

FOCUS 4

Achieve win-win through social contribution

Background

Today it has become mandatory for a company to fulfill its social responsibilities as a corporate citizen, as well as create the economic ecosystem around the company and pursue mutual growth, instead of it being optional. This is very important because it not only enhances the company's image and ensures the independence of the society as a whole, but also contributes to the national economic development.

Therefore, many governments and industries are looking back at the essential meaning of social contribution by seeking ways to achieve sustainable growth by establishing an infrastructure that creates shared value, instead of making a charitable one-time donation.

Response

SK Innovation has provided a new paradigm of social contribution activities that go beyond and above being a charitable one-time donation to resolve social issues and help those in need develop their independence on their own. The representative support activities involve social enterprises.

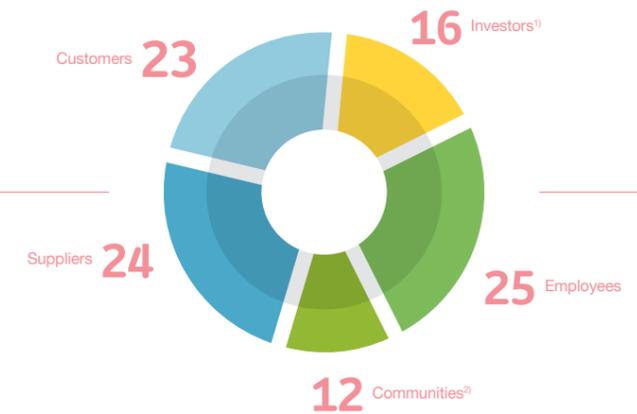
SK Innovation supports the whole process of planning, establishing and operating a social enterprise, thereby contributing to community development by setting up a sustainable business model that creates jobs for the underprivileged. In particular, we take the lead in achieving greater value by exploring social enterprises, support projects and markets.



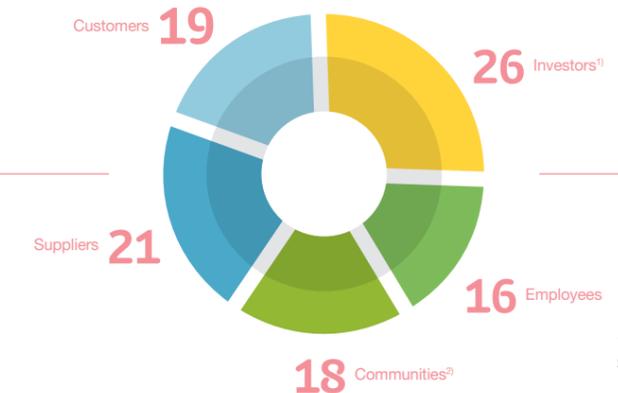
Stakeholder Survey

According to the result of analyzing major areas of issues in 2014 aimed at SK Innovation's five stakeholder groups, the greatest interest shown in achieving mutual growth through social contribution, was with issues related to securing the independence of social enterprises and implementing community-based activities at worksites. In particular, employees showed great interest in issues related to securing the independence of social enterprises and investors in implementing community-based activities at worksites.

Securing the Independence of Social Enterprises (Unit: %)



Implementing Community-Based Activities at Worksites (Unit: %)



1) Analysts, Institutional Investors, etc.
2) NGOs, Social Welfare Institutions, etc.

Performance and Future Plan

SK Innovation implements community-based social contribution activities for a cooperative relationship with local communities. In particular, we will do our best to explore social enterprises and realize diverse ideas to establish and support social enterprises. In the future, we will improve sustainability and independence of social enterprises by supporting management consulting, marketing, and market to promote the ecosystem of social enterprises. Also, we will establish a cooperative relationship with local communities by implementing social contribution activities that bring actual help instead of being just one-time events.

Securing the Independence of Social Enterprises



Issue Definition

A social enterprise refers to a company that conducts profit-making activities to help resolve social problems and allows people to be financially independent. Also, a social enterprise contributes in creating jobs for all parts of the social sector and promoting reinvestments, including generating jobs for the underprivileged and providing social services.

Business Review

Social enterprises distribute benefits to all parts of the social sector by creating value. As such, the support provided for the independence of social enterprises creates a stable climate in the corporate ecosystem and contributes to the national economy.

Sustainability Review

Social enterprises are similar to the existing NGOs or welfare facilities from the perspective of creating social value. However, there is a huge difference in that social enterprises have a structure where social value is created through profit-seeking activities and help the underprivileged to be financially independent. Therefore, our support for the independence of social enterprises contributes to ensuring the stability and sustainability of the corporate ecosystem.

Key Figure

Performance of Farming Promotion Programs conducted by Yachaywasi in 2014

Number of Farms Visited

432 farms

Number of Farms Visited in Other Regions

90 farms

Number of Rural Students Who Participated

98 persons

Number of Cases of Agricultural Technologies Transferred

40 cases



Social Enterprises at Overseas Worksites

Yachaywasi's My Eco-Tech Farm Program Implemented Together with Residents in Peru

Due to the lack of national policies for rural development and insufficient information and technologies, the farming villages in Peru are suffering from extreme poverty and many people are migrating to the cities, which is why Yachaywasi has been set up as a Farming Promotion Institute together with the private sector, government, academia and NGOs led by SK-Prosynergy. As the first global social enterprise set up by a Korean conglomerate outside of Korea, Yachaywasi provides agricultural produce tracing programs on its online platform as well as one-stop services that include supporting farming specialists' visits to local farmers for aid and arranging micro-financing for local farmers to help them be financially independent. Since the first branch of Yachaywasi was established in December 2012, we opened the second branch in September 2013. In 2014, we improved the profit model by tapping into profitable agricultural product markets, such as Maka and Quinoa. In 2015, we plan to continue our support by considering setting up the third branch of Yachaywasi with good responses from the Peruvian government, academia and local farmers.



Complete view of the first branch of Yachaywasi.



My School Program

Present Status of Participation for My School Program

Number of Teaching Staff Who Participated (Unit: Number of Persons)

634 899 **1,126**



Number of Students Who Participated (Unit: Number of Persons)

7,034 9,935 **12,756**



An On-line Platform Participated by Local Teachers, Parents and Students in Peru

In addressing the underdeveloped public education system and low level of interest in education in Peru, SK Innovation has been implementing My School Program to provide opportunities to receive high-quality education. My School Program offers on-line teaching skills and instruction materials to local teachers, students and parents on its website, and also provides various education materials like e-textbooks, on-line library and workbooks. In addition, the program also provides self-assessment, a parental monitoring system and on-line communities for interactive communication between teachers and parents, with off-line educational services offered through the Catholic University of Korea, allowing the teaching skills of teachers to be enhanced and contributing to higher academic achievements of students. The number of users for My School Program offered through the website has shown a gradual increase. SK Innovation will contribute to better education in Peru through continuous support provided for further improvements.

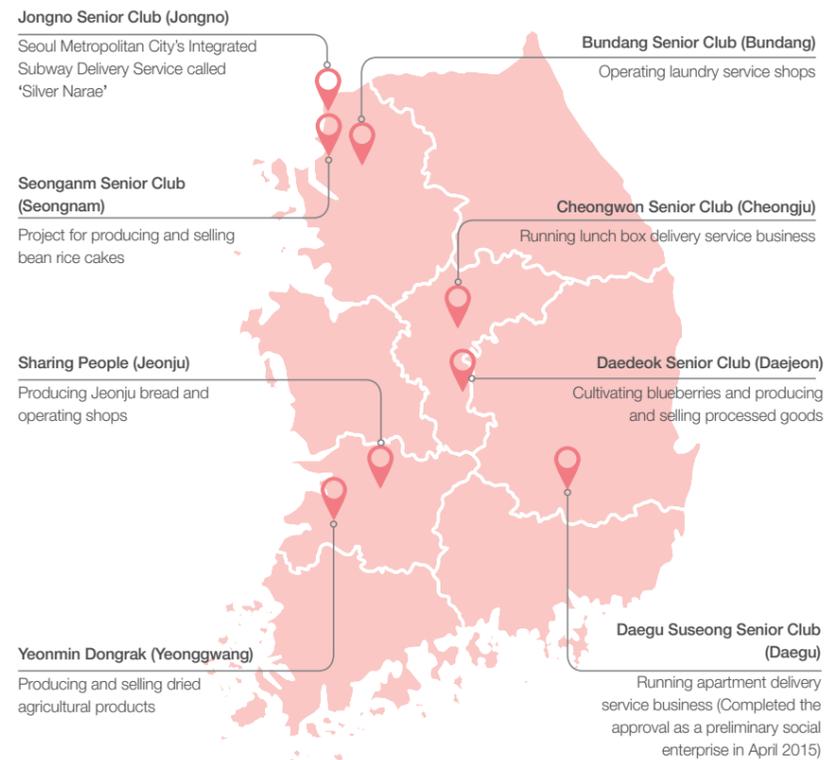
Securing the Independence of Social Enterprises

Social Enterprises in Korea

Exploring and Supporting Social Enterprises

In 2013, SK Innovation was the first Korean conglomerate to start a joint project to explore and support social enterprises in collaboration with the Community Chest of Korea and the Korea Association of Community Senior Club. In addition to tackling social problems, the main purpose of the project aimed at senior citizens is developing a business model that creates jobs with stability and security for the underprivileged. In 2015, we expanded the scope of support to implement the third project for all underprivileged classes, including senior citizens, the disabled, women and multi-cultural households. The business model that has been selected receives various kinds of support required to become a social enterprise, such as funds needed for about three years and know-how on corporate operation, human resources development, labor affairs, accounting and marketing.

Present Status of the Development and Support Projects of Social Enterprises



After selecting four institutions in 2013, we chose four additional institutions (Seongnam Senior Club, Bundang Senior Club, Daedeok Senior Club, Cheongwon Senior Club) as our social enterprises through the second idea contest for projects. The selected institutions are implementing various projects, including selling rice cakes, operating laundry service business, cultivating blueberries, producing and selling secondary processed goods and delivering lunch boxes. About 110 jobs were created for senior citizens through the first and second projects and it is expected that more social value will be created as they turn into social enterprises and the projects stabilize over the years.

Happy Market

In order to acquire and promote markets for social enterprises, SK Innovation opened and operated social enterprise pop-up stores in 2013, and opened a social enterprise market at the Cheonggyecheon Plaza of Seorin Building in 2014. We introduced various products made by social enterprises to SK employees, office workers in neighboring areas and tourists who visited Cheonggyecheon (Stream), including a kit for cultivating mushrooms by using coffee grounds, handmade paper cards where buds come out when you water them, and Tongyong region's traditional quilt products made by migrant women.

Happy Flower Garden

Every spring for years, SK Innovation has been implementing social contribution activities that create flower gardens on a piece of land remaining at the welfare facilities where SK Angels (1004) Volunteer Group work together with social enterprises that produce and sell flowering plants. The Happy Flower Garden Program was implemented annually to greatly improve the satisfaction level of the welfare institutions by increasing sales of social enterprises, enhancing the environment of welfare facilities and diversifying volunteer activities, with thorough follow-up management provided.

Happy Farm

Since starting the support for social enterprises through 24-hour Childcare Center Projects in 2006, SK Innovation has established social enterprises like Mezzanine I-Pack, Mezzanine Ecowon and Grateful Hands in 2008 and 2009. Based on the know-how accumulated over the years from supporting the establishment of these social enterprises, we set up a social enterprise called Happy Farm by participating in the whole process including planning, establishment and operation. Happy Farm is a social enterprise set up to resolve the problems of insufficient green spaces in urban areas and lack of jobs for senior citizens in the aging society. With the profits made through cultivating and selling flowering plants, wild flowers and shrubs, we created jobs for senior citizens (continuous employment of 8 persons as of 2014). Recently, we have been trying to ensure job security by diversifying profits like managing houseplants and delivering flowers. In addition, we signed business agreements with welfare facilities, the mental health and welfare center and daycare centers inside the district of Gyeonggi-do Siheung-si where Happy Farm is located to provide horticultural treatment and farm experiences. In 2014, about 300 local residents including the underprivileged, participated in Happy Farm's activities and received its services.



Bundang Senior Club (Starting Ceremony of Laundry Service Business)



Sharing People (Jeonju Bread Café)



Daegu Suseong Senior Club (Apartment Delivery Service)



Social Enterprises' Happy Market



Happy Flower Garden



Happy Farm

Community-Based Social Contribution Activities

Issue Definition

Many companies are implementing social contribution activities for the underprivileged and local residents living near their worksites. As a result, it has become necessary to establish close relationships with local residents for better communication, so that community-based social contribution activities that suit the regional characteristics can be implemented.

Business Review

In order to increase sales and ensure smooth implementation for business activities being conducted, it is necessary to strengthen close relationships with local residents and actively participate in promoting the regional economy. Through communication with local residents and investing in local communities, companies can enhance their image and also establish cooperative relationships with other companies and local communities.

Sustainability Review

By continuously operating environmental and community-based activities, companies can emphasize the true intention of their social contribution activities and establish trusting relationships with local residents. As a corporate citizen, the trusting relationships with customers will establish the foundation for achieving sustainable growth.



Key Figure

Number of Persons Who Participated in Social Contribution Activities (Accumulated)

10,173 persons



Total Hours of Social Contribution Hours

34,053 hours



Social Contribution Channels by Worksite

Ulsan

- Executive Committee of the Ulsan Youth Counseling Welfare Center
- Operating Committee of the Ulsan Buk-gu Multicultural Family Support Center
- Operating Committee and Advisory Committee of the Ulsan Happy School
- Operating Committee of the Ulsan Gym for the Disabled
- Director and Working Committee of the Ulsan Volunteer Center
- Director of the Ulsan Nam-gu Volunteer Center
- Operating Committee of the Ulsan Social Welfare Community Chest
- Standing Committee of the Korea National Red Cross Ulsan Branch

Incheon

- Operating Committee of Incheon Crime Victim Support Center
- Operating Committee of Incheon Seo-gu Volunteer Center
- Residents' Advisory Committee of Incheon Seo-gu 4-dongs
- Advisory Committee of Incheon Seo-gu Voluntary Crime Prevention Group
- Operating Committee of Incheon Seoknam Patrol Division's Seo-gu Life Safety Council

Environment

"Love Our Environment" Writing Contest

The "Love Our Environment" Writing Contest started off for children in 1993, but changed into a writing contest for children and youngsters who are visually impaired in 2011. Since then, we have expanded it to include children with hearing impairment, intellectually and developmentally challenged and autistic children. In 2014, we allowed not only children from special-education schools, but also children from special classes at regular schools to participate in the writing contest. As a result, about 2,700 special children and youngsters showed off their talents in various categories, including poetry, prose, picture diary, writing beautiful lyrics and "Love Our Environment" reporter sections.



"Love Our Environment" Writing Contest

Energy-Saving Education and Campaign

SK Innovation made 12 pieces of animation, learning games and webtoons under the theme of Saving Energy and provided them for free through Korea's largest on-line company, Junior Naver, which recorded more than 5 million hits as of the end of April 2015. In addition, the contents produced were used in textbooks for Education for Sustainable Development (ESD), which will be used in elementary schools across the nation through MOU with the Ministry of Education. We also participated at Jeju and Ulsan's sharing festival and the Day of Energy event to promote the idea of the importance of saving energy to local residents and children, as well as an exposition for donations towards education hosted by the Ministry of Education with more than 120,000 persons in attendance. In 2015, we plan to provide an energy experience program called Energy Tomorrow for elementary and middle school students across the nation, together with our employees' talent donation in collaboration with the Korea Energy Management Corporation.



An Event for the Day of Energy

Workshop in the Forest of Ulsan Grand Park

In 2006, SK Innovation opened a workshop in the forest of Ulsan Grand Park as an education space for natural learning experience, which was handed over to the Ulsan City and managed directly to contribute in developing the leisure activities and culture of local residents. In 2014, we operated various programs, including wood craft program under free themes, wood craft program held in English, Hanji (Korean paper) craft program, napkin craft program, space maker program and perler beads, to provide happiness to 3,251 Ulsan residents who participated. In 2015, we plan to run a volunteer program that makes gifts for the underprivileged together with middle and high school students in Ulsan.



Ulsan Grand Park (Workshop in the Forest)

Community-Based Social Contribution Activities



Happy Companionship (Happy Green House)

Mutual Growth

Happy Companionship

In 2013, five companies out of about 240 cooperative institutions were selected, including suppliers of SK Innovation's subsidiaries and SK Energy's branches, while seven companies, including Taesung Plant, Daeshin Petroleum, Daegwang Petroleum, Hanyu Energy and Ilshin Chemical, were selected in 2014. As such, we supported running social contribution programs on education, culture, environment and welfare for the underprivileged in neighboring areas of these suppliers located in Seoul, Jincheon, Chungju and Yangsan. Our Happy Companionship celebrated its second year in 2014 to systematically support social contribution programs from the planning stage, which had not been easy for our suppliers to carry out until now, thereby reinforcing their experiences and competencies regarding social contribution activities. Meanwhile, we contributed to improving the quality of life for the underprivileged in the neighboring areas of our suppliers by providing them with better services.



Sharing Books

Local Communities

Sharing Books

In May 2013, SK Energy signed social contribution agreements with the Ministry of Health & Welfare and SBS (Seoul Broadcasting System) to run a program for sharing books by donating them and creating a small library at the Community Children's Center together with SK gas station and refueling customers. To achieve this, SK Energy raised funds for the campaign by contributing a certain amount of money each time a customer buys gas at SK gas stations, while SK gas stations also established a one-on-one relationship with the Community Children's Center in the region to donate a certain amount of money voluntarily. Through these efforts, the total number of books donated in September 2014 exceeded 100,000 books, so that we successfully donated a total of 140,942 children's books by the end of 2014. Meanwhile, we modified and repaired two Community Children's Centers that were out of date in 2013 and turned them into small libraries. This was followed by six centers turned into small libraries in 2014. We also held the second Reading Contest to evaluate reading activities and give funds to support outstanding children and Community Children's Centers.

Netruck House

To promote and improve the welfare of truck drivers, SK Energy runs the Netruck House, a rest area service network exclusively for truck drivers. Since the opening of the first station in Gwangyang in January 2006, the number has increased, and there are currently 14 stations across the nation as of 2015, with plans to construct four new stations.

Job Experience Classroom for Middle School Students

In order to help realize a happy education that develops the dreams and talents of middle school students who are our future generation in the neighboring areas, SK Incheon Petrochem is running the Job Experience Classroom for about 460 students from seven middle schools together with the Incheon Seobu Office of Education. The Job Experience Classroom is a program that invites children to SK Incheon Petrochem's plant to get a better understanding about the energy business and explore careers for the future through various lectures and on-site visits regarding job types and duties. Since the first Job Experience Classroom for middle school students was held in October 2014, it received good responses from local communities, and we also run an energy classroom for elementary school students under the theme of producing and saving energy.



Job Experience Classroom