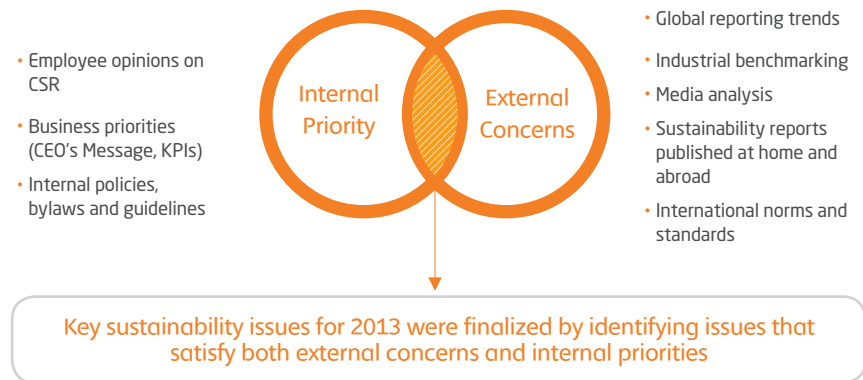# Materiality Test

SK innovation identifies key sustainability management issues and incorporates them into its reports, taking into consideration stakeholder interests and factors affecting business activities based on the ISO 26000, a standard for social responsibility, and the GRI G3.1, the international guidelines for sustainability management reporting, and then monitors the issues primarily from the perspective of sustainability.

Test Process

In 2013, SK innovation's materiality assessment identified stakeholder concerns through media analysis, domestic and international industry benchmarking, international standards, and various reports issued inside and outside the company throughout the year. SK innovation then determined the level of impact these issues have on our business by analyzing the company's management philosophy and business plans.

In particular, we benchmarked sustainability management practices at influential multinational corporations and major issues currently relevant in the industry. We also analyzed key performance indicators at each of our subsidiaries to properly evaluate their business impact. The results were classified into eight categories of social responsibility and further segmented into 110 detailed issues under 33 categorized issues for a materiality test.

- Employee opinions on CSR
- Business priorities (CEO's Message, KPIs)
- Internal policies, bylaws and guidelines

Internal Priority

External Concerns

- Global reporting trends
- Industrial benchmarking
- Media analysis
- Sustainability reports published at home and abroad
- International norms and standards

Key sustainability issues for 2013 were finalized by identifying issues that satisfy both external concerns and internal priorities

Test Results

To conduct the 2013 materiality test, SK innovation followed the same process it did for the previous year and created a materiality matrix based on the level of stakeholder concern and business impact.

While the previous report sorted the top 20 priority issues into seven groups according to stakeholder groups, this report delves into the top 8 material issues as identified from the test in the Six Special Themes section. As a result, the key issues of stakeholder engagement are highlighted in the Sustainability Management section and covered throughout the report.

The corporate governance issue, which was included in the Sustainability Management section in the previous report, became the priority issue in this report. Although work-life balance was not at the top of the priority list of material issues, the related information was reported on the material issue pages through internal deliberations.

Top Priority Issues[*1]

Business Impact

Stakeholder Concern

[*1] Top priority issues refer to those of high stakeholder concern and business impact placed on the upper left side of the matrix

2013 8 Top Priority Issues & Special Theme

Category	Issues	Special Theme	page
Corporate governance (6)	Corporate governance issues	Transparent Management	18p
Business performance (5)	Strategies(restructuring, spin-off), Financial issues	Global Expansion	21p
Employee safety & health (3)	Commitment to employee safety & health(SHE)	Safety, Health, Environment	25p
Sustainable use of resources (7)	Stable supply of energy		
Mutual growth (1)	Win-win management with business partners(mutual growth)	Cooperative Relationships with Suppliers	28p
Social contribution (2)	Social contribution	Value Creating Social Contribution	31p
Working conditions (8)	Employee welfare, Work-life balance	Work-Life Balance	34p
Stakeholder engagement (4)	Stakeholder dialogue	-	12p

* The numbers in the parenthesis refer to their rank in the top priority list.

Top Priority Issues of the changes

Compared to the same test run in 2012, the 2013 materiality test results showed that social contribution and win-win partnerships with business partners were more important, while the value of stakeholder engagement and corporate governance fell from the previous year. Business performance and the sustainable use of resources returned to the top of the priority list, which were now joined by the working conditions issue. Environmental management and mitigating climate change were still on the list but not in the top priority group.

2011 Top Priority Issues

1 Stakeholder engagement
2 Mutual growth
3 Addressing Climate Change
4 New growth engines (eco-friendly business)
5 Employee safety & health
6 Business performance
7 Communication with consumers
8 Sustainable use of resources

2012 Top Priority Issues

1 Stakeholder engagement
2 Mutual growth
3 Employee safety & health
4 Environmental management (carbon management)
5 Corporate governance
6 Mitigating climate change
7 Labor-management relationship
8 Fair competition

2013 Top Priority Issues

1 Mutual growth
2 Social contribution
3 Employee safety & health
4 Stakeholder engagement
5 Business performance
6 Corporate governance
7 Sustainable use of resources
8 Working conditions