

About This Report

Reporting Scope

S-OIL has published annual Sustainability Report since 2008. This report covers the Company's activities at the Head Office in Seoul, Onsan Refinery in Ulsan, terminals, and sales offices in Korea from January 1 through December 31, 2017. All performance indicators and related data cover four-year trends, from 2014 to 2017, and material managerial changes partially cover 2018, which is the year the report is published. 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).

Reporting Guidelines

This report adopted GRI Standards (Core option) and added annotations when applying the Company's own management standards.

Assurance

The reliability of this report was verified based on the AA1000AS(2008) and ISAE3000 International Assurance Standards by an independent and objective assurance institution. The assurance statement can be found in the appendix of this report.

Communication with Stakeholders

Sustainability management at S-OIL starts from communication with stakeholders. To this end, this report is organized around C.E.O. (Customers, Employees, Owners & Other Stakeholders) for communication with stakeholders. The Company conducted a wide range of stakeholder surveys, interviews and meetings to identify their concerns and expectations and to introduce its 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 its website (www.s-oil.com). Please contact the Sustainability Management Team (82-2-3772-5238, sustainability@s-oil.com) for additional information or inquiry regarding this report.

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S-OIL Sustainability Report
2017



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CEO's Greetings



Dear valued stakeholders of S-OIL,

On the occasion of publishing the Sustainability Report 2017, I would like to take this opportunity to express my sincere appreciation to all stakeholders for your invariable support and trust in S-OIL.

S-OIL is committed in creating well-balanced economic, environmental and social values that are consistent with our stakeholders' expectation and to being a contributor to the sustainable growth of the national economy and society at large.

In 2017, we achieved highest net income after tax of KRW 1,249 billion in our history on the back of proactive responses to the changing business environment and stable operation of production facilities

First of all, S-OIL achieved highest level of corporate governance and management transparency through strict compliance and ethics management. We maintained sound financial structure and credit rating through innovative cost saving initiatives, a feat we achieved despite the large-scale financing. We successfully completed SUPER Project (S-OIL Upgrading Project of Existing Refinery), which was aimed at making our existing businesses more competitive, and significantly increased profitability. We improved the Company's safety culture to world-class level through systematic safety, health and environmental management, and preemptive prevention and inspection activities. And, we continuously cut down on GHG emissions with Company-wide energy saving initiatives. Also, we successfully managed various business risks through robust Enterprise Risk Management (ERM) programs.

Our efforts were duly recognized by others. S-OIL was selected as Dow Jones Sustainability Indices (DJSI) World Company for eight consecutive years. We topped all listed companies in environmental, social and governance (ESG) ratings by Korea Corporate Governance Service (KCGS).

We achieved an all-time-high retail light oil market share in the domestic market and widened stable sales foundation in export markets by furthering partnership with key customers and building a stronger presence in strategic markets. Internally, we continued to drive innovation in the Company's HR system towards well-designed career development of our workforce and future talent development. We also promoted work & life balance underpinned by pioneering HR programs and work process improvement as part of driving change in the corporate culture. In addition, we strived to spread the value of sharing by carrying out differentiated CSR programs unique in S-OIL and preserving the ecosystem.

I am pleased to share with you that we are making a smooth progress on the Residue Upgrading Complex & Olefin Downstream Complex Project (RUC/ODC Project), which is the largest investment ever in the history of S-OIL. We delivered mechanical completion in the first half of this year and we are now putting Company-wide efforts towards successful commercial operation scheduled in the second half of 2018.

Above all, we declared Vision 2025 to become "the most competitive and admired energy & chemical company in Asia Pacific, with excellence in operations, strategic investment, and human talent" to ensure the Company's sustainable growth after successful completion of RUC/ODC Project. We accordingly defined Strategic Targets, Core Values, Strategic Objectives and Investment Roadmap to deliver the vision.

S-OIL will not settle for past glories. We will constantly push ourselves to turn Vision 2025 into a reality by internalizing and representing S-OIL's core values that guided the Company towards successful strategies and investments in the past. We will also put in best efforts to meet our social responsibilities as a trusted corporate citizen and deliver sustainable growth together with stakeholders. As we look to the future, I look forward to your warmhearted support and guidance.

Thank you very much.



Othman Al-Ghamdi
Representative Director and CEO

Corporate Profile

S-OIL is committed to fulfilling its responsibility as a good corporate citizen and living up to the needs and expectations of diverse stakeholders.

Business sites
 Head Office in Seoul: Marketing, finance, general services, etc.
 Onsan Refinery: Production & shipping
 12 product terminals/depots: Product storage & shipping
 3 District Biz HQs, 22 domestic & 4 overseas offices: Product sales



Affiliated companies
 S-International Ltd.: A 100%-owned crude oil trading broker
 S-OIL Total Lubricants Co., Ltd.: A lubricant production/sales JV with 50%+1 share (with France's TOTAL)
 North East Chemicals Co., Ltd.: A 100%-owned liquid chemicals handling & storing company



Products

- gasoline
- premium gasoline
- diesel
- kerosene
- aviation gasoline
- LPG
- fuel oil(bunker-A, bunker-C, LSF0)
- asphalt

Fuel Business

Since commercial operation of the 90,000 barrels/day No. 1 CDU in 1980, S-OIL has grown into a large oil refining company with a production capacity of 669,000 barrels/day through two major capacity expansions. In addition, the Company operates light oil desulfurizing facilities and gasoline manufacturing facilities.

The Company proactively responded to the growing demand for light oil products and the toughening environmental regulations worldwide by operating Bunker-C Cracking Center (BCC), which is large-scale upgrading facilities capable of converting products into light oil and low sulfur products, ahead of others from mid-1990s. Converting bunker-C into light oil, the BCC is hailed as a game changer in the history of Korea's refining industry as it transformed the refining industry from one known as a simple manufacturing industry to an export-oriented industry creating high value. It is state-of-the-art unit that significantly enhanced S-OIL's production capacity at a relatively low price, which enabled the Company to optimize all production facilities, produce greater volume of high value products and position itself as one of the leading refiners in the industry.

In the past, the oil refining industry was generally perceived to meet domestic demand only but that wasn't the case for S-OIL. From early on, the Company focused on exploring overseas markets and today the Company plays an important role as the light oil supply hub across Asia Pacific based on world-class BCC. S-OIL started to export environment-friendly and high-value Ultra Low Sulfur Diesel (ULSD) with sulfur content of less than 50 ppm for the first time in Korea in 2001. From 2005, the Company started to export Ultra Low Sulfur Gasoline (ULSG) with less than 10 ppm sulfur. Currently, it exports high quality environment-friendly oil products to Asia, U.S., Europe, and Oceania, thus generating added value in overseas markets.

Lube Business

S-OIL made an aggressive investment into the capital-intensive, technology-intensive premium lube base oil business at the time of establishment in 1976. Through the investment, the Company succeeded in localizing premium lube base oil that had entirely relied on import and positioned itself as the lube base oil market leader in Korea and beyond. The Company has 44,700 barrels/day of production capacity at No. 1 LBO Plant (Group I and Group II base oil) and No. 2 LBO Plant (Very High VI Group III base oil). S-OIL is the only company which has a full line-up of Group I/II/III base oil products in Korea and is positioned as one of the world-class manufacturers supplying high quality base oils across the world from Asia to U.S. and Europe.

Since 1989 when the Company launched lubricant business, S-OIL has reinvented itself by solidifying its market-leading position through constant changes and progress. Flexibly responding to the market needs, S-OIL diversified its product base oil portfolio, which includes premium brand "S-OIL 7" and more economic brands represented by "Dragon" and "S-OIL 7 Eco". The Company is in charge of overseas sales of lubricants while sales in the domestic market are carried out by S-OIL Total Lubricant Co., Ltd., a JV set up in 2008 with TOTAL Raffinage Marketing S.A.

Petrochemical Business

S-OIL, committed to delivering products of added values, diversified its business portfolio in 1991 when it commercialized the Naphtha Reforming Plant and BTX production facilities. In 1997, the Company constructed Xylene Center, the largest single location unit, with an annual production capacity of 700,000 tons, ushering in the petrochemical business. In 1997, the Company also started producing 200,000 tons/year of propylene from the Residue Fluidized Catalytic Cracking unit (RFCC), thereby further extending its petrochemical business and building the foundation to secure competitive edge in the petrochemical downstream.

In 2011, S-OIL built No. 2 Aromatic Complex, which includes Aromizer facilities that produce petrochemical feedstock BTX by reforming naphtha, and No. 2 Xylene Center, which produces para-xylene used as raw material for synthetic fibers. The operation of No. 2 Aromatic Complex more than doubled the Company's production capacity to 600,000 tons/year of benzene and 1.83 million tons/year of para-xylene, which armed S-OIL with world-class competitive edge across fuel, lube base oil and petrochemical businesses.

The successful completion of the RUC/ODC Project in 2018 will lay the groundwork to realize the Company's Vision 2025 of becoming the most competitive and admired energy & chemical company in Asia Pacific, along with its business expansion in the petrochemical downstream business to PP, PO, etc.

Products

- Group I base oil
- Group II base oil
- Group III base oil

Products

- benzene
- toluene
- xylene
- para-xylene
- propylene

Production Capacity & Sales Revenue

Fuel Business

KRW **16.4** trillion

- Crude distillation 669,000 B/D
- Bunker-C Cracking 150,000 B/D
- Bunker-C Desulfurization 109,000 B/D
- Diesel & Kerosene Desulfurization 120,000 B/D

Lube Business

KRW **1.6** trillion

- Group III base oil 31,000 B/D
- Group II base oil 8,600 B/D
- Group I base oil 5,100 B/D

Petrochemical Business

KRW **2.9** trillion

- Para-xylene 1,830,000 tons/year
- Benzene 600,000 tons/year
- Propylene 200,000 tons/year



Sustainability Management Scheme

Sustainability management at S-OIL starts from understanding the expectations of what we call C.E.O. --- Customers, Employees, and Owners & Other Stakeholders. By correctly understanding what they expect of S-OIL and what the Company has to do to meet their expectations, the Company is making a concerted effort to maximize their economic, environmental, and social values, with their expectations reflected in its management policies. In doing so, S-OIL strives to achieve its Vision 2025 of becoming the most competitive and admired energy & chemical company in Asia Pacific.

- C** Customers
- E** Employees
- O** Owners & Other Stakeholders



Vision 2025

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

Strategic Target

Company-wide goals that measure success in achieving the vision



Excellence

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



Passion

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



Integrity

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



Collaboration

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



Sharing

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



Core Value

"S-OIL EPICS"

Common value that guide our decision and action under all circumstances



Strategic Objective

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

Investment Roadmap

Potential investment items to realize growth

C.E.O.

Message of Top Management

The most competitive and admired energy & chemical company in Asia Pacific

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



Bong-Soo Park President and Head of Operations



Yul Ryu President and Head of Corporate Strategy & Services



Young-Il Cho Executive Vice President and CFO



Jong-Bum Ahn Executive Vice President and Head of International Marketing



Sung-Woo Park Senior Vice President and Head of Legal & Compliance HQ

We thirst to learn, adapt, and evolve constantly to surpass expectations and deliver the best quality, service, and profitability to customers, employees, and owners.

Bong-Soo Park
President and Head of Operations



S-OIL is proceeding with the RUC/ODC Project, the largest scale investment since its foundation, by concentrating all its resources and capabilities towards its success and we are putting efforts for their successful commercial operations in the second half of this year. This project will enable us to expand our capability of producing high value-added products and to diversify our business portfolio by adding the olefin downstream sector to existing refining business, lube business, and petrochemical businesses. By so doing, we will become equipped with a more balanced business portfolio through the improvement of profitability and stability.

In addition, the Company makes an effort to achieve the industry-leading operational efficiency by reducing manufacturing costs around the clock, and by implementing various profit improvement activities such as ramping up the production of high value-added products and improving energy efficiency.

Through active and preemptive safety management and environment management systems, the Company is managing safety, health, and the environment according to stricter criteria than laws and regulations and we are responding systematically to the tightening of related legislation. Furthermore, through continuous investment and training, we are making our best effort to create a safe and eco-friendly workplace by achieving the world-best safety, health, and environmental management levels.

The Company is concentrating its all resources and capabilities to boost customer satisfaction by supplying the best products and services stably. We identify customers' anticipations through vigorous communication with them and reflect such preemptively in our business activities. Along with this, we support the enhancement of the competitiveness of service stations and filling stations, which are our contact points with customers, and pursue win-win growth by further consolidation of our cooperation with them.

Going forward, we will thirst to learn, adapt, and evolve constantly to surpass expectations and deliver the best quality, service, and profitability to customers, employees, and owners.

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

Yul Ryu
President and Head of Corporate Strategy & Services



S-OIL is pushing ahead with the enhancement of business portfolio by the continuous enhancement of the refining business, the globalization of lube business, the expansion of the petrochemical business, and the development of R&C-based new energy businesses according to its innovative and differentiated investment roadmap, which will realize Vision 2025 and lead its sustainable growth. Furthermore, we plan to further enhance our competitiveness by leveraging the core technology of the 4th Industrial Revolution such as big data.

In the new business environment, human resources are the driving forces that enable us to promote new businesses for S-OIL's sustainable growth. The Company is making efforts to build a work environment that respects the diversity of employees and maximizes their motivation so that they can initiate new innovation by exerting creativity and autonomy. Along with this, we are also cultivating future talents that will lead the diverse business areas of the Company through the establishment of a new HR system. In addition, we are taking the initiatives to boost work efficiency, and thereby improving employees' work & life balance.

We are also identifying the various expectations of stakeholders through smooth communication in order to practice sharing, one of our core values, and to fulfil our social responsibility. We are carrying out systematic and differentiated CSR activities to help them as a practical contributor and are planning to support CSV activities that promote social value together beyond existing CSR activities.

Meanwhile, we are maintaining objectivity and fairness for all business partners based on the highest level of transparent and sound corporate governance, and striving for the win-win growth with them with trust.

Going forward, we will share our success with the communities where we live and work as a responsible and model corporate citizen.

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

Young-Il Cho
Executive Vice President and CFO



S-OIL is maintaining a sound and stable financial structure through world-class effective financial management and optimal financing in the face of the rapidly changing business environment, and is maximizing our corporate value by harnessing limited resources effectively.

We have achieved outstanding feats by making preemptive investments ahead of our rival companies based on our stable financial structure. Moreover, we have maintained our healthy financial structure and credit ratings through unflagging efforts, while creating record-high profits despite massive financing due to the RUC/ODC Project, the largest-ever investment since our foundation.

In addition, we have protected the profits of all stakeholders including our investors, through balanced profit distribution, faithfully paying taxes, and transparent and accurate disclosure of business information by reflecting our stakeholders' expectations. By so doing, we are contributing to the national economy.

The Company has built and operated a systematic risk management system in order to continuously create its economic, social, and environmental values by responding preemptively to countless potential risks and to satisfy its stakeholders. Also, through exhaustive internal auditing of our independent audit organization, we have improved management transparency and laid the foundation for sustainable growth.

Going forward, all S-OIL employees will strive to meet investor expectations by committing themselves to creating profits while at the same time endeavoring to achieve sustainable growth by world-best corporate governance structure, transparent management, and ethics management.

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

Jong-Bum Ahn
Executive Vice President and
Head of International Marketing



S-OIL focused on pioneering overseas markets proactively right from the beginning of its foundation and transformed the domestic refining industry, which had been regarded as a simple manufacturing and domestic industry, into a high value-added export industry, thereby contributing to the national economy and society's sustainable growth.

We are continuously carrying out creative marketing activities grounded upon best quality and price competitiveness secured by making investments in upgraded facilities ahead of our competitors. On the strength of this, we export more than 50% of our production every year and are growing into the most competitive and admired energy & chemical company in the Asia Pacific region.

In addition, the Company is continuously widening our stable marketing base by expanding its partnerships with key customers in overseas markets, reinforcing its position in strategic markets, and vigorously pioneering new markets. Along with this, we are further beefing up our leadership in the global market through cooperation with Saudi Aramco, our largest shareholder and the world's largest oil company.

In particular, the Company will establish a balanced business portfolio in the refining, lube, and petrochemical areas by successfully completing the RUC/ODC Project, which will kick off commercial operations in the second half of this year, and will further expand our exports to overseas markets. Also, this project will enable us to respond preemptively to the International Maritime Organization's sulfur content tightening requirement in marine oil, effective from 2020.

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

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

Sung-Woo Park
Senior Vice President and
Head of Legal & Compliance HQ



S-OIL is endeavoring to establish a sound and transparent governance structure and fulfill the expectations of various stakeholders by ensuring that checks and cooperation procedures are carried out harmoniously in its management activities through the diversity and expertise of its board of directors and specialized committees.

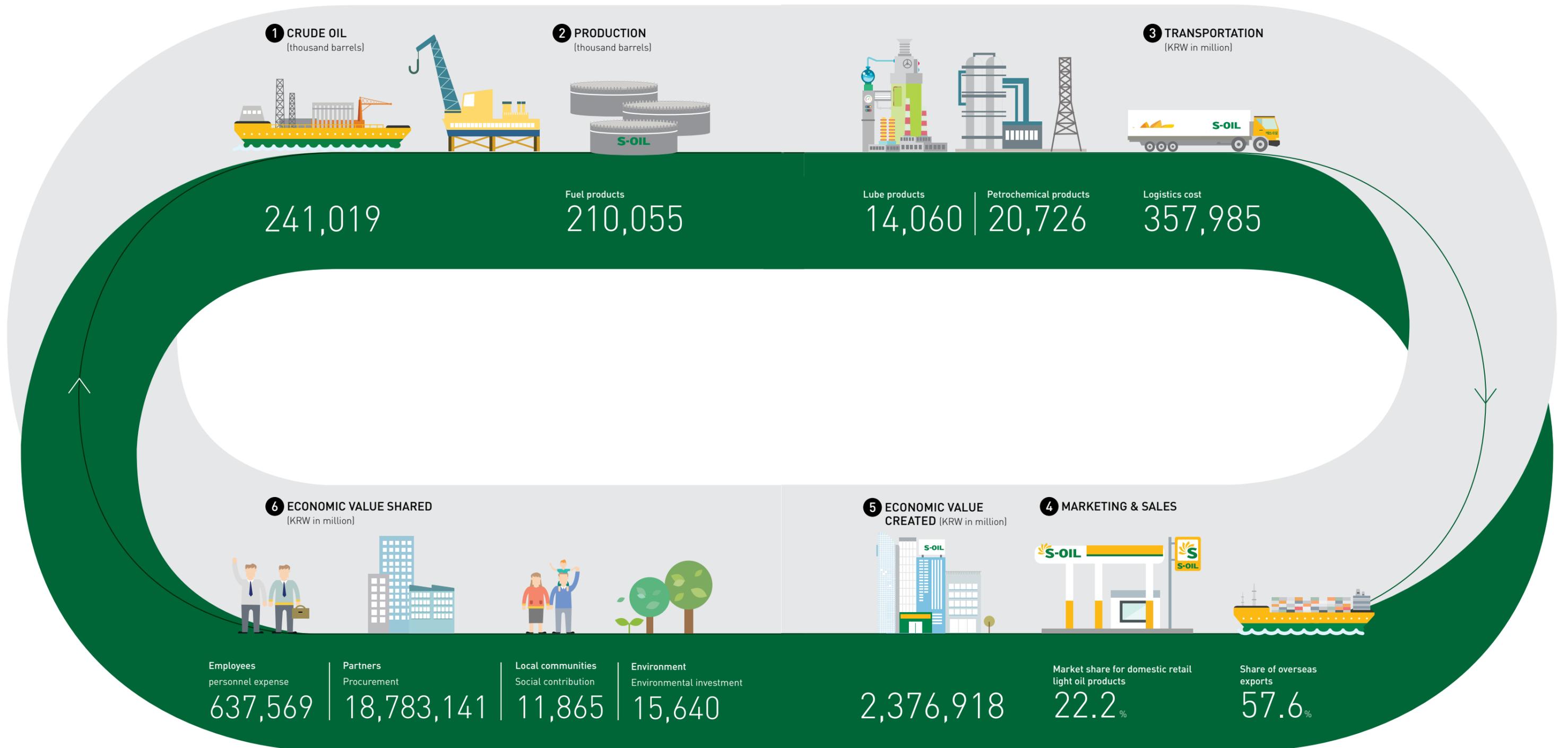
Directors with the best expertise and fairness decide on important management activities independently and objectively, and supervise major business activities. The CEO and officers embody vision management and responsible management by exploring new growth engines based on progressive entrepreneurship in the rapidly changing business environment. By doing so, the Company is continuously creating economic, social, and environmental values and maximizing its corporate value.

Also, the Company is putting its highest priority on compliance and ethics management to grow into the most competitive and admired energy and chemical company in the Asia Pacific region grounded upon integrity, one of its core values, and putting every effort into making the value take root as its unique corporate culture. Driven by the CEO's strong determination, we practice compliance management through an operation of the advanced compliance management system so that all employees familiarize themselves with legislature related to the Company and our own in-house regulations and apply them naturally in the course of performing daily duties. Furthermore, we are strengthening an ethics management through a systematic ethics management system comprised of three axes: the Ethics Code, the Ethics Committee, and ethics management trainings.

Going forward, we will aim to achieve the ultimate success by never compromising on our commitment to honesty, fairness, and complying with the highest moral and ethical standards.

Value Creation

Inspired by the challenging spirits and passion for creativity, S-OIL creates economic values with its stable supply of quality fuel and raw materials to transportation, power generation, and petrochemical industries. The Company shares the values with diverse stakeholders to contribute to growth of the national economy and society.



Stakeholder Engagement

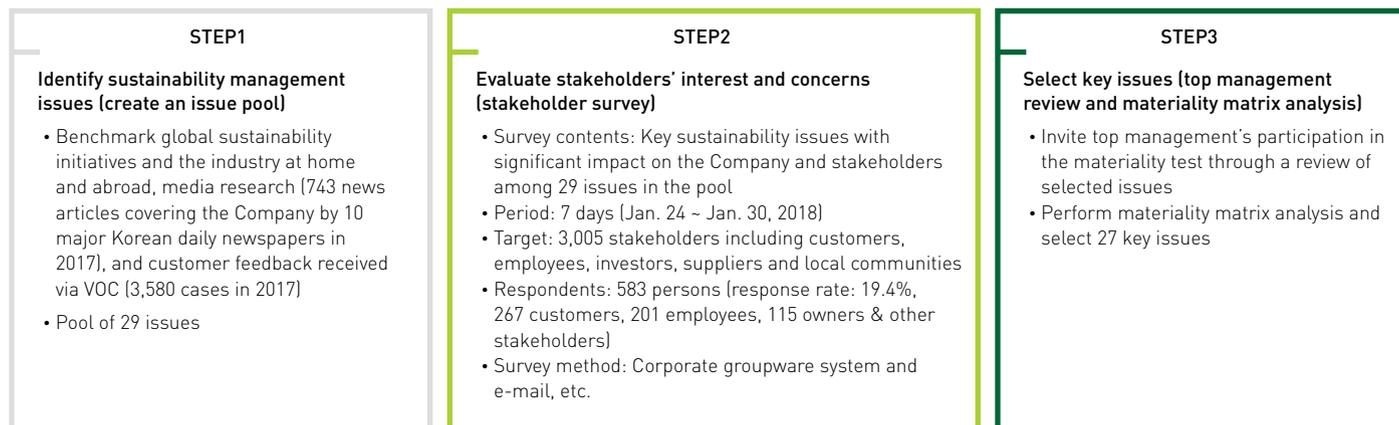
S-OIL has established various stakeholder engagement channels tailored to each group's characteristics to better identify their needs and expectations. The Company then developed and implemented action plans that are aligned with its strategic directions and objectives in order to fulfill these expectations. The Company ensures that deliverables from implementing action plans are fully reflected in business activities through review and analysis.



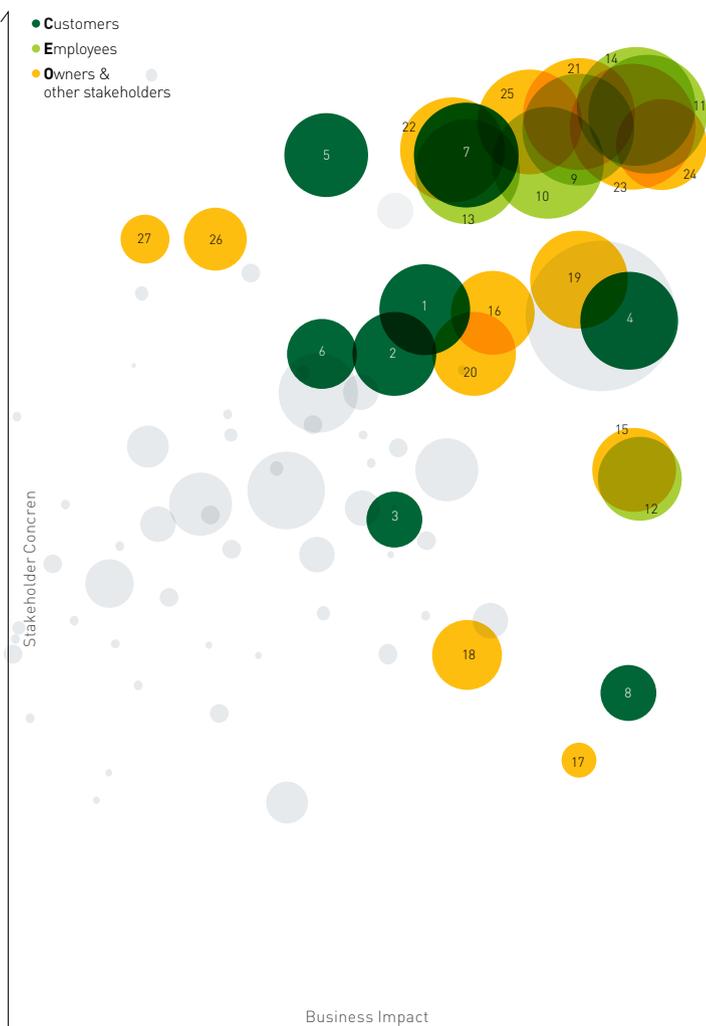
Materiality Test

In the Sustainability Report, S-OIL covers economic, environmental, and social issues from the perspectives of C.E.O. based on the Company's sustainability management system as well as global reporting guidelines. To this end, the Company conducted materiality test by engaging internal and external stakeholders and identified 27 key issues with a significant influence on its sustainability management activities.

Materiality Test Process



Materiality Matrix



	Key Issues	Reporting Scope	Stakeholders	Page
C	1. Realization of customer satisfaction	S-OIL internal/external	Customers	32
	2. Product quality assurance in the distribution stage	S-OIL internal	Customers, Government	35
	3. Reinforcement of R&D			
	4. Enhancement of marketing activities		Customers	38
	5. Protection of customers' personal information	S-OIL internal/external	Customers, Government	40
	6. Fair marketing activities			
	7. Prevention of activities against fair competition			
	8. Enhancement of overseas marketing activities	S-OIL internal	Customers	42
E	9. HR management	S-OIL internal	Employees	46
	10. Fair evaluation & compensation			
	11. Talent cultivation			48
	12. Healthy corporate culture			50
	13. Harmonized labor-management relations			
O	14. Industrial safety & health management	S-OIL internal/external	Employees, Suppliers, Local communities, Government	53
	15. Investments in new projects	S-OIL internal	Employees, Shareholders & investors	58
	16. Operational efficiency improvement			60
	17. Establishment of financial soundness	S-OIL internal/external	Customers, Employees, Shareholders & investors, Suppliers, Local communities, Government	63
	18. Transparent disclosure of management information			
	19. Management of sustainability in supply chain		Suppliers	66
	20. Fair selection of suppliers			
	21. Enhancement of environmental management system	S-OIL internal	Employees, Local Communities, Government	69
	22. Management of pollutants			
	23. Management of environmental impact			
	24. Economic impact of climate change	S-OIL internal/external	Customers, Shareholders & investors, Suppliers, Local communities, Government	74
	25. Social contribution activities		Customers, Employees, Local communities	76
	26. Treatment of grievances of local communities			79
27. Economic development of local communities				

Stakeholder Interviews

What kind of efforts do you think S-OIL has to make to become a beloved company?

1 **Seok-Chan Oh**, Site Manager of Maxerve
(Building management service provider)

2 **Min-Seok Kim**, Member of GOODOIL Friends



① As a successful building management service provider, Maxerve has built valuable relationships with many clients, but we are always impressed with S-OIL as we can see how it tries to equally and fairly treat contractors' employees wherever possible. S-OIL employees speak to us in good manners even when they have complaints, which make us feel respected and appreciated by our business partner.

Although what S-OIL is doing is already more than good enough, a little more effort can go a long way toward becoming a beloved company. For example, Family Day that comes every other week was not sufficiently communicated at first, and night shift workers and people dropping by for a meal had to waste the trip because the cafeteria was closed. The Company cafeteria is primarily for S-OIL employees but, in often cases, it is frequented by contractor's employees and locals. It would be good if S-OIL could take care of such small things as well.

② It is difficult, if not impossible, for a business to satisfy all, but it becomes quite clear if we target a certain area. For a business wishing to be loved by its stakeholders, it should create profits consistently; launch quality products at an affordable price for greater customer satisfaction; and pursue continuous growth in market value, reasonable dividend payout and transparent management to live up to the investors' expectations.

It is a daunting task to achieve all of these at the same time, but I'm sure that if a business aims to make changes in one segment after another, I believe it will bring about satisfaction and affection from the Company's owner, employees and customers alike.

S-OIL remains in the black at least, according to its financial statements. That is why I think it's time to turn its eyes to satisfying employees, customers and investors. The Company may start the effort by identifying areas where employee satisfaction and the Company's management direction diverge and reduce the gap based on social consensus. The benefit of the effort may take such different forms as greater fringe benefits, more flexible work hours and wider employment opportunities. Of course, premium quality oil at an affordable price is always a pleasant surprise for customers. We go to a service station to buy gasoline or diesel to power our car, meaning our choice is practically over the minute we pull the car in. Still, I hope S-OIL can win customers over and make us fall in love with the Company's products that boasts quality higher than other brands and attractive prices.

S-OIL has engaged stakeholders through a variety of communication channels, and has conducted interviews before the publication of the Sustainability Report to heed stakeholders' views on the Company's sustainability management. Following is the excerpt from several interviewees.

What is the single most important attribute S-OIL needs to be a lasting company?



3 Min-Yong Kim, Deputy MGR of S-OIL

In which areas do you think S-OIL has made progress as a corporate citizen? Why is it?



4 Hey-Kyung Lee, GM of Korea National Association of Child Welfare

③ Many people believe the reason for a company's existence is to make more profit. However, if a company sets its eyes on surviving and thriving for a long period of time, it should build a high level of trust with its stakeholders, including customers, employees and shareholders. To this end, the Company should internalize its core values so that all members of the organization can embody the values in their behaviors. Knowing this, S-OIL manifested the leadership's commitment to the core values in the vision declaration ceremony in 2017. The Company also shares core value visual items, such as video clips and office supplies, to encourage its members to reflect the values in their day-to-day work.

I believe, with the Company-wide effort, S-OIL will be able to ensure the core values are represented by the members in their behaviors and decisions, rather than being reduced to an empty catchphrase.

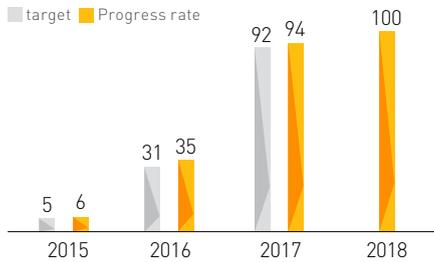
④ When I think of S-OIL, the first thing that comes to mind is its friendly image. This could probably be because my organization happens to be located right next to S-OIL, but I often get to see what S-OIL does as a corporate citizen, such as providing drinks to passers-by and establishing GOODOIL as the brand's image, and this makes me think that S-OIL always puts customer convenience first.

Furthermore, the Company first came to the Korea National Association of Child Welfare, not the other way around, asking us what they can do for children and adolescents in welfare facilities. In partnership with the Association, S-OIL has launched a fellowship program, offering scholarship for college students who would otherwise have to drop out for financial reasons as they left their facilities because of age limit. The Company also provides financial assistance to culture and arts programs intended to provide emotional and psychological support for children in welfare facilities, and helps high school students acquire diverse licenses, thereby develop their self-reliance. The program is designed to provide the recipients with a stable assistance for at least three years, rather than one-off support.

In light of this, I see S-OIL as being professional, compassionate, and responsible with its social contribution programs. I could also feel that a harmonious existence together with the society is incorporated in the Company's management, which I believe makes GOODOIL much friendlier.

Special Report RUC/ODC Project

Project Implementation Status (unit: %)



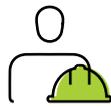
Resources Utilized for Construction

Total no. of resources

4.5 million man-days

Max. no. of resources per day

approx. 17,000 persons



Materials & Equipment Utilized for Construction

 Concrete 449,000 m ³	 Piping 4.8 million Dia-inch
 Steel 110,000 ton	 Cabling 8,200 km
 Equipment & Device 2,900 sets	

Through years of meticulous examination into the strategic directions S-OIL has executed Residue Upgrading Complex & Olefin Downstream Complex Project (RUC/ODC Project) since 2015 by investing about KRW 4.8 trillion, the largest investment in its history. The Company achieved mechanical completion in the first half of 2018 by making timely progress in design, procurement and construction. It is now preparing for commercial operation in the second half the year following commissioning of each process. Successful execution of the RUC/ODC Project will enable the Company to secure new future growth engines and build a balanced business portfolio across fuel, lube and petrochemical areas. S-OIL expects it will bring the Company a step closer to attaining Vision 2025 aimed at becoming the most competitive and admired energy & chemical company in Asia Pacific, with excellence in operations, strategic investment, and human talent.

With the successful completion of the RUC/ODC Project, S-OIL will demonstrate its unrivaled competence to convert residue oil into high value-added products such as gasoline, thereby bolstering profitability of the fuel business. This project will also allow the Company to produce high value-added petrochemical products including polypropylene (PP) and propylene oxide (PO), which will ensure higher profitability and stable business diversification. PP is used in a wide variety of applications, including automotive bumpers, and PO is the basic raw material of polyurethane that goes in the interior material of automobiles, electronic products, and insulators. Through the RUC/ODC Project, S-OIL also expects to be able to grow its desulfurization capacity at an opportune time when the International Maritime Organization (IMO) intends to significantly strengthen global sulfur content on marine fuel starting 2020.

AREA 1

HS-FCC Area (High Severity Fluid Catalytic Cracking unit)

- HS-FCC, ERU, BEU, Utility & Offsite

Production Capacity 76,000 B/D

Products Gasoline, Propylene, Ethylene, LCO

AREA 2

RHDS Area (Residue Hydro-Desulfurization unit)

- RHDS, SRU/TGTU, ARU/SWS, Utility & Offsite

Production Capacity 63,000 B/D



AREA 3

Alkylation Area (Alkylation unit)

- Alkylation, C4 Isomerization, SAR, Utility

Production Capacity 14,450 B/D

Products Alkylate



AREA 4

ODC Area

(Propylene oxide/polypropylene unit)

- PO, PP, MTBE, Utility & Offsite

Production Capacity PP 405,000 ton/year,
PO 300,000 ton/year

Products Polypropylene, Propylene oxide, MTBE



Detailed design and drawing were completed in view of the optimal facility stability and operational efficiency, and S-OIL procured major materials and selected competitive vendors through a transparent and fair procurement process. Construction processes were performed efficiently by tapping into as many skilled construction resources and safety experts as possible and implementing rigorous quality control as well as safety management that enabled the Company to achieve a near-zero defect rate. For each process, the Company puts in place operation trainings by process designed to help increase the capabilities of operators. The three-year RUC/ODC Project used a total of 449,000m³ of concrete, 110,000 tons of steel, 2,900 sets of equipment & device, 4.8 million dia-inch of piping and 8,200 km of cabling, and also mobilized a total of 4.5 million man-days, which reached as many as 17,000 construction workers a day at peak time. .

In 2017, S-OIL signed a long-term contract with Malaysia's Petronas for cost reduction and stable supply of LNG to be used for the Company's plant operations and as feedstock for hydrogen production. Going forward, the Company plans to expand its business portfolio into olefin downstream through new investments in general-purpose resins such as polyethylene and further strengthening the competitiveness of high value-added products. Making inroads into the petrochemical downstream with PP and PO, the Company expects to fortify its technologies and market competitiveness in petrochemical business and achieve greater profitability as well as balanced business portfolio. To this end, the Company has done olefin downstream market research and selected promising products based on their marketability and investment attractiveness. For the selected products, the Company will follow up with an investment feasibility study by weighing such factors as technologies, economic viability and synergies with the existing Refinery.

Interconnecting & Revamping

(Construction in the existing Refinery)

- Revamping existing facilities, Interconnecting and Tie-in

AREA 5



Corporate Governance

A sound and transparent corporate governance is the cornerstone for corporate sustainable growth. It is also the bedrock of ensuring corporate transparency and productivity improvement and is a key to gaining trust from diverse stakeholders and elevating corporate value.

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

Balance between Diversity and Independence of BOD

S-OIL nominates director candidates with diversity including nationality, race, gender, etc. and expertise to ensure that various stakeholders' interests are duly represented and mutual complementation among directors can be maintained in accordance with ready-made internal procedures. They are officially appointed as directors at the shareholders' meeting. Also thoroughly vetted and carefully considered for director candidate selection are the capability and capacity to work as part of an independent and objective BOD, as well as their management vision, leadership, expert knowledge, and career experiences. 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 engaging in any audit or consulting service for the Company, and whether he/she has any material relationship or transaction with the Company are comprehensively taken into consideration. For outside directors, in particular, the Outside Director Candidates Recommendation Committee (ODCRC) directly recommends the most suitable candidates to the general shareholders' meeting, after evaluating the candidates in accordance with internal standards to confirm that they have no vested interest in the Company or any other reasons for disqualification. The BOD, newly launched in March 2018, consists of directors with professionalism in the fields of engineering, management, trade, accounting, energy, administration, and politics. Having served in various fields, such as the government, international organizations, academia, and industry, they will significantly contribute to enhancing the expertise and independence of the BOD.

S-OIL's Corporate Governance Rating in 2017 (Korea Corporate Governance Service)

A+

BOD Composition (as of March 23, 2018)

Category	Name	Position & Duty	Career	Service Term
Inside Director	Othman Al-Ghamdi	RD & CEO	Former CEO of Aramco Asia Korea Limited Former operation manager of Saudi Aramco Ras Tanura Refinery	Sep. 5, 2016 ~
Non-standing Director	A.M. Al-Judaimi		Senior Vice President of Saudi Aramco Former director of Saudi Aramco Northern Area Oil Operations Former manager of Saudi Aramco Berri Gas Plant, Shaybah Producing, Ras Tanura Producing, Gas Ventures Development, Rabigh Project Execution Dept.	Mar. 23, 2018 ~
	S.A. Al-Hadrami	Member of the CC, Member of the ODCRC	Officer of Saudi Aramco Former manager of Saudi Aramco Product Sales & Marketing Former staff of Saudi Aramco Cash Management & Investment in Treasury, JV Development & Coordination, Product Sales & Marketing Former staff of Saudi Consolidated Electric Company	Mar. 20, 2015 ~
	S.M. Al-Hereagi		Officer of Saudi Aramco Former managing director of Saudi Petroleum Overseas Limited Former auditor head of Saudi Aramco Treasury Advisory & Treasury Services Dept.	Mar. 18, 2016 ~
	I.Q. Al-Buainain		President of Aramco Trading Company Former director of Saudi Aramco Asia JV Dept. Former manager of Saudi Aramco International JV Portfolio	Mar. 23, 2018 ~ Mar. 20, 2015 ~ Mar. 18, 2016 Mar. 19, 2008 ~ Mar. 19, 2010
Outside Director	C.S. Kim	Chairman of the BOD	Former Deputy Secretary General of World Trade Organization Former Minister of Trade, Industry & Energy	Mar. 20, 2015 ~
	S.W. Lee	Chairman of the ODCRC	Former executive committee member of International Ski Federation Former Chairman of SsangYong Oil Refining Co.	Mar. 20, 2015 ~
	Y.A. Al-Zaid	Chairman of the BAC, Member of the ODCRC	Former Ambassador of Saudi Arabia to China, Former project manager of Jiddah Oil Refinery Former chemical engineer of Jiddah Oil Refinery	Mar. 18, 2016 ~
	S.W. Hong	Chairman of the CC, Member of the BAC	Former Minister of Knowledge Economy	Mar. 20, 2015 ~
	I.T. Hwang	Member of the BAC, Member of the CC	Professor of Business College at Chungang University Former Chairman of Korean Accounting Association	Mar. 23, 2018 ~
	M.N. Shinn (Female)	Member of the BAC, Member of the CC, Member of the ODCRC	Former CEO of Doosan Fuel Cell Former CEO of Fuel Cell Power Former researcher of Samsung Advanced Institute of Technology	Mar. 23, 2018 ~

* The BOD is based on the one-tier Board system in accordance with the domestic law.

Average BOD Meeting Participation Rate in 2017



Independency Policy of Outside Directors

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

1. Directors, executive officers and employees who are engaged in the Company, or directors, auditors, executive officers and employees who have engaged in the Company within the last five years;
2. The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a natural person;
3. Directors, auditors, executive officers and employees of a corporation, in cases where the largest shareholder is the corporation;
4. The spouses, lineal ascendants, and lineal descendants of directors, auditors, and executive officers who have engaged in the Company or a parent company and a subsidiary of the Company within the last three years;
5. Directors, auditors, executive officers and employees who are engaged in a parent company and a subsidiary of the Company within the last five years;
6. Directors, auditors, executive officers and employees of a corporation in an important interest such as a business relationship with the Company as follows:
 - ① The Company's important customers, suppliers and related persons;
 - ② A corporation that concludes an advisory agreement such as legal advice, management consultation, etc. with the Company or top managements of the Company;
 - ③ A corporate that contracts a private service agreement with the Company or top managements of the Company;
 - ④ An accounting firm that has been the auditor of the Company within the last three years;
 - ⑤ A non-profit organization and related persons that receives important donations from the Company, etc.
7. Directors, auditors, executive officers and employees of another company for which directors, executive officers and employees of the Company serve as directors and executive officers; and
8. A person who is determined to undermine the independence of the BOD due to other interests with the Company or who is otherwise unable to faithfully perform his/her duties as an outside director

Balance between Checks and Cooperation

S-OIL establishes sound and transparent corporate governance led by the BOD and sub-committees ensuring checks and cooperation. The BOD members are individually appointed to serve a one-year term at the general shareholders' meeting and a majority of directors are appointed as outside directors who have been verified for independence according to the Company's principle. An independent outside director has been serving the role of BOD chairman since 2015, 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, and thereby ensures that decisions are made in a way that maximizes the value of stakeholders including shareholders. The Company makes sure that the BOD meeting participation rate of each director stays over 75% annually barring exceptional circumstances so that checks and cooperation, one of the key BOD functions, can be achieved through active participation of the directors. In addition, the Board Audit Committee (BAC) comprised only of outside directors evaluates the general matters relating to the Company's management activities and the operational status of the Internal Accounting Management System (IAMS) and gets reports on internal audit performance. The Company bans its outside directors and non-standing directors from serving as directors of two or more companies in addition to the Company, and all outside directors and non-standing directors fulfil this requirement.

Enhancement of Expertise of BOD

To enhance the expertise of the BOD, S-OIL regularly conducts a briefing session to support the BOD's decision-making, including the overall contents such as changes in the management environment, business strategies, risk factors, and management measures. Also the Company submits a monthly report to directors on economic, social, and environmental issues that may affect the Company's sustainability. The BOD regularly visits the Onsan Refinery and project sites to stay abreast of the major pending issues on site. In addition, the Company has three sub-committees in support of the BOD's independence and efficient decision-making: the BAC, the Compensation Committee (CC), and the ODCRC. Also, the Management Committee (MC) 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. In addition, the BOD evaluates its activities and reviews its performance every year.

Executives' Responsible Management

S-OIL grants compensation to management according to the degree of the achievement of short- and long-term targets, which have been set objectively, so that all executives, including the CEO, can exert their utmost effort to protect shareholder values and to fulfil the Company's role as a corporate citizen. According to the resolution of the CC comprised of directors, excluding inside directors, to ensure the independence and fairness of decision on executive compensation levels, the Company sets the compensation levels of all executives, including the CEO, by taking into account the achievement of the short-term management targets consisting of ROIC and EBITDA and the 3-year mid- and long-term targets consisting of the 3-year Compound Annual Growth Rate (CAGR) of S-OIL stock prices relative to the KOSPI 200 Energy & Chemicals Index.

Compliance Management

In tandem with the higher social demand for industrial safety, environment, anti-corruption, and fair trade, relevant laws and regulations are on the rise, together with increasingly stringent punishment and civil penalties for violations. In addition, businesses wishing to make inroads into overseas markets are expected to fully comply with global standards in terms of anti-corruption, and fair trade etc. It is, therefore, critical to comply with domestic and global laws and regulations as well as corporate policies for a company to sustain growth.

In order to become a global major energy and chemical company built on the corporate core value of integrity, compliance management is considered a top priority by S-OIL and is fully implemented by its employees. The Company operates a system to ensure that all employees understand and comply with laws and regulations in their everyday work.

Compliance Management as Corporate Culture

Led by the top management’s strong commitment to compliance management and employees’ active engagement to practice it in their daily work, S-OIL has embedded compliance management into its corporate culture. All employees are regularizing compliance activities by examining whether a task meets compliance standards before undertaking the job and conducting self-assessment on legal issues. The Company actively supports compliance activities through provision of real time legal updates on new and amended laws and regulations, training sessions on important legal matters, and regular compliance monitoring. Compliance activities are reported to the top management on a regular basis. Furthermore, the Company enhances employees’ awareness of compliance by distributing compliance newsletters, sending out compliance trends led by global corporations, and providing various compliance programs such as compliance campaigns. The Company further reinforces compliance management through in-depth analysis of laws and regulations, guidelines, and, customized education.

Violation of Anti-Graft Act (2016~2017)



12 Compliance Activities

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

Comprehensive Compliance Activities in Relation to Anti-Graft Act In order to fully comply with the Improper Solicitation and Graft Act (the Anti-Graft Act), S-OIL conducts comprehensive compliance activities, such as educating its employees on how to comply with this Act while performing their duties. Through these activities, the Company was able to achieve strict compliance management in terms of anti-corruption and anti-bribery.

- Training on the Ant-Graft Act for employees
- Publication and distribution of guidelines on Anti-Graft Act compliance
- Checklist-based self-assessment on Anti-Graft Act compliance
- Monitoring of self-assessment results on Anti-Graft compliance
- Publication and distribution of the “Do’s & Don’ts” on Anti-Graft Act compliance
- Operation of standard articles and pledge on Anti-Graft Act compliance

S-OIL's Compliance System hailed as Best Practice S-OIL's systematized compliance system has been recognized by external parties as good practice in terms of compliance management and has become the system to benchmark for many companies at home and abroad. In 2018, the Company will do its best to enhance its compliance system operation so that it may be continuously benchmarked as an excellent operational system.

- Hansol Group's benchmarking for its compliance system implementation
- CJ Group's benchmarking for its compliance system implementation
- Best compliance management practice sharing with Saudi Aramco

Appropriate Response to Major Legal Disputes S-OIL is faithfully complying with relevant laws at home and abroad, focusing not only on prevention of potential legal disputes but also on maintaining trust with stakeholders through appropriate responses against actual occurrences of disputes. In 2017, the Company was once again able to confirm its sound compliance management by successfully winning a damage suit in which the plaintiffs claimed that there was price collusion of regular oil products. Back in 2007, Korea Fair Trade Commission had launched an investigation of oil refiners into allegations of colluding with one another to manipulate the prices of diesel for automobiles during which approximately 500 truck drivers filed a suit for compensation against refiners. However, not only did the court rule that S-OIL did not take part in collusive acts, as the Company fully explained and clarified its non-involvement in the collusion, all the plaintiffs dropped the case against the Company, ending the damage lawsuit which had been stretched into the year 2017. The lawsuits between the said plaintiffs and other refiners are still undergoing as of now. As such, the Company has made concerted efforts to establish compliance management and prevent possibilities of disputes which led to strong relationships with stakeholders based on trust, without any serious civil or criminal cases throughout 2017.

Compliance Monitoring System

S-OIL introduced the compliance monitoring system to help employees understand corporate regulations and abide by them in their daily work, thereby minimizing work confusion and risks arising from negligence. Every quarter, the Company conducts compliance monitoring against 120 checklists on 37 regulations. The results are reflected in the performance assessment of team leaders and the heads of Divisions to encourage employees' voluntary compliance with in-house regulations. In 2017, there was zero violation identified through the compliance monitoring.

Violation of Internal Regulations found by Compliance Monitoring (2015-2017)



0 cases



Compliance Training

Ethics Management / Human Rights Protection

For a business to thrive long-term and generate high economic values, profitable and sustainable growth must be achieved by addressing incorrect practices or cost structures according to ethical standards. As such, ethics management is not philanthropic responsibility but an obligation that a company must observe, and is the key management principle that all members of the company, from the management to the employees, have to put into practice.

At S-OIL, ethics management consists of three organically connected pillars: Code of Business Ethics and Conduct; Ethics Committee; and Training on ethics management. In addition, as a member of the UN Global Compact, the Company is committed to protecting employees, suppliers, local residents, and stakeholders in accordance with its independent set of human rights policies established after the principles of the UN Global Compact on human rights and labor.

Methodical Ethics Management System

Code of Business Ethics and Conduct (Ethics Code) S-OIL's Ethics Code consists of two parts: the Code of Business Ethics stipulates attitudes toward customers, business partners, shareholders, and investors as well as responsibilities to employees, society and the community; and the Code of Conduct defines basic ethics for employees, prohibition of conflict of interests, prohibition of bribery/entertainment/convenience, and reporting process of violations. The Company's suppliers, subsidiaries and joint ventures are required to abide by the Ethics Code. Suppliers, in particular, must sign and submit the Ethics Code Pledge to register as vender companies. If the Company's suppliers are found to be involved in legal violations or unethical acts, they may either be excluded from the partners' list or face disadvantage. The Company updates the Ethics Code on a regular basis by reflecting the changing social standards on ethics and reviewing ethics regulations of leading global companies. In 2017, through reinforcing the Ethics Code Pledge system where every employee pledges to comply with the Company's ethics policy, S-OIL now requires employees to disclose personal information concerned with any material conflict of interest and to submit the pledge every three years instead of a one-off submission when they join the Company. In order to encourage employees to report ethics management violations, the Company has also strengthened the whistleblower protection system, opened an anonymous reporting channel, and introduced a leniency program for confessors.

Ethics Committee S-OIL operates the Ethics Committee consisting of the Legal & Compliance HQ Head, the HR Div. Head, the Corporate Planning Div. Head and the Controller. They are appointed by the CEO after being screened by the BAC for eligibility. The Ethics Committee is responsible for supervising ethics management activities, establishing ethics regulations and programs, and elevating ethics awareness in the organization. If stakeholders or employees with the highest chances of conflict of interests make a transaction with S-OIL, the Ethics Committee must review it to prevent violation of ethics regulations. In 2017, there were three ethics regulation violation cases involving financial affairs between an employee and a business partner and inappropriate

language between employees. The Company took disciplinary action against six employees according to internal regulations and procedures, shared the details with the entire Company, and gave training to officers and employees in sales offices to prevent the recurrence of similar events. The Ethics Committee reports activities to the CEO and the BAC on a regular basis, while disclosing its activities to our stakeholders through the S-OIL Ethics Management website. Starting February 2018, the Company implemented the ethics management evaluation program where employees, service stations, LPG filling stations, corporate customers and suppliers are asked to evaluate the Company's ethics management that encompasses ethical leadership, respect for employees, customers, suppliers, abuse of dominant position, fairness in business dealings, and any experience with corruption. The Company makes sure the evaluation results are reflected in corporate policies to further strengthen its ethics management.

Training on Ethics Management S-OIL offers training on ethics management tailored for different positions and job functions to raise employees' ethical awareness in their day-to-day work while inviting outside experts for special lectures. In 2017, eight courses on ethics management were offered, and all employees completed the company-wide ethics management training given by an outside expert to raise employees' understanding of the Anti-Graft Act. Also, the Company offered case-based marketer training for sales offices that have a high chance of committing an ethics violation due to frequent encounters with business partners. The Company holds ethics management training sessions for employees of suppliers and affiliated companies to help understand the basic principles of ethics regulations, thereby raising the quality of ethics management across the supply chain. Moreover, the Company operates self-assessment system of ethics management to help raise awareness of ethics among employees. In 2017, the Company added five new assessment criteria to the system, reflecting key concepts of the Anti-Graft Act.

Human Rights Protection

S-OIL shares its human rights policy with suppliers and stakeholders as per the internal process while identifying potential risk groups and issues by conducting assessment on a regular basis. Risk factors identified in the assessment are addressed and then followed up with monitoring to prevent the recurrence of similar cases. The assessment result of suppliers, in particular, is considered when evaluating supplier qualifications. In 2017, the Company conducted a full-scale human rights inspection on key stakeholders affected by its business activities. As a result, risks

related to work & life balance, power harassment, safety, and personal information were found from own business. Risks related to working condition, safety and health were found from 31 suppliers. As a measure to mitigate the found risks, the Company introduced the PC Off system for employees and upgraded program to prevent information leakage through personal PC. Discipline of power harassment was strengthened and the prevention training was implemented. The Company also helped 31 suppliers improve safety and health.

Human Rights Policies

S-OIL shall respect human rights norms described in the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Global Compact's principles of human rights and labor, the UN Convention on the Rights of the Child, the ILO Declaration on Fundamental Principles and Rights at Work, and the laws and regulations of the country in which the Company has entered, etc. Therefore, the Company shall seek to protect the human rights of all communities affected by its business activities, as well as its business sites, and contribute to substantial improvements. To this end, the Company shall adhere to the following 8 human rights principles. In addition, suppliers of products or services, direct invested companies, and business partners should also share the Company's human rights policy and participate in the protection and improvement of the human rights of the community in accordance with the 8 principles.

1. (Working condition) We shall respect and treat its employees with dignity, and provide over legal standards working conditions such as wages, working hours, and breaks. We shall grant the right to freedom of association and collective bargaining, and not take unfair treatment for this reason.
2. (Safety & health) We shall provide workers with a safe working environment and continuously enhances the safety and health management system. We shall minimize the safety and health impacts of production processes or products and services provided by us.
3. (Harassment) We shall protect all stakeholders, including employees, business partners, and local residents, from exposure to any kind of harassment that violates human dignity.

4. (Forced and child labor) We shall not engage in forced labor against the will of employees and not receive any labor in connection with employees' liability. we shall not directly employ children under compulsory education age or under the age of 15. Also, we shall respect and protect all basic rights such as education, rest, health, nutrition, hygiene, freedom from violence and exploitation of children.
5. (Discrimination) We shall prohibit discrimination based on race, color, religion, sex, national origin, age, disability, and provides equal opportunity and treatment.
6. (Personal information protection) We shall use personal information only for the purpose of obtaining. We shall continuously check to prevent leakage of personal information to the outside and strengthen management system.
7. (Human rights of local communities) We shall prevent negative impacts on the human rights of local communities based on respect for the culture of them. We shall contribute to improving the quality of life of local residents by supporting economic, social and cultural development.
8. (Human rights survey) We shall systematically monitor potential human rights risk groups and issues. If risks are found, we shall take immediate remedial actions and prevent similar cases from recurring. We shall continuously upgrade its human rights management system to prevent human rights issues from occurring throughout the supply chain.

Human rights inspection procedure



Through the Ethics Code, S-OIL strictly bans employees to use its organization, manpower, and assets for the purpose of providing political funds or for political purposes. In addition, the Company aims to create social and environmental values as a corporate citizen through its CSR activities and stringently prohibits any activity of a political nature that goes astray from their inherent purpose or activity that could cause any negative effect on society. To this end, the Company organized an independent and objective Donation Committee comprised of executives from various organizations, reviews an overall CSR activity plan every year, and monitors

whether it has been implemented appropriately. Also, the Company strictly controls the occurrence of unethical acts that could arise in the process of establishing and implementing the CSR activity plan. There has been no donation to non-profit foundations nor procurement for political purposes and the Company will continue to ensure that money will be spent on only procurement and CSR activities related to their intrinsic nature and that additional expenses will not be spent to exercise any political pressure.

Risk Management

In a fast-paced business environment, factors affecting a company's operation become increasingly diverse and complicated, and uncertainties keep mounting. As such, a systematic risk management has emerged as an essential tool for any business to overcome countless potential risks that threaten its survival and achieve sustainable growth.

S-OIL has established and implemented an efficient risk management system to proactively respond to potential risks, generate economic, social, and environmental values, and grow together with investors and stakeholders. What's more, the Company's rigorous internal auditing promotes transparency in its business and addresses improper practices and inefficient cost structures, thus laying the foundation for sustainable growth.

Enhancement of Risk Management System

S-OIL has established and has been operating a highly-advanced risk management system so as to respond to all risk factors that could arise in the course of its business in a more efficient and timely manner. Employees at the Company conduct optimized risk response activities through risk management systems including Enterprise Risk Management (ERM) for company-wide risk management; Emergency Control Program (ECP) for swift and efficient response to emergencies; Early Warning System (EWS) for enhanced risk monitoring and prevention; and Internal Accounting Management System (IAMS) for effective internal control of the organizations and their work performance.

Risk Management Governance S-OIL has in place an integrated risk management governance system where all employees from the top management down to ground-level employees are given risk management responsibilities to ensure such activities are performed organically at the corporate level through various risk management programs. Aimed at ensuring risk management activities are fully aligned with the Company's strategic management principle, the ERM Committee composed of the top management including the CEO sets the general directions for risk management and supervises company-wide risk management status on a regular basis. Matters requiring attention and priority are reported to the BOD when necessary and reflected in the Company's strategic risk management policies.

Company-wide Management of Major Risks S-OIL systematically manages the process of identifying, evaluating, monitoring and addressing major risks through operating ERM, thus ensuring that risks do not translate into real dangers which stand in the way of achieving management goals. To this end, key risk indicators for each major risk are monitored for risk prevention and timely response as per the risk response manuals. Risk prevention and mitigation activities are then reported to the ERM Committee, which selects major risk issues every year depending on their priority amid a fast changing environment and supervises their management status throughout the year.

ECP for Optimized Risk Response S-OIL has implemented the ECP aimed at taking a swift, well-coordinated response to minimize personnel and property damage in the event of an unpredicted emergency. The Company has also installed the Emergency Control Center (ECC) in all major business sites including the Head Office. Furthermore, by periodically conducting company-wide emergency drills and regional emergency drills, the Company improves its risk response capability. In 2017, the Company revisited and revamped its contingency plan for emergency situations at terminals outside the Refinery. Such efforts on multiple fronts enabled efficient coordination and risk response through activating the ECC when an actual emergency situation occurred.

EWS for Timely Risk Response S-OIL's EWS ensures a prompt response to a variety of risks related to work by monitoring risk-generating factors in real time. Every department reviews and responds to abnormal signals regarding their respective work domain in a swift manner as per the pre-defined EWS monitoring scenario, taking early action to prevent the aggravation of risks.

Effective Internal Control through IAMS With the purpose of assuring the reliability of financial information, S-OIL examines its internal control process and conducts the evaluation of internal control on a half-year basis by operating the IAMS. The Company updated the internal control items that govern the roles and responsibilities of each organization at the corporate level, and streamlined the internal control assessment by developing new assessment items and deleting the ones whose relevance decreased. As such, the Company makes continuous improvement to the IAMS in order to secure the reliability of its financial information and effectiveness of work execution.

Operation of Efficient Internal Audit System

S-OIL has an independent audit organization under the control of the BAC to guarantee the independence and expertise of internal audits. The Company enhances transparency and corporate value by conducting a thorough internal audit of accounting and business in general. The audit organization, based on the auditors' extensive experience and in-depth understanding of business operations, concentrates its auditing capabilities on sustaining a sound internal control system and addressing inefficiency in work processes and cost structures.

In 2017, in relation to the Anti-Graft Act, the audit organization recommended the process to handle congratulation, condolence and entertainment expenses be improved through self-checking. The regulations and process for receiving reports was revamped as well to ensure reports are directly sent to the General Auditor and that the identity of informants and details of reports are strictly protected. Furthermore, an audit recommendation was made whereby a system should be implemented for the integrated and systematized management of know-how and deliverables from the large projects the Company has been undertaking, thereby boosting the Company's intellectual property management capability.

Auditors carry out regular monitoring of the ongoing RUC/ODC Project, which is scheduled to be completed in 2018, contributing to the success of the large-scale Project. In 2017, periodic on-site inspections have been conducted for the project, making audit observations on the need for improvement of the procurement bidding price review process and the technology assessment criteria. By conducting regular monitoring activities across the project, the Company makes continued efforts to prevent and mitigate risks associated with safety, investment cost, project schedule, and compliance.

The Company actively helps auditors to improve individual competency through attending various training courses and to obtain certificates while introducing the professional software Audit Command Language (ACL) for in-depth data analysis. S-OIL strives to raise corporate value through the objective and independent operation of the BAC and the audit organization, the establishment of an effective audit system equivalent to that of leading global corporations, and the execution of audits centered around process improvement. In recognition of such effort, the Company earned the prestigious Best Audit Award from the Korea Listed Companies Association in 2012 and 2015.



Emergency Control Center



CUSTOMERS

S-OIL strives to deliver customer satisfaction with utmost product quality and reasonable price and to focus on building trust with customers through various communication activities carefully designed based on customer needs. The Company continues to sharpen its overseas marketing capabilities by exploring new markets and enhancing strategic partnerships with key customers abroad.

Key Issues

- Realization of customer satisfaction
- Product quality assurance in the distribution stage
- Reinforcement of R&D
- Enhancement of marketing activities
- Protection of customers' personal information
- Fair marketing activities
- Prevention of activities against fair competition
- Enhancement of overseas marketing activities

Report Subject

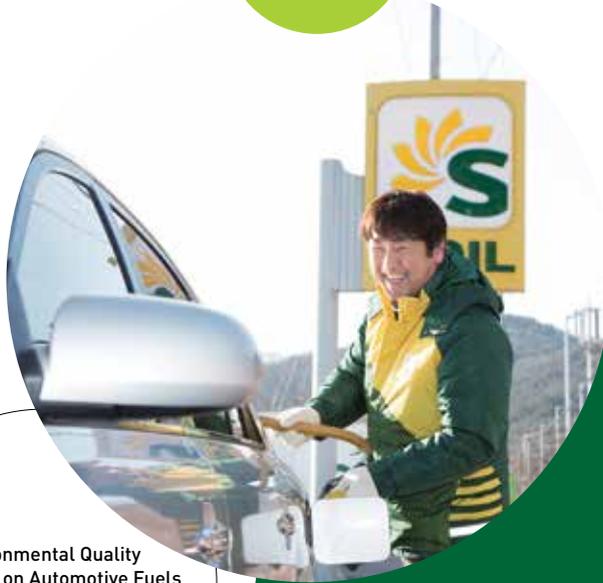
- C1** Realization of Customer Satisfaction
- C2** Product Quality Assurance
- C3** Marketing Communication
- C4** Protection of Customers' Personal Information / Fair Competition in Market
- C5** Overseas Marketing

Aspect

- Marketing & Labeling [S-OIL internal/external]
- Customer Health & Safety [S-OIL internal]
- Marketing & Labeling [S-OIL internal]
- Anti-competitive Behavior, Customer Privacy [S-OIL internal/external]
- Marketing & Labeling [S-OIL internal]

Major Stakeholders

- Customers
- Customers
- Government
- Customers
- Customers
- Government
- Customers



Environmental Quality
Evaluation on Automotive Fuels



Market Share for Domestic
Retail Light Oil Products

22.2%



Share of Overseas Exports

57.6%



1 Realization of Customer Satisfaction

WHY IS THIS IMPORTANT?

Today, as customer needs diversify and competition intensifies, customer-oriented management has become a key principle of sustainable growth for businesses. Amid rising consumer demands for quality services and products, in particular, companies are putting in greater efforts to maximize consumer benefits.

OUR COMMITMENT

Commitment

Maximization of consumer benefits

Swift and accurate handling of customer complaints

Reinforcement of competitiveness of service and LPG filling stations *

Targets in 2017

- Implementation of reasonable product pricing
- Market share for service stations: over 18.5%
- Market share for domestic retail light oil products: over 21.7%

- Handling of VOCs within designated window: 2 business days for inquiries, 5 business days for complaints

- Ratio of service stations with low service quality by customer evaluation: under 15%

- Ratio of service stations with high hygiene by customer evaluation: over 60%

Performances in 2017

- Implementation of reasonable product pricing
- Market share for service stations: 18.3%
- Market share for domestic retail light oil products: 22.2%

- Time spent on VOC handling: 0.7 business day for inquiries, 2.6 business days for complaints

- Ratio of service stations with low service quality: 21%
- Ratio of service stations with high service quality: 59%

- Ratio of service stations with high hygiene: 77%

Targets in 2018

- Implementation of reasonable product pricing
- Market share for service stations: over 18.8% (over 19.7% by 2020)
- Market share for domestic retail light oil products: over 22.3% (over 23.0% by 2020)

- Handling of VOCs within designated window: 2 business days for inquiries, 5 business days for complaints

- Ratio of service stations with high service quality: over 63%

- Ratio of service stations with high hygiene: over 80%

* Mid- to long-term target: phased operation of Total Service Training System for service and LPG filling stations - service integration (-2020), service standardization (-2025), service 'premiumization' (-2030)

OUR RESPONSE

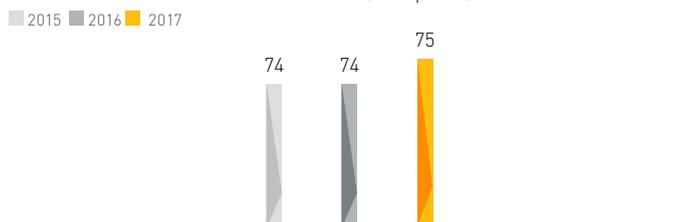
S-OIL concentrates its capabilities on enhancing consumer benefits and satisfaction with products of top quality and reasonable prices. The Company is proactive in communicating with customers to identify their needs and reflecting them in its business activities. The Company also pursues shared growth with service and LPG filling stations, its key customers and main customer contact channels, by helping them enhance competitiveness and by solidifying cooperative relations.

Reasonable Product Pricing

S-OIL makes various efforts to resolve consumers' suspicions related to product prices and maximize consumer benefits by applying a reasonable and competitive pricing policy. Implementing an independent product pricing system that takes into consideration factors that affect domestic oil product prices such as fluctuations in international oil prices, F/X and domestic market conditions, the Company is leading the domestic pricing with fair and reasonable policy. Although consumers rarely feel the instant impact of lower crude oil price first hand due to high taxes and the lagging structure, the Company's Price Operation Committee convenes every day and sets standard prices of gasoline, diesel, and kerosene in the domestic market. Furthermore, the Company operates a competitive reward membership program where customers can earn the most value for their purchase, while bringing

various customized offerings to Bonus Card members based on Customer Relationship Management (CRM) system. The Company also made available a wide range of discounts on fuel purchases through continuous expansion of strategic alliances with most of the domestic credit card companies. In particular, the Company launched a freight reward card that offers some of the best fuel purchase rewards in the industry, in an attempt to help alleviate the burden of heavy fuel-consuming tank truck drivers. In 2017, a menu dedicated for tank truck drivers was added to S-OIL Mobile Point Mall, making it much easier for them to use accumulated points.

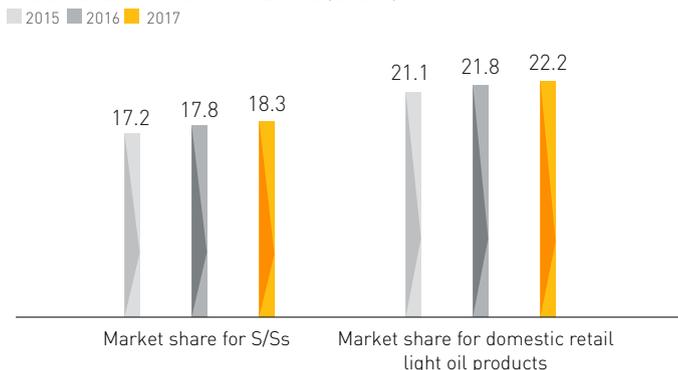
National Customer Satisfaction Index (unit: points)



Improvement of Consumer Convenience

As stagnant demand for fuel products, increasing market uncertainties, and intensifying competition among suppliers aggravate sales conditions, S-OIL strives to enhance customer convenience and boost its domestic market share on many fronts. For example, efforts focus on improving customer experience with the Company's service and products and securing a reliable source of demand by expanding sales network with service stations, LPG filling stations, and direct sales offices. Despite the downward trend in the number of service stations across the country, the Company is the only refiner in Korea that has increased the number of service stations, thanks to proactive efforts to secure a stable sales network, thereby minimize inconvenience for customers. The Company also carries out differentiated programs and engages in creative brand marketing activities to boost sales, while actively explores new business opportunities. As a result, the Company captured 22.2% of domestic market share for retail light oil products in 2017, which is a new record for the Company.

Market share for service stations (unit: %)



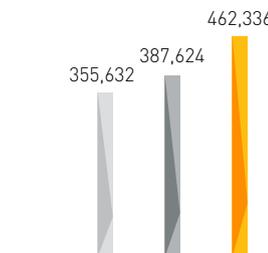
Timely and Accurate Handling of Customer Complaints

In a bid to strengthen customer communication, S-OIL has established an integrated VOC system, through which it handles and analyzes all customer feedback received via various channels including customer center, Company website, ARS and SNS in an integrated and systematic manner. The time for VOC handling is set by VOC type and reflected in KPI for swift handling. Also, the Company performs satisfaction surveys on VOC handling and feed the result back to the VOC handling procedure for continuous improvement of the system. The handling status is notified to customers via call, SMS, and e-mails. The Company also runs VOC Awareness Program, an incentive system to recognize customers who raised constructive VOC and employees who handled VOCs in an efficient manner. The Company interacts with a prosumer group called GOODOIL Friends to collect valuable opinions and incorporate them in its two-way communication with customers, while operating an SNS-based one-on-one communication channel from 2017. The Company taps into the big data collected in the integrated VOC operation system to identify patterns in customer complaints, while continuing the customer complaints response program called "See You Again Call" where the Company selects certain service and LPG filling stations each month to share tips on how to prevent customer complaints that are categorized by complaint type. Additionally, the Company attempts to find out customers' negative experiences that they did not directly file with the Company through the "Hidden VOC" program by visiting services stations, LPG filling stations, and business partners, which contributes to addressing customer complaints before they arise.

VOC Handling Performance

(unit: cases)

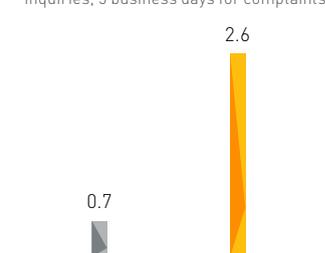
2015 2016 2017



Time Spent on VOC Handling in 2017

(unit: business days)

* Designated window: 2 business days for inquiries, 5 business days for complaints



Service Station

Competitiveness Enhancement of Service and LPG Filling Stations

S-OIL is committed to supporting service and LPG filling stations, the Company's key customers and main customer contact channels, to enhance their competitiveness through various on-site programs and proactive communication. S-OIL's effort has earned the Company first place in the most recommended service stations list by customers for two consecutive years from 2016 to 2017, selected by Korea Management Association Consulting based on customer surveys.

GOODOIL Etiquette & Clean Up Campaign S-OIL launched the GOODOIL Etiquette and Clean Up Campaign in 2016 to address service attitude and restroom hygiene, two most common reasons for not revisiting the same service or LPG filling stations from a consumer awareness survey, and make their experience more pleasant. Throughout 2017, all employees of the Company visited service and LPG filling stations more than 2,000 times to provide core services to customers and keep the areas clean as part of the Smile Day activities. GOODOIL Etiquette with U campaign where a customer and service staff greet each other with a smile has been received well by customers as it lays out a vision that every little act of kindness helps build a brighter society.

Field Management System Operation In order to improve service quality at service and LPG filling stations to meet rising customer expectations, S-OIL is operating YES Team for field training, Encouragement Team to share knowhow on S/S staff management and encourage them, and Monitoring Team to inspect and coach service. In 2017, the Company further enhanced supporting activities such as the reinforcement of training on responding to customer complaints to minimize customer inconvenience.

Academy for Management Capability Enhancement S-OIL provides a wide range of well-thought-out supporting programs, such as on- and off-line courses, consulting by in-house consultants, and the GOODOIL Family Magazine to help service and LPG filling stations strengthen management capabilities. Training for service station owners and on-site training are offered by District Biz HQs and sales offices respectively. GOODOIL Family Magazine delivers up-to-date information on management, relevant law and regulations, policies, and the Company's major marketing activities and support programs.

Revenue Diversification through Developing Non-Oil Business

With the profitability of service and LPG filling stations on continued downward trend caused by intensifying price competition, S-OIL has developed competitive non-oil businesses which service and LPG filling stations can adopt to diversify their revenue portfolio. The Company has introduced non-store and small-budget non-oil business items such as car supplies sales, brokerage business, and bottled water sales to service and LPG filling stations. And the Company is also providing them quality PB products such as urea solution and ethanol washer fluid at competitive prices. In 2017, the Company launched a car wash franchise service, which has the strongest relevance for service and LPG filling stations, in order to increase their profit and competitiveness with a premium and standardized car wash service.

Awarding for Service and LPG Filling Stations

In a bid to build and strengthen long-term cooperative ties with service and LPG filling stations that are core customers and an essential component of domestic sales network, S-OIL selects stations that achieved remarkable performance in terms of service, facility management, sales volume, and profitability, and awards S-OIL Champions Club every year. The award promotes competition in good faith and sharing of good practices among service and LPG stations, thereby contributing to improvement in management capabilities.

Support for Promotional Events

S-OIL launches various promotions and supports purchase of bottled water, wet tissue, and other promotional goods according to the yearly promotion plan that takes into account seasonal factors and feedback from stations. The Company implements differentiated promotions customized to different regions as part of the effort to build competitiveness.



S-OIL Champions Club Award Ceremony

2 Product Quality Assurance

WHY IS THIS IMPORTANT?

Faced with environmental regulations spreading across the world and ever-rising consumer expectations for quality services and products, business activities to protect consumer interests and minimize impact on the environment and consumer safety by delivering eco-friendly products with superior quality have become a key competitive edge.

OUR COMMITMENT

Commitment	Targets in 2017	Performances in 2017	Targets in 2018
Operation of the quality management system	<ul style="list-style-type: none"> Migration to ISO 9001:2015 certification 	<ul style="list-style-type: none"> Acquisition of migration to ISO 9001:2015 certification 	<ul style="list-style-type: none"> Renewal of ISO 9001 certification
Enhancement of R&D capabilities	<ul style="list-style-type: none"> Development of new products (3 fuel oil products) Introduction of the latest analysis equipment & technology Reinforcement of joint researches with external institutions (4 cases) 	<ul style="list-style-type: none"> Development of 3 fuel oil products Introduction of 131 analysis equipment Completion of 3 joint researches and 3 ongoing joint projects 	<ul style="list-style-type: none"> Development of new products Introduction of the latest analysis equipment & technology Reinforcement of joint researches with external institutions (7 cases)
Production of high-quality eco-friendly products	<ul style="list-style-type: none"> Introduction of new processes & process improvement Zero shipping of sub-quality products 	<ul style="list-style-type: none"> Ongoing work to introduce Alkylation & RFCC processes Zero shipping of sub-quality products 	<ul style="list-style-type: none"> Introduction of new processes & process improvement Zero shipping of sub-quality products
Improvement of quality competitiveness	<ul style="list-style-type: none"> Strengthening of quality inspection on service & LPG filling stations Lowest detection rate of abnormal products Expansion of the Trustworthy Service Stations 	<ul style="list-style-type: none"> Quality inspection on 13,817 service & LPG filling stations Detection rate of abnormal products: 1.6% (Average of domestic refiners: 1.9%) 1,765 Trustworthy Service Stations (81%) 	<ul style="list-style-type: none"> Strengthening of quality inspection on stations & LPG filling stations Lowest detection rate of abnormal products Expansion of the Trustworthy Service Stations: over 87% (over 90% by 2019)

OUR RESPONSE

S-OIL operates quality management system in observance with ISO 9001 international standard, producing quality products which meet customers' expectations. The system is adopted across the board at the Company in R&D, high-quality eco-friendly product development, and quality control in the distribution phase, with the goal to provide consumers with products of top quality in a stable manner while minimize impact on the environment and safety.

Enhancement of R&D capabilities

S-OIL continues to invest in R&D activities aimed at improving product quality and advancing production facilities to build on the technology the Company has already developed. In pursuit of sustainable growth, the Company also works with prestigious colleges and research institutes in many R&D projects such as high value-added production technology based on by-products from petrochemical products, benzene removal technology, BTX conversion technology, new desulfurization technology, CO₂ utilization technology, high-efficiency eco-friendly fuel oil development, and more.

New Product Development S-OIL holds domestic patents on long-life gasoline engine oil and long-life diesel engine oil of improved fuel efficiency that were developed jointly with the Hyundai-Kia Automotive Group Namyang R&D Center. S-OIL continues to engage in joint R&D projects, developing engine oil as well as auto transmission engine oil. The Company also develops hydraulic oil and other types of industrial oils to meet varying consumer needs.

Technology Support through Pilot Plants Having succeeded in operating a high pressure pilot plant, which produces clean lube base oil, and another bunker-c desulfurization pilot plant, S-OIL possesses the most advanced research facilities and experience in refining process. Efficient operation of the pilot plants enables us to continue technical support for optimum catalyst selection and improvement of production yield and quality. Ongoing joint research projects with external research organizations help the Company sharpen its R&D capabilities. The Company's sophisticated facilities contribute to improving production process and catalyst assessment. As a result, the Company has raised profitability as well as minimized impact on the environment and consumer safety by manufacturing the entire products as light oil or ultra-low sulfur products.

Introduction of Latest Analysis Equipment and Skill S-OIL has introduced the latest analysis equipment and skill to ensure stable quality management and customer trust. Reliability of analysis is secured by regularly calibrating analysis equipment through certified third party institutes as well as in-house verification programs. The Company also conducts training programs to help improve its analysis ability, thereby securing quality analysis capabilities and contributing to production efficiency. Moreover, the Company participates in inter-laboratory comparison test at local and international hosted by authorized agencies such as ASTM and K-Petro every year, which contributes to securing analysis reliability, verifying analysis methods, and further improving the accuracy of analysis. In particular, channeling its efforts to the successful execution of the RUC/ODC Project, the largest ever project in the history of the Company, S-OIL is striving to secure the optimum analysis equipment and skill for the PP & PO quality analysis.

Production of High-quality Eco-friendly Products

S-OIL has won the highest grade for its gasoline and diesel in the environmental quality evaluation. The Company's kerosene also obtained the Eco-Labeling certification in 1994 for the first time among Korean refiners, and has maintained the certification ever since.

Environmental Quality Evaluation on Automotive Fuels (2015-2017)



Introduction of New Processes Going beyond passive response to environmental regulations, S-OIL is proactive in introducing new processes as well as revamping and upgrading them to develop and supply more efficient eco-friendly products with premium quality. For example, the diesel dewaxing process was introduced to innovatively improve the stability of diesel performance even at low temperature in winter. Moreover, the Company upgraded its lube base oil production process, which dramatically reduced emission of a hazardous chemical substance Poly Aromatic Hydrocarbon (PAH) and allowed the Company to supply more eco-friendly and safer lube base oil to the market. The additional introduction of alkylation and RFCC process allowed even better quality of gasoline as well.

Prevention of Market Distribution of inferior Products S-OIL's real-time quality monitoring system detects in advance any factor that can have negative effects on product quality throughout the entire production process from purchase of raw materials to market distribution, which ensures supply of only those that satisfy quality standards to customers. Furthermore, regular communication is held between the production and sales organizations to produce products that meet customer requirements, and the Company periodically participates in inter-laboratory comparison test to maintain and enhance precision of analyses.

Enhancement of Quality Management in Market Distribution Process

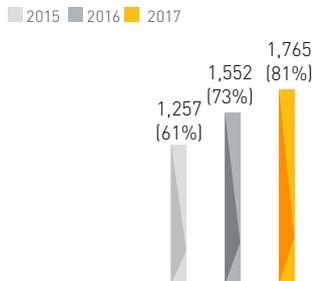
S-OIL always pays full attention to systematic product quality management in the entire market distribution process, as well as in the production process, with the aim of preventing pollution or quality degradation of products at service and LPG filling stations and ensuring customers' rights to purchase products with specified quality and quantity. As a result, the Company's diesel was selected as the best customer value product for two consecutive years by winning top marks in the diesel category of 2017 The PROUD Consumer Survey hosted by Korea Management Association Consulting (KMAC).

Inspection on Product Quality and Facilities of Service & LPG Filling Stations in 2017



Strict Inspection on Product Quality of Service and LPG Filling Stations While making efforts to produce and supply quality products, S-OIL is also working to strengthen quality assurance activities to preclude contamination or quality degradation of products in the market distribution process and ensure customers' rights to purchase products with specified quality and quantity. Quality inspection on service and LPG filling stations is conducted, which is guided by the Inspection Team dedicated to quality inspection and the Management Team responsible for prevention activities. Diverse possible means are tried to ensure efficient quality control such as injecting specific markers, running on-site handy analyzers, abnormal symptom monitoring system, itinerant training on quality assurance by quality manager, and checking dealer information. The Company runs the Product Quality Tracking IT System which integrates product distribution and quality information encompassing the Onsan Refinery, service stations, and customers to trace back distribution routes. In addition, the Company puts efforts to provide customers with the best quality products and apply strictest penalties to service and LPG filling stations found to sell fake oil, including de-branding.

Trustworthy Service Stations (unit: places)



Trustworthy Service Station S-OIL operates Trustworthy Service Station program where the Company guarantees products sold at trustworthy service stations according to quality and quantity specifications, in an effort to build an environment for customers to easily purchase high-quality products. At least six quality inspections and one quantity specification inspection a year are prerequisite to maintaining the qualification as the Trustworthy Service Station. The Company also puts up signs to let customers know that they are purchasing from a Trustworthy Service Station, and promptly provide information on the quality of the products they purchase using the alarm notification feature of social network service KakaoTalk. The Company will continue to bring on board more service stations in order to deliver greater value to more customers and protect their right to know.



Trustworthy Service Station

3 Marketing Communication

WHY IS THIS IMPORTANT?

Customer-oriented management has become an essential strategy for corporate survival due to diversified customer needs. Amid intensifying competition, businesses today are required to make the best efforts to elevate their brand value and corporate image in a way that gives real benefits to customers by proactively communicating with customers and meeting their expectations.

OUR COMMITMENT

Commitment

Improvement of brand competitiveness

Targets in 2017

- Improvement of brand value through differentiated advertising campaigns
- Implementation of various character marketing programs
- Differentiated sports & culture events
- Enhancement of service station marketing through effective promotion
- Advertisement on corporate image that builds empathy and communicates with customers

Performances in 2017

- Production of a creative advertisement campaign that delivers the message of empathy & compassion (Ad TOM 60%, 20 million SNS searches)
- Launch of diverse GOODOIL Family programs such as animated films, character stores, GOODOIL Land, GOODOIL trees
- Brand exposure and corporate image improvement by sponsoring golf tournament & culture events
- Expanded customer engagement through popular sweepstakes
- Creation of corporate image that fulfills social responsibility (Bronze award in the print ad category at the 2017 Korea Advertising Awards)

Targets in 2018

- Improvement of brand value through differentiated advertisement campaigns
- Enhancement of awareness of and affinity for the GOODOIL Family
- Improvement of corporate image and customer loyalty by sponsoring diverse sports & culture events
- Enhancement of marketing activities for service stations through systematic promotion
- Advertisement on corporate image that builds empathy and communicates with customers

Improvement of positive corporate image

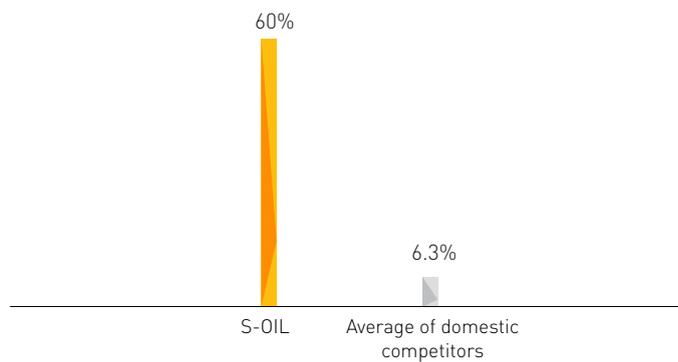
OUR RESPONSE

S-OIL has long overcome its inherent limitations of being a late comer in the refining industry and a standalone company unaffiliated with a large conglomerate, and is now growing into a trusted corporation that is contributing to the development of the national economy and society. This was possible due to the diverse and creative marketing and communication activities that were undertaken to deliver best quality products, as well as active interaction with customers. Acknowledged for such efforts, the Company received the grand award in the brand management category at the 2017 Best Management Award of Korea for two consecutive years, and ranked 43rd on the list of 2017 Best Korea Brands 50 selected by Interbrand Korea, which highlighted the Company's strong brand value.

Brand Marketing as a Medium for Customer Communication

Advertisement campaigns for rediscovering lost dreams During 2017, S-OIL released a TV advertisement campaign under the theme "good oil takes us to good places," portraying the lives of people with dreams and delivering messages of hope to those who are enduring each day with their dreams forgotten and lost. After long discussions and deliberations, the Company created a commercial song "Perfect Day" to sing about hope, running towards the best day of our lives without giving up because of failures or obstacles that we face. The song, coupled with beautiful video images, touched the hearts of people around us who needed consolation and support, which resonated with customers and helped the Company earn a positive brand image. The advertisement recorded more than 20 million views on a SNS channel, resulting in the top of mind awareness of 60%, which is an unprecedentedly high record among Korean refiners.

Top of Mind Awareness in TV Advertising in 2017



Differentiated GOODOIL Character Marketing S-OIL has proactively utilized the GOODOIL character symbolizing good oil for diverse marketing activities at service and LPG filling stations, events and promotions as well as advertisement campaigns in order to get in closer touch with customers and more closely relate to them. The three-dimensional animated film of GOODOIL Family characters the Company produced in 2017 caught on, adding to the intimacy with consumers, and led to even closer communication with them via SNS channels. Taking into account customers' opinions and suggestions, the Company launched 42 GOODOIL characters and opened character shops in Seoul and Ulsan where visitors could directly take a look at and purchase the characters. Other activities included installing a large GOODOIL Family flower garden in the International Horticulture Goyang Korea and hosting GOODOIL Family Home Party at COEX, Seoul, thereby offering customers more chances to meet GOODOIL characters and learn more about the brand.

Differentiated Sports & Cultural Marketing Activities S-OIL's support for diverse sports and cultural events boosts its brand's dynamic, friendly yet prestigious image. The Company has been hosting the KLPGA S-OIL Championship since 2007 and sponsoring the S-OIL Championship Pro-Am to offer premium service and exclusive values to customers. In 2017, the Company engaged in creative and comprehensive sport marketing activities using GOODIL Family characters, including outdoor advertising and promotions at Sajik Baseball Park in Busan, home to the Lotte Giants professional baseball team. To strengthen ties with customers and provide them with greater cultural benefits, the Company also organizes events such as Culture Date and S-OIL Cinema Date. In particular, the Company invite Bonus Card customers and partner dealers to special cultural events giving them a good chance to enjoy high-quality cultural performances.

Effective Promotional Activities S-OIL engages in a variety of promotional activities to provide substantial benefits to customers who visit its affiliated service and LPG filling stations and increase

their satisfaction. As part of this, in 2017, the Company held the GOODOIL Family Giveaway Event at service and LPG filling stations across the country twice, through which customers received diverse free gifts such as GOODOIL characters and daily supplies. The Company also opened a mobile point shopping mall to help its Bonus Card members easily use their bonus points, and added to the shopping mall daily supplies, such as mineral water, wet tissue and others high in demand by consumers, thereby enhancing customer satisfaction.

Creation of a Friendly Company Image that Fulfills Social Responsibility

S-Oil is making concerted efforts to build an image as a friendly company that fulfills social responsibility and interacts with various stakeholders, based on creative and unique corporate image advertisements. Not only is the Company running public interest campaigns on the front page of major daily newspapers, it is also striving to deliver useful information to various stakeholders on a timely basis to promote broader interaction. In 2017, the Company launched a safety campaign in which GOODOIL promoted everyday safety in a fun and easy-to-understand manner. Also, the Company provided updated information on each region through service and LPG filling stations located across the country, which was met with a lot of interest and enthusiasm by customers. In 2018, the Company introduced campaigns related to health on front page newspaper advertisements. Innovative printed advertisements that illustrate the activities of For Heroes and For Environment, the flagship CSR of S-OIL, were created to consistently bolster the Company's social responsibility. A printed advertisement was made as a find hidden objects game in 2017, a creative and unique approach that won the praise of many stakeholders, winning us bronze award at the 2017 Korea Advertising Awards under printed advertisements. Apart from conventional methods of advertising, the Company has erected a huge panel against the external walls of the Head Office which conveys written messages of hope and consolation and strengthens cultural as well as emotional bond with the local community.



KLPGA S-OIL Championship

4 Protection of Customers' Personal Information / Fair Competition in Market

WHY IS THIS IMPORTANT?

The recent increase in the personal information leakage accidents calls on businesses to strengthen their information security levels, as such accident causes not only psychological and physical damages to customers but also economic losses to companies such as reliability deterioration and financial compensation. The domestic oil market being an oligopolistic market by a few with a huge impact on consumer price, it naturally draws a lot of attention from both consumers and the government. Hence, fair and free competition in the market is becoming an increasingly critical issue for sustainable growth of a company.

OUR COMMITMENT

<p>Commitment</p> <p>Information protection enhancement</p>	<p>Targets in 2017</p> <ul style="list-style-type: none"> • Maintenance of Information Security Management System (ISMS) certification • Maintenance of Personal Information Management System (PIMS) certification 	<p>Performances in 2017</p> <ul style="list-style-type: none"> • Maintenance of ISMS certification • Maintenance of PIMS certification 	<p>Targets in 2018</p> <ul style="list-style-type: none"> • Renewal of ISMS certification • Renewal of PIMS certification
<p>Promotion of fair competition in the market</p>	<ul style="list-style-type: none"> • Establishment of a fair trade culture • Periodic and ad-hoc voluntary inspections on fair trade • Use of written contracts based on fair trade 	<ul style="list-style-type: none"> • Implementation of training on fair trade once • Periodic and ad-hoc voluntary inspections on fair trade • Reflection of the Fair Franchise Transaction Act 	<ul style="list-style-type: none"> • Establishment of a fair trade culture • Periodic and ad-hoc voluntary inspections on fair trade • Use of written contracts based on fair trade and continuous check

OUR RESPONSE

S-OIL preemptively responds to the increasingly stringent Personal Information Protection Act and the Act on Promotion of Information and Communications Network, and establishes and implements the systematic information protection policy for the Company's critical information and personal information of all stakeholders including customers. In recognition of its privacy protection efforts, the Company became the first Korean refiner to obtain certification on Information Security Management System (ISMS) and Personal Information Management System (PIMS) from the government in 2015. With the strong commitment for compliance management from the Company's top management, the Company is also committed to adhering to fair competition principles and protecting consumer interests.

ISMS-based Critical Corporate Information Protection

Managerial Area At S-OIL, Information Security Committee chaired by the Chief Security Officer (CSO) reviews the Company's major information security policies and action plans, tracks progress, and pushes forward efforts to raise information security awareness. To that end, the information security training is provided to all employees, and the newly added online training program in 2017 also serves the goal of enhancing the employees' awareness on information security. In order to stay ahead of evolving hacking technologies, the Company makes continued efforts to sharpen its counter cyber-attack capabilities by acquiring latest security technologies and closely cooperating with information security companies.

Technical Area All IT systems at S-OIL are safely operated as per the internal security standards and addressed for security weaknesses through periodic hacking simulations and security patch updates. In addition, the centralized storage, analysis, and monitoring of IT system logs allow the Company to be more proactive in preventing likely and predictable attacks. For efficient response to Advanced Persistent Threat (APT) and unknown malware, in particular, the Company has introduced the APT attack prevention device and a security solution that detects abnormal activities on user computers, respectively. Other mobile service security solutions in operation include Mobile Device Management, Mobile Application Management, and Mobile Content Management solutions.

Physical Area S-OIL's major IT systems are located in a data center equipped with one of Korea's best security solutions, thereby being safely protected from physical intrusions from outside.

PIMS-based Systematic Personal Information Protection Minimum Retention of Customers' Personal Information In full compliance with the Act on the Protection of Personal Information and to minimize personal information leakage risk, S-OIL deletes sensitive personal information such as resident registration number from the Company's customer DB. In addition, IT Security Team is accountable for making continuous improvement to the work process in a way that minimizes handling of personal information. The Team also monitors how personal information is accessed, stored, and altered in real time.

Encryption of Personal Information and Access Control through Network Segregation At S-OIL, customer information is safely managed. The Company ensures personal information is stored after encryption, control access to such information through the personal information access control system, and systematically monitor access history accordingly. The Company effectively limits personal data access by allowing access rights only to IT system managers and certain teams requiring personal data access. Furthermore, access can only be made through the Virtual Desktop Infrastructure system that separates Internet and business networks or the Server Based Computing system that blocks Internet connectivity, minimizing the potential risk of customer information leakage. Additionally, system access authorization is exclusively granted after password and One Time Password (OTP) are entered.

Personal Information Protection Training S-OIL provides all employees as well as those from contractors who handle customer personal information with periodic privacy protection training at least twice a year as well as other online training programs.

Fair Competition in the Market

Training on Fair Trade Boosted by the top management's strong commitment to reinforcing compliance management, especially in relation to fair trade laws, S-OIL published a compliance manual and must-follow guidelines "Dos & Don'ts" that employees need to adhere to when conducting sales activities. The Company also holds a fair trade training session by inviting an external lecturer every year to raise employees' awareness on compliance with relevant laws. In particular, the Company holds training sessions tailored to the needs of sales force on site, helping staff at District Biz HQ and Sales Offices to better understand and abide by fair trade practices. Thanks to these continued efforts, the Company has recorded zero violation of fair trade laws since 2012, and its commitment to fair trade is firmly entrenched in its corporate culture.

Violation of Fair Trade Law (2012-2017)



Self-assessment on Fair Trade through Compliance System S-OIL conducts self-assessments periodically and randomly to check any violations of fair trade laws in business operations by capitalizing on its compliance system. In addition, the Company actively assists employees' compliance with fair trade laws by providing real-time legal updates on latest legislation and revisions on relevant laws and regulations, conducting training sessions on major legal requirements, and regularly monitoring its fair trade law compliance.

Use of Written Contracts Based on Fair Trade S-OIL has in place and utilizes a standardized written contract that reflects the recommendations from the Fair Trade Commission with regards to entering into contracts with business partners. Moreover, in full compliance with the Fair Franchise Transaction Act which came into effect in December 2016, the Company has reflected mandatory terms and conditions of trade in its written contract.



Training on Fair Trade

5 Overseas Marketing

WHY IS THIS IMPORTANT?

With an aim to achieve profitable and sustainable growth, S-OIL has preemptively ventured into overseas markets from the beginning stage of its business. The Company now generates more than 50% of its revenues from overseas. As such, marketing capabilities in overseas markets are identified as core competitiveness for the Company to secure sustainable growth.

OUR COMMITMENT

Commitment

Enhancement of overseas marketing capabilities

Improvement of export profitability

Targets in 2017

- Improvement of customer relations
- Identification of new customers (in preparation for increased production capacity)
- Closer business collaboration with Saudi Aramco
- Expansion of exports to growing markets
- Identification of opportunities to further bolster profitability

Performances in 2017

- Expansion of strategic partnerships in strategic markets by product types
- Acceleration of new customer development with focus on end users
- Securing of stable source of demand for new products through aggressive premarketing
- Closer business collaboration with Saudi Aramco on fuel & petrochemical Businesses
- Expansion of exports to growing markets including Southeast Asia
- Profitability improvement by seizing arbitrage chances in/outside the region

Targets in 2018

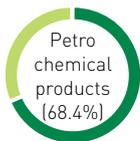
- Build customer relations
- Explore new customers
- Reinforce business collaboration with Saudi Aramco
- Expand exports to growing markets
- Identify opportunities to further boost profitability

* Mid-to-long-term target: Establishment of a second domestic market for fuel business in strategic markets overseas, Enhancement of the global market leading position in lube business, Securing of a leading business position in Asian petrochemical product market

OUR RESPONSE

Status of Exports in 2017

■ Domestic sales
■ Exports



S-OIL has been at the forefront of expanding into overseas markets and contributing to the national economy and social development by transforming the refining industry from a simple manufacturing industry for the domestic market into a high value-added export industry. The Company is exporting more than 50% of its products abroad on the back of excellent quality and competitiveness, developing into the most competitive and admired energy & chemical company in the Asia Pacific.

Overseas Marketing for Fuel Business

Armed with production capabilities for high value-added products secured through preemptive investment, S-OIL was an early mover to expand into Australia and other major overseas markets ahead of its competitors, sequentially building a strong customer base and brand awareness. The Company is responding flexibly to strengthened product specification requirements in those markets and meeting diverse customer demands by improving export operation capabilities and logistics system. Such efforts have enabled the Company to grow into a major oil provider across the Asia Pacific. In order to respond to the increasing competition in core markets, the Company established direct sales agreements and strategic partnerships with major clients, aiming to obtain stable sales networks. The Company is making consistent effort to boost sustainable sales capabilities, and it plans to acquire local sales networks in core strategic markets in a bid to create a major market base second to Korea. In addition, the Company is continuously strengthening its influence in overseas markets through reinforced business collaboration with Saudi Aramco, which is its major shareholder, and affiliate companies. The Company plans

to utilize the high value-added light oil products that will see increased production with the completion of the RUC/ODC Project during the first half of 2018, to promote sales in strategic markets and expand its sales base into potential markets such as the United States.

Overseas Marketing for Lube Business

S-OIL is achieving high operating income through stable sales of the entire production stock of lube base oil by employing marketing strategies tailored to each market. The Company is also actively utilizing its lube base oil production capacity, which ranks 2nd place in the world based on single location. After years of efforts to improve profitability, in 2017, the Company accomplished a noteworthy feat of signing a long-term business agreement with clients in Japan and China, which are two of the largest premium lube base oil markets in Asia. Reinforced efforts are being made to develop core growth engines for the lubricant business through the operation of the TS&D Center. The Company's lubricant business is cementing its position in the market on top of positive response from home and abroad for S-OIL SEVEN, which is a high-end lubricant brand. During 2017, the Company significantly expanded the lubricant logistics center to enhance efficiency of inventory management and reinforced local marketing activities by participating in overseas exhibitions and holding dealer conferences. As a result, the Company is exporting lubricant products to around 40 countries including China, which is a major strategic market, and achieved over 20% of increased sales performances compared to last year. In line with the increasing global demand for premium lube base oil, the Company plans to consistently boost production capabilities for lube base oil products by grade and secure a strong client base on the back of thorough quality management and stable production capacity. As for the lubricant business, aggressive marketing activities will be conducted to consolidate the Company's standing in overseas markets while promoting its synergy with the lube base oil business. In particular, the TS&D Center will be actively capitalized to strengthen the core competence across the lubricant market, which will in turn contribute to solidifying S-OIL's status as the leading lubricant company on the global stage.

Overseas Marketing for Petrochemical Business

S-OIL conducts marketing activities optimized for each market based on good understanding of the aromatic industry, which shows different characteristics between major markets for each product. As for para-xylene, which is portraying steady growth based on increasing demand for polyester downstream spurred by the global economic recovery, the Company is concentrating on securing a stable sales outlets and profitability by acquiring high-value customers and expanding transactions. The Company has employed this strategy for para-xylene mainly because polyester demand is maintaining high growth, despite the fact that heightened competition is expected with increasing production from competitors. In particular, the Company is expanding direct sales to major customers in China by fostering far-sighted relationship built on trust, and exploring new opportunities by venturing into new markets. Furthermore, the Company is duly responding to market demand by enlarging the para-xylene external sourcing business with Saudi Aramco, cementing its position as the market leader. Meanwhile for benzene, the Company is concerting efforts in further pushing into China, the largest benzene importer, and at the same time nurturing long-term partnerships with customers in the United States, where steady import is anticipated with cost competitiveness in benzene downstream business, in preparation for the possibility of increasing self-sufficiency of benzene in China. With regard to propylene, the Company is consistently attracting key end-users in China, which is a market showing the highest demand growth on the globe, and establishing long-term relationship to further expand its overseas sales channel. The Company is directly supplying products to Chinese end-users to maintain stable sales activities that do not fluctuate by market conditions with rock-solid and enduring partnerships. In addition, the Company is concentrating efforts on fostering a stable logistics base and acquiring new customers at home and abroad for olefin downstream products such as PP and PO, which will be produced from the RUC/ODC Project with its full operations during the 2nd half of 2018. As illustrated above, the Company is actively consolidating its position across overseas markets by preemptively responding to the rapidly evolving petrochemical market environment, and is committed to staying at the frontier as a market leader.



Event for Overseas Customers



EMPLOYEES

S-OIL's performance-oriented corporate culture is further entrenched due to its reasonable HR system. The Company ensures transparency and fairness in its recruitment and evaluation process and provides employees with various training programs to cultivate core resources to drive its growth forward. The Company also offers an array of benefit programs to employees through its advanced compensation and benefit systems to promote a healthy work & life balance.

Key Issues

- HR management
- Fair evaluation & compensation

- Talent cultivation

- Healthy corporate culture
- Harmonized labor-management relations

- Industrial safety & health management

Report Subject

E1 HR Management / Fair Evaluation & Compensation

E2 Talent Cultivation

E3 Corporate Culture / Labor-management Relations

E4 Industrial Safety & Health Management

Aspect

- Employment, Training & Education, Diversity & Equal Opportunity, Non-discrimination, Child Labor, Forced or Compulsory Labor (S-OIL internal)

- Training & Education (S-OIL internal)

- Economic Performance, Labor/Management Relations, Freedom of Association & Collective Bargaining (S-OIL internal)

- Occupational Health & Safety (S-OIL internal/external)

Major Stakeholders

- Employees

- Employees

- Employees

- Employees
- Suppliers
- Local Communities
- Government



DNV Safety Culture Score

8.1 points



New Employment

241 persons



Average Days of Used Annual Leave

17.8 days



1 HR Management / Fair Evaluation & Compensation

WHY IS THIS IMPORTANT?

A performance-oriented corporate culture is a prerequisite for sustainable development. The importance of an HR system cannot be underestimated as it ensures that employees are recruited on their own merits, not based on the area or school they are from, that they are trained in a systemized manner, and that they are recognized and rewarded based on the fair evaluation of their performance.

OUR COMMITMENT

Commitment

Enhancement of HR management

Reinforcement of performance-based corporate culture through reasonable & fair HR management systems

Targets in 2017

- Securing talented employees through fair recruitment procedures
- Enhancement of the performance-based evaluation system
- Enhancement of the performance-based compensation system

Performances in 2017

- Recruitment of 241 persons
- Improvement of evaluation systems
- Enhancement of the performance-based compensation system

Targets in 2018

- Securing talented employees through fair recruitment procedures
- Enhancement of the performance-based evaluation system
- Enhancement of the performance-based compensation system

OUR RESPONSE

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.

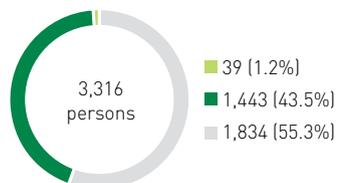
Securing Talented Employees through Fair Recruitment Procedures



S-OIL strives to secure diverse, talented resources by implementing a fair recruitment process that rules out any discriminatory factors such as gender, age, region, academic background, or disability. The Company is also proactive in hiring socially marginalized groups such as disabled people and non-regular workers. The channels through which the Company reaches and attracts talented resources who also share its core values are extended to campus recruiting, internship, and scholarship support programs. The Company does not require potentially discriminatory information from applicants for the screening process and adopts a blind interview system in an effort to ensure that all applicants are evaluated solely on their competence and qualifications, not on specifications. The Company's transparent and fair recruitment process is a driving force for sustainable growth amid the current business environment of increasingly fierce competition.

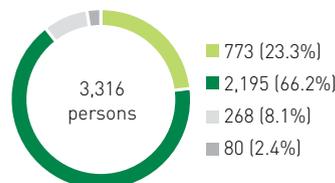
Employment Status by Job (unit: persons)

■ Officers ■ Administrative staff ■ Production staff



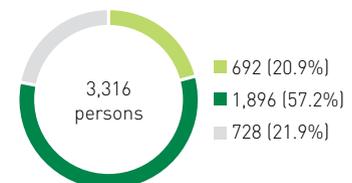
Employment by Workplace (unit: persons)

■ Head Office ■ Refinery ■ District Biz HQ ■ Terminal

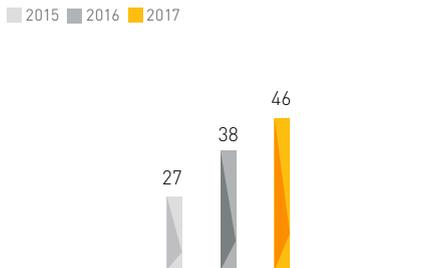


Employment by Age (unit: persons)

■ 50 or above ■ 30-50 ■ Under 30



No. of Female Managers (manager or higher levels) (unit: persons)



New Hires and Retirees in 2017



Performance-based Evaluation and Compensation

Evaluation System Improvement for Individual and Organizational Capacity Building

S-OIL makes continued efforts to improve its performance evaluation system, which contributes to boosting individual and organizational performance, thereby establishing a performance-oriented corporate culture in the organization. For competence evaluation, the Company revamped the existing simple grading system to make it more effective and practical in assisting individuals to create career and competence development plans based on their competence evaluation results. While individual employees implement their plans, the Company tracks their progress and manages the results throughout the year. As for performance evaluation, the Company has also upgraded the process to better align organizational and individual goals, letting employees set up individual action plans in line with the organizational goals. The Company closely follows up their progress through a phase-by-phase check process and evaluates performance based on specific records, significantly improving the fairness and reliability of the evaluation.

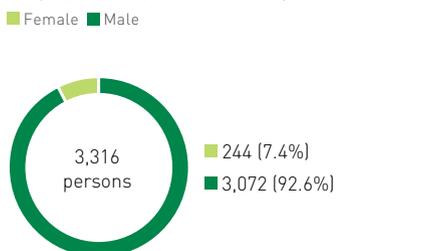
Enhancement of Performance-based Compensation System

In line with the performance-oriented organizational culture, S-OIL has instituted a performance-based rather than seniority-based reward and compensation program and extended it to include all office workers. The new performance-based pay structure where a wage increase in line with the service period for the same position was scaled down while that from promotion further expanded effectively motivates employees for high performance. In addition, the Company introduced a merit-based system for office workers to differentiate the annual performance reward they receive in accordance with their evaluation results as a way to further encourage them to perform better at work.

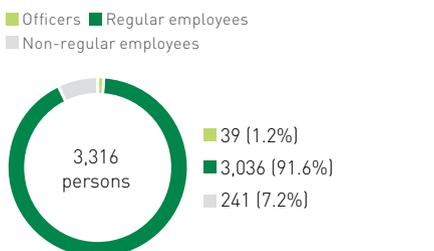


New Year Mountain Hiking of New Employees

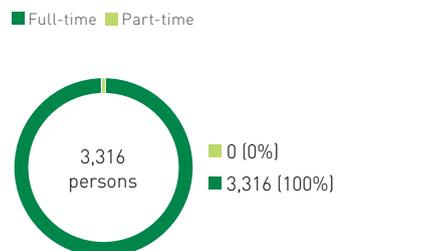
Employment by Gender (unit: persons)



Employment by Contract Type (unit: persons)



Employment by Employment Status (unit: persons)



2 Talent Cultivation

WHY IS THIS IMPORTANT?

The energy industry is undergoing changes as the comparative advantage determined by production facilities is disappearing thanks to the heated investment competition and the closing of the technology gap. Also, faced with profound challenges including emerging technologies for new and renewable energy, the industry is going through a transition period. In such an environment, it is imperative for companies wishing to remain competitive and profitable to increase operational efficiency and explore new markets and technologies by developing employee competencies.

OUR COMMITMENT

Commitment

Various training programs to improve employee competence

Targets in 2017

- Operation of an effective training system
- 100% completion of mandatory training hours
- Cultivation of next-generation leaders

Performances in 2017

- Leadership enhancement programs, S-OIL Academy, Engineer Cultivation Program, New Operator Training
- 97.5% completion of mandatory training hours
- Establishment of a frame for cultivating next-generation leaders

Targets in 2018

- Operation of an effective training system
- 100% completion of mandatory training hours
- Cultivation of next-generation leaders

OUR RESPONSE

S-OIL's competence development model consists of basic competence for all employees, leadership competence for leaders, and job competence for specific job positions. A systematic training program is offered in accordance with employees' role level (job grade).

Operation of Effective Education System



Based on annual competence evaluation results, S-OIL provides employees with not only in-house collective training but also various online education courses accessible via mobile devices so that employees can develop their competences anywhere, anytime. Commissioned training is also offered to meet increasing needs for more specialized education. Starting 2016, new Basic Work Skill courses such as understanding of specific production processes, basic finance, and basic work skills are available for general competence building. The Company also operates Learning Cell, an open learning platform for employees who want to share their knowledge and experience while satisfying their own needs for learning. This program allows employees to form study groups on any topic they are interested in to meet for a small group lecture, group learning, or reading discussion. The Global Learning & Communication Center is also in operation to provide targeted support for foreign language learning as part of global competency building. The Company provides employees attending these programs with learning materials and expenses to promote their active interaction and competence development.

Systematized Learning Management System S-OIL launched the Learning Management System (LMS) in 2015 and has since been utilizing the system to increase the efficiency of training programs and thus to effectively develop the competence of employees. LMS analyzes the patterns of users who access the system and customizes the main page for individual users. It also features My Classroom for the community learning while allowing users to search a wide variety of video clips and materials for self-driven study. e-learning courses from the LMS are available via both PCs and mobile devices, improving convenience for users. Introduction of the LMS has let employees stay on systematic individual competence development programs and benefit from them while raising the operational efficiency of educational administration for the Company.

Leadership Enhancement Program Leader groups such as officers and team leaders play a key role in shaping and guiding organizational goal achievement and making decisions on critical matters. With the aim of cultivating leaders who will lay the groundwork for the successful accomplishment of the Vision 2025, S-OIL set up a competence modelling and leadership pipeline for different leader groups in 2017. The Company plans to develop various effective leadership programs incorporating problem solving skills that can be applied to actual situations to accentuate management performance. The Company will also provide leader groups with the regular leadership diagnosis and a one-to-one coaching program for continuous monitoring and feedback.

S-OIL Academy for Specialized Job Training S-OIL has been running the S-OIL Academy for specialized job training since 2011. Particularly, the S-OIL Academy for Marketing & Sales is targeting the training of domestic sales professionals with service station operation, negotiation, and sales skills in a systematic manner, thereby offering courses including actual cases of domestic oil product sales today. As for the S-OIL Academy for Operations aimed at sharpening the job competence of engineers and production staff, the Company developed an e-learning course for fostering basic job competence in 2016 and introduced the Blended Learning which combined on- and off-line job courses. In order to establish a stable operational competence for start-up and shut-down for each process and to develop emergency response capabilities, the Company offers the Operation Training Simulator program. Also, an advanced program has been running to support the reskilling and upskilling of manager-level engineers or above. Leadership courses are offered to foremen as well.

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

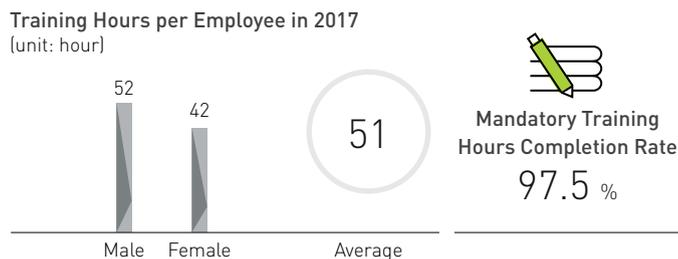
Intensive Training for New Operators For the successful implementation of the RUC/ODC Project, S-OIL offers to new operators a six-week American Petroleum Institute (API) course, basic job training on production processes and facilities, and safety training. Once this training is complete, new operators are assigned to a team and take the 20-week Job Task Standard (JTS) course. During this period, intensive training including self-learning on basic jobs and monthly evaluation on training results are carried out to help them learn diverse skills needed for their future jobs. One-on-one mentoring service where new hires are teamed up

with existing employees as mentors is also offered to faithfully manage their training process.

Global Communication Skills Training S-OIL looks for its employees to strengthen their global communication skills to continue building success in global markets and operates the Global Learning & Communication Center (GLC) in the Head Office in Seoul and the Refinery in Ulsan. The Center aims to enhance employees' capability to communicate and do business with overseas business partners and offers not only foreign language courses on English, Chinese, Japanese and Arabic but also courses to help understand global cultures and business etiquette and manners and speech training. In particular, the GLC operates a well-thought-out curriculum targeting team leaders, new hires and overseas workers catering to specific needs based on their roles. The Center also takes various approaches to training, including group training and one-on-one courses, to make training more effective and convenient from the users' perspective.

Nurturing Next-generation Leaders

With a firm belief that cultivating core talents will drive the Company's future success, S-OIL runs a systematic HR development program. To nurture the next generation leaders, the Company selects talented employees with great potential and has them accumulate diverse experiences through job rotation both in and outside the Company. They also benefit from the Company's policy to support MBA studies in Korea or overseas, or to support the Master's program in science and engineering in IFP School in France. Fully aware of the importance of female leadership to the organization, the Company also focuses on developing diverse female leader cultivation programs. These advanced training programs will produce core talents who can lead the Company to a sustainable future.



Global Learning & Communication Center

3 Corporate Culture / Labor-Management Relations

WHY IS THIS IMPORTANT?

Work efficiency growth has long been a primary focus for companies. Higher work efficiency is translated into higher productivity and greater value, and ultimately, greater benefit to all stakeholders including customers and shareholders. A corporate culture to encourage creative and strategic ideas and pursue efficient work processes enables employees to strike a healthy work & life balance. And a harmonized labor-management relationship is a driving force of ensuring corporate sustainable growth as well.

OUR COMMITMENT

Commitment	Targets in 2017	Performances in 2017	Targets in 2018
Internalization of core values	<ul style="list-style-type: none"> Awareness raising for core values 	<ul style="list-style-type: none"> Vision declaration, HR system incorporation, Promotion of visual items 	<ul style="list-style-type: none"> Strengthening & internalization of the capability to practice core values of each organization
Promotion of communication among organizations	<ul style="list-style-type: none"> Promotion of communication among organizations 	<ul style="list-style-type: none"> Company-wide management presentation, Junior Board, Communication session for new hires, Dynamic Rookies Program, Communication Promotion Program at District Biz HQs 	<ul style="list-style-type: none"> Promotion of communication among organizations
Operation of an industry-leading welfare benefit system	<ul style="list-style-type: none"> Improvement of the welfare benefit system in consideration of employees' needs Systematic employee health management 	<ul style="list-style-type: none"> Operation of the New Pension Program Enhancement of employee health management 	<ul style="list-style-type: none"> Improvement of the welfare benefit system in consideration of employees' needs Systematic employee health management
Enhancement of the work & life balance	<ul style="list-style-type: none"> Development of new systems for improving the work & life balance 	<ul style="list-style-type: none"> Intensive Holiday Program, MRD, Off-duty Day 	<ul style="list-style-type: none"> Development of new systems for improving the work & life balance
Creation of the best work environment	<ul style="list-style-type: none"> Satisfaction with general affairs service: over 8.7 points 	<ul style="list-style-type: none"> Satisfaction with general affairs service: 8.92 points 	<ul style="list-style-type: none"> Satisfaction with general affairs service: over 8.7 points
Establishment of harmonized labor-management relations	<ul style="list-style-type: none"> Zero labor dispute 	<ul style="list-style-type: none"> Zero labor dispute 	<ul style="list-style-type: none"> Zero labor dispute

OUR RESPONSE

S-OIL has established a productive and healthy corporate culture where swift communication is ensured. The Company operates industry-leading benefit programs that reflect employees' needs, and makes continued efforts to promote the physical and mental well-being of employees. The Company strives to provide employees with the best work environment to assure higher work efficiency. Furthermore, the Company is committed to laying the groundwork for sustainable development through maintaining a harmonious labor-management relationship.

Internalization of Core Values

S-OIL is striving to fulfill Vision 2025 announced in 2017, which is for the Company to become the most competitive and admired energy & chemical company in Asia Pacific, with excellence in operations, strategic investment, and human talent. Based on the core values (S-OIL EPICS : Excellence, Passion, Integrity, Collaboration, and Sharing) that constitute the common foundation upon which the Company makes decisions and conducts business activities regardless of external environmental changes, all officers and employees are taking on responsibilities and realizing their potential to the fullest in order to achieve the Vision 2025. The Company is concentrating efforts to raise awareness of the employees on the newly established core values and to apply them to business affairs and decision-making processes. Furthermore, these core values are reflected in the recruitment process of new employees and evaluation criteria of administrative staff, and a corporate image was created based on the core values for selecting and training talented employees. Various efforts have been undertaken to internalize the core values, such as making the CEO message and cases that demonstrate the core values into video clips to be shared and used internally as educational material. The Company is committed to maximizing business ethics and core values by continuously internalizing them through programs such as workshops designed to strengthen the organization's core values.

Healthy Corporate Culture by Enhancing Communication

S-OIL is committed to promoting communication and creating a productive and healthy corporate culture to break down the silo among individuals and teams, which is one of the major causes of low levels of work efficiency. In this regard, surveys on work efficiency and satisfaction are conducted among all employees and the results are reflected in diverse activities aimed at bolstering internal communication. In addition, the Company holds a Company-wide presentation on business status twice every year where the top management including the CEO explains its operating performance, outlook, critical business issues and a Q&A session. The Company also encourages diverse team building activities aimed at expanding communication. Going forward, the Company will make a concerted effort to boost not only vertical communication between leaders and their members but also horizontal communication among individuals or organizations through various programs such as Junior Board, communication sessions for new hires, Dynamic Rookies Program, and Communication Promotion Program at District Biz HQs.

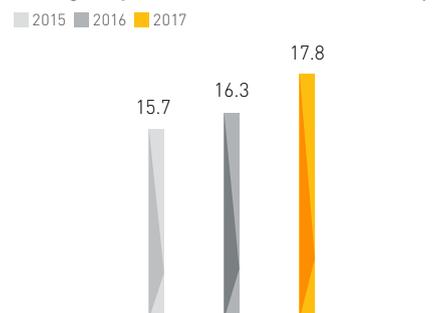
Employee Engagement through Support for Work & Life Balance

Believing that employees who strike a balance between work and life can feel more engaged and absorbed in their work more creatively and passionately, S-OIL continues to beef up its policies beyond the social expectations and legal requirements to ensure sufficient relaxation from work and chances to have quality family time for employees. As part of this, the Company runs the Intensive Holiday Program to assure two-week vacations and the Off-duty Day Program. In addition, the Monthly Refreshment Day (MRD) allows employees to take leave every other month, encouraging them to take six days of leave for a total of at least 24 days off a year. The Company provides 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 tourist destinations in the summer and winter months. More than 50% of employees visit those recreational facilities every year. In 2018, the Company is going to implement the PC OFF campaign across the Company to get employees to leave work on time, in a continued effort to further improve employee work & life balance with a more systematic and practical approach.

Industry-leading Employee Benefit Programs

To provide a workplace where employees can feel deeply engaged in their work based on financial responsibility, S-OIL offers top-tier benefits and wellness programs. In addition to the basic benefits package including four major public insurances and the congratulation & condolence program, the Company offers an array of employee benefit programs tailored to the life cycle to ensure that employees can fully engage in their work as well as satisfy themselves in terms of housing, health, children's education, and leisure activities. In 2017, the Company opened in-house daycare centers at its Head Office and Onsan refinery in order to help employees with pre-school children give undivided focus on their work.

Average Days of Used Annual Leave (unit: days)



Junior Board

New Pension Program Given that Korea's average life expectancy is rising fastest in the world while most people cannot afford a reliable retirement plan, S-OIL pays full attention to ensuring a stable life for employees after retirement. In this regard, in 2015, the Company introduced the New Pension Program, a matching grant scheme where the Company pitches in for employees' post-retirement resources. Currently, 99% of total employees have subscribed to the program. The Company will continue to upgrade the operation of the New Pension Program by seeking methods to increase employees' satisfaction with this program. The New Pension Program is anticipated to help employees ease their uncertainty over their future while assuring that their life after retirement will be stable.

In-house Daycare Center To actively respond to the government policy that calls for a balance between work and family and to help employees fully engage themselves both in the workplace and at home, S-OIL established a daycare center in the Head Office and the Refinery. The operation of the daycare center has significantly boosted the satisfaction of employees amid the shortage of low-cost public daycare centers and widespread mistrust on private daycare centers. It has helped alleviate the employees' burden of childcare and contributed to promoting a healthy organizational culture which strikes a balance between work and family. In particular, the Company has entrusted operations to the Puruni Childcare Foundation, which is one of the best childcare institutes in Korea with proven professional expertise and operational capabilities, offering an excellent child-rearing environment for the employees' offspring. The daycare center provides comprehensive educational programs that meet the interest and demand of children according to their age and development stage, and facilitates close communication between the institute, parents, and the Company.

Employee Health Management S-OIL operates health clinics manned by professional nurses at all times to swiftly 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. Starting from 2017, the Company provides ergonomic office furniture to make the workplace fit for new and expectant mothers. The Company also commissions prestigious medical institutes for annual medical check-ups and runs a fitness center at the Head Office and the Refinery. In addition, the Company carries out health campaigns periodically for 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, the Company 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.

Providing Best-in-Class Work Environment

 S-OIL provides employees with the best-in-class work environment by creating an optimized workplace and serving swift business support. The Company runs a Creative Lounge in the Head Office for self-development and relaxation of employees and has installed a variety of spaces dedicated to supporting external projects, which contribute to enhancing business efficiency. Moreover, the main auditorium at the Head Office is offered to employees for a wedding event of themselves or their children. In 2018, the Company intends to put into practice various workplace improvement ideas, including LED light replacement, AV/VC device upgrade in meeting rooms, and comfortable office furniture procurement, with the aim of assuring best-in-class work environment.

Collaborative Labor-Management Relations

S-OIL's labor-management relationship has set an example in the industry as there has not been a single labor dispute for the past 36 years since establishment of the labor union in 1980. This resulted from mutual trust and cooperation between the labor union and the Company. They respect union activities and take heed of the voices of union members as well as comply with relevant regulations. The labor and management have been collaborating in elevating corporate competitiveness, improving the quality of employees' lives, and fulfilling corporate social responsibility through a variety of communication channels including the Labor-Management Council, the Industrial Safety & Health Committee, and joint workshops as well as wage negotiations and collective bargaining. The contents of labor-management negotiations are disclosed to all employees immediately.

Satisfaction with General Affairs Service in 2017



S-OIL Family Sports Day

4 Industrial Safety & Health Management

WHY IS THIS IMPORTANT?

Industrial accidents not only cause personnel loss in the workforce and compromised productivity but also lead to enormous social costs. In response, the government has placed the safety of the people at the top of its administrative agenda and stiffened onsite investigations and punishment for safety violations to control industrial accidents at the government level. Therefore, safety, health and environment (SHE) management is a prerequisite for securing sustainable growth for society as well as corporations.

OUR COMMITMENT

Commitment

Establishment of a world-best safety culture

Accomplishment of zero accidents

Targets in 2017

- DNV safety culture score: over 8.1 points (World Class)
- Lost-time injury rate (LTIR): under 0.10
- Zero safety & environmental accidents

Performances in 2017

- DNV safety culture score: 8.1 points
- Lost-time injury rate (LTIR) 0.00
- One fire

Targets in 2018

- DNV safety culture score: over 8.1 points (World Class)
- Lost-time injury rate (LTIR): under 0.08
- Zero safety & environmental accidents

OUR RESPONSE

Maintaining safety is the most basic obligation needed to protect employees and their family, and an indispensable prerequisite for S-OIL to secure sustainable growth. Going beyond the existing safety framework of minimizing accidents and complying with safety regulations, the Company has established safety standards that far exceed legal requirements. Based on the top management's commitment to safety and its high standard of safety culture, the Company is striving to create one of the safest workplaces in the world. In addition, the Company has laid out a company-wide goal of building the world's best safety culture and maintaining zero accident workplaces. To this end, the Company is conducting various measures such as providing safety education to employees and contractors, and supporting the safety management of contractors on the back of the management's dedicated effort to prioritize safety. Furthermore, the Company holds regular drills to minimize the damage that can be inflicted on the Company and the local community in the face of unpredictable emergencies such as earthquake, fire, explosion and leakage. In particular, an accident scenario was developed for the RUC/ODC Project site along with thorough training sessions, illustrating the Company's commitment to create a safe workplace. As a result of such efforts, the Company received the grand award under SHE for the Aramco JV Excellence in 2017, which is granted to companies which has posted the best performance among the affiliates of Saudi Aramco. In addition, the Company received the highest grade of A for three consecutive years in contractor safety cooperation program held by the Ministry of Employment and Labor.

World-best Safety Culture

S-OIL is engaged in a variety of activities to enhance its safety culture, such as by operating an IT-based management system that utilizes the check list in accordance with the toughened SHE regulations. The Safety Keeper program was introduced in 2017 to improve the safety-related capabilities of individuals and promote daily compliance of regulations and procedures. A wide range of safety activities were carried out to encourage the employees to voluntarily practice safety with the goal of a safety action plan established. Regular meetings of the company-wide Safety Management Committee are held to devise safety policies and support safety inspection for the Head Office, the Refinery and terminals, and to strengthen the Company's safety capacity through active communication and sharing of accident cases. In addition, safety education tailored to 15 different positions and job functions is provided to reinforce the employees' safety capabilities and awareness. Due to such preemptive safety-related investment and preventive measures for industrial accidents, the safety culture score for the Refinery and terminals rose to 8.1 points in 2017, evidencing the Company's world class safety culture.

DNV Safety Culture Score in 2017



* An index to evaluate the level of corporate safety culture in a quantitative manner created by DNV GL [0-10 points. World Class: over 8.1 points; Leading Edge: 6-8 points; Extended 4.1-6.0 points]

Process Safety Events in 2017



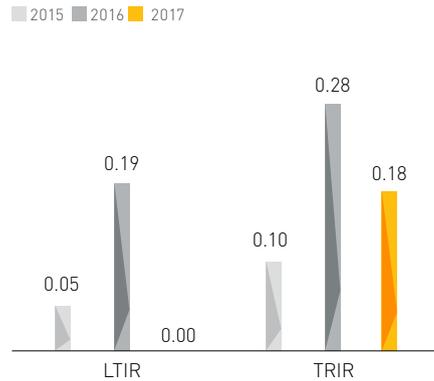
Occupational Illness (2015-2017)



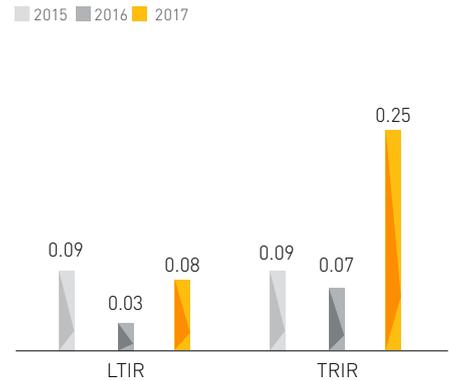
Continuous Reinforcement of Safety Management System

To promote effective safety management, S-OIL is consistently reviewing and improving the safety management system. In line with such effort, the Company upgraded the existing SHE system into a new version in 2017. The Company keeps track of the safety indicators for employees and contractors on a real-time basis, and monitors near miss accidents and Behavior Based Safety (BBS) to better detect signs of accidents in advance and prevent them. As a strong correlation exists between near misses and major accidents, the Company has in place an incentive system for discovering near miss accidents to identify and share cases between employees, aiming to prevent potential risks. Also, a Process Safety Management (PSM) Dashboard was introduced to inspect in real-time whether the Company is complying with the 12 PSM elements required under the Occupational Safety and Health Act. With the understanding that even the smallest change can have a major impact on the safe operation of facilities, a systemized mechanism is in place to prevent the move to the following process if the former process is not entirely completed.

S-OIL Occupational Injury Rate (unit: %)



Contractors Occupational Injury Rate (unit: %)



* 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.

Development of Emergency Response Capability

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



Company-wide Simulated Emergency Response Drill



Safety Culture Campaign



Joint Safety Inspection with Contractors

Company-wide Simulated Emergency Response Drill At S-OIL, company-wide simulated emergency response drills were conducted in accordance with a ready-made scenario or in an unannounced manner with the aim of evaluating and enhancing the organization's emergency response capabilities. Starting 2016, the Company added company-wide earthquake and evacuation drills in response to the growing concern that the Korean Peninsula is no longer safe from earthquakes. In 2017, the Company evaluated seismic evaluation of the existing Refinery facilities and buildings on 14 selected sample sites, and confirmed all of them met the regulatory requirements for seismic performance. The Company also took immediate actions at some facilities requiring retrofitting due to their decrepitude, thereby making the facilities more earthquake resistant. The Company conducted emergency response drills and fire suppression tabletop exercises at least six times every year to enhance in-house first responders' capabilities and to ensure a coordinated response with relevant external organizations in the event of fire, explosion or leakage. For the ongoing the RUC/ODC Project as well, the Company has developed a fire suppression scenarios for major facilities in the project site and trained relevant staff in advance, in an effort to effectively respond to any emergency situations.

Support for Safety Management of Contractors

S-OIL engages in various activities such as technical supports aimed at helping contractors reinforce their safety management capabilities. The Company launched the contractor safety cooperation program with its contractors even before the increasingly stringent regulations came into force, holding companies more accountable for a safety accident at its contractors as well. As of 2017, all 34 on-site contractors have been participating in the program to ensure safety in the workplace under the shared goal of having a zero accident workplace. Besides convening for regular safety meetings and carrying out joint inspections, the Company also engages not only in promoting the mentoring program among contractors and joint safety campaigns but also in offering special lectures on safety culture and education on risk assessment. The Company provides consulting support for contractors to obtain the Occupational Safety and Health Management System (KOSHA 18001) certification and KRAS Risk Assessment certification. All 34 contractors acquired the certifications as of 2017. The Company's continued support for its contractors on safety management has resulted in the Company earning A-Grade from the Ministry of Employment and Labor in the evaluation of contractor safety cooperation programs for three consecutive years (2015-2017).

Safety Training in 2017

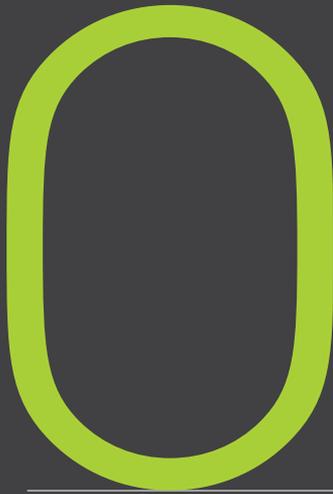


S-OIL

No. of training | No. of participants
656 times | **41,806** persons

Contractors

No. of training | No. of participants
342 times | **15,487** persons



OWNERS & OTHER STAKEHOLDERS

With the aim of securing the core competencies for sustainable growth, S-OIL has been making investments, including the RUC/ODC Project, based on a stable financial structure. The Company is also proactive in transparently and accurately disclosing management information to protect stakeholders' interest as well as pursuing shared growth with its suppliers based on mutual trust. The Company is not only joining the global efforts to tackle climate change through analyzing associated risks and opportunities, and incorporating them into management decisions but also carrying out differentiated environmental management activities. The Company's social contribution is in line with its management strategies in order to pursue co-prosperity with local communities.

Key Issues

- Investments in new projects

- Operational efficiency improvement

- Establishment of financial soundness
- Transparent disclosure of management information

- Management of sustainability in supply chain
- Fair selection of suppliers

- Enhancement of environmental management system
- Management of pollutants
- Management of environmental impact

- Economic impact of climate change

- Social contribution activities

- Treatment of grievances of local communities
- Economic development of local communities

Report Subject

- 01** Investments in New Projects

- 02** Improvement of Operational Efficiency

- 03** Financial Soundness / Transparent Disclosure of Management Information

- 04** Management of Sustainability in Supply Chain

- 05** Environment Management

- 06** Response to Climate Change

- 07** Social Contribution Activities

- 08** Contribution to Local Communities

Aspect

- Economic Performance (S-OIL internal)

- Economic Performance, Materials, Energy (S-OIL internal)

- Economic Performance (S-OIL internal/external)

- Supplier Environmental Assessment, Supplier Social Assessment (S-OIL internal/external)

- Water, Emissions, Effluents & Waste, Environmental Compliance (S-OIL internal)

- Economic Performance, Energy, Emission (S-OIL internal/external)

- Indirect Economic Impacts, Biodiversity, Local Communities (S-OIL internal/external)

- Indirect Economic Impacts, Procurement Practices, Local Communities (S-OIL internal/external)

Major Stakeholders

- Employees
- Shareholders & Investors

- Employees
- Shareholders & Investors

- Customers
- Employees
- Shareholders & investors
- Suppliers
- Local communities
- Government

- Suppliers

- Employees
- Local communities
- Government

- Customers
- Shareholders & investors
- Suppliers
- Local communities
- Government

- Customers
- Employees
- Local communities
- Government

- Customers
- Employees
- Local communities
- Government



1 Investment in New Projects

WHY IS THIS IMPORTANT?

Amid growing uncertainties in the business environment such as global economic slow-down and intensifying competition among refiners, it has become imperative for businesses to have a long-term growth strategy and core competencies for sustainable growth. As such, investment in new businesses through the strategy for stable business diversification is a core driving force to secure future growth engines.

OUR COMMITMENT

Commitment	Targets in 2017	Performances in 2017	Targets in 2018
Successful completion of the RUC/ODC Project	<ul style="list-style-type: none"> Target rate of completion 92% 	<ul style="list-style-type: none"> Actual rate of completion 94% 	<ul style="list-style-type: none"> Target rate of completion 100%
Reinforcement of fuel business	<ul style="list-style-type: none"> Securing top-notch industry competitiveness in terms of facilities, operation and marketing 	<ul style="list-style-type: none"> Record-high domestic market share for retail light oil products (22.2%) Expansion of strategic partnerships in overseas markets 	<ul style="list-style-type: none"> Securing top-notch industry competitiveness in terms of facilities, operation and marketing
Expansion of petrochemical business	<ul style="list-style-type: none"> Reinforcing technological competitiveness of petrochemical downstream business 	<ul style="list-style-type: none"> Completion of the TS&D Center Hiring of many talented R&D resources Implementation of training programs in collaboration with technology partners 	<ul style="list-style-type: none"> Reinforcing technological competitiveness of the petrochemical downstream business
Advancement into new energy business areas based on competencies	<ul style="list-style-type: none"> Sourcing new venture investment opportunities 	<ul style="list-style-type: none"> Review of potential venture investments where synergies can be created with existing business areas of fuel, petrochemical and lube 	<ul style="list-style-type: none"> Sourcing new venture investment opportunities

OUR RESPONSE

In order to overcome uncertainties in the management environment and to become the most competitive and admired energy & chemical company in Asia Pacific under the Vision 2025, S-OIL has been implementing the RUC/ODC Project, the largest-ever project in the history of the Company. The Company is making consistent efforts to unearth future growth engines by reinforcing fuel business, expanding chemical business and venturing into new energy business according to the potential investment roadmap drawn for achieving sustainable growth. By strengthening fuel business, which is the Company's main area of business, and securing the industry's top competitiveness in terms of equipment, operation and marketing, the Company is maximizing its profit generating capacity that is necessary for the development of future growth engines. The Company will accelerate the integration of the fuel and chemical businesses and expand into olefin downstream business in order to acquire momentum for the next generation growth. In addition, the Company is concentrating efforts to nurture long-term new growth businesses by advancing into new energy sectors such as gas or renewables based on its competence. As for destinations for venture investment, the Company is reviewing areas that can either create synergistic effect with the existing businesses i.e. fuel, lubricant and petrochemicals, or have significant potential to become the Company's new growth engine. Starting with indirect investment such as via venture funds, the Company plans to invest in smart factory and other areas that can strengthen its production competitiveness or business that can serve as growth engines like the materials industry. After accumulating investment capabilities and know-hows, the Company will also engage in direct investment.

RUC/ODC Project (see Special Report)

Through years of meticulous examination into the strategic directions S-OIL has executed Residue Upgrading Complex & Olefin Downstream Complex Project (RUC/ODC Project) since 2015 by investing about KRW 4.8 trillion, the largest investment in its history. The Company achieved mechanical completion in the first half of 2018 by making timely progress in design, procurement and construction. It is now preparing for commercial operation in the second half the year following commissioning of each process. Successful execution of the RUC/ODC Project will enable the Company to secure new future growth engines and build a balanced business portfolio across fuel, lube and petrochemical areas. S-OIL expects it will bring the Company a step closer to attaining Vision 2025 aimed at becoming the most competitive and admired energy & chemical company in Asia Pacific, with excellence in operations, strategic investment, and human talent.

In 2017, S-OIL signed a long-term contract with Malaysia's Petronas for cost reduction and stable supply of LNG to be used for the Company's plant operations and as feedstock for hydrogen production. Going forward, the Company plans to expand its business portfolio into olefin downstream through new investments in general-purpose resins such as polyethylene and further strengthening the competitiveness of high value-added products. Making inroads into the petrochemical downstream with PP and PO, the Company expects to fortify its technologies and market competitiveness in petrochemical business and achieve greater profitability as well as balanced business portfolio. To this end, the Company has done olefin downstream market research and selected promising products based on their marketability and investment attractiveness. For the selected products, the Company will follow up with an investment feasibility study by weighing such factors as technologies, economic viability and synergies with the existing Refinery.

Augmenting Technical Service Capabilities for Petrochemical Downstream Business

In the petrochemical downstream business area that S-OIL is making serious inroads into, reinforcing technical competitiveness and technical service capabilities for customers are key to success, given the fact that a broad spectrum of products are available in the market. Therefore, the Company established the Technical Service & Development Center (TS&D Center) on a site spanning 29,100m² in Magok Industrial Complex, Seoul, in 2017. The Chemical Pilot Building and the Lube Test Building are now equipped with state-of-the-art laboratory equipment and devices after construction completion in 2017. They are expected to contribute to enhancing R&D capabilities for the petrochemical downstream business and the existing lube business, respectively. The Company also gives impetus to implementing systems and processes to support development of quality products and core technologies and to conduct core R&D activities. In parallel, the Company is planning to reinforce competitiveness in the petrochemical downstream business through building a technical document database and providing prospective clients with better technical support. Diverse joint researches with prestigious colleges have been conducted since 2015 with the aim of cultivating talented researchers and securing technological competitiveness. The Company has been developing a variety of training programs starting 2016 in cooperation with major technical partners. Going forward, the TS&D Center will play an even larger role in securing new technologies as well as supporting existing businesses, contributing to exploring new business opportunities and future growth engines.



PP Premarketing



TS&D Center

2 Improvement of Operational Efficiency

WHY IS THIS IMPORTANT?

The supply glut from the expansion of refining and petrochemical facilities around the world is intensifying competition in the industry. And the low crude oil price trend triggered by the combination of the 4th Industrial Revolution and the emergence of shale gas has given rise to an uncertain business environment for oil refining companies. Amid volatile market conditions, the Company should enhance operation efficiency through variety of profitability improvement activities and proactively respond to the 4th Industrial Revolution in order to upgrade its competitiveness.

OUR COMMITMENT

Commitment

Enhancement of competitiveness through diverse profitability improvement activities

Response to the 4th industrial revolution

Targets in 2017

- Improvement of profitability through the SUPER Project
- Profitability improvement target of KRW 80.9 billion
- Encouragement of suggestion system
- Execution of 6 energy saving ideas
- Realization of Work-Smart through IT system enhancement
- Establishment of 4th Industrial Revolution dedicated organization

Performances in 2017

- Completion of the upgrade of aromatic production facilities
- Profitability improvement result of KRW 205.0 billion
- 782 participants with 2,496 valid suggestions submitted
- Completed execution of 26 energy saving ideas
- IT system implementation for the polymer business (ERP, SCM, Automated Storage Management, Automated Retrieval, etc.)
- Establishment of Information Strategy Plan, replacement of obsolete IT infrastructure
- Creation of Big Data Team

Targets in 2018

- Basic design reviews for residue hydro-desulfurization unit upgrade
- Reviews to improve efficiency of heating furnace in existing plant
- Profitability improvement target of KRW 51.9 billion
- Encouragement of suggestion system
- Execution of 2 energy saving ideas
- Realization of Work Smart through IT system enhancement
- Implementation of 4 big data PoCs
- Implementation of 2 big data projects

OUR RESPONSE

Faced with the greater volatility in the energy and chemical industry, S-OIL seeks continuous improvement in operational efficiency through engaging in various activities to increase profitability, including ramping up production of high value-added products and saving energy cost. The Company also stays committed to sharpening its competitive edge and creating new values by tapping into big data, which is a core technology of the 4th Industrial Revolution.

SUPER Project

With the aim of increasing the profitability of existing production facilities, S-OIL implemented the S-OIL Upgrading Project of Existing Refinery (SUPER Project) for Onsan Refinery. The objectives of the project include maximizing the capacity of production facilities, increasing the production of high value-added products, extending facility maintenance cycle, and reducing energy consumption. The project was implemented in three packages considering the construction scope, level of difficulty in revamping by process, maintenance schedule by process, and work efficiency. Through Package-1, the Company upgraded the hydrocracking process, thereby increasing the production capacity of kerosene, diesel, and lube base oil as well as extending its maintenance cycle. Lube upgrading and RFCC upgrading also contributed to expanding the production capacity of lube base oil, gasoline,

propylene, and steam, and reducing energy consumption with the extended maintenance cycle. Package-2 Mild Hydrocracker (MHC) revamping project increased the overall diesel production capacity of the Refinery, upgraded diesel quality, and reduced the use of additives. Through Package-3 Condensate Fractionator Unit (CFU)/Aromatics revamping project, the Company expanded annual production capacity of para-xylene and benzene, enhanced operational reliability and crude oil treatment capacity through CFU. The SUPER Project creates higher profits on investment, with the profitability improvement effect amounting to KRW 230 billion a year. The Company created approximately 150,000 jobs a year during the project period and completed it in a safe and reliable manner with zero accident with strict safety control in place.

SUPER Project Implementation Status

Category	Details	Completion	Benefit
Package-1	HYC Upgrading	Nov. 2015	Increase of production capacity of kerosene, diesel, and lube base oil Extension of the maintenance cycle
	Lube Upgrading	Nov. 2016	Increase of production capacity of lube base oil Extension of the maintenance cycle Reduction of energy consumption
	RFCC Upgrading	Nov. 2016	Increase of the production capacity of propylene and gasoline Increase of production capacity of steam
Package-2	MHC Revamping	Nov. 2016	Increase of production capacity of diesel Improvement of diesel quality Reduction of use of additives
Package-3	CFU/Aromatics Revamping (Phase 1)	Nov. 2015	Increase of production capacity of para-xylene
	CFU/Aromatics Revamping (Phase 2)	May 2017	Diversification of crude oils to be processed through CFU Increase of production capacity of aromatics

Preemptive Investment in Response to Changes in Business Environment

Based on close monitoring and forecasting, S-OIL is making strategic investments in preparation for changes in the business environment. In 2017, the International Maritime Organization (IMO) has decided to strengthen the sulfur content of ship fuel oil from 3.5% to 0.5% from 2020. Accordingly, it is anticipated that sales volume of high sulfur fuel oil (HSFO) for ship will decline and prices will drop. The Company is aware of the tightening regulations in advance, and is currently working on the RUC/ODC Project to convert HSFO into high value-added products. Furthermore, the Company is reviewing Residual Hydro Desulfurization unit (RHDS) revamping to increase the processing capacity. The Company's preemptive investment is expected not only to cope with risks through the reduction of HSFO, but also to generate new profits by increasing the production of light fuel products, which are expected to increase in demand in accordance with the new regulations.



MHC Revamping



HYC Upgrading



RFCC Upgrading

Treatment of Crude Oil in 2017



241,019 thousand barrels

* Difficult to calculate renewable materials used.

Various Efforts for Profitability Enhancement

S-OIL has been making a continued effort to advance its profitability through enhancing operational efficiency by minimizing loss factors throughout the entire processes from import of crude oil to production and market distribution. Major focuses have been on optimizing operational conditions of production facilities, expanding production capacity of high value-added products, improving flexibility of off-site facilities, optimizing product shipment, and reducing fuel consumption. To this end, the Company sets up a dedicated team to monitor and control the quantification of profitability and diverse relevant indices in a consistent manner. Profitability improvement reward system and the company-wide suggestion system were launched to encourage employees to join the activities. As a result, the Company achieved an estimated profit increase of KRW 205 billion in 2017 in terms of increased production of high value-added products, energy saving, off-site optimization, and product yield improvement.

Reduction of Energy Consumption and Efficiency Improvement

S-OIL has been conducting continuous activities to reduce its energy use by commissioning professional consulting agencies and gathering business ideas from in-house engineers. In 2017, the Company reviewed ideas gathered and put into practice over 20 ideas for operational enhancement. The introduction of low cost steam from LS-Nikko Copper and Korea Zinc Company located near Onsan Refinery has allowed us to cut production costs and GHG emissions and those companies to create additional profits from selling surplus steam. The Company will continue to explore new items for shared growth in energy by cooperating with neighboring suppliers, participating in government-led energy efficiency policy and pushing to become a refinery with the highest energy efficiency in the Asia Pacific.

Response to 4th Industrial Revolution

S-OIL has selected new value creation through big data, which is a core technology of the 4th Industrial Revolution, as one of its strategic goals to accomplish Vision 2025. To this end, a dedicated team to generating value from big data was newly organized in 2017, and the Company is developing tasks for the analysis and innovation of big data to better support business reinforcement, operation optimization, cost reduction and improved work efficiency. In 2018, the Company is conducting feasibility analysis in advance using Proof of Concept (PoC), in order to derive substantial outcomes from big data. Based on the analysis, the Company plans to identify and implement feasible big data projects. With regards to marketing, the Company is looking into diverse innovative projects to enhance marketing competitiveness tailored to customers and to establish effective sales strategies. As for the operation of the Refinery, the Company has in place a risk predicting system to minimize the impact of shutdown caused by failures of rotary machines, and is reviewing various projects to improve profitability on the back of increased production efficiency.

Profit Improvement Performance in 2017



Realization of Work-Smart by Upgrading IT Systems

S-OIL is striving to create a work-smart environment by capitalizing on IT systems in order to swiftly and flexibly to respond to changes of management surroundings and to conduct work more efficiently. In 2017 the Company carried out various tasks including the followings for the implementation of work-smart: First, the Company implemented ERP, SCM and the automated storage management and retrieval system for the new polymer business, which supported the successful completion of the RUC/ODC Project. The Company also developed new initiatives for existing IT system enhancement and new IT technology adoption under a five-year information strategic plan that incorporates its corporate vision. In addition, the Company replaced outdated IT infrastructure to improve performance and reliability.



3 Financial Soundness / Transparent Disclosure of Management Information

WHY IS THIS IMPORTANT?

Securing financial flexibility and maintaining a stable financial structure that is undisturbed by environmental changes are prerequisites to ensuring sustainable growth of the Company. In addition, transparent management information disclosure helps address information imbalance, inform stakeholders of major decisions and changes in financial status, and thereby protects the interest of stakeholders.

OUR COMMITMENT

Commitment	Targets in 2017	Performances in 2017	Targets in 2018
Maintenance of a stable financial structure	<ul style="list-style-type: none"> Maintenance of excellent credit ratings 	<ul style="list-style-type: none"> Maintenance of domestic ratings at AA+ & global ratings at BBB 	<ul style="list-style-type: none"> Maintenance of excellent credit ratings
Financial resources for investments in sustainable growth	<ul style="list-style-type: none"> Optimized financing for the RUC/ODC Project 	<ul style="list-style-type: none"> Financing with competitive methods including corporate bonds 	<ul style="list-style-type: none"> Successful financing for the RUC/ODC Project
Responsible tax compliance	<ul style="list-style-type: none"> Responsible tax compliance 	<ul style="list-style-type: none"> Payment of KRW 399,004 million in corporate tax 	<ul style="list-style-type: none"> Responsible tax compliance
Balanced gain sharing	<ul style="list-style-type: none"> Balanced gain sharing 	<ul style="list-style-type: none"> Maintenance of stakeholder-friendly high payout policy (dividend payout ratio 55%) 	<ul style="list-style-type: none"> Balanced gain sharing
Transparent disclosure of management information	<ul style="list-style-type: none"> Zero violation of disclosure Proactive IR activities 	<ul style="list-style-type: none"> Zero violation of disclosure, 1 training on disclosure 8 NDRs, participation in 8 IR conferences 	<ul style="list-style-type: none"> Zero violation of disclosure Proactive IR activities

OUR RESPONSE

S-OIL ensures efficient financial management and optimized financing as a means to maintain a stable financial structure in a rapidly changing business environment. Through balanced performance sharing, responsible tax compliance, and transparent management information disclosure, the Company strives to protect the interest of stakeholders and contributes to the country's economy.

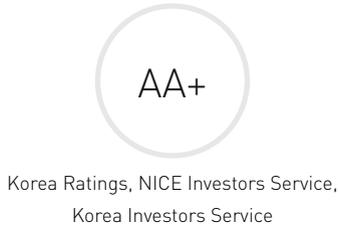
Establishment of Financial Soundness and Efficient Financial Management

In response to the rapidly changing business environment and increased borrowings due to investment for the RUC/ODC Project, S-OIL is minimizing unnecessary loans through periodic cash flow estimation. The Company is also systemically managing risks associated with the redemption of principal and interest by dispersing payment deadlines. Efforts are being undertaken for the Company to maintain a stable financial structure, such as consistent monitoring of major financial indicators that show financial soundness. Furthermore, the Company is actively communicating with credit rating agencies at home and abroad so that its financial flexibility, favorable business prospects, the RUC/ODC Project's positive impact on various areas and possibility of financial support from Saudi Aramco, its parent company, are duly reflected into the Company's credit ratings. Internally, the Company is working hard to secure stable financial structure by establishing plans to reduce borrowings, successfully maintaining excellent credit ratings despite pooling large-scale project investments.

Key Financial Indicators in 2017



Domestic Credit Ratings



Overseas Credit Ratings



Optimized Financing

S-OIL preemptively secured financial resources by signing an agreement on a KRW 1.5 trillion long-term loan for facility construction and a KRW 1.2 trillion stand-by credit line commitment with nine financial companies including Korea Development Bank during late 2015, to support the smooth operation of the RUC/ODC Project for nurturing future growth engines. This was possible thanks to improved profitability, excellent credit ratings, and sound financial structure on the back of strong growth of the industry. Amid such favorable financial standing and active hosting of roadshows, the Company raised a total of KRW 1.8 trillion by issuing corporate bonds at competitive interest rates from 2015 to 2017. Acknowledged for these accomplishments, the Company received the Best Bond Issuer award at the 2018 Korea Capital Market League Table Awards sponsored by the MoneyToday Media Group. Furthermore, the Company has secured KRW 2.2 trillion in available cash as of the end of 2017 by achieving record-high management performance, showing immaculate preparations in terms of financing.

Budget Management for Efficient Resource Allocation

S-OIL sets and executes its budget in a systematic manner to ensure efficient allocation of fund resources. The Zero Base Budgeting (ZBB) system is in place to avoid waste in the budget and formulate optimized budget that is organically linked with corporate management policies and strategies, and a strict review of budget management organizations should precede before budget execution. In 2017, the Company focused on minimizing budget spending through cutting costs to support the successful completion of the RUC/UDC Project. In 2018, the Company is continuing the cost saving efforts at company-wide level to allow those budget items that directly contribute or support profit creation, that are required to maintain the current levels of safety and reliability, or that are essential to business operations. Going forward, systematic and objective budgeting and a more thorough economic analysis for costs and capital expenses will continue to improve the efficiency of resource allocation and budget management.

Responsible Tax Compliance

S-OIL regards responsible tax compliance as one of its core responsibilities as a corporate citizen to contribute to the development of the national economy and local communities. The Company ensures full compliance with tax-related laws and regulations, maintain transparent relations with the taxation authorities, and pays taxes faithfully according to its tax policy. Moreover, detailed tax items such as corporate tax, deferred corporate tax, and the available tax rate are reported on through the independent auditors' report and disclosed to the public through the DART system.

Tax Policy

S-OIL adheres to the following tax policies, recognizing that contributing to the national economy and social development through sincere tax payment is an important responsibility of corporate citizens.

1. The Company shall strictly comply with the tax-related policies, laws, and international standards (OECD Guidelines, etc.) of the country or region where the Company operates its business.
2. The Company shall not violate tax laws or conduct inappropriate tax accounting activities for the purpose of tax avoidance.
3. The Company shall not use haven countries for offshore tax evasion or inappropriate tax reduction.
4. The Company shall not engage in any transactions related to transferring income between countries by trading transparently and fairly in foreign transactions
5. The Company shall apply objective and reasonable transfer prices for transactions with specially related parties.

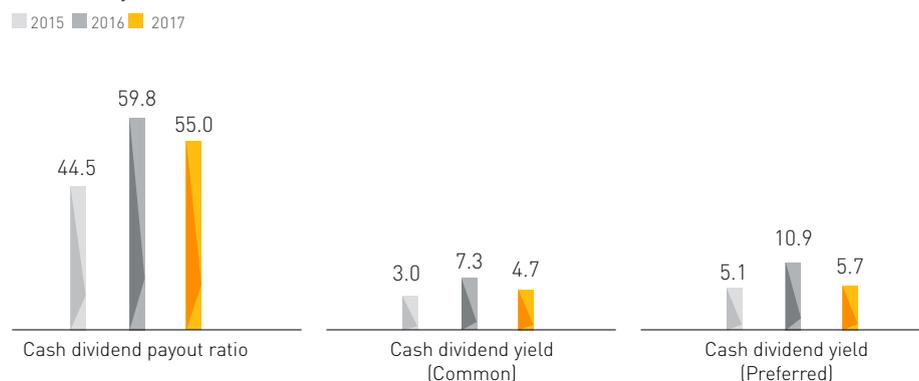


The Best Bond Issuer Award in 2017

Balanced Performance Sharing

S-OIL pursues a reasonable dividend policy that strikes a balance between internal reserves for investment and the return of profits to shareholders, by taking into consideration profits earned, cash flows, and impact on financial structure and credit ratings. In 2017, the Company determined to pay out 55 percent in dividend, which is higher than the five-year average payout ratio of 52 percent, considering the record high profit in 2017 and sound financial structure. The Company will continue to engage in investments for continued growth, such as the RUC/ODC Project, and return profits created to shareholders in pursuit of shared growth of the Company and shareholder value.

Dividend Payments (Unit : %)



Compliance with Disclosure Regulations

In order to uplift investor trust and comply with disclosure regulations, S-OIL is proactive in monitoring enactment and amendment of relevant regulations and offering trainings so as to prevent omissions of disclosure of items. To this end, the Company distributes a reference material that summarizes new and revised regulations and important matters to respective teams, and conduct relevant trainings on a periodic basis. As a result, the Company was able to transparently announce its management information to shareholders and investors by disclosing 44 items with no violation of disclosure regulations in 2017. In 2018, the Company aims to strengthen relevant training with the aim of raising the awareness of transparent disclosure and continues to share its management information in compliance with regulations.

IR Activities to Enhance Corporate Value

S-OIL engages in various IR activities to provide shareholders and investors with management information in a transparent manner and enhance corporate value. Every year, the Company surveys analysts about their satisfaction on its IR activities and then incorporates their feedback to better the quality of IR activities. In 2017, the Company focused its IR activities on delivering accurate information on the favorable market environment, optimistic business outlook and its future growth engines fueled by the RUC/ODC Project. The Company held non-deal roadshows eight times and participated in eight large-scale IR conferences. In the run-up to the commercial operation of the RUC/ODC Project, in particular, the CEO attended overseas roadshows and showed his confidence in the Company's future.

Economic Value Created (unit: KRW in million)

Category	2017
Revenue	20,891,340
Cost of sales	(18,566,739)
Other income	713,439
Other expenses	(367,534)
Depreciation cost	(293,588)
Economic value created	2,376,918

Economic Value Distributed (unit: KRW in million)

Stakeholder	Item	2017
Employees	Salary & pension	637,569
Government	Taxes & dues	417,799
Local communities	Social contribution expenditure	14,140
Creditors	Interest costs	58,254
Shareholders & company	Dividend & reserves	1,249,156
Economic value distributed		2,376,918

Violation of Disclosure Regulations (2015-2017)



4 Management of Sustainability in Supply Chain

WHY IS THIS IMPORTANT?

Creating a stable supply chain and promoting healthy competition among suppliers are prerequisites for achieving sustainable business growth amid rapid supply chain evolutions. It is also critical to ensure fair and transparent supplier selection procedures for the establishment of a favorable environment where a company and its suppliers can enjoy shared growth based on mutual trust.

OUR COMMITMENT

Commitment

Enhancement of sustainability capability in supply chain

Enhancement of bidding competence by discovering new suppliers

Reinforcement of local purchasing

Targets in 2017

- Execution rate of regular risk survey on Suppliers: 100%
- Participation rate ESG training for procurement-related teams : 100%
- One supplier invitation program (Annual)
- Supplier satisfaction evaluation: over 9.3 points
- Source of 70 new suppliers

Performances in 2017

- Execution rate of regular risk survey on Suppliers: 100%
- Participation rate ESG training for procurement-related teams : 100%
- One supplier invitation program (352 suppliers participated)
- Supplier satisfaction evaluation result : 9.37 points (355 suppliers participated)
- Registration of 97 suppliers
- Local purchasing in Ulsan : KRW 196.6 billion (excluding RUC/ODC Project purchasing)

Targets in 2018

- Execution rate of regular risk survey on Suppliers: 100%
- Participation rate ESG training for procurement-related teams : 100%
- Supplier invitation program (participation of 380 suppliers)
- Supplier satisfaction evaluation: over 9.3 points
- Source of 100 new suppliers
- Reinforcement of local purchasing in Ulsan (KRW 184.7 billion)

OUR RESPONSE

S-OIL strives to open up new business opportunities for co-prosperity with suppliers as well as to minimize risks associated with the supply chain by helping suppliers secure competitiveness.

Procurement Process Improvement

S-OIL has been improving transparency, objectivity, and fairness in procurement by introducing new systems such as Auto-Invitation and Blind-Bidding in 2013. Procurement of goods and services is initiated through automatically inviting all suppliers who joined each sourcing group through preliminary reviews of the Sourcing Group Deliberation Committee (SGDC) in accordance with the Auto-Invitation procedure. Then main suppliers are selected through the Blind-Bidding procedure guided by automatic quotation bidding of the e-Procurement system. This new procurement process enables the selection of suppliers to be more transparent and fair. The Company plans to consistently upgrade its procurement process by activating communication with suppliers.

Critical Supplier: 25 companies

Selection Standards

1. Large quantity of products and services suppliers
2. Irreplaceable suppliers
3. Long-term stable suppliers of products and services
4. Essential suppliers for operation of main processes

Improvement of the SRM System

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

Systematic Supplier Sustainability Management

S-OIL established the zero safety and environment accident and the ethics management as the goal of supply chain sustainability management, and systemically manages its suppliers. The Company evaluates not only suppliers' basic competence such as financial stability and technological prowess but also their sustainability competence encompassing business ethics, conflicts of interest, safety, and the environment. Bidding opportunities are given to only suppliers who pass the evaluation process, and all suppliers are required to be reevaluated annually. When there is necessity to conduct an in-depth evaluation due to risks, etc., the Company conducts in-depth evaluations through the SGDC consisting of professionals in the fields of compliance, technology, and management. In 2017, a total of 314 suppliers were evaluated by the SGDC. In addition, in 2017, the Company visited business sites of 34 suppliers for sustainability risk assessment. Based on the inspection result, the Company supported all the 31 suppliers with sustainability risk for improvement. Moreover, suppliers of the Company are required to submit and practice a pledge on complying with its Ethics Code. The Company has invited suppliers for training on its procurement system and Ethics Code and checking their compliance every year since 2013. In 2017, a total of 352 suppliers were invited to this program.

Direction of Supply Chain Sustainability Management

- Enhancement of fairness and transparency in the selection of bidders by systematically improving the supplier evaluation process
- Procurement of high quality products at reasonable price through the differentiated selection of suppliers
- Integration of procurement processes & enhancement of interactive information sharing with the suppliers
- Enhancement of collaboration with outstanding suppliers
- Provision of adequate information to support decision-making for effective purchasing

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

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

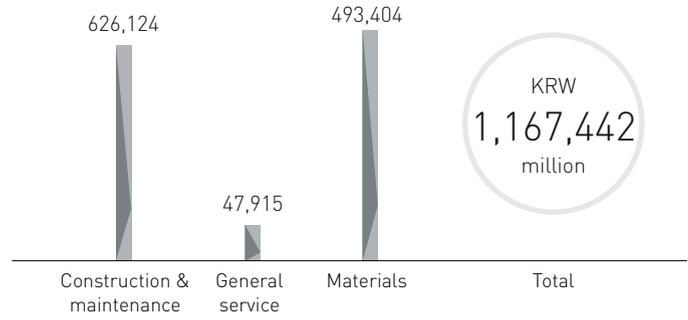


Partnership signed with partner

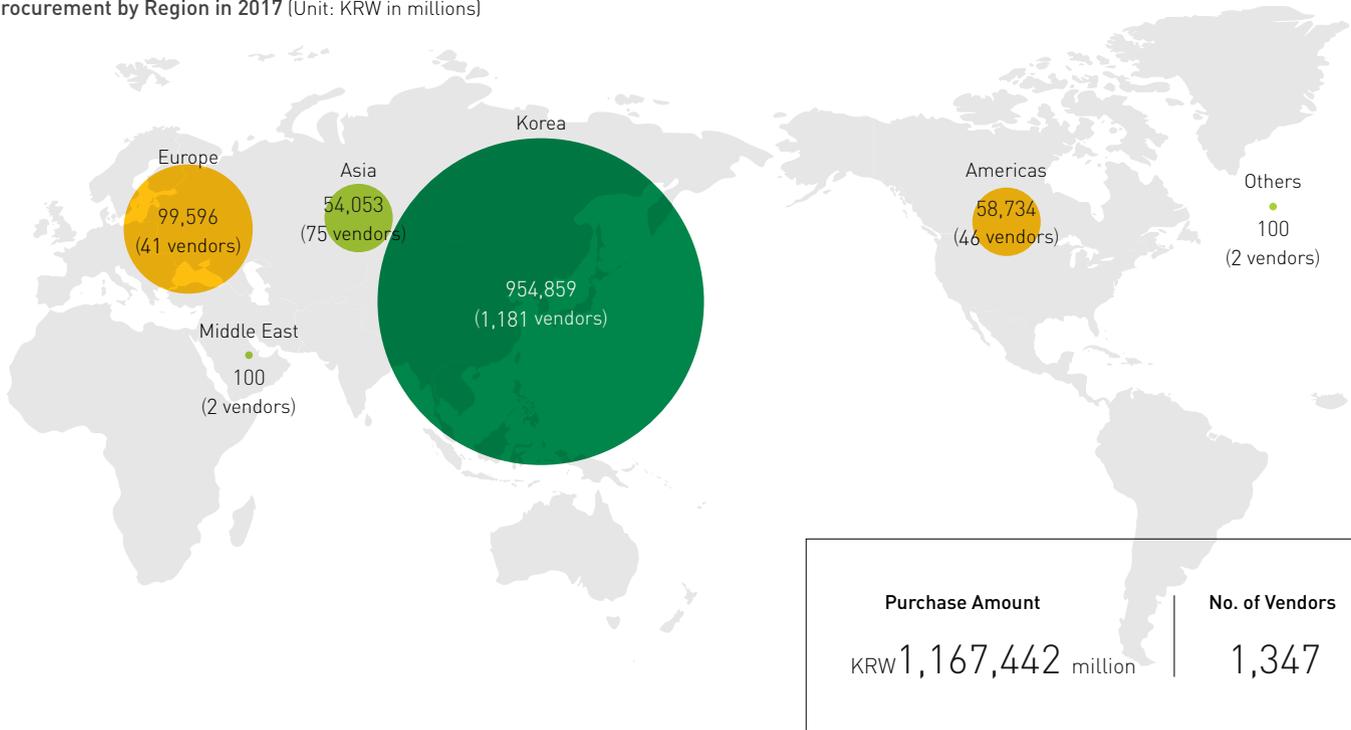
Procurement of Crude Oil in 2017 (Unit: KRW in millions)



Procurement by Item in 2017 (Unit: KRW in millions)



Procurement by Region in 2017 (Unit: KRW in millions)



*Excluding crude oil & products

5 Environment Management

WHY IS THIS IMPORTANT?

With environmental accidents happening more frequently across the globe, greater expectation and emphasis from the government and local communities are now being placed upon companies to promote their environmental stewardship. Especially, systematic management of the environment is all the more important in the oil refining industry as wide-ranging environmental issues are likely to arise concerning the handling, production, transfer and delivery of raw materials and products.

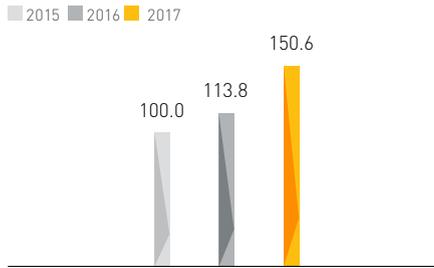
OUR COMMITMENT

Commitment	Targets in 2017	Performances in 2017	Targets in 2018
Environmental performance evaluation	<ul style="list-style-type: none"> • 120 points 	<ul style="list-style-type: none"> • 150.6 points 	<ul style="list-style-type: none"> • 155 point
Reduction of environmental pollutant emissions by systematic management	<ul style="list-style-type: none"> • 31% reduction of benzene emissions compared with 2009 • Maintain the rate of fugitive emissions under 0.3% 	<ul style="list-style-type: none"> • Volume of air pollutant emissions (SOx, NOx, Dust): 7,601 tones • 72% reduction of benzene emissions • Rate of fugitive emissions 0.08% 	<ul style="list-style-type: none"> • Reduce the volume of emissions by 30% compared with 2013 (until 2021) • Maintain the rate of fugitive emissions under 0.25% (Maintain the emission rate under 0.2% until 2020)
Enhancement of emergency response ability to leakage of oils and hazardous chemical substances	<ul style="list-style-type: none"> • Implementation of at least 2 emergency drills • Zero oil spill 	<ul style="list-style-type: none"> • 2 emergency drills (twice for hazardous chemical substances) • Zero oil spill 	<ul style="list-style-type: none"> • Enhancement of emergency response ability through consistent drills • Zero oil spill
Compliance with environmental regulations (Fine or above)	<ul style="list-style-type: none"> • Zero violation 	<ul style="list-style-type: none"> • Zero violation 	<ul style="list-style-type: none"> • Zero violation (until 2020)
Registration of chemical substances to the government	<ul style="list-style-type: none"> • Check for changes in chemical substances subject to registration • Purchasing, production, and submission of registration data 	<ul style="list-style-type: none"> • Updated list of chemical substances subject to registration • Purchasing, production, and submission of registration data (partial) 	<ul style="list-style-type: none"> • Conduct survey on additional chemical substances subject to registration (2nd phase, within the expanded scope) • Complete registration of chemical substances by due date (1st phase, June 30 2018)

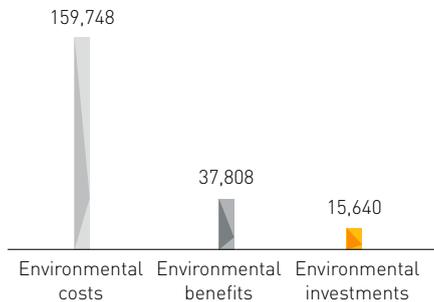
OUR RESPONSE

Based on the strong commitment of the top management for environmental protection and green management, S-OIL is not only duly abiding by environmental laws, which are a prerequisite for sustainable growth, but also implementing eco-friendly policies and consistently making environmental investments. The Company has established a systematic environmental management system, aiming to minimize pollutant discharge and adverse impact on the environment backed by active and preemptive environmental management. Through continuous improvements to processes and environmental facilities, the Company is manufacturing eco-friendly products and maintaining the level of pollutant emissions far below legal requirements, as well as preemptively responding to various environmental regulations. Such green management led by the strong commitment has enabled the Company to achieve remarkable eco-friendly performances that exceed legal or social standards, further contributing to sustainable growth.

Environmental Performance Evaluation
(unit: points)



Environmental Accounting in 2017
(unit : KRW in million)



Methodical Environmental Management System

Environmental Management Strategy and System S-OIL places top priority of its environmental policy on preemptive green management. The Company not only produces high-quality eco-friendly products by continuously revamping production processes and introducing new technologies, but also secures environmental impact reduction facilities such as desulfurization, denitrification, wastewater treatment, and dust collection facilities. Since 1996, ISO14001 Environmental Management System certification has been adopted to all production processes and terminals step by step, which has enabled the Company to carry out systematic environmental management activities throughout the entire product life cycle. In 2017, the Company successfully migrated its environmental management system to the ISO14001:2015 that specifies far more stringent requirements to identify environmental aspects and risks, establish and implement management plans, set and track effective environmental goals, and qualify personnel.

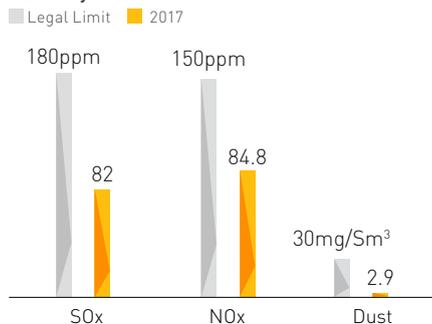
Environmental Performance Evaluation System (ISO14031) S-OIL is operating ISO14031 environmental performance evaluation system to ensure environmental investment and performance are objectively evaluated and then the evaluation results are then proactively incorporated in our environmental management activities. The environmental performance evaluation process includes selecting environmental indices, gathering and analyzing environmental data, assessing environmental performance, conducting regular reviews and making improvements to help stakeholders and the management make decisions. The evaluation results shows we performed better in 2017 compared to the previous year, especially with zero case of environmental regulation violation, reduction in air and water pollutant emissions, and improved waste recycling rates.

Environmental Accounting (EA) System S-OIL has established and been operating an in-house environmental accounting system in accordance with the government’s guidelines with the aim of objectively judging environmental investments and their ensuing performance as well as practicing the philosophy of environmental management. In 2017, the Company’s environmental investment focused on reducing pollutant emissions, preventing environmental accidents, and improving energy efficiency, such as installing waste heat recollection facilities, revamping boiler fuel gas facilities, setting up TMS digital com-

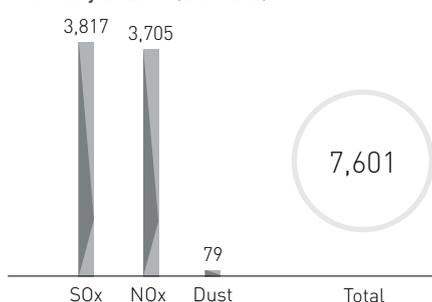
Environmental Policy S-OIL has established and operates an advanced environmental management system under the principle of preventive green management that prevents environmental hazards and risk factors at every stage of business operation. In addition, the Company complies with the following environmental policies with the cooperation of stakeholders such as customers, suppliers and employees.

1. The Company shall comply with the environmental laws and regulations of the region in which the Company operates its business, establish strict internal standards that are above legal standard, and adhere to the standards
2. The Company shall minimize the environmental pollutants created in the production processes or business facilities through the improvement of efficiency, etc. and prevent potential environmental accidents.
3. The Company shall develop, manufacture and sell highly efficient products that minimize environmental impact on consumers
4. The Company shall minimize greenhouse gas emissions from the distribution process through efficient logistics system operation and prevent environmental accidents such as leakage.
5. The Company shall treat wastes safely and environmentally, and improve waste reuse.
6. The Company shall consider environmental factors when selecting suppliers and do not receive products and services from suppliers that can cause serious environmental pollution.
7. The Company shall improve the environmental performance of affiliated companies such as JVs and subsidiaries, and also consider environmental factors in capital investments such as mergers and acquisitions.
8. The Company shall actively support and participate in environmental protection activities such as biodiversity conservation.

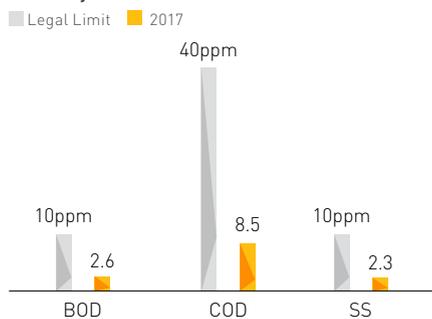
Air Pollutant Emissions Intensity at Onsan Refinery



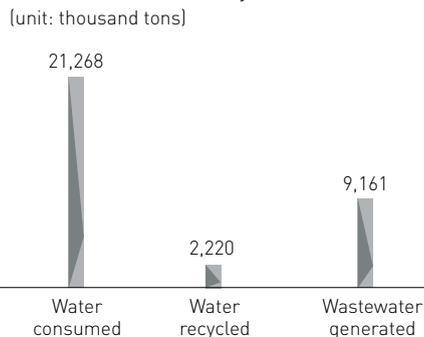
Air Pollutant Emissions Volume at Onsan Refinery in 2017 (unit: tons)



Water Pollutant Emissions Intensity at Onsan Refinery



Water Consumption, Recycling, & Wastewater Volume at Onsan Refinery in 2017



munications, and installing additional oil detectors. In parallel, the Company continues to develop mid- and long-term environmental investment items to take the initiative in environmental management.

Environmental Pollutant Control



Air Pollutant Control S-OIL has in place stricter in-house emissions standards than legally required in order to improve the atmospheric environment.

Using clean by-product gases and low-sulfur fuel oil as fuel, the Company commits itself to cutting emissions of SOx. The Company has made continued investment in environmental facilities such as Ultra Low NOx Burner (ULNB) and Selective Catalytic Reduction (SCR), and electrical precipitator, which resulted in maintaining a high rate of pollutant control and emissions reduction. In addition, the Leak Detection and Repair (LDAR) is in operation to systemically control the fugitive emission of HAPs, which may be produced during product storage, shipment, and processing, into the air without being filtered by vents. Since 2015, the Company has expanded the LDAR management threshold from the existing 130,000 to 430,000 points, significantly reducing the leakage rate of HAPs. In 2017, thanks to the continued strict leakage control by production teams, the leakage rate remained only at 0.08% (when the Company's internal leakage standard of 500 ppm is applied). Meanwhile, the Company is upgrading facilities based on ready-made in-house guidelines in response to the Clean Air Conservation Act, which was amended for tightened fugitive emissions of HAPs. The Company has consistently reduced environmental pollutants with the efficient operation of pollution prevention facilities, environmental investments including renovation of facilities for improved energy efficiency and transition into eco-friendly fuel to cut pollutant emissions. In particular, the Company plans to introduce LNG in 2018, which is known as a clean energy fuel, to further contribute to the reduction of air pollutants and fine dust. The Company has full awareness that fine dust generated from SOx, NOx, and dust is not only a threat to the health of the public but also a severe risk factor that can lead to sweeping regulations not limited to the temporary shutdown of factories. Following the establishment of a specific reduction plan (cut fine dust emissions down by 30% by 2022 compared to the level in 2014) by the government in 2017, there are high expectations for the industry to join the effort. Although the Company is currently emitting fine dust that is lower than legal standards, it plans to further install ULNB, which significantly reduces the amount of NOx that cause fine dust, in order to minimize the risk to public health and preemptively respond to strengthened regulations.

* Fugitive emissions means that substances directly emit into the air not through conventional outlets such as a smokestack or a vent but through devices, piping, seals, valves, etc.

Water Quality Control

S-OIL operates waste water treatment plant in a stable manner in order to minimize the impact of its business operation on the nearby sea. The plant treats wastewater using physical, chemical, and biological methods to ensure pollutants are effectively removed. The Tele-Metering System (TMS) transmits data on water quality to administrative agencies in real time in preparation of an emergency. The Company also expanded rainfall storage tank capacity for the heavy rainy season and strengthened monitoring of 29 kinds of specific substances harmful to water quality such as Cu, Pb, and As, contributing to improving water quality.

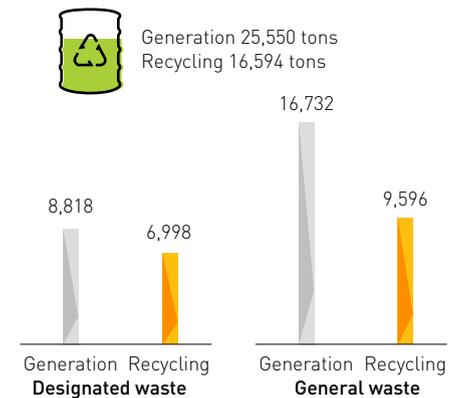
Soil Environment Control S-OIL carries out regular checks as well as legally mandatory inspections to prevent soil pollution in the Refinery and terminal areas, including oil storage facilities. The Company also continues to improve facilities in a systematic manner by laying pipes on the ground instead of underground. Signing the Voluntary Agreement on Soil Environmental Protection with the Ministry of Environment, the Company conducts not only self-inspections for soil pollution on its terminals and service stations but also voluntarily initiates soil restoration activities upon discovering soil pollution. To follow the agreement, the Company conducts legal inspections as necessary to monitor soil pollution while carrying out self-inspections every three years to prevent soil pollution. Moreover, the Company's new and remodeled service stations are built with the concept of Clean Service Station. Clean Service Stations are environmentally-friendly facilities as they prevent leakage of pollutants with double-layered tanks and pipelines. Even if pollutants are leaked, leakage sensors and alarms go off instantly, stopping spread of pollution in a swift manner.

Waste Control S-OIL has strived to reduce waste discharge while increasing the recycling rate to create a virtuous circle of eco-friendly resources. The Company has maintained a high rate of waste recycling by strictly practicing separate waste collection. In 2015, the Company participated in the Industrial Sectors' Declaration for Sustainable Korea 2030, affirming its strong commitment to enhancing the nation's resources circulation and resources productivity. The Company continues its efforts to discover competitive waste recycling companies, which resulted in a reduced waste disposal and increased recycling in 2017 compared to a year earlier. Other activities for better waste control include upgrading waste control facilities and installing fire detectors and sprinklers for preventing fire accidents and pollutant emissions that may arise in the process of waste storage and treatment.

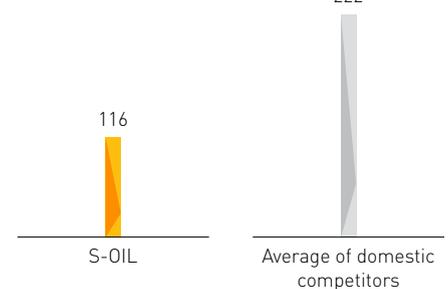
Prevention of Hazardous Substance Leakage S-OIL has systematic response procedures to prevent leakage of hazardous chemical substances on land under which facilities are subject to regular inspection and drills are held to beef up emergency response capabilities. In 2017, the Company installed 27 additional oil detectors in major spots inside the Refinery in order to allow immediate detection of oil spills and enhance its capability to carry out first-response and contain an oil spill. Moreover, the Company conducts emergency drills against leakage of hazardous chemical substances and oil spills every year. Going forward, the Company plans to develop various scenarios of oil spills and chemical leakage to further enhance the emergency drills.

Prevention of Oil Spills S-OIL has in place standard work protocols and procedures for marine oil spill prevention. The Company not only strengthens on-site monitoring but also conducts periodic emergency drills and training. In particular, the Company places its focus on enabling timely response to any crisis or emergency by offering accident prevention training on a quarterly basis based on various marine pollution scenarios. In order to prevent marine oil spills, the Company operates the vetting system which bars vessels that fall short of strict safety standards from entering port facilities. Under the system, all vessels are evaluated on their risk factors and only double-hulled tankers are permitted into the port in order to minimize risk of oil spill resulting from vessel accidents. The Company also has a protection system consisting of radar, tidal current measurement, and mooring tension measurement systems as well as the Single Point Mooring (SPM), which is the onshore mooring facilities for VLCCs. In 2017, we continued investment intended to enhance its marine contamination prevention and response capability and installed oil spill detectors to the final discharge outlet on the seafront.

Waste Generation & Recycling at Onsan Refinery in 2017 (unit : tons)



Emissions of Hazardous Chemical Substances in 2015 (unit : tons)



Oil Spill (2015-2017)



Wastewater treatment plant



Air Pollutant Inspection

Environmental Effect Evaluation and Response to Environmental Regulations

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

Preemptive Response to Tightening Environmental Regulations S-OIL proactively responds to environmental policies and regulations by adhering to its environmental policy of Preemptive Green Management. As part of this, the Company builds optimized pollution prevention facilities from the initial stage of refinery construction, complies with relevant regulations, and prepares stricter in-house environmental criteria than legal requirements. And daily self-inspection on potential environmental impact is carried out and unsatisfactory areas are promptly remediated, solidifying the Company's autonomous environmental management system. The Company also copes with the government's environmental policy in a positive manner by reviewing changes in environmental regulations and reflecting them in its management strategies. Particularly, relevant teams convene a monthly meeting to review environmental regulations, report the results to the management, and share those with production teams. Legal Compliance System enables information sharing on revisions to environmental regulations and self-assessments on a periodic basis against the environmental regulations compliance checklist. Compliance status is also checked during internal audits for the purpose of practicing compliances management. There was zero regulation violation identified in any of the 17 external reviews and audits held in 2017.

Internal and External Communication S-OIL has established a set of rigorous standards, based on which eco-friendly management is pursued. The Company gathers and analyzes global environmental management trends and changes in relevant regulations at home and abroad through continued communication with various stakeholders including local communities, the government, media and academia, and reflect those data in the company-wide environmental management system. The Company shares its environmental management information with local communities, relevant institutions, and other stakeholders, reflect their opinions to improve its environmental management activities. The Company is proactive in participating in diverse environmental events in local communities and supporting small-sized companies for environmental activities, thereby widening relationships with local communities and contributing to their environmental improvement. In recognition of such efforts, the Company received awards in 2017 from the Ulsan Maritime Police and the Ministry of Environment. The Company will continue to make investments for environmental improvement and operate emissions facilities in full compliance of various environmental regulations, while living up to the environmental expectations from the local communities.

6 Response to Climate Change

WHY IS THIS IMPORTANT?

With the Paris Agreement whereby UNFCCC members made a pledge on joint responses to climate change at the COP21 officially launched in 2016, the Korean government also pledged to reduce 37% of its greenhouse gas (GHG) emissions from business-as-usual by 2030. Despite the US's withdrawal from the Agreement, key European countries are more active in taking on the challenge, declaring their plans to ban sales of petrol and diesel cars by 2040. Climate change has become an unavoidable reality. There is thus an urgent need for companies to brace for the global phenomenon as a determinant of their future competitiveness.

OUR COMMITMENT

Commitment

Strategic carbon response

Communication to solidify the Company's position as an eco-friendly company

Targets in 2017

- Mandatory implementation of cost-efficient emissions trading scheme
- Maintenance of external certifications on carbon management

Performances in 2017

- Implementation completion
- Maintenance of certifications

Targets in 2018

- Expansion of direct GHG emissions reduction
- Acquisition and renewal of certifications on carbon management

OUR RESPONSE

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

Advancement of the Carbon Management System



S-OIL is operating an IT-based carbon inventory system that detects, records, calculates and reports all GHG emissions from the Company's business activities, with an aim to promote the systematic management of GHG. The government's revisions to relevant guidelines are immediately reflected in the system, and data accuracy is certified by both internal inspection and external evaluation. Periodic maintenance of the device for measurement and analysis allow the Company to maintain the best practice of GHG monitoring among the industry participants. In order to establish a company-wide cooperative framework for carbon management, top management meeting was held in 2017 to revamp internal procedures and enhance the feasibility of economic evaluation. As a result, the scope of business for which the cost of GHG is calculated has been expanded to encompass all the business areas and investment projects directly and indirectly applicable to GHG emissions. In addition, the Company introduced energy efficiency index in connection with organizational strategy and awarded employees with good suggestions in order to encourage their participation in the efforts for GHG emission reduction and energy consumption. Aiming to duly respond to the emissions trading scheme, the Company has set up comprehensive emissions trading plans by estimating future emissions volume and acquirable emission allowances, based on its mid- to long-term operation plans and the national reduction roadmap. The Company actively traded GHG emissions at six times during 2017 according to its operation plans, and expects to significantly cut down on GHG emissions with the transition into low-carbon LNG in 2018.

GHG Reduction Performance



S-OIL was able to reduce 460,000 tons of GHG emissions compared to 2011, when the initial measurement was made, thanks to large-scale environmental investments. Based on the previously built energy monitoring system (ECOS), the Company implemented energy diagnosis to discover items for improvement and applied them to processes, substantially reducing energy use and GHG emissions. In 2017 alone, about 20 projects were

conducted to reduce GHG emissions. In particular, the installment of the Mechanical Vapor Recompressor (MVR) at the No. 1 Aromatic Complex led to the reduction of 40,000 tons by recycling surplus heat for processes. Furthermore, the Company is making concerted efforts to cut GHG emissions across the board such as improvements in processes, replacement into high efficiency equipment and re-use of waste heat generated from neighboring factories. As a result, the amount of GHG emission per treatment of one barrel of crude oil decreased to 32 kgCO₂eq in 2017 compared to 37 kgCO₂eq in 2011, achieving a 15% reduction. The Company is also strengthening monitoring on indirect emissions from supply chains including crude oil procurement and product distribution. As for Saudi Arabia, one of the major suppliers of crude oil, the amount of GHG emission per crude oil production is known to be the lowest across the world.

GHG Reduction Initiatives

7 S-OIL has been raising consumer awareness of carbon reduction and creating a public consensus through Eco Campaign since 2012, which captures drivers' interest with novel ideas every year, including No Idling and Car Diet. The Company obtained the Carbon Trust Standard, a global carbon management certification, in 2012 for the first time in Korea, and successfully renewed the certification. The Company also joined the Carbon Disclosure Project (CDP) and has been selected as a high performer for four straight years, demonstrating its initiative to take the lead in disclosing carbon footprint information in a transparent manner. Furthermore, as an active member of the Korea Business Council for Sustainable Development (KBCSD), which was launched to promote government-industry cooperation on the formation of government policy to achieve the carbon reduction goal and establish sustainable growth initiatives, the Company proposes various ideas and takes part in various programs to induce more proactive actions from the industry. Starting 2016, the Company implemented a cogeneration plant project in collaboration with KD Powertech. This project is to generate 16.4 MW of electricity by recycling waste heat from the petrochemical process and to sell it to KEPCO, which contributes to reducing GHG by 61,000 tons every year.

CASE STUDY Advancing into the Cogeneration Business

As a global corporate citizen, S-OIL is actively participating in the Climate Action, one of the 17 SDGs officially known as 'Transforming Our World: the 2030 Agenda for Sustainable Development,' which was adopted by the UN in 2015. As part of its efforts for evolving into the most competitive and admired energy & chemical company in Asia Pacific, the Company entered the cogeneration business using waste steam to actively support the Climate Action and at the same time create additional profits. In 2016, the Company started commercial operation of a cogeneration plant that uses extra steam (1.1 million Gcal per year) generated from the Onsan Refinery. This project is expected to reduce GHG by 61,000 tons, supply 16.4 MW of electricity, which is enough energy to power up more than five times the total households of Onsan-eup, and create KRW10.0 billion in profit per year. The Company will continue to strive to develop new business models that can create profits as well as solve social issues.

Business Diversification to Meet Changes in Demand

The global effort to tackle climate change can have an impact on the demand for oil products. Recognizing the importance of proactive response to the global phenomenon, S-OIL has undertaken the RUC/ODC Project, which will allow the Company to convert residue into high value-added petrochemicals. The project is in the preparation phase for commercial operation following the mechanical completion in the first half of 2018. On the heels of the successful implementation of the mega-scale project, the Company plans to explore other opportunities to create synergy with existing businesses and foray into new business areas by carefully analyzing the impact of climate change on its business environment and actively investing in associated new technologies.

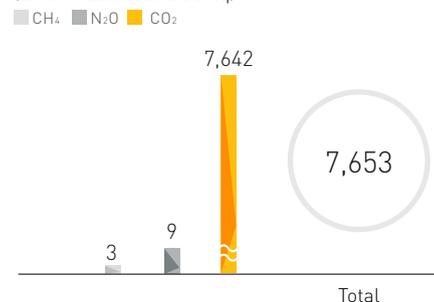
GHG Emissions in 2017 (unit: thousand tons CO₂eq)



- Scope I : 6,550
- Scope II : 1,103
- Scope III : 30

Detailed GHG Emissions in 2017

(unit: thousand tons CO₂eq)



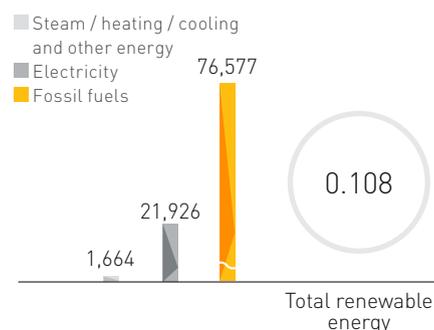
Energy Consumption in 2017 (unit: TJ)



- Scope I : 79,577
- Scope II : 23,591
- Scope III : 400

Detailed Energy Consumption in 2017

(unit: TJ)



Sales of Energy in 2017



Steam
3,016 TJ

7 Social Contribution Activities

WHY IS THIS IMPORTANT?

Companies are required to create new values for the community and fulfill their social responsibility by conducting strategic social contribution activities. Moreover, those should be guided by a clear set of business strategies and periodically evaluated to ensure sustainability. By doing so, social contribution will be promoted more systematically and attract voluntary participation from all stakeholders.

OUR COMMITMENT

Commitment

Promotion of systematic social contribution activities

Targets in 2017

- Execution of social contribution activities linked with strategic directions
- Execution of social contribution activities that reflecting stakeholder opinions
- Continuous improvement of social contribution activities

Performances in 2017

- Execution of For Heroes, For the Environment, For the Local Community, and For Needy People activities
- Workshop for stakeholders of Sunshine Sharing Public Service Corps Programs
- Training for social contribution workers, Idea contest for Sunshine Sharing Volunteer Program

Targets in 2018

- Execution of social contribution activities linked with strategic directions
- Execution of social contribution activities reflecting stakeholder opinions
- Continuous improvement of social contribution activities

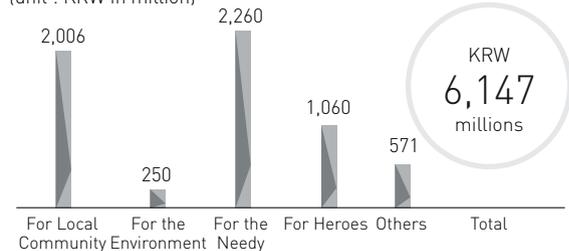
OUR RESPONSE

S-OIL strives to fulfill its social responsibilities and practice its core value, sharing. In order to make its social contribution activities more productive and strategically aligned, the Company is proactive in understanding expectations of local communities through diverse communication channels. Then, the Company conducts differentiated social contribution activities in accordance with the three pillars of Impact, Timing, and Beneficiary under the vision statement of Sunshine Sharing.

For Local Communities

S-OIL carries out a variety of social contribution activities for co-prosperity with local communities where its worksites are located. Those include promoting the Culture & Arts Sharing Campaign, supporting needy people who live around its terminals and the TS&D Center, operating the G00-DOIL Café, establishing the Ulsan Welfare Foundation, sponsoring cultural events at Taewharu in Ulsan, and support-ing welfare facilities in Ulsan.

Performance in Social Contribution Activities in 2017
(unit : KRW in million)



For the Environment

S-OIL is implementing the For Environment activities in order to protect endangered natural treasures and preserve nature and ecosystem diversity for future generations. The Company sponsors the research and protection campaigns of professional organizations dedicated to protecting natural treasures such as otters, red-crowned cranes, spotted barbels and long-horned beetles. Also, the Company runs natural treasure classes for children, operates a university student natural treasure protection corps and organizes various volunteer activities for employees and customers to participate. The Company's natural treasure protection activities are commended as the first extensive preservation project for endangered species led by a corporation,

raising social awareness about the value of ecosystem diversity and its protection. In addition, the Company regularly cleans the evergreen forest of Mokdo island, which is a natural monument adjacent to the Refinery, and is expanding green purchasing to further contribute to environmental protection.

For Needy People



S-OIL is engaged in many programs to help the underprivileged stand on their own feet and contribute to society as healthy citizens. For example, the Company grants scholarships to youths living in residential facilities, operates the Sunshine Sharing camp for children suffering from rare diseases, provides learning devices tailored to youths with disabilities, sponsors the Heart-Heart Orchestra for youths with developmental disabilities and supports fuel for cars used by the Food Bank. In addition, the Company provides heating fuel and aides in the recovery of fire damages for low-income families, helps battered female migrants, holds Service Stations' Sharing N Campaign, supports the participation of the disabled in over-seas marathon races and is involved in a variety of other charity programs for the needy.

For Heroes



In order to support the righteous people who have dedicated themselves to the well-being of the country and society, S-OIL supports the Hero Firefighters who commit themselves to saving lives despite tough working conditions, Hero Maritime Police Officers who are at the forefront of maritime crime control and sea-rescue operations and Hero Neighbors who selfishly help neighbors in danger with the spirit of sacrifice. These programs are contributing to building a brighter and healthier society. Also, the Company provides financial aid and tuition fees to the surviving families of firefighters or maritime police officers who have died in the line of duty, as well as medical expense support to those who have been injured during work. Furthermore, firefighters or maritime police officers can participate in healing camps, and the Company selects and awards Hero Firefighter, Hero Maritime Police Officer and Hero Citizen every year.

Sunshine Sharing Public Service Corps.

In addition to the four flagship activities, S-OIL has been executing an array of social contribution activities such as delivering Ttokguk (rice soup), Songpyeon (rice cakes), Kimchi, and coal briquettes to low-income families in the local communities where the Company operates, since the launch of the Sunshine Sharing Public Service Corps in 2007. The Company's employees also engage in voluntary donation activities through Sunshine Sharing Campaign, such as wage tail-cut contribution to help children suffering from biliary atresia and in the 1 person-1 donation account campaign to support children raised by grandparents. The Company has also founded the S-OIL Science Prodigy and Culture Foundation, spearheading the effort to nurture the gifted and talented in the science and technology.

Green Purchasing in 2017



Amount of purchasing
KRW 15,650 million

No. of products
31 cases

Activities of the S-OIL Public Service Corps in 2017



Number of participants
2,321 persons

Participation hours
24,593 hours

Sunshine Sharing Campaign in 2017



Wage tail-cut contribution

No. of Participants
1,882 persons

1 person-1 donation account

No. of Participants
1,495 persons



Awards for Hero Firefighters



Delivery of Coal Briquettes



Prevention of Endangered Natural Treasures

Social Contribution Activities That Reflect Stakeholder Opinions

S-OIL is proactive in developing various social contribution programs, such as a charity program idea contest, that are based on stakeholders' engagement and relevant to its business, and can bring out a productive and positive effect on society. To this end, the Company conducts social contribution training every year with the aim to encourage employees to voluntarily take part in its social contribution programs. For example, incorporating stakeholder feedback, the Company grants the S-OIL Dream Scholarship to adolescents who should be discharged from residential facilities due to age requirements, helping them continue their studies and grow into responsible members of society. The Company started providing scholarships to college students discharged from facilities in 2016 and expanded the scholarship program in 2017 to cover high school students who live in residential facilities, helping them acquire diverse licenses and developing their self-reliance even after being discharged from the facilities.

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

Business-related CSR strategy

S-OIL's CSR activities maximize social and environmental benefits and create positive results in its business because its CSR strategy has been established in consideration of the nature of its business. The company's CSR activities contribute to creating positive brand values that fulfill its social responsibilities while also promoting sales of products through donations of its products. It is also the result of CSR activities as a medium to form constructive and cooperative relationships with local communities and to convey the company's commitment to environmental protection to stakeholders.



S-OIL Marathon Race for the Disabled



Sunshine Sharing Camp

8 Contribution to Local Communities

WHY IS THIS IMPORTANT?

Contributions to local communities in the aspects of economy, society, and the environment have played a critical role in ensuring healthy society as well as corporate sustainability. Therefore, it is necessary to conduct social contribution activities that meet increasing needs of local communities.

OUR COMMITMENT

Commitment

Expansion of the base of local culture and arts

Handling of grievances of local communities

Targets in 2017

- 12 culture & arts performances, 3,300 participants in total
- Revitalization of local community and economy
- Job creation for local community

Performances in 2017

- 12 culture & arts performances, 3,230 participants in total
- KRW 398.9 billion worth of purchasing in Ulsan
- Recruitment of 68 persons in Ulsan
- 150 thousand jobs created by SUPER Project
- Max. 17 thousand persons hired a day for RUC/ODC Project

Targets in 2018

- 12 culture & arts performances, 3,300 participants in total (plans to hold 36 performances with 10,000 participants in total from 2018 to 2020)
- Revitalization of local community and economy
- Job creation for local community

OUR RESPONSE

S-OIL carries out various social contribution activities for co-prosperity with local communities where worksites are located, such as Ulsan, Mapo and Magok. Some examples are the operation of the Culture & Arts Sharing Campaign and S-OIL Ulsan Welfare Foundation. The Company is committed to revitalizing the regional economy, creating jobs and solving challenges hand-in-hand with the local community based on consistent communication.

Expansion of Base for Local Culture and Arts



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

Participants in the Culture & Arts Sharing Campaign in 2017



No. of events

12 times

No. of participants

3,230 persons

Supporting Cultural Activities of Local Communities around Head Office Since 2011, S-OIL has been promoting the Culture & Arts Sharing Campaign at its Head office in Mapo, Seoul. As part of this, diverse culture and arts events are held at the auditorium every month, through which local residents enjoy high-quality culture and art performances for free. The family-oriented performances in a wide range of genres are received very well and enjoyed by more than 3,000 people every year. In a survey of those who participated in the campaign, they attend two cultural events on average every year, which attests to the fact that the Company is contributing to the growth of culture and arts for local communities. In addition, the Company supports Mapo-ferry Salted Shrimp Festival, which is a traditional cultural event in the Mapo area, serving the role as guardian of local culture.

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

Employment in Ulsan in 2017



New employees graduated universities in Ulsan
68 Persons (28.2%)

Local Purchasing in Ulsan in 2017



No. of cases
5,085 cases (52.8%)



Purchase Amount
KRW 398,937 millions (34.2%)

Efforts for Handling Grievances of Local Communities



S-OIL has been expanding purchase of local products and services to invigorate the local economy in the Ulsan area. Particularly, in order to help local farmers who are suffering from the opening of the agricultural market, the Company purchases rice and pears produced in local communities around the Refinery and donates them to social contribution activities. The Company also supports farmers adopting the organic farming through growing snails in rice paddles so as to increase the competitiveness of local farm houses and to protect the environment. Moreover, the Company has employed local talent necessary for the RUC/ODC Project, contributing to the increase of local job creation. Another major activities aimed at solving local issues include donations of funds for school development, scholarships, and books to seven elementary, middle, and high schools in Ulsan. The Company also opened the GOODOIL water drinking fountain in front of its head office in Seoul, an office building in Ulsan, and also a Gangnam branch where anyone can enjoy natural water and tea for free. The Company will continue to take the lead in solving local grievances and pursuing co-prosperity.



Ulsan Taewharu Culture Concert



Ulsan Whale Festival



Culture & Arts Sharing Campaign



Performance Review

Key Sustainability Management Performances

Appendix

Independent Assurance Statement

GRI Content Index / UNGC Index / UN SDGs

Accolades & Recognitions / Association Memberships

Performance Review (Key Sustainability Management Performances)

Business Fundamental

Corporate Governance Rating (by Korea Corporate Governance Service)

Classification	2014	2015	2016	2017
Rating	A+	A	A+	A+

BOD Composition (unit: persons)

Classification		2015	2016	2017	2018
Type	Inside	1	1	1	1
	Non-standing	4	4	4	4
	Outside	6	6	6	6
Gender	Male	11	11	11	10
	Female	0	0	0	1
Age	50 or above	10	10	10	11
	30-50	1	1	1	0
	Under 30	0	0	0	0
Total		11	11	11	11

No. of Shares (unit: shares)

Classification	Voting rights	No. of shares	Ratio
Common stock	1 vote	112,582,792	96.6%
Preferred stock	none	4,021,927	3.4%
Total		116,604,719	100.0%

* There are no golden shares issued holding special voting and veto rights.

Shareholder Structure: based on common shares (unit: shares)

Name	No. of shares	Ratio
Aramco Overseas Company B.V.	71,387,560	63.4%
National Pension Service	6,830,669	6.1%
Institutional investors & individuals	34,364,563	30.5%
Total	112,582,792	100.0%

* Aramco Overseas Company B.V. acquired an additional 28.4% share of the company previously owned by Hanjin Energy in 2015, following its original acquisition of 35% in 1991. Shares held by governmental institutions: none

Shareholding Status of MC Members (unit: shares)

Name	Position	No. of shares
Othman Al-Ghamdi	CEO	2,219
B.S. Park	President	10,360
Y. Ryu	President	5,940
Y.I. Cho	Executive Vice President	15,600
J.B. Ahn	Executive Vice President	9,140
S.W. Park	Senior Vice President	0

* As of the end of 2017, the CEO held the Company's share worth 47 percent of his annual fixed salary, and the remaining MC members 240 percent of their average salary.

Violation of Improper Solicitation & Graft Act (unit: cases)

Classification	2014	2015	2016	2017
No. of violations	-	-	0	0

Violation of Internal Regulations found by Compliance Monitoring (unit: cases)

Classification	2014	2015	2016	2017
No. of violations	1	0	0	0

* A business dealing with a retired officer/employee which was not submitted to the Ethics Committee occurred in 2014.

Deliberation of Ethics Committee (unit: times, cases)

Classification	2014	2015	2016	2017	
No. of meetings	19	19	27	18	
Deliberation	Operation of sales networks	26	57	17	16
	Purchasing of goods & services	24	25	52	42
Total	3	5	7	5	
Total	53	87	76	63	

No. of disciplines due to violations of Ethics Code

No. of employees disciplined	Head Office	Refinery	District Biz HQ	Terminal	Total
	0	1	0	2	
	0	0	1	4	
	0	0	1	0	
	0	0	0	0	
Total	0	1	2	6	

* Discipline in 2015: 1 case of inappropriate use of language between colleagues (pay-cut to 1 person)

Discipline in 2016: 1 case of money transaction between an employee and a partner (pay-cut to 1 person, warning to 1 person)

Discipline in 2017: 1 case of money borrowing exceeding the reasonably acceptable level (pay-cut to 1 person), 2 cases of inappropriate use of language between colleagues (suspension to 2 persons, pay-cut to 1 person, warning to 1 person, reprimand to 1 person)

Ethics Management Training for Employees

(unit: programs, times, persons, hours)

Classification	2014	2015	2016	2017
No. of training programs	8	7	7	7
No. of trainings	15	17	12	21
No. of participants	2,973	3,063	3,643	3,947
Hours spent on training	4,119	4,470	4,711	4,075

Self-assessment on Ethics Management (unit: persons, points)

Classification	2015	2016	2017	2018
No. of participants	2,423 (86%)	2,492 (86%)	2,729 (86%)	3,316 (100%)
Average score	98.8	99.0	99.1	99.5

Spending in Business Association (unit: KRW in million)

Classification	2014	2015	2016	2017
Spending	1,557	1,481	1,558	1,460

* Top five business associations in terms of the amount of spending in 2017: Korea Petroleum Association (KRW 1,172 million), Ulsan Chamber of Commerce & Industry (KRW 120 million), Onsan Industrial Complex Association (KRW 85 million), Korea Employers' Federation (KRW 32 million), Korea Listed Companies Association (KRW 15 million)
Spending related to business issues in 2017: Studies on energy policy direction (KRW 98 million), Fine dust cause analysis & improvement plan research (KRW 39 million)

C01

National Customer Satisfaction Index (unit: points)

Classification	2014	2015	2016	2017
S-OIL	72	74	74	75

Domestic Market Share (unit: stations)

Classification	2014	2015	2016	2017
No. of nationwide service stations	12,366	12,061	11,923	11,836
No. of S-OIL service stations	2,022 (16.4%)	2,070 (17.2%)	2,124 (17.8%)	2,166 (18.3%)
Market share for retail light oil product	20.7%	21.1%	21.8%	22.2%

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

VOC Handling Performance (unit: cases)

Classification	2014	2015	2016	2017
Call counseling	401,985	308,928	271,212	281,148
ARS Self counseling	-	46,704	116,412	159,084
SNS 1:1 chat counseling	-	-	-	22,104
Total	401,985	355,632	387,624	462,336

Complaint VOC Handling Performance (unit: cases)

Classification	2014	2015	2016	2017
Bonus card & associated card	1,370	964	1,289	1,472
Promotion & gift card	2,610	467	450	519
Service, transportation, etc.	660	769	991	1,386
Quality	196	178	244	202
Total	4,836	2,378	2,974	3,579

Time Spent on VOC Handling (unit: business days)

Classification	2014	2015	2016	2017
Inquiry VOC	0.8	0.7	0.7	0.7
Complaint VOC	3.7	2.9	2.4	2.6
Rate of VOCs closed within designated window	100%	100%	100%	100%

* Designated window: 2 business days for inquiries, 5 business days for complaints

Violation of Laws related to Product/service Information & Labeling (unit: cases)

Classification	2014	2015	2016	2017
No. of violations	0	0	0	0

C2

Environmental Quality Evaluation on Automotive Fuels (unit: ★)

Classification	2014		2015		2016		2017	
	1H	2H	1H	2H	1H	2H	1H	2H
Gasoline	★4	★4	★5	★5	★5	★5	★5	★5
Diesel	★5	★5	★5	★5	★5	★5	★5	★5

* The Ministry of Environment has been evaluating ratings of vehicle fuels every six months since 2006 by taking gasoline and diesel samples from terminals and service stations of each refinery which are located in the metropolitan area and commissioning the Korea Institute of Petroleum Management for test. (the highest rating: ★5)

Inspection on Product Quality and Facilities of Service Stations & LPG Filling Stations (unit: stations)

Classification	2014	2015	2016	2017
Quality inspection	10,666	12,502	14,461	13,817
Facility inspection	1,161	1,612	2,088	2,140

Trustworthy Service Stations (unit: stations)

Classification	2014	2015	2016	2017
No. of Trustworthy Service Stations	1,314 (65%)	1,257 (61%)	1,552 (73%)	1,765 (81%)

Violation of Laws related to Health & Safety Impacts of Product/service (unit: cases)

Classification	2014	2015	2016	2017
No. of violations	0	0	0	0

C3

Top of Mind Awareness in TV Advertising (unit: %)

Classification	2014	2015	2016	2017
S-OIL	51.2	62.9	60.3	60.0
Average of domestic competitors	8.7	6.1	6.1	6.3

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

Violation of Laws related to Marketing Communication (unit: cases)

Classification	2014	2015	2016	2017
No. of violations	0	0	0	0

C4

Violation of Fair Trade Law (unit: cases)

Classification	2014	2015	2016	2017
No. of violations	0	0	0	0

Violation of Laws related to Customers' Personal Information (unit: cases)

Classification	2014	2015	2016	2017
No. of violations	0	0	0	0

C5

Sales performance (unit: KRW in million)

Classification		2014	2015	2016	2017
Fuel products	Domestic	9,210,616	6,230,800	5,931,772	7,658,762
	Export	13,869,523	7,823,408	6,532,451	8,753,580
	Sub-total	23,080,139	14,054,208	12,464,223	16,412,342
Lube products	Domestic	452,299	320,453	264,450	303,644
	Export	1,519,260	1,019,309	1,049,213	1,311,262
	Sub-total	1,971,559	1,339,762	1,313,663	1,614,906
Petro-chemical products	Domestic	1,335,609	958,467	888,054	904,474
	Export	2,170,255	1,537,835	1,655,903	1,959,652
	Sub-total	3,505,864	2,496,302	2,543,957	2,864,126
Total	Domestic	10,998,524 (38.5%)	7,509,720 (42.0%)	7,084,276 (43.4%)	8,866,880 (42.4%)
	Export	17,559,038 (61.5%)	10,380,552 (58.0%)	9,237,567 (56.6%)	12,024,494 (57.6%)
	Sub-total	28,557,562	17,890,272	16,321,843	20,891,374

E1

Employment Status by Job (unit: persons)

Classification	2014	2015	2016	2017
Officer	39	37	40	39
Administrative staff	1,343	1,401	1,423	1,443
Production staff	1,453	1,464	1,665	1,834
Total	2,835	2,902	3,128	3,316

Employment Status by Workplace (unit: persons)

Classification	2014	2015	2016	2017
Head Office	784	834	752	773
Refinery	1,703	1,725	2,032	2,195
District Biz HQ	268	265	265	268
Terminal	80	78	79	80

Employment Status by Age (unit: persons)

Classification	2014	2015	2016	2017
50 or above	333	425	555	692
30-50	2,027	1,981	1,949	1,896
Under 30	475	496	624	728

* No. of employees aged 55 or above in 2017: 165 persons (5.0%)

No. of employees aged under 20 in 2017: None

Employment Status by Gender (unit: persons)

Classification	2014	2015	2016	2017
Male	2,613 (92.2%)	2,670 (92.0%)	2,893 (92.5%)	3,072 (92.6%)
Female	222 (7.8%)	232 (8.0%)	235 (7.5%)	244 (7.4%)
No. of managers or higher levels	Male 686 Female 26	733 27	783 38	813 46

Employment Status by Employment Contract (unit: persons)

Classification	2014	2015	2016	2017	
Officer	39	37	40	39	
Regular employees	Male	2,464	2,561	2,616	2,825
	Female	187	197	202	211
	Sub-total	2,651	2,758	2,818	3,036
Non-regular employees	Male	110	72	237	208
	Female	35	35	33	33
	Sub-total	145	107	270	241

Employment Status by Employment Type (unit: persons)

Classification	2014	2015	2016	2017	
Full-time	Male	2,613	2,670	2,893	3,072
	Female	222	231	234	244
	Sub-total	2,835	2,901	3,127	3,316
Part-time	Male	0	0	0	0
	Female	0	1	1	0
	Sub-total	0	1	1	0

Major activities performed by workers not employed by S-OIL (unit: persons)

Major work activities	2015	2016	2017	2018
General office work (dispatch staff)	52	41	48	46
Contract/service (Head office)	157	150	147	148
Contract/service (Refinery)	669	752	885	960
Total	878	943	1,080	1,154

* It is the same as the employment type disclosure data of the Ministry of Employment and Labor. (As of March every year)

Contract/service (Head office): Building management, cleaning, security, driver, restaurant, IT, call center, etc.

Contract/service (Refinery): Repair & maintenance, cleaning, security, crude oil unloading, restaurants, etc.

New Employment (unit: persons)

Classification		2014	2015	2016	2017
Type	University graduates	42 (33.6%)	83 (55.7%)	31 (10.6%)	22 (9.1%)
	Others	83 (66.4%)	66 (44.3%)	262 (89.4%)	219 (90.9%)
Age	50 or above	2 (1.6%)	4 (2.7%)	11 (3.8%)	7 (2.9%)
	30-50	26 (20.8%)	14 (9.4%)	26 (8.9%)	23 (9.5%)
	Under 30	97 (77.6%)	131 (87.9%)	256 (87.4%)	211 (87.6%)
Gender	Male	97 (77.6%)	117 (78.5%)	272 (92.8%)	214 (88.8%)
	Female	28 (22.4%)	32 (21.5%)	21 (7.2%)	27 (11.2%)
Total		125	149	293	241

* Others include all forms of employment such as production workers, experienced workers, and non-regular workers, excluding university graduates.

Retirees (unit: persons)

Classification		2014	2015	2016	2017
Age	50 or above	41 (50.0%)	33 (40.2%)	21 (31.3%)	16 (30.2%)
	30-50	26 (31.7%)	26 (31.7%)	19 (28.4%)	16 (30.2%)
	Under 30	15 (18.3%)	23 (28.0%)	27 (40.3%)	21 (39.6%)
Gender	Male	65 (79.3%)	60 (73.2%)	49 (73.1%)	35 (66.0%)
	Female	17 (20.7%)	22 (26.8%)	18 (26.9%)	18 (34.0%)
Total		82	82	67	53

Employment of the Disabled (unit: persons)

Classification		2014	2015	2016	2017
No. of employees with disabilities		49 (1.7%)	47 (1.6%)	48 (1.5%)	47 (1.4%)

Parental Leave (unit: persons)

Classification		2014	2015	2016	2017
No. of employees took parental leave	Male	1	1	0	1
	Female	13	20	20	18
	Sub-total	14	21	20	19
No. of employees returned to work after parental leave (plan)	Male	0	1	0	0
	Female	7	9	13	10
	Sub-total	7	10	13	10
No. of employees returned to work after parental leave (actual)	Male	0	1	0	0
	Female	7	9	13	9
	Sub-total	7 (100%)	10 (100%)	13 (100%)	9 (90%)
No. of employees worked for more than one year after parental leave	Male	0	0	1	0
	Female	3	5	9	13
	Sub-total	3 (100%)	5 (71%)	10 (100%)	13 (100%)

Employee Remuneration (unit: KRW in million)

Total amount paid a year in remuneration	Average remuneration per employee	Remuneration of the median employee
395,713	121	123

* Remuneration of the median employee refers to the pay of the 1,639th employee out of the total of 3,277 people on the payroll.

The CEO's compensation was KRW 743 million, 6.15 times higher than the average remuneration per employee.

E2**Training Hours per Employee** (unit: hours)

Classification		2014	2015	2016	2017
Gender	Male	43	46	57	52
	Female	37	36	42	42
Average		42	45	55	51

Training Completion Rate (unit: %)

Classification	2014	2015	2016	2017
Mandatory training hours completion rate	100	99.3	99.3	97.5

* Aiming at strengthening the effectiveness of training, the company has in place the annual mandatory training hours completion program. (20 hours for Deputy GM, 30 hours for MGR, and 40 hours for Assistant MGR & staff)

E3**Annual Leave** (unit: days)

Classification	2014	2015	2016	2017
Average days of used annual leave per employee	14.7	15.7	16.3	17.8

* Excluded production staffs & RUC/ODC Project organization staffs.

Satisfaction with General Affair Service (unit: points)

Classification	2014	2015	2016	2017
Satisfaction score (target: 8.7 points)	8.98	8.83	8.71	8.92

Labor Union (unit: persons, cases)

Classification	2014	2015	2016	2017
No. of union members	1,448 (51.8%)	1,455 (50.8%)	1,519 (49.2%)	1,748 (53.3%)
No. of employees covered by collective bargaining agreements	2,796 (100%)	2,865 (100%)	3,088 (100%)	3,277 (100%)
No. of labor disputes	0	0	0	0

E4

DNV Safety Culture Evaluation (unit: points)

Classification	2014	2015	2016	2017
Evaluation score	6.8	7.4	7.9	8.1

* DNV Safety Culture Score: An index to evaluate the level of corporate safety culture in a quantitative manner created by DNV GL (0-10 points. World Class: over 8.1 points; Leading Edge: 6-8 points; Extended 4.1-6.0 points)

No. of Injured Employees and Occupational Injury Rate (unit: persons, %)

Classification	2014	2015	2016	2017	
S-OIL	No. of injured male	0	1	4	0
	No. of injured female	0	0	0	0
	Sub-total	0	1	4	0
	Injury rate (LTIR/TRIR)	0.00/0.11	0.05/0.10	0.19/0.28	0.00/0.18
Contractors	No. of injured male	0	1	1	2
	No. of injured female	0	0	0	0
	Sub-total	0	1	1	2
	Injury rate (LTIR/TRIR)	0.00/0.00	0.09/0.09	0.03/0.07	0.08/0.25

* Injury rate = No. of injured employees x 200,000/Total work hours.
LTIR (Lost-time Injury Rate) means lost-time injuries while the meaning of TRIR (Total Recordable Injury Rate) extends to minor accidents without lost-time injuries.

Occupational Illness (unit: persons, cases)

Classification	2014	2015	2016	2017	
S-OIL	No. of incidents (Male)	0	0	0	0
	No. of incidents (Female)	0	0	0	0
	Sub-total	0	0	0	0
	No. of incidents per million hours	0	0	0	0
Contractors	No. of incidents (Male)	0	0	0	0
	No. of incidents (Female)	0	0	0	0
	Sub-total	0	0	0	0
	No. of incidents per million hours	0	0	0	0

Process Safety Events (unit: cases per million hours)

Classification	2014	2015	2016	2017
Process Safety Events	0.16	0.35	0.10	0.00

* The figure in the 2016 Report has been modified as per the API Code. [0.60→0.10]

Safety Accident (unit: cases)

Classification	2014	2015	2016	2017
No. of fire accidents	0	1	1	1
No. of accidents from violations of regulations	0	0	0	0

Near Miss (unit: cases)

Classification	2014	2015	2016	2017
No. of near misses	697	788	909	990

* Of the 990 near misses in 2017, the Company selected and awarded good practices where the risk associated with recurrence of the same incident was reduced significantly through effective prevention and improvement measures. (a total of 294 cases including 16 best practices)

Safety Training (unit: times, persons)

Classification	2014	2015	2016	2017	
S-OIL	No. of trainings	535	560	749	656
	No. of participants	30,186	31,640	37,447	41,806
Contractors	No. of trainings	335	379	580	342
	No. of participants	9,044	19,168	21,230	15,487

* Included commissioned trainings & firefighting drills.

01

Progress of the RUC/ODC Project (unit: %)

Classification	2015	2016	2017	2018
Rate of progress (Target)	6 (5)	35 (31)	94 (92)	100

02

Treatment of Crude Oil (unit: thousand barrels)

Classification	2014	2015	2016	2017
Crude oil treatment volume	227,462	219,680	231,185	241,019

Production (unit: thousand barrels, KRW in million)

Classification	2014	2015	2016	2017	
Fuel products	Volume	193,679	185,601	199,631	210,055
	Amount	23,932,890	13,029,020	10,862,778	14,527,496
Lube products	Volume	13,236	11,810	13,576	14,060
	Amount	1,785,243	921,272	870,560	1,140,721
Petro-chemical products	Volume	25,960	25,693	21,298	20,726
	Amount	3,964,906	2,455,129	2,321,020	2,681,459
Total	Volume	232,875	223,104	234,505	244,841
	Amount	29,683,039	16,405,421	14,054,358	18,349,676

Profit Improvement Performance (unit: KRW in million)

Classification	2014	2015	2016	2017
Profit Improvement	357,995	190,115	190,499	204,972

Employee Suggestion Program (unit: cases, persons, KRW in million)

Classification	2014	2015	2016	2017
No. of suggestions received	3,082	2,219	2,816	2,496
No. of participants	748	838	954	782
Estimated profit improvement	17,400	16,500	4,500	411

03**Summarized Financial Positions** (unit: KRW in million)

Classification	2014	2015	2016	2017
Current assets	5,706,292	5,688,480	7,973,051	6,769,402
Non-current assets	4,543,122	5,096,466	5,977,625	8,308,161
Total assets	10,249,414	10,784,946	13,950,676	15,077,563
Current liabilities	3,955,145	3,222,157	4,832,781	4,543,391
Non-current liabilities	1,390,052	2,180,898	2,732,648	3,695,073
Total liabilities	5,345,197	5,403,055	7,565,429	8,238,464
Capital stock	291,512	291,512	291,512	291,512
Capital surplus	379,190	379,190	379,190	379,190
Reserves	977,843	977,959	977,313	975,772
Treasury stocks	(1,876)	(1,876)	(1,876)	(1,876)
Retained earnings	3,257,548	3,735,106	4,739,108	5,194,501
Total equity	4,904,217	5,381,891	6,385,247	6,839,099
Total liabilities and equity	10,249,414	10,784,946	13,950,676	15,077,563

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

Summarized Income Statement (unit: KRW in million)

Classification	2014	2015	2016	2017
Revenue	28,557,562	17,890,272	16,321,843	20,891,340
Cost of sales	(28,282,216)	(16,438,773)	(14,020,892)	(18,783,141)
Gross profit	275,346	1,451,499	2,300,951	2,108,199
Selling expenses	(479,102)	(532,845)	(576,645)	(620,744)
Administrative expenses	(85,948)	(101,050)	(107,417)	(112,806)
Operating profit	(289,704)	817,604	1,616,889	1,374,649
Other income	480,780	491,316	495,344	330,250
Other expenses	(468,024)	(392,871)	(475,037)	(126,834)
Financial income	220,230	145,960	184,999	383,189
Financial expenses	(329,258)	(253,480)	(244,830)	(313,094)
Profit before income tax	(385,976)	808,529	1,577,365	1,648,160
Corporate tax expense	97,811	(180,393)	(370,282)	(399,004)
Net profit	(288,165)	628,136	1,207,083	1,249,156
Other comprehensive income	(37,214)	(22,303)	5,926	8,095
Total comprehensive income	(325,379)	605,833	1,213,009	1,257,251

* Based on non-consolidated financial data prepared in accordance with K-IFRS.
The above Summarized Income Statement is applicable to domestic business sites only, given that 100% of the company's revenue is created in Korea.

Key Financial Indicators (unit: %, multiples)

Classification	2014	2015	2016	2017
Stability				
Current ratio	144.3	176.5	165.0	149.0
Total liabilities to equity	109.0	100.4	118.5	120.5
Borrowings to total assets	74.2	66.8	73.8	70.8
Times interest earned	(6.8)	22.8	28.7	23.6
Profit-ability				
Operating profit to sales	(1.0)	4.6	9.9	6.6
Net profit to sales	(1.0)	3.5	7.4	6.0
Return on equity	(5.9)	11.7	18.9	18.3
Profit-ability				
Sales growth	(8.3)	(37.4)	(8.8)	28.0
Operating profit growth	(179.1)	382.2	97.8	(15.0)
Net profit growth	(199.6)	318.0	92.2	3.5
Total asset growth	(14.0)	5.2	29.4	8.1

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

Tax (Unit: KRW in million)

Classification	2014	2015	2016	2017
Income statement				
Profit before income tax	(385,976)	808,529	1,577,365	1,648,160
Corporate tax expense	(97,811)	180,393	370,282	399,004
Tax paid by cash	-	52,113	375,508	363,199

* The Company has business sites only in Korea where 2017 maximum corporate tax rate is 24.2% including local taxes.

Credit Ratings

Credit rating agencies	2014	2015	2016	2017
Overseas				
Moody's	Baa2	Baa2	Baa2	Baa2
S&P	BBB	BBB	BBB	BBB
Domestic				
Korea Ratings	AA+	AA+	AA+	AA+
NICE Investors Service	AA+	AA+	AA+	AA+
Korea Investors Service	AA+	AA+	AA+	AA+

Dividend Payments (unit: KRW)

Classification	2014	2015	2016	2017
Total dividends paid (KRW in million)	17,559	279,505	721,904	686,978
Cash dividend payout ratio	-	44.5%	59.8%	55.0%
Cash dividends per share				
Common	150	2,400	6,200	5,900
Preferred	175	2,425	6,225	5,925
Cash dividend yield				
Common	0.3%	3.0%	7.3%	4.7%
Preferred	0.6%	5.1%	10.9%	5.7%

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

Economic Value Created (unit: KRW in million)

Classification	2014	2015	2016	2017
Revenue	28,557,562	17,890,272	16,321,843	20,891,340
Cost of sales	(28,197,828)	(16,360,959)	(13,921,262)	(18,566,739)
Other income	701,010	637,276	680,343	713,439
Other expenses	(746,176)	(605,459)	(640,774)	(367,534)
Depreciation cost	(339,703)	(273,191)	(286,746)	(293,588)
Economic value created	(25,135)	1,287,939	2,153,404	2,376,918

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

Economic Value Distributed (unit: KRW in million)

Stakeholder	Item	2014	2015	2016	2017
Employees	Salary & pension	294,895	421,757	478,906	637,569
Government	Tax & dues	(82,970)	197,154	388,322	417,799
Local communities	Social contribution expenditure	8,458	5,070	22,787	14,140
Creditors	Interest costs	42,648	35,822	56,306	58,254
Shareholders & company	Dividend & reserves	(288,165)	628,136	1,207,083	1,249,156
Economic value distributed		(25,135)	1,287,939	2,153,404	2,376,918

* Based on non-consolidated financial data prepared in accordance with K-IFRS.
Social contribution expenditure included only donations on the financial statements.

Violation of Disclosure Regulations (unit: cases)

Classification	2014	2015	2016	2017
No. of violations	0	0	0	0

04**Procurement: by Item** (unit: KRW in million)

Classification	2014	2015	2016	2017
Construction & maintenance	310,698	489,784	1,320,550	626,124
General service	55,216	79,704	137,137	47,915
Materials	299,137	547,412	1,555,828	493,404
Total	665,051	1,116,900	3,013,515	1,167,443

* Excluding crude oil & products.

There is a difference between above data and the value creation amount at Page 14, which is the cost of sales in the financial statements.

Procurement: by Region (unit: KRW in million, suppliers)

Classification		2014	2015	2016	2017
Amount	Korea	438,258	869,764	2,709,144	954,859
	Asia	34,346	94,373	123,967	54,053
	Middle East	226	168	144	100
	Europe	81,108	88,182	101,477	99,596
	America	110,533	64,306	74,123	58,734
	Others	580	107	4,661	100
No. of Suppliers	Korea	920	981	1,279	1,181
	Asia	38	49	65	75
	Middle East	4	3	4	2
	Europe	36	34	56	41
	America	46	51	50	46
	Others	4	1	4	2
Total		1,048	1,119	1,458	1,347

* Excluded crude oil & products.

Regular Risk Survey on Suppliers (Unit: %)

Classification	2014	2015	2016	2017
Regular evaluation rate (including sustainability risk)	100	100	100	100

ESG Training for Procurement-related Teams (Unit: %)

Classification	2014	2015	2016	2017
Participation rate	100	100	100	100

Suppliers Satisfaction Survey (Unit: points)

Classification	2014	2015	2016	2017
Satisfaction score	9.52	9.33	9.39	9.37

05**Environmental Performance Evaluation** (unit: points)

Classification	2014	2015	2016	2017
Evaluation score	-	100.0	113.8	150.6

* The Company redefined 2015 as the base year by adopting the ISO 14001:2015 certification and tightening environmental regulations as well as adjusting certain indices. (evaluation score based on the previous criteria: 135.1 points in 2014 / 154.5 points in 2015)

Environmental Accounting (unit: KRW in million)

Classification	2014	2015	2016	2017
Environmental costs	156,553	154,899	151,499	159,748
Environmental benefits	125,729	119,782	64,373	37,808
Environmental investments	5,731	12,880	16,148	15,640

* Details of 2017 environmental cost: Post-treatment facility operation costs, proactive prevention activities, etc.

Details of 2017 environmental benefits: Revenue from by-product sales, etc.

Details of 2017 environmental investments: Investments in environmental facilities, etc.

Detailed Environmental Investments (unit: KRW in million)

Classification	2014	2015	2016	2017
Air quality, stench, HAPs	678	4,421	7,193	8,094
Water quality	1,413	1,020	1,045	2,053
Support for energy saving technology	3,347	7,401	1,386	5,276
Soil & others	293	38	6,524	217
Total	5,731	12,880	16,148	15,640

* Major investments made in 2017

Air quality, stench, HAPs: HAPs dual seal, sampling system improvement, introduction of digital TMS, etc.

Water quality: Installation of additional oil detectors, etc.

Support for energy saving technology: MVR waste heat recollection facility installation, etc.

Soil & others: Replacement of obsolete Hume pipes for preventing soil pollution, etc.

Air Pollutant Emissions Intensity at Onsan Refinery

Classification	Legal standards	2014	2015	2016	2017
SOx	180 ppm	76.8	82.0	86.9	82.0
NOx	150 ppm	83.9	83.0	82.6	84.8
Dust	30mg/Sm ³	2.5	2.6	2.9	2.9

Air Pollutant Emissions Volume at Onsan Refinery (unit: tons)

Classification	2014	2015	2016	2017
SOx	4,315	4,273	4,959	3,817
NOx	3,509	3,354	3,518	3,705
Dust	79	66	71	79
Total	7,904	7,693	8,547	7,601

HAPs Leak Rate at Onsan Refinery (unit: %)

Classification	2014	2015	2016	2017
HAPs Leak Rate	0.40	0.09	0.13	0.08

Water Pollutant Emissions Intensity at Onsan Refinery

Classification	Legal standards	2014	2015	2016	2017
BOD	10 ppm	4.2	3.7	3.8	2.6
COD	40 ppm	9.8	8.1	8.0	8.5
SS	10 ppm	3.0	3.0	2.6	2.3

Water Consumption, Recycling, & Wastewater Volume at Onsan Refinery (unit: thousand tons)

Classification	Legal standards	2014	2015	2016	2017
Water consumed	Municipal water supplies	20,518	20,322	20,688	21,268
	Fresh surface water	0	0	0	0
	Fresh ground water	0	0	0	0
	Total	20,518	20,322	20,688	21,268
Water recycled		1,759 (8.6%)	1,658 (8.2%)	1,885 (9.1%)	2,220 (10.4%)
Wastewater generated		9,598	9,371	9,584	9,161

Waste Generation & Recycling at Onsan Refinery (unit: tons)

Classification	2014	2015	2016	2017	
Generation	Designated waste	10,966	10,555	8,859	8,818
	General waste	14,172	18,508	17,515	16,732
	Total	25,138	29,063	26,374	25,550
Recycling	Designated waste	7,129	7,985	6,166	6,998
	General waste	9,366	11,842	8,564	9,596
	Total	16,495	19,827	14,730	16,594

Emissions of Hazardous Chemical Substances (unit: tons)

Classification	2013	2014	2015
S-OIL	119	97	116
Average of domestic competitors	288	279	222

*Data for 2016 is not announced by the Ministry of Environment.

Violation of Laws related to Environment (unit: cases, KRW in million)

Classification	2014	2015	2016	2017	
Fine or over	No. of violations	0	0	0	0
	Amount	0	0	0	0
Penalty (Over \$10,000)	No. of violations	0	0	0	0
	Amount	0	0	0	0

Oil Spill (unit: cases)

Classification	2014	2015	2016	2017
No. of oil spill accidents	1	0	0	0

* The oil spill in 2014 occurred within artificial barricades due to the chip off of mixer on the underpart of crude oil tanker. There were no environmental pollution and no administrative punishment in regard to this.

006

GHG Emissions (unit: thousand tons CO₂eq)

Classification	2014	2015	2016	2017
Scope I	6,406	6,380	6,537	6,550
Scope II	996	986	1,072	1,103
Total	7,402 (7,433)	7,366 (7,396)	7,609 (7,641)	7,653 (7,710)
Scope III	24	26	28	30

* Figures in parenthesis mean emissions that include additional items in accordance with the amendment of the Target Management Scheme in 2014. Gaseous waste was included in 2017. Currently, Scope III includes only vehicles in the downstream business.

Detailed GHG Emissions

Classification	2014	2015	2016	2017
CO ₂ (thousand tons)	7,391	7,355	7,596	7,642
CH ₄ (tons)	140	139	156	142
N ₂ O (tons)	27	27	31	28

Detailed GHG Emissions (unit: thousand tons CO₂eq)

Classification	2014	2015	2016	2017
CO ₂	7,391	7,355	7,596	7,642
CH ₄	3	3	3	3
N ₂ O	8	8	10	9
Total	7,402	7,366	7,609	7,653

* It is CO₂ converted volume considering the Global Warming Potential (GWP) presented by IPCC Guideline in 2006. (GWP: CO₂=1, CH₄=21, N₂O=310)

Energy Consumption (unit: TJ)

Classification	2014	2015	2016	2017
Scope I	75,240	79,673	85,422	76,577
Scope II	21,745	21,816	23,024	23,591
Total	96,985	101,489	108,445	100,167
Scope III	336	370	378	400

Detailed Energy Consumption (unit: TJ)

Classification	2014	2015	2016	2017
Fossil fuels	75,240	79,673	85,422	76,577
Electricity	19,953	19,297	21,419	21,926
Steam / heating / cooling and other energy	1,792	2,519	1,604	1,664
Total renewable energy	0.108	0.108	0.108	0.108

Energy Cost (unit : KRW in million)

Classification	2014	2015	2016	2017
Energy cost	1,628,604	1,072,250	973,994	1,133,442

Sales of Energy (unit: TJ)

Classification	2014	2015	2016	2017
Steam	-	-	1,356	3,016

07

Performance in Social Contribution Activities (unit: KRW in million)

Classification	2014	2015	2016	2017
For Local Community	5,278	1,829	1,517	2,006
For the Environment	170	290	290	250
For Needy People	724	1,255	3,145	2,260
For Heroes	846	1,130	534	1,060
Others	2,651	1,773	1,166	571
Total	9,669	6,277	6,652	6,147

* Others: Supports for S-OIL Science Prodigy and Culture Foundation, etc.

The above performance includes donation as charity and local community contribution activities only. When social contribution activities for brand identity enhancement and marketing purposes, community service hours of employees, and management cost are considered, the performance of 2017 amounts to KRW 11,865 million (cash KRW 3,849 million, non-cash asset KRW 6,794 million, community service hours KRW 679 million, management/labor cost KRW 543 million)

Green Purchasing (unit: cases, KRW in million)

Classification	2014	2015	2016	2017
No. of products	46	59	128	31
Amount of purchasing	5,741	12,890	16,158	15,650

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

Classification	2014	2015	2016	2017
No. of participants	2,313	2,194	2,129	2,321
Participation hours	28,195	22,947	24,154	24,593

Sunshine Sharing Campaign (unit: persons, KRW in million)

Classification	2014	2015	2016	2017	
Wage tail-cut contribution	No. of participants	1,642	1,669	1,769	1,889
	Amount of supports	95	98	104	170
1 employee & 1 donation account	No. of participants	1,428	1,391	1,385	1,495
	Amount of supports	61	57	58	58

08

Participants in the Culture & Art Sharing Campaign (unit: times, persons)

Classification	2014	2015	2016	2017
No. of events	10	11	12	12
No. of participants	4,920	3,390	3,330	3,230

Employment in Ulsan (unit: persons)

Classification	2014	2015	2016	2017
New employees	25	19	87	68
graduated universities in Ulsan	(20.0%)	(12.8%)	(29.7%)	(28.2%)

Local Purchasing in Ulsan (unit: cases, KRW in million)

Classification	2014	2015	2016	2017	
No. of purchasing in Ulsan	3,760 (53.1%)	5,120 (55.8%)	5,090 (55.1%)	5,085 (52.8%)	
Amounts of pur- chasing in Ulsan	General	93,080	203,402	172,746	196,552
	RUC/ODC	64,131	96,652	640,158	202,386
	Total	157,211 (23.9%)	300,054 (26.5%)	812,904 (27.0%)	398,938 (34.2%)

* Excluding crude oil & products.

Independent Assurance Statement

To the stakeholders of S-OIL Corporation

The Korea Productivity Center (the "Assurer") was asked by S-OIL Corporation to provide independent assurance of the "S-OIL Corporation 2017 Sustainability Report" (the "Report") and hereby provides the following assurance statement.

Responsibility and Independence

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

Assurance Standards

The Assurer performed assurance in accordance with Type 2 defined in AA1000AS (2008) including ISAE 3000 of International Auditing and Assurance Standards Board (IAASB). In addition, we confirmed compliance with the principles of inclusivity, materiality, and responsiveness, and additionally confirmed whether this report is suitable for the possible influence from organizations' activity & performance based on AA1000APS (2008) verification principles. It indicates that the Report was comprehensively reviewed in terms of the effectiveness and reliability of reporting standards in the assurance. The assurance standards are based on the risk reduction with limitations defined in ISAE 3000 and correspond to the moderate level of assurance defined in AA1000AS (2008).

Limitations

The Assurer identified the reliability of performance in the Report based on the above-mentioned assurance scope and standards as follows. The on-site verification was carried out at the headquarters in Seoul. The financial data in the Report was verified through the financial statements and disclosure information which was audited by an auditor, while the aggregated data at the corporate level are used for the verification of Environmental and Social performance.

The assurer expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Methodology

This assurance was conducted through the following methods:

- Verified if the requirements for Core options of GRI Standard Guidelines were fulfilled.
- Verified the compliance with the principles of the Report contents and quality based on GRI Standard Guidelines.

- Verified the selection of material issues covered and the appropriateness of the technical content through media research and benchmarking analysis.
- Verified the suitability of the contents and any errors in expression through comparison analysis with other sources.
- Verified the basis of Comprehensive data and information and the internal process and system through on-site inspection at the headquarters in Seoul.

Findings and Conclusion

It is the verifier's opinion that the Report reflects S-OIL Corporation's sustainability management activity & performance faithfully and fairly. In addition, through this verification process, this verifier judges that S-OIL Corporation's report meets the GRI Standards requirements for Core Options, and secured the rational level which can be presented by Type 2 assurance level.

Universal Standard Disclosures were prepared in full compliance with the requirements for Core options while Topic-specific Standard Disclosures were reviewed in line disclosures of the material topics identified through the process of determining report content as follows:

Material Topic	Disclosures	Material Topic	Disclosures
Economic Performance	201-1,2,3	Employment	401-1,2
Indirect Economic Impacts	203-1,2	Labor/ Management Relations	402-1
Procurement Practices	204-1	Occupational Health and Safety	403-1,2,3,4
Anti-competitive Behavior	206-1	Training and Education	404-2,3
Energy	302-1,3,4,5	Diversity and Equal Opportunity	405-1
Water	303-1,3	Freedom of Association and Collective Bargaining	407-1
Emissions	305-1,2,3,4,5,7	Local Communities	413-1,2
Effluents and Waste	306-1,2,3	Supplier Social Assessment	414-1,2
Environmental Compliance	307-1	Customer Health and Safety	416-1,2
Supplier Environmental assessment	308-1,2	Marketing and Labeling	417-1,2,3
		Customer Privacy	418-1

Inclusivity : Stakeholder Engagement

This verifier confirmed that S-OIL Corporation is promoting communication activity through the communication channel by interested party for conformance to the principles of inclusivity. The same company is establishing a systematic participation system by doing major interested parties management in the light of their industrial & regional characteristics such as a private client, gas station/charging station/agent, corporate customer, executives & staff, shareholder/investor , cooperative company, local community, and the government/NGO/the press, etc. In addition, the same company is gathering the interested parties' opinion by constructing the communication channel by taking account of each group's characteristics.

Materiality: Identification and Reporting of Material Issues

This verifier confirmed that S-OIL Corporation is selecting core issues through the materiality evaluation process. It was confirmed that the same company selected the core issue areas through the analysis process of the interested parties' influence over decision making as to various sustainability issues, and significance of the influence of management activity, and give-and-take. This verification team confirmed that major issues selected through the materiality evaluation process are reflected in their report.

Responsiveness: Organization's Response to Issues

This verifier also confirmed that S-OIL Corporation is grasping core issues affecting the interested parties' performance, mounting sustainability management activity to respond to the core issues, and giving a proper description of the details thereof in the report. In addition, the same verifier confirmed that S-OIL Corporation is faithfully disclosing response activity and performance with focus on sustainability management core issues through the

report. S-OIL Corporation is also aggressively disclosing their response plans through the interviews with the executive team about individual issues.

Recommendation

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

This verifier thinks that there is a need to make it clear where S-OIL Corporation's core issues happen among the value chain. Particularly, as regards the issues happening outside of S-OIL Corporation, it's important for the company to disclose management of the issues by promoting what policy & activity. This verification team proposes that S-OIL Corporation should clearly examine the range of the influence over core issues for the time to come.

In addition, the same verification team advises that S-OIL Corporation should deduct and continuously manage promotion tasks, and the key performance indicator (KPI) on the basis of sustainability management medium and long term strategy, and do communication with the interested parties about the details of strategy realization through the sustainability report in order to make it possible to promote systematic sustainability management.



Jun 2018
CEO **Kyoo Sung NOH**

노규성

Dong-soo Kim, Director

D.S. Kim

Yang-ho Lee, Team Manager

양호리

Lim Ji-sung, Researcher

Lim Ji-sung

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 Content Index

GRI Standard	Disclosure	Option	Page	Assurance	
GRI 102: General Disclosures 2016	1. Organizational profile	102-1 Name of the organization	Core	Cover	●
		102-2 Activities, brands, products, and services	Core	6-7	●
		102-3 Location of headquarters	Core	Cover	●
		102-4 Location of operations	Core	6-7	●
		102-5 Ownership and legal form	Core	6-7	●
		102-6 Markets served	Core	6-7	●
		102-7 Scale of the organization	Core	6-7	●
		102-8 Information on employees and other workers	Core	46-47, 84	●
		102-9 Supply chain	Core	66-68, 88	●
		102-10 Significant changes to the organization and its supply chain	Core	6-7	●
		102-11 Precautionary Principle or approach	Core	28-29	●
		102-12 External initiatives	Core	98	●
		102-13 Membership of associations	Core	99	●
2. Strategy	102-14 Statement from senior decision-maker	Core	4-5	●	
	102-15 Key impacts, risks, and opportunities		8-13	●	
3. Ethics and integrity	102-16 Values, principles, standards, and norms of behavior	Core	24-27	●	
	102-17 Mechanisms for advice and concerns about ethics		24-27	●	
4. Governance	102-18 Governance structure	Core	22-23	●	
	102-19 Delegating authority		22-23	●	
	102-20 Executive-level responsibility for economic, environmental, and social topics		22-23	●	
	102-21 Consulting stakeholders on economic, environmental, and social topics		22-23	●	
	102-22 Composition of the highest governance body and its committees		22-23	●	
	102-23 Chair of the highest governance body		22-23	●	
	102-24 Nominating and selecting the highest governance body		22-23	●	
	102-25 Conflicts of interest		22-23	●	
	102-26 Role of highest governance body in setting purpose, values, and strategy		22-23	●	
	102-27 Collective knowledge of highest governance body		22-23	●	
	102-28 Evaluating the highest governance body's performance		22-23	●	
	102-29 Identifying and managing economic, environmental, and social impacts		22-23	●	
	102-30 Effectiveness of risk management processes		22-23	●	
	102-31 Review of economic, environmental, and social topics		22-23	●	
	102-32 Highest governance body's role in sustainability reporting		22-23	●	
	102-33 Communicating critical concerns		22-23	●	
102-34 Nature and total number of critical concerns		22-23	●		
102-35 Remuneration policies		22-23	●		
102-36 Process for determining remuneration		22-23	●		
102-37 Stakeholders' involvement in remuneration		22-23	●		
102-38 Annual total compensation ratio		85	●		
102-39 Percentage increase in annual total compensation ratio		85	●		

GRI Standard	Disclosure	Option	Page	Assurance	
GRI 102: General Disclosures 2016	5. Stakeholder engagement	102-40 List of stakeholder groups	Core	16	●
		102-41 Collective bargaining agreements	Core	85	●
		102-42 Identifying and selecting stakeholders	Core	16	●
		102-43 Approach to stakeholder engagement	Core	16	●
		102-44 Key topics and concerns raised	Core	17	●
	6. Reporting practice	102-45 Entities included in the consolidated financial statements	Core	6-7	●
		102-46 Defining report content and topic Boundaries	Core	16-17	●
		102-47 List of material topics	Core	17	●
		102-48 Restatements of information	Core	2	●
		102-49 Changes in reporting	Core	2	●
		102-50 Reporting period	Core	2	●
		102-51 Date of most recent report	Core	2	●
		102-52 Reporting cycle	Core	2	●
		102-53 Contact point for questions regarding the report	Core	2	●
		102-54 Claims of reporting in accordance with the GRI Standards	Core	92-97	●
		102-55 GRI content index	Core	94-97	●
		102-56 External assurance	Core	92-93	●
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Core	17, 30, 32, 35,	●	
	103-2 The management approach and its components		38, 40, 42, 44,	●	
	103-3 Evaluation of the management approach		46, 48, 50, 53, 56, 58, 60, 63, 66, 69, 74, 76, 79	●	

GRI 200: Economic

GRI Standard	Disclosure	Option	Page	Assurance
GRI 201: Economic Performance 2016	Management approach		50, 58, 60, 63, 74	●
	201-1 Direct economic value generated and distributed		58-62, 88	●
	201-2 Financial implications and other risks and opportunities due to climate change		74-75	●
	201-3 Defined benefit plan obligations and other retirement plans		50-52	●
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community		46-47	●
GRI 203: Indirect Economic Impacts 2016	Management approach		76, 79	●
	203-1 Infrastructure investments and services supported		76-80	●
	203-2 Significant indirect economic impacts		79-80	●
GRI 204: Procurement Practices 2016	Management approach		79	●
	204-1 Proportion of spending on local suppliers		79-80	●
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures		24-27	●
	205-3 Confirmed incidents of corruption and actions taken		82	●
GRI 206: Anti-competitive Behavior 2016	Management approach		40	●
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		40-41	●

GRI 300: Environmental

GRI Standard	Disclosure	Option	Page	Assurance
GRI 301: Materials 2016	Management approach		60	●
	301-1 Materials used by weight or volume		60-62	●
GRI 302: Energy 2016	Management approach		60, 74	●
	302-1 Energy consumption within the organization		90	●
	302-3 Energy intensity		90	●
	302-4 Reduction of energy consumption		60-62	●
	302-5 Reduction in energy requirements of products and services		74-75	●
GRI 303: Water 2016	Management approach		69	●
	303-1 Water withdrawal by source		69-73	●
	303-3 Water recycled and reused		69-73	●
GRI 304: Biodiversity 2016	Management approach		76	●
	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		76-78	●
	304-3 Habitats protected or restored		76-78	●
GRI 305: Emissions 2016	Management approach		69, 74	●
	305-1 Direct (Scope 1) GHG emissions		90	●
	305-2 Energy indirect (Scope 2) GHG emissions		90	●
	305-3 Other indirect (Scope 3) GHG emissions		90	●
	305-4 GHG emissions intensity		90	●
	305-5 Reduction of GHG emissions		74-75	●
GRI 306: Effluents and Waste 2016	Management approach		69	●
	306-1 Water discharge by quality and destination		89	●
	306-2 Waste by type and disposal method		69-73, 89	●
	306-3 Significant spills		89	●
GRI 307: Environmental Compliance 2016	Management approach		69	●
	307-1 Non-compliance with environmental laws and regulations		89	●
GRI 308: Supplier Environmental Assessment 2016	Management approach		66	●
	308-1 New suppliers that were screened using environmental criteria		66-68	●
	308-2 Negative environmental impacts in the supply chain and actions taken		66-68	●

GRI 400: Social

GRI Standard	Disclosure	Option	Page	Assurance
GRI 401: Employment 2016	Management approach		46, 50	●
	401-1 New employee hires and employee turnover		85	●
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		50-52	●
GRI 402: Labor/Management Relations 2016	Management approach		50	●
	402-1 Minimum notice periods regarding operational changes		50-52	●
GRI 403: Occupational Health and Safety 2016	Management approach		53	●
	403-1 Workers representation in formal joint management-worker health and safety committees		53-55	●
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		86	●

GRI Standard	Disclosure	Option	Page	Assurance
GRI 403: Occupational Health and Safety 2016	403-3 Workers with high incidence or high risk of diseases related to their occupation		86	●
	403-4 Health and safety topics covered in formal agreements with trade unions		53-55	●
GRI 404: Training and Education 2016	Management approach		46, 48	●
	404-2 Programs for upgrading employee skills and transition assistance programs		48-49	●
	404-3 Percentage of employees receiving regular performance and career development reviews		46-49	●
GRI 405: Diversity and Equal Opportunity 2016	Management approach		46	●
	405-1 Diversity of governance bodies and employees		46-47, 84	●
GRI 407: Freedom of Association and Collective Bargaining 2016	Management approach		50	●
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		50-52	●
GRI 408: Child Labor 2016	Management approach		46	●
	408-1 Operations and suppliers at significant risk for incidents of child labor		84	●
GRI 409: Forced or Compulsory Labor 2016	Management approach		46	●
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor		84	●
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments		26-27	●
	412-2 Employee training on human rights policies or procedures		26-27	●
GRI 413: Local Communities 2016	Management approach		76, 79	●
	413-1 Operations with local community engagement, impact assessments, and development programs		76-80	●
	413-2 Operations with significant actual and potential negative impacts on local communities		76-80	●
GRI 414: Supplier Social Assessment 2016	Management approach		66	●
	414-1 New suppliers that were screened using social criteria		66-68	●
	414-2 Negative social impacts in the supply chain and actions taken		66-68	●
GRI 415: Public Policy 2016	415-1 Political contributions		26-27	●
GRI 416: Customer Health Safety 2016	Management approach		35	●
	416-1 Assessment of the health and safety impacts of product and service categories		35-37	●
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		83	●
GRI 417: Marketing and Labeling 2016	Management approach		32, 38, 40	●
	417-1 Requirements for product and service information and labeling		42-43	●
	417-2 Incidents of non-compliance concerning product and service information and labeling		83	●
	417-3 Incidents of non-compliance concerning marketing communications		83	●
GRI 418: Customer Privacy 2016	Management approach		40	●
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		84	●
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area		24-25	●

UN Global Compact (UNGC) Index

10 Principles		Contents	Page
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	Principle 2. Businesses should make sure that they are not complicit in human rights abuses.		
Labor Standards	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Ethics Management / Human Rights Protection E1 HR Management / Fair Evaluation & Compensation E2 Talent Cultivation	26-27 46-52 66-68
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	E3 Corporate Culture / Labor-Management Relations 04 Management of Sustainability in Supply Chain	
	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.	Risk Management E4 Industrial Safety & Health Management	28-29 53-55
	Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	05 Environment Management 06 Response to Climate Change 07 Social Contribution Activities	69-80
	Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	08 Contribution to Local Communities	
Anti-Corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	Corporate Governance Compliance Management C4 Protection of Customers' Personal Information / Fair Competition in Market 03 Financial Soundness / Transparent Disclosure of Management Information	22-25 40-41 63-65

UN Sustainable Development Goals (SDGs)

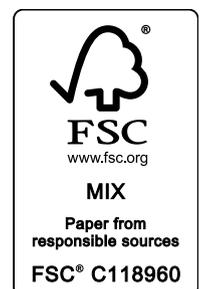
Goals	Contents	Page
 1. End poverty in all its forms everywhere	07 Social Contribution Activities	76-78
 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture	07 Social Contribution Activities 08 Contribution to Local Communities	76-80
 3. Ensure healthy lives and promote well-being for all at all ages	E3 Corporate Culture / Labor-Management Relations 07 Social Contribution Activities 08 Contribution to Local Communities	50-52 76-80
 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	E2 Talent Cultivation 07 Social Contribution Activities 08 Contribution to Local Communities	48-49 76-80
 5. Achieve gender equality and empower all women and girls	E1 HR Management / Fair Evaluation & Compensation	46-47
 7. Ensure access to affordable, reliable, sustainable and modern energy for all	06 Response to Climate Change	74-75
 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	E1 HR Management / Fair Evaluation & Compensation 08 Contribution to Local Communities	46-47 79-80
 13. Take urgent action to combat climate change and its impacts	06 Response to Climate Change	74-75
 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development	05 Environment Management 07 Social Contribution Activities	69-73 76-78
 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	05 Environment Management 07 Social Contribution Activities	69-73 76-78

Accolades & Recognitions

Date	Accolades & recognitions	Awarded by
2017.03	Awarded citations from MOTIE Minister & Ulsan City Mayor on Ulsan Chemistry Day	Ministry of Trade, Industry and Energy (MOTIE) Ulsan Metropolitan City
2017.07	Selected as the best product for customers at The 2017 PROUD (High-cetane Diesel)	Korea Management Association Consulting
2017.08	Awarded an appreciation plaque from KOSHA	Korea Occupational Safety & Health Agency(KOSHA)
2017.09	Listed on the 2017 DJSI World Index (Oil & Gas Refining & Marketing Industry)	Dow Jones RobecoSAM Korea Productivity Center
2017.11	Awarded the Service Merit Medal of Republic of Korea on Fire Prevention Day	The Government of the Republic of Korea
2017.11	Selected as the winner of the Grand Prize at the 2017 ESG Award	Korea Corporate Governance Service
2017.11	Awarded Social Contribution Award from Seoul City and Citation by the Seoul Mayor	Seoul Special Metropolitan City
2017.11	Selected as the winner of the Bronze Award at the 2017 Korea Advertising Awards under printed advertisements	Korea Federation of Advertising Associations
2017.12	Selected as the best service station at Korea Net Promoter Score (KNPS) Index	Korea Management Association Consulting
2017.12	Selected as the winner of the Management Grand Awards 2017 in the Brand Management sector	Korea Management Association Consulting
2018.01	Listed as No.1 on Korea's Most Admired Companies for 2018 in the refining industry	Korea Management Association Consulting
2018.01	Selected as the "Best Bond Issuer" at the 2018 Korea Capital Markets thebell League Table Awards	Money Today Media Group

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





Head Office

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

Onsan Refinery

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

www.s-oil.com