

## CEO's Message



### Dear Stakeholders,

I would like to sincerely thank you all for the continued support you have shown to our company, SK Innovation. Companies faced many difficulties in 2014 due to the business environment being aggravated by oil prices and exchange rates and increasing uncertainties. SK Innovation has taken these situations as an opportunity to take a leap forward by striving to achieve sustainable growth and to bring happiness to our stakeholders. This report sheds light on SK Innovation's major activities and performances aimed at implementing sustainability management, while also introducing the future plans for our stakeholders.

#### Strengthening Fundamental Competitiveness and Accelerating Global Growth

In order to secure fundamental competitiveness, SK Innovation strengthens its core competencies differently for each business area. SK Innovation operated a new plant of high-performance polyethylene brand Nexlene, which was developed for the first time in Korea with its original technology, and also expanded the high value-added chemicals PX plant. Furthermore, we continuously developed technologies to reinforce our position, by ranking first in the global premium lube base oil production volume, ranking first in the most favored domestic brand for lubricant complete products, and ranking first for 16 consecutive years in the brand power survey.

Also, we are tapping into overseas markets by investing abroad and strengthening partnership with global companies. The commercial production of our major overseas worksites began in full scale, including the Lube Base Oil plant in Cartagena, Spain and the Naphtha Cracking Center in Wuhan City, China. Besides these, we are establishing the foundation for successfully entering into the overseas markets by participating in North America's unconventional resources development project consisting mainly of American oil development companies, while also setting up a joint venture EV battery plant in Beijing to tap into the Chinese market as it emerges as the world's largest EV market.

#### Securing SHE Competitiveness at the Global Level

In order to respond to global climate change, it has become more important for companies to take strategic approaches to address energy consumption and GHG emissions. Before the implementation of the Emissions Trading Scheme (ETS) in 2015, SK Innovation has made multilateral analysis of the impacts from the ETS and set up an implementation system to be prepared. Also, we strive to take the lead as an eco-friendly company by actively implementing energy-saving campaigns and activities to improve energy efficiency.

Recently, the social demand for being quick in addressing SHE (Safety, Health, Environment) accidents has increased because of the recent accidents at home and abroad. Therefore, SK Innovation analyzed the best practices of leading global companies to enhance its emergency response system to meet global standards. In addition to reinforcing the execution on the site, we re-assigned the responsibilities in emergency response and improved the emergency response system, so that our competencies were enhanced through periodic emergency response trainings held.

#### Establishing a Win-Win Partnership Culture

SK Innovation thinks of its suppliers as partners in company management. Going beyond the framework of providing support, we establish the framework required to achieve sustainable growth for our suppliers. To achieve this, we set up a division to be in charge of mutual growth, which provides programs on education, safety and funding to strengthen the suppliers' competitiveness, as well as establishing a win-win partnership culture by conducting evaluations on suppliers fairly and sharing the results transparently.

Meanwhile, we implemented CSR activities that create sustainable social value with more significance than just making donations. We strive to support the independence of social enterprises and to stimulate the social economy, while also establishing a reliable relationship with local residents by carrying out CSR activities that meet the conditions of local communities. We expanded the scope of these CSR activities to be implemented not only in Korea, but also at overseas worksites. An outstanding example is our CSR program Yachaywasi implemented in Peru, which supports advanced agricultural skills and techniques to farming villages so that they become more independent, with plans to open the third farm in Peru by receiving good responses from the Peruvian government, academia and farmers.

### Dear Stakeholders,

SK Innovation will make every effort to attain its goal as a company respected by the society in embracing change and innovation in pursuit of higher stakeholder value. To that end, we will maintain open communication with our stakeholders and pay close attention to your opinions. I ask for your continuous support and encouragement as we move forward.

SK Innovation CEO & President **Chung, Chul Khil**