

# Happiness with SK C&C

2014 SK C&C Sustainability Report



# SK C&C Sustainability Report 2014

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# CEO MESSAGE



In 2013, the global economy recovery slowed down and uncertainty and challenging business conditions seriously threatened many companies. Despite these difficult circumstances, SK C&C achieved a 2.7% increase in revenue and a 12.2% increase in operating income when compared to the previous-year figures. In addition, as a member of the UN Global Compact (UNGC), we are committed to the UNGC's 10 principles and have devoted ourselves to pursuing the happiness of our stakeholders. As a result of our hard work, we were listed on the Dow Jones Sustainability World Index (DJSI) for two consecutive years and were selected as an Industry Leader. We are deeply grateful to our stakeholders for their attention and support so that SK C&C can continue to carry out our sustainability management. SK C&C would like to make the following three promises regarding our sustainability management and deliver that promise to our stakeholders:

**First, SK C&C will grow with our customers' success through customer value creation.**

As for our IT services business, we have been focusing on value-based business and revenue model innovations. As a result, we were recognized as having the capabilities and competitiveness in our industry. Also to prove that point we won the Korea Development Bank's IT outsourcing contract in 2013, which was then the largest project in the financial sector. Moreover, in the global market, our world-class technology and efforts toward customer value creation were recognized by global top-tier companies such as Vodafone, SingTel, China Unicom and MetLife (Asia Pacific). With top-notch information security services, our security services business, subsidiary Infosec, is leading the industry, producing the highest revenue in the Korean information security consulting field for 10 consecutive years. SK C&C's efforts won't stop here, we will continue to provide customer-centered premium services and deliver significant value to our stakeholders as well as our own. SK C&C will also develop business models that offer a unique value to our customers by creating a synergy between our IT service capabilities and distribution services such as pre-owned cars, eco-phones and smart devices.

**Second, SK C&C will grow with the happiness of our employees through care and communication.**

SK C&C has continuously implemented flexible working hours and long-term leave programs to help employees achieve work-life balance. Through the Management-Employee Council in which labor representatives also participate in and through our online communication channel called the "u-Symphony," we are building a collaborative labor-management culture where employees' opinions are communicated to the company and improvements are made. Our efforts were highly praised by the Korean government - in 2013, we were selected as an outstanding company for having a co-operative labor-management culture and were certified as being a "Best Family-Friendly Management" company. We also adopted the "Hope Internship" program to support the social integration of people with disabilities and prepared "Maternity Protection" and "Women Leadership Development" programs to support female employees' economic activities and growth into top talent. In the future we plan to strengthen these programs.

**Finally, SK C&C will grow and develop with business partners and local communities through responsible sharing.**

SK C&C provides practical Win-Win partnership programs for our business partners, such as financial stability support through the Win-Win fund, joint technology development program, education and training support. Based on these achievements, in 2013, we have been recognized as an outstanding company for Win-Win partnerships. SK C&C will boost collaboration on ethics management and fair trade to help our business partners implement successful sustainability management. We have also carried out social contribution activities, such as fostering social talent by creating IT environments and supporting IT education for disadvantaged groups, helping people with disabilities become independent through the IT social enterprise "Happy Web & Media," offering scholarships to students of low income families and running a "specialized talent-donating" volunteer group. By bolstering these activities, we aim to help build a happier society. Lastly, SK C&C earned ISO 14001 certification, a special recognition award from Carbon Disclosure Project (CDP) in 2013 and green data center certification for being an outstanding green company. SK C&C will help engage more people in environmental protection by developing green IT services using its IT capabilities and by implementing recycling projects such as the distribution of pre-owned cars and eco-phones.

Our 2014 Sustainability Report is intended to reflect SK C&C's mid- and long-term strategies for sustainability management and the results of activities performed in 2013. We will prepare for a sustainable future through meticulous preparation and continuous commitment to sustainability management which will include the itemization of sustainability activities. As a global top-tier company, SK C&C will continue to grow and develop through cooperation, consideration and communication in order to meet the needs of our stakeholders.

Thank you for your continuous support and interest in SK C&C.

May 2014

**Chung, Chul Khil**  
President & CEO

# Company Overview

Since its founding in April 1991 as Sunkyoung Telecom, SK C&C has become a leader in Korea's IT Industry. Under a new strategic direction "Beyond Domestic, Beyond IT Service" set in 2012, SK C&C has moved beyond the domestic IT industry, transforming itself into a global corporation.

As a result, in 2013, the company recorded 2.3 trillion KRW in sales and 225.1 billion KRW in operating income, a 12.2% increase from the previous year's figure. Through its efforts to build a happier society, SK C&C was selected as an outstanding company that promote Win-Win partnership and labor-management culture, and has been certified as a "Best Family-Friendly Management" company. SK C&C was also included in the Dow Jones Sustainability World Index (DJSI) and selected as an Industry Leader. SK C&C will pursue a sustainable future and happiness through balanced growth with all of its stakeholders.

## Service Portfolio

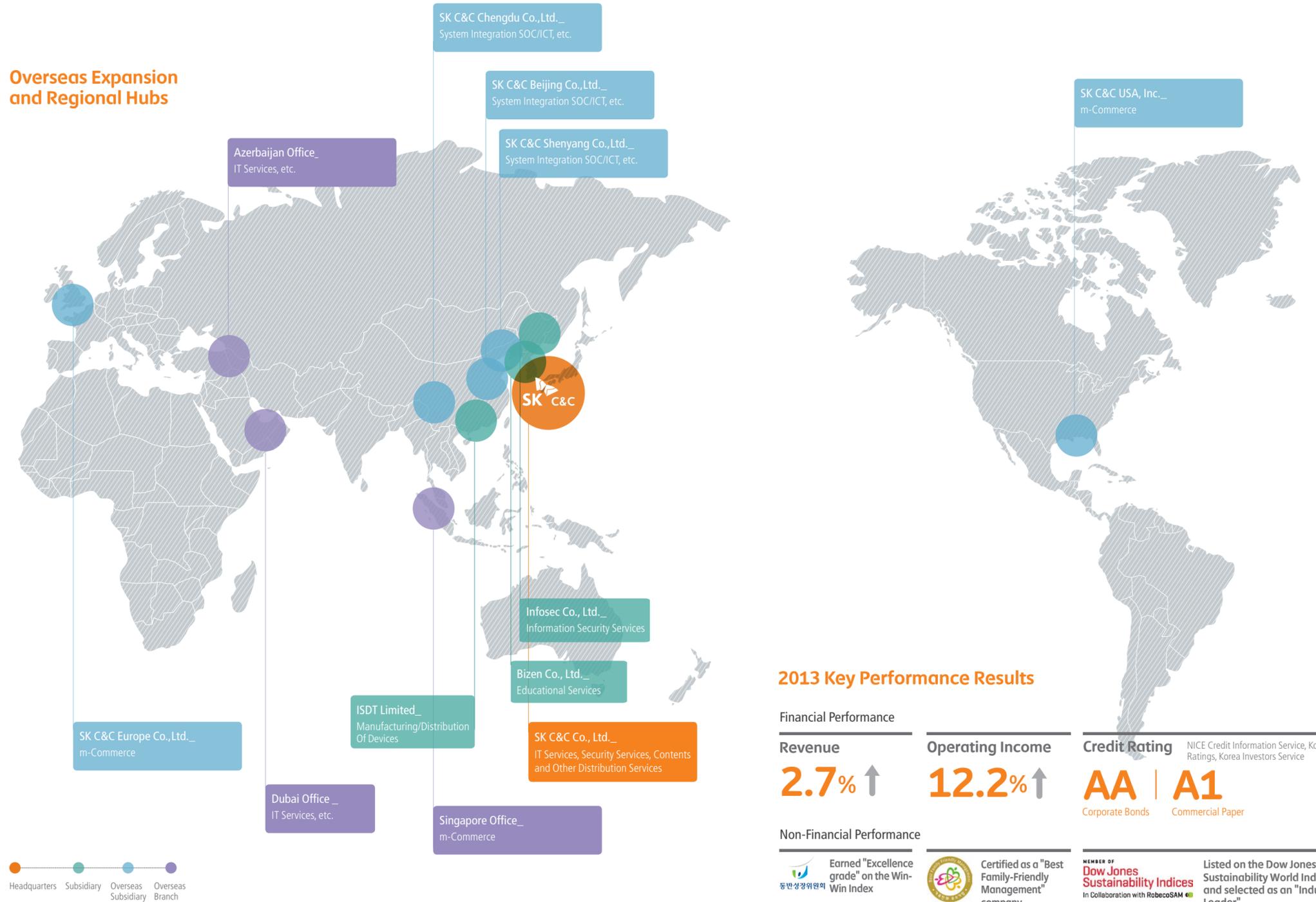
SK C&C provides customers with distinct strategies and specialized services in the consulting business, where it offers optimal solutions using its 20 years of expertise, system integration and outsourcing business, where it builds and operates IT systems, and is involved in the ICT business, where it provides mobile payment solutions. In the security services business, SK C&C's subsidiary Infosec, a company appointed as an information protection agency by the Ministry of Knowledge Economy, delivers total information security services to proactively cope with increasingly diverse security threats and policy changes, and helps customers perform stable operations using qualified technologies. The company is also committed to achieving steady growth by expanding its business into the distribution of pre-owned cars and mobile phones and the manufacturing of smart devices to enhance its IT service and solution capabilities and to create business synergy.

<b>IT Services</b>		Total Systems Management and Deployment	System integration, Outsourcing, Consulting, Mobile payment services, Smart card and Application solutions, etc.
<b>Security Services</b>		Total Information Security Services	Security control, Security consulting, Security system deployment, Security control services, Integrated security services, Provision of security solutions, etc.
<b>Distribution and Other</b>		Sale and Purchase of pre-owned cars, etc	Encar, Eco-phone, Smart devices, Digital content, etc.

## Major Solutions

<b>CORFIRE</b>	m-Commerce solution for electronic payment, electronic wallet and electronic marketing	<b>TOMS</b>	Audit system that automatically performs quantitative assessments of operational infrastructure levels
<b>NFC USIM</b>	USIM card that support near-field wireless communication	<b>NEXCORE</b>	Integrated development framework solution optimized for building enterprise systems and enterprise mobility
<b>LEARNINGON</b>	A platform that helps users to design user preferred e-learning solution	<b>ITS Platform</b>	An intelligent transportation solution that improves transportation safety and mobility through the integration of IT and transportation infrastructure
<b>WINPOS</b>	Solution designed to enhance the operational efficiency of gas station's refueling data by using features such as sales management, operations management and promotional management	<b>MDM</b>	Mobile device management solution that supports the security and integrated management of smart devices

## Overseas Expansion and Regional Hubs



## 2013 Key Performance Results

<b>Financial Performance</b>		
<b>Revenue</b>	<b>Operating Income</b>	<b>Credit Rating</b>
2.7% ↑	12.2% ↑	AA   A1
Non-Financial Performance		
 Earned "Excellence grade" on the Win-Win Index	 Certified as a "Best Family-Friendly Management" company	MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM Listed on the Dow Jones Sustainability World Index and selected as an "Industry Leader"

# History of SK C&C

## 1991 - Builds Integrated IT Infrastructure

**1991** Sunkyong Telecom incorporated

**1991** Sunkyong Telecom renamed as Daihan Telecom

**1996** Integrates 12 SK affiliates' IT organizations with YC&C, YC&C renamed as SK Computer Communications

## 2000 - Strengthens IT Service Capabilities

**1997** SK Computer Communications commences SK-NET integrated network service

**1998** Acquires IT assets from 12 SK affiliates and executes outsourcing agreement, Daihan Telecom merges with SK Computer Communications, Daihan Telecom renamed as SK C&C

**1999** Establishes Total Data Center

**2000** Establishes the Network Administration Center, Obtains ISO 9001 quality certification, Establishes SKY C&C with SKY Tel of Mongolia

**2001** Establishes Telsk (IT outsourcing JV with Telus International) and opens the Daedeok Data Center

**2002** Declares ethics management

**2003** Obtains CMMI Level 3 (Public Sector Division)

## 2007 - Expands External/Global Achievements

**2004** Certifies BS7799, Establishes a JV called the Bell Tech Consulting Korea

**2005** Relocates the headquarters in Bundang (SK u-Tower), Obtains eSCM Level 3 (World's first version 2.0)

**2006** Certifies ISO 27001 and ISO 20000

**2007** Establishes SK C&C Systems in China, Receives e-Government Industrial Service Medal and Presidential Citation

**2008** Wins the ITS deployment project contract in Baku, Azerbaijan, Wins the post and logistics modernization project contract in Kazakhstan, Wins the ITS deployment project contract in Ulan Bator, Mongolia

**2009** Lists on the Korea Exchange stock market, Establishes SK C&C USA Branch Office

## -2013 Diversifies Business Models

**2009** Selected as an outstanding company for best practices in cooperation and fair trade agreements

**2010** Establishes its USA subsidiary SK C&C USA, Lists on the MSCI Korea Index, Expands into the North American m-Commerce Market (Partnership with FDC)

**2010** Lists on the DJSI Korea Index

**2011** Lists on the KOSPI 200/100 Index, Establishes SK C&C Shenyang

**2011** Selected as the "Best-in-Class" company by DJSI Korea for 2 consecutive years, Establishes HappyWeb & Media (Social enterprise)

**2012** Establishes SK C&C Chengdu and SK C&C Europe

**2012** Obtains ISO 14001 (Environmental Management Certification)

**2012** Lists on the DJSI World Index, Obtains OHSAS 18001 (Safety and Health Certification), Joins the UNGC

**2013** Lists on the KODI, Merges with the Encar Network, Expands the smart device and device distribution business

**2013** Receives the "Carbon Disclosure" award from Carbon Disclosure Project Korea

**2013** Earns an "Excellent grade" on the Win-Win Index, Selected as an "Outstanding Company" for labor-management relations, Named the DJSI World Industry Leader, Obtains a "Best Family-Friendly Management" company certification (Prime Minister Commendation)

● Economic Sector ● Environmental Sector ● Social Sector

# Vision

**Vision** — Create Value for Customers through Creativity and the Challenge Spirit

Create Value for Customers, Challenge the Future

## Strategic Directions

SK C&C aims to become a SUPEX Company by 2020 by transforming itself into a provider of "Beyond Domestic, Beyond IT Service." To achieve this goal, the company will provide customer-centered IT and security services and, simultaneously, expand its business into distribution services.



"Focus on value-based selection and concentration"

- Identify premium services centering on customer value
- Integrate and optimize project execution and R&D activities
- Concentrate on core customers and selective expansion based on profitability



"Value-based growth by protecting customer value"

- Increase customer value through premium services
- Strengthen the foundation of sustainable growth through revenue model innovation



"Growth through diversification of business models"

- Enhance the Encar business model and global expansion
- Build a distribution ecosystem for domestic eco-phones and secure export competitiveness
- Implement the B2B/B2C smart device business combined with IT service/solution capabilities

# Strategies for Sustainability Management

## The Foundation of SK C&C's Sustainability Management: SK Management System, SKMS

Established in 1979, SK Group's unique management system called the SKMS, not only embodies the group's business philosophy, but it is also an integral to the very existence and growth of the SK Group. As the basis of the SK's corporate culture, SKMS has been the decision-making standard in the company's business activities and its employees' job performance. SK C&C implements sustainability management, according to its corporate philosophy stated in the SKMS: "The corporate enterprise should achieve its ultimate goal of sustained progress by maintaining stability and growth. Furthermore, it should create value for its customers, people and shareholders, thereby contributing to social and economic development and human well-being."

## Vision — Creation of Sustainable Happiness for All Stakeholders

Happiness with SK C&C

### Strategic Directions for Sustainability Management

SK C&C defined six strategic directions for sustainability management in order to achieve the SK Group's vision, "Sustainable Development and Stakeholder Happiness," and SK C&C's vision, "Create Value for Customers." Moreover, for each strategic direction, the company appointed responsible organizations and identified tasks to commit itself to become a sustainable company.



### Sustainability Management Organization

Strategic Direction	Objectives & Activities	Responsible Organization(s)
Customer-Centered Management	Increasing customer satisfaction and value through the IT services optimized for customer needs and environments	IT Service Innovation Division
Human Resources Management	Building a "Happy Hompany" that secures corporate competitiveness and creates employee happiness by securing top talent	Human Resources Division
Win-Win Partnership	Creating a future-oriented IT ecosystem and spreading a culture of sustainability to business partners through cooperation and support	Procurement Division
Social Contribution	Alleviating social problems and supporting socially disadvantaged groups through community investment and social contribution activities	SKMS Division
Green Management	Exploring new business opportunities through efforts to reduce environmental impact caused by business operations and green IT	Technology Innovation Division, Service/Manufacturing Business Division
Ethical Management	Building trust with stakeholders through transparent and ethical management activities	Ethics Management Division

# Stakeholder Engagement

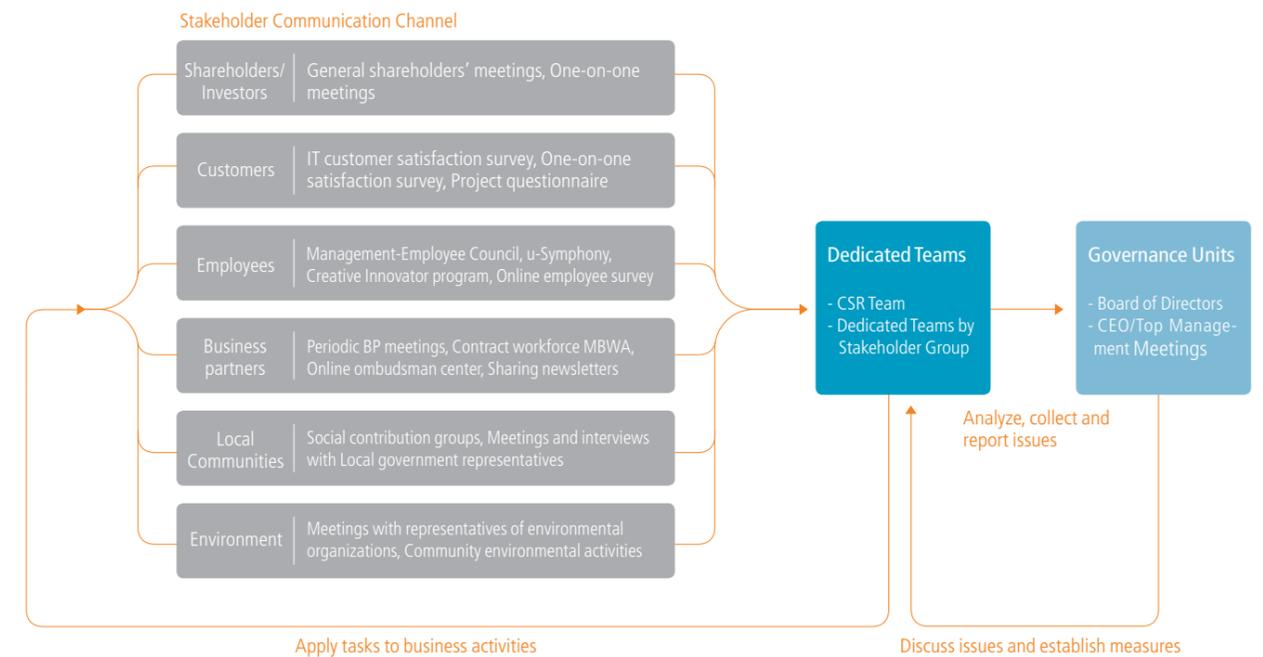
## SK C&C and Stakeholders

SK C&C classified stakeholders, who affect, or can be significantly affected by the company's business activities, into six major stakeholder groups: customers, shareholders/investors, business partners, employees, local communities and the environment. By implementing corporate environment for stakeholders to express opinions and actively respond to their interests, SK C&C will continue to grow with its stakeholders.

Classification	Major Interests	Actions Taken by SK C&C
<b>Shareholders and Investors</b> Ordinary investors / Institutional investors / Largest shareholders	Increasing corporate value through stable profit-making and exploration of new growth engines	- Operate domestic IT business centering on profit and customer value - Make forays into international markets and expand distribution/other businesses
	Non-financial risk management through growth with business partners and ethical management	- Operate the Win-Win Partnership Committee and the Ethics Committee to reinforce social responsibilities - Voluntary and proactive risk management
	Expanding information disclosures	- Ensure transparent business disclosures and publish periodic sustainability reports - Operate frequent communication mechanisms with shareholders/investors
<b>Customers</b> IT services / Security services / Content and distribution	Increasing the social/environmental values of services	- Build social infrastructure through safety and transportation service projects - Provide green solutions
	Providing high-quality solutions	- Sign a service level agreement (SLA) to enhance service quality - Comply with the quality policy and the 8 quality management principles
<b>Employees</b> Marketing & Sales / Technicians / Consultants / Supporting staff	Enhancing customer communication and satisfaction	- Form a dedicated department for integrated management of Voice of the Customer (VoC) - Conduct a satisfaction survey among IT customers to improve service levels
	Reinforcing respect for diversity and employee benefits	- Run programs to secure talent diversity (Internships for people with disabilities, female leaders, etc.) - Introduce a variety of benefit programs (Flexible working hours, etc.)
	Creating a culture of cooperation and communication	- Operate programs to promote communication (C.I (Creative Innovator) program, etc.)
<b>Business Partners</b> Product procurement / Contract procurement	Providing opportunities to cultivate capabilities through education	- Strengthen the foundation of HR development (Remodeling the talent competency system, etc.)
	Stability and growth through Win-Win partnership	- Operate Win-Win partnership programs in 8 core areas (Finance, technology, business, etc.)
<b>Local Communities</b> Residents of local communities / Local governments and regions / Social contribution centers / NGOs	Complying with code of ethics and fair trade with business partners	- Operate a system for the 4 principles of fair trade and a Compliance Program - Operate ethics counseling/reporting mechanisms
	Community-based social contribution activities	- Plan and execute community contribution programs (E.g., a social services center for people with disabilities in the city of Seongnam)
<b>Environment</b> Environmental NGOs / Stakeholders in sharing environmental resources in the broad sense, such as government and regulatory agencies	Social contribution activities using business capabilities	- Expand social contribution activities connected to IT (IT education, the establishment of an IT social enterprise, etc.)
	Fulfillment of corporate environmental responsibilities	- Establish and implement an 'Environment, Safety, and Health Policy' and manual
	Participating in climate change response	- Commercialize green solutions, such as Energy Management System (EMS) and Energy Storage System (ESS) - Practice energy conservation (Operating green data centers)

## Gathering and Reflecting Stakeholders' Opinions

SK C&C actively communicates with its stakeholders through various channels and gathers opinions to reflect stakeholders' opinions. Gathered opinions are reviewed and analyzed, discussed at the management meetings, and is reported to the top management. Through the processes of gathering and giving feedback to the stakeholders' opinions, SK C&C discusses and examines the economic, environmental and social impacts of these issues on the SK C&C's businesses and stakeholders. The company, then, utilizes the results to improve its business performance.



## Handling Stakeholders' Grievances

SK C&C cares about its stakeholders' grievance and operates various reporting channels and remedy systems to systematically resolve the grievances. The company runs a one-on-one consulting channel on its website (<http://www.skcc.co.kr/v2/customer/consultView.vw>) through which petitions and grievances are received from all stakeholders, such as customers, employees and business partners. As for issues related to ethical management, including labor and human rights, the company operate online consulting and reporting channel as well as e-mail, phone, and fax. SK C&C also runs the Win-Win Help line, a one-stop system for its business partners, to quickly receive and handle their grievances in all aspects of business. To deal with employees' grievances, the company appoints an ombudsman and an anonymous online channel, the u-Symphony, to make it easier for its employees to report workplace complaints. Received grievances are kept strictly confidential and actions are taken to resolve grievances or complaints as fairly and transparently as possible.

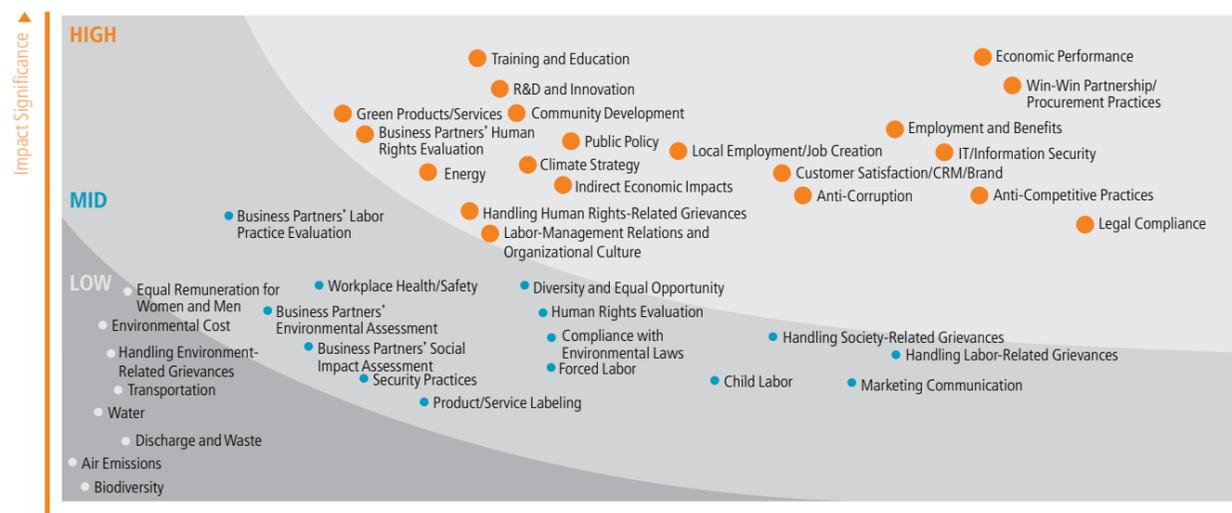
In 2013, SK C&C received a total of 48 stakeholder grievances in the environmental, labor, human rights and social aspects through the one-on-one consulting channel, the ethical management consulting/reporting channel, the ombudsman, u-Symphony and the one-stop helpline. All 48 grievances were thoroughly checked by dedicated teams and have taken the necessary measures.

# Materiality Assessment

SK C&C conducted a materiality assessment of sustainability issues and took the identified material issues as the key criteria for defining the content of this report. The materiality assessment was carried out in accordance with the recommended process of defining material aspects and boundaries in the GRI G4 Guidelines. SK C&C evaluated the significance of each issue affecting its business performance capabilities and its influence on the stakeholder evaluations and decisions.

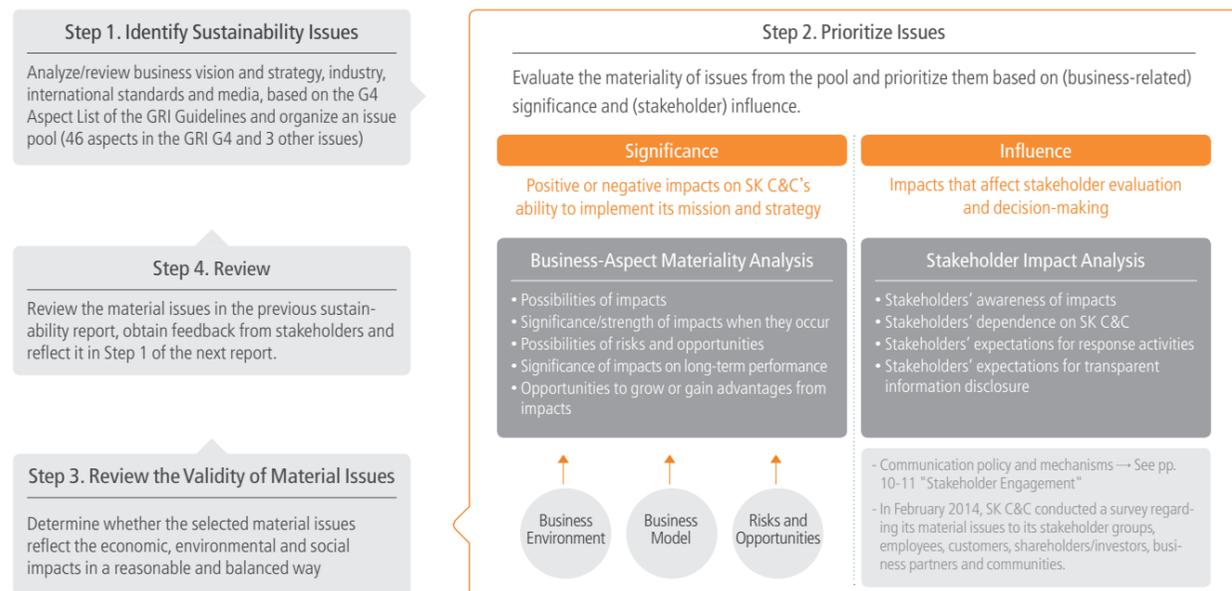
※ The GRI G4 Guidelines are the fourth-generation of sustainability reporting guidelines provided by the Global Reporting Initiative (GRI), an international non-profit organization that develops standards for sustainability reporting.

## Materiality Assessment Matrix



\*Due to limitations of representation, some of the mid- and low topics have been omitted. Impact Influence ▶

## Materiality Assessment and Report Content Defining Process



## Analysis of Materiality Assessment Results

As a result of the materiality assessment, the issues of economic performance, Win-Win partnerships and procurement practices showed the highest level of materiality when it came to SK C&C's sustainability management. While issues like training and education, R&D, innovation, anti-corruption and anti-competitive practices appeared to be relatively significant in the business or the stakeholders' point of view.

### High-Priority Issue Group – Material Issues

SK C&C is growing to become a global leading company and it recorded 2.3 trillion KRW in revenue and 225.1 billion KRW in operating income in 2013. For a company to grow and develop, the company should show outstanding economic performance. The economic value created by the company is distributed to stakeholders in various forms, such as dividend payouts, pay and taxes. Such economic value is also one of the most important factors that affect stakeholders' evaluations and decision-making.

The government has tightened its policies on Win-Win partnerships and procurement practices, such as the launch of a Win-Win partnership committee, and different areas of society has paid attention to these issues. As cooperation between industries has become an important element of competitiveness due to IT industrial convergence, these issues also become increasingly significant. SK C&C carries out cooperative activities with its business partners and promotes the enhancement of mutual capabilities by collaborating with development experts, purchasing hardware/software and supporting and maintaining close relationships with them.

In the IT services industry, where individual competencies are relatively important, talent development and R&D/innovation are significant areas of management in the business aspect. Developing top talent is the driving force behind a company's innovations and a competitive advantage. R&D activities such as new technology development and obtaining patents and certifications contribute to successful implementation of these business strategies. On the other hand, if problems occur due to failure to fulfill ethical responsibilities as a corporate citizen, such as compliance with laws and fair competition, it can have a substantial impact on society and greatly affect stakeholders' evaluations and decision-making on the SK C&C.

### Medium-Priority Issue Group

Medium-priority issues may not be as influential or likely to occur, but SK C&C still pays attention to its potential significance and manages them. Medium-priority issues include sustainability assessments of business partners in environmental, social and labor aspects, child labor and forced labor and workplace health and safety issues. Since SK C&C's major businesses share the characteristics of Korea's knowledge industry, the social and environmental risks of business partners are not high. However, as society demands that the scope of sustainability management extend to business partners, SK C&C's commitment to spreading a culture of sustainability management places greater emphasis on these issues. In addition, in the event that it conducts business or engages in related activities in developing countries, where the risk of child and forced labor is high, the company realizes that necessary steps should be taken. Likewise, as for workplace health and safety issues, the risk of safety accidents and diseases at work may not be high, which is typical of the IT industry. However, SK C&C considers these issues a basic responsibility and strives to prevent safety/health accidents and promote employee health.

### Low-Priority Issue Group

Environment-related issues, such as energy, greenhouse gas, water and waste turned out to have relatively low significance. This is because SK C&C's businesses, as typical of the knowledge industry, do not include processing or manufacturing processes and thus produce relatively lower environmental impacts such as resource consumption, emissions and pollution from business operations compared to other industries. Despite its low environmental impacts, SK C&C is aware of its corporate role in spreading a culture of green practices across society. Therefore the company develops and provides green IT solutions and contributes to building a green society by practicing the green management of offices such as saving energy.

# Material Issues and Strategies for Sustainability Management

## Strategic Directions for Sustainability Management

※ Not included among the 6 strategic directions for sustainability management since it is a basic business domain.

<b>Increase Economic Value</b> 						
<b>Customer-Centered Management</b> 						
<b>Human Resources Management</b> 						
<b>Win-Win Partnership</b> 						
<b>Green Management</b> 						
<b>Social Contribution</b> 						
<b>Ethical Management</b> 						

## Major Stakeholders

Share-holders/Investors	Customers	Employees	Partners	Communities	Environment
■					
	■				
		■			
			■		
				■	
					■

## Material Issues

<ul style="list-style-type: none"> <li>● Economic Performance</li> <li>● Local Employment/Job Creation</li> <li>● Indirect Economic Impacts</li> <li>● Public Policy</li> <li>● R&amp;D and Innovation</li> </ul>
<ul style="list-style-type: none"> <li>● Customer Satisfaction/Customer Relations Management (CRM)/Brand</li> <li>● IT/Information Security</li> </ul>
<ul style="list-style-type: none"> <li>● Employment and Benefits</li> <li>● Training and Education</li> <li>● Labor-Management Relations and Organizational Culture</li> <li>● Handling Human Rights-Related Grievances</li> </ul>
<ul style="list-style-type: none"> <li>● Win-Win Partnerships/Procurement Practices</li> </ul>
<ul style="list-style-type: none"> <li>● Climate Strategy</li> <li>● Energy</li> <li>● Green Products/Services</li> </ul>
<ul style="list-style-type: none"> <li>● Community Development</li> <li>● Indirect Economic Impacts</li> </ul>
<ul style="list-style-type: none"> <li>● Legal Compliance</li> <li>● Anti-Competitive Practices</li> <li>● Anti-Corruption</li> </ul>

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● Economic Issue ● Environmental Issue ● Social Issue

The 2014 SK C&C Sustainability Report classifies 20 material issues, such as economic performance, Win-Win partnerships and procurement practices, identified through a materiality assessment according to SK C&C's strategies for sustainability management. Classified issues are then organized into five sections, "Sustainable Value Creation," "People and Culture," "Winning with Our Biz Partners," "Toward Zero Emission" and "Social Investment" and for each section; the management approach and related activities/results are reported. The following offers a glimpse of how this report deals with material issues and efforts the SK C&C makes to respond to major risks and opportunities in each area using sustainability strategy.

## Risks and Opportunities

### Business & Social Context

<ul style="list-style-type: none"> <li>· Demand for the company's stability and growth due to changes in international and domestic business environments</li> <li>· Increased business opportunities and society's growing expectations following IT development and convergence</li> </ul>
<ul style="list-style-type: none"> <li>· Create revenue streams through customer management (demand for proactive approach and differentiated service to meet customer needs)</li> <li>· Increase in social issues related to information security</li> </ul>
<ul style="list-style-type: none"> <li>· Growing need to recruit and manage highly skilled human resources</li> <li>· Need to foster a culture of trust and communication among employees</li> <li>· Growing demand for work environment improvement</li> </ul>
<ul style="list-style-type: none"> <li>· Growing demand for cooperation with small- and medium enterprises</li> <li>· Increased importance of a collaborative ecosystem for the company's long-term growth</li> <li>· Increase in environmental, human rights, and labor issues during supply chain management</li> </ul>
<ul style="list-style-type: none"> <li>· Strengthened laws due to climate change</li> <li>· Growing social demand for disclosure of environmental information</li> <li>· Growing demand for green services and solutions</li> <li>· Growing demand for energy</li> </ul>
<ul style="list-style-type: none"> <li>· Increased expectations for corporate social responsibility</li> <li>· Growing demand for IT social contributions to resolve the digital divide</li> </ul>
<ul style="list-style-type: none"> <li>· Ethical management is the foundation for sound business management and stakeholder trust</li> <li>· Fair trade and anti-corruption are basic elements of corporate social responsibility</li> </ul>

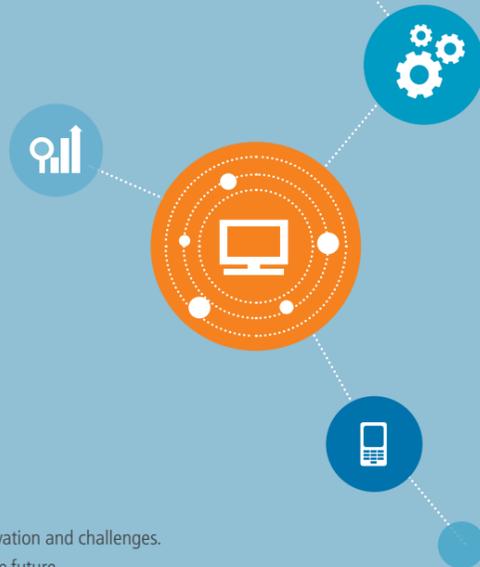
### Risks Highlighted

<ul style="list-style-type: none"> <li>· Competition within the industry and financial stability</li> <li>· Changing market demand due to the changing international business</li> <li>· Securing ability to cope with changes in the IT industry</li> </ul>
<ul style="list-style-type: none"> <li>· Service quality competitiveness</li> <li>· Brand awareness</li> <li>· Customer data leakage</li> </ul>
<ul style="list-style-type: none"> <li>· Human capital competitiveness</li> <li>· Job efficiency and productivity</li> <li>· Employees' job satisfaction</li> </ul>
<ul style="list-style-type: none"> <li>· Securing top-tier business partners</li> <li>· Maintaining friendly relationships with business partners</li> <li>· Spread of risks from business partners</li> </ul>
<ul style="list-style-type: none"> <li>· Violations of laws/regulations</li> <li>· Securing green technologies</li> <li>· Rising energy bills</li> </ul>
<ul style="list-style-type: none"> <li>· Maintaining friendly relationships with local communities</li> </ul>
<ul style="list-style-type: none"> <li>· Violations of laws/regulations</li> <li>· Spread to reputation risk</li> </ul>

### What we do to Manage the Risks and Create Opportunities

<ul style="list-style-type: none"> <li>· Implement business diversification to boost the company's growth</li> <li>· Improve profitability of the IT services business to ensure the company's stability</li> <li>· Establish R&amp;D strategy connected to businesses</li> </ul>
<ul style="list-style-type: none"> <li>· Continuously improve the service level management (SLM) system</li> <li>· Form and operate a dedicated team for Voice of the Customer (VoC)</li> <li>· Expand and strengthen the information security unit</li> </ul>
<ul style="list-style-type: none"> <li>· Help establish personalized job competency roadmaps</li> <li>· Secure systematic performance management and compensation competitiveness</li> <li>· Ensure work-life balance and diversity of employee benefits</li> <li>· Expand employee communication channel</li> </ul>
<ul style="list-style-type: none"> <li>· Implement Win-Win partnership programs to extend support for business partners</li> <li>· Expand communication mechanisms for business partners</li> <li>· Reflect "environment, society, labor, and human rights" in business partner assessments</li> </ul>
<ul style="list-style-type: none"> <li>· Establish a company-wide environment, safety, and health strategy</li> <li>· Appoint QHSE managers and provide company-wide environmental education</li> <li>· Operate green data center to mitigate greenhouse gas emissions</li> <li>· Execute green projects and solutions</li> </ul>
<ul style="list-style-type: none"> <li>· Operate employee volunteer groups to promote social contribution programs</li> <li>· Establish and operate an IT social enterprise to create jobs for socially disadvantaged people</li> <li>· Resolve the digital divide for disadvantaged groups (Website donations and IT education)</li> </ul>
<ul style="list-style-type: none"> <li>· Comply with the 4 fair trade principles and operate a Compliance Program</li> <li>· Prepare a detailed guide to ethics, enforce a pledge to practice ethical management among employees, and provide periodic education</li> <li>· Operate ethical counseling and reporting mechanisms</li> </ul>

# 01 Sustainable Value Creation



SK C&C is taking its steps to become a global leading company through continuous innovation and challenges. Through IT expertise and customer centered value creation, SK C&C will pursue sustainable future.

### Material Issues for Sustainable Value Creation

- Economic Performance · Local Employment/Job Creation · Indirect Economic Impacts · Public Policy
- R&D and Innovation · Customer Satisfaction/Customer Relations Management (CRM)/Brand
- IT/Information Security

## 01-1 Economic Value Creation



SK C&C is improving its business performance by expanding the company's business portfolio through integration of its IT business, which create high value, and its security and distribution business. As the convergence between IT and other industries has recently become stronger, it presents growing opportunities for SK C&C's businesses and a range of possibilities of which the company can contribute to create social value.

Impacts : Growth Engines, Attracting Investment based on Business Performance, Quality of Life (E.g. Community IT Infrastructure), Jobs and Local Economy

### Our Commitment

SK C&C will maximize profits for its shareholders and investors by establishing successful practices. It will also contribute to produce indirect economic impacts, such as local economy revitalization and job creation. In addition, the company will improve people's quality of life and share new values with society by working to enhance social infrastructure for public safety and convenience.

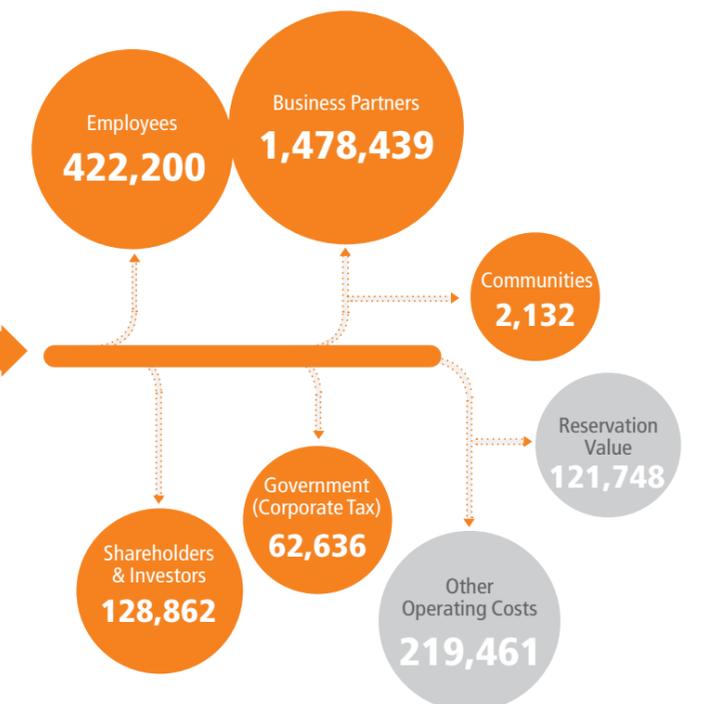
### Goal & Evaluation

Classification	Goal	Period	Current Status	2013 Achievements
Economic value creation	Continuous external and value growth	Mid-term	In progress	Reached revenue of 2.3 trillion KRW and operating income of 225.1 billion KRW
	Business diversification	Mid-term	In progress	Merged with Encar Network and implemented overseas business Made inroads into new businesses such as smart devices and Eco-Phone

### Created Economic Value (unit : million KRW)



### Distribution of Economic Value (unit : million KRW)



Revenue : Earnings from major business activities | Non-operating income : Other income, financial earnings, investment income from affiliated companies | Employees : Pay, retirement pay, and benefits costs | Business partners : Outsourcing costs, material costs, service charges | Communities : Donations | Government : Corporate taxes | Shareholders & investors : Interest expense and dividend payouts | Other operating cost : Depreciation, communications expenses, service charges, rent | Reservation value : Total revenue – Distributed value

## Economic Value Creation

Despite slow recovery of the global economy and changes in the domestic business environment, SK C&C has restructured its business and revenue models for the IT services and security services business through the "Selection and Concentration" based on customer values and profitability. By expanding its business into beyond IT services, such as distribution, the company continues to grow and develop.

### IT Services Business

SK C&C has focused on the value-based restructuring of business and revenue models. As a result of its efforts, the company won the bid for the KDB IT outsourcing project in 2013. It was the largest project in the financial sector at the time, and the SK C&C received recognition for its industry-best capabilities and competitiveness. In 2014, SK C&C utilized its own IT solution called the "TOMS" to undertake an IT outsourcing project for Maeil Dairies, cementing its leadership in the financial and outsourcing markets. In the global market, the company was recognized by top-tier companies such as Vodafone, SingTel, China Unicom, and MetLife (Asia Pacific) for its efforts to create values for customers using world-class technology.

### Security Services Business

SK C&C has topped the domestic sales of information security consulting services for 10 consecutive years through the company's subsidiary, Infosec, which was appointed as the information security agency by the Ministry of Knowledge Economy. Infosec not only leads the industry by offering Korea's best information security service but it also was certified by the Korea Internet & Security Agency's Information Security Management System (ISMS) and the ISO27001. Moreover, with the Personal Information Protect Act in effect, the demand for IT security consulting is growing among public agencies and companies. Also with amendments made to the Information and Communications Network Act, and the government's announcement to reinforce the security of financial assets, it is mandatory for companies to become certified with the ISMS. Using its advanced technology, Infosec is bolstering its market leadership and will continue to expand its business outcomes.



Jeong, Dae Ro, Research Analyst of KDB Daewoo Securities

**"SK C&C is a company with high potential, especially when it comes to business diversification using IT."**

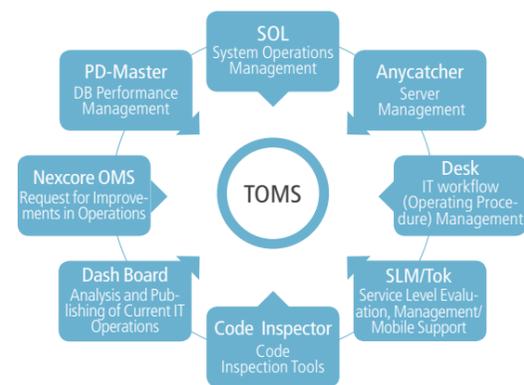
Recently, in the Korean IT industry, expanding into new business and into the global market has become an important issue. SK C&C is actively looking for new growth engines by expanding its ICT and non-IT businesses. SK C&C is a company that has high potential in terms of business diversification using its existing capabilities, such as entering the non-IT business market with IT service technology as its base. However, without open communication, SK C&C's diversified corporate values cannot be properly conveyed. While conducting a business analysis of SK C&C at the KDB Daewoo Securities Research Center, I realized that SK C&C has actively communicated with outside stakeholders. In that regard, the company's second sustainability report is particularly of great significance, because it boosts communication in other aspects outside of its business results, such as community development, environment and Win-Win partnerships and openly suggests the company's future directions.

### Distribution and Other Business

In May 2013, SK C&C merged with the Encar Network and became the first company in Korea to adopt pre-owned car inspection and repairs service (Encar Premium Service). The company is committed to fostering a healthy and safe culture of distribution and transparent trade of pre-owned cars. In addition, the company's efforts to generate additional value include online and global expansions by creating synergies with the existing IT services business. In March 2014, SK C&C established a joint venture with Car Sales.Com of Australia to accelerate its global expansion. SK C&C will continue to create a business model that provides customers with differentiated value by expanding its business into areas beyond IT services, such as eco-phone and smart devices, and by developing new premium services.

#### Total IT Outsourcing Solution – Service Pack TOMS

TOMS (Total Outsourcing Management Solution) is a method for indicating the operational level of infrastructure and an automatic monitoring system, designed to collect and compare the data of thousands of IT infrastructure assets and support the batch monitoring and revisions of OS (operating system) patch status and other security settings. TOMS is getting positive reactions from IT outsourcing customers because of its automatic updating abilities, and is expected to provide high-quality services to customers by identifying and improving problems with IT infrastructure in terms of security and operation.



## Social Value Improvement

### Building Traffic and Safety Infrastructure

**Building CCTV Control Center for Gangnam-gu** | SK C&C became the first Korean company to build a system that allows the integrated management of up to 1,100 CCTVs, which had been monitored and managed separately in different situations, such as neighborhood patrol, illegal parking enforcement and disasters/accidents response. Through an automated network covering over 250km, the system can fundamentally prevent problems of hacking and unauthorized leakage by integrating the CCTVs into a single network. In addition, through integrated CCTV control, the system guarantees safety for citizens by preventing accidents, jointly responding to follow-up and preventing violent crimes. Through the optimization of management workforce and the creation of a quick response and recovery system, the system is expected to save one billion KRW in annual operating costs and reduce petition processing times.

### Developing the Integrated Control and Command Center in Turkmenistan

SK C&C built an Emergency Call center System (ECS) to enhance event processing and operating processes, which are separately run by the police, fire stations and traffic enforcement. The ECS is an integrated system combining all processes, from reception of events to completion, by connecting together a patrol car, Computer Technology Integration (CTI), mobile data terminal (MDT) and GIS map. The system supports optimized monitoring and systematic instructions to help protect people's lives and properties in Turkmenistan.

※ CTI: A system designed for decentralized management of incoming calls based on automatic voice instructions by combining a PC and telephone.

### Building ITS in Ulan Bator, Mongolia

SK C&C built an ITS traffic information center designed to manage major roads in Ulan Bator to help Bator's traffic flow by overhauling the signal systems of all interactions across the city. Since then, the company has been providing consulting services. Moreover, SK C&C have also led innovation into the city's traffic culture, including stop line enforcement and jaywalking crackdown. By using the ITS traffic information center, Bator's traffic speeds improved by approximately 15%, which helped make fundamental changes to the city's traffic system.

※ ITS traffic information center is designed for the integrated management of traffic information collection from CCTVs and vehicle detection systems, efficient operation of signal systems, road signals, and internet-based traffic monitoring systems.

### Building ITS in Baku, Azerbaijan

The ITS construction in Baku, Azerbaijan, is the first large-scale global ITS export project in Korea, which was funded solely by the foreign government's budget. Through the improvement of the traffic system and construction of bus information system, SK C&C helped the city of Baku to establish its own city-wide traffic policy.

## Contributing to the Global Economy

### Hiring and Developing Local Talent

SK C&C recognizes the importance of hiring and developing local talent and contributes to the revitalize the local economies in regions where it conducts business. Accordingly, it establishes and implements a local talent hiring policy for each major subsidiary across the world, and utilizes local talent even in senior management positions. In 2013, the number of employees working at USA and Chinese subsidiaries amounted to 429, among whom 410 (96%) were locally hired.

※ Senior managers at the USA subsidiary are at or higher than the level of senior vice president, and those at the Chinese subsidiaries are appointed from those at or higher than the level of general manager.

#### Ratio of Local Managers at Major Overseas Offices (unit : %)

Country	Ratio of local managers
USA	67
China	25

※ Ratio of local managers in the workforce: Total number of local managers / Total number of managers in local offices x 100

### Global Compensation Policy

SK C&C provides appropriate compensation to employees who are appointed overseas or who are locally hired according to the local compensation levels. As for employees appointed overseas, SK C&C helps them to maintain the equal living conditions to those that they had in their home country. As for local employees, the company offers adequate compensation based on each corporation's market value.

## Industrial Policy Suggestions and Engagement to Promote the IT Industry

Working with related associations and organizations, SK C&C carries out activities involving new policy proposals and improvements in existing regulations to create a friendly environment for the industry and further the company's development. As an industry expert, the company is also engaged in the government's policy development activities.

#### Policy Suggestions for the Growth of IT Services/Software Industries

- Present problems and suggest regulatory improvements in the software area
- Suggests plans to promote IT convergence (Identify current status and problems in the IT services industry and make suggestions for improvement)
- Develop and propose a model for software business returns
- Implement program improvements to promote overseas businesses
- Suggest regulatory improvements for the growth of the IT finance industries

# 01-2 Customer Value



Securing and retaining customers is essential to business success. This all boils down to whether a service can provide customers with value and satisfaction or not. SK C&C's target audiences are corporations rather than individuals and therefore value delivered to customers vary greatly depending on the level of quality and the company's ability to provide specialized services to meet customers' needs.

Impacts : Customer Satisfaction, Brand Competitiveness, Customer Service Value

## Our Commitment

SK C&C is dedicated to improve quality management and customer satisfaction. Under the clearly defined principles of quality management, the company set up a service level management system to manage and improve service quality. Through periodic measurements of customer satisfaction and the reinforced response SK C&C will respond to the voice of the customer.

## Goal & Evaluation

Classification	Goal	Period	Current Status	2013 Achievements
Customer satisfaction	Reinforce VoC collection system and mechanisms	Short-term	In progress	Formed a dedicated organization for responding to and utilizing VoC (Customer Value Innovation Team)
Service quality	Reinforce the IT service quality management system	Short-term	In progress	Strengthened the SLA process Established a plan to improve customer IT services

## Increasing Customer Satisfaction

As the IT service industry transitions from the introduction to the maturity stage, it is necessary to deliver not just an improved service, but rather a specialized products for different customers based on the understanding and research of its customers, thus delivering customer satisfaction through intimate communication with them.

### IT Customer Satisfaction Survey

Since 1999, SK C&C has conducted an annual measurement of end-users' satisfaction with its IT services by employing social-scientific research method to quantitatively measure and analyze customers' qualitative satisfaction. In 2013, SK C&C became the first company in Korea to adopt an online survey and extend the survey scope to include both overseas branches and local offices of its customers, to gain accurate measurements, and to identify improvement tasks, and increase service levels.

By automatic database system, all received and handled inquiries are stored, and it is used to measure ISAC's customer service levels through follow-up analysis. Measured customer service levels are then used to establish follow-up plans to improve its future services.

### Annual Results of ISAC

Classification	Unit	2011	2012	2013
Customer waiting time	Second	12	18	17
Primary ratio of inquiries handled	%	75	75	77
Ratio of inquiries handled within 10 minutes to those handled during the primary handling time	%	91	90	91

### Customer Contact Point CS Quality Innovation

Since 1999, SK C&C has been operating the Information Services Assistant Center (ISAC), a customer contact-point desk, in order to increase customer satisfaction through continuous quality innovation. The ISAC is a service available 24/7 all year round and handles approximately 90,000 IT-related inquiries, requests and errors each year, from around 73,000 users at 26 domestic and international clients including its overseas subsidiaries. The center receives all IT-related inquiries and requests, from OA to IT systems, through a single channel and provides one-stop solutions.

In addition, to improve the service quality it obtained the ISO20000 certification for its service desk. The effective operational performance of ISAC's service has been officially recognized as it became the first center in Korea to receive the Center of Excellence (CoE) certifications from the call center industry research center at Purdue University and Benchmark Portal, USA.

## Service Quality Management

SK C&C declared its commitment to quality management and established the Quality Policy to put in to its practices in order to maintain the highest level of customer trust in its products and services. Furthermore, in order to provide high-quality services, the company made the Service Level Agreement (SLA) with its customers and holds a monthly service assessment meeting with them.

※The 8 Principles of Quality Management : Customer focus, leadership, all-employee participation, process approach, system approach, continuous improvement, fact-based decision-making, and profitable relationships with suppliers

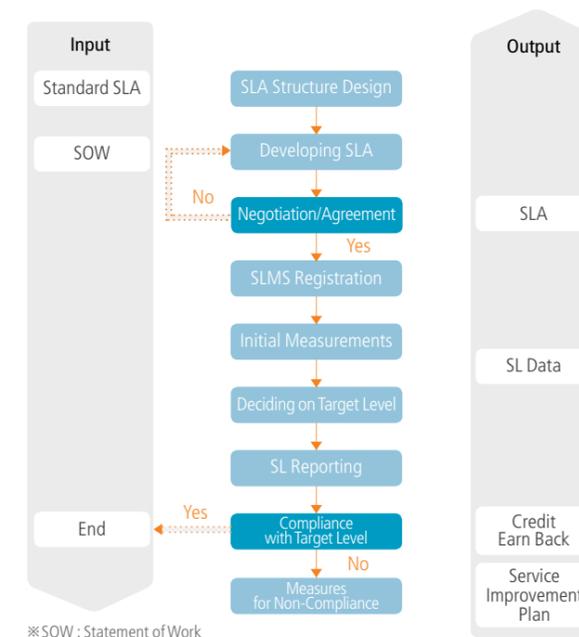
SK C&C developed the Service Level Management System (SLMS), a web solution that reflects all the detailed criteria of the IT Infrastructure Library (ITIL), and the company is providing the system to its customers. The service level management process includes four stages: Developing the service level agreement (Structure design, negotiations & agreement), creating the SLMS, the SL reporting and service improvement plans.

※ITIL: An international framework for supporting, constructing, and managing IT services, and a set of guidelines for effective IT service management. The service level agreement (SLA) process recommended in the ITIL repeats itself in order of preparation, the SLA development, operation and improvement.

During the SLA development stage, SK C&C gathers customers' needs and plans out a detailed plan to outline the SLA structure draft, and then defines detailed terms through negotiations with its customers. To do this, SK C&C developed and applied the "SLM Methodology," which encompasses the creation of the SLA design, negotiation, operation models and improvement procedures. When SLA is developed, the company designs a detailed service level plan and registers it on the SLMS and management items and target levels are measured.

After delivering a service, SK C&C collects service results data through the SL reporting, identifies major issues with the service, and reviews them with its customers through a service assessment meeting. Based on the meeting results, the company selects improvement tasks, establishes and executes an improvement plan and prepares interim/completion reports on the improvements made. In addition, according to specified criteria, SK C&C provides monetary rewards to its employees so that they can feel responsible for the delivered service.

### Service Level Management Process



Kim, Dale, Chief Information Officer of MetLife Insurance

**“In the IT industry where technologies become more common, customer management and coordination capabilities between users and IT technicians play a more important role.”**

Since 2011, SK C&C has provided MetLife with the Application & Infra IT Total Outsourcing service for the integrated management of applications, networks and infrastructure. For the past three years, SK C&C has proven itself capable of operating a variety of services, responding quickly to problems, and ensuring high-quality streamlined management with its customers and business partners with whom it collaborates on projects. In executing a project, respect and trust provide great support. In the IT industry, in particular, where technologies for services provided become more common, customer management and coordination capabilities between users and IT technicians play a more important role.

In that respect, SK C&C provides services such as CR management tools to maintain positive communication and relations with MetLife. Building customer trust in this way will lay the basis for a proactive approach to identifying and suggesting needs that customers have not foreseen, which will help SK C&C to grow into a global IT company in the future.

# 01-3 R&D and Innovation



SK C&C conducts business in the knowledge-based industry, where the knowledge of various industries and specialized IT technologies are required. In this business environment, R&D and innovations are important for SK C&C to maintain its excellent quality competitiveness and adapt to new changes. Furthermore, to respond to diverse market needs, the company should focus on strategic research to systematically develop products and technologies based on the customer needs.

Impacts : Basic and Core Technology Levels, New Market Expansion Opportunities, Sales and Service Infrastructure

## Our Commitment

SK C&C focuses on realizing core values in its products through standard business processes to devote its advanced R&D expertise to business-related product development. It also plans and develops a wide range of competitive products while contributing to improving the quality and productivity of IT services.

## Goal & Evaluation

Classification	Goal	Period	Current Status	2013 Achievements
Product/process innovation	Develop automation tool for IT project development process	Mid-term	In progress	Applied projects (47 cases, purchase substitution effect of 3.7 billion KRW)
Technology commercialization	Develop application framework (For business use)	Mid-term	In progress	Contributed to winning contracts from domestic financial sector and global clients(Product-based projects of approx. 64.7 billion KRW)
	Develop mobile platform (For business use)	Mid-term	In progress	Attracted domestic financial sector and global clients and secured market basis
	Develop global m-commerce solution and expand business	Mid-term	In progress	Attracted major global clients · Wallet : Dunkin' Donuts, Vodafone, E-Plus, SingTel, China Unicom, etc. · TSM: Google, WireCard, etc.  Obtained technology certifications, such as MasterCard Global Vendor Certification Program (GVCP), Payment Card Industry Data Security Standard (PCIDSS)
	Secure world-class capabilities through optimization of smart card & USIM platform	Mid-term	In progress	Supplied SKT NFC USIM (7 million cumulative units since 2011) Developed & commercialized NFC-eSE(embedded Secure Element)  Obtained EMV (Europay, MasterCard, Visa), Global Platform (GP), Visa, MasterCard, Discover certifications
Intellectual property management	Increase patent registrations	Long-term	In progress	Increased patent registrations by 20 compared to previous-year figure

## R&D Process

SK C&C utilizes an R&D process according to a lifecycle comprised of the following stages: Basic and core research, ideation and applied research, product/process development, product launch, sales/marketing and product/technical service support.

During the basic/core research stage, SK C&C performs a technical level analysis based on market and technology trends. Then, through ideation and applied research, SK C&C analyzes a target competitive market, establishes a long-term solution roadmap and responds efficiently to the market.

During the development stage, SK C&C devote its capabilities to development and improvement using the technology developed through research. Then, organize R&D activities for the innovation and optimization of products/processes. Through these activities, R&D outcomes are made into products, provide technical and solution support services, then reflect market feedback on products in future improvements.

## Organization and Human Resources

SK C&C's R&D organization is comprised of the Technology Innovation Division and the Global R&BD Center. Its Technology Innovation Division is responsible for developing application development series and industrial solution series to provide IT services. The Global R&BD Center conducts R&D related to m-commerce, smart card, enhancing solution quality and increasing global patents.

### R&D Organization

Technology Innovation Division	Global R&BD Center
-Planning, development, and the sale of various solutions that contribute to improving the productivity and the quality of SI projects and IT services	-Developing global top-tier smart card and m-commerce products, developing new R&D projects
-Governance management regarding the SK C&C's solutions	-PLM-based product quality management
-On-site application of the NEXCORE series	-Global IPR and standardization group activities
	-Global solution delivery and operation

## Major R&D Activities and Achievements

SK C&C develops an enterprise application framework, mobile applications and m-commerce solutions for businesses, and smart card products. The company selects major research tasks and conduct research to expand our business and customer base. By continuously finding new customers and increasing differentiated technologies, the company will bolster our core capabilities and expand our revenue streams.

### Enterprise Solutions

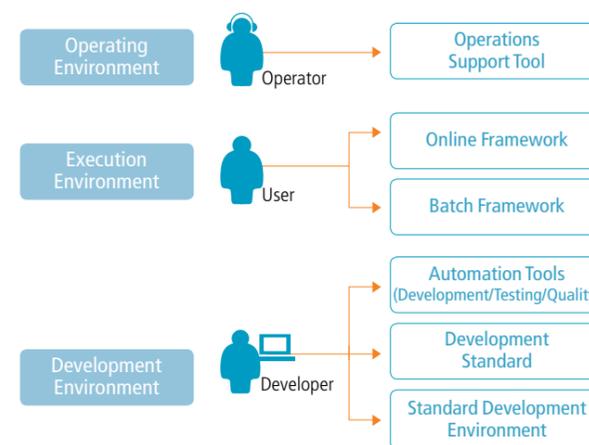
NEXCORE is an enterprise solution series brand, which SK C&C has developed since 2001 to improve productivity and quality in the enterprise application development. The series is the product of the company's expertise in the SI and solution development. It has been used in 500 projects and received positive reviews.

### NEXCORE Framework

An application framework means a product that features a framework for a system to ensure ease and convenience through the development process. The tested design, common module, and support tools provided by an application framework allows the reuse and automation of a variety of features during the construction and operation of IT systems.

The NEXCORE Framework is an integrated framework product that encompasses all elements, including the online/batch framework, operations support tool and standard development environment. Since it allows quick project commencement execution and provides remarkable performance and stability and convenience, it has been recognized in Korea and around the world, in a number of fields such as finance, services, and manufacturing.

Along with the NEXCORE Automation Tool series, the series increases efficiency at work, supports the automatic generation of outcomes, and improves productivity and quality by preventing defects in advance. Furthermore, it ensures high visibility by providing statistical and progress data in real time and reduces costs by decreasing man-hours and increasing productivity through automation.

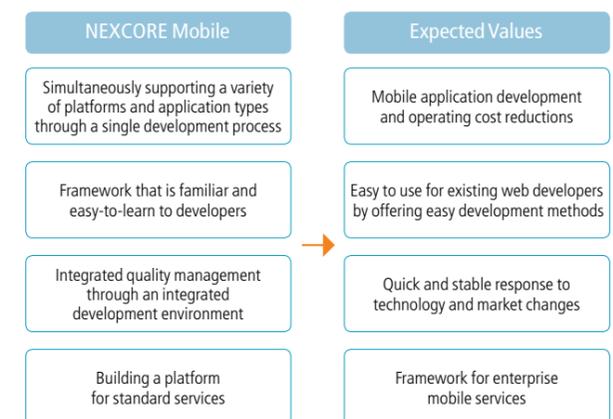


## NEXCORE Mobile

NEXCORE Mobile is a mobile application development platform (MADP), which allows the use of mobile applications on a variety of smartphones and tablet PCs through a single development process, regardless of whether the platform is Android or IOS. Despite rapidly changing technology trends and diversity in mobile operating systems, applying the NEXCORE Mobile eliminates the need for additional development processes thus reduces operating costs.

MetLife's APAC mobile operating system, Mulan, was developed based on the NEXCORE Mobile. Mulan is the first system developed in Asia that enables smart insurance sales support. It can be used on various mobile devices, and has expanded the mobile sales environment, which was previously limited to product design and customer management, to the entire insurance area.

### Expected Values of NEXCORE Mobile

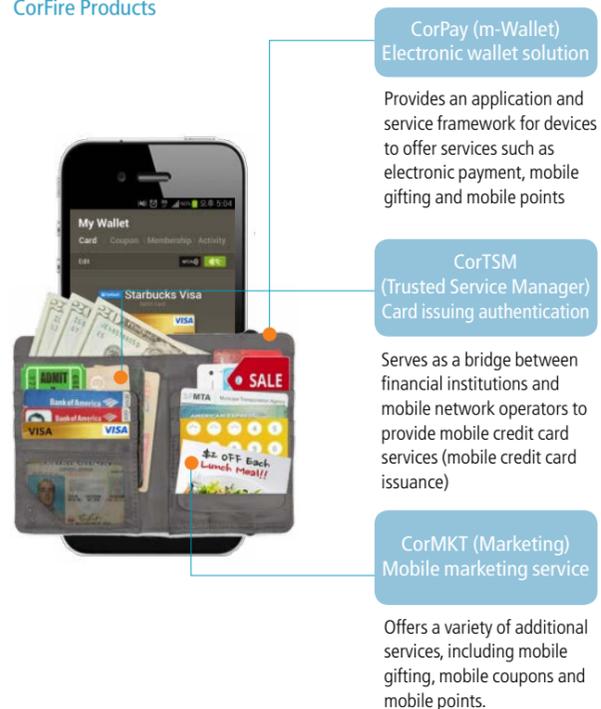


For its achievements, MetLife received the Technology Innovation Business of the Year award at the 2013 Asia Industry Awards and the Best Mobile App award at the Asia Insurance Technology Awards. Subsequently, the system was also adopted by Citibank Hong Kong and Citibank Shanghai's MetLife Hong Kong Life Bancassurance, elevating its position as the first and best Asian mobile sales solution.

m-Commerce

As for SK C&C's m-commerce solution suite called "CorFire," the company developed and commercialized a card issuing infrastructure system, CorTSM (Trusted Service Manager), a mobile electronic wallet, CorPay, and a mobile marketing service, CorMKT (marketing). In 2014, the company began to provide platform services by creating m-commerce platform that integrates the CorFire products and then carries out new solution development using the latest technologies.

CorFire Products



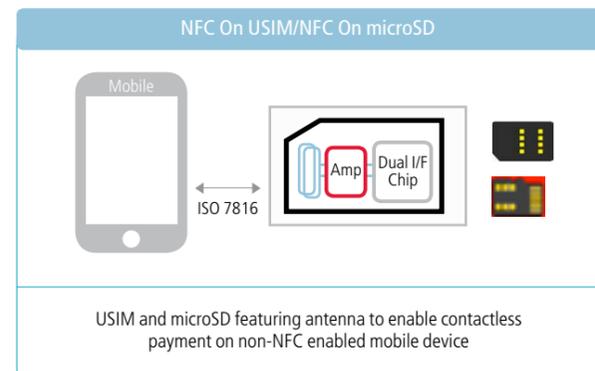
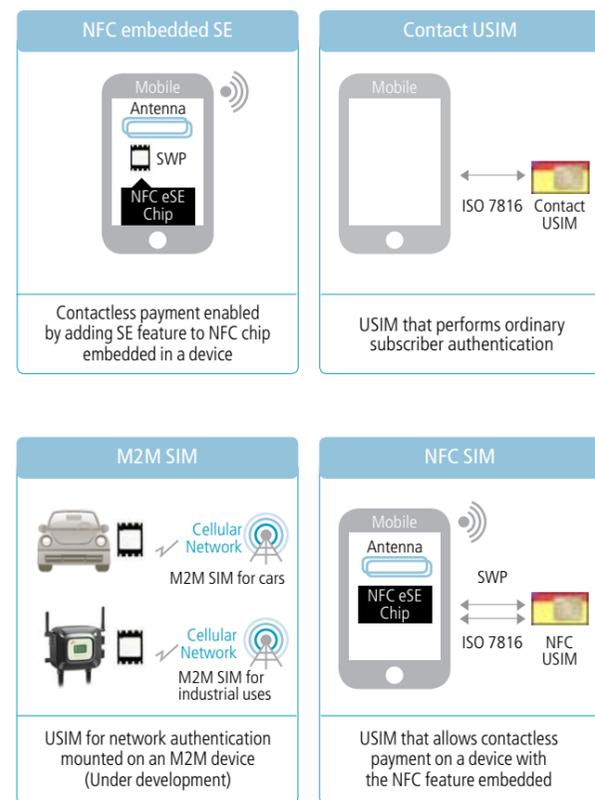
Performance of m-Commerce



Smart Card

SK C&C developed its proprietary embedded software for smart cards and became the third company in the world to obtain GP 2.2 EMV Certification, a global standard for smart cards, VISA and MasterCard (M/C) certifications. It focused on developing the USIM for network operators, commercialized a wide array of products and contacted the USIM that supports the NFC, such as NFC USIM, NFC eSE and NFC on the USIM and it also developed SIM for M2M applications.

Smart Card Products



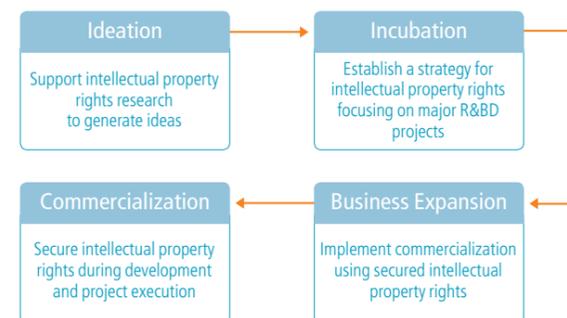
R&D Performance Management

As of late 2013, SK C&C owns a total of 128 patents. This is the result of the company's efforts to increase and manage patents through research and development. Through its activities, it installed an intellectual property rights (IPR) management support system in each stage of its R&D projects. The company is laying the foundation for sustainable growth by planning a licensing project using its intellectual property rights. In addition, it organizes inventor ideation workshops and implements a strategy for creating core patent-based portfolios.

Intellectual Property Rights Management

To manage its intellectual property rights, SK C&C supports each stage of its R&D and project management, assists in business development and commercializes its intellectual property rights. It will strive to visualize its achievements through R&D by clearly defining its support solutions and action plans in each stage.

Intellectual Property Rights Support Plan for Each Stage of R&D



Building a Foundation for Intellectual Property Rights Management

SK C&C's intellectual property rights strategy is aimed at defining clear directions and processes, developing guidelines applicable to society and supporting the use of the guidelines in all businesses. To disseminate a culture of intellectual property management, the company enhanced and extended the Job Invention Compensation program and pursue "open innovation," such as organizing an intellectual property contest to secure intellectual properties abroad. Moreover, to utilize international intellectual property rights, the company is shifting the focus from patent management to patent business management in terms of an intellectual property rights management system, intellectual property rights creation and strategy.

Building a Foundation for Intellectual Property Rights Management

Task Description	Objectives
Building Process and System	Develop guidelines for intellectual property rights Incorporate process into the company's rules Develop an intellectual property rights management system
Revitalizing Job Inventions	Revitalize job inventions company-wide Incorporate inventions into intellectual property rights management system
Reinforcing Expertise in Supporting Intellectual Property Rights	Provide intellectual property rights support staff training and hire experts
Intellectual Property Rights Education for Employees	Develop and implement educational courses
Open Innovation	Recruit internal/external intellectual property rights projects (More than twice) Select target intellectual property rights and take steps to secure them

Number of Patents	Business Area	Number of Registrations
128	ICT R&D (m-commerce, smart card, etc.)	99
	IT services (SI, OS, cloud, etc.)	27
	Other	2

Intellectual Property-Related R&D Activities

- Making R&D outcomes into intangible assets (Patents, utility models, software copyright, etc.)
- Preparing a patent map for each major business (Discovering technology vacancies and improvement patents)
- Inventor ideation workshop and in-house patent education

Directions

- Pursue a portfolio creation strategy based on key patents
- Strengthen overseas project and R&D capabilities through strategic utilization of key patents

# 01-4 IT Security and Privacy



Recently, rapid changes in the IT environment have led to an increase in information security risks. Large-scale security accidents occur frequently, including personal data leaks by credit card companies, drawing society's attention to information security. As a result, amendments have been made to laws concerning information security, such as amendments to the Personal Information Protection Act and the Information and Communications Network Act. Security activities are now integral to the SK C&C's commitment to providing the best service quality as a global IT services leader.

Impacts : Information Security Capabilities, Corporate Reputation

## Our Commitment

SK C&C enhanced security regulations and programs to protect the important information assets of the company and its customers against numerous security threats, such as internal/external hacking and information leakage and the prevention of personal data leaks. It will take the initiative in protecting personal information to make its society a safe place from security threats by providing top-notch security services.

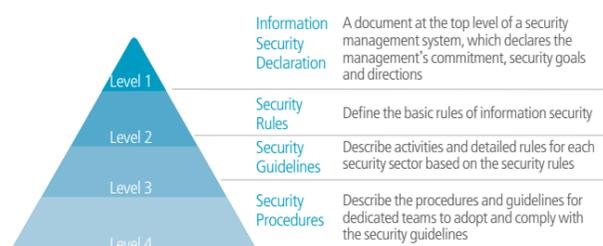
## Goal & Evaluation

Classification	Goal	Period	Current Status	2013 Achievements
Information security/privacy management system	Maintain the headquarters and subsidiary company's security/privacy management systems	Long-term	In progress	Maintained ISO27001 certification(HQ/ Chinese subsidiary) and obtained ISMS certification Performed penetration testing and assessment of infrastructure vulnerabilities
	Pursue "zero" security accidents	Long-term	In progress	Performed continuous security inspection and education all year round

## Information Security Management System

SK C&C formed an organization devoted to overseeing information security to protect its customers' and company's information from internal and external threats. In addition, it has developed the Information Security Declaration and information security rules and guidelines, so that all employees recognize the importance of information security and comply with the rules and guidelines.

### Principles of Security Policy Creation/Amendments

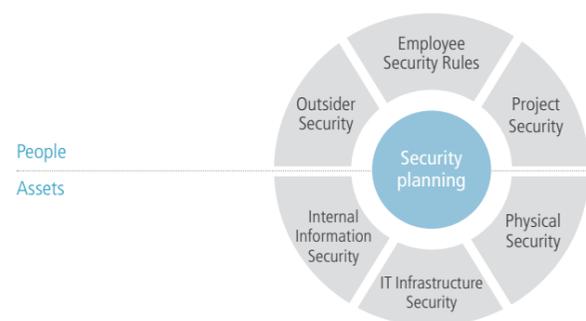


SK C&C operates its information security management system by establishing the security rules and guidelines, forming an organization and enforcing related programs. Furthermore, it obtained certifications for its information security management system, such as the ISO27001 and the ISMS.

## ISO27001 Certification

ISO27001 is an international certification program which assesses the security level of organizations conducted by the British Standards Institution. It is the international standard for information to have security management systems, which is defined by 133 items in 11 areas, including security policy, organization, asset management, physical security, access control and security accident management. In 2006, SK C&C became the first IT company in Korea to obtain the ISO27001 certification, and has since maintained the certification. In 2012, SK C&C's Chinese subsidiary also obtained the same certification. When it comes to information security, SK C&C provides confident and reliable service.

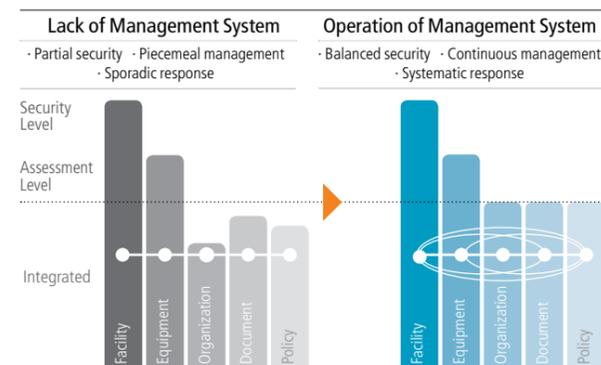
### SK C&C Security Guidelines



## ISMS Certification

The Information Security Management System (ISMS) certification is a security management certification program created by the Korea Internet & Security Agency (KISA). The recent reinforcement of the Information and Communications Network Act and the Personal Information Protection Act has expanded the scope of mandatory certifications. In 2013, SK C&C obtained its first ISMS certification and in 2014, the company plans to have SK Encar assessed and certified as well.

### Effects of ISMS Certification



## Zero Security Accidents

SK C&C conducts security inspections to keep its information security management system at the aforementioned level. Through regular security inspections, the company tries to raise employees' security awareness and draw their attention to security. It also performs an annual penetration test on its internal systems and infrastructure vulnerability assessment through actions to maintain the highest level of security at headquarters. Furthermore, SK C&C regularly inspects the security level of its external project sites and provide security education in order to increase the security level of places where its employees reside. It also supports the SK affiliates' security inspections and security TFTs and designs security guidelines for the SK Group, strengthening SK Group's security level.

## Personal Information Management System

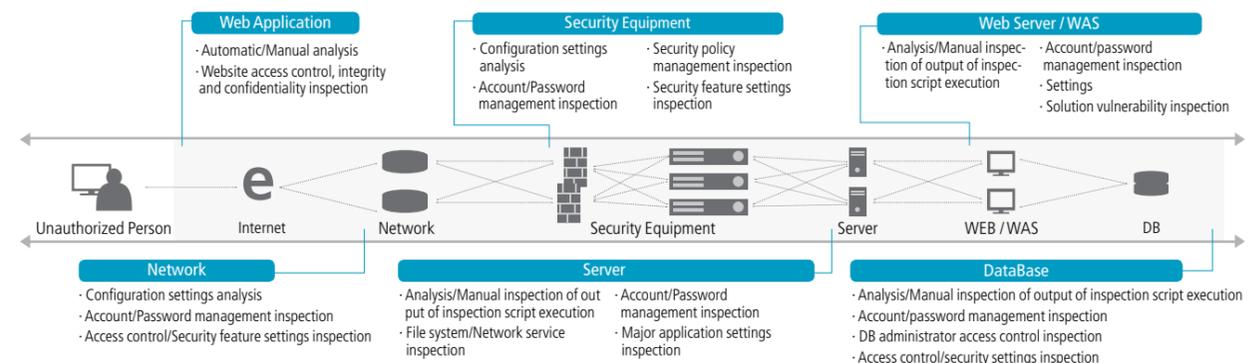
SK C&C established a personal information management system under its privacy principles and developed detailed standards and action plans for handling personal data. It also developed database encryption and access control system to protect personal data.

### Principles of Customer Information Protection

Principle of Minimum Collection	"Since customer information is customer's valuable asset, customer information should be used only for specific business purposes, upon customer's consent."
Principle of Safekeeping	"Customer information shall be kept safe from internal or external access."
Principle of Fit-for-Purpose Use	"Customer information shall be used and provided only for the purpose to which the customer agrees to."
Principle of External Management Reinforcement	"Customer information provided to a third party shall be protected by reinforcing management of third parties, including contract and affiliated companies."
Principle of Timely Destruction	"Customer information shall be appropriately classified and destroyed so that it cannot be used once the customer has withdrawn their consent or the disclosure period has expired."
Principle of Process Management	"The company shall organize a team responsible for managing customer information, establishing a process for the management system and building trust with group and external customers through quick response to accidents."

The SK C&C provided all employees with VLS education (once a year) and personal information management education (4 times a year), as well as a security management system inspection and education for contract companies to which personal data is disclosed (once a year). The company added privacy education to the educational programs for new employees/experienced employees and offers privacy education to employees at external project sites, so that all employees recognize the importance of privacy and remain interested in security issues. Moreover, SK C&C plans to set up a personal information protection system for its subsidiaries such as SK Encar, Bizen, and Infosec and transform the system into subsidiary's independent security capability. The SK Encar, in particular, deals with personal data on a regular basis and the need to proactively monitor and respond to potential personal data leaks and threats exists.

### Privacy Vulnerability Assessment /Action Plan



# 02 People and Culture



Employees play a pivotal role in accomplishing SK C&C's mission and vision. SK C&C values "Happy Hompany," in which it aims to attract top talents and to make its employees happy about taking a step closer to their career goals. SK C&C's vision will be achieved through its continuous efforts to increase employees' educational opportunities for human resources development, improve working environment and benefits programs, achieve work-life balance, and build a culture of open communication.

### Material Issues for People and Culture

- Employment and Benefits · Education and Training · Labor-Management Relations and Organizational Culture
- Human Rights-related Ombudsman Program

## 02-1 Human Resources Recruitment



SK C&C is working in an industry characterized where people and knowledge are assets. Also with the uncertainty of the global business environment and intense competition, it lays a great emphasis on securing human resources. Building a desirable workplace where employees are respected and work-life balance is guaranteed provides the foundation for human resources recruitment and such significant is viewed as an essential factor in mid-to long-term business continuity.

Impacts : Human Capital Competitiveness, Employee Satisfaction, Labor Productivity

### Our Commitment

SK C&C recruits and retains a diverse pool of top talent from in and outside of Korea. The company also supports socially disadvantaged groups to help them unleash latent abilities. Furthermore, SK C&C helps its employees to make the best use of their capabilities by achieving work-life balance and providing safe working environment.

### Goal & Evaluation

Classification	Goal	Period	Current Status	2013 Achievements
Hiring	Promote workplace diversity	Long-term	In progress	Implemented Hope internship program (internship designed to hire people with disabilities)
Benefits and Workplace Culture	Pursue work-life balance	Long-term	In progress	Certified as a "Best Family-Friendly Management" company and received Prime Minister citation Adopted long-term family care leave program Adopted the Flexible Time program

## Talent Recruitment

SK C&C creates a systematic plan and takes proactive measures to attract top talent from within and outside Korea. The company invests in its people by not only rewarding them with competitive compensation, but also by creating an optimal workplace and offering many opportunities in education and training.

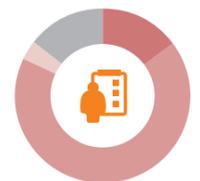
As of late 2013, there are 4,344 employees working at SK C&C, which represents an 8.2% increase from the 2012 figure. The number of employees has continuously increased for the past three years.

Total Number of Employees (unit : person)



Breakdown of Human Resources (unit : %)

Technical Level	
● Beginner	31
● Intermediate	8
● Advanced	17
● Special	43
● Engineer	1
Job Category	
● Marketing/Sales	15
● Technician	67
● Consultant	4
● Supporting Staff	14



## Employee Diversity

SK C&C is expanding its business overseas while bolstering its domestic business operations. The company also strives to create an atmosphere of open communication where diversity is respected. A culture where employees are able to freely communicate with one another and diversity is respected. To do so, the company prohibits employee discrimination based on race, gender, disability and religion. Discriminatory practices such as bias in hiring, compensation, evaluation, promotion, and education/training are also strongly prohibited.

### Global Human Resources Recruitment

To implement its "Beyond Domestic" strategy, SK C&C is actively seeking and developing global talents. SK C&C assigned a dedicated team responsible for global talent management, designed global HR infrastructure and implemented system to empower recruited employees to reach the company's expectations. As a result, for the past three years, SK C&C have hired 156 new recruits from around the world. Furthermore, it has made its website available in English so that employees of different nationalities can overcome language barriers. By running the "G-Group," a small group of global talents, SK C&C encourages its global employees to build bonds among themselves and to help each other out on adapting to life in Korea.

### Hiring Socially Disadvantaged Groups

To fulfill its corporate responsibility towards socially disadvantaged people, SK C&C continuously expands employment opportunities for the disadvantaged and supports their social adjustment by offering stable jobs. In particular, to help people with disabilities enter the workforce, the company adopted the "Hope internship" program. Through the "Hope internship" program, people with disabilities are offered with work trials to experience the expected performance and to self-assess how the job fits for them and the top talents among those who have completed the "Hope internship" program are hired as new employees. In 2014, the company will increase employment opportunities of socially disadvantaged groups through the "Hope internship" program.



Kim, Jae Youn, Manager of SK C&C's Product Procurement Team

**"The family-like atmosphere where employees are considerate to one another has been the driving force behind my 15 year service in SK C&C."**

One of SK C&C's greatest strengths is its corporate culture. The family-like atmosphere where employees are considerate to one another has been the driving force behind my 15 year service in SK C&C. An increase in an organization's size may reduce employees' chances of naturally meeting one another. However, the company has promoted the revitalization of communication through program and system improvements, helping employees get to know and communicate with one another.

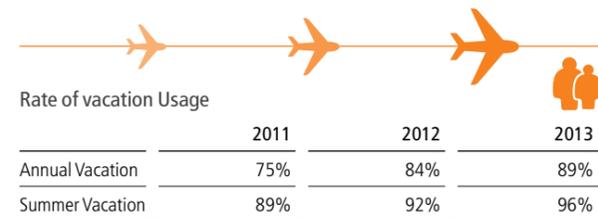
Also, working in the time-consuming IT business may make it difficult for female employees to juggle work and child care. Therefore, the company operates support programs such as the "Flexible Working Hour" program and nursery benefit and continuously makes improvements so that the programs can be actively utilized. Having taken into consideration the characteristics of the female workforce, the company not only helps achieve work-life balance, but also applies equal opportunity and standards to compensation without gender-based discrimination. This provides the chance for male and female employees to achieve balanced growth.

## Happy Hompany

SK C&C intends to create a "Happy Hompany," where employees enjoy working. To achieve its goal, the company is making improvements to its working environment and benefit programs to help employees achieve work-family balance and improve their quality of life. In 2013, the company's hard work was recognized when it received a "Best Family-Friendly Management" business certification and Prime Minister's award. The SK C&C will continue to create best working environment for its employees so that they can be motivated to perform their best.

### Work-Life Balance

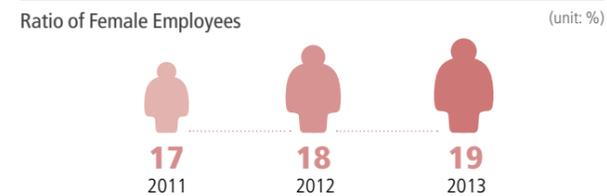
SK C&C is dedicated to create a company where both employees and their families feel happy with appropriate work-life balance. SK C&C has adopted the Flexible Time program so that employees can adjust their regular working hours according to their personal conditions and work situations. The Flexible Time program is categorized into a selective work hour program, a flexible working hour program and a discretionary work program. Employees can choose among these three programs that best suit their needs. During the first quarter of 2014, the usage of the Flexible Time program was 24.3%, and its usage is expected to increase gradually. To help employees improve their quality of life, the company encourages them to take long vacations, which leads to an increasing rate of employees' use of vacations each year. Furthermore, the company also adopted the long-term family care leave program, which allows employees to take a leave to take care for their families when necessary. To improve the hwesik (formal/informal corporate dinners and gatherings) culture, the company also recommends lunch meetings instead and has launched an in-house campaign to prohibit extra gatherings after hwesik.



### Mini Case

#### Bolstering Working Moms' Maternity Protection

SK C&C, well aware of social concerns on low fertility rates and unstable income security of working women, mandated guidelines on maternity leave for female employees in their pregnancy as well as parental care. The company also support married women with infertility leave program, in which pregnant women are eligible for limited work-hours and pregnancy gifts. Moreover, to make women return to work after maternity leave, SK C&C provides the "Happy Mother's Room," which is a private and comfortable lactation room for nursing mothers to breastfeed in a comfortable and relaxing setting. Furthermore, SK C&C runs an in-house nursery to provide an environment where mothers can entrust their children. In 2013, the company expanded its policy, by raising children's eligibility age from 6 to 8 and also by giving gifts to children entering elementary school.



Classification	2011	2012	2013
Usage, Male	1	2	8
Usage, Female	95	96	100
Return Rate, Male	100	100	100
Return Rate, Female	100	100	100
Rate of Staying Over 12 Months After Return, Male	0	50	100
Rate of Staying Over 12 Months After Return, Female	96	74	73

## Reducing Overtime (OT)

To improve the employees' quality of life and increase efficiency during work hours, SK C&C operates the "MOVE (Motivation, Ownership, Value, Environment) Radio" program designed to encourage employees to leave work on time. The MOVE Radio is hosted every day by 5 in-house DJs with different themes each day for music and storytelling. The company also celebrate "Family Day" every Wednesday to encouraged employees to leave on-time and spend quality time with their families. Moreover, the company runs the "OT Ambulance" to allow employees to leave on-time without feeling guilty or report complaints.

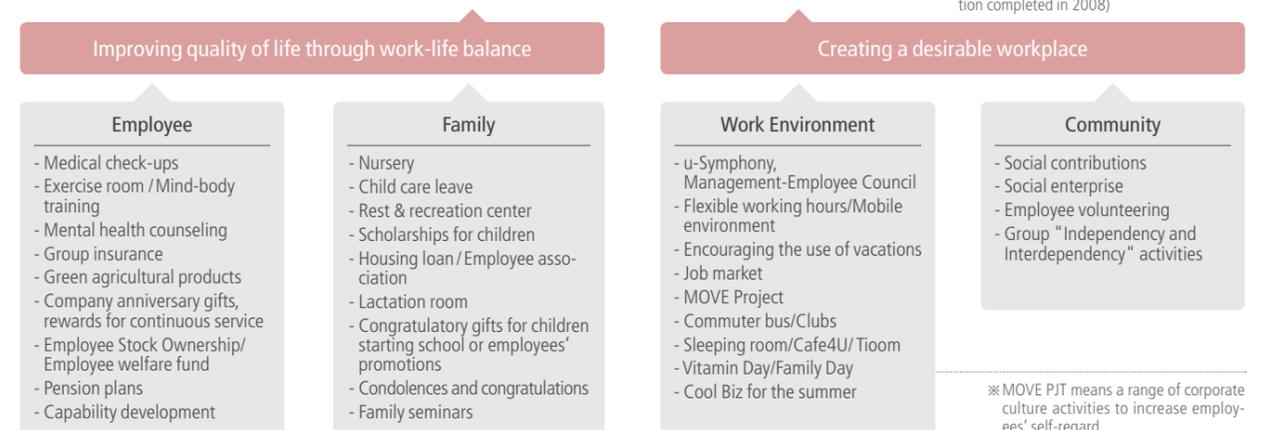
### Retirement Programs

SK C&C operates career counseling and pension insurance programs to help employees prepare for their lives after retirement and provides sufficient retirement payments. The company's counseling center assists employees in searching for new jobs suited to their aptitudes. To ensure employees' financial stability after retirement, the company divides employee pension plans among 13 financial institutions. As of 2013, SK C&C accumulated 143.7 billion KRW and 70% of it, 100.2 billion KRW, was deposited at external asset management institutions. This represents well over 60% of the mandatory ratio of external deposits, guaranteeing employees' rights to pension benefits.

※The amount of pension is calculated based on an individual's average wage and number of years of service. Under the Employee Retirement Benefits Security Act, in 2012, companies are obliged to carry out individual pension plans.

### Pursuing 'Happy Hompany' to Continue Employees' Happiness

※Hompany: a compound word of home and company is SK C&C's family-friendly management strategy aimed at creating a comfortable work environment and increasing employees satisfaction. (Trademark registration completed in 2008)



※MOVE PJT means a range of corporate culture activities to increase employees' self-regard.

## Safe and Healthy Workplace

SK C&C runs the Occupational Safety and Health Committee to ensure employees' safety and health. In 2012, the company was certified with the Occupational Health and Safety Management Systems (OHSAS 18001). In addition, the company implements a wide array of health care programs, including safety support program for employees in charge of overseas projects and counseling centers.

### Occupational Safety and Health Committee

SK C&C runs the Occupational Safety and Health Committee to ensure employees' safety and health. The Occupational Safety and Health Committee consists of four employee representatives and four employer representatives, who are responsible for inspecting and improving the safety and health of all employees. The committee holds a regular meeting on a quarterly basis and the meeting results are shared through the company's bulletin board and the "Management-Employee Council." As of 2013, SK C&C has zero incident of work-related deaths or any violation of the Occupational Safety and Health Act.

### Overseas Medical Aid/Safety Support (International SOS)

SK C&C became the first company in the IT service industry to adopt and implement overseas medical aid and safety support services in consideration of employees working abroad. The overseas medical and safety support services are available at local health care/security companies, where 24/7 all year round medical counseling is provided and medical evacuation to other counties or repatriation to the employees' home country is supported. In 2013, an employee who caught the Dengue fever while executing a project in Bangladeshi was treated in Thailand through this service. In addition to the vaccinations to the employees before leaving for overseas, the company also provides long stay travel insurance benefits to employees assigned to global projects; a total of 76 employees are covered by the long stay travel insurance.

### Mini Case

#### Safety Training

SK C&C conducts annual safety training for security officers and sanitation workers to ensure the employees' safety. Through safety training, the company aims to reduce the risk of accidents and help all employees stay focused at work in a safe environment.



### Counseling Center

To keep its employees happy, SK C&C runs a counseling center called the "Compassion Plus," which serves to resolve employees' psychological problems, such as stress at work and stress from daily life. Since 2011, the center has provided free aptitude, personality and learning ability tests for the employees' children during breaks and increased programs where the employees' families can also participate, including special classes for married couples and children's education. The company also organizes the Myers Briggs Type Indicator (MBTI) testing and workshops to enhance team members' teamwork and communication.

### Health Care Support

SK C&C provides extensive healthcare benefits, such as medical check-ups, group insurance benefits, a smoking cessation program, exercise room and medical room services. In 2013, SK C&C increased the level of medical check-up and began to support an annual health examination, while offering either intensive or general examination depending on the classes of employees based on positions. Furthermore, improved geographical accessibility for employees by increasing hospitals where employees can receive examinations. To provide financial protection from injuries and diseases, the company renews employees' group insurance each year to create a stable work environment. Moreover company cafeteria introduces health menus and beverages to help detoxify nicotine.



Exercise room



Counseling Center



Medical Room

## 02-2

# Human Resources Development



Individual competencies may vary depending on the company's HR development policies and educational programs. SK C&C is committed to invest in its people by providing employees with various training and educational programs. SK C&C believes its strategies for human resources development not only help with employees' sense of achievement, but also enhance individual job performances.

Impacts : Human Capital Competitiveness within the Company, Value of Social Human Capital, Employee Growth and Satisfaction

### Our Commitment

To develop the best talent with expertise, SK C&C sets up personalized competency road maps based on the employees' individual careers and the capabilities required of each business. The company also operates systematic evaluations and compensation programs for employees to be responsible for their jobs.

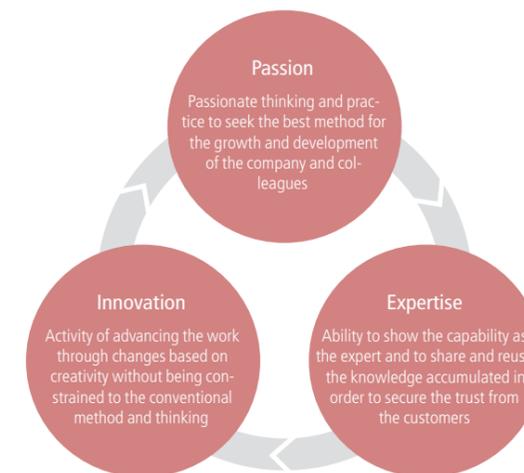
### Goal & Evaluation

Classification	Goal	Period	Current Status	2013 Achievements
Human resources development	Build and reinforce HR development foundation/system	Short term	Accomplished	Executed Individual Development Plan (IDP) and established individual plans (98% completed) Remodeled the specialized competency system, and created an ICT/global competency model and road map
	Implement intensive and reinforced educational programs	Short term	Accomplished	Provided platform technology capability development education Completed global leadership education for employees in charge of global projects
Performance evaluation and compensation	Fair evaluation	Long-term	In progress	Completed 100% evaluation agreement Offered feedback on development of mutually discussed KPI

## Human Resources Development

SK C&C hires top talent based on the three ideal employee qualities of "Passion, Innovation, Expertise," and supports employees' growth into the industry's top experts embodying the SK Values.

Experts with Innovation Thinking and Spirit to Deliver Trust to Customers



### The Human Resources Development System

SK C&C provides various educational programs for its employees, which includes the professional capability training based on the competency road map, leadership training aimed at training leaders, global capability training designed to enhance global capabilities and the SK Value training which teaches the basic principles for the SK people.



※ VLS: Virtual Learning System / ※ OJT: On the Job Training

### Building and Strengthening Human Resources Development Platforms/Systems

**Implementing the Individual Development Plan (IDP)** | To enhance employees' job performance capabilities, SK C&C operates the IDP by taking into account the individual career goals of employees as job experts and the goals of business units. Through IDP, employees can systematically accomplish their individual career goals. In 2013, 98% of those eligible for the IDP finished establishing their plans.

### Remodeling the Human Resources Capability Management System

| To develop talent who can proactively respond to the changing business environment, SK C&C remodeled the core competency management system for each business area. After that, the company began to provide personalized capability development education by job title. Furthermore, to proactively provide the capabilities required by new businesses on time, the company created competency management road maps for the ICT and global businesses. For global businesses, in particular, it classified the capabilities necessary for project execution by business domains. In the future SK C&C plans on conducting level assessments in each business area.

**Building Online and Offline Platforms** | SK C&C introduced the Open Lab program in 2013 to encourage employees to share their knowledge, experiences and opinions. Open Lab is held once a month and allows employees to discuss a range of topics, such as business insights, soft innovations and global knowledge. In addition, SK C&C launched the SK Mobile Academy to help its employees to receive education regardless of time and place, if they cannot attend the offline education program due to their involvement in external projects. Through the SK Mobile Academy, employees can easily receive high-quality educational contents on their mobile devices, including mandatory education, job education, and in-house seminars.

**Operating the Job Market for Development through Work** | To help employees develop their careers through their jobs, the company adopted the Job Market, a program designed for frequent transfers between business units. The Job Market assists business units in securing ideal talent through employees' transfers. Under this program, an employee's transfer to a new team is authorized by the new team manager, without the previous department manager's consent. The program is preferred over hiring outside the company because it offers opportunities for employees to further develop their careers and for the organization to secure qualified talent in a quick, timely manner. As of the first half of 2014, a total of 121 employees made transfers through the Job Market. With additional improvements to the program, the company plans on promoting frequent transfers.

### Human Resources Development Program

**Platform Technology Capability Development Education** | According to the strategic direction for each business, SK C&C identifies core capabilities and provides personalized education based on them. The company develops and improves education programs for technicians delivering the IT projects. As for the ICT business, the company develops a capability reinforcement program for the new technology required for the business. For core capabilities, the company plans to upgrade the internal certification program.

Status of Platform Technology Capability Development Education (unit : person)	
Classification	Number of people
Developer Education	2,743
Framework Technology Capabilities	214
Operator Education	194

**Leadership Training** | SK C&C offers diverse programs to nurture leaders and core talent. It selects core talent equipped with leadership qualities to conduct intensive education and helps newly appointed leaders to prepare the capabilities required of a leader through leadership and management education. SK C&C also runs a basic skills training based on the systematic framework for all of its leaders, so that they can abide by the rules and codes on their own. Moreover the company offers the chance to acquire knowledge in other areas, such as humanities and society, through seminars for executives and team managers.

**Female Leadership Education** | SK C&C's female employees attend the Female Council, developed by the SK Group, to cultivate working women's expertise. The Female Council suggests guidelines for the development of female core talent, including supporting external leadership education program. As a result, the number of female team managers is increasing, and as of 2013, SK C&C has 11 female team managers and that number is expected to increase over time.

**Operating the Global Leadership Academy** | SK C&C operates the Global Leadership Academy, an advanced program designed to provide systematic education necessary for global project execution. The program is developed by SK C&C and it plans to gradually advance the courses including basic training on tariffs, export procedures and payments. In 2013, the company opened basic courses for employees in charge of global projects and in 2014; it plans to focus on advanced programs in order to tackle global business issues.

**SK Value Training** | SK C&C runs the SK Values program to train the "SK Men" equipped with the "SK Manship" and the "Integrity" through sharing SK's corporate value and culture.

**New Comer Education** \_ SK C&C provides new and experienced employees with education on SK values and culture that the SK Group pursues and helps them to develop a sense of belonging and pride toward the company. The company also supports employees in becoming the SK Man who practices the "SK Values" based on a complete understanding of and conviction about the SKMS.

**Hierarchical Values Education** \_ The company provides hierarchical education so that all employees can continuously internalize the SK Values and gain the necessary capabilities at each level. Job title-based education includes the time for communication with management to help the employees better understand the SK Values and it presents opportunities to understand the CEO's business philosophy and the company's strategies. In 2013, intensive education was offered to the working-level deputy managers and section managers in order to strengthen the necessary capabilities.

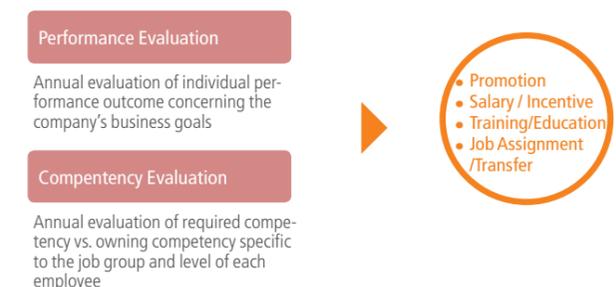
### Performance Evaluation and Compensation

SK C&C operates evaluation and compensation systems to provide reasonable compensation through a fair evaluation process. All employees receive individually graded compensation, based on specific performance results aligned with a clear set of goals.

#### Fair Evaluation

SK C&C carries out performance management connected to the KPI to ensure that each business unit has its goals met and employees' job values and competency levels are evaluated objectively and fairly. Early each year, all employees set individual task goals by discussing it with their senior managers and receives feedback through regular monitoring based on the goals. Depending on the results, every employee's performance and competencies are evaluated once a year in comparison to the goals that has already been set. The results are reflected in promotions, salaries, incentives, education, job assignments and transfers.

#### Evaluation System



### Reasonable Compensation

To provide reasonable and appropriate compensation that best reflects individual employees' abilities and performance, SK C&C provides salaries, incentives, and paid benefits. Incentives are provided through two programs: the profit sharing program through which the company's profits are shared in graded payments based on the contributions of business units and employees, and the job category-based incentive program where the results of projects and the results of new business launches are reflected in incentives by taking account of the characteristics and expertise of job categories.

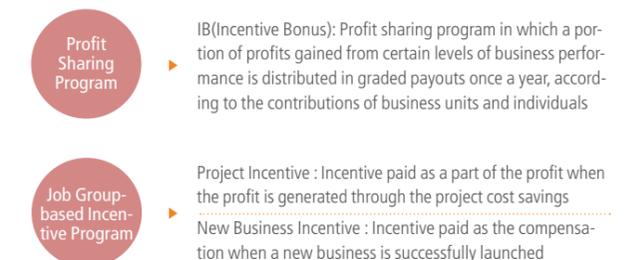
#### Compensation System

SK C&C offers individual compensation program customized to each employee's performance and capability.



#### Performance Incentive

SK C&C provides sufficient compensation that best reflects employees' abilities and performance by running comprehensive incentive programs.



## 02-3 Culture of Trust and Communication



Since SK C&C's business involves long-term projects, trust and open communication between labor, management and between employees are important factors in enhancing the company's competitiveness, enabling the employees to make the best use of their capabilities brought together through mutual cooperation. The company will be able to grow into one of the best global companies, only when all employees perform their best with clear understanding of the company's vision and mission.

Impacts : Labor-Management Relations, Communication and Efficiency at Work, Corporate Culture

### Our Commitment

SK C&C is creating a collaborative labor-management culture in which the employees' opinions are properly conveyed to the company and problems can be solved based on trust and communication. Furthermore, it will strive to promote communication between the employees by setting up and operating a variety of communication channels and programs, both online and offline.

### Goal & Evaluation

Classification	Goal	Period	Current Status	2013 Achievements
Collaborative labor-management culture	Build a fruitful labor-management culture	Long-term	In progress	Certified as a company for outstanding labor-management culture
Performance evaluation and compensation	Secure trust through communication between leader and employees	Long-term	In progress	12 CEO letters 6 seminars for executives/team managers Held the Happiness Concerts 5 times
	Increase employee engagement	Long-term	In progress	16 cases of program/process improvements through employee engagement

## Collaborative Labor-Management Culture

SK C&C set up the SK C&C Management-Employee Council to promote a win-win relationship between management and employees to create a pleasant workplace and build happier company based on trust and communication.

### SK C&C's Management-Employee Council

SK C&C's Management-Employee Council consists of nine labor representatives and nine management representatives. At a council meeting, members share and discuss ways to help the company and its employees to become happy and achieve goals. The council acts as an intermediary between the company and its employees so that they can draw the best conclusions about major policy issues and can openly and sincerely communicate. Labor representatives are elected via secret ballot and during the election management's involvement is strictly prohibited.

The Management-Employee Council holds quarterly regular meetings and weekly working-level meetings to discuss a wide range of agenda items relating to the company's policies, such as business plans and results, as well as those items aimed at improving the employees' work-life balance, including strengthening maternity protection, the adoption of the flexible working hour system, and improvements in the operation of the vacation resorts. The discussed matters are communicated to the employees through in-house broadcasting system, newsletters, or the bulletin board. Furthermore, to listen to the employees' grievances and handle them in a fast manner, SK C&C installed a grievance box called "Complaints & Compliments" to receive and resolve grievances. Some of the major grievances are discussed as one of the main agendas for the Management-Employee

Council if necessary. For its Management-Employee Council activities, the company was selected as the 2013 company for outstanding labor-management culture.

Recently, SK C&C is doing its best to bring the Management-Employee Council to the center of communication and to reflect employees' opinions in its business by listening to its employees.

### 2012 / 2013 Main Agendas Discussed in the Management-Employee Council

Classification	Details Discussed
Reported (8)	2012 Business Plan
	2012 Q1/Q3 Business Results
	2013 Q2/Q3 Business Results
	2013 Business Results
	Follow up of the previous Management-Employee Council agendas (2 cases)
Discussed (15)	'Soft-landing' plan for experienced employees
	Improvements in employee health care
	Strengthening employee maternity protection
	Improvements in operation of the vacation resorts
	Revitalization of use of vacations
	Increasing non-smoking areas company-wide
	Considering the adoption of a selective benefits program
	Future activities for the electees of the 2 <sup>nd</sup> Management-Employee Council election
Listening to opinions of council members for human/Cultural innovation	

## Employee Communication and Engagement

SK C&C believes that freedom of speech and communication can increase the employees' satisfaction and creativity. The company operates various communication channels through which all employees communicate, better understand each other and cooperate in making SK C&C a happy company.

### "Happy Concert" with the CEO

The Happy Concert was launched in 2013 to improve communication between employees and provide employees with the chance to freely explore their humanist imaginations. Hosted by the CEO, the Happy Concert is a place where employees appreciate and share thoughts on musicals and operas. It promotes employee communication and helps develop creative and innovative talent equipped with humanist and IT capabilities. SK C&C also held Happy Concert for employees engaged in projects outside the Headquarters. As of late 2013, the Happy concert was held five times.



### Upgrading Interactive Communication Channel, "u-Symphony"

SK C&C sees freedom of speech not only as people's right to express their thoughts but also as an opportunity to explore new business ideas based on the creativity generated through such expression. In 2010, the company created an intranet bulletin board called the "u-Symphony," which guarantees anonymity, where everyone, from the CEO to new employees, can communicate and discuss ideas on equal footing. In 2012, it built the mobile version of the "u-Symphony," allowing employees to express their thoughts anytime, anywhere.

The "Idea Republic" is a new section created during the "u-Symphony" upgrade in 2013, to enable employees to freely and regularly generate ideas and those ideas are used to improve the company's systems and processes. In 2013, through the Idea Republic, a total of 140 ideas were received and 10% of them were either applied or put into action.

Additionally, the company also launched the "Open Voice," where employees share opinions and information, and the "Ask Us" where employees submit inquiries or suggestions regarding any inconveniences.



### Conducting a Culture Survey and Workshop for the "Human and Cultural Innovation"

Aiming for the "Human and Cultural Innovation," SK C&C devotes itself to accepting employees' opinions and bringing about changes to the company through a culture survey, job title- and business unit-based workshops and regular on-site management activities. The culture survey is anonymously conducted to measure the employees' commitment and happiness and to make better changes to the company. During title- and unit-based workshops, responsible officers and employees all participate in the in-depth discussions about human and cultural innovations. Moreover, through interviews with field employees and the online communication channel, the "u-Symphony," SK C&C identifies and resolves employees' complaints and suggestions.

### Creative Innovator (C.I.) Program

To strengthen communication between employees, SK C&C adopted the "C.I." program. C.I. is an employee representative from each business unit and acts as a channel of communication between the leader and employees. Dedicated to creating a happy workplace for employees, each unit's C.I. proactively detects problems within the unit through a workshop, employee interviews and a study of the unit's organizational environment, suggests improvement plans then eliminates communication barriers formed by the corporate hierarchy.





# 03 Winning with Our Biz. Partners



As the leader of the IT industry, SK C&C is aware of its roles and responsibilities within the industry. To develop a healthy and future-oriented IT ecosystem and to create practical value for mutual prosperity, the company has consistently implemented a wide array of Win-Win partnership programs for its business partners, including financial and technical assistance. Through open communication and reinforcement of sustainability assessments, the company is also spreading sustainability management across the value chain.

### Material Issues for Winning with our Biz. Partners

• Win-Win Partnerships/Procurement Practices

## 03-1 Pursuing a Win-Win Environment



IT industry is expanding itself into the IT convergence industry beyond the boundaries of its existing IT industry. To secure industrial competitiveness and dominance, it is importance for SK C&C to build better relationships with its business partners with a wide range of capabilities and resources, enhancing the competitiveness of the industry's overall ecosystem through collaborative efforts. Aside from collaborative efforts, managing non-financial risks, such as partners' human rights, labor, society and environment, is not only vital to the sustainable development of our partners, but it can also have a significant impact on the SK C&C's reputation and brand image.

Impacts : Business Partners' Business Capabilities, Soundness of Industrial Ecosystem, Project Quality, Corporate Reputation

### Our Commitment

SK C&C is pushing a coherent Win-Win partnership policy to aid the growth of its business partners and build collaborative partnerships. To achieve its goal, SK C&C has set up a dedicated organization and arranged practical support programs.

### Goal & Evaluation

Classification	Goal	Period	Current Status	2013 Achievements
Win-Win partnerships	Fortify support for business partners	Long-term	In progress	Financial assistance increased by about 40% compared to previous-year figure 9 cases of technical support/protection 23,284 hours of educational support for business partners, 94 subjects added
	Extend communication	Mid-term	In progress	Created a business partner community
Business partners' sustainability management	Set up a system for assessing business partners' sustainability	Mid-term	In progress	Developed a checklist for sustainability assessment Created a additional points program for evaluating business partners

### Win-Win Partnership Policy

SK C&C provides tangible support for its business partners by developing trust-based, fair and transparent relationships with its business partners. In addition, to build a sustainable future, the company is revitalizing communication with its partners to operate specialized support programs. In 2013, for its accomplishments, the company received an excellent grade on the Win-Win Index.

### Win-Win Partnership Organization

SK C&C conducts inspections of compliance with the Win-Win Partnership Agreement that binds the company and its business partners. The company also organized a Win-Win Partnership Committee and holds monthly meetings to enhance the fairness and legitimacy of subcontract transactions. The Win-Win Partnership Committee is comprised of the Procurement Division, which oversees management of business partners, the Ethics Management Division, which is equipped with expertise in fair trade and codes of ethics, and the Business Support 1 Team, responsible for supervising business assistances.

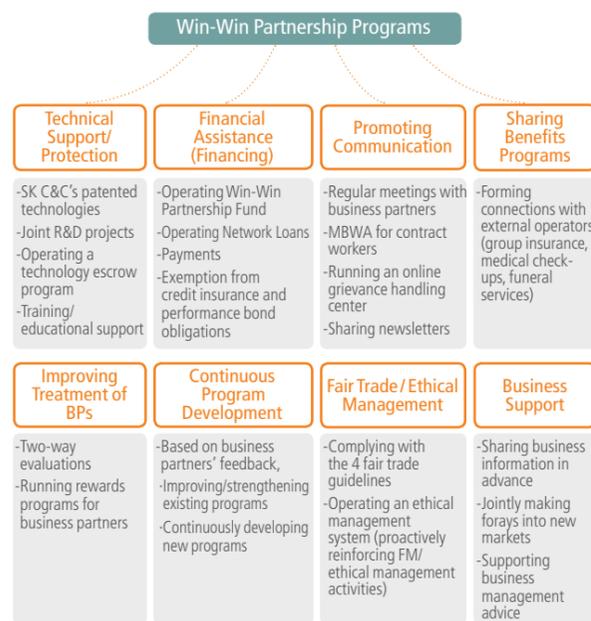
### Win-Win Partnership Strategies



## Win-Win Partnership Programs

To enhance its relationships with its business partners and ensure their long-term, stable growth by fostering their competencies, SK C&C operates unique win-win partnership programs aligned with the company's tasks for win-win partnership. The win-win partnership programs are subdivided into 8 core support areas, including finance, technology, business and 21 other areas, with the aim of producing a virtuous cycle of win-win partnerships.

### Win-Win Partnership Programs



### Extending Communication with Business Partners

To share and communicate its commitment to Win-Win collaborations with its business partners, SK C&C holds CEO meetings regularly. It also constructs a purchasing information system to receive business partners' grievances and take additional steps to resolve partners' grievances by visiting them frequently.

### Financial Assistance

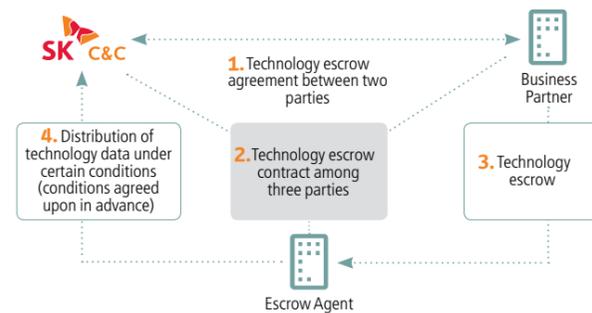
For business partners to ensure financial stability, SK C&C operate the Win-Win Partnership Fund, provide Network Loans, and enforce 100% cash payments for subcontract services on a weekly basis, as well as early payments to subcontractors prior to the Korean New Year/Chuseok holidays. It also relieves business partners of credit insurance and performance bond obligations, helping them to reduce costs.



## Operating Technology Escrow Program

The Technology Escrow program is designed to protect key technology assets jointly developed by the SK C&C and its business partners by placing them with an independent, third-party agent. The program prevents the leakage or theft of the BPs' proprietary technologies, provides evidence of developments and avoids technology losses. It also allows SK C&C to guarantee the licenses to use technologies and ensure R&D stability to perform stable operations.

### Flowchart of Technology Escrow



## Technical and Educational Support

SK C&C provides technical training and education to increase business partners' productivity and through joint R&D, supporting patents free non-exclusive licenses and operating the Technology Escrow program, the company helps its business partners to develop and utilize its technologies. Moreover, the "Advanced Technology Programs" are offered to complement the SK Win-Win Academy programs and strengthen the capabilities of technical employees.

### Status of Educational Support for Business Partners

Classification	Program name	Detailed programs	Results (of attendees)	Notes
SK Win-Win Academy	Win-Win CEO Seminar	Guest lectures by theme	35 people	1 day
	Win-Win MBA	Mini-MBA	9 people	8-week program
	Win-Win e-Learning	68 courses to be completed (about 80 courses open)	368 people	1 month
SK C&C	SK C&C IT Job Program	13 courses to be completed	58 people	2 days
	SK C&C VLS Program	76 courses to be completed (about 100 courses open)	531 people	1 month
	Development Expert Program	Internship	11 people	2 month

## Sustainability Management of Business Partners

To foster collaboration with business partners and ensure their competitiveness in sustainability management, SK C&C assesses its business partners each year on business performance capabilities, level of partnership with SK C&C, as well as sustainability elements such as ethical management and fair trade. The results of annual assessments become criteria for judging persistence in doing business with business partners. SK C&C applies a grading system to the benefits provided to its business partners based on their assessment results.

Business partner grades are largely divided into the Strategic BP, the Excellent BP, and the Ordinary BP. Strategic BPs refer to business partners, who are in strategic partnerships with SK C&C and classified as top-priority recipients of collaborative opportunities in win-win partnership programs. The Excellent BPs are partners with excellent BP assessment results and can have good partnerships with SK C&C, who are classified as priority recipients of win-win partnership programs and are eligible to be promoted to Strategic BPs. The Ordinary BPs are partners with certain levels of market competitiveness and financial soundness, who are necessary for the SK C&C to perform business operations and make up a basic BP pool with whom the SK C&C can do business.

※Number of companies eligible for partnership agreements in 2013: 68 companies (27 Strategic/Excellent BPs + 41 Ordinary BPs).

### Status of Business Partners by Type and Grade

Type of Business Partner	Number of Business Partners	Notes (Grade)		
		Strategic	Excellent	Ordinary
Product procurement	495	-	30	465
Contract procurement	344	8	19	317
<b>Total</b>	<b>839</b>	<b>8</b>	<b>49</b>	<b>782</b>

※Product Procurement: Hardware & Software, N/W Equipment, PC-Related Product, Computer Supplies, etc.  
 ※Contract Procurement: System Development, Maintenance/Repairs, Consulting

In 2014, the company added categories for additional points, such as human rights, labor, fair trade and environment, so that the company can comprehensively evaluate business partners' levels of corporate social responsibility.

※Criteria for additional/demerit points in 2014 annual assessment of business partners : Bonus points (new business/Win-Win partnership and CSR practices, etc.) / Demerit points (failure to comply with policies such as ethical management and security)

### Business Partner Sustainability Evaluation Checklist

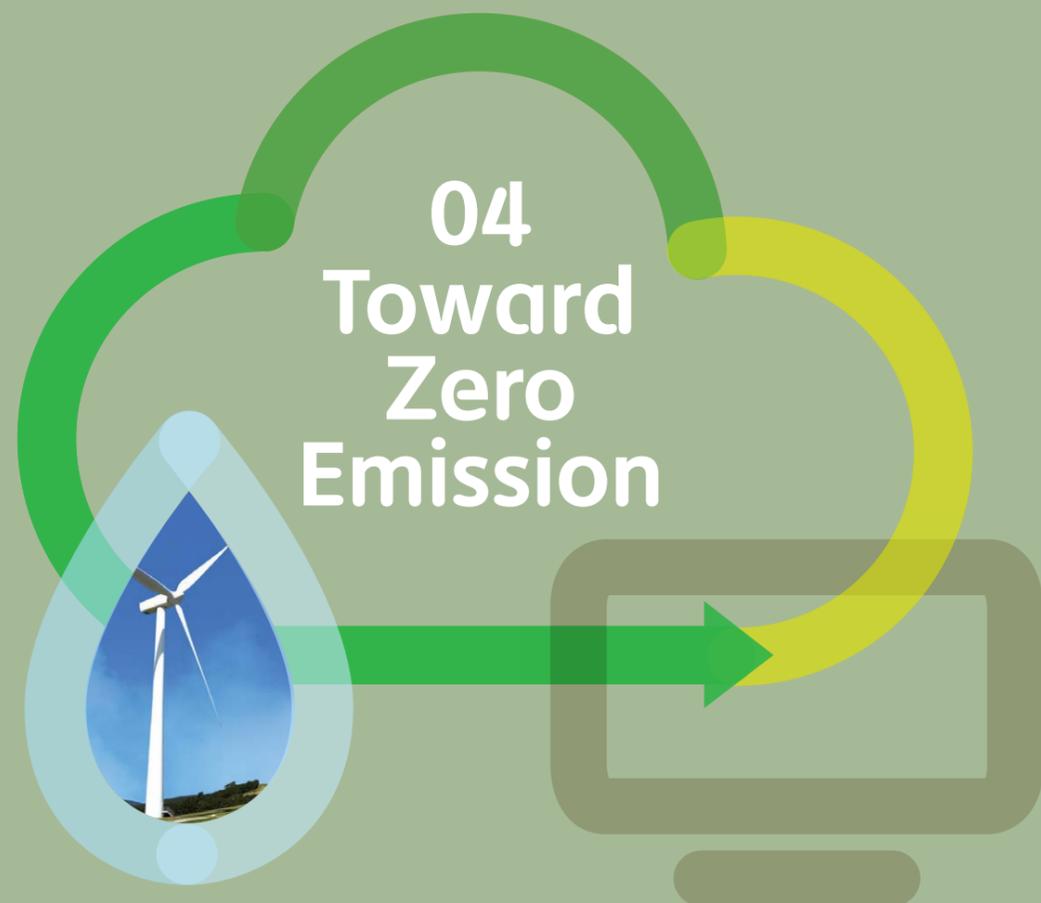
Classification	Evaluation Item	Details	Checklist by Item
Human Rights Safety	Human Rights	Equal Employment and Diversity	Do employees face discrimination at work based on ethnicity, religion, physical disability, gender, or region of origin?
	Labor	Labor-Management Relations	Does the company operate systems and programs for maintaining collaborative labor-management relations?
	Labor	Working Conditions	Is the company committed to improving employees' working conditions and work environment?
Safety	Health/Safety	Health/Safety	Is the company committed to improving employee health and safety?
	Fair Trade	Compliance with Fair Trade	Have there been any incidents of late payments or legal actions related to fair trade?
Social Responsibility Compliance	Social contributions	Social Contribution Activities	Does the company and its employees conduct donation and volunteer activities?
	Greenhouse Gas	Reduction of Greenhouse Gas Emissions	Does the company conduct activities to reduce greenhouse gas emissions?
Environment	Green Purchasing	Green Procurement Practices	Does the company have any program for purchasing green products? Or has the company ever purchased green products?



"SK C&C's support for Win-Win partnership has greatly helped Funny Work to grow with SK C&C as its strategic business partner."

Funny Work and SK C&C began its partnership in 2004, and the companies have since worked together on several joint projects over the decade, including financial and public projects. Based on trust that has built up over the years, Funny Work and SK C&C has been able to maintain a close collaborative relationship. SK C&C's support for Win-Win partnership, including financial assistance like the exemption of credit insurance, bond obligations and educational support, has greatly helped Funny Work to grow with SK C&C as its strategic business partner.

Since Win-Win partnerships are also the foundation for partners' long-term growth, SK C&C and its business partners should work together to remain partners. The role of business partners will probably increase in other sustainability areas, such as social contributions and environmental management as well as Win-Win growth. Small- and medium-sized business partners often have difficulty securing enough resources to carry out such sustainability activities. SK C&C thus includes its business partners in annual sustainability activities such as the "kimchi-making" event.



As a responsible corporate citizen, SK C&C acknowledges its responsibility to the environment for sustainable growth and takes the lead in preserving and protecting the environment to build a happy future for both humans and the environment. The company has initiated a variety of activities to reduce energy use and greenhouse gas emissions from its offices and data centers. The company is also developing green products and services, such as green IT solutions.

**Material Issues for Toward Zero Emission**

- Climate Strategy · Energy · Green Products/Services



## 04-1 Green Management



Climate change and environmental issues facing the world today are posing major threats to companies' business activities, such as an increase in physical hazards caused by abnormal weather conditions, rising energy bills and the strengthening of environmental regulations. However, as the government tightens environmental regulations and society becomes increasingly aware of environmental crises, there are also growing demands for green business management and growing expectations for green IT solutions. These changes and expectations will help equip SK C&C to develop new businesses.

Impacts : Social Losses Caused by Climate Change, Operating Costs Including Energy Bills, New Market Opportunities

**Our Commitment**

SK C&C has set five environmental principles and specific goals to cope with climate change, identify environmental risks and opportunities and practice green management. Under these principles and goals, the company will continuously implement green management across various aspects, such as operating green offices, raising employee awareness and green business activities.

**Goal & Evaluation**

Classification	Goal	Period	Current Status	2013 Achievements
Green management	Enhance the green business management system	Mid-term	In progress	Obtained ISO 14001 certification
	Build green infrastructure	Short-term	Accomplished	Acquired green vehicles that meet the Euro 4 standard
	Spread awareness of environmental friendliness green awareness	Mid-term	In progress	Rate of participation of employees in green education: 93%
Green IT technology	Set up green data center	Short-term	Accomplished	Obtained A+ in energy saving activities as a result of Green DC certification
	Develop green IT technologies	Mid-term	In progress	Secured green IT technologies: Energy management system (EMS), energy storage system (ESS)

### Green Management Strategy

**Directions for Green Management**

SK C&C has established green management principles and provided a systematic framework and it is working hard to apply the framework into its business activities.

**SK C&C Environment, Safety and Health Policy**

SK C&C puts environment, safety and health first at all stages of business management under its human-centered business philosophy. Using its years of experience and technology development, the company will contribute to the improvement of quality in environment, safety, and health and to mankind's sustainable development.

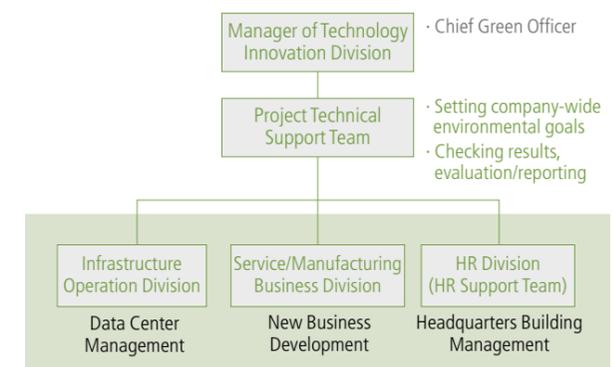
- SK C&C will fulfill its environmental, safety, and health responsibilities and duties, including compliance with the following principles:
- Compliance with Environment, Safety and Health-Related Laws  
We continuously improve environmental, safety and health levels by complying with international conventions and laws concerning environment, safety and health.
- Improvement, Prevention and Management  
We identify, evaluate, and improve major environmental, safety and health factors in activities, from planning to purchasing, design, development, maintenance/repairs, products and services.
- Communication with Stakeholders  
We set specific environmental, safety and health goals, regularly review, evaluate and disclose the results of business activities, in order to realize ethical environmental/safety/health management.
- All Employee Participation by Developing Empathy  
We conduct training and education in which all employees and business partners are willingly to participate and allow them to fulfill their respective responsibilities to accomplish goals.
- Company Working with Local Communities  
We are keenly aware of our social responsibility to local communities and become actively involved in their environmental, safety, and health activities.

Chung, Chul-Khil SK C&C President & CEO

**Green Management Organization**

At SK C&C, the Project Technical Support Team is responsible for overseeing the company's green management and the Manager of Technology Innovation Division serves as the Chief Green Officer. The Project Technical Support Team sets and executes the company's environmental policy and specific goals. The Infrastructure Operation Division makes system improvements, creates operating environments and establishes/implements measures to prevent accidents, so that the company's IT infrastructure such as data centers can respond to climate change. The Service-Manufacturing Business Division develops and identifies future business opportunities in relation to climate change. The HR Support Team is responsible for measuring and reducing energy and hot water usage through the building management of the headquarters.

**Green Management Organization**



**SK C&C and Climate Change**

Environmental problems such as climate changes and energy consumption have become global issues and the interest in protecting the environment has never been greater. SK C&C recognizes environmental protection as its corporate responsibility and the protection is vital to the future of mankind. The company therefore continues to analyze risks, opportunities and devote itself to rooting out potential environmental problems and creating a new IT-based revenue model.

**Risks |** The government is developing stronger environmental laws and policies applicable to businesses, including the extended application of the Occupational Safety and Health Act, the Greenhouse Gas Target Management System and steady increase in the electricity prices for the past two years (a 4.5% increase in December 2012 and 6.4% in January 2013). In the IT services industry, operating data centers is a necessity for businesses, but data centers are the primary source of energy consumption and greenhouse gas emissions. The government's tighter environmental policies and rising electricity rates together will become a heavy burden for SK C&C. SK C&C thus formed a dedicated organization for overseeing compliance of applicable laws and policies and organized a company-wide committee. The company also carries out energy-saving activities for data centers and the activities of calculating and improving carbon emissions up to Scope 3.

**Opportunities |** An increase in energy use caused by climate change has led to a growing interest in green IT businesses, such as renewable energy. SK C&C views climate change as an opportunity for corporate growth, thus it has proactively developed and expanded related projects, including reducing energy consumption through green data center certifications and the construction of the Gangneung Green City.

**Achievements in Green Management**

In 2012, SK C&C obtained the ISO14001 certification to internationally certify its green management system. In 2013, the company received a special award for carbon disclosure from the CDP Committee Korea, ranked first place in the software · telecommunications services · media sectors of the 2013 Green Rankings and earned a green data center certification, proving itself as a good example of green management.

※ The ISO14001 is part of the ISO14000 series of which international standards for environmental management systems produced by the Technical Committee (TC 207) of the International Organization for Standardization (ISO). Being certified with the ISO14001 means that, with environmental management as its basic management policy, the company remains interested in environmental issues and continuously makes improvements by defining goals and specific tasks and setting up a dedicated organization and procedures.



Lee, Kyeong Yool, President of Environment Action Association

**“If SK C&C utilizes its capabilities and technologies as an IT leader, it will be able to engage more people in environmental efforts and create a new paradigm for green management.”**

The Environment Action Association and SK C&C are working together to respond to climate change through environmental activities, such as planting trees, planting native plants and eliminating harmful plants. SK C&C's environmental activities are also in line with its social contributions to expanding green "space."

As climate change accelerates, responses from several international conventions and social movements have resulted in carbon credits and the total allowable emissions system, which is important for companies to participate.

Though IT companies may produce lower pollutant emissions than other manufacturing businesses, If SK C&C utilizes its capabilities and technologies as an IT leader, it will be able to engage more people in environmental efforts and create a new paradigm for green management. The care for trees is equally as important as planting them; likewise, SK C&C's environmental policy also needs to adopt a long-term approach.

**Continuous Implementation of Green Management**

**Green Offices**

SK C&C is continuing its investments and commitment to environmentally friendly office operations and business activities through the construction of green offices.

**Saving Energy |** To increase energy efficiency in the headquarters building, the company replaces normal light bulbs with LEDs each year. In 2013, the replacement of lamps of the underground parking lot and exit stairways with LEDs saved the company an annual cost of 12.5 million KRW and 47.35tCO<sub>2</sub>e carbon dioxide emissions.

**Mobile Office |** SK C&C has adopted the Mobile Office in 2012 and since its adoption, the company has remedied the program so that electronic payments, intranet e-mail checking, employee searches and vehicle control system features can be supported on all electronic devices.

**Promoting the Use of Personal Cups in Cafe4U |** At the company cafe, Cafe4U, the company works with the HR Support Team to offer monetary rewards to employees who use their own cups. Also since 2013, the company adopted reward card system to encourage employees to use their own cup. As a result, the use of personal cups has increased 5 times in 2013 when compared to the 2012 figure.

**Green Vehicles and Commuting Conditions**

The SK C&C accomplished its goal of "adopting vehicles that meet the Euro4 standard" created in 2012.

※ Euro4: Standard for exhaust emissions applied by the Europe Union (EU) to protect the environment

In addition, the company adopted a SK Group commuter bus system called the "SK Happy Express." SK Happy Express are jointly purchased by the SK affiliates including SK C&C, and it provides 15 routes for employee commute. The companies and employees are making conscious efforts to reduce greenhouse gas emissions by measuring and reporting greenhouse gas emissions from employee commuting.

**Raising Environmental Awareness**

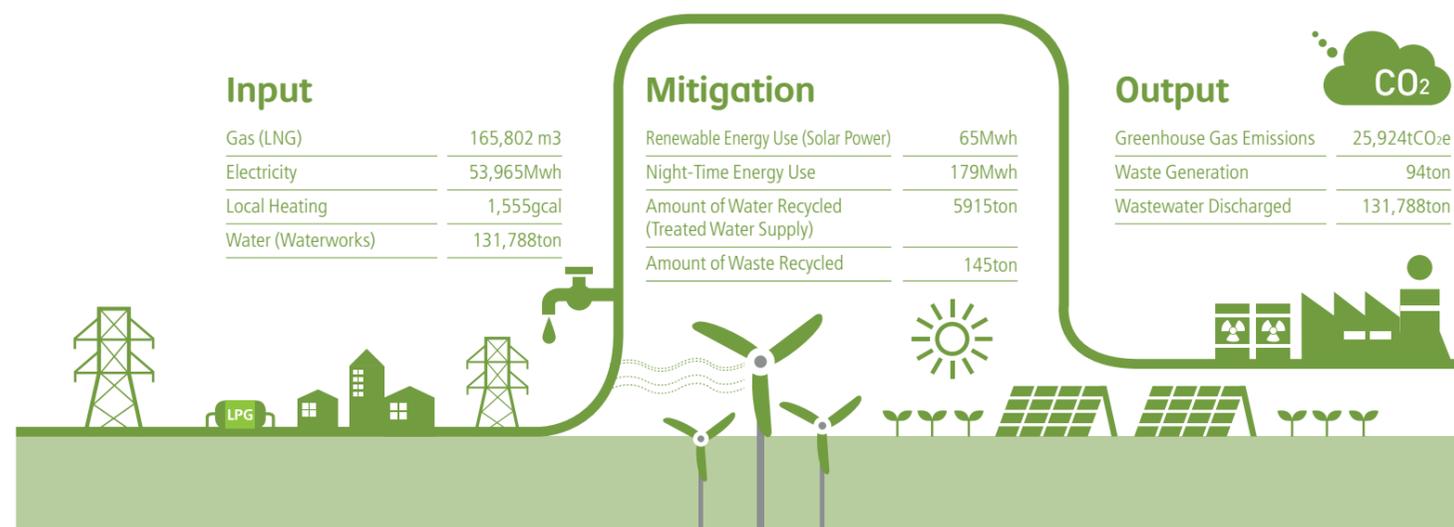
For the entire company to internalize its green management policy, SK C&C has continuously implemented environmental awareness-raising activities, such as the QHSE Manager Program and environmental education for employees.

**QHSE Manager Program |** The SK C&C appoints the QHSE (Quality, Health, Safety, Environment) managers for each organizational teams.

They are responsible for analyzing the impacts that the duties of their teams have on the environment and establishing and executing action plans. Additionally, they contribute to raising employees' environmental awareness by spreading green management to all members of their teams.

**Environmental Education |** Each year, SK C&C provides environmental education for all of its employees. Typically, in the IT services business, most employees are delivering projects that are far from the headquarters so the company offers them both in-class group training and distance education. In 2013, the company combined sustainability education and environmental education so that employees could realize the necessity of green management based on their understanding of sustainability management.

 Rate of employee participation in environmental education (as of July 2013, excluding subsidiaries) **93%**



## Green Business Activities

SK C&C is committed to respond proactively to climate changes and to build a green world by minimizing energy losses, reducing costs and mitigating greenhouse gas emissions through IT. The company has developed a variety of green IT technologies, including an Energy Management System (EMS), an Energy Storage System (ESS), and an Automatic Meter Reading (AMR) solution. Using these technologies, the company executed construction projects such as the Gangneung Green City Experience Center and a green data center.

### Gangneung Green City Experience Center

SK C&C constructed the Gangneung Green City Experience Center comprised of a convention center and an experience training center on 60,243 of land. The Green City Experience Center was designed to practically produce zero carbon emissions and zero energy use by applying cutting-edge green technologies to six areas: renewable energy, smart infrastructure, green transportation, green construction, water/resource recycling and eco-greens and wetlands.

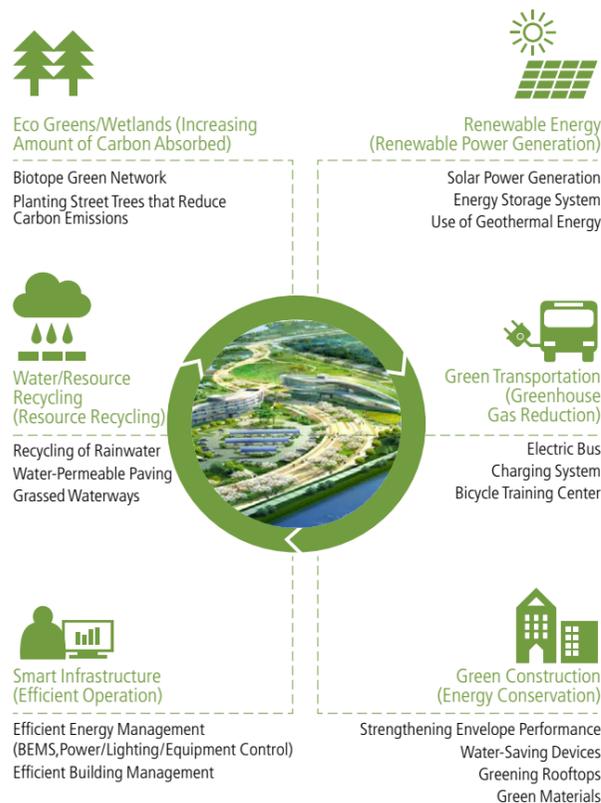


Using only pure and clean energy sources such as solar power and geothermal energy, the Green City Experience Center is an energy-independent building that produces and consumes its own energy without external energy supply and is an advanced building equipped with a zero fossil fuel system. To minimize losses of natural light and glass energy, triple-pane glass was used for the building. Its exterior insulation is twice as thick as that of an ordinary building, which increases energy efficiency. Mounted between the convention center roof and the balcony railing of the experience training center, the solar power generation system features 382 PV (Photovoltaic) panels to generate 180,000kwh power each year, 492kwh each day. Through the 100kwh Energy Storage System (ESS), the core technology of this energy-free building that the SK C&C designed and manufactured using its proprietary technology, the center stores the solar energy generated during the day in the ESS to provide power to the experience training center at night after sunset. Located at the convention center, the control room allows real-time monitoring and remote control of various data, such as the production status of renewable energy. By adopting the EMS solution for solar power, which was developed by SK C&C, the center can also make the best use of energy through solar energy monitoring and cumulative data analysis, as well as through real-time charge-discharge monitoring and automatic control of the ESS.

All guest rooms in the experience training center feature Automatic meter reading (AMR) system to check real-time energy use, including electricity, hot water, cold water, and heating/air-conditioning. The AMR system allows the centralized management of energy usage, system malfunction, water or electricity leakage across the center and enables efficient energy management based on data such as energy use pattern analysis. Furthermore, a smart TV and In Home Device (IHD) available in each room allows the visitor to directly check the amount of renewable energy generated that day and the current operating status of the ESS and is able to monitor in real time such data as the actual amount of energy consumed and the amount of GHG emissions reduced after checking in. Outside the center, the company runs a 48-seat electric bus service, offering all visitors the chance to experience green transportation.

## GREEN CITY, GANGNEUNG

### Key Components of the Green City Experience Center



## Building a Green Data Center

SK C&C has been working hard to cut costs and greenhouse gas emissions by reducing energy consumption in its data center, which accounts for the majority of the entire company's energy use.

Since it announced the goal of making the Daedeok Data Center green, the company has worked to increase cooling efficiency through the insulation of the glass windows of the constant temperature/humidity chamber and the adoption of an outside air refrigerator, which also has saved energy. In addition, the company utilized our Energy-Saving Solution and solar power self-generating equipment to reduce energy consumption by 3,000MWh and GHG emissions by 1,272 tCO<sub>2</sub>e GHG each year, saving 300 million KRW in energy bills. As a result, in 2013, the company became the first company in Korea to earn a Green DC certification and 10 out of 10 points and an A+ grade in a qualitative assessment of energy-saving activities, ensuring the reliability of its green capabilities.

Aside from the green activities performed at the Daedeok Data Center, SK C&C also defined the "7 Green SUPEX" practices that the center's employees can follow in everyday life to protect the environment. The company encourages all employees to observe these practices.

'Green SUPEX'

- 1 Increase/decrease the office temperature by 1 to 2 degrees (summer / winter)
- 2 Make sure to arrange cables properly when carrying in/out equipment (To improve flow of cold air)
- 3 Use only 50% of all lights in the center (Equipment space and corridor)
- 4 Use floor lamps in offices at night
- 5 Save personal OA equipment (Shut down power during a lunch break or when leaving)
- 6 Avoid using the elevators, or use only one elevator (Use the stairs to the 2nd floor; use the elevator only for the third floor or higher)
- 7 Shut down all equipment not in use (Immediately shut down once a test or service has finished)

### Components of Daedeok Data Center

<p> <b>Building</b> A steel frame structure dedicated to a data center with 14,500m<sup>2</sup> of gross floor area, seismic resistance for a magnitude of 7.0 or higher, and an allowable load of 1,000kg/m<sup>2</sup>, ensuring world-class safety performance.</p>	<p> <b>Fire Equipment</b> The center features advanced fire equipment, including a 3-D fire detection system, halon fire extinguisher and drying tube to enable proactive fire prevention for quick fire suppression in case of an emergency.</p>	<p> <b>Disaster Prevention Center</b> The company runs a central disaster prevention center, which allows remote monitoring and control of each center, and a separate disaster prevention center for each center to ensure multilayered safety management.</p>
<p> <b>Air-Conditioning Equipment</b> Unlike other centralized centers, the Daedeok center features a constant temperature/humidity system for separate operations, which enables flexible response.</p>	<p> <b>Video Conference Room</b> This advanced video conferencing system allows fast and accurate business consulting and meetings, video briefings and seminars between centers, between the headquarters and centers as well as between customers and centers.</p>	<p> <b>Electrical Equipment</b> Unlike other centers, the Daedeok center can maintain uninterrupted power conditions through the redundancy of optical cables and leads, the adoption of a power supply unit, an uninterrupted power supply unit, an emergency power generator and a redundant distribution system.</p>
<p> <b>Controlling Equipment</b> The Daedeok center manages all equipment using an automated system, from electricity to disaster prevention and to security, so that service can be provided uninterrupted when an error or an accident occurs even temporarily.</p>	<p> <b>Security Equipment</b> Advanced security solutions and security processes are running 24/7 to prevent data access and intrusions. A variety of advance security systems feature double and triple protection mechanisms.</p>	



# 05 Social Investment



In order to achieve SK Group's management philosophy, "Happy Management," the SK Group shares local communities' difficulties and resolves social problems through social investment and contribution activities. SK C&C has implemented a wide range of IT-related social contribution activities through employee engagement, such as resolving the digital divide, forming and operating an IT social enterprise, employee volunteering and spreading a culture of donations.

### Material Issues for Social Investment

- Development of Local Communities · Indirect Economic Impacts

## 05-1 Building Stronger Communities



A company's social responsibility towards local communities is not an option but an essential element of its business activities. Building a healthy society not merely brings happiness to individuals and local communities. It also changes the business environment in the long run, leading a significant impact on the company's growth. For the company and local communities to grow together, it is important for the company, as a corporate citizen, to get actively involved in resolving social problems, as well as making short-term returns.

Impacts : Business Foundation in Local Community, Digital Divide, Community Quality of Life

### Our Commitment

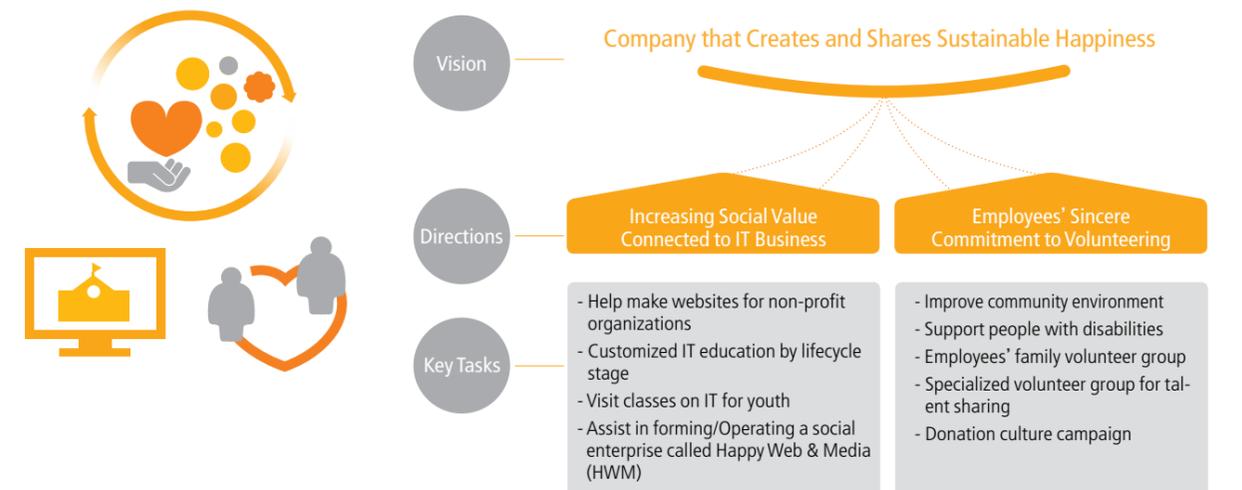
SK C&C carries out social contribution activities and engages in solving social problems through IT education, assisting in forming and operating an IT social enterprise, customizing local social contribution activities based on age groups and through "talent-sharing" by employees. SK C&C will continue to share new value with society and bring happiness wherever it goes.

### Goal & Evaluation

Classification	Goal	Period	2013 Achievements	Current Status
Increasing social value connected to the IT business	Make corporate information accessible to disadvantaged groups	Mid-term	Helped produce websites for 4 non-profit organizations	In progress
	Revitalize IT educational programs	Mid-term	60 sessions of IT education, 2,880 attendees	In progress
	Encourage employees to participate in volunteering	Long-term	30 families (99 people) participated in family-friendly employee family volunteer group	In progress
	Extend the donation culture campaign	Long-term	95.02 million KRW, 887 people participated per year	In progress

## Social Contribution Strategy Frame work

Under the SK Group's management philosophy, the "pursuit of happiness," SK C&C practices the "happiness-sharing" management to build a society where all stakeholders can be happy. With the vision of "Company that creates and shares sustainable happiness," the company defined core IT activities, which reflects the characteristics of the IT service industry and the employees' volunteering commitment as its strategic directions.



At SK C&C, under the CEO's supervision, an office for social contributions (CSR Team) oversees the planning and operating social contribution programs. In particular, the company appoints executive officers as volunteer leaders and team managers as assistant administrators of the volunteer group, so that those responsible for social contribution activities can take the initiative and set a good example. Furthermore, the company engages all employees in social contribution activities by appointing them as volunteer coordinators or agents, bringing them to the forefront of community volunteering and talent-sharing activities. Social contribution programs are carried out through a four-stage process, from planning to execution. Each year, the company meets and interviews with representatives of local-government organizations to identify the needs of local communities, analyze and verify the collected data, then finally plan programs. Once a social contribution program has been completed, the company evaluates each activity, accept suggestions for improvement through feedback and develop better programs.



### Increasing Social Value Connected to IT Business

As the leader of the Korean IT service industry, the company supports the creation of IT environments and information education for socially disadvantaged groups and through such support, the company fosters social talent. In 2013, the company began to expand IT education nationwide, which was previously concentrated in Seongnam, Gyeonggi-do, to provide the disadvantaged with customized IT education by using the lifecycle stage. In 2014, the company will increase the eligible regions and targets to construct and support the IT infrastructure.

### Producing Websites and Donating PCs for Non-Profit Organizations

To improve information access for disadvantaged groups and to help needy neighbors better communicate with society, the company has implemented IT social contribution activities. By designing websites aimed at struggling social service centers and small-sized social enterprises, the company invested about 60.5 million KRW in 7 non-profit social service organizations for the past two years. Its PC donation business continued as the company donated 240 used computers to 11 centers and performed computer maintenance.

### Customized IT Education by Lifecycle Stage

To bridge the gap in IT capabilities for disadvantaged groups, SK C&C classifies educational programs for children, teenagers, youth and seniors, under the theme "Customized IT education by lifecycle stage," and supports the necessary information education for each age group.

- Children** – Internet etiquettes and game addiction prevention education for elementary school students in after school hours
- Teenagers** – Special classes on the use of SNS with Photoshop for teenagers of low-income families
- Youth** – Special classes on the use of SNS marketing for social enterprise owners
- Seniors** – Education on how to use smartphones for senior members of community

### Teenage IT Education

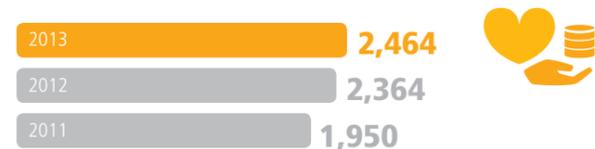
For teenagers in need of IT education, employees at headquarters and local branches of SK C&C are supporting special classes on the basics of IT and career education. In 2013, special classes were offered to 2,040 high school students, from first year to senior year, in five regions (Ulsan, Daejeon, Sacheon, Seongnam, and Seoul).

#### 2013 IT Education Support for Teenagers

Region	Schools that Received Educational Support	Attendees	Notes
Ulsan Metropolitan City	4 (first-year in high school)	180	Created in 2013
Daejeon Metropolitan City	8 (second-year in high school)	80	Created in 2013
Sacheon, Gyeongsang-nam-do	2 (third-year in high school)	460	Created in 2013
Seongnam, Gyeonggi-do	1 (third-year in high school)	70	
Seoul Metropolitan City	9 (third-year in high school)	1,250	

#### Investment in Communities

(unit : million KRW)



## Employees' Commitment to Volunteering

SK C&C's employees are all members of volunteer groups, committed to solve social problems for local communities and the environment. They also utilize their personal talent to support those in need. With passion and commitment, the company's employees have been involved in volunteer activities for the past decade.

### Specialized Volunteer Group for Talent Donations

SK C&C provides opportunities for employees to donate their talent to society by cultivating their capabilities and skills in their areas of interest. To integrate talent donation activities and support them systematically, the company opens educational and certification programs in different areas early each year and helps employees donate their specialized talent. Each year, the company surveys the employees' demand for talent donation in specific areas and expand those areas. In 2013, the company increased five more areas than the company did in 2012. In 2014, SK C&C will extend the talent donation areas necessary to operate social enterprises.



#### Specialized Volunteer Group Activity Process



#### Current Specialized Volunteer Groups

- Smile** We want to send smiles to our neglected neighbors
  - Photographs: Taking family photographs with multicultural families and North Korean settlers (38 people)
  - Balloon Art: Preparing birthday parties for seniors living alone (47 people)
  - Book Services: In-home braille book services for the visually impaired (67 people)
- Hope** We want to support children with dreams
  - Reading Instructions: Reading instructions and discussion activities for elementary school students of low-income families (30 people)
  - Reading Out Loud: Recording books / making audio books for visually impaired children (20 people)
  - IT Education: Teaching after-hours classes on Internet etiquettes and game addiction prevention (26 people)
- Love** We want to share family love
  - Employee Families: One heart, one family matching activities for children with disabilities (99 people, 30 families)
  - Healthy Massages: Massages for seniors and to keep them company at care centers (30 people)
  - IT Smart Education: Education on how to use smartphones for seniors living alone (20 people)
  - Making Woolen Hats: In-home knitting volunteering for newborn babies in developing countries (45 people)
- Win-Win** We want to be your friends so that we can grow together
  - PC Maintenance: Computer maintenance and instructions activities for non-profit social services organizations (57 people)
  - PR Services: In-house volunteer activities and affiliated organization PR activities (14 people)
  - Management Advice: SK pro bono, social enterprise support activities (34 people)

### Family-Friendly Employee Family Volunteer Group

Since 2005, the SK C&C has organized "Volunteer Camps" and "Volunteering Month" to engage both employees and their families in volunteer activities. In addition, since 2010, the company has launched an Employee Family Volunteer Group each year and the group has been involved in volunteer activities three times a year. Through such activities, the employees have bonded with their families, taken pleasure in sharing and contributing to society. In 2013, a total of 30 families (99 people) participated in providing cultural benefits to children with disabilities.



**"I expect to see strategic social contribution activities expanding, which reflect both community needs and the company's characteristics."**

The Seongnam Volunteer Center is a hub organization responsible for managing and matching communities' various needs for social services with suppliers of volunteer work. The center has implemented social contribution activities in collaboration with SK C&C. With its CSR Team, SK C&C has set strategies and directions for social services and is actively involved in contributing to local communities.

I believe that such strategies and directions will be effectively accomplished when employees become more aware of why and how the company makes social contributions and that communication with local communities will extend to the employees. By developing a wide variety of programs that exploit the company's characteristics and strengths as an IT company, I expect to see strategic social contribution activities expanding, which reflect both community needs and the company's characteristics.

# Together with SK C&C



## Community Environmental Activities

**Drawing Happy Wall Paintings I** To improve the conditions of run-down neighborhoods, the company organized relay activities for employees, including painting walls, planting flowers and renovating public facilities in low-income areas, in collaboration with the City of Seongnam, the Culture Cooperative, environmental groups, the Volunteer Center and local residents. These activities have been carried out since 2009. Between 2011 and 2013, 1,800 employees participated in improving the conditions of five areas in Seongnam.

**Clean Street Campaign I** The company conducts weekly garbage pickups and street cleaning activities during lunch hours, as well as an anti-smoking campaign, near the headquarters building in Jeongja-dong.

**Happy Forest Protection Activities I** On Arbor Day in April, employees of the SK C&C and its subsidiaries planted 3,000 willow trees in the Han River Protection Area under the theme of the "Happy Tree Planting." It was not merely a one-time-only event; employees regularly participated in eliminating harmful plants at the Han River Eco Park twice a year to make sure that the trees grow properly.

## Donation Culture Campaign

**Happy Scholarship Fundraising Campaign I** To support teenagers of low-income families in Seongnam, the company has implemented a donation campaign all year round, with employees voluntarily participating in donating monthly allowances. The funds raised will be used as scholarships for teenagers the following year. Aside from financial assistance, the company hosted "Dream Lecture" to foster teenagers' emotional development, including self-leadership.

**Help Hungry Children Donation Campaign I** To deliver warm lunch boxes to hungry children during winter breaks, the company holds an employee donation campaign for two months during winter. Through the campaign, the company would like to send hope and happiness to children who cannot afford the daily needs for school each year.

### Donations by Employees

Classification		2011	2012	2013
Happiness Scholarship	Amount of Funds	65.4	77.4	87.3
	Recipients	53people	54people	72people
Help Hungry Children Fund		10.3	11.8	7.8

## Support for People with Disabilities for Social Integration

**Support for Social Adjustment of Children with Disabilities I** To help children with intellectual and physical disabilities living at care centers adjust to society, the company provides monthly support, such as opportunities to use public facilities and markets.

**Home Care Services for People with Disabilities I** For adults with mobility disabilities, the company offers monthly services, such as grocery shopping, accompanying them to hospitals and improving their living conditions.

## SK Group Common Activities

Through the Kimchi-Sharing event and the Happiness-Sharing Bazaar, which SK C&C co-organizes with the SK Group, the company supports seniors living alone and low-income families. With the SK Happy Village Habitat, the company has conducted the "Habitat" activities for families without homes.

## Social Enterprise: Happy Web & Media

In 2011, SK C&C established a social enterprise called the Happy Web & Media (HWM), aiming to create IT jobs and provide social services for socially disadvantaged groups. To improve the quality of life of disadvantaged people lacking access the information through IT services and in order to contribute to creating social value, the enterprise simultaneously operates revenue-making and public businesses. In 2013, the enterprise reached the break-even point.



To create jobs and resolve the digital divide, the company is performing public businesses

### Major businesses

- IT education for disadvantaged groups
- IT service development and support (making websites, improving web accessibility)
- Hiring people with disabilities

To ensure sustainable growth, the company is conducting revenue-making operations and for-profit activities

### Major businesses

- Mobile web and application access services
- Making websites
- Making mobile web sites and applications

### Information about Happy Web & Media

Company Name	Happy Web & Media (HWM)
Founding Date	2011.12.16
Number of Employees	31people
Ratio of people with Disabilities	45%
Category	Non-profit foundation
Certifications	-Non-profit foundation designated by the Ministry of Employment and Labor -Standard business for people with disabilities -Social enterprise certification

### Total Number of Employees as of December 2013

#### 1 Executive Director

Planing Business Division (1 Management Director)      Management Support Team (2)  
Strategic Planning Business Team (2)  
Public Business Team (1)

Development Business Division (1 Technology Director)      Project Business Team (4)  
Development 1 Team (6)  
Development 2 Team (7)  
Design Team (6)

Revenue (reaching the break-even point in 2013)

19 billion KRW

Number of Employees as of December 2013

31 people

### History of Happy Web & Media

#### 2011

- 12.22 Foundation registered with a court of law
- 12.16 The Ministry of Employment and Labor authorizes establishment of a social enterprise (jointly invested by SK Happiness Sharing Foundation and SK C&C)

#### 2012

- 12.21 Creates a mobile application of SK Happiness Calendar
- 12.10 Designated as a donating organization
- 11.09 Creates the Wellpay application payment system
- 07.10 Obtains standard business certification for people with disabilities
- 04.29 Improves web accessibility of LH Corporation
- 02.28 First meeting of the Board of Directors
- 02.10 MOU with Web Watch, a web accessibility certification service

#### 2013

- 12.17 Happy Web & Media obtains social enterprise certification
- 10.26 Attends 2013 Collaborative Social Economy Fair
- 09.23 Improves web accessibility of MetLife
- 08.23 Sets up a labor-management council
- 05.15 Improves web accessibility of Prudential's cyber service
- 03.05 Improves web accessibility of SK Telecom's TWorld
- 02.19 Second meeting of the Board of Directors

# Governance



## Transparent Governance

### Composition and Operation of Board of Directors

#### Overview and Characteristics of Board of Directors

SK C&C's Board of Directors aims to become the "Working BOD" that fulfills practical responsibilities to maximize corporate value. Through the BOD-centered management, SK C&C makes important strategic decisions and provides monitoring and advice on business activities. The company strives to maximize value for stakeholders through management transparency and accountability.

#### Composition of Board of Directors

SK C&C's Board of Directors consists of three inside directors and four outside directors (the ratio of outside directors: 57%) to ensure the board's independence through a transparent decision-making process. Outside directors in particular are comprised of top experts with expertise and competence in law, finance and macroeconomics. The company has a system in place to ensure objectivity and fairness in the appointment of inside and outside directors. Outside directors are nominated through the Outside Director Nomination Committee, which consists exclusively of outside directors, based on the criteria for evaluation, such as expertise, attitude to management, independence and credibility. Among the nominees, directors are finally elected at a general meeting of shareholders. The chief executive officer becomes the Chairperson of the Board of Directors and presides over all board meetings.

#### Composition of SK C&C's Board of Directors

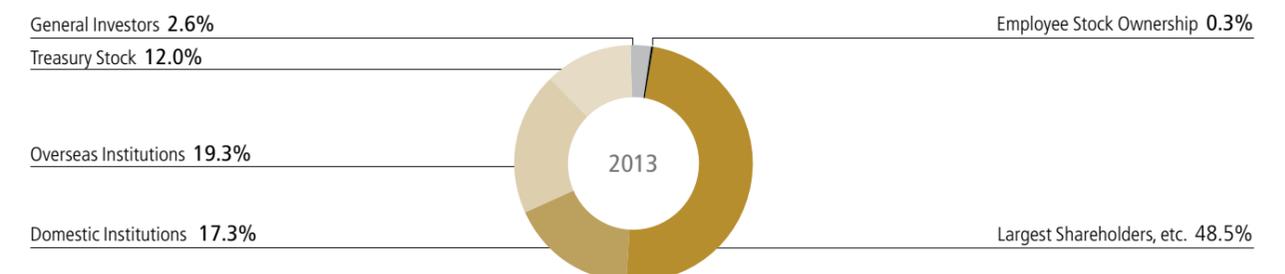
Classification	Name	Title	Director/Executive Officer's Term of Office
Inside Directors	Chung, Chul Khil	President & CEO of SK C&C	9 years
	Park, Jung-Ho	Executive Vice President & Head, SK C&C Corporate Development	1 year and 2 months
	Ahn, Hee-Chul	Senior Vice President & Head, Corporate Management Support Group	5 years and 3 months
Outside Directors	Han, Young-Seok	Consulting lawyer of Woo Il	3 years and 1 month
	Lee, Hwan-Kyun	Former Minister of Construction and Transportation	5 years and 1 month
	Lee, Yong Hi	Former Vice-Chairman of NICE Investor Service	1 year and 1 month
	Ju, Soon-Sik	Advisor of Yulchon LLC.	2 years

#### Structure and Responsibilities of Committees

Committee Name	Composition	Responsibilities
Outside Director Nomination Committee	4 Outside Directors (Han, Young-Seok, Lee, Hwan-Kyun, Lee, Yong Hi, Ju, Soon-Sik)	Nominate outside director candidates of the company in accordance with laws, the articles of incorporation, and committee rules
Internal Transaction Committee	1 Inside Director (Ahn, Hee-Chul), 3 outside directors (Ju, Soon-Sik, Han, Young-Seok, Lee, Hwan-Kyun)	Review and grant approvals of integrity of internal dealings between interested parties
Audit Committee	3 Outside Directors (Lee, Hwan-Kyun, Lee, Yong Hi, Ju, Soon-Sik)	Audit accounts and business operations of the company in accordance with laws, the articles of incorporation, or the rules of the board of directors

#### Shareholder Composition

※ Total number of shares: 50 million shares (as of March 2014)



### Committees Under Board of Directors

SK C&C has installed and operated committees under the supervision of the Board of Directors to ensure the board's efficient operations. There are three committees: the Audit Committee, the Outside Director Nomination Committee, and the Internal Transaction Committee. The Audit and Outside Director Nomination committees are comprised exclusively of outside directors to maintain the board's independence. The Audit Committee audits the company's accounts and business operations, the Outside Director Nomination Committee nominates candidates for the company's outside directors. Lastly the Internal Trade Committee reviews and grants approval for the integrity of internal dealings.

### Operation of Board of Directors

The Board of Directors is operated efficiently and reasonably so that directors can make the best decisions they can. Unless the board chooses to strengthen terms of existing resolutions, all resolutions made by the board will be made by an affirmative majority of the votes casted. To enhance the expertise of outside directors, the company runs a supporting team to provide education to outside directors. In 2012, the company offered two education sessions and in 2013, four sessions. Directors may not be involved in the company's business by themselves or on behalf of third parties, without the board's prior consent. Under the rules, directors also may not become directors of other companies with unlimited liability in the same business as this company. Furthermore, directors may not vote if they have personal interests in certain agenda items.

### Compensation Policy of Board of Directors

Under laws, the levels of compensation are confirmed at a general meeting of shareholders after the Board of Directors has reviewed the current limits of compensation for directors. To ensure the independence of outside directors, the board does not pay additional bonuses such as incentives other than basic pay. Compensation amounts are calculated by reflecting social and environmental performances in performance evaluations of executive directors and managers of the relevant departments based on economic performance. In 2013, the board's criteria for evaluating the performance of executive directors and department managers included, economic performance indicators such as revenue and operating income, social performance including employee satisfaction, fair trade, win-win partnerships, social contributions, and environmental performance such as the environmental management certification and the reduction of greenhouse gas emissions is reduced. SK C&C discusses the compensation limits of directors at a meeting of the Board of Directors and confirms them at a general meeting of shareholders based on the results of the year. Furthermore, SK C&C discloses the amounts of compensation for executive and outside directors in its business reports.

### Board of Directors and Communication

SK C&C ensures the quick and accurate delivery of information to stakeholders. Under the rules of the Board of Directors, the board may allow the attendance of employees and third parties other than members of the board to listen to their opinions or explanations about certain agenda items, so that stakeholders' opinions are reflected in the board's decision-making process. In addition, to improve access to information, the board frequently discloses the information and posts information about the board and its activities on the website. For more information, please see the business report.

#### Outside Director Nomination Process

Under the Commercial Code, SK C&C formed the Outside Director Nomination Committee responsible for proposing outside director candidates.



#### Criteria for Electing Outside Directors

Classification	Description
Area	Expertise in law, Macroeconomics, and Management
Individual	IT Industry knowledge/experience, Attitude to management, Social reputation, etc.

#### Operating Status of Board of Directors

Classification	Number of Board Meetings	Number of Agenda Items	Participation Rate of Outside Directors
2011	13 meetings	43 items	98%
2012	13 meetings	46 items	100%
2013	14 meetings	42 items	95%

## Sustainability Governance

### Sustainability Organization and System

At SK C&C, a management specialist is elected as the company's President and Chief Executive Officer (CEO) by a resolution of the Board of Directors. The CEO represents the company, oversees and holds authority over the company's business operations. The highest-level decision-making body on sustainability management is the Top Management Meeting which comprises of the CEO (Chairperson) and department managers. Top management regularly meets and discusses sustainability issues on a quarterly basis, or whenever necessary. In addition, the company formed subcommittees under the CEO's supervision, including the Ethical Committee, the Occupational Safety and Health Committee and the Win-Win Partnership Committee.

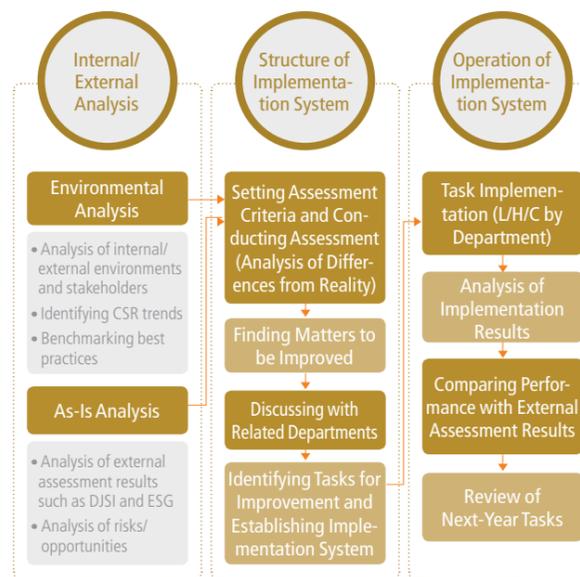
To effectively implement sustainability management, SK C&C constructed a system for the implementation of sustainability management. The Sustainability Management Implementation System becomes operative when sustainability issues are identified and risks/opportunities are recognized through an analysis of internal/external environments and an as-is analysis. After that, tasks for improvement are identified through an internal assessment. Once the tasks have been executed, the results are analyzed. Finally, tasks for the next year are reviewed in comparison with the results of an external performance assessment and then an analysis of internal/external environments as well as an as-is analysis are conducted again.

Through the Sustainability Management Implementation System, the CSR Team, a dedicated team for sustainability management, establishes a sustainability strategy, identifies solutions through an assessment of sustainability management, implements tasks for improvement and provides monitoring and advice on sustainability issues. The team also prepares a strategy for social contributions, executes the strategy and supports the operation of Happy Web & Media, SK C&C's social enterprise.

### Sustainability Decision-Making Body

Under the CEO's supervision, the top management meeting consists of chief officers in the economic, social and environmental areas, those who can identify and manage the risks and opportunities thus able to establish and review company-wide goals and strategies. In addition, top management's responsibilities include managing sustainability-related risks, checking whether tasks are to be implemented, and evaluating performance. Among the meeting results, important matters are reported to the Board of Directors. As sustainability management becomes more important, there has also been an increase in the number of agenda items on sustainability management discussed by the board. Published every other year, SK C&C's Sustainability Report is reviewed by relevant organizations and reported to top management.

#### Implementation System Structure/Operating Process



#### List of Agenda Items on Sustainability Management (Economic·Social·Environmental) Discussed at the Board of Directors

Year	Date	Key Details of Discussion
2013	02/28	Item concerning change of Compliance Officer Operating status of Compliance Program (CP)
	06/03	Win-Win Index (Current status of Win-Win partnerships)
	07/26	Operating status of Compliance Program (CP)
	10/25	2013 DJSI evaluation results (Sustainability status, etc.) Compliance support and monitoring activity results

#### Sustainability Issues Discussed at the Top Management Meeting

Year	Date	Key Details of Discussion
2013	1st quarter	Sustainability tasks by team
	2nd quarter	Progress of sustainability tasks for improvement
	3rd, 4th quarter	Disclosed results of sustainability management

※During the first quarter of 2014, the 2014 implementation plan for social contributions was discussed.

## Risk Management

SK C&C performs systematic and integrated risk management to reduce the variation in business activities caused by uncertain environments in and outside the company. The company also identifies and prevents any accidents, practices, risks, environmental or otherwise, which may adversely affect the company's ability to achieve its goals.

### Integrated Risk Management System

SK C&C sets up a system for the integrated management of financial risks, such as sales, capital, credit, interest, liquidity, exchange rates and investments, but also non-financial risks such as operations, strategies, security, laws, corporate culture and environment. Through the system, the company proactively identifies and manages potential risks arising from internal and external changes. To prevent risks in advance, the company identifies all kinds of circumstances that may affect it, measures the impacts, and establishes strategies to deal with possible risks. The company also immediately analyzes the risks that have already occurred, takes actions and gives feedback to the risks to prevent their recurrence.



#### Integrated Risk Management Process



### Business Risk Management

When undertaking a development project larger than a certain scale, SK C&C identifies and manages risks occurring at all stages of project execution, including sales, proposition, contract and execution. The project manager identifies risks by preparing a self-assessment checklist and conducts an internal audit, then presents the risks at a risk review meeting and hosts a risk review meeting with specialized teams, such as fair trade, project support, contract and legal affairs. As for the project discussed at the risk review meeting, overall project risks are deliberated to determine on the cost and price at a project evaluation meeting, before a management strategy is established and the project begins. Through risk management, the project manager effectively executes a project, and the related teams regularly conduct risk monitoring of the project and manage risks.



## Ethical Management

### Implementing Ethical Management

To accomplish its vision, "Create Value for Customers, Challenge the Future," SK C&C is committed to pursue the happiness of all stakeholders, including customers, shareholders, partners, competitors, employees and society to promote corporate social responsibility thus building a healthy corporate culture by nurturing proper ethical values among employees and practicing ethical management in business operations through fair trade.

**Adopting Ethical Management** Complying with domestic and international corporate ethics and laws is essential to the existence of a company as a responsible corporate citizen. Furthermore, as greater emphasis is laid upon corporate social responsibility and as corporate transparency and morality become more important, SK C&C announced the adoption of ethical management on November 1, 2002 and has since devoted itself to foster and practice ethical management. The company also stresses the importance of ethical management by strengthening and practicing the employees' discipline.

**Ethical Management Organization** In 2013, SK C&C promoted the Ethics Management Team to Ethics Management Department. In 2014, the company expanded the organization into the Ethics Management Division and has established an internal audit system for subsidiaries, overseas companies and new businesses. The Ethics Management Division assesses employees' compliance with the Codes of Ethics and develops ethical management programs based on the results, so that ethical management can be practiced in the specific tasks of business operations. To root out and improve problems with unethical practices occurring within the company, the office created a procedure for reporting internal or external ethical management issues, fulfilling its role as an agent of corporate ethics.

**Codes of Ethics** When facing ethical dilemmas related to their jobs, the SK C&C's employees are required to make decisions and act in accordance with the Codes of Ethics. However, if the judging criteria's are not clearly defined in the Codes of Ethics, employees should make a decision and act according to the decision-making principles and follow the advice of their team manager or the Ethics Management Division

#### Ethical Management Organization



#### History of Ethical Management

2002~2003	Adoption of Ethical Management	<ul style="list-style-type: none"> <li>· Announces ethical management (Nov.2002)</li> <li>· Creates Codes of Ethics</li> <li>· Builds infrastructure to implement ethical management                             <ul style="list-style-type: none"> <li>-Reporting system, ethical counseling center, etc.</li> </ul> </li> </ul>
2004~2007	Building consensus and Extending Scope of Partnerships	<ul style="list-style-type: none"> <li>· Communication to develop a bond among employees                             <ul style="list-style-type: none"> <li>-Job training, self-assessment, etc.</li> </ul> </li> <li>· Assessment of business partners' compliance with ethical management</li> </ul>
2008~2010	Building a Compliance System	<ul style="list-style-type: none"> <li>· Reinforces the ethical decision-making support system                             <ul style="list-style-type: none"> <li>-Suggests guidelines/FAQ for different situations</li> </ul> </li> <li>· Encourages employees to practice ethical management                             <ul style="list-style-type: none"> <li>-Appoints person to conduct assessment by reflecting employees' feedback and notifies the results</li> </ul> </li> </ul>
2011~Present	Present Helping Leader /Employees Internalize Ethical Awareness	<ul style="list-style-type: none"> <li>· Develops specific ethical guidelines for leaders/employees and promotes clear communication                             <ul style="list-style-type: none"> <li>-6 areas, 138 items (Unethical practices, etc.)</li> </ul> </li> <li>· Strengthens leadership education and coaching during conversation between CEO and leaders                             <ul style="list-style-type: none"> <li>-Raises ethical awareness and emphasizes commitment</li> </ul> </li> <li>· Strengthens execution of the self-regulating system                             <ul style="list-style-type: none"> <li>-Ethical management team's on-site survey of procurement, HR, and cost areas</li> </ul> </li> </ul>

#### Decision-Making Principles

- Legitimacy: Can my actions be interpreted as a violation of law or the company's rules?
- Transparency: Can I disclose my decision-making process and details?
- Reasonableness: Would other employees make the same decision as I do in the same situation?

#### Ethical Management System

Based on the three elements of an ethical management system (Code, Compliance, and Consensus), SK C&C created the code of ethics and the ethics guide, developed by the ethical management programs and established a practice checklist to build bonds among employees.

**COMPLIANCE**

- Operating a Dedicated Team/ Program for the Codes of Ethics
- Operating a Self-Regulating System
- Internal Reporting System and Protection of Reporters

**CONSENSUS**

- Employee Communication/ Participation Programs
- Assessment of Corporate Culture and the Level of ethical Management
- Developing/Executing Ethical Management Education Programs

**CODE**

- Codes of Ethics
- Ethical decision-making and principles of ethical behavior
- Details of practices of the codes of ethics
- Ethics Guide (Don'ts)

## Employee Education and Awareness-Raising

### Creation of Ethics Guide

In 2011, SK C&C re-classified internal rules related to ethical management, such as the code of ethics, self-regulation guidelines, rewards/disciplinary rules, security management rules, project security management guidelines, operations performance rules and purchasing management rules and matched all above roles to related functions. The company also created the Ethics Guide, which consists of 6 areas and 138 items that employees must follow. After its Legal Affairs Team gathered types of accidents and issues in external projects, examples of the RM and unethical practices from incidents of ethics violations. In 2013, there were 21 reports on corruption where 16 disciplinary actions were taken, including 1 suspension, 3 salary reductions, and 12 reprimands.

Structure of Ethics Guide

Classification (6areas)	Unethical	Security	Subcontract	Tax/Fair Trade	Reporting/Management	Self-Regulating System
Items (138)	21	17	18	25	30	27
Related Functions	Common	Common, Business	Business, Procurement	Business, Sales, Procurement	Common, Sales, Business, Procurement	Procurement, Finance, HR

### Ethics Education and Spread of Ethical Culture

To encourage employees to voluntarily practice ethical management and raise ethical awareness, SK C&C enforces the pledge to ethical management and conducts periodic education each year. By providing the new employees with group training on SK C&C's codes of ethics, the company helps all employees practice ethical management.

### Reporting Mechanisms

All stakeholders of the SK C&C run various channels through which to report unethical practices in which the company promptly checks all the facts and provides quick feedback. Through the company's website(www.skcc.co.kr), the company informs people how to report violations of ethical management. To keep reporters' identities confidential, the company runs the Ethics Help Desk, which features "Report Online," "Report via Telephone(82-2-6400-6262) / Fax(82-2-6400-0613)" and "Ethical Management Counseling." This is a precautionary ethical management system to ensure transparency in business operations.

Workplace Corruption Risk Assessment

Total number of workplaces	2
Number of workplaces whose corruption risks were assessed	2
Ratio of corruption risks assessed	100%

### Implementation of Compliance Program

SK C&C adopted and faithfully adheres to the Compliance Program to foster a culture of fair trade with business partners and improve the level of compliance.

#### 4 Guidelines of Compliance

Entering into Contract	Selection/Operation of Business Partners	Setup/Operation of Internal Deliberation Committee	Issuing/Safekeeping of Documents
<ul style="list-style-type: none"> <li>Build contract infrastructure</li> <li>Determine an appropriate delivery date after sufficient negotiations</li> <li>If the delivery time is too short, e.g. urgent order, then discuss with business partners to reach an agreement.</li> <li>Determine and adjust subcontract prices based on reasonable pricing method, such as reflecting causes of price increases</li> <li>-Adoption of contract price adjustment method/procedure</li> <li>Prohibit unfair price reductions</li> </ul>	<ul style="list-style-type: none"> <li>Enhance objectivity and fairness in business partner selection/cancellation criteria</li> <li>Disclose the criteria for selecting/cancelling selection of business partners and the selection results</li> <li>Offer equal opportunities to registered business partners</li> </ul>	<ul style="list-style-type: none"> <li>Set up/operate a monitoring group for unfair transactions</li> <li>-Consisting of at least three members, including the procurement officer</li> <li>-Deliberate on contract terms and price adjustments (at least once a month)</li> <li>Enter into a contract at or higher than a certain price/Deliberate in advance before determining the price</li> <li>Deliberate on appropriateness of business partner selection/cancellation criteria and procedure</li> </ul>	<ul style="list-style-type: none"> <li>Issue subcontract agreements in 7 documents</li> <li>Retain 7 essential documents and 7 additional documents (3 years)</li> </ul>

# Performance Summary



## Economic Performance

Consolidated Statement of Financial Position			
(unit : million KRW)			
Classification	2011	2012	2013
Current assets	973,077	1,194,051	988,337
· Cash and cash equivalents	208,459	441,007	259,061
· Accounts receivable and other receivables	542,016	512,984	491,644
· Other financial assets	185,212	157,217	126,486
· Stock inventory	1,047	58,232	83,675
· Other current assets	34,914	24,611	27,471
· Non-current assets held for sale	1,429	-	-
Non-current assets	3,648,189	3,927,925	4,013,970
· Investments in subsidiaries and associates	2,866,266	3,030,471	3,101,095
· Tangible assets	367,228	399,959	467,969
· Intangible assets	74,041	119,235	112,594
· Accounts receivable and other receivables	18,836	23,498	22,769
· Other financial assets	327	2,982	1,882
· Available-for-sale financial assets	321,491	351,780	307,012
· Other non-current assets	-	-	649
Total assets	4,621,266	5,121,976	5,002,307
Current liabilities	980,781	1,191,942	876,275
Non-current liabilities	1,383,112	1,693,131	1,845,520
Total liabilities	2,363,893	2,885,073	2,721,795
Equity	10,000	10,000	10,000
Treasury stock	△229,919	△440,664	△535,911
Other equity	16,180	△90,444	△82,954
Retained earnings	2,461,112	2,757,662	2,888,937
Controlling Interest	2,257,373	2,236,554	2,280,072
Non-controlling interests	-	349	440
Total equity	2,257,373	2,236,903	2,280,512
Operating revenue	1,701,764	2,241,803	2,301,755
Operating income	175,732	200,727	225,193
Investments in subsidiaries and associates	512,228	318,705	80,373
Net Operating Income	438,250	356,182	188,955
Net income attributable to controlling interests	438,250	356,117	188,864
Net income attributable to non-controlling interests	-	65	91
Total comprehensive income	489,548	237,881	195,730
Basic earnings per share (KRW)	9,226	7,642	4,155

※ Companies included in this consolidated statement (13 companies): Infosec Co., Ltd., SK C&C Beijing Co., Ltd., SK C&C India Pvt. Ltd., SK C&C USA, Inc., SK C&C Shenyang Co., Ltd., SK MENA B.V., SK S.E.Asia pte. Ltd., Bizen Co., Ltd., SK C&C Chengdu Co., Ltd., SK C&C Europe Co., Ltd., S&G Technology, SKMtek Limited, SKMtek Microelectronics(ShenZhen) Limited

※ Companies added to this statement, compared to previous-term statement (3 companies): S&C Technology (formed by a holding company in February 2013), SKMtek Limited (acquired by SK S.E.Asia pte.Ltd. in September 2013), SKMtek Microelectronics (ShenZhen) limited (subsidiary company of SKMtek Limited)

※ Companies excluded from this statement, compared to previous-term statement (3 companies): Independence Co., Ltd.(merged with Infosec Co., Ltd. in March 2013), Enca Network Co., Ltd. (merged with holding company in May 2013), SK Latin America Iberia S.A. (liquidated in October 2013)

Local Purchases in Significant Locations of Operation		R&D Investments		Government Support	
(unit : 0.1 billion KRW)		(unit : million KRW)		(unit : million KRW)	
Classification	Amount	Classification	Amount	Classification	Amount
Total amount of purchase	8,402	R&D cost	19,899	Total amount of support	1,560
Amount of domestic purchase	8,114	- Selling, general and administrative expenses (SG&A)	9,640	Subsidies	86
Domestic (Seoul)	7,088	- Development cost	10,259	Tax deductions	1,474
Domestic (local)	1,026	Ratio of R&D cost to revenue	0.86%		
Amount of overseas purchase	288				

## Environmental Performance

Energy Consumption					
Classification	Unit	2011	2012	2013	
Total energy consumption (Absolute amount, Excluding the Scope 3)	TJ	452	452	534	
Gas (LNG)	TJ	10	10	7	
Electricity	TJ	433	433	520	
Local heating	TJ	9	9	7	
Total energy consumption (excluding absolute amount and Scope 3)	Per billion KRW in revenue TJ	0.265	0.222	0.232	
	Per employee TJ	0.119	0.124	0.123	
Gas	Per billion KRW in revenue TJ	0.006	0.003	0.003	
	Per employee TJ	0.003	0.001	0.001	
Electricity	Per billion KRW in revenue TJ	0.255	0.215	0.226	
	Per employee TJ	0.114	0.120	0.120	
Local heating	Per billion KRW in revenue TJ	0.005	0.004	0.003	
	Per employee TJ	0.002	0.002	0.001	

## Greenhouse Gas Emissions

Classification	Unit	2011	2012	2013
Scope 1	tCO <sub>2</sub> e	531	288	368
Scope 1 Emission intensity per unit	Per billion KRW in revenue	0.312	0.129	0.160
	Per employee	0.139	0.072	0.085
Scope 2	tCO <sub>2</sub> e	22,844	23,647	25,423
Scope 2 Emission intensity per unit	Per billion KRW in revenue	13.445	10.547	11.049
	Per employee	6.006	5.893	5.852
Scope 3	tCO <sub>2</sub> e	-	2,805	2,792
Upstream	Fuel & energy not included in Scopes 1 & 2	-	872	942
	Transportation & distribution	-	16	10
	Waste generated from work	-	29	11
	Business trip	-	619	560
	Employee commuting	-	8	8
	Leased assets	-	1,261	1,261
	Downstream	Transportation & Distribution, Manufacturing, Use, Disposal, Leased assets, Franchise	-	-

※ Due to the changes to the calculation criteria, greenhouse gas emissions disclosed through the 2012 Carbon Disclosure Project (CDP) have been adjusted in this report. For the changed criteria for calculating greenhouse gas emissions, see Greenhouse Gas Verification Report in page 74.

## Water Use

Classification	Unit	2011	2012	2013
Total use	ton	109,491	135,737	131,788
Amount of water recycled and reused	ton	7,047	5,858	5,915
Ratio of amount of water recycled and reused to total water withdrawal	%	6	4	4

## Waste

Classification	Unit	2011	2012	2013
Amount recycled	ton	126	161	145
General waste	ton	73	259	94
Designated waste	ton	23	13	-

## Environmental Protection Expenditures and Investments

Classification	Unit	2011	2012	2013
Cost of emissions treatment	KRW	36,598,100	35,938,100	31,416,000
Cost of verification related to emissions	KRW	-	-	3,500,000
Cost of environmental education and training	KRW	-	-	12,500,000
Cost of external certification for environmental systems	KRW	-	15,000,000	15,000,000

## Social Performance

## Employees

Classification	Unit	2011	2012	2013
Total number of employees	person	3819	4013	4,344
Male	person	3176	3275	3,532
Female	person	643	738	812
Total number of full-time jobs	person	3577	3855	4,195
Male	person	2961	3134	3,438
Female	person	616	721	757
Total number of contract jobs	person	242	158	149
Male	person	215	141	94
Female	person	27	17	55
Ratio of non-employees to total workforce	%	0.8	0.8	0.6
Male non-employees	person	13	9	14
Female non-employees	person	19	22	10
Employees with disabilities	person	22	25	31
Patriots and veterans	person	74	84	81
Ratio of new hires	%	19	15	7
Number of new hires	person	736	590	285
Male	person	600	421	222
Female	person	136	169	63
Turnover (full-time employees)	%	7	8	10
Male	%	7	8	10
Female	%	7	7	8

## Rate of Local Managers at Significant Locations of Operation

Classification	Unit	2011	2012	2013
Chinese subsidiary				
Total workforce	person	388	418	359
Total number of managers	person	6	6	4
Number of local managers	person	3	3	1
Ratio of local managers	%	50	50	25
USA subsidiary				
Total workforce	person	45	58	70
Total number of managers	person	9	9	6
Number of local managers	person	6	5	4
Ratio of local managers	%	67	56	67

## Return to Work and Retention Rates after Parental leave

Classification	Unit	2011	2012	2013
Employees who were entitled to parental leave (Male)	person	150	179	154
Employees who were entitled to parental leave (Female)	person	42	47	36
Employees who took parental leave (Male)	person	2	4	13
Employees who took parental leave (Female)	person	40	45	36
Usage rate of parental leave (Male)	%	1	2	8
Usage rate of parental leave (Female)	%	95	96	100
Rate of those who returned to work after parental leave ended (Male)	%	100	100	100
Rate of those who returned to work after parental leave ended (Female)	%	100	100	100
Rate of retention over 12 months after return from parental leave (Male)	%	-	50%	100%
Rate of retention over 12 months after return from parental leave (Female)	%	96%	74%	73%

## Safety and Health

Classification	Unit	2011	2012	2013
Injury (Male)	incident	0	2	4
Injury (Female)	-	0	1	0
Injury rate (Male)	%	0.00	0.06	0.14
Injury rate (Female)	-	0.00	0.14	0.00
Work days lost (Male)	day	0	8	141
Work days lost (Female)	-	0	0	0

## Human Rights and Anti-corruption

Classification	Unit	2011	2012	2013
Employees who received anti-corruption education	person	280	510	951
Rate of employees who were notified of the anti-corruption policy and procedure	%	100	100	100
Security officers who received training on the human rights policy and procedure	person	33	37	37
Rate of security officers who received training on the human rights policy and procedure	%	100	100	100

## Education and Training

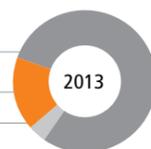
Classification	Unit	2011	2012	2013
Average hours of education per person	hour	97	99	72
Male	-	97	98	71
Female	-	101	105	77
Associates	-	197	145	110
Assistant managers	-	90	109	86
Managers	-	79	90	65
Senior managers	-	69	78	56
General managers	-	66	65	43

## Social Investments

Classification	Unit	2011	2012	2013
Hours of volunteer work per employee	hour	7.8	12	10
Employee contributions	1,000 KRW	90,978	89,237	95,023
Community investment	1,000 KRW	1,950,500	2,363,572	2,464,235

## 2013 Ratios of Social Investments

● Social investment	79.3%
● Donations to charities	16.9%
● Commercial investment	3.9%



## Appendix

## About This Report

## Report Overview

SK C&C publishes a sustainability report every two years after issuing its first sustainability report in May 2012. This is SK C&C's second sustainability report prepared in accordance with the G4 Guidelines. The report discloses information focusing on material issues, which have significant effects on the company's sustainable business operations and its stakeholders.

## Reporting Standards

The 2014 SK C&C Sustainability Report was prepared to meet the Comprehensive option of the G4 Guidelines, which the Global Reporting Initiative (GRI) announced in May 2013 and an independent assurance of the report confirmed that it meets the GRI requirements. In addition, the company complies with the UNGC Communication on Progress (COP) principle. The Guidelines Content Index is provided on pages 68 to 71.

## Reporting Period and Scope

This report presents SK C&C's financial and non-financial performance results from January 1 to December 31, 2013, in connection with significant impacts and activities related to the company's sustainability management. Among SK C&C's sustainability activities conducted in 2013, the material issues identified through a materiality assessment are given priorities. The report discloses the management approaches and indicators under the GRI Guidelines and also covers other sustainability issues if they are deemed essential to the stakeholders' evaluation. This report includes the quantitative results over a three-year period, from January 1, 2011 to December 31, 2013, which allow for an annual analysis. It contains significant activities and performance results up until the first quarter of 2014.

## Report Boundary

SK C&C operates one headquarters and two subsidiaries in Korea, 10 subsidiaries and branches overseas. The boundary of reports on quantitative and qualitative results is limited to SK C&C Co., Ltd., a holding company, by taking into account the SK C&C's actual control and the impacts of its locations of operation on the occurrence of material issues. However, revenue, a key performance indicator for all locations of operation, is based on the consolidated financial statements provided to stakeholders with comprehensive knowledge. Furthermore, as the Encar Network Co., Ltd merged with the SK C&C in May 2013, information about their employees was integrated, but other information was excluded since the two companies have separate management systems. As criteria other than those used herein are applied, the information was separately specified in the report.

## Assurance Report

To increase the credibility of the report content, the company commissioned a third-party assurance. The assurance results are provided in Third-Party Assurance Report in pp. 72-73.

# GRI G4 Content Index

## G4 General Standard Disclosure

●: Full ○: Partial N/A: Not Applicable

G4 Indicator	Coverage	Page / Direct Answer	External Assurance
<b>Strategy and Analysis</b>			
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G4-2	●	p.14~15	pp.72~73
<b>Organizational Profile</b>			
G4-3	●	p.67	pp.72~73
G4-4	●	pp.4~5	pp.72~73
G4-5	●	pp.4~5	pp.72~73
G4-6	●	p.5	pp.72~73
G4-7	●	pp.55, 67	pp.72~73
G4-8	●	p.5	pp.72~73
G4-9	●	pp.5, 62, 65	pp.72~73
G4-10	●	p.65	pp.72~73
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G4-13	●	p.62, 67	pp.72~73
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<b>Stakeholder Engagement</b>			
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G4-26	●	pp.10~11	pp.72~73
G4-27	●	pp.10~11	pp.72~73
<b>Report Profile</b>			
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G4-29	●	p.67	pp.72~73
G4-30	●	p.67	pp.72~73
G4-31	●	p.77	pp.72~73
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G4-33	●	pp.67~73	pp.72~73

●: Full ○: Partial N/A: Not Applicable

G4 Indicator	Coverage	Page / Direct Answer	External Assurance
<b>Governance</b>			
G4-34	●	pp.57, 67, 72~73	pp.72~73
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G4-37	●	p.57	pp.72~73
G4-38	●	pp.55~56	pp.72~73
G4-39	●	p.55	pp.72~73
G4-40	●	p.56	pp.72~73
G4-41	●	p.56	pp.72~73
G4-42	●	p.57	pp.72~73
G4-43	●	p.56	pp.72~73
G4-44	●	p.56	pp.72~73
G4-45	●	p.57	pp.72~73
G4-46	●	p.57	pp.72~73
G4-47	●	p.57	pp.72~73
G4-48	●	p.57	pp.72~73
G4-49	●	p.57	pp.72~73
G4-50	●	p.57	pp.72~73
G4-51	●	p.56	pp.72~73
G4-52	●	p.56	pp.72~73
G4-53	●	p.56	pp.72~73
G4-54	○	The amount of compensation for the highest-paid individual and the average amount of compensation for employees are disclosed in the business report.	pp.72~73
G4-55	Omission	Cannot be disclosed under the internal information disclosure policy	pp.72~73
<b>Ethics and Integrity</b>			
G4-56	●	pp.59~60	pp.72~73
G4-57	●	p.60	pp.72~73
G4-58	●	p.60	pp.72~73

※ Business Report: <http://dart.fss.or.kr/dsaf001/main.do?rcpNo=20140331003198>

G4 Specific Standard Disclosures

●: Full ○: Partial N/A: Not Applicable

Aspect	Materiality	G4 Indicator	Coverage	Page / Direct Answer	External Assurance	
<b>Economic</b>						
Economic Performance	Material Aspect (DMA: p.17)	EC1	Direct value generated and distributed	●	p.17	pp.72~73
		EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	p.44	pp.72~73
		EC3	Coverage of the organization's defined benefit plan obligations	●	p.31	pp.72~73
		EC4	Financial assistance received from government	●	p.63	pp.72~73
Market Presence	Material Aspect (DMA: p.17)	EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	○	The SK C&C guarantees payments of compensation higher than minimum wage in areas where its locations of operation are, but detailed amounts cannot be disclosed.	pp.72~73
		EC6	Proportion of senior management hired from the local community at significant locations of operation	●	p.65	pp.72~73
Indirect Economic Impacts	Material Aspect (DMA: p.17)	EC7	Development and impact of infrastructure investments and services supported	●	pp.49~53	pp.72~73
		EC8	Significant indirect economic impacts, including the extent of impacts	●	p.19	pp.72~73
Procurement Practices	Material Aspect (DMA: p.17)	EC9	Proportion of spending on local suppliers at significant locations of operation	●	p.63	pp.72~73

<b>Environmental</b>						
Energy	Material Aspect (DMA: p.43)	EN3	Energy consumption within the organization	●	p.63	pp.72~73
		EN4	Energy consumption outside of the organization	N/A	Energy consumption data within Scope 3 has not been calculated, but a management system will be created in the future.	pp.72~73
		EN5	Energy intensity	●	p.63	pp.72~73
		EN6	Reduction of energy consumption	○	pp.45~47	pp.72~73
		EN7	Reductions in energy requirements of products and services	●	p.47	pp.72~73
		Water	Non-material Aspect	EN8	Total water withdrawal by source	●
EN9	Water sources significantly affected by withdrawal of water			●	No water sources found that are significantly affected by withdrawal of water through the use of water services	pp.72~73
EN10	Percentage and total volume of water recycled and reused			●	p.64	pp.72~73
Emissions	Material Aspect (DMA: p.43)	EN15	Direct greenhouse gas (GHG) emissions (scope 1)	●	p.64	pp.72~73
		EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	●	p.64	pp.72~73
		EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	●	p.64	pp.72~73
		EN18	Greenhouse gas (GHG) emissions intensity	●	p.64	pp.72~73
Effluents and Waste	Non-material Aspect	EN19	Reduction of greenhouse gas (GHG) emissions	○	p.64	pp.72~73
		EN23	Total weight of waste by type and disposal method	●	p.64	pp.72~73
Products and Services	Material Aspect (DMA: p.43)	EN27	Extent of impact mitigation of environmental impacts of products and services	○	pp.46~47	pp.72~73
		EN28	Percentage of products sold and their packaging materials that are reclaimed by category	N/A	No packaging materials are used, which is typical of IT services.	pp.72~73
Compliance	Non-material Aspect	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	0건	pp.72~73
Overall	Non-material Aspect	EN31	Total environmental protection expenditures and investments by type	●	p.64	pp.72~73
Environmental Grievance Mechanisms	Non-material Aspect	EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	●	p.11	pp.72~73

<b>Social : Labor practices and decent work</b>						
Employment	Material Aspect (DMA: p.29)	LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	●	p.65	pp.72~73
		LA2	Benefits provided to fulltime employees that are not provided to temporary or parttime employees, by significant locations of operation	●	pp.30~31	pp.72~73
		LA3	Return to work and retention rates after parental leave, by gender	●	p.66	pp.72~73
Labor/Management Relations	Material Aspect (DMA: p.36)	LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	○	p.36	pp.72~73
Occupational Health and Safety	Non-material Aspect	LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	●	p.32	pp.72~73

Aspect	Materiality	G4 Indicator	Coverage	Page / Direct Answer	External Assurance	
Occupational Health and Safety	Non-material Aspect	LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	●	p.66	pp.72~73
		LA7	Workers with high incidence or high risk of diseases related to their occupation	●	p.32	pp.72~73
		LA9	Average hours of training per year per employee by gender, and by employee category	●	p.66	pp.72~73
Training and Education	Material Aspect (DMA: p.33)	LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	○	pp.34~35	pp.72~73
		LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	●	p.35	pp.72~73
Diversity and Equal Opportunity	Non-material Aspect	LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	p.65	pp.72~73
Equal Remuneration for Women and Men	Non-material Aspect	LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	○	SK C&C enforces a policy that guarantees equal basic salary for women and men.	pp.72~73
Labor Practices Grievance Mechanisms	Non-material Aspect	LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	●	p.11	pp.72~73

<b>Social : Human Rights</b>						
Supplier Human Rights Assessment	Material Aspect (DMA: p.39)	HR10	Percentage of new suppliers that were screened using human rights criteria	●	p.41	pp.72~73
		HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	N/A	since the first assessment was conducted in 2014, the results and actions taken will start being covered in the following year's report.	pp.72~73
Human Rights Grievance Mechanisms	Material Aspect (DMA: p.11)	HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	●	p.11	pp.72~73

<b>Social : Society</b>						
Local Communities	Material Aspect (DMA: p.49)	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	●	p.50	pp.72~73
		SO2	Operations with significant actual or potential negative impacts on local communities	●	None	pp.72~73
Anti-Corruption	Material Aspect (DMA: p.60)	SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	○	p.60	pp.72~73
		SO4	Communication and training on anticorruption policies and procedures	●	p.66	pp.72~73
		SO5	Confirmed incidents of corruption and actions taken	●	p.60	pp.72~73
Public Policy	Material Aspect (DMA: p.60)	SO6	Total value of political contributions by country and recipient/beneficiary	●	Under Korean laws, political contributions from companies are prohibited, and there were no political contributions from SK C&C in 2013.	pp.72~73
Anticompetitive Behavior	Material Aspect (DMA: p.60)	SO7	Total number of legal actions for anticompetitive behavior, antitrust, and monopoly practices and their outcomes	●	See the sanctions covered in the business report.	pp.72~73
Compliance	Material Aspect (DMA: p.60)	SO8	Monetary value of significant fines and total number of non monetary sanctions for noncompliance with laws and regulations	●	See the sanctions covered in the business report.	pp.72~73
Grievance Mechanisms for Impacts on Society	Non-material Aspect	SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	●	p.11	pp.72~73

<b>Social : Product responsibility</b>						
Marketing Communications	Non-material Aspect	PR6	Sale of banned or disputed products	●	None	pp.72~73
		PR7	Total number of incidents of noncompliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	●	0 incidents	pp.72~73
Customer Privacy	Material Aspect (DMA: p.26)	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	0 incidents	pp.72~73
Compliance	Non-material Aspect	PR9	Monetary value of significant fines for non compliance with laws and regulations concerning the provision and use of products and services	●	See the sanctions covered in the business report.	pp.72~73

# External Assurance Report

## Introduction

DNV Certification Ltd. (hereinafter "DNV GL") is commissioned to carry out the assurance engagement of the 2014 Sustainability Management Report (hereinafter "the Report") of SK C&C Co., Ltd. (hereinafter "SK C&C"). This engagement focused on the information provided in the Report and the underlying management and reporting processes. SK C&C is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV GL's responsibility in performing the work follows terms of reference and scope of work agreed. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. SK C&C's stakeholders are the intended recipients of the assurance statement.

## Scope of Assurance

This Assurance Engagement covered data from the calendar year 2013. The scope of DNV GL's Assurance Engagement includes only for operations under control in Korea the review and assessment of followings:

- Evaluation of adherence to Accountability principles provided in AA1000 Accountability Principles Standard (APS) 2008 with Type 1, a moderate level of assurance and a specific evaluation of the information on the sustainability performance related to the Environmental data such as Water consumption and Waste Generation with Type 2 assurance as stated in AA1000 Assurance Standard (AS) 2008.
- Evaluation of the reporting principles for defining the sustainability report content and the quality as expressed in Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4
- Verification of disclosures to check the Report is prepared 'In accordance' with the GRI Guidelines G4 (Comprehensive option) (Aggregated level of data that refers to the period between January and December in 2013)
- Visit to SK C&C Head office in Seoul, Korea in May 2014.

## Limitation

The engagement excluded the sustainability management, performance and reporting practices of SK C&C's suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Any financial information from SK C&C's annual report and company reporting on operations in 2013 or other sources are not included in the scope of the Assurance.

Economic performances based on the financial data were cross-checked with internal documents and the audited financial statements. The aggregation and calculation process for building economic performances is reviewed and tested by the verification team. The baseline data for Environment and Social performance are not verified, while the aggregated data are used for the verification. DNV GL expressly disclaims any liability or coresponsibility for any decision a person or an entity may make based on this Assurance Statement.

## Verification Methodology

The Assurance Engagement was planned and carried out in accordance with the DNV GL Verification Protocol for Sustainability Reporting (VeriSustain™) and AA1000AS(2008). As part of the verification, we challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls.

In accordance with the Protocol, the Report was evaluated with regard to the following criteria: DNV GL has examined and reviewed documents, data and other information made available by SK C&C. We acquired the information and technical data from the certified management systems. We performed sample-based audits of;

- The process for determining the materiality of the contents to be included in the Report;
- The process for generating, gathering and managing the quantitative and qualitative data included in the Report
- The accuracy of data verified

## Statement of Competence and Independence

DNV GL is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the verification process.

## Conclusion

In DNV GL's opinion, the Report provides a reliable and fair representation of SK C&C's policy, practices and performance in 2013. Further conclusions and observations on the Adherence to the principles of Inclusivity, Materiality and Responsiveness, as set forth in the AA1000APS(2008) are made below:

### Inclusivity

Regarding sustainability issues, SK C&C has engaged with a wide range of stakeholders. 6 Stakeholder groups which are Customers, Shareholders, Investors, Suppliers, Employees, Local communities and Environment are defined in the Report. Various ways of engaging stakeholders and key issues associated with respective stakeholder groups are also presented in the Report.

### Materiality

The materiality determination process is clearly presented in the Report. Materiality of SK C&C is determined in line with the guidelines of GRI G4. Issue pool to identify material issues is formed by analysing international standards, Business vision and strategy, Peer group reporting, and Media coverage and Feedback of stakeholders. Each issue is mapped out with by two factors, impact on SK C&C's business and impact on stakeholder's decision making, which results in the prioritization of material issues. Therefore, the material issues are identified and prioritized based on the stakeholder's opinion.

### Responsiveness

Stakeholders' views, interests and expectations have been considered in the preparation of the Report. Material issue, Key Stakeholders, Risk and Opportunities, Strategy to sustainability are well summarized in the section 'Material issue and sustainability management strategy'. SK C&C presents sustainability management strategy, DMAs, mid and long term objectives with timeline and performance indicators which correspond to key material issues identified.

### Specific Performance information and related findings

DNV GL has evaluated the adherence of the Report to principles stated in the AA1000 APS (2008) and verified the selected performance indicators of Water consumption and Waste generation to Type 2 assurance. In order to test and evaluate the reliability of data and information, DNV GL has interviewed the personnel responsible for data gathering and processing and reviewed documents and records made available.

## Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to SK C&C's management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

### Improvement of stakeholder engagement and materiality determination process

- SK C&C has put in place the process to review the opinion from the relevant departments and the expectations and interests of external stakeholders from survey in addition to the research of peer's reporting and media, however more proactive way of engaging external stakeholders needs to be sought.
- Materiality process needs to be operated continuously and fully integrated into decision making and strategy development process.
- The criteria to evaluate the materiality needs to be more clearly defined.

### Improvement of data control and reporting process

- Documented procedure for Sustainability reporting needs to be established in which roles and responsibilities for data controls are clearly stated, since the Report is published every other year.

May 2015  
Seoul, Republic of Korea

In-Kyoon Ahn  
Country Manager



# Greenhouse Gas Verification Report

**Level of Assurance** The Korea Productivity Center (KPC) assures the risk discovered during the verification process is within the acceptable level of emissions.

**Object of Assurance** SK C&C's data-information regarding greenhouse gas (GHG) emissions and energy usage has been limitedly verified by KPC for the calendar year of 2013.

- Verification Protocols Used to Conduct the Verification**
- Guideline for the Greenhouse gas Target Management System
  - Guideline for Local Government Greenhouse Gas Inventories
  - IPCC Guideline, WRI GHG Protocol
  - ISO14064 GHG Protocol
  - EPA optional emission from commuting, business travel and product transport
  - GHG Protocol Technical Guidance for calculating Scope 3 emission

**Limitation of Verification** Through the verification process involving on-site sampling of emissions sources, KPC found potential errors and omissions, which SK C&C was unable to detect. Although there were no significant exceptions, the verified emissions rate has a limitation, which can occur during the process of applying unspecified standards and methods.

**Conclusion** This verification results above has been assessed within the boundary of the limited data-information discovered and measured in response to SK C&C's voluntary social responsibility. SK C&C has performed the appropriate corrective actions in response to its main aspects of improvement, which was discovered during the verification process. In regards to the emissions data in 2013, including Scope 1, Scope 2, and Scope 3 based on KPC's approach, we have found that the emissions data presented in SK C&C's inventory system of greenhouse gas (GHG) emissions and the amount of energy usage data are material and accurate.



May 21, 2014  
 Hong Jin  
 Chairman  
 Korea Productivity Center

*Jin Hong*

# UN Global Compact

On May 1, 2014, the SK C&C announced that it had joined a voluntary initiative called the UN Global Compact (UNGC) as a commitment to corporate social responsibility. Under the UNGC principles, the company supports the precautionary principle and devotes itself to comply with the UNGC's ten principles in the areas of human rights, labor, environment, and anti-corruption, such as respecting human rights and labor, spreading a culture of ethical management and anti-corruption, operating environmentally friendly businesses and providing environmentally friendly services. The company will continue its commitment to the UNGC's ten principles and disclose information about its performance as a responsible global citizen.

Classification	Principle	Page / Notes
Human Rights	Principle 01. Businesses should support and respect the protection of internationally proclaimed human rights	pp.30, 36~37, 41 / SK C&C respects all kinds of human rights set forth in the Universal Declaration of Human rights adopted by the UN.
	Principle 02. Businesses should make sure they are not complicit in human rights abuses.	
Labor	Principle 03. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	p.36
	Principle 04. The elimination of all forms of forced and compulsory labour	p.13 / SK C&C does not allow any form of compulsory labor
	Principle 05. The effective abolition of child labour	p.13 / SK C&C prohibits child labor
	Principle 06. The elimination of discrimination in respect of employment and occupation	p.30
Environment	Principle 07. Businesses should support a precautionary approach to environmental challenges	pp.43~47
	Principle 08. Undertake initiatives to promote greater environmental responsibility and	pp.43~47
	Principle 09. Encourage the development and diffusion of environmentally friendly technologies	pp.43~47
Anti-corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery	pp.59~60

## Membership

- 01 Korea IT Service Industry Association
- 02 Korea SW Industry Association
- 03 The Federation of Korean Information Industry
- 04 Seoul Economist Club
- 05 Korea International Trade Association
- 06 Korea DB Industry Association
- 07 Korea ITA Association
- 08 Seongnam Chamber of Commerce and Industry
- 09 Korea Fair Competition Federation
- 10 Korea Listed Companies Association
- 11 Korea IR Service
- 12 Business Ethics and Sustainability management for Top performance
- 13 Korea Consultancy Industry Association
- 14 Korea Defence Software Industry Association

## Awards and Recognition

 <b>동반성장위원회</b> Earned an Excellence Grade on the Win-Win Index	 <b>고양노동부</b> Selected for outstanding labor-management culture
 <b>WE SUPPORT</b> Joined the UN Global Compact	 Selected as a "Best Family-Friendly Management" company (received the Prime Minister's Citation)
 <b>CDP</b> DRIVING SUSTAINABLE ECONOMIES Received a special recognition award for Carbon Disclosure Project (CDP)	<b>MEMBER OF</b> <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM Included in the Dow Jones Sustainability World Index for 2 consecutive years and selected as an "Industry Leader" company



# Happiness with SKC&C

2014 SK C&C Sustainability Report

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