sang Lee, Team Manager

Seung-taek Cheong, Senior Fellow

The Sustainability Management Center of the Korea Productivity Center is a fully qualified independent assurance agency. It is officially certified by Accountability that established AA1000, the international standard for stakeholder engagement and assurance. It has the Assurance Committee with of experienced experts who are qualified for the consultation and assurance of sustainability practice.

• AA1000AS(2008): AA1000 Assurance Standard (2008) is the global assurance standard established by Accountability to provide a comprehensive way of verifying an organization's management, compliance with the principles and reliability of performance data for reporting its sustainability issues.

• AA1000APS(2008): AA1000 Accountability Principles Standard (2008) is the global assurance principles established Accountability to provide the basis for the AA1000 Assurance Standard.

GRI G4 Content Index

KPC verified that the S-OIL Sustainability Report 2015 meets the requirements for GRI G4 Guidelines 'in accordance' option comprehensive.

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.	2-3	●		76-77
G4-2	Provide a description of key impacts, risks, and opportunities.	cover	●		76-77
Organizational Profile					
G4-3	Report the name of the organization.	cover	●		76-77
G4-4	Report the primary brands, products, and services.	cover	●		76-77
G4-5	Report the location of the organization's headquarters.	cover	●		76-77
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	cover	●		76-77
G4-7	Report the nature of ownership and legal form.	cover	●		76-77
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	cover	●		76-77
G4-9	Report the scale of the organization.	cover	●		76-77
G4-10	Report the total number of employees.	cover	●		76-77
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	78	●	74.9%	76-77
G4-12	Describe the organization's supply chain.	cover, 4-5	●		76-77
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	cover	●		76-77
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	64-65	●		76-77
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	82	●		76-77
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization.	82	●		76-77
Identified Material Aspects and Boundaries					
G4-17	(1) List all entities included in the organization's consolidated financial statements or equivalent documents. (2) Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	cover	●		76-77
G4-18	(1) Explain the process for defining the report content and the Aspect Boundaries. (2) Explain how the organization has implemented the Reporting Principles for Defining Report Content.	4-5	●		76-77
G4-19	List all the material Aspects identified in the process for defining report content.	5	●		76-77
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	5	●		76-77
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	5	●		76-77
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	6-7	●		76-77
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	cover, 6-7	●		76-77
Stakeholder Engagement					
G4-24	Provide a list of stakeholder groups engaged by the organization.	4-5	●		76-77
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	cover	●		76-77
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.	4-5	●		76-77
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.	4-5	●		76-77
Report Profile					
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	cover	●		76-77
G4-29	Date of most recent previous report (if any).	cover	●		76-77
G4-30	Reporting cycle (such as annual, biennial).	cover	●		76-77
G4-31	Provide the contact point for questions regarding the report or its contents.	cover	●		76-77
G4-32	(1) Report the 'in accordance' option the organization has chosen. (2) Report the GRI Content Index for the chosen option (see tables below). (3) Report the reference to the External Assurance Report, if the report has been externally assured. (GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.)	76-77	●		76-77

General Standard Disclosure

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

G4	Indicator	Reported Page	Report Coverage	Note	External Assurance
G4-33	(1) Report the organization's policy and current practice with regard to seeking external assurance for the report. (2) If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. (3) Report the relationship between the organization and the assurance providers. (4) Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	cover	●		76-77
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.	52-53	●		76-77
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.	52-53	●		76-77
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.	52-53	●		76-77
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.	52-53	●		76-77
G4-38	Report the composition of the highest governance body and its committees.	52-53	●		76-77
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).	52-53	●		76-77
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.	52-53	●		76-77
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.	52-53	●		76-77
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.	52-53	●		76-77
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	52-53	●		76-77
G4-44	(1) Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. (2) Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	52-53	●		76-77
G4-45	(1) Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. (2) Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	52-53	●		76-77
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.	52-53	●		76-77
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	52-53	●		76-77
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.	4-5	●		76-77
G4-49	Report the process for communicating critical concerns to the highest governance body.	52-53	●		76-77
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.	52-53	●		76-77
G4-51	(1) Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration. (2) Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	52-53	●		76-77
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.	52-53	●		76-77
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.	52-53	●		76-77

GRI G4 Content Index

General Standard Disclosure

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

G4	Indicator	Reported Page	Report Coverage	Note	External Assurance
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	80	●	The CEO is the highest-paid individual in the company. His annual total compensation is five times the median annual total compensation for all employees (excluding the CEO). And it is applied by the same increase rate of annual total compensation for all employees.	76-77
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.	80	●		
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	56-57	●		76-77
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.	56-57	●		76-77
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.	56-57	●		76-77

Specific Standard Disclosures

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

G4	Indicator	Reported Page	Report Coverage	Note	External Assurance
Disclosures on Management Approach					
DMA	(1) Why the Aspect is material. Report the impacts that make this Aspect material (2) How the organization manages the material Aspect or its impacts (3) The evaluation of the management approach		●		76-77
Performance Indices by Aspects					
Economic					
Economic Performance					
G4-EC1	Direct economic value generated and distributed	67	●		76-77
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	74-75	●		76-77
G4-EC3	Coverage of the organization's defined benefit plan obligations	48	●		76-77
G4-EC4	Significant indirect economic impacts, including the extent of impacts	-	N/A		76-77
Environmental					
Energy					
G4-EN3	Energy consumption within the organization	7	●		76-77
G4-EN4	Energy consumption outside of the organization	7	●		76-77
G4-EN5	Energy intensity	80	●	Energy use per UEDC • 2013: 39.1 MJ/kUEDC • 2014: 36.0 MJ/kUEDC • 2015: 39.4 MJ/kUEDC	76-77
G4-OG2	Total amount invested in renewable energy	-	N/A		76-77
G4-OG3	Total amount of renewable energy generated by source	-	N/A		76-77
G4-EN6	Reduction of energy consumption	20-21	●		76-77
G4-EN7	Reductions in energy requirements of products and services	74-75	●		76-77
Water					
G4-EN8	Total water withdrawal by source	7	◐		76-77
G4-EN9	Water sources significantly affected by withdrawal of water	-	N/A		76-77
G4-EN10	Totawater withdrawal by source	7	●		76-77
Emission					
G4-EN15	Direct greenhouse gas (GHG) emissions	7	●		76-77
G4-EN16	Indirect greenhouse gas (GHG) emissions	7	●		76-77
G4-EN17	Other indirect greenhouse gas (GHG) emissions	7	●		76-77
G4-EN18	Greenhouse gas (GHG) emissions intensity	7	●		76-77

Specific Standard Disclosures

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

G4	Indicator	Reported Page	Report Coverage	Note	External Assurance
G4-EN19	Reduction of greenhouse gas (GHG) emissions intensity	75	●		76-77
G4-EN20	Emissions of ozone-depleting substances (ODS)	-	N/A		76-77
G4-EN21	NOx, SOx and other significant air emissions	7	●		76-77
Effluents and Wastes					
G4-EN22	Total water discharge by quality and destination	7	●		76-77
G4-EN23	Total weight of waste by type and disposal method	7	●		76-77
G4-EN24	Total number and volume of significant spills	18-19	●		76-77
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		76-77
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		76-77
Products and Services					
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	75	●		76-77
Compliance					
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	81	●	No violation for recent 3 years	76-77
Overall					
G4-EN31	Total environmental protection expenditures and investment by type	7	◐		76-77
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	43	●		76-77
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	42-49	●		76-77
G4-LA3	Return to work and retention rates after parental leave, by gender	43	●		76-77
Training and Education					
G4-LA9	Average hours of training per year per employee by gender, and by employee category	6	●		76-77
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	44-46	◐		76-77
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	42	●		76-77
Diversity and Equal Opportunity					
G4-LA12	Composition of governance bodies and breakdown of employees	43	●		76-77
Human Rights					
Non-discrimination					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	42	●		76-77
Society					
Local Communities					
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	10-11, 34-39	◐		76-77
G4-SO2	Operations with significant actual and potential negative impacts on local communities		◐		76-77
Supplier Assessment for Impacts on Society					
G4-OG10	Number and description of significant disputes with local communities and indigenous peoples	-	N/A		76-77
G4-OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned		N/A		76-77
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	25	●		76-77
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	81	●	No violation for recent 3 years	76-77

UNGC Index

	UNGC 10 Principles	Contents	Page
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	Provide best-in-class work environment · Performance-based Corporate Culture · Reinforcement of Human Resources · Work-Life Balance	
	Principle 2. Businesses should make sure that they are not complicit in human rights abuses.		
Labour Standards	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.		40~49
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.		
	Principle 5. Businesses should uphold the effective abolition of child labor.		
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.		
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges.	Achieve operational excellence · Enhancement of Operational Excellence · Minimization of Impacts on the Environment · Reinforcing Safety Management	12~21, 68~75
	Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.		
	Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.		
Anti-Corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	Pursue global best practices of corporate governance · Ensuring the Soundness of Corporate Governance · Commitment to Compliance Management · Community-engaged Ethics Management · Enhancement of Management Transparency	50~59

Accolades

Month	Accolades and Recognitions	Awarded by
July	Fortune Global 500 (439th)	Fortune, U.S.
September	Selected as the company with the best corporate governance	Korea Corporate Governance Service
September	Listed on the DJSI World Index (Oil & Gas Producer)	S&P Dow Jones, Robeco SAM, Korea Productivity Center
October	Won the Gold Tower Order of Industrial Service Merit (CEO Nasser Al-Mahasher)	Ministry of Trade, Industry and Energy
October	Carbon Management Global Leaders Club: 1st in the Energy & Utility Sector	Carbon Disclosure Project Korea (CDP Korea) Committee

Association Memberships

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



S-OIL welcomes your feedback on the S-OIL Sustainability Report 2015. Please contact us with your opinions and suggestions.

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Readers' Opinions

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

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

2. How did you learn about S-OIL's Sustainability Report 2015?

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

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

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

<Section>

- ① CEO's Message ⑧ Contribute to Society
 ② Stakeholder Engagement & Materiality Test ⑨ Provide Best-in-Class Work Environment
 ③ Key Sustainability Management Performances ⑩ Pursue Global Best Practices of Corporate Governance
 ④ SPECIAL REPORT 1. Communicating with Stakeholders ⑪ Attain Highest Level of Capital Efficiency
 ⑤ SPECIAL REPORT 2. Growing Together with Stakeholders ⑫ Develop Platform for Sustainable Growth
 ⑥ Achieve Operational Excellence ⑬ Others ()
 ⑦ Enhance Customer-Centric Management

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

- Yes No

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

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

From



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S-OIL SUSTAINABILITY REPORT 2015



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