



About This Report

Reporting Scope

S-OIL has published the 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, 2018. All performance indicators and related data cover four-year trends, from 2015 to 2018, and material managerial changes partially cover 2019, 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 the Korean International Financial Reporting Standards (K-IFRS).

Reporting Guidelines

This report adopted the 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 AA1000AP(2018) 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 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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CEO's Greetings



Representative Director & CEO

Othman Al-Ghamdi

A stylized, handwritten signature in black ink, likely belonging to Othman Al-Ghamdi.

Dear respectable stakeholders of S-OIL,

On the occasion of publishing Sustainability Report 2018, I would like to express my sincere gratitude to all stakeholders who have consistently shown their support and trust into S-OIL throughout the years.

S-OIL strives to create economic, social and environmental values that are well-balanced and contribute to sustainable growth of communities at large. To this end, S-OIL ensures that the expectations of all stakeholders are properly reflected and met in the way we run our business.

In 2018, S-OIL delivered successful completion of Residue Upgrading Complex & Olefin Downstream Complex Project, which was the largest-ever investment project in Korea's refining and petrochemical industry, on time. The first phase project aimed at integrating refining-petrochemical and exploring future growth engine enabled us to expand production of high value fuel products and secure a key platform needed to go deeper into olefin downstream. It also put us in a better position to respond to IMO's new sulfur regulation on marine fuel to be effective from 2020.

S-OIL also reaped fruits in initiatives aimed at making the existing businesses more competitive. We successfully completed massive turnaround & inspection, renewed record in domestic retail light oil market share and solidified foundation for stable overseas sales. Furthermore, we have embarked on a Company-wide Digital Transformation harnessing Industrial 4.0 and launched a wide variety of programs such as HR Infra Upgrading and Smart Work System to build our people's capabilities and improve work efficiency as well as work & life balance.

Other notable accomplishments that we made in 2018 include transparent governance structure based on stringent compliance and ethics management, healthy financial structure through stable income creation and innovative cost saving, world-class safety culture built by advanced preventive/inspection activities and well-designed SHE management, continuous cutback on greenhouse gas emissions through Company-wide energy savings, tight risk management through ERM system, distinct CSR activities and preservation of ecosystem.

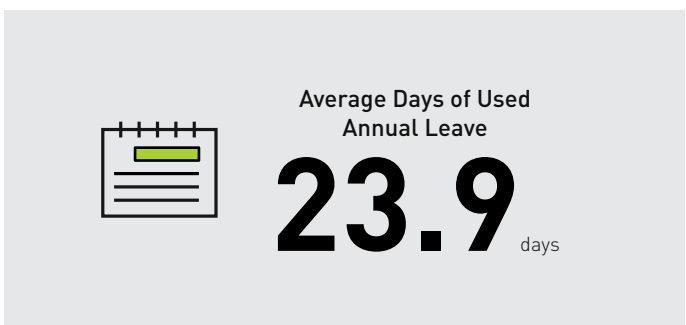
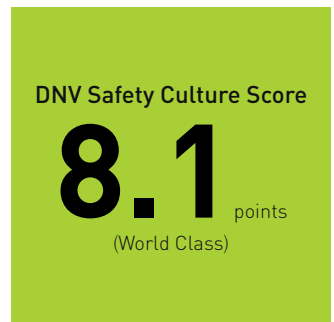
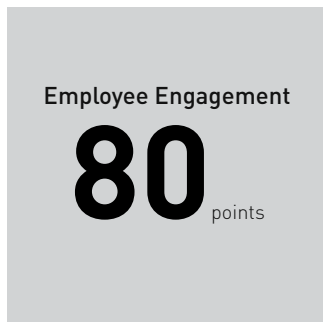
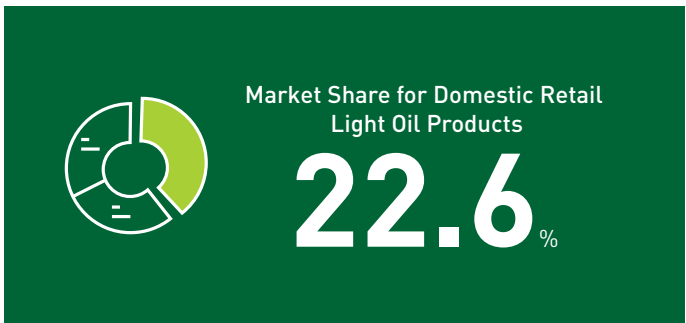
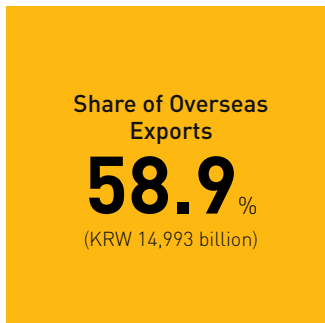
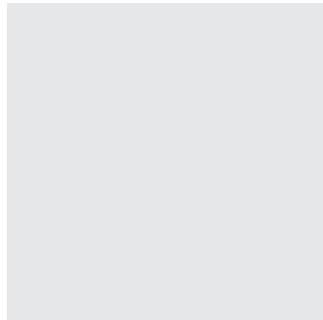
Our hard work paid off and earned recognition. We joined Dow Jones Sustainability Indices World Company, which enjoys the highest prestige in sustainability management, for nine years in a row and acquired A+ grade in environment, society and governance structure by Korea Corporate Governance Service.

S-OIL will not stay where it is and further enlarge the petrochemical business with more products on stream. To this end, we are reviewing Steam Cracker & Downstream Project, which is the phase two refining-petrochemical integration aimed at transforming ourselves into energy and chemical company.

S-OIL will strive to focus on all its resources and capabilities to implement strategic imperatives and investment roadmap, thereby delivering Vision 2025. Also, as a trusted corporate citizen, we will keep communicating with all stakeholders and commit ourselves to social responsibilities needed to drive sustainable growth.

I look forward to your warm encouragement and guidance going forward. Thank you.

2018 at a Glance



Volunteer Work Hours by Employees
22,264 hours

0



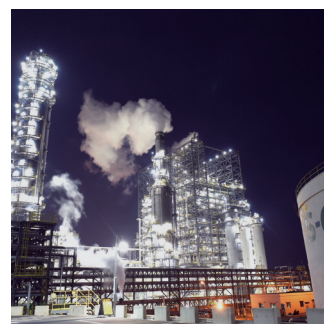
Investment of RUC/ODC
 Project (2015~2018)
 KRW **4,777** billion



Environmental Investment
 KRW **20.2** billion



Green Purchasing
 KRW **32.5** billion



Profit Improvement Performance

KRW **113.8** billion



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.

Sales Revenue in 2018

KRW **25.5** trillion



No. of employees

3,259 persons



Total assets

KRW **16** trillion

Business sites

- Head Office in Seoul: Marketing, finance, general services, etc.
- Onsan Refinery: Production & shipping
- 11 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/base oil storage & shipping company

Products & Production Capacity

- | | | |
|---------------------|--------------------------------------|---|
| • gasoline | • LPG | • Crude Distillation 669,000 B/D |
| • premium gasoline | • fuel oil(bunker-A, bunker-C, LSF0) | • Bunker-C Cracking 226,000 B/D |
| • diesel | • asphalt | • Bunker-C Desulfurization 178,000 B/D |
| • kerosene | | • Diesel & Kerosene Desulfurization 120,000 B/D |
| • aviation gasoline | | |

Fuel Business



Since commercial operation of No. 1 CDU with the capacity of 90,000 barrels/day 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. The Company proactively responded to the growing demand for light oil products and the toughening environmental regulations worldwide by operating the 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. Furthermore, the successful completion of the Residue Upgrading Complex & Olefin Downstream Complex Project (RUC/ODC Project) in 2018 marks a significant milestone in the Company's endeavor to convert residue oil into high value-added products such as gasoline, thereby bolstering the fuel business' profitability. This project also enabled the Company to respond preemptively to the International Maritime Organization's sulfur content tightening requirement in marine oil, effective from 2020.

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. The Company started to export environment-friendly and high-value Ultra Low Sulfur Diesel 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 with less than 10 ppm sulfur. Currently, the Company 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). The Company 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 S-OIL launched lubricant business, the Company has reinvented itself by solidifying its market-leading position through constant changes and progress. Flexibly responding to the market needs, the Company fortified its finished lubricants product portfolio, which is represented by the premium engine oil brand "S-OIL SEVEN". 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.

- | | |
|------------------------|---------------------------------|
| • aramcoULTRA base oil | • Group-III base oil 31,000 B/D |
| • aramcoPRIMA base oil | • Group-II base oil 8,600 B/D |
| • aramcoDURA base oil | • Group-I base oil 5,100 B/D |

Petrochemical Business



With the aim of delivering products of added values, S-OIL diversified its business portfolio in 1991 when the Naphtha Reforming Plant and BTX production facilities went operational. In 1997, the Company constructed the 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, thereby further extending its petrochemical business and building the foundation to secure competitive edge in the petrochemical downstream.

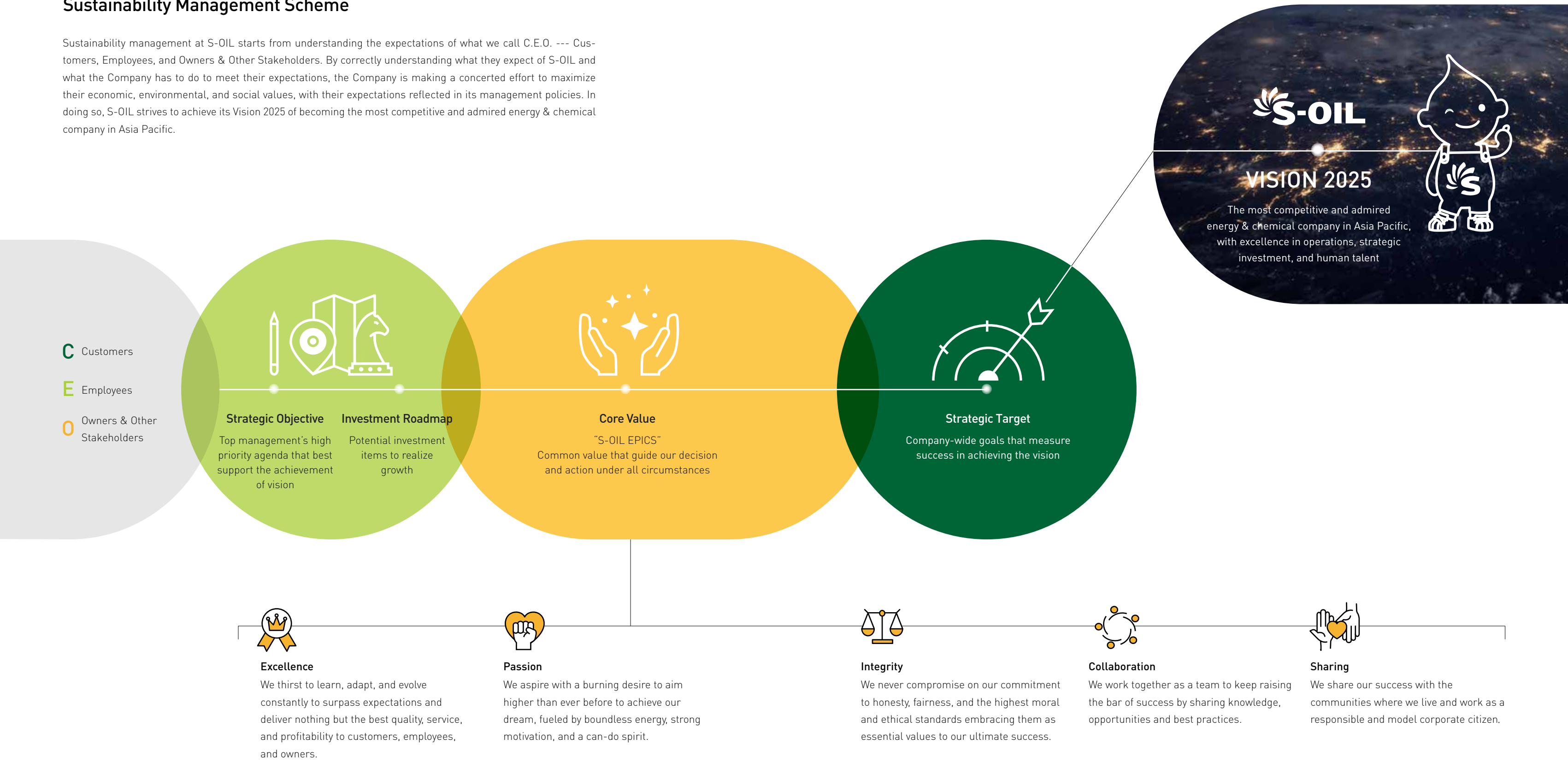
In 2011, S-OIL built No. 2 Aromatic Complex, which includes Aromizer facilities that produce petrochemical feedstock BTX by reforming naphtha, and No. 2 Xylene Center, which produces para-xylene used as a raw material for synthetic fibers. The operation of No. 2 Aromatic Complex more than doubled the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

Instead of resting on its laurels, S-OIL undertook the RUC/ODC Project. The successful completion of the project in 2018 marked a watershed moment in the Company's effort to expand its petrochemical business to propylene oxide and polypropylene by making inroads into the olefin downstream areas. It also brought the Company a step closer to its vision of becoming the most competitive and admired energy & chemical company in the Asia Pacific.

- | | | |
|---------------|-------------------|-------------------------------------|
| • benzene | • propylene | • Para-xylene 1,830,000 tons/year |
| • toluene | • ethylene | • Benzene 659,000 tons/year |
| • xylene | • propylene oxide | • Propylene 245,000 tons/year |
| • para-xylene | • polypropylene | • Ethylene 187,000 tons/year |
| | | • Propylene oxide 300,000 tons/year |
| | | • Polypropylene 405,000 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.





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 Marketing & Sales

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



Bong-Soo Park
President and Head of Operations

In 2018, S-OIL successfully completed the Residue Upgrading Complex & Olefin Downstream Complex Project (RUC/ODC Project), the largest-ever investment since its foundation. This project has enabled us to expand the capability of producing high value-added products and to widen our business areas to the olefin downstream sector. By so doing, we have equipped with a more balanced business portfolio through the improvement of profitability and stability.

Even after the completion of the RUC/ODC Project, the Company did not fall into complacency. We are reviewing the phase 2 petrochemical facility investment project called the Steam Cracker & Downstream Project by pulling the best of its resources and capabilities in order to boost profitability and pursue business diversification.

In addition, the Company is sharpening competitiveness by continuously improving operational efficiency through diverse profit improvement activities such as increased production of high value-added products, energy cost saving, etc. amid intensifying volatility in the energy and chemical industries. We are endeavoring to achieve a zero-accident by establishing a world-class safety culture through proactive SHE (safety, health and environment) management and continuous investment and education, based on stricter internal criteria than legal requirements. We are also making efforts to minimize pollutant emissions and their environmental impact.

Going forward, S-OIL will go to great lengths to establish a safe and eco-friendly workplace equipped with the world's highest level of operational efficiency. We intend to do our utmost to maximize an ability to create stable profits, a prerequisite for the development of future growth engines, through the enhancement of the refining business, which is the backbone of our business. Also, we will secure future growth engines by expanding the petrochemical downstream business.



Yul Ryu
President and Head of Corporate Strategy & Services

S-OIL respects the diversity of employees and makes strenuous efforts to create an environment where they can initiate new innovation by exerting creativity with autonomy. We are carrying out various activities such as HR infra upgrading, introduction of Smart Work System, improvement of work processes, etc. to improve employees' competency and work efficiency. All of such efforts are contributing to enhance the work & life balance of employees. Together with this, we are steadily fostering outstanding manpower, who will lead the future of the Company, through systematic training programs. Also, the Company has established the foundation for sustainable growth through a healthy corporate culture and a harmonious labor-management relationship.

The Company has made visible outcomes in terms of the improvement of productivity and work process through company-wide digital transformation by drawing on the core technologies of the 4th Industrial Revolution such as big data analysis, AI, and IOT, etc. In addition, we are minimizing risk caused from suppliers by actively helping to enhance their sustainable capability, while at the same time endeavoring to create social values through prospering together with them based on trust. In order to practice our core value 'sharing' and to fulfil our social responsibility, we are also identifying stakeholders' various expectations and systematically carrying out CSR activities, that set ourselves apart from others through selection and concentration principle, so that our activities can be of substantial help to them. Furthermore, we are working continuously on the development of CSV programs aligned with our business activities.

Going forward, we will do our best to become the most competitive and admired energy & chemical company in Asia Pacific, which fulfils our social responsibility as an exemplary corporate citizen equipped with the best strategy and human talent.



Young-Il Cho
Executive Vice President and CFO

S-OIL is establishing a stable financial structure which is the foundation for sustainable growth in the face of the rapidly changing business environment through world-best effective financial management and optimal financing. Also, we are maximizing our corporate value by harnessing limited resources effectively through choice and concentration. We have achieved outstanding feats by making preemptive investments ahead of competitors. Moreover, we have maintained a healthy financial structure through unflagging efforts despite massive financing due to continuous investments to secure future growth engines. In addition, we have protected the profits of all stakeholders including investors by balanced profit distribution, faithfully paying taxes, and transparent and accurate disclosure of business information in consideration of stakeholders' expectations. By so doing, we contribute to the national economy and society. Recently, we are facing with relatively high risks stemming from changes in the domestic and overseas business environment. The Company operates a systematic risk management system to continuously create economic, social, and environmental values by responding preemptively to countless potential risks and to prosper together with all stakeholders including investors. Through exhaustive internal auditing, we have laid the foundation for sustainable growth by enhancing management transparency and improving wrong practices, inefficient work processes or cost structure. Going forward, we will redouble our efforts to achieve Vision 2025 by successfully implementing strategic objectives and investment roadmap through the concentration of all resources and capabilities, and we will keep plugging away at achieving sustainable growth to live up to the expectations of all stakeholders including investors.



Jong-Bum Ahn
Executive Vice President and Head of Marketing & Sales

In spite of any limitations as a latecomer in the refining industry, S-OIL maximizes customer satisfaction by continuous and creative marketing activities based on the best quality and services at reasonable prices, and is growing as a trusted company contributing to the nation and society. We identify customer anticipations through active communication and reflect preemptively in our business activities. Along with this, we support the enhancement of the competitiveness of service stations and filling stations, which are contact points with end-users, and further consolidate cooperation with them for the aim of pursuing a win-win growth. S-OIL pioneered overseas markets proactively from the beginning of its foundation and transformed Korean refining industry, which had been a simple manufacturing industry for domestic demand, into a high value-added export industry, thereby contributing to the national economy. We export more than 50% of production by vigorously pioneering new markets and widening stable marketing foothold based on competitiveness secured through investment ahead of competitors. Furthermore, we are beefing up our leadership in the global market through cooperation with Saudi Aramco, the largest shareholder and the world's largest oil company. In particular, the Company established a balanced business portfolio in the refining, lube, and petrochemical areas by successfully completing the RUC/ODC Project in 2018. By so doing, we are growing into the most competitive and admired energy & chemical company in Asia Pacific. Also, this project enables us to respond preemptively to IMO's sulfur content requirement in marine oil effective from 2020. Moving forward, S-OIL will do its best to develop future growth engines and to achieve sustainable growth to prosper together with customers by bolstering the refining business and expanding the chemical business.



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

S-OIL establishes a sound and transparent governance structure and a trusting relationship with various stakeholders by pursuing sound management activities with a balance between checks and cooperation through a Board of Directors and specialized committees, which are equipped with diversity, expertise, and independence. In accordance with relevant laws and regulations, directors with the best expertise and fairness are making important decisions on behalf of the Company in an independent, objective, and reasonable manner and supervising major business activities. Top management, including the CEO, is continuously creating economic, social, and environmental values and maximizing corporate value by exploring new growth engines through progressive entrepreneurship and responsible management in the rapidly changing business environment. Grounded on the Company's core value of 'integrity' and the top management's unwavering commitment, the Company puts its highest priority on compliance and ethics management while achieving the Company's Vision 2025. The Company has a firmly rooted culture of compliance which, through systematic and advanced compliance and ethics management systems, encourages all employees to familiarize themselves with laws and regulations related to the Company's activities and apply them naturally in their daily duties. Also, based on the Company's own human rights policy that is aligned with global standards, the Company makes ceaseless endeavors to protect the human rights of stakeholders, such as employees, suppliers, and local residents. Going forward, S-OIL will do its best to achieve sustainable growth, together with the Company's stakeholders by further strengthening transparency and soundness of the corporate governance structure, protecting stakeholders' human rights, and practicing compliance and ethics management.

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 the growth of the national economy and society.



01. Crude Oil (million barrels)

238.1

02. Production (million barrels)

Fuel products
206.1
Lube products
13.6
Petrochemical products
22.8

03. Transportation (KRW billion)

Logistics cost
259.6

04. Marketing & Sales (%)

Market share for domestic retail light oil products
22.6
Share of overseas exports
58.9

05. Economic Value Created (KRW billion)

939.3

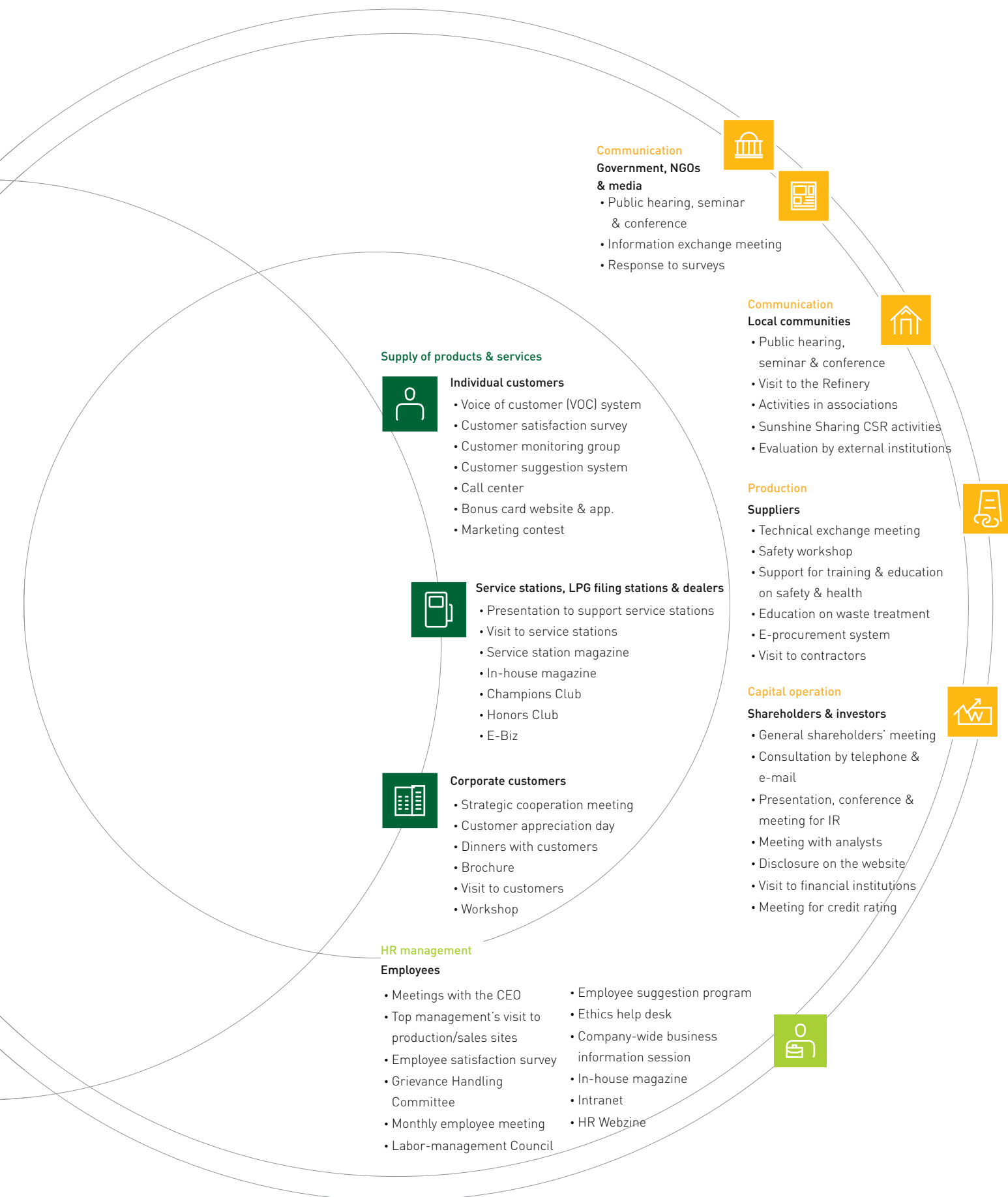
06. Economic Value Shared (KRW billion)

Employees_Personnel expense
499.4
Suppliers_Procurement
24,210.5
Local communities_Social contribution
12.5
Environment_Environmental investment
20.2

Stakeholder Engagement

S-OIL operates various stakeholder engagement channels tailored to each group's characteristics to better identify their needs and expectations. The Company then develops and implements 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

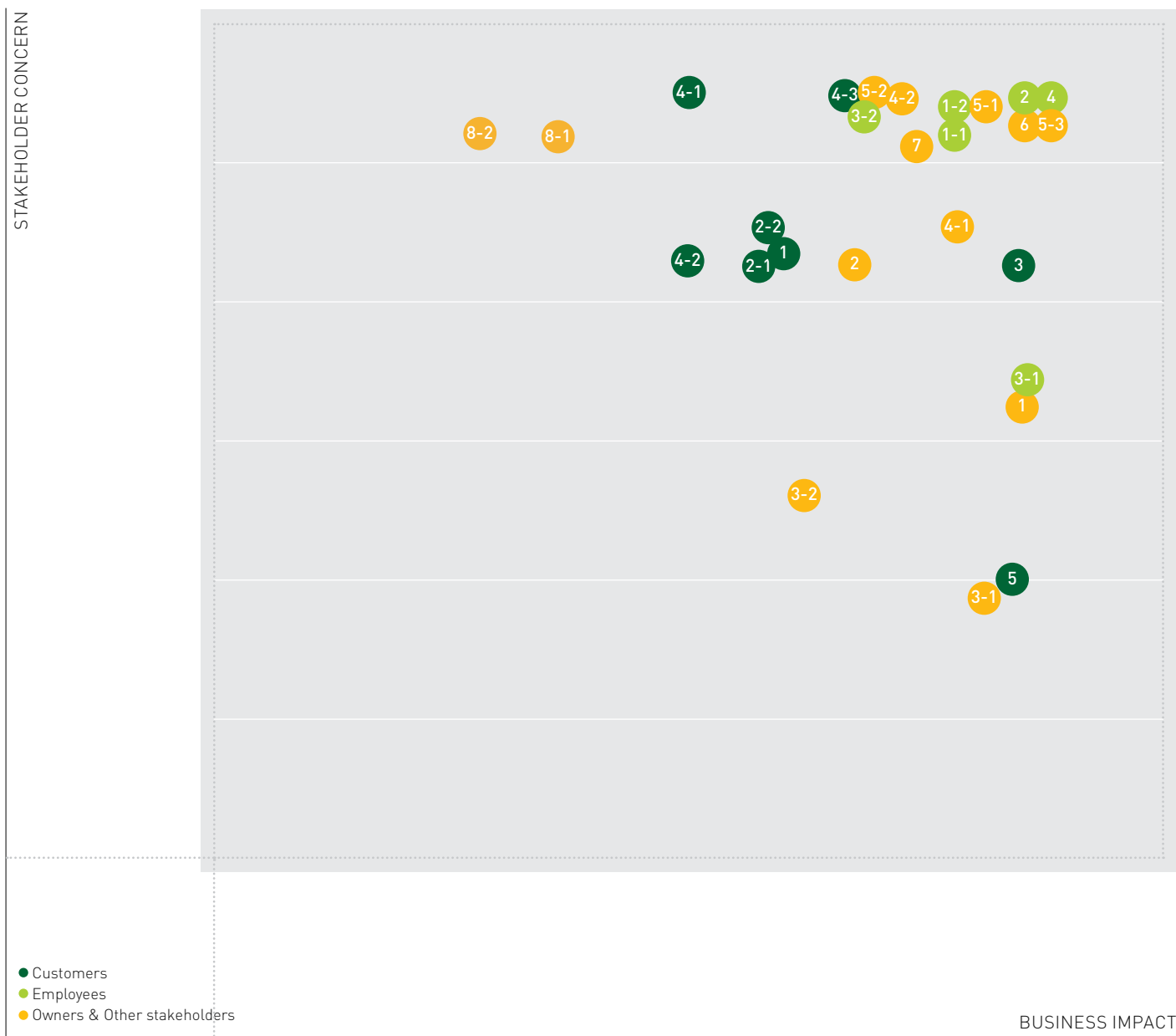
In the Sustainability Report, S-OIL covers economic, environmental, and social issues from the perspectives of C.E.O. based on the Company's sustainability management system as well as global reporting guidelines. To this end, the Company conducted a materiality test by engaging internal and external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

Materiality Test Process

STEP 1 Identify sustainability management issues (create an issue pool)

- Benchmark global sustainability initiatives and the industry at home and abroad, media research (699 news articles covering the Company by 10 major Korean daily newspapers in 2018), and customer feedback received via VOC (4,517 cases in 2018)
- Pool of 29 issues

Materiality Matrix



STEP 2 Evaluate stakeholders' interest and concerns (stakeholder survey)

- Survey contents Key sustainability issues with significant impact on the Company and stakeholders among 29 issues in the pool
- Period 7 days (Jan. 15 ~ Jan. 21, 2019)
- Target 3,522 stakeholders including customers, employees, investors, suppliers and local communities
- Respondents 679 persons (response rate: 19.3%, 333 customers, 181 employees, 165 owners & other stakeholders)
- Survey method Corporate groupware system and e-mail, etc.

STEP 3 Select key issues (top management review and materiality matrix analysis)

- Invite top management's participation in the materiality test through a review of selected issues
- Perform materiality matrix analysis and select 27 key issues

| | Key Issues | | Reporting Scope | Stakeholders | Page |
|---|------------|---|-------------------------|--|-----------|
| C | 1 | Realization of customer satisfaction | S-OIL internal/external | Customers | 33 |
| | 2-1 | Product quality assurance in the distribution stage | S-OIL internal | Customers, government | 37 |
| | 2-2 | Reinforcement of R&D | | Customers | 40 |
| | 3 | Enhancement of marketing activities | | | |
| | 4-1 | Protection of customers' personal information | S-OIL internal/external | Customers, government | 42 |
| | 4-2 | Fair marketing activities | | | |
| | 4-3 | Prevention of activities against fair competition | | | |
| E | 5 | Enhancement of overseas marketing activities | S-OIL internal | Customers | 44 |
| | 1-1 | HR management | S-OIL internal | Employees | 47 |
| | 1-2 | Fair evaluation & compensation | | | 49 |
| | 2 | Talent cultivation | | | 52 |
| | 3-1 | Healthy corporate culture | S-OIL internal/external | Employees, suppliers, local communities, government | 55 |
| | 3-2 | Harmonized labor-management relations | | | |
| | 4 | Industrial safety & health management | S-OIL internal/external | Employees, suppliers, local communities, government | 55 |
| O | 1 | Investments in new projects | S-OIL internal | Employees, shareholders & investors | 59 |
| | 2 | Operational efficiency improvement | | | 61 |
| | 3-1 | Establishment of financial soundness | S-OIL internal/external | Customers, employees, shareholders & investors, suppliers, local communities, government | 64 |
| | 3-2 | Transparent disclosure of management information | | | |
| | 4-1 | Management of sustainability in supply chain | | | Suppliers |
| | 4-2 | Fair selection of suppliers | | | |
| | 5-1 | Enhancement of environmental management system | S-OIL internal | Employees, local communities, government | 70 |
| | 5-2 | Management of pollutants | | | |
| | 5-3 | Management of environmental impact | | | |
| | 6 | Economic impact of climate change | S-OIL internal/external | Customers, shareholders & investors, suppliers, local communities, government | 74 |
| | 7 | Social contribution activities | | Customers, employees, local communities, government | 76 |
| | 8-1 | Treatment of grievances of local communities | | | 79 |
| | 8-2 | Economic development of local communities | | | |

Stakeholder Interviews

S-OIL has engaged stakeholders through various 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.

Q1. What is the single most important attribute S-OIL needs to be a long-lasting and sustainable company?

A1. The first and foremost priority is maintaining loyalty with the customers, I believe. Continuous investment is needed for better product quality, and pricing needs to remain transparent so as not to mislead customers with deceptive pricing. In my view, building a trustworthy and reliable service station brand will go a long way in this regard, just as luxury brands that have thrived over 100 years. Short-sighted decisions that put short-term interest before customer trust will eventually make consumers turn their back on the brand. I also hope that S-OIL will become a good company that gives back to the customers in meaningful ways. People say economic conditions are not as good as they used to be, and consumers feel the pinch in their pockets every day. If S-OIL can offer competitive pricing and other benefits to customers who keep coming back, they will certainly feel valued and more confident about their choice. Just like telecommunications companies offer deep discounts for long-term customers, S-OIL may find a way to value customer loyalty more, so that customers feel happy and satisfied both with product quality and price whenever they visit S-OIL service stations. In addition, it would be good if S-OIL could listen to various feedback from people from all walks of life.

Seung-do Lim
(A member of GOODOIL Friends)

A2. Building a company that will last for a long period of time requires continuous technological innovation and preemptive investment into future growth engines. However, for a company to be really successful in the long term, it needs to put the top priority on maintaining customer trust. This is because a business can thrive only with customer feedback and satisfaction, which in the long term can be achieved only when customer trust is established. S-OIL should continue its effort to prioritize customer satisfaction and put itself in their shoes, by recognizing the importance of a long-term relationship of trust and pursuing it in its day-to-day business. In my view, S-OIL values employee happiness and work-life balance. It has recently rolled out new programs, such as leaving work on time campaign, intensive holiday program and MRD program, that take care of employees' health, wellbeing, and quality of life. Thanks to the vibrant work-life balance culture, employees can keep their mind fresh and be more productive and focus better at work. I look forward to seeing more positive, consistent changes in the future.

Seung-ji Bang
(An employee in the Membership Marketing Team of S-OIL)



Q2. What kind of efforts do you think S-OIL has to make to become a beloved company?

A3. It should focus on creating a virtuous cycle where each step of business operation, from production to sales to consumption, is improved through creative management that taps into the organizational diversity. This will generate a constant stream of income, which in turn is channeled back to R&D, new product development and investment into production facilities. In parallel, S-OIL should also make the utmost effort to deliver the products and services customers put their trust on, while continuing to build a friendly and positive brand image by giving back to the communities through various CSR activities. On the supply network front, I expect S-OIL to create a win-win environment based on mutual trust with partners, going beyond their transactions of products and services. I believe S-OIL can change pricing policy and implement various other programs that will help small suppliers sustain business growth.

Jung-su Shim
(VP of KOCHIAM INT'L Inc.)

A4. I remember reading a recent article about executives of the top 500 companies. I was a bit surprised to find S-OIL on the list of companies that have no female executives. In line with greater women empowerment and economic participation, women have also become increasingly powerful as consumers. It should rightly develop and execute a plan to expand women's presence at senior management levels. It is a change in the right direction not only because of the brand image and female consumers, but also for the high relevance to the environmental issues. Climate change and environmental issues will continue to intensify and call for stronger and united action. While working together with S-OIL for the past six years to help female migrants exposed to violence get their life back, I have built trust in S-OIL and touched by S-OIL's effort to go out great lengths not to hurt the women's feelings. I hope S-OIL can continue the good work by managing the brand image, listening to client needs, and advocating for the principle of sharing.

Young-suk Hur Oh
(Standing Representative of the Women Migrants
Human Rights Center of Korea)



A4

Corporate Governance

A transparent and sound corporate governance is the cornerstone for 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 transparent and sound corporate governance and a trusting relationship with stakeholders, through organizing the Board of Directors (BOD) and sub-committees with diversity, independence and rich expertise and ensuring checks and balances in business activities.

Balance between Diversity and Independence

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 internal procedures. They are officially appointed as directors at the general 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 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 materi-

al to that his/her ability to be independent. Thus, whether he/she is working or has been working for the Company in 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, the Outside Director Candidates Recommendation Committee (ODCRC) recommends the most suitable candidates, after evaluating 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 2019, consists of directors with professionalism in the various fields of oil industry, renewable energy, international trade, accounting, finance, M&A, etc. In particular, the Company expanded female directors among 11 directors to two for enhancing diversity. Having served in various fields, such as the government, international organizations, academia, and industry, they will significantly contribute to enhancing the diversity and independence of the BOD.

Balance between Checks and Cooperation

S-OIL establishes sound and transparent corporate governance led by the BOD and sub-committees (Board of Audit Committee (BAC), Compensation Committee (CC), and ODCRC) ensuring checks and cooperation. BOD members are individually appoint-

BOD Composition (as of March 28, 2019)

| 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 ~ |
| | 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 | Chairman of the ODCRC, Member of the CC | - 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 & CEO of Aramco Trading Company - Former president of Aramco Asia - 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 | - Standing advisor of Lee International IP & Law Group - Former deputy secretary general of World Trade Organization - Former minister of Trade, Industry & Energy | Mar. 20, 2015 ~ |
| | S.W. Lee | Chairman of the BAC, Member of the ODCRC | - Former executive committee member of International Ski Federation - Former chairman of Ssangyong Oil Refining Co. - Former SVP of Ssangyong Cement Industrial Co. | Mar. 20, 2015 ~ |
| | S.W. Hong | Chairman of the CC, Member of the BAC | - Standing advisor of AT Kearney Korea - 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 | - Director of K Auction - Former CEO of Fuel Cell Power - Former researcher of Samsung Advanced Institute of Technology | Mar. 23, 2018 ~ |
| | Jungsoon Janice Lee (Female) | Member of the ODCRC | - Advisor of Kim & Chang - Former vice president of Standard Chartered Bank Korea - Former general accounting manager of Daewoo Equipment Corp. USA | 2019.3.28~ |

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

ed 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 directors. In addition, the BAC comprised only of outside directors evaluates general matters relating to the Company's management activities and the operational status of the Internal Accounting Management System 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 business environment, business strategies, risk factors, and risk management measures. The Company also submits a monthly report to directors on economic, social, and environmental issues that may affect the Company's sustainability. The BOD regularly visits Onsan Refinery 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. Management Committee, which supports the CEO, 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 business plans, budget, and labor policy. In addition, the BOD analyses its activities and reviews its performance every year.

Accountability of Officers

S-OIL grants compensation to all officers according to the degree of the achievement of short- and long-term targets, which have been set objectively, so that they, including the CEO, can exert their utmost effort to protect shareholder value 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 officer compensation levels, the Company sets the compensation levels of all officers, including the CEO, by taking into account achievement of short-term management targets consisting of ROIC and EBITDA and the three-year mid/long-term targets consisting of the three-year Compound Annual Growth Rate of S-OIL stock prices relative to the KOSPI 200 Energy & Chemicals Index. Directors' remuneration criteria and amount are disclosed for individual directors in the Company's business reports in a transparent manner, and so are the remuneration for key officers as well. The Company also makes it clear that any director, including the CEO, who deliberately or negligently causes damage to the Company should compensate it directly to the Company, thereby promoting responsible management for directors. The scope of the liability extends not only to violation of laws or the Article of Incorporation, but also to damages caused by negligence. In such a case, directors, including the CEO, are liable to repay the entire amount of the damages in principle. Having said that, the amount of the damages recoverable can be capped at six times their annual income (three times for outside directors) through a resolution at the general shareholders' meeting.

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 a majority of directors as outside directors who satisfy the following independency policy (disqualification reasons). Outside directors 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 management of the Company;
 - ③ A corporate that contracts a private service agreement with the Company or top management 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

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 against violations. In addition, businesses are expected to fully comply with global standards in terms of anti-corruption and fair trade in overseas markets. In its journey to becoming an admired energy and chemical company built on integrity, which is one of the core values, S-OIL makes compliance management a top priority and incorporates it in its day-to-day business. The Company operates a system to ensure that its policies, as well as laws and regulations, are well understood and complied with by all employees.

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 incorporate compliance standards into their daily work and give it the foremost consideration before undertaking their job. The Company periodically reports major activities on this front to top management thereby calling attention to the importance of compliance management. 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 strives to further reinforce compliance management by analyzing laws and regulations in depth, setting guidelines, and providing customized education.

Well Organized Compliance System

S-OIL systemized its compliance management approach, adopting practical tools such as profiles and checklists on relevant laws in 2014. Since 2015, the Company has also been providing real-time updates on the latest legislation and revisions on its IT-based Compliance System, making it convenient for employees to search or inquire legal information relevant to their work. Furthermore, regular and ad-hoc compliance monitoring is conducted on the Compliance System in a continued effort to encourage employees' voluntary compliance activities. In 2018, the Company upgraded the system once again by embracing the latest digital technologies, such as big data, etc.

Appropriate Response to Major Legal Disputes

S-OIL is faithfully complying with relevant laws at home and abroad, focusing its efforts on preventing potential legal disputes by mandating pre-checks on the Compliance System and conducting thorough reviews of issues and contracts in dispute by a team of legal experts. The Company also strives to maintain trust with stakeholders through appropriate responses against actual occurrences of disputes. The Company has been and continues to build healthy, trusting relationships with its stakeholders by ensuring compliance management and effectively preventing potential disputes.

Compliance Monitoring System on Internal Regulations

S-OIL introduced the compliance monitoring system on internal regulations in 2011 to help employees understand corporate regulations and abide by them in their daily work, thereby minimizing any confusion and risks associated with non-adherence. Currently, the Company conducts a quarterly compliance monitoring against 120 checklists on 37 regulations. The results are reflected in the performance assessment of team leaders and division heads to encourage employees' voluntary compliance with in-house regulations. In 2018, there was zero violation identified through compliance monitoring.

10 Compliance Activities

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

Settlement with DOJ on fuel supply to USFK

In Mar. 2019, the Company accepted that unfair act existed in domestic refiners' bidding for fuel supply to the United States Forces in South Korea (USFK) in 2008 and 2012 and agreed with U.S Department of Justice (DOJ) to pay \$43.5 million. In an official statement, the Company expressed regrets about it and pledged to put in best efforts to prevent recurrence. The payment will have minimal financial impact on the Company since it will be paid out of the Company's reserves.

In fact, The Company has been taking various efforts to strengthen compliance as part of the plan to establish sustainable management system since 2012, before investigations by DOJ started. In 2014, the Company launched compliance management activities by enacting regulations on legal compliance, appointing compliance officer and setting up Legal Compliance Team. In accordance with regulations on legal compliance, the Company checks its related activities through unannounced, regular and special compliance check-up system. Anything pertaining to compliance with Fair Trade Act is conducted with clear guideline ("DOs and DON'Ts") that all officers and employees need to follow at all conditions including small meetings with competitors. In Jan. 2015, the Company introduced self-assessment system of ethics management as part of the effort to ensure that ethics management becomes an integral part of our officers/employees' daily lives. By reflecting compliance management and ethics management in performance evaluation of officers and employees, the Company ensures that any violation of laws and internal regulations including Ethics Code is prevented.

Recently, the Company strengthened penalty against violation of Ethics Code and fully revised handbook on voluntary compliance of fair trade to ensure compliance with fair trade. We also upgraded e-approval system so as to check compliance in drafting proposals and ensure close examination via compliance system when necessary. Reinforcement of control process on penalty and full upgrade of Compliance IT System, that covers such functions as sharing of laws/regulations, voluntary examination of compliance activities and compliance training, were also implemented.

We shared this issue across the Company to build a consensus around the fact that any duty not in keeping with compliance could leave a serious damage to the Company. In addition, the Company provided five special fair trade training sessions to all marketers and held workshop on fair trade and compliance to team leaders and higher-ranked supervisors in marketing.

Upon completion of the investigation, the Company will review if the upgraded compliance management system is strict enough to prevent recurrence and will take necessary measures if more needs to be done. Also, the Company will discipline personnel involved this issue according to the Company's internal regulations. The Company is closely examining if there has been non-compliance issues other than this and keeping track of monitoring media news.



Compliance Training

Human Rights Protection / Ethics Management

For any business to survive and thrive with its stakeholders and generate high economic values in the long term, it must enhance its competitiveness by protecting stakeholders' human rights and addressing incorrect practices or cost structures according to ethical standards. Human rights protection and ethics management are not philanthropic responsibility, but an obligation that a company must observe, and are key management principles that all members of a company, from top management to the rank and file, have to put into practice.

S-OIL remains committed to protecting human rights of stakeholders, including employees, suppliers, and local residents, based on its human rights policies that are in line with global standards. In addition, the Company pursues ethics management based on three organically connected pillars: Ethics Code, Ethics Committee, and Ethics Management training.

Human Rights Protection

S-OIL shares its human rights policy with stakeholders including suppliers 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 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 2018, the Company conducted human rights inspection in 37 sites including Head Office affected by its business activities and implemented remedial measures against all identified 39 risks. Risks related to work & life balance of shift production workers and livelihood stability of employees with critical illness were discovered. In supply network of 34 suppliers, the Company identified risks related to work condition, safety & health, and human rights of a truck driver having difficulty in driving after a traffic accident. Specific to local communities, risks were identified relating to multi-cultural families setting into the Korean culture and road traffic accidents among school children. To mitigate such risks, the Company decided to start a 4-team, 2-shift work pattern as a pilot program for the first time in the Korean refining and petrochemicals industry to give employees greater freedom to organize their free time, and also expanded medical allowance and leave for employees with serious illness. The Company has also supported suppliers in implementing 1,001 fixes to improve their work conditions and extended its support to the truck driver having financial difficulty after a traffic accident. A multi-cultural family support program was launched, and high visibility backpack covers were also distributed to school children for free to prevent road accident.

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 officers from various organizations. The Committee 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 planning and executing CSR activities. 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.

Methodical Ethics Management System

Code of Business Ethics & 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 communities; 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 Acknowledgement Statement to register as vendors. 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. In order to encourage employees to report ethics management violations, the Company has also strengthened the whistleblower protection sys-

tem, opened an anonymous reporting channel, and introduced a leniency program for confessors. In 2018, there were two Ethics Code violations that involved libel against the Company based on false allegations, misuse of the Company e-mail, and workplace violence, and the Company took disciplinary measures against two employees in accordance with the relevant policies and procedures. The violation cases were also shared across the Company and covered in training for recurrence prevention purposes.

Ethics Committee S-OIL operates the Ethics Committee consisting of Legal & Compliance HQ Head, HR Div. Head, Corporate Planning Div. Head and Controller. They are appointed by the CEO after being screened by the BAC for eligibility. The committee is responsible for supervising ethics management activities, establishing ethics regulations and programs, and elevating ethics awareness in the organization. In case where stakeholders of employees with high chances of conflict of interests transact with the Company, the committee must review it to prevent violation of ethics regulations. The committee reports activities to the CEO and the BAC on a regular basis, while disclosing its activities to stakeholders through Ethics Management website. In 2018, the Company implemented ethics management evaluation program where employees, service stations, LPG filling stations, corporate customers and suppliers are asked to evaluate its ethics management that encompasses 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.

Ethics Management Training S-OIL offers ethics management training 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 2018, the result of stakeholder evaluation on the Company's ethics management was factored in, and seven courses on ethics management were offered. 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. Also, the Company holds ethics management training sessions for employees of suppliers and affiliated companies to help understand the basic principles of Ethics Code, thereby raising the quality of ethics management across the supply chain. Moreover, the Company operates self-assessment of ethics management since 2015 to help raise ethical awareness among employees.

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Risk Management

In today's rapidly evolving 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 that may compromise the Company's economic, social, and environmental values and grow together with stakeholders including investors. What's more, the Company's rigorous internal auditing promotes transparency in its business and addresses improper practices and inefficient cost structures.

Enhancement of Risk Management System

Since 2008, S-OIL has established a highly-advanced risk management system so as to respond to all risk factors that could arise in the course of the Company's 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 top management down to lower levels are tasked with risk management responsibilities to ensure such activities are performed organically at the corporate level through various risk management programs. Aimed at ensuring that risk management activities are fully aligned with the Company's management principle, the ERM Committee composed of top management including the CEO sets general directions for risk management and supervises enterprise risk management status on a regular basis. Matters requiring attention and priority, such as internal control assessment, are reported to the BOD and reflected in the Company's strategic risk management policies as necessary.

Enterprise Risk Management (ERM) S-OIL systematically manages the process of identifying, evaluating, monitoring and addressing major risks through designating risk owners, thus ensuring that risks do not materialize and develop into real dangers that stand in the way of achieving management goals. The ERM Committee reviews risk management activities of risk owners,

gives instructions on response, and determines matters related to ERM policies. Furthermore, for efficient risk management, the ERM Committee has been prioritizing major risks every year and tracking their status closely since 2015.

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 emergency. Under the ECP, the Company has installed the Emergency Control Center (ECC) in all major business sites and conducted company-wide and regional emergency drills periodically, improving its risk response capability. Emergency drills in 2018 assumed a fire at the Head Office and tested the organizational preparedness for emergency evacuation and business disruption due to IT facility failures. When an actual emergency situation occurred at another firm, the Company followed the ECP to review the impact of the event on its business and implemented emergency measures, thereby minimizing potential negative ramifications. (Refer to page 56)

EWS for Big Data Risk Management At S-OIL, the EWS enables a real-time monitoring of massive volume of data handled as part of the Company's business operations and preventive response to a variety of risks. Each organization reviews and responds to abnormal signals related to its respective work domain in a swift manner following the pre-defined EWS monitoring scenario, and takes early action to keep risks from becoming real.

Effective Internal Control through IAMS With the purpose of assuring the reliability of financial information, S-OIL examines internal control process and conducts the evaluation of internal control on a half-year basis by operating the IAMS. In 2018, the Company updated internal control items that govern the roles and responsibilities of each organization at the enterprise level, and streamlined the internal control assessment by developing new assessment items and deleting the less relevant ones. As such, the Company makes continuous improvement to the IAMS in order to secure the reliability of financial information and effectiveness of business.

Mid- and Long-term Risk Management

S-OIL takes a systematic approach to analyze and forecast the business environment, both inside and outside the organization, that may bring about significant changes to the Company's business in the mid- to long-term.

First, S-OIL takes fine dust as a serious strategic risk the Company should tackle in the mid- to long-term. According to the Better Life Index released by OECD in 2017, Korea was among the lowest in the 38 countries surveyed in terms of air quality. A result clearly shows how fine dust has evolved into an issue at national level,

affecting quality of life in Korea. The Company expects to be subject to more stringent regulations on fine dust reductions, considering that its only refinery is situated in Ulsan, an industrial city with high portion of fine dust caused by industry. Companies are expected to do more to address the issue as the government has already set the target of reducing the fine dust in the air by 36 percent from the 2014 level by 2022, and the Ulsan City has set its reduction target of 40 percent by 2022. Moreover, any company failing to effectively respond to the tougher regulations or social demand will have to suffer a serious setback in its business in the oil industry, in which pollutants are generated as byproduct around the clock. Although its fine dust emissions are lower than the legal limits, the Company is working to install additional ULNBs that reduce NOx emissions, the main source of fine dust, in order to live up to the expectation of local community and preemptively tackle stringent regulations in the future. The Company has also signed voluntary emission reduction agreements with the Ulsan City and the Ministry of Environment.

Aging and retirement of highly-experienced employees who contribute to operations with their vast knowledge and know-how is considered as a serious mid- to long-term risk S-OIL faces. Having grown through bold large-scale projects, the Company has been hiring a lot of resources at a time in the run-up to a large-scale project. This means the Company will be facing a sudden increase in aging workforce and their retirement. This is substantiated by the data showing employees aged over 50 doubled in a short span of time to 25 percent in 2018 from 12 percent in 2014. An abrupt exodus of skilled resources with retirement is likely to disrupt the stable operations given that know-how and trouble-shooting experience of skilled employees are highly valued in the refining and chemical business. To mitigate this risk, the Company launched an all-around HR upgrade in 2018 to form an HR infrastructure which enable to manage level of proficiency through constitution of Role Level based job structure which specifying required knowledge and techniques of each job and role level. Furthermore, a new training program and career path development plan have been laid out based on the new HR structure, while adopting a fast-track training process for high performers. In addition, understanding tacit knowledge is hard to be documented into job functions, a one-on-one matching apprenticeship program has been made available, and the Company has also opened the channel to rehire high-performing employees after reaching the mandatory retirement age. S-OIL operates not only new units but also existing units, some of which date as far back as 1980. As such the Company recognizes aged equipment that is more prone to failures and malfunctions as another mid- to long-term risk. Given the nature of the oil business where each production unit is organically connected to another, a trouble in a small unit can lead to production disruption

in the following units, causing enormous damage to the business. Equipment aging also represents a safety concern as a failure in high-temperature, high-pressure equipment may bring about casualties. To ensure safe operations of aged equipment for the next 10 years, the Company launched the REVIVE program in 2017. The REVIVE program identifies and eliminates risks in a preemptive manner. The Company takes a graded approach to the program considering obsolescence, stability, and work period, and plans to enhance its mechanical availability to global top level by 2025.








Efficient Internal Audit System

S-OIL has a dedicated audit organization that reports directly to the BAC to guarantee independence and expertise of internal audits. The Company enhances transparency and corporate value by conducting thorough internal audit activities over 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 improving inefficiency in work processes and cost structures. In 2018, the Company revised the internal audit regulations and procedures and strengthened fraud auditing and internal control functions based on its internal audit improvement master plan. The Company also conducted planned audit activities using a risk-based audit approach and ad-hoc audit activities into emerging risk areas such as IT security, thereby contributing to strengthening its technological and physical security posture for the plant IT systems. E-mail communication has been sent to employees, business partners and suppliers informing the Company's ethics management policy and reporting hotline in order to encourage various stakeholders to report unethical behaviors. The Company recently commissioned an independent audit quality assessment of its internal audit function to identify improvement areas and attain higher audit quality. The assessment was done by an independent third-party agency Artner Consulting based on the International Standards of Institute of Internal Auditors, and the Company's internal audit function received the highest rating of "Very Satisfied". The Company actively helps auditors to improve individual competency by attending various training courses and to obtain audit certificates while utilizing the professional software Audit Command Language for in-depth data analysis. The Company strives to enhance corporate value through the objective and independent operation of the BAC and the internal audit organization, the establishment of an effective audit system equivalent to that of leading global companies, and the execution of audits centered around process improvement.

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 | Report Subject | Aspect (Reporting Scope) | Major Stakeholders |
|---|--|---|---|
| <ul style="list-style-type: none"> Realization of customer satisfaction | C1 Realization of Customer Satisfaction | <ul style="list-style-type: none"> Marketing & Labeling (S-OIL internal/external) |  Customers |
| <ul style="list-style-type: none"> Product quality assurance in the distribution stage Reinforcement of R&D | C2 Product Quality Assurance | <ul style="list-style-type: none"> Customer Health & Safety (S-OIL internal) |  Customers  Government |
| <ul style="list-style-type: none"> Enhancement of marketing activities | C3 Marketing Communication | <ul style="list-style-type: none"> Marketing & Labeling (S-OIL internal) |  Customers |
| <ul style="list-style-type: none"> Protection of customers' personal information Fair marketing activities Prevention of activities against fair competition | C4 Fair Competition in Market / Protection of Customers' Personal Information | <ul style="list-style-type: none"> Anti-competitive Behavior, Customer Privacy (S-OIL internal/external) |  Customers  Government |
| <ul style="list-style-type: none"> Enhancement of overseas marketing activities | C5 Overseas Marketing | <ul style="list-style-type: none"> Marketing & Labeling (S-OIL internal) |  Customers |

1 Realization of Customer Satisfaction

WHY IS THIS IMPORTANT?

In today's business environment where customer needs diversify and competition intensifies, customer-oriented management has become a key principle of sustainable growth for businesses. In view of rising consumer expectations in terms of quality services and products, companies are putting in greater efforts than ever to maximize consumer benefits.

OUR RESPONSE



S-OIL concentrates its capabilities on enhancing consumer benefits and satisfaction with products of premium 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 stations (S/Ss) and LPG filling stations (F/Ss), its key customers and main customer contact channels, through helping them enhance competitiveness and solidifying cooperative relations.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|--|---|--|---|
| Maximization of consumer benefits * | <ul style="list-style-type: none"> Reasonable product pricing S/Ss market share: over 18.8% Retail light oil products domestic market share: over 22.3% Oil product domestic market share: over 18.7% | <ul style="list-style-type: none"> Reasonable product pricing S/Ss market share: 18.5% Retail light oil products domestic market share: 22.6% Oil product domestic market share: 19.5% | <ul style="list-style-type: none"> Reasonable product pricing S/Ss market share: over 18.9% Retail light oil products domestic market share: over 22.7% Oil product domestic market share: over 19.0% |
| Swift and accurate handling of customer complaints | <ul style="list-style-type: none"> Time spent on VOC handling: 2 business days for inquiries, 5 business days for complaints | <ul style="list-style-type: none"> Time spent on VOC handling: 0.8 business day for inquiries, 2.5 business days for complaints | <ul style="list-style-type: none"> Time spent on VOC handling: 2 business days for inquiries, 5 business days for complaints |
| Reinforcement of competitiveness of S/Ss & F/Ss * | <ul style="list-style-type: none"> Ratio of S/Ss with high service quality by customer evaluation: over 63% Ratio of S/Ss with high hygiene by customer evaluation: over 80% | <ul style="list-style-type: none"> Ratio of S/Ss with high service quality by customer evaluation: 67% Ratio of S/Ss with high hygiene by customer evaluation: 80% | <ul style="list-style-type: none"> Ratio of S/Ss with high service quality by customer evaluation: over 70% Ratio of S/Ss with high hygiene by customer evaluation: over 82% |

* Mid- to long-term target: 19.5% or above for S/Ss market share by 2021, 23.4% or above for retail light oil products domestic market share by 2021, 19.7% or above for oil product domestic market share by 2021, 75% or above for ratio of S/Ss with high service quality by 2021, 85% or above for ratio of S/Ss with high hygiene by 2021

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 various factors that affect domestic oil product prices such as fluctuations in international oil prices and F/X rates, the Company is leading the domestic pricing with fair and reasonable policy. Although consumers rarely feel the instant impact of lower crude oil

prices firsthand 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 that offers the best fuel purchase rewards in the industry, while bringing various customized offerings to Bonus Card members based on the Customer Relationship Management system.

The Company also offers a wide range of discounts on fuel purchases through strategic alliances with domestic credit card companies and strives to provide customers with practical benefits by cooperating with various business partners, including Lotte Members. In particular, the Company launched a freight reward card that offers some of the best fuel purchase rewards in the industry, and opened a dedicated menu for tank truck drivers on S-OIL Mobile Point Mall, making it easier for them to use accumulated points, all in an attempt to help alleviate the burden of heavy fuel-consuming tank truck drivers.

Improvement of Consumer Convenience

Amid unfavorable sales conditions, such as stagnant demand for fuel products, increasing market uncertainties, and intensifying competition among suppliers, 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 S/Ss, F/Ss, and direct sales offices. Despite the downward trend in the number of S/Ss across the country, the Company made a continuous effort to secure a stable sales network, thereby minimize inconvenience for customers. Furthermore, the Company carries out differentiated programs and engages in creative brand marketing activities to boost sales, while actively exploring new business opportunities. As a result of such efforts, the Company captured 22.6% of domestic market share for retail light oil products in 2018, which is a new record high for the Company.

Timely and Accurate Handling of Customer Complaints

In a bid to strengthen customer communication, S-OIL has established an integrated Voice of Customer (VOC) system, through which the Company handle and analyze all customer feedback received via various channels including customer center, company website, ARS and SNS, in an integrated and systematic manner. The timeframe for VOC handling is set by VOC type and reflected in KPI to allow 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 calls, SMS, and e-mails. The Company also runs the VOC Awareness Program, an incentive system to recognize customers who raised constructive VOCs and employees who handled VOCs in an efficient manner. In a preemptive effort to resolve customer complaints, the Company has in place the Hidden VOC program to discover factors that may possibly cause customer discontentment by visiting S/Ss, F/Ss and suppliers and address the issues. In addition, 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. The Company taps into the big data collected in the integrated VOC system to identify patterns in customer complaints, while offering S-OIL Notification Service to promote two-way communication with customers utilizing messaging platform KakaoTalk.

Competitiveness Enhancement of S/Ss and F/Ss

S-OIL is committed to supporting S/Ss and F/Ss, the Company's key customers and main customer contact channels, to enhance their competitiveness through various on-site programs and proactive communication. This effort has earned the Company first place in S/Ss category of the 2018 Korea Net Promoter Score and the 2018 Korean Service Quality Index selected by the Korea Management Association Consulting, and the 2018 National Service Awards selected by the Institute for Industrial Policy Studies.

GOODOIL Etiquette & Clean Up Campaign S-OIL launched the GOODOIL Etiquette & Clean Up campaign in 2016 to address service attitude and restroom hygiene that were identified as issues from consumer awareness surveys and make customer experience more pleasant. Also the Smile Together campaign where customer and service staff greet each other with a smile has been received very well by customers as it lays out a vision that every little act of kindness helps build a brighter society.

Operation of Site Management System In order to improve service quality at S/Ss and F/Ss to meet rising customer expectations, S-OIL is operating YES Team for on-site training. YES Team consists of experts equipped with certificates and knowledge in customer satisfaction, labor relations, and other areas related to operations of S/Ss and F/Ss. The Company has also intensified supporting activities such as the reinforcement of training on responding to customer complaints to minimize customer inconvenience.

VOCs from S/Ss and F/Ss S-OIL has in place a separate VOC system to listen to S/Ss and F/Ss and know their pain points, while conducting interviews on site to find out negative experiences that S/Ss and F/Ss had but did not file with the Company through the Hidden VOC program. In 2018, the Company analyzed the 154 complaints received through the VOC channels as well as hidden VOCs identified through the site interviews, and conducted various activities to address concerns, including ARS system improvement and Clean Up campaign expansion.

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 S/Ss and F/Ss strengthen management capabilities. Training for S/S owners and onsite training are offered by District Biz HQs and sales offices respectively. In addition, 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 Businesses In view of dwindling profitability caused by intensifying price competition, S-OIL has developed competitive non-oil businesses which S/Ss and F/Ss 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 for S/Ss and F/Ss. And the Company has developed quality PB products such as urea solution and ethanol washer fluid at competitive prices. A car wash franchise service was launched as well that has the strongest relevance to the sales in order to help increase their profit and competitiveness with a premium and standardized car wash service. The Company is expanding its alliance with GreenCar, a car sharing provider.

Awards for High Performing S/Ss and F/Ss In a bid to build and strengthen long-term cooperative ties with S/Ss and F/Ss that are core customers and essential partners 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 S/Ss and F/Ss, thereby contributing to the overall improvement in management capabilities.

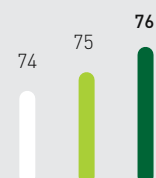
Support for Promotional Events S-OIL launches various promotions and supports purchase of bottled water, wet tissue, and other promotional goods according to the yearly promotion plan that considers seasonal factors and feedback from S/Ss and F/Ss. The Company implements differentiated promotions for different regions and seasons, which are well received by S/Ss and F/Ss, as part of the effort to build competitiveness.

Customers

National Customer Satisfaction Index

(unit: points)

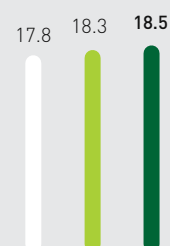
● 2016 ● 2017 ● 2018



Market Share for Service Station

(unit: %)

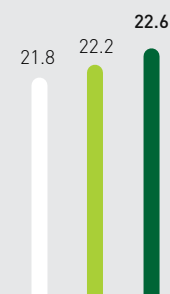
● 2016 ● 2017 ● 2018



Market Share for Retail Light Oil Product

(unit: %)

● 2016 ● 2017 ● 2018



Domestic Marketing for Lube Business

Since 1981, S-OIL, the first company in Korea to produce lube base oil, has positioned itself as a market leader in Korea by reliable supply of high-quality products. The Company maintains a close relationship with its customers and strong foothold in the market through customized marketing utilizing various product lines, expansion of loyal customers based on stable supply capability, and cooperation on customers' export business. In addition, in order to respond quickly to rapidly changing market, the Company holds a customer invitation technology seminar every year and continues its efforts to improve customer services and product quality in cooperation with refinery and Lubricant R&D resources in TS&D Center. The Company will continue to maintain its competitive edge in the market and strengthen its position as the leading base oil supplier in the domestic market.

Domestic Marketing for Petrochemical Business

S-OIL has been making continuous efforts to reinforce chemical business for long-term sustainable growth by enhancing its competitiveness with strengthening its status in domestic chemical market. Although aromatics market is expected to be more volatile and competitive after significant capacity expansions in China, the Company is consolidating its market presence throughout long-term partnership with most of end-users in Korea. Strategically,

the Company has been gradually expanding its para-xylene domestic market share by supplying to all PTA manufacturers in Korea by securing stable demand in Ulsan through pipeline and by supplying to other customers outside Ulsan by SWAP. In addition, for benzene, the Company continues to expand customer base in Korea with intensifying long-term relationship for stable and profitable sales. For olefin monomer business, it is crucial to secure logistic facilities such as pipelines for timely and stable supply due to logistic restrictions as gas product. For this reason, the Company has preemptively established pipeline networks to all major end-users in Ulsan Complex and made a bridgehead for stable and timely sales to olefin downstream manufacturers. For ethylene, first-ever produced product, the Company thoroughly prepared logistics and built strong partnership with end-users prior to initial production, enabling the Company to commence pipeline supply to domestic customers immediately after RUC start-up. Regarding propylene, the Company has been reinforcing the partnership with domestic customers and playing an important role to balance propylene supply and demand balance within Ulsan Complex throughout various SWAP activities. The Company's reliable supply of olefin monomers in domestic market contributes not only to consolidate the Company's presence in the chemical industry but also to strengthen the competitiveness of related downstream businesses in olefin value chain with triggering downstream investments.



2 Product Quality Assurance

WHY IS THIS IMPORTANT?

In the face of tougher environmental regulations and ever-rising consumer expectations for quality services and products across the world, 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 RESPONSE



S-OIL has implemented the quality management system that is compliant with ISO 9001:2015 international standard, to produce quality products that satisfy 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 minimizing impact on the environment and safety.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|--|---|--|---|
| Operation of the quality management system | <ul style="list-style-type: none"> • Renewal of ISO 9001 certification | <ul style="list-style-type: none"> • Renewal of ISO 9001 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 two new products • Introduction of latest analysis equipment & technology • Reinforcement of joint researches with external institutions (2 cases) | <ul style="list-style-type: none"> • Development of two new products • Introduction of PO, PP analysis tools • Completion of one joint research, One joint research is ongoing | <ul style="list-style-type: none"> • Development of new products • Introduction of latest analysis equipment & technology • Reinforcement of joint researches with external institutions (3 cases) |
| Production of high-quality eco-friendly products | <ul style="list-style-type: none"> • Introduction of new processes & process improvement • More than 21 cases of technology support | <ul style="list-style-type: none"> • Introduction of Alkylation and HS-FCC processes • 23 cases of technology support | <ul style="list-style-type: none"> • Introduction of new processes & process improvement • More than 19 cases of technology support |
| Improvement of quality competitiveness * | <ul style="list-style-type: none"> • Strengthening of quality/facility inspection at S/Ss & F/Ss • Lowest abnormal product detection rates • Trustworthy S/Ss: over 87% | <ul style="list-style-type: none"> • 14,300 quality inspections & 1,450 facility inspections • Lowest abnormal product detection rates in Korea: 1.6% (average of domestic refiners: 2.3%) • Trustworthy S/Ss: 85.1% (1,829 stations) | <ul style="list-style-type: none"> • Strengthening of quality/facility inspection at S/Ss & F/Ss • Lowest abnormal product detection rates • Trustworthy S/Ss: over 87% |

* Mid- to long-term target: expansion of Trustworthy S/Ss to cover 90% by 2021

Enhancement of R&D capabilities

Instead of feeling complacent about the technology it has already secured, S-OIL continues investing in R&D activities aimed at improving product quality and advancing production facilities and works with prestigious colleges and research institutes. In pursuit of sustainable growth, the Company's Technical Service & Development Center (TS&D Center) and the R&D Team at Onsan Refinery carry out many R&D projects such as high value-added production technology based on by-products from petrochemical products, BTX conversion technology, solar-to-hydrogen conversion 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 R&D Center. The Company continues to engage in joint R&D projects, developing engine oil as well as transmission oil. The Company also develops various 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 the Company to continue technical support for optimum catalyst selection and improvement of production yields 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 processes and catalyst assessment. As a result, the Company has raised profitability and also 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 lab. testing is secured by regularly calibrating analysis equipment through certified third-party institutes as well as in-house verification programs. The Company also offers training programs to improve its analysis ability, thereby securing quality testing capabilities and contributing to production efficiency. In 2018, the Company took its quality management effort to next level by introducing the latest analysis tools and techniques for petrochemicals, including propylene oxide and polypropylene.

Production of High-quality Eco-friendly Products

S-OIL is recognized for its gasoline and diesel with the highest grade in the Environmental Quality Evaluations. 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.

Introduction of New Processes Going beyond passive response to environmental regulations, S-OIL is proactively 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 innovate 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 and allowed the Company to supply more eco-friendly and safer lube base oil to the market. The additional introduction of alkylation and HS-FCC process allowed even better quality of gasoline as well.

Prevention of Market Distribution of Inferior Products S-OIL's real-time quality monitoring system checks in advance for any factor that may negatively affect product quality throughout the entire production process, from introduction of raw materials to market distribution step. By utilizing the system, the Company ensures only those products that satisfy quality standards are supplied to customers. Furthermore, regular communication is held between the production and sales organizations to produce products that meet customer requirements. Also, the Company periodically participates in inter-laboratory crosscheck program organized by domestic and overseas authorities, including ASTM and K-Petro, to enhance testing reliability.

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 S/Ss and F/Ss and ensuring customers' rights to purchase products with specified quality and quantity. As a result, the Company's diesel was ranked first in the diesel category of the 2018 Korea Brand Recommendation index by Korea Management Association Consulting.

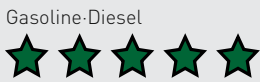
Strict Inspection on Product Quality of S/Ss and F/Ss As part of its effort to produce and supply quality products, S-OIL is working to strengthen quality assurance activities to preclude contamination or quality degradation of products in the market distribution process and ensure customers' rights to purchase products with specified quality and quantity. The Company takes a systematic approach to quality inspection on S/Ss and F/Ss as well as prevention activities. Diverse possible means are tried to ensure efficient quality control such as injecting specific markers, running onsite handy analyzers, abnormal symptom monitoring system, itinerant training on quality assurance by quality managers, and checking dealer information. The Company runs the Product Quality Tracking System which integrates product distribution and quality information encompassing Onsan Refinery, S/Ss, 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 including de-branding to S/Ss and F/Ss found to sell fake oil.

Trustworthy Service Station S-OIL operates Trustworthy S/S program where the Company guarantees products sold at service stations according to quality and quantity specifications to allow customers to easily purchase high-quality products. At least six quality inspections a year and periodic quantity specification inspection are a prerequisite to maintaining the qualification as Trustworthy S/S. The Company also puts up signs to let customers know that they are purchasing from a Trustworthy S/S, and promptly provides information on the quality of the products they purchase using S-OIL notification service on KakaoTalk.



Trustworthy Service Station

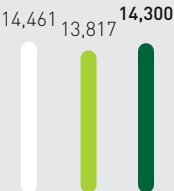
**Environmental Quality Evaluation
on Automotive Fuels**
(2015~2018)



**Inspection on Product Quality
of Service Stations & LPG
Filling Stations**

(unit: times)

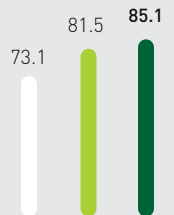
● 2016 ● 2017 ● 2018



**Trustworthy Service
Stations**

(unit: %)

● 2016 ● 2017 ● 2018



3 Marketing Communication

WHY IS THIS IMPORTANT?

Customer-centered management has become an essential strategy for corporate survival due to diversified customer needs. Amid intensifying competition, companies 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 RESPONSE



S-OIL has overcome its inherent limitations as a late comer in the refining industry and grown to 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 2018 Management Grand Awards for two consecutive years, and ranked 43rd on the list of the Best Korea Brands 2018 selected by Interbrand Korea, which highlighted the Company's strong brand value.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|---|---|--|---|
| Improvement of brand competitiveness | • Differentiated advertising campaigns | • Start Up with Good Oil advertising campaign (Ad TOM 55.9%, 20 million SNS searches) | • Differentiated advertising campaigns |
| | • Various GOODOIL character marketing programs | • Animated films, character stores, GOODOIL park golf course, GOODOIL Family dream village, etc. | • Various GOODOIL character marketing programs |
| | • Differentiated sports & culture events | • Golf competition, Lotte Giants branding campaign, Culture date, Cinema date, etc | • Differentiated sports & culture events |
| | • Enhancement of S/S marketing through effective promotion | • GOODOIL Family sweepstake, Bonus card point mall, etc. | • Enhancement of S/S marketing through effective promotion |
| Improvement of positive corporate image | • Corporate image advertisement that builds empathy and communicates with customers | • Safety Quiz campaign, 1-min health campaign, etc. | • Corporate image advertisement that builds empathy and communicates with customers |

Brand Marketing as a Medium for Customer Communication

Advertising Campaign In 2018, S-OIL ran an advertising campaign under the theme "Start Up with Good Oil," sending positive energy and cheers to all men and women, especially working moms trying to strive a work & life balance and retiring men seeking new challenges. The advertisement resonated with customers and created

a positive image that oil is not just the fuel that we fill our cars but also serves other meanings and purposes in social contexts. The advertisement recorded more than 20 million SNS views, resulting in the top of mind awareness of 55.9%, which is an unprecedentedly high record among Korean refiners.

Differentiated GOODOIL Character Marketing S-OIL has been promoting the GOODOIL character as a symbol of good oil for diverse marketing activities at S/Ss and F/Ss, events and promotions as well as advertising 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 2018 caught on, adding to the intimacy with consumers, and led to even closer communication with them via SNS channels. Considering customers' opinions and suggestions, the Company launched GOODOIL characters and opened more character shops. Other activities included opening GOODOIL park golf course, and installing GOODOIL Family dream village at COEX, Seoul, thereby offering customers more chances to meet GOODOIL characters and learn more about good oil.

Differentiated Sports & Cultural Marketing 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. Starting 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 Cinema Date. In particular, the Company invites Bonus Card customers and partner dealers to special cultural events giving them a good chance to enjoy high-quality cultural performances.

Systematic Promotion S-OIL carries out various promotional activities to provide more practical benefits to customers who visit its S/Ss and F/Ss and increase their satisfaction. As part of this effort, in 2018, the Company held the GOODOIL Family sweepstake at S/Ss and F/Ss across the country, through which customers received diverse free gifts such as GOODOIL characters, daily goods, and vehicle supplies. The Company also opened a mobile point shopping mall to help its Bonus Card members easily use their bonus points, issued vouchers, and offer free giveaways for those purchasing with accumulated points, thereby enhancing customer experience in general.

Creation of a Friendly, Socially Responsible Company Image

S-OIL strives 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 delivering useful information to various stakeholders in a timely manner to promote broader interaction. In 2018, customers gave positive feedback on the programs the Company launched, including a safety quiz campaign in which GOODOIL characters promoted everyday safety in a fun and easy-to-understand manner, and 1-minute health campaign to share easy ways to promote health and wellness for everyday life. The Company also created innovative printed advertisements to introduce the RUC/ODC project, a major undertaking of the Company to build a balanced portfolio across fuel, lube and petrochemicals divisions, as well as the ones that illustrate the activities of For Heroes, the flagship of its CSR program. 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 bonds with the local community.



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

WHY IS THIS IMPORTANT?

The domestic oil market being an oligopolistic market by a few with a huge impact on consumer prices, 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. Furthermore, the growing number of personal information leakage incidents calls on businesses to strengthen their information security levels as such incidents cause not only psychological and physical damage to customers but also economic losses to companies in the form of reliability deterioration and financial compensation.

OUR RESPONSE



S-OIL's effort to play by the rules for fair competition and protect customer interest is upheld by the core corporate value of integrity and top management's strong commitment to compliance management. The Company also preemptively responds to the increasingly stringent the Personal Information Protection Act and the Act on Promotion of Information and Communications Network, and implements the systematic information protection policy for its 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 a certification on the Information Security Management System (ISMS) and the Personal Information Management System (PIMS) from the government in 2015.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|---|--|--|---|
| Promotion of fair competition in the market | <ul style="list-style-type: none"> Establishment of a fair trade culture Regular/ad-hoc self-assessments on fair trade Use of written contracts based on fair trade | <ul style="list-style-type: none"> Fair trade training Regular/ad-hoc self-assessments on fair trade Reflection of the Fair Agency Transactions Act | <ul style="list-style-type: none"> Establishment of a fair trade culture Regular/ad-hoc self-assessments on fair trade Use of written contracts based on fair trade and continuous check |
| Information protection enhancement | <ul style="list-style-type: none"> Renewal of ISMS certification Renewal of PIMS certification | <ul style="list-style-type: none"> Renewal of ISMS certification Renewal of PIMS certification | <ul style="list-style-type: none"> Renewal of ISMS certification Renewal of PIMS certification |

Fair Competition in Market

Fair Trade Training S-OIL's commitment to reinforcing compliance management is championed by top management's leadership, especially in relation to fair trade laws. To ensure that compliance management is adhered to by all employees, the Company published a compliance manual and must-follow guidelines "Dos & Don'ts" for 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. Further, the Company holds training sessions tailored to the needs of sales force on site, helping staff at District Biz HQs and sales offices to better understand and abide by fair trade practices.

Self-assessment on Fair Trade through Compliance System

S-OIL carries out regular and ad-hoc self-assessments on its compliance system to check for any violation of fair trade laws in business operations. In addition, the Company actively assists employees' compliance with fair trade laws by providing real-time legal updates on the 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 When entering into a contract with a business partner, S-OIL utilizes a standardized written contract that reflects the recommendations from the Fair Trade Commission. Moreover, the Company has reflected mandatory terms and conditions of trade in its written contract in full compliance with the Fair Agency Transactions Act, which came into effect in 2016.

ISMS-based Critical Corporate Information Protection

S-OIL's information protection is comprised of managerial, technical, and physical areas. ISMS is utilized enterprise-wide to ensure systematic information protection and risk management activities.

Managerial Area At S-OIL, the Information Security Committee chaired by the Chief Security Officer 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 twice a year, and online training programs started from 2017 also serves the goal of enhancing the employees' awareness on information security. A simulated phishing drill is carried out more than four times a year to make sure employees know how to respond to malicious e-mails. In order to stay ahead of evolving hacking technologies, the Company also 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. The Company is continuously enhancing its capability to respond to brute force attacks. For efficient response to Advanced Persistent Threat (APT) and unknown malware, in particular, the Company has introduced APT attack prevention device and a security solution that detects abnormal activities on user computers, respectively. In parallel, the Company implemented a solution that blocks web-based file modification and malicious files to raise its website security posture.

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

PIMS-based Systematic Personal Information Protection

S-OIL uses PIMS to safeguard personal information in a systematic way.

Minimum Retention of Customers' Personal Information In full compliance with the Personal Information Protection Act and to minimize personal information leakage risk, S-OIL deletes sensitive personal information, such as resident registration number, entirely from the Company's customer database. In addition, IT Security Team is accountable for making continuous improvement to the work process in a way that minimizes handling of personal information and monitoring how personal information is accessed, stored, and altered in real time. Furthermore, in cases where personal information is shared to an outsourcing partner for the purpose of operating the bonus card system, the Company uses a solution that sets the expiry date for the third-party use of such information and deletes it immediately upon expiry, thereby keeping the risk of personal information leakage involving an outsourcing company to a minimum.

Encryption of Personal Information and Access Control At S-OIL, customer information is safely managed. The Company stores personal information with encryption, implements control access through the personal information access control system, and systematically monitors access history accordingly. The Company effectively limits personal data access on an as-needed basis 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 with two-factor authentication requiring both password and One Time Password (OTP).

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.

No. of Participants at Fair Trade Training
(unit: persons)



5 Overseas Marketing

WHY IS THIS IMPORTANT?

As part of its strategy to achieve profitable and sustainable growth, S-OIL has preemptively ventured into overseas markets from the early 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 RESPONSE



S-OIL has spearheaded the transformation of the refining industry from a simple manufacturing industry for the domestic market into a high value-added export industry, thereby making significant contribution to the national economy and social development. At the center of the transformation of the refining industry was the Company's strategic expansion into overseas markets, which now account for more than 50% of its production every year. Providing customers with excellent quality and competitive products, the Company is developing into the most competitive and admired energy & chemical company in the Asia Pacific.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|--|--|---|--|
| Enhancement of overseas marketing capabilities | • Improvement of overseas customer relations | • Expansion of partnerships in strategic markets including Australia • Response to strengthened IMO regulations | • Improvement of overseas customer relations |
| | • Identification of new overseas customers | • Development of new customers, especially end users • Securing of stable market for new products through premarketing | • Identification of new overseas customers |
| | • Enhancement of business collaboration with Saudi Aramco | • Expansion of business transactions with Saudi Aramco Products Trading Company, MOTIVA, and Luberef | • Enhancement of business collaboration with Saudi Aramco |
| Improvement of export profitability | • Expansion of exports to growing markets | • Expansion of exports to growing markets including Southeast Asia | • Expansion of exports to growing markets |
| | • Identification of opportunities to further bolster profitability | • Profitability improvement by seizing arbitrage chances and supplying niche grade in/outside the region | • Identification of opportunities to further bolster profitability |

* Mid- to long-term target: Fuel – Establishing a second domestic market in a strategic overseas market, Lube – Solidifying the global market leader position
Petrochemical – Securing a leading business position in the Asian market

Overseas Marketing for Fuel Business

Armed with production capabilities for high value-added products secured through preemptive investments, S-OIL was an early mover to expand into Australia and other major overseas markets ahead of its competitors, consequentially building a strong customer base and brand awareness. The Company is flexibly responding to strengthened product specification requirements in those markets and meeting diverse customer demands by improving its

export operation capabilities and logistics system. Such efforts have enabled the Company to grow into a major oil provider in the region. Now in the view of increased competition in key strategic markets, the Company established direct sales relationships and strategic partnerships with major clients, aiming to obtain stable sales networks. In addition, the Company makes consistent effort to boost sustainable sales capabilities and plans to acquire

local sales networks in core strategic markets in a bid to create a major market base second to Korea. In parallel, the Company has bolstered its influence and sales basis in overseas markets and explored new business areas for additional profits by forging closer collaborative relationships with Saudi Aramco, which is its major shareholder, and its affiliate companies. Going forward, the Company plans to further expand its sales base by increasing the production of the high value-added light oil products thanks to the successful completion of the RUC/ODC project, while continuing its effort to promote marketing capability that will help the Company navigate the ever volatile market environment, such as the IMO's tougher regulations on sulfuric content on marine fuel, in a more proactive manner.

Overseas Marketing for Lube Business

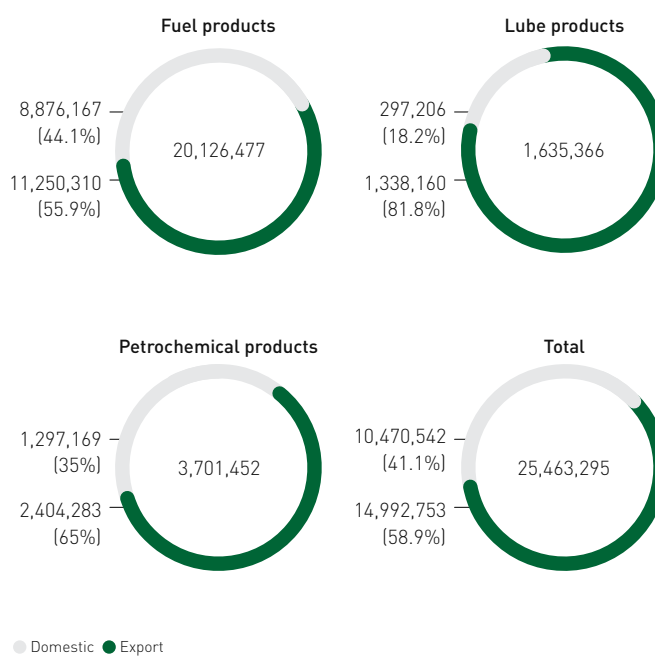
S-OIL is achieving high operating income through stable sales of the entire production stock of lube base oil by employing marketing strategies tailored to each market. The Company is also actively utilizing its lube base oil production capacity, which ranks 2nd place in the world based on a single location. In 2018, years of efforts to boost profitability paid with the Company signing long-term business agreements with some state-owned companies in China and India, which are among the largest lube base oil markets in Asia. The Company also diversified sales markets depending on product types to secure stable sales channels. The Lube R&D Center located inside TS&D Center is in operation to reinforce the Company's core capability in the lube business and the Company strives to keep customer loyalty based on stronger and stable product supply capacity as well as thorough quality control, in tandem with the increasing demand for premium lube base oil products. For lubricant business, S-OIL has cemented a solid position in the market on top of positive response from home and abroad for S-OIL SEVEN, which is a high-end lubricant brand. Keeping up the momentum, the Company expanded the lubricant logistics hubs for more efficient inventory management and reinforced local marketing activities, participating in overseas exhibitions and holding dealer conferences. As a result, the Company successfully made inroads into four new overseas markets, and signed deals with six new agencies in existing markets in 2018, expanding its export to over 50 countries including strategic markets like China.

Overseas Marketing for Petrochemical Business

S-OIL's marketing activities vary from market to market as they are tailored to the different characteristics of different petrochemical products. As for para-xylene, although an excess of supply is expected with China's recent capacity increase, the Company is working to secure both stable and profitable sales outlet by ex-

panding business with existing loyal customers while developing new customers in China. Meanwhile for benzene, the Company has been nurturing long-term partnerships with customers in the US, where steady import is anticipated, while diversifying regional export portfolio to prepare for the growth of benzene self-sufficiency in China. In addition, the RUC/ODC project in 2018 enabled the production of propylene oxide and polypropylene to the domestic and overseas markets based on premarketing and its strategic alliance with Saudi Aramco Products Trading Company. 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.

Sales Performance (unit: KRW in million)



EMPLOYEES

S-OIL's performance-oriented corporate culture is further reinforced and supported by its transparent and 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 | Report Subject | Aspect (Reporting Scope) | Major Stakeholders |
|--|--|---|---|
| <ul style="list-style-type: none"> • HR management • Fair evaluation & compensation | E1 HR Management / Fair Evaluation & Compensation | <ul style="list-style-type: none"> • Employment, Training & Education, Diversity & Equal Opportunity, Non-discrimination, Child Labor, Forced or Compulsory Labor (S-OIL internal) |  Employees |
| <ul style="list-style-type: none"> • Talent cultivation | E2 Talent Cultivation | <ul style="list-style-type: none"> • Training & Education (S-OIL internal) |  Employees |
| <ul style="list-style-type: none"> • Healthy corporate culture • Harmonized labor-management relations | E3 Corporate Culture / Labor-management Relations | <ul style="list-style-type: none"> • Economic Performance, Labor/Management Relations, Freedom of Association & Collective Bargaining (S-OIL internal) |  Employees |
| <ul style="list-style-type: none"> • Industrial safety & health management | E4 Industrial Safety & Health Management | <ul style="list-style-type: none"> • Occupational Health & Safety (S-OIL internal/external) |  Employees  Suppliers  Local communities  Government |

1 HR Management / Fair Evaluation & Compensation

WHY IS THIS IMPORTANT?

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

OUR RESPONSE



S-OIL pursues the diversity of its employees and strives to create a virtuous cycle where the Company encourages every employee to unleash their full potential bring about innovation and contribute to the Company's growth.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|--|--|---|--|
| Enhancement of HR management | <ul style="list-style-type: none"> • Securing talented employees through fair recruitment procedures | <ul style="list-style-type: none"> • Recruitment of 16 persons | <ul style="list-style-type: none"> • Securing talented employees through fair recruitment procedures |
| Reinforcement of performance-based corporate culture through reasonable & fair HR management systems | <ul style="list-style-type: none"> • Enhancement of performance-based evaluation system • Enhancement of performance-based compensation system | <ul style="list-style-type: none"> • Improvement of evaluation systems • Enhancement of performance-based compensation system | <ul style="list-style-type: none"> • Enhancement of performance-based evaluation system • Enhancement of performance-based compensation system |

Securing Talented Employees through Fair Recruitment Procedures



S-OIL strives to secure talented resources from diverse backgrounds 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 the disabled. 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. The Company's transparent and fair recruitment process is a driving force for sustainable growth amid the current business environment of increasingly fierce competition.

Performance-based Evaluation and Compensation Evaluation System for Improvement of Individual Capacity and Organizational Performance

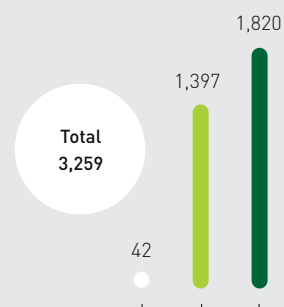
S-OIL takes a fair and objective approach to employee performance evaluation so as to entrench a performance-oriented corporate culture. For performance evaluation, employees develop individual action plans based on organizational objectives to ensure that individual and corporate goals are aligned. And the Company encourages employees to attain their goals through periodic progress tracking. The Company ensures that fair evaluation is carried out for the actual performance against the action plan, and compensation is commensurate to the performance so as to motivate employees. Furthermore, the Company makes sure corporate policy adherence is encouraged throughout the process by factoring the achievement in areas associated with its core values into the evaluation. As for competency evaluation, the Company goes beyond granting an evaluation grade and works to give practical support to employees for developing and implementing career and competence development plans based on their competence evaluation results by following up their progress throughout the year. The Company also holds Talent Review Session (TRS) to discuss and determine matters relating to job rotation and core talent recruitment and to provide employees with well-thought-out support in developing their careers.

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 higher 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.

Employment Status by Job

(unit: persons)

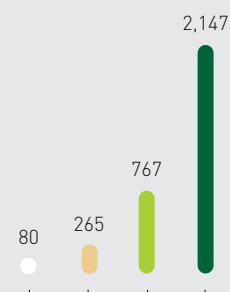
● Officer ● Administrative staff
● Production staff



Employment Status by Workplace

(unit: persons)

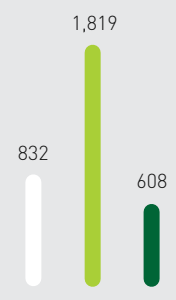
● Terminal ● District Biz HQ
● Head Office ● Refinery



Employment Status by Age

(unit: persons)

● 50 or above ● 30-50 ● Under 30



Employment Status by Gender

(unit: persons)

● Female ● Male



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 a competitive environment, it is imperative for companies wishing to grow its business to increase operational efficiency and explore new markets and technologies by developing employee competencies.

OUR RESPONSE



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

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|--|--|--|--|
| Various training programs to improve employee competency | • Operation of an effective training system | • Leadership training utilizing flipped learning method, introduction of Smart-Learning, etc. • S-OIL Academy, Engineer Cultivation Program, etc. | • Operation of an effective training system |
| | • Cultivation of next-generation leaders | • Introduction of Potential Future Leader Program | • Cultivation of next-generation leaders |
| | • Average time spent on training per employee; over 50 hours * | • Average time spent on training per employee; 57 hours | • Average time spent on training per employee; over 53 hours |

* Mid- to long-term target: Over 71 hours for average time spent on training per employee by 2025

Operation of Effective Training System



Based on annual competency evaluation results, S-OIL provides employees with not only in-house collective training but also various online training courses accessible via mobile devices so that employees can develop their competences anywhere, anytime. The Company allows employees to take courses outside the Company as needed to meet increasing needs for more specialized training. 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. For global competency building, the Global Learning & Communication Center provides targeted support for foreign language learning. The Company provides employees attending these programs with learning materials and expenses to promote their active interaction and competence development.

Systematized Learning Management System At S-OIL, the Learning Management System (LMS) has been used since 2015 to increase the efficiency of training programs and thus effectively develop the competency of employees. LMS analyzes the patterns of users who access the system and customizes main page for individual users. It also features My Classroom for the community learning where users can 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. In 2018, the Company implemented micro learning into employee training by adopting a Smart-Learning system running on a mobile platform, significantly enhancing user convenience and enabling access anytime and anywhere. The various training systems at the Company not only help employees to stay on competency development programs and benefit from them but also improve operational efficiency of educational administration for the Company.

Leadership Training Program With the aim of cultivating leaders who will lay the groundwork for the successful accomplishment of Vision 2025, S-OIL set up a leadership pipeline for different leader groups in 2017. This ensures proper training is given to officers and employees before their taking on a new role. To ensure effective leadership training, the Company uses the flipped learning approach where online training precedes offline training so that employees can acquire knowledge first and then find ways to apply it through discussion. The Company selects talented resources and sends them to leadership trainings offered by universities and training institutions at home and abroad. Leader groups are also provided 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 S-OIL Academy for specialized job training since 2011. Particularly, the S-OIL Academy for Marketing & Sales covers service station operation, negotiation, and sales skills in a systematic manner so that domestic sales professionals can learn from actual cases of domestic oil product sales activities. As for the S-OIL Academy for Operations aimed at sharpening job competency of engineers and operators, the Company introduced the blended learning which combines online and offline job courses. In order to establish a stable operational competency for start-up and shut-down of each unit and to develop emergency response capabilities, the Company offers the Operation Training Simulator program. Also, an advanced program has been in place to support the reskilling and upskilling of manager-level engineers or above. Leadership courses are offered to foremen as well.

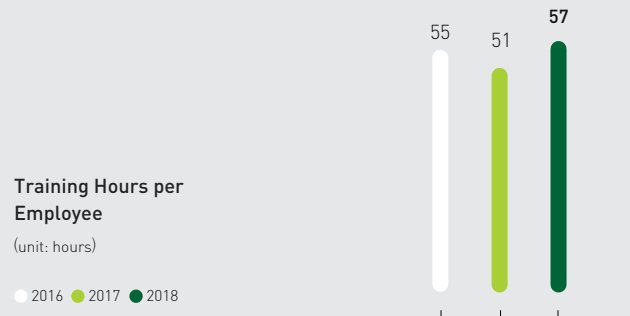
ECP for Engineer Competence Enhancement S-OIL has in place the Engineer Cultivation Program (ECP) to support the systematic training of engineers. Under this program, engineers draw up the Customized Personal Training Program (CPTP) by considering individual functions and career path every year based on interview with their team leaders. The training outcomes and achievement is systematically managed through LMS. In addition to ECP, the Intensive Overseas Training Program cultivates engineers with a global mindset and competency.

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 Onsan Refinery in Ulsan. With the aim to enhance employees' capability to communicate and do business with overseas business partners, the GLC offers not only foreign language courses on English, Chinese, Japanese and Arabic but also courses to help understand global cultures, business etiquette and manners, and speech training. In particular, the GLC operates a well-thought-out curriculum targeting team leaders, new employees and employees soon to be dispatched to overseas offices thus catering to specific needs based on their roles. The GLC 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. In 2018, the Company started the Potential Future Leader program where the Company selects talented employees with great potential and has them accumulate diverse experiences through cross-functional rotation based on the Leadership Development Plan. Also, the Company maintains a systematic means for monitoring performance throughout the program. Employees 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 at IFP School in France. Fully aware of the important roles female leaders play to the organization, the Company also focuses on developing diverse female leadership programs. These advanced training programs will produce core talents who can lead the Company to a sustainable growth.



3 Corporate Culture / Labor-Management Relations

WHY IS THIS IMPORTANT?

Improving work efficiency has always been a focus area 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 harmonious labor-management relationship is a driving force that ensures corporate sustainable growth based on trust and communication.

OUR RESPONSE



S-OIL has established a productive and healthy corporate culture based on effective and vibrant communication across functions. 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 growth by maintaining a harmonious labor-management relationship.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|---|--|---|--|
| Internalization of core values | • Awareness raising for core values | • Incorporating into HR systems, measuring the levels of internalization | • Strengthening capability to practice core values of each organization |
| | • Promotion of collaboration and communication | • Business explanation session, junior board, communication session for new employees, dynamic rookies, communication promotion program at District Biz HQs, etc. | • Promotion of collaboration and communication |
| Operation of an industry-leading welfare benefit system | • Improvement of welfare benefit system in consideration of employees' needs | • Increasing housing allowances, condolence allowances, and award for long-term service | • Improvement of welfare benefit system in consideration of employees' needs |
| | • Systematic employee health management | • Providing more support for medical checkup and medical allowances | • Systematic employee health management |
| Enhancement of work & life balance | • Development of new systems for improving work & life balance | • Intensive holiday, MRD, off-duty day | • Development of new systems for improving work & life balance |
| | • Achieving greater work efficiency through streamlining work process | • Introducing Way of Working, Smart Work system, and employee survey | • Achieving greater work efficiency through streamlining work process |
| Creation of best work environment | • Satisfaction with general affairs service: over 8.7 points | • Satisfaction with general affairs service: 8.87 points | • Satisfaction with general affairs service: over 8.8 points |
| Establishment of harmonized labor-management relations | • Zero labor dispute | • Zero labor dispute | • Zero labor dispute |

Internalization of Core Values

At S-OIL, all officers and employees are taking on responsibilities and realizing their full potential to the fullest in order to achieve Vision 2025, based on the core values that are shared across the organization and constitute the common foundation upon which the Company makes decisions and conducts business activities

regardless of external environmental changes. The Company is concentrating efforts to raising awareness of employees on the core values and applying them to business and decision-making processes. Furthermore, these core values are reflected in the recruitment process and evaluation criteria for office workers. The

Company also recognizes employees who live up to the core values in its continued efforts to hire and nurture talents who share the Company's core values. The Company produces the CEO messages and video clips on cases that demonstrate the core values and share them across the organization as educational material. The Company is committed to maximizing business ethics and core values by continuously internalizing them through programs such as core value workshops.

Promoting Collaboration and Communication S-OIL promotes collaboration and communication as a way to break down the silo among individuals and teams and create a productive and healthy corporate culture. As part of such effort, 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-wide business explanation session is held twice a year where the top management presents the Company's business status, including business performance, outlook, critical business issues, and all participants ask questions freely during a Q&A session. With the aim of expanding communication, both vertically between leaders and their members and horizontally among individuals or organizations, the Company encourages diverse team building activities and programs such as Junior Board, communication sessions for new employees, Dynamic Rookies program, and communication promotion program at District Bizz HQs.

Employee Engagement through Work & Life Balance



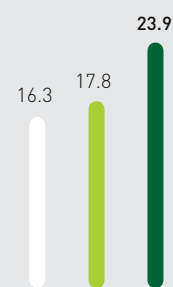
Guided by a belief that employees who strike a balance between work and life can focus more on their work with creativity and passion, S-OIL continuously reviews and make changes to its policies beyond the social expectations and legal requirements to ensure employees can relax and have quality family time away from work. As part of this, the Company runs various programs such as the two-week intensive holiday, summer vacation, off-duty day, and monthly refreshment day (MRD), so that employees may fully use their annual leaves. Furthermore, the Company provides resort reservations across the country 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 the meantime, a survey was conducted in 2018 using a new diagnosis approach to gauge the level of recognition and satisfaction of HR services and use the data as the base for improving organization culture and performance. Going forward, the Company will continue to improve the HR system by monitoring the employees' HR recognition and satisfaction level.

Employees

Average Days of Used Annual Leave per Employee

(unit: days)

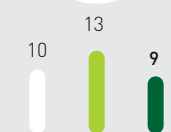
● 2016 ● 2017 ● 2018



Employees Worked for more than One Year after Parental Leave

(unit: persons)

● 2016 ● 2017 ● 2018



Satisfaction with General Affair Service

(unit: points)

● 2016 ● 2017 ● 2018



Achieving work efficiency through streamlining work process

In 2018, S-OIL introduced the Smart Work system across the board to encourage employees to leave on time where possible, take breaks, and get a healthy work and life balance, which is a key to employees' focus, energy, and productivity at work. In addition, the Company established Leaders' Way of Working and implemented the scheme through various channels so that leaders can increase work efficiency. Efforts for greater work efficiency are also made at all levels, giving a lecture on work efficiency and work efficiency improvement workshop, support employees and teams going on a work diet and bringing about positive changes to way of working.

Industry-leading Employee Benefit Programs



To create a workplace where employees can feel deeply engaged in their work based on financial stability, S-OIL offers top-tier benefits and wellness programs. In addition to the basic benefits package including four major public insurances and the congratulations & condolences money support, the Company offers an array of employee benefits tailored to the life cycle to ensure that employees can fully engage in work as well as satisfy themselves in terms of housing, health, children's education, leisure activities, and financial planning after retirement.

New Pension Program Given that Korea's average life expectancy is rising faster than people can adapt and prepare for, 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 program is designed in a way that employees can develop interest in the Company's growth in the mid- to long-term by accumulating pension fund commensurate with the mid- to long-term performance of the Company.

In-house Daycare Center To help employees fully engage themselves both at work and home, S-OIL established daycare centers in the Head Office and Onsan Refinery. Operation of the daycare center has significantly boosted the satisfaction of employees amid the shortage of public centers and widespread mistrust on private centers. It has helped alleviate the employees' burden of childcare and contributed to promoting a healthy organizational culture based on work and family balance. In particular, the Company has entrusted operations to the Puruni Childcare Foundation, which is one of the best childcare institutes in Korea, offering an excellent child-rearing environment. The daycare center provides comprehensive educational programs that meet the interest and demand of children and maintains close communication between the insti-

tute, parents, and the Company.

Employee Health Management S-OIL operates health clinics at the Head Office and Onsan Refinery manned by nurses at all times to swiftly respond to emergencies during work hours as well as take care of employees' health at normal times. The Company operates nursery rooms and provides ergonomic office furniture for expectant and breastfeeding mothers. The Company also commissions prestigious medical institutes for annual medical check-ups and runs fitness centers at the Head Office and Onsan Refinery. In addition, the Company carries out health campaigns periodically while ensuring a convenient recovery from disease by guarantying medical allowances and leaves. Mental stability as well as physical health is critical for full employee engagement. To that end, the Company runs the Employee Assistance Program, a comprehensive consultation service where outside professionals provide tips on job-triggered stress, interpersonal relations at work, family relations, childcare and more.

Providing Best-in-Class Work Environment



S-OIL strives to provide employees with the best-in-class work environment by optimizing workspace, maintaining a pleasant work environment, and serving swift business support. The Company runs a Creative Lounge in the Head Office for self-development and relaxation and a variety of other spaces dedicated to supporting external projects, while 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 continued to implement various workplace improvements, including LED light replacement, AV/VC device upgrade in meeting rooms, and comfortable office furniture procurement.

Collaborative Labor-Management Relations

S-OIL's labor-management relationship sets an exemplary precedent for the industry as there has been no single labor dispute for the past 39 years since establishment of the labor union in 1980. This was possible based on mutual trust and cooperation between the labor union and the Company. The management respects union activities and takes heed of the labor union's voices while complying with relevant laws and regulations. The labor and management work together to lift corporate competitiveness, improve the quality of employees' lives, and fulfill 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.

4 Industrial Safety & Health Management

WHY IS THIS IMPORTANT?

Industrial accidents can not only cause human loss in the workforce and compromises productivity but also leads to enormous social costs. The refining and petrochemical industry where the Company belongs to, in particular, produces products from high-pressure and high-temperature equipment, running a higher risk of fatal casualties and enormous financial losses in the event of an incident. In this regard, safety, health and environment (SHE) management is a prerequisite for securing sustainable growth for society as well as corporations.

OUR RESPONSE



Not feeling complacent with the existing safety framework of minimizing accidents and complying with safety regulations, S-OIL has established safety standards that exceed legal requirements. Based on 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 safety management of contractors. Furthermore, the Company periodically carries out drills to minimize damage on the Company and the local community in the face of unpredictable emergencies such as earthquake, fire, explosion and leakage. In particular, the Company develops accident scenarios and conduct thorough safety training for project sites. As a result of such efforts, the Company achieved 7 million zero-accident manhours without loss time injury in 2018 for the second time in its history.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|--|---|--|---|
| Establishment of world-best safety culture | <ul style="list-style-type: none"> • DNV safety culture score: over 8.1 points (World Class) | <ul style="list-style-type: none"> • DNV safety culture score: 8.1 points (World Class) | <ul style="list-style-type: none"> • DNV safety culture score: over 8.1 points (World Class) |
| Accomplishment of zero accidents | <ul style="list-style-type: none"> • LTIR: under 0.08 * • Zero safety & environmental accidents | <ul style="list-style-type: none"> • LTIR 0.16 • Two fires | <ul style="list-style-type: none"> • LTIR: under 0.08 • Zero safety & environmental accidents |

* LTIR (Lost Time Injury Rate): the number of lost-time injuries relative to the total number of hours worked within a given period

* Mid- to long-term target: Achieving LTIR 0.08 or below by 2025

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 checklist in accordance with the tightened SHE regulations. Through the Safety Keeper program, the Company improves the safety-related capabilities of individuals and promotes daily compliance of regulations and procedures. A wide range of safety activities were carried out to encourage employees to voluntarily practice safety with the goal of a safety action plan established. The company-wide Safety Management Committee also convenes regularly to devise safety policies and support safety inspection for the Head Office, Onsan Refinery and terminals, and to strengthen the Company's safety capacity through active communication and sharing of accident cases. In addition, safety education by job and level to 15 different positions and job functions is provided to reinforce employees' safety capabilities and awareness. Due to such preemptive safety-related investment and preventive measures for industrial accidents, the Company succeeded in maintaining the safety culture score for Onsan Refinery and terminals at 8.1 points in 2018, demonstrating the Company's world class safety culture.

Continuous Reinforcement of Safety Management System

To promote effective safety management, S-OIL is consistently improving the safety management system and eliminating root causes of accidents by utilizing the Behavior Based Safety (BBS) program that identifies and addresses unsafe behaviors or conditions. The Company keeps track of the safety indicators for employees and contractors on a real-time basis and making the safety management system more practical and relevant through workshops and consulting services. As there exists a strong correlation 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, the Company launched the Safety Keeper program to champion the internalization of safety practices in day-to-day work on the site and to achieve its safety targets.

Employee Health Management S-OIL is engaged in various activities to manage and promote the health of its employees. Twice a year, the Company takes measurements in its work environment for about 40 categories as required by relevant laws to check if the TWA* reading exceeds the exposure threshold, and establishes response plans accordingly. The Company regularly reviews its material safety data sheet for all materials handled by the Company and provides all employees with accurate hazard and risk information. In summer, the Company conducts employee health campaign, in which glucose and ion drinks are distributed to prevent heat stress and heat-related illness, and in the winter, it also supports employees with flu vaccination. In addition, the age limit for comprehensive medical check-up sponsored by the Company has been lowered to 35. In 2018, the Company distributed fine dust response leaflets, made employees wear dust masks in outdoor workshops, and expanded the health care center in Onsan Refinery.

* TWA (Time Weighted Average): for eight-hour work day, concentration is multiplied by the time at that exposure level and divided by eight hours.

Reinforcement of Emergency Response Capability

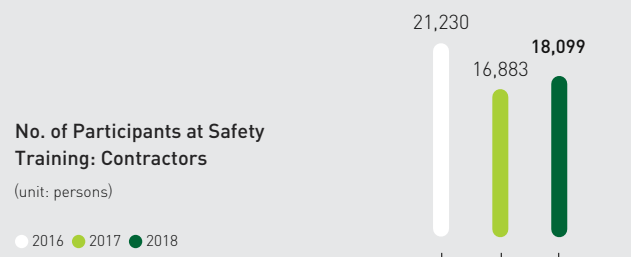
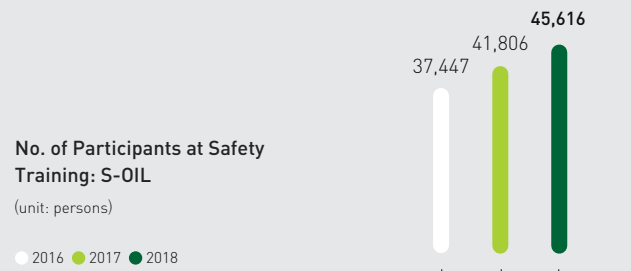
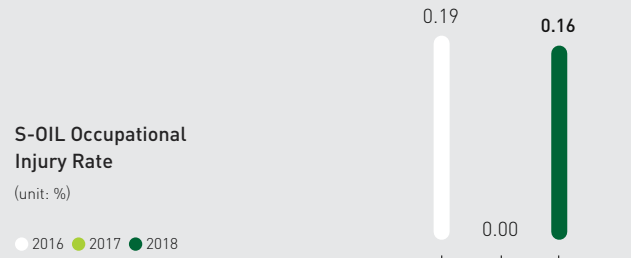
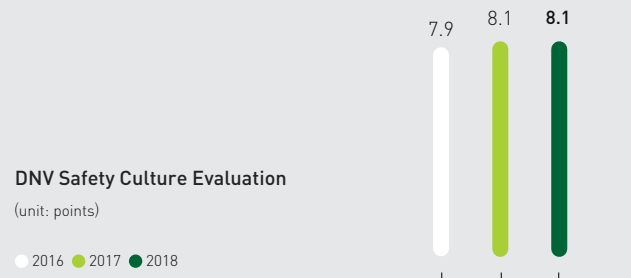
Initial response is critical to prevent an accident from escalating into a major disaster. Recognizing this, S-OIL has established the Emergency Control Program (ECP), an enterprise risk management system. In case of an accident, the ECP ensures that the Emergency Control Center (ECC) is activated, both at the Head Office and the site. The ECC calls emergency meetings, shares the location of the accident via video conference system, and orchestrates the response activities to keep the situation under control. On the site, the command transmits the status to the ECC in real time, allowing the ECC to make immediate decisions based on the live feed and remotely control the site. Furthermore, the Company strives to build the enterprise emergency response capability so as to effectively handle large-scale disasters, such as fire, power outage, oil spill, earthquake, and tsunami. To this end, simulated emergency response drills are planned for and carried out more than 24 times each year, at both enterprise and business site levels, and both in accordance with ready-made scenarios and in an unannounced manner. In addition, all employees are trained in basic firefighting equipment and cardiopulmonary resuscitation. To improve the initial response capability of its own fire brigade and joint response capabilities with external related agencies, the Company regularly conducts emergency mobilization drill and fire scenario exercise. In 2018, the Company also conducted a study jointly with local fire departments on the foot print fire control strategy for a fire in a large tank. As such, the Company is striving to minimize damage to personnel, environment, and property in case of an accident.

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 and health cooperation program with its contractors even before the increasingly stringent regulations came into force. The Company also collects opinions from contractors through an annual survey. In 2018, a total of 36 contractors participated in this program and to ensure safety in the workplace under the shared goal of having a zero accident workplace. The Company conducts various safety management activities such as regular safety meetings, safety checks, and safety campaigns, and provides diverse safety education for contractors, including safety leadership lectures, supervisor workshops, and risk assessment training. The Company provides consulting support for contractors to obtain the Occupational Safety and Health Management System (KOSHA 18001) certification and KRAS Risk Assessment certification to enable contractors to achieve a high level of safety management capabilities, and as of 2018, all 36 contractors have obtained certifications. Starting in 2018, the Company supports contractors that are willing to launch a zero accident campaign at their worksite, including awarding a certificate of recognition for achieving their zero accident safety goals, striving to create a global top-tier safety culture in workplace.



Employees



OWNERS & OTHER STAKEHOLDERS

With the aim of securing the core competencies for sustainable growth, S-OIL has been making investments 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 environment 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 | Report Subject | Aspect (Reporting Scope) | Major Stakeholders |
|--|--|---|--|
| <ul style="list-style-type: none"> Investments in new projects | 01 Investments in New Projects | <ul style="list-style-type: none"> Economic Performance (S-OIL internal) | <ul style="list-style-type: none"> Employees Shareholders & investors |
| <ul style="list-style-type: none"> Operational efficiency improvement | 02 Improvement of Operational Efficiency | <ul style="list-style-type: none"> Economic Performance, Materials, Energy (S-OIL internal) | <ul style="list-style-type: none"> Employees Shareholders & investors |
| <ul style="list-style-type: none"> Establishment of financial soundness Transparent disclosure of management information | 03 Financial Soundness / Transparent Disclosure of Management Information | <ul style="list-style-type: none"> Economic Performance (S-OIL internal/external) | <ul style="list-style-type: none"> Customers Employees Shareholders & investors Suppliers Local communities Government |
| <ul style="list-style-type: none"> Management of sustainability in supply chain Fair selection of suppliers | 04 Management of Sustainability in Supply Chain | <ul style="list-style-type: none"> Supplier Environmental Assessment, Supplier Social Assessment (S-OIL internal/external) | <ul style="list-style-type: none"> Suppliers |
| <ul style="list-style-type: none"> Enhancement of environmental management system Management of pollutants Management of environmental impact | 05 Environment Management | <ul style="list-style-type: none"> Water, Emissions, Effluents & Waste, Environmental Compliance (S-OIL internal) | <ul style="list-style-type: none"> Employees Local communities Government |
| <ul style="list-style-type: none"> Economic impact of climate change | 06 Response to Climate Change | <ul style="list-style-type: none"> Economic Performance, Energy, Emission (S-OIL internal/external) | <ul style="list-style-type: none"> Customers Shareholders & investors Suppliers Local communities Government |
| <ul style="list-style-type: none"> Social contribution activities | 07 Social Contribution Activities | <ul style="list-style-type: none"> Indirect Economic Impacts, Biodiversity, Local Communities (S-OIL internal/external) | <ul style="list-style-type: none"> Customers Employees Local communities Government |
| <ul style="list-style-type: none"> Treatment of grievances of local communities Economic development of local communities | 08 Contribution to Local Communities | <ul style="list-style-type: none"> Indirect Economic Impacts, Procurement Practices, Local Communities (S-OIL internal/external) | <ul style="list-style-type: none"> Customers Employees Local communities Government |

1 Investment in New Projects

WHY IS THIS IMPORTANT?

The energy industry in which the Company belongs is going through fundamental and structural changes brought and intensified by tougher regulations on greenhouse gas emissions, emergence of renewable energy sources, technological development for electric vehicles, and others. At a time like this, it is imperative for businesses to have a long-term growth strategy and core competencies for sustainable growth. As such, investment in new businesses based on a stable business diversification strategy is a core driving force to secure future growth engines.

OUR RESPONSE



In order to attain Vision 2025 and realize sustainable growth even amid greater uncertainties in the energy industry, S-OIL is making consistent efforts to discover future growth engines by reinforcing fuel business, expanding chemical business and venturing into new energy business areas, based on its investment roadmap. By strengthening fuel business, which is the Company's main area of business, and securing the industry's top competitiveness, the Company is stably generating revenue, which in turn is used for the development of future growth engines. In parallel, 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 engine. In addition, the Company plans to nurture long-term new growth businesses by advancing into new energy sectors such as gas or renewables based on its competence.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|--|--|---|--|
| 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"> • Domestic market share for retail light oil products :22.6% • 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"> • Successful completion of RUC/ODC Project • Steam cracker and petrochemical downstream market research • Reinforcing technological competitiveness of petrochemical downstream business | <ul style="list-style-type: none"> • Successful completion of RUC/ODC Project • SC&D Project investment case analysis • 4 patents application, 2 patents registration • 2 joint research projects with academia • Development of training programs in collaboration with technology partners | <ul style="list-style-type: none"> - • Technology partner selection and basic design for SC&D Project • Reinforcing technological competitiveness of petrochemical downstream |
| 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 | <ul style="list-style-type: none"> • Sourcing new venture investment opportunities |

RUC/ODC Project

S-OIL successfully delivered the Residue Upgrading Complex & Olefin Downstream Complex Project (RUC/ODC Project) in 2018. The KRW 4.8 trillion mega project, which was the largest scale investment in its history, marks a major milestone in the Company's endeavor to boost its profitability and build a firm foundation for business diversification, by utilizing the cost-competitive production capacity for propylene and olefin and converting residue into high value-added petrochemicals such as propylene oxide (PO) and polypropylene (PP). The RUC/ODC Project also provides a proactive response at a time when the International Maritime Organization (IMO) intends to significantly strengthen global sulfur content regulation on marine fuel starting 2020. The Company also signed a long-term LNG supply contract with Malaysia's Petronas for cost reduction and stable supply of LNG to be used for its plant operations and as feedstock for hydrogen production. The project marks a major milestone in the Company's endeavor to secure new future growth engines and build a balanced business portfolio across fuel, lube and petrochemical areas, bringing the Company a step closer to attaining Vision 2025.

RUC/ODC Key Units

| Process | Production Capacity | Product |
|-----------------|---------------------|-------------------------------|
| HS-FCC unit | 76,000 B/D | Gasoline, Propylene, Ethylene |
| RHDS unit | 63,000 B/D | |
| Alkylation unit | 14,450 B/D | Alkylate |
| PO unit | 300,000 ton/year | Propylene oxide |
| PP unit | 405,000 ton/year | Polypropylene, |
| MTBE unit | 370,000 ton/year | MTBE |

SC&D Project

To increase profitability and diversify its business, S-OIL plans to continue investing in the petrochemical business even after the successful completion of the RUC/ODC Project. The Company is pushing for the Steam Cracker & Downstream Project (SC&D Project), which invests a total of more than KRW 5 trillion to build a steam cracker that produces ethylene using naphtha and blast furnace gas as raw materials and olefin downstream facilities that produces polyethylene (PE) and PP. In 2018, the Company reviewed potential technology partners and their technology and conducted a financial feasibility review, and in 2019, the Company plans to select final technology partners for olefin downstream products and carry out conceptual design. If the SC&D Project is implemented as planned with the final endorsement from the BOD, the Company is expected to further strengthen the foundation for sustainable growth by diversifying its business portfolio, enhancing competitiveness and creating a stable profit structure.

Augmenting Technical Service Capabilities for Petrochemical Downstream Business

Given the wide spectrum of products available in the petrochemical downstream business area that S-OIL has made serious inroads into, reinforcing R&D capabilities and enhancing technical service capabilities for customers are keys to success. As such, in 2017, the Company established the Technical Service & Development Center (TS&D Center) in Magok Industrial Complex, Seoul. In addition, the Company introduced the Electronic Laboratory Notebooks and the Laboratory Information Management System (LIMS) for more efficient product development, core technology research, and systematic technical support, and built a database of products and various technical documents. In parallel, the Company is conducting various joint researches with the country's leading universities with the aim of cultivating excellent research personnel and securing technological competitiveness, and has developed training programs jointly with major technology partners. Thanks to the continued efforts, in 2018, the Company applied for four domestic patents and registered two domestic patents.

Venture Investments

In order to proactively and preemptively cope with changes in the future business environment, S-OIL is looking for opportunities for venture investments in areas where synergy can be created with the existing businesses in fuel, lube and petrochemicals, or other areas offering great potential to become a new growth engine for the Company. The Company actively communicates with various players in the industry for successful venture investments and continues studies in potential investment areas. Starting in 2018, the Company is focusing on areas where production competitiveness can be enhanced, such as smart factory, and areas that can become new growth engines, such as material business, while gradually increasing direct investment as well as indirect investment through venture funds.

2 Improvement of Operational Efficiency

WHY IS THIS IMPORTANT?

The oversupply coupled with the expansion of refining and petrochemical facilities around the world is intensifying competition in the industry. In particular, the global business environment has become increasingly unpredictable due to the 4th Industrial Revolution and the rapid spread of shale gas. To reinforce business competitiveness in such a volatile business environment, companies should enhance operational efficiency through a variety of profitability improvement activities and proactively respond to the 4th Industrial Revolution.

OUR RESPONSE



Faced with the greater volatility in the energy and chemical industry, S-OIL seeks to continuously improve its operational efficiency through various profitability activities, such as ramping up production of high value-added products and saving energy cost. The Company is also constantly striving to sharpen its competitive edge and creating new values by tapping into big data, a key technology in the 4th Industrial Revolution.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|---|---|---|---|
| Enhancement of competitiveness through diverse profitability improvement activities | • Development of SUPER-II Project | • Concept design and investment approval for a production capacity increase in RHDS | • Execution of a production capacity increase in RHDS |
| | • Profitability improvement target: KRW 51.9 billion | • Profitability improvement result: KRW 113.8 billion | • Profitability improvement target: KRW 30.3 billion |
| | • Encouragement of suggestion system | • 587 participants with 1,323 valid suggestions submitted | • Encouragement of suggestion system |
| | • EII 0.2 Saving | • EII 0.286 Saving | • EII 0.2 Saving |
| Digital Transformation (Response to the 4th Industrial Revolution) | • Implementation of 4 big data PoCs and 2 projects | • Implementation of 6 big data PoCs and 2 projects | • Implementation of 4 big data PoCs and 2 projects |
| | • Realization of Work-Smart through IT system enhancement | • Establishment of RPA, S-Rich Program, LIMS, Electrical Laboratory Notebooks, upgrade of EAI system, replacement of obsolete IT infrastructure | • Realization of Work-Smart through IT system enhancement |

SUPER-II Project

With the aim of increasing the profitability of existing production facilities in Onsan Refinery, S-OIL has successfully completed its S-OIL Upgrading Project of Existing Facilities (SUPER Project) with a total investment of KRW 320 billion over three years from 2015 to 2017. Building upon the knowhow and success DNA acquired through the SUPER Project, the Company is implementing the SUPER-II Project for continued profit improvement. Recognizing the International Maritime Organization's (IMO) move to tighten regulations on the sulfur content of marine fuel from 2020, the Com-

pany responded to the risk and created new revenue through the RUC/ODC Project by reducing the production of high-sulfur bunker-C and increasing that of light oil products, for which demand is expected to increase. Without complacency, the Company will focus on delivering the residue hydro-desulfurization unit (RHDS) revamping, the first task of the SUPER-II Project, to convert surplus high-sulfur bunker-C generated during T&A into high value-added low sulfur vessel fuel oil in preparation for the IMO's tougher regulations on sulfuric content on marine fuel.

Various Activities for Profitability Enhancement

To minimize unnecessary loss and improve operational efficiency throughout the entire processes from import of crude oil to production and market distribution, S-OIL continues to carry out various profit improvement activities, including optimizing the operational conditions of production facilities, expanding production capacity of high value-added products, adjusting mixture ratios of products and reducing fuel consumption. The profitability improvement reward system and the enterprise suggestion system are in operation in order to promote profit improvement activities and encourage voluntary employee participation. In addition, the S-RICH Program was established in 2018 to efficiently manage the identified profit improvement tasks and provide a platform for sharing data among employees. This effort resulted in a profit improvement of about KRW 113.8 billion in 2018 in terms of increased production capacity, improved high value-added product yield, energy saving and off-site optimization.

Energy Consumption Reduction and Efficiency Improvement

S-OIL continues to reduce its energy use through in-house energy saving programs and external consulting. In 2018, the Company exceeded its Energy Intensity Index (EII) goal by 0.086 saving against its plan with its own energy saving projects alone, and in 2019, it plans to review ideas for energy efficiency and profitability through energy consulting on the new RUC/ODC process. In addition, the Company receives low-cost steam from LS-Nikko Copper and Korea Zinc, adjacent to Onsan Refinery, to cut costs and greenhouse gas emissions, while the steam supplying companies create additional profits from selling surplus steam, achieving shared energy growth.

Digital Transformation

S-OIL has selected digital transformation using big data, a key technology of the 4th Industrial Revolution, as a strategic task to achieve Vision 2025, and is developing innovative action items to drive digital transformation, to achieve greater work efficiency, cost reduction, operational optimization and business capabilities enhancement. In 2018, the Company conducted 6 big data Proof of Concepts (PoC) and executed 2 projects. As a result, the Company deployed the Robotics Process Automation (RPA) solution to allow the software to automatically process standardized tasks, increasing efficiency for repetitive tasks and rechanneling work focus and capability to value-added ones. The Company continues to look for areas that require digital transformation across the board, especially in relation to the plant and marketing. Onsan Refinery, in particular, systematically pursues digital transformation by organizing a dedicated the Smart Transformation for Advanced Refinery Taskforce (STAR TF) and finding and prioritizing innovation tasks to improve productivity, reliability and safety.

Realization of Work-Smart through Upgrading IT Systems

S-OIL is committed to implementing a work-smart environment that enables IT systems to respond more flexibly and quickly to changes in its business environment, and to work efficiently to improve profitability. In 2018, the Company introduced the Electronic Laboratory Notebooks and the Laboratory Information Management System (LIMS) for the TS&D Center and also launched the S-Rich Program. At the same time, the Company is actively pushing for RPA Phase 1 to improve efficiency through automation of manual tasks. The Company has also made efforts to implement a variety of work-smart solutions, such as upgrading Enterprise Application Integration (EAI) and replacing obsolete IT infrastructure.



SUPER Project - Lube Upgrading



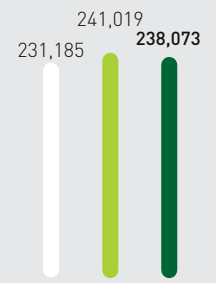
Onsan Refinery

Owners & Other Stakeholders

Treatment of Crude Oil

(unit: thousand barrels)

● 2016 ● 2017 ● 2018

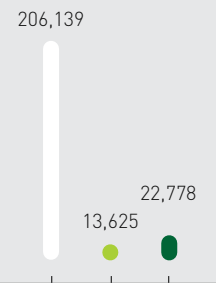


Production

(unit: thousand barrels)

● Fuel products ● Lube products ● Petrochemical products

Total
242,542



3 Financial Soundness / Transparent Disclosure of Management Information

WHY IS THIS IMPORTANT?

In order to ensure sustainable growth in a rapidly changing business environment, it is important to secure financial flexibility and maintain a stable financial structure that stays undisturbed by the external environment. In addition, transparent management information disclosure helps address an information imbalance, informs stakeholders of major decisions and changes in financial status, and thereby protects the interest of stakeholders.

OUR RESPONSE



S-OIL maintains a stable financial structure through efficient financial management and optimized financing in response to rapid changes in its business environment. The Company is protecting investors and contributing to the national economy through balanced performance distribution, responsible tax compliance, and transparent management information disclosure.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|--|--|--|--|
| Securing financial soundness | • Maintenance of excellent credit ratings | • Maintenance of domestic ratings at AA+ & global ratings at BBB | • Maintenance of excellent credit ratings |
| | • Securing financial resources for investments to create sustainable growth | • Successful completion of financing for RUC/ODC Project | • Securing financial resources for investments to create sustainable growth |
| | • Balanced performance sharing | • Maintenance of higher payout policy than market average | • Balanced performance sharing |
| | • Sincere tax compliance | • Payment of KRW 69,611 million in corporate taxes | • Sincere tax compliance |
| Transparent disclosure of management information | • Zero violation of public disclosure, 1 training session on public disclosure | • Zero violation of public disclosure, 1 training session on public disclosure | • Zero violation of public disclosure, 1 training session on public disclosure |
| | • Proactive IR activities | • Hosting 14 NDRs, participation in 11 IR conferences | • Proactive IR activities |

Establishment of Financial Soundness and Efficient Financial Management

S-OIL maintains the highest credit rating in the industry and seeks to maintain a stable financial structure by tracking key financial soundness indicators at all times. The Company is securing sufficient financial flexibility in preparation for rapid changes in the business environment, by reducing unnecessary borrowing based on its periodic estimation of future cash flows and systemically managing risks associated with the redemption of principal and interest by dispersing payment dues.

Optimized Financing

In order to ensure a smooth undertaking of the RUC/ODC Project, S-OIL successfully financed approximately KRW 3 trillion under competitive terms from 2015 to 2018 by issuing corporate bonds and borrowing from banks, based on its excellent credit rating, sound financial structure and enhanced profitability. In the future, the Company will maintain its highest level of financial capability to fund new investments from capital market and financial institutions under optimal conditions.

Budget Management for Efficient Resource Allocation

S-OIL sets and executes its budget in a systematic manner to ensure efficient allocation of limited resources. To prevent unnecessary items being budgeted, and to draw up a budget organically linked to its management policy and strategy, the Company uses the Zero Base Budgeting (ZBB) approach and have budget items undergo a thorough review by the relevant department before execution. In 2018, the Company curbed unnecessary budget execution in the existing business segments to the fullest extent in an effort to minimize the cost increase following the completion of the RUC/ODC Project.

Balanced Performance Sharing

S-OIL pursues a reasonable dividend policy that balances internal reserves for investment and the return of shareholders profits, by taking into account the profits earned, cash flows, capital structure and credit rating for a given year. The Company will continue its strategic investment activities to generate revenue and secure future growth engines, and will return profits created to shareholders so that the Company and its shareholders can grow together.

Sincere Tax Payment

S-OIL takes it as an important responsibility as a respected corporate citizen to contribute to the national economy and social development through faithful tax payments. The Company observes the regulations, maintains an honest and transparent relationship with the taxation authorities, and dutifully pays taxes, in accordance with its own tax policy. In addition, the Company's corporate tax, deferred tax and effective tax rate are reported in detail through an audit report of independent auditors, and disclosed to the public through the electronic disclosure system of the Financial Supervisory Service.

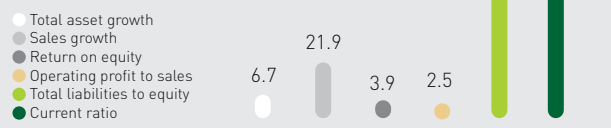
Tax Policy

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.

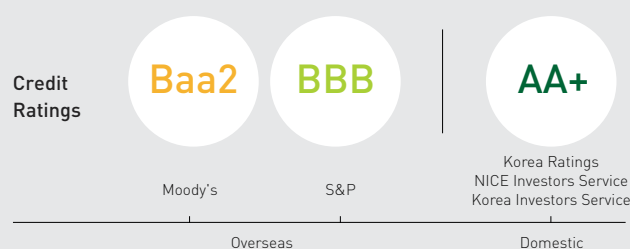
1. The Company shall strictly comply with the tax-related policies, laws, and international standards (OECD Guidelines, etc.) of the country or region where the Company operates its business.
2. The Company shall not violate tax laws or conduct inappropriate tax accounting activities for the purpose 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.

Key Financial Indicators

(unit: %)

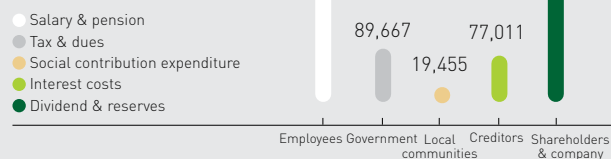


Credit Ratings



Economic Value Distributed

(unit: KRW in million)



Full Compliance with Disclosure Regulations

In order to uplift investor confidence and comply with disclosure regulations, S-OIL closely monitors the enactment and amendment of relevant regulations, and provides public disclosure training to employees, taking extra care to prevent any omissions in disclosure. To this end, the Company distributes a reference material that classifies new and revised regulations and important matters to all employees. By complying with these stringent disclosure rules, the Company announced its management information transparently to shareholders and investors by submitting a total of 47 disclosures, including autonomous disclosures, with no disclosure breach in 2018.

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 2018, the Company conducted a wide range of IR activities with a focus on delivering accurate information to shareholders and investors about favorable market conditions, positive business prospects, and the Company's growth engines based on the RUC/ODC Project. It held four performance presentation conference calls and 11 corporate presentations to domestic and foreign investors, and delivered management information transparently through active IR activities, including attendance at 11 large investor conferences.



4 Management of Sustainability in Supply Chain

WHY IS THIS IMPORTANT?

Maintaining a stable supply chain and promoting healthy competition among bidders are prerequisites to achieving sustainable business growth in the rapidly changing supply chain market. 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 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.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|---|--|---|--|
| Enhancement of sustainability capability in supply chain | <ul style="list-style-type: none"> • Execution rate of regular risk evaluation on suppliers: 100% • Participation rate in ESG training for procurement-related teams : 100% • One supplier invitation program (Annual) • Supplier satisfaction evaluation: over 9.3 points | <ul style="list-style-type: none"> • Execution rate of regular risk evaluation on suppliers: 100% • Participation rate in ESG training for procurement-related teams : 100% • One supplier invitation program (368 suppliers participated) • Supplier satisfaction evaluation result : 9.41 points (635 suppliers participated) | <ul style="list-style-type: none"> • Execution rate of regular risk evaluation on suppliers: 100% • Participation rate in ESG training for procurement-related teams : 100% • One supplier invitation program (Annual) • Supplier satisfaction evaluation: over 9.3 points |
| Enhancement of bidding competitiveness by discovering new suppliers | <ul style="list-style-type: none"> • Development of 100 new suppliers | <ul style="list-style-type: none"> • Registration of 110 suppliers | <ul style="list-style-type: none"> • Development of 110 new suppliers |
| Reinforcement of local purchasing | <ul style="list-style-type: none"> • Local purchasing in Ulsan : KRW 184.7 billion | <ul style="list-style-type: none"> • Local purchasing in Ulsan : KRW 194.2 billion | <ul style="list-style-type: none"> • Local purchasing in Ulsan : KRW 190.0 billion |

Procurement Process Improvement

Since 2013, S-OIL has introduced advanced purchasing processes such as auto-invitation and blind-bidding to dramatically improve the transparency, objectivity and fairness of its purchases. Procurement of goods and services is initiated through automatically inviting all suppliers who joined each sourcing group after preliminary reviews of the Sourcing Group Deliberation Committee (SGDC) in accordance with the auto-invitation procedure. Then the Com-

pany selects contractors through Blind-Bidding, where the e-Procurement system automatically carries out the quotation process. Through the new purchase process, the Company improves the process of selecting contractors more transparently and fairly, and upgrades its procurement process through continuous communication with suppliers.

Improvement of SRM System

S-OIL has been operating the Supplier Relationship Management (SRM) system since 2010 with the goal to select suppliers based on transparent procedures and fair evaluation. The Company secures objectivity and reliability of the SRM system by conducting a comprehensive evaluation on the basis of the Korea Enterprise Data's (KED) credit ratings and performance assessment on suppliers.

Critical Supplier : 30companies

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

Systematic Supplier Sustainability Management

S-OIL has 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 2018, a total of 236 suppliers were evaluated by the SGDC. In addition, in 2018, the Company visited business sites of 34 suppliers for sustainability risk assessment, and supported improvement activities to all 34 companies that were found to have risks. 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 2018, a total of 368 suppliers participated in the program.

Ethics Policy for Suppliers

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

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

Direction of Supply Chain Sustainability Management

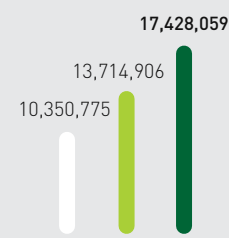
- Enhancement of fairness and transparency in the selection of bidders by systematically improving the supplier evaluation process
- Procurement of high quality products at reasonable price through the differentiated selection of suppliers
- Integration of procurement processes & enhancement of interactive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



Procurement of Crude Oil

(unit: KRW in million)

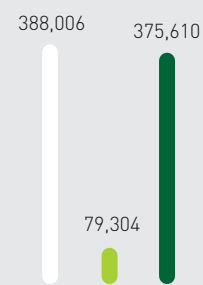
● 2016 ● 2017 ● 2018



Procurement by Item

(unit: KRW in million)

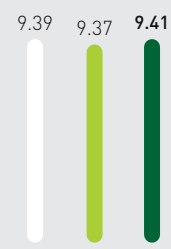
● Construction & maintenance
● General service
● Materials



Suppliers Satisfaction Score

(unit: points)

● 2016 ● 2017 ● 2018



5 Environment Management

WHY IS THIS IMPORTANT?

With environmental accidents becoming more prevalent around the world, greater expectation and emphasis from the government and local communities are now being placed upon companies to promote their environmental stewardship. In particular, systematic management of the environment is becoming all the more important in the refining and chemical industry as companies are highly likely to be exposed to various environmental issues throughout their management activities, including handling, manufacturing, transporting and supplying of raw materials and products.

OUR RESPONSE



Based on management's strong commitment to environmental preservation and green management, S-OIL is actively carrying out eco-friendly policies and continuous environmental investment as well as complying with environmental laws. The Company has formed a dedicated Environmental Affair Team and Environment Management Team both at the Head Office and Onsan Refinery and operates a systematic environment management system, aiming to minimize pollutant discharge and adverse impact on the environment through active and preemptive environmental management. The Company also produces environmentally friendly products through continuous improvement of processes and environmental facilities and manages environmental pollutants at a significantly lower level than the legal threshold. The Company also responds to various environmental laws in a proactive manner.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|--|---|--|---|
| Environmental performance evaluation | • Environmental performance evaluation: 155 points | • Environmental performance evaluation: 158 points | • Reexamination of evaluation items and baseline year due to large-scale facility investment |
| Reduction of environmental pollutant emissions by systematic management * | <ul style="list-style-type: none"> • 30% reduction of air pollutant (SOx, NOx, dust) emissions from 2014 levels • Rate of fugitive emissions: below 0.25% | <ul style="list-style-type: none"> • 32% reduction of air pollutant emissions from 2014 levels • Rate of fugitive emissions: 0.06% | <ul style="list-style-type: none"> • 30% reduction of air pollutant emissions from 2014 levels • Rate of fugitive emissions: below 0.2% |
| Enhancement of emergency response ability to leakage of oils and hazardous chemical substances | <ul style="list-style-type: none"> • At least 2 emergency drills • Zero oil spill | <ul style="list-style-type: none"> • 2 emergency drills (for hazardous chemical) • Zero oil spill | <ul style="list-style-type: none"> • At least 2 emergency drills • Zero oil spill |
| Compliance with environmental regulations (Fine or above) * | • Zero violation | • Zero violation | • Zero violation |
| Registration of chemical substances to the government | • Registration of 1st phase substances (2015~2018) | • Completion of 1st phase substances registration | • Preparation for 2nd phase registration (2019~2021) |

* Mid- to long-term target: Reducing air pollutant emissions by 40% compared to 2014 levels by 2022, Attaining and maintaining the fugitive emissions rate below 0.2% by 2022, Environmental regulation violations below 0 cases by 2022

Environmental Management Systems

Environmental Management Strategy and System S-OIL has set the establishment of proactive green management as the top priority of its first environmental policy, and is not only producing high-quality eco-friendly products by continuously revamping production processes and introducing new technologies, but also

securing environmental impact reduction facilities such as desulfurization, denitrification, wastewater treatment, and dust collection facilities. Since 1996, the Company has steadily implemented the highest level of environmental management by acquiring ISO 14001 environmental management system certification for all

production processes.* ISO 14001 has been adopted to all production processes and terminals step by step. In 2017, the Company successfully migrated its environmental management system to ISO 14001:2015 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. The Company provided environmental education to 2,185 employees in 2018 alone as part of its effort to internalize its environmental management strategy and system.

* ISO 14001 certification for new plants will be acquired in 2019.

Environmental Performance Evaluation System (ISO 14031)

S-OIL is operating ISO 14031 environmental performance evaluation system to ensure environmental investment and performance are objectively evaluated and then the evaluation results are proactively incorporated in its environmental management activities. The evaluation system includes selecting environmental indices, gathering and analyzing environmental data, assessing environmental performance, conducting regular reviews and making improvements to help stakeholders and the management makes decisions. The evaluation results show the Company performed slightly better in 2018 compared to the previous year, especially with zero violation of environmental regulation, reduction in air pollutant emissions, and growing environmental investment cost, etc. despite the overall increase in pollutant emission resulting from new plant expansion.

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 while expanding green purchasing.
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.

Environmental Accounting (EA) System In order to systematically analyze environmental costs, make informed decisions on environmental investment and operational performance objectively, and implement its environmental management policy more actively, S-OIL operates its own environmental accounting system according to the guidelines of the Ministry of Environment. In 2018, the Company's environmental investment focused on reducing pollutant emissions and preventing environmental accidents, such as reducing the odor of site boundary line tanks, improving boiler F/G firing facilities for reducing air pollutants emissions, installing hazardous chemical detection and warning devices, and replacing aged hume pipes for preventing soil contamination.

Environmental Pollutant Emissions Control



Air Pollutant Control

S-OIL has in place stricter in-house emissions standards than legally required in order to improve the atmospheric environment. In 2018, the Company replaced bunker-C used in boilers with LNG, minimizing emissions of fine dust and SOx in the air. The Company has made steady investment in environmental facilities such as Ultra Low NOx Burner and Selective Catalytic Reduction, and electrical precipitator. In addition, the Leak Detection and Repair is in operation to systemically control the fugitive emission* of hazardous air pollutants (HAPs), which may be produced during product storage, shipment, and processing, into the air without being filtered by vents. In 2018, thanks to the continued strict leakage control by production teams, the leakage rate remained only at 0.06% (when the Company's internal leakage standard of 500 ppm is applied). Meanwhile, the Company has completed the improvement of related facilities 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. The Company has also signed a voluntary environment management agreement with the government to reduce its emissions of air pollutants, including fine dust, by 40 percent from the 2014 level by 2022, and established detailed targets and action plans.

* 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 a wastewater 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 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 (S/Ss) 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 S/Ss are built with the concept of Clean S/S. Clean S/Ss 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.

Chemicals Management S-OIL complies with the standards for hazardous chemicals handling and associated facilities in accordance with the Chemicals Control Act, and improves its response capability in the event of an accident involving chemical substances through regular emergency drills. In addition, the Company prepares accident scenarios for hazardous chemicals the Company handles, estimate the scope of impact, and develop a summary of chemical accident risk and emergency response information, through the over-the-counter impact assessment and risk management planning. The summary is then notified to local communities once a year to ensure thorough accident prevention and response activities.

Waste Control To create a virtuous circle of eco-friendly resources, S-OIL has steadily reduced waste discharge and increased 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 to discover competitive waste recycling companies and improve recycling rates. In order to preclude any possible fire accidents and contamination in the

waste storage process, the Company also installed fire detectors and water spray sprinklers in the waste and waste catalyst storage facilities. In 2018, the second waste storage facility was augmented to efficiently store and manage the increasing volume of waste.

Prevention of Hazardous Substance Leakage S-OIL has systematic response procedures to prevent leakage of oil and hazardous chemicals in the Refinery and systematically respond to accidents. The Company regularly inspects facilities and conducts emergency response training to enhance the Company's emergency preparedness. In 2018, the Company installed three additional oil detectors in major areas of the new plant, as the Company already did for the existing plants, to further strengthen its capability to carry out first-response and contain an oil spill. In addition, the Company conducts regular emergency drills based on hazardous chemicals and oil leakage scenarios every year. Going forward, the Company will further strengthen emergency response training by developing various scenarios related to leakage of oil and hazardous chemicals.

Prevention of Oil Spills To prevent marine pollution accidents, S-OIL has in place work standards and procedures and is strengthening on-site monitoring and conducting emergency response drills and training on a regular basis. 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 fundamentally blocks vessels that fall short of strict safety standards entering and leaving port facilities, by proactively assessing the risks of all ships beforehand. In addition, for Single Point Mooring, an onshore logistics facility for very large crude oil carriers that can cause significant damage from marine pollution in the event of an accident, the Company also has a protection system consisting of radar, tidal current measurement, and mooring tension measurement systems, as well as the Automatic Identification System that prevents dock crashes. The Company installed oil spill detectors to the final discharge outlet on the seafront to enhance the monitoring of the risk of marine pollution accidents.

Environmental Impact Evaluation and Response to Environmental Regulations

Environmental Impact Evaluation S-OIL has been recognized as an eco-friendly company that faithfully complies with the Environmental Impact Assessment Act and fully considers possible environmental impact on neighboring areas. In case of new projects or large-scale construction, the Company evaluates the impact on the environment, reflects the pollution reduction plan in the project design, and executes periodic measurements

of air, water, the ecosystem, and soil quality. The results of environmental impact evaluation are submitted to administrative agencies before the project, and follow-up environmental impact assessment is carried out legitimately during and after the project to minimize any environmental impact from its business.

Preemptive Response to Tightening Environmental Regulations

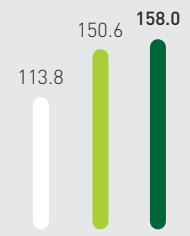
S-OIL proactively responds to environmental policies and regulations in accordance with its environmental policy of Proactive Green Management. From the initial stage of plant construction, the Company took into account environmental management by introducing optimized pollution prevention facilities, and has made efforts to minimize environmental impact through strict compliance with regulations and in-house standards. The Company conducts daily self-inspection and remedy any unsatisfactory areas immediately to further solidify the autonomous environment 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. The Legal Compliance System enables information sharing on revisions to environmental regulations and self-assessments on a periodic basis against the environmental regulation 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 24 external reviews and audits held in 2018.

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, the media and academia, and reflects those data in the company-wide environmental management system. The Company shares its environmental management information with local communities, relevant institutions, and other stakeholders, and reflects their opinions to improve its environmental management activities. The Company actively participates in diverse environmental events in local communities to practice environmental protection and forms close ties with those communities, and contributes to the improvement of the environment of local communities by supporting environmental training materials for business partners and providing environmental management consulting for small businesses in local areas.

Environmental Performance Evaluation

(unit: points)

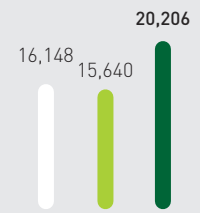
● 2016 ● 2017 ● 2018



Environmental Investments

(unit: KRW in million)

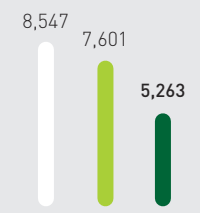
● 2016 ● 2017 ● 2018



Air Pollutant Emissions at Onsan Refinery

(unit: tons)

● 2016 ● 2017 ● 2018



HAPs Leak Rate at Onsan Refinery

(unit: %)

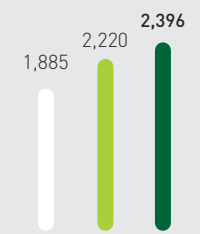
● 2016 ● 2017 ● 2018



Water Recycling at Onsan Refinery

(unit: thousand tons)

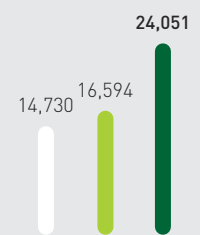
● 2016 ● 2017 ● 2018



Waste Recycling at Onsan Refinery

(unit: tons)

● 2016 ● 2017 ● 2018



6 Response to Climate Change

WHY IS THIS IMPORTANT?

Climate change has far-reaching consequences for all areas of our lives, across ecosystems and economies. The Paris Agreement, an international treaty on climate change, took effect in 2016, leaving the world with concrete implementation to reduce greenhouse gas (GHG) emissions. The response to climate change is particularly important for S-OIL, which runs an energy-intensive business due to the nature of the industry, and is pushing for the construction of additional large-scale production facilities to achieve Vision 2025.

OUR RESPONSE



S-OIL recognizes the issue of climate change as an immediate challenge and takes into account the internal and external uncertainties associated with climate change in investment and facility operations, while developing a mid- to long-term response strategy. The establishment of the carbon management system, put the Company comes to implementing cost-effective solutions to its GHG reduction obligations and making rational investment decision considering carbon costs. The Company is also actively participating in global efforts to reduce GHG emissions through large-scale fuel conversion.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|--|--|---|--|
| Strategic carbon response | <ul style="list-style-type: none"> Expansion of direct GHG emissions reduction | <ul style="list-style-type: none"> GHG emissions reduction of 140,000 tons (excluding RUC/ODC Project) | <ul style="list-style-type: none"> Expansion of direct GHG emissions reduction |
| Communication to solidify the Company's position as eco-friendly company | <ul style="list-style-type: none"> Acquisition and renewal of certifications on carbon management | <ul style="list-style-type: none"> Maintenance of certifications on carbon management | <ul style="list-style-type: none"> Acquisition and renewal of certifications on carbon management |

Advancement of Carbon Management System



S-OIL operates an IT-based carbon inventory system to identify, record, calculate and report GHG emitted by its business activities for systematic GHG management. New and revised regulations of the government are frequently reflected in the system to maintain the accuracy and reliability of data through internal verification and independent external assessment. The Company also regularly maintains and calibrates the measurement and analysis equipment to maintain the highest level of GHG monitoring in the industry. Management Committee is held to revamp internal procedures on carbon management and expand GHG cost estimation scope to small-medium-sized process upgrades and energy savings in all business areas and investment projects, as well as large-scale new investments, thereby reinforcing the rationality of investment decision making. The Company is incentivizing employees to actively participate in energy and GHG reduction efforts by returning some of the economic benefits from excellent proposals. In the meantime, the Company is in the process of establishing a comprehensive emission allowances management plan in line with its mid- and long-term operational plans and national

emissions reduction roadmaps by predicting future emissions and emission allowances allocations. In 2018, the Company conducted emission allowance trade six times as planned and expanded the use of low-carbon LNG, to reduce direct GHG emissions.

GHG Reduction Performance



Tapping onto the Energy Conservation & Operation System the Company has already deployed, S-OIL performs energy diagnosis activities to discover improvement areas and apply them to the process to reduce actual energy consumption and GHG. In 2018, while continuing large-scale investments, the Company pulled off a reduction of around 140,000 tons of GHG emissions from the previous year, which excludes the emissions from the RUC/ODC Project, thanks to various efforts. About 100 projects were conducted to reduce GHG emissions. By recycling excess heat back into the process through improving processes and installing heat exchangers in No. 2 Aromatic Complex, the Company reduced GHG by about 30,000 tons per year. Furthermore, the Company is making concerted efforts to cut GHG emissions across the board

such as the replacement of high-efficiency equipment, improvement of the process control system, and re-use of waste heat generated from near companies. The Company has also expanded the use of low-carbon LNG. The Company is also strengthening monitoring on indirect emissions from supply chains including crude oil procurement and product distribution. In particular, Saudi Arabian crude oil, which the Company imports, is known to have the lowest GHG emissions in the world.

GHG Reduction Initiatives



To raise awareness and build consensus on GHG reduction among consumers, S-OIL conducts Eco Campaign every year, which captures drivers' interest with novel ideas, 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 renewed the certification. The Company also joined the Carbon Disclosure Project and has been selected as a high performer for four straight years, demonstrating its initiative to take the lead in disclosing carbon information in a transparent manner. Furthermore, as a member of the Korea Business Council for Sustainable Development, which was launched to promote government-industry cooperation and to achieve the government's carbon reduction goal, the Company proposes various ideas and takes part in various programs. Starting 2016, the Company implemented a cogeneration plant project in collaboration with KD Powertech. This is to generate 16.4 MW of electricity by recycling waste heat and to sell it to KEPCO, which contributes to reducing GHG by 61,000 tons every year. Not only reducing direct GHG emissions, the Company also strives to keep pace with global efforts to tackle climate change. In order to improve the quality of life for the people of Myanmar suffering from repeated droughts, floods, typhoons and severe air pollution that lead to many deaths each year, the Company is working on a project in the country in 2019 to provide high-efficiency cookstoves for free, thus improving women's human rights as well as air pollution. The project is also expected to help reduce timber use and help reduce GHG by preserving forests in Myanmar.

Business Diversification to Meet Changes in Demand

Global effort to tackle climate change can have an impact on the demand for oil and petrochemical products in the med- and long-term. Recognizing the importance of proactive response to the global phenomenon, S-OIL successfully completed the RUC/ODC Project in 2018 to convert residual oil into high value-added petrochemical products, which are eco-friendly, high-functioning materials. Furthermore, 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 business environment.

Owners & Other Stakeholders

GHG Emissions

(unit: thousand tons CO₂eq)

● 2016 ● 2017 ● 2018

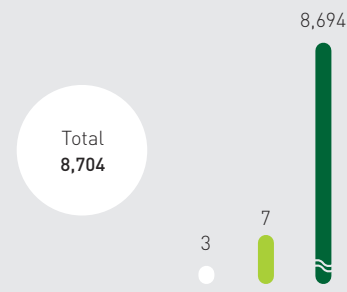
(Excluding RUC/ODC)



Detailed GHG Emissions

(unit: thousand tons CO₂eq)

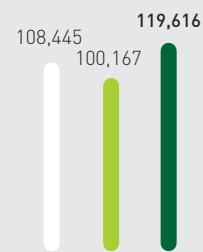
● CH₄ ● N₂O ● CO₂



Energy Consumption

(unit : TJ)

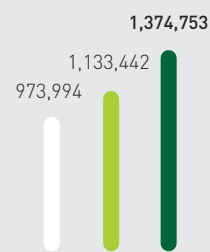
● 2016 ● 2017 ● 2018



Energy Cost

(unit : KRW in million)

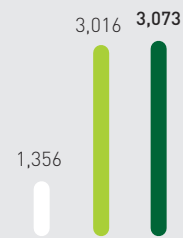
● 2016 ● 2017 ● 2018



Sales of Energy: Steam

(unit: TJ)

● 2016 ● 2017 ● 2018



7 Social Contribution Activities

WHY IS THIS IMPORTANT?

Companies should create new values for the community and fulfill their social responsibility through sincere and strategic social contribution activities that benefit both businesses and society. To this end, companies need to establish a systematic process that clarifies the direction of their social contribution programs in alignment with their strategies, and to continuously improve social contribution activities through active participation of stakeholders and periodic feedback and evaluation.

OUR RESPONSE



S-OIL strives to fulfill its social responsibilities and practice its core value, sharing. In order to carry out productive and strategic social contribution activities, the Company identifies expectations of local communities through diverse communication channels with stakeholders. Then, the Company implements systematic and differentiated social contribution activities through selection and concentration in accordance with its three key principles: being effective, timely, and beneficiary-centered, under the vision statement of Sunshine Sharing. The Company also practices sharing with the underprivileged through CSV programs aligned with its business operation.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|--|---|---|---|
| Promotion of systematic social contribution activities | • Execution of social contribution activities linked with strategic directions | • Activities for Local Communities, for the Environment, for Needy People, for Heroes | • Execution of social contribution activities linked with strategic directions |
| | • Execution of social contribution activities that reflect stakeholder opinions | • Workshop for stakeholders of Sunshine Sharing Public Service Corps programs | • Execution of social contribution activities that reflect stakeholder opinions |
| | • Continuous improvement of social contribution activities | • Training for social contribution workers, Idea contest for Sunshine Sharing Volunteer Program | • Continuous improvement of social contribution activities |

For Local Communities



S-OIL carries out a variety of social contribution activities for co-prosperity with local communities in Ulsan, Mapo, and Magok where its worksites are located. Those include promoting the Culture & Arts Sharing Campaign, supporting local communities where the Company's terminals and the TS&D Center are located, operating GOODOIL Café, establishing the Ulsan Welfare Foundation, sponsoring cultural events at Taewharu in Ulsan, and supporting welfare facilities in Ulsan.

For the Environment



S-OIL is implementing various 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 the first full-fledged conservation of endangered species at the corporate level, and contribute to enhancing social interest in the protection of natural monuments and the value of biodiversity. In addition, the Company regularly conducts environmental clean-up activities around Mokdo Island, which is a natural monument adjacent to Onsan Refinery, and is expanding green purchasing to further contribute to environmental protection.

For Needy People



S-OIL is engaged in many programs to help alienated neighbors stand on their own and contribute to society as healthy citizens amid the continuous interest and support of society. For example, the Company sponsors scholarships for youths living in residential facilities and the Sunlight Sharing Camp for children with 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 the Sharing N Campaign at service stations, sponsors the participation of the disabled in overseas marathon races, and supports many other charity programs for the needy.

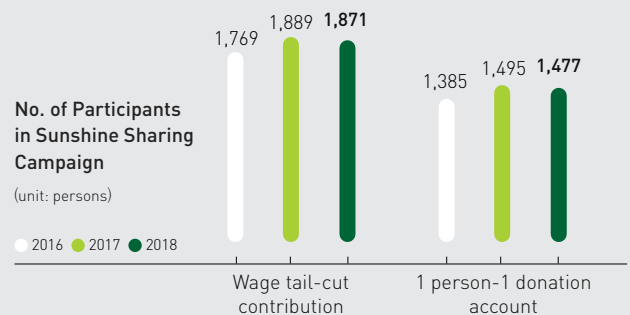
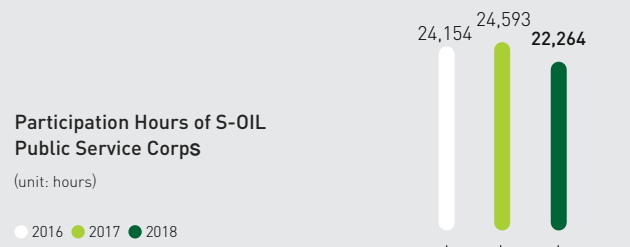
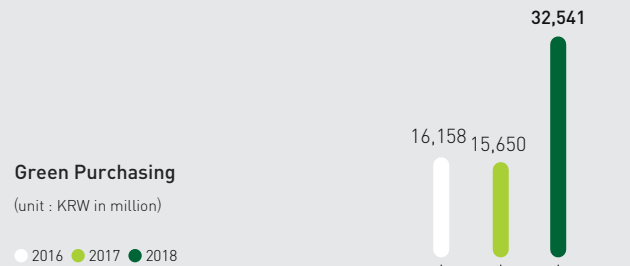
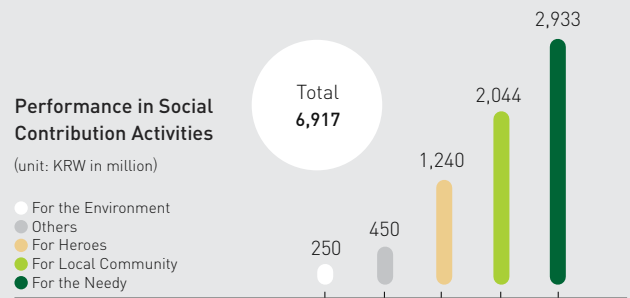
For Heroes



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 selflessly 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 passed away 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 the healing camp program, and the Company selects and awards Hero Firefighters, Hero Maritime Police Officers and Hero Citizens 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 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 the 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.



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 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.

CSR Strategy Aligned with Business

The CSR strategy of S-OIL has been established in consideration of the nature of its business so that its CSR activities can maximize social and environmental benefits and create positive results in 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. In 2018, the Company supported food trucks in connection with its service station business to help young entrepreneurs manage their businesses, and ease unemployment and create jobs for the youth. In addition, the Company has established the S-OIL Science and Culture Foundation to develop talented people in the science and technology fields.



Delivery of Coal Briquettes



Prevention of Endangered Natural
Treasures

8 Contribution to Local Communities

WHY IS THIS IMPORTANT?

Contributions to local communities in the aspects of economy, society, and the environment play a critical role in creating a healthy society as well as ensuring corporate sustainability, and local communities' expectations are growing as well. Therefore, companies should seek to grow together with local communities.

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. The Company promotes various community support activities through the Culture & Arts Sharing campaign and the S-OIL Ulsan Welfare Foundation etc. The Company is committed to revitalizing the regional economy, creating jobs and solving challenges hand-in-hand with local communities based on close communication.

OUR COMMITMENT

| Commitment | Targets in 2018 | Performances in 2018 | Targets in 2019 |
|---|---|---|---|
| Expansion of base of local culture and arts * | <ul style="list-style-type: none"> • 12 culture & arts performances, 3,300 participants in total | <ul style="list-style-type: none"> • 12 culture & arts performances, 3,340 participants in total | <ul style="list-style-type: none"> • 12 culture & arts performances, 3,300 participants in total |
| Handling of grievances of local communities | <ul style="list-style-type: none"> • Revitalization of local economy (over KRW 184.7 billion worth of purchasing in Ulsan) • Job creation for local communities | <ul style="list-style-type: none"> • KRW 194.2 billion worth of purchasing in Ulsan • Recruitment of 2 persons in Ulsan, Max. 17 thousand persons hired a day for RUC/ODC Project | <ul style="list-style-type: none"> • Revitalization of local economy (over KRW 190.0 billion worth of purchasing in Ulsan) • Job creation for local communities |

* Mid- to long-term target: hosting 36 culture & arts performances for 10,000 participants from 2019 to 2021

Expansion of Base for Local Culture and Arts



S-OIL supports local cultural events in areas where it does business as a way to build a better quality of life including cultural exposure to local communities and to 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.

Supporting Cultural Activities of Local Communities around Head Office Since 2011, S-OIL has been promoting the Culture & Arts Sharing campaign in Mapo, Seoul, where its Head Office is located. Diverse culture and arts events are held at the auditorium

every month, inviting local residents to enjoy high-quality culture and arts 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. Local residents who enjoyed the culture and arts performances saw their participation in cultural and artistic activities increase more than twice a year, demonstrating that the Company is contributing greatly to the revitalization of local communities' culture and arts. In addition, the Company supports the 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 To expand the base of culture and arts in Ulsan, where the Company's plant is located, S-OIL carries out various activities. It 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 Eyes Art Festival since 1996, an arts event that mainly invites amateur artists from the region. 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 restoration project was completed in 2014 and since then, the Company has since supported culture and arts events held at the historic site. 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 the Company include the Cheoyong Cultural Festival, the Ulsan Whale Festival, the Byeongyeong Seonang Chigi Folk Festival, the Ulsan Onggi Expo Ulsan, and the Kyungsang Ilbo Awards for Young Writers.



Efforts for Handling Grievances of Local Communities



S-OIL has been expanding its purchases 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 Onsan refinery and donates them as part of its 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 farmhouses 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. In order to improve the educational environment for children in the local community, the Company has provided various support, including contributions to school development funds, scholarships, and donations of books to seven elementary, middle and high schools and nine local children centers in Ulsan. Since 2017, the Company has been sponsoring the Mapo Human Resources Development Foundation as well. The Company installed a GOODOIL water drinking fountain in front of the Head Office in Seoul for all citizens to enjoy free bottled water in summer and hot tea in winter. The Company will continue to address the challenges of the community and strive to grow together with the community.





Appendix

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| 82 | Key Sustainability Management Performances |
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| 98 | UN SDGs / Accolades & Recognitions / Association Memberships |

Key Sustainability Management Performances

Business Fundamental

Corporate Governance Rating by Korea Corporate Governance Service

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------|------|------|------|------|
| Rating | A | A+ | A+ | A+ |

BOD Composition (unit: persons)

| Classification | | 2016 | 2017 | 2018 | 2019 |
|----------------|--------------|------|------|------|------|
| Type | Inside | 1 | 1 | 1 | 1 |
| | Non-standing | 4 | 4 | 4 | 4 |
| | Outside | 6 | 6 | 6 | 6 |
| Gender | Male | 11 | 11 | 10 | 9 |
| | Female | 0 | 0 | 1 | 2 |
| Age | 50 or above | 10 | 10 | 11 | 11 |
| | 30~50 | 1 | 1 | 0 | 0 |
| | Under 30 | 0 | 0 | 0 | 0 |
| Total | | 11 | 11 | 11 | 11 |

BOD Meeting Participation Rate (unit: %)

| Classification | 2015 | 2016 | 2017 | 2018 |
|--------------------|------|------|------|------|
| Participation Rate | 93.3 | 96.8 | 92.4 | 94.9 |

No. of Shares (unit: shares)

| Classification | Voting rights | 2015 | 2016 | 2017 | 2018 |
|-----------------|---------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Common stock | 1 vote | 112,582,792 (96.6%) | 112,582,792 (96.6%) | 112,582,792 (96.6%) | 112,582,792 (96.6%) |
| Preferred stock | none | 4,021,927 (3.4%) | 4,021,927 (3.4%) | 4,021,927 (3.4%) | 4,021,927 (3.4%) |
| Total | | 116,604,719 (100.0%) | 116,604,719 (100.0%) | 116,604,719 (100.0%) | 116,604,719 (100.0%) |

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

Status of Shareholders: based on Common Stocks (unit: shares)

| Name | 2015 | 2016 | 2017 | 2018 |
|---------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Aramco Overseas Company B.V. (AOC) | 71,387,560 (63.4%) | 71,387,560 (63.4%) | 71,387,560 (63.4%) | 71,387,560 (63.4%) |
| National Pension Service (NPS) | 5,211,320 (4.6%) | 6,724,696 (6.0%) | 6,878,285 (6.1%) | 7,216,463 (6.4%) |
| Institutional investors & individuals | 35,983,912 (32.0%) | 34,471,536 (30.6%) | 34,316,947 (30.5%) | 33,978,769 (30.2%) |
| Total | 112,582,792 (100.0%) | 112,582,792 (100.0%) | 112,582,792 (100.0%) | 112,582,792 (100.0%) |

* AOC became the largest shareholder by acquiring 35% of the Company's shares in 1991. In 1999, the Company purchased 28.4% of its shares as treasury stocks from Ssangyong Group, and changed its name from Ssangyong Oil Refining Co. to S-OIL. In 2015, AOC acquired these 28.4% of the Company's shares additionally.

* Shares held by governmental institutions: none

* Shares owned by NPS included consignment accounts.

Shareholding Status of MC Members (unit: shares)

| Name | Position | 2015 | 2016 | 2017 | 2018 |
|------------------|-----------|--------|--------|--------|-------|
| Othman Al-Ghamdi | CEO | 0 | 1,159 | 2,219 | 2,356 |
| B.S. Park | President | 10,360 | 10,360 | 10,360 | 8,360 |
| Y. Ryu | President | 13,490 | 13,490 | 5,940 | 5,940 |
| Y.I. Cho | EVP | 15,600 | 15,600 | 15,600 | 8,000 |
| J.B. Ahn | EVP | 9,140 | 9,140 | 9,140 | 9,140 |
| S.W. Park | SVP | 0 | 0 | 0 | 0 |

* As of the end of 2018, the CEO held the Company's share worth 43 percent of his annual fixed salary, and the remaining MC members 150 percent of their average salary.

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|------|------|------|
| No. of violations | - | 0 | 0 | 0 |

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|------|------|------|
| No. of violations | 0 | 0 | 0 | 0 |

Anti-corruption Training (unit: times, persons)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---------------------|-------|-------|-------|-------|
| No. of trainings | 8 | 2 | 7 | 2 |
| No. of participants | 2,820 | 2,977 | 3,208 | 3,240 |

Spending in Business Association (unit: KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------|-------|-------|-------|-------|
| Spending | 1,481 | 1,558 | 1,460 | 1,552 |

* Top five business associations in terms of the amount of spending in 2018: Korea Petroleum Association (KRW 1,259 million), Ulsan Chamber of Commerce & Industry (KRW 130 million), Onsan Industrial Complex Association (KRW 82 million), Korea Employers Federation (KRW 32 million), Korea Listed Companies Association (KRW 15 million)

* Spending related to business issues in 2018: Studies on energy policy direction (KRW 121 million), Research on air pollutants management (KRW 69 million)

Deliberation of Ethics Committee (unit: times, cases, persons)

| Classification | | 2015 | 2016 | 2017 | 2018 |
|--|--------------------------------|------|------|------|------|
| No. of meetings | | 19 | 27 | 18 | 20 |
| Deliberation | Operation of sales networks | 57 | 17 | 16 | 23 |
| | Purchasing of goods & services | 25 | 52 | 42 | 56 |
| | Others | 5 | 7 | 5 | 25 |
| | Total | 87 | 76 | 63 | 104 |
| No. of disciplines due to violations of Ethics Code* | | 1 | 1 | 3 | 2 |
| No. of employees disciplined | Head Office | 1 | 0 | 2 | 0 |
| | Refinery | 0 | 1 | 4 | 2 |
| | District Biz HQ | 0 | 1 | 0 | 0 |
| | Terminal | 0 | 0 | 0 | 0 |
| | Total | 1 | 2 | 6 | 2 |

* Discipline : In 2015, 1 case of inappropriate use of language between colleagues (pay-cut to 1 person), In 2016, 1 case of money transaction between an employee and a partner (pay-cut to 1 person, warning to 1 person), 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), In 2018, 1 case of slander to the Company based on false facts and unauthorized use of e-mail (suspension to 1 persons), violence at work (suspension to 1 persons)

Ethics Management Training for Employees (unit: times, persons)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---------------------|-------|-------|-------|-------|
| No. of trainings | 17 | 12 | 21 | 14 |
| No. of participants | 3,063 | 3,643 | 3,947 | 3,689 |

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 |

C1**National Customer Satisfaction Index** (unit: points)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------|------|------|------|------|
| S-OIL | 74 | 74 | 75 | 76 |

Domestic Market Share (unit: stations)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---|------------------|------------------|------------------|------------------|
| No. of nationwide service stations | 12,061 | 11,923 | 11,836 | 11,600 |
| No. of S-OIL service stations | 2,070 (17.2%) | 2,124 (17.8%) | 2,166 (18.3%) | 2,148 (18.5%) |
| Market share for retail light oil product | 21.1% | 21.8% | 22.2% | 22.6% |

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

VOC Handling Performance (unit: cases)

| Classification | 2015 | 2016 | 2017 | 2018 |
|-------------------------|---------|---------|---------|---------|
| Call counseling | 308,928 | 271,212 | 281,148 | 203,388 |
| ARS Self counseling | 46,704 | 116,412 | 159,084 | 143,604 |
| SNS 1:1 chat counseling | - | - | 22,104 | 24,060 |
| Total | 355,632 | 387,624 | 462,336 | 371,052 |

Complaint VOC Handling Performance (unit: cases)

| Classification | 2015 | 2016 | 2017 | 2018 |
|-------------------------------|-------|-------|-------|-------|
| Bonus card & associated card | 964 | 1,289 | 1,472 | 1,876 |
| Promotion & gift card | 467 | 450 | 519 | 1,022 |
| Service, transportation, etc. | 769 | 991 | 1,386 | 1,333 |
| Quality | 178 | 244 | 202 | 289 |
| Total | 2,378 | 2,974 | 3,579 | 4,520 |

Time Spent on VOC Handling (unit: business days)

| Classification | Designated window | 2015 | 2016 | 2017 | 2018 |
|--|-------------------|------|------|------|------|
| Inquiry VOC | 2 business days | 0.7 | 0.7 | 0.7 | 0.8 |
| Complaint VOC | 5 business days | 2.9 | 2.4 | 2.6 | 2.5 |
| Rate of VOCs closed within designated window | | 100% | 100% | 100% | 100% |

Violation of Laws related to Product/service Information & Labeling

(unit: cases)

| Classification | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|------|------|------|
| No. of violations | 0 | 0 | 0 | 0 |

C2**Environmental Quality Evaluation on Automotive Fuels** (unit: ★)

| Classification | 2015 | | 2016 | | 2017 | | 2018 | |
|----------------|------|----|------|----|------|----|------|----|
| | 1H | 2H | 1H | 2H | 1H | 2H | 1H | 2H |
| Gasoline | ★5 | ★5 | ★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: times)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---------------------|--------|--------|--------|--------|
| Quality inspection | 12,502 | 14,461 | 13,817 | 14,300 |
| Facility inspection | 1,612 | 2,088 | 2,140 | 1,450 |

Trustworthy Service Stations (unit: stations)

| Classification | 2015 | 2016 | 2017 | 2018 |
|-------------------------------------|------------------|------------------|------------------|------------------|
| No. of Trustworthy Service Stations | 1,257 (60.7%) | 1,552 (73.1%) | 1,765 (81.5%) | 1,829 (85.1%) |

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|------|------|------|
| No. of violations | 0 | 0 | 0 | 0 |

C3**Top of Mind Awareness in TV Advertising** (unit: %)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---------------------------------|------|------|------|------|
| S-OIL | 62.9 | 60.3 | 60.0 | 55.9 |
| Average of domestic competitors | 6.1 | 6.1 | 6.3 | 8.3 |

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

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|------|------|------|
| No. of violations | 0 | 0 | 0 | 0 |

C4

Fair Trade Training (unit: times, persons)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---------------------|------|------|------|------|
| No. of trainings | 8 | 7 | 10 | 10 |
| No. of participants | 274 | 203 | 393 | 329 |

Violation of Fair Trade Law (unit: cases)

| Classification | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|------|------|------|
| No. of violations | 0 | 0 | 0 | 0 |

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|------|------|------|
| No. of violations | 0 | 0 | 0 | 0 |

C5

Sales performance (unit: KRW in million)

| Classification | | 2015 | 2016 | 2017 | 2018 |
|-------------------------|-----------|-----------------------|----------------------|-----------------------|-----------------------|
| Fuel products | Domestic | 6,230,800 | 5,931,772 | 7,658,762 | 8,876,167 |
| | Export | 7,823,408 | 6,532,451 | 8,753,580 | 11,250,310 |
| | Sub-total | 14,054,208 | 12,464,223 | 16,412,342 | 20,126,477 |
| Lube products | Domestic | 320,453 | 264,450 | 303,644 | 297,206 |
| | Export | 1,019,309 | 1,049,213 | 1,311,262 | 1,338,160 |
| | Sub-total | 1,339,762 | 1,313,663 | 1,614,906 | 1,635,366 |
| Petro chemical products | Domestic | 958,467 | 888,054 | 904,474 | 1,297,169 |
| | Export | 1,537,835 | 1,655,903 | 1,959,652 | 2,404,283 |
| | Sub-total | 2,496,302 | 2,543,957 | 2,864,126 | 3,701,452 |
| Total | Domestic | 7,509,720 [42.0%] | 7,084,276 [43.4%] | 8,866,880 [42.4%] | 10,470,542 [41.1%] |
| | Export | 10,380,552 [58.0%] | 9,237,567 [56.6%] | 12,024,494 [57.6%] | 14,992,753 [58.9%] |
| | Total | 17,890,272 | 16,321,843 | 20,891,374 | 25,463,295 |

E1

Employment Status by Job (unit: persons)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------------|-------|-------|-------|-------|
| Officer | 37 | 40 | 39 | 42 |
| Administrative staff | 1,401 | 1,423 | 1,443 | 1,397 |
| Production staff | 1,464 | 1,665 | 1,834 | 1,820 |
| Total | 2,902 | 3,128 | 3,316 | 3,259 |

Employment Status by Workplace (unit: persons)

| Classification | 2015 | 2016 | 2017 | 2018 |
|-----------------|-------|-------|-------|-------|
| Head Office | 834 | 752 | 773 | 767 |
| Refinery | 1,725 | 2,032 | 2,195 | 2,147 |
| District Biz HQ | 265 | 265 | 268 | 265 |
| Terminal | 78 | 79 | 80 | 80 |

Employment Status by Age (unit: persons)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------|-------|-------|-------|-------|
| 50 or above | 425 | 555 | 692 | 832 |
| 30-50 | 1,981 | 1,949 | 1,896 | 1,819 |
| Under 30 | 496 | 624 | 728 | 608 |

* No. of employees aged 55 or above in 2018: 170 persons (5.2%)
No. of employees aged under 20 in 2018: None

Employment Status by Gender (unit: persons)

| Classification | 2015 | 2015 | 2016 | 2017 | 2018 |
|-------------------------------------|--------|------------------|------------------|------------------|------------------|
| Male | | 2,670 (92.0%) | 2,893 (92.5%) | 3,072 (92.6%) | 3,020 (92.7%) |
| Female | | 232 (8.0%) | 235 (7.5%) | 244 (7.4%) | 239 (7.3%) |
| No. of managers or higher levels | Male | 733 | 783 | 813 | 820 |
| | Female | 27 | 38 | 46 | 49 |

Employment Status by Employment Contract (unit: persons)

| Classification | | 2015 | 2016 | 2017 | 2018 |
|-----------------------|--------|-------|-------|-------|-------|
| Officer | | 37 | 40 | 39 | 42 |
| Regular employees | Male | 2,561 | 2,616 | 2,825 | 2,953 |
| | Female | 197 | 202 | 211 | 209 |
| | Total | 2,758 | 2,818 | 3,036 | 3,162 |
| Non-regular employees | Male | 72 | 237 | 208 | 25 |
| | Female | 35 | 33 | 33 | 30 |
| | Total | 107 | 270 | 241 | 55 |

Employment Status by Employment Type (unit: persons)

| Classification | | 2015 | 2016 | 2017 | 2018 |
|----------------|--------|-------|-------|-------|-------|
| Full-time | Male | 2,670 | 2,893 | 3,072 | 3,020 |
| | Total | 231 | 234 | 244 | 239 |
| | Total | 2,901 | 3,127 | 3,316 | 3,259 |
| Part-time | Male | 0 | 0 | 0 | 0 |
| | Female | 1 | 1 | 0 | 0 |
| | Total | 1 | 1 | 0 | 0 |

Employment of the Disabled & National Meritorious Persons (unit: persons)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---------------------------------------|---------------|---------------|---------------|---------------|
| No. of employees with disabilities | 47 [1.6%] | 48 [1.5%] | 47 [1.4%] | 48 [1.5%] |
| No. of national meritorious employees | 155 [5.3%] | 150 [4.8%] | 161 [4.9%] | 164 [5.0%] |

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 | 2015 | 2016 | 2017 | 2018 |
|----------------------|----------------|----------------|----------------|---------------|
| Type | | | | |
| University graduates | 83 (55.7%) | 31 (10.6%) | 22 (9.1%) | 1 (6.3%) |
| Others | 66 (44.3%) | 262 (89.4%) | 219 (90.9%) | 15 (93.7%) |
| Age | | | | |
| 50 or above | 4 (2.7%) | 11 (3.8%) | 7 (2.9%) | 0 (0.0%) |
| 30~50 | 14 (9.4%) | 26 (8.9%) | 23 (9.5%) | 1 (6.3%) |
| Under 30 | 131 (87.9%) | 256 (87.4%) | 211 (87.6%) | 15 (93.7%) |
| Gender | | | | |
| Male | 117 (78.5%) | 272 (92.8%) | 214 (88.8%) | 5 (31.2%) |
| Female | 32 (21.5%) | 21 (7.2%) | 27 (11.2%) | 11 (68.8%) |
| Total | 149 | 293 | 241 | 16 |

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

Retirees (unit: persons)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------|---------------|---------------|---------------|---------------|
| Age | | | | |
| 50 or above | 33 (40.2%) | 21 (31.3%) | 16 (30.2%) | 36 (49.3%) |
| 30~50 | 26 (31.7%) | 19 (28.4%) | 16 (30.2%) | 19 (26.0%) |
| Under 30 | 23 (28.0%) | 27 (40.3%) | 21 (39.6%) | 18 (24.7%) |
| Gender | | | | |
| Male | 60 (73.2%) | 49 (73.1%) | 35 (66.0%) | 57 (78.1%) |
| Female | 22 (26.8%) | 18 (26.9%) | 18 (34.0%) | 16 (21.9%) |
| Total | 82 | 67 | 53 | 73 |

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------|-----------|-----------|-----------|-----------|
| Gender | | | | |
| Male | 46 | 57 | 52 | 58 |
| Female | 36 | 42 | 42 | 50 |
| Total | 45 | 55 | 51 | 57 |

E3**Employee Remuneration (unit: KRW in million)**

| Classification | 2015 | 2016 | 2017 | 2018 |
|--|---------|---------|---------|---------|
| Total amount paid a year in remuneration | 278,871 | 342,173 | 395,713 | 430,938 |
| Average remuneration per employee | 97 | 111 | 121 | 134 |

* Remuneration (KRW 136 million) of the median employee refers to the pay of the 1,609th employee out of the total of 3,217 people on the payroll.

* The CEO's compensation was KRW 1,049 million, 7.8 times higher than the average remuneration per employee.

Annual Leave (unit: days)

| Classification | 2015 | 2016 | 2017 | 2018 |
|--|------|------|------|------|
| Average days of used annual leave per employee | 15.7 | 16.3 | 17.8 | 23.9 |

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

Parental Leave (unit: persons)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---|---------------------|---------------------|---------------------|---------------------|
| No. of employees took parental leave | | | | |
| Male | 1 | 0 | 1 | 1 |
| Female | 20 | 20 | 18 | 20 |
| Total | 21 | 20 | 19 | 21 |
| No. of employees returned to work after parental leave (plan) | | | | |
| Male | 1 | 0 | 0 | 0 |
| Female | 9 | 13 | 10 | 11 |
| Total | 10 | 13 | 10 | 11 |
| No. of employees returned to work after parental leave (actual) | | | | |
| Male | 1 | 0 | 0 | 0 |
| Female | 9 | 13 | 9 | 11 |
| Total | 10 (100%) | 13 (100%) | 9 (90%) | 11 (100%) |
| No. of employees worked for more than one year after parental leave | | | | |
| Male | 0 | 1 | 0 | 0 |
| Female | 5 | 9 | 13 | 9 |
| Total | 5 (71%) | 10 (100%) | 13 (100%) | 9 (100%) |

Satisfaction with General Affair Service (unit: points)

| Classification | 2015 | 2016 | 2017 | 2018 |
|--------------------|------|------|------|------|
| Satisfaction score | 8.83 | 8.71 | 8.92 | 8.87 |

Labor Union (unit: persons, cases)

| Classification | 2015 | 2016 | 2017 | 2018 |
|--|------------------|------------------|------------------|------------------|
| No. of union members | 1,455 (50.8%) | 1,519 (49.2%) | 1,748 (53.3%) | 1,807 (56.2%) |
| No. of employees covered by collective bargaining agreements | 2,865 (100%) | 3,088 (100%) | 3,277 (100%) | 3,217 (100%) |
| No. of labor disputes | 0 | 0 | 0 | 0 |

E4

DNV Safety Culture Evaluation (unit: points)

| Classification | 2015 | 2016 | 2017 | 2018 |
|------------------|------|------|------|------|
| Evaluation score | 7.4 | 7.9 | 8.1 | 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 6.1~8.0 points, Extended 4.1~6.0 points, Core 2.1~4.0 points)

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

| Classification | | 2015 | 2016 | 2017 | 2018 |
|----------------|-------------------------|-----------|-----------|-----------|-----------|
| S-OIL | No. of injured male | 1 | 4 | 0 | 4 |
| | No. of injured female | 0 | 0 | 0 | 0 |
| | Total | 1 | 4 | 0 | 4 |
| | Injury rate (LTIR/TRIR) | 0.05/0.10 | 0.19/0.28 | 0.00/0.18 | 0.16/0.46 |
| Contractors | No. of injured male | 1 | 1 | 2 | 4 |
| | No. of injured female | 0 | 0 | 0 | 0 |
| | Total | 1 | 1 | 2 | 4 |
| | Injury rate (LTIR/TRIR) | 0.09/0.09 | 0.03/0.07 | 0.08/0.25 | 0.16/0.20 |

* 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 | | 2015 | 2016 | 2017 | 2018 |
|----------------|------------------------------------|------|------|------|------|
| S-OIL | No. of incidents (Male) | 0 | 0 | 0 | 2 |
| | No. of incidents (Female) | 0 | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 | 2 |
| | No. of incidents per million hours | 0 | 0 | 0 | 0.42 |
| Contractors | No. of incidents (Male) | 0 | 0 | 0 | 0 |
| | No. of incidents (Female) | 0 | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 | 0 |
| | No. of incidents per million hours | 0 | 0 | 0 | 0 |

Process Safety Events (unit: cases per million hours)

| Classification | 2015 | 2016 | 2017 | 2018 |
|-----------------------|------|------|------|------|
| Process Safety Events | 0.35 | 0.10 | 0.00 | 0.21 |

Safety Accident (unit: cases)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---|------|------|------|------|
| No. of fire accidents | 1 | 1 | 1 | 2 |
| No. of accidents from violations of regulations | 0 | 0 | 0 | 0 |

Near Miss (unit: cases)

| Classification | 2015 | 2016 | 2017 | 2018 |
|--------------------|------|------|------|-------|
| No. of near misses | 788 | 909 | 990 | 1,199 |

* Of the 1,199 near misses in 2018, 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.

Safety Training (unit: times, persons)

| Classification | | 2015 | 2016 | 2017 | 2018 |
|----------------|---------------------|--------|--------|--------|--------|
| S-OIL | No. of trainings | 560 | 749 | 656 | 656 |
| | No. of participants | 31,640 | 37,447 | 41,806 | 45,616 |
| Contractors | No. of trainings | 379 | 580 | 573 | 369 |
| | No. of participants | 19,168 | 21,230 | 16,883 | 18,099 |

* Included commissioned trainings & firefighting drills.

* The figure on contractors in 2017 has been modified, reflecting the inclusion of heavy equipment drivers training. [342 times, 15,487 persons → 573 times, 16,883 persons]

O2

Treatment of Crude Oil (unit: thousand barrels)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------------------|---------|---------|---------|---------|
| Crude oil treatment volume | 219,680 | 231,185 | 241,019 | 238,073 |

* Difficult to calculate renewable materials used.

Production (unit: thousand barrels, KRW in million)

| Classification | | 2015 | 2016 | 2017 | 2018 |
|------------------------|--------|------------|------------|------------|------------|
| Fuel products | Volume | 185,601 | 199,631 | 210,055 | 206,139 |
| | Amount | 13,029,020 | 10,862,778 | 14,527,496 | 17,914,773 |
| Lube products | Volume | 11,810 | 13,576 | 14,060 | 13,625 |
| | Amount | 921,272 | 870,560 | 1,140,721 | 1,387,078 |
| Petrochemical products | Volume | 25,693 | 21,298 | 20,726 | 22,778 |
| | Amount | 2,455,129 | 2,321,020 | 2,681,459 | 3,443,818 |
| Total | Volume | 223,104 | 234,505 | 244,841 | 242,542 |
| | Amount | 16,405,421 | 14,054,358 | 18,349,676 | 22,745,669 |

Profit Improvement Performance (unit: KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|--------------------|---------|---------|---------|---------|
| Profit Improvement | 190,115 | 190,499 | 204,972 | 113,781 |

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|-----------------------------|-------|-------|-------|-------|
| No. of suggestions received | 2,219 | 2,816 | 2,496 | 1,323 |
| No. of participants | 838 | 954 | 782 | 587 |

03

Summarized Financial Positions (unit: KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|------------------------------|------------|------------|------------|------------|
| Current assets | 5,688,480 | 7,973,051 | 6,769,402 | 5,850,562 |
| Non-current assets | 5,096,466 | 5,977,625 | 8,308,161 | 10,230,950 |
| Total assets | 10,784,946 | 13,950,676 | 15,077,563 | 16,081,512 |
| Current liabilities | 3,222,157 | 4,832,781 | 4,543,391 | 5,790,228 |
| Non-current liabilities | 2,180,898 | 2,732,648 | 3,695,073 | 3,829,695 |
| Total liabilities | 5,403,055 | 7,565,429 | 8,238,464 | 9,619,923 |
| Capital stock | 291,512 | 291,512 | 291,512 | 291,512 |
| Capital surplus | 379,190 | 379,190 | 379,190 | 379,190 |
| Reserves | 977,959 | 977,313 | 975,772 | 977,438 |
| Treasury stocks | (1,876) | (1,876) | (1,876) | (1,876) |
| Retained earnings | 3,735,106 | 4,739,108 | 5,194,501 | 4,815,325 |
| Total equity | 5,381,891 | 6,385,247 | 6,839,099 | 6,461,589 |
| Total liabilities and equity | 10,784,946 | 13,950,676 | 15,077,563 | 16,081,512 |

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

Summarized Income Statement (unit: KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------------------|--------------|--------------|--------------|--------------|
| Revenue | 17,890,272 | 16,321,843 | 20,891,340 | 25,463,122 |
| Cost of sales | [16,438,773] | [14,020,892] | [18,783,141] | [24,210,490] |
| Gross profit | 1,451,499 | 2,300,951 | 2,108,199 | 1,252,632 |
| Selling expenses | [532,845] | [576,645] | [620,744] | [510,557] |
| Administrative expenses | [101,050] | [107,417] | [112,806] | [105,227] |
| Operating profit | 817,604 | 1,616,889 | 1,374,649 | 636,848 |
| Financial income | 145,960 | 184,999 | 330,250 | 116,579 |
| Financial expenses | [253,480] | [244,830] | [126,834] | [242,037] |
| Other income | 491,316 | 495,344 | 383,189 | 264,896 |
| Other expenses | [392,871] | [475,037] | [313,094] | [452,897] |
| Profit before income tax | 808,529 | 1,577,365 | 1,648,160 | 323,389 |
| Corporate tax expense | [180,393] | [370,282] | [399,004] | [69,612] |
| Net profit | 628,136 | 1,207,083 | 1,249,156 | 253,777 |
| Other comprehensive income | [22,303] | 5,926 | 8,095 | [14,162] |
| Total comprehensive income | 605,833 | 1,213,009 | 1,257,251 | 239,615 |

* 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 | 2015 | 2016 | 2017 | 2018 |
|-----------------------------|--------|-------|--------|--------|
| Stability | | | | |
| Current ratio | 176.5 | 165.0 | 149.0 | 101.0 |
| Total liabilities to equity | 100.4 | 118.5 | 120.5 | 148.9 |
| Borrowings to total assets | 66.8 | 73.8 | 70.8 | 98.0 |
| Times interest earned | 22.8 | 28.7 | 23.6 | 8.3 |
| Profit-ability | | | | |
| Operating profit to sales | 4.6 | 9.9 | 6.6 | 2.5 |
| Net profit to sales | 3.5 | 7.4 | 6.0 | 1.0 |
| Return on equi | 11.7 | 18.9 | 18.3 | 3.9 |
| Profit-ability | | | | |
| Sales growth | [37.4] | [8.8] | 28.0 | 21.9 |
| Operating profit growth | 382.2 | 97.8 | [15.0] | [53.7] |
| Net profit growth | 318.0 | 92.2 | 3.5 | [79.7] |
| Total asset growth | 5.2 | 29.4 | 8.1 | 6.7 |

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

Credit Ratings

| Credit rating agencies | 2015 | 2016 | 2017 | 2018 |
|-------------------------|------|------|------|------|
| 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+ |

Tax (unit: KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|--------------------------|---------|-----------|-----------|---------|
| Income statement | | | | |
| Profit before income tax | 808,529 | 1,577,365 | 1,648,160 | 323,389 |
| Corporate tax expense | 180,393 | 370,282 | 399,004 | 69,611 |
| Tax paid by cash | 52,113 | 375,508 | 363,199 | 52,153 |

* The Company has business sites only in Korea where 2018 maximum corporate tax rate is 24.2% including local taxes.

Dividend Payments (unit: KRW, %)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---------------------------------------|---------|---------|---------|--------|
| Total dividends paid (KRW in million) | 279,505 | 721,904 | 686,978 | 87,411 |
| Cash dividend payout ratio | 44.5 | 59.8 | 55.0 | 34.4 |
| Cash dividends per share | | | | |
| Common | 2,400 | 6,200 | 5,900 | 750 |
| Preferred | 2,425 | 6,225 | 5,925 | 775 |
| Cash dividend yield | | | | |
| Common | 3.0 | 7.3 | 4.7 | 0.7 |
| Preferred | 5.1 | 10.9 | 5.7 | 1.0 |

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

Economic Value Created (unit: KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|------------------------|--------------|--------------|--------------|--------------|
| Revenue | 17,890,272 | 16,321,843 | 20,891,340 | 25,463,122 |
| Cost of sales | (16,360,959) | (13,921,262) | (18,566,739) | (23,956,318) |
| Other income | 637,276 | 680,343 | 713,439 | 381,475 |
| Other expenses | (605,459) | (640,774) | (367,534) | (598,468) |
| Depreciation cost | (273,191) | (286,746) | (293,588) | (350,482) |
| Economic value created | 1,287,939 | 2,153,404 | 2,376,918 | 939,329 |

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

Economic Value Distributed (unit: KRW in million)

| Stakeholder | Item | 2015 | 2016 | 2017 | 2018 |
|----------------------------|---------------------------------|-----------|-----------|-----------|---------|
| Employees | Salary & pension | 421,757 | 478,906 | 637,569 | 499,419 |
| Government | Tax & dues | 197,154 | 388,322 | 417,799 | 89,667 |
| Local communities | Social contribution expenditure | 5,070 | 22,787 | 14,140 | 19,455 |
| Creditors | Interest costs | 35,822 | 56,306 | 58,254 | 77,011 |
| Shareholders & company | Dividend & reserves | 628,136 | 1,207,083 | 1,249,156 | 253,777 |
| Economic value distributed | | 1,287,939 | 2,153,404 | 2,376,918 | 939,329 |

* 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 | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|------|------|------|
| No. of violations | 0 | 0 | 0 | 0 |

04**Procurement of Crude Oil** (unit: KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------|------------|------------|------------|------------|
| Crude oil | 11,396,568 | 10,350,775 | 13,714,906 | 17,428,059 |

Procurement by Item (unit: KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------------------|-----------|-----------|-----------|---------|
| Construction & maintenance | 489,784 | 1,320,550 | 626,124 | 388,006 |
| General service | 79,704 | 137,137 | 47,915 | 79,304 |
| Materials | 547,412 | 1,555,828 | 493,404 | 375,610 |
| Total | 1,116,900 | 3,013,515 | 1,167,443 | 842,921 |

* Excluding crude oil & products.

* There is a difference between above data and the value creation amount at Page 16, which is the cost of sales in the financial statements.

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

| Classification | | 2015 | 2016 | 2017 | 2018 |
|------------------|-------------|---------|-----------|---------|---------|
| Amount | Korea | 869,764 | 2,709,144 | 954,859 | 608,958 |
| | Asia | 94,373 | 123,967 | 54,053 | 81,785 |
| | Middle East | 168 | 144 | 100 | 207 |
| | Europe | 88,182 | 101,477 | 99,596 | 57,690 |
| | America | 64,306 | 74,123 | 58,734 | 94,233 |
| | Others | 107 | 4,661 | 100 | 47 |
| No. of Suppliers | Korea | 981 | 1,279 | 1,181 | 1,110 |
| | Asia | 49 | 65 | 75 | 46 |
| | Middle East | 3 | 4 | 2 | 2 |
| | Europe | 34 | 56 | 41 | 41 |
| | America | 51 | 50 | 46 | 36 |
| | Others | 1 | 4 | 2 | 1 |
| | Total | 1,119 | 1,458 | 1,347 | 1,236 |

* Excluded crude oil & products.

Regular Risk Evaluation on Suppliers (unit: %)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---|------|------|------|------|
| Regular evaluation rate (including sustainability risk) | 100 | 100 | 100 | 100 |

Suppliers Satisfaction Survey (unit: points)

| Classification | 2015 | 2016 | 2017 | 2018 |
|--------------------|------|------|------|------|
| Satisfaction score | 9.33 | 9.39 | 9.37 | 9.41 |

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|--------------------|------|------|------|------|
| Participation rate | 100 | 100 | 100 | 100 |

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|------------------|-------|-------|-------|-------|
| Evaluation score | 100.0 | 113.8 | 150.6 | 158.0 |

Environmental Accounting (unit: KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---------------------------|---------|---------|---------|---------|
| Environmental costs | 154,899 | 151,499 | 159,748 | 172,531 |
| Environmental benefits | 119,782 | 64,373 | 37,808 | 58,783 |
| Environmental investments | 12,880 | 16,148 | 15,640 | 20,206 |

* Details of 2018 environmental cost: Post-treatment facility operation costs, proactive prevention activities, etc.

Details of 2018 environmental benefits: Revenue from by-product sales, etc.

Details of 2018 environmental investments: Investments in environmental facilities, etc.

Detailed Environmental Investments (unit: KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|--------------------------------------|---------------|---------------|---------------|---------------|
| Air quality, stench, HAPs | 4,421 | 7,193 | 8,094 | 14,496 |
| Water quality | 1,020 | 1,045 | 2,053 | 1,206 |
| Support for energy saving technology | 7,401 | 1,386 | 5,276 | 136 |
| Soil & others | 38 | 6,524 | 217 | 4,368 |
| Total | 12,880 | 16,148 | 15,640 | 20,206 |

* Major investments made in 2018

Air quality, stench, HAPs: Odor removal facilities improvement at site boundaries, Boiler F/G firing facilities improvement, etc.

Water quality: Blowdown system improvement, etc.

Support for energy saving technology: Facilities improvement for reduction of vent steam, etc.

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

Air Pollutant Emissions Intensity at Onsan Refinery

| Classification | Legal standards | 2015 | 2016 | 2017 | 2018 |
|----------------|----------------------|------|------|------|------|
| SOx | 180 ppm | 82.0 | 86.9 | 82.0 | 29.6 |
| NOx | 150 ppm | 83.0 | 82.6 | 84.8 | 72.3 |
| Dust | 30mg/Sm ³ | 2.6 | 2.9 | 2.9 | 2.0 |

* Simple average of emissions intensity from heaters and boilers where TMS is installed.

* Included new plants, which were completed in the 2nd half of 2018.

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------|--------------|--------------|--------------|--------------|
| SOx | 4,273 | 4,959 | 3,817 | 1,655 |
| NOx | 3,354 | 3,518 | 3,705 | 3,548 |
| Dust | 66 | 71 | 79 | 60 |
| Total | 7,693 | 8,547 | 7,601 | 5,263 |

* Total volume of emissions from outlets where TMS is installed.

* Included new plants, which were completed in the 2nd half of 2018.

HAPs Leak Rate at Onsan Refinery (unit: %)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------|------|------|------|------|
| HAPs Leak Rate | 0.09 | 0.13 | 0.08 | 0.06 |

* Included new plants, which were completed in the 2nd half of 2018.

Water Pollutant Emissions Intensity at Onsan Refinery

| Classification | Legal standards | 2015 | 2016 | 2017 | 2018 |
|----------------|-----------------|------|------|------|------|
| BOD | 10 ppm | 3.7 | 3.8 | 2.6 | 3.1 |
| COD | 40 ppm | 8.1 | 8.0 | 8.5 | 7.4 |
| SS | 10 ppm | 3.0 | 2.6 | 2.3 | 2.2 |

* Simple average of emissions intensity from outlets where TMS is installed.

* BOD increased slightly due to the increase of wastewater by the expansion of new plants in 2018

Water Consumption, Recycling, & Wastewater Volume at Onsan Refinery

(unit: thousand tons)

| Classification | Legal standards | 2015 | 2016 | 2017 | 2018 |
|----------------------|--------------------------|-----------------|-----------------|------------------|-----------------|
| Water consumed | Municipal water supplies | 20,322 | 20,688 | 21,268 | 24,985 |
| | Fresh surface water | 0 | 0 | 0 | 0 |
| | Fresh ground water | 0 | 0 | 0 | 0 |
| | Total | 20,322 | 20,688 | 21,268 | 24,985 |
| Water recycled | | 1,658 (8.2%) | 1,885 (9.1%) | 2,220 (10.4%) | 2,396 (9.6%) |
| Wastewater generated | | 9,371 | 9,584 | 9,161 | 12,143 |

* Wastewater increased due to the expansion of the wastewater treatment plant by the expansion of plants in the 2nd half of 2018.

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

| Classification | | 2015 | 2016 | 2017 | 2018 |
|----------------|------------------|---------------|---------------|---------------|---------------|
| Generation | Designated waste | 10,555 | 8,859 | 8,818 | 8,613 |
| | General waste | 18,508 | 17,515 | 16,732 | 25,198 |
| | Total | 29,063 | 26,374 | 25,550 | 33,811 |
| Recycling | Designated waste | 7,985 | 6,166 | 6,998 | 6,410 |
| | General waste | 11,842 | 8,564 | 9,596 | 17,641 |
| | Total | 19,827 | 14,730 | 16,594 | 24,051 |

* Included waste from the normal operation of new plants, which were completed in the 2nd half of 2018.

Emissions of Hazardous Chemical Substances (unit: tons)

| Classification | 2014 | 2015 | 2016 | 2017 |
|---------------------------------|------|------|------|------|
| S-OIL | 97 | 116 | 86 | - |
| Average of domestic competitors | 279 | 222 | 204 | - |

* Data for 2017 is not announced by the Ministry of Environment.

Oil Spill (unit: cases)

| Classification | 2015 | 2016 | 2017 | 2018 |
|---|------|------|------|------|
| No. of oil spill accidents (leakage to the outside of factory) | 0 | 0 | 0 | 0 |

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

| Classification | | 2015 | 2016 | 2017 | 2018 |
|----------------------------|-------------------|------|------|------|------|
| 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 |

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GHG Emissions (unit: thousand tons CO₂eq)

| Classification | 2015 | 2016 | 2017 | 2018 |
|-------------------|------------------|------------------|------------------|------------------|
| Scope I | 6,380 | 6,537 | 6,550 | 7,150 |
| Scope II | 986 | 1,072 | 1,103 | 1,554 |
| Total | 7,366 (7,396) | 7,609 (7,641) | 7,653 (7,710) | 8,704 (8,823) |
| Excluding RUC/ODC | - | - | - | 7,512 |
| Scope III | 26 | 28 | 30 | 28 |

* 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 | 2015 | 2016 | 2017 | 2018 |
|---------------------------------|-------|-------|-------|-------|
| CO ₂ (thousand tons) | 7,355 | 7,596 | 7,642 | 8,694 |
| CH ₄ (tons) | 139 | 156 | 142 | 122 |
| N ₂ O (tons) | 27 | 31 | 28 | 23 |

Detailed GHG Emissions (unit: thousand tons CO₂eq)

| Classification | 2015 | 2016 | 2017 | 2018 |
|------------------|-------|-------|-------|-------|
| CO ₂ | 7,355 | 7,596 | 7,642 | 8,694 |
| CH ₄ | 3 | 3 | 3 | 3 |
| N ₂ O | 8 | 10 | 9 | 7 |
| Total | 7,366 | 7,609 | 7,653 | 8,704 |

* 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 | 2015 | 2016 | 2017 | 2018 |
|----------------|---------|---------|---------|---------|
| Scope I | 79,673 | 85,422 | 76,577 | 86,484 |
| Scope II | 21,816 | 23,024 | 23,591 | 33,132 |
| Total | 101,489 | 108,445 | 100,167 | 119,616 |
| Scope III | 370 | 378 | 400 | 377 |

Detailed Energy Consumption (unit: TJ)

| Classification | 2015 | 2016 | 2017 | 2018 |
|--|--------|--------|--------|--------|
| Fossil fuels | 79,673 | 85,422 | 76,577 | 86,484 |
| Electricity | 19,297 | 21,419 | 21,926 | 31,037 |
| Steam / heating / cooling and other energy | 2,519 | 1,604 | 1,664 | 2,095 |
| Total renewable energy | 0.108 | 0.108 | 0.108 | 0.108 |

Energy Cost (unit : KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------|-----------|---------|-----------|-----------|
| Energy cost | 1,072,250 | 973,994 | 1,133,442 | 1,374,753 |

Sales of Energy (unit: TJ)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------|------|-------|-------|-------|
| Steam | - | 1,356 | 3,016 | 3,073 |

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|---------------------|-------|-------|-------|-------|
| For Local Community | 1,829 | 1,517 | 2,006 | 2,044 |
| For the Environment | 290 | 290 | 250 | 250 |
| For Needy People | 1,255 | 3,145 | 2,260 | 2,933 |
| For Heroes | 1,130 | 534 | 1,060 | 1,240 |
| Others | 1,773 | 1,166 | 571 | 450 |
| Total | 6,277 | 6,652 | 6,147 | 6,917 |

* 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 2018 amounts to KRW 12,460 million (cash KRW 4,358 million, non-cash asset KRW 6,906 million, community service hours KRW 734 million, management/labor cost KRW 462 million)

Green Purchasing (unit: cases, KRW in million)

| Classification | 2015 | 2016 | 2017 | 2018 |
|----------------------|--------|--------|--------|--------|
| No. of products | 59 | 128 | 31 | 59 |
| Amount of purchasing | 12,890 | 16,158 | 15,650 | 32,541 |

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|---------------------|--------|--------|--------|--------|
| No. of participants | 2,194 | 2,129 | 2,321 | 2,047 |
| Participation hours | 22,947 | 24,154 | 24,593 | 22,264 |

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

| Classification | | 2015 | 2016 | 2017 | 2018 |
|---------------------------------|---------------------|-------|-------|-------|-------|
| Wage tail-cut contribution | No. of participants | 1,669 | 1,769 | 1,889 | 1,871 |
| | Amount of supports | 98 | 104 | 170 | 180 |
| 1 employee & 1 donation account | No. of participants | 1,391 | 1,385 | 1,495 | 1,477 |
| | Amount of supports | 57 | 58 | 58 | 58 |

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

| Classification | 2015 | 2016 | 2017 | 2018 |
|---------------------|-------|-------|-------|-------|
| No. of events | 11 | 12 | 12 | 12 |
| No. of participants | 3,390 | 3,330 | 3,230 | 3,340 |

Employment in Ulsan (unit: persons)

| Classification | 2015 | 2016 | 2017 | 2018 |
|------------------------------------|---------|---------|---------|---------|
| New employees | 19 | 87 | 68 | 2 |
| graduated universities in Ulsan | (12.8%) | (29.7%) | (28.2%) | (12.5%) |

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

| Classification | | 2015 | 2016 | 2017 | 2018 |
|--------------------------------------|---------|--------------------|--------------------|--------------------|--------------------|
| No. of purchasing in Ulsan | | 5,120 (55.8%) | 5,090 (55.1%) | 5,085 (52.8%) | 6,168 (60.1%) |
| Amounts of purchasing in Ulsan | General | 203,402 | 172,746 | 196,552 | 194,186 |
| | RUC/ODC | 96,652 | 640,158 | 202,386 | 0 |
| | Total | 300,054 (26.5%) | 812,904 (27.0%) | 398,938 (34.2%) | 194,186 (23.0%) |

* 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 Sustainability Report 2018" (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 ISAE3000 of International Auditing and Assurance Standards Board (IAASB). In addition, we confirmed compliance with the principles of inclusivity, materiality, responsiveness and impact, and additionally confirmed whether this report is suitable for the possible influence from organizations' activity & performance based on AA1000AP(2018). 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 ISAE3000 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 Standards were fulfilled.

- Verified the compliance with the principles of the Report contents and quality based on GRI Standards.
- 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 | Labor/Management Relations | 402-1 |
| Indirect Economic Impacts | 203-1,2 | Occupational Health and Safety | 403-1,2,3,4 |
| Procurement Practices | 204-1 | Training and Education | 404-2,3 |
| Anti-competitive Behavior | 206-1 | Diversity and Equal Opportunity | 405-1 |
| Energy | 302-1,3,4,5 | Freedom of Association and Collective Bargaining | 407-1 |
| Water | 303-1,3 | Local Communities | 413-1,2 |
| Emissions | 305-1,2,3,4,5,7 | Supplier Social Assessment | 414-1,2 |
| Effluents and Waste | 306-1,2,3 | Customer Health and Safety | 416-1,2 |
| Environmental Compliance | 307-1 | Marketing and Labeling | 417-1,2,3 |
| Supplier Environmental assessment | 308-1,2 | Customer Privacy | 418-1 |
| Employment | 401-1,2 | | |

• 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, S-OIL Corporation has established and implemented an action plan in conjunction with the company's strategic direction and strategic tasks to meet stakeholder's expectations.

• 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. In addition, S-OIL Corporation is actively disclosing countermeasures through interviews with executives about each issue, and clearly disclosing performance and goals by each issue.

• Impact: Consideration of the Impact of the Organization

The Reporting Organization sets boundaries on the impact of the Organization on society. The Assurer recommends that the Reporting Organization should calculate influence indicators as measures to enhance the assessment of the impact on economic, social and environmental sectors.

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:

- We recommend that you review the UN SDGs when reviewing key issues. It will be possible to more clearly assess the social impact of S-OIL Corporation's Sustainability Management activities by linking the UN SDGs objectives to activities and establishing the parts that contribute to the specific goals of the UN SDGs when establishing internal targets.
- In order to achieve sustainable growth and development, the importance of measuring and managing social-environmental impact, which is also an aspect of company assessment, is continuously growing. The Assurer recommends that the Reporting Organization selects major indicators by impact assessment stage: Input, Activities, Outputs and Outcomes, and utilize the qualitative and quantitative data to establish a system that can assess the mid- to long-term impact of the company.



June 2019

Korea Productivity Center CEO

Noh, Kyoo Sung

노기성

Director Kim, Dongsoo Team Leader Lee, Yang Ho Researcher Lim, Jisung

D.S. Kim Y. Lee J. Lim

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.

GRI CONTENT INDEX

General Disclosures

| GRI Standard | | GRI Content Index | Option | Page | Assurance |
|-----------------------------------|---------------------------|--|--------|--------------|-----------|
| GRI 102: General Disclosures 2016 | 1. Organizational profile | 102-1 Name of the organization | Core | Cover | ● |
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| | | 102-3 Location of headquarters | Core | Cover | ● |
| | | 102-4 Location of operations | Core | 8-9 | ● |
| | | 102-5 Ownership and legal form | Core | 8-9 | ● |
| | | 102-6 Markets served | Core | 8-9 | ● |
| | | 102-7 Scale of the organization | Core | 8-9 | ● |
| | | 102-8 Information on employees and other workers | Core | 47-48, 84-85 | ● |
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| | 2. Strategy | 102-14 Statement from senior decision-maker | Core | 4-5 | ● |
| | | 102-15 Key impacts, risks, and opportunities | | 10-15 | ● |
| | 3. Ethics and integrity | 102-16 Values, principles, standards, and norms of behavior | Core | 26-29 | ● |
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UN Sustainable Development Goals (SDGs)

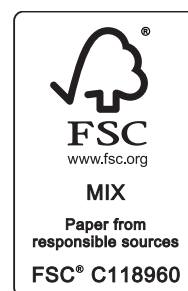
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|  | 5. Achieve gender equality and empower all women and girls | E1 HR Management / Fair Evaluation & Compensation | 47 |
|  | 7. Ensure access to affordable, reliable, sustainable and modern energy for all | 06 Response to Climate Change | 75 |
|  | 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 | 47, 80 |
|  | 13. Take urgent action to combat climate change and its impacts | 06 Response to Climate Change | 74 |
|  | 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development | 05 Environment Management 07 Social Contribution Activities | 71, 76 |
|  | 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 | 71, 76 |

Accolades & Recognitions

| Date | Accolades & recognitions | Awarded by |
|---------|---|---|
| 2018. 1 | Selected as the best bond Issuer at the 2018 Korea Capital Markets thebell League Table Awards | Money Today Media Group |
| 2018. 2 | Selected as No.1 company of refining industry at the 2018 Korea's Most Admired Companies | Korea Management Association Consulting |
| 2018. 3 | Listed on the top 50 brands in the Best Korea Brands 2018 | Interbrand |
| 2018. 6 | Made first place in the diesel category of the 2018 Korea Brand Recommendation Index | Korea Management Association Consulting |
| 2018. 7 | Made first place in the service station category of the 2018 Korean Service Quality Index | Korea Management Association Consulting |
| 2018. 9 | Selected as No. 1 company of the service station category at the 2018 National Service Awards | The Institute for Industrial Policy Studies |
| 2018. 9 | Listed on the 2018 DJSI World Index [Oil & Gas Refining & Marketing Industry] | Dow Jones RobecoSAM Korea Productivity Center |
| 2018.11 | Made first place in the service station category of the 2018 Korea Net Promoter Score | Korea Management Association Consulting |
| 2018.12 | Selected as winners of the brand management category and the CEO category at the 2018 Management Grand Awards | Korea Management Association Consulting |
| 2019. 1 | Selected as No.1 company of the service station category at the 2019 Korea Brand Hall of Fame | The Institute for Industrial Policy Studies |
| 2019. 2 | Selected as No.1 company of refining industry at the 2019 Korea's Most Admired Companies | Korea Management Association Consulting |

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 |



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