Happiness with SK C&C

2015 SK C&C Sustainability Report
About This Report

Report Overview
SK C&C has been publishing sustainability report each year since May 2012. This is SK C&C’s third sustainability report prepared in accordance with the G4 Guidelines. The report discloses information focusing on material issues, which has significant effect on the company’s sustainable business operations and its stakeholders.

Reporting Standards
The 2015 SK C&C Sustainability Report was prepared in accordance with the Comprehensive Requirements of GRI G4 Guidelines announced by the Global Reporting Initiative (GRI) in May 2013, and its fulfillment was confirmed through an external assurance. Furthermore, the company also observes the UNGC Communication on Progress (COP) principles. The Guidelines Content Index is provided in pages 60 to 63.

Reporting Period
This report presents SK C&C’s financial and non-financial performance results from January 1 to December 31, 2014. The report includes quantitative results over a three-year period, from January 1, 2012 to December 31, 2014, which allow for an annual analysis.

Report Boundary
SK C&C has nine operations in South Korea and abroad. The quantitative and qualitative data is limited to SK C&C Co., Ltd., a holding company, by taking into account SK C&C’s actual control and the impact of its locations of operation on the occurrence of material issues. However, financial performance such as revenue is based on the consolidated financial statement in order to increase stakeholders’ understanding. Furthermore, since Encar Network Co., Ltd. merged with SK C&C in May 2013, information about its employees was integrated. However other information was excluded since the two companies have separate management systems. Criteria other than those used herein, the information is specified within the report.

Assurance Report
To increase the credibility of the report, this report was externally assured. The assurance results are provided in External Assurance Report in pages 64 to 65.
# Our Material Issues

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Dear Valued Stakeholders,

It is with great pleasure that I share with you SK C&C’s 2015 Sustainability Report.

Over its 24-year history, SK C&C has grown to become the country’s leading provider of IT services. SK C&C is indebted to our stakeholders for helping it through difficult times for business at home and abroad. SK C&C is about to make a fresh start and reach towards the new goal of becoming a “Future IT/ICT Leader” that contributes to the country’s economic growth.

The global recession in recent years has posed a series of challenges for the IT services business, such as declining purchasing power, intensified price competition, and new regulations. Despite these tough conditions, however, SK C&C has pushed ahead with structural reforms across all of its IT services and continuously explored new business opportunities for global growth. As a result of its unrelenting efforts, in 2014, the company reported revenue growth of 5.4% and operating income growth of 20.6%, which are outstanding achievements compared to the figures for the previous year.

Furthermore, as a member of the UN Global Compact, SK C&C upheld its commitment to the ten Principles; Human Rights, Labor, Environment, and Anti-corruption and the company redoubled its efforts to fulfill its social responsibilities and meet the needs of its stakeholders. In 2014, the company was recognized for its endeavors with the “Korea’s Most Beloved Social Enterprise” award by the Korea Social Enterprise Forum. SK C&C was also listed on the Dow Jones Sustainability Indices for three consecutive years, demonstrating the company’s competence and sustainability in both domestic and global markets.

SK C&C is very grateful to all our stakeholders for supporting the company’s sustainable growth. To continue its growth as a sustainable company and to satisfy its stakeholders, SK C&C will adhere to the following commitments:

SK C&C will share the benefits of growth with customers by offering customized services that focus on customer value innovation.

SK C&C will enhance its IT services capabilities and strengthen the foundation for its sustainable growth. The company will expand its business globally based on the strength of its strategic partnerships with the world’s leading companies. SK C&C will not merely provide high-quality “Premium IT Services,” but it will also become a partner that supports the success of its customers.

In the security services business, SK C&C will create new value and guarantee the longevity of customers’ businesses by combining cutting-edge IT-based security solutions with the country’s best premium surveillance and consulting services.

In the online and offline distribution areas, SK C&C will utilize the synergy of its Encar business and IT technologies like big data to diversify its online BM portfolio and expand its offline business globally. As for the Eco Phone business, the company will secure steady supply channels and develop a new business model based on analysis of consumer purchasing patterns.

Meanwhile, in the semiconductor module business, SK C&C will provide a variety of value-added products under its private brand, build global partnerships, and expand sales channels to solidify its position in the global market.

Furthermore, the company will expand its portfolio of future growth drivers by developing “In-organic” businesses in the trending IT/ICT areas, such as mobility, IoT, cloud, and big data, and in the areas that produce synergies with the company’s existing businesses.

SK C&C will foster an organizational culture of creativity and vitality, in which employees grow along with the company.

For all employees to become spontaneous and unlock their potential, SK C&C will promote a culture of creativity and knowledge-sharing across the organization. The company will provide a lively and action-oriented corporate climate and support employees’ professional growth. Moreover, SK C&C is working hard to become a happier and better workplace where employees can achieve work-life balance.

SK C&C will bring happiness and hope to its business partners and communities by fulfilling its social responsibilities.

SK C&C intends to build trusting, fair, and transparent relationships with business partners. The Win-Win Fund, joint technology development projects, and training support are among a variety of Win-Win partnership programs designed to help business partners grow. Along with fair transactions and mutual cooperation, the company will provide greater support to the sustainable growth of its business partners, helping them grow along with SK C&C.

SK C&C provides IT environment setup and IT training services to bridge the digital divide, which affects disadvantaged groups. Through its IT social enterprise “Happy Web and Media,” the company creates jobs for people with disabilities and extends its scholarships to low-income individuals. To bring happiness to all stakeholders in local communities, SK C&C will solicit more voluntary employee participation in its social contribution activities.

In 2015, SK C&C will remain innovative and unrelenting to achieve sustainable growth. The company and all its employees are dedicated to meeting stakeholders’ needs.

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

Since the time it was founded in April 1991 as Sunkyung Telecom, SK C&C has become the country’s IT industry leader that maximizes value for customers through its IT expertise and understanding of customers’ business needs.

As a result, in 2014, the company recorded 2.4 trillion KRW in sales and 271.5 billion KRW in operating income, a 20.6% increase from the previous year’s figure. Moreover, as recognition for its strong commitment to building a happy society for its stakeholders, the company was included in the Dow Jones Sustainability World Index (DJSI), earned an A grade on the Korea Corporate Governance Service’s ESG (Environment, Social, Governance) assessment for three consecutive years. SK C&C will continue to strive for balanced growth that benefits its customers, employees, shareholders, business partners, and society.

Vision

Create Value for Customers through Creativity and Challenge

Growth Strategy and Service Portfolio

SK C&C provides customers with distinct strategies and specialized services in consulting, where it offers optimal solutions using its 20 years of expertise and cutting-edge technology, and in system integration and outsourcing, it builds and operates IT systems. The company is also expanding its business into the trending IT areas, including cloud, IoT, and big data. Additionally, the company will expand globally through its partnerships with global companies.

In the security services, SK C&C’s subsidiary Infores, 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.

In online/offline distribution, SK C&C conducts the sale and purchase of pre-owned cars. The company became the country’s first provider of pre-owned car appraisals, repairs, and warranty services to lead a culture of safe pre-owned car transactions. SK C&C also carries out an Eco Phone business aligned with green management efforts.

In semiconductor module business, SK C&C established a global network for the distribution of finished products. The company will focus on developing a premium semiconductor module line and expanding its business globally based on partnerships.

Continued efforts to reduce environmental impacts caused by business operations

Winning with SK C&C

Happiness with SK C&C

Responsible Organization(s)

Alleviating social problems and supporting socially disadvantaged groups through community investment and social contribution activities

IT Service Planning Division

Human Resources Division

Objectives & Activities

Win-Win

In its semiconductor module business, SK C&C established a global network for the distribution of finished products. The company will focus on developing a premium semiconductor module line and expanding its business globally based on partnerships.

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Customer-Centered Management

IT services optimized for customer needs and environments

Ethical Management

Sustainable Value Creation

Management

Emission

Customer-Centered Management

IT services optimized for customer needs and environments

Ethical Management

Sustainable Value Creation

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

<table>
<thead>
<tr>
<th>Strategic Directions</th>
<th>Objectives &amp; Activities</th>
<th>Responsible Organization(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer-Centered Management</td>
<td>Increasing customer satisfaction and value through IT services optimized to customer needs and environments</td>
<td>IT Service Planning Division</td>
</tr>
<tr>
<td>Human Resources Management</td>
<td>Building a “Happy Company” that secures corporate competitiveness and creates employee happiness by ensuring employees</td>
<td>Human Resources Division</td>
</tr>
<tr>
<td>Win-Win Partnership</td>
<td>Creating a future-oriented IT ecosystem and spreading a culture of sustainability to business partners through cooperation and support</td>
<td>Procurement Division</td>
</tr>
<tr>
<td>Social Contribution</td>
<td>Maintaining social problems and supporting socially disadvantaged groups through community investment and social contribution activities</td>
<td>SKMS Division</td>
</tr>
<tr>
<td>Green Management</td>
<td>Contributing efforts to reduce environmental impacts caused by business operations</td>
<td>Human Resources Division / Infrastructure Business Division</td>
</tr>
<tr>
<td>Ethical Management</td>
<td>Building trust with stakeholders through transparent and ethical management activities</td>
<td>Ethics Management Division</td>
</tr>
</tbody>
</table>
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 creating a corporate environment for stakeholders to express opinions and by actively responding to their feedback, SK C&C will continue to grow along with all of its stakeholders.

Gathering and Reflecting Stakeholders’ Opinions

SK C&C actively communicates with its stakeholders through various channels. Gathered opinions are reviewed and analyzed, discussed at management meetings, and are 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’ grievances and operates various reporting channels and remedy systems to systematically resolve grievances. The company runs a one-on-one consulting channel on its website (http://www.skcc.co.kr/en/customerconsultandview) through which petitions and grievances are received from all stakeholders, such as customers, employees and business partners. As for issues related to ethics management, including labor and human rights, the company operates online consulting and reporting channels as well as e-mail, phone, and fax facilities. 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 2014, SK C&C received a total of 43 stakeholder grievances in 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. The filed grievances were thoroughly investigated by dedicated teams and the necessary measures were taken.
Materiality Assessment

SK C&C conducted a materiality assessment to select the most important sustainability issues that affect the company and its stakeholders and incorporate them into its 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 and Report Content Defining Process

- Determine whether the selected material issues reflect the economic, environmental, and social impacts in a measurable and balanced way.
- Evaluate the materiality of issues from the pool and prioritize them based on (business-related) significance and (stakeholder) influence.
- Finalize the list of material issues. The following are examples of material issues for SK C&C:
  - Economic Performance
  - Win-Win Partnership
  - Procurement Practices
  - Core Competence
  - Core Technology
  - Culture

Materiality Assessment and Report Content Defining Process

- Step 1. Identify Sustainability Issues
  - Review the material issues in the previous sustainability report, obtain feedback from stakeholders and respond in Step 3 of the next report.

- Step 2. Prioritize Issues
  - Evaluate the materiality of issues from the pool and prioritize them based on (business-related) significance and (stakeholder) influence.
  - Economic Performance
  - Win-Win Partnership
  - Procurement Practices

- Step 3. Review the Validity of Material Issues
  - Determine whether the selected material issues reflect the economic, environmental, and social impacts in a measurable and balanced way.

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 risk or the stakeholders’ point of view.

High-Priority Issue Group – Material Issues

- Economic Performance
- Win-Win Partnership
- Procurement Practices

Medium-Priority Issue Group

- Core Competence
- Core Technology
- Culture

Low-Priority Issue Group

- Environment-related issues such as water, air, and waste, turned out to have relatively low significance. This is because SK C&C’s business, as typical of the IT 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.
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.

### 01 Sustainable Value Creation

#### Material Issues
- Customer Satisfaction/CRM/Brand
- Indirect Economic Impact
- R&D and Innovation
- Economic Performance
- IT/Information Security

#### Major Stakeholder
- Shareholders/Investors
- Customer
- Employees
- Business Partners
- Local Communities

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#### Customer Value

**Our Commitment**

SK C&C develops and provides a high-quality specialized services by customer type and premium services specifically designed to increase customer value by incorporating changing IT trends into them. In addition, the company interacts effectively with customers and enhances service quality and customer satisfaction through a variety of channels and tools, including IT satisfaction surveys, customer value assessment, and VoC management.

#### Goal & Evaluation

<table>
<thead>
<tr>
<th>Classification</th>
<th>Goal</th>
<th>Period</th>
<th>Current Status</th>
<th>2014 Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer value assessment</td>
<td>Conduct integrated management of services requested by customers and systemic follow-up</td>
<td>Mid-term</td>
<td>In progress</td>
<td>Created and implemented an integrated VoC management system</td>
</tr>
<tr>
<td>Service quality</td>
<td>Reinforce IT service quality management system</td>
<td>Short-term</td>
<td>Accomplished</td>
<td>Expands and overhauls IT service quality management system</td>
</tr>
</tbody>
</table>

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#### Increasing Customer Satisfaction

As the IT service industry transitions from the introduction to the maturity stage, it is necessary for the company to deliver not just improved services but also specialized products for different customers based on its understanding of and research on customers, thus delivering customer satisfaction through close 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 a social-scientific research method to quantitatively measure and analyze customers’ qualitative satisfaction. In addition, since 2013, the company has extended the scope of an online survey to include customers’ overseas branches and local facilities in order to gain accurate measurements, identify improvement tasks, and increase service levels.

**Customer Value Assessment**

Through surveys and interviews with the IT teams and business units of 12 major clients, SK C&C assesses (1) their business needs of customers and has provided premium services to customers in all areas, from banking to telecommunications/electronics, energy/chemicals and logistics services.

**Premium Services**

Since 2014, based on its understanding of customers’ businesses, SK C&C has continuously developed and provided premium services as distinct solutions that create and protect customer value. The company has also continued its efforts to unearth and explore the hidden needs of customers and has provided premium services to customers in all areas, from banking to telecommunications/electronics, energy/chemicals and logistics services.

Furthermore, SK C&C gives recognition to its employees for their dedication to developing premium services by selecting the Best Premium Services and awarding them each year. In 2014, a total of 12 premium services were selected as the Best Premium Services. Through this activity, the company will continue to enhance its service capabilities.

In 2015, SK C&C will develop a Premium Service Frame aimed at increasing customer value and providing more distinct services.
Service Quality Management

SK C&C declared its commitment to quality management and established the Quality Policy to put it into practice 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.

When SLA is developed, the company designs a detailed service level plan and registers it on the SLMS and management improvement procedures. 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.

Social Value Improvement

IT technologies in the Sports industry - Building a Total Integration Management System for 2015 Gwangju Universiade

The 2015 Gwangju Summer Universiade will employ the Total Integration Management System to transforms its sports environment, which spotlights South Korea’s advanced IT. The Total Integration Management System comprises a competition management system which supports the committee’s operations, a records measurement system for measuring and scoring results, a results management system for filing and managing competition results, and an information distribution system for quickly notifying the scores to the contestants’ families and the public. These five systems are organically inter-connected and will play a central role in the IT aspects of the competition during its period. Furthermore, the Total Integration Management System applied to the 2015 Gwangju Summer Universiade will be provided to the International University Sports Federation (FISU) and will be utilized for the future Universiades. It will be a great opportunity to demonstrate the excellence of Korea’s IT technologies in the global sports industry.

Bangladesh GovNet Project

The GovNet Project is designed to connect Bangladesh’s central departments and their subordinate administrative agencies together with a single backbone network and set up a nationwide information service network encompassing cable networks, transfer networks, and Internet networks exclusively for the E-government. Since 2012, through two phases of the project, the Bangladesh government’s six departments, including the Prime Minister’s Office, Ministry of Telecommunications, Ministry of Defense, and Ministry of Foreign Affairs, have been connected to about 360 government agencies, including computing centers, the national tax service, and the national policy agency. The government of Bangladesh regards IT as the key component of its “Digital Bangladesh Vision 2021” and oversees this project as the first phase of this vision. Moreover, aside from network setups, SK C&C transfers its knowledge about related IT technologies, such as the IP-based surveillance system TOSS (Total Operating Support System), to around 100 local personnel. The company has also invited leading officials of the Bangladesh government to SK C&C’s headquarters and Daedeok Data Center in Korea to help them learn about cutting-edge telecommunications technologies and discuss future trends in ICT.

Building an Integrated CCTV Surveillance Center in Gangnam-gu

Gangnam-gu became the first district in South Korea to build a system for the integrated management of around 1,100 CCTV systems, which had been separately managed in anticrime, illegal parking, disaster and accident areas. Through the setup of a private network extending over 250km, the district was able to unify Internet, administrative, and CCTV communication networks and root out problems with hacking and unauthorized data leakage. Furthermore, integrated CCTV surveillance helped guarantee citizens’ safety by preventing accidents, providing joint response to follow-up, and averting violent crimes. Since the integrated system allows optimizing management of human resources, quick response to situations, and recovery systems, it is expected to help reduce annual operating costs by 1 billion KRW and shortening complaint processing time.

Building ITS in Ulan Bator, Mongolia

The ITS Project in Ulan Bator, Ulan Bator City, the first large-scale global ITS export project executed by a South Korean company, which was funded solely from a foreign government’s own budget. Through the improvement of the traffic system and the construction of a bus information system, SK C&C helped the city of Ulan Bator to establish its own city-wide traffic policy.

Building ITS in Baku, Azerbaijan

The ITS Project in Baku, Azerbaijan, was the first large-scale global ITS export project executed by a South Korean company, which was funded solely from a foreign government’s own budget. Through the improvement of the traffic system and the construction of a bus information system, SK C&C helped the city of Baku to establish its own city-wide traffic policy.
SK C&C Sustainability Report 2015

01-2 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 customer needs.

Our Commitment
SK C&C focuses on realizing core values in its products through standard business processes on the basis of its advanced R&D expertise. Through this, the company plans and develops a wide range of competitive products while contributing to improving the quality and productivity of IT services.

Goal & Evaluation

<table>
<thead>
<tr>
<th>Classification</th>
<th>Goal</th>
<th>Period</th>
<th>Current Status</th>
<th>2014 Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology commercialization Intellectual property management</td>
<td>Develop a project management tool</td>
<td>Mid-term</td>
<td>In progress</td>
<td>Applied projects (35 cases, purchase substitution effect of 2.2 billion KRW)</td>
</tr>
<tr>
<td></td>
<td>Develop enterprise application framework and platform (mobile UI)</td>
<td>Mid-term</td>
<td>In progress</td>
<td>Contributed to contracts awarded in financial, electronics, and services areas (18 cases for products; contracts worth 30.2 billion KRW)</td>
</tr>
<tr>
<td></td>
<td>NEXCORE Framework</td>
<td>Mid-term</td>
<td>In progress</td>
<td>Applied (SK Telecom’s USIM from 2011, cumulative total of over 8 million copies)</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td>Requires supply of MNO/Contact USM overviews</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Obtained overseas traffic service provider (Singapore EZ-Link) certification</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Obtained certificates in EMV Global Platform, Visa, and MasterCard for M-Fame-supported NFC USIM products</td>
</tr>
<tr>
<td>Operating Environment</td>
<td>Increase the number of patent registrations</td>
<td>Long-term</td>
<td>In progress</td>
<td>Increased 860 patent registrations over the previous year’s figure</td>
</tr>
</tbody>
</table>

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/process 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 devotes its capabilities to development and improvement using the technology developed through research. Then, it organizes R&D activities for the innovation and optimization of product/processes. Through these activities, R&D outcomes are made into products/ processes. Through these activities, R&D outcomes are made into products and technologies based on customer needs.

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

Organization and Human Resources

SK C&C’s R&D organization comprises the Convergence Technology Division and the Device Business Division. The Convergence Technology Division is responsible for developing the application development product series and industrial solution series to provide IT services. The Device Business Division conducts R&D related to smart cards and works to have its products certified and supplied them.

R&D Organization

Convergence Technology Division
- Plan, develop and sale various solutions that contribute to improving the productivity and quality of SI projects and IT services
- Provide an internal standard development platform for use within SK C&C

Device Business Division
- Develop and commercialize global top-tier smart card products
- Develop new R&D tasks

Alopex UI Platform
Alopex UI Platform, one of the NEXCORE products, is designed to enable the same HTML5-based features as those of existing UI products. The platform has been applied to a wide range of projects including the one with SK Telecom.

Major R&D Activities and Achievements

SK C&C develops an enterprise application framework, mobile applications and e-commerce solutions for businesses, and smart card products. The company selects major R&D tracks and conducts R&D to expand its business and customer base. By continuously finding new customers and increasing distinct technologies, the company will bolster its core capabilities and expand 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 development of enterprise applications. The series is the product of the company’s expertise in SI and solution development. It has been adopted for around 600 projects and has received positive reviews.

NEXCORE Framework

An application framework means a product in which the foundation of the system was pre-configured to ensure ease and convenience during a development process. To increase convenience and efficiency, the quality of design, common module, and support tools provided by an application framework allow 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, development standard and more. Since the framework provides outstanding performance, stability, and convenience, from small- to large-scale next-generation projects, it has been recognized both at home and internationally, in a variety of industrial areas including finance, services, and manufacturing.

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

<table>
<thead>
<tr>
<th>Expected Values of NEXCORE Mobile</th>
<th>NEXCORE Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single framework supporting a variety of platforms and application types through a single development process.</td>
<td>Easy to use for existing app developers by offering easy development methods</td>
</tr>
<tr>
<td>Framework that is familiar and easy to learn for IT developers</td>
<td>Framework for enterprise mobile services</td>
</tr>
<tr>
<td>Integrated quality management through an integrated development environment</td>
<td>Quick and stable response to technology and market changes</td>
</tr>
</tbody>
</table>

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. MetLife’s success story has led MetLife branches in Korea, China, Hong Kong, Malaysia, and India to adopt NEXCORE.

NEXCORE Automation Tool

The NEXCORE Automation Tool supports standardization and quality control and helps improve the quality of projects at a low cost. The NEXCORE Automation Tool product line includes Code Inspector, which detects and prevents code defects and risks, and Test Manager - a test management framework. The automation features of these tools include supporting document creation/output management, preventing defects in development code/outputs, and real-time statistics/reporting of progress. Using these features, the tools enhance productivity, quality and ultimately reduce operating costs for customers.
NEXCORE PMS (Project Management System)

A solution that incorporates SK C&C’s project management expertise, NEXCORE PMS offers a comprehensive view of project progress (schedule, resources, etc.).

Watz Eye

To monitor certain areas intelligently, the Watz Eye solution effectively links together modular solutions for physical security purposes, such as event processing and image display, in a cross-platform environment and allows integrated management of those solutions.

R&D Performance Management

As of 2014, SK C&C owns a total of 177 patents. This is the result of the company’s efforts to increase and manage patents through research and development. Through its activities, SK C&C has 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, the company 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

- Ideation: Support intellectual property research to generate ideas
- Incubation: Establish a strategy for intellectual property rights focusing on major R&D projects
- Business Expansion: Implement commercialization using secured intellectual property rights
- Commercialization: Secure intellectual property rights during development and project execution

Tasks and Objectives to Expand Intellectual Properties

- Develop guidelines for intellectual property management
- Develop an intellectual property manual
- Develop an intellectual property rights management system
- Revitalize job inventions: company-wide
- Operate a job invention rewards program
- Enhance expertise in supporting intellectual properties
- Rephrase and train workforce for intellectual property support
- Intellectual property rights education for employees
- Develop and implement educational courses
- Finance academic and industry cooperation projects and implement joint applications for related intellectual properties
- Select target intellectual properties and take steps to secure them

Number of Patents

<table>
<thead>
<tr>
<th>Business Area</th>
<th>No. of Registrations</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT R&amp;D (smart card, etc.)</td>
<td>131</td>
</tr>
<tr>
<td>IT Services (BI, DB, cloud, etc.)</td>
<td>64</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
</tbody>
</table>
Rapid changes in the IT environment have led to an increase in risks related to information security. Large-scale security accidents occur frequently, including credit card companies’ personal data leaks, 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 SK C&C’s commitment to providing the best service quality as a global IT services leader.

Impacts: Information Security Capabilities, Corporate Reputation

Goal & Evaluation

<table>
<thead>
<tr>
<th>Classification</th>
<th>Goal</th>
<th>Period</th>
<th>Current Status</th>
<th>2014 Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security/privacy management system</td>
<td>Maintain the headquarters and subsidiaries’ security/privacy management systems</td>
<td>Long-term</td>
<td>In progress</td>
<td>Maintained ISO27001 certification (headquarters/Chinese subsidiaries) and obtained ISMS certification</td>
</tr>
<tr>
<td></td>
<td>Pursue “zero” rate of security accidents</td>
<td>Long-term</td>
<td>In progress</td>
<td>Performed continuous security inspection and education all year round</td>
</tr>
</tbody>
</table>

Information Security Management System

SK C&C formed an organization devoted to overseeing information security to protect customer and corporate information from internal and external threats. In addition, the company 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

ISO27001 Certification

ISO27001 is an international certification program which assesses security management systems of 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 country’s first IT company to obtain ISO27001 certification, and has since maintained this in 2012. SK C&C’s Chinese subsidiary also obtained the same certification. Through the certification, SK C&C proves the reliability of its security services for customers and business partners.

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. The company performs annual penetration tests on its internal systems, infrastructure vulnerability assessments to maintain the highest level of security at headquarters and conducts security inspection and training at external project sites to keep security levels high. In addition, the company spearheads efforts to strengthen security across the SK Group by supporting security inspections at SK’s affiliated companies and co-establishing security guidelines with the SK Group.

Effects of 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 2012, SK C&C obtained its first ISMS certification and renewed the certification through a follow-up review in 2014.

The company added privacy education programs for the new and experienced employees as well as employees at the external project sites. Through these programs, employees can recognize the importance of privacy and become interested in privacy issues. SK Encar, particularly, pays close attention to privacy because it mainly deals with personal information.

SK C&C Sustainability Report 2015

Company Overview | Our Material Issues | Governance | Performance | Appendix
Employees play a pivotal role in accomplishing SK C&C’s mission and vision. SK C&C values “Happy Company,” in which it aims to attract top talents and 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 the working environment and benefits programs, achieve work-life balance, and build a culture of open communication.

### Material Issues

- Employment and Benefits
- Education and Training
- Labor-Management Relations and Organizational Culture
- Human Rights-related Ombudsman Program
- Local Hiring/Job Creation

### Major Stakeholder

- Employees

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**Talent Recruitment**

SK C&C creates a systematic plan and takes proactive measures to attract top talent from within and outside Korea. To retain top talent and maximize employee motivation, the company provides employee support, such as monetary rewards, a variety of benefits programs and educational support, and an optimal workplace.

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**Goal & Evaluation**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Goal</th>
<th>Period</th>
<th>Current Status</th>
<th>2014 Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiring</td>
<td>Secure diversity in employment</td>
<td>Long term</td>
<td>In progress</td>
<td>Implemented Hope internship (internship designed to hire people with disabilities)</td>
</tr>
<tr>
<td>Benefits and workplace culture</td>
<td>Pursue work-life balance</td>
<td>Long term</td>
<td>In progress</td>
<td>Maintained the “Best Family-Friendly Management” certification</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Adopted long-term family care leave program</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Adopted the Flexible Time program</td>
</tr>
</tbody>
</table>

**Total Number of Employees** (unit: person)

- 2014: 4,111
- 2013: 4,344
- 2012: 4,013

**Breakdown of Human Resources** (unit: %)

- Marketing/Sales: 16
- Technician: 64
- Consultant: 3
- Supporting Staff: 17

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SK C&C is working in an industry where people and knowledge are assets. Also with the uncertainty of the global business environment and intense competition, it lays 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. SK C&C views this as essential to mid- and long-term business continuity.

**Impacts:** Human Capital Competitiveness, Employee Satisfaction, Labor Productivity.
Employee Diversity
SK C&C is committed to creating a culture that respects diversity. To that end, 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 talent. The company assigned a dedicated team responsible for global human resources management, and designed global HR infrastructure to fulfill HR needs. SK C&C also created a system to empower recruited employees to reach the company’s expectations. 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 talent, SK C&C encourages its global employees to exchange work-related grievances and help each other out with regard to adapting to life in Korea.

Hiring Socially Disadvantaged Groups
To fulfill its corporate responsibility towards socially disadvantaged people, SK C&C continuously extends employment opportunities to the disadvantaged and supports their social adjustment by offering stable jobs. In particular, to help people with disabilities enter the workplace, the company adopted the “Hope Internship” program. Through the “Hope Internship” program, people with disabilities are offered work trials to experience the expected work situations. The Flexible Internship program is categorized in three different types: a selective work hour program, a flexible working hour program and a discretionary work hour program. Employees can choose among these three programs that best suit their needs. Throughout 2014, the usage of the Flexible Internship program was 20%. SK C&C encourages employees to take long vacations and it also adopted the long-term family cares leave program, which allows employees to take a leave to take care of their family when necessary. Additionally, to improve the workplace’s formal/informal corporate dinners and gatherings’ culture, the company launched an in-house campaign to recommend lunch meetings instead.

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 “Best Family-Friendly Management” business certification and the Prime Minister’s award. 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 creating a company where both employees and their families feel happy. SK C&C has adopted the Flexible Time program where employees can adjust their regular working hours according to their personal and work situations. The Flexible Time program is categorized in three different types: a selective work hour program, a flexible working hour program and a discretionary work hour program. Employees can choose among these three programs that best suit their needs. Throughout 2014, the usage of the Flexible Time program was 20%. SK C&C encourages employees to take long vacations and it also adopted the long-term family care leave program, which allows employees to take a leave to take care of their family when necessary. Additionally, to improve the workplace’s formal/informal corporate dinners and gatherings’ culture, the company launched an in-house campaign to recommend lunch meetings instead.

Vacation Usage
<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Vacation</td>
<td>84%</td>
<td>89%</td>
<td>85%</td>
</tr>
<tr>
<td>Summer Vacation</td>
<td>92%</td>
<td>96%</td>
<td>91%</td>
</tr>
</tbody>
</table>

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 elaborates “Family Day” every Wednesday to encourage 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 reporting complaints.

Employee Welfare 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 aptitude and helps them to make career decisions. To ensure employees’ financial stability after retirement, the company divides employee pension plans among 13 financial institutions. As of late 2014, SK C&C accumulated 166.6 billion KRW and 84% of it, 139.9 billion KRW, was deposited into external asset management institutions. This represents well over 70% of the mandatory ratio of external deposits, guaranteeing employees’ rights to pension benefits.

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 parental leave policy by raising children’s eligibility age from 6 to 9 and also by giving gifts to children entering elementary school.

Pursuing ‘Happy Hompany’ to Continue Employees’ Happiness
In 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)

Retirement Support 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 aptitude and helps them to make career decisions. To ensure employees’ financial stability after retirement, the company divides employee pension plans among 13 financial institutions. As of late 2014, SK C&C accumulated 166.6 billion KRW and 84% of it, 139.9 billion KRW, was deposited into external asset management institutions. This represents well over 70% of the mandatory ratio of external deposits, guaranteeing employees’ rights to pension benefits.

Creating a Desirable Workplace

Employee
- Medical checks-up
- Exercise room / Full-body training
- Mental health counseling
- Group insurance
- Green agriculture/products
- Company anniversary gifts, rewards for continuous service
- Employee Stock Ownership / Employee welfare fund
- Pension plans
- Capability development

Family
- Nursery
- Parental Leave
- Rest & recreation center
- Scholarships for children
- Housing loan Employee association
- Lactation room
- Congratulatory gifts for children starting school / pupil
- Employee volunteering
- Social enterprise
- Group "Independency and Interdependency" activities

Community
- Social contributions
- Social enterprise
- Employee volunteering
- "MOVE PJT means a range of corporate culture activities to increase employe- es' self-regard.

Improving quality of life through work-life balance

Pursuing ‘Happy Hompany’ to Continue Employees’ Happiness
In 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)
Safe and Healthy Workplace

SK C&C runs the Occupational Safety and Health Committee to ensure employees’ safety and health. In 2015, the company was certified with Occupational Health and Safety Management Systems (OHSAS 18001) accreditation. In addition, the company implements a wide array of health care programs, including a safety support program and a counseling center for employees in charge of overseas projects.

Occupational Safety and Health Committee
SK C&C runs the Occupational and Safety 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. As of 2014, SK C&C has zero incidents of work-related deaths or any violation of the Occupational Safety and Health Act.

Overseas Medical Aid/Safety Support
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 company’s medical and safety support services are available at local health care/security companies, where all year round 24/7 medical counseling is provided and medical evacuation port services are available at local health care/security companies. Since 2013, SK C&C has increased the level of medical check-up and began to provide tiered intensive and general check-ups depending on the job title. Furthermore, the company improved geographical accessibility for employees by increasing hospitals where employees can undergo examination. To provide financial protection from injuries and diseases, the company renews employees’ group insurance each year to create a stable work environment. Moreover, among its employee healthcare efforts, the company’s café and cafeteria introduced health menus and beverages to help detoxify the effects of nicotine.

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 daily life. Since 2011, the center has provided free aptitude, personality and learning ability tests for employees’ children during breaks and special classes for married couples. 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 checkups, group insurance benefits, a smoking cessation program, exercise rooms and medical room services. In 2013, SK C&C increased the level of medical check-up and began to provide tiered intensive and general check-ups depending on the job title. Furthermore, the company improved geographical accessibility for employees by increasing hospitals where employees can undergo examination. To provide financial protection from injuries and diseases, the company renews employees’ group insurance each year to create a stable work environment. Moreover, among its employee healthcare efforts, the company’s café and cafeteria introduced health menus and beverages to help detoxify the effects of nicotine.

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 employees’ sense of achievement, but also enhance individual job performances.

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
Medical Room
Building and Strengthening Human Resources Development Platforms/Systems

Implementing the Individual Development Plan (IDP) | To enhance employees’ 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 2014, 98% of those eligible for the IDP finished establishing their plans.

Competency Development System | To develop talent who can proactive-ly 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 at different levels. Furthermore, to proactively provide the capabilities required by new businesses on time, the company created competency management roadmaps for the ICT and global businesses. For global businesses, in particular, it classified the capabilities necessary for project execution by business domains. For the future, SK C&C plans on conducting level assessments in each business area.

Building Online and Offline Platforms | SK C&C operates the Open Lab program, where employees discuss their knowledge and experiences and exchange opinions. Introduced in 2013, the Open Lab is held on a monthly basis to share business insights, soft innovation ideas, 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. Moreover, the company provides the chance to acquire knowledge in other areas, such as humanities and management education. SK C&C also runs a basic skills training program for employees to prepare for the capabilities required of a leader, through leadership and management education. SK C&C also runs a basic skills training program 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 core female talent, including supporting external leadership education program. As a result, the number of female team managers is increasing, and as of 2014, SK C&C has 12 female team managers - a 10% increase over the previous year’s figure.

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 Global Leadership Academy 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 provided advanced courses in order to tackle global business issues.

Human Resources Development Program

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 particularly operates a developer education program to execute IT service projects. SK C&C is also developing professional technology and consulting programs based on the new technologies. Furthermore, the company fosters a self-directed learning culture and maximizes the benefits of development programs by developing items into IDP assessments.

Status of Technology Capability Development Education (as of 2014)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number of people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer Education</td>
<td>2,240</td>
</tr>
<tr>
<td>Framework Technology Capabilities</td>
<td>82</td>
</tr>
<tr>
<td>Operator Education</td>
<td>522</td>
</tr>
</tbody>
</table>

Leadership Training | SK C&C offers diverse programs to nurture leaders and core talent. The company selects core talent equipped with leadership qualities to conduct intensive education and helps newly appointed leaders to prepare for the capabilities required of a leader, through leadership and management education. SK C&C also runs a basic skills training program 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.

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SK Value Training | SK C&C runs the SK Value program to train the “SK Man” equipped with “SK Manship” and “Integrity” through sharing SK’s corporate value and culture.

New Career Manager | SK C&C provides new and experienced employ-ees with education on SK’s values and culture that 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 Men who practice the “SK Values” based on a complete understanding of and conviction about the SKMIS.

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 time for communication with management to help employees to better understand SK Values, and it also presents opportunities to understand the CEO’s business philosophy and the company’s strategies.

Performance Evaluation and Compensation

SK C&C operates evaluation and compensation systems to provide rea-sonable 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 en-sure 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 receive 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 have already been set. The results are reflected in promotions, salaries, inco-nents, education, job assignments and transfers.

Evaluation System

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Reasonable Compensation

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

Compensation System

SK C&C offers an individual salary program customized to each employee’s performance and capability.
SK C&C believes that freedom of speech and communication can increase employee satisfaction and creativity. The company uses various communication channels through which all employees can communicate, understand each other better, and cooperate in making SK C&C a happy company.

**Corporate Reporter Group**

A channel of communication among employees, SK C&C’s Corporate Reporter Group is a small group of reporters, which keeps employees informed about news within each unit of the organization through broadcasting and newsletters. In 2013, SK & C authorized the Reporter Group as an official in-house club. Since then, the company has revitalized bottom-up communication and supported a culture of open communication within the organization. Since 2013, the Reporter Group has aired after-hours radio programs and has contributed to eliminating overtime work across the company. In 2014, the group also conducted interviews with managers in different divisions and headquarters, leading to the revitalization of communication for employees.

**Employee Communication and Engagement**

SK C&C is creating a collaborative labor-management culture in which employees’ opinions are properly conveyed to the company and problems can be solved based on trust and communication. Employees can freely discuss their thoughts through various communication channels, both on- and offline. The company encourages its employees to share their ideas more freely, particularly through an anonymous channel. SK C&C will strive to become a happy company by building consensus among its employees.

**Collaborative Labor-Management Culture**

Under the slogan, “Become One through the Management-Employee Council,” SK C&C strives to build consensus between management and employees to create a happier workplace based on trust and communication.

Created to draw reasonable conclusions regarding the company’s major policies and changes, SK C&C’s Management-Employee Council consists of 18 members, of whom 9 are labor representatives and 9 management representatives. Members are elected through a secret ballot, and management’s involvement and intervention in the election process is strictly prohibited.

The Management-Employee Council holds regular quarterly meetings and weekly staff 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 a flexible working hour system, and improvements in the operation of vacation resorts. The matters discussed are then communicated to the employees through an in-house broadcasting system, newsletters, or the bulletin board. Furthermore, to receive employees’ grievances and resolve them quickly, SK C&C has installed a grievance box called “Complaints & Compliments.” Where necessary, grievances are discussed as main agenda points at the Management-Employee Council meetings.

Recently, SK C&C explored a variety of ideas to bring the Management-Employee Council to the center of communication. The company is doing its best to reflect employees’ opinions on the Council’s operations.

**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 in-house bulletin board called the “u-Symphony,” which guarantees anonymity, where everyone, from the CEO to new employees, can contribute and discuss ideas on an 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 communication channel created during the “u-Symphony” upgrade in 2013 to enable employees to freely and regularly generate ideas. Those ideas are used to improve the company’s systems and processes, and ideas about development are being taken up for implementation. Up until 2014, a total of 157 ideas were received through the Idea Republic, and 10% of them were either applied or put into action.

**Additional Notes**

Additionally, the company also launched “Open Voice,” where employees share opinions and information, and “Ask Us,” where employees submit inquiries or suggestions regarding any inconveniences.
As an IT industry leader, SK C&C recognizes its roles and responsibilities to its business partners. 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 support. Through open communication and reinforcement of sustainability assessments, the company is also spreading sustainability management across the value chain.

**Material Issues**

- **Win-Win Partnerships/Procurement Practices**

**Major Stakeholder**

- **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. For its accomplishments, the company received an excellent grade on the Win-Win Index in 2014.

**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 held 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 code of ethics, and the Business Support Division, responsible for supervising business support.

**Pursuing a Win-Win Climate**

To secure industrial competitiveness and dominance, it is increasingly important for SK C&C to build better relationships with its business partners. With a wide range of capabilities and resources, both SK C&C and its business partners can enhance the competitiveness of the industry’s overall ecosystem through collaborative efforts. Aside from collaborative efforts, management of non-financial risks, such as partners’ human rights, labor, society, and environment, is not only vital to the sustainable development of its partners, but it can also have a significant impact on 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 creating a fair trade culture on the basis of trust between business partners and laying the foundation for their mutual prosperity. Through continuous communication with its business partners, the company strives to grow along with its partners by identifying their needs, developing a variety of programs in the areas of finance, technology, and education, and helping enhance each other’s capabilities.

**Goal & Evaluation**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Goal</th>
<th>Period</th>
<th>Current Status</th>
<th>2014 Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Win-Win partnerships</td>
<td>Fortify support for business partners</td>
<td>Long-term</td>
<td>In progress</td>
<td>Financial support increased by about 40% compared to the previous year figure</td>
</tr>
<tr>
<td></td>
<td>Conduct continuous communication</td>
<td>Long-term</td>
<td>In progress</td>
<td>19 cases of technical support/protection</td>
</tr>
<tr>
<td>Business partners’ sustainability management</td>
<td>Conduct business partner sustainability assessment</td>
<td>Long-term</td>
<td>In progress</td>
<td>26,652 hours of educational support for business partners</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Operated a business partner community</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Gave bonus points on sustainability categories during business partner assessment</td>
</tr>
</tbody>
</table>

**Policy Objectives**

For long-term enhancement of capabilities, shift from mutually beneficial policy/programs to a culture of win-win partnership.
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 has developed and operated unique Win-Win partnership programs aligned with the company’s tasks in 8 core support areas, such as finance, technology, and business, and 21 subaddition areas.

Win-Win Partnership Programs

- Financial Assistance
  - Providing the BSTC Methodology and Technology
  - Conducting joint training
  - Operating the 8 training programs
- Technical Support
  - Providing the BSTC Methodology and Technology
  - Conducting joint training
  - Operating the 8 training programs
- Educational Support
  - Providing BSTC Methodology and Technology
  - Conducting joint training
  - Operating the 8 training programs
- Business Support
  - Providing BSTC Methodology and Technology
  - Conducting joint training
  - Operating the 8 training programs
- Promoting Communication
  - Providing the BSTC Methodology and Technology
  - Conducting joint training
  - Operating the 8 training programs
- Fair Trade Ethical Management
  - Providing the BSTC Methodology and Technology
  - Conducting joint training
  - Operating the 8 training programs
- Contingency Program Development
  - Providing the BSTC Methodology and Technology
  - Conducting joint training
  - Operating the 8 training programs

Win-Win Partnership Program:

- 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 license to use technologies and ensure R&D stability to perform stable operations.

Flowchart of Technology Escrow:

1. Technology escrow agreement between two parties
2. Technology escrow contract among three parties
3. Technology escrow
4. Sharing and protecting technology data under certain conditions (conditions agreed upon in advance)

- Technical and Educational Support:
  SK C&C provides technical training courses, supports patents, free non-exclusive license, operates technology escrow, and joint R&D programs to help increase business partners' productivity and utilize its technology. Moreover, the company runs several educational programs developed by SK C&C and through the SK C&C Win-Win Academy.

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 conducts 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 operates 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.

Amount of financial assistance to business partners

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5.5</td>
</tr>
<tr>
<td>2013</td>
<td>8.0</td>
</tr>
<tr>
<td>2014</td>
<td>11.2</td>
</tr>
</tbody>
</table>

Win-Win Biz Idea Festival

SK C&C held the 2014 Win-Win Biz Idea Festival, a competition for joint projects aimed at building collaborative ecosystems with business partners, and creating a mutually beneficial ecosystem. The Win-Win Biz Idea Festival was attended by about 90 business partners, who suggested and presented the latest technological trends and ideas about joint projects based on solutions. After a preliminary document review and an evaluation of suggestions and presentations, among all the contestants, five companies were awarded for their excellent ideas. SK C&C will actively support the implementation of joint projects with its business partners so that business ideas can lead to actual results.

Sustainability Management of Business Partners

To foster collaboration with business partners and ensure their competitiveness in sustainability management, SK C&C assesses its BPs each year on business performance capabilities and the 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 priorities in doing business with business partners. SK C&C applies a grading system to the benefits provided to our business partners based on their assessment results.

Business partner grades are largely divided into Strategic BP, Excellent BP, and 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 and 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 eligible to be promoted to Strategic BPs. The Ordinary BPs are partners with certain levels of market competitiveness and financial soundness, who can carry out transactions with SK C&C as basic business partners necessary for SK C&C to perform its business operations.

Status of Business Partners by Type and Grade

<table>
<thead>
<tr>
<th>Type of Business Partner</th>
<th>Number of Business Partners</th>
<th>Notes (Grade)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>244</td>
<td>22</td>
</tr>
<tr>
<td>Excellent</td>
<td>22</td>
<td>184</td>
</tr>
<tr>
<td>Ordinary</td>
<td>44</td>
<td>212</td>
</tr>
<tr>
<td>Total</td>
<td>316</td>
<td>410</td>
</tr>
</tbody>
</table>

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

Company Overview | Our Material Issues | Governance | Performance | Appendix

<table>
<thead>
<tr>
<th>Evaluation item</th>
<th>Details</th>
<th>Checklist by item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights</td>
<td>Equal Employment and Diversity</td>
<td>Yes</td>
</tr>
<tr>
<td>Safety</td>
<td>Health and Safety</td>
<td>Yes</td>
</tr>
<tr>
<td>Social Responsibility</td>
<td>Fair Trade Compliance</td>
<td>Yes</td>
</tr>
<tr>
<td>Social Contributions</td>
<td>Greenhouse Gas Emissions</td>
<td>Yes</td>
</tr>
<tr>
<td>Environment</td>
<td>Green Purchasing</td>
<td>Yes</td>
</tr>
</tbody>
</table>
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.

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 identify climate-change-related 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
<table>
<thead>
<tr>
<th>Classification</th>
<th>Goal</th>
<th>Period</th>
<th>Current Status</th>
<th>2014 Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green management</td>
<td>Enhance the green business management system</td>
<td>Mid-term</td>
<td>In progress</td>
<td>Obtained ISO 14001 certification</td>
</tr>
<tr>
<td>Operating green businesses</td>
<td>Obtain Green Data Center certification</td>
<td>Short-term</td>
<td>Accomplished</td>
<td>Created a system for geothermal power generation system in the Pangyo office</td>
</tr>
</tbody>
</table>

Green Management Strategy
Directions for Green Management
SK C&C has established green management principles and provided a systematic framework and 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
- Environment, Prevention, and Management
  - We continuously improve environmental, safety, and health levels by complying with international conventions and laws concerning environment, safety, and health.
  - We identify, evaluate, and improve major environmental, safety, and health factors in activities, from planning to purchasing, design, development, manufacturing, 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 effective environmental safety/health management.
- All Employee Participation in Developing Business
  - 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.

Green Management Organization
SK&C’s Green Management organization comprises Infrastructure Services Team 2, Smart Work TF, and HR Support Team. Infrastructure Services Team 2 makes system improvements, creates operating environments, and establishes/implements disaster control measures, so that the company’s IT infrastructure such as data centers can respond to climate change. HR Support Team and Smart Work TF are responsible for measuring and reducing energy and hot water usage through the building management of the headquarters and the Pangyo offices.
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 Greenhouse Gas Target Management System, rise of electricity prices and more. In the IT services industry, operating data centers is a necessity for businesses, but it has been the primary source of energy consumption and greenhouse gas emissions for SK & C&C. The government’s tighter environmental policies and rising electricity rates together will remain a heavy burden for SK & C&C. SK & C&C thus formed a dedicated organization for overseeing compliance with applicable laws and policies. 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 expanding opportunities for green IT businesses related to renewable energy. SK & C&C views climate change as an opportunity for corporate growth, develops and sells power-saving solutions, and has proactively developed and expanded related projects, such as the Eco Phone business and the construction of the Gangeung Green City experience center.

Achievements in Green Management

SK & C&C obtained the ISO14001 certification in 2012 and the Green Data Center certification from the IT Service Industry Association in 2013. In 2014, the company maintained these certificates. In addition, the company also responded to the Carbon Disclosure Project (CDP), an international environmental certification program, proving itself as an excellent example of green management internationally.

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.

In the QHSE (Quality, Health, Safety, Environment) manager for each team. The QHSE manager is responsible for analyzing the impacts that the duties of their team have on the environment, establishing and executing action plans. Additionally, the QHSE manager contributes to raising employees’ environmental awareness by propagating green management to members of each team.

For the entire company to internalize its green management policy, SK & C&C is making continuous investments and commitment to environmental policy, SK & C&C has continuously carried out activities to raise employees’ environmental awareness, such as the QHSE Manager Program and environmental education for employees.

QHSE Manager Program

1) SK & C&C appoints a QHSE (Quality, Health, Safety, Environment) manager for each team. The QHSE manager is responsible for analyzing the impacts that the duties of their team have on the environment, establishing and executing action plans. Additionally, the QHSE manager contributes to raising employees’ environmental awareness by propagating green management to members of each team.

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 for far from the headquarters, so the company offers them both in-class group training and distance education. In 2013, in particular, the company combined sustainability education and environmental education for employees.

Mini Case

Green Activities at Pangyo Campus

In 2014, SK & C&C finished the construction of the Pangyo Campus, an office building for R&D purposes, within the Techno Valley, the center of Korea’s IT Business. The Pangyo Campus provides green office spaces, which feature a variety of renewable energy systems, including geothermal heat pumps that use ground-source heat from 150m deep to provide heating and air-conditioning across the offices, daylight ducts that provide natural sunlight in the underground parking lot, and solar panels that use light from the parking lot. These green systems installed in the Pangyo Campus drastically reduce energy consumption, allow efficient energy use, and mitigate greenhouse gas emissions. The usage of renewable energy at the Pangyo Campus is about 248TOE, 1% of the entire energy use, and through this the campus can save about 100 million KRW each year.

Continuous Implementation of Green Management

Green Offices

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

Saving Energy in Buildings

To increase energy efficiency in the headquarters building, SK & C&C replaces normal light bulbs with LEDs each year. In 2014, the replacement of lamps of the underground parking lot and exit stairways with LEDs saved the company an annual cost of 15.78 million KRW and 58.88tCO2e carbon dioxide emissions.

Promoting Use of Personal Cups in Cafe4U

At the company’s café, Cafe4U, SK & C&C works with its HR Support Team to encourage employees to use personal cups instead of plastic cups, by offering discounts off regular prices and providing stamps to reward cards. As a result of these efforts in 2014, the use of personal cups tripled, relative to the 2013 figure.

Green Vehicles and Commuting Conditions

SK Group adopted the commuter bus system called “SK Happy Express.” SK Happy Express buses are jointly purchased by SK affiliates including SK & C&C, and the system provides its employees with commuter routes. The companies and employees are making ongoing 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 carried out activities to raise employees’ environmental awareness, such as the QHSE Manager Program and environmental education for employees.

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 for far from the headquarters, so the company offers them both in-class group training and distance education. In 2013, in particular, the company combined sustainability education and environmental education so that employees could realize the necessity of green business management based on their understanding of sustainability management.
GREEN CITY, GANGNEUNG

Key Components of the Green City Experience Center

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 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. Amidst the conventional center roof and the balcony railing of the experience training center, the solar power generation system features 383 PV (photovoltaic) panels to generate 180,000 kWh power every year (492 kWh each day). Through the 100kw Energy Storage System (ESS), the core technology of this energy-free building that SK C&C designed and manufactured using its proprietary technology, the center stores the solar energy generated during the day in the ESS for possible use in 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, its consumption status, and the amount of carbon dioxide emission reduced. By adopting the ESS 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 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 and cooling 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 as well as enable remote access to the data. SK C&C has been supplying the cumulative data analysis, as well as through real-time discharge monitoring and automatic control of the ESS.

Green Data Center Construction

SK C&C has been reducing energy consumption through energy-saving efforts across the data center, which accounts for the majority of the entire company’s energy use.

To save energy across the Daedeok Data Center, SK C&C has increased cooling efficiency through the insulation of glass windows of the constant temperature/humidity chamber, the adoption of an outside air refrigerator, and an overhaul of the portable containment structure.

In addition, SK C&C utilized its Energy-Saving Solution (ESS) and solar power self-generating equipment to reduce energy consumption by 3,000 MWh and GGH emissions by 1,271 t CO2e GGH each year, saving 300 million won in energy bills. As a result, in 2013, SK C&C became the first company in Korea to earn a Green DC certification with 10 out of 10 points and an A grade in a qualitative assessment of energy-saving activities at the Daedeok Data Center. In 2014, the company maintained the certification. In particular, SK C&C’s portable containment structure has been supplied to computing centers of other companies and contributed to making power use more efficient. Aside from green initiatives at the Daedeok Data Center, SK C&C defined the 7 “Green Supex” practices and encourages the center’s employees to practice them in daily life.

Components of Daedeok Data Center

Building

A steel frame structure dedicated to a data center with 14,400 m² of gross floor area, seismic resistance for a magnitude of 7.0 or higher, and an allowable load of 1,000 kg/m², ensuring world-class class safety and security.

Fire Equipment

The company operates a central disaster prevention center, which allows remote monitoring and control of each center, and a separate disaster prevention unit for each center to ensure multilayered safety management.

Video Conference Room

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.

Controlling Equipment

The Daedeok center manages all equipment using an automated system, from electricity to disaster prevention and security, so that service can be provided in an uninterrupted manner, when an error or an accident occurs even temporarily.

Security Equipment

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.
**Social Contribution Strategy**

SK C&C practices Happiness-Sharing Management to build a society where all stakeholders can be happy. Under the vision of “Company that Creates and Shares Sustainable Happiness,” the company carries out two sub-categories of CSR activities: social contribution activities aligned with the characteristics of the IT services industry, and employees’ commitment to volunteering.

### Our Commitment

SK C&C focuses on developing social contribution programs that will help change society and resolve social issues in the long run, instead of carrying out one-time-only activities. The company intends to initiate meaningful social contribution activities, including IT education, assistance in the formation and operation of IT social enterprises, customized social contribution activities by region and age group, and employees’ talent-sharing activities. SK C&C will continue to share new value with society and bring happiness wherever it goes.

### Goal & Evaluation

<table>
<thead>
<tr>
<th>Classification</th>
<th>Goal</th>
<th>Period</th>
<th>Current Status</th>
<th>2014 Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing social value</td>
<td>Make corporate information accessible to disadvantaged groups</td>
<td>Mid-term</td>
<td>In progress</td>
<td>Built and donated websites for five non-profit organisations</td>
</tr>
<tr>
<td>in connection with IT</td>
<td>Revitalize IT educational programs</td>
<td>Mid-term</td>
<td>In progress</td>
<td>45 sessions of IT education, 2,680 attendees</td>
</tr>
<tr>
<td></td>
<td>Encourage employees to participate in volunteering</td>
<td>Long-term</td>
<td>In progress</td>
<td>53 families participated in the employee family volunteer group</td>
</tr>
<tr>
<td></td>
<td>Promote the donation culture campaign</td>
<td>Long-term</td>
<td>In progress</td>
<td>98.3 million KRW, 915 people participated</td>
</tr>
</tbody>
</table>

### Impact

A company’s social responsibility towards local communities is not an option but a necessary requirement for its business operations. Building a healthy society does not merely bring happiness to individuals and local communities; it also changes the business environment in the long run and will have 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.

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

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**Company that Creates and Shares Sustainable Happiness**

**Vision**

- Help make websites for non-profit organizations
- Customized IT education by lifecycle stage
- Open IT classes for youth
- Assist in forming/operating a social enterprise called Happy Web & Media (HWM)

**Directions**

**Key Tasks**

- Company’s social responsibility
- Development of Local Communities
- Indirect Economic Impacts

**Major Stakeholder**

- local Communities

---

**Our Materials Issues**

**Current Status**

- In progress

**Classification**

- Increasing social value in connection with IT
- Revitalize IT educational programs
- Encourage employees to participate in volunteering
- Promote the donation culture campaign

**Goal**

- Make corporate information accessible to disadvantaged groups
- Revitalize IT educational programs
- Encourage employees to participate in volunteering
- Promote the donation culture campaign

**2014 Achievements**

- Built and donated websites for five non-profit organizations
- 45 sessions of IT education, 2,680 attendees
- 53 families participated in the employee family volunteer group
- 98.3 million KRW, 915 people participated
Employees’ Commitment to Volunteering

SK C&C’s employees are all members of volunteer groups, committed to resolving social problems for local communities and the environment. They also utilize their personal talents 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 implement more specialized talent-sharing activities, the company opened educational and certification programs in different areas early every year. Each year, the company surveys employees’ demand in talent donation programs and expands them. As a result, in 2014, the company added three more talent donation programs and operated 14 different programs.

In 2015, SK C&C will expand the talent donation programs for the social enterprises.

Mini Case
Healing Arts Volunteer Group: “We Heal Your Heart”
Created in 2014, SK C&C’s Healing Arts Volunteer Group visits senior daycare centers in Seongnam each month and carries out plaster cast making, which helps improve the brain health and emotional stability of seniors with Alzheimer’s. The plaster cast making activity is, in fact, commonly used for medical purposes. It looks like creating a plaster cast to make a fake arm, leg, or other body parts for medical purposes.

Created in 2014, SK C&C’s Healing Arts Volunteer Group visits senior daycare centers in Seongnam each month and carries out plaster cast making, which helps improve the brain health and emotional stability of seniors with Alzheimer’s. The plaster cast making activity is, in fact, commonly used for medical purposes. It looks like creating a plaster cast to make a fake arm, leg, or other body parts for medical purposes.
In 2011, SK C&C established a social enterprise called Happy Web & Media, aiming to create IT jobs and provide social services for socially disadvantaged groups. To improve the quality of life of disadvantaged people lacking access to information through IT services, and to help create social value, the enterprise simultaneously operates revenue-making and public businesses, side by side.

**Social Enterprise: Happy Web & Media**

**Company Name**: Happy Web & Media

**Founding Date**: 2011.12.16

**Number of Employees**: 3 people

**% of people with disabilities**: 45%

**Category**: Non-profit foundation

**Certifications**:
- Non-profit Translation designated by the Ministry of Employment and Labor
- Standard business for people with disabilities
- Social enterprise certification

**Number of Employees**

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Management Support Team (1 person)</th>
<th>Planning Business Division (1 Management Director)</th>
<th>Management Support Team (4 people)</th>
<th>Planning Business Division (1 Management Director)</th>
<th>Public Business Team (3 people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>02.19</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>05.15</td>
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<td>12.17</td>
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</tr>
<tr>
<td>12.31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Revenue**: 31 people

**History of Happy Web & Media**

- **2012**: Created a mobile application of 100 Happiness Calendar
- **2013**: Participated in the 2013 National Domestic Industry Certification
- **2014**: Received an Excellence Prize at the 2014 Best Comfortable Workplace Awards
- **2015**: Received a social enterprise certification
- **2016**: Received an Excellence Prize at the 2016 Best Comfortable Workplace Awards
- **2017**: Received an Excellence Prize at the 2017 Best Comfortable Workplace Awards
- **2018**: Received an Excellence Prize at the 2018 Best Comfortable Workplace Awards
- **2019**: Received an Excellence Prize at the 2019 Best Comfortable Workplace Awards
- **2020**: Received an Excellence Prize at the 2020 Best Comfortable Workplace Awards
- **2021**: Received an Excellence Prize at the 2021 Best Comfortable Workplace Awards

**Information about Happy Web & Media**

- **Classification**: Social enterprise certification
- **Partnership**: SK Group, the company supports seniors living alone and low-income families.
- **Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ( billion KRW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>12</td>
</tr>
<tr>
<td>2013</td>
<td>31</td>
</tr>
</tbody>
</table>

**Company Overview**

- **Mission**: To ensure sustainable growth, the company is conducting revenue-generating businesses.

**Supporting People with Disabilities**

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

**Donation Culture Campaign**

- **Happy Scholarship Fundraising Campaign**
  - 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.

- **Donation to Help the Hungry Children**
  - 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 has conducted the “Habitat” activities for families without homes.

**Community Environmental Activities**

- **Happy Forest Protection Activities**
  - On Arbor Day in April, the employees of SK C&C and its subsidiaries plant trees under the theme of “Happy Tree Planting.” It is not merely a one-time-only event; the employees regularly participate in planting trees to make sure that the trees grow properly.

**Donations by Employees (unit: million KRW)**

<table>
<thead>
<tr>
<th>Classification</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Happiness</td>
<td>77.4</td>
<td>87.3</td>
<td>78.4</td>
</tr>
<tr>
<td>Scholarship</td>
<td>54 people</td>
<td>72 people</td>
<td>75 people</td>
</tr>
<tr>
<td>Help Hungry Children</td>
<td>11.8</td>
<td>11.9</td>
<td>11.0</td>
</tr>
</tbody>
</table>

**Development Business Division**

- **Development Team 1 (5 people)**
  - IT education for disadvantaged groups
  - IT service development and support (making websites, improving web accessibility)
  - Hiring people with disabilities

- **Development Team 2 (3 people)**
  - Social enterprise certification
  - Standard business for people with disabilities

**History of Happy Web & Media**

- **2012**: Created a mobile application of HK Happiness Calendar
- **2013**: Participated in the 2013 National Domestic Industry Certification
- **2014**: Received an Excellence Prize at the 2014 Best Comfortable Workplace Awards
- **2015**: Received a social enterprise certification

**Pursuing Social Value**

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

**Pursuing Business Value**

- To ensure sustainable growth, the company is conducting revenue-generating businesses.

**BALANCING**

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

**Supporting for Social Adjustment of Children with Disabilities**

- 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.

**SK Group Common Activities**

- **Happy Village Habitat**: The company, with the SK Group, the company supports seniors living alone and low-income families.
  - 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 has conducted the “Habitat” activities for families without homes.

**Social Work Activities**

- **Supporting People with Disabilities**
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</tr>
<tr>
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<td>11.8</td>
<td>11.9</td>
<td>11.0</td>
</tr>
</tbody>
</table>
SK C&C Sustainability Report 2015

Transparent Governance

Board of Directors

SK C&C’s Board of Directors aims to become “Working BOD” that fulfills practical responsibilities to maximize corporate value. The BOD monitors and advances on the company’s important strategic decisions and business operations. Through the BOD, the company strives to uphold management transparency, and accountability and maximize value for stakeholders.

Composition of Board of Directors

SK C&C’s Board of Directors consists of two inside directors, one non-standing director, 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, consist of top experts in law, finance, and macroeconomics. To ensure objectivity and fairness, directors are nominated through the Outside Director Nomination Committee, which consists exclusively of outside directors and evaluates nominees based on criteria such as expertise, attitude to management, independence, and credibility. Among the nominees, directors are elected at a general meeting of shareholders.

SK C&C’s Board of Directors

<table>
<thead>
<tr>
<th>Classification</th>
<th>Name</th>
<th>Title</th>
<th>Appointment date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside Directors</td>
<td>Park, Jung Ho</td>
<td>President &amp; CEO of SK C&amp;C</td>
<td>03. 21, 2014</td>
</tr>
<tr>
<td></td>
<td>Joe  Ahn</td>
<td>Senior Vice President &amp; Head, SK C&amp;C Corporate Management Support Group</td>
<td>03. 20, 2015</td>
</tr>
<tr>
<td>Non-standing</td>
<td>Jee, Dong Seok</td>
<td>Executive Vice-President, Office of SUPEX Council</td>
<td>03. 20, 2015</td>
</tr>
<tr>
<td>Director</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside Directors</td>
<td>Han, Young Seok</td>
<td>Consulting lawyer of Law Firm Siwon II</td>
<td>03. 11, 2011</td>
</tr>
<tr>
<td></td>
<td>Ha, Kum Loul</td>
<td>Former President of Staff, SK C&amp;C Corporate Management Support Group</td>
<td>03. 20, 2015</td>
</tr>
<tr>
<td></td>
<td>Lee, Yong Hi</td>
<td>Former Vice-Chairman of NICE Information Services</td>
<td>03. 22, 2013</td>
</tr>
<tr>
<td></td>
<td>Ju, Soon Sik</td>
<td>Advisor of Law Firm Yulchon</td>
<td>03. 23, 2012</td>
</tr>
</tbody>
</table>

Structure and Responsibilities of Committees

<table>
<thead>
<tr>
<th>Committee name</th>
<th>Composition</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside Director Nomination Committee</td>
<td>4 outside directors (Han, Young Seok / Ha, Kum Loul / Jee, Dong Seok / Ju, Soon Sik)</td>
<td>Nominate outside director candidates of the company in accordance with laws, the articles of incorporation, and committee rules.</td>
</tr>
<tr>
<td>Internal Audit Committee</td>
<td>1 inside director (Jee, Dong Seok) / 3 outside directors (Han, Young Seok / Lee, Yong Hi / Ju, Soon Sik)</td>
<td>Review and grant approval of integrity of internal dealings between interested parties.</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>5 outside directors (Ha, Kum Loul / Lee, Yong Hi / Ju, Soon Sik)</td>
<td>Audit accounts and business operations of the company in accordance with laws, the articles of incorporation, or the rules of the Board of Directors.</td>
</tr>
</tbody>
</table>

Shareholder Composition (as of December 2014)

- Domestic Institutions: 19.9%
- Overseas Institutions: 21.8%
- General Investors: 2.7%
- Employee Stock Ownership: 0.1%
- Treasury Stock: 12.0%
- Total number of shares: 50 million shares

Largest Shareholders, etc. 43.5%
Committees under Board of Directors
SK C&C has three committees under the supervision of the Board of Directors: the compensation committee, the outside director nomination committee, and the internal trade committee. The compensation committee reviews and approves the compensation policies and plans for employees, officers and directors, and the outside director nomination committee reviews and approves the nomination and appointment of outside directors.

Operation of Board of Directors
The number of meetings held by the Board of Directors is 12, and the number of agenda items is 44. In terms of the number of meetings, the Board of Directors held 13 meetings in 2013 and 14 meetings in 2014, and the participation rate of outside directors was 99% in 2013 and 98% in 2014.

Compensation Policy of Board of Directors
SK C&C discloses the amounts of compensation for executive and outside directors in its business reports. The compensation policy for directors at BOD meetings and confirms the limits at a general meeting of shareholders on the basis of the year’s results. Furthermore, the Board of Directors discusses the amounts of compensation for executive and outside directors in its business reports.

Board of Directors and Communication
SK C&C discloses the amounts of compensation for executive and outside directors in its business reports. The Board of Directors operates efficiently and reasonably so that directors make the best decisions they can. Unless otherwise stated, all resolutions made by the BOD will be made by an affirmative majority of the votes cast.

Sustainability Governance
Sustainability Organization and System
SK C&C has a management specialist who is the company’s President and Chief Executive Officer (CEO) by a resolution of the Board of Directors. The CEO is authorized to oversee all the company’s business operations on its behalf. The highest-level decision-making body on sustainability management is the Top Management Meeting, which comprises the CEO and the division 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 Ethics 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. 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 and an ex-ante analysis are conducted again.

The Sustainability Management Team, a dedicated team for sustainability management directly under the CEO’s supervision, establishes a sustainability strategy, identifies solutions through a situation assessment, and provides monitoring and advice on sustainability issues. The team also establishes and manages a response system for safety, health, and environmental accidents occurring within the organization.

Sustainability Decision-Making Body
Under the CEO’s supervision, the Top Management Meeting consists of chief officers in the economic, social, and environmental areas, who are responsible for identifying risks and opportunities, and establishing and reviewing company-wide objectives and strategies. In addition, top management’s responsibilities include managing sustainability-related risks, checking whether tasks are to be implemented, and evaluating performance. Important meeting results are reported to the Board of Directors. As sustainability management becomes increasingly more important, the number of agenda items on sustainability management discussed by the BOD has been growing. SK C&C’s Sustainability Reports are reviewed by relevant organizations and reported to top management.

Sustainability Implementation System Structure/Operating Process
The Sustainability Implementation System Structure/Operating Process includes reporting the operating status of Compliance Program (CP), reporting results and plans for CP, and the Sustainability Issues Discussed at the Top Management Meeting.
Risk Management

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

Integrated Risk Management System

SK & C&C defines and proactively manages financial risks, such as sales, capital, credit, interest rates, liquidity, exchange rates, and investments, business risks concerning strategies, customers, and investor companies, operational risks associated with employees, processes, infrastructure, and organizational culture, and environmental risks on a macro-management level for the company’s mid-/long-term response to risks. SK & C&C also defines a framework for risk management and creates measures and programs designed to respond to risks and implement chiefly preventive risk mitigation strategies. 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.

By operating a company-wide risk management committee, SK & C&C carries out business decision-making based on risk forecasting and reviews. Through this process, the company encourages the responsible team and risk management team to freely exchange views.

Business Risk Management

When undertaking investments and IT projects 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, presents the risks at a risk review meeting, and organizes a risk review meeting with specialized teams responsible for 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 the cost and price at a project evaluation meeting. Through risk management, the project manager effectively executes a project, and the related teams regularly conduct risk monitoring of the project and manage risks.

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Code of Ethics

Code of Ethics

SK & C&C’s “Code of Ethics” has been kept up-to-date since its creation in 2003, and is utilized by employees as ethical decision-making criteria. When facing ethical dilemmas related to their jobs, SK & C&C’s employees are required to make decisions and act in accordance with the Code of Ethics. However, regarding matters that are not clearly defined in the Code of Ethics, employees should make decisions on their own according to the “Decision Making Principles” of legitimacy, transparency, and reasonableness. If they are not sure of their decisions, they are recommended to seek advice from their team leader or the Ethics Management Division.

Ethics Guide (Don’ts)

In 2010, SK & C&C gathered and compiled various cases of violations of ethics to create an ethics guide called “Don’ts,” so that all employees can utilize it as a guide to ethical behavior during daily business operations. In addition, in 2013, the company established an ethics guide for leaders (including conflict of interests, requests, corporate property protection, etc.) to encourage leaders to set an example. The ethics guide has been shared and periodically checked.

Ethical Management

Ethical Management

SK & C&C encourages all of its employees to develop a proper attitude to ethics, pursues the happiness of all stakeholders including customers, shareholders, partners, employees, and society, through ethical management and fair trade across all business operations, and strives to uphold corporate social responsibility and an ethically healthy corporate culture.

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. Since then, the company has devoted itself to incorporating ethical management into its corporate culture through a systemic 3C (Code, Compliance, and Consensus) based approach.
Ethical Management Organization

Through the Ethics Management Division, an independent organization under the CEO's supervision, SK C&C assesses employees' levels of compliance with the Code of Ethics and enforces a variety of systems and programs to ensure that ethical management can be practiced across the company's facilities. In 2014, the company promoted the ethical management organization from the office to the division and strengthened the assessment and support system, which helps the headquarters, subsidiaries, and overseas subsidiaries to develop ethical management activities.

Reporting Mechanisms

SK C&C operates various mechanisms through which all stakeholders can report unethical practices, promptly checks all the facts and provides quick feedback. Through its website, the company informs people how to report violations of ethical management. The company also runs a wide range of reporting mechanisms such as the “SK Ethical Management Counseling/Reporting” bulletin board, “1:1 Counseling Inquiries” at the customer service center, hotline (02-6400-6262) and fax (02-6400-0613).

Risk Assessment and Ethical Management Inspection

SK C&C conducts annual inspection and assessment of risks at facilities in four areas of HR, costs, purchasing, and BP (Business Partner) based on the prescribed checklist. Furthermore, the Ethics Management Division also performs periodic audits of facilities and frequent audits of reports filed through the reporting mechanisms.

Confirmed Violations of Regulations/Disciplines and Measures Taken

In 2014, there were 11 incidents of violation, which included violations of regulations, personal use of corporate property, and false reporting. In response to these violations, 13 disciplinary measures were taken, including three incidents of salary reductions and 10 incidents of reprimands. The reasons and details of disciplinary actions have been notified to all employees to prevent the recurrence of similar cases.

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 initiates a variety of activities online and offline. In particular, the company provides new employees with mandatory education on SK C&C's ethical management and makes passing an ethical management test a requirement for promotion. That way, the company ensures that ethical management is considered an important value of the company. Furthermore, through periodic surveys, SK C&C assesses employees' levels of compliance and incorporates the results into business operations to keep ethical management activities up-to-date.

Implementation of Compliance Program

SK C&C has adopted and faithfully adheres to the Compliance Program through collaboration with the Ethics Management Division and the Business Support Division to establish a culture of fair trade with business partners and improve the level of compliance.
### Economic Performance

#### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th>Classification</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>1,194,051</td>
<td>988,337</td>
<td>927,128</td>
</tr>
<tr>
<td>- Cash and cash equivalents</td>
<td>441,007</td>
<td>259,061</td>
<td>246,017</td>
</tr>
<tr>
<td>- Accounts receivable and other receivables</td>
<td>512,984</td>
<td>491,644</td>
<td>460,421</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>157,217</td>
<td>126,486</td>
<td>65,286</td>
</tr>
<tr>
<td>Stock inventory</td>
<td>38,232</td>
<td>83,675</td>
<td>141,780</td>
</tr>
<tr>
<td>Other current assets</td>
<td>24,617</td>
<td>27,477</td>
<td>13,624</td>
</tr>
<tr>
<td>Total current assets held for sale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Non-current assets</td>
<td>4,196,810</td>
<td>4,304,583</td>
<td>4,379,911</td>
</tr>
<tr>
<td>- Investments in subsidiaries and associates</td>
<td>3,259,326</td>
<td>3,391,718</td>
<td>3,314,585</td>
</tr>
<tr>
<td>- Tangible assets</td>
<td>399,959</td>
<td>467,969</td>
<td>574,183</td>
</tr>
<tr>
<td>- Intangible assets</td>
<td>119,235</td>
<td>112,594</td>
<td>101,717</td>
</tr>
<tr>
<td>- Accounts receivable and other receivables</td>
<td>23,498</td>
<td>22,769</td>
<td>20,430</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>2,982</td>
<td>1,882</td>
<td>18</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>351,780</td>
<td>307,012</td>
<td>367,692</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>649</td>
<td>1,266</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>5,390,861</td>
<td>5,307,012</td>
<td>5,307,039</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,188,862</td>
<td>873,214</td>
<td>640,529</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>1,761,162</td>
<td>1,918,912</td>
<td>2,044,143</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,950,144</td>
<td>2,792,126</td>
<td>2,704,672</td>
</tr>
<tr>
<td>Equity</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>△440,664</td>
<td>△535,911</td>
<td>△636,010</td>
</tr>
<tr>
<td>Other equity</td>
<td>△110,759</td>
<td>△100,185</td>
<td>32,544</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>2,981,791</td>
<td>3,126,460</td>
<td>3,178,899</td>
</tr>
<tr>
<td>Controlling Interest</td>
<td>2,440,368</td>
<td>2,500,364</td>
<td>2,585,433</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>549</td>
<td>440</td>
<td>16,954</td>
</tr>
<tr>
<td>Total equity</td>
<td>2,440,717</td>
<td>2,500,804</td>
<td>2,602,367</td>
</tr>
<tr>
<td>Number of companies included in the consolidated statement</td>
<td>13 companies</td>
<td>13 companies</td>
<td>14 companies</td>
</tr>
<tr>
<td>Operating revenue</td>
<td>2,241,803</td>
<td>2,301,755</td>
<td>2,425,967</td>
</tr>
<tr>
<td>Operating income</td>
<td>200,737</td>
<td>225,193</td>
<td>271,542</td>
</tr>
<tr>
<td>Investments in subsidiaries and associates</td>
<td>376,010</td>
<td>98,041</td>
<td>△38,677</td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>399,820</td>
<td>202,347</td>
<td>129,899</td>
</tr>
<tr>
<td>Net income attributable to controlling interests</td>
<td>399,505</td>
<td>202,256</td>
<td>127,294</td>
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<tr>
<td>Net income attributable to non-controlling interests</td>
<td>85</td>
<td>171</td>
<td>2,605</td>
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<tr>
<td>Total comprehensive income</td>
<td>267,429</td>
<td>212,348</td>
<td>174,042</td>
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<tr>
<td>Basic earnings per share (KRW)</td>
<td>8,574</td>
<td>4,429</td>
<td>2,897</td>
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</table>

*For more details on financial information, please refer to the Financial Supervisory Service’s Data Analysis, Retrieval and Transfer System (http://dart.fss.or.kr/)

### Environmental Performance

#### Energy Consumption

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<tr>
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<th>Unit</th>
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<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Total energy consumption (Absolute amount, Excluding the Scope 3)</td>
<td>TJ</td>
<td>491</td>
<td>534</td>
<td>809</td>
</tr>
<tr>
<td>Gas (MJ)</td>
<td>TJ</td>
<td>6</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Electricity</td>
<td>TJ</td>
<td>482</td>
<td>520</td>
<td>580</td>
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<tr>
<td>Local heating</td>
<td>TJ</td>
<td>9</td>
<td>7</td>
<td>27</td>
</tr>
<tr>
<td>Total energy consumption (excluding absolute amount and Scope 3)</td>
<td>TJ</td>
<td>0.322</td>
<td>0.253</td>
<td>0.257</td>
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<tr>
<td>Gas (Per billion KRW in revenue Per employee)</td>
<td>TJ</td>
<td>0.124</td>
<td>0.123</td>
<td>0.148</td>
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<tr>
<td>Electricity (Per billion KRW in revenue Per employee)</td>
<td>TJ</td>
<td>0.003</td>
<td>0.003</td>
<td>0.004</td>
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<tr>
<td>Local heating (Per billion KRW in revenue Per employee)</td>
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<td>0.001</td>
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#### Local Purchases in Significant Locations of Operation

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<tr>
<td>Total amount of purchase</td>
<td>TJ 702</td>
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<tr>
<td>Domestic (View)</td>
<td>6,885</td>
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<tr>
<td>Domestic (Local)</td>
<td>5,996</td>
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<td>Amount of overseas purchase</td>
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#### R&D Investments

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<tr>
<td>Total R&amp;D cost</td>
<td>TJ 27,041</td>
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<tr>
<td>Selling, general and administrative expenses (SG&amp;A)</td>
<td>TJ 16,814</td>
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<tr>
<td>Development cost</td>
<td>TJ 10,229</td>
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<td>Ratio of R&amp;D cost to revenue</td>
<td>1.116</td>
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#### Government Support

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<td>Total amount of support</td>
<td>TJ 727</td>
</tr>
<tr>
<td>Subsidies</td>
<td>0</td>
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<td>Tax deductions</td>
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Social Performance

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<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Total number of employees</td>
<td>person</td>
<td>4,013</td>
<td>4,344</td>
<td>4,111</td>
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<tr>
<td>Male</td>
<td>person</td>
<td>3,275</td>
<td>3,532</td>
<td>3,359</td>
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<tr>
<td>Female</td>
<td>person</td>
<td>738</td>
<td>812</td>
<td>758</td>
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<tr>
<td>Total number of full-time jobs</td>
<td>person</td>
<td>3,855</td>
<td>4,195</td>
<td>4,016</td>
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<td>Male</td>
<td>person</td>
<td>3,154</td>
<td>3,436</td>
<td>3,209</td>
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<tr>
<td>Female</td>
<td>person</td>
<td>701</td>
<td>717</td>
<td>727</td>
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<tr>
<td>Total number of contract jobs</td>
<td>person</td>
<td>158</td>
<td>149</td>
<td>75</td>
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<tr>
<td>Male</td>
<td>person</td>
<td>141</td>
<td>94</td>
<td>44</td>
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<tr>
<td>Female</td>
<td>person</td>
<td>17</td>
<td>55</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Ratio of non-employees to total workforce</td>
<td>%</td>
<td>0.8</td>
<td>0.6</td>
<td>1.2</td>
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<tr>
<td>Male non-employees</td>
<td>person</td>
<td>9</td>
<td>14</td>
<td>17</td>
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<tr>
<td>Female non-employees</td>
<td>person</td>
<td>23</td>
<td>16</td>
<td>26</td>
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<tr>
<td>Employees with disabilities</td>
<td>person</td>
<td>25</td>
<td>31</td>
<td>39</td>
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<tr>
<td>Individuals and veterans</td>
<td>person</td>
<td>84</td>
<td>81</td>
<td>77</td>
<td></td>
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<tr>
<td>Ratio of new hires</td>
<td>%</td>
<td>15</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Total number of new hires</td>
<td>person</td>
<td>590</td>
<td>285</td>
<td>221</td>
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<tr>
<td>Male</td>
<td>person</td>
<td>421</td>
<td>222</td>
<td>182</td>
<td></td>
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<tr>
<td>Female</td>
<td>person</td>
<td>169</td>
<td>63</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Permanent (full-time employees)</td>
<td>%</td>
<td>8</td>
<td>15</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>%</td>
<td>8</td>
<td>15</td>
<td>15</td>
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<td>Female</td>
<td>%</td>
<td>7</td>
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<table>
<thead>
<tr>
<th>Rate of Local Managers at Significant Locations of Operation</th>
<th>Classification</th>
<th>Unit</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Chinese subsidiary</td>
<td>Total workforce</td>
<td>person</td>
<td>418</td>
<td>359</td>
<td>332</td>
</tr>
<tr>
<td></td>
<td>Total number of managers</td>
<td>person</td>
<td>6</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Number of local managers</td>
<td>person</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Ratio of local managers</td>
<td>%</td>
<td>95</td>
<td>25</td>
<td>20</td>
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<tr>
<td>USA subsidiary</td>
<td>Total workforce</td>
<td>person</td>
<td>58</td>
<td>70</td>
<td>51</td>
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<tr>
<td></td>
<td>Total number of managers</td>
<td>person</td>
<td>9</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Number of local managers</td>
<td>person</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Ratio of local managers</td>
<td>%</td>
<td>56</td>
<td>67</td>
<td>75</td>
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**Greenhouse Gas Emissions**

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<th>2014</th>
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<tbody>
<tr>
<td>Scope 1</td>
<td>tCO₂e</td>
<td>288</td>
<td>368</td>
<td>452</td>
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<tr>
<td>Scope 2</td>
<td>tCO₂e</td>
<td>0.129</td>
<td>0.160</td>
<td>0.186</td>
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<tr>
<td>Scope 3</td>
<td>tCO₂e</td>
<td>0.072</td>
<td>0.085</td>
<td>0.110</td>
</tr>
<tr>
<td>Upstream</td>
<td>tCO₂e</td>
<td>23,647</td>
<td>25,423</td>
<td>28,691</td>
</tr>
<tr>
<td>Scope 2</td>
<td>tCO₂e</td>
<td>16,547</td>
<td>17,049</td>
<td>18,827</td>
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<tr>
<td>Scope 3</td>
<td>tCO₂e</td>
<td>5,895</td>
<td>5,852</td>
<td>6,874</td>
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<tr>
<td>Scope 3</td>
<td>tCO₂e</td>
<td>2,205</td>
<td>2,276</td>
<td>2,385</td>
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<tr>
<td>Upstream</td>
<td>Fuel &amp; energy not included in Scopes 1 &amp; 2</td>
<td>tCO₂e</td>
<td>872</td>
<td>942</td>
</tr>
<tr>
<td>Transportation &amp; distribution</td>
<td>tCO₂e</td>
<td>16</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Waste generated from work</td>
<td>tCO₂e</td>
<td>29</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>Business trip</td>
<td>tCO₂e</td>
<td>619</td>
<td>560</td>
<td>566</td>
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<tr>
<td>Employee commuting</td>
<td>tCO₂e</td>
<td>8</td>
<td>8</td>
<td>8</td>
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<tr>
<td>Leased assets</td>
<td>tCO₂e</td>
<td>1,261</td>
<td>1,261</td>
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**Water Use**

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<th>Unit</th>
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<th>2013</th>
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</tr>
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<tbody>
<tr>
<td>Total use</td>
<td>ton</td>
<td>135,737</td>
<td>131,788</td>
<td>121,479</td>
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<tr>
<td>Amount of water recycled and reused</td>
<td>ton</td>
<td>5,858</td>
<td>5,915</td>
<td>5,052</td>
</tr>
<tr>
<td>Rate of water recycled and reused to total water withdrawal</td>
<td>%</td>
<td>4</td>
<td>4</td>
<td>3</td>
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**Waste**

<table>
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<th>Unit</th>
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<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount recycled</td>
<td>ton</td>
<td>161</td>
<td>145</td>
<td>135</td>
</tr>
<tr>
<td>General waste</td>
<td>ton</td>
<td>259</td>
<td>94</td>
<td>134</td>
</tr>
<tr>
<td>Designated waste</td>
<td>ton</td>
<td>13</td>
<td>9</td>
<td>3</td>
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**Environmental Protection Expenditures and Investments**

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<th>Unit</th>
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<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of emissions treatment</td>
<td>KRW</td>
<td>35,918,100</td>
<td>31,416,000</td>
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<tr>
<td>Cost of verification related to emissions</td>
<td>KRW</td>
<td>3,500,000</td>
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<tr>
<td>Cost of environmental education and training</td>
<td>KRW</td>
<td>12,500,000</td>
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<td></td>
</tr>
<tr>
<td>Cost of on-site certification for environmental systems</td>
<td>KRW</td>
<td>15,000,000</td>
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Appendix
### GRI G4 Content Index

#### G4 General Standard Disclosure

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<tr>
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<th>Coverage</th>
<th>Page/Direct Answer</th>
<th>External Assurance</th>
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<td>G4-1</td>
<td>Partial</td>
<td>pp.2-3</td>
<td>pp.64-65</td>
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#### Organizational Profile

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#### Strategy and Analysis

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#### Reporting period

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#### Materiality

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#### Stakeholder Engagement

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#### Reporting profile

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#### G4-23 | Full | pp.4 | pp.66-67 |

#### G4-22 | Full | pp.4 | pp.66-67 |

#### G4-21 | Full | pp.4 | pp.66-67 |

#### G4-20 | Full | pp.4 | pp.66-67 |

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#### G4-18 | Full | pp.4 | pp.66-67 |

#### G4-17 | Full | pp.4 | pp.66-67 |

#### G4-16 | Full | pp.4 | pp.66-67 |

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#### G4-12 | Full | pp.4 | pp.66-67 |

#### G4-11 | Full | pp.4 | pp.66-67 |

#### G4-10 | Full | pp.4 | pp.66-67 |

#### G4-9 | Full | pp.4 | pp.66-67 |

#### G4-8 | Full | pp.4 | pp.66-67 |

#### G4-7 | Full | pp.4 | pp.66-67 |

#### G4-6 | Full | pp.4 | pp.66-67 |

#### G4-5 | Full | pp.4 | pp.66-67 |

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### G4 Specific Standard Disclosures

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<td>DC4</td>
<td>Ratio of standard entry-level wage by gender compared to local minimum wage at significant locations of operation</td>
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<td>DC5</td>
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<td>Energy intensity</td>
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<td></td>
<td></td>
<td></td>
<td>EN4</td>
<td>Reduction of energy consumption</td>
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<td>EN5</td>
<td>Significant changes in type and disposal method of hazardous waste</td>
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<td>EN7</td>
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<td>EN8</td>
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<td>EN9</td>
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<td>Percentage of products sold and their packaging materials that are certified for recycling</td>
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<td>EN13</td>
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<td></td>
<td>EN14</td>
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<td>EN15</td>
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<td>EN16</td>
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### Social / Human Rights

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<td>SO2</td>
<td>Total number of activities with impact assessments (local community and social)</td>
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<td>SO3</td>
<td>Total number of activities linked to specific community initiatives</td>
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<td>SO4</td>
<td>Percentage of new suppliers that were screened using human rights criteria</td>
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<td>SO5</td>
<td>Significant actual and potential negative human rights impacts in the supply chain and actions taken</td>
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<td>SO6</td>
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<td><strong>Labor Practices and Decent Work</strong></td>
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<td>LA2</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by gender</td>
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<td></td>
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<td>LA3</td>
<td>Retain an equal- and retention rates after parental leave, by gender</td>
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<td>LA4</td>
<td>Minimum wages regarding operational charges, including whether these are subject to collective agreements</td>
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<td></td>
<td>LA5</td>
<td>Percentage of employees participating in formal print management-processual health and safety committees that help monitor and advise on occupational health and safety programs</td>
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### Social / Product Responsibility

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<td>MC2</td>
<td>Total number of significant instances with regard to marketing and advertising codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of sanctions</td>
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<td>Customer Relations</td>
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<td>Non-material Aspects (G4a p.15)</td>
<td>Compliance</td>
<td>CO1</td>
<td>Percentage of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services</td>
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</tbody>
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**G4 Specific Standard Disclosures**

- **Economic Performance**
  - Material Aspects (G4a p.15)
  - Coverage: Economic Performance
  - G4 Indicator:
    - DC1: Delivery of economic performance and other risks and opportunities for the organization’s activities due to climate change
    - DC2: Coverage of the organization’s debt repayment obligations
    - DC3: Financial performance evaluation governance
    - DC4: Ratio of standard entry-level wage by gender compared to local minimum wage at significant locations of operation
    - DC5: Proportion of non-management personnel hired from the local community at significant locations of operation
    - DC6: Significant material economic impacts, including the impact of trends

- **Environmental**
  - Material Aspects (G4a p.15)
  - Coverage: Environmental
  - G4 Indicator:
    - EN1: Energy consumption within the organization
    - EN2: Energy consumption outside of the organization
    - EN3: Energy intensity
    - EN4: Reduction of energy consumption
    - EN5: Significant changes in type and disposal method of hazardous waste
    - EN6: Percentage allocated volume of water recycled and reused
    - EN7: Total quantity of greenhouse gas (GHG) emissions (scope 1)
    - EN8: Other significant quantities of GHG emissions (scope 2)
    - EN9: Reduction of greenhouse gas (GHG) emissions
    - EN10: Total energy required for production and services
    - EN11: Percentage of products sold and their packaging materials that are certified for recycling
    - EN12: Percentage of operations with implemented local community engagement, communication and training on anti-corruption policies and procedures
    - EN13: Percentage of operations that have implemented human rights due diligence and monitoring mechanisms
    - EN14: Percentage of new suppliers that were screened using human rights criteria
    - EN15: Significant actual and potential negative human rights impacts in the supply chain and actions taken
    - EN16: Significant negative human rights impacts filed, addressed, and resolved through formal grievance mechanisms

- **Social / Community**
  - Material Aspects (G4a p.15)
  - Coverage: Social / Community
  - G4 Indicator:
    - SO1: Percentage of operations with implemented local community engagement, impact assessments, and development programs
    - SO2: Total number of activities with impact assessments (local community and social)
    - SO3: Total number of activities linked to specific community initiatives
    - SO4: Percentage of new suppliers that were screened using human rights criteria
    - SO5: Significant actual and potential negative human rights impacts in the supply chain and actions taken
    - SO6: Significant negative human rights impacts filed, addressed, and resolved through formal grievance mechanisms

- **Labor Practices and Decent Work**
  - Material Aspects (G4a p.15)
  - Coverage: Labor Practices and Decent Work
  - G4 Indicator:
    - LA1: Number of violations and number of new employees hired and employee turnover by age group, gender, and region
    - LA2: Benefits provided to full-time employees that are not provided to temporary or part-time employees, by gender
    - LA3: Retain an equal- and retention rates after parental leave, by gender
    - LA4: Minimum wages regarding operational charges, including whether these are subject to collective agreements
    - LA5: Percentage of employees participating in formal print management-processual health and safety committees that help monitor and advise on occupational health and safety programs

- **Social / Product Responsibility**
  - Material Aspects (G4a p.15)
  - Coverage: Social / Product Responsibility
  - G4 Indicator:
    - MC1: Sale of branded or disposed products
    - MC2: Total number of significant instances with regard to marketing and advertising codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of sanctions
    - CR1: Percentage of customer complaints regarding breaches of customer confidentiality and breaches of customer data
    - CO1: Percentage of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services
To the Stakeholders of SK C&C

The Korea Productivity Center (the “Assurer”) presents this assurance statement upon request from SK C&C Co., Ltd. to provide an independent assurance on the “2015 SK C&C Sustainability Report (the “Report”).

Responsibility and Independence

SK C&C is entirely responsible for all information and opinions presented in the “Report”. The Assurer is solely responsible for providing a third party verification of the contents of the “Report”. As an independent assurance agency, the Assurer neither was in the process of developing the “Report” with SK C&C, nor is in any conflict of interest that may undermine our independence.

Assurance Standards

The independent assurance was performed in accordance with Type 1 (Type 2 was applied to environmental data: water, waste) and the moderate level of assurance engagement based on AA1000APS (2008) assurance standards. The Assurer also verified the suitability of inclusivity, materiality and responsiveness based on AA1000APS (2008) assurance principles. Furthermore, the Assurer checked the compliance of the Report contents with GRI G4 Guideline standards.

Limitation

The Assurer conducted an assurance of SK C&C’s performance in 2014 in accordance with the standards above, and verified the credibility of the performance in the Report in following manners:

- Verified the basis of major data and information and the internal process and system through the on-site inspection in Bundang headquarters.
- Verified the suitability of contents and any errors in expression through comparison analysis with other sources.
- Verified the appropriateness of material issues and contents of the Report through media research and benchmarking analysis.

Methodology

The independent assurance of the Report was conducted following the methods below:

- Verified if the requirements for comprehensive options of GRI G4 Guidelines were fulfilled.
- Verified the compliance with the principles of the Report contents and quality based on GRI G4 Guidelines.
- Verified the appropriateness of material issues and contents of the Report through media research and benchmarking analysis.
- Verified the suitability of the contents and any errors in expression through comparison analysis with other sources.
- Verified the basis of major data and information and the internal process and system through the on-site inspection in Bundang headquarters.

Conclusions

The Assurer verified that the Report accurately and fairly reflects SK C&C’s sustainability activities and performance. The Assurer also verified that the Report meets the requirements for comprehensive options of GRI G4 Guideline.

Additional opinions on the principles presented in AA1000APS (2008) are as follows:

Inclusivity: Stakeholder Engagement

The Assurer could verify that SK C&C defines its key stakeholders into 6 groups: customers, shareholders and investors, employees, business partner, local community, and environment, clearly classified communication channels and expectations of each group, and collects stakeholders’ opinions through active communication.

Materiality: Identification and Reporting of Material Issues

The Assurer verified that SK C&C decides on its sustainability management issues based on the last year's issues, global sustainability standards including GRI G4 Guideline and ISO 26000, media research, and issues of other companies in the same line of business. Also, SK C&C assessed the materiality of selected issues, prioritized them in accordance with business significance and stakeholder's influence, and evenly included them in the Report.

Responsiveness: Organization’s Response to Issues

The Assurer verified that SK C&C identified major expectations effective to stakeholders’ performance, implemented activities as responsive measure, and reflected them in the Report. Material issues were categorized into five sections according to SK C&C’s sustainable management strategy, and reflect the company’s management approach measure, mid-/long-term strategy, time period, and performance of relevant activities effectively.

Recommendation

The Assurer highly values SK C&C’s various efforts and performance for enhancing its sustainability, and suggests below for the company’s future publication of the Report and improvement of its sustainability standard:

- The system of sustainability management strategy needs to be constantly improved to systematically promote sustainable management. SK C&C will be able to specifically induce its sustainability activities and performance in the Report by deducting tasks and KPIs based on its sustainability strategy and by managing them continuously.
- As the publication frequency of the sustainability report has changed from biennial to annual, data management has become more important. Especially for the material issues, responsibilities and authorization for data collection, management and composition should be clearly defined, and activity improvement according to data changes is recommended by setting management period (quarterly, biannually, etc.) based on their significance.
Greenhouse Gas Verification Report

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

SK C&C’s data regarding greenhouse gas (GHG) emissions and energy usage has been verified to a limited degree by KPC for the year 2014.

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

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.

SK C&C has performed the appropriate corrective actions in response to its main aspects of improvement, which was discovered during the verification process. This assurance engagement was carried out to the extent that the data were measurable based on SK C&C’s fulfillment of its social responsibilities.

Regarding the emissions data in 2014, including Scope 1, Scope 2, and Scope 3, and the data of energy usage, we found that the Report was appropriately prepared in accordance with the assurance standards and concluded that the Report was "Appropriate."

April 2015
Hong Soon-Jick
CEO

Human Rights Statement

Under its philosophy, "A company should achieve its ultimate goal of sustainable progress by maintaining stability and growth, and it should create value for its customers, employees, and shareholders, thereby contributing to the happiness of mankind," SK C&C respects the basic rights of various stakeholders surrounding the company, such as customers, employees, business partners, and communities.

SK C&C will focus on the following human rights aspects, which are considered a priority by the international community, which impacts SK C&C’s business and those that the company’s has control and can influence across its operations. In addition, through its sustainability report, the company discloses its human rights activities to its stakeholders.

**Labor**
- Prohibit discrimination on the basis of gender, race, age, disability, religion, or education
- Prohibit inhumane practices such as violence and harassment at the workplace
- Create a safe and comfortable work environment
- Prohibit forced and child labor
- Respect freedom of speech, privacy, and protection against infringements of privacy
- Comply with the recommendations of the International Labour Organization and the national labor policy

**Business Partners**
- Guarantee every company an equal opportunity to participate and be selected
- Foster a healthy and transparent trade culture and maintain fair trading order
- Conduct transactions on equal footing, rather than in superior position

**Services and Products**
- Prohibit the use of technologies or services provided by the company for human rights violation and criminal purposes
- Respect customer demands and develop and provide premium services
- Make efforts to prevent security accidents through reinforcement of security management

**Communities**
- Strive to bridge the digital divide for socially disadvantaged groups
- Actively engage in resolving environmental and social problems that affect communities
- Implement social contribution activities to improve the social skills and convenience of people with disabilities

Furthermore, SK C&C publicly declares its commitment to universal respect for human rights and freedoms as recommended by the UN’s Universal Declaration of Human Rights and Guiding Principles on Business and Human rights. Along with commitment to preventing human rights violations, SK C&C will also promptly respond to incidents of violations to ensure that human rights are respected and protected.
On May 1, 2012, SK C&C announced that it had joined a voluntary initiative called the UN Global Compact (UNGCC) as a commitment to corporate social responsibility. Under the UNGCC principles, the company supports the precautionary principle and devotes itself to compliance with the UNGCC’s 10 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 UNGCC’s 10 Principles, publicly disclose information about its performances, and diligently fulfill its responsibilities as a responsible global citizen.

### Classification

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<th>Classification</th>
<th>Principle</th>
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<tr>
<td>Human Rights</td>
<td>Principle 01. Businesses should support and respect the protection of internationally proclaimed human rights.</td>
<td>p.67/ SK C&amp;C respects all kinds of human rights set forth in the Universal Declaration of Human Rights adopted by the UN.</td>
</tr>
<tr>
<td>Labor</td>
<td>Principle 05. Businesses should not discriminate in hiring and workplace policies.</td>
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<td></td>
<td>Principle 06. The elimination of all forms of forced and compulsory labor.</td>
<td>p.67/ SK C&amp;C does not allow any form of compulsory labor</td>
</tr>
<tr>
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<td>Principle 07. The elimination of management policies and practices that lead to the violation of human rights.</td>
<td>p.67/ SK C&amp;C follows UNGC principles</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>Principle 11. Businesses shall work against corruption in all its forms, including extortion and bribery.</td>
<td>p.51–52</td>
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### Membership

01. Korea IT Service Industry Association  
02. Korea SW Industry Association  
03. The Federation of Korean Information Industry  
04. Korean Economic Club  
05. Korea International Trade Association  
06. Korea DB Industry Association  
07. Big Data Professional Association  
08. Seongnam Chamber of Commerce and Industry  
09. Korea Fair Competition Federation  
10. Korea Listed Companies Association  
11. Korea K-Start  
12. Business Ethics and Sustainability Management for Top performance  
13. SDN/NFV Forum  
14. Korea SW Architecture Association

### Awards and Recognition

- **KCCP**  
  Elected as a Gold company on the Win-Win Index
- **Ministry of Employment and Labor**  
  Selected for outstanding labor management culture
- **Best Family-Friendly Management**  
  Awarded for excellent employee benefits for family-friendly management
- **Dow Jones Sustainability Indices**  
  Listed on the Dow Jones Sustainability World Index for three consecutive years
- **Federation of Korean Information Industry**  
  Listed in the Federation of Korean Information Industry’s Top 3 for three consecutive years
Company Overview

Overseas Expansion and Regional Hubs

2014 Financial Highlight (Consolidated, unit: KRW billion)
Revenue: 2,426 | Operating Income: 271.5
Credit Rating: Corporate Bonds AA / Commercial Paper A1
(NiCE Credit Information Service, Korea Ratings, Korea Investors Service)

Overseas Subsidiaries and Branches

1. SK C&C Co., Ltd.
   IT Services, Security Services, Online/offline Distribution, etc.

2. Infosec Co., Ltd.
   Information Protection Services, Educational Services

3. SK Encar.com Co., Ltd.
   Online Distribution of Pre-owned Cars

4. ESSENCORE Limited
   Manufacturing/distribution of Semiconductor Modules

5. SK C&C Beijing Co. Ltd
   System Integration, SOC/ICT, etc.

6. SK C&C Chengdu Co. Ltd
   System Integration, SOC/ICT, etc.

7. SK C&C Shenyang Co. Ltd
   System Integration, SOC/ICT, etc.

8. Dubai Office
   IT Services, etc.

9. Azerbaijan Office
   IT Services, etc.

Headquarters
1. SK C&C Co., Ltd.

Subsidiaries
1. SK C&C Co., Ltd.

Manufacturing/distribution of Semiconductor Modules

2. Infosec Co., Ltd.
   Information Protection Services, Educational Services

3. SK Encar.com Co., Ltd.
   Online Distribution of Pre-owned Cars

4. ESSENCORE Limited
   IT Services, etc.
Equipped with the industry's finest experts and world-class consulting methodologies, SK C&C brings the comprehensive industry experience and accumulated expertise of its consultants, emerging management theories, and new technology research results in order to create new value for customers. By utilizing the aforementioned competencies, the company strives to become a "Biz Innovator for Future Growth" and "Knowledge Leader in Increasing Business Value," which helps its customers enhance their capabilities in the areas of business strategy, IT and new BM consulting.

**Telecommunications Consulting**
As a consulting partner for SK Telecom, the country’s top telecommunications company, SK C&C provides consulting services in the marketing and networking areas. Based on its comprehensive knowledge and experience in the entire telecommunications and ICT industry, the company is expanding into the business of distinct consulting services by establishing a strategy to effectively cope with the rapidly changing ICT convergence environment, which includes mobility and the IoT, and by developing a new business model.

**Hi-Tech Consulting**
SK Hynix, a global memory semiconductor supplier as its customer, SK C&C is leading consulting services in the Process Innovation (PI), Supply Chain Management (SCM), Manufacturing Execution System (MES), and Manufacturing Automation Areas across the business value chain, targeting customers working in the high-tech industry. The company is expanding into business areas where it can increase customer value by incorporating changes in the business environment and the latest ICT trends, into the business.

**Industry Consulting**
Working with SK’s affiliated companies in energy and logistics services, SK C&C provides a variety of consulting services related to business strategies, procurement, logistics, and Supply Chain Management (SCM), and is now expanding into the areas of IoT-based logistics optimization, energy and environmental consulting. Furthermore, as a leader in the creation of next-generation systems for the banking sector, SK C&C is spearheading efforts to create new customer value, primarily in the area of convergence-based business consulting, which combines cutting-edge ICT and banking knowledge, ranging from online transaction processing to data warehousing and smart channels.

**Finance**
Amid fierce competition, SK C&C provides total service to customers to gain a competitive advantage, ranging from the deployment of business process redesign, Information Strategy Planning (ISP), Enterprise Architecture (EA), and smart channels, to the design and deploy compliance consulting services such as International Financial Reporting Standards (IFRS) and Basel. SK C&C’s state-of-the-art solutions and methodologies, including NEXCORE, help customers gain the core capabilities and flexibility necessary to respond to the rapidly changing financial markets.

**Emerging Trends**
- Fin-Tech, Open Banking, Smart Branch, Paperless, etc.
- Construction of next-generation systems
- Construction of digital warehousing systems (Enterprise Data Warehouse, Customer Relationship Management, etc.)
- Construction of channels and mobile systems
- Construction of an integrated security system
- Smart channel consulting and construction

**IT Services System Integration**

**Telecommunications Consulting**
As a consulting partner for SK Telecom, the country’s top telecommunications company, SK C&C provides consulting services in the marketing and networking areas. Based on its comprehensive knowledge and experience in the entire telecommunications and ICT industry, the company is expanding into the business of distinct consulting services by establishing a strategy to effectively cope with the rapidly changing ICT convergence environment, which includes mobility and the IoT, and by developing a new business model.

**Hi-Tech Consulting**
SK Hynix, a global memory semiconductor supplier as its customer, SK C&C is leading consulting services in the Process Innovation (PI), Supply Chain Management (SCM), Manufacturing Execution System (MES), and Manufacturing Automation Areas across the business value chain, targeting customers working in the high-tech industry. The company is expanding into business areas where it can increase customer value by incorporating changes in the business environment and the latest ICT trends, into the business.

**Industry Consulting**
Working with SK’s affiliated companies in energy and logistics services, SK C&C provides a variety of consulting services related to business strategies, procurement, logistics, and Supply Chain Management (SCM), and is now expanding into the areas of IoT-based logistics optimization, energy and environmental consulting. Furthermore, as a leader in the creation of next-generation systems for the banking sector, SK C&C is spearheading efforts to create new customer value, primarily in the area of convergence-based business consulting, which combines cutting-edge ICT and banking knowledge, ranging from online transaction processing to data warehousing and smart channels.

**Finance**
Amid fierce competition, SK C&C provides total service to customers to gain a competitive advantage, ranging from the deployment of business process redesign, Information Strategy Planning (ISP), Enterprise Architecture (EA), and smart channels, to the design and deploy compliance consulting services such as International Financial Reporting Standards (IFRS) and Basel. SK C&C’s state-of-the-art solutions and methodologies, including NEXCORE, help customers gain the core capabilities and flexibility necessary to respond to the rapidly changing financial markets.

**Emerging Trends**
- Fin-Tech, Open Banking, Smart Branch, Paperless, etc.
- Construction of next-generation systems
- Construction of digital warehousing systems (Enterprise Data Warehouse, Customer Relationship Management, etc.)
- Construction of channels and mobile systems
- Construction of an integrated security system
- Smart channel consulting and construction

**Banks · Securities · Insurance · Cards · Capital**
- Construction of channels and mobile systems
- Construction of an integrated security system
- Smart channel consulting and construction

**Compliance**
- IFRS, Capital Market Business System (CMBS), Basel, Anti-money Laundering (AML)
Business Areas

Public · Social Overhead Capital (SOC)

SK C&C contributes to enhancing the country’s competitiveness and progress by bringing its accumulated experience and competent experts into the entire IT services area. In addition, by utilizing its diverse experience in IT services, the company has made forays into global markets like MENA, CIS, and Southeast Asia, and has assisted in upgrading public services in those countries and improving the quality of public services and people’s lives.

Intelligent Transportation System (ITS)
- Advanced Transportation Management Systems (ATMS)
- Advanced Traveler Information System (ATIS)
- Advanced Public Transportation Systems (APTS)
- Commercial Vehicle Operations (CVO)
- Bus Information System (BIS)
- Bus Management System (BMS)
- Electrical Transportation System (ETS)
- Signal Control, Transit Card, etc.

Integrating Computing Centers
- Creating center environments, system relocations, integrated infrastructure construction, operations, and maintenance/repairs, etc.
- Railway/Subway: Communication, signaling, and power supply systems, station automation, integrated information systems, etc.
- Construction IT: Construction and civil engineering IT, total facility control, u-City, u-Engineering, u-Service, Theme Parks, etc.
- Sports/Events IT: Games Management System (GMS), Games Result System (GRS), Information Distribution System (IDS)

Security
- Integrated surveillance systems, integrated CCTV monitoring, and convergence security systems for national border, airport, and port security.
- Safety: National disaster prevention, emergency relief standards, fire prevention information, CCTV integration, integrated 119 reporting systems, remote first aid via video systems, etc.
- Administrative: E-government standards, mobile e-governments, national representatives forums, address system management (based on geographical information systems), etc.
- National Defense: Joint fire operating systems, etc.
- Legal/Police: Immigration control, digital forensics, etc.
- Intelligent Building System (IBS): Building automation, integrated surveillance, CCTV, integrated wiring, equipment controls, etc.

Other
- Railway/Subway: Communication, signaling, and power supply systems, station automation, integrated information systems, etc.
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System Integration

Manufacturing · Service

SK C&C brings its diverse experience in system deployment with accumulated expertise and technical capabilities, to provide optimized solutions and specialized technicians across a wide range of areas where customers are involved to support their businesses.

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Business Areas

IT Services

IT Outsourcing

Telecommunication • Media

SK C&C is leading the age of convergence in which technological evolutions take place, such as the convergence of wired and wireless services, and the convergence of broadcasting and telecommunications. Along with the NVIOS solution, which combines the company’s years of experience in providing the highest-quality telecommunications services and its accumulated expertise in service operations, the company offers the best solutions and services to domestic and international mobile service providers and broadcasting companies. Work with SK C&C and become a pioneer in new convergence businesses.

Telecommunications
- Customer Care & Billing Systems (CCBS)
- Mobile Virtual Network Operator (MVNO) Solutions
- Mobile Applications & Solutions (Enterprise Mobile Platform, etc.)
- Network Engineering, Network Application Platform, Revenue Assurance System

Media
- Broadcasting Infrastructure Construction, Maintenance and Repairs, Digital Multimedia Centers (DMC)
- Reporting Information System, Content Management System, HD & 3-D Baseband Production and Broadcasting
- Construction of Head-end (IPTV/SO), Commercial Broadcasting, Theme Park, Exhibition Center, VOD Billing System
- DTV/IPTV, Network Production System (NPS)
- Unified Communication, Video Conferencing System

Semi-Conductor

The semiconductor industry requires large-scale equipment and R&D investments to lead high-tech smart environments. Since semiconductor technological innovations take place extremely fast, the core capabilities mean IT capabilities within the industry. Using its IT capabilities, SK C&C provides IT services to all semiconductor areas.

- Automation/Yield Control, Logistics, Security, Management Information, etc.

Energy • Chemicals

SK C&C is an ideal IT partner for a wide range of energy and chemical companies at home and abroad. By utilizing its comprehensive knowledge of the industry, from materials import to production and sales, the company delivers the streamlining of unit business processes and the optimization of overall business operations. SK C&C’s solutions, which are specially made for energy and chemical business environments and business processes, contributes to reducing costs and enhancing competitiveness, thereby helping customers become successful.

- Integrated logistics center operations system, automatic shipping system
- LPG ordering system, charging station management system, integrated gas safety management system, transportation vehicle scheduling system
- Integrated MIS, e-HRIS, SKYBID, portals of local services centers
- Electronic notification system, routing simulator system, automated vehicle scheduling system

Specialization • Common Solutions

SK C&C continuously develops and applies specialized solutions across industries based on its knowledge of customers’ businesses and helps customers enhance their capabilities. In addition, by developing general industry solutions that increase the fundamental capabilities of IT services business, SK C&C is at the forefront of the effort to advance the quality and standard of IT services in Korea.

1) ERP (Consulting, deployment, operations)
2) CRM (CRM, BI, DW-related consulting, deployment, operations)
3) SCM (Demand forecasting, optimization, inventory control-related deployment, operations)
4) SHE (Safety, Health, Environment-related consulting, deployment, operations)
5) Security (Diagnostics, consulting, deployment, surveillance (remote/on-site), certification, physical security)
6) Infrastructure (IDC, cloud, circuit service, call center, etc.)
7) Smart Working (Groupware, UC, mobile)
8) Smart Manufacturing (ICT-based manufacturing automation, monitoring, optimization, etc.)
9) Big data, IoT, cloud-related solutions
Business Areas

IT Services

IT Outsourcing

- Infrastructure Operations Management Service  The Infrastructure Operations Management Service provides integrated operation of customers’ IT services through comprehensive and systemic management of various IT platforms in a steady and efficient manner. Through the modularization of operations management targets and operations services, customers can choose their desired service targets and levels to make effective investments.

- Network Line Service  The company utilizes 15 domestic and 7 international network nodes whose major intervals comprise DWDM to provide network and internet connections for work purposes anywhere.

- Unified Communications Service  By integrating/constructing data, voice, and video communications into an IP network and connecting groupware (messenger, email, etc.) to network systems (telephone, video conferencing, etc.), this service integrates a variety of communication mechanisms and allows one-point access and real-time communication between users.

- PC Operations Service  As a total hardware and software operations service designed to provide end-user computing and human interface, this total PC operations service allows PC policy setting, technical support, environment configuration, change management, fault troubleshooting, and on-site support.

- SAP ERP Operations Service  Since a company’s operations undergo dynamic changes and continue to evolve in the globally competitive environment, the ERP system, an infrastructure system for enterprises, also needs to promptly respond to user demands and evolve. SK C&C provides an effective service for long-term system lifecycle management.

- Groupware Service  The Groupware Service provides a solution to create an ideal work environment and communication, collaboration, decision-making tool support, and consultation on customer needs to increase productivity at work.

- Application Operations Service  SK C&C provides an advanced application operations service based on its experience in deploying applications to various industries and its expertise in new information system deployment and O/S operations on the basis of standard development methodologies.

- Data Center Service  By utilizing the top-notch capabilities and experience concentrated at SK C&C’s large-scale data center, the company provides protection for customers’ IT assets and secure operating environments, and offers suggestions for improvement to make IT operating environments more efficient.

- Disaster Recovery Service  SK C&C constructs a recovery site in the case of an emergency or a large-scale disaster, and performs systemic maintenance/repairs and periodic recovery testing according to a test plan, so that, when an actual disaster occurs, customers can continue to conduct their business in the ordinary way.

New Biz based on IT Trends

- Mobility  SK C&C offers a total mobility solution encompassing consulting, system development and deployment, and device supply, for all business customers who intend to seamlessly expand their business environments by utilizing smart devices like smartphones and tablets.

- Cloud  Through internalization of software-based cloud computing technologies and solution development, SK C&C provides cloud computing deployment/consulting services and infrastructure/platform/software services.

- Big Data  SK C&C assists customers in developing and commercializing new business models through big data-based consulting, system deployment and analytics.

- IoT  SK C&C provides IoT-based services by linking it to big data, such as Smart Factory, sensing data analytics and healthcare.

- Smart Card  SK C&C supplies a total solution aligned with a variety of telecommunications-based convergence services by providing smart card and application solutions, which meet many more needs other than only authentication, storage, and payment features.
Security Services

- **Security Surveillance**
  To protect customers’ information assets against cyber-attacks such as worms, viruses, and hacking, SK C&C supports real-time security event monitoring and prompt detection, response, and prevention services for intrusion incidents.

- **Security Consulting**
  By creating an information protection development plan and an information protection system aligned with customer needs, SK C&C offers a consulting service that can contribute to enhancing the customer’s business stability and reliability.

- **Security Solution**
  To cope with security threats that become increasingly intelligent, SK C&C develops security solutions based on its security surveillance expertise and provides systemic and steady solutions.

- **Security SI**
  SK C&C provides a total service applicable to the entire area of security systems, including security solutions, security analytics systems, and integrated access and account management systems.

- **Physical · Convergence Security**
  SK C&C offers physical/convergence security services optimized for customers’ work environments, including integrated security situation room construction and CCTV systems.

Online/Offline Distribution

- **Pre-owned Cars**
  SK C&C provides a variety of pre-owned car services, including online/offline pre-owned car sale and purchase, contracts for businesses and individual customers, vehicle assessments and repairs, and pre-owned car export/import services.

- **Eco Phone**
  SK C&C operates a mobile distribution platform for the sale/purchase and export of pre-owned smartphones through strategic partnerships with mobile service providers and large-sized distributors and through a website (www.ecophone4u.com).

Semiconductor Modules

SK C&C manufactures and distributes a variety of semiconductor modules (DRAM, SD cards, USB, etc.) embedded in smart devices, including smartphones, laptops, and tablets. Recently, the company launched its private label “KLEVV” to expand the product line into advanced premium products.
Main Solutions

**TOMS**
A monitoring system that automatically performs quantitative assessments of levels of infrastructure operations.

**NFC USIM**
A USIM card that supports long-range wireless communication.

**NEXCORE**
A solution applied over the entire life-cycle of enterprise application development/operation.

**Watz Eye**
An open platform that can connect to and monitor all sorts of surveillance/security systems such as sensors on a variety of operating systems, including Windows, Unix, and Linux.

**LEARNINGON**
A platform for easily designing e-Learning solutions aligned with users’ requirements.

**MDM**
An abbreviation for “Mobile Device Management,” and a solution that supports security and integrated management of smart devices.

**ITS Platform**
A state-of-the-art transportation solution that combines existing road infrastructure with IT to allow the efficient operations of transportation infrastructure.

**W-Shield Anti-Webshell**
A solution designed to detect/respond to webshells, a type of hacking that takes advantage of web server vulnerabilities.

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Economic Value Creation

**Created Economic Value**
- **Revenue**: 2,425,967
- **Non-Operating Income**: 6,057

**Distribution of Economic Value**

- **Government**: 57,368
- **Employees**: 392,070
- **Business Partners**: 1,575,623
- **Shareholders & Investors**: 154,772
- **Communities**: 2,680
- **Reservation Value**: 41,899
