# HAPPINESS WITH SK C&C

**2012 SK C&C SUSTAINABILITY REPORT**

SK C&C

# CONTENTS

SK C&C has built its business value with its advanced technology and high customer satisfaction.

Now, SK C&C will stand for growth and responsibility through our sustainable business practices.

And dedicate ourselves to bring happiness to all our stakeholders as a global leader in IT services.

## COVER STORY

SK C&C's first sustainability report contains a summary of its activities to deliver happiness to stakeholders around the world. SK C&C aspires to bring greater happiness to all through sustainable growth. We will work relentlessly to build a more compassionate society where everyone can share happiness.

# ABOUT THIS REPORT

Together with Our Stakeholders,
We Will Build a Happy Future through Sustainable Values

## Background & Objectives

Welcome to the first Sustainability Report published by SK C&C which contain the voices of our diverse stakeholders. This sustainability report is published to clearly and objectively disclose our economic, social, and environmental achievements over a certain period of time from the perspective of stakeholders. Starting with this report, SK C&C will transparently and reliably share our company's sustainability value and potential for future development.

## Publication Date

This Report was published in may 2012 and it is SK C&C's first sustainability report. In order to establish even better sustainability management, we plan to publish a sustainability report biennially. It is also possible to access this report online at SK C&C's website (http://www.skcc.com).

## Report Scope and Process

The scope of this Sustainability Report covers the domestic operations of our head office (SK C&C u-Tower) and the Daedeok Data Center. Affiliates and overseas operations are not included. This report includes SK C&C's economic, social and environmental performance for the 2011 fiscal year from January 1 to December 31, 2011. In terms of quantitative performance, we present a trend based on the analysis of a three-year data. Going forward, we plan to expand the scope of the report into overseas operations and focus on improving and advancing the report quality.

## Reporting Principles and Guidelines

This report was written in accordance with the G3.1 guidelines of the Global Reporting Initiative (GRI) and in consideration of the international standard ISO 26000, guidance on corporate social responsibility. To obtain reliability, the Report was verified by the assurance standard AA1000(2008)DML of DNV. It also received a GRI Application Level Check and statement from GRI, stating that the report fulfills the requirements of Application Level A+(page 87). For further information about results, please refer to the Assurance Statement found in the Appendix.

## Contact Information for Details

This report is published in both Korean and English. You can find more information through the contact information below.

# CORE ISSUE

SK C&C's 2012 Sustainability Report contains the pursuit of harmonious prosperity and happiness for all our stakeholders. Particularly, the 'Our Stakeholders' section deals with the core issues of our stakeholders (i.e., shareholders & investors, customers, employees, business partners, the environment and local community). Going forward, SK C&C will devote our efforts to deliver a happier tomorrow for our stakeholders.

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# CEO MESSAGE

## SK C&C Brings You a Happy Future

Dear Stakeholders,

It is with great pleasure and a deep sense of responsibility that I announce the publication of our first sustainability report, a means of communicating with our stakeholders as well as upholding the promises that we make for the future. Today, companies face a growing demand for a more socially responsible corporate citizenship including the promotion of environmental activities, ethical management, and win-win partnerships with their business partners. SK C&C strives to answer this growing call as a new growth opportunity so that we can work with all our stakeholders to build a happy future together.

**Unlimited Challenge and Passion in the Past Two Decades**

Even in the midst of difficult market conditions and an uncertain business environment, SK C&C ceaselessly pursued technological development and innovation for the past 20 years, and has offered global top-tier IT services to key industries [e.g., finance, public services, energy and chemistry as well as the telecommunications sector]. Our commitment to provide the best IT services has contributed to not only driving IT industry development, but also enhancing Korea's national competitiveness. Also, it helped to significantly improve our internal financial soundness and risk management across all our business segments, making us more reliable and accountable towards our stakeholders. In 2011, as these efforts came to fruition, SK C&C was selected once again as the best company in the industry by DJSI Korea.

**Opportunities and Challenges in 2012**

In order to respond to the global market crisis and the changing IT service market, SK C&C set 2012 as the year to begin expansion into the global market and the non-IT service areas. We have begun to embark on active changes to become a global IT-based total service company.

For global expansion, we will open up new markets in the Middle East, Central Asia and Europe while continuing to increase our business in our key hubs in China and the U.S. For new markets, we will take a two-thronged market approach—the promotion of a package deal combining software, hardware and engineering services, and localization through direct investment and a devoted collaboration with our local partners.

In addition we will prioritize our efforts to achieve visible results in areas such as m-Commerce, smart grids and green IT to diversify our traditionally IT-oriented business structure. As we successfully advanced into the B2BC Market by acquiring SK Encar, the No. 1 used car company in 2011, we will also assertively step up our efforts to secure new growth momentum in the non-IT sector. We believe these efforts will move us towards our goal of becoming a total IT service company.

**Building a Happy Future with Stakeholders**

SK C&C will make our best efforts to deliver more values to our shareholders by enhancing our corporate value while pursuing continuous innovation to become a global leading IT company.

We will bring forth innovative customer services by integrating and optimizing infrastructures and applications based on our cloud computing technologies. and raise customer satisfaction by improving the overall quality management and strengthening our customer information protection.

To increase employee satisfaction, we will make unsparing investments in the human resources development, promote work-life balance by building a creative and innovative corporate culture, and seek to foster employee and company growth together.

Furthermore, to help our business partners grow into a global leading company, we will implement a win-win partnership model incorporated with the SK philosophy and continue to improve it.

To better serve the weakest members of our society, we founded the social enterprise, "Happy Web & Media," committed to creating more job opportunities and building a more accessible IT environment for those with disabilities, and are expanding scholarships and voluntary service activities for the underprivileged.

Last but not least, we well understand the importance of corporate environmental responsibility and will continue in our role of creating a green society to pass down a healthier and a more sustainable environment to the next generation. For this, we will focus on developing green IT services (e.g., smart grids) and building a low-carbon green IT environment.

I believe our first sustainability report will serve as a prime opportunity for our stakeholders to understand our achievements and passionate commitment to sustainable growth. In the journey of creating sustainable happiness for all our stakeholders, we will continue our efforts to bring more value to customers and fulfill our social responsibility. In this endeavor, I sincerely hope that you will extend your support and encouragement.
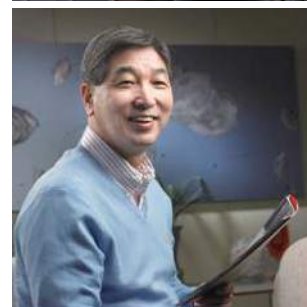
"As a responsible corporate citizen, SK C&C will make relentless efforts to fulfill its social corporate responsibility and create sustained happiness for all our stakeholders."

Chung Chul-Khil

President & CEO

# 2011 SK C&C HIGHLIGHTS

### Emergence in the Largest m-Commerce Market

SK C&C is emerging as a leader in the world's largest U.S. mobile financial market. Last year, in a strategic alliance with First Data Corporation, the world's largest electronic payment solution provider, SK C&C began offering Trusted Service Manager (TSM) and mobile wallet solutions in the U.S. and other North American countries, and provided a NFC-based TSM solution to Google in 2011. On October 26, 2011, SK C&C won the 'New Company of the Year' award at the 3rd Atlanta World Showcase & Governor's International Awards as the first Korean company.

**01**

### Opening Up the Gate to IT Service Silk Road

SK C&C's "Baku City Intelligent Transport System (ITS)" project is well under way. The national project of Azerbaijan, worth USD 1.1 billion, has been inspected and reviewed by President Ilham Aliyev himself. The Baku City ITS project will serve as an opening for SK C&C to expand its export drive into various countries such as Central Asia, South-East Asia and Russia.

**02**

### Acquisition of SK Encar

SK C&C acquired SK Encar, the No. 1 player in the used car market, in efforts to become an IT-based total service company. With this acquisition, the company accelerated its push into the B2B2C marketplace. SK Encar's vast professional network and used car market expertise will create synergies with SK C&C's IT capabilities, generating a crucial stimulus for the company's further growth.

**03**

### NEXCORE Mobile Becomes a Market Hit

SK C&C's NEXCORE Mobile series has become a market hit in the mobile enterprise application platform market (MEAP). The 'NEXCORE' series, an integrated application platform for next generation IT systems has been recognized numerous times in Korea's major software technology awards. In 2011, NEXCORE Mobile 4.0 won the Presidential Award in the Global Software Contest, marking the fourth consecutive year of major recognition for software excellence. SK C&C has already received positive market responses and won a series of mega projects such as Woori Bank and MetLife in the first half of 2011.

**04**

### Winner of 2011 Microsoft NSI Award

SK C&C was honored with the 'NSI Award' at the 2011 Microsoft Worldwide Partner Conference that took place on July 12, 2011. The 'NSI Award' is a prize granted to the best Microsoft partner in the System Integration field. SK C&C won this award for implementing and spreading the next generation work environment solution, "HYPER Workplace," in Korea.

**05**

## 06

### Renewed Vision Unveiled at 20th Anniversary Celebration

In April 2011, SK C&C held an event to commemorate its 20th anniversary under the slogan, "Challenges for the Next 20 Years, Global 2011". Through this event, the company promoted solidarity among all employees and confirmed its commitment to become a leading global company. Since its founding in 1991. SK C&C's revenues have grown 24 times and the number of employees have risen 31 times. The company set a new goal of KRW 10 trillion in revenues and KRW 1 trillion in operating income by 2020 to become a leading global IT service provider.



## 07

### SK C&C Tops DJSI Korea in IT Sector for Second Straight Year

Since going public in 2009, SK C&C has enjoyed enhanced corporate value and credibility. In 2010, the company was the first in the industry to be listed in the Morgan Stanley Capital International Index (MSCI) and in the Dow Jones Sustainability Index (DJSI). In the same year, it obtained AA, the highest credit rating in the industry. In 2011, the company was listed in the FTSE Index and KOSPI200/100 Index. It was also chosen as the best company in the industry by DJSI Korea for the second year in a row, attesting to its enhanced global profile.



## 08

### Social IT Enterprise Established for the Disabled

SK C&C established "Happy Web & Media," a social IT enterprise that specializes in providing easier web access to the physically disabled. In this company, the percentage of employees with disabilities exceeds 50% of the total number of employees, and the proportion of severely disabled represents over 50% of all those with disabilities working at the company. A large number of the IT engineers with disabilities are being fostered at the free IT training center for the disabled in Ilsan, which SK C&C has been operating since 2005. "Happy Web & Media" will become Korea's most innovative IT social enterprise in which physically disabled IT specialists can build an IT environment that allows for increased accessibility.



## 09

### Volunteer's Day Recognition by Gyeonggi Province Governor

SK C&C promoted extensive environmental campaigns such as the Eco Love Campaign, Happy Village Renovation Project, and the local community's ecological environmental protection campaign together with local environmental groups and local governments. In 2011, SK C&C received an honor from the Gyeonggi Province Governor for its dedication to the development of the regional community and environmental protection, including the volunteer participation of 2,500 employees.



## 10

### Expansion of Recruitment for Global Business and Win-Win Partnership

SK C&C's President CEO Chung Chul-Khil, displayed his strong will to hire global talents in his overseas recruitment from the top 20 U.S. universities in September 2011. SK C&C is planning to increase the percentage of global talents among new recruits from the current 30% (100 persons) to 50% in order to accelerate its push into overseas markets. In addition, by revitalizing efforts such as the "Win-Win Growth Internship Program", the company is expanding the recruitment of vulnerable groups.

# SK C&C'S PAST AND PRESENT

## Introduction of SK C&C

Since the founding of Sunkyoung Telecom (former SK C&C) in 1991, SK C&C has positioned itself as one of Korea's leading IT service providers. Last year, the 20th anniversary of its founding, the company posted its record high revenue under the slogan, "Create Value for Customers, Challenge the Future." Its global expansion also created visible results, including the formation of a strategic alliance with global IT leader Google.

### Company Overview

SK C&C is raising its status as Korea's representative IT service provider with an operating revenue of KRW 1,701.8 billion as of 2011 and 13 domestic and overseas operations including nine overseas ones.

(As of December 2011)

| Company Name | SK C&C | Incorporated | April 1991 (Sunkyoung Telecom incorporated) |
|---|---|---|---|
| CEO | Chung Chul-Khil | Headquarters | SK u-Tower,  25-1, Jeongja-dong, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea |
| Equity Capital | KRW 4,621.3 billion | | |
| No. of Operations | 13 total (1 head office, 3 domestic operations, 9 overseas operations) | Operating Income | KRW 1,701.8 billion |
| | | Employees | 3,810 |

### Business Areas

SK C&C not only covers IT system businesses such as system integration and outsourcing, but also engages in future business areas including business and IT strategy consulting that offers new answers, m-Commerce, and Green IT.

## Growth Overview

SK C&C grew rapidly through three periods. In the 'Birth Period', SK C&C was founded in order to concentrate the IT capabilities of SK Group, and its basic infrastructure was formed. In the 'Growth Period', the company strengthened and expanded its business and performed next-generation marketing projects, which was the single largest IT business of the day. Then, in the 'Take-off Period', it amplified international business even further and earnestly enlarged its global business.

Based on these accumulated experiences and know-how, it achieved an impressive growth such as a twenty-four-fold increase in sales and a thirty-one-fold increase in the number of employees for the past 20 years. Now, SK C&C looks to the global markets to become a leading global IT service provider beyond its present status as Korea's leading IT service company.

The 20 year history of SK C&C

**Birth Period 1991~1999**

**Growth Period 2000~2005**

1998. 12  Daihan Telecom and SK Computer Communications merged
Daihan Telecom renamed as SK C&C

2003. 07  CMM Level 3 certified (Public Sector Division)

2002. 06  ISO 9001: 2000 certified
2002. 11  Introduction of ethical management announced

1996. 05  Integrated 12 SK affiliates' IT assets with YC&C
1996. 07  YC&C renamed as SK Computer Communications
1996. 12  SK Computer Communications merged with Sunkyoung Information System

2001. 07  Established IT outsourcing joint venture, TELSK with Telus International
2001. 11  Daedeok Data Center opened

1991. 04  Sunkyoung Telecom incorporated

2000. 02  Network Administration Center and Command & Control Center established
2000. 05  ISO 9001 certified
2000. 11  Established SKY C&C with SKY Tel, Mongolia

1992. 06  Sunkyoung Telecom renamed Daihan Telecom

1991  1992  1993  1994  1995  1996  1997  1998  1999  2000  2001  2002  2003

## Korea's Representative IT Service Provider, SK C&C

SK C&C has positioned itself as a Korea's leading IT service provider. SK C&C has acquired vast experience and expertise from leading numerous projects in multiple industries including energy, telecommunication, and finance, as well as the public service sector. Specifically, the e-Government system provided by SK C&C is regarded as a representative model of e-Government solutions in the world.

### Korea's Top-Class IT Services

SK C&C has continued to improve IT capabilities based on its vast experience and expertise from integrated management of IT assets since 1998. SK C&C ganered strong market trust through efforts such as the development and application of automation tools for all areas of IT, including infrastructure, application and solution, as well as the operation of a specialized quality management organization. With these differentiated IT service capabilities, SK C&C maintains number one position in the nation's IT outsourcing market. E-Government project, SK C&C participated in from 2005, reaffirmed company's undisputed market position in the Korea's IT industry. It was later praised as the best e-Government solution in the world in the UN e-Government Survey 2010.

### Global Top Level Expertise by Industry

SK C&C possesses excellent capabilities and expertise in constructing industry-specific IT systems. It has successfully offered total IT services to major energy and telecommunication companies. SK C&C holds the largest market share in the domestic financial and public IT sectors.

**Major Business Areas by Industry**

| Energy | Telecommunications | Finance | Public Service |
|---|---|---|---|
| Provided total IT service to SK innovation, SK energy, and SK E&S ※ SK energy's refinery plant system produces 840 thousand barrels of oil per day | Provided total IT service to SK Telecom and SK Broadband ※ Real time billing service (25 million subscribers) | Provided IT service to banks, brokerages, insurance firms (No. 1 in terms of domestic market share) ※ Mobile payment and security service (advanced into the U.S. market) | Provided e-Government construction service (No. 2 in terms of domestic market share) ※ e-Government project: China, Azerbaijan, Turkey, Saudi Arabia, Indonesia, etc. ※ e-Government consulting: Central Agency for Information Technology of Kuwait |

## Take-off Period 2006~2011

2008. 04 Selected as a model for business partnership and fair transaction agreements by Korea Fair Trade Commission

2008. 05 Won the ITS implementation project of Baku City, Azerbaijan

2007. 04 Chinese subsidiary SK C&C systems and SK C&C GDC incorporated

2007. 09 Awarded the Industrial Service Medal and a Presidential citation for the e-Government Program

2007. 11 SK C&C India incorporated

2006. 03 Information security system certified to ISO 27001

2006. 10 CMMI Level 5 and ISO 20000 certified

2005. 07 Relocated to new head office in Bundang (SK-u Tower)

2011.05 Listed on KOSPI 200/100 index

2011. 06 Provision of Trusted Service Manager (TSM) to Google Wallet

2011. 11 Acquired commercialization authorization of 'NFC-USIM' from Visa

2011. 12 Social IT enterprise, "Happy Web & Media" founded

2010. 06 SK Dubai office established

2010. 07 Incorporated SK C&C U.S. (U.S. local corporation)

2010. 09 Entered the North American m-Commerce market, partnered with FDA

2009. 08 SK C&C U.S. branch office established (Atlanta branch office)

2009. 11 Listed on Korea Exchange

2004　2005　2006　2007　2008　2009　2010　2011

# GLOBAL SK C&C

## Current Overseas Expansion & Reginoal Hubs

SK C&C has four overseas subsidiaries in the U.S., China and India and five overseas branches. Based on these key hubs, the company is expanding into Southeast Asia, the Middle East, CIS countries and Europe. The company already has about 20 success cases in 15 countries in the m-Commerce, ITS, e-Postal Delivery, e-Trading System and Plant IT areas.

### Overseas Business Hubs

**01 AZERBAIJAN**
2008.05: ITS(Intelligent Transport Systems)
- Baku City, Azerbaijan

**02 CHINA**
2007.04: SK C&C Systems / SK C&C GDC established
2008.09: Beijing IMS Center Open

**03 INDIA**
2004.07: Delhi Post Office established
2006.09: Bharti Airtel Song CatcherService
2007.11: SK C&C India established

**04 INDONESIA**
PT.Keris: MIS Sytem
2008.07: Early Warning System

**05 KAZAKHSTAN**
2008.05: Kazakhstan Creation of Information Logistics System

**06 KUWAIT**
e-Government Consulting

**07 MALAYSIA**
2008.01: TV animation series production and export (Malaysia Airlines)

**08 MONGOLIA**
2007: SKY C&C established
SKY Tel: PPs, Customer Care & Billing System
ICTA: e-Government Master Plan IT Park e-Government Framework
2008.11: Ulaanbaatar ITS

**09 PHILIPPINES**
COMELEC: Electronic Ballot Counting System
2008.10: Early Warning and Monitoring System

**10 SAUDI ARABIA**
2005.04: FSA - Jeddah TV Station Broadcasting System

**11 TAIWAN**
APBW: Consulting for Core Network / Mobile Platform

**12 TURKEY**
EWTS(Electronic Warfare Training System)

**13 UZBEKISTAN**
Communication and Information Agency Uzbekistan: Uzbekistan Postal System Modernization

**14 USA**
HELIO : Customer Care & Billing System
2005.09 : Acquired Sky Zone
Citi Bank : Next Generation Finance System
SKT-Citi JV : Mobile Money 2.0 Platform
FDC : TSM & mWallet
Georgia State GFCU, LGE : Mobile On

### Overseas Subsidiaries

**SK C&C BEIJING**
21F, Fuxing International Center / Building, 237 North Chao Yang Road, Chao Yang District, Beijing, P.R. China

**SK C&C SHENYANG**
No.61 Shenglinan Street, Heping District, Shenyang City, Liaoning Provice, P.R. China

**SK C&C USA**
12600 Deerfield Parkway STE 425 Alpharetta, GA 30004

**SK C&C INDIA**
Tower A, The Corenthum, Sector-62Noida-201307 NCR, India

**15 VIETNAM**
S-Telecom Network Integration / Customer Care & Billing System/ Call Center

### Overseas Branch Offices

**DUBAI OFFICE**
Office #501, Indigo Icon Tower, Jumeirah Lake Towers, Dubai, UAE PO Box 5005

**AZERBAIJAN OFFICE**
12thfloor, Caspain Plaza1 index AZ1065, 44J.Jabarlist., Baku, Azerbaijan

**COLUMBIAN OFFICE**
Calle 116 No. 7-15, Bogota, D.c.

**MALAYSIAN OFFICE**
(in construction)

**SINGAPOREAN OFFICE**
(in construction)
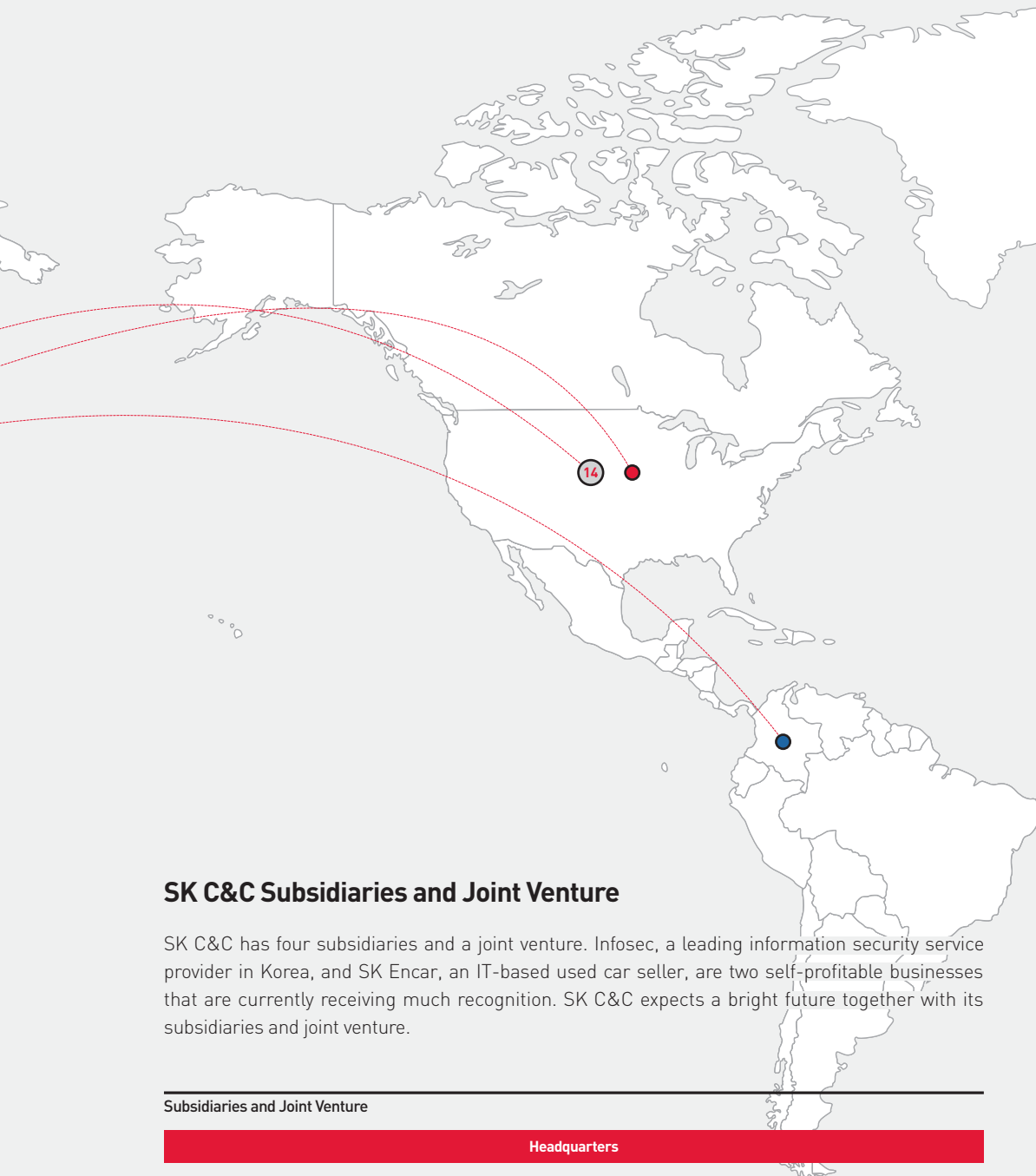
Global SK C&C

## SK C&C Subsidiaries and Joint Venture

SK C&C has four subsidiaries and a joint venture. Infosec, a leading information security service provider in Korea, and SK Encar, an IT-based used car seller, are two self-profitable businesses that are currently receiving much recognition. SK C&C expects a bright future together with its subsidiaries and joint venture.

Subsidiaries and Joint Venture

| Headquarters | |
|---|---|
| SK C&C | Consulting, SI, OS and IT-based total service |

| Subsidiaries | |
|---|---|
| independence CREATIVE | Post production, new media, animation |
| Infosec | Information security consulting, security SI and enterprise security management |
| TELSK | Information services assistant center (ISAC), distributed systems (DS), etc. Total infra service, education service, SI/OS, etc. |
| SK encar | Offline used car sales & purchase brokerage, online advertising of used cars, inspection/gurantee service, etc. |

| Joint venture | |
|---|---|
| valtech | IT & Business consulting (in partnership with French Valtech) |

GLOBAL
LEADING
IT SERVICE
PROVIDER

# 01

## OUR BUSINESS

SK C&C is expanding its global business portfolio with vast industrial experiences and exceptional technology. With its transparent global business process and corporate culture emphasizing accountability, SK C&C can proactively respond to any changes in business environment. Based on this advanced business process and excellent technology, SK C&C will strive to provide better IT services to our customers around the world.

# SK C&C'S GROWTH STRATEGY

## Vision

Create Value for Customers, Challenge the Future.
SK C&C's Vision Statement signifies our commitment to creating value for customer success through business accumen and technical expertise. It also contains the pursuit of our own success with relentless innovation.
To turn this vision into reality, SK C&C will heighten our efforts to become a true global IT service leader by expanding our growth base, innovating our business/profit structure, innovating people and culture, and expanding social contribution.

## Growth Strategy

In a rapidly changing business environment, we know that we won't survive without continuous reinvention. In this respect, we set the business objective, go beyond the domestic and the IT service market, and we drew four strategic directions.

### Expanding Growth Base

SK C&C is exploring new business opportunities in new growth engines, global businesses and non-IT businesses to secure a new driving force and diversify our business portfolio. To expand our global business outcome based on our strategic footholds - the Middle East, Southeast Asia, and Central and Latin America markets, we have packaged our SI-oriented business to encompass software, hardware and engineering. We also seek to diversify our business portfolio by acquiring non-IT businesses such as SK Encar. These comprehensive efforts will move us closer to our goal of being an Information and Communications Technology-based total IT service company.

### Innovating Business/Profit Structure

SK C&C is making efforts to innovate our business/growth structure. We will continue to strengthen outsourcing businesses and incorporate system integration with outsourcing to stabilize our IT business structure. In particular, we plan to expand existing IT services into a new phase through converging and cooperating with different industries such as telecommunications, energy, finance, public services and service/manufacturing. Regarding our new total IT service center as a start point, we pursue to lead integrating IT assets and to become IT service innovator providing new business model such as cloud computing, BPO and EO.

### Innovating People & Culture

SK C&C will innovate people and culture to enhance corporate autonomy and accountability, which we believe are the basis for corporate growth. We will also build a strong corporate culture so that we can swiftly adapt to any changes in the business environment. Last year, we introduced a smart work environment and confirmed the possibility of innovation through an autonomous and creative corporate culture. Under the principle of 10% discipline and 90% autonomy, SK C&C will continue to effect innovation efforts in 'Capability, Technology, Human Resources Structure,' and 'Organization, Process, Culture Structure.'

### Expanding Social Contribution

SK C&C will continue to expand its social contributions. We currently assist business partners to grow into a leading companies through our win-win partnership model. In 2011, we founded "Happy Web & Media," an IT social enterprise for the disabled to create job opportunities for those who are disabled and build a more accessible IT environment.

**Growth Strategy Paradigm**

| | |
|---|---|
| Vision | **Create Value for Customers, Challenge the Future** |
| Objective | Going beyond the domestic market and the IT service market |
| Direction | Expanding growth base / Innovating business/profit structure / Innovating people and culture / Expanding social contributions |
| Shared Values | • Happiness for ourselves and partners<br>• Imagination breaking free from tradition<br>• Exciting journey towards our dreams<br>• Relentless passion to be the best<br>• Respect and care for fellow SK people |
| Corporate Philosophy | **SKMS (SK Management System)** |

# CORE CAPABILITIES

## Creating a Virtual Cycle of Core IT Capabilities

SK C&C has created a virtual cycle of IT capabilities. Our professional IT consulting capabilities lead to the success of system integration projects. Successful experiences in system integration projects are used again in our outsourcing business, which will turn into valuable IT consulting expertise.

```
      Consulting
       ↗      ↘
 Outsourcing ← System
              Integration
```

## Consulting Workforce

SK C&C possesses a superb workforce with senior-level consultants and master's & doctorate degree holders. They account for over 65% and 45% of the entire workforce, respectively. In addition, employees with career backgrounds in major IT consulting firms such as Accenture, IBM, and Entrue make up 25% of the consulting workforce.

■ Senior Manager   ■ Manager
■ Senior Consultant ■ Consultant
■ Associate         ■ Others
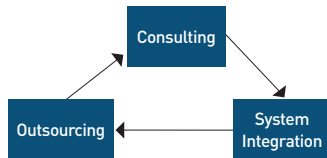
4%
21%
10%

24%
26%
15%

2011 Workforce

## Software Competency

SK C&C has extensive experience and expertise in consulting, system integration, outsourcing and future technology areas. These capabilities appear in our diverse pool of specialists in IT engineering, consulting and staffing.

### Large Talent Pool

In the IT industry, human resource is an invaluable element. Services would have poor quality if an engineer who understands the users and possesses relevant capabilities were not exist although we had sufficient hardware and systems. In this respect, SK C&C invests significant efforts in hiring and fostering top-level talent. We hire approximately 420 new employees every year (average employment growth for the recent ten years: 14%) and employees with mid and high-level technological capabilities and above represent 86% of the total number of employees.

### Consulting Capabilities

SK C&C provides excellent consulting services based on expert knowledge about IT solutions and on know-how related to the public, finance, service, manufacturing, communications industries. Our 220 consultants with top-notch expertise in each industry are working hard to provide the best business solutions to our customers. Amid growing concerns over information security, we are cooperating with Infosec, the No. 1 security consulting service provider in Korea to provide better information security-related consulting services.

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## SK C&C's Human Resources Competency

**SK C&C**

### Technological Capability Level
Basic Level 14%
Superior Level 37%
Middle Level 21%
High Level 28%

### Capability Type
Sales / Others 26%
PM 15%
Consultant 5%
Programmer 38%
16% System Engineer

### Education Level
Others 12%
Doctoral Degree 2%
Master's Degree 22%
Bachelor Degree 64%
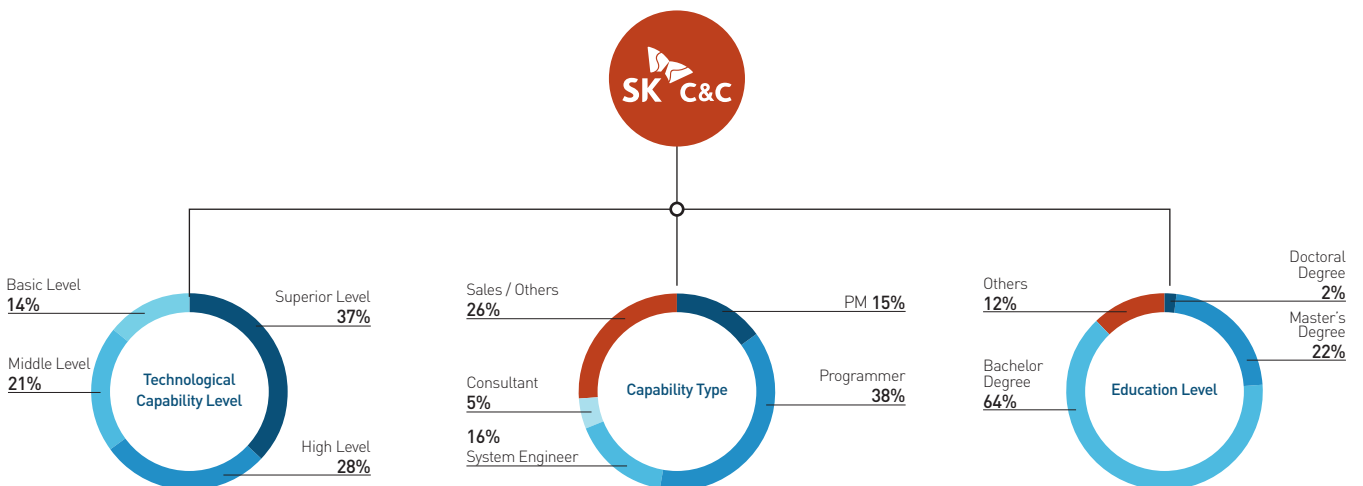
# CORE CAPABILITIES

## Hardware Capabilities

SK C&C possesses cutting-edge data centers and a nationwide private network, SK-Net. With this optimal hardware infrastructure, we provide stable IT services to a number of companies including 21 SK subsidiaries, MetLife and Mirae Asset Life Insurance.

### Data Center

The Daedeok Data Center, with state-of-the-art facilities located in the Daedeok Research Complex, protects customers' data from natural disasters and security risks, has surplus server capacity to promptly respond to any emergency situation. To maximize efficiency, the Central Control Center monitors all the data of the Ilsan and Boramae Data Centers as well as the Daedeok Data Center.

### Private Network

SK C&C constructed a nationwide Private Network based on a high-quality data network. With a combination of dedicated lines, Ethernet, and ADSL, the network generates maximum efficiency in delivering data. This network houses a total of 7,488 lines and 25 network nodes and is operated by Network Operations Center (NOC).

### Network Map



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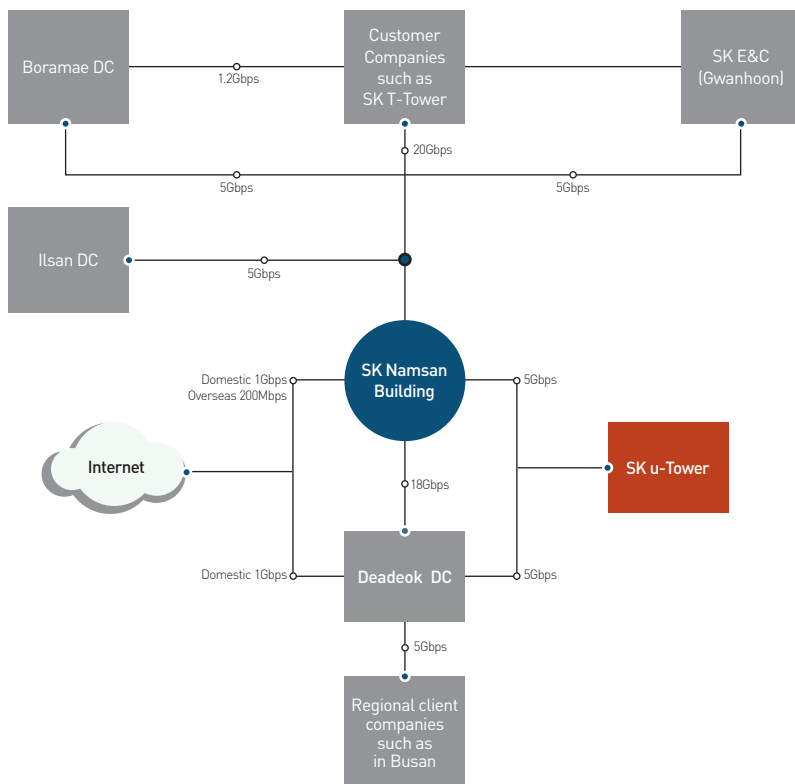
### SK C&C's Data Centers

(As of February 2012)

| Classification | Daedeok | Ilsan | Boramae |
|---|---|---|---|
| Establishment | November 2001 | November 2004 | March 1995 |
| Area | 14,558m² | 6,400m² | 2,416m² |
| System Capacity | 5,092 servers, 5,890 TB storage | | |
| Major Customers | SK Group's 21 affiliates, MetLife, Mirae Asset Life Insurance, HanaSK Card, Jeju Free International City Development Center, Cyber Hankuk University of Foreign Studies, Huvis, Hangil ITS, Franklin Templeton Investments | | |

### SK C&C's Cable Line Possession

| Classification | Descriptions | Number of Lines |
|---|---|---|
| Dedicated Lines | 9.6K bps~ 2.5 Giga bps | 1,336 Lines |
| Ethernet/ ADSL | High-speed Internet/Ethernet lines | 6,152 Lines |
| Total | | 7,488 Lines |

※ Service: VAN (value added network), Telephony, Network integration

### Number of Servers

# 5,092

# BUSINESS AREAS

SK C&C not only provides SI and outsourcing services to customers, but also engages in IT consulting, and new businesses such as m-Commerce/Green IT. Based on these broad business areas, we strive to build a positive future for our customers.

**Major Business Areas**

**1. CONSULTING**
- Business Consulting: Telecommunication, Public services, Finance, Energy, and Chemistry, etc.
- IT Strategy Consulting: ISP, ITA/EA, BPR/PI, BCP, IT-ROI, etc.
- Solution Consulting: ERP, DW/CRM, BI, EP/GW, BSC/CCBS, etc.

**2. SYSTEM INTEGRATION**
- Industry: Energy, Chemistry, Telecommuinications, Finance, Public Services
- Solution: ERP, ITS, e-Government, Payment, Security, etc.

**4. FUTURE BUSINESSES**
- New Technology Development: m-Commerce, Green IT, etc.
- Convergence: Manufacturing IT, Enterprise Mobility, Mobile security, etc.

**3. OUTSOURCING**
- Operation Service: System development, operation and maintenance
- Infrastructure: Datacenter, Network, System operation, etc.
- IT Training: Help desk, etc.

**Major Brands**

**NEXCORE**

NEXCORE is SK C&C's integrated application platform designed for the financial industry's next generation IT systems.

**IDSYNAPSE**

IDSYNAPSE is hardware-type RFID middleware that delivers device and tag data to multiple applications simultaneously.

**LEARNINGON**

LEARNINGON is a platform that helps design e-learning solutions tailored to customers' preferences.

**WINPOS**

WINPOS is a next generation point of sales system featuring a touch screen with high sensitivity, waterproof, dustproof, and soundproof functions.

**GINUX**

Ginux is the newest Linux operating system developed and distributed by SK C&C. This is free and open source software.

**MICLOUD**

MiCloud is a cloud solution that supports open source software for cloud computing-based virtual infrastructure.

**CORFIRE**

corfire is a mobile commerce solution for the global market that combines Trusted Service Management (TSM) and mobile-marketing platforms.

**EXPOS**

EXPOS is a data processing solution that supports various POS apps.
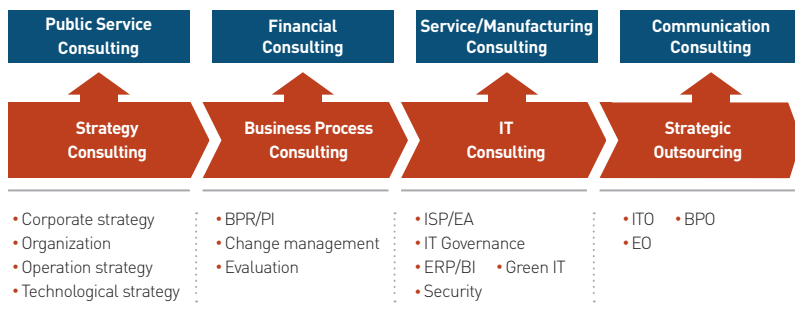
# SERVICE PORTFOLIO

## Consulting

SK C&C is equipped with optimized consulting methodologies and has top-caliber professionals with expertise who are capable of leading the industry. Based on these resources and standardized methodologies ranging from strategies to solution consulting, SK C&C strives to be a "think tank and knowledge leader for future growth" that helps customers increase business value and sharpen their competitive edge.

### Consulting System

SK C&C provides consulting services with extensive knowledge and know-how in many areas such as corporate strategy, business process, and IT & strategic outsourcing. We set up consulting teams specialized in areas including corporate strategy, public services, finance, service/manufacturing and communications. In each team, consultants construct an industry-specific knowledge system and share consulting cases, which contributes to enhancing consulting expertise.

**SK C&C's Consulting Areas**

| Public Service Consulting | Financial Consulting | Service/Manufacturing Consulting | Communication Consulting |
|---|---|---|---|
| Strategy Consulting | Business Process Consulting | IT Consulting | Strategic Outsourcing |
| • Corporate strategy<br>• Organization<br>• Operation strategy<br>• Technological strategy | • BPR/PI<br>• Change management<br>• Evaluation | • ISP/EA<br>• IT Governance<br>• ERP/BI  • Green IT<br>• Security | • ITO  • BPO<br>• EO |

### Consulting Competency Innovation Program

To enhance consulting competence, SK C&C has operated the 'Competence & Knowledge Center' in the consulting business unit since 2010, and we are making efforts to provide consultant education and create reusable assets. The center supports small circle activities and boosts cross-industry knowledge exchanges among trainees, leading to valuable consulting collaborations and the creation of reusable knowledge assets. By promoting active interaction among consultants, we set up our own consulting methodology. We also operate a consulting blog and publish a newsletter and webzine to provide up-to-date consulting information.

**External Recognition by International Certification Agencies**

- **2009** Obtained patent on project productivity management system and method
- **2007** Obtained GS certification on SK C&C Linux (Ginux) from Information & Communication Ministry
- **2006** The first in Korea to obtain CMMI Level 5 for all IT services for the public sector and financial industry
- **2006** Obtained ISO 27001 on information security management systems
- **2005** Obtained eSCM (eSourcing Capability Model) Level 4
- **2005** The first in Korea to obtained CMMI Level 4 for the entire area of public services and financial businesses
- **2004** Obtained CMM Level 4 for all areas of public service projects
- **2004** The first in Korea to obtain the "Center of Excellence" certification from Purdue University in the U.S.
- **2002** Obtained ISO 9001:2000 certification for all business areas including 'SI service', 'IT outsourcing service', and 'data center operations'.

# System Integration

SK C&C provides IT systems that enhance customers' business competitiveness with extensive industry experience, cutting-edge technologies and professional staff in all areas of the IT industry. We carried out various SI projects in the public/e-Government, SOC, finance, and service/manufacturing areas, and contributed to enhancing people's quality of life and corporate competitiveness.

### Public/e-Government

SK C&C provides excellent IT services to the public sector, to enhance the nation's competitiveness and people's quality of life. We develop IT systems to increase civil convenience and to strengthen national security systems.

**Service Areas**

| | | | |
|---|---|---|---|
| Public Administration & Safety | e-Government standard framework, People's online petition and discussion portal, National archives, etc. | Knowledge Economy | E-Trade, Government for business service (G4B), etc. |
| National Computing & Information Agency | System construction, System transfer, Construction of integrated infrastructure, System operation/maintenance, etc. | National Defense | Joint Fire Operating System-Korea (JFOS-K), Electronic Warfare Training Squadron (EWTS), etc. |
| Fire & Disaster Prevention | National disaster management, Public protection & disaster relief standard, Information system of fire protection, Integration of CCTV networks | Postal Service | Postal logistics, Postal banking system, Electronic financial services, etc. |
| Statistics | e-Census, National statistics DW, Statistics ICR | Justice Ministry/Supreme Prosecutors' office | Emigration/immigration control, Digital forensic, etc. |
| Tax | Electronic tax invoice and call center, International consolidated analysis system, etc. | Others | Total car management system, Inter-Korea cooperation system, etc. |

### SOC

SK C&C provides excellent IT services to SOC areas such as the intelligent transport system, national spatial data infrastructure, rail/subway, airport/port, and smart city.

**Service Areas**

| | | | |
|---|---|---|---|
| ITS | ATMS, ATIS, APTS, CVO, BIS/BMS, Signal control, Transportation card, ETC, etc. | GIS | Land management, Underground utility management, Address management system, 3D-GIS, etc. |
| Train/Subway | Communication/signal/electric power facilities, Automatic fare collection system, Integrated information system, etc. | Security | Integrated security system of important place such as airport ports, Integrated monitoring & control, Security convergence, etc. |
| Construction IT | Construction/civil engineering IT, Integrated facility control system, Scrap management, Green energy, etc. | Water resources management, Aerospace/meteorological/marine SOCs, | |
| IBS | Building information service, Integrated monitoring & control, CCTV, Structured cabling system, Building automation system, Parking control system, etc. | Smart City | u-City, u-Engineering, u-Service, Theme park, etc. |

### Finance

With differentiated expertise and solutions, SK C&C has been conducting large system integration projects in the financial industry such as next generation banking systems, IFRS, Basel II, CMBS and Internet banking. We have also been constructing IT systems for securities · insurance · credit card firms, contributing to the advancement of the financial industry and raising industry competitiveness.

**Service Areas**

| | | | |
|---|---|---|---|
| Bank | Constructed next generation system (core-banking & non-core banking systems) | Insurance | Constructed next generation system (life insurance, general insurance, fraternal insurance) |
| Securities | Constructed next generation system | Credit Card & Consumer Credit | Constructed next generation system |
| Compliance | IFRS, CMBS, Basel II, AML | Emerging Tech | Smart Branch, Paperless, Open Banking, etc. |

### Service/Manufacturing

SK C&C has accumulated extensive know-hows and experience through constructing/operating IT systems for the domestic energy and chemical industries and providing differentiated solutions and services to the nation's largest mobile telecommunication company. Based on technological power and expertise acquired over many years, we are extending our business reach to ERP, plant IT, university/education, medical care, logistics/distribution and broadcasting/communication areas.

**Service Areas**

| | | | |
|---|---|---|---|
| Business Management | ERP, Integrated MIS, e-HR, BI system, etc. | Sales/Customer Management | CRM, POS, Sales Info system, etc. |
| Procurement/ Manufacturing | SRM, e-Procurement, MES, Management of production process/facilities, Plant IT, etc. | Logistics/ Distribution | Distribution management, Warehouse management, Home shopping, etc. |
| University/ Education | Next generation system, Cyber university system, Smart Campus, etc. | Broadcasting/ Communication | Broadcasting platform, Network, Production System, IPTV, DMB |
| Medical Care | u-Hospital, u-Healthcare, u-Wellness, u-Silver | | |

# SERVICE PORTFOLIO

## Outsourcing

SK C&C, a top-tier IT service company in Korea, has been providing superior IT outsourcing services to major Korean companies in the mobile communication, energy and chemical sectors. With an advanced IT outsourcing management system and strategic partnerships with world-renowned IT companies, SK C&C has been providing customized IT services that best fit the customer's business, size, as well as business and strategy, there by contributing to the creation of added value for customers.

### Outsourcing Service System

SK C&C has its own systematic and stable outsourcing service system. SK C&C is the first in Korea to utilize SLA (service level agreement)-based IT service operation system as well as the SKPE-OM methodology. In addition, SK C&C's IT services are certified to ISO 20000, ISO 27001, eSCM L4 (world's first) and CMMI Level 5. Based on our recognized IT services, we offer world renowned application & data center operation services to customers. To provide better and customized outsourcing services, we offer system diagnosis, outsourcing efficiency consulting, outsourcing capability assessment, and ISP services.
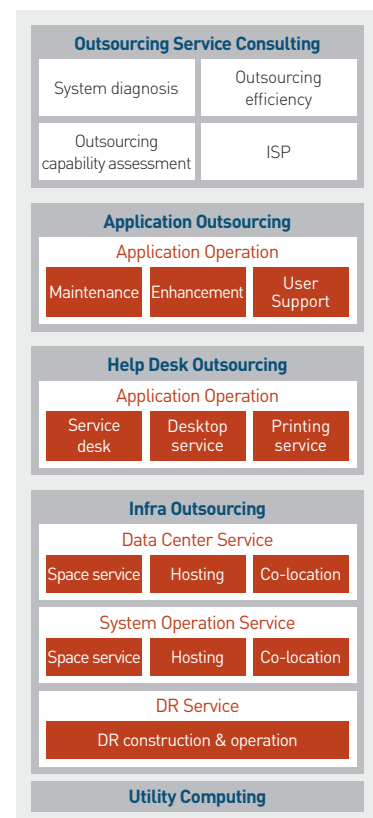
### Range of Outsourcing Services

Based on our high expertise and diverse experience, SK C&C is providing outsourcing services in diverse domains. We help our customers build high-profit businesses, by providing value-added customized IT services that best fit the customers, needs.

| Services | Details |
|---|---|
| Infrastructure Operation Service | SK C&C infrastructure operation service provides comprehensive/ systematic management services of various IT platforms. |
| Data Center Service | SK C&C data center service provides a stable IT environment and improvement measures for efficient IT operation. |
| Managed Disaster Recovery Services | SK C&C's comprehensive disaster recovery services offer superior data protection from unexpected accidents and natural disasters. |
| Network Service | SK C&C provides network and Internet connection services through 15 domestic and 7 overseas network nodes. |
| Unified Communication Service | SK C&C provides an integrated communication service which combines groupware (e.g., mail) and network system (e.g., video conference). |
| PC Operation Service | PC operation service is total computer services which include not only PC operating policy and technical support but also PC environment construction, change management, trouble shooting and field services. |
| Call Center Service | SK C&C call center service provides a complete customer service ranging from user trouble reporting, inquiries, change request and problem resolution reporting. |
| Managed Security Service | SK C&C provides a data protection service from cyber attacks such as worms/viruses, hacker attacks. |
| SAP ERP Operation Service | SK C&C offers customized upgrade and management services of SAP ERP system. |
| Groupware Service | SK C&C makes and manages groupware such as work environment improvement solutions and decision making tools. |
| Application Operation Service | SK C&C offers a stable application operation service based on its experiences in constructing IT systems and knowhow. |
| Web Service | SK C&C offers web-based customer services ranging from marketing support to system maintenance. |

### What is IT Outsourcing?

IT outsourcing, a rapidly growing business area, refers to contracting an IT-specialized company to manage equipment, human resources, and hardware that are related to information systems. Many companies are realizing that it is becoming increasingly difficult to adapt to the rapidly changing technological environment with their own in-house IT management. As a result, IT outsourcing has become a widespread practice and is being utilized as an essential strategic tool in advanced nations, such as those in North America and Europe.

### Outsourcing Service System

**Outsourcing Service Consulting**

| System diagnosis | Outsourcing efficiency |
|---|---|
| Outsourcing capability assessment | ISP |

**Application Outsourcing**

Application Operation

| Maintenance | Enhancement | User Support |
|---|---|---|

**Help Desk Outsourcing**

Application Operation

| Service desk | Desktop service | Printing service |
|---|---|---|

**Infra Outsourcing**

Data Center Service

| Space service | Hosting | Co-location |
|---|---|---|

System Operation Service

| Space service | Hosting | Co-location |
|---|---|---|

DR Service

| DR construction & operation |
|---|

**Utility Computing**

## Future Businesses

SK C&C is continuously making efforts to discover and implement next-generation growth engines on the basis of its superior IT technology and expertise in many business areas. In particular, SK C&C is a leading trendsetter in green IT and ICT convergence areas.

### Green IT

SK C&C is actively promoting the Green IT solution business as a new growth engine. Green IT pursues energy conservation and green growth by using environmentally-friendly and low-carbon technologies. In the 'Smart Grid' field, where advanced IT is integrated into existing power networks, SK C&C developed and applied an EMS solution and battery management system for the Jeju Smart Grid Complex. We have also developed and provided an automatic meter reader for Korea Gas Corporation.

### New Business

To explore new business areas, SK C&C attempts new product and new business development on a continual basis. As for the smart card business, SK C&C not only manufactures/supplies smart cards but also provides 'card + application solution supply' based on the communication/finance/ID composite services. The company provides a total smartcard solution that can satisfy the customer's complete needs. SK C&C has also been making continuous investments in new growth engines and as a result, has developed NFC-USIM and Mobile Enterprise Application Platform (MEAP), Korea's first mobile platform.

### m-Commerce

SK C&C possesses world-class technology in the mobile payment area. In 2011, we signed a strategic MOU regarding trusted service manager (TSM) with the First Data Corporation in the U.S. and began to provide commercial TSM service. SK C&C covers all services related to mobile commerce such as m-Banking, m-Wallet, m-Marketing, and m-Usim.

**SK C&C's Future Business**



- Smart Grid
- BMS
- AMI
- EMS
- PCS

**Green IT**

**SMART & GREEN**

- Smart Card (NFC-USIM, etc.)
- Corporate Mobility, MEAP
- Mobile Devices

**New Business**

**m-Commerce**

- TSM
- Mobile Wallet
- Mobile Marketing
- Mobile Banking
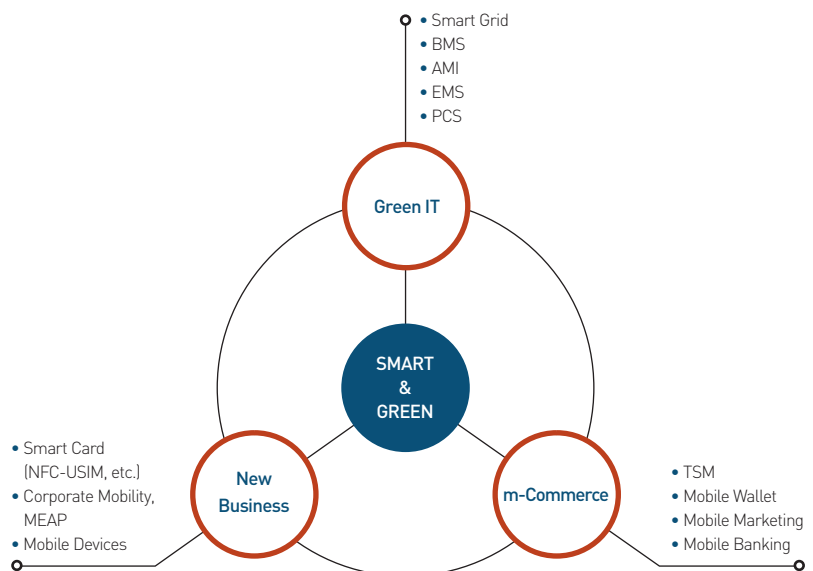
# 02
## OUR SUSTAINABILITY

SK C&C's five values that uphold our unique foundation of sustainability management include 'Happiness for ourselves and our partners', 'Imagination breaking free from tradition', 'Exciting journey towards our dreams', 'Relentless passion to be the best', and 'Respect and care for fellow SK people'. Through these values, SK C&C will make consistent efforts to create sustainable happiness for all our stakeholders.

SUSTAINABLE
GROWTH
& FUTURE

# SK'S CULTURE FOR SUSTAINABILITY MANAGEMENT

### SK's Philosophy

SKMS (SK Management System), the keystone of SK's corporate culture, was established in 1979 in order for all SK employees to have a shared understanding of the nature of business management and utilize it as the basis for proper decision making. SK's corporate mission is that "the corporate enterprise achieve its sustained progress by maintaining stability and growth. Furthermore, it should create value for its customers, employees and shareholders, thereby contributing to the social and economic development and human well-being". In this way, SK C&C will express our objective as stakeholders' value creation and happiness.
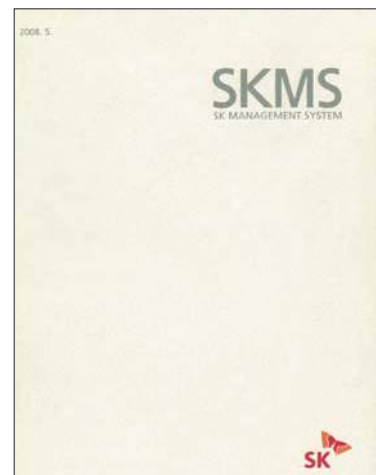
### Pursuit of Stakeholders' Happiness

We believe that the ultimate goal of corporate value is "Stakeholders' Happiness." Therefore, we regard sustainability management not as an option, but an essential element to make our stakeholders happy and continually reflect this ideology in our management activities. Since our establishment in 1991, we have made continuous efforts to sustain the long-term happiness and foster a more balanced relationship between the company and stakeholders. As a result, in 2011 SK C&C was selected as the best company in the TSV (Computer Services and Internet) industry by the Dow Jones Sustainability Korea Index for the second consecutive year.

### SK C&C's Shared Values

In order so that all employees can engage in sustainability management, SK C&C holds and practices five values; 'Happiness for ourselves and our partners', 'Imagination breaking free from tradition', 'Exciting journey towards our dreams', 'Relentless passion to be the best', and 'Respect and care for fellow SK people'. These five values have become the DNA of our management system and the keystone of our corporate culture. Going forward, SK C&C will make efforts to create happiness for all the stakeholders through active communication and to continuously offer value to our stakeholders.



SKMS

**SK C&C's Five Values**



| SK C&C's Five Values | | | | |
|---|---|---|---|---|
| **Happiness for ourselves and partners** | **Imagination breaking free from tradition** | **Exciting journey towards our dreams** | **Relentless passion to be the best** | **Respect and care for fellow SK people** |
| Our success and happiness will grow even bigger with our customers. | We pursue innovation through unbound imagination. | We challenge new possibilities with the I-can-do-it spirit. | We achieve the highest performance levels with a strong sense of vocation and passion for our goals. | We respect and consider the different values of our coworkers for ongoing improvement. |



SK C&C's 20th Anniversary in 2011

SK'S CULTURE FOR SUSTAINABILITY MANAGEMENT 22
SK C&C'S SUSTAINABILITY MANAGEMENT 23
SUSTAINABILITY PERFORMANCE
ETHICAL MANAGEMENT
CORPORATE GOVERNANCE
RISK MANAGEMENT

# SK C&C'S SUSTAINABILITY MANAGEMENT

## Strategies for Sustainability Management

In order to pursue stable growth and to share happiness with our stakeholders, SK C&C set up a sustainability management vision; 'Creating Happiness for All stakeholders Based on Shared Values'. We are also endeavoring to build a corporate culture communicating with our stakeholders based on our sustainability management vision.

**Direction of SK C&C's Sustainability Management**

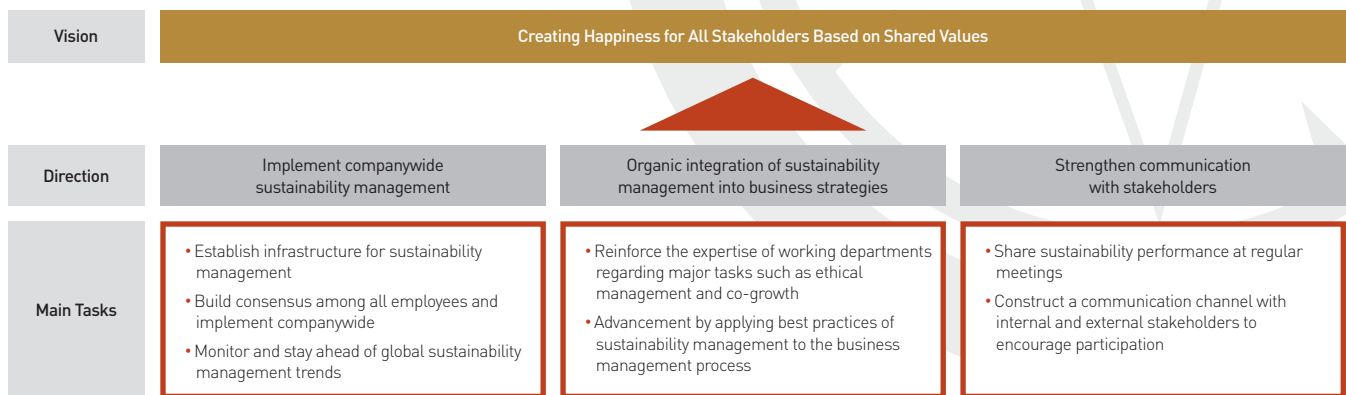| Vision | Creating Happiness for All Stakeholders Based on Shared Values | | |
|---|---|---|---|
| Direction | Implement companywide sustainability management | Organic integration of sustainability management into business strategies | Strengthen communication with stakeholders |
| Main Tasks | • Establish infrastructure for sustainability management<br>• Build consensus among all employees and implement companywide<br>• Monitor and stay ahead of global sustainability management trends | • Reinforce the expertise of working departments regarding major tasks such as ethical management and co-growth<br>• Advancement by applying best practices of sustainability management to the business management process | • Share sustainability performance at regular meetings<br>• Construct a communication channel with internal and external stakeholders to encourage participation |

## Sustainability Management Organization

### Sustainability Management Steering Body
SK C&C set up a CSR Team (Corporate Social Responsibility Team) at the SKMS division to take charge of its company wide sustainability management. The CSR team promotes sustainability management and social contribution activities. It also establishes sustainability strategies, monitors working-level sustainability activities, provides suggestions to each team, and plays an advisory role in various issues related to sustainability management.

### Sustainability Management Task Force Team
SK C&C set up a sustainability management task force (TF) team to perform various working-level sustainability activities more effectively. The sustainable management TF consists of experts from 11 teams. Their key role is to discuss sustainability management issues, decide on a sustainability polices and prompt implementation. In addition, we are making efforts to increase the expertise of the TF, including enhancing their knowledge of sustainability management practices through workshops, etc.

**Organizational Scheme for Sustainability Management**

| Sustainability Management Secretariat: Corporate Social Responsibility (CSR) Team |
|---|

| Ethical management | Customer management | Risk management | Win-Win partnership | Environmentally-friendly management | Social contribution | Board of directors | Strategic planning | Human resources management |
|---|---|---|---|---|---|---|---|---|

# SUSTAINABILITY PERFORMANCE

## Economy

SK C&C has been continuously taking on innovation and challenges to provide higher values to various industries. With experience and know-how accumulated over the past years, SK C&C is heading towards the global markets, especially in Europe and the Middle East to become a global innovation leader.

### Distribution of Economic Values

(Unit: KRW billion)

| Stakeholder | 2009 | 2010 | 2011 |
|---|---|---|---|
| Customers (Advertising & promotion expenses, etc.) | 6.5 | 7.2 | 6.6 |
| Employees (Salaries, retirement payment, welfare benefits) | 240.3 | 267.3 | 326.1 |
| Suppliers (Subcontracting expenses, raw material expenses, fees expenses) | 807.2 | 938.2 | 1,044.1 |
| Shareholders (Dividends & interest rates) | 79.1 | 99.9 | 106.5 |
| Government (Corporation tax, etc.) | 73.2 | 104.2 | 201.1 |
| Local Communities (Designated donation) | 0.4 | 1 | 1.6 |

## Society

SK C&C is seeking to become a leading global IT service provider with a strong sense of corporate citizenship. In tandem, we are expanding our social contribution activities which include the establishment of a social enterprise for those with disabilities and scholarships for low-income families. Furthermore, we aim to help our business partners enhance their competitiveness in efforts to promote co-growth.

### Composition of Board of Directors and Employees

(Unit: person)

| Classification | | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Executive Directors | Total | 35 | 36 | 37 |
| | Outside Directors | 4 | 4 | 4 |
| | Executives aged 30 to 50 years | 18 | 14 | 12 |
| | Executives directors aged over 50 years | 13 | 18 | 21 |
| Employees | Total | 3,252 | 3,407 | 3,777 |
| | Employees aged under 30 years | 477 | 412 | 484 |
| | Employees aged 30 to 50 years | 2,711 | 2,884 | 3,148 |
| | Employees aged over 50 years | 64 | 111 | 145 |

### Employment

(Unit: person)

| Classification | | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| | Total Number of Employees | 3,283 | 3,439 | 3,810 |
| Job | Engineering Worker Total | 2,909 | 3,049 | 3,364 |
| | Engineering Worker (male/female) | (2,470/439) | (2,607/442) | (2,871/493) |
| | Office Worker Total | 374 | 390 | 446 |
| | Office Worker (male/female) | (219/155) | (251/139) | (277/169) |
| Full-time/ Part-time | Contract employees | 223 | 230 | 233 |
| | Regular Employees | 3,060 | 3,209 | 3,577 |
| Diversity | Physically Disabled | 28 | 28 | 29 |
| | Offspring of Patriots and Veterans | 57 | 73 | 74 |
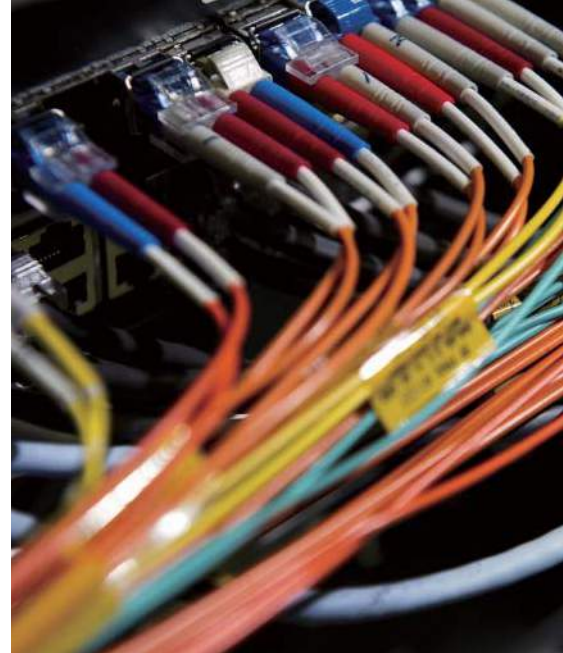
### Economic Performance

| Classification | Unit | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Operating revenue | KRW billion | 1,313 | 1,527 | 1,702 |
| Operating profit | KRW billion | 128 | 137 | 173 |
| Current ratio | % | 63 | 97 | 99 |
| Leverage ratio | % | 43 | 38 | 26 |

※ On the basis of the K-GAAP separate financial statement in 2009.
On the basis of the IFRS consolidated financial statement from 2010 to 2011.

**2011 Opearting Revenue**

**KRW 1,701.8 billion**

SK'S CULTURE FOR SUSTAINABILITY MANAGEMENT **24**
SK C&C'S SUSTAINABILITY MANAGEMENT **25**
SUSTAINABILITY PERFORMANCE
ETHICAL MANAGEMENT
CORPORATE GOVERNANCE
RISK MANAGEMENT

**Employee Turnover Ratio**

(Unit: %)

| Classification | | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Gender | Male | 9.6 | 10.5 | 9.3 |
| | Female | 10.7 | 12.8 | 9.1 |
| Age | 20-29 | 4.6 | 9.6 | 3.4 |
| | 30-39 | 9.9 | 11.7 | 10.3 |
| | 40-49 | 10.4 | 9.3 | 8.3 |
| | Older than 50 | 26.7 | 17.8 | 19.8 |

## Environment

SK C&C is leading the construction of a low-carbon, green IT infrastructure. We are developing and focusing on spreading IT technology that enhances public eco-friendliness across our entire society, including intelligent transportation systems and battery management systems. As a part of our campaign, "Smart & Green IT," we adopted an environmentally-friendly & digital office environment.

**Energy Usage**

| Classification | | Unit | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| Direct Energy Consumption | City Gas | TJ | 11.9 | 13.1 | 9.7 |
| | | KRW million | 158 | 167 | 148 |
| Indirect Energy Consumption | Electricity | TJ | 378 | 386.1 | 433.5 |
| | | KRW million | 4,678 | 4,288 | 4,913 |
| | District Heating | TJ | 10.1 | 8.3 | 8.5 |
| | | KRW million | 234 | 206 | 194 |

**Water Usage**

(Unit: ton)

| Classification | 2009 | 2010 | 2011 |
|---|---|---|---|
| Tap Water | 102,103 | 105,472 | 102,444 |
| Rainwater | - | - | - |
| Recycled Water | - | - | 7,047 |
| Total | 102,103 | 105,472 | 109,491 |

**Greenhouse Gas Emissions**

(Unit: tCO$_2$eq)

| Classification | | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Direct Emissions | City Gas (stationary combustion) | 653 | 721 | 531 |
| Indirect Emissions | Electricity | 19,762 | 20,187 | 22,663 |
| | District Heating (steam) | 242 | 216 | 221 |
| | (Sub-total) | 20,004 | 20,403 | 22,884 |
| Total | - | 20,657 | 21,124 | 23,415 |

**Waste Discharge**

(Unit: ton)

| Classification | | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| General Waste | Recycling | 186 | 152 | 126 |
| | Outsourcing | 64.2 | 73 | 72.4 |
| | (Sub-total) | 250.2 | 225 | 198.4 |
| Outsourcing | (Sub-total) | 13.2 | 27.4 | 22.5 |
| Recycling Rate of General Waste | | 70 | 56.7 | 69.8 |

* There is no toxic waste generated from SK C&C and all designated waste is disposed by third party contractors.

**2011 General Waste Recycling Rate**

# 64%

# ETHICAL MANAGEMENT

## History of SK C&C Ethical Management

Beginning with the announcement of the introduction of ethical management in 2002, SK C&C has built a supporting infrastructure so that our employees can independently comply with the ethical code. To internalize the compliance with the code of ethics, we strengthened leaders' roles, and applied strict ethics regulations to inappropriate work behaviors such as information leaks and the pursuit of private profit.

**History of Ethical Management**

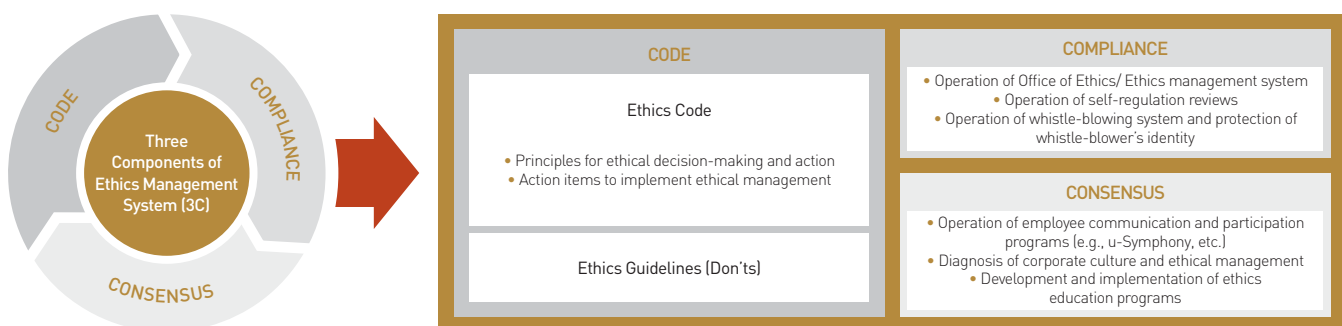| | 2002~2003 | 2004~2007 | 2008~2010 | 2011~ |
|---|---|---|---|---|
| **MILESTONE** | Introduction of ethical management | Building consensus among employees and business partners | Constructed an autonomous compliance system | Internalized ethics code among leaders/members |
| **DETAILS** | • Announcement of the introduction of ethical management (Nov. 2002)<br>• Establishment of Code of Ethics<br>• Establishment of infrastructure for ethical management<br>– Violation reporting system, and ethics counseling office | • Bolstering communication to form a consensus among employees<br>– Providing training programs by job function and self-ethics test<br>• Assessing the employees' compliance level toward business partners<br>– Receiving violation reporting & suggestions from business partners<br>– Visiting business partners that reported a violation or submitted suggestions | • Took a complementary measure to assist with an ethical decision-making system<br>– Offered guidelines/FAQs by situation<br>• Encouraged employees to comply with the ethics code voluntarily<br>– Selected areas to be assessed in consideration of members' opinions and announced assessment results | • Specified ethics guidelines for leaders/members and facilitated clear communication<br>- Six areas, 138 items<br>- Unethical behavior and false/delayed reporting<br>• Strengthened leadership training/coaching programs for CEO and leaders<br>- Emphasized the enhancement of ethics awareness and compliance in real life situations<br>• Enhanced self-regulation reviews<br>- Inspected areas of purchasing/BP, human resources, and expenses with regard to ethics in order to diagnose the compliance level |
| **LESSONS LEARNED** | • Should build consensus among employees and spread ethical management to suppliers | • Needed to help the ethical management self-compliance of employees | • Needed to strengthen leaders' roles to boost voluntary compliance and raise the awareness of corporate ethics | • Needed a standing assessment system regarding ethical management<br>- Needed awareness that investigations would take place at anytime<br>- Needed continuous improvement of system/process |

## Ethics Management Strategy

SK C&C put forth a great deal of effort to promote an ethical culture throughout the company. With the belief that integrity is the most fundamental driver of corporate performance, we enforce a strict code of ethics and guidelines to become an esteemed company.

### Ethics Management System

SK C&C established and implemented a code of ethics and guidelines based on the three components of ethics management (3C: Code, Compliance, and Consensus), as well as set up and is operating practical efforts to achieve employee's consensus.

**Ethics Management Framework**

Three Components of Ethics Management System (3C)

CODE
COMPLIANCE
CONSENSUS

**CODE**

Ethics Code

• Principles for ethical decision-making and action
• Action items to implement ethical management

Ethics Guidelines (Don'ts)

**COMPLIANCE**

• Operation of Office of Ethics/ Ethics management system
• Operation of self-regulation reviews
• Operation of whistle-blowing system and protection of whistle-blower's identity

**CONSENSUS**

• Operation of employee communication and participation programs (e.g., u-Symphony, etc.)
• Diagnosis of corporate culture and ethical management
• Development and implementation of ethics education programs

SK'S CULTURE FOR SUSTAINABILITY MANAGEMENT **26**
SK C&C'S SUSTAINABILITY MANAGEMENT **27**
SUSTAINABILITY PERFORMANCE
ETHICAL MANAGEMENT
CORPORATE GOVERNANCE
RISK MANAGEMENT

## Ethics Management Organization

SK C&C operates a specialized organization for ethical management to improve the awareness of corporate ethics and encourage compliance with ethical principles.

### Ethics Management Division
SK C&C's Ethics Management Division consists of four teams specialized in legal, ethics management, information security, and compliance issues. In order to establish an ethical corporate culture and compliance, the office addresses company wide risk management and compliance issues such as internal control system and advertising review.

### Ethics Management Team
The Ethics Management Team exercises ethical management for all the interested parties in the field. It introduces measures to improve an ethics management system, establishes detailed rules for implementation, receives cases of ethics violations, and decides on whether they should be deliberated by the Ethics Committee.

### Ethical Counseling Center
The Ethical Counseling Center provides counseling services related to ethical issues (e.g., sexual harassment). The Center receives cases of all ethics violations such as bribery and takes relevant actions. SK C&C strengthens internal supervision by operating ethical management education, reporting channels and regular corruption diagnosis.


Ethical Conduct Commitment Statement

## Ethics Education & Activities

SK C&C operates online ethics programs for all employees and group training for newcomers/experienced workers. We also collect ethical conduct commitment statements from all our employees and business partners each year, and regularly provide ethics training programs to all the employees with various ethics topics. As for corruption, sexual harassment and other issues, we circulate detailed guidelines through company notices and e-mails.

**Ethics Education Results**

| Classification | 2009 | 2010 | 2011 |
|---|---|---|---|
| Number of Employees who Received Ethics Education | 2,228 | 2,772 | 3,410 |
| Percentage of Employees who Received Ethics Education | 68% | 81% | 90% |

### Establishment of Ethics Guidelines
In 2009, SK C&C published guidelines and major FAQs for employees to refer to when they encounter ethical dilemmas. In 2011, we offered ethics guidelines that contain 138 "Don'ts" in six different areas, including inappropriate work behavior, security, subcontracting, tax/fair trade, and self-regulation reviews. With this, we focused on practical applications of ethical management, including aiding employees' understanding and strengthening their practice.

### Violation Reporting Channels and Self-Reporting System
SK C&C takes a precautionary approach to ethical management. We keep our sources private and operate various internal and external reporting channels for employees, customers and business partners as well as a self-reporting system for those who violate the ethics code. With these systems in place, we can confirm cases of violation and gain feedback more easily, which raise awareness of compliance and create a robust culture of integrity.

### Regular Ethical Monitoring / Self-Regulation Reviews
SK C&C regularly monitors the ethics level of each segment of business including areas in procurement and human resources in order to identify inappropriate work behaviors (e.g., conflict of interest, power abuse, and use of company money for personal purposes). We also conduct regular management diagnoses for the entire organization to identify weaknesses and areas of improvement in both the system and the process. SK C&C takes strong disciplinary measures against any employee who engages in inappropriate work behavior. In 2011, nine employees were dismissed or severely reprimanded. In 2009 and 2010, four and eight people, respectively, were severely reprimanded or dismissed for corruption cases.

# CORPORATE GOVERNANCE

## Board of Directors

The SK C&C Board of Directors maximizes our business value by being "working BOD" and performing practical functions. Our Board of Directors have established the heart of our corporate governance and are in charge of the company's strategic decision-making and advising/monitoring the management activities. Through this role, they strive for efficient management of transparency and corporate responsibility in order to bring the optimal value to our stakeholders.

### Composition of Board of Directors

The SK C&C Board of Directors consists of three inside and four outside directors (non-executive directors), to secure independence of the Board and enhance transparency in the decision making process (Outside directors' ratio: 57%). The outside directors are experts in law, finance, accounting and macro-economics.

### Selection of Board of Directors

SK C&C pursues fairness and transparency in the nomination process. The external directors are chosen based upon four criterias-expertise, business acumen, independence, and social recognition. They are nominated by the "Non-executive Director Nomination" Committee comprised of outside directors only, and are appointed at the general shareholders' meeting.

Board Meeting

**Board of Directors**

| Classification | Name | Responsibility | Career Highlights |
|---|---|---|---|
| Inside Directors (Executive) | Chung Chul-Khil | The Chairman of the Board | (Present) SK C&C CEO/President |
| | Chey Tae-Won | Strategic Communication | (Present) SK Co., Ltd. CEO/Chairman |
| | Cho Young-Ho | Internal Transaction Committee | (Present) SK C&C Head of Corporate Center |
| Outside Director (Non-executive) | Han Young-Seok | Non-executive Director Nomination Committee (Chairman), Audit Committee, Internal Transaction Committee | (Present) Corporate lawyer of Woo Il |
| | Lee Hwan-Kyun | Audit Committee (Chairman) Internal Transaction Committee Non-executive Director Nomination Committee | (Past) Minister of Construction and Transportation |
| | Ju Soon-Sik | Non-executive Director Nomination Committee | (Present) Corporate lawyer of Yulchon LLC |
| | Park Chan-Hi | Internal Transaction Committee (Chairman) Audit Committee Non-executive Director Nomination Committee | (Present) Joongang Univ. College of Business Administration. |

**Outside Directors' Ratio**

# 57%

SK'S CULTURE FOR SUSTAINABILITY MANAGEMENT **28**
SK C&C'S SUSTAINABILITY MANAGEMENT **29**
SUSTAINABILITY PERFORMANCE
ETHICAL MANAGEMENT
CORPORATE GOVERNANCE
RISK MANAGEMENT

## Operation of Board of Directors

In 2011, SK C&C held a total of 13 board meetings, referred 24 bills and reported 19 major issues to the Board. The average attendance was 80%. The ceiling of remuneration for Directors is reviewed by the board of directors according to the regulations and determined at the general meeting of shareholders. To ensure the independence of the external directors, we offer no special incentives other than basic salary and business travel expenses.

### Preventing the Conflict of Interest
According to articles 11 and 17 of the board of directors' policy, In order to prevent conflict of interest, directors must not undertake commercial transactions of the same nature as, and competing with, those of the company, either on his own account or through a third party. Also, they may not be a director or a partner with unlimited liability in another commercial concern carrying on a business of the same nature.

### Principles of Board Meeting Operation
To contribute to a more careful decision-making, Directors should submit the agenda and reason for the meeting to the Secretariat at least 10 days prior. The Secretariat shall give notice to each Director of the date, time, place and agenda of the meeting at least five days prior. This is specified in the board of directors' policy. Also, we included the convocation and meeting procedures of the board meeting in the company policy so that anyone can read and provide suggestions to the Board.

### Field-Oriented Board of Directors
In September 2011, SK C&C held a board meeting in the Atlanta office, U.S., to report on the IT business performances in the US market. SK C&C's board of directors have seen the effective results of field-oriented activities and will continue to implement them in the future.

**Board of Directors Activity**

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Number of Board Meetings | 7 | 9 | 13 |
| Number of Board Meeting Agendas | 25 | 34 | 43 |
| Attendance | 84% | 82% | 80% |



Annual Meeting of Shareholder

## Board Committees

SK C&C established three standing committees under the Board-the Internal Transaction Committee, Audit Committee and Non-executive Director Nomination Committee. To ensure efficiency and transparency, we raised the ratio of outside directors to more than 50%. Outside directors are nominated at the decision of the Non-executive Director Nomination Committee comprised of outside directors only. Internal Transaction Committee helps improve transparency and fairness in company's business management.

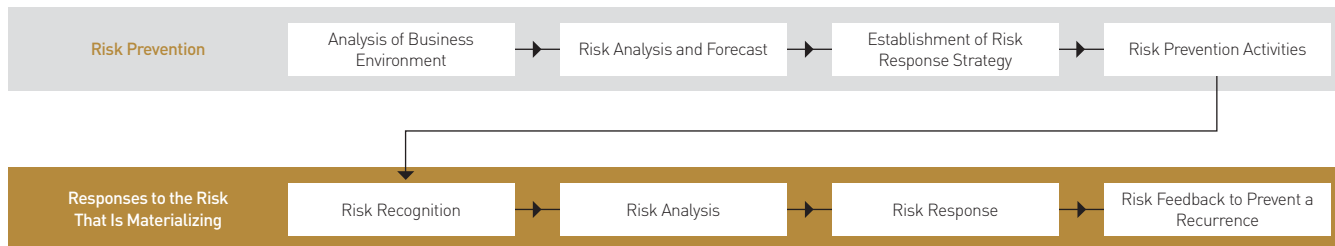| Classification | Internal Transaction Committee | Audit Committee | Non-executive Director Nomination Committee |
|---|---|---|---|
| Chairman | Park Chan-Hi | Lee Hwan-Kyun | Han Young-Seok |
| Composition | 1 inside director (Cho Young-Ho) 3 outside directors (Lee Hwan-Kyun, Han Young-Seok, Park Chan-Hi) | 3 outside directors (Lee Hwan-Kyun, Han Young-Seok, Park Chan-Hi) | 4 outside directors (Han Young-Seok, Lee Hwan-Kyun, Ju Soon-Sik, Park Chan-Hi) |
| Role | Report on fairness and transparency in internal transactions between special interest parties | Corporate audit and resolution of matters delegated by the Board | Non-executive Director Committee recommends outside director candidates in accordance with relevant laws, Articles of Incorporation and board of directors' policy |

# RISK MANAGEMENT
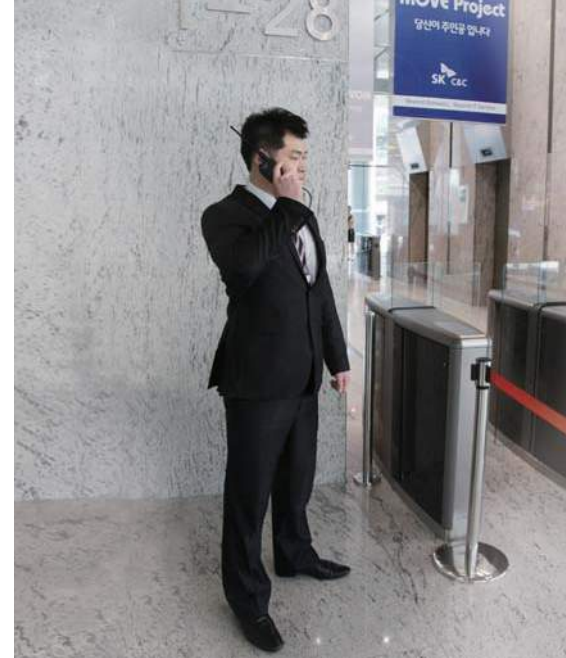
## Institutionalized Risk Management

SK C&C has built a risk management system that enables more systematic and powerful responses to risk factors stemming from uncertainties in the economic/business environment at home and abroad. In order to enter the global market and create new growth engines such as Green IT service, we will build a comprehensive, integrated risk management system which predict and control all sustainability risks including sustainability risk in SCM, environmental and oversea business risks.

### Risk Management System

SK C&C's teams in respective areas identify possible risks and preemptively organize response strategies and risk management plans. By establishing preemptive risk response plans, we raise awareness of various risks and encourage employees to prevent them. In addition, if a risk emerges, after a prompt analysis and a decision to prevent the spread of the problem, we perform effective risk mitigation through effective group-wide. To prevent the same risk from reoccurring, we investigate the cause and devise prevention plans after resolving the risk situation.

**Risk Response Process**

| Risk Prevention | Analysis of Business Environment | → | Risk Analysis and Forecast | → | Establishment of Risk Response Strategy | → | Risk Prevention Activities |
|---|---|---|---|---|---|---|---|

| Responses to the Risk That Is Materializing | Risk Recognition | → | Risk Analysis | → | Risk Response | → | Risk Feedback to Prevent a Recurrence |
|---|---|---|---|---|---|---|---|

**Ten Major Risk Types & Definitions**

| Risk Type | Definition | Teams in Charge |
|---|---|---|
| Financial Risk | Loss from advance payment and payment guarantee, increased financial cost due to prolonged advance payment, foreign exchange loss due to the exchange-rate swing | Finance Team |
| Fair Trade and Business Risks | Loss arising from the violation of Fair Trade Law, competition landscape, receivables, tax and contract conditions (fines and penalty, etc.) | Compliance Team |
| Contract and Regulation Risk | Loss from contract ambiguity and acceptance of poisonous articles, IPR infringement, the violation of regulations and civil lawsuits/criminal prosecutions | Legal Affairs Team |
| Security Risk | Information security breach and customer data loss due to hacking and information theft by employees | Information Security Team |
| Corruption Risk | Financial loss and credit rating downgrade due to interference of interest in the concerns of others, power abuse and the use of company money for personal purpose | Ethics Management Team |
| Project Risk | Loss from additional resource input, financial burden due to project delays, customer dissatisfaction | PMO Team |
| Reputation Risk | Deterioration in company's reputation and credit rating due to misinformation | PR Team |
| Policy Risk | Grave loss due to inappropriate responses to new government policy and policy changes | External Affairs Team |
| Environmental Risk | Data loss or deterioration in system stability due to natural disasters such as typhoons or fire | Infrastructure Service Team |
| HR Risk | Decline in corporate competitiveness due to ill preparation for HR-related issues such as attracting and retaining excellent talent, enhancing employees' capabilities and maintaining stable labor-management relations | HR Division |

SK'S CULTURE FOR SUSTAINABILITY MANAGEMENT **30**
SK C&C'S SUSTAINABILITY MANAGEMENT **31**
SUSTAINABILITY PERFORMANCE
ETHICAL MANAGEMENT
CORPORATE GOVERNANCE
RISK MANAGEMENT

## Human Resources Based Risk Management

Even with an effective risk management system in place, successful risk management is unlikely if employees are unaware of potential risks. In order to raise risk awareness, SK C&C provides risk management educations to employees, and includes risk management in the promotion exam. SK C&C also fosters risk management experts in a separate job group.

### Risk Management Education

SK C&C provides education to employees at managerial posts about how to identify risks and respond to them. We have included the subject of risk management in the promotion exam for employees at manager levels to increase employees' understanding of risk management. SK C&C's risk management education deals not only with general ethics management and win-win partnership with business partners, but also with specialized entities such as receivables management.

### Fostering Risk Management Experts

SK C&C includes risk management as one of the supporting job functions, and nurtures internal risk management experts. Risk management experts' responsibilities include mitigating risks, resolving problems at earlier stages, providing timely risk management information for supporting management-level employees' decision making, and guiding employees of site operation to manage risks well. To fulfill these responsibilities more effectively, we are aware that the experts must have a better understanding of the regulations, receivables management and the company's management infrastructure capabilities and act accordingly.

## Project Risk Management

When launching projects of a certain size, risk management guidelines are established to identify and manage risks that can stem from all stages of the project such as the proposal, bidding and contract signing. The project manager in charge formulates a self-check list, performs a preliminary risk review and submits the results to the Risk Review Committee. The Committee then reviews the legal & contract risks, financial risks related to business partners & customers and overseas project risks with the respective departments. Based on the risk review results, the Project Review Committee makes a final decision on the cost/price of the project and sets up project management strategies. After project management strategies are established, the project manager can start to proceed with the project while other respective departments monitor the process.

**Risk Management Process**



| START | Pre-Check and Preparation | Risk Review Request | Risk Review Committee | Project Review Committee | Project Launch | COMPLETE |
|---|---|---|---|---|---|---|
| | • Formulating a self-check list<br>• Preparing interview material<br>• Submitting review material | • Risk review request<br>• Notification of meeting results | • Convening risk review meeting<br>• Confirming risk review results<br>• Gathering pros and cons about the results | • Establishing project management strategies<br>• Preparing project management measures | • Assessing risks<br>• Risk hedging<br>• Monitoring | |

TOGETHER WITH SK C&C

# |03
# OUR STAKEHOLDERS

SK C&C's perpetual mission is the happiness of all our stakeholders. Through of communicating with all our stakeholders, we will do our best to bring the happy tomorrow to our stakeholders. As a designer of our stakeholders' happiness, we will continue our efforts to foster sustainable prosperity for both the present and the next generations.

# STAKEHOLDER ENGAGEMENT

## Overview of Stakeholders

In accordance to our philosophy of "building happiness for our diverse stakeholders," SK C&C has been making efforts to communicate with our stakeholders through various channels and reflect their opinions and expectations on our business management.
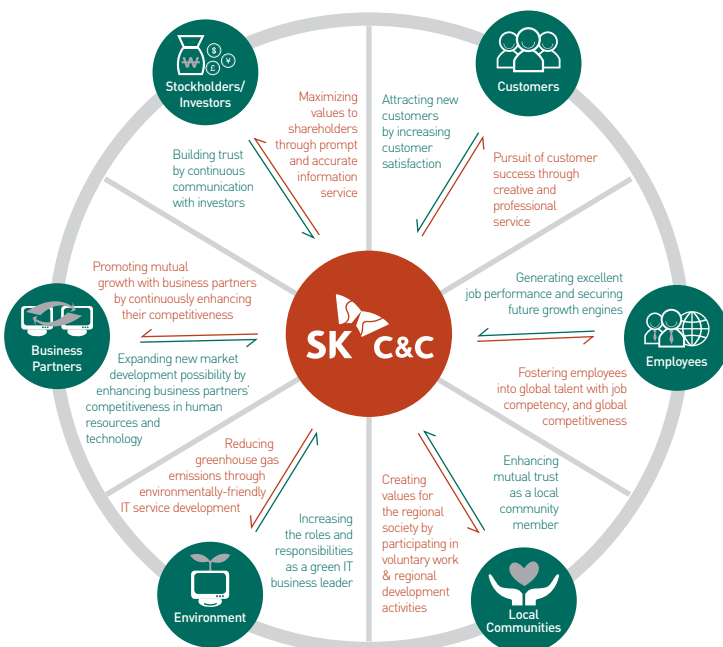
### Definition of Stakeholders

Stakeholders refer to individuals or groups that have a relation with our business management. We classified our stakeholders according to their importance and operate relations, i.e., stockholders & investors, customers, employees, business partners and environment & local communities. Based on clearly defined stakeholder segments, we engage in regular communication activities to identify their expectations and demands and formulate corresponding strategies with an intent to maximize return for them.

### Communication with Stakeholders

SK C&C has paid keen attention to stakeholders' interests and expectations for our sustainability management. To identify their demands and expectations, we are increasing direct/indirect communication channels such as customer information sessions and working-level councils for win-win partnerships. As for new stakeholder issues, responses are given as promptly as possible. In particular, we joined social media channels such as Twitter and Facebook, and also use blogs to enhance interactive communication with stakeholders. SK C&C will continue to bolster invaluable information exchange by devising new and innovative communication.

**Stakeholder Classification and Participation Channel**

| Stakeholder | Participation Channel |
|---|---|
| Stockholders/ Investors | • General meeting of shareholders (yearly)<br>• Dialogue with CEO (yearly)<br>• Announcement of earnings results (quarterly)<br>• Domestic/Overseas non-deal roadshow (when necessary)<br> /Tech. seminar with analysts (quarterly)<br>• Operating Investor Relation (IR) homepage |
| Customers | • Service quality assessment meeting (monthly)<br>• Weekly/monthly meeting<br>• Service help desk (ISAC)<br>• Customer satisfaction survey<br>• OS Account manager residing at customer company |
| Employees | • Management-Employee Council Meeting (quarterly)<br>• u-Symphony (all year round)<br>• Dialogue with CEO (quarterly)<br>• Seminars for executive directors/team managers (monthly)<br>• Dialogue with the head of business unit<br>• Team building workshop (when necessary)<br>• In-house broadcasting/magazine (year round)<br>• Management by walking around (MBWA) (when necessary)<br>• CEO Letter (when necessary)<br>• Home-coming day (yearly) |
| Business Partners | • Meeting with CEO<br>• Meeting with business partners by business line<br>• CEO MBWA<br>• Customer center of procurement portal<br>• Ethical counseling/reporting channels |
| Environment | • Cooperation with environment NGOs<br>• Presentation session of environmentally-friendly IT service<br>• Gyeonggi Province/Sungnam City Environment Council<br>• Smart grid council |
| Local Communities | • Operation of volunteer group (intranet homepage, offline meeting)<br>• Group meetings and workshops<br>• Meeting with social welfare facilities in the local community<br>• Communication with local governments<br>• Social enterprise |

STAKEHOLDER ENGAGEMENT 34
MATERIALITY ASSESSMENT 35
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
LOCAL COMMUNITIES

## Stakeholder Interview

SK C&C conducted face-to-face interviews with 6 main groups of stakeholders to manage sustainability issues in which stakeholders have a keen interest and set directions going forward. Interviews were conducted for two weeks from February 1 to 15, 2012. By listening to stakeholders' opinions and expectations, we could identify the areas we need improvement in and the direction we need to go. Interview results by individual stakeholders are detailed in each segment of "Our Stakeholders" section.

**Stakeholder Interviewees**

| Stakeholder Classification | Organization | Name | Page |
|---|---|---|---|
| Stockholders & Investors | Kiwoom Securities | Ahn Jae-Min (Analyst) | 38 |
| Customers | Korea Aerospace Industries (KAI) | Lee Jong-Sun (Executive director) | 46 |
| Employees | Solution Development Team | Bart Jarochowski (Assistant manager) | 52 |
| Business Partners | Daewon C&C | Sung Jun-Ho (CEO) | 62 |
| Environment | Citizen's Organization of Bundang Environment | Jung Byoung-Joon (President) | 68 |
| Local Communities | Seongnam Volunteer Center | Kim Sae-Hwa (Team manager) | 76 |

## Stakeholder Survey

SK C&C conducted the 2012 SK C&C Sustainability Management Survey to identify stakeholders' interests and opinions in various economic, social and environmental issues. Survey questions were designed to draw major issues of sustainability management and set future directions based on the assessment of SK C&C's current level of sustainability management. We sent e-mail surveys to external stakeholders, conducted an online poll on our intranet and sent offline surveys to internal stakeholders. The survey period was from January to February 2012 and out of 4,635 stakeholders, 1,155 participants gave effective survey results.

### Objective of Stakeholder Survey

SK C&C was able to confirm the level of stakeholder interests and expectations on SK C&C's sustainability management using the stakeholder survey. We conducted materiality assessment and reclassified issues according to the materiality and the level of stakeholder interest. Survey results will be reflected in our sustainability management after being reviewed by our management. At the time of this survey, we built a more practical stakeholder communication channel by developing a reliable means of surveying to enhance the response rate and gather the stakeholder pool by considering their importance by group.
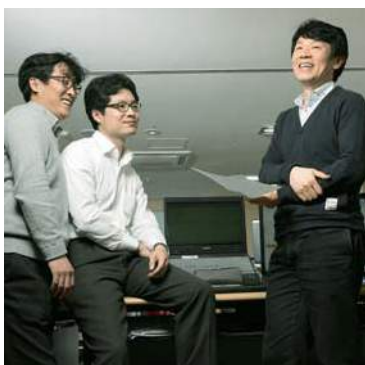

Stakeholder Communication
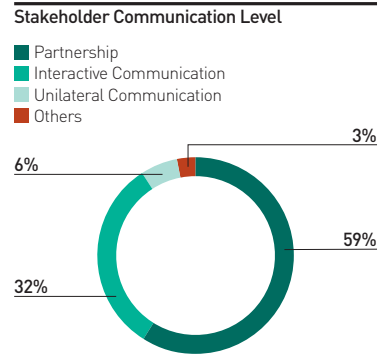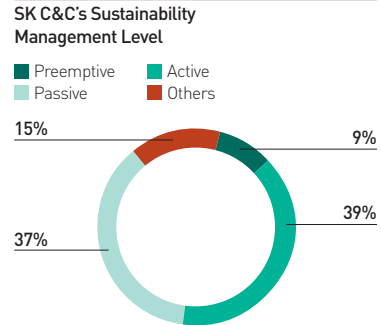
# STAKEHOLDER ENGAGEMENT

## Stakeholder Survey Results

SK C&C's sustainability management received the following assessment from internal & external stakeholders.

### SK C&C's Sustainability Management Level

Approximately 48% of the respondents said that SK C&C is performing active and practicing preemptive sustainability management while 52% of the respondents said it is passive or not known. These results reflect stakeholder's views that we should improve both of our sustainability management and stakeholder communication level. We will try to get closer to the stakeholders by using various communication channels including this sustainability report.

### Stakeholder Communication Level

According to the analysis of stakeholders' communication level, 59% of stakeholders said they have a cooperative and reciprocal partnership and 32% of stakeholders said they have interactive communication with us. This result is deemed positive and represents well our philosophy of pursuing co-growth with stakeholders very well. Going forward, we will strive to build a reciprocal partnership with our stakeholders and bolster communication channels.

**SK C&C's Sustainability Management Level**

- Preemptive
- Active
- Passive
- Others

15%  9%
37%  39%

**Stakeholder Communication Level**

- Partnership
- Interactive Communication
- Unilateral Communication
- Others

3%
6%  59%
32%

**Economic Responsibility**

| Areas of Excellence | | Areas for Improvement | |
|---|---|---|---|
| Stable Profit Structure | 17% | Creation of New Growth Engine | 18% |
| Risk Management | 15% | R&D Capability | 18% |
| Overseas Expansion | 12% | Service & Quality Innovation | 10% |

**Environmental Responsibility**

| Areas of Excellence | | Areas for Improvement | |
|---|---|---|---|
| Efficient Use of Energy | 23% | Development of Environmentally-Friendly Services | 21% |
| Awareness of Environmentally-Friendly Management | 21% | Expansion of Green Purchases | 16% |
| Resources Conservation & Recycling | 20% | Environmentally-Friendly Business Management | 15% |

**Social Responsibility**

| Areas of Excellence | | Areas for Improvement | |
|---|---|---|---|
| Social Contribution Activities | 18% | Balanced Work and Life | 17% |
| Job Creation | 17% | Employees' Competency Development | 13% |
| Sound Corporate Culture | 12% | Education for Next Generations | 11% |

### Economic Responsibility

We received positive assessment on our stable profit structure from stakeholders but the new growth engine and R&D areas were selected as areas for improvement. SK C&C will endeavor to reinforce its R&D capability and explore new business opportunities in overseas markets to secure a long-term and stable profit structure.

### Eenvironmental Responsibility

Stakeholders gave positive assessment on "efficient energy use" and chose "environmentally-friendly service development" for improvement. SK C&C is developing and offering various environmentally-friendly IT services. Based on these experiences, we will become a leading Green IT business service provider, meeting our stakeholders' expectation.

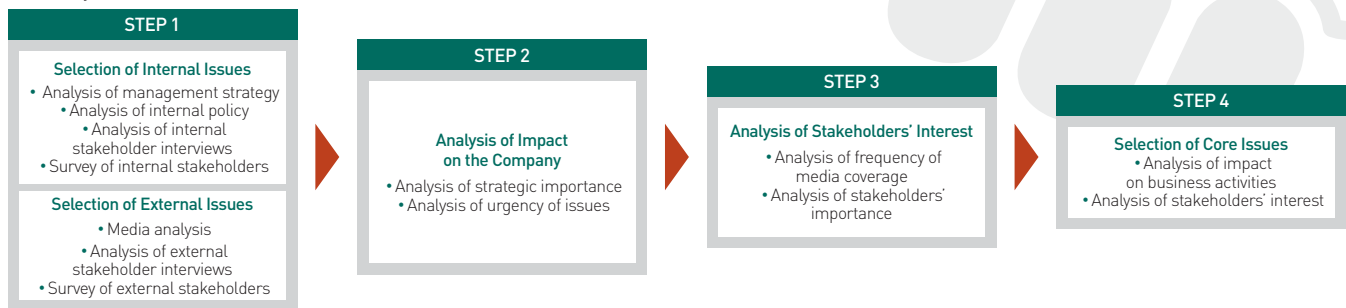### Social Responsibility

Stakeholders gave positive assessment on our social contribution and job creation activities and chose support for employees' balanced work and life for improvement. To meet our stakeholders' expectations, SK C&C will continue to diligently fulfill its corporate social responsibility and create jobs. Also, we will increase support for employees to balance work and life.

STAKEHOLDER ENGAGEMENT 36
—
MATERIALITY ASSESSMENT 37
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
LOCAL COMMUNITIES
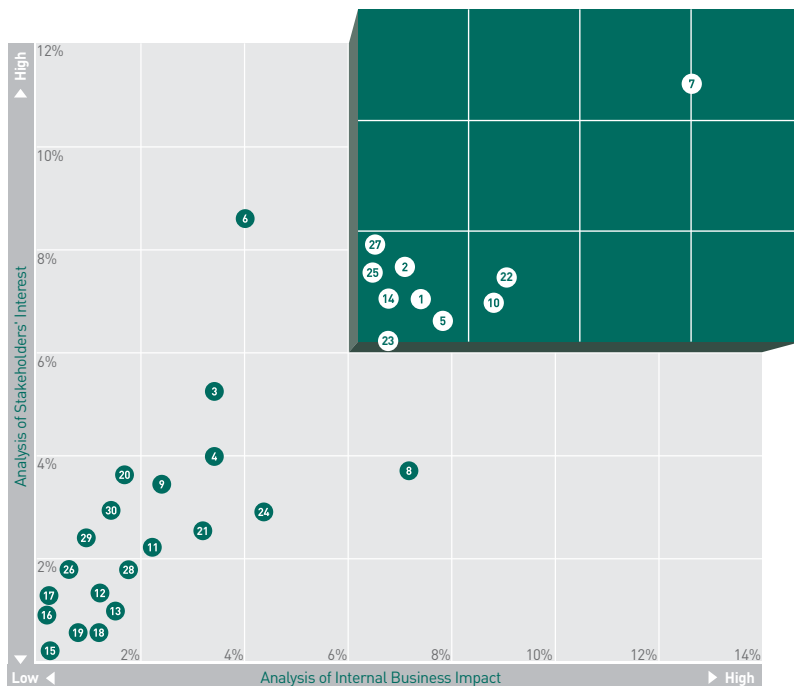
# MATERIALITY ASSESSMENT

## Overview

SK C&C conducted a materiality test to identify the major sustainability management issues in which stakeholders have a keen interest and issues that have a potentially large impact on our business activities. Based on 79 GRI Guideline indicators, we chose 30 materiality issues through a three-step procedure: selection of internal and external issues (company policy, media coverage, stakeholder interviews and surveys), analysis of impact on the company (strategic importance, urgency of issues) and analysis of stakeholder interests (frequency of media coverage, importance of stakeholders). Among these 30 issues, we drew 10 core issues related to sustainability in consideration of potential impact on the company and stakeholders' level of interest.

### Materiality Test Process

**STEP 1**

**Selection of Internal Issues**
- Analysis of management strategy
- Analysis of internal policy
- Analysis of internal stakeholder interviews
- Survey of internal stakeholders

**Selection of External Issues**
- Media analysis
- Analysis of external stakeholder interviews
- Survey of external stakeholders

**STEP 2**

**Analysis of Impact on the Company**
- Analysis of strategic importance
- Analysis of urgency of issues

**STEP 3**

**Analysis of Stakeholders' Interest**
- Analysis of frequency of media coverage
- Analysis of stakeholders' importance

**STEP 4**

**Selection of Core Issues**
- Analysis of impact on business activities
- Analysis of stakeholders' interest

### Core Sustainability Issues



| Core Issues | | |
|---|---|---|
| **Stakeholders** | **Issues** | **Page** |
| Shareholders | (7) Creating new growth engines | 44 |
| | (10) Expanding into the overseas markets | 45 |
| Customers | (2) Communicating with customers | 50 |
| | (5) Service & quality innovation | 51 |
| Employees | (22) Balanced work and life | 60 |
| | (23) Employee career development | 61 |
| Business Partners | (27) Pursuing shared growth with business partners | 67 |
| Environment | (14) Developing Green IT | 75 |
| Local Communities | (1) Establishment of a social enterprise | 82 |
| | (25) Sustained social contributions | 83 |

| Other Issues | |
|---|---|
| **Issues** | **Issues** |
| (3) Fair competition/fair trade | (17) Promoting resource conservation and recycling |
| (4) Strengthening risk management | (18) Effective energy use |
| (6) Strengthening R&D capabilities | (19) Increasing green purchasing |
| (8) Securing a stable profit structure | (20) Creating jobs |
| (9) Improving corporate governance structure | (21) Cooperative labor-management relations |
| (11) Enhancing transparency in accounting | (24) Developing sound corporate culture |
| (12) Raising awareness of environmental management | (26) Investing and participating in the local community development |
| (13) Strengthening management activities | (28) Strengthening management |
| (15) Strengthening the management of greenhouse gas emissions | (29) Supporting education for the next generation |
| (16) Efforts to reduce waste | (30) Bolstering stakeholder participation |

# STOCKHOLDERS AND INVESTORS

●

Our outstanding IT technology and global competitiveness will help maximize value for shareholders and investors. SK C&C is the undisputed No. 1 IT service provider in Korea that pursues persistent innovation of business and profit structures.

## Stakeholder Interview

I've been writing analysis reports on SK C&C since 2010 and have recommended many investors to buy SK C&C shares. SK C&C, the first IT service provider listed on the Korea Stock Exchange, is a young and powerful IT service provider that continuously increases sales and expands into diverse business areas.

SK C&C presents excellent software technology and new IT technologies such as NFC-USIM, mobile solution and security services, which are quite competitive in the global markets. I believe SK C&C is not only Korea's representative IT service provider, but also a corporation with a favorable potential to grow into a global leading IT service provider.

**Analyst at Kiwoom Securities | Ahn Jae-Min**

STAKEHOLDER ENGAGEMENT 38
MATERIALITY ASSESSMENT 39
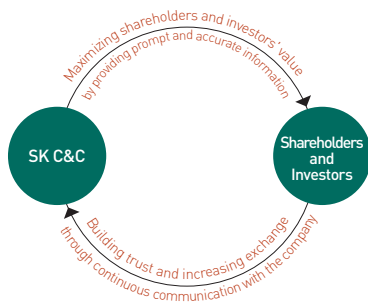STOCKHOLDERS AND INVESTORS
CUSTOMERS
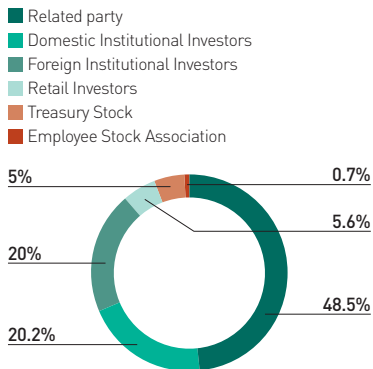EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
LOCAL COMMUNITIES

# STOCKHOLDERS AND INVESTORS

**Virtuous Cycle between SK C&C and Shareholders**



**SK C&C's Share Ownership**
(As of December 2011)

- ■ Related party
- ■ Domestic Institutional Investors
- ■ Foreign Institutional Investors
- ■ Retail Investors
- ■ Treasury Stock
- ■ Employee Stock Association



5%
0.7%
5.6%
20%
48.5%
20.2%

**Credit Rating Trend for Corporate Bonds and Commercial Papers**

| | Corporate Bond | | Commercial Paper | |
|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 |
| Nice Credit Information Service | AA | AA | A1 | A1 |
| Korea Ratings | AA | AA | A1 | A1 |
| Korea Investors Service | AA | AA | A1 | A1 |

**Propensity to Dividend Trend** (Unit: %)

| | |
|---|---|
| 2011 | 32.1 |
| 2010 | 29.6 |

## Soundness

### Transparent Investor Policy

SK C&C sees shareholders and investors as its core stakeholders and strives to create a comprehensive virtuous cycle of value creation together. Our company provides prompt and accurate information to maximize values for its shareholders and investors while shareholders and investors help build market trust by actively communicating with the company.

### Stock Price Trend

SK C&C's stock prices maintained steady growth from its initial public offering, throughout the second half of 2011. Though SK C&C shares experienced price corrections due to external factors such as Europe's fiscal crisis, it is overcoming due to these unfavorable external developments, by securing new growth engines and enhancing the productivity of existing businesses.

**SK C&C's Stock Price Trend**
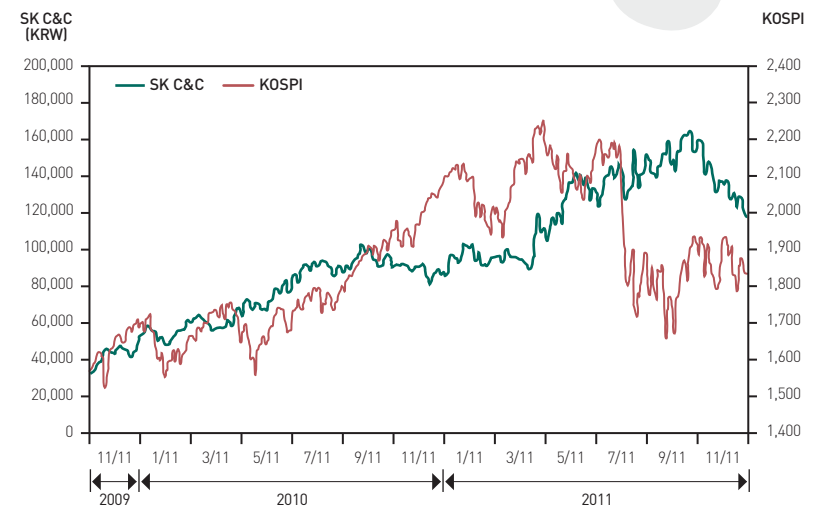


### Credit Rating

SK C&C has secured a sound profit structure and ample cash flow due to rapid growth and profitability compared to competitors. As a result, our corporate bond received AA, the highest credit rating attainable in the IT service industry while our commercial papers also maintain an A1 rating.

### Return to Shareholder

SK C&C is trying to find the optimal balance between driving growth and boosting shareholder value. Going forward, we intend to determine the rate of dividends considering the propensity to dividend, dividend per share, and dividend as a percentage of current stock prices.
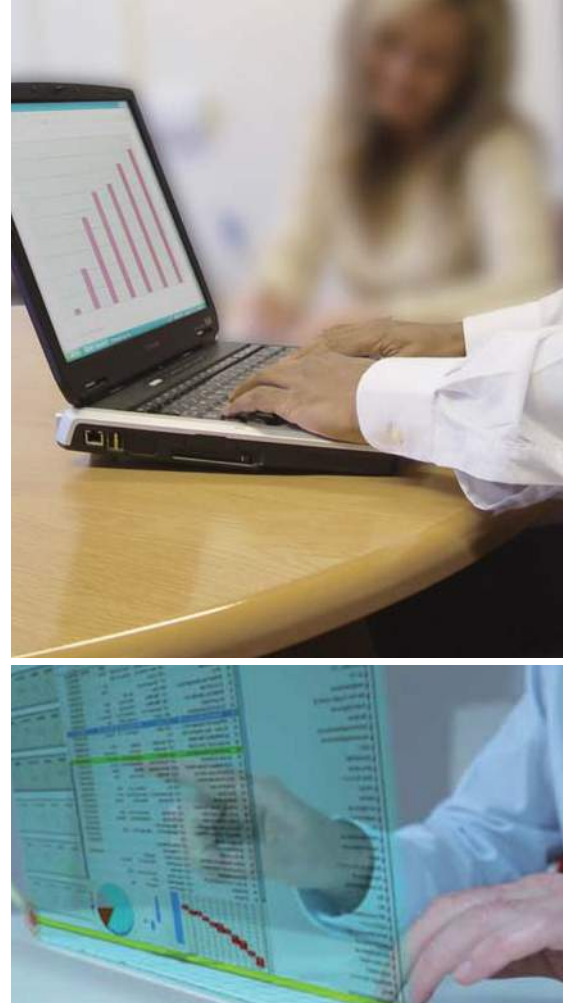
# STOCKHOLDERS AND INVESTORS

## Business Performance

SK C&C took a substantial step toward its goal of being a global leading company in 2011. Despite the economic slowdown at home and abroad and the subsequent contraction in the IT service market, SK C&C's operating revenue and operating income increased by KRW 175.3 billion and KRW 36.4 billion, respectively, on the basis of K-IFRS financial statement.

Comprehensive Income Statement (Consolidated)

(Unit: KRW million)

| Classification | 2011 | 2010 |
|---|---|---|
| Operating Revenue | 1,701,764 | 1,526,534 |
| Operating Expenses | 1,526,645 | 1,365,524 |
| Other Operating Revenue | 3,096 | 1,937 |
| Other Operating Expenses | 5,057 | 26,163 |
| Operating Income | 173,158 | 136,785 |
| Financial Income | 21,178 | 53,097 |
| Financial Expense | 67,195 | 76,795 |
| Gain (loss) from Investment in Subsidiaries and Affiliates | 512,228 | 315,856 |
| Operating Income before Income Taxes | 639,368 | 428,942 |
| Income Tax Expense | 201,118 | 104,248 |
| Net Operating Income | 438,250 | 324,694 |
| Other Comprehensive Income | 51,297 | (87,445) |
| Gain (Loss) from Valuation of Investment in Subsidiaries and Affiliates | 64,732 | (108,357) |
| Gain (Loss) from Valuation of Available-for-Sale Financial Assets | 217 | (6,112) |
| Gain (Loss) from Valuation of Derivatives | 590 | 190 |
| Actuarial Gain (Loss) | (2,930) | (3,860) |
| Gain (Loss) on Overseas Operations Translation | 332 | 16 |
| Tax Effects | (11,644) | 30,679 |
| Total Comprehensive Income | 489,548 | 237,249 |
| Net Operating Income Attributable to | | |
| Controlling Interest | 438,250 | 324,694 |
| Non-controlling Interest | | |
| Total Comprehensive Income Attributable to: | | |
| Controlling Interest | 489,548 | 237,249 |
| Non-controlling Interest | | |
| Earnings per Share | | |
| Basic Earnings per Share | 9,226 won | 6,526 won |

**Operating Income**

**KRW 173 billion**

STAKEHOLDER ENGAGEMENT  **40**
MATERIALITY ASSESSMENT  **41**
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
LOCAL COMMUNITIES

**Financial Position Statement (Consolidated)**

(Unit: KRW million)

| Accounts | 2011 | 2010 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | 973,077 | 1,427,540 |
| Cash and Cash Equivalents | 208,459 | 648,777 |
| Trade Receivables and etc. | 542,016 | 467,974 |
| Other Financial Assets | 185,210 | 271,389 |
| Available-for-Sale Financial Assets | 1.9 | 1.9 |
| Inventories | 1,047 | 2,537 |
| Other Current Assets | 34,914 | 36,861 |
| Non-Current Assets Held for Sale | 1,429 | |
| **Non-Current Assets** | 3,648,189 | 3,029,526 |
| Investments in Subsidiaries and Associates | 2,866,266 | 2,619,067 |
| Tangible Assets | 367,228 | 339,536 |
| Intangible Assets | 74,041 | 42,707 |
| Other Receivables | 18,837 | 13,221 |
| Available-for-Sales Financial Assets | 321,491 | 7,872 |
| Other Financial Assets | 327 | 7,122 |
| **Total Assets** | 4,621,266 | 4,457,066 |
| **LIABILITIES** | | |
| **Current Liabilities** | 980,780 | 1,466,695 |
| Trade Payables and Others | 462,757 | 383,202 |
| Debentures and Borrowings | 400,329 | 914,301 |
| Other Financial Liabilities | 18,782 | 23,280 |
| Advance Receipts | 67,357 | 117,022 |
| Unpaid Tax | 26,157 | 22,446 |
| Provisions | 5,398 | 6,444 |
| **Non-Current Liabilities** | 1,383,112 | 1,189,296 |
| Other Liabilities | 909 | 1,041 |
| Debentures and Borrowings | 807,419 | 778,008 |
| Other Financial Liabilities | 22,593 | 19,183 |
| Defined Benefit Obligation | 8,373 | 16,427 |
| Deferred Tax Liabilities | 543,818 | 374,636 |
| **Total Liabilities** | 2,363,893 | 2,655,991 |
| **SHAREHOLDERS' EQUITY** | | |
| **Controlling Interest** | 2,257,373 | 1,801,075 |
| Capital Stock | 10,000 | 10,000 |
| Treasury Stock | (229,919) | (229,919) |
| Other Equity | 16,180 | (37,339) |
| Retained Earnings | 2,461,112 | 2,058,333 |
| **Non-controlling Interest** | | |
| **Total Shareholders' Equity** | 2,257,373 | 1,801,075 |
| **Total Liabilities and Shareholders' Equity** | 4,621,266 | 4,457,066 |



Explanation Session for Stock Analysts

**Total Assets**
KRW **4,621** billion

# STOCKHOLDERS AND INVESTORS

## Growth Prospects

SK C&C, has been continuously investing in research & development (R&D) to secure new growth engines and develop new technologies. Considering expertise and business relations, we sufficiently allocate human resources to our R&D organization. In addition we are monitoring review elements by step and the achievement level in order to execute systematic R&D.

### R&D Direction

SK C&C operates a task module-based R&D organization to strengthen its R&D expertise. In this type of organization, R&D capability converges on the respective task with a clear objective and enhances R&D performance as a result. Meanwhile, we try to connect R&D results to businesses. By conducting R&D projects in accordance with business needs, we try to open up new business areas and secure new growth engines.

**What is R&D in the IT Industry?**

In the IT service industry, business is all about R&D. SK C&C has been making it best efforts to construct an IT system that suits the customer's needs. In that respect, R&D activities of an IT service company are intangible assets beyond mere research and development activities.

**R&D Direction for Successful Outcome**



Reinforcing R&D expertise → Successful R&D results → Applying R&D results to business

**SK C&C's R&D Organization**



- Technology Innovation Division
- Global R&BD Center
- Green IT Business Division
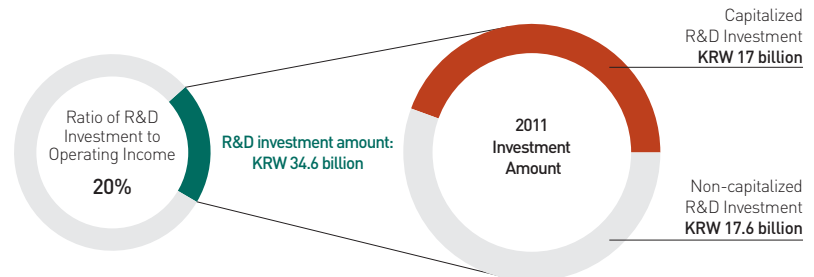- Cloud Computing Technology Team

### R&D Process

SK C&C divided the R&D process into six steps of product planning, proof of concept, product design & development, production, sales/marketing, and technology service, and utilizes a quality checklist to assess each step of R&D. The quality checklist defines items that need to be checked at each step of R&D, departments in charge and a level matrix. To check the quality effectively, SK C&C operates an expert pool that demonstrates diverse expertise from product planning, marketing to quality management. These experts evaluate the quality level and appoint scores to each item of the checklist.

### R&D Investment

R&D investment can be divided into two types, capitalized and non-capitalized R&D investment. Capitalized R&D investment is R&D results gined from internal and external projects that can become an intangible asset while non-capitalized R&D investment includes labor cost and operating expenses spent in R&D activities. In 2011, SK C&C's capitalized R&D investment made up 49% of our entire R&D investment of KRW 34.6 billion.

**2011 R&D Investment**



Ratio of R&D Investment to Operating Income
**20%**

R&D investment amount: KRW 34.6 billion

2011 Investment Amount

Capitalized R&D Investment
**KRW 17 billion**

Non-capitalized R&D Investment
**KRW 17.6 billion**

STAKEHOLDER ENGAGEMENT 42

MATERIALITY ASSESSMENT 43

STOCKHOLDERS AND INVESTORS

CUSTOMERS

EMPLOYEES

BUSINESS PARTNERS

ENVIRONMENT

LOCAL COMMUNITIES

## R&D Organization and Workforce

SK C&C has been continuously reinforcing R&D capabilities as well as the R&D workforce. This year in particular, we set up a Global R&D Center specialized in smart card and m-Commerce research.

### Introduction of R&D Organization and Major Research Tasks

| Organization | No. of Employees | Introduction | Major Research Tasks |
|---|---|---|---|
| Technology Innovation Division | 140 | Plans, develops and sells various IT solutions that help improve productivity and quality of SI projects and IT services. Also develops and applies IT solutions and NEXCORE series to businesses | • Biz. solutions<br>• NEXCORE ALM Suite series (aggregate of automation tools)<br>• NEXCORE Framework series (Online for J2EE, C/C+, NET)<br>• NEXCORE Mobile Platform series<br>• NEXCORE PMS solution and function enhancement |
| Global R&BD Center | 68 | Develops smart card technology & products and m-Commerce business solutions. Its main tasks are monitoring market & global standards, and planning/designing/developing products measuring up to the global standards | • Development of global TSM/m-Wallet solution<br>• Development of NFC VAS & Payment solution<br>• NFC-USIM for WCDMA<br>• Next generation NFC-USIM for LTE<br>• Development of NFC eSE-related solutions |
| Green IT Business Division | 30 | Develops smart grid-related technologies such as BMS, AMI, EMS, and PCS and fosters them into new growth engines | • BMS development for EV and ESS<br>• Development of AMR for industrial and home use (AMI)<br>• Development of Power Conditioning System (PCS)<br>• Development of Energy Management System (EMS) |
| Cloud Computing Technology Team | 29 | Develops cloud computing technology tailored to domestic computer infrastructure, and also develops PaaS technology that helps better utilize computer resources based on virtualization of CPU and storage | • Development of big data processing engine<br>• Development of connection technology for VDI network drive<br>• Development of big data warehouse<br>• Development of Cloud Storage API |

### Government Subsidies/Grants, Tax Relief/Credits

(Unit: KRW 100 million)

■ Government R&D Subsidies/Grants
▨ Tax Relief/Credits

| | Subsidies/Grants | Tax Relief/Credits |
|---|---|---|
| 2011 | 13 | 13 |
| 2010 | 10 | 13 |
| 2009 | 13 | 19 |

### SK C&C's Patent Performance

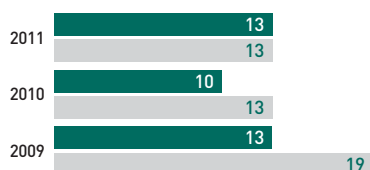| | |
|---|---|
| Number of Citation | 132 |
| Number of Patents | 60 |
| Registered Copyrights | 9 |
| Registered Programs | 65 |

## R&D Achievement

SK C&C has earned many certifications, awards and global partnerships for its excellent R&D performance. Our representative IT solution, NEXCORE, was particularly recognized for its excellence in domestic & international contests. We are also expanding a cooperative relationship with various global IT companies such as Google and IBM.

| Certification | • Acquisition of Oracle J2EE standard for NEXCORE Online Framework for J2EE as a first in Korea in August 2007 (Korea's first and only product currently)<br>• Listed in IBM Global Solution Directory (NEXCORE ALM Suite, NEXCORE Online Framework for J2EE, NEXCORE Mobile Platform)<br>• TSM MasterCard GVCP Certification<br>• WCDMA NFC-USIM: SK Telecom, Visa (as a first in Korea), T-Money certification<br>• Smartcard solution for electronic passport: CC EAL4+ certification<br>• Application of core green IT technology for intellectual property right (5 patent applications in total) |
|---|---|
| Awards | • Outstanding prize in 2008 Korea S/W Technology Award (NEXCORE Code Inspector)<br>• Knowledge Economy Minister Award in 2009 Korea S/W Contest (NEXCORE Data Inspector)<br>• Outstanding prize in 2010 Korea S/W Technology Award (NEXCORE ALM Suite)<br>• Presidential Award in the 23rd Global SW Contest in 2011 (NEXCORE Mobile Platform)<br>• Gold prize in 2011 Korea SW Technology Award (NEXCORE ITS Platform Foundation) |
| Cooperation/ Partnership with Foreign Partners | • TSM Solution (CorTSM) development and Google TSM commercialization<br>• Development of Mobile Wallet solution (CorPay) and supply to InComm, Vodafone<br>• Development of Mobile Marketing Solution (Cor360) and supply to InComm and Dunkin' Donuts<br>• MOU with SKI for BMS development<br>• Development of green IT products and application to business (development of EV standard BMS Prototype, development of 3Kw BMS for home use and AMR for industrial use) |

# SK C&C CORE ISSUE

## CREATING NEW GROWTH ENGINES
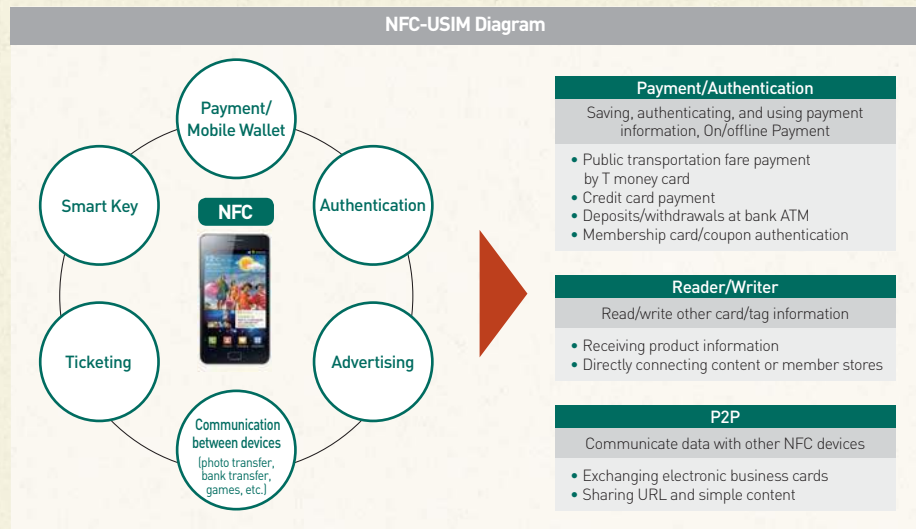## Commercializing NFC-USIM

NFC-USIM

With the rapid spread of smart phones and applications, the demands for NFC USIM have risen among mobile phone operators in Korea and abroad. To tap into a growing NFC-USIM demand in the global market place, SK C&C attempted to take on global business by referencing Korean cases and solutions. Domestically, the SIM market is also expanding after SK Telecom's announcement of its plan to change to NFC USIM. To respond these changes, the company is pursuing revenue growth in new business areas by commercializing self-developed solutions.

### NFC-USIM

NFC is a short-range communication technology that operates within a 10cm proximity, enabling peer-to-peer communication, reader-tag communication, and card emulation. In Korea, SK Telecom supported card emulation, one of three NFC functions, by using Combi-USIM (aka, Finance USIM) until 2010, but communication between devices or reader-tag was not available. For this reason, in January 2011, SK Telecom announced the introduction of NFC-USIM to replace the existing Combi-USIM. To tap into the growing NFC-USIM demand, SK C&C invested a total of KRW 1.25 billion in NFC-USIM development and acquired commercialization authorization from SKT IOT, T-Money, Visa and MasterCard. As a result, SK C&C supplied a total of 400,000 NFC USIM chips to SK Telecom in 2011 alone. SK C&C will make efforts to provide world-class NFC-USIM products and services going forward.

**NFC-USIM Diagram**

Payment/
Mobile Wallet

Smart Key

NFC

Authentication

Ticketing

Advertising

Communication
between devices
(photo transfer,
bank transfer,
games, etc.)

**Payment/Authentication**
Saving, authenticating, and using payment information, On/offline Payment

- Public transportation fare payment by T money card
- Credit card payment
- Deposits/withdrawals at bank ATM
- Membership card/coupon authentication

**Reader/Writer**
Read/write other card/tag information

- Receiving product information
- Directly connecting content or member stores

**P2P**
Communicate data with other NFC devices

- Exchanging electronic business cards
- Sharing URL and simple content

The SKT NFC-USIM supply will continue in 2012, which we will use as a positive reference for our next business. LTE USIM will be developed and supplied in the latter half as well. With that, we can become a strong player in the domestic USIM market. As for the global market, SK C&C is actively proposing trial services in the Southeast Asia and Middle East markets and plans to enter the U.S. and European markets with NFC-USIM in combination with m-Commerce business. In 2012, we are planning the development of an embedded secure element solution as part of our efforts to diversify solutions into the secure element areas.

44
—
45

CREATING NEW GROWTH ENGINES
EXPANDING INTO OVERSEAS MARKETS
COMMUNICATING WITH CUSTOMERS
SERVICE & QUALITY INNOVATION
BALANCED WORK AND LIFE
EMPLOYEE CAREER DEVELOPMENT
PURSUING SHARED GROWTH WITH BUSINESS PARTNERS
DEVELOPING GREEN IT
ESTABLISHMENT OF A SOCIAL ENTERPRISE
SUSTAINED SOCIAL CONTRIBUTIONS

# EXPANDING INTO OVERSEAS MARKETS
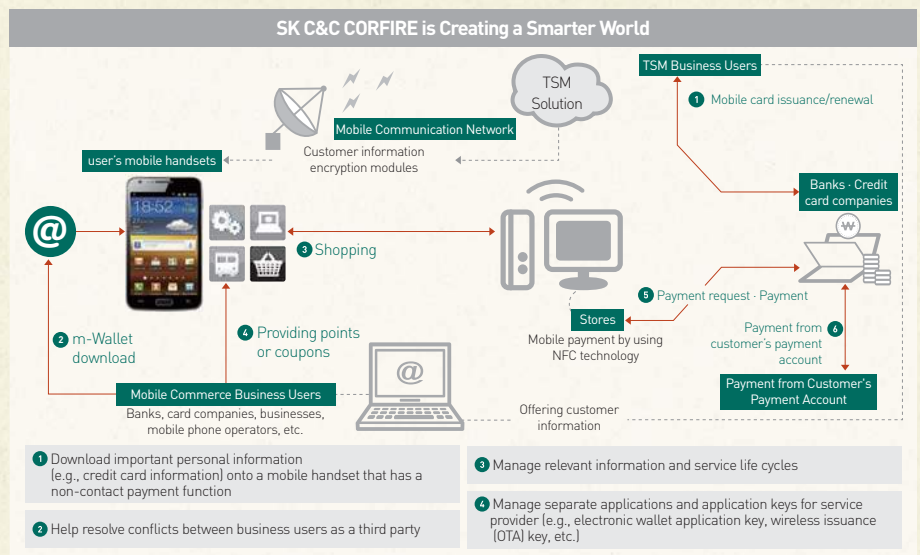## Commercializing Google Wallet



Google Wallet

SK C&C showed impressive growth since its partnership with First Data Corporation, the world's largest electronic payment solutioin provider, in September 2010, and MasterCard's GVCP (Global Vendor Certification Program) authorization for Trusted Service Manager (TSM) solution. In June 2011, we supplied Google "TSM solution," the technology required for commercializing "Google Wallet," Google's mobile payment service. In September 2011, we succeeded in the commercialization of TSM solution, becoming a strong player in the global m-Commerce market.

### Google Wallet and TSM

Google Wallet, is the world's first "electronic wallet" service based on NFC. Google Wallet service is an innovative mobile payment service that enables on-the-spot payments. When a customer places his/her smart phone with an embedded NFC chip onto a payment device in a store, the phone sends a payment. SK C&C's TSM solution safely sends, saves and manages users' payment information (e.g., credit application, credit card information, pre-paid card inormation) to the smart card (Secure Element) embedded in mobile handsets through Over-the-Air; it is also one of the key solutions of Google Wallet Service.



**SK C&C CORFIRE is Creating a Smarter World**

TSM Solution

TSM Business Users
❶ Mobile card issuance/renewal

Mobile Communication Network
Customer information encryption modules

user's mobile handsets

Banks · Credit card companies

❸ Shopping

@

❷ m-Wallet download

❹ Providing points or coupons

❺ Payment request · Payment

Stores
Mobile payment by using NFC technology

Payment from customer's payment account ❻

Payment from Customer's Payment Account

Mobile Commerce Business Users
Banks, card companies, businesses, mobile phone operators, etc.

Offering customer information

❶ Download important personal information (e.g., credit card information) onto a mobile handset that has a non-contact payment function

❷ Help resolve conflicts between business users as a third party

❸ Manage relevant information and service life cycles

❹ Manage separate applications and application keys for service provider (e.g., electronic wallet application key, wireless issuance (OTA) key, etc.)

### Global m-Commerce Solution Market Reach

SK C&C entered the global m-Commerce business in partnership with Google, the world's largest Internet enterprise, and our technical capabilities in m-Commerce were internationally recognized with successful commercialization of the world's first NFC-based electronic wallet service. SK C&C will continue efforts to take market leadership in the North American region where the mobile payment market is growing, which will accord us a head start in the Global m-Commerce solution market. We will also extend our business reach into mobile payment, mobile wallet, and mobile marketing areas. To that end, we are planning to release enhanced "mobile Wallet" products and customized applications in order to target the global financial institutions and mobile phone operators. On top of this, we will supply mobile marketing solutions including mobile coupons and gift cards.

# CUSTOMERS

●

SK C&C is well aware that provision of better quality and services is the first and foremost task to increase customer satisfaction. Through active customer communication, advancement in customer service management and customer information protection, we will strive to enrich the lives of our customers.

## Stakeholder Interview

SK C&C, our exemplary business partner in the domain of system management, has been provided our company (KAI, Korea Aerospace Industries) system maintenance and information security services since May 2009.

KAI is an independent entity that does not have affiliates of its own and is not a member of corporate group. Therefore, the proactive collaboration and support from SK C&C, which has extensive project experience and the latest IT technology, is very important to our operation. We also expect SK C&C will handle our future needs such as forecasting system capacity demand and stable adjustment of scalability.

SK C&C is already a renowned system management service provider in the market. I hope that SK C&C will continue to introduce new and innovative services, thereby becoming a global company that improves the productivity of the overall industry and nation.

**Executive Director at KAI | Lee Jong-Sun**

STAKEHOLDER ENGAGEMENT 46
MATERIALITY ASSESSMENT 47
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
LOCAL COMMUNITIES

# CUSTOMERS



품질경영시스템 인증서

Certification of Quality Management System

## Quality Management

SK C&C recognizes customers as our highest core value and we are striving to help customers achieve success and develop together. To achieve this, all the employees are aware that the core element and they comply with the quality policy, eight quality management principles, and quality processes.

### Quality Policy
- We make efforts to provide the world's best quality service.
- We pursue customer satisfaction by encouraging all employees to participate in quality management.
- We improve quality processes on-going efforts.
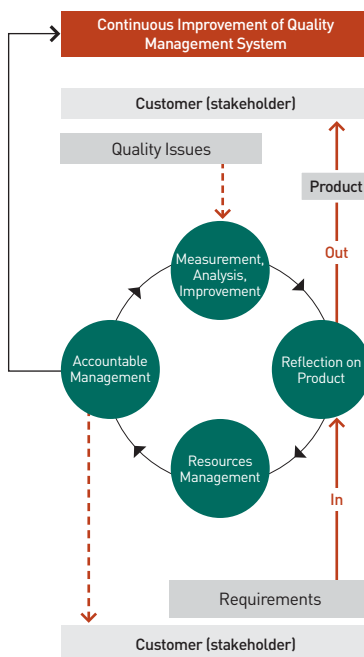
### Eight Quality Management Principles
In order to reflect the demands of customers, and stakeholders and continously improve performance, SK C&C's quality management system applies eight quality management principles.

**Quality Management System Certification**

| | |
|---|---|
| **Principle 1** Customer First | We strive to meet the current/potential customer requirements and realize customer satisfaction. |
| **Principle 2** Leadership | The CEO sets up corporate vision, mission, and quality policy, and forms an environment where all employees can actively participate in achieving the organizational goal. |
| **Principle 3** Participation of All | All employees participate in quality management. |
| **Principle 4** Process Approach | We manage resources and activities in an established process to efficiently achieve the performance goal. |
| **Principle 5** System Approach | We understand and manage inter-related processes in a system, for efficient and effective goal achievement. |
| **Principle 6** Ongoing Improvement | We make ongoing improvement efforts to maximize corporate performance. |
| **Principle 7** Fact-based Decision Making | We rely on data and information analysis for effective decision-making. |
| **Principle 8** Mutual Prosperity with Business Partners | We are interdependent with our business partners, and strive to enhance the capabilities of both parties to create mutually beneficial values. |

### Quality Management Process

**Quality Management Process**

→ Value addition --→ Information flow



Continuous Improvement of Quality Management System

Customer (stakeholder)

Quality Issues

Product

Out

Measurement, Analysis, Improvement

Accountable Management

Reflection on Product

Resources Management

In

Requirements

Customer (stakeholder)

### Quality Management Process
Our quality manual defines the entire process of handling customer quality issues including customer request review, monthly service evaluation meetings, and guidelines on customer complaints. Customer quality issues are handled consistently according to the quality manual. Project quality specialists set up quality assurance plans for all project participants to perform their work according to those plans. Projects of a certain size and above are thoroughly diagnosed by corporate-level quality specialists. All of these activities are increasing the quality of IT systems.

# CUSTOMERS

## Advanced Customer Management Service

Our outsourcing customer management service is systemized based on service experience over the past several years since the introduction of IT Service Management (ITSM) for the first time in Korea. SK C&C provides one-stop service desk (ISAC) available at the frontline customer contact point, and bolsters communication with customers through the service manager, who has full responsibility of IT customer service. We also manage and adjust IT services according to the service level agreement (SLA), and improve customer satisfaction via providing individual customer services as specified in the SLA. Going forward, SK C&C will continue its efforts to improve service quality by monitoring customer satisfaction through customer satisfaction surveys.

### Dedicated Service Manager for Customers

SK C&C delegates all IT service responsibility to service managers. Their roles include managing customer relations and communication, thereby raising customer satisfaction. They are responsible for not only receiving and sending official documents but also receiving service requests from key persons such as CIOs and identifying tacit complaints at customer sites, then delivering them to pertinent departments. In addition, when there are disagreements in providing customer services or reviewing contract articles, service managers provide mediation. They also take the lead in resolving major service issues such as unanswered complaints and extended service disruptions.

**Customer Grievance Handing Process**

Customer

Incident&RFCs SL / CS&Contract Issues

Service Desk (ISAC) / Service Manager

Service Level Agreement (SLA)

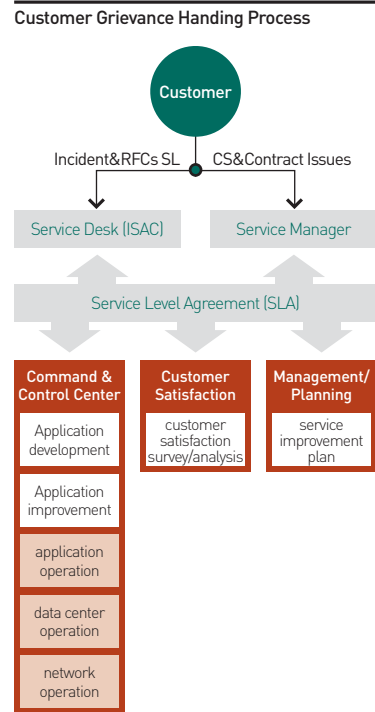| Command & Control Center | Customer Satisfaction | Management/ Planning |
|---|---|---|
| Application development | customer satisfaction survey/analysis | service improvement plan |
| Application improvement | | |
| application operation | | |
| data center operation | | |
| network operation | | |

### Systematic SLA Management

SK C&C developed a set of service level measurement items called "Standard Service Level Agreement" and provides customers with "Service Level Management System (SLMS)," a web-based solution that meets various requirements suggested by IT Infrastructure Library (ITIL), an international framework used in supporting, building, and managing IT service. In addition, we developed "SLM Methodology" that includes the processes of implementing, reviewing and improving the SLA design, negotiation and operation models. On top of the service level management cases from ITIL, SK C&C added its own experiences in service operation to make the methodology alive and more applicable. The service level management results are reported to customers through monthly service evaluation meetings, and the financial penalty for poor service management was specified in SLA to provide a more accountable service. SK C&C continues to improve its service level. We have reduced our annual service disruption time by 20% per annum against the predetermined target although we raised service level evaluation standards in all service areas by at least 5 percentage points.

### Integrated Outsourcing Management System (Hi-OMS)



SK C&C developed an integrated outsourcing management system (Hi-OMS, High-Outsourcing Management System) to comprehensively manage IT outsourcing services. Hi-OMS is oriented to narrowing the gap between the customer's business goals and IT services by providing real-time customer notification service. Hi-OMS, based on ITIL, has 7 functions (My Service, Service Desk, Service Support, Infrastructure Operation Management, Customer Center, etc.), 36 menus, and 61 customer request processing/analysis screens. We help customers make prompt and strategic IT service investment decisions by providing details of real-time request handling and statistics analysis.

STAKEHOLDER ENGAGEMENT 48

MATERIALITY ASSESSMENT 49

STOCKHOLDERS AND INVESTORS

CUSTOMERS

EMPLOYEES

BUSINESS PARTNERS

ENVIRONMENT

LOCAL COMMUNITIES

**SK C&C Information Security Management System**



**Six-thronged Information Security System**



01 Responses to major attack routes

02 Responses to attacks from external networks

03 Responses to physical attacks

04 Responses to key information leakage

05 Responses to information leakage by an insider

06 Strengthening information security education and information management system

# Protection of Customer Information

SK C&C, a comprehensive IT service provider, handles a large amount of customer information, thus we are well aware of the importance of customer information protection. SK C&C is implementing various information protection measures in accordance with its related policies and regulations.

### SK C&C's Information Security System

SK C&C headquarters · IDC (2006) and the China Office (2010) were certified to ISO 27001, the international standard for information protection management systems as a first in the Korean IT industry. Through ISO 27001 maintenance evaluation twice a year, it is certified that SK C&C maintains its information protection management level above the required standard and all employees are complying with the security guidelines and processes defined in managerial/technical/physical areas.



Certified to ISO27001 as a First in the Korean IT Industry

### Increasing Effectiveness of Customer Information Protection

SK C&C established a corporate support system and raised security awareness of its employees to raise the effectiveness of its information protection management. Headed by the corporate security department, security risks are regularly analyzed, checked and inspected, and a designated employee in each department is held responsible for customer information protection based on detailed guidelines. In addition, we set up a working-level security management committee that discusses security management in the field on a regular basis. SK C&C is raising awareness of information protection through mandatory information security education for all employees and information protection campaigns through emails and postings on corporate bulletin boards. All newly hired employees sign a privacy and security compliance statement and business partners and employees are required to sign new information security compliance statements before they participate in new customer projects.
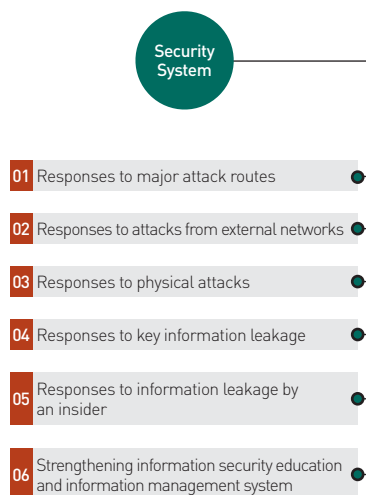
### Strengthening Customer Information Security

SK C&C is building new security solutions and improving the existing solutions to cope with the latest hacking technologies behind the financial institution security problems, the enactment of Personal Information Protection Act, and the revision of the Information and Network Act. We are also making efforts to strengthen our security level in smart work and mobile security areas in line with changing IT environments. In these efforts, we have set up six-thronged information security system, which helps prevent information leakage by an insider as well as external attacks. Each year, the security status of servers, networks and web applications at customer sites is diagnosed and mended when weakness is found. For irregular cases of IT system development, we conduct a security diagnosis before the service goes live, to alleviate any potential security threats. In addition, we also conduct penetration testing and shorten inspection periods to find security weaknesses.

# SK C&C CORE ISSUE

## COMMUNICATING WITH CUSTOMERS
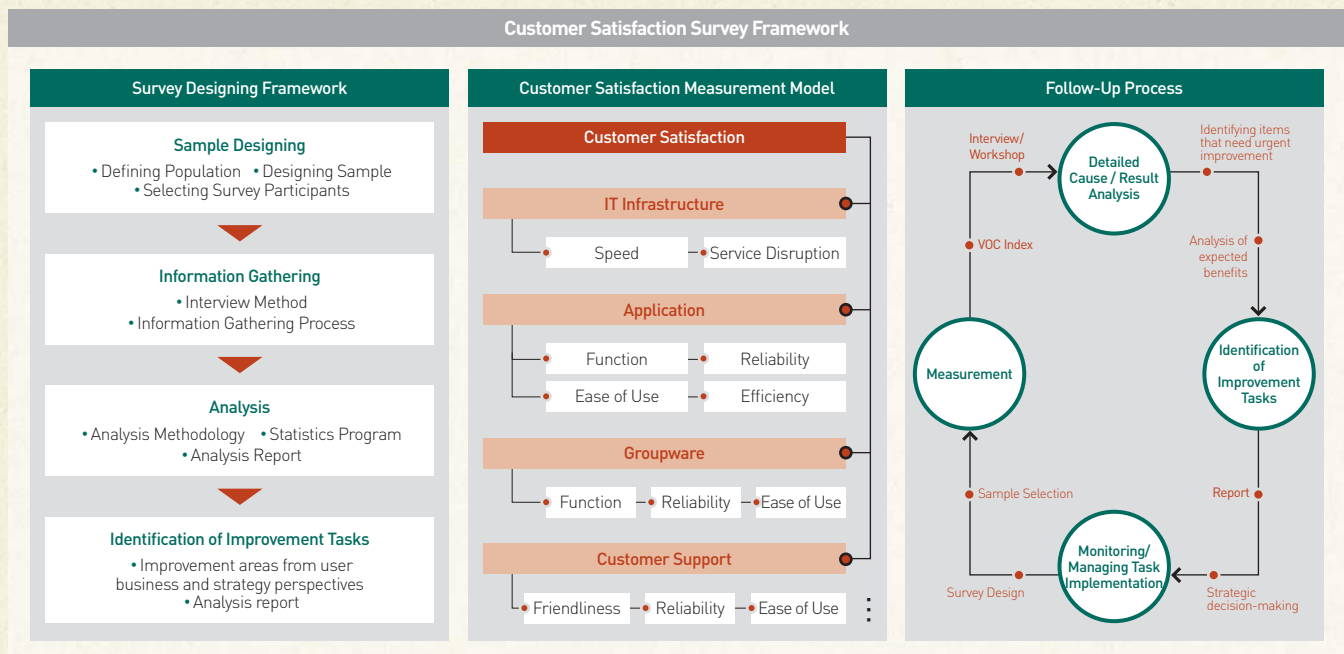
# Customer Satisfaction Survey

SK C&C is building efforts to understand customer complaints and requirements through close communication. To accomplish this, we assign dedicated service managers at customer contact points and conduct satisfaction surveys among the end users at customer sites every year to measure satisfaction levels.

### Customer Satisfaction Survey

SK C&C has conducted customer satisfaction surveys (CS survey) since 1999 among end users at customer sites to measure and analyze customers' qualitative satisfaction quantitatively by using sociological methodology. Currently, the annual customer satisfaction surveys through face-to-face interviews are aimed to increase satisfaction rates. As the survey reaches maturity, its analysis data will serve as supporting data for the customer's CIO to make decisions about IT service improvement/investment.

### Improvement of Customer Satisfaction Survey

In 2011, SK C&C improved its customer satisfaction survey to accurately identify changes in customer needs and complaints, to draw concrete action items to improve dissatisfaction areas, and to utilize the survey as supporting data on which customers can rely to make their future investment decisions. Major improvements in the customer satisfaction survey include detailed survey questions, inclusion of more short-answer questions, and distribution of detailed sample survey answers to enhance surveyor's capability. As for the areas that showed significant deterioration in satisfaction, we conduct a second survey to identify areas for improvement and reflect these results on action plans. Surveys are conducted in the first half of the year, so that identified areas of improvement can be included in the customer's IT planning process. Going forward, SK C&C will continue efforts to upgrade the IT service level through conducting customer satisfaction surveys and effectively implementing solutions to identified areas of improvement.

## Customer Satisfaction Survey Framework

### Survey Designing Framework

**Sample Designing**
- Defining Population • Designing Sample
- Selecting Survey Participants

**Information Gathering**
- Interview Method
- Information Gathering Process

**Analysis**
- Analysis Methodology • Statistics Program
- Analysis Report

**Identification of Improvement Tasks**
- Improvement areas from user business and strategy perspectives
- Analysis report

### Customer Satisfaction Measurement Model

**Customer Satisfaction**

**IT Infrastructure**
- Speed — Service Disruption

**Application**
- Function — Reliability
- Ease of Use — Efficiency

**Groupware**
- Function — Reliability — Ease of Use

**Customer Support**
- Friendliness — Reliability — Ease of Use

### Follow-Up Process

Interview/Workshop

Identifying items that need urgent improvement

Detailed Cause / Result Analysis

VOC Index

Analysis of expected benefits

Measurement

Identification of Improvement Tasks

Sample Selection

Report

Survey Design

Strategic decision-making

Monitoring/Managing Task Implementation

50
—
51

CREATING NEW GROWTH ENGINES
EXPANDING INTO OVERSEAS MARKETS
COMMUNICATING WITH CUSTOMERS
SERVICE & QUALITY INNOVATION
BALANCED WORK AND LIFE
EMPLOYEE CAREER DEVELOPMENT
PURSUING SHARED GROWTH WITH BUSINESS PARTNERS
DEVELOPING GREEN IT
ESTABLISHMENT OF A SOCIAL ENTERPRISE
SUSTAINED SOCIAL CONTRIBUTIONS

## SERVICE & QUALITY INNOVATION

# Customer Point-of-Contact CS Quality Innovation

SK C&C has been continuously enhancing customer satisfaction level through Information Services Assistant Center (ISAC) since 1999.

### Introduction of ISAC

SK C&C's ISAC provides the one-stop resolution service for all IT related problems and requests from OA equipment to business information systems. ISAC is in operation 24 hours a day all year around and all service data are automatically saved in the database so that they can be later utilized to measure and improve the service level. Currently, SK C&C ISAC handles 90,000 cases of IT-related inquiries, requests and trouble-shooting from 26 customer companies and 73,000 end users per year. Our ISAC obtained the "Center of Excellence" certification from US Purdue University and Benchmark Portal and ISO 20000 certification for the first in Korea, attesting to its effective service center operation.
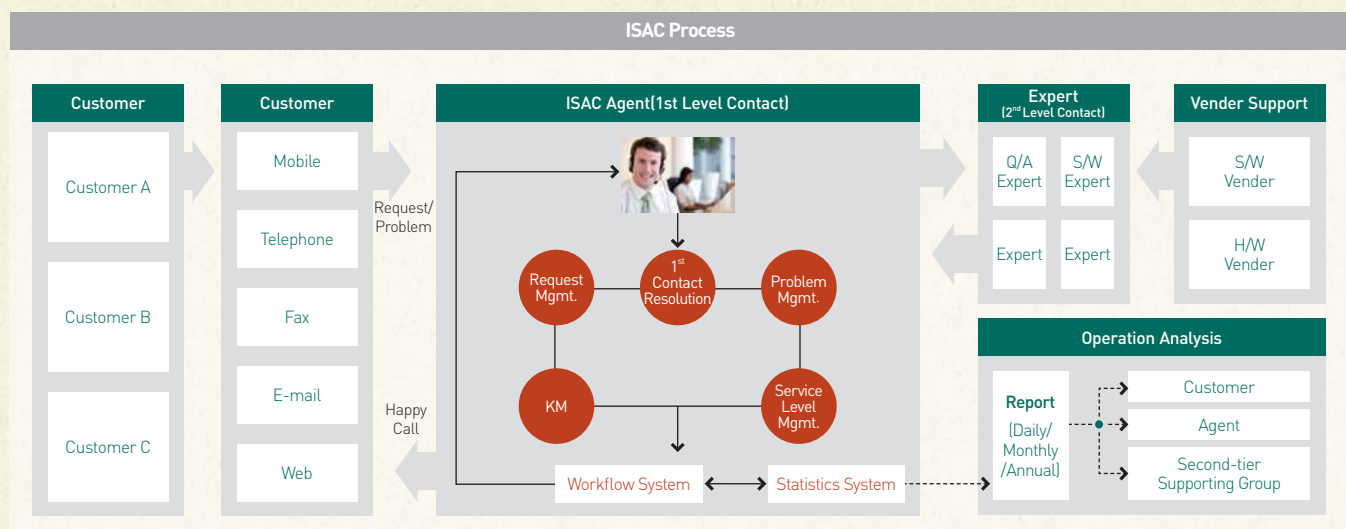


ISAC Process

### ISAC's Continuous Quality Innovation Efforts

SK C&C's ISAC provides stable services with increased current processing and improved system, IPCC built in 2010, which has augmented of circuit and improved IVR (automatic voice response) scenario. Especially, we upgraded interactive voice response scenarios according to customer feedback, and significantly reduced customer wait time from 24 seconds to 12 seconds.
Also, along with the rapidly changing IT environment, ISAC adopted solutions that file customer requests through mobile devices and applications.
To reduce errors in handling customer requests, SK C&C offered employees regular education and training classes about customer IT environment and general IT knowledge. Together with this, we improved customer response skill.
Such efforts to improve service quality were evidenced through a steady rise in its first call resolution rate. ISAC's first call resolution rate rose steadily from 53% in 2000 to 75% in 2011. Generally, the service desk's first call resolution is an indicator of its performance. Also, the time that it takes to resolve incidents was reduced significantly. The ratio of first call resolution within 10 minutes rose to 91% in 2011 from 68% in 2000.

# EMPLOYEES

Employees are the backbone of SK C&C's competitiveness. By believing in our employees as a major asset, we offer best supports to help them to grow into global top-notch specialists. We provide a fair compensation system, the best work environment and well-built education programs to maximize the happiness of our employees.

## Stakeholder Interview

My three-year term working at SK C&C left me with a positive impression. I am particularly impressed with its efforts to become a global company beyond being Korea's No. 1. As one of these efforts, our company offers a variety of welfare and career development programs to employees.

At SK C&C, every Wednesday is "Family Day" where employees are advised to go home early after office hours. We also have regular "can meetings," whereby we build close relationships among management, teams and employees. SK C&C's employee education programs are also commendable. SK C&C employees are required to draw up and carry out a career development plan. According to this plan they can take courses freely.

As an SK C&C member, I am very pleased with company's career development support and a variety of welfare and also I believe this diverse support will help secure global talent, eventually rewarding the company in its global expansion efforts.

**Assistant Manager at Solution Development Team | Bart Jarochowski**

STAKEHOLDER ENGAGEMENT 52

MATERIALITY ASSESSMENT 53

STOCKHOLDERS AND INVESTORS

CUSTOMERS

EMPLOYEES

BUSINESS PARTNERS

ENVIRONMENT

LOCAL COMMUNITIES

# EMPLOYEES

**SK C&C People and Five Values**

**SK C&C People**
Experts with Innovative Thinking and Spirit to Deliver Trust to Customers

**SK C&C Members**

**SK C&C People and Five Shared Values**

Happiness for ourselves and partners

Imagination breaking free from tradition

Exciting journey towards our dreams

Relentless passion to be the best

Respect and care for fellow SK people

## Employee Policy

SK C&C is attempting to create a great work place where employees work voluntarily and willingly, while also enjoying their life. To this end, we ensure fairness in our human resources management system and provide a variety of welfare programs to the employees. To secure top class experts who will lead the company going forward, the company set up a strategic talent development plan.

### SK C&C People

With a vision of 'Global Leader, Solution Innovator,' SK C&C is nurturing experts with innovative thinking and spirit to deliver trust to customers. For this, we selected five Shared Values for all employees to act on.

## Fair Human Resources Management

SK C&C specified its human resources management system in its company policy and regulations. SK C&C prohibit discrimination based on religion, age, sex and educational background and offer compensation, promotions and educational opportunities according to an objective assessment of employee performance.

### Employment System

SK C&C abides by ethical principles, Korea's Labor Laws and the Gender Equality Employment Act, while eliminating discrimination based on gender, race and religion. In 2011, there were zero cases of discrimination reported to our Compliance Committee. SK C&C also strictly comply with ILO conventions on forced/child labor. To ensure diversity of our workforce, we give 10% extra points to those with disabilities and family members of patriots and veterans, when hiring new employees. We have set up the social IT enterprise "Happy Web & Media," specialized in disability-friendly Internet access, presenting a new paradigm of job education and employment for people with disabilities.

**Expanding Recruitment**

SK C&C increases the number of new hires every year to enhance the corporate competitiveness and resolve youth unemployment. In 2011, we hired a total of 396 new employees, approximately 11% of the company's entire workforce. We are also increasing the recruitment of global talent and disadvantaged populations in the job market (e.g., female, provincial college students and people with disabilities).

**Number of People with Disabilities /Offspring of Patriots and Veterans**

(Unit: person)

- People with Disabilities
- Offspring of Patriots and Veterans

| Year | People with Disabilities | Offspring of Patriots and Veterans |
|------|--------------------------|-------------------------------------|
| 2009 | 28 | 57 |
| 2010 | 28 | 73 |
| 2011 | 29 | 74 |
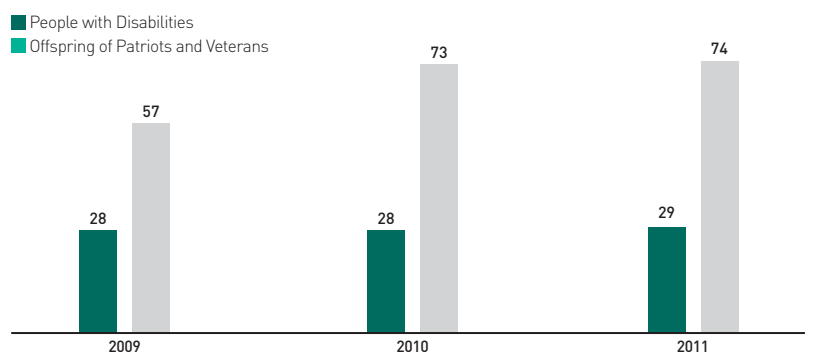
# EMPLOYEES

### Evaluation System

Our evaluation system consists of individual and organizational performance evaluation. All employees submit their performance goal for the year in January and receive one or two interim evaluations and one executive director evaluation annually. Final evaluation is based on achievements measured against the goal/plan and the evaluation outcomes are reflected on employees' competency development guidelines and compensation.

| Individual Evaluation | | Group Performance Evaluation |
|---|---|---|
| Performance Evaluation | Competency Evaluation | Key Performance Indicator Evaluation |
| • Evaluating the achievement measured against the goal set at the beginning of the year<br>• Final evaluation is made at the year end<br>  - Relative evaluation by job title<br>  - Evaluation scales (S, A, B, C) | • Evaluation based on behaviorally anchored rating scales (BARS)<br>• Relative evaluation by job title<br>• Evaluation items<br>  - SK Values (40%)<br>  - Job Competency (50%)<br>  - Globality (10%) | • Valuating organizational performance by business unit or team according to the achievement according to the Key Performance Indicator (KPI) |

### Compensation System

SK C&C has operated a performance-based compensation system by job function, which evaluates individual and group achievement against each job function's "Key Performance Indicators" for compensation decisions. Particularly, we introduced project incentives, sales incentives and new project incentives into our compensation system to fairly compensate our employees according to the importance of their job function.

## Human Resources Development

With an aim to nurture all employees into world-class experts in their respective fields, SK C&C offers a wide range of training opportunities to our employees. Our education program is comprised of four pillars: job capability, globality, leadership, and SK value education. In addition to this, we provide individual development programs tailored to each employee's career goal.

### Education System

SK C&C established a mid- to long-term education system incorporated with a career development program. In particular, an educational credit system has been put into place to ensure training opportunities for every employee. Under this system, each employee is required to complete at least 50 to 80 hours of training annually. To increase the convenience of our employees, we offer training opportunities via various channels including group trainings, online education, reading-based correspondence course and m-Learning. Also, to preemptively secure core human resources, we provide master's degree courses and MBA courses.

**Employees who Received Peformance Evaluation and Career Development Reviews**

| Classification | 2009 | 2010 | 2011 |
|---|---|---|---|
| Number of Employees | 3,283 | 3,439 | 3,810 |
| Employees who Received Evaluation | 2,789 | 2,980 | 3,120 |
| Percentage | 85% | 87% | 82% |

**Job Function-based Compensation System**

| Job function | Incentive program |
|---|---|
| Marketing & Sales | Sales Incentive |
| PM. Tech | Incentives linked to company's business performance / Project Incentive |
| Consulting | Consulting performance incentive program |
| Supporting | Incentives linked to company's business performance |
| New Biz. | New project incentive program |

## Human Resources Development System

| Classification | SK Value Education | | | | Job Capability Education | | | | | | | Leadership Education | | Globality Education |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | SK Values Education by Employee Rank | Leadership Courses | Common Courses | | Marketing & Sales | PM | Technology | Consulting | New Biz | Supporting | Certificates/ Development Certification | Leadership Education | | Globality Education |
| Executive Directors | Workshop for executive directors New executive introduction course | Management innovation forum | | | | | | | | | | Executive directors' AMP | • GLDP • GPE • MDP | Foreign language tutoring for executive directors |
| Team Leaders | Workshop for executive directors New executive introduction course | Team leader workshop | | | | | | | | | | Hipo Team Leaders Course (HLP,GLP) | | Foreign language course for team leaders |
| General· Deputy General Managers | Systematic leadership education | SK Group / SK C&C education for experienced employees | SKMS/SK History/ Ethical Management | Core Job Competency Development | • Exploring new/ follow-up business opportunities • Negotiation Strategy | • Negotiation strategy • Large database design solution | | • Advanced business development/ planning | • Presentation skill | • Consulting Skill Upgrade | | Domestic and overseas MBA MS ME | H-School | Foreign language course for team members |
| Managers | | | | | • Negotiation strategy • Proposal strategy • Exploring new/ follow-up business opportunities | • Proposal strategy • Negotiation strategy • Field project management • Service level management (SLM) | • Basic TA • Basic DA • Internal business development methodology | | • Proposal strategy | • Presentation skill | | | | |
| Assistant Managers | | | | | • Software size estimation • Presentation skill • Developing potential customers • Business development and planning | • Proposal writing • Optimal effort/size estimation • Field project management | • Field ICT marketing • Utilization of automation tools (analysis/design) • Data modeling • Project inspection | • Negotiation strategy • Proposal strategy • Project risk management • Business development/ planning (biz. Analytics) | • Prototype- making methodology | • Negotiation strategy • Field ICT marketing | • Preparation for certification exams • Development capabilities certification • Analysis/ design certification • Presentation certification | | | |
| Staff | SK Group/ SK C&C's introduction course for new employees | | | | | | • Programming language • JSP & Servlet • ITSM-based infrastructure proposal and operation | • Project trouble- shooting course • Consulting case cracking course (writing consulting project output) | | | | | | |
| Common | | | Common | | • Field ICT marketing • Project risk management • Understanding of customer industry and technology | • Project risk management • Strengthening project leadership • Successful project contracting and inspection | • Project risk management • Understanding of customer industry and technology | • Consulting foundation school • Presentation skill | • Seminar on new growth business trend • Field ICT marketing | • Supporting Foundation School I,II | | | | |

### Education Status

| Category | | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Average Annual Education Hours (all employees) | | 109 | 123 | 100 |
| Average Annual Education Hours by Gender | Men | 106 | 124 | 100 |
| | Women | 123 | 116 | 101 |
| Average Annual Education Hours by Job Rank | Deputy Manager and Above | 80 | 90 | 67 |
| | Manager | 84 | 107 | 82 |
| | Assistant Manager | 87 | 117 | 96 |
| | Associates | 209 | 216 | 191 |
| Education Cost per Employee (all employees) | | KRW 1.52 million | KRW 1.9 million | KRW 1.72 million |



New Growth Trend Seminar

## Major Education Program

**Job Competency Education**   To cultivate competencies required in each respective field, we provide job function-based education programs in which each job function group receives general and skills courses. Through this job competency education program, we are trying to nurture our employees to be top class experts in the industry. In 2011, we provided 50 group-training courses and 1,520 on-line & reading-based learning courses.

**Long- and Short-Term Training for Core Talent**   SK C&C operates a core talent education program. To preemptively secure outstanding human resources with management capability, job competency and globality, we select candidates from the core talent pool and send them to overseas MBA or advanced management programs as well as academic training sessions at top universities at home and abroad. After their return, they play a crucial role as a specialist in their respective field in enhancing business performance.

**H-School (Core Talent)**   SK C&C operates H-school Program including action learning, to cultivate management and leadership abilities of core talent In 2012, we are planning to offer advanced courses for each program.

**Systematic Leadership Education**   SK C&C offers a customized leadership program to each rank of employees. The goal of this education program is to construct a systematic leadership pipeline by developing competencies that are required for each rank and preemptively secure next generation leaders equipped with SK values.

# EMPLOYEES

## Equal Opportunity and Non-Discrimination

SK C&C abides by the International Labor Law and prohibits discrimination in employment based on religion, race, gender, etc. To boost female worker participation, we promote gender equality in every system and operate a maternity protection system.

### Expansion of Locally Hired Managers

SK C&C continues to expand the proportion of locally hired foreign workers in line with our global expansion. As of 2011, locally hired foreign workers made up 91.9% of the 418 overseas workers in our overseas operations in the U.S. and China. The proportion of locally hired foreign managers also accounted for 53% of the 32 managerial posts in overseas branches. We apply an identical compensation and promotion rule to locally hired employees.

**Locally-Hired Foreign Workers**

(U.S./China)

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Total Workforce in Overseas Operations (person) | 20/182 | 30/195 | 45/373 |
| Number of Korean Employees Dispatched Overseas (person) | 5/5 | 9/10 | 20/14 |
| Number of Locally-Hired Foreign Workers | 15/177 | 21/185 | 23/359 |
| Number of Locally-hired Foreign Managers (person) | 2/6 | 3/5 | 4/13 |
| Ratio of Locally-hired Foreign Managers to Overseas Managers[Note] | 33%/38% | 38%/31% | 44%/56% |

Note) It refers to the percentage of locally hired foreign managers to overseas managers.

### Expansion of Female Resources

The number of female workers continues to increase although they are still a minority in proportion to the entire workforce. In 2011, the number of female workers was 643, increased by 11% from 581 one year earlier. We offer various supports for female employees to balance their work and life. These include maternity leave, an in-house day care center and flexible working hours.

As stated in our company policy, there is no gender gap in pay and compensation at SK C&C. We guarantee fair compensation for female employees according to their performance. In 2011, the average basic salary of newly hired employees has no pay differences between men and women.

**Percentage of Employees Returning to Work after Maternity Leave**

| Classification | | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Number of Employees who Used Maternity Leave (person) | Male | 1 | – | 2 |
| | Female | 47 | 60 | 73 |
| Percentage of Employees Returning to Work After Maternity Leave (%) | Male | 100% | – | 100% |
| | Female | 100% | 100% | 100% |
| Percentage of Employees Working for More than One Year after Maternity Leave (%) | Male | 100% | – | 100% |
| | Female | 100% | 97% | 96% |

**Human Rights Education Status**

| Classification | 2009 | 2010 | 2011 |
|---|---|---|---|
| Number of Security Managers | 39 | 39 | 30 |
| Percentage of Employees who Received Human Rights Education | 100% | 100% | 100% |

STAKEHOLDER ENGAGEMENT 56
MATERIALITY ASSESSMENT 57
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
LOCAL COMMUNITIES

## Harmonious Labor-Management Relationship

SK C&C set up the SK C&C Management-Employee Council in 2011 with an aim to promote a win-win relationship between employees and management and to create a pleasant workplace.

### SK C&C Mmanagement-Employee Council

SK C&C's Management-Employee Council consists of nine labor representatives and nine management representatives, and holds a meeting every quarter. At the Council meeting, the management informs the employee representatives of major issues such as business performance, changes in business and organizational changes to ensure employees' stability and security. Results from meetings are communicated via postings on bulletin boards or in an explanation session. The Council worked especially hard in 2011 to improve the work environment. The subjects of discussion included a reduction of overtime work, more support for those with long service and an additional welfare program for employees dispatched to customer sites.

### Interactive Communication Channel, 'u-Symphony'

SK C&C opened "u-Symphony," an intra-company communication portal in 2010 to increase understanding and open communication between management and employees. 'u-Symphony' is managed and operated solely and independently by employees without company oversight or influence. The main corners are "Leaders Blog," "Let's Make It Better," and "Let's Share." "Leaders Blog" is a management corner, where individuals can pose questions and participate in an open discussion with management while remaining anonymous using a nickname. "Let's Make It Better" is a suggestion corner where employees can suggest ideas and pose questions to the company. Then, pertinent departments directly post answers and solutions. "Let's Share" is a collective intelligence forum where employees share job knowledge and self-made software.

**2011 Main Agenda of SK C&C Management-Employee Council**

| | |
|---|---|
| Decision (five cases) | • Management-Employee Council Policies<br>• Improvement of overtime work practice<br>• Expansion of medical & safety support for employees at outside project sites<br>  - Increase "Vitamin Day" programs<br>• Encouragement and increase in rewards for long-service employees<br>• Increase in per diem business travel allowance for long distance business travelers |
| Reporting (five cases) | • Earnings results for Q1 2011<br>• Update of company's 3rd "To-be" model and earnings results for the first half of 2011<br>• Overtime working status after improvement measures<br>• Earnings results for 2011<br>• Resolution results of Council meeting agendas (twice) |
| In Negotiation (two cases) | • Soft-landing program for experienced employees<br>• 2012 plan for Council activities |

Management-Employee Council

u-Symphony

# EMPLOYEES

## Health and Safety

Although SK C&C, an IT service provider, has a generally low risk of industrial accidents as a nature of its industry, it provides a variety of programs to protect its employees' health and safety, such as medical support, psychological counseling and safety activities.

### Health/Medical Support

To help improve employees' health, we provide various health programs. We have built a top-class fitness center and hired two professional trainers to provide one-on-one customized workout programs. To support employees to have sound minds and bodies, we offer a mind-body training class three times a day in the mind-body training gym. In our in-house medical clinic, a professional nurse provides health counseling, health checkups, flu vaccinations and a smoking cessation program. For the safety of our employees, we also carry group personal accident insurance for both regular and non-regular employees.

### Counseling Center (Compassion Plus)

"Compassion Plus," an in-house counseling center, provides psychological tests and professional counseling services to employees who seek advice in areas of job stress, family problems or interpersonal relationships. In addition, "Compassion Plus" also provides mental health management workshops, education and seminars to help employees' maintain active control over their mental health.

### "Vitamin Day" Service

SK C&C began "Vitamin Day," a visiting medical service. "Vitamin Day" was initiated to care for remote project team members who may feel neglected from the various fringe benefit programs. We visit the outside project sites twice a month and offer medical support, psychological counseling and mind-body training service for the project members.

### Safety Activities

To ensure a safe work environment, SK C&C carries out multiple safety activities. We merged security guards and office cleaners to operate a 24-hour year around safety system. We provided safety education to employees and conducted quarterly fire safety diagnoses of the National Emergency Management Agency to eliminate hazardous substances in advance. In 2011, 74 employees completed 1,920 hours of industrial safety education. Thanks to these efforts, we achieved a "zero" accident rate in all operations in 2011.

As an IT service company, SK C&C has a generally low risk of exposure to natural disasters (e.g., global climate change, flood, rainfall) as a nature of its industry. However, Daedeok Data Center, which manages all network systems and servers of SK Group affiliates, confronts a relatively high exposure to risks of fire, blackout, typhoon or hacking. To effectively deter possible disaster situations, Daedeok Data Center produced a disaster response manual by type and has implemented a disaster recovery drill twice a year since 2010. Daedeok Data Center sustained no damage during the unanticipated nationwide blackout on September 15, 2011 which caused damage of KRW 20 billion.

**"Vitamin Day" Service Package**

| | | |
|---|---|---|
| **Medical Support** | Health | Medical checkup review |
| | Personal health advice for those who received doctor's referral | Disease management guide Health management guide |
| | Health check | Blood pressure, blood sugar, high cholesterol, carbon monoxide |
| | Smoking cessation support | Quit-smoking pledge, smoking cessation counseling, smoking cessation aid |
| | Treatment | First-aid treatment, household medicine |
| **Psychological Counseling** | Individual | Counseling service about work, family, personal relations, career development, personality/emotion, stress |
| | MBTI | MBTI personality assessment Interpersonal relationship and job coaching |
| | Family | Character, aptitude, parents' child-rearing attitude, career coaching for employees' children, self-directed learning |
| **Mind-Body Training** | | Customized training guide regarding stretching/ meditation/ breathing exercises |
| **Work Environment Improvement** | Office | Desk, chair, etc. |
| | Electricity | Safety related to electricity/ IT system/ communication facilities |
| | Others | Air conditioner, OA equipment, fire fighting facilities |

**Injury Status**

(Unit: person)

| Classification | 2009 | 2010 | 2011 |
|---|---|---|---|
| Total Employees | 3,283 | 3,439 | 3,810 |
| Number of Injured | 4 | 1 | 0 |

**Annual Safety Education**

| | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|
| | Person | Hours | Person | Hours | Person | Hours |
| Total | 70 | 1,356 | 86 | 1,536 | 74 | 1,920 |

STAKEHOLDER ENGAGEMENT 58
MATERIALITY ASSESSMENT 59
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
LOCAL COMMUNITIES

## Various Welfare Programs

SK C&C continues to develop various welfare programs to increase employees' satisfaction and happiness.

### Leisure, Housing, Living Support

SK C&C operates a variety of welfare programs to support leisure activities and housing and living stability of regular employees. Aside from these, we also provide compensation for special circumstances, scholarships for employees' children who are middle/high school/university students, a commuting bus, and a charter bus for Chuseok/Lunar Holidays.


Club


Fitness Center


Cafe4U(Hall)


Library(Tioom)

| Leisure Activities | • Resort facilities: Four nights per employee each year<br>• SK Family Card annual fee support: KRW 100,000/year<br>• Support for personal development: KRW 80,000/month<br>• Support for employees' club activities: Providing support on a quarterly basis |
|---|---|
| Housing/ Living Stability | • Housing loan: Housing purchase (KRW 30 million), home lease key money (KRW 20 million), monthly rent (KRW 10 million) / 3% interest rate<br>• Loans from employee benefit fund<br>  - Emergency loan (KRW 10 million), living stability loan (KRW 5 million) / 5% interest rate<br>• Personal pension: Company supports 60% of monthly premium (maximum KRW 60,000) |

### Balanced Work and Life

SK C&C has many ideal spaces for employees to relax and enjoy short breaks. New concept library, Tioom and in-house coffee shop, Cafe4U are places where employees meet people and enjoy short breaks. There is also a sleeping room and a refresh room available for those who need to take the time out and rest from overtime work or other projects.
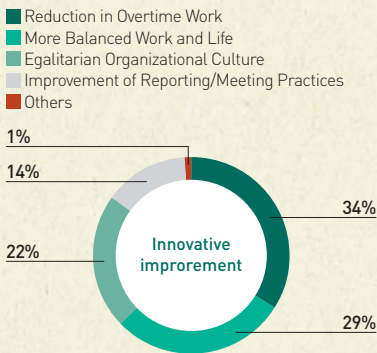
### Retirement Program

SK C&C introduced a retirement pension plan in 2011 to ensure a stable retirement life for employees and secure reserves for severance payments. As of 2011 SK C&C has accumulated KRW 106.8 billion of reserves for severance payments with an outside reserve ratio of 80% (KRW 85.8 billion), higher than the legal requirement ratio (60%). Particularly, we chose a defined benefits pension plan to guarantee legal severance payment at retirement. Our retirement pension fund is managed by MetLife Insurance and Hana Bank, together with 14 other financial institutions. In addition, we operate a counseling program to help workers facing retirement to plan their second careers after retirement and offer career path advice through career aptitude tests.

# SK C&C CORE ISSUE

## BALANCED WORK AND LIFE
## Great Work Place

**Innovative Improvement Selected
by Employees in 2011**

- Reduction in Overtime Work
- More Balanced Work and Life
- Egalitarian Organizational Culture
- Improvement of Reporting/Meeting Practices
- Others

1%
14%
34%
22%
29%

Innovative
improvement

**Overtime Work Status** (Unit: %)

**Reduction of Overtime Work** **-21%**

| | |
|---|---|
| 2011 | 51 |
| 2010 | 72 |

**Rate of Annual Leave Usage** (Unit: %)

**Annual Leave** **+11%**

| | |
|---|---|
| 2011 | 61 |
| 2010 | 50 |

**Summer Vacation** **+17%**

| | |
|---|---|
| 2011 | 85 |
| 2010 | 68 |

**Employee Satisfaction of Flexible
Working Hours**
(Unit: %)

| | |
|---|---|
| Satisfied | 92 |
| Others | 8 |

SK C&C supports employees in balancing their work and life through nurturing a creative corporate culture. We facilitate Great Work Place (GWP) activities to build a workplace where all employees can work efficiently and creatively to ensure opportunities for a balanced work and life. Going forward, SK C&C will continue its best efforts to enhance work efficiency to build sustainable happiness for both management and the employees.
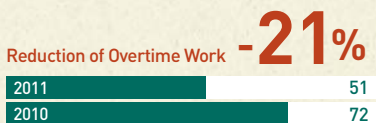
### Family-Friendly Management

SK C&C has implemented several unique programs to ensure family-friendly management. We strengthened job security for female employees and increased support for child-care services. Evergreen Daycare Center, established in 2005, is open to employees' children above the age of 13 months and currently cares for 76 children. Evergreen Daycare Center offers extensive space (about 469 m²) and some of the nation's best infrastructure such as an indoor playground. For the convenience of female workers, we also have a nursing room called "Happy Mommy Room," and a lounge.


Evergreen Daycare Center

### Reduction of Overtime Work

One of the main desired improvement areas chosen by employees is the reduction of overtime work. To resolve the chronic overtime work problem, SK C&C's overtime work reduction task force team. Introduced a taxi subsidy and a compensatory time(Refresh Point) system to strengthen compensation for inevitable overtime work. In contrast, it also strengthened measures to reduce unnecessary overtime work. It monitors overtime work by team and individual and reflects overtime work to the project cost. Thanks to these efforts, overtime work declined by 21% in 2011 while employees' work concentration improved significantly.

### Encouraging the Use of Vacation Days

SK C&C defined rest as a core element to enhance productivity and encouraged employees to use vacation days. We encouraged employees to use Bridge days or a Big Break to rejuvenate themselves. We also gave compensatory time(Refresh Point) for every extra hour worked to those who had to come to work on holidays. As a result, the usage rate of annual leave increased from 50% in 2010 to 61% in 2011 while that of summer vacation rose from 68% to 85% (up 17%) during the same period.

### Implementation of "Flexible Time" Program

SK C&C introduced flexible working hours to enhance employees' work-life balance. All employees are required to choose from one of the three options of 8-17, 9-18 or 10-19. To foster a smart work environment and settle flexible working hours, we start and finish meetings from 10-16 o'clock. The employee satisfaction rate of flexible hours is 92%. With this working scheme, employees have more opportunities to develop their competencies and more time to take care of their families and children.

**60**
**61**

CREATING NEW GROWTH ENGINES
EXPANDING INTO OVERSEAS MARKETS
COMMUNICATING WITH CUSTOMERS
SERVICE & QUALITY INNOVATION
**BALANCED WORK AND LIFE**
**EMPLOYEE CAREER DEVELOPMENT**
PURSUING SHARED GROWTH WITH BUSINESS PARTNERS
DEVELOPING GREEN IT
SUSTAINED SOCIAL CONTRIBUTIONS
ESTABLISHMENT OF A SOCIAL ENTERPRISE

# EMPLOYEE CAREER DEVELOPMENT
## HRD To-Be

SK C&C values human resources as a nature of its industry. With the motto of "employees are our core assets," we strive to nurture our employees into global top specialists. In 2011, we focused on four areas; sophistication of the leadership development program, construction of job capability enhancement infrastructure, education geared to new growth engines and existing business competitiveness and implementation of human resources development in accordance with "HRD To-be" our mid- to long-term employee career development master plan.

### Sophisticating Leadership Development Program

To secure future leaders preemptively, we have developed a leader-nurturing program. We required employees to make their position profile beyond team manager and offered training programs accordingly. Particular attention was paid to core talent. We grew a core talent pool and then offered the H-School program to cultivate management skills and leadership ability preemptively. Aside from these, there were also activities to improve existing human resources development programs (e.g., executive directors' management development program, education for newly promoted team managers, and short- and long-term trainings).
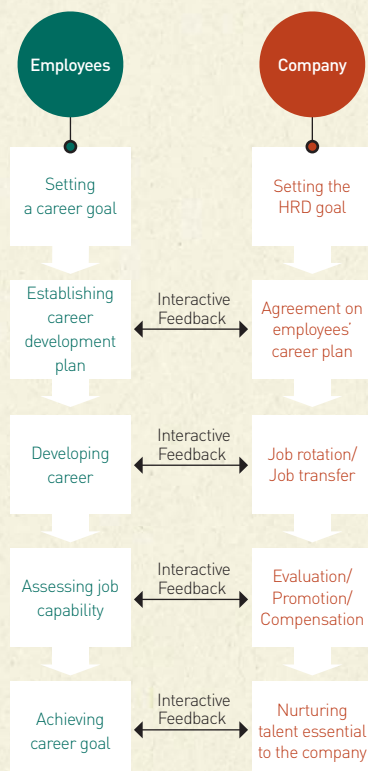
### Constructing Job Capability Enhancement Infrastructure

We have set up a three-year human resources development plan for 10 business units to establish a systematic human resources management model. In addition, in April 2011 we introduced the "My Career 2.0" system, an employee career development program that provides customized career development services to employees. Also SK C&C established a companywide system to enhance employees' job capabilities. We regularly check employees' job capabilities and reflect the results on human resources development, performance evaluation and utilization of manpower.

### Education Reform Geared to New Growth Engines and Existing Business Competitiveness

In line with the HRD To-Be model, we have reformed the job capability education system with an emphasis on creating new growth engines and new business value of existing businesses. Through this educational reform, we will upgrade existing general/technology/project manager courses and add advanced courses. Particularly, we are planning to open a multi-player development course to train our employees to respond to changes in the external environment more effectively. New education courses on new business and globality will also be added while education courses for the supporting job group will also be set up.

### Strengthening HRD Implementation

We will connect job capability development activities to human resources management to encourage employees' success and participation. Employees must complete mandatory education hours to be promoted to the next rank and team members' completion rates of mandatory training hours are reflected on the team leader's evaluation. We also strengthened the standards for both in-house and third party instructors and controlled class content and intensity to raise the quality of courses. Additionally, we are planning to construct an integrated learning-portal to strengthen the HRD implementation.

**Sophistication of Career Development Program**



| Employees | | Company |
|---|---|---|
| Setting a career goal | | Setting the HRD goal |
| Establishing career development plan | Interactive Feedback | Agreement on employees' career plan |
| Developing career | Interactive Feedback | Job rotation/ Job transfer |
| Assessing job capability | Interactive Feedback | Evaluation/ Promotion/ Compensation |
| Achieving career goal | Interactive Feedback | Nurturing talent essential to the company |

# BUSINESS
# PARTNERS

●

SK C&C pursues co-prosperity with its business partners. We ensure equal rights and fair competition to our business partners so that they can pursue growth in an impartial business environment, while providing them with a variety of supports and education programs to promote win-win success.

## Stakeholder Interview

Starting with SK Telecom's next generation system development project in 2005, Daewon C&C maintains a cooperative relationship with SK Group affiliates within not only the telecommunication business but also financial and public sector of businesses. Particularly, we entered into a closer cooperation with SK C&C upon being selected as SK C&C's strategic partner in 2011. We will continue to forge strong cooperative ties with SK C&C based on the mutual trust built between the two companies.

SK C&C has been committed to achieving this win-win partnership by promoting many joint technology developments and projects and its 800 business partners are benefiting from these. I believe SK C&C's pursuit of win-win partnership will bear more practical and substantial fruits when its business partners also make contributions. With support from business partners, SK C&C's win-win partnership model can transform from the current one-sided support system into a virtual cycle of value creation.

**CEO of Daewon C&C | Sung Jun-Ho**

STAKEHOLDER ENGAGEMENT 62
MATERIALITY ASSESSMENT 63
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
LOCAL COMMUNITIES

# BUSINESS PARTNERS

**Spreading Awareness of Win-Win Partnership**



## Building a Win-Win Partnership Culture

SK C&C has strived to expand win-win partnerships with our business partners since the introduction of its ethics management in 2002. To maintain a stable partnership with business partners, we provide various supports, ranging from fair transactions to financial and technological support. In recognition of such efforts, the Fair Trade Commission awarded us with an "excellence" rating in connection with the Triangle Cooperation Program compliance performance in 2009. SK C&C was the first IT company that received an "excellence" rating.

### Raising Awareness of Win-Win Partnership
SK C&C strives to spread awareness of win-win partnership among our stakeholders. Win-win partnership is a way to raise competitiveness in the long-term. By incorporating a co-growth perspective into corporate culture, all employees accept CEO's will and commitment to co-growth naturally. Business partners and customer companies share our commitment to co-growth while interacting with our employees. In this way, they too will have a co-growth perspective.

### Providing Employee Education
To raise awareness of the win-win partnership among employees, we provide fair trade education not only to those in business partner's direct contact points such as the procurement department but also to the rest of our employees. Project managers and those at the frontline of business transactions are required to complete advanced courses on topics such as the corporate compliance system and relationship management. In addition, to increase our employees' understandings of fair trade, we include the subject of compliance into the promotion exam. Such comprehensive fair trade education contributes to the spread of fair trade awareness among our employees.

### Expanding Communication with Business Partners
We operate various on/offline communication channels with business partners. Through these channels, we introduce our win-win partnership programs and collect grievances, ideas and suggestions from our business partners. Going forward, we will continue our efforts to maintain open communication with business partners and build mutual satisfaction.

### Establishing Win-Win Partnership Organization
We established the Win-Win Partnership Committee to ensure fairness and transparency in all business transactions with business partners. The Win-Win Partnership Committee is implementing our win-win partnership policies together with the procurement division, compliance team and ethics management team. The Committee is held once a month to review the compliance level of the win-win partnership agreement, and to enhance fairness and legality in subcontracting trade.

**Anti-Corruption Education Status**

| Classification | 2009 | 2010 | 2011 |
|---|---|---|---|
| Number of Employees who Received Anti-corruption Education | 2,213 | 2,738 | 3,341 |
| Ratio of Employees who Received Anti-corruption Education to Total Employees | 67% | 80% | 88% |

**Win-Win Partnership Organization**

# BUSINESS PARTNERS





## Constructing a Win-Win Partnership System

Aside from raising awareness of win-win growth, SK C&C established a system to promote win-win partnership in real-life business situations. With persistent assistance from SK Group, SK C&C's win-win partnership activities continued for about ten years and it has now become a part of our corporate culture.

### Establishing Ethics Management & Fair Trade Regulations

SK C&C prohibits any inappropriate work behavior in transactions with business partners and second-tier subcontractors as they were set forth in its internal code of ethics and ethics guideline. SK C&C also stipulated fair trade with business partners in its internal code of ethics. With this, all business partners are guaranteed equal rights to participate in supplier registration and selection, and they are also protected from unfair trade practices that can stem from our superior position.

### Fair Trade Self-Compliance Programs

To meet the growing social call for fair trade and ethical management, we introduced and implemented fair trade self-compliance programs. To prevent gift-giving practices by suppliers, we operate a holiday gift-reporting center in Lunar New Year and Chuseok (Korean Thanksgiving) seasons and ask our business partners to cooperate in our ethics management efforts. On top of this, we operate ethics violation reporting channels such as hot lines and email and conduct regular on/offline email surveys with business partners to internalize ethics management.

### Promotion of Fair Competition

To ensure objectivity and integrity of supplier related processes, we conduct an open bid for contracts exceeding certain amounts, and receive applications from any supplier interested in working with us via our website. We also protect suppliers' intellectual/physical property rights as is stipulated in the Internal Ethics code and subcontract guideline. We prohibit any unauthorized use of business partners' technology for our own benefits by using a technology escrow system.

### Implementation of "Clean Together" Campaign

Ethical management is an important criterion when SK C&C selects a business partner. We assess the ethics and corporate philosophy of our business partners' CEOs and request them to submit a statement of commitment to ethics management when signing a contract. Ethics management evaluation is also reflected in annual evaluations of business partners. The number of ethics violation cases is noted in business partners' annual performance evaluations and if an ethics management evaluation score is not positive, business relations with that business partner can be cancelled. On top of this, we began to include Human Rights Provisions in all our investment contracts in 2009.

**Violation of Fair Trade Regulations**

SK C&C diligently reviews and monitors subcontracting status periodically. Thanks to these efforts, there have been no cases of fines or penalties on SK C&C for the violation of ethical management and fair trade regulations for the period from 2009 to 2011.

**Corruption Risk Analysis**

| Classification | 2009 | 2010 | 2011 |
|---|---|---|---|
| Main Operations | 2 | 2 | 2 |
| Percentage of Operations whose Corruption Risk Was Analyzed | 100% | 100% | 100% |

**Corrective Actions on Corruption Cases**

| Classification | | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Number of Reported Corruption Cases | | – | 1 | 1 |
| Number of Reported Bribery Cases | | 1 | 3 | 3 |
| Corrective Actions | Dismissal | 1 | 5 | 4 |
| | Salary Cut | 1 | 2 | – |
| | Others | 2 | 1 | 5 |

**Business Partners that Have Undergone Human Rights Screening Status**

| Classification | 2009 | 2010 | 2011 |
|---|---|---|---|
| Total Number of Business Partners | 950 | 1,000 | 1,100 |
| Percentage of Business Partners that Have Undergone Human Rights Screening | 100% | 100% | 100% |
| Number of Business Partners that Received Corrective Actions | 1 | 10 | 8 |

STAKEHOLDER ENGAGEMENT 64
MATERIALITY ASSESSMENT 65
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
LOCAL COMMUNITIES

## Implementation of Win-Win Partnership Programs

SK C&C operates various Win-Win Partnership programs with regards to financial, technological and business support and fair trade and treatment of business partners. These will help build to a true partnership and become a driving force for co-growth.

### Operating Principles

The goal of Win-Win Partnership programs is to enhance competitiveness of SK C&C and its business partners mutually by providing programs that offer practical assistance. SK C&C selected eight core support areas including finance, technology and business and developed programs accordingly. In addition, SK C&C periodically evaluates its business partners to assess the validity of cooperation. Those partners that excel in evaluations are selected as strategic partners to pursue closer collaborations.

### Financial Support

SK C&C tries to ease funding shortage issues of business partners by offering a Win-Win Partnership fund, network loans, 100% cash payment and exemption of the credit guarantee insurance. The Win-Win Partnership fund is aimed at supporting a stable financial base of business partners by extending credit at low interest rates. A business partner can borrow up to KRW 500 million per year at low interest rates, 2.4% cheaper than market loan rates at maximum. Network loans, extended to business partners in connection with financial institutions, apply cheaper interest rates (1.5% cheaper than market rates) to part of the loan amount, equivalent to one sixth of the annual delivery or contract. Aside from these direct financing assistance options, we offer indirect assistance to ease suppliers' liquidity situations. We pay cash for delivery for all transactions since 2006, and on traditional holidays and special occasions, we make early payments. Also, for excellent partners we exempt submission of credit guarantee insurance to reduce their unnecessary costs and raise mutual trust.

**Financial Assistance for Business Partners**
(Unit: KRW billion)

| Year | Value |
|------|-------|
| 2011 | 3.8 |
| 2010 | 4.3 |
| 2009 | 3.8 |

**Win-Win Partnership Program Wheel**



- Regular meeting with business partners
- MBWA to suppliers' employees
- Operating an online grievance counseling center
- Distributing company magazine

- Win-Win Partnership fund
- Network loans
- Cash payment for delivery
- Exemption of credit guarantee insurance

- Sharing SK C&C's patent technology
- Promoting joint R&D projects
- Operating technology escrow services
- Education/training support

- Sharing business information in advance
- Joint market entry
- Business consulting

- In connection with outside service companies
  - Group accident insurance, medical checkup, condolence services

- Interactive evaluation
- Operating a reward system for business partners

- Based on business partners' opinions
  - Improving/Strengthening existing programs
  - Developing new programs continuously

- Complying with three major guidelines of fair trade
- Operating an ethics management system
  - Strengthening risk management/ethics management activities

Wheel segments: Continuous Communication / Sharing Welfare Program / Improvement in Business Partner Treatment / Continuous Program Development / Fair Trade/Ethics Management / Business Support / Technological Support/Protection / Financial (monetary) Support

SK C&C Win-Win Partnership Program

# BUSINESS PARTNERS

## Technological Support

SK C&C shares patent technologies with our business partners to enhance their productivity and competitiveness. Joint R&D projects and joint market entries are also a good opportunity for business partners to acquire and learn our technology/business know-how. To protect business partners' core technology, we use technology escrow service that prevents any leaks of business partners' core technology by keeping core materials in escrow by a third party. Also we provide a multitude of free technology training programs for business partners' employees to strengthen their competitiveness, in forms of group training, and e-learning etc.

**Business Partner Education and Training Courses (Free of Charge)**

| | Category | Training Course | Number of Training Sessions | Maximum Number of Trainees | Location | Training Period |
|---|---|---|---|---|---|---|
| Group Training | Development Training for New Employees | Win-Win Internship | 1 | 50 | u-Tower | Six Weeks |
| | BP_Education (Offline) | Nexcore J2EE FW | 3 | 30 | u-Tower | Two Days |
| | | Automation Tools + Test | 3 | 30 | u-Tower | Two Days |
| e-Learning | BP_Education (VLS) | Java Web Programming for Hands-on Workers | 6 | - | - | One Month |
| | | Java Framework for Hands-on Workers | 5 | - | - | Two Months |
| | | Field SQL Training | 6 | - | - | One Month |

## Business Support

SK C&C shares business information with business partners so that they can manage human resources more systematically and allocate them to necessary locations in advance. This will eventually enhance their delivery competitiveness.

## Fair Trade/Ethics Management

SK C&C adopted the three guidelines for fair trade between small and large businesses developed by the Fair Trade Commission and introduced a self-compliance system in 2009. Furthermore, the entire process from project bidding to contract signing is managed and reviewed by the fair trade expert.

## Sharing Welfare Program

We arranged programs for the employees of the business partners to enjoy benefits such as group accident insurance, medical check-ups and funeral services under the same conditions with our own employees. In particular, medical check-ups are available at 60%-70% of the normal price in our 25 designated hospitals nationwide.

## Strengthening Solidarity through Information Sharing

SK C&C strives to build strong solidarity among business partners through meetings and MBWAs and raise the understanding of our business and corporate culture through sharing the SK Group and SK C&C company magazines. We also listen to business partners' opinions on our overall project management and reflect them on our project management. To build sound partnership with business partner, we give a plaque of thanks and a prize to the biggest contributors.

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**Local Sourcing Strategy and Its Results**

SK C&C tries to increase local sourcing by strengthening partnerships with local and overseas business partners. Thanks to these efforts, SK C&C secured 770 regional and overseas business partners in 2011, which made up over 10% of its total business partners.

(Unit: KRW billion)

| Category | 2009 | 2010 | 2011 |
|---|---|---|---|
| Total Procurement/ Outsourcing Amount (A) | 778.2 | 856.7 | 994.7 |
| Local Purchasing/ Outsourcing Amount (B) | 35.7 | 25.4 | 99.5 |
| Percentage (B/A) | 4.6% | 3.0% | 10.0% |

**Three Guidelines for Fair Trade**

Three Guidelines for Fair Trade

**Contract Signing**
- Systemize contract signing procedure
- Protect business partners' self-determination rights in contract signing
- Abide by terms and conditions of contract and related regulations

**Business Partner Selection and Management**
- Disclose the selection criteria and processes of suppliers
- Announce selection and registration results
- Offer equal bidding opportunities to registered companies

**Internal Review Committee**
- Construct and operate an internal review committee
  - Committee should have more than three members including the executive director in the procurement department
  - Preview appropriateness of contract signing and price determining (more than once a month)

# SK C&C CORE ISSUE

## PURSUING SHARED GROWTH WITH BUSINESS PARTNERS
## Offering Education for Partner Firm Employees

For an IT company, human capital is a key source of competitiveness. For this reason, SK C&C places the top priority on human capital and makes continuous investments into human resources development. We apply this to our business partners as well. To promote co-growth with our business partners, we offer diverse educational and training programs to them such as 'SK C&C Win-Win Academy'.

### Active Utilization of "SK Win-Win Academy"

SK C&C offers educational and training opportunities courses via the Group's SK Win-Win Academy. SK Win-Win Academy has a two-thronged education system; one is for CEOs and high level management and the other is for intermediate level managers. "Win-Win Partnership CEO Seminar" provides off-line lectures on business insight, management method, leadership and SK best practices to CEOs and management of business partners once a month for five months. Thus far, 45 CEOs and management from 40 business partners have taken advantage of this program. As for intermediate level managers, there is the "Win-Win Partnership Management Development Program," an eight-week mini-MBA program that provides lectures on management strategy, finance, human resources development and marketing. Aside from these, we offer 100 online courses on various subjects such as writing, negotiation, IT, and foreign languages to all partner firm employees via SK's online education portal (http:// www.skwinwin.com).

### IT-Specialized Education Programs

In addition to SK Win-Win Academy programs, SK C&C developed and offered its own IT-specialized educational and training programs to its business partners. 'SK C&C Win-Win Academy' provides common courses on standardization/automation tools that are needed to conduct our projects as well as advanced technology courses designed to strengthen partner firm employees' IT capabilities. As of 2011, approximately 350 partner firm employees have completed these training programs.

Aside from these, we offer educational programs on human resources management and finance to our partner firm CEOs and managers. We also provide advisory services to them.

### SK C&C Win-Win Academy Program

■ Group training ■ VLS □ VOD training

| Role | Required Capabilities | Common Courses | Mandatory Courses |
|---|---|---|---|
| Analysis/Design | • Process/data/event modeling/design knowledge and pertinent experiences<br>• Ability to undertake specific tasks in a certain module | Inspection<br>S/W Testing | Requirement Engineering<br>Data Modeling<br>UML Modeling |
| Development Leading | • Understanding system structure in a specific language<br>• Ability to develop a unit function and lead the development of a unit function | Standards Management Process (SKPE-PM) | Methodology<br>SQL Tuning |
| Development | • Ability to develop a unit function in assistance with a mentor | Nexcore.J2EE Framework<br>Automation Tools (Dev, Testing) | Framework<br>Java Web Programming |
| New Employees | • Ability to operate and maintain UI based system (HTML, Java script, JSP or C#/ VB/ ASP etc.) and SQL based DB system | | Development Course for New Employees (Java - six weeks) |

### Win-Win Internship Program

'Win-Win Internship Program' is a new type of shared-growth model which connects talented jobseekers to small and mid size companies that suffer labor shortages. SK Group started 'Win-Win Internship Program' in 2009 together with its affiliates. SK C&C has operated its own 'Win-Win Internship Program' which started in 2010. Thus far, SK C&C placed a total of 110 talented high school graduates with IT capabilities at our partner firms in cooperation with Seongnam City.

# ENVIRONMENT

SK C&C's goal is to construct a green IT world. By continuously developing green IT solutions and services, we promote green culture, green processes and green products. SK C&C will continue our role of creating a green society to pass down a healthier and more sustainable environment to the next generation.

## Stakeholder Interview

SK C&C has been participating in Seongnam City's Wetlands Restoration Project since 2010. Seongnam City has been fostering the wetlands along the Tancheon stream to boost the natural purification system. Since the wetlands restoration project needs continuous efforts, I think SK C&C has proven itself as an environmentally-conscious company by participating in this project.

One thing I want to suggest is that SK C&C should launch an environment protection project with its own ideas and programs. If SK C&C takes initiatives and suggests a future environmental vision to the regional society, SK C&C will become an exemplary role model for other businesses.

**President of Citizen's Organization of Bundang Environment | Jung Byoung-Joon**

# ENVIRONMENT

STAKEHOLDER ENGAGEMENT **68**

MATERIALITY ASSESSMENT **69**

STOCKHOLDERS AND INVESTORS

CUSTOMERS

EMPLOYEES

BUSINESS PARTNERS

ENVIRONMENT

LOCAL COMMUNITIES

## Environmentally-Friendly Policy

Faced with various environmental threats, such as global climate change, pollution and energy depletion, SK C&C has been striving to fulfill its environmental responsibilities. In 2009, we announced the introduction of green management and pursued this by way of green culture, green processes and green products. By pursuing environmentally-friendly management, we will deliver green infrastructure to the society and our stakeholders.

**Green Management Framework**

Improvement of company's green image

Practicing Green Operation

Green Management

Greening Existing Businesses

Developing New Green Businesses

Enhancement of existing businesses' competitiveness

New growth engines
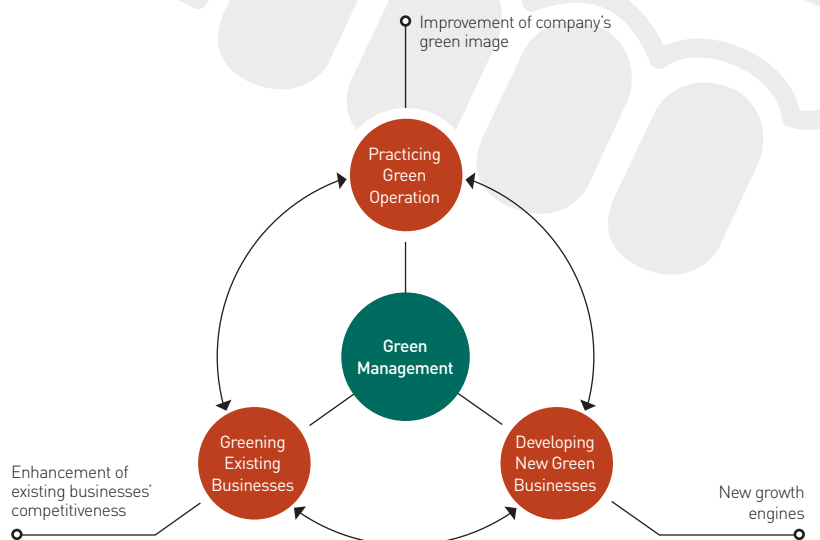
## Green Management Implementation Strategy

Our green management consists of three focal points, which include practicing green operation, greening existing businesses and developing new green businesses. To promote green management, we decided on eight strategic tasks and 14 action plans.

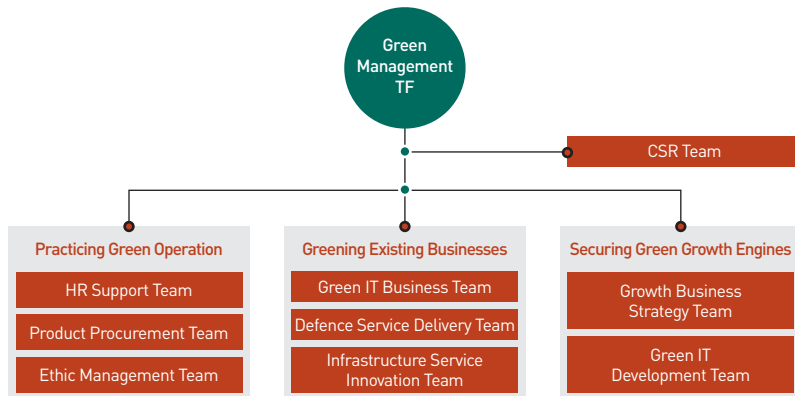| Strategy | Strategic Tasks | Action Plans |
| --- | --- | --- |
| Practicing Green Operation | Announcement of green management | • Announcement of green management and implementation of action plans |
| | Establishment of energy conservation policy and implementation of action plans | • Conservation of office supplies and energy consumption<br>• Building energy conservation (lighting /air conditioning facilities) |
| | Green purchasing strategy | • Establishing purchasing standards for IT and business equipment<br>• Constructing a green IT registration and management system |
| Greening Existing Businesses | Constructing a green infrastructure | • Greening data centers<br>• Developing desktop virtualization businesses |
| | Strengthening IBS/ITS businesses | • Developing smart building businesses<br>• Developing smart transport businesses |
| Development of New Green Business | Smart grid | • Developing core smart grid technologies |
| | Smart eco | • Toxic substance management service<br>• Waste management service |
| | Developing new businesses corresponding to government policy | • Establishing a system to develop new businesses corresponding to government policy<br>• Developing Green IT business corresponding to government policy |

# ENVIRONMENT

## Green Management Organization

To concentrate the company's green efforts, SK C&C established the "Green Management Task Force (TF)" with the CSR Team (Corporate Social Responsibility Team) at the control tower. The Green Management TF implements green management with nine working-level teams in three working groups: practicing green operation, greening existing businesses and securing green growth engines. Going forward, we will be persistent in our pursuit of green management, effectively responding to the threats of global climate change.

**Organizational Chart of Green Management Task Force Team**



Green Management TF

CSR Team

**Practicing Green Operation**
- HR Support Team
- Product Procurement Team
- Ethic Management Team

**Greening Existing Businesses**
- Green IT Business Team
- Defence Service Delivery Team
- Infrastructure Service Innovation Team

**Securing Green Growth Engines**
- Growth Business Strategy Team
- Green IT Development Team

**Green Management TF and Responsibilities**

| Mission | Department in Charge | Responsibilities |
|---|---|---|
| Directing | CSR Team | • Running company's green operation/Overseeing green task force<br>• Leading green culture campaign |
| Practicing Green Operation | HR Support Team | • Creating a green office   • Managing toxic substances |
| | Product Procurement Team | • Green purchasing |
| | Ethics Management Team | • Creating a green office |
| Greening Existing Businesses | Green IT Business Team | • Smart building business and smart transportation business |
| | Defence Service Delivery Team | • Green national defense business<br>• Green military operation / training (KCTC, JFOS-K, etc.) |
| | Infrastructure Service Innovation Team | • Greening data centers |
| Securing Green Growth Engines | Growth Business Strategy Team | • Establishing green growth strategy |
| | Green IT Development Team | • Battery Management System<br>• Advance Metering Infrastructure<br>• Energy Management System |

## Green Management Certification

SK C&C is actively working to standardize the environment management procedure with an aim of obtaining certification to ISO 14001 over its entire operations. ISO 14001 is the international standard on environmental management systems. We try to disseminate green culture among employees through environment education, campaigns and internal monitoring. In particular, our u-Eco City model received great recognition from the outside. We won the Environment Minister Prize in the 2010 Korea New Growth Engine Management Award for excellence in our green technology.

STAKEHOLDER ENGAGEMENT **70**
MATERIALITY ASSESSMENT **71**
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
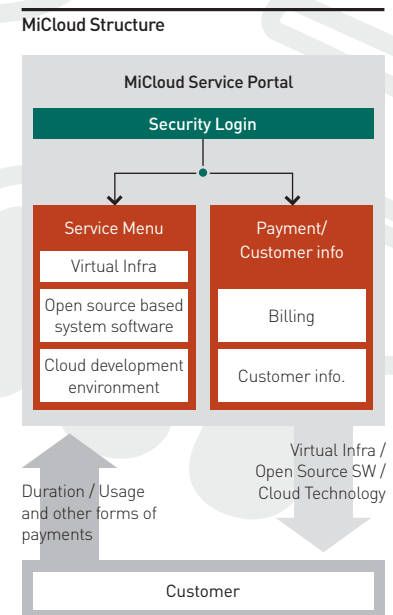LOCAL COMMUNITIES

## Green Solutions and Services

Though IT business is green business itself, SK C&C is making continuous efforts to develop green solutions and services based on core IT technologies and knowledge of customer businesses acquired by executing business in the areas of consulting, system integration and outsourcing.

Our green business can be summarized in one phrase, Smart & Green IT. We selected five strategic green business areas of m-Commerce, mobile enterprise application platform, 3D solutions, cloud computing and smart grid, to focus our primary efforts on. To promote green business more effectively, we have set up new growth business division that oversees green IT businesses and development activities.

As we move forward, our efforts will not stop at merely providing green solutions and services to customers. We resolve to offer even greater green motivation and values to our customers and community members by managing their reduced greenhouse gas emissions quantitatively and systematically.

### Cloud Computing

Cloud computing is environmentally-friendly computing service whereby all IT-related services such as data storage, networks and content are provided over the Internet. With cloud computing service, companies and individuals can take advantage of the cost savings in computer system operations and maintenance. As for companies, cloud computing can reduce considerable amounts of money and human resources that are needed to purchase, install, and maintain servers. It eventually optimizes corporate IT infrastructure resources and reduces energy usage. SK C&C's MiCloud is a core solution of cloud computing infrastructure service, which realizes server and desktop virtualization and distributed computing. Internally, we started an in-house cloud computing service in April 2011. Externally, we constructed and managed SK Telecom's cloud computing service and established mobile cloud infrastructure. We also undertook an information strategy-planning project about a government integrated cloud data center.

**MiCloud Structure**

MiCloud Service Portal

Security Login

Service Menu
- Virtual Infra
- Open source based system software
- Cloud development environment

Payment/ Customer info
- Billing
- Customer info.

Duration / Usage and other forms of payments

Virtual Infra / Open Source SW / Cloud Technology

Customer



ITS: Intelligent Transport System

### Intelligent Transport System

Intelligent Transport System (ITS) is the next generation transport management system, which combines transportation information collection, communication and control functions with the traditional transportation system. Efficient traffic management via ITS will not only lessen traffic congestion but also reduce car exhaust emissions and gasoline usage, creating a cleaner transportation environment. Thus far, SK C&C has completed 10 ITS projects in regional cities while exporting ITS to Baku City, Azerbaijan and Ulaanbaatar, Mongolia.

### Total Disaster Prevention Service

SK C&C provides total IT service for supporting a series of disaster management operations of the central and local governments to actively cope with natural disasters due to global climate change. Thus far, we have constructed 119 emergency rescue systems of the National Emergency Management Agency and the national disaster management information system, an integrated disaster management system of 43 government agencies. Through experiences in these government projects, we constructed an Early Disaster Warning System in Indonesia.

# ENVIRONMENT

## Green Office Campaign

SK C&C launched a green office campaign in June 2010 to create an environmentally-friendly and efficient office environment.

### Mobile Office

SK C&C has the nation's premier mobile enterprise application platform, "NEXCORE Mobile" that won the Presidential Award in the 2011 Global Software Contest. Based on our proven technology, we have created a smart working environment that enables access to the company mail system, employee information search, electronic approval, scheduling and etc at any time and any location. With this smart mobile office, there was a significant enhancement in work efficiency and a remarkable reduction in the use of resources.
Aside from these, we promoted various green practices such as email reporting and paperless meetings. Thanks to such activities, we reduced the use of printer toner and A4 paper by 87% worth KRW 840 million. Also, we set up a video conference system that connects our operations scattered across the nation and overseas ones with the headquarters and reduced the business travel costs significantly.


Internal Mobile System

\* Mobile office refers to environmentally-friendly officing through the use of mobile digital devices.

### 2011 Greenhouse Gas Emission Reduction
(Unit: tCO2eq)

| Classification | 2010 | 2011 | Reduction Amount |
|---|---|---|---|
| City Gas(LNG) | 721 | 531 | 190 |
| A4/Toner | 2,235 | 300 | 1,935[1] |
| Total | 2,956 | 831 | 2,125 |

Note 1) Greenhouse gas emissions reduction realized by cutting paper use; 2.88 g of $CO_2$ emissions reduction per sheet of A4 paper (Korea Industry Environment Institute, Korea LCI Database).

### Green Data Center



Ilsan Data Center
Boramae Data Center
Daedeok Data Center (main center)
160km

### Car Exhaust Emission and Mileage Management

We introduced the total car management system (TCMS) to effectively manage company vehicles. Based on an analysis via TCMS of company vehicle usage, we alleviated unnecessary driving and saved KRW 450 million from the budget allocated to vehicle usage in 2011. In 2012, our green car management efforts will continue. We will lease or buy cars that meet the Euro IV standard requirements to reduce air pollution.

### Low-Carbon Commuting Campaign

To reduce greenhouse gas emissions, we operate seven commuter buses with 315 seats on five routes. To boost group commuting, we added 15 more routes by introducing 'Happy Express,' a commuting bus system in which a group of employees actually make up their own bus service route. The number of 'Happy Express' passengers is 250 a day. We also installed a bicycle rack at our headquarters to support no carbon footprint commuting.
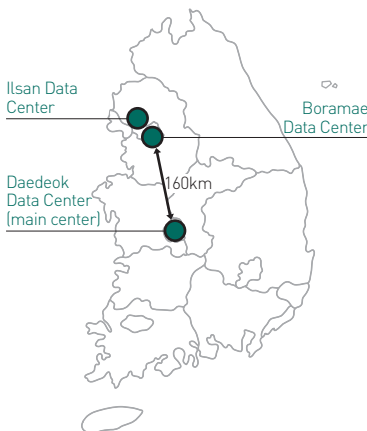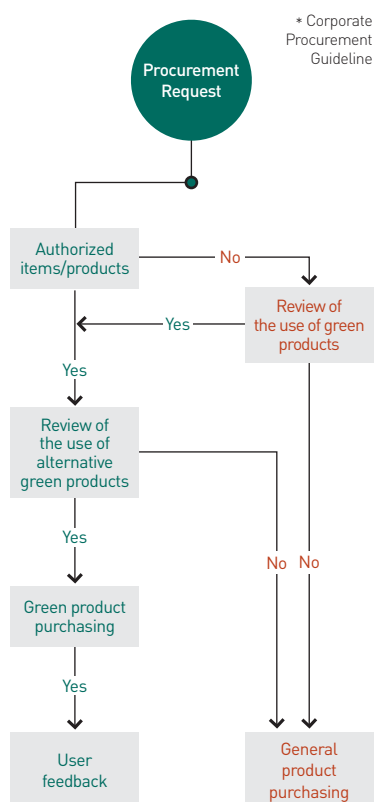
### Green Data Center

A green data center is a data center whose mechanical, lighting, electrical and computer systems are designed for maximum energy efficiency and minimum environmental impact. SK C&C integrated more than 20 IT departments scattered across SK affiliates into three data centers in 2010, thereby raising energy use efficiency. We have also introduced 53 constant temperature & humidity chambers and evaporative humidifiers since 2009 for greater cooling and electric efficiencies, and reduced total electricity usage by 32% as a result. In addition, introduction of the integrated power management program pushed down power usage effectiveness (PUE) by 13% from 1.87 in 2009 to 1.63 in 2011 and carbon emissions by 18% from 4,178 tons in 2009 to 3,417 tons in 2011. Going forward, we will introduce ECO-CRAC, which has an embedded evaporative humidifier, thereby expecting an additional 15% savings of total data center power consumption.

STAKEHOLDER ENGAGEMENT 72
MATERIALITY ASSESSMENT 73
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
**ENVIRONMENT**
LOCAL COMMUNITIES

**Procedure of Green Purchasing**



* Corporate Procurement Guideline

**Green Purchasing Results**

(Unit: KRW billion)

| Classification | | 2010 | 2011 |
|---|---|---|---|
| Total Goods Purchase | | 271 | 304 |
| Green Purchasing | Sub-total | 11.9 | 15.1 |
| | PC/Monitor (Power-saving model) | 8.7 | 11 |
| | Server (Power-saving model) | 3.2 | 4 |
| | Others | 0.03 | 0.08 |
| Green Purchasing Ratio (Green purchasing/Goods purchasing) | | 4.4% | 5% |

**Environmental Cost (End-of-Pipe Treatment Cost)**

(Unit: KRW million)

| Classification | 2009 | 2010 | 2011 |
|---|---|---|---|
| Designated Waste Disposal by Third Party Contractors | 33.6 | 40.3 | 36.6 |

## Building Energy Conservation Campaign

SK C&C launched "Green Day 365" campaign to reduce building energy consumption and saved approximately 1,290 MWH in 2011.

**2011 Building Energy Conservation Results**

| Energy Conservation Activities | Conservation Amount | Details |
|---|---|---|
| Total | Total savings: 1,290 MWH of electricity, 2,430 tons of water, KRW 124,850,619 from the budget | |
| Lighting → LED lighting (179) | 60.33MWH/year, KRW 6,331,676 | Aircraft warning light (2), Reception room on the third floor (133), Fitness center on the sixth floor (38), Fountain underwater light (6), Garden on the eighth floor (1) |
| Increasing separation distance between lights (1,702 lights) | 260MWH/year, KRW 26,304,803 | Emergency stairs (70), Underground parking lot (410), Elevator (470), Others (752) |
| Motion sensor lights (13,238 lights) | 192MWH/year, KRW 19,971,640 | Bathroom hallway (113), Bathroom (567), Office (12:00-13:00, 12,558) |
| Installing a power saving timer on vending machines | 108MWH/year, KRW 11,274,120 | Installing power saving timer on beverage and coffee vending machines (power down mode for 24:00 -6:00) |
| Shutting off transformer during winter time | 39MWH/year, KRW 4,167,280 | Shutting off transformer of ice thermal storage system during winter time (Nov.-May) |
| Turning off lights completely three times a day | 447MWH/year, KRW 15,288,000 | Turning off office lights completely three times a day (20 and 22, 24 o'clock) |
| Installing an inverter to coolant circulation pump on high floors | 11.1MWH/year, KRW 11,100,000 | The use of an inverter for a 37kwh pump can save 30% on power consumption * 1.11kwh X 1,000 hours |
| Installing an inverter to cooling tower's cooling fan motor | 13.2MWH/year, KRW 13,200,000 | When using two 22kw motor inverters, 30% of power savings can be expected * 1.32Kwh X 1,000 hours |
| Reducing air conditioner operating hours by one hour | 160MWH/year, KRW 15,972,000 | Reducing air conditioner operating hours by one hour on all floors |
| Water conservation in toilets and urinals | 2,430 tons/year, KRW 1,241,100 | Putting a brick in toilets' water tank and adjusting a time clock to urinals on all floors |

## Green Purchasing

SK C&C actively seeks to promote green purchasing across all operations as stipulated in the purchasing regulations and guidelines. We consider environmental impacts even in the procurement stage and prioritize product choices that are more environmentally-friendly if there are no other specific needs. Our green purchasing policy is applicable to all the products we purchase such as hardware, software, PCs, expendable supplies and maintenance, repair and operation (MRO) products.

## Environmental Investment

For the past three years there have been no cases of penalties or restrictions on SK C&C for the violation of environmental laws and regulations. We treat waste matter appropriately in accordance with environmental laws and regulations. In 2011, approximately KRW 37 million was spent for designated waste disposal by third party contractors. Also, we spent a total of KRW 74 million for the environmental campaigns, environmental clean-up activities and the Happy Village Renovation Project.

# ENVIRONMENT

## Environmental Campaign and Education

SK C&C knows that an environmental campaign is not a mere promotion of a slogan, but should include awareness-raising activities and active participation. In 2011, we launched various environmental activities such as Save the Butterflies Campaign and Happy Village Renovation Project together with other community environmental activities. We also provide continuous environmental education.

### Eco-Love Campaigns
Together with Citizen's Organization of Bundang Environment and Seongnam City, SK C&C's 450 volunteers participated in the volunteer program to foster butterfly ecology in the Tancheon Wetland Ecological Zone in 2011. In recognition of our efforts to improve ecological environment, we won the Gyeonggi Provincial Governor Citation.

### Happy Village Renovation Project
SK C&C launched the 'Happy Village Renovation Project' in 2011, where the company's 240 volunteers refurbished an underprivileged part of Seongnam City, required the old facilities and painted stairs and walls. In appreciation of their efforts, we received a plaque of thanks from the Sinheung 1-dong community center.

### Volunteer Activities in Disaster Areas
Together with the Korea Disaster Relief Association, SK C&C helped with the clean up of hard-hit emergency disaster areas in Dongducheon city, Gyeonggi Province. We sent a total of 200 volunteers and 300 sets of disaster relief kits.

### Support for Environmentally-Friendly Agricultural Products
SK C&C gives each employee KRW 40,000 allowance per month to boost expense of environmentally-friendly agricultural products.

### Environmental Education
SK C&C implements a variety of environmental education and awareness-raising programs on a constant basis throughout each year. In 2012, we will strengthen environmental education with a focus on field participation and voluntary services.


Eco-Love Campaigns


Happy Village Renovation Project

| Channels to Communicate Environmental Activities | | |
|---|---|---|
| Company Magazine | Six times | • Included one environmental feature<br>• Advanced environmental campaign on the back cover of magazine for five months |
| In-house Broadcasting | Six times | • Green Office Campaign |
| Posters | Five | • Distributed a poster to our main operations |
| Intranet | 11 times | • Put a companywide notice on the intranet or used u-Symphony's bulletin board<br>• Shared results of ongoing environmental activities at least once a month |

Enviornmental Education

**Nnumber of Employees who Received Environmental Education**

# 2,653 persons
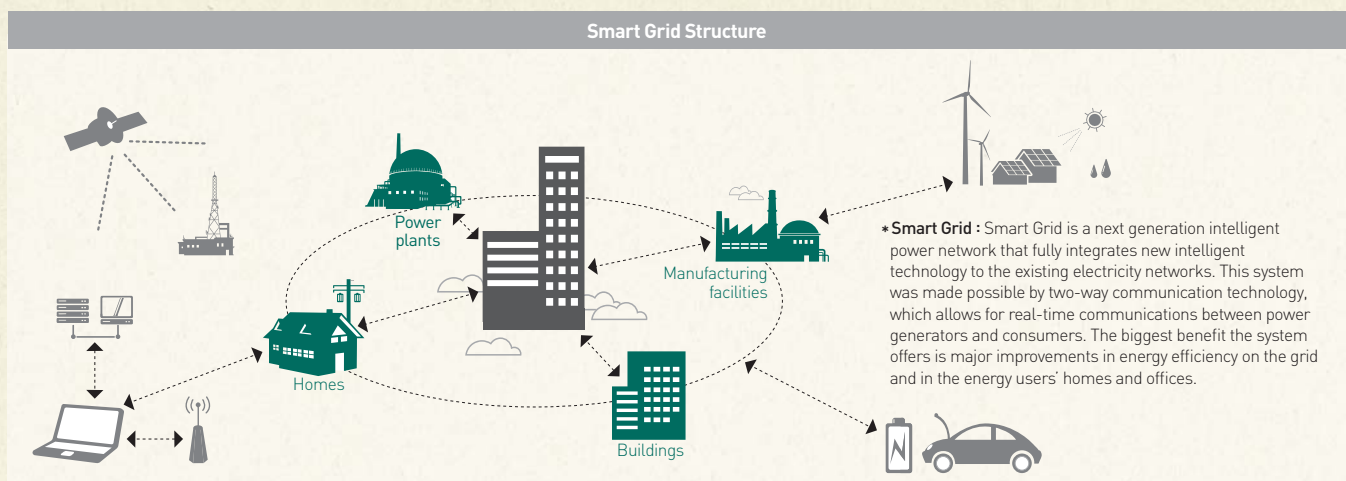
**Eenvironmental Education Hours per Person**

# 3.5 hours/year

# SK C&C CORE ISSUE

**DEVELOPING GREEN IT**

## Green IT

With increasing threats of climate change and the energy crisis, Green IT has emerged as a next generation business with huge growth potential. The Green IT service market is expected to grow into a USD 4.6 billion market by 2014, increasing tenfold from the USD 470 million market in 2008. Today, Green IT service has increasingly become essential to company's competitiveness to ensure companies' sustainable growth. To tap into such big potentials, SK C&C has been focused on the development of smart grid core solutions and systems since 2010. Smart grid is the next generation intelligent power network, which fully integrates advanced IT to the existing power networks. A smart grid allows utilities and consumers to communicate in real time, using two-way digital technology, thereby optimizing energy efficiency. Beginning with the smart grid battery business of the SK Group, we will expand our smart grid technology into all areas of the industry.



Smart Grid Structure

Power plants

Manufacturing facilities

Homes

Buildings

\***Smart Grid :** Smart Grid is a next generation intelligent power network that fully integrates new intelligent technology to the existing electricity networks. This system was made possible by two-way communication technology, which allows for real-time communications between power generators and consumers. The biggest benefit the system offers is major improvements in energy efficiency on the grid and in the energy users' homes and offices.

### Battery Management System

The battery management system (BMS) is an electronic system that manages rechargeable batteries in electric vehicles (EV) and other energy storage systems (ESS) for wind and solar farms. SK C&C developed core applications and software used in EV BMS and ESS BMS, and acquired LiB BMS development capabilities by participating in Daimler's EV project with SK Innovation. Our BMS is highly praised for its amazing quality and scalability. Currently, SK C&C is focusing on the EV BMS and ESS BMS businesses.

### Advanced Metering Infrastructure

Advanced metering infrastructure (AMI) is a system that measures, collects, and distributes energy usage, and communicates this information in real time between the meter and the central system, thereby maximizing energy management efficiency. In 2011, we commercialized automatic meter reading (AMR) for the nation's eight major city gas providers. Thanks to this, we secured the smart grid solution capabilities and strengthened our position on AMI businesses. Going forward, we will continue to expand AMI business beyond gas into integrated utilities markets such as electricity and water.

### Energy Management System

The Energy Management System (EMS) is an IT-based energy management system that monitors and controls the performance of electricity facilities. EMS is essential in realizing energy efficiency and energy conservation for various energy users (e.g., buildings, factories, and homes). In 2011, SK C&C was chosen to build and manage EMS in the Jeju smart grid demonstration complex. Going forward, we will further improve and sophisticate our EMS to global levels and apply it to buildings, factories and new/renewable energy power plants and expand our business capabilities as an Energy Service Company (ESC).

# LOCAL COMMUNITIES

●

As a contributing member of the local community, SK C&C and its all employees are actively participating in social contribution activities. Through diverse and systematic social contribution programs, we work the way to the co-prosperity with the local community. In this journey, all of you are the one who create change in the society.

## Stakeholder Interview

Seongnam City volunteer center has conducted various social contribution activities with SK C&C for a long time. We organized "Happiness-Sharing Kimchi Making," "Village Mural Painting," "Mini Concert" and "Happy Village Renovation Project," and achieved satisfactory results that pleased both community members and SK C&C volunteers.
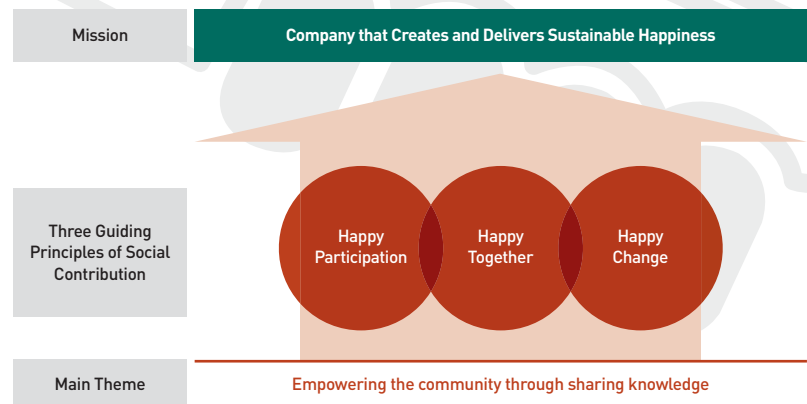
In my opinion, this was attributable to the SK C&C Corporate Social Responsibility team's systematic operation of social contribution activities and growing awareness of corporate social responsibility among SK C&C employees. I expect SK C&C to develop more IT education programs based on its unique IT competency. I also hope very much that SK C&C will grow into a reliable and socially respected IT company that serves as an exemplary role model for other businesses.

**Seongnam Volunteer Center | Kim Sae-Hwa**

STAKEHOLDER ENGAGEMENT **76**
MATERIALITY ASSESSMENT **77**
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
**LOCAL COMMUNITIES**

# LOCAL COMMUNITIES

## Social Contribution Philosophy

Practicing SK Group's management philosophy that focuses on people, SK C&C has been taking the leading role in corporate social contribution activities. Our human-centered corporate philosophy has developed into a unique management system that pursues "stakeholders' happiness." Our social contribution activities are based on this philosophy, and aimed at maximizing happiness for everyone in our society.

| Mission | Company that Creates and Delivers Sustainable Happiness |
|---|---|
| Three Guiding Principles of Social Contribution | Happy Participation · Happy Together · Happy Change |
| Main Theme | Empowering the community through sharing knowledge |





### Happy Participation

In belief that happiness grows more, when it is shared, all SK C&C's employees actively participate in social contribution activities. Our volunteer services are made up entirely of self-motivated volunteers, with no pressure from the company.

### Happy Together

As society continues to change, there is a growing demand on companies to fulfill their social responsibilities. We are well aware, however, that a company alone cannot create change in the society. For this reason, our social contribution initiatives pursue a win-win social contribution with our stakeholders. Our stakeholders and we can together create synergies in generating happiness for the society by sharing each others' capabilities and know-how.
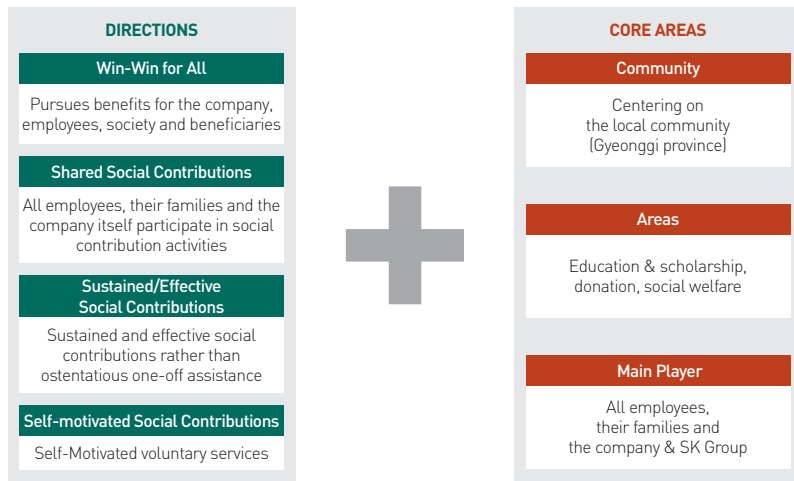
### Happy Change

In the past, companies made individual charity donations only, which fall short of resolving social problems fundamentally. Thus, SK C&C pursues social contribution activities sustained over the long run to increase self-sufficiency of the underprivileged rather than ostentatious one-off assistance. Happy change pursues fundamental changes for the society.
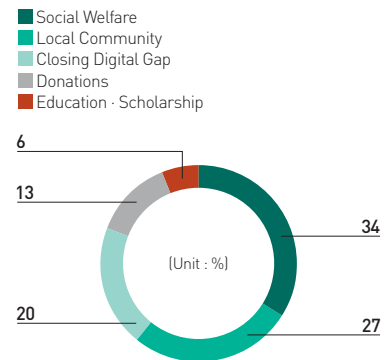
# LOCAL COMMUNITIES



## Social Contribution Strategy

The ultimate goal of SK C&C is spreading happiness to all the members of our society. To promote our corporate philosophy of increasing and sharing happiness, we support various social contribution activities which the company, all the employees and their families participate. Particularly, we provide an IT environment and trainings for the underprivileged to nurture them into the IT workforce.
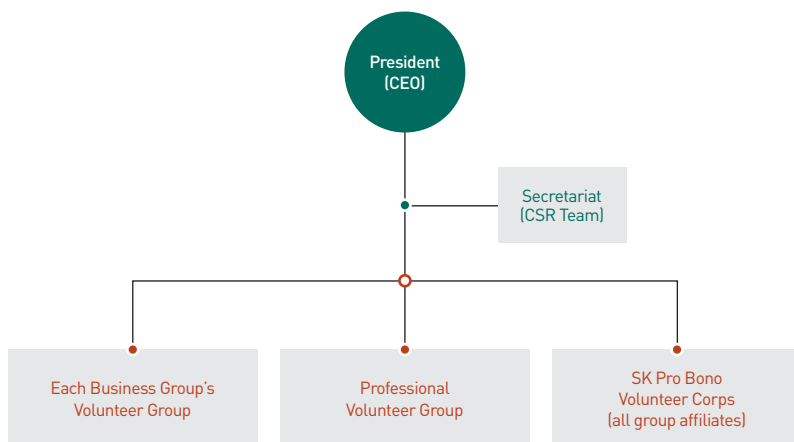
### DIRECTIONS

**Win-Win for All**

Pursues benefits for the company, employees, society and beneficiaries

**Shared Social Contributions**

All employees, their families and the company itself participate in social contribution activities

**Sustained/Effective Social Contributions**

Sustained and effective social contributions rather than ostentatious one-off assistance

**Self-motivated Social Contributions**

Self-Motivated voluntary services

### CORE AREAS

**Community**

Centering on the local community (Gyeonggi province)

**Areas**

Education & scholarship, donation, social welfare

**Main Player**

All employees, their families and the company & SK Group

**2011 Social Contribution Budget by Sector**

- Social Welfare
- Local Community
- Closing Digital Gap
- Donations
- Education · Scholarship

(Unit : %)

6
13
20
34
27

## Corporate Social Responsibility Organization

To attain sustainable growth and maximize happiness for our society, SK C&C launched its official volunteer group in 2004 and carried out various social contribution activities in earnest.

President (CEO)

Secretariat (CSR Team)

Each Business Group's Volunteer Group

Professional Volunteer Group

SK Pro Bono Volunteer Corps (all group affiliates)

**2011 Enrollment Rate in Volunteer Group**

# 92.3%

**2011 Annual Volunteer Hours per Person**

# 7.8 hours

STAKEHOLDER ENGAGEMENT **78**
MATERIALITY ASSESSMENT **79**
STOCKHOLDERS AND INVESTORS
CUSTOMERS
EMPLOYEES
BUSINESS PARTNERS
ENVIRONMENT
**LOCAL COMMUNITIES**

## Local Communities

SK C&C implements volunteer activities customized to each target group such as the youth, elderly and low-income families and pairs them up with professional volunteer groups.

### Happiness-Sharing Kimchi-Making

At the end of each year, SK C&C executives and employees make kimchi and deliver it to the elderly or low-income families in Seongnam City.

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Total |
|---|---|---|---|---|---|---|---|
| Kimchi (Head) | 2,400 | 500 | 2,500 | 2,550 | 2,550 | 4,000 | **14,500** |
| Beneficiary home | 400 | 100 | 500 | 500 | 500 | 800 | **2,800** |



Happiness-Sharing Kimchi-Making



Love Briquette Sharing



Family Happiness Sharing



Voluntary Service of Feeding the Physically Disabled

### Love Briquette Sharing

SK C&C executives and employees deliver briquettes in person to keep the lowest income families warm during winter. From 2004 to 2011, we delivered a total of 23,200 briquettes.

### Family Happiness Sharing Month

SK C&C designates every August as "Family Happiness Sharing" month wherein families of SK C&C executives and employees are paired with orphans or physically disabled children to participate in camp programs. This program gives valuable opportunities for orphans and physically disabled children to experience the love of a family and it also gives families of SK C&C employees to have a better understanding of physically disabled children and the pleasure of sharing happiness.

### "u-Dessert," Cultural Sharing Event

SK C&C holds "u-Dessert," a free cultural event for employees and local community held at a small neighborhood park near the headquarters. Thus far, the "u-Dessert" event was held four times and approximately 2,000 local community members and employees came to enjoy it.

### One Person, One Volunteer Group

SK C&C enables all of its members to enroll in one volunteer group and regularly participate in volunteer programs that are run in 35 sisterhood welfare facilities for the physically disabled and the elderly and children in Seoul and Gyeonggi Province. In 2011 SK C&C recorded 7.8 volunteer hours per person.

- Providing everyday life assistance to physically disabled children
- Supporting developmentally disabled youth to adjust to society
- Playing boccia games with children with brain lesions
- Entertaining the elderly living in welfare facilities as one-day grandchildren
- Supporting field activities(4-seasons experience) for children from low-income families
- Providing job capability enhancing programs for adults with disabilities in vocational rehabilitation offices

# LOCAL COMMUNITIES

## Education · Scholarships

SK C&C continuously provides education and scholarship for children of low-income families so that they grow into a healthy and productive member of society.

### SK C&C Happiness Scholarship
SK C&C provides "Happiness Scholarship" to students from low-income families. From 2005 to 2011, a total of 337 students benefited from this program.

### Support for Korea Foundation for Advanced Studies
Korea Foundation of Advanced Studies is a non-profit organization established in 1974 to nurture Korea's talented young students into world-class scholars. SK C&C supported 2,798 students through various scholarship programs. Thus far, the Foundation produced 501 doctorate degree holders, contributing to the advancement of the nation's academic level. SK C&C donated KRW 200 million to the Korea Foundation for Advanced Studies.

### Donation of Project Management Solution to Chungnam National University
SK C&C donated Hi PMS, a project management solution to Chungnam National University. With this donation, Chungnam National University can now easily access the data history of its "Next generation Integrated Information system." HiPMS was jointly developed in 2009 by SK C&C and Neoplus, a small company, and regarded as a model success case of a large and small companies' collaboration.


SK Happiness Scholarship Award Ceremony


Donation Campaign for Japan's Earthquake Victims

## Donations

SK C&C endeavors to expand a donation culture among employees. Currently, SK C&C is participating in the Group's fundraising to provide lunches for children of low-income families and help victims of natural disasters.

### Scholarships for Children of Low-Income Families
SK C&C employees make donations from their salaries to support scholarships for children of low-income families. From 2005 to 2011, we raised a total of KRW 461,768,847 for the scholarship fund.

### Small Donation Campaign
SK C&C promotes a small donation campaign to provide lunches to children of low-income families. In 2011, we raised a total of KRW 9,311,565.

### Donation Campaign for Victims of Natural Disasters
SK C&C participated in relief activities and fundraising for victims of natural disasters in neighboring countries. In 2010, we raised a total of KRW 24,203,500 for earthquake victims in Haiti. In 2011, we donated KRW 14,286,445 for the Japanese earthquake victims.

STAKEHOLDER ENGAGEMENT **80**

MATERIALITY ASSESSMENT **81**

STOCKHOLDERS AND INVESTORS

CUSTOMERS

EMPLOYEES

BUSINESS PARTNERS

ENVIRONMENT

**LOCAL COMMUNITIES**

## Social Welfare

SK C&C is faithfully fulfilling its corporate responsibility in resolving social problems through establishing a social enterprise, assisting SK Microcredit Foundation, supporting non-traditional sports such as handball and setting up a Pro Bono Volunteer Corps.

### Bolstering Traditional Markets
To revitalize the traditional markets, SK C&C purchased "Onnuri Gift Certificates" to support low-income families. In 2011, we bought "Onnuri Gift certificates" worth KRW 13 million.

### Supporting the Low-Income Class
To help low-income and low-credit individuals, SK C&C supports the operation of SK Microcredit Foundation. In 2011, we donated approximately KRW 200 million.

### Supporting Non-Traditional Sports (Handball)
SK C&C supports non-traditional sports such as handball, which has achieved amazing results at international competitions despite financial difficulties and continuous lack of popularity. In 2011, SK C&C donated KRW 200 million for the operations of the handball team.

### SK Pro Bono Management Consulting Service
SK Group launched professional volunteer corps, Pro Bono, to provide professional management consulting services to social enterprises and non-profit organizations. Pro Bono consists of only SK members who are equipped with professional knowledge and technologies. In 2011, SK C&C's Pro Bono volunteers who accounted for 17.5% (35 persons) among SK Pro Bono's 200 volunteers provided consulting services in management strategy, IT, marketing and public relations.

### Skill-Based Volunteer Corps through Talent Donation
SK C&C operates a total of eight skill-based volunteer corps to support the underprivileged.

- Mind & Body Care Volunteer Corps: Becoming a companion to converse with and giving massages to the elderly living in social welfare facilities
- Fluffy Clouds: Throwing a birthday party for the elderly living alone (balloon art) and supporting of Children's Day community events
- Book Discussion Volunteer Corps: Providing reading guidance to children of low-income families
- Hope Book Making Volunteer Corps: Typing books so that they can be converted to Braille books for the blind
- Photo-Taking Volunteer Corps: Taking pictures for multicultural families and North Korean defectors, and portrait scrolls for the elderly living alone
- Clear Sound Volunteer Corps: Recording storybook reading for visually challenged children
- Mentor Volunteer Corps: Conducting volunteer activities by becoming a mentor for scholarship students
- Public Relation Volunteer Corps: Conducting publicity activities for the company's volunteer activities


Launch of SK Pro Bono Corps


Talent Donation Activities


Mind & Body Care Volunteer Corps


Fluffy which Clouds
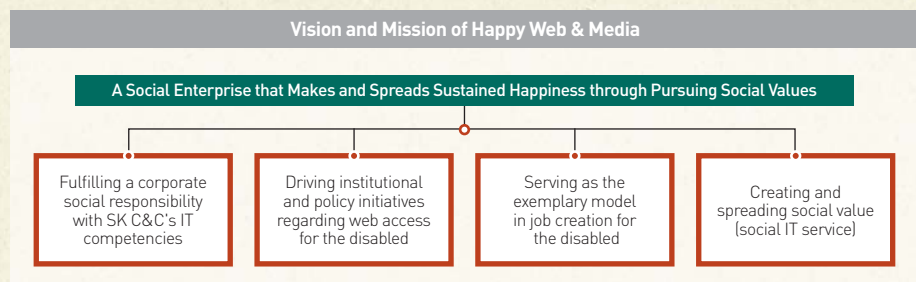
# SK C&C CORE ISSUE

## ESTABLISHMENT OF A SOCIAL ENTERPRISE

# Establishing the Social Enterprise "Happy Web & Media"

**Happy Web & Media**

(As of February 1, 2012)

| | |
|---|---|
| Company Name | Happy Web & Media |
| Foundation Date | December 22, 2011 |
| Employees | 30 employees |
| Ratio of Employees with Disabilities | 50% (15 employees) |
| Address | 10th floor, BS Tower, 6-4 Sunae-dong, Bundang-gu, Seongnam City, Gyeonggi-do, Korea |
| Classification | Non-Profit Organization (Approved by Ministry of Employment and Labor) |
| President & CEO | Cho Young-Ho |
| Homepage | www.hwm.or.kr |
| Tel | 070-7893-9626 |

**Business Prospect of Happy Web & Media**

**2012~2014 (1st To-Be)**

Phase to Secure Sustainability

Achieving the break-even point

**2015~2017 (2nd To-Be)**

Phase to Spread Social Value as a Role-Model

Strengthening its own competencies in web accessibility for the disabled through hiring an IT workforce with disabilities

**2018~2020 (3rd To-Be)**

Phase to Result in Industry's Structural Reform

Qualitative improvement in employment of the disabled (creating jobs in the knowledge-based high value-added industry)

SK C&C founded the IT social enterprise "Happy Web & Media," mainly comprised of the disabled with IT expertise. "Happy Web & Media" is committed to creating job opportunities for those who are disabled and building an IT environment that is more accessible. "Happy Web & Media" continues to explore jobs that best fit the needs of disabled individuals as a way to pursue sustainable growth.

### Vision and Mission

The mission of Happy Web & Media is to form a virtuous circle between value providers and beneficiaries by nurturing people with disabilities into IT specialists and creating stable jobs for them.

**Vision and Mission of Happy Web & Media**

**A Social Enterprise that Makes and Spreads Sustained Happiness through Pursuing Social Values**

| Fulfilling a corporate social responsibility with SK C&C's IT competencies | Driving institutional and policy initiatives regarding web access for the disabled | Serving as the exemplary model in job creation for the disabled | Creating and spreading social value (social IT service) |
|---|---|---|---|

### Pursuing the Public Good

Happy Web & Media was established to benefit the underprivileged members of society. Happy Web & Media incubates IT workforce with disabilities and creates stable jobs for disabled individuals who struggle to enter the workforce. In 2012, Happy Web & Media is planning to hire 30 employees with the proportion of the underprivileged exceeding 30%. Going forward, Happy Web & Media will continue its efforts to help narrow the digital divide for the underprivileged and improve web access for the disabled.

### Pursuing Profitable Business

Happy Web & Media has for-profit businesses to make sustained social contributions. Its main business is outsourced IT services such as web and mobile development and social network service (SNS) marketing, which will amount to KRW 500 million in sales in 2012. Outsourced development from SK C&C and SK Group affiliates and the web accessibility improvement project for the disabled will likely raise its total sales prospects to approximately KRW 700 million for 2012. Happy Web & Media reinvests profits to make more sustained and effective social contributions.

**∗ Web Accessibility**

Beginning in 2013, all corporate websites including online information in Korea should guarantee web accessibility for the disabled. To that end, websites should be flexible in design, enabling individuals with sight problems to adjust the text and color settings to suit their needs and circumstances. For those with very little or no vision, the content of the web pages should be read out aloud through a speaker. Articles 20 and 21, which prohibit discrimination on the basis of disabilities and requires the provision of legitimate accommodation, stipulates a guarantee of web accessibility for the disabled. If a company fails to comply with a confirmed order for correction without legitimate reasons, a fine up to KRW 30 million can be imposed.

82
—
83

CREATING NEW GROWTH ENGINES
EXPANDING INTO OVERSEAS MARKETS
COMMUNICATING WITH CUSTOMERS
SERVICE & QUALITY INNOVATION
BALANCED WORK AND LIFE
EMPLOYEE CAREER DEVELOPMENT
PURSUING SHARED GROWTH WITH BUSINESS PARTNERS
DEVELOPING GREEN IT
ESTABLISHMENT OF A SOCIAL ENTERPRISE
SUSTAINED SOCIAL CONTRIBUTIONS

**SUSTAINED SOCIAL CONTRIBUTIONS**

# Assisting the Underprivileged to Close the Information Gap



Free IT Training Center for the Disabled



Special IT Lectures to Students



"Happy Wing" IT Volunteer Corps



Hope PC Donation

SK C&C makes efforts to contribute to the fundamental resolution of social issues by expanding community service activities with its IT capabilities. The focus of our social activities is to construct an IT environment and support IT education for the underprivileged. Major programs include the operation of a free IT training center, vacation IT education courses for children from low-income families, IT special lectures for high school students who took the college entrance exam, and an IT Volunteer Service Group and PC donation.

## Free IT Training Center for the Disabled

SK C&C operates a free IT training center to ensure a self-sufficient life for the disabled. We help trainees develop job-worthy IT skills through various programs. In 2011, we trained a total of 34 people with disabilities in cooperation with Ilsan Vocational Competency Development Center, and 23 trainees out of 34 obtained a job. The average employment rate of our trainees has been 75% over the past six years.

## Providing IT Education for the Underprivileged

Each year, SK C&C provides IT education to children from low-income families and high school students who took the college entrance exams in Seongnam City. Thus far, approximately 330 youths participated in our IT courses. In 2011, we offered special IT lectures to a total of 14,000 students in 35 high schools and received enthusiastic responses from parents and students.

## "Happy Wing" IT Volunteer Corps

"Happy Wing" IT Volunteer Corps is the IT volunteer service group made up of SK C&C executives and employees. "Happy Wing" has provided IT training, PC maintenance and upgrade services to ill-equipped welfare facilities since 2005. In 2011, we provided PC maintenance services to 20 welfare facilities in partnership with Gyeonggi Volunteer Center.

## Hope PC Donation

To improve information access for the underprivileged, SK C&C started a used PC donation campaign. From 2004 to 2011, we donated a total of 3,831 used PCs to municipal governments and social welfare facilities in Korea and Mongolia.

## Development of Open Source Software, Ginux

SK C&C developed Ginux, the Linux-based OS for enterprise servers with the Electronics and Telecommunications Research Institute to allow people to use software at a low cost. Ginux is a compound word of Grid and Linux, which reflects our will to provide the optimum solution for the customer in a real-time IT environment. Ginux freeware can be downloaded from its website (http://www.ginux.co.kr/what.html).

# |04
# APPENDIX

SUSTAINABILITY MANAGEMENT PRINCIPLES **84**
EXTERNAL RECOGNITION AND ORGANIZATIONAL CHART **85**
GRI STATEMENT
ASSURANCE REPORT
GRI 3.1 INDEX
GLOSSARY

# SUSTAINABILITY MANAGEMENT PRINCIPLES

## Participation in the UN Global Compact

By joining the UN Global Compact (UNGC) in May 1st 2012, SK C&C demonstrated its will to comply with UNGC's 10 principles in the areas of human rights, labor standards, the environment and anti-corruption. We will actively engage in these sustainability issues through facilitating active communication with stakeholders, forming stable labor and management relationships and expanding green businesses. We will disclose our performance to our stakeholders clearly and continue to fulfill our corporate social responsibilities diligently as global corporate citizens.

| Classification | Principles | Activities and Performance Index | Relevant GRI | Page |
|---|---|---|---|---|
| Human Rights | 1. Businesses should support and respect the protection of internationally proclaimed human rights; and | - Employee education, human rights education, ethics management education, and sexual harassment prevention education | HR1, HR2, HR3, HR4, HR5, HR6, HR7 | 53 |
| | 2. Make sure that they are not complicit in human rights abuses. | - Total number of incidents of discrimination | HR4, HR8 | 53 |
| Labor Standards | 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; | - Labor union membership and occurrence of labor disputes | HR5, LA5, LA4 | 57 |
| | 4. The elimination of all forms of forced and compulsory labor; | - Compliance with Korea's Labor Standards Act, ILO Convention and a collective agreement | HR7 | 53 |
| | 5. The effective abolition of child labor; and | - Compliance with Korea's Labor Standards Act, ILO Convention and a collective agreement | HR6 | 53 |
| | 6. The elimination of discrimination in respect of employment and occupation. | - Employment rate of the disabled - Female employment rate | HR4, LA2, LA10, LA13, LA14 | 54-56 |
| Environment | 7. Businesses should support a precautionary approach to environmental challenges; | - UNEP FI - Environmental risk management system | 4.11 | 71, 72 |
| | 8. Undertake initiatives to promote greater environmental responsibility; and | - Carbon-neutral program - Environmental performance management - Greenhouse gas reduction | EN12, EN13, EN14, EN18, EN21, EN22, EN26, EN30 | 73-75 |
| | 9. Encourage the development and diffusion of environmentally-friendly technologies. | - Energy conservation activities - Environmental investment - Support for green growth industries | EN5, EN6, EN7, EN10, EN18, EN26 | 77 |
| Anti-Corruption | 10. Businesses should work against corruption in all its forms, including extortion and bribery | - Introduction of integrity pact - Strengthening of self-assessment of ethical management | SO2, SO3, SO4 | 26, 27, 64 |

# EXTERNAL RECOGNITION AND ORGANIZATIONAL CHART

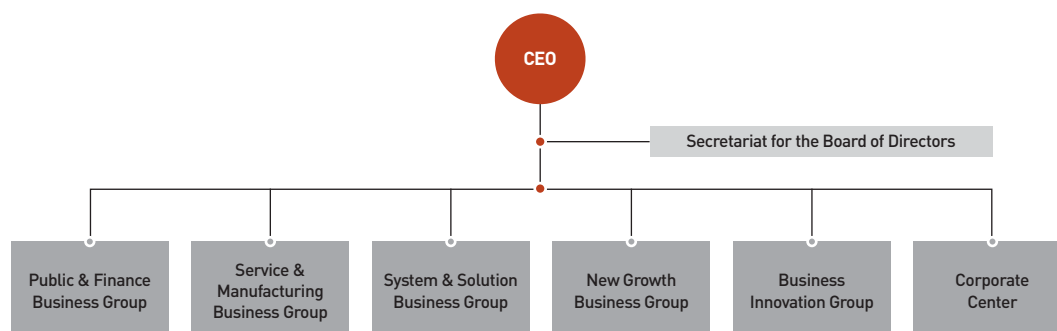## Membership in Industry & Business Associations

| Number | Associations | Number | Associations |
|---|---|---|---|
| 1 | Korean Training & Simulation Association (KTSA) | 17 | Korea IR Service |
| 2 | Smart Card Alliance | 18 | Business Ethics and Sustainability Management for Top Performance (BEST Forum) |
| 3 | Seoul Economist Club | 19 | Korean Nurses Association (KNA) |
| 4 | Korea Forum of Chief Information Officers (The Federation of Korean Information Industries) | 20 | Korea DB Industry Association (DBIA) |
| 5 | Korea Engineering & Consulting Association (KENCA) | 21 | Korea Institute of Information Technology Architecture |
| 6 | Korea International Trade Association (KITA) | 22 | IT Consulting Industry Association |
| 7 | Korea Information Communication Contractors Association (KICA) | 23 | Korea Industrial Technology Association (KOITA) |
| 8 | Korea Information Communication Industry Cooperative (KICIC) | 24 | Korea Software Technology Association (KOSTA) |
| 9 | SeongNam Chamber of Commerce & Industry (SNCCI) | 25 | Korea Quality Council for Information Technology (KQIT) |
| 10 | Korea Electrical Contractors Association (KECA) | 26 | Korea Software Architecture Group (KSAG) |
| 11 | International Contractors Association of Korea (ICAK) | 27 | IT Service Management Forum (ITSMF Korea) |
| 12 | Korea Software Industry Association (KOSA) | 28 | IMS GLS (Global Learning Consortium) |
| 13 | Federation of Korean Information Industries (FKII) | 29 | Korea Defense Software Industry Association (KODESA) |
| 14 | Korea IT Service Industry Association (ITSA) | 30 | Global Platform |
| 15 | Korea Fair Competition Federation (KFCF) | 31 | NFC Forum |
| 16 | Korea Listed Companies Association (KLCA) | 32 | Technology Association of GA (TAG) |

## Major Awards in 2011

| Number | Awards | Number | Awards |
|---|---|---|---|
| 1 | TSV (Computer Services & Internet) Industry Leader in DJSI Korea (2 consecutive years) | 5 | Microsoft NSI Award |
| 2 | Gold Prize in the Korea SW Technology Award | 6 | Public Administration and Security Minister Citation for Contributions to Local Government Finance |
| 3 | Presidential Award in the Global Software Contest | 7 | Gyeonggi Province Governor Citation at Volunteer's Day |
| 4 | "New Company of the Year" Award at the 3rd Atlanta World Showcase & Governor's International Awards | 8 | Industrial Service Medal for the Information Security Technology by Knowledge Economy Ministry (Infosec) |

## Organizational Structure

SK C&C consist of a Public & Finance Business Group, Service & Manufacturing Business Group, System & Solution Business Group, New Growth Business Group and Business Innovation Group. By managing business groups independently, we strive to enhance our capabilities and future competitiveness.

SUSTAINABILITY MANAGEMENT PRINCIPLES **86**
EXTERNAL RECOGNITION AND ORGANIZATIONAL CHART **87**
GRI STATEMENT
ASSURANCE REPORT
GRI 3.1 INDEX
GLOSSARY

# GRI STATEMENT

## Global Reporting Initiative™

## Statement
## GRI Application Level Check

GRI hereby states that **SK C&C** has presented its report "2012 SK C&C Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 24 April 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

**A+**
**GRI REPORT**
**GRI CHECKED**

The "+" has been added to this Application Level because **SK C&C** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org*

**Disclaimer:** *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 16 April 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*

# ASSURANCE REPORT

**Introduction**

Det Norske Veritas Certification Ltd. (hereinafter referred to as 'DNV') has been commissioned to carry out assurance engagement on SK C&C CO., LTD. (hereinafter referred to as 'SK C&C ') Sustainability Report 2012 (hereinafter referred to as 'the Report'). This engagement focused on the information provided in the Report and the underlying management and reporting processes.

This Assurance Statement is intended for the readers of the SK C&C's Sustainability Report. SK C&C is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV's responsibility regarding this Assurance engagement is to the management of SK C&C only, in accordance with terms of reference and scope of work agreed. DNV disclaims any liability or responsibility to a third-party for any decisions, whether investment or otherwise, based upon this Assurance Statement.

**Scope of Assurance**

This Assurance Engagement covered data from calendar year 2011. The scope of DNV's Assurance Engagement, as agreed with SK C&C included the verification of:

Sustainability policy, goals, initiatives, practices and performance for calendar year 2011, as described in the Report. These were verified at company level.

The Health & Safety, Social and Environmental data management systems, and associated processes and tools for collecting, analysing, aggregating and reporting quantitative and qualitative information provided in the Report.

Processes for defining the boundaries, focus and content of the Report.

The extent to which the principles and requirements of the Global Reporting Initiative (GRI) Guidelines for Sustainability Reporting (GRI G3.1) is reflected in the Report.

The extent to which the principles of Materiality, Inclusivity and Responsiveness are adopted, in line with the requirements of the AccountAbility 1000 Assurance Standard (2008) (AA1000 AS (2008) for a Type 1 Moderate level of assurance engagement. The reliability of the information within the Report for calendar year 2011 was verified to a moderate level assurance. SK C&C's reporting boundaries include all operations in Korea over which SK C&C management exercises significant control.

**Limitations**

The engagement excluded the sustainability management, performance and reporting practices of SK C&C's suppliers, contractors and any third-parties mentioned in the Report. DNV did not interview external stakeholders as part of this Assurance Engagement.

**Sstatement of Competence and Independence**

DNV provides sustainability risk management services through specialists worldwide. This engagement was undertaken by a multi-disciplinary team of suitably qualified and experienced sustainability professionals. DNV was not involved in the preparation of any information presented in the Report. DNV did not provide any services to SK C&C during 2011 that could compromise the independence or impartiality of our work.

**Verification Methodology**

This Assurance Engagement was carried out between February 2012 and March 2012, and in accordance with the DNV Protocol for Verification of Sustainability Reporting and AA1000 AS (2008).

In reaching our conclusion, we have undertaken the following work; Interviewed SK C&C executives and management representatives from different divisions and functions;

Visited SK C&C's Head office, Republic of Korea;

Examined relevant documents, data and other information requested by DNV and made available by SK C&C ;

Reviewed the mechanisms implemented by SK C&C to promote and oversee its sustainability-related policies as described in the Report;

Reviewed a selection of internal communication and external media reports relating to SK C&C's sustainability management approach, performance and adherence to its policies;

Analysed sustainability data management systems, assessing specific data and information reported in accordance with the requirements of AA1000 AS (2008). The assessment of reliability of data and information

SUSTAINABILITY MANAGEMENT PRINCIPLES  **88**
—
EXTERNAL RECOGNITION AND ORGANIZATIONAL CHART  **89**
GRI STATEMENT
**ASSURANCE REPORT**
GRI 3.1 INDEX
GLOSSARY

was based on explicit assertions regarding sustainability performance on material issues and included a review of their completeness and accuracy. It included a review of the methods, practices and tools used in the collection, aggregation, analysis, internal quality control and reporting of the data and information. DNV's assessment also included; high-level trend analysis; the identification and significant changes in performance from the previous reporting; a review of data traceability; and record checks at different stages in the data flows.

## Conclusions

In DNV's opinion, and based on the scope of this Assurance Engagement, the Report provides a reliable and fair representation of SK C&C's sustainability strategy, policy, practices and performance in 2011.
Based on the work undertaken as part of this Assurance Engagement, DNV believes that the Report generally meets the principles, content and quality requirements of GRI G3.1 and AA1000 AS (2008) for a Type 1 Moderate level of assurance. Further conclusions and observations on the adoption of reporting principles and specific performance information are made below; Regarding the level of adherence to reporting principles, we conclude the following:

### [ AA1000 Principles ]

Inclusivity and Responsiveness: SK C&C has continued to adopt a structured approach to stakeholder consultation and engagement, described in detail in the Report. The Report sets out the governance structure, strategy and systems for managing sustainability issues across the organization.
**Materiality:** SK C&C has continued to systematically map out and prioritise those sustainability issues most significant to SK C&C and its stakeholders. The results have informed the focus and content of this Report.
**Reliability:** No material errors have been detected for data and information verified in accordance with AA1000 AS (2008). Information in the Report is presented so as to allow comparison of year-on-year performance.

### [ Additional Principles ]

**Completeness:** Within the reporting boundary and scope defined by SK C&C , we conclude that the Report does not omit information that would significantly influence stakeholders' decisions.
**Neutrality:** In general the Report provides a fair and balanced representation of SK C&C's approach and performance in 2011.

## Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to SK C&C management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.
• Continue to raise awareness and internally conduct verification on all data and information to be disclosed to ensure its accuracy and reliability.
• Develop a more structured key process for producing the sustainability Report, from data gathering, analysis and reporting (for example, documented procedures).
• Enlarge the boundaries of the reporting and the related assurance to overseas operations

**Kim Cheol-Soo**
Lead Verifier

**Antonio Astone**
Assurance Engagement Reviewer
Global Service Responsible for
Sustainability Report Verification

**Ahn In-Kyoon**
Country Manager

Seoul, Korea
March 29, 2012

# GRI 3.1 INDEX

| No. | Descriptions | ISO 26000 | Reporting | Remarks |
|---|---|---|---|---|
| **I. Strategy & Analysis** | | | | |
| **1.1** | CEO Message | 6.2 | ● | 2, 3 |
| **1.2** | Description of key impacts, risks, and opportunities | 6.2 | ● | 2, 3 |
| **II. Organizational Profile** | | | | |
| **2.1** | Name of the organization | | ● | 6 |
| **2.2** | Primary brands, products, and/or services | | ● | 15 |
| **2.3** | Operational structure of the organization | 6.2 | ● | 6 |
| **2.4** | Location of organization's headquarters | | ● | 6 |
| **2.5** | Countries where the organization operates | | ● | 8, 9 |
| **2.6** | Nature of ownership and legal form | | ● | 39 |
| **2.7** | Markets served | | ● | 8, 9 |
| **2.8** | Scale of the reporting organization | | ● | 41 |
| **2.9** | Significant changes regarding size, structure, or ownership | | ● | No cases |
| **2.10** | Awards received | | ● | 86 |
| **III. Report Parameters** | | | | |
| **3.1** | Reporting period | | ● | 1 |
| **3.2** | Date of most recent previous report | | ● | 1 |
| **3.3** | Reporting cycle | | ● | 1 |
| **3.4** | Contact point for questions regarding the report or its contents | | ● | 1 |
| **3.5** | Process for defining report content | | ● | 34, 37 |
| **3.6** | Boundary of the report | | ● | 1 |
| **3.7** | Limitations on the scope or boundary of the report | | ● | 1 |
| **3.8** | Basis for reporting on joint ventures, subsidiaries, and other entities that can significantly affect comparability from period to period | | ● | 1 |
| **3.9** | Data measurement techniques and the bases of calculations | | ● | 1 |
| **3.10** | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement | | ● | 1 |
| **3.11** | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report | | ● | 1 |
| **3.12** | Table identifying the location of the Standard Disclosures in the report | | ● | 90-93 |
| **3.13** | External assurance for the report | | ● | 88, 89 |
| **IV. Governance, Commitments, and Engagement** | | | | |
| **4.1** | Governance structure of the organization | 6.2 | ● | 28 |
| **4.2** | Indicate whether the Chair of the BOD is also an executive officer | 6.2 | ● | 28 |
| **4.3** | Number of members of the BOD that are independent and/or non-executive members | 6.2 | ● | 28 |
| **4.4** | Mechanisms for shareholders and employees to provide recommendations or direction to the BOD | 6.2 | ● | 29 |
| **4.5** | Linkage between compensation for members of the BOD and executives and the organization's performance | 6.2 | ● | 29 |
| **4.6** | Processes in place for the BOD to ensure conflicts of interest are avoided | 6.2 | ● | 29 |
| **4.7** | Process for determining the qualifications and expertise of the members of the BOD | 6.2 | ● | 28 |
| **4.8** | Statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance | 6.2 | ● | 22, 23 |
| **4.9** | Procedures of the BOD for overseeing the organization's identification and management of economic, environmental, and social performance | 6.2 | ◑ | 28 |
| **4.10** | Processes for evaluating the BOD's own performance, particularly with respect to economic, environmental, and social performance | 6.2 | ◑ | 28, 29 |
| **4.11** | Precautionary approach or principle addressed by the organization | 6.2 | ● | 29 |
| **4.12** | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses | 6.2 | ● | 85 |

SUSTAINABILITY MANAGEMENT PRINCIPLES **90**

EXTERNAL RECOGNITION AND ORGANIZATIONAL CHART **91**

GRI STATEMENT

ASSURANCE REPORT

GRI 3.1 INDEX

GLOSSARY

| No. | Descriptions | ISO 26000 | Reporting | Remarks |
|---|---|---|---|---|
| 4.13 | Memberships in associations and/or national/international advocacy organizations | 6.2 | ● | 86 |
| 4.14 | List of stakeholder groups engaged by the organization | 6.2 | ● | 34 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | 6.2 | ● | 34 |
| 4.16 | Approaches to stakeholder engagement | 6.2 | ● | 34 |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement | 6.2 | ● | 37 |
| **1. Economic Performance** | | | | |
| EC1 | Direct economic value generated and distributed | 6.8 6.8.3 6.8.7 6.8.9 | ● | 24 |
| EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change | 6.5.5 | ● | 71 |
| EC3 | Coverage of the organization's defined benefit plan obligations | | ● | 59 |
| EC4 | Significant financial assistance received from government | | ● | 43 |
| EC5 | Ratios of standard entry level wage compared to local minimum wage at significant locations of operation | 6.4.4 6.8 | ● | 56 |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation | 6.6.6 6.8 6.8.5 6.8.7 | ● | 66 |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation | 6.8 6.8.5 6.8.7 | ● | 56 |
| EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit | 6.3.9 6.8 6.8.3 6.8.4 6.8.5 6.8.6 6.8.7 6.8.9 | ● | 78-81 |
| EC9 | Significant indirect economic impacts | 6.3.9 6.6.6 6.6.7 6.7.8 6.8 6.8.5 6.8.6 6.8.7 6.8.9 | ● | 84 |
| **2. Environmental Performance** | | | | |
| EN1 | Materials used by weight or volume | 6.5 6.5.4 | N/A | No cases as a nature of the IT industry |
| EN2 | Percentage of materials used that are recycled input materials | 6.5 6.5.4 | N/A | |
| EN3 | Direct energy consumption by primary energy source | 6.5 6.5.4 | ● | 25 |
| EN4 | Indirect energy consumption by primary source | 6.5 6.5.4 | ● | 25 |
| EN5 | Energy saved due to conservation and efficiency improvements | 6.5 6.5.4 | ● | 73 |
| EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives | 6.5 6.5.4 | ◑ | 71, 75 |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved | 6.5 6.5.4 | ● | 73 |
| EN8 | Total water withdrawal by source | 6.5 6.5.4 | ● | 25 |
| EN9 | Water sources significantly affected by withdrawal of water | 6.5 6.5.4 | N/A | No cases as a nature of the IT industry |
| EN10 | Percentage and total volume of water recycled and reused | 6.5 6.5.4 | ● | 25 |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 6.5 6.5.6 | N/A | No cases as a nature of the IT industry |
| EN12 | Significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas | 6.5 6.5.6 | N/A | |
| EN13 | Habitats protected or restored | 6.5 6.5.6 | N/A | |
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity | 6.5 6.5.6 | N/A | |
| EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations | 6.5 6.5.6 | N/A | |
| EN16 | Total direct and indirect greenhouse gas emissions by weight | 6.5 6.5.5 | ● | 25 |
| EN17 | Other relevant indirect greenhouse gas emissions by weight | 6.5 6.5.5 | N/A | No cases as a nature of the IT industry |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved | 6.5 6.5.5 | ● | 72 |
| EN19 | Emissions of ozone-depleting substances by weight | 6.5 6.5.3 | N/A | No cases as a nature of the IT industry |
| EN20 | NOx, SOx, and other significant air emissions by type and weight | 6.5 6.5.3 | N/A | |

# GRI 3.1 INDEX

| No. | Descriptions | ISO 26000 | Reporting | Remarks |
|---|---|---|---|---|
| EN21 | Total water discharge by quality and destination | 6.5 6.5.3 | ● | 25 |
| EN22 | Total weight of waste by type and disposal method | 6.5 6.5.3 | ● | 25 |
| EN23 | Total number and volume of significant spills | 6.5 6.5.3 | N/A | |
| EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention | 6.5 6.5.3 | N/A | No cases as a nature |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff | 6.5 6.5.4 6.5.6 | N/A | |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation | 6.5 6.5.4 6.6.6 6.7.5 | ◑ | 71, 75 |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category | 6.5 6.5.4 6.7.5 | N/A | No cases as a nature of the IT industry |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations | 6.5 | ● | 73 |
| EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce | 6.5 6.5.4 6.6.6 | ● | 72 |
| EN30 | Total environmental protection expenditures and investments by type | 6.5 | ● | 73 |
| **3. Society Performance** | | | | |
| **Labor Performance** | | | | |
| LA1 | Total workforce by employment type, employment contract, and region | 6.4 6.4.3 | ● | 24 |
| LA2 | Total number and rate of employee turnover | 6.4 6.4.3 | ● | 24, 25 |
| LA3 | Benefits provided to full-time employees | 6.4 6.4.3 6.4.4 | ● | 58, 59 |
| LA4 | Percentage of employees covered by collective bargaining agreements | 6.4 6.4.3 6.4.4 6.4.5 6.3.10 | ● | 57 |
| LA5 | Minimum notice period(s) regarding operational changes | 6.4 6.4.3 6.4.4 6.4.5 | ● | 57 |
| LA6 | Percentage of total workforce represented in formal joint management–worker health and safety committees | 6.4 6.4.6 | ● | 57 |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region | 6.4 6.4.6 | ● | 58 |
| LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases | 6.4 6.4.6 6.8 6.8.3 6.8.4 6.8.8 | ● | 58 |
| LA9 | Health and safety topics covered in formal agreements with trade unions | 6.4 6.4.6 | ● | 58 |
| LA10 | Average hours of training per year per employee by employee category | 6.4 6.4.7 | ● | 55 |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | 6.4 6.4.7 6.8.5 | ● | 59 |
| LA12 | Percentage of employees receiving regular performance and career development reviews | 6.4 6.4.7 | ● | 54 |
| LA13 | Composition of governance bodies and breakdown of employees per category | 6.3.7 6.3.10 6.4 6.4.3 | ● | 24 |
| LA14 | Ratio of basic salary of men to women by employee category | 6.3.7 6.3.10 6.4 6.4.3 6.4.4 | ● | 56 |
| LA15 | Percentage of Employees Returning to Work after Maternity Leave | | ● | 56 |
| **Human Rights Performance** | | | | |
| HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening | 6.3 6.3.3 6.3.5 6.6.6 | ● | 64 |
| HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken | 6.3 6.3.3 6.3.5 6.4.3 6.6.6 | ● | 64 |
| HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights | 6.3 6.3.5 | ● | 63 |
| HR4 | Total number of incidents of discrimination and actions taken | 6.3 6.3.6 6.3.7 6.3.10 6.4.3 | ● | No cases of violating discrimination regulation or receiving orders of correction |

SUSTAINABILITY MANAGEMENT PRINCIPLES **92**
EXTERNAL RECOGNITION AND ORGANIZATIONAL CHART **93**
GRI STATEMENT
ASSURANCE REPORT
GRI 3.1 INDEX
GLOSSARY

| No. | Descriptions | ISO 26000 | Reporting | Remarks |
|---|---|---|---|---|
| HR5 | Right to exercise freedom of association and collective bargaining | 6.2 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.3 6.4.5 | ● | 57 |
| HR6 | Measures taken to contribute to the elimination of child labor | 6.3 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 | ● | 53 |
| HR7 | Measures to contribute to the elimination of forced or compulsory labor | 6.3 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 | ● | 53 |
| HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights | 6.3 6.3.5 6.4.3 6.6.6 | ● | 56 |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken | 6.3 6.3.6 6.3.7 6.3.8 6.6.7 | ● | No cases of infringement of local residents' rights |
| HR10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. | | ● | 64 |
| HR11 | Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms. | | ● | No cases of complaints related to human rights |
| **Society Performance** | | | | |
| SO1 | Programs and practices that assess and manage the impacts of operations on communities | 6.3.9 6.8 6.8.5 6.8.7 6.6.7 | ● | 82 |
| SO9 | Operations with significant potential or actual negative impacts on local communities. | 6.3.9 6.8 6.8.5 6.8.7 6.6.7 | ● | No cases as a nature of the IT industry |
| SO10 | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. | 6.3.9 6.8 6.8.5 6.8.7 6.6.7 | ○ | - |
| SO2 | Percentage and total number of business units analyzed for risks related to corruption | 6.6 6.6.3 | ● | 64 |
| SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures | 6.6 6.6.3 | ● | 63 |
| SO4 | Actions taken in response to incidents of corruption | 6.6 6.6.3 | ● | 64 |
| SO5 | Public policy positions and participation in public policy development and lobbying | 6.6 6.6.4 6.8.3 | ● | 26, 27 |
| SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions | 6.6 6.6.4 6.8.3 | ● | 26 |
| SO7 | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes | 6.6 6.6.5 6.6.7 | ● | 64 |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations | 6.6 6.6.7 6.8.7 | ● | 64 |
| **Product Responsibility** | | | | |
| PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement | 6.3.9 6.6.6 6.7 6.7.4 6.7.5 | ● | 49 |
| PR2 | Total number of incidents of non-compliance with regulations concerning health and safety impacts of products and services | 6.3.9 6.6.6 6.7 6.7.4 6.7.5 | ● | No cases of violation of customer-related regulations and laws |
| PR3 | Type of product and service information required by procedures | 6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9 | ● | 49 |
| PR4 | Total number of incidents of non-compliance with regulations concerning product and service information and labeling | 6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9 | ● | No cases of violation of customer-related regulations and laws |
| PR5 | Practices related to customer satisfaction | 6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9 | ● | 50 |
| PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications | 6.7 6.7.3 6.7.6 6.7.9 | ● | 50 |
| PR7 | Total number of incidents of non-compliance with regulations concerning marketing communications | 6.7 6.7.3 6.7.6 6.7.9 | ● | No cases of violation of customer-related regulations and laws |
| PR8 | Total number of substantiated complaints regarding breaches of customer information protection | 6.7 6.7.7 | ● | |
| PR9 | Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services | 6.7 6.7.6 | ● | |

# GLOSSARY

| Acronym | Full Name | Descriptions |
|---|---|---|
| AML | Anti-Money Laundering | Anti-Money Laundering. AML is generally used in the business and legal communities. It helps financial institutions to meet the legal requirement to identify and report suspicious transactions to the financial intelligence unit. |
| APTS | Advanced Public Transportation System | Advanced Public Transportation System. APTS applies transportation management and information technologies to public transportation system to improve the efficiency of public transportation operation and the convenience of public transportation riders. APTS provides automatic vehicle location and bus arrival notification services for users' convenience while assisting public transportation operators' vehicle management and dispatching system. |
| ATIP | Advanced Traveler Information System | Advanced Traveler Information System. ATIS is an intelligent transportation system that provides vital traffic information to drivers via FM radio broadcasting or a built-in device. ATIS provides traffic situation, the shortest path and expected time to destination, and parking lot situation to drivers. |
| ATMS | Advanced Traffic Management System | Advanced Traffic Management System. ATMS is an integrated system which provides real-time measurement of traffic data (e.g., traffic density, traffic volume and average speeds) to traffic authorities. Based on this traffic data, traffic authorities measure traffic duration, detect incidents on the road and control weight for commercial vehicles to perform efficient traffic management. |
| BCP | Business Continuity Planning | BCP refers to a series of tasks to maintain core operational functions under adverse conditions. |
| BIS | Broadcasting Information System | Broadcasting Information System. BIS is an integrated information system for all the broadcast-related processes. This enables contents management, program scheduling and program management. |
| BIS/BMS | Bus Information System / Bus Management System | Bus Information/Management System. The bus information/management system not only increases the convenience for bus travelers but also improves efficiency of bus operation. It provides bus location and operation information to bus travelers on a real-time basis while helping bus operators to effectively control bus dispatch times. |
| BI | Business Intelligence | BI refers to a system that provides a variety of business data to support rational decision-making. |
| BPO | Business Process Outsourcing | BPO is a subset of outsourcing that involves the contracting of the operations of specific business functions such as finance, procurement, and human resources management to a third-party service provider. |
| BPR/PI | Business Process Reengineering / Process Innovation | BPR is the analysis and design of workflows, processes, and IT infrastructure to achieve defined business goals. |
| CCC | Central Control Center | SK C&C operates a multiple data centers through central control center. |
| CKD | Completely knocked down | Completely Knocked Down. CKD refers to fully disassembled item that is required to be assembled by the end user or the reseller. Goods are shipped in CKD form to reduce freight charges. |
| CRM | Customer Relationship Management | CRM is a company-wide strategy to perform customized marketing activities by analyzing customer data. |
| CMBS | Capital Market Business System | Capital Market Business System. CMBS is an integrated business system built in line with the implementation of Capital Market Consolidation Act. |
| CMM | Capability Maturity Model | Capability Maturity Model: Capability Maturity Model is an assessment model developed by the Software Engineering Institute located at Carnegie Mellon University. The model presents five maturity levels in the organization's software. SK C&C adopted CMMI after obtaining CMM Level 3 in 2003. |
| CMMI | Capability Maturity Model Integration | CMMI is an advanced model of CMM. It describes five levels of best practice software and system engineering. SK C&C acquired CMMI Level 5 in 2006. |
| CMS | Content Management System | CMS is a system that allows for efficient maintenance of a website. With the spread of Internet, CMS refers to not only website building tools but also B2C content management systems and electronic catalogue management systems for B2B e-commerce. |
| CVO | Commercial Vehicle Operation | Commercial Vehicle Operation: CVO is an intelligent freight forwarding system for trucks. In a CVO system, the central office dispatches and manages the fleet of trucks in real time, thereby reducing costs and raising efficiency and stability of logistics. |
| DS | Distributed Systems | DS is a constitution of multiple individual computers that communicate via a network, functioning as a consolidated device to achieve a certain goal. |
| DW | Data Warehouse | DW is a database involving a large amount of data which enables users to make various analyses on the basis of large data. |
| EDMS | Electronic Document Management System | EDMS is a computer system used to manage the entire lifecycle of a document from its creation to disposal. |
| EO | Engineering Outsourcing | EO is an outsourcing that involves the contracting of the operations of infrastructure build-up to product development and design to a third-party service provider. |
| EP/GW | Enterprise Portal / Group Ware | Enterprise portal/group ware |

SUSTAINABILITY MANAGEMENT PRINCIPLES  **94**
EXTERNAL RECOGNITION AND ORGANIZATIONAL CHART  **95**
GRI STATEMENT
ASSURANCE REPORT
GRI 3.1 INDEX
**GLOSSARY**

| Acronym | Full Name | Descriptions |
|---|---|---|
| ERP | Enterprise Resource Planning | ERP system is designed to improve operational efficiency and productivity of an enterprise's business processes by integrating all management information. |
| eSCM | eSourcing Capability Model | eSourcing Capability Model. eSCM addresses the entire sourcing process among suppliers, distribution channels, retailers and customers so as to make resources·information·capital to flow more efficiently among them. |
| ICT Convergence | Information & Communication Technology Convergence | ICT convergence refers to the integration of information technology into the existing telecommunication technologies. With ICT convergence, people can talk with others, search for information and work from anywhere by using smartphones and computers. |
| ISP | Information Strategy Planning | Information strategy planning develops a plan for implementing business information systems to support business needs. SK C&C provides ISP consulting services. |
| ITA/EA | Information Technology Architecture / Enterprise Architecture | ITA/EA is the standards of IT and business systems to support IT management, security, and standardization of an organization. |
| ITO | IT Outsourcing | ITO is an outsourcing of IT service (e.g., data center operation, information system development, maintenance and network service) to a third-party service provider. |
| m-Commerce | mobile-Commerce | m-Commerce refers to all commerce activities using a mobile device. SK C&C provides mobile payment solutions to Google. |
| MEAP | Mobile Enterprise Application Platform | MEAP is a framework that enables development of enterprise mobile applications, and is applicable to diverse mobile devices. SK C&C possesses advanced MEAP technology. |
| MES | Manufacturing Execution System | Manufacturing Execution System or Production Management System. MES is a system that manages and controls an entire production process from order receipt to quality inspection of finished goods. |
| NEXCORE | NEXCORE | NEXCORE is a brand name of SK C&C's solutions. It includes the NEXCORE Framework series, NEXCORE ALM Suite and NEXCORE Mobile Platform. SK C&C continues to expand the NEXCORE series. |
| NFC | Near Field Communication | Near field communication refers to a short distance wireless communication conducted within 10 centimeters. SK C&C is a leader in NFC technology. It supplied 400,000 NFC USIM chips to SK Telecom. |
| NOC | Network Operations Center | Network operation center |
| NPS | Network Production System | Network-based Production System. NPS is a network-based broadcasting production system that enables reporting, video editing, and archiving via the network. |
| PLM | Product Lifecycle Management | PLM is a tool to manage the entire lifecycle of a product from its conception to disposal. |
| POS | Point of Sale | POS system is a system incorporating a cash register into a computer terminal. It not only calculates sales of goods but also collects and processes data needed for retail business. |
| RFID | Radio-Frequency Identification | RFID is a technology that uses radio-frequency electromagnetic fields to transfer data. SK C&C possesses IDSynapse solution related to RFID. |
| Smart Branch | Smart Branch | Smart branch is a digitized bank branch which enables various banking services through information technology. At smart branch, users have access to banking solutions such as video conferencing, bank's online terminal and ATMS. Various multimedia services such as social network service, smart TV, media desk and medial wall are also available. |
| SLA | Service Level Agreement | SLA is the part of a service contract established between network service providers and customers where the level of service is formally defined. SK C&C provides service based on SLA. |
| Telephony | Telephony | Telephony, one of SK C&C's services, transmits voice communication to distant parties by converting it into electronic signals. |
| TMS | Transpormation Management System | TMS is a system enabling timely and exact transportation for the customers based on 3 basic functions - planning, executing, monitoring. |
| TSM | Trusted Service Management | Trusted service manager. A trusted service management system interconnects with financial and communication service providers, thereby making commercial transactions easier and more convenient. SK C&C provides TSM solutions for Google Wallet service. |
| USIM | Uiversal Subscriber Identity Module | USIM chip. A USIM chip enables identification and authentication of subscribers, global roaming and e-commerce transactions. It is embedded in third generation mobile devices. |
| VAN | Value Added Network | VAN refers to a network that uses telephone lines leased from public telecom service providers such as Korea Telecom. SK C&C is providing VAN service through a private network. |
| YMS | Yard Management System | Yard Management System is a system to raise yard efficiency by managing vehicles, docks and containers efficiently in the yard. |

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