

Ethical Management

SK innovation builds trust-based relations with its stakeholders to pursue more sustainable growth and development. To help achieve this, we approach management not merely as a measure against unethical behavior, but as the standard of corporate ethics to follow in daily management practices. SK innovation also has an ethical corporate culture based on the SKMS, and pursues transparent and efficient management through fair competition, ensuring the sustainable growth of our company and the national economy as a whole.

The Importance of Ethical Management

In order to gain our stakeholders’ trust, we must pursue efficient decision-making and management practices suitable to our hyper-competitive business environment, while simultaneously upholding order in the market and maintaining our integrity through transparent and fair practices. Therefore, ethical management is not a simple measure or temporary tool to prevent individual employee’s unethical behavior, but a necessary element for sustainable growth to be internalized in our management practices and embedded in our corporate culture.

SK innovation’s Ethical Management

Based on the SKMS, we have enacted the Code of Ethics and Business Conduct Guidelines specifying the appropriate actions and principles that employees should comply with. All management and employees of SK innovation, all its subsidiaries and its domestic and overseas plants are obligated to comply with the Code of Ethics, and we also request all suppliers to recognize and comply with SK innovation’s Code of Ethics.

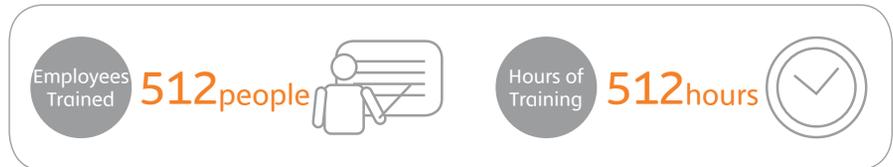
In addition, we operate an Ethics Consultation Center and online reporting channels to receive and process reports for ethics-related issues, with rewards given to the informants. To prevent retaliation against the informants, we strictly protect the identities of the informants and the content of the reports. In 2015, 101 reports and consultations were processed. Of these, 83% were unrelated consultations or client grievances that were transferred to the relevant departments. A total of one case of employee misconduct was discovered from the reports, against which appropriate measures were taken.



Ethical Management Action Programs

Ethics Training for Employees

Every year, SK innovation develops and implements plans for ethics training. In 2015, 512 hours of ethics training was provided for new employees and those being promoted. Through ethics training, we intend to solidify our ethical corporate culture by fostering a common understanding among employees of the company's efforts and commitment toward ethical management and strengthen their dedication to ethical practices. In addition, we have developed and shared scenarios for the different topics and core issues related to ethical management through the company-wide internal broadcast system in an effort to expand ethical management for employees.



Sharing Ethical Management with Suppliers

SK innovation practices ethical management based on mutual trust with its suppliers. When registering as a supplier on our procurement portal, each supplier must sign the 'Fair Trade Agreement' and if a supplier's unlawful or corrupt activity is detected, they are subject to strict sanctions as per SK innovation's bylaws. In addition, we have been implementing the campaign to not give or receive holiday gifts with our suppliers, franchises, customer and other external stakeholders since 2011. If it is difficult to return a gift to the sender, employees must report the details of such a gift to the Ethics department. SK innovation collects these gift items and donates them to our internal social contribution team to be sold at our annual charity bazaar. Any perishables are donated to local child welfare or community centers.

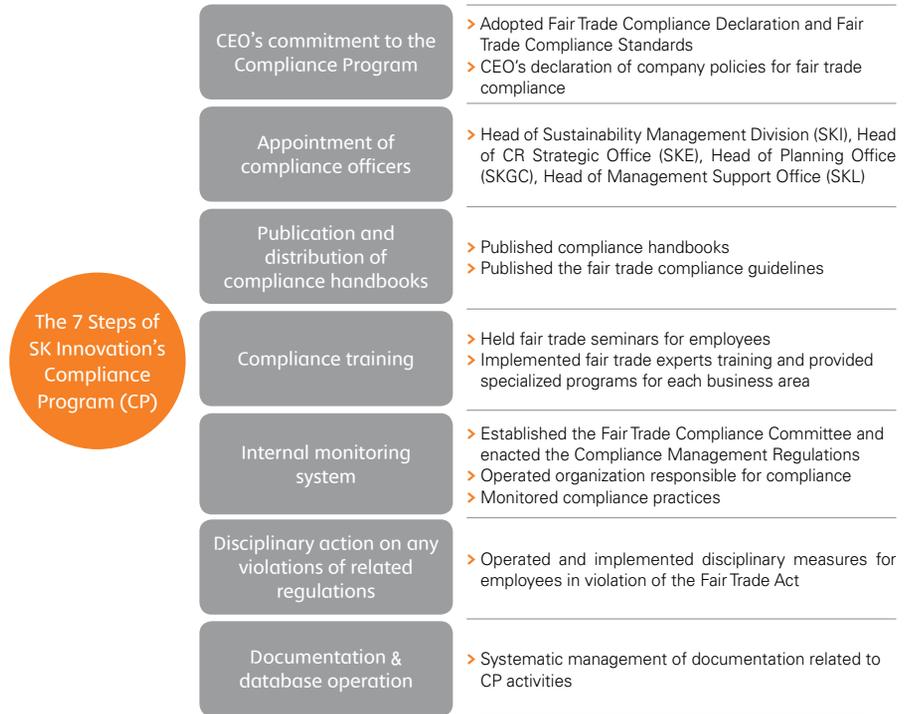


Campaign to Eradicate Holiday Gift Exchange

Compliance Program

SK innovation has made efforts to prevent the possibility of non-compliance with fair trade regulations across its business activities and to promote the establishment of a sound business environment. As part of these efforts, we have operated the Compliance Program (CP) since 1996, based on which we have conducted evaluation of and implemented training on fair transactions for all businesses and employees of SK innovation and its subsidiaries.

Fair Trade Compliance Program (CP)



Compliance Program Key Outputs

Strengthening Awareness of Fair Trade Compliance and Preemptive Risk Evaluation

In 2015, we held the seminar titled 'Understanding the Need for and Process of Merger Filing' for all employees of SK innovation and its subsidiaries, and conducted comprehensive training and evaluation on fair trade issues, including cartel, abuse of dominant market status, and unfair trade practices across major business divisions.

2015 Fair Trade Evaluation and Training	Target / Subject	
	Month	Subject
Training and evaluation on subcontract-related fair trade risk	Jun	SKI Procurement Office
Structural and behavioral risk level assessment on overall SKE Retail business	Jun - Jul	SKE Retail Business Division
Assessment of cartel risk	Sept	5 teams within SKGC Polymer Business Division
Disclosure training for SKI subsidiaries	Sept - Oct	SKI Finance Division and subsidiaries
Training and Q&A session on unfair business practices	Oct	Supplier liaison at SKIPC
	Nov	Supplier liaison at Ulsan Complex
Assessment and training on risks related to China's anti-trust law	Nov	SKGC Shanghai Branch

2015 Fair Trade Training and Evaluation Record

In addition to the periodic evaluations of our major business divisions, we have often provided consulting on fair trade issues and established the Fair Trade Coordinator policy for each business division to create a communication channel for fair trade related issues with the working level staff.

2015 Fair Trade Consulting Completion Numbers	SK innovation	SK energy	SK global chemical	SK lubricants	SK Incheon petrochem/ SK trading international	Total (overlaps excluded)
		96	96	33	10	14

Furthermore, we have continued to reinforce our compliance system in various aspects. We have enacted the 'Guidelines for Interacting with Competitors' to strengthen the cartel risk management and established an internal filing process. We have also distributed the 'Fair Trade Compliance Letter', and 'Fair Trade News Brief' regularly to raise awareness, held the 'Fair Trade Seminar' on a monthly basis and provided external training to enhance the expertise of our fair trade compliance staff.

Responding to Changes in the Fair Trade Environment

In 2015, we established a monitoring process and carried out preliminary inspections of transactions in accordance with an amendment to the Enforcement Decree on 'Prohibition of providing unfair benefits to a specially related party' (The Monopoly Regulation and Fair Trade Act, Article 23-2). In addition, in response to the growing efforts of the Fair Trade Commission to monitor unfair practices by conglomerates, we conducted inspections and training regarding unfair practices for our procurement and administrative departments during the first half of this year, and for the Ulsan Complex and SK Incheon Petrochem during the second half. We plan to target our efforts on enhancing our fair trade compliance levels across all our subsidiaries in order to address both internal and external changes related to fair trade compliance.

Future Plans

SK innovation continuously monitors both domestic and foreign regulatory trends and updates our Code of Ethics and guidelines accordingly. As the demand for ethical management grows from our internal and external stakeholders alike, we plan to implement various activities to help our management and employees better understand the value of ethical management and put it into practice. We will establish a process to systematically implement the Compliance Program and focus on monitoring and managing key issues of interest to the Fair Trade Commission.