

Beyond Responsibility

Global KOGAS-with people, with the planet

Blue Sky Project
 Clean EHS Management System
 Efforts to address climate change
 Social responsibilities
 Transparency
 Cheongyeon Fund
 GHG Inventory
 EHSQ with people
 Safety
 KOGAS
 Great Work
 SME
 Love
 Righteousness
 Better
 Energy
 World
 Carbon
 Excellence
 DJSI
 Hu
 man
 Energy
 Point
 Car
 bon
 2011
 Car
 bon
 Point
 Program
 Great
 Work
 Health
 Fund
 Life
 Sharing
 to Project
 address climate
 change
 Human
 Energy
 Righteous
 ness
 Transparency
 Concert
 Love-sharing
 Contribution
 Concert
 nce



Beyond Responsibility

Report Information



For questions or information queries, contact:

Website www.kogas.or.kr
e-mail lhj@kogas.or.kr
Tel +82-31-710-0219
Fax +82-31-710-0899
Contact Point Management Strategy Team I

About This Report

This is our third sustainability report on the economic, social and environmental activities and performances of KOGAS, providing information on issues of interest to our stakeholders and sustainability issues, with priority areas reported in separate sections. KOGAS' second sustainability report was published in September 2008.

Reporting Principles

This report was produced in reference with the Global Reporting Initiative G3 Guidelines, also covering the key issues identified in the stakeholder survey and KOGAS' sustainability management strategy.

Reporting Scope

The scope of this report includes the headquarter and the 12 in-country business locations of KOGAS including its affiliated company Korea Gas Technology Corporation, but excluding subsidiaries and overseas branches.

Reporting Period

KOGAS has been publishing sustainability reports every year since 2007. This report covers all business activities from January 1 to December 31, 2008 as well as the past performances of three to four years prior to 2007, to show trends.

Report Assurance

In order to enhance the reliability of the data stated in the report, we have consulted with external economic, social and environmental experts, employed an outside survey agency to identify major issues of interest to our stakeholders, and received assurance from an independent third party.

Please use the following websites for information regarding...

Corporate Profile, safety, environmental management	http://www.kogas.or.kr
Management Disclosure	http://www.kogas.or.kr/kogas_kr/08_notice/plan/01.jsp
Sustainability management	http://www.kogas.or.kr/kogas_kr/03_open/possible/02.jsp
Management Innovation	http://www.kogas.or.kr/kogas_kr/03_open/innovation/01.jsp
Ethical Management	http://www.kogas.or.kr/moral/
EHSQ	http://www.kogas.or.kr/kogas_kr/03_open/ehsq/01.jsp
Social Contributions Activities	http://www.kogas.or.kr/kogas_kr/03_open/contribute/01.jsp
Gas Science Museum	http://www.kogas.or.kr/museum_in/kr/00_main/main.jsp
Biddings	http://bid.kogas.or.kr/supplier
Research center	http://www.kogas.re.kr

Contents >

Vision 2017 & Core Values	4
Core Values Guidelines	6
CEO's Message	8
2008 Highlights	10
KOGAS Sustainability Management	
KOGAS Sustainability Management Assessment & Benchmarking	12
Communication with Stakeholders	16
Stakeholder Survey	16
KOGAS Overview	
KOGAS Overview	18
Natural Gas Business	19
Corporate Governance	20
Risk Management	
Risk Management	22
Ethical Management	
Ethical Management Strategy	23
Enhancing Ethical Management Practice	23
Energy Security Priority Area	
Natural Gas Business as the Nation's Source of Energy	28
Efforts for a Stable Supply of Natural Gas	28
Overseas Project Performance	30
R&D Performance	32
Major Business Outcomes	
Financial Performance	35
Distribution of Economic Value to Stakeholders	36
Korea Gas Technology Corporation (KGTC)	38
Social performances	
Human Resources Management	42
Human Resources Development	44
Mutually Prosperous Labor-Management Relations	45
Building a Happier Society with Neighborhood	46
Mutual Growth Activities	53
EHSQ Management	
EHSQ Overview	56
Environmental Management	
Environmental Policies	57
Efforts to Reduce Pollution	58
Safety Performance	59
Health Management	61
Response to the Climate Change Convention	
KOGAS' Climate-friendly Efforts	63
Appendix	
Assurance Statement	68
Review of KOGAS 2008 Sustainability Report	70
GRI G3 Index	72
Glossary	76
Awards & Memberships	77
KOGAS Code of Ethics	78
Non-standing Directors' Code of Ethics	79

Economic Value

Social Value

Environmental Value



Vision 2017 & Core Values

Vision 2017 Overview

Marking its 25th anniversary in 2008, KOGAS renewed its determination to move forward under a new vision of "Global KOGAS: Growing together with our Customers." While setting sustainability management as the core strategy for realizing this vision, KOGAS promotes the philosophies of sustainability management in the development and implementation of all business projects. A strategic roadmap of sustainability management was also prepared to support the systematic promotion of this initiative. In particular, we re-arranged our core value system to facilitate a corporate culture in which all our employees share our vision and cooperate, and developed detailed behavioral guidelines for our employees to implement these core values, with the participation of our employees in both the development and implementation.

Vision 2017 Scheme

 **GLOBAL KOGAS: Growing together with our Customers**

Long-term Goals (2012 ▶ 2017) Self-Sufficiency / Productivity Enhancement / Overseas Profit Share
(10% ▶ 25%) (50% ▶ 100%) (40% ▶ 60%)

Core Values Trust / Change / Challenge / Responsibility

Core Competencies Professionalism / Technological Leadership / Brand Power

VISION 2017

Strategic Direction Sustainability Management

Expanding Business Networks

Strengthen competitiveness of existing businesses / Expand upstream and downstream Business / Foster future businesses

Securing Global Talent

Recruit and retain excellent professionals / Nurture global talent / Build an environment that values talent

Dynamic Organizations

Establish an open corporate culture / Improve work processes

REXPECT more



KOGAS Principles

Core Values

Better Energy, Better World KOGAS

For whom are we supplying better energy and making a better world?

Consumers, shareholders, business partners, employees, society, etc.
▶ Customers (all stakeholders domestic and international)

How do we supply better energy and make a better world?

Through ceaseless endeavors to create new values for our customers
▶ Always thinking of customers

What makes better energy and a better world with?

Pursuing global cooperation and standards in business, people, institutions and culture
▶ Globalization of hardware and software

Who is supplying better energy and making a better world?

KOGAS, who has earned customer trust and secures their brighter future
▶ KOGAS (a faithful companion for all)

Vision 2017

Global KOGAS: Growing Together with our Customers KOGAS

What is the relationship between our customers and the people of KOGAS and between the people of KOGAS?

Realizing mutual prosperity through cooperation and care based on deep understanding and sincerity

▶ Mutual Trust

What are the prerequisites for global competence?

Pursuing global cooperation and standards with open minds and open views

▶ Creative change

What are the optimal conditions for global competence?

Turning uncertainty into growth opportunities by challenging new possibilities

▶ Courage and challenge

What do customers want from us?

Contributing to the national energy complex while realizing the harmonious growth of both the company and society

▶ Unlimited responsibility to customers

Core Values Guidelines

We can only realize our Vision 2017 through the proactive support and participation of our constituents. To that end, KOGAS has re-arranged its core values of "Trust, Change, Challenge and Responsibility" and has set forth behavioral guidelines for each key issue for company-wide application. The company-wide behavioral guidelines also include behavioral guidelines for each respective class of employee to insure the practice of these core values in the workplace.

Key Issue	Defining the core values	Change supporters	Value	Key Issue	Company-wide guidelines	Guidelines by Class		
						Management	Team Leaders	Team Members
Company-wide behavioral guidelines	Presenting the meaning of each key word	Class-based workshop	Trust	3	6	24	24	24
Behavioral guidelines for management	Defining the leadership of management		Change	2	4	16	16	16
Behavioral guidelines for team leaders	Defining the mediator role of team leaders		Challenge	2	4	16	16	16
Behavioral guidelines for team members	Defining the on-site activities of team members		Responsibility	3	6	—	—	—



Trust Company-wide guidelines

Realizing mutual prosperity through cooperation and care based on deep understanding and sincerity

>> Mutual Respect

1. We understand and respect each other's position.
2. We share common goals as companions.

>> Communications

1. We listen to each other's opinions.
2. We promote mutual understanding and share our minds through participation and discussion.

>> Integrity

1. We eliminate conflict of interest, prejudice and bias and adhere to principles.
2. All duties are fulfilled in a transparent manner through the open sharing of all processes and results.

>> Righteousness

1. We respect the socially consented regulations and set a leadership example in abiding by these regulations.
2. We disclose management information in a timely and transparent manner, within the legally permitted framework.

>> Environmental Preservation

1. We strive to minimize the environmental impact of our business operation.
2. We uphold and implement international environmental preservation initiatives.

>> Co-Prosperity

1. We practice sensitivity towards humanity and a sharing spirit that fits our global presence.
2. We proactively safeguard the mental and physical rights and well being of our constituents.

Responsibility Company-wide Guidelines

Contributing to the national energy complex while realizing the harmonious growth of both the company and society through the sustainable development of the individual and the corporation





Company-wide Guidelines **Change**

Pursuing global standards with open minds and open views, not resting on our current laurels

>> Open Minds

- 1. Conscious of crisis, we keep our eyes focused on the changes in the environment.
- 2. We inspire creative ideas and embrace failures as well.

>> Pursuing the Best

- 1. We pursue long-term values over short-sighted results.
- 2. We provide the best service and value to our customers.

>> Self-creation

- 1. With a critical mindset, we continuously improve the way we fulfill our duties.
- 2. We secure and practice the utmost professionalism in our respective fields.

>> Activism

- 1. Equipped with ownership, we never give up on our goals.
- 2. We resolve common problems through leadership and collaboration.

Company-wide Guidelines **Challenge**

Turning uncertainty into growth opportunities by challenging new possibilities ahead of our competitors





“Maximizing corporate value through stakeholder-Oriented centered management and fulfilling our corporate **social responsibilities**”

Dear customers, shareholders and stakeholders!
Thank you for your unwavering support and encouragement of Korea Gas Corporation.



It is my honor to report to you on our sustainability activities and performances of the past year in this third sustainability report of KOGAS.

The year 2008 was a most challenging year with the global economic recession ignited by the financial crisis and record-high oil prices which surged to US\$147 per barrel. Particular challenging was the freeze in natural gas prices that were imposed to stabilize the national prices of commodities, adversely influencing our financial structure. Despite these difficulties, however, we maintained an operating income similar to that of the previous year, while realizing more than KRW 300 billion in net income for 2008.

As we have gone through this difficult time, we have learned a valuable lesson. It is possible for both the company and society to realize mutual long term growth when we abide by our basic principles and fulfill our social responsibilities, while preparing for the future. Celebrating our 25th anniversary in 2008, KOGAS is bracing itself for the next 25 years to come. We have reinforced our management policies to enable a “KOGAS that corporates with the world and grows along with people of Korea.” Our policies articulate our commitments to enhancing stakeholder values and to fulfilling our roles and responsibilities as both an industry leader and one of the nation’s flagship corporations. To achieve this goal, we have set forth four core values in the areas of “Trust, Change, Challenge and Responsibility” to encourage our employees to adopt and incorporate into their day-to-day business activities.

CEO's Message

Above all, we have selected sustainability management as the core vehicle to lead us through our long-term based development plans. We have benchmarked our current status in the area of sustainability management against global best practices and prepared a sustainability management vision and strategies to align our corporation with the world's best. All of these efforts have born fruit in 2008, where we ranked second in the sustainability management evaluation of 30 major Korean companies conducted by Two Tomorrows, multinational consulting firm, and Accountability, non-profit research center, an achievement that was publically recognized in our selection of the Grand Prize at the "2008 Korea Sustainability Management Awards."

Committed to a stable supply of energy, KOGAS continues to strengthen its collaboration with energy source suppliers and countries, and our expanding storage facilities. At the same time, we are in active pursuit of overseas development projects to secure a stable energy resource supply chain and diversify our revenue base. As a result, we have successfully forayed into the exploration/development and production businesses, furthering the global reach of KOGAS.

In the meantime, we are actively promoting activities to prevent and respond to global warming and climate change. While striving to commercialize new energy businesses such as DME production, using our natural gas and hydrogen fuel cell monitoring project, we are also preparing an active participant in the clean development mechanism (CDM). In a bid to incorporate the practice of "safe" management into all we do, the foundation and the overarching core value of KOGAS, we conduct regular evaluations of our EHSQ activities, improving the effectiveness and efficiency of our safety controls.

Since 2004 when we first declared our commitment to ethical management, we have significantly enhanced the transparency and reliability of our business operations. Through our customer-oriented corporate vision and management strategies, we undertake business activities that cater to the diverse demands and needs of our stakeholders.

Our community engagement initiatives are also part of our effort and mission to return profits to society. As a clean energy, natural gas provider, we actively take part in activities to protect the environment. We also registered the UN Global Compact, pledging our commitment to global sustainability management initiatives in the areas of the environment, labor, human rights and anti-corruption.

Nevertheless, it is our recognition that more diligence is anticipated to meet our stakeholders' expectations. Our stakeholder survey results have urged us to focus more attention to the stable supply of energy, environment and safety activities and community engagement activities. Most of all, it was clear that our sustainability management initiatives must encompass all these activities, as these represent the overarching values that we must follow.

As we publish this report, we repeat our commitment to sharing our sustainability management performances and improvement missions with our employees and to maintain our customer-oriented business practices. We will also continue to improve any shortcomings in the present report in our future reports.

KOGAS now stands at a critical crossroad, as it prepares to make the leap from a domestic centric, to a global company. We will continue our internal innovation and enhance our organizational structure, enabling our employees' competitiveness, while maximizing trust and corporate value through stakeholder-oriented management and fulfilling our corporate citizenship. We appreciate and expect your continued support and encouragement as we expand our sustainability efforts.

Thank you.

Choo, Kang-Soo
President & CEO of KOGAS



2008 Highlights

KOGAS is committed to solidifying its sustainability platform through its social responsibility activities. Articulating this commitment in our vision and strategies, we encourage the proactive participation of our constituents and promote the practice of sustainability management on a company-wide level.



Pilot Operation of Carbon Point Program for Individual Workers

Under the program, we rewarded carbon points in proportion to the total reduction of energy use in our employee's homes, such as electricity and city gas usage, achieving a total reduction of 16,553kg in CO₂ emissions in 2008. We plan a full-scale operation in 2009.



Joint Venture Agreement on Uzbekistan Surgil Project (2008. 2. 25)

KOGAS entered into an agreement with Uzbekneftegaz, the government-run oil company of Uzbekistan, for a joint venture in the Surgil Gas Field Project. With an estimated investment of US\$ 1.8 billion, the project is a packaged resource development project that includes gas field exploration and production as well as the construction and operation of a gas chemical plant at the Surgil gas field near the Aral Coast of Uzbekistan, which is reported to have a 130 billion m³ reserve (converted to LNG, it amounts to 96 million tons or if converted to crude oil, 830 million bbl).



LNG Project MOU with the Republic of Kalmykia (2008. 2. 25)

KOGAS concluded an MOU with the president of the Republic of Kalmykia in Russia for cooperation in various gas projects including the exchange of information on the gas industry, cooperation in exploration, development and production of gas fields, joint surveys and participation in prospective projects for identifying and capturing other sustainable business opportunities.



Selected as the Builder · Owner · Operator (BOO) of Mexico LNG Terminal (2008. 3)

Serving as the administrative operator to the consortium which includes Samsung Corporation and Mitsui Corporation who participated as share investors, KOGAS landed an order for an LNG Terminal Project with an annual handling capacity of 3.8 million tons placed by the Comision Federal de Electricidad (CFE) of Mexico. The groundbreaking ceremony was held in July 2008 in the presence of the Mexican president Felipe de Jesus Calderon.



Social Economic Environment



CSR Activities Declaration Ceremony (2008. 5)

KOGAS proclaimed its philosophy and direction in the areas of social responsibility management at a declaration ceremony, where it announced its CSR Charter, slogan and emblem, providing its employees with opportunities to refresh their commitment to CSR activities.

Agreement to Sponsor Intangible Cultural Assets (2008. 5. 30)

KOGAS signed an agreement with the Cultural Heritage Administration of Korea (CHAK) for the sponsorship of important intangible cultural assets, reiterating our commitment to the succession and development of Korean traditional culture through close collaboration and partnership between the company, the cultural asset-holders and the government.

Selecting Samcheok, Gangwon-do for its 4th LNG Terminal Site (2008. 7. 3)

KOGAS finalized the selection of Samcheok in Gangwon-do as the site for its 4th LNG Terminal. A total of 14 storage tank units and related facilities will be constructed by 2019.

Increasing the Number of EDP Certificate-holding Premises

Pyeongtaek Terminal acquired a certificate of environmental declaration of products (EDP), a first in the Korean energy industry in 2004. Our Incheon and Tongyeong Terminals also acquired the same certificates in 2008.

Agreement for KOGAS Health Sharing Project (2008. 11)

KOGAS inked an agreement with the Community Chest of Korea on the "KOGAS Health Sharing Project." Supporting financially-distressed people with medical treatments, the project pays for the operation to remove cataracts on behalf of those low-income neighbors who reside near KOGAS business premises.

GHG Inventory Building (2008. 12)

KOGAS calculated and announced its GHG emissions based on the IPCC Guidelines, WRI Protocol, EU-ETS M&R Guidelines, ISO14064-1 and the Guidelines for the Calculation of Greenhouse Gas Emission by the Korea Energy Management Corporation (KEMCO).



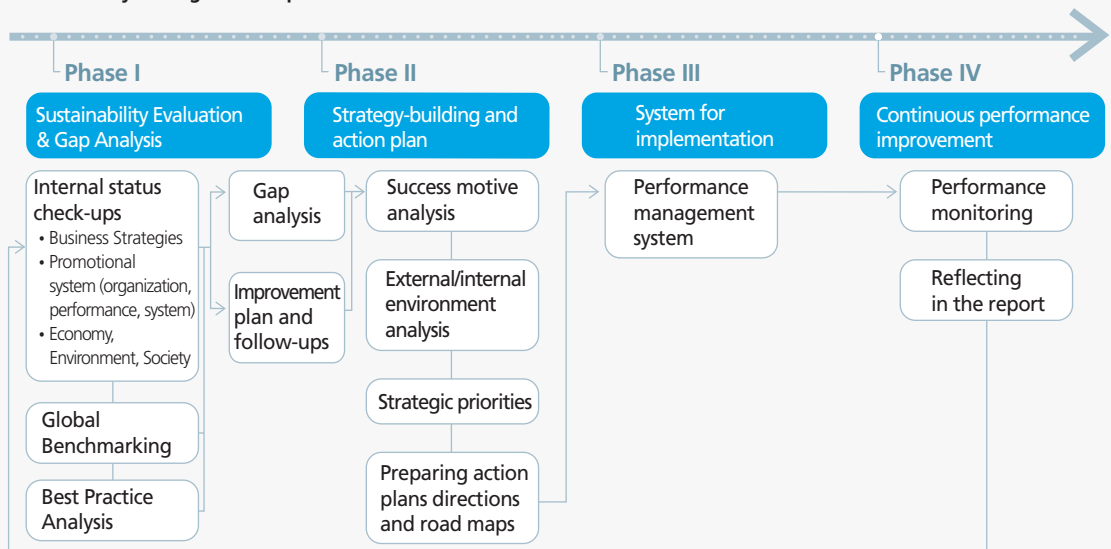
KOGAS Sustainability Management



KOGAS Sustainability Management Assessment & Benchmarking

KOGAS benchmarked 5 major global companies in 2007 to improve its own sustainability management system that matches global standards. According to the conclusion of our research, we identified key issues and developed strategic directions and a roadmap for sustainability management in 2008, with the assistance of consultant. Integrating the newly developed schemes into our business strategies, we are presently promoting the practical implementation of the new system.

Sustainability Management Improvement Process



KOGAS Sustainability Check-up

The first step in enhancing KOGAS' sustainability entailed comparing its current baseline status with that of leading global companies and analyzing the gaps vs. best practices. This step enabled KOGAS to identify its weakness and improve its sustainability activities and long-term business outlook.

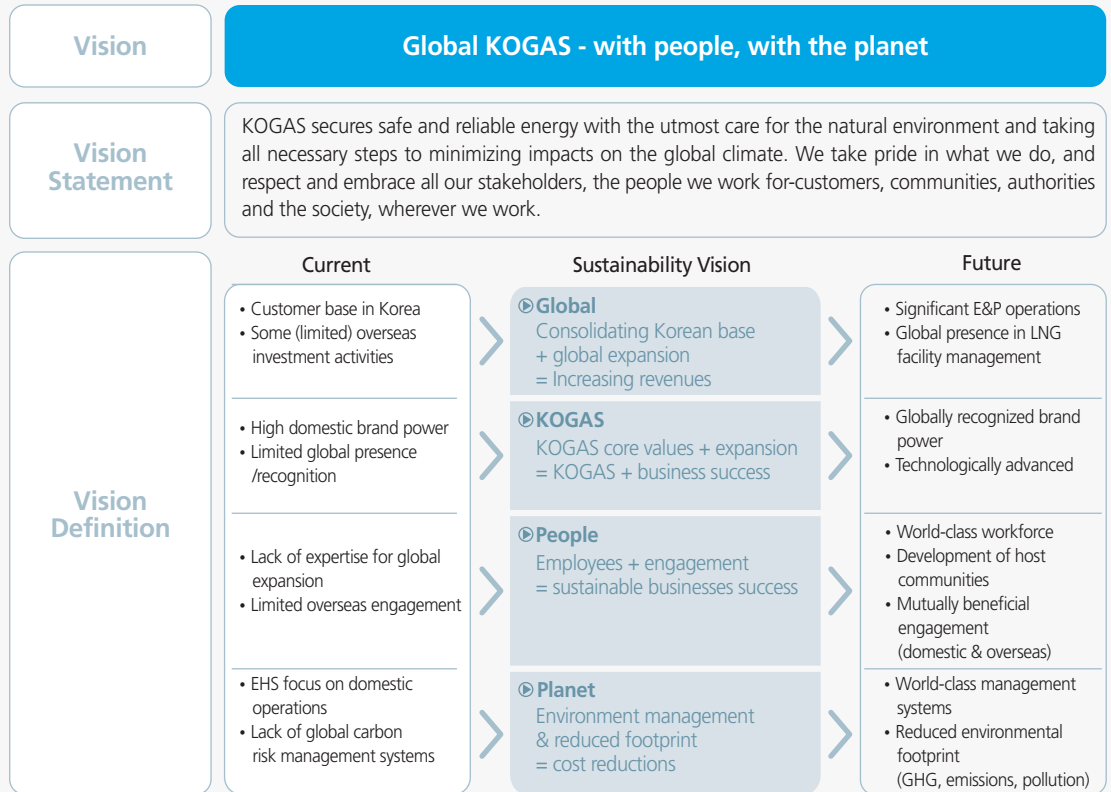
The sustainability check-up was performed in three categories covering economic, social and environmental aspects, which were segmented again, into 213 detailed indicators. The check-up process was conducted comparing the results to the benchmark cases using the same indicators and it was found that KOGAS fell short of the average of the benchmarked group. Therefore, we developed improvement initiatives for each sector and indicator and benchmarked our goals against best practices to upgrade our levels of performance.

KOGAS Sustainability Management Strategic Direction Setting

Utilizing the sustainability assessment results, KOGAS analyzed various scenarios and key drivers that could have influence on the company and established its strategic priorities, accordingly. Based on the priorities concluded through these processes, we conceived our sustainability management vision, strategic system and roadmap, which also affected the materiality test. In addition, this report assigns separate sections to the priority areas according to the materiality test results.

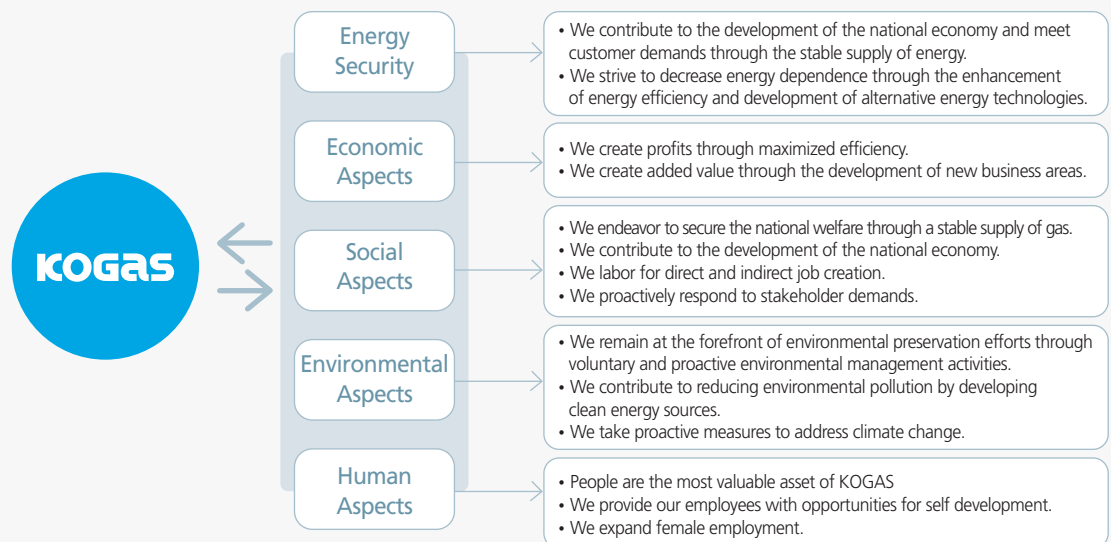
Sustainability Vision Statement

As a tool to realize its Vision 2017, KOGAS set its sustainability management vision statement as “Global KOGAS-with people, with the planet.” As Korea’s leading natural gas supplier, KOGAS takes full responsibility for the protection of the environment and social welfare through a stable supply of energy and national energy security. Furthermore, we will further expand the scope of our sustainability management into the global arena by proactively responding to our global stakeholders through our overseas resource development activities.



Sustainability Management Principles

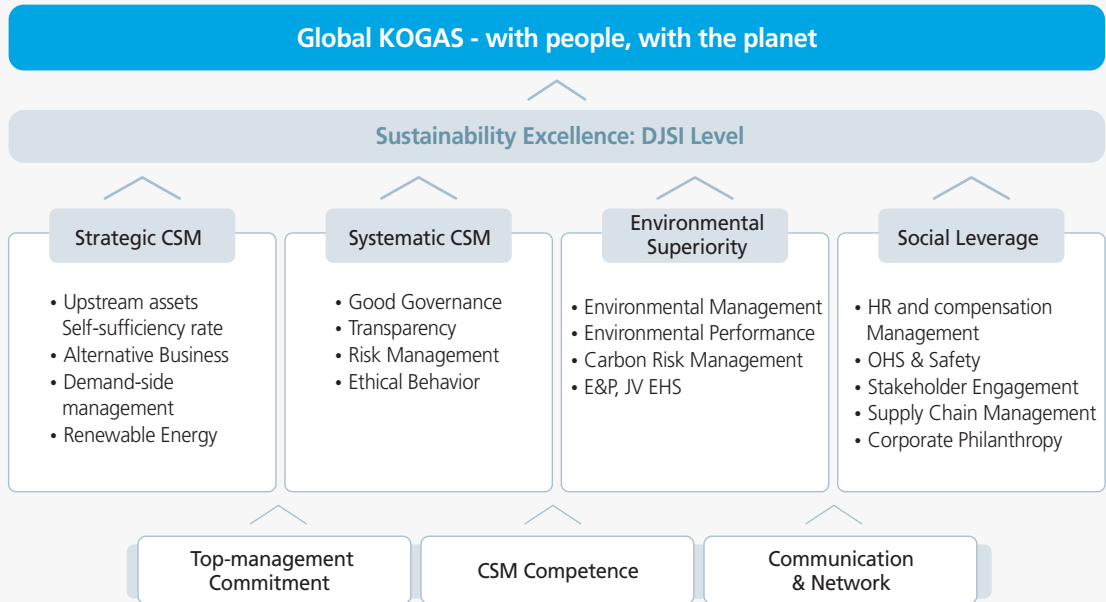
To insure its successful sustainability management, KOGAS sets forth sustainability management principles in energy security, economic, environmental, social and human aspects for all of its constituents to share and practice.



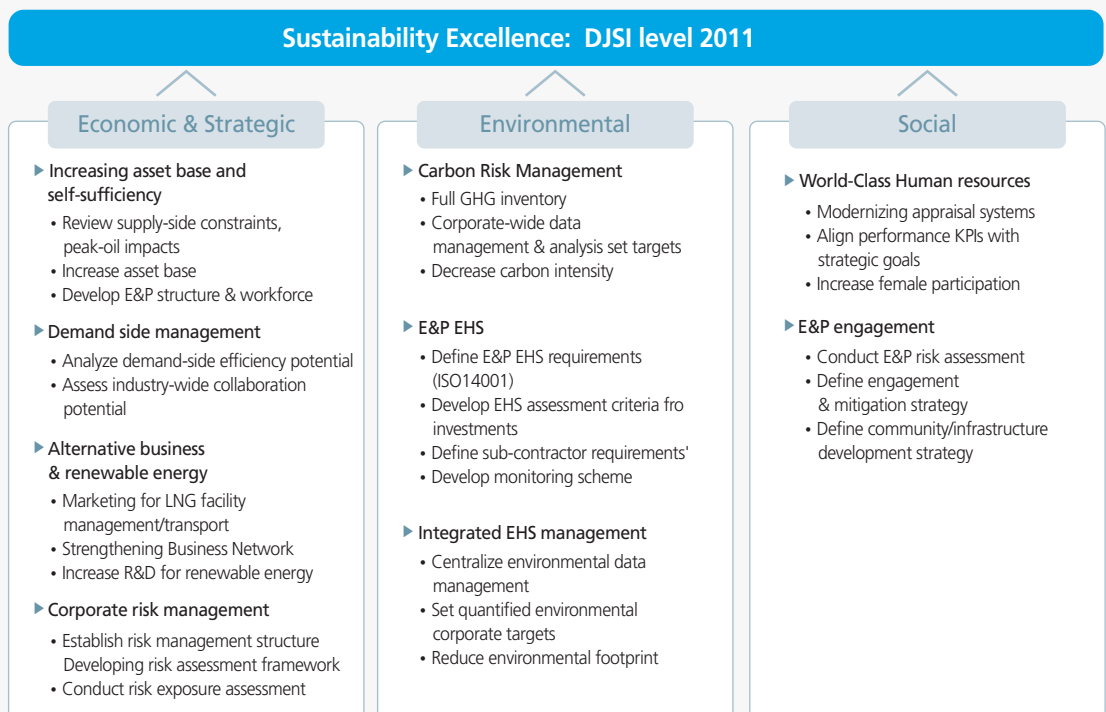
Sustainability Management Strategic Scheme

Setting a mid-term goal for realizing our sustainability management vision of achieving a “sustainability management practice that qualifies for a DJSI listing,” we developed a promotional agenda for each category and strategic missions for each of the three aspects of economy, society and environment. We will build an integrated promotional system by reflecting these strategic missions in our mid- to long-term business strategies.

Sustainability Management Strategic

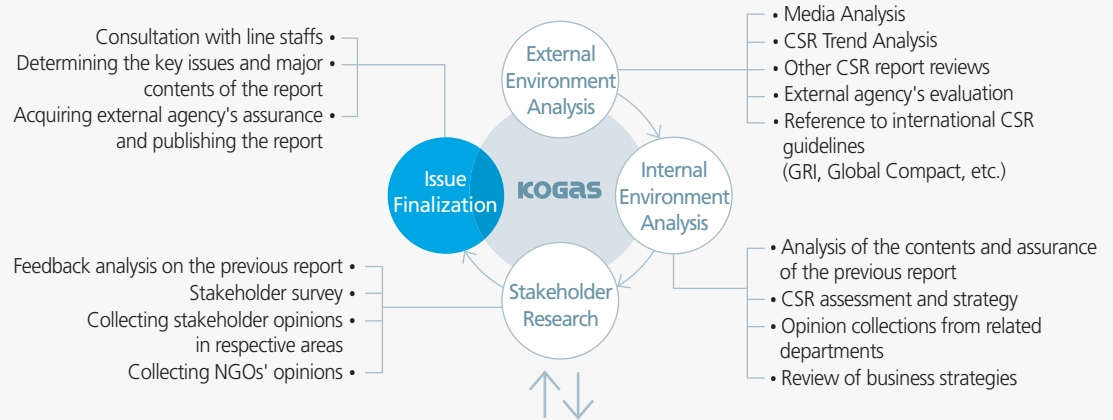


Major Initiatives by Category



Materiality Test & Key Issues

In order to identify and provide information of interest to our stakeholders and of influence to the sustainability of society, environment and corporate sectors, we conducted extensive research on the recent global trends in sustainability reports, analysis of our own sustainability management activities and competencies and surveys of our stakeholders. Coupled with the experiences and information we acquired from previously published reports, the research results provided the basis for our identification of key issues in major areas and the disclosure of related information contained in this report.



Stakeholders	Economic Aspect	Social Aspect	Environment/Safety
<ul style="list-style-type: none"> Energy Security (stable supply of natural gas) Prevention of safety accidents Current progress of overseas projects Sustainability management, vision & strategies Transparency in corporate governance 	<ul style="list-style-type: none"> Stable supply of natural gas Expanding storage capacity Current progress of overseas projects including E&P R&D (developing E&P technology, renewable energy & safe/eco-friendly technologies) Distributing economic benefits 	<ul style="list-style-type: none"> Ethical management (Anti-corruption) Stable workforce operation Reinforcing employees' competencies Union relationship Social philanthropy activities Supporting SMEs 	<ul style="list-style-type: none"> EHS Management System Environmental management policy Efforts to reduce environmental pollutants Improving Safety Control System Health control of worksites and products Reinforcing emergency response capabilities Efforts to address climate change

In consideration of our stakeholder survey results, the critical, future success factors to KOGAS' sustainability management, we identified the key issues as follows based on the risk assessment of probability and impact, and took extra care in reporting such issues.

Energy Security	While dedicated to providing with natural gas stably to the nation, the world's 10 th largest consumer of energy that is 97% dependent on overseas energy resources, we are striving to increase our self-sufficiency ratio through diverse overseas projects. page 28
Sustainability Management Strategies	In order to realize a global standard in sustainability management, we have benchmarked global best practices and set up our own sustainability management strategies based on it. page 12
Overseas Projects	We engage in a number of overseas projects as the best way to achieve energy security. page 30
Reinforcing Employees' Competencies	In our initiatives to advance into new business areas, we value and nurture talented human resources demonstrating an enterprising spirit. page 44
Addressing Climate Change	As a responsible energy enterprise, KOGAS is actively developing policies and strategies to address the global issue of climate change. page 63

Communication with Stakeholders

Characteristic of KOGAS' natural gas wholesale business, our primary customers are city gas suppliers or power generation companies. However, our ultimate customers are the people of the entire nation who use natural gas as their energy sources. Therefore, we define our stakeholders as any member of society who is interested in KOGAS' operation and/or can be influenced by its operation. As a public corporation, we are fully aware of our responsibility to serve society and we undertake continuous efforts to maintain constant and transparent communications with the public.



Stakeholder Survey

Survey Summary

- Objective: Identifying the 8 key issues including resource development and energy supply through media analysis and extensive research and assessing the materiality and priority of sustainability issues for the respective stakeholder groups of KOGAS and identifying the key values of each stakeholder group
- Participants: Employees, customers, shareholders/investors, partners, communities/NGOs, government
- Sample size: 300 persons (200 stakeholders and 100 employees)
- Method: Telephone survey questionnaires (ratings on a scale of 1-5)
- Period: February 23 ~ 27, 2009 (survey agency: Telsearch)

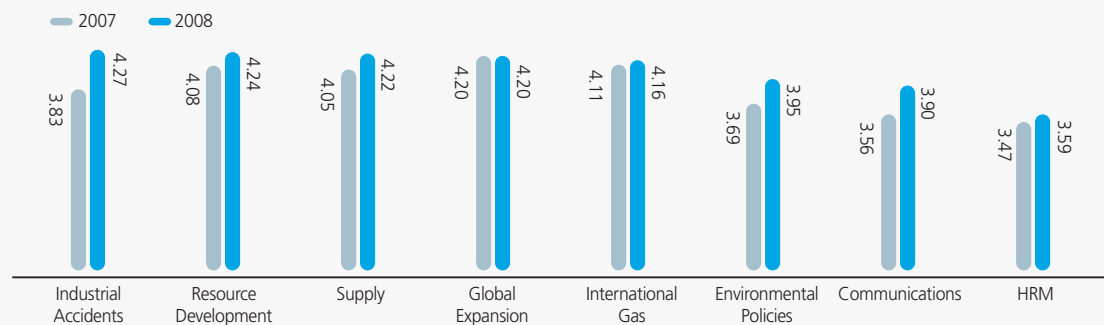
Response of Stakeholders to Key Issues

The survey results showed that stakeholders highly scored energy security and overseas expansion amongst the key issues and issues of interest. Therefore, we classified these issues as "Priority Areas" in this report, while conveying details of safety accidents and environmental performances in the respective sections.

Survey of Stakeholder Interest by Major Issues

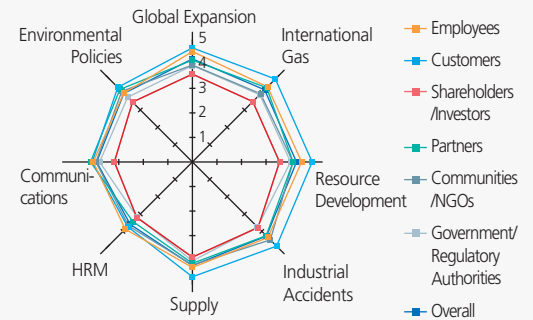
Major Issues for Sustainable Development

The survey results found that stakeholders were still highly interested in resource development and supply and their interest has significantly grown compared to the past year. In particular, their substantial growth in interest with respect to environmentally-friendly policies and communications is testimony to the increasing social concern over "green growth."



Major Issues of Interest to Each Stakeholder Group

The survey results of major sustainability issues of interest to each stakeholder group show that our internal stakeholders, our employees, have higher interest in major issues than the rest of our stakeholders, especially in global expansion and resource development issues. In contrast to our customers' high levels of interest in major issues, our shareholders and investors were found to have relatively low interest, which can be attributed to the poor business conditions arising from fluctuating foreign exchange rates, oil prices and the share prices of KOGAS.



Assessment of Response to Major Issues

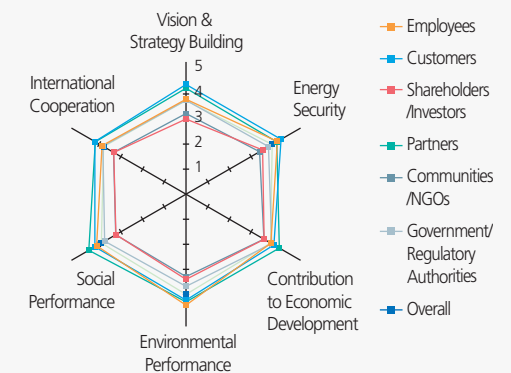
Response to Major Issues

KOGAS conducted a survey on the level of response to major issues relevant to the sustainable development of KOGAS. The results showed that overall rates were on the upturn from 2007, especially the "environmental performance" which slightly increased, ranking top in the results. Since the survey found that we performed less than expected in the vision and strategy building category versus the previous year, we will prepare more systematic and proactive ways to share our vision and strategies with our stakeholders.



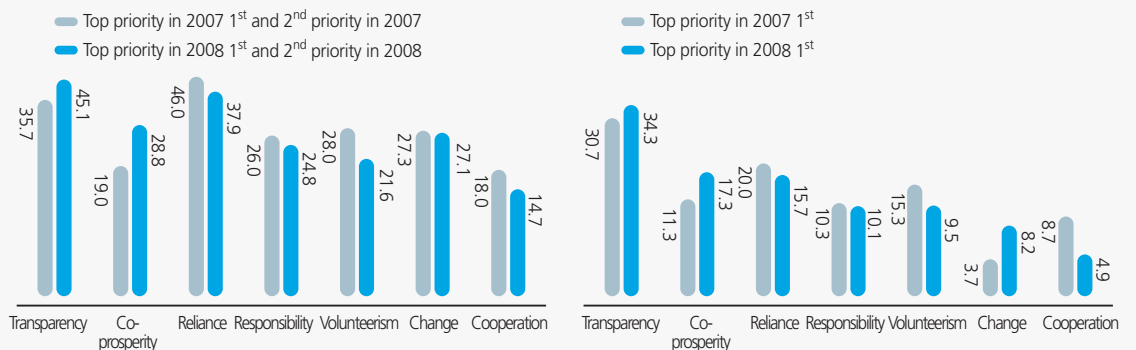
Response Level by Stakeholder Group

The survey of the response level by stakeholder group to major KOGAS issues showed that the shareholder and investor groups and community and NGO groups are lower than the overall average, a key testament to the company's weak business environment due to the volatility of oil prices and foreign exchange rates. However, the high scores of the employee group in the social and environmental aspects and energy security categories indicate a significant improvement in employees' awareness of our social responsibilities. In addition, the generally high ratings by our customers and business partners signify strong recognition of the company's ethical management and customer satisfaction initiatives.



Core Value Materiality Test Results

Stakeholders picked "transparency" and "co-prosperity" as the most important core values for the sustainable development of KOGAS. "Transparency" and "reliance" ranked high as overlapping priorities, a clear reflection of our stakeholder's demands for tangible actions rather than the to conceptual trust.



KOGAS Overview

KOGAS Profile

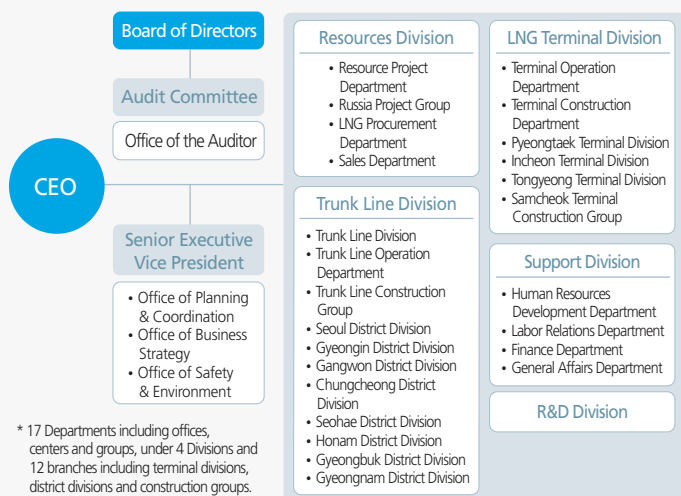
Established to provide a stable supply of energy resources, KOGAS has striven to expand the supply of natural gas over the past 26 years. Since 1990, we have established and operated facilities for the national supply of natural gas. We have recently endeavored to expand the natural gas supply to the nation's marginalized neighborhoods.

At the same time, we do our utmost to secure safety in tandem with the increasing number of natural gas consuming households. While setting up an environment, health and safety management system (EHS Management System). We acquired ISO9001, ISO14001, and OHSAS18001 (health and safety management system) certificates, that guided us to improve management quality and environment management. To secure a stable supply chain of natural gas resources, we entered into long-term natural gas supply contracts with major producers such as Indonesia, Malaysia, Brunei, Qatar, Australia and Oman. Moreover, we constructed additional natural gas production bases in Korea, securing both a stable supply and storage facilities, and we are currently building a fourth LNG terminal in Samcheok.

Our consistent efforts to expand the natural gas supply nationwide have borne fruit and we now supply natural gas to 12.5 million households as of 2008. At the same time, KOGAS is going all out to fulfill its social responsibility through its philanthropy practices and environmental preservation activities. For instance, we are involved in the national project to provide CNG buses, which currently encompasses 20,000 units in service as of 2008. In addition, we supplied 50 LNG vehicles in 2008. The LNG car project is currently in the stage of monitoring stability. In 2008, we also set up a dedicated team to conduct strategic CSR activities for the company-wide systematic management of CSR activities.

The sustainable growth of KOGAS centers on its customers. With this focus in mind, we will grow into a global energy enterprise through our continued endeavors to foster the secure and stable supply of resources.

Organization Chart



* 17 Departments including offices, centers and groups, under 4 Divisions and 12 branches including terminal divisions, district divisions and construction groups.

KOGAS Organization

Korea Gas Corporation	
President & CEO	Choo, Kang-Soo
Establishment	August 18, 1983
Business Type	Import & supply of natural gas
Total Sales	KRW 23,166,088,945,619
Main Office	215, Jeongja-dong, Bundang-gu, Seongnam City, Gyeonggi Province
Premises	- LNG Terminal Divisions in Incheon, Pyeongtaek and Tongyoung - District Divisions in Seoul, Gyeongin, Gangwon, Chuncheong, Seohae, Honam, Gyeongbuk and Gyeongnam - Samcheok Terminal Construction Group, R&D Division
Major Business	- Production & supply of natural gas - Refining & sales of natural gas by-products - Construction & operation of natural gas receiving terminals and transmission grids - Development, transportation, export/import of natural gas, development and export/import of liquefied petroleum gas - R&D activities on renewable and alternative energy, utilizing natural gas and its by-products - Projects commissioned by national and local governments
Employees	2,848 persons
Total Assets	KRW 2,194.3 billion
Natural Gas Sales	26,345,000 tons
IPO	1999 on the Korea Stock Exchange
Credit Ratings	A (S&P), A2 (Moody's), A+ (R&I)

KOGAS Facilities

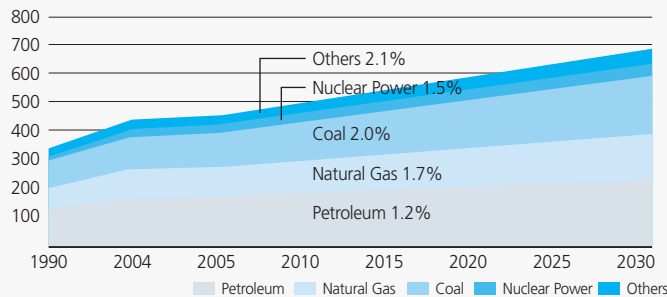
		In operation	Under Construction	Total
Production Facilities	Unloading	2 berths	–	2 berths
	Pyeongtaek Equipment	1,560,000 m ³	1,800,000 m ³	3,360,000 m ³
	Storage Tanks	(#1~14)	(#15~23)	(23 units)
	Unloading	2 berths	–	2 berths
	Incheon Equipment	2,680,000 m ³	200,000 m ³	2,880,000 m ³
	Storage Tanks	(#1~19)	(#20)	(20 units)
Production Facilities	Unloading	1 berth	1 berth	2 berths
	Tongyeong Equipment	1,400,000 m ³	1,220,000 m ³	2,620,000 m ³
	Storage Tanks	(#1~10)	(#11~17)	(17 units)
	Unloading	–	1 berth	1 berth
Production Facilities	Samcheok Equipment	–	800,000 m ³	800,000 m ³
	Storage Tanks	–	(#1~4)	(4 units)
Subtotal	Unloading	5 berths	2 berths	7 berths
	Equipment	5,640,000 m ³	4,020,000 m ³	9,660,000 m ³
Subtotal	Storage Tanks	(43 units)	(21 units)	(64 units)
	Supply Main Pipeline (km)	2,739	1,164	3,903
Facilities	Valve Stations (units)	177	79	256

Natural Gas Business

Natural Gas Demand & Outlook

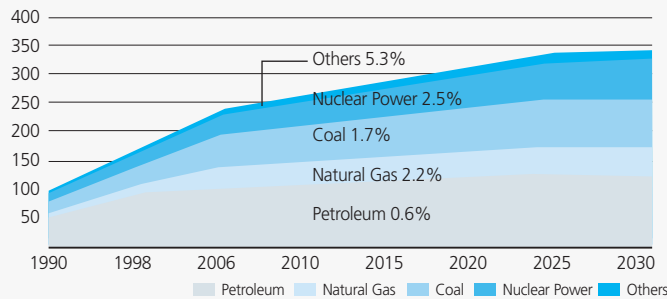
Global demand for natural gas is on the constant rise due to the exploding demand from non-OECD countries such as China and India. Also, the domestic demand for natural gas has consistently demonstrated high annual growth averaging 16% since its first introduction in 1986. Despite the recent slowdown in the growth rate, we estimate an average annual growth of 2.2% will be sustained until 2030, until natural gas takes up 15.8% of the nation's primary energy consumption.

Outlook for Global Energy Consumption (Unit : Quadrillion BTU)



※ Sources: International Energy Outlook 2008 (June, 2008)

Outlook for Domestic Energy Consumption (Unit : Million TOE)



※ Sources: The 1st Basic Plan of National Energy (Aug. 2008)

Characteristics of Natural Gas Trading

In terms of transmission, pipeline natural gas (PNG) is the prevailing form of trading for relatively short distances and liquefied natural gas (LNG) for longer distances, which account for 25% of the international transmissions of natural gas. According to the recent report by the International Energy Agency (IEA), the portion of LNG and PNG transmission will be almost equal by 2030. Korea imports only LNG at the moment.

Characteristics of the Global LNG Market

Natural gas business is characteristically a large-scale project entailing enormous investment, ranging from US\$12~15 billion and spanning more than 5 years from the development of gas fields to the production of gas. Therefore, a natural gas project can only be implemented based on the preliminary consent of its various stakeholders, from the producing country and consuming country, to the transporter and international financial group. The trading of natural gas, in general, is conducted through long term contracts of 10 years or more, under rather strict conditions such as "take or pay, ship or pay" terms, with prohibitions against reselling after designation of a destination.

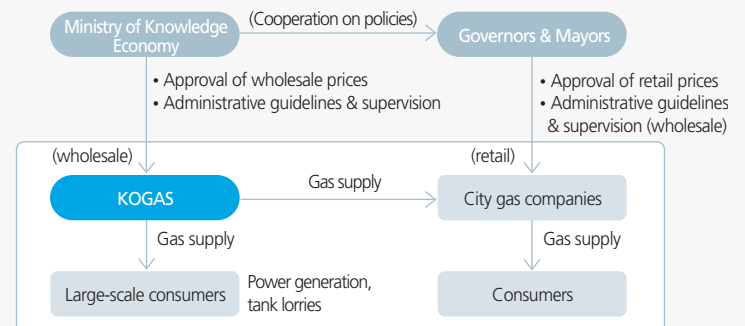
Petroleum vs. LNG Markets

	LNG market	Petroleum market
Importer	17 importers (13 producers)	Most all of the world's countries
Transporters (ships)	248	3,193 (as of 2005)
Development & Production Expenses (based on the size of economy)	US\$12~15 billion	Approximately US\$4~5 billion
Production, Transmission, Storage	High cost	Low cost
Contracts	Long-term	20~25 years (80~90%)
	Short-term	Spot or less than 4 years
		1~2 years (30~50%) Spot
Pricing policy	Pegged to crude oil prices	International oil prices
Major use	fuel	Fuel & chemical raw materials

Korea Natural Gas Business

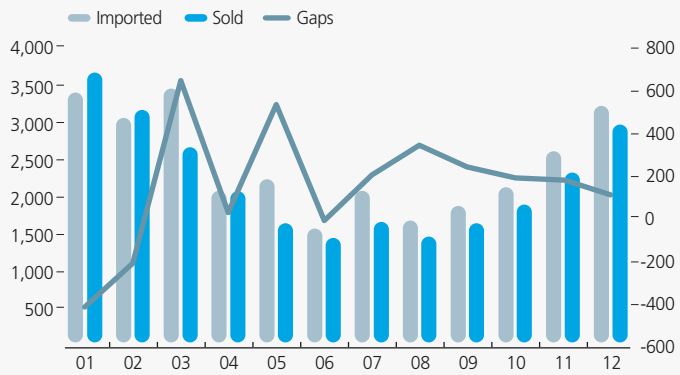
Korea Natural Gas Business System | KOGAS is the major importer of natural gas as a wholesaler for the domestic natural gas industry and directly supplies Korea's large-scale consumers such as power generation companies and 29 of the total 32 city gas companies across the nation. The retail city gas companies then distribute the gas to their end users within each region.

Natural Gas Business Flow Chart



Characteristics of Domestic Natural Gas Supply | LNG is imported at a steady annual rate in accordance with international transaction practices, but Korea's monsoon climate characteristically causes an imbalance in supply-demand between summer and winter. Therefore, our focus is on mitigating the structural imbalance problem through an emergency supply management system and other measures.

2008 Natural Gas Supply-Demand Pattern (Unit : Thousand ton)



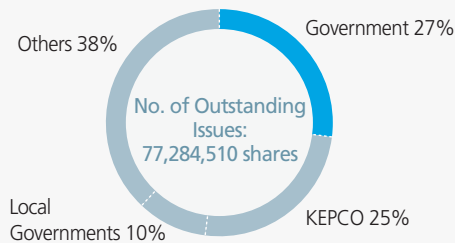
Corporate Governance

KOGAS never rests in its quest for sustainable growth as it moves towards a global energy enterprise. While fulfilling our responsibility as a public corporation to society and our general shareholders, we strive to maximize our corporate value. In particular, we believe we can build a brighter future for both the company and society through our efforts to build a transparent and rational decision-making system.

Composition of Shareholders

61.2% of KOGAS shares are held by public entities including the Korean government, local government and the Korea Electric Power Corp. (KEPCO), with a total market capitalization of KRW 386.4 billion.

Shareholder Composition



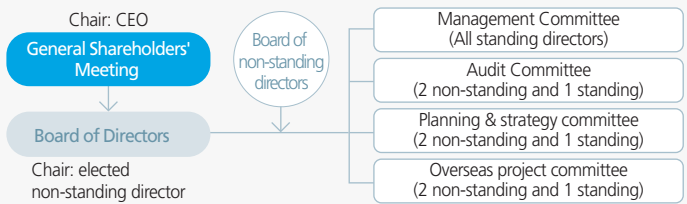
Board of Directors

While fulfilling our social responsibility as a public corporation, we place the board of directors (BOD) at the center of our management activities to maintain rational and transparent management.

KOGAS operates its BOD under the "the Act on the Operation of Public Entities." Chaired by an elected non-standing director, the BOD consists of 10

members, 4 standing and 6 non-standing directors. In 2008, we set up subcommittees including an audit committee, further enhancing the BOD's operating efficiency. The operation of a BOD evaluation system and the timely disclosure of their activities and performance helps to constantly improve the operation of the BOD. Furthermore, we concurrently operate subcommittees and preliminary councils, strengthening the BOD's deliberation function and established a decision-making process by instituting and amending the operation regulations and related process maps for the BOD and its committees. By centering the BOD operations on the non-standing directors, we were able to tap into the professional skills of the non-standing directors, fortifying the BOD's management decision-making and monitoring functions.

BOD Operation Improvement



BOD Decision-making Process

	Participants	Meeting Term	Agenda
Proposal	Pertinent directors	3 weeks prior to BOD meeting	Major issues
Management Committee	All standing directors	Every Thursday	Major issues (BOD agenda)
Preliminary council (subcommittee)	All non-standing directors	Every second Friday	BOD agenda
BOD	All directors	Every third Thursday	BOD agenda
Result report	All directors	Following BOD meeting	BOD agenda

Composition & Operation of Subcommittees

Subcommittee	Major subjects for deliberation and consultation	Members	Remarks
Audit Committee	Auditing business and accounting, Internal accounting control system evaluation, etc.	2 non-standing directors and 1 standing director	An organization provided by law
Planning & Strategy Committee	Long-term strategies, vision, Major investment projects, budget (operation) planning, etc.	2 non-standing directors and 1 standing director	A voluntary organization
Overseas Project Committee	Overseas exploration, development, production and overseas plant and technology exporting, etc.	2 non-standing directors and 1 standing director	A voluntary organization

KOGAS set the stage for the stable operation of the BOD by establishing preliminary planning schemes that include scheduling annual BOD meetings and setting participation goals and suggested agenda. We also abolished the

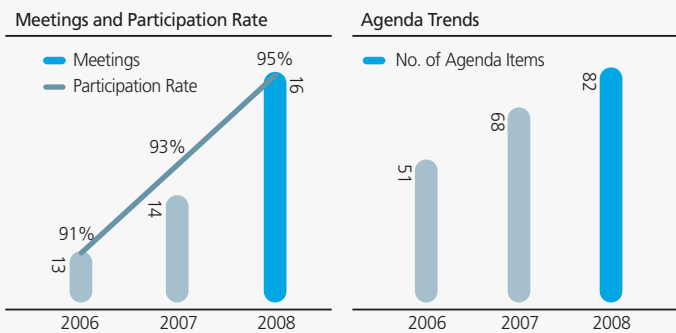
documentary resolution system and reinforced the deliberation process, thereby realizing a more responsible management structure.

Deliberation Indicators on the Rise

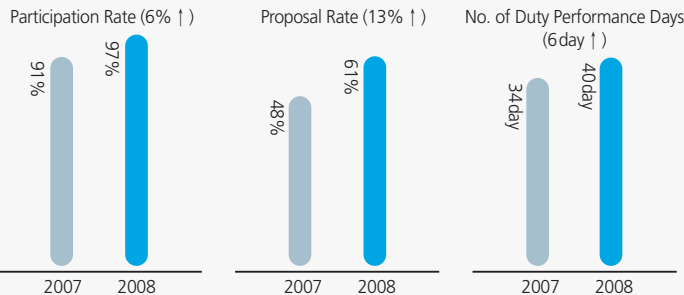
	2007	2008	Growth in % vs. 2007
Cases per meeting	3.6 cases	3.7 cases	0.1 cases (3%)
Proposals per agenda	26 times	40 times	14 times (↑ 54%)
Minute pages per agenda	5.5 pages	6.6 pages	1.1 page (↑ 20%)

※ Cases per meeting - based on the total No. of agenda items/day as reported in the 2007 Sustainability Report, based on the total No. of agenda items/time as reported in the 2008 Sustainability Report.

BOD Meetings and Agenda

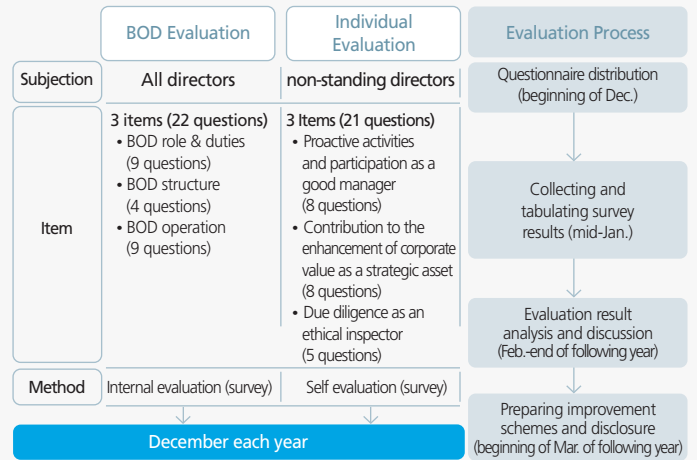


Increased Activities of Non-standing Directors



KOGAS secured the objective evaluation of its BOD performances by quantifying the qualitative content, which facilitated the identification of the improvement agenda for the positive development of the BOD operations. KOGAS ensures transparency in the nomination and compensation of its directors and executives under its governing regulations and BOD resolutions. Candidates undergo deliberation by the related committee before being elected in the general shareholders' meeting. On the passing of a resolution, the KOGAS president is designated by Korean President and non-standing directors are designated by the Minister of Strategy & Finance. Standing directors are designated by the KOGAS president after they are recommended by Executive Recommendation Committee and approved by the general shareholders' meeting. Remuneration of executive members includes basic salary, incentives and retirement allowances. The annual basic salary is determined by the non-standing directors within the limits approved by the general shareholders' meeting. The incentives are differently paid to the president and other directors: the president is paid in accordance with the ratio decided by the Governmental Performance Evaluation Committee; standing directors, according to their performance based management contracts; and standing auditors according to the limit and ratio set by the government.

BOD Evaluation Method & Process



※ The evaluation methods and procedures were developed based on the Guidelines by the Korea Corporate Governance Service.

Standing Auditor & Audit Committee

In accordance with Paragraph 2, Article 415 of the Commercial Law and Paragraph 3, Article 37 of our Articles of corporation, KOGAS introduced an audit committee, a first amongst public corporation. Designated by the resolution of the general shareholders' meeting, the Audit Committee is comprised of 3 members including 2 non-standing directors, accounting or financial expert as provided in the governing law. The Audit Committee is doing accounting audit and requesting business activities report and initiating surveys on the performances and financial status, as well as taking on special assignments commissioned by the BOD. In particular, the committee has drawn up mid- to long-term audit strategies in consideration of the mid- to long-term business strategies as defined in 2008. It has set forth operational standards assigning persons in charge of each category and evaluates annual performances, further promoting the professionalism of the committee. It also operates a risk based audit (RBA) for company-wide risk management, contributing to the company's sustainability effort.

Audit Committee (quarterly)

Period	No. of Meetings	Agenda			Participation rate
		Passed without change	Passed with change	Issues reported	
'08. 8~12	3 times	3	1	3	100%

Management Committee

KOGAS holds regular Management Committee meetings every Thursday to resolve important management issues. Chaired by the CEO and comprised of standing auditors, all vice presidents and other department head executives, the Committee resolves each item through the consensus of the majority. Any member who faces possible conflicts of interest has to waive his/her voting rights and a standing auditor who has proposed an audit, is not allowed to cast a vote on that agenda.

Risk Management

The primary purpose of risk management lies in minimizing potential losses through a preemptive and instant care system in the event of incidents or risks. Furthermore, an effective risk management program is also a key operational tool for maximizing corporate value as it provides with comprehensive judgment standards for strategic decision-making. In particular, effective risk management plays an important role in the value-creating activities of KOGAS, which places the safe and stable supply of natural gas at the top of its priority list.

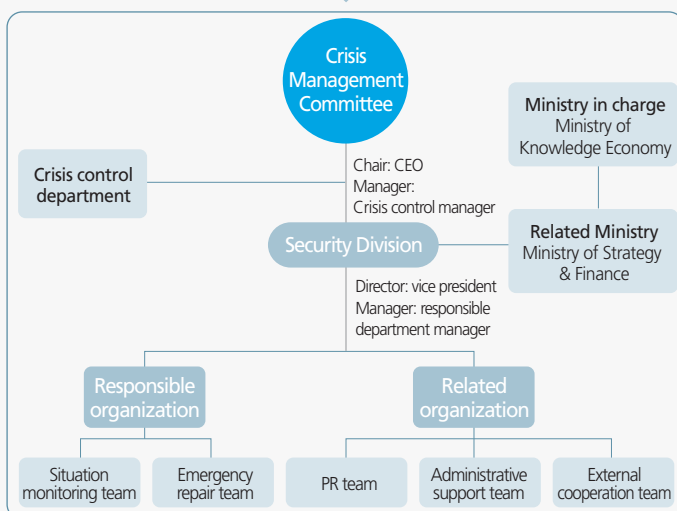
KOGAS Crisis Management Organization

KOGAS' crisis management organization has dual system of standing unit and emergency unit. The emergency unit is the Security Division that maintains organic cooperation with related government agencies in the event of emergency.

Prior to Emergency division set-up



Emergency division set-up



Improvement of Crisis Management System

In order to manage the ever-changing risks, KOGAS constantly develops and evaluates key risk indicators and crisis warning criteria. We

continue upgrading our risk management system by revising and updating our crisis response manuals to instantly reflect problems that arise in the course of normal operations. For instance, we transformed the former foreign-exchange risk management system into a more comprehensive financial risk management system which can effectively counter the comprehensive risks of fluctuating foreign exchange rates, interest rates, oil prices and credit. We also revised the financial risk limits from the previous -30% level of operating income to -15% levels and adopted new derivative transaction principles, reinforcing our financial risk management scheme.

Contingency Plan for Financial Risk Management

Step	Criteria	Measures
(Blue)	VaR limit exceeding 50% of financial risk limits (Limit on additional exposure)	Checking the status quo of indicators
(Yellow)	VaR limit exceeding 60% (Reducing non-hedge)	Checking contingency plan
(Orange)	VaR limit exceeding 75% (Reducing non-hedge to less than 50%)	Operating cooperation system Implementing contingency plan
(Red)	VaR limit exceeding 90% (Complete risk hedging)	Instantly taking emergency actions

In addition to controlling the potential risks in our operation to the stable supply of natural gas, we continue to improve our non-financial risk management system to control a variety of risks that could arise from new business areas including overseas resource development projects. Our non-financial risk management system covers risks of gas facility incidents, natural disasters, environmental pollution, social responsibilities, sales, regulations, supply, human resources, public relations, union relations, compensation and conflicts as well as business portfolio risks.

Crisis Management Activities

By constantly updating our crisis response manuals, we were able to take prompt, timely control of financial risks arising from surging oil prices, fluctuating foreign exchange rates and unstable supply due to decreasing natural gas inventories in 2008. All risk factors in the construction and operation of gas distribution facilities are thoroughly controlled and managed within the crisis preparedness system that we established under the EHSQ management system.

In terms of environmental, health and safety risks, we identify hazards and assess risks to come up with diverse measures to reduce such risks. In particular, the environmental risks are under control based on the results of our regular environmental impact assessments. In case of crisis or emergency, response activities are instantly taken at the site under the contingency plan. KOGAS continues to enhance its emergency response capabilities through various training and drill, and prepares an organized response system against any incidents or disasters such as breakdown of gas pipelines or oil leakage.

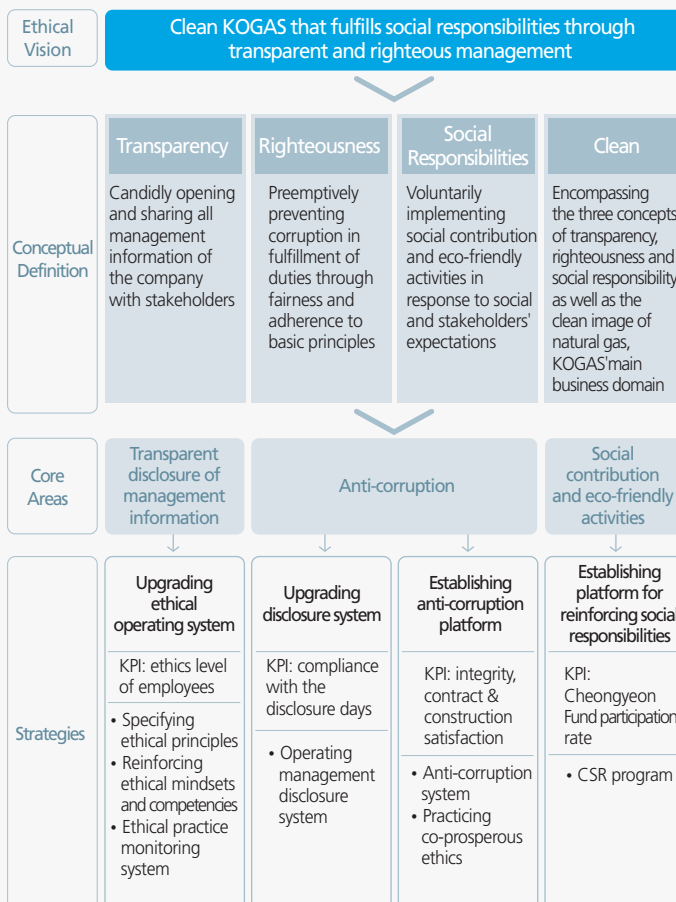
Ethical Management Strategy

KOGAS analyzed both its external environment including its stakeholders and internal competencies before redefining and rearranging its ethical management system. We will maintain our sustainable growth and transformation into a “Clean KOGAS” as we fulfill our social responsibilities through global-level ethical practices and transparent and righteous management.

Ethical Management Vision & Strategies

KOGAS has redefined its ethical management as a “management tool for pursuing customer trust and sustainable growth through transparent righteous and environmental management as a global energy enterprise.” In response to social and stakeholders’ expectations, we established the initiatives and key performance indicators (KPI) to become a “Clean KOGAS” and realigned our ethical management drive roadmap. This not only specifies the meanings of our ethical management, but lays out a consistent definition of ethical management. At the same time, we are able to secure the implementation of ethical management by setting the core areas and strategic direction, as well as defining measurable indicators.

Ethical Management Drive Roadmap



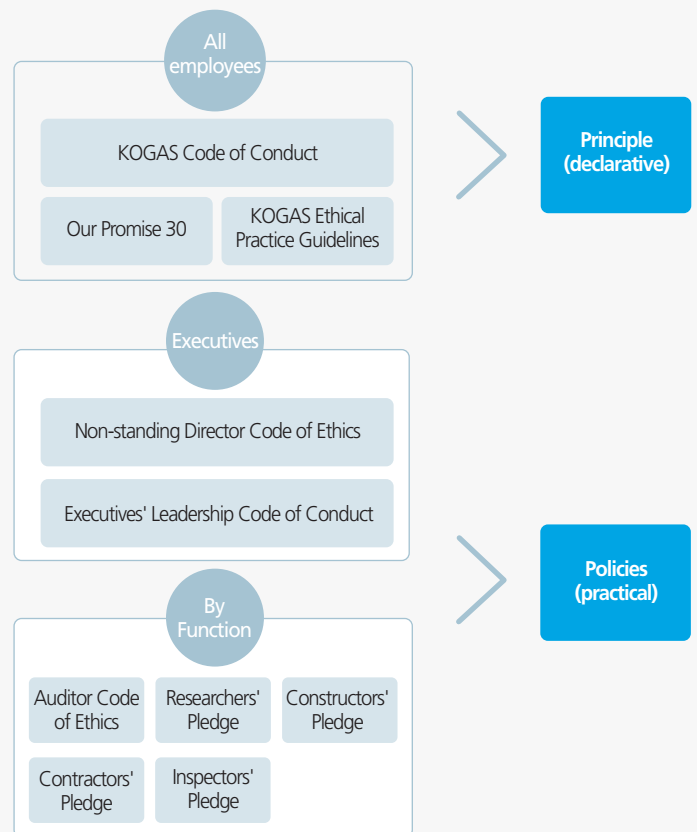
Enhancing Ethical Management Practice

KOGAS operates an on-site ethical practice committee and ethics camp for customers to encourage voluntary participation by its employees and enhance the ethical practice system. At the same time, we established an ethical management monitoring system for the comprehensive analysis of our ethical management system. These efforts are part of our devotion to enhancing our ethical and transparent management levels to match our global stature.

Segmenting Ethical Principles

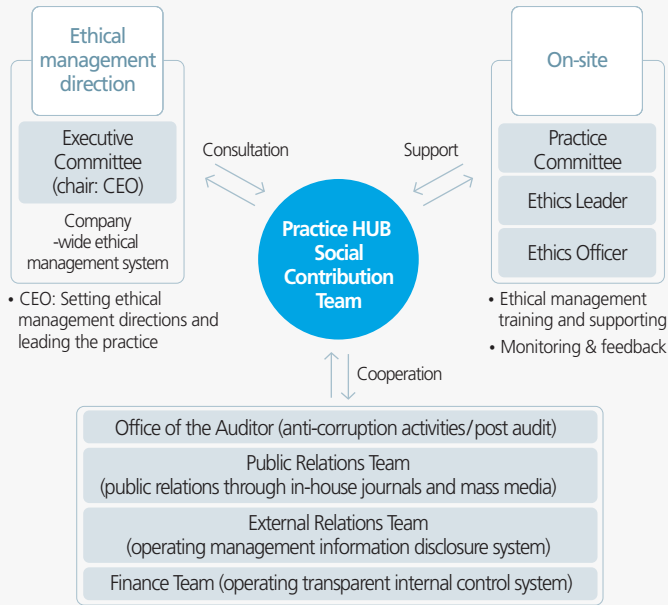
In order to encourage ethical management practice by its employees, KOGAS has specified and segmented its ethical principles. Presenting the basic regulations for ethical behavior for all constituents, the ethical principles including the code of conduct to help insure ethical practices at the workplace, providing behavioral guidelines for all respective functions.

Ethical Principles System



Ethics Organization & Operational Process

KOGAS encourages the voluntary participation of its constituents by reinforcing ethics organization at the workplace and has realigned the entire process to ensure a performance-oriented operation.



Training Programs Customized to Function & Class

In order to enhance its employees' ethical mindset, KOGAS implements customized training programs tailored to job functions and grades, especially in those areas vulnerable to corruption and through an on-site visit program in construction areas. We also publish an animation book of case studies for ethical management and operate a "Clean Test" program, whistle blowing center and ethics consulting service to reinforce the ethical mindset and practice competencies of our constituents.

Ethics Training by Class

Target	Date	Program
All employees (2,673 persons)	2008. 9	Beyond ethical management to social responsibilities (including 1-hour sexual harassment prevention course)
New employees (11 persons)	2008. 7	Understanding KOGAS ethical management

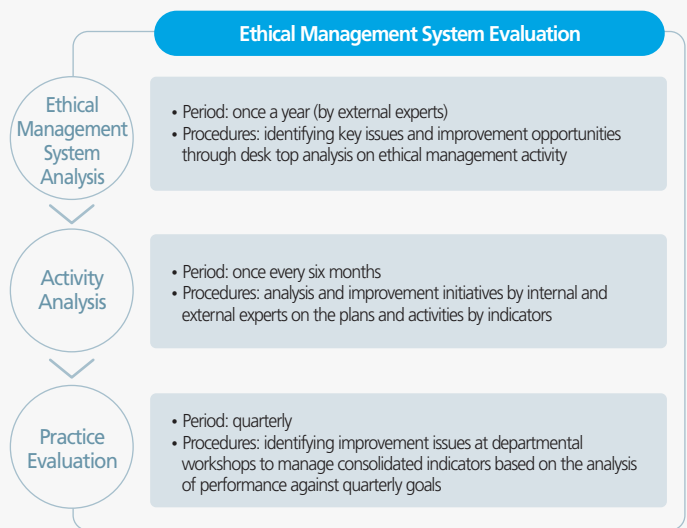
Specialized Training for Areas Vulnerable to Corruption (Co-prosperity Ethics Camp with Customers)

Target	Date	Program
Contracting (30 persons)	2008. 9	Searching for solutions to ethical dilemmas at the workplace through discussions and role-playing
Construction (60 persons)	2008. 6. 11	- Contractor, subcontractor and KOGAS employee participation

Ethical Management Monitoring System

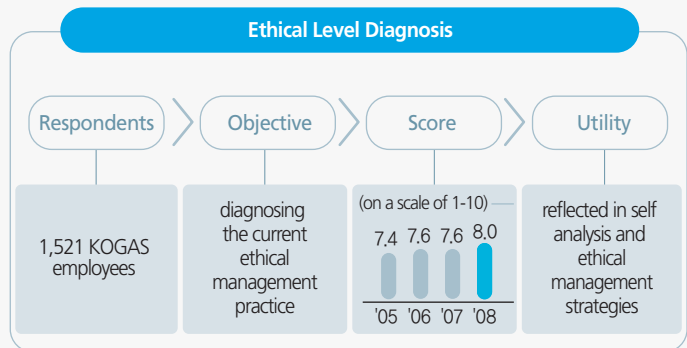
KOGAS has prepared a multi-dimensional evaluation system of ethical management practices for the continuous improvement of its ethical management system. In order to materialize this, we conducted a systematic evaluation of our ethical management plans and activities and the results are reflected in our improved ethical management system, which is being communicated through various training programs.

Monitoring System & Content



Internal Evaluation of KOGAS' Ethical Level | The recent internal survey of the company's ethical management practice found that employees' ethical awareness is improving while the other categories remain similar to that of previous year.

Ethical Level Diagnosis (2008. 12)



Ethical Level Evaluation by Customers | To understand customers' recognition of ethical levels, an integrity assessment has been conducted by government agent since 2007. In 2008 integrity evaluation results slightly dropped from 2007 due to one bribery case and 2.8 cases of entertaining in the gas supply and sales areas. To address these issues, we expanded the scope of our ethics camp to include sales and operational facility areas in addition to the previous contract & construction areas. We also plan to reinforce our employees' integrity pledge program.

Integrity Evaluation (Nov. 2008)

Evaluator: customers and appealers (organized by Anti-corruption & Civil Rights Commission)	Evaluator: customers (conducted by KOGAS)
Results: 8.59 points in corporate integrity ※ 9.19 point in 2007	Results: 9.62 points in divisional integrity ※ 9.5 point in 2006

KOGAS Anti-corruption System

KOGAS has developed action plans and monitors all activities to control corruption in the internal activities of its employees and transactions with customers and partners, securing and improving the effectiveness and efficiency of its anti-corruption system. When reports of irregularity are received, the Office of the Auditor initiates an on-site investigation and requests the Disciplinary Committee to convene to determine the appropriate level of disciplinary measures.

Activities Evaluation

	Anti-corruption Action Plans	Activities Evaluation
Internal activities	Operating integrity practice manual for major construction	Although the action plans are relatively well implemented, it is a requirement to improve the integrity practice manuals for major construction
	Promoting electronic bidding practices	
	Improving contracting system to eliminate any corruption factors	
	Standing directors' integrity pledge	
	Operating an online whistle blowing center "Cheongeumgo"	
Sharing with partners and customers	Implementing an ethics practice self-assessment, Clean Test	It is deemed necessary to amend the system to participate subcontractors in the on-site process meetings
	Co-prosperity ethics camp with customers	
	Meetings with subcontractors of construction sites	
	Mailing CEO integrity letter to partner customers	
Practice monitoring	Inviting subcontractors to on-site process meetings	Action plans are well implemented
	Collecting on-site integrity pledges	
	Customers' evaluation of integrity	
	Contract Satisfaction Evaluation by contracted customers	
	Construction Satisfaction Evaluation by construction customers	

Ethical Management Performances

Departing from a one-time event practice, KOGAS' ethical management has been established as a management system, enabling accurate checking and continuous improvement of ethical practices. As such, we are building customer trust and a platform for sustainable growth commensurate with our global stature.

Strategies	Key Performance Indicators (KPI)	2008 Goal	2008 Performance
Upgrading ethical operating system	Employees Ethical Standards Level	78 points	80.6 points
Upgrading information disclosure system	Information disclosure days observance rate	8 days/case	100% (16 cases)
Establishing a platform for anti-corruption	Contract Satisfaction Survey	9.4 points	9.6 points
	Construction Satisfaction Survey	8.15 points	8.2 points
Establishing a platform for enhanced social responsibility	Cheongyeon Fund participation rate	58%	58.2%



※ KOGAS Ethical Management Site <http://www.kogas.or.kr/moral>

Building **our potential** through sound financial structure and strong profitability



KOGAS contributes to the economic growth through its stable supply of natural gas in an era of skyrocketing oil prices. In addition to providing stability to our markets, we have advanced into independent upstream businesses through gas field development and LNG projects employing our Korea model, realizing the nation's dream of becoming an energy power.



Supply of Natural Gas

Shareholder

Inve

Economic Performances

Disclosure on Management Approach

Approach

KOGAS serves the public welfare through the stable supply of natural gas, the major national energy source. We also strive to secure a stable supply of natural gas through the diversification of supply sources and aggressively pursuing resource development projects. These efforts will facilitate sound growth and maximize our business performances, setting the stage for the attainment of our management vision of "Global KOGAS: Growing Together with Customers."

Strategies

We strongly believe that the growth and development of KOGAS originates from the sound operation of internal systems. Therefore, we adopted an ERP system to innovatively improve our working process and advance our corporate governance, while establishing a company-wide system for transparent and conscientious management and effective risk management. Based on these efficient operating and profit structures, we are pursuing overseas business projects and diversifying our import channels to build a vertically integrated system that encompasses exploration, development, production, transportation and distribution, while also expanding our storage and valve facilities.

Performances

Category	Items	Major Performances		2009 Plans
		2007	2008	
Financial Performance	Sales	KRW 14.2 trillion	KRW 23.2 trillion	KRW 18.1 trillion
	Total assets	KRW 12.5 trillion	KRW 21.9 trillion	KRW 22.0 trillion
Facility Expansion	LNG storage facilities	5,160,000 m ³	5,640,000 m ³	6,120,000 m ³
	Natural gas pipeline	2,720km	2,739km	2,813km
Natural Gas Transactions	LNG import	24,758,000 tons	26,627,000 tons	27,110,000 tons
	Natural gas sales	25,459,000 tons	26,345,000 tons	28,718,000 tons
Overseas Resource Development	Incremental exploration mining block	15	17	19
	Self-sufficiency ratio	1.24%	1.24%	2.51%
Global Expansion	Overseas project dividend income	US\$ 111 million	US\$ 140 million	US\$ 140 million
Customer Satisfaction	Public-Service Customer Satisfaction Index (administered by the Ministry of Strategy & Finance)	98.7	98.6	98.7
Ethical Management	National anti-corruption index	9.19	8.59	9.00

※ 2008 Sales increased considerably from 2007 thanks to rising oil prices and foreign exchange rates.



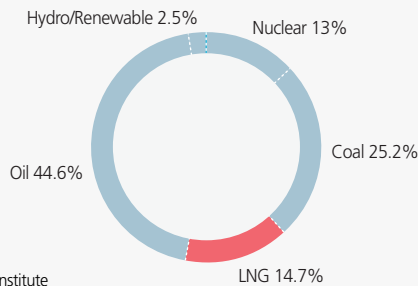
Natural Gas Business as the Nation's Source of Energy

With the growing proportion of natural gas in national energy consumption, the stable supply of natural gas has become our priority mission. We therefore forecast demand according to the domestic supply and demand patterns of natural gas and prepare contingency plans, while continuing to expand our facilities. In addition, we continue to invest in R&D efforts to increase our facility safety, develop technologies in the upstream business of gas field development and new technologies in the areas of fuel cells and LNG vehicles.

Expanding the Supply of Natural Gas

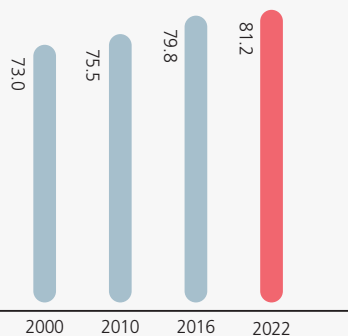
Since our first supply of gas in November 1986, natural gas has maintained an average annual growth rate of 16%, representing 14.7% of Korea's primary energy consumption and 19.4% of all power generation fuels as an important national source of energy. In particular, natural gas is an integral part of our daily lives, supplying more than 73% of Korea's households with energy, which is forecast to reach 81.2% by 2022.

Primary Energy Type Consumption (as of 2007-end)



※ Source: Korea Energy Economics Institute

Natural Gas Use & Outlook (Unit: %)

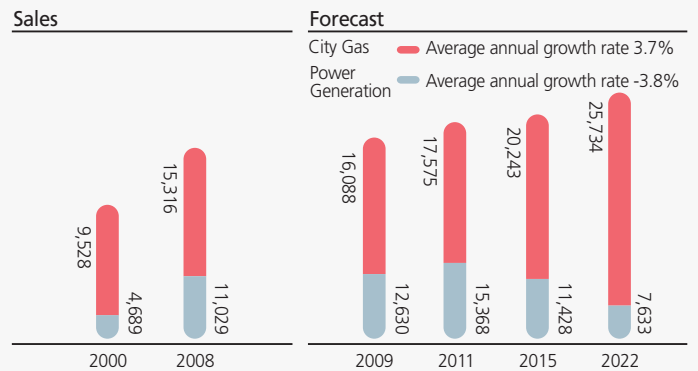


※ Sources: Guidelines for City Gas Industry and the 9th Long-range Natural Gas Supply and Demand Plan (Dec. 2008)

Natural Gas Sales & Outlook

The sale of natural gas has sustained substantial growth to date. However, the growth is forecast to slow to an annual growth rate of 3.7% in city gas sales and a 3.8% annual decline in natural gas for power generation from 2009 to 2022.

Natural Gas Sales & Forecast (Unit: 1,000 tons)



※ Source: the 9th Long-range Natural Gas Supply and Demand Plan (Dec. 2008)

Efforts for a Stable Supply of Natural Gas

The stable supply of natural gas is at the top of our priority list. Domestic demand for natural gas is heavily influenced by such variables as temperature, electricity demand, power generation facility failure, preventive maintenance, fluctuating heavy oil prices and other factors. KOGAS continues to reinforce its countermeasures to control these risks, ensuring national energy security.

Characteristics of Domestic Natural Gas Demand

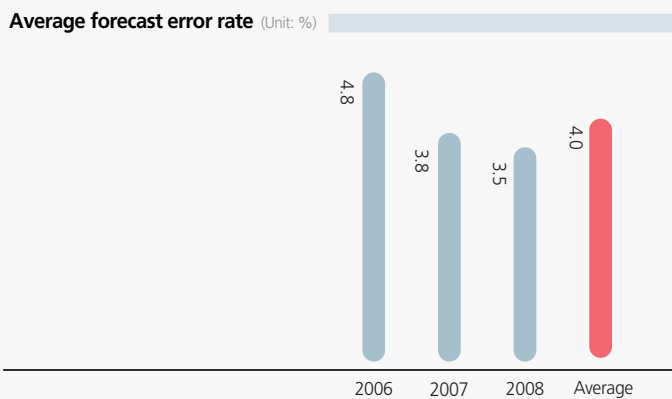
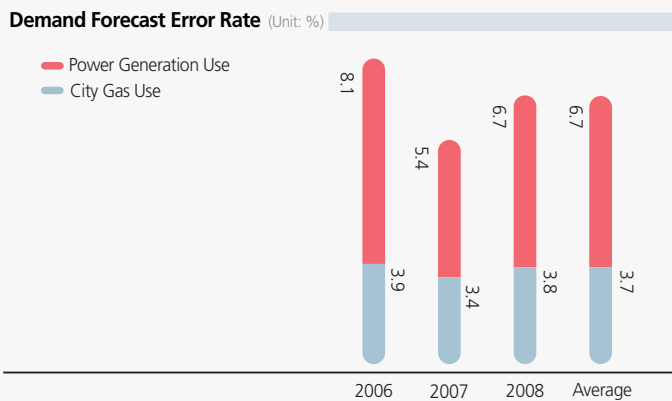
The domestic supply of natural gas involves many uncontrollable factors due to the fluctuating demand patterns arising from Korea's four distinct seasons. However, international natural gas deals are long-term based contracts, supplied at a steady rate throughout the year, making it hard to import natural gas in sync with the cyclical demands of our end users. To address this structural imbalance issue, we buy natural gas when market prices are lower and store the surplus in reserve, to meet the high demand of the winter season. We also operate an appropriate inventory management model to close the large gap in seasonal demand.

Winter-Summer 3 Year Average Demand (Unit: %, 2006-2008)

Program	Winter	Summer
Average	63	37

Efforts for Accurate Demand Forecasts

Accurate prediction of future demand is an integral requisite to the stable supply of natural gas. Therefore, KOGAS utilizes a usage-based prediction model that it developed for the annual prediction of long-term natural gas demand. In addition, we train professional forecasters to improve their forecasting accuracy. As a result, KOGAS reduced its overall demand forecast error rate in 2008 by 0.3%p from the previous year to 3.5%, lower than the average rate.



Expanding LNG Storage Capacity

A key success factor in the domestic supply of natural gas lies in the expansion of LNG storage capacity to address the turn down ratio (TDR) of the winter-summer season. Therefore, KOGAS has broken ground on a 4th LNG terminal in Samcheok with an aim to commission in 2013, in addition to its three existing terminals at Incheon, Pyeongtaek and Tongyeong. At the same time, we are cooperating with Korea National Oil Corporation to evaluate utilizing the East Sea Gas Field as an innovative storage facility. Through these efforts, we expect to raise our storage rate as a percent of annual demand from the current 9.8% in 2008 to 22% by 2022.

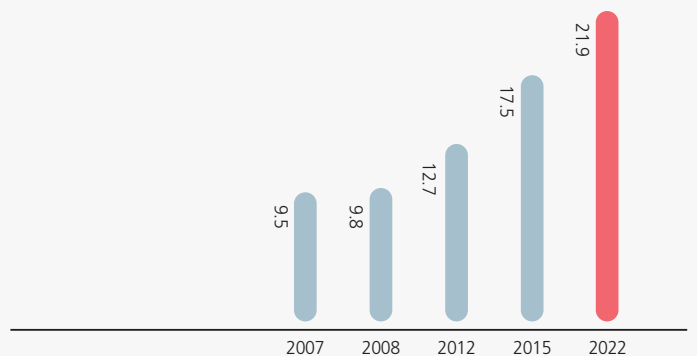
Storage Tank Construction Plan

(Unit: 10,000 kd)

Category	'07 Results	'08~'10	'11~'12	'13~'15	'16~'20	'21~'22
LNG Construction	28	196	174	280	-	-
Tanks (accumulated)	(516)	(712)	(886)	(1,166)	(1,166)	(1,166)
East Sea Gas Field Storage size (accumulated)	-	-	-	-	370	(370)
Total Construction (accumulated)	28	196	174	280	370	-
Total (accumulated)	(516)	(712)	(886)	(1,166)	(1,536)	(1,536)

LNG Storage Rate Expansion Plan

(Unit: %)



※ Storage rate (2007): France 26%, U.S. 18%, Japan 16~18% (see the 9th Long-range Natural Gas Supply and Demand Plan)

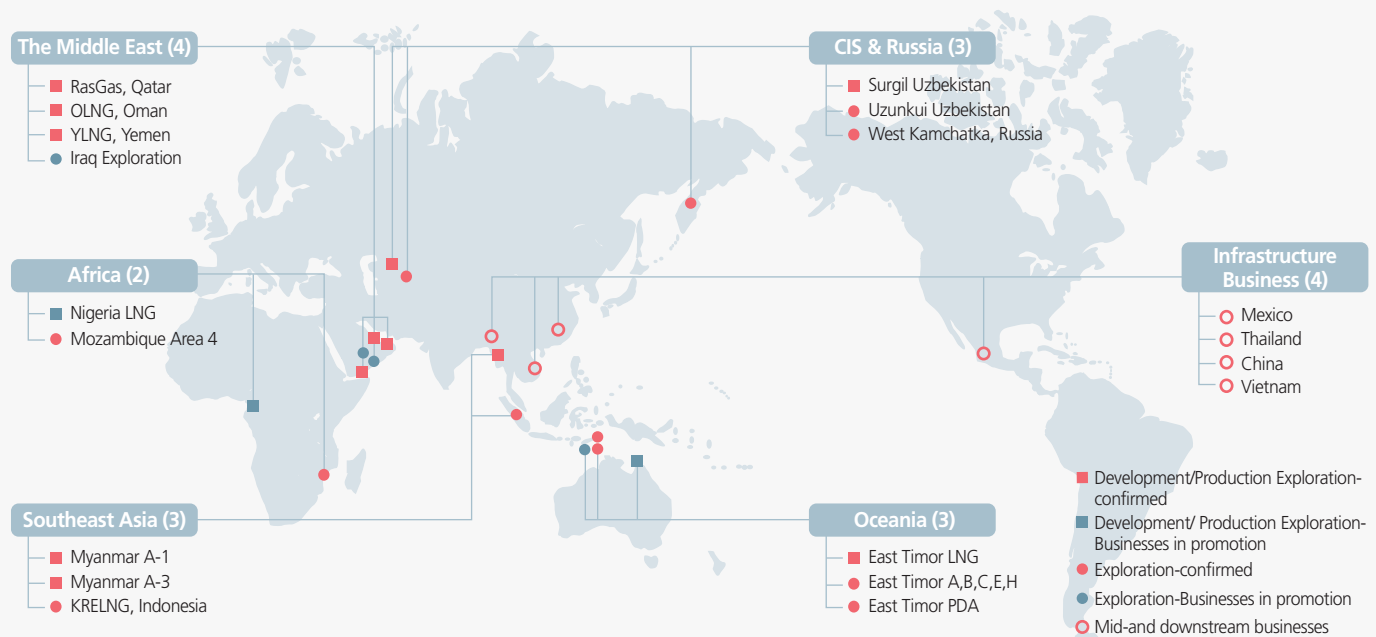
Emergency Supply Stabilization Plans

As it was described in last sustainability Report 2007, during the peak winter demand for natural gas, we operate an emergency supply planning team in cooperation with the Korea government, KEPCO and other related organizations. The team implements a program designed to renewed demand, utilize alternative fuels for power generation and ensure adequate amounts of LNG. We have renewed the "Practical Manual for Emergencies in Supply of Natural Gas," detailing the procedures and measures to be taken in such events.

Overseas Project Performance

KOGAS is actively involved in overseas projects to secure a stable supply of energy sources and expand its business scope. In the future, we will continue to participate in more overseas projects in pursuit of diversified revenue sources and stable supply channels, to enable us to grow into a global energy enterprise.

Primary Energy Type Consumption



Participation in Myanmar Gas Field Project

We have participated in the gas field development project in the A-1/A-3 blocks in Myanmar since November 2001. A consortium was organized to conduct exploration of the area and acquired a certificate of gas reserves of 4.53Tcf (based on 2P) from the GCA and is exploring the possibilities of additional reserves. In December 2008, the consortium signed a gas product sales contract with China National United Oil Corporation (CNUOC) and the two sides are currently consulting over development methods. In the second half of 2009, we plan a commercial discovery announcement after obtaining the green light from the Myanmar government for our final development plan, enabling us to proceed with the production stage. In the meantime, we have conducted an official environmental impact assessment for building a drilling platform in the area. Going forward, we will abide by global standards for environmental and human rights issues (child labor and Forced relocation etc.) as we develop this site.

Exploration Projects for JPDA 06-102 Blocks in East Timor & Australia

In an effort to expand our upstream business and secure potential LNG import sources, we formed a consortium with 3 domestic and international partners in 2006 to participate in the 2006 bidding for exploration rights, offered by the Designated Authority (DA), the administrative manager of the joint development section of Australia and East Timor, and won the development rights to the JPDA 06-102 Block. The original plan was a full-scale exploration project of three-dimensional elasticity wave exploration and exploration ship operations for three years starting from 2007. The primary goal of the consortium is now domestic import in the event an economically feasible gas reserve is confirmed. Consequently, the project will provide a stable, incremental supply of energy resources for Korea, securing new sources of income for KOGAS.

※ Composition of Consortium: KOGAS (30%), Petronas Carigali (50%), Samsung Corp. (10%), LG International (10%)

Gas Field Exploration & Production Project at Surgil, Uzbekistan

This project involves a US\$ 1.8 billion investment by the Korean consortium and Uzbekneftegaz in the development and production of the Surgil Gas Field, which offers an estimated 96 million tons of reserves and the opportunity for the construction and operation of a gas chemical complex (GCC) on the field. When the survey proves the feasibility of the Uzunkui Mining Block Joint Exploration Project, we will proceed to negotiate a contract with the Uzbekistani government to acquire the exploration license. With this project, KOGAS is positioned to secure critical technologies in exploration projects and foster the development professional experts in the area while diversifying its revenue sources through the GCC business, thereby securing an advantageous, pre-emptive position in the Uzbekistani market, where major global oil companies have yet to enter.

Advancing into Mid- and Down-stream Businesses (including LNG Terminal Projects)

Capitalizing on its more than 25-years of gas plant operational knowledge and skill, KOGAS is now proactively pursuing overseas mid- and down-stream business projects.

Mexico LNG Terminal Investment & Operation Project | KOGAS organized a consortium with Samsung C&T and Mitsui (KMS) and entered into a contract for the construction and operation of an LNG Terminal with Comisión Federal de Electricidad (CFE) in March 2008. Of the total US\$860 million investment (equity capital of US\$ 172 million and project financing of US\$ 688 million), KOGAS invested 25%, with Samsung Corporation and Mitsui contributing 37.5%, each. With construction spanning from April 2008 to August 2011, the project is on a 20 year operation contract through to 2031. This is a build-own-operate (BOO) project, where the KMS will own and operate the project as an administrator once it is completed, to recover the investment. Major facilities of the LNG Terminal include two 150,000 kℓ-class storage tanks and harbor facilities, handling 3.94 million tons of LNG annually. KOGAS is in charge of terminal construction and operational technologies and is predicted to earn US\$ 6.5 million in annual profits. As the first overseas direct investment LNG terminal project for KOGAS, this project is full of significance and will serve as both the precedent and foothold for Korean companies to enter the global LNG terminal business.



※ Mexico Manzanillo LNG Terminal Bird's-eye View

Thailand PTT LNG Terminal Technology Project | This is an order placed by the state-owned PTT LNG of Thailand for the construction of an LNG terminal including two 165,000kℓ storage tanks and harbor facilities. KOGAS participated in the project as a member of the consortium which included KOGAS, GS E&C, Hanyang and Daewoo Engineering and provided technical advisory, training and pilot operation services to the project. The project period spans from February 2008 to May 2011, with KOGAS holding a US\$ 8.5 million share. As of February 2009, KOGAS established a local subsidiary and is planning a taskforce team to conduct pilot operations starting in July 2010.

China Fujian LNG Terminal Pilot Operation Consulting Project | KOGAS provides consulting services in the process, machinery, instrumentation, marine and operation areas for the Fujian LNG Terminal Pilot Operation and commissioning Project placed by the Fujian LNG Corporation, Ltd. of China. With a contracted amount of US\$ 1.5 million, the project period spans from February 2008 to May 2009. KOGAS has dispatched 8 consultants for this project.

Vietnam Pipeline Construction Consulting Project | This is an order placed by the PetroVietnam Gas Corp (PVGAS), a Vietnamese state-run gas company. By organizing a consortium with Daewoo Engineering, KOGAS landed the order with its share amounting to US\$ 860,000. The project began in August 2003 and will last until June 2009. The main services provided under the contract include laying 61 km gas pipelines from Phumy to Ho Chi Minh City and providing with technical consulting services on the design, construction and pilot operation of valve stations, as well as training.

Participation in Overseas LNG Projects

Oman OLANG Investment Project | This project is to develop a gas field in the central region of Oman and supply LNG to the domestic market. KOGAS organized an investment consortium, KOLNG, with other private Korean companies in 1997 to acquire a 5% share in the project. So far, KOLNG has generated US\$ 344 million in dividend income, of which KOGAS has realized US\$ 83 million in accumulated dividends as of June 30, 2008.

※ KOLNG: KOGAS (24%), Samsung Corp. (20%), Hyundai Corp. (20%), Daewoo International (20%) and SK Energy (16%)

Qatar RasGas Investment Project I In 1999, KOGAS organized an independent investment consortium, KORAS, with 6 Korean companies to acquire a 5% share in Ras Laffan I company. KORAS has generated US\$ 636 million in total dividend income to date, with KOGAS earning US\$ 382 million as of June 30, 2008.

※ KORAS: KOGAS (60%), Samsung Corp. (10%), Hyundai Corp. (8%), SK Energy (8%), LG (5.6%), Daesung Industrial (5.4%), Hanwha (3%)

Yemen LNG Investment Project I In August 2005, KOGAS signed an equity participation agreement (EPA) to acquire a 6% share in Yemen LNG along with the long-term importation of 2 million tons of LNG from Yemen. In September 2006, we have expanded our position to a 49% stake in Hyundai Yemen LNG, resulted in an additional 2.88% indirect equity acquiring in YLNG.

※ Equity Structure: TOTAL Yemen LNG Company Ltd (39.62%), Yemen Hunt LNG Company, LLC (17.22%), Yemen Gas Company (16.73%), SK Energy Consortium (9.55%), KOGAS (6.0%), Hyundai Yemen LNG Company Ltd. (5.88%), GASSP (General Authority for Social Security and Pensions: 5.0%)

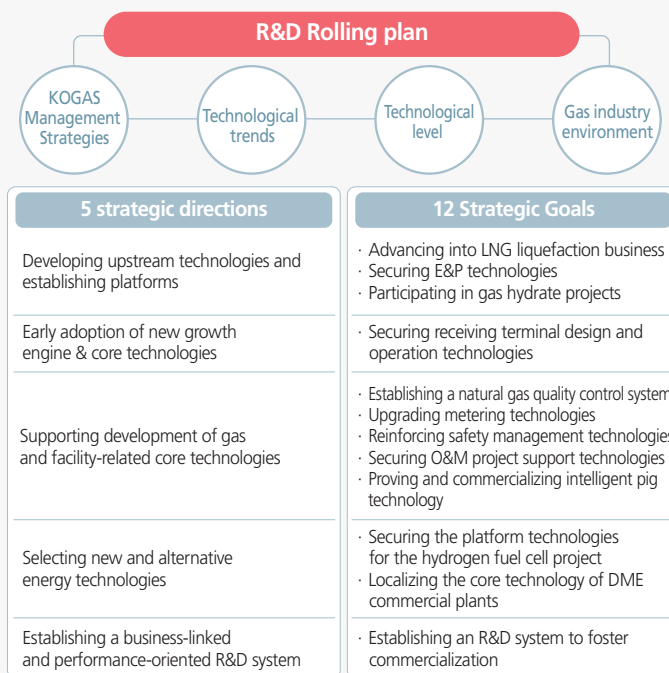
Overseas Equity Investment Projects Performance & Outlook

Out of our multiple equity investments, KOLNG in Oman and KORAS in Qatar are generating profits. KOGAS invested US\$8.4 million and US\$ 29.4 million, respectively in these projects and has earned a total of US\$ 465 million from 2001 to 2008 and expects more than US\$ 1.0 billion in dividend income over the life of the projects. In addition, our US\$ 262.7 million equity investment in the Yemen LNG is expected to generate US\$ 1.13 billion in dividends.

R&D Performance

R&D Strategies

KOGAS' R&D activities are primarily focused on developing new growth engines as part of our efforts to attain "Vision 2017." KOGAS' R&D activities are concentrated in the five major strategic areas of resource exploration and development; technology development for upstream businesses such as LNG liquefaction; and securing advantageous positions in new and alternative energy technologies. These strategic directions are again segmented into 12-pronged strategic goals.



R&D Investment (Unit: KRW billion)

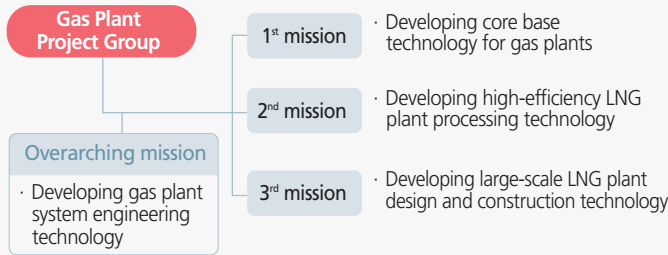
Category	2005	2006	2007	2008	2009(plan)
R&D Expenses	27.6	25.1	41.1	31.3	42.2
Investments					
Infrastructure Expenses	1.6	2.9	3.6	0.7	0.8
Total	29.2	28.0	44.7	32.0	43.0
Investment to Sales Ratio	0.26	0.22	0.31	0.24	0.23

※ In 2007, the investment was higher than usual due to the investment in the construction of DME plants.

Upstream & New Business R&D

LNG Liquefaction Plant Technology Development I In order to achieve its goal of a 25% self-sufficiency ratio, KOGAS is working on a strategic national R&D program to secure independent technologies in LNG liquefaction plants. The LNG liquefaction plant technology has been developed by major global companies with high entrance barriers, making it harder for late-starters to enter the market. Therefore, success in the independent arena is contingent on the development of independent liquefaction processes and liquefaction plant design technologies. Leveraging our years of experience in resource development and excellent plant construction technologies, we are confident that we will be able to develop advanced LNG liquefaction plant technologies with improved size, efficiency and operational ratios with reduced carbon emissions.

The Group's Missions



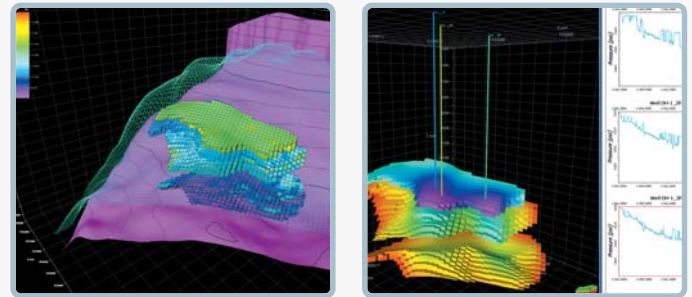
Gas Hydrate Development & Production | As part of the national drive for energy security and natural gas resource supply, KOGAS conducted regional exploration in Korea's East Sea for five years between 2000 and 2005. Through this exploration, we discovered the possibility of gas hydrate reserves in the region and are now in the second phase of the project.

During the first phase of the project, we drilled a section selected from our in-depth exploration and analysis, and successfully discovered a vast gas hydrate structure in the deep ocean floor near the Ulleung Basin in 2007. In the second phase, we aim to reevaluate the amount of reserves in the region and to secure the base technology for producing gas hydrate. In 2009, we plan a joint cooperation with a U.S. company for technology sharing and worksite experience. To that end, we are currently working to participate in a pilot production project for gas hydrate production in Alaska.

Phase	Major Activities
Leading the technology development in the preceding stage (2000.1~2004.12)	<ul style="list-style-type: none"> • KOGAS completed extensive exploration of the whole East Sea area in cooperation with Korea Institute of Geology, Mining & Materials (KIGAM) and identified areas with reserve potential ※ Confirmed about 600 million tons of possible reserves (equivalent to more than 30 years of domestic consumption)
Participating in the 1 st phase of government-driven R&D project (2005.1~2007.12)	<ul style="list-style-type: none"> • 3-dimensional in-depth exploration of the 400km² site and drilling (Nov. 2007, gathering GH object) • Focused R&D on recovery processing technology
Implementing the 2 nd phase of project (2008~2011)	<ul style="list-style-type: none"> • Evaluation of the reserves of East Sea Ulleung Basin and securing base technology for production • Installing and operating bench-sized test devices and participating in a pilot production project in Alaska
Implementing the 3 rd phase of project (2011~2014)	<ul style="list-style-type: none"> • Test production and identifying production method for commercialization

Gas Field Evaluation Technology | KOGAS utilized the geological, exploration and drilling data it acquired from its research for "building a geological and geophysical (G&G) interpretation system" to conduct a simulation project on its overseas gas fields, cultivating its own oil and gas field analysis capabilities. In addition, its research to "secure adopting and operating technologies for an undercurrent interpretation system" also facilitated its technological review, particularly in the technological assessment of gas field development and production and the gas reserve usage analysis for the East Sea gas field. At the same time, we are proactively participating in

national projects such as the research for developing a multiphase, multi-component interpretation module for production technologies, the technological assessment of rift gas fields and developing an assessment technology for conventional oil and gas fields. We are also allotting research resources to developing limited oil and gas fields and applying technologies to improve production from those oil and gas fields.



Natural Gas Technologies

LNG Container Technology for LNG Vehicles | KOGAS is developing an LNG container to populate LNG vehicles, especially buses and cargo trucks, as part of the national drive for carbon-lean green logistics and air quality improvement. As we are domestically supplied with the required components, we were able to establish an integrated system of production and quality control, while transferring the technology to Korean companies, thereby maintaining an efficient commercialization line for our R&D output activities. As we are positioned to apply our LNG container to the 2,200 dual-fueled vehicles planned for 2009, it will contribute to improving air quality and reduce GHG emissions. As we plan to introduce the LNG vehicles to other forms of transportation such as railways and ships, we will be able to prevent water and soil pollution at their source.

Home fuel cell monitoring project | The home fuel cell monitoring project is a project to replace 23% of the electricity supplied to households with high-efficiency, eco-friendly home fuel cells by 2040 as part of the government-driven initiatives to popularize a future-oriented housing environment. KOGAS administers the project, in which 10 city gas companies are also participating. To date, a total of 110 fuel cells have been installed for pilot operations and have realized excellent performances in system function, durability and maintenance technologies. By installing a total of 210 new units by the end of 2009, we will be equipped with the analytical data to enable the future expansion of this program. We will also develop fuel treatment devices and a hydrogen manufacturing catalyst, the core components of fuel cells, to lower the home fuel cell prices and enhance their durability.




Fuel Cell Monitoring Project Scheme

(Ministry of Knowledge Economy, Hydrogen Fuel Cell Project Group)

	1 st Phase (2007)	2 nd Phase (2008)	3 rd Phase (2009)
Scale	40 units	70 units	100 units
(Basic price rate)	(KRW 130 million/unit)	(KRW 100 million/unit)	(KRW 80 million/unit)
Participants	City gas companies	Local governments + city gas companies	Energy companies & normal households

DME Production & Proving Technology | As part of our initiatives to develop clean and new energy sources, KOGAS has been conducting R&D activities to produce DME by catalyzing synthesized H₂ and CO gas from natural gas, coal and bio-mass. The dimethyl ether (DME, CH₃OCH₃) can be liquefied under normal pressure and in -25°C temperature and used for power generation, transportation and home use. Especially, it can be mixed with LPG by utilizing existing LPG facilities. By leveraging our DME production technology, we will be able to conduct DME production businesses at overseas medium- and small-sized gas fields, stabilizing LPG prices.

Therefore, we have built and put in operation a demo plant for the production of DME from natural gas. We have also developed a catalyst for a triple reactor and a DME synthesis catalyst and completed tests for localizing a DME synthesis reactor. For commercialization of DME, we will cooperate with the Korea DME Forum, Korea Institute of Petroleum Management, Korea Gas Safety Corporation and Seoul National University for the empirical research of mixing the DME with LPG, to establish domestic regulations and standards for the quality of DME/LPG mixed fuel.

Phase	Details	Results
Feasibility study (1998~1999) and experimental research (Jan. ~ Dec. 2000)	- Research of manufacturing liquefied fuel from natural gas (KRW 80 million, Ministry of knowledge & Economy (MKE)) - Developed 1kg DME production from natural gas	
Developing pilot plant (Jan. 2001 ~ Aug. 2004)	- Pilot plant for producing 50kg DME from natural gas (KRW 2.9 billion, Ministry of Science and Technology)	
Developing demo plant with daily capacity of 10 tons	2004. 9~ 2007. 12 - Completed mechanical construction of plant (MKE) - Developed catalyst for DME production	
	2008. 1~ 2008. 8 - Construction & Operation of plant with daily capacity of 10 tons	
	2004.9~2007.12 2008. 12~ 2009. 12 - Long-term operation of a demo plant with daily capacity of 10 tons - Basic design of commercial plant with daily capacity of 3,000 tons	

Safety & Environmental Management Technology

Risk assessment system | KOGAS has developed systems and programs that support and facilitate systematic risk assessment for a safe workplace. In particular, the “Valve Station Quantitative Risk Assessment Intranet System” is a web-based quantitative assessment test system that comprehensively assesses the frequency and the consequence of accidents, enabling measured control of risks. The system enables safety control officers at each workplace to conduct quantitative risk assessment without errors, thereby facilitating instant risk assessment and decision-making in the event of facility expansion or changes in the surrounding environments. It also facilitates prompt sharing and procedures of the risk assessment information between the headquarters and each business division.

Impact Evaluation of External Environmental Changes on Submarine Pipelines | We are currently constructing submarine gas pipelines between Incheon and Yeongjongdo, Pyeongtaek and Dangjin, and at the Masan bay and Ulsan. Also under plan is the construction of a submarine pipeline between Tongyeong and Busan. In the event of any irregularity in the submarine pipelines during operation, safe and efficient integrity assessment and repair plans are required. For a prompt response to such event, it is necessary to maintain a database of the various external environments and load changes that have influence on the submarine pipelines to facilitate

evaluation. Therefore, KOGAS has conducted comparisons between the domestic and international standards, reviewed the submarine pipeline operational conditions and conducted surveys and analysis of the current status of maintenance technologies to establish a submarine pipeline maintenance system that caters to domestic conditions. We will also develop guidelines that match domestic conditions based on the technological standards for designing, constructing and maintaining these submarine pipelines. As for the submarine pipelines to be constructed in the future, we will participate in the design review stage in order to contribute to a secure, quality product, while saving costs.

Intelligent pigging technology | We completed a geometric pig that diagnoses the physical shape of pipes in 2005, which is currently applied to our pipelines for commercial use. In 2007, we also completed the magnetic flux leakage (MFL) pig: a technology that diagnoses the changes in the thickness of pipes due to corrosion, which has also been applied to our pipelines for commercial purposes since 2008. In the future, we plan on completing our line-up of pigs; which will apply to all types of pipes and enhance the functions of our intelligent pigs. Starting from 2009, we plan to apply the intelligent pigging technology that our R&D Center has developed for our pipelines and we plan on expanding into the pipe inspection business in both domestic and overseas markets.



Financial Performance

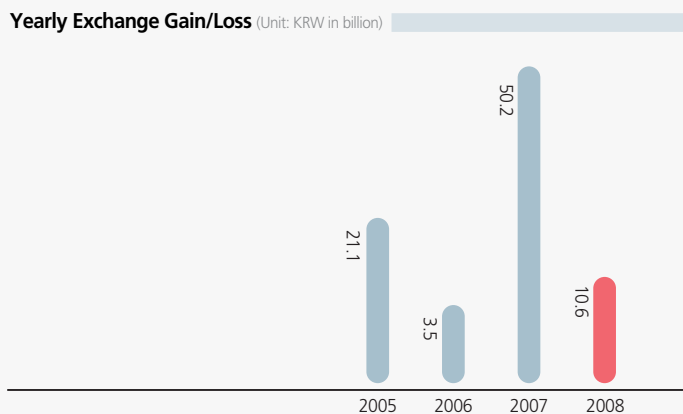
In 2008, the global financial crisis resulted in skyrocketing foreign exchange rates and oil prices, which pushed up the natural gas import prices. Despite the challenging market situations, KOGAS sustained its operating income in 2008 similar to that of the previous year and continued its efforts to reinforce its public service and expand its network by investing KRW 1.9 trillion for the construction of pipelines in the remote areas.

2008 Financial Performance

KOGAS' total assets and liabilities topped out at KRW 21.9 trillion and KRW 17.9 trillion, respectively, growing 74% and 104% from the previous year due to the increase in accounts receivable and inventory assets. Despite the abrupt surge in foreign exchange in the aftermath of the financial crisis (KRW 938/US\$ as of the end of 2007 → KRW 1,257/US\$ as of the end of 2008), we realized exchange gains of about KRW 10.6 billion through various hedging programs. Our credit ratings were also upgraded from A- to A by S&P and A- to A+ by Fitch, the same level as the Korean government's sovereign debt, despite the sudden rise in our debt-to-equity ratio due to our delayed price increase which resulted in KRW 3.5 trillion in accrued raw material costs. We also endeavored to improve our system for a more systematic management of financial risks by expanding the scope of our risk management targets.

Financial Performance (Unit: KRW in 100 millions, %)

	2005	2006	2007	2008
Net Income	2,464	2,405	3,647	3,308
Sales to Cost Ratio	94	94	94	96
Assets	113,165	122,483	125,805	219,430
Liabilities	79,671	87,296	87,436	178,645
Sales	110,700	128,948	142,608	231,661
Operating Income	4,748	5,404	6,335	6,356



※ Selected for excellent performance in exchange risk hedging

Financial Performance by Business Sector

KOGAS has continued its investment in receiving and supply facilities to secure an economical and stable supply of natural gas, and future growth engines for the sustainable growth of the company. As a result, we provide 26,350,000 tons of natural gas through our 5,640,000kℓ LNG storage capacities and 2,739km of pipelines. In order to generate profits through energy security and business expansion, we participated in three new projects including the Nigeria gas field development and Uzbekistan mining block exploration. In addition to the Chinese Fujian LNG Terminal Pilot Operation Project, we also entered into a Mexico LNG Terminal Operation Project.

Receiving and sales (sales, services) | Providing the national energy supply to 13,310,000 households, KOGAS sold 26,350,000 tons of natural gas in 2008. Sales of city gas grew by 6.0% to reach 15,320,000 tons while power plants gas sales slightly inched up by 0.3% to 11,030,000 tons despite the decrease in electricity demand and operation of coal power plants.

LNG Sales Volume (Unit: 10,000 tons)

	2005	2006	2007	2008
City Gas Use	1,403	1,396	1,445	1,532
Power plant Use	882	954	1,101	1,103
Total	2,285	2,350	2,546	2,635

Management (labor productivity) | KOGAS' strong belief that corporate efficiency has its roots in the efficient development and management of human resources is fully reflected in its human resource development initiatives. We have reinforced the connection between our evaluation and compensation system to establish merit- and performance-oriented HRM practices. The public job opening program helps in recruiting a talented workforce. In order to reinforce our overseas business competencies, we have reinforced internal job training courses and established a job-based system for the systematic management of human resources. At the same time, we practice mutually prosperous management through labor-management sharing of information on major business issues.

Labor Productivity (Unit: KRW in millions/person)

Year	2005	2006	2007	2008
Productivity	497	533	605	657

Construction (storage capacity, pipeline, expanding supply to remote areas) | KOGAS provides a safe and stable supply of gas through its 5.64 millionkℓ of storage capacity in its 43 tanks at 3 receiving terminals. Upon the completion of 21 more storage tanks, the capacity will grow to 9.66 millionkℓ in a total of 64 tank units. Through our 8 regional divisions, we are operating a total of 2,739km of pipelines with an additional 1,164km under construction through an investment of KRW 1.9 trillion, to expand the natural gas supply to the 41 remote areas, securing public service at remote areas and Jeju Island. In addition, we are striving to build an energy infrastructure and serve the public welfare through constant R&D activities to localize storage tank design technologies for application to our new facilities.

New Business (new exploration, development, production mining blocks & overseas mid-downstream business) | In coping with the maturing domestic natural gas industry and a rapidly changing market environment, KOGAS is actively engaged in overseas business projects to deal with the decreasing profit base. Capitalizing on our purchasing power as the world's largest LNG consumer and accumulated experience and technologies, we are actively participating in a variety of upstream businesses from exploration and development to LNG terminal operation, thereby solidifying our growth platform as a global energy enterprise.

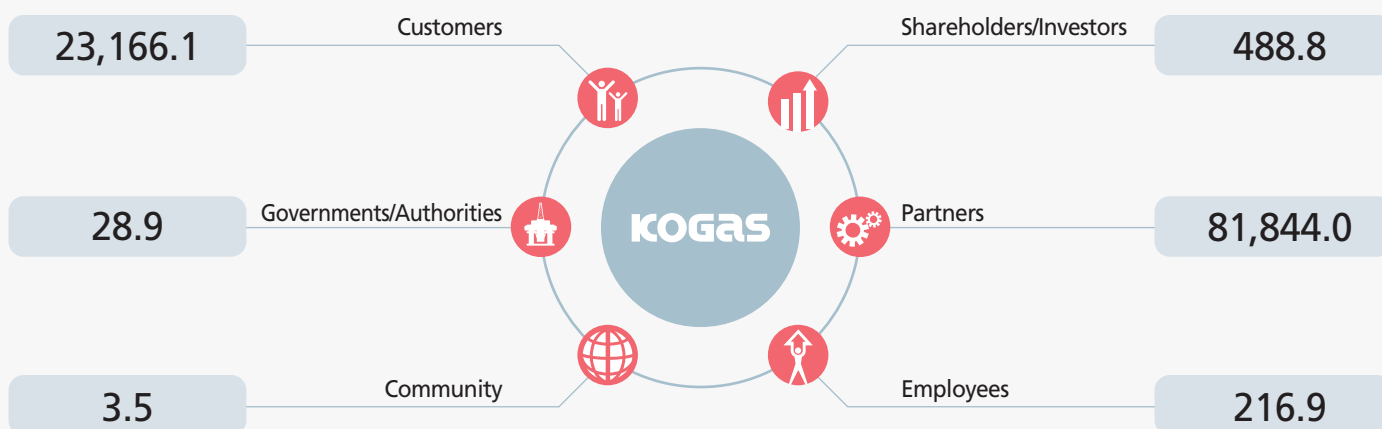
Overseas Businesses

	Current	New	Remarks
Exploration	West Kamchatka		Participated in 17 mining blocks in total
	JPDA in East Timor/Australia		
	5 marine blocks in East Timor	Uzunkui, Uzbekistan Myanmar AD-7	
	Indonesia		
	Mozambique		
Development	Nigeria LNG	Myanmar A-1, A-3	
	East Timor LNG		
Production	Oman LNG		2008 income: KRW 162.8 billion
	Qatar LasGas	Surgil, Uzbekistan	
	Yemen YLNG		
EPC & Technology Service	Joint Project on Oman LNG Trading	<ul style="list-style-type: none"> Equity investment in and operation of Mexico LNG Terminal Project Technological service for Thailand LNG Terminal Project Reviewing 14 projects including Singapore LNG Terminal Pilot Operation Project 	5 cases of services completed including the Fujian Terminal Education and Pilot Operation Consulting

Distribution of Economic Value to Stakeholders

Beyond our primary mission to provide a stable supply of natural gas, we also endeavor to maximize values for our stakeholders including our shareholders, investors, customers, employees, government, community and partners, by creating new values and returning profits to society.

2008 Value Distributions to Stakeholders (Unit: KRW in billions)



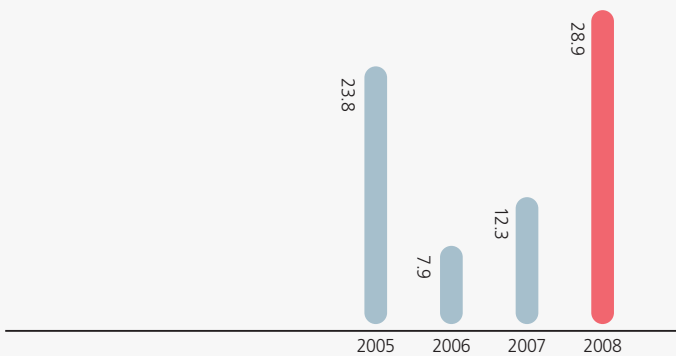
Customers

The primary customers of KOGAS are power stations and city gas companies. Still, we continue to improve our facilities and amend our supply contracts to provide better service to our end users, the entire nation. We also offer lower rates for city gas to low-income families. At the same time, we conduct regular customer satisfaction surveys on our primary customers, city gas companies, and reflect the results in our customer satisfaction improvement initiatives.

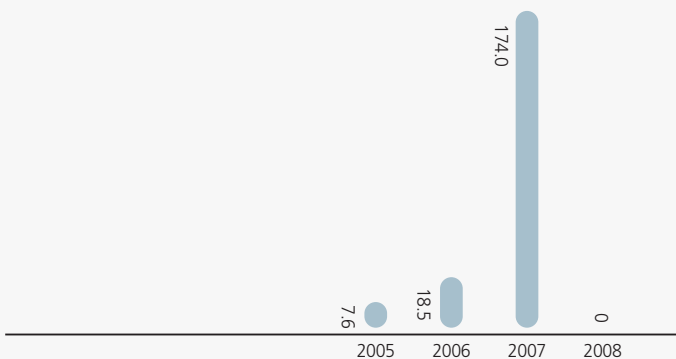
Government

In order to attain our goal of energy security, KOGAS continues its efforts to improve its self-sufficiency ratio and mobilize its resources to expand the number of service areas for public service. In particular, we contribute to expanding foreign exchange for public our dividend incomes and proactive foreign currency import through our overseas resource development projects. As of 2008, we paid KRW 28.9 billion in taxes, faithfully fulfilling our basic duties of taxation.

Local Tax (Unit: KRW in billions)



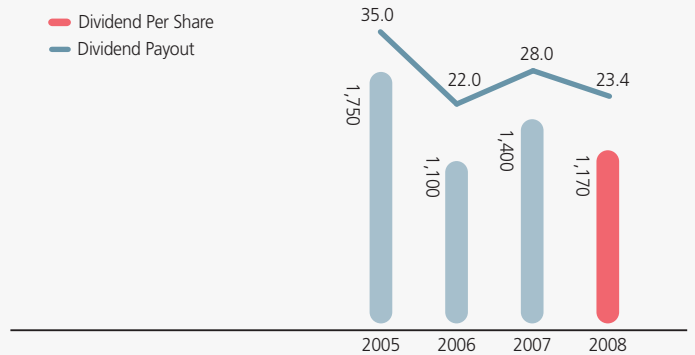
Corporate Income Tax (Unit: KRW in billions)



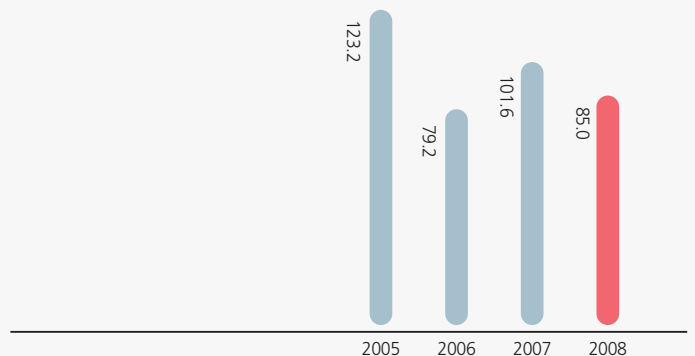
Shareholders & Investors

In 2008, KOGAS paid KRW 85.0 billion in dividends and KRW 403.8 billion in interest expenses, a KRW 117.7 billion growth over 2007. The rising foreign exchange rates and oil prices caused an increase in our accrued LNG raw material costs, sending our debt-to-equity ratio and financial expenses higher. Still, our external credit ratings were upgraded to the same level as the Korean government's sovereign debt, which can be translated into favorable fund-raising conditions.

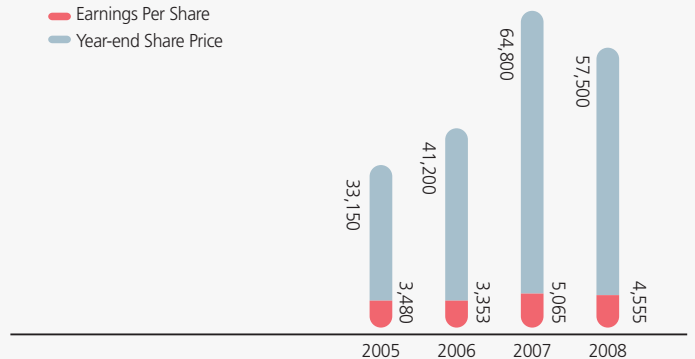
Dividend Payout & Dividend Per Share (Unit: KRW, %)



Total Dividends (Unit: KRW in billions)



Year-end Share Price & Earnings Per Share (Unit: KRW)



※ 2008년도는 세법상 결손으로 법인세 납세 실적이 없음.

Community

KOGAS fulfills its social responsibilities through cultural support and various social contribution activities. We subsidized gas bills for 900 marginalized households and postponed service suspension during the winter season for 10,500 places subject to disconnection of service. In 2008, we instituted a guideline for cutting the bills for the socially-underprivileged, which will take effect in 2009 starting with a KRW 37.5 billion cut in charges. While contributing to a balanced regional growth through the continuous expansion of the energy supply infrastructure, we promote safety campaigns to improve safety awareness in all of our service users.

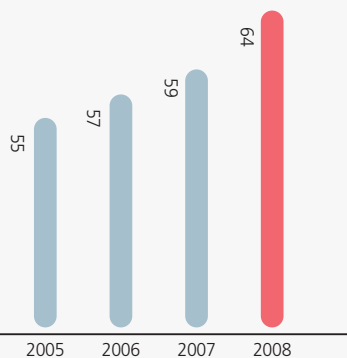
Partners

Partners are the main stakeholders of KOGAS in its business activities. Therefore, we support our partners with technology development activities and pay them in full, with cash settlements. We also made 19% of our total purchases equal to KRW 155.4 billion from small-and medium-sized enterprises (SMEs). We also made purchases of KRW 3.1 billion in the encouragement of SME technology development and purchased KRW 2.3 billion of new technology certified products.

Employees

We distribute economic value to our employees in the form of remuneration and welfare benefit. In 2008, we spent KRW 216.9 billion on our employees. We also operate a variety of programs to enhance our employees' welfare and the competence of our employees. In full compliance with domestic and international regulations, we prohibit gender discrimination in payment, and differentiate our payment schemes only on the basis of performance.

Per Capita Annual Payment (Unit: KRW million)



Korea Gas Technology Corporation (KGTC)

KOGAS invested in and established Korea Gas Technology Corporation (KGTC) in 1993. Its core responsibility is the maintenance and repair of KOGAS' 3 LNG receiving terminals and its national grid of pipelines. In 2008, KGTC abandoned its refueling station construction and collective energy projects to focus its resources more on the stable supply of natural gas. In addition, the company secured the technology of designing LNG storage facilities, a first among Korean companies, which effectively supports KOGAS' overseas expansion plan in the plant business area. These achievements not only serve as the driving force in the realization of our vision to become a "leading global energy enterprise," but also supports KOGAS' mission, "better energy, better world," while fulfilling its corporate social responsibility.

Management Principles

Having set its management policy for 2008 to support the "perfect maintenance of natural gas facilities and improved productivity," KGTC selected and implemented 5 major projects including "realizing perfect, efficient and responsible maintenance" to realize this goal. This is part of our ceaseless efforts to serve the public welfare through our reinforced internal competencies and safe and stable supply of natural gas. Throughout these efforts, we are realizing KGTC's management principles of customer satisfaction, global management and value technology and people through the dedicated passion and challenging spirit of our employees.

Corporate Social Responsibilities

The core social responsibility of KGTC lies in maintaining KOGAS facilities in the best conditions to insure the safe and stable supply of natural gas. In addition, we consistently engage in diverse activities to return profits to society as a responsible corporate citizen. In 2008, we organized a volunteer service group in every unit of our business premises nationwide, with 667 volunteers engaged in 171 activities. The company also conducted 72 social contribution activities including a gas safety street campaign. In addition, we made priority purchases of products made by the disabled worth KRW 1.3 billion and have hired a total of 9 staff from these employment protected groups since 2006.

Technology Development

The main business activities of KGTC are preventive inspection, maintenance and design of natural gas receiving and supply facilities. Therefore, people and technology are the basis of its competencies. This is why the company focuses on developing energy-related technologies and fostering a talented workforce. As a result, it holds 20 patents, 23 designs of practical utility, 3 programs and 3 trademark/service rights. In 2008, the company registered new patents on 6 technologies and products including the "ball valve sheet assembly device," and 8 designs of practical utility including the "impeller separation device of a seawater pump." In step with KOGAS' evolution from a mere domestic natural gas supplier into the overseas E&P businesses, KGTC is continuing its evolutionary efforts in technology development to participate in KOGAS' new projects.

Health & Safety

Throughout the maintenance of natural gas facilities, workers' health and safety are always our top priority. In particular, KGTC's primary customer,

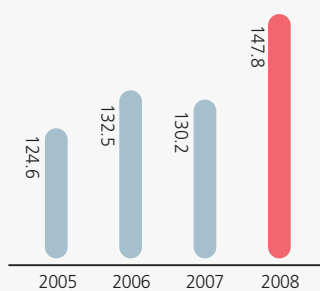
KOGAS, places the highest value on safety. Therefore, KGTC concentrates its efforts on securing safety in its maintenance of KOGAS' facilities.

To help its employees understand the importance of safety, the company conducted experimental training courses including the experience of falling with harness. To publicly solicit safety awareness, the company mounted a "safety · 3 · 5 campaign," broadcasted safety guidelines, operated an "Industrial Health & Safety Week," and discovered and shared best safety practices at its workplaces. The "safety · 3 · 5 campaign" secures the basic safety of workers through 5-minute safety briefing prior to starting duty, 5-minute safety inspection during the duty and 5-minute clean-ups after duty. These safety activities are under in the EHSQ management system, a system developed by benchmarking KOGAS' EHSQ system. We encourage and reward best practices through our accident-free campaign. In particular, in the event of a disaster or emergencies at KOGAS' facilities, KGTC takes an important role in response. Therefore, the company regularly conducts scheduled emergency drills based on simulation scenarios jointly practiced with KOGAS to maintain its emergency response competencies.

Management Performance

	Unit	2005	2006	2007	2008	
Finance	Sales	KRW in billions	124.6	132.5	130.2	147.8
	Net Income	KRW in billions	6.7	4.0	6.2	7.0
	Current Ratio	%	259.5	202.7	241.5	240.1
	Debt-to-Equity Ratio	%	68.6	76.4	60.7	65.0
Management & Administration	Per Capita Sales	KRW in millions	127.8	135.9	130.1	147.4
	Per Capita Added Value	KRW in millions	72.2	74.6	76.7	75.5
Safety Management	Per Capita Labor Cost	KRW in millions	54.9	58.6	59.8	60.1
	Safety Investments	KRW in billions	14.5	17.4	18.0	18.7
Training	Investment/Sales	%	11.63	13.13	13.81	12.7
	Training Investments	KRW in millions	749	860	1,351	1,664
Growth Engines	Investment/Sales	%	0.60	0.65	1.04	1.00
	Overseas Business Sales	KRW in millions	-	847	6	3,954
Credit Ratings	R&D Investments	KRW in millions	373	448	480	494
	Investment/Sales	%	0.29	0.33	0.36	0.33
	KIS	P-A	P-AA-	P-AA-	P-AA-	
	Korea Ratings	P-A	P-A+	P-AA-	P-AA-	

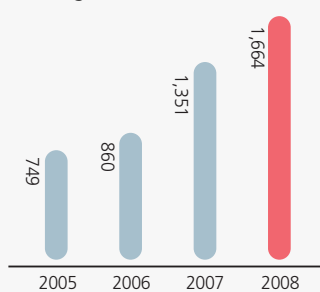
Sales (Unit: KRW in billions)



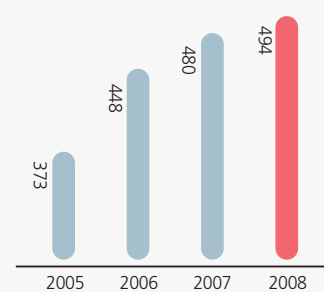
Net Income (Unit: KRW in billions)



Training Investments (Unit: KRW in millions)



R&D Investments (Unit: KRW in millions)



Building a **sharing** society by fulfilling our social responsibilities



KOGAS' approach to the employee, community and society is based on our mission 'Better Energy, Better World'. We believe that the 'Better world' will be realized not only by providing high quality energy but also by sharing our profit, time and mind. In these perspective, our efforts start from furnishing ample support for the employee and expands to the global society by returning our profit and respecting international standards

5.5°C Human Energy KOGAS Volunteer

Community

Building a Happier Society for Neig



Social performances

Disclosure on Management Approach

Approach

As a public corporation, KOGAS fulfills its social responsibilities by serving the public and the national cause. While contributing to local economic development through our business activities, we also consistently engage in voluntary services. At the same time, we are fully aware that our development and growth originates from the competencies of our employees and we continue to invest to help them realize their potential.

Strategies

Amidst the economic recession triggered by the global financial crisis, KOGAS continues its endeavors to prepare for the future. Within the company, we practice rational human resource management and pursue co-prosperity in our labor relationship. At the same time, we have adopted a new system to foster professionals with global competencies. In addition, we return our profits to society through consistent social contribution activities. In abiding by all international human rights and labor protection regulations, we are fulfilling our responsibilities in keeping with our global stature.

Performances

Category	Items	Major Performances	
		2007	2008
Member Composition	Total employees	2,820 persons	2,813 persons
	Female workers	7.7% (216 persons)	7.7% (216 persons)
	Protected group	11 persons	11 persons
Labor Relations	Labor Union Members	2,448 persons	2,544 persons
	Accumulated welfare fund	KRW 164.5 billion	171.7 billion
	Treasury stock holding ratio	6.05%	6.05%
Social Contribution	Social philanthropy expenses	KRW 3.0 billion	3.5 billion
	No. of accumulated volunteers	4,207 persons	4,670 persons
	Gas rate discount for charities	KRW 2.3 billion (9,836 places)	KRW 2.9 billion (11,000 places)
Talent Cultivation	Training investments	KRW 6,139 million	KRW 731.3 billion
	Per capita training expenses	KRW 2,176,000	KRW 2,568,000

※ We do not present "2009 goals" for social performance indicators since they are heavily influenced by external circumstances.



Human Resources Management

KOGAS pursues harmonies between corporate productivity and individual competitiveness and systematically fosters individual competencies. We practice rational human resource management to ensure fair evaluation and compensation, based on individual performance and competences.

KOGAS Human Resources Management (HRM)

Workforce I As of the end of 2008, 2,813 dedicated staff are working for KOGAS, excluding temporary workers. In 2008, we expanded our employment under the Affirmative Action. Accordingly, our physically challenged workers ratio grew slightly from 2.1% in 2007 to 2.3% in 2008.

Employment Status

		2005*	2006*	2007*	2008*
Workforce		2,725	2,747	2,820	2,813
Female	Number of persons	205	204	216	216
	Ratio (%)	7.5	7.4	7.7	7.7
Physically Challenged	Number of persons	44	59	61	64
	Ratio (%)	1.6	2.1	2.1	2.3
National Meritorious Persons	Number of persons	212	227	249	247
	Ratio (%)	7.8	8.3	8.8	8.8

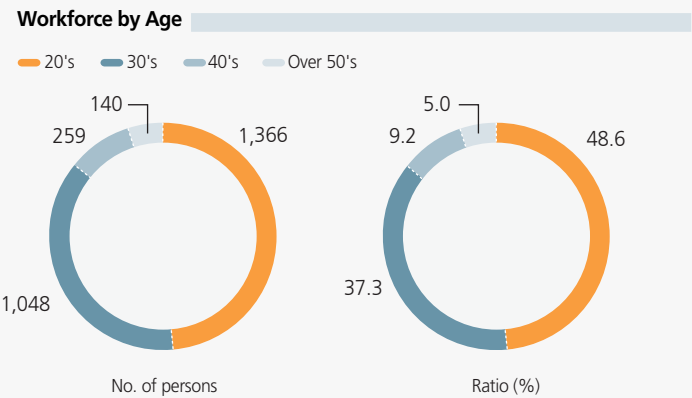
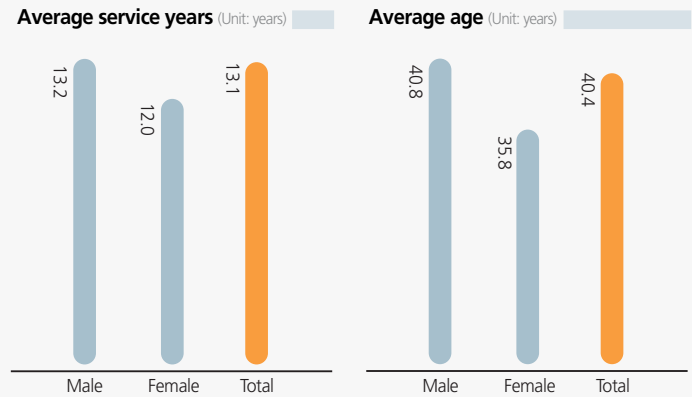
※ All statistics as of year end

Temporary Employment Status

	2005	2006	2007	2008
No. of persons	173	176	103	100
Male (%)	76.9	77.8	55.3	61.0
Female (%)	23.1	22.2	44.7	39.0

※ Temporary workers: contracted workers, short-term temporary workers and commissioned researchers, etc.

Service Years and Employee Ages I The average years of service for KOGAS regular employees stood at 13.1 years. While male workers served 13.2 years, female workers served 12.0 years on average. The average age of our employees was 40.4 years, with males averaging 40.8 years and females, 35.8 years. Given that KOGAS celebrated its 25th anniversary in 2008, these figures signify a relatively long average employment. However, this aging workforce also gives rise to new issues of health management.



Equality in Employment

Employment I KOGAS advocates Affirmative Action in its employment practice and provides equal opportunities to talented individuals regardless of their age and academic backgrounds. We employ various recruitment programs to ensure fairness and transparency in recruit process. These programs include written tests, aptitude tests and in-depth interviews. We allocate quotas for physically challenged and national meritorious people, those from low-income families and good conductors. We also operate a youth intern program in response to the government's drive to deal with youth unemployment.

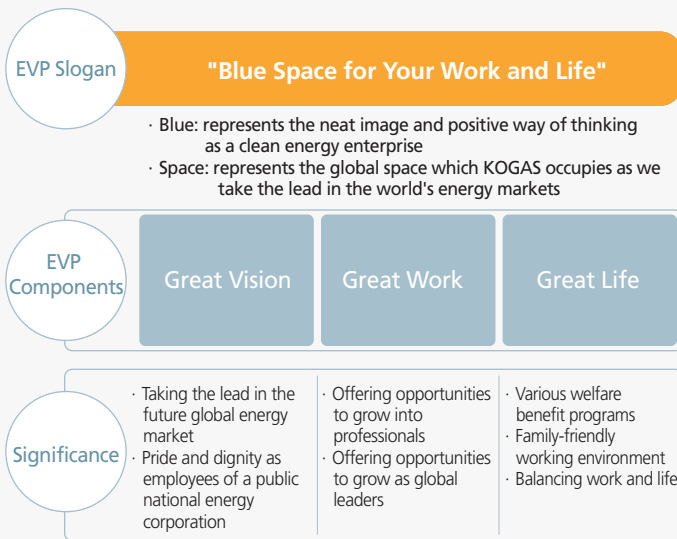
Gender Equality I In compliance with the ideology of gender equality in Korea's Constitution and the nation's Gender Equality Employment Law, we guarantee equal opportunities and treatment for both male and female workers in both employment and working conditions, with zero tolerance for discrimination. We also recruit and retain talented female workers by offering various programs to improve the working conditions for female workers, such as maternity leaves, day care centers at work (108 children of 96 workers), lady's lounges, sexual harassment prevention campaigns and female leadership programs (all 10 eligible candidates).

Disabled Employment I As of December 2008, we had 64 physically challenged workers under our employ, meeting the legal requirements of 2% of the total workforce. We offer recruitment preference for the physically challenged and practice Affirmative Action, as part of our endeavors to enhance disabled employment.

Registration of competent employees I Separate from the regular recruitment programs, KOGAS operates a registration system on our website to maintain a pool of talent from which we can recruit and retain skilled human resources who hold special expertise, technologies or certificates. Those registered are preferred candidates for any open job positions.

Building an Employment Brand I In addition to the promise of job stability as a public corporation, KOGAS has built its own brand image as an attractive employer to the young generation, those who are in pursuit of growth potential and harbor an enterprising spirit. Under the slogan of "blue space for your work and life," we appeal to prospective candidates with the catchphrase, "Great Vision, Great Work, Great Life." In line with our PR strategies, the new KOGAS employment brand will serve as a strategic approach to attract talented candidates.

KOGAS Employment Brand Image



※ EVP: Employee Value Proposition

Fair Evaluation and Promotion

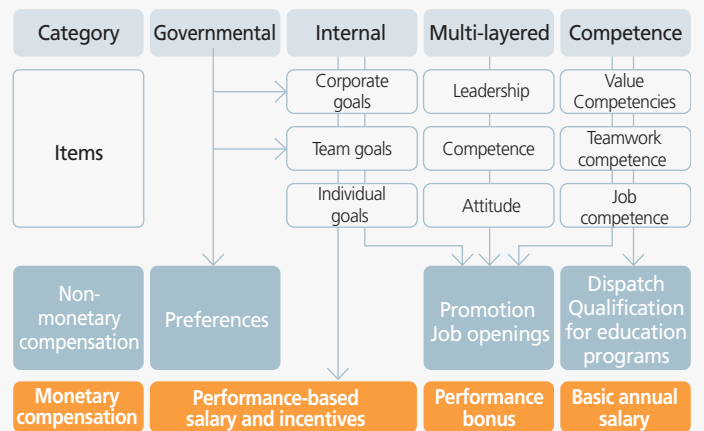
Evaluation System I In pursuit of the enhancement of our employees' competencies, we employ a fair evaluation system of individual capabilities and performances. For the effective and fair management of human resources, we utilize these evaluation results as our basic standards for

promotion, transfer, training, education and compensation. We also provide the evaluation results to our employees to help them sharpen their competitiveness. The performance evaluation of teams and divisions invigorates sound competition within the company, ultimately contributing to the attainment of our organizational goals.

Individual Evaluation Scheme

	Competence	Performance	Multi-layered	Recommendation for Promotion
Target	All employees lower than 1 st grade	All employees lower than 1 st grade	Employees in 1 st and 2 nd grades	Employees in 3 rd and 4 th grades
Evaluator	Supervisor	Supervisor	Supervisor, peer, subordinate	Supervisor, peer, subordinate
Activities	Promotion, qualification for education program	Differentiated incentives	Promotion, appointment	Promotion

Evaluation-Compensation Linked System



Promotions I KOGAS practices a competence-and performance-based promotion system. We have broadened the scope of our promotion screening process so that anyone who is exceptionally qualified and has achieved their goals can qualify for promotions. While we have recently adopted a 360-degree multi-layered promotion screening system, we also operate an assortment of other evaluation criteria including performance, experience, competencies (language, certificates, training, etc.), and a multi-rater system to ensure objectivity and fairness in our promotion programs.

Job Openings I KOGAS provides its employees with opportunities for career development through job openings for major positions and overseas assignments. This program also helps us discover talent in the workforce and assign them to an appropriate position, thereby upgrading the rationality and efficiency of our human resources management.

Human Resources Development

Competent employees are the key element in realizing our vision and becoming a company who truly cares about its customers. Therefore, KOGAS operates a variety of programs to enhance the competence of our employees and to help them achieve their goals, growing along with our employees, their families and the community.

Fostering Future Leaders

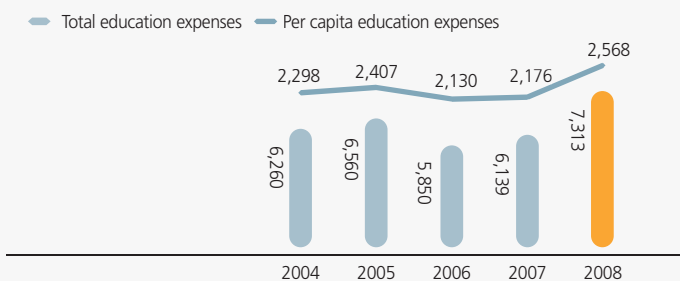
KOGAS Training Philosophy & Target Competencies | KOGAS redefined its target competencies to identify and cultivate those who wisely cope with changing business environments in attainment of our vision and strategies. To foster such talent, we have set our education philosophy to “develop the creative side of our individuals, to encourage them to challenge the future with passion and devotion to their missions” and implement an education system that promotes the mutual growth of both the company and the individual.

2008 HRD Strategies

Vision				
Global KOGAS: Growing Together with our Customers				
Goal	Self-sufficiency 25%	Productivity 100%	Overseas Profit share 60%	
Strategic Direction	Expanding business network	Dynamic organization	Securing global talent	
HRD Goal				
Reinforcing capabilities to implement our strategies through balanced growth of both the individual and the company				
HRD Strategies				
Reinforcing job fulfillment capabilities		Leading change and innovation	Building HRD infrastructure	
HRD System				
Basic competence	Leadership competence	Job competence	Global competence	
2008 HRD Mission				
Invigorating the organization Core value awareness	Establishing class-based R&R Cultivating communication capabilities	Reinforcing overseas business competencies Innovating education programs at the HRD Center	Upgrading language courses Reinforcing global attainments	

Training investments | KOGAS makes consistent investments in education programs to foster a talented workforce. In 2008, we spent a total of KRW 7.3 billion in training expenses, with a per capita cost of KRW 2.57 million. The 2008 per capita annual education hours stood at 93 hours, similar to that of 2007.

Total Education Expenses/Per Capita (Unit: total: in KRW million/per capita: in KRW 1,000)



※ Per capita education expenses are calculated based on the regular staff numbering 2,848 persons including short-term part-timers.

Development of Specialized Global Talent

Domestic and Overseas Advanced Training Programs | In order to secure global competitiveness as a leading energy company, KOGAS cultivates world leading competencies in its workforces, especially in the areas of overseas resource development and technological service businesses. KOGAS operates commissioned courses for degree and research programs at colleges, both at home and abroad, and on-the-job training (OJT) courses.

Yearly Advanced Training (Unit: persons)

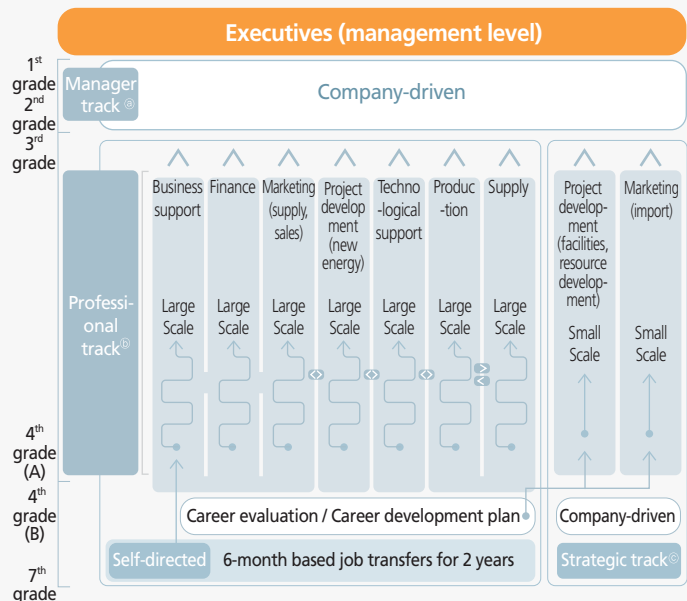
	2005	2006	2007	2008
Domestic	25	10	4	3
Overseas	23	17	6	11
Total	48	27	10	14

※ The 2006 figure is adjusted from 18 to 17 in this report as one of the trainees failed to acquire the degree.

※ The number of trainees have declined since 2007 as we have eliminated the general OJT course and focused more on fostering a specialized workforce.

Career Development Program | In order to become a global energy enterprise, it is essential to secure a talented workforce with job competencies in all of our core businesses. Fully aware of this, KOGAS operates a dual system, human resources development program—a company-driven and a self-directed career development program, thereby satisfying with individual needs of self-development and cultivating the workforce that the company needs.

Career Development System

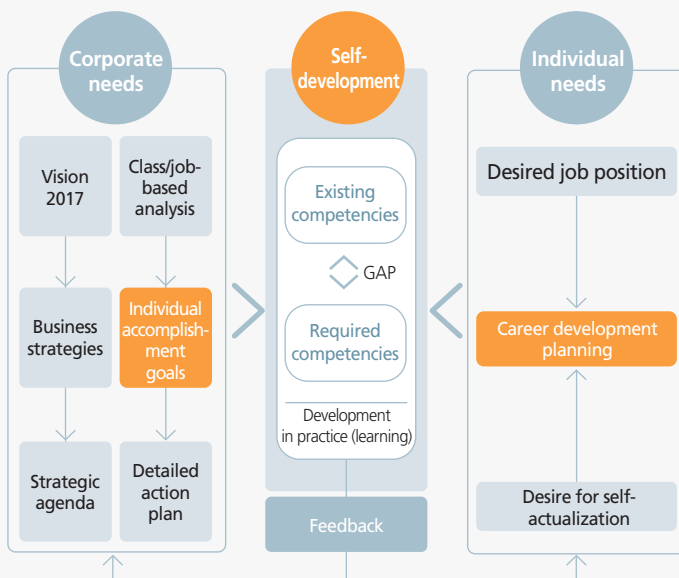


※ ㉑ Manager track: transfers based on supervisors' evaluations, reinforcing manager competencies
 ※ ㉒ Professional track: reinforcing specialties in respective areas, offering opportunities to transfer through qualification screening
 ※ ㉓ Strategic track: reinforcing the job competencies that the company requires, focused on fostering of employees with verified job competencies

Self-directed learning | KOGAS pursues mutual growth of the company and its employees by maximizing both corporate and individual values through its endeavors to establish a culture of self-directed learning. The self-directed learning programs are prepared in consideration of the needs of the company and of the individuals so as to systematically support our employees on their own will during their term of service at KOGAS. The program ranges from courses at external educational institutes such as colleges and graduate schools, to internal OJT courses, specialized license training, Community of Practices (CoPs) and internal online courses. In addition to these programs, we also offer financial support including scholarships, reimbursement of language test fees and study expenses, as well as incentives for acquiring new licenses to motivate our employees for continued learning.

Mutual growth of the company and community | KOGAS values a work-life balance for the mutual growth of the company and our employees' families. Therefore, we operate family programs for the quality of life of our employees and their families such as weekend family programs, teenager leadership camps and English camps. In fulfilling our social responsibilities to our local communities, we also operate a KOGAS Academy for local residents, where socially prominent figures give monthly lectures on a variety of subjects. These activities assist in our multi-layered analysis of the organizational and individual needs of our internal stakeholders and the assembly of optimal education programs.

Multi-layered analysis system



Mutually Prosperous Labor-Management Relations

KOGAS fully abides by the “ILO Convention 87. Freedom of Association and Protection of the Right to Organize Convention” and “ILO Convention 98. Right to Organize and Collective Bargaining Convention” and respects the workers’ rights. Founded in November 1985, the KOGAS labor union is under the umbrella of the Federation of Public Services of the Korean Confederation of Trade Unions (KCTU). The union employs a union shop system, where all employees under 3rd grade are automatically entitled to membership. As of the end of December 2008, 2,454 persons, or 86.16% of the company’s regular staff, held membership in the union.

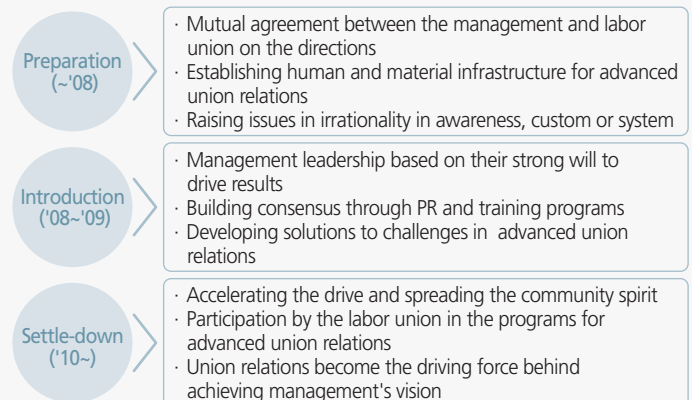
Mid to Long-Term Strategies for Labor-Management Relations

We learned a lesson from the labor dispute which ensued over the election of the KOGAS president in October 2008. From this lesson, we developed a strategic plan for advanced union relations. Focused on enhancing and mending awareness, customs and systems, the strategies will facilitate producing and sharing common values based on mutual trust.

Definition of Advanced Union Relations

Category	Definition
Advanced awareness (subject of Union relations)	Both labor and management share common values as a co-prospering community of shared destiny and strive to achieve our vision with creativity and passion
Advanced customs (customs of Union relations)	In compliance with regulations, labor and management fulfill their respective roles and duties through transparent management and active communications
Advanced systems (systems of Union relations)	Forging the platform that contributes to the public welfare through balanced and harmonious labor rights and management rights, yielding co-prosperity for both the employees and the company

Union Relations Roadmap



Cooperative Union Relations | We hold regular labor councils to provide the best possible treatment and working conditions for our employees in protection of their labor rights and to improve their social and economic position. Comprised of equal numbers of representatives from both sides, the labor council holds branch meetings at each district division in addition to the central meetings. Since our listing on the stock exchange in December 1999, we have financed an employee stock ownership plan (ESOP), installing the pride of ownership in our employees and improving corporate productivity. As of the end of 2008, the ESOP holds 3,364,001 shares, or 4.35% of the outstanding shares of KOGAS.

2008 Labor Council Meetings

Category	No. of meetings	Major Agenda Items
Central meetings	2 times	<ul style="list-style-type: none"> Improving the maternity leave system, improving treatment of functional workers, supporting the society benefit service, abolishing the support of interest in the ESOP, mending labor council regulations and improving the optional welfare benefit programs
Branch meetings	30 times	<ul style="list-style-type: none"> Improving employee welfare (adding day care center at Tongyeong) Improving working conditions (installing Sky Park on the rooftop of headquarter)

Labor-Management Communication Channels | In addition to the "Cheongyeon Culture Festival," an annual labor-management festival, we operate a weekend family camp and a quarterly event, "harmonious labor-management day," to improve mutual understanding and cooperation. In particular, many of our district divisions turned the "harmonious labor-management day" into a "labor-management voluntary service day," garnering good responses from local communities. As stipulated in the collective bargaining agreement, the company gives advance notice of any significant changes in management issues such as restructuring or reorganization to the labor union, listens to their opinions and reaches a consensus on the issues before executing the plans.

Welfare Programs

Welfare benefits | KOGAS operates a transparent and efficient welfare program, allocating a certain amount of subsidies every year to our employees. From 2007, we adopted a welfare card program, with which our employees can pay for leisure, car maintenance, education and medical services. In 2008, we amplified our health management programs in response to our aging workforce. Based on the employee satisfaction survey, we are also expanding day care centers at work, improving the medical subsidies program and planning to adopt an employee assistance program (EAP).

Optional Welfare Expense Budget Execution (Allocated to Employees) (Unit: KRW in millions)

Category	2005	2006	2007	2008
Amount	8,123	9,296	9,441	9,315

Improved welfare programs in consideration of the aging workforce

Category	Details
Expanded health programs	<ul style="list-style-type: none"> Promoting health through extended health check-ups and anti-tobacco campaigns Improving the health check-up system by expanding the optional such as lung CT and large intestine checks for employees aged over 50 for the early diagnosis and treatment of cancer Specialized anti-tobacco program

Improving welfare system in reflection of the satisfaction survey

Category	Details
Expanding day care facilities	Encouraging employees to work in the remote areas and stimulating childbirth by improving the day care system at Tongyeong
Improving medical subsidies	Improving employee satisfaction by broadening the medical subsidy limits in tandem with increasing medical expenses due to the aging workforce and their families
Promoting EAP	<ul style="list-style-type: none"> Improving employee engagement and productivity through stress management programs Employee survey on the EAP program (72% approved the program)

※ EAP: Employee Assistance Program

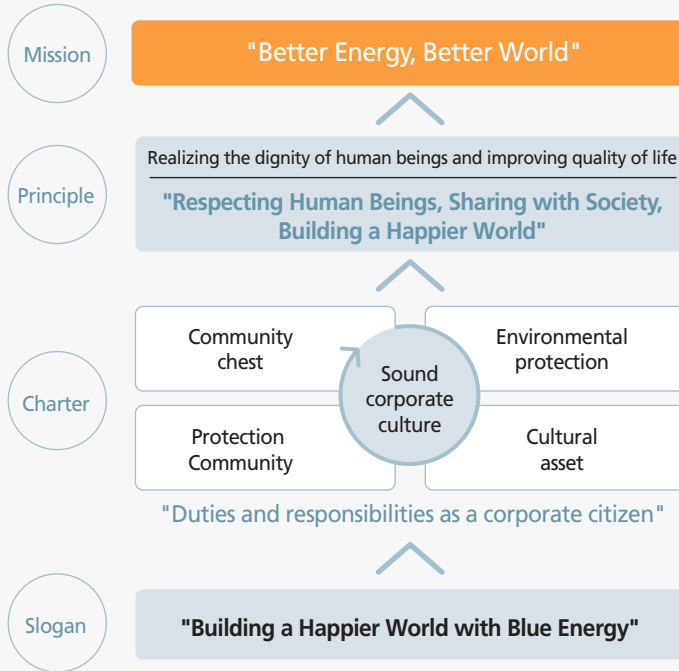
Building a Happier Society with Neighborhood

Returning benefits to society for their unwavering support throughout our 25 years underscores the premise of our management principles. This is the main reason behind all of our activities to build a happier society. We deliver dreams and hopes to marginalized neighborhoods through our social contribution activities by each district division, nationwide. As a clean energy provider, KOGAS takes the lead in environmental protection activities to pass on a greener world to our next generation under the slogan of "building a happier world with blue energy."

Social Contribution Activities

As a responsible corporate citizen, KOGAS has operated its Cheongyeon voluntary Corps since 1999 to deliver organized social contribution activities. In 2007, we set up a dedicated team for the strategic practice of social contribution activities. In 2008, marking our 25th anniversary, we proclaimed our social contribution charter and instituted a slogan and emblem.

KOGAS Social Contribution System



Social Contribution Organization & Decision-Making Process



Our pledge to social contributions
“Social Contribution Charter”

In order to achieve our vision and mission of “better energy, better world,” KOGAS proclaims our basic principles and commitment for social contribution, which are executed through our activities to “build a happier world with blue energy.”

- We believe that our social contribution activities help realize human dignity and improve the quality of life for everyone whom these activities touch.
- In addition to the basic business activities that contribute to the national economy and public life, we return our profits to society and fulfill our corporate social responsibilities.
- We protect our environment and actively participate in the initiatives to protect Korean traditional culture and promote these initiatives.
- We spread dreams and hopes to our communities and marginalized neighbors and support them in realizing their own vision so that they can acquire self-esteem and courage as respectable citizens.
- We realize a trust-based, positive corporate culture through our social contribution activities and strive to become a respected company by the public.

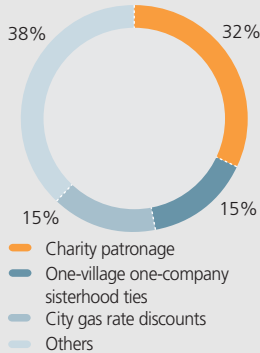


Voice of Customer

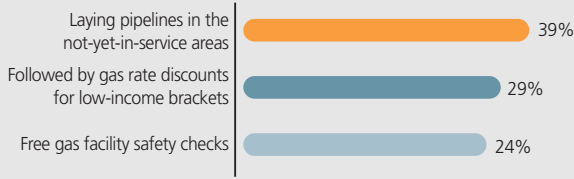


To insure effective social contribution activities, KOGAS conducted a survey of the 77 charities nationwide with which our headquarter and district divisions maintain partnerships. The survey results served a good opportunity for us to better understand our current stature and the needs of our stakeholders.

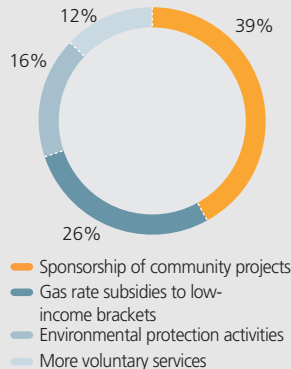
Social recognition of KOGAS' social contribution activities | Of our social contribution activities, the public recognition was high in our direct and primary activities such as charity patronage (32%), one-village one-company sisterhood ties (15%) and city gas rate discounts (15%).



Stakeholders' demands from natural gas business | Public demand was found to be highest for supporting the construction expenses of laying pipelines in the not-yet-in-service areas (39%), followed by gas rate discounts for low-income brackets (29%) and free gas facility safety checks (24%). Therefore, we plan to introduce gas rate discounts for low-income brackets starting in 2009.



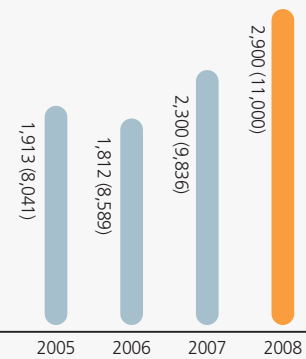
services | Respondents picked "sponsorship of community projects (39%)," "gas rate subsidies to low-income brackets (26%)," "environmental protection activities (16%)," and "more voluntary services (12%)" as areas requiring our future attention.



Public Welfare Programs

Discount rate for charities | As part of our initiatives to support the stable livelihoods of marginalized classes, we offer product discounts to social charities. Through this program, we supported 11,000 charities including those for the disabled, children and the elderly in 2008. Applying the lowest rate for industrial gas, we discounted the bills to these charities by a total of KRW 2.9 billion in 2008.

Charity's Gas Rate Discounts [Unit: KRW millions(No. of Charities)]



Gas safety welfare services | KOGAS conducts regular safety checks of the public gas facilities at hospitals and schools and improves worn facilities. Our District Divisions across the nation cooperate with local gas companies on gas safety checks for marginalized people and conduct gas safety street campaigns. We also provide with gas safety classes for elementary students located in the neighborhood of our pipelines, improving their awareness of gas safety.



Investment in health for marginalized people-KOGAS Health-Sharing Project | In cooperation with the Community Chest of Korea and the Korea Association of Medical Social Workers, the "KOGAS health-sharing project" provides with medical support to our financially-challenged neighbors. From November 2008, we prepared a program to support the medical expenses for cataract operations for low-income residents near our headquarter and 11 district divisions. Starting from 2009,

we have subsidized the medical expenses for 200 cataract patients and two corneal transplant patients. In particular, we expanded the scope of our support to the income bracket right above the lowest income group who fall short of the legal poverty line. In the future, we will expand our medical support for other residents who live in the blind spot of medical service.



Affirmative Action I In our recruitment of 11 new employees in 2008, we employed all of them from low-income families, employment protected groups and the physically challenged.

Low-income families	Employment protected groups	Physically challenged	Injured	Good conductors	Total
2 persons	8 persons	1 person	-	-	11 persons

Creating jobs for the community I We operate day care centers at our headquarter and district divisions in Ansan and Pyeongtaek. We also provide local resident with jobs in the areas of security, cleaning of the headquarters and district divisions, as well as the facility maintenance of our Jeongseon Training Center and Gas Science Museum.

Day Care Centers

Region	Headquarters	Ansan	Pyeongtaek	Total
No. of workers	Superintendent (1), dietitian (1), cook (2), teachers (10)	Superintendent (1), dietitian (1), teachers (4)	Superintendent (1), dietitian (1), teachers (6)	28 persons



Environmental Protection & Mecenat Activities

Realizing vision of clear sky through 'BLUE SKY PROJECT' I Blue Sky Project is an initiative to reduce air pollution from cars in metropolitan areas and to pass on clear blue skies to the next generation in cooperation with civic groups. Having started in 2005 as a joint project of KOGAS Chungcheong Branch and Green Korea United, the project involves measuring and analyzing city air pollution, broadcasting the results and producing education materials for juveniles. In 2008, the project spread into four major cities including Seoul, Incheon and Gwangju and has become the representative environmental protection program of KOGAS.



2008 Blue Sky Project Activities

Nationwide	By region
Simultaneous measurement and announcement of air pollution nationwide in September and October Simultaneous posting of environmental columns in the house journals of both organizations Holding a Korea-Japan joint symposium Juvenile program: field trip to the environmental group in Osaka, Japan	<ul style="list-style-type: none"> Seoul: surveying 500 spots, and mapping out air pollution location Daejeon: producing bicycle calendar and case study on asthma Incheon: public good campaign on transportation broadcasting and public essay contest Gwangju: holding forums on surveying air quality and residential damage

"1 cultural asset, 1 company" campaign I KOGAS has been engaged in cultural asset protection activities to protect the nation's cultural assets from fire disaster through safety check-ups and donating extinguishers. For these activities, we received an excellent contributor award from CHAK and a "2007 Cultural Industry Award" from Hankook Ilbo. In 2008, 364 of our employees participated in activities at 33 cultural heritage sites. Starting from 2008, we have extended our support to intangible cultural properties.

Sincere Care for the Community

Community engagement programs | KOGAS implements region-friendly projects through its network of headquarter, 3 LNG terminals and 8 district divisions. In addition to the KOGAS Academy that meets the cultural needs of local residents, we sponsor various projects by local charities. We also volunteer to provide free-meal service, sponsor foster families, support English classes in countryside elementary schools, and conduct campaigns to reduce food waste. We also maintain sisterhood ties with 16 rural villages, 12 schools and 2 military corps and support them with various capacities.



Free access to Gas Science Museum | KOGAS Gas Science Museum demonstrates the whole process of the natural gas industry from production to supply to end-users through visual and auditory exhibits. Located in the LNG receiving terminals of KOGAS at Incheon, Pyeongtaek and Tongyeong, admission to the centers is free. We also provide transportation services to those in need, ensuring more visitors share the opportunities to experience the center.



Gas Science Museum Visitors (Unit: person)

2005	2006	2007	2008
100,982	101,262	102,069	101,352

Love-sharing Concert | KOGAS actively sponsors local cultural and art events and supports local musicians' activities, preparing venues for local residents to enjoy these cultural activities. The "charity concert" provides social workers from our sister charities and local communities to share and enjoy the cultural events. We will continue to hold communion with local communities and residents through diverse cultural and art events and sponsorships.



It was more significant with KOGAS' participation.



Voluntary service may be the most beautiful gift a human being can offer.

Seongnam Wind Orchestra was organized as a voluntary corps of musicians. Every constituent happily joined various activities with pride in their activities. This year, we held a wonderful year-end concert in partnership with KOGAS. I hope this event set a good example of cultural events for the co-prosperity of the company, community and local cultural groups. Furthermore, I hope these endeavors continue to improve and build a good cultural infrastructure in the communities, providing more opportunities to enjoy quality cultural events for culturally-underprivileged people.

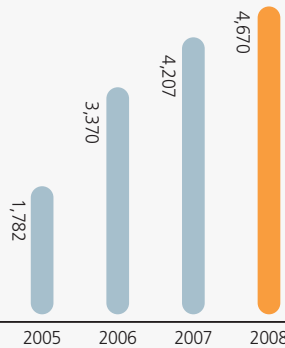
Kim, Gi-Deok, Seongnam Orchestra Leader



Matching grant program | The Cheongyeon Fund is funded by payroll contributions from participating workers along with a matching grant from KOGAS to sponsor 54 charities and 86 marginalized neighbors. The number of participants now includes 1,631 persons.

	2005	2006	2007	2008	
Participants (persons)	1,369	1,369	1,561	1,631	
Sponsorship	Charity (places)	23	22	46	54
	Individual (persons)	40	34	83	86

Accumulated participants (Unit: persons)



Interview

Expectations are high on KOGAS voluntary services



We collaborated with KOGAS employees in the voluntary service of "making a enjoyable book-reading box." I was touched by the sincerity of the volunteers in their activities and by their passion and determination to serve the local communities. I hope KOGAS continues these valuable activities for the co-prosperity of

both the company and community by actively addressing the community issues and problems.

Lee, Ji-Yeon, Secretary of Volunteer 21

Juvenile Education Projects | In order to ensure equal opportunities of education for our future generations, KOGAS selected 100 ardent students from low-income families and sponsors their tuition for middle and high schools. In a bid to foster good vocational high schools, we entered into a sisterhood tie with Daegu Electron Technical High School, sponsoring scholarships, educational materials and various other school activities. We also sponsor schools in rural areas through our sponsorship of the Tongyeong Byeokbank Elementary School with funds and support of English and computer instructors. In the future, we plan scholarships for university students studying the natural gas industry, developing them as talent for the future of the energy industry.

KOGAS Scholarships

No. of scholars	Qualification	Amount	Selection
100 students / year	Financially-challenged middle and high school students	· Middle school students: KRW 1 million/year · High school students: KRW 1.6 million/year	Recommendation by school principal and screening

Global Social Contribution Activities

Delivering hope and love in East Timor | East Timor is a strategic point to KOGAS in its overseas resource development project. With an annual per capita income of US\$ 300, East Timor is classified as the lowest amongst the less developed countries (LLDC), requiring global attention and care. In a bid to promote mutual friendship with the country, we have conducted voluntary services in the country since 2007. Our activities include supporting medical volunteer services, voluntary works, and supporting supplies for the needy. We will continue such overseas social contribution activities as a responsible global corporate citizen.

East Timor Social Contribution Activities

Year	Period	Activities
2007	Sep. 11 ~ 16	Supporting medical service by Seoul National University
		Visits to orphanages and supporting school requirements
		Voluntary work at native villages
2008	Oct. 11 ~ 17	Voluntary work at native villages
		Supporting supplies and soccer supplies



Sponsoring East Timor Youth Soccer Team | The East Timor Youth Soccer Team is realizing their dream of developing future soccer players despite their poor environment, presenting “hope” for the country’s future of soccer. Ever since 2007 when they came and visited Korea to participate in the International Friendly Soccer Tournament, we have been sponsoring the team.

East Timor Youth Soccer Team Sponsorship

Year	Period	No. of persons	Sponsorship
2007	Oct. 14 ~ Nov. 8	40 persons	Providing accommodations, meals and playing fields
2008	Aug. 25 ~ Sept. 23	25 persons	Providing soccer supplies (uniforms, balls, shoes, etc.)



Aiding Myanmar Nargis victims | KOGAS held “Walk Tancheon for Nargis Victims” in cooperation with the Bundang-gu office and Bundang Gumpu Marathon. Walking the 5 km promenade along with 1,500 residents, our employees and the participants raised funds to which KOGAS also contributed, raising a total of KRW 38.7 million and delivered it to the Myanmar Embassy. In addition, the company sponsored KRW 50 million through its consortium for the A-1 and A-3 mining blocks, to support medical facilities and children’s welfare projects.

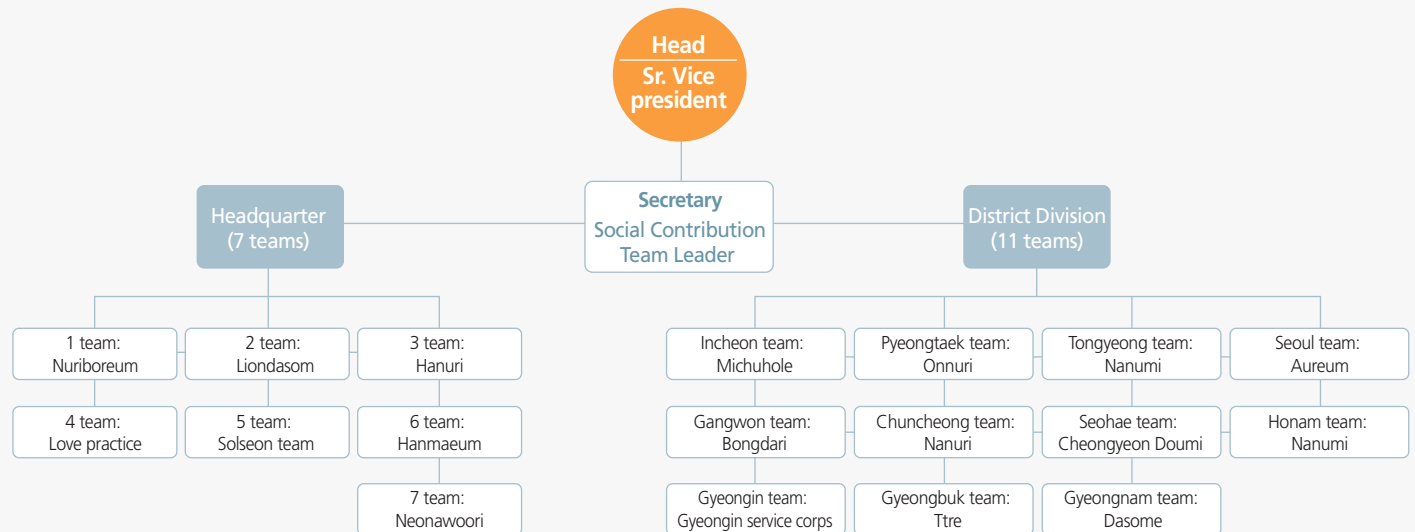
36.5°C Human Energy, KOGAS Volunteer Service Corps

At the center of our social contribution activities to realize our management philosophy of “better energy, better world” is the KOGAS Volunteer Service Corps (VSC). KOGAS VSC embodies the corporate management philosophy of building a better world by providing better energy through its human energy.

Launched as the former Cheongyeon Volunteers Group in April 1999, KOGAS VSC will mark its 10th anniversary in 2009. Over the past decade, KOGAS VSC has always spearheaded our fulfillment of social responsibilities in our neighborhoods. In May 2008, we held a declaration ceremony of our social contribution charter, reiterating our determination for social contributions.

KOGAS VSC provides not only material support to our underprivileged neighbors but also setting up the platform itself for a happier society through continued volunteer work.

KOGAS VSC Organization



Mutual Growth Activities

Increasing SME Product Purchases

In response to the national policy to foster and support SMEs, KOGAS makes purchases from SMEs and supports their R&D activities in pursuit of mutual growth. We have set SME product purchase goals and devised expansion plans to offer more opportunities to our SME partners. While training the employees in charge of these goals, we conduct monthly progress checks on their achievements. To date, we have outperformed our targets. In particular, we invite biddings from SME suppliers for 220 items designated by the Small and Medium Business Administration (SMBA) before we make our purchases. We also identified construction materials that can be directly purchased from SMEs to expand our SME purchase practice.

SME Product Purchases

	2005	2006	2007	2008
Total Purchases (A)	5,791	9,619	10,356	8,184
Items	1,689	1,827	1,588	2,011
Construction	3,337	7,376	7,741	5,640
Services	765	416	1,027	533
Purchase from SMEs (B)	1,480	1,432	1,637	1,554
Ratio (B/A)	25%	15%	16%	19%

Supporting SME Technology Innovation

As Korea's leading natural gas provider, KOGAS develops core components and technologies for the operation of its gas facilities. At the same time, we support SMEs' R&D activities through guarantee purchase options, motivating them to further invest in R&D activities.

New product development projects with purchase guarantees I

KOGAS is obliged to invite public biddings for any purchase under governmental regulations. However, we select a couple of items every year to fund SMEs development activities and make priority purchases of these developed items for two years. Through this program, we have developed 5 new items and have purchased KRW 830 million worth of products as of 2008. Since 2005, we also purchased KRW 7.9 billion in additional products from those SMEs who possessed excellent technologies in NEP and other key products, supporting our SME partners to recover their R&D investments early on.

Localization of terminal equipments I By localizing the facilities and the parts for our LNG receiving terminals, we not only contribute to the national economy but also reinforce the stability of our facility operation by reducing the procurement period. For these reasons, KOGAS proactively supports and encourages the localization of our LNG receiving terminal facilities. In 2008, we localized 37 items, saving KRW 699 million in expense. We placed orders to our SME partners worth KRW 508 million.

Localization Performance of Terminal Reserve Supplies (Items)

	2005	2006	2007	2008
Pyeongtaek	7	5	7	7
Incheon	24	5	9	2
Tongyeong	13	12	22	28
Total	44	22	38	37





Building a better future for the next generation through environmental management



We are building a safe and agreeable working environment by adopting the environment, health and safety management system (EHS). By protecting nature, we are protecting our own livelihoods. As a clean energy company, we take both responsibility and the lead in minimizing environment impact.

Environmental Performance

Disclosure on Management Approach

Approach

We control and manage the environment, health and safety of our work places through our EHSQ management system, which is equipped with a TQM process to insure efficiency and effectiveness. As for the environmental aspect, in particular, we are committed to the global environmental initiatives and to the national drive for green growth, beyond mere environmental controls, to minimize pollutants.

Strategies

We make sure that the environment, health and safety of our workplaces are controlled effectively and efficiently through the EHSQ Management System. As an energy company, we will continue our environmental activities, while maintaining friendly relationships with our local communities, especially in protecting the local environment. In order to properly address the environmental issues that might be attendant to our overseas expansion, the main initiative of KOGAS, we will continue to reinforce and enhance our internal attention and build our competencies in these matters, for the mutual, sustainable development of the company, the environment and society.

Performances & Plans

Category	Items	Major Performances		2009 Goals
		2007	2008	
Greenhouse Gas	Emissions (tCO ₂)	385,595	471,751	476,783
	Unit load	15.1	17.9	17.4
NOx emissions	Emissions (kg)	241,731	371,820	317,653
	Unit load	9.49	14.1	11.6
Wastes	Emissions (tons)	13,947,252	8,636,113	–
	Unit load	0.55	0.32	–
Energy consumption	Energy consumption (TOE)	170,510	212,954	207,873
	Unit load (TOE/1,000ton)	6.70	8.08	7.95
Environmental Activity Expenses	Environmental Activity Expenses	KRW 21,510 million	KRW 21,984 million	–
Industrial accidents	Cases	1	3	0
Safety management levels	Safety management system	81%	84%	85%

※ No goals set for wastes since it is a factor of the market demand for construction.



EHSQ Overview

We can realize a stable supply of natural gas only when we can secure integrity and safety in our operations. Therefore, KOGAS has employed an EHSQ Management System to adopt and implement the most effective management methods through the identification of hazards and a thorough assessments of risks. The whole process of the system is designed to apply total quality management (TQM), which minimizes potential risk factors at the workplaces by reinforcing the integrity of our facilities and preemptively detecting and minimizing potential risks that might have an adverse impact on our suppliers or the local community, securing the health and safety of everyone. As a responsible corporate citizen, KOGAS also proactively participates in the global environmental initiatives to minimize climate change.

EHSQ Management System

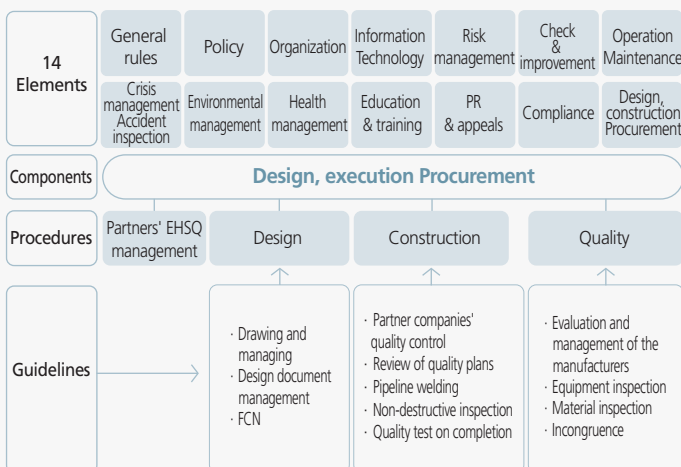
The 1994 valve station explosion sent a wake-up call to KOGAS to review and take a new approach to its safety management. Benchmarking the safety practices of Mobil (now Exxon Mobil), we have developed a management system that provides an integrated control of the environment, health and safety. Called environment, health and safety management system (EHSMS), the system has improved over time through revisions and responses to changing operational conditions, and was recently renamed as the EHSQ management system. The core feature of the EHSQ management system is to define the responsibilities of each unit's, enabling efficient execution and reinforcing the objectivity and specialty of its evaluations through the segmented operation of the evaluation system. In addition, by documenting the overall activities in the form of regulations, procedures and guidelines, we were able to secure consistency and coherence in the operation of these activities.

EHSQ Management System

EHSQ Management System

This is a comprehensive system to identify and analyze hazards present in the environment, health, safety and quality (EHSQ) control areas, and to prevent and mitigate the impact of accidents at the source. Consisting of 14 elements which satisfy with all of the requirements in environment, health, safety and quality, the system also includes provisions for organizational structure, planning, accountability, procedures and the efficient allocation of human and material resources.

EHSQ Management System Organization



EHSQ Management Vision & Strategies

EHSQ Management Vision-Management Practices That Respect Nature & Humanity

We put EHSQ management at the top of our priority list and pursue a course of continuous improvements and preventive activities to insure a safe and sound workplace. Through these efforts, we ensure the health and welfare of our employees and the public, providing a high quality of service to satisfy our customers.

KOGAS strives to enhance the safety awareness of all employees by sharing management policies and behavioral guidelines that minimize risk factors. We operate the EHSQ management system to secure the health and safety of our customers and community as well as our employees, and environmentally-friendly operations. To that end, we strive to establish a cultural platform to practice the EHSQ system as value guidelines for the activities of our employees, while working to advance the operation of EHSQ through technological development. In the future, KOGAS will secure global standards of competitiveness through the implementation of a global leading EHSQ management system, participation in EHSQ expert overseas projects, continued reinforcement of a quantitative EHSQ management system and commercialization of our EHSQ control technologies. At the same time, we will share our expertise and experience in EHSQ control with the gas industry for mutual growth.

EHSQ Management System Competitiveness Upgrade Roadmap





Environmental Policies

Since 1997, when KOGAS first declared its environmental management program, it has consistently worked on evaluating and minimizing environmental impacts.

Applying stricter standards on pollutant emissions than legal requirements, we endeavor to implement practical plans to reduce greenhouse gas (GHG) along with a number of campaigns in concert with global environmental initiatives. In particular, we are preparing ourselves to spearhead the new government-driven energy policy towards green growth.

Environmental Performance Evaluation

KOGAS has worked on an environmental performance evaluation (EPE) system that satisfies both domestic and international guidelines since 2007. By objectively and quantitatively evaluating the performance and results of environmental activities indicators, we are able to identify and implement agendas for improvement of environmental management and operation in the workplace. The annual evaluations of these performance indicators enable us to understand our environmental management levels in the proper perspective.

Environmental Crisis Management System

In order to effectively and efficiently respond to an environmental emergency, KOGAS developed an "Environmental (Marine) Pollution Control Manual" in 2007, and conducts regular drills to reinforce its competencies. The drills include not only scenario-based drills against safety disasters and general accidents but also practical action drills.

2008 Environmental Expenses

In compliance with the "Environmental Management Accounting Methodology" that we jointly developed with the government, we have developed standards for environmental cost calculation in 4 categories of activity—pollution prevention, pollutant treatment, stakeholder activities and legal compliances. Of our environmental costs of KRW 22 billion, most of the expenses were allocated to pollution prevention activities, followed by pollutant treatment, stakeholder activities and legal compliances subsequently.

Environmental Expenses Breakdown

Pollutant Treatment	Facility investment, environmental activities and R&D expenses to eliminate environmental impact at source	Internal
Pollution Prevention	Commissioned treatment cost of water pollutants and wastes	
Stakeholder Activities	Regional environmentally-friendly projects, support of events by environmental groups, environmental commercials, etc.	External
Legal Compliance	Environment improvement charges, environmental charges, penalties for violations, etc.	

Costs of Environmental Activities in 2008 (Unit: KRW millions)

By Activities By Media	Pollutant Treatment	Pollution Prevention	Stakeholder Activities	Legal Compliance & Recoveries	Total
Air	474	5,257	–	–	5,731
Water	990	66	–	–	1,056
Waste	642	17	–	–	659
Noise & Vibration	679	1,103	–	–	1,782
Land	6	11	–	–	17
Common	1,081	5,822	–	–	6,903
Others	67	4,314	1,352	103	5,836
Total	3,939	16,590	1,352	103	21,984

Annual Costs of Environmental Activities (Unit: KRW millions)

Year	Pollutant Treatment	Pollution Prevention	Stakeholder Activities	Legal Compliance	Total
2005	2,153	16,187	1,506	132	19,978
2006	2,414	16,973	1,178	105	20,670
2007	3,456	16,273	1,634	147	21,510
2008	3,939	16,590	1,352	103	21,984

Environmentally-Friendly KOGAS

Increasing EDF certificate premises | KOGAS conducts a life cycle assessment (LCA) on the potential and actual environmental impact of life cycle processing of natural gas from raw material acquisition, refining and manufacturing, to usage and treatment of wastes. Based on the results of the LCA on our Pyeongtaek Terminal, we acquired a certificate of environmental declaration of products (EDP) from the Korea Eco-products Institute, a first in the Korean energy industry (Certificate No. EMC-2007-008).

In 2008, we expanded the certificates to our Incheon and Tongyeong Terminals, enhancing the accuracy and reliability of the environmental information on natural gas, a clean fuel, while contributing to the enhancement of LCA technology.

※ Environmental Declaration of Products (EDP): Based on a Life Cycle Assessment (LCA), a declaration is made on a product for its measured environmental performance. (III-type environment labeling of ISO). It includes information about the environmental impact associated with a product or service, such as raw material acquisition, manufacturing and waste generation.

Efforts to Reduce Pollution

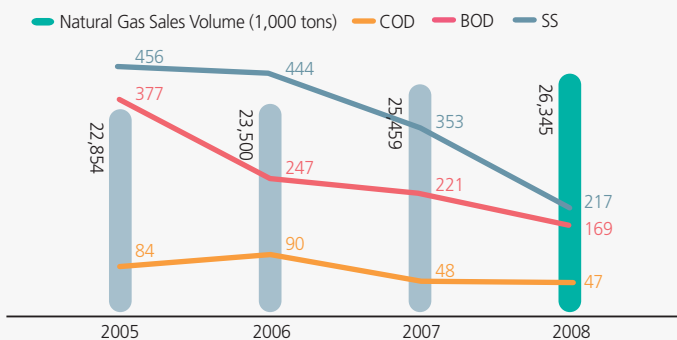
As KOGAS imports natural gas in the form of LNG and supplies the compressed or vaporized gas through pipelines to the nation, its operation of natural gas facilities has little environmental impact. Therefore, our efforts are focused on minimizing any potential environmental emissions.

Water Pollution Control

Sewage discharge | Of the three LNG receiving terminals of KOGAS, the Pyeongtaek and Incheon Terminals treat the sewage water at their respective on-site treatment facilities before discharging the water into the sea. The sewage water from the Tongyeong Terminal and valve stations of the Trunk Line Operation Department is sent to city wastewater treatment facilities. We control the pollutant concentration of all our effluents within the legal requirement of 20 ppm. In 2008, the unit load of water pollutants improved from the previous year thanks to the reduced water usage.

Industrial water discharge | KOGAS' LNG production process has negligible impact on water pollution as it entails little water usage. Still, we pursue perfection in controlling any potential water pollutant emission. The Incheon Terminal operates its own oil mixed water and general water treatment facilities to treat the wastewater from its cogeneration facilities and laboratories. Other business premises recycle most of their used water within their own premises after eliminating water pollutants. Seawater used in vaporizing LNG is discharged without any negative effect.

Water Pollutant Discharge & Unit Loads



※ Based on the emissions at Pyeongtaek and Incheon Terminals

Hazardous Chemical Control

KOGAS uses caustic soda (NaOH) and hydrochloric acid (HCl) to control pH levels within the water tank of its submerged combustion vaporizers (SMV) of LNG. The use of these substances has increased continuously with the growing market demand for natural gas over the past five years.

Hazardous Chemical Consumption and Unit Loads

	2005	2006	2007	2008
Natural Gas Sales Volume (1,000 tons)	22,854	23,500	25,459	26,345
Used Amount (kg)	220,480	197,401	169,093	322,420
Unit Load (kg/1,000 tons)	9.65	8.40	6.64	12.23

※ NaOH consumption rose in 2008 from the previous year due to the increased SMV use at Pyeongtaek Terminal

Wastes

Most of KOGAS' wastes generate at construction sites. In 2007, construction wastes rapidly grew due to our facility expansion and pipeline relocations, but in 2008, the figure returned to normal. KOGAS applies stricter standards than legal requirements on its waste handling. The treatment of wastes is outsourced to external expert agencies. The agencies are selected through scrutiny and verification of their actual treatment capacity and methods. We conduct regular audits on their legal compliances.

Waste Discharge & Unit Loads

	2005	2006	2007	2008	
Natural Gas Sales Volume (1,000 tons)	22,854	23,500	25,459	26,345	
Wastes (tons)	General	311,670	639,309	1,078,879	1,344,076
	Specified	648,829	72,327	323,570	214,838
	Construction	4,205,080	6,307,591	12,544,803	7,077,199
Total	5,165,579	7,019,227	13,947,252	8,636,113	
Unit Load (ton/1,000 tons)	0.23	0.30	0.55	0.32	

Safety Performance

KOGAS continues its endeavors to reinforce its competencies and technologies for the safety of its stakeholders. In 2008, we improved our crisis response system, setting a new philosophy of safety control and improving related programs. Especially, our consistent drills for emergency response facilitate the reinforcement of our emergency response capabilities while enhancing the safety awareness of our employees.

Gas Fire Drill Center

We constructed a gas fire drill center within the Pyeongtaek Terminal Division in 2007. Since then, we have reinforced our capabilities in countering fire outbreaks and have enhanced employees' awareness of such incidents through mock gas fire drills. We also open the center to related authorities for cooperative response drills for disasters and accidents.

Gas Fire Drill Center Exercise Roadmap

	2007	2008	2009	2010	2011
KOGAS employees	Technicians	Technicians	Office staff	Office staff	Repeated drills (5-year terms)
Related authorities	Pilot drill	Pilot drill	Expanded drill -Subsidiary Company	Expanded drill -Subsidiary Company	Expanded drill -Subsidiary Company
Customers			Pilot drill	Pilot drill	Expanded drill

2008 Gas Fire Drill Center Operation

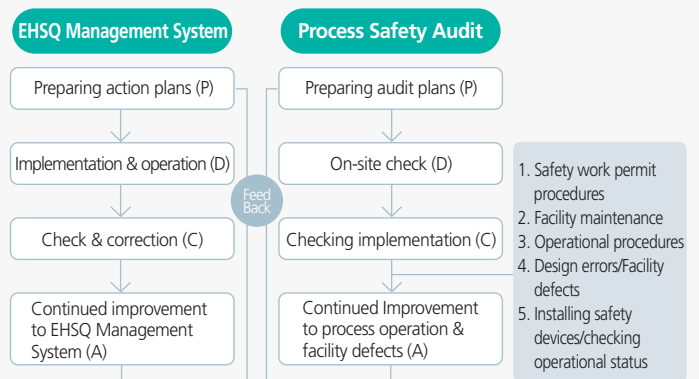
Gas fire mock drills	Participants: 877 persons (46 times for technicians)
Special drills for management	Participants: 11 executives above 1 st grade level including senior executives Objectives: improving management's comprehension of safety and stimulating their attention to safety
Special drills for related authorities	13 related entities including Korea Gas Technology Corporation - Enabling cooperative response to disasters and accidents based on the acquired comprehension of gas fire - Employees of city gas companies



Process Safety Audits

For the efficient operation of our EHSQ at a globally competent level, we adopted a process safety audit system at our facilities. Complimenting the conventional document-based evaluation process of our EHSQ management system, the process safety audit evaluates the appropriateness of each process, develops safe operation plans, and verifies the implementation and appropriateness of the procedures and actual practices. It audits five process factors- facilities, hazards, major operational parameters, protection & relief, and operational safety standards, which are further segmented into 34 details, in order to minimize the potential risks of accidents and disasters in the process. In 2008, we ran pilot audits at three of our business premises. As a result, we were able to identify hazards in the processes of our distribution facilities, taking preemptive measures (3 examples and 27 improvements), and thereby preventing accidents. We plan to expand the application of the audit program to all of our business premises.

Audit Program Process Map



Improving the Evaluation of EHSQ Performances

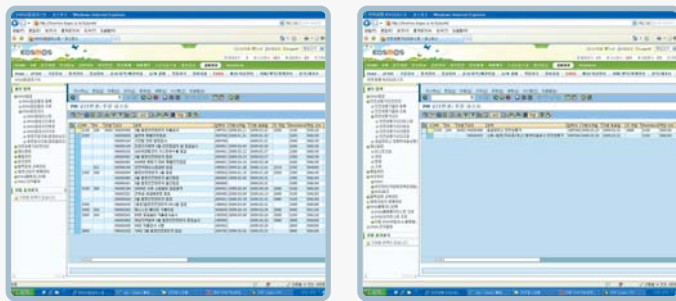
The core feature of the EHSQ management system lies in continuous improvement. The system is reinforcing in reflection of the technological propensity of the rapidly changing natural gas industry. The program of evaluating the efficiency of the system implementation is also improving in step with the changing business circumstances. As part of this effort, we have improved the EHSQ performance evaluation to focus more on the workplaces, reinforcing workplace accountabilities and the efficiency of the consequence cycling system.

Improvements to the EHSQ Performance Evaluation

	Before	After
Reflecting management evaluations	Reflection in management evaluations: 7 points	Enhanced reflection in management evaluations: 10 points
Methods	Headquarter prepared and distributed evaluation protocol	Evaluation checklist workshop (Mar. 27~28) → Incorporate working level idea
Forming a team	Evaluation team members: managers and deputy managers	Team building: all managers
Enhancing EHSQ performance level	94.5	95.7

Integrated Operation of EHSQ Management Program

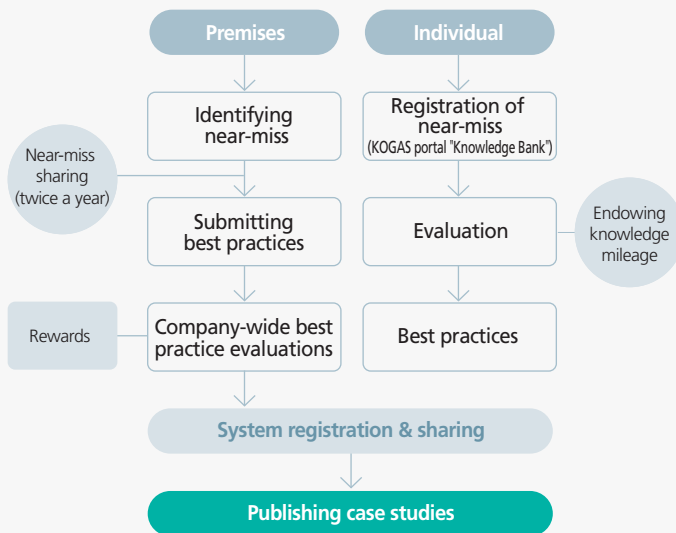
We introduced an enterprise resource planning (ERP) program, integrating the systems of work permit, change management, safety assessment, drills and onsite inspections into a company-wide ERP system. The integrated management of all work-related information has facilitated the standardization of processes, integration of information and facilities as well as their connection. The real-time supply and analysis of all information has contributed to an improvement in performance and efficiency, optimizing our EHSQ management system.



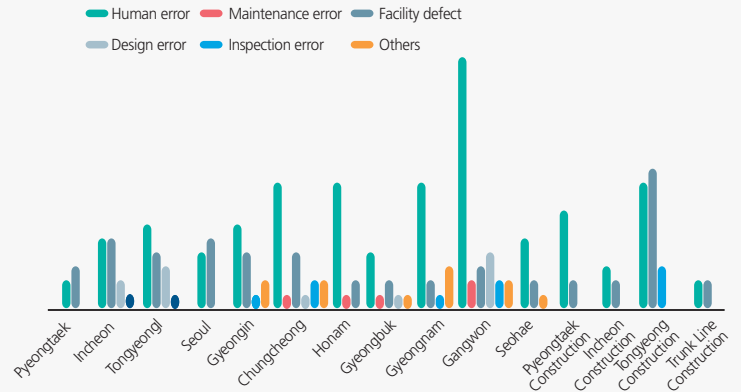
Crisis Control System Effectiveness Verification

Near-miss Follow-up Measures | KOGAS analyzes and evaluates near miss cases which have identified during employee business conduct and intervention, and we reward best practices. By then sharing these best practices companywide, we prevent accidents by preemptively eliminating hazards. These measures help our employees detect in advance, potential hazards for accidents.

Near-miss control process



Near-miss studies



Near-miss sharing folders



Reinforcing the Emergency Response System

KOGAS is reinforcing its emergency response system to preemptively prevent crises that could impact the production and supply of natural gas and to protect the lives and properties of citizens in any disaster or crisis. The Central Control Team in headquarter, we have formed an organic network linking the central control rooms of our 3 Terminal Divisions and the regional control towers of our 8 District Divisions, charged with the round-the-clock, remote monitoring and control of our gas facilities. The network also includes close cooperation with fire stations and other related organizations. We have segmented various types of disasters by potential risk factors and built a database of standard risk control manuals according to each respective scenario. In 2008, we conducted a total of 149 drills involving 10,417 participants yearly base, verifying the effectiveness of our disaster control programs and enhancing our employees' capability to respond to disasters. We also complemented our existing drill programs and developed a drill program to check the reporting system in the event of disasters. As a result, we were awarded the Ministry of Government Administration & Home Affairs' (MOGAHA) prize for excellence in their 2008 disaster control authorities' evaluation.

Disaster Drill Performances

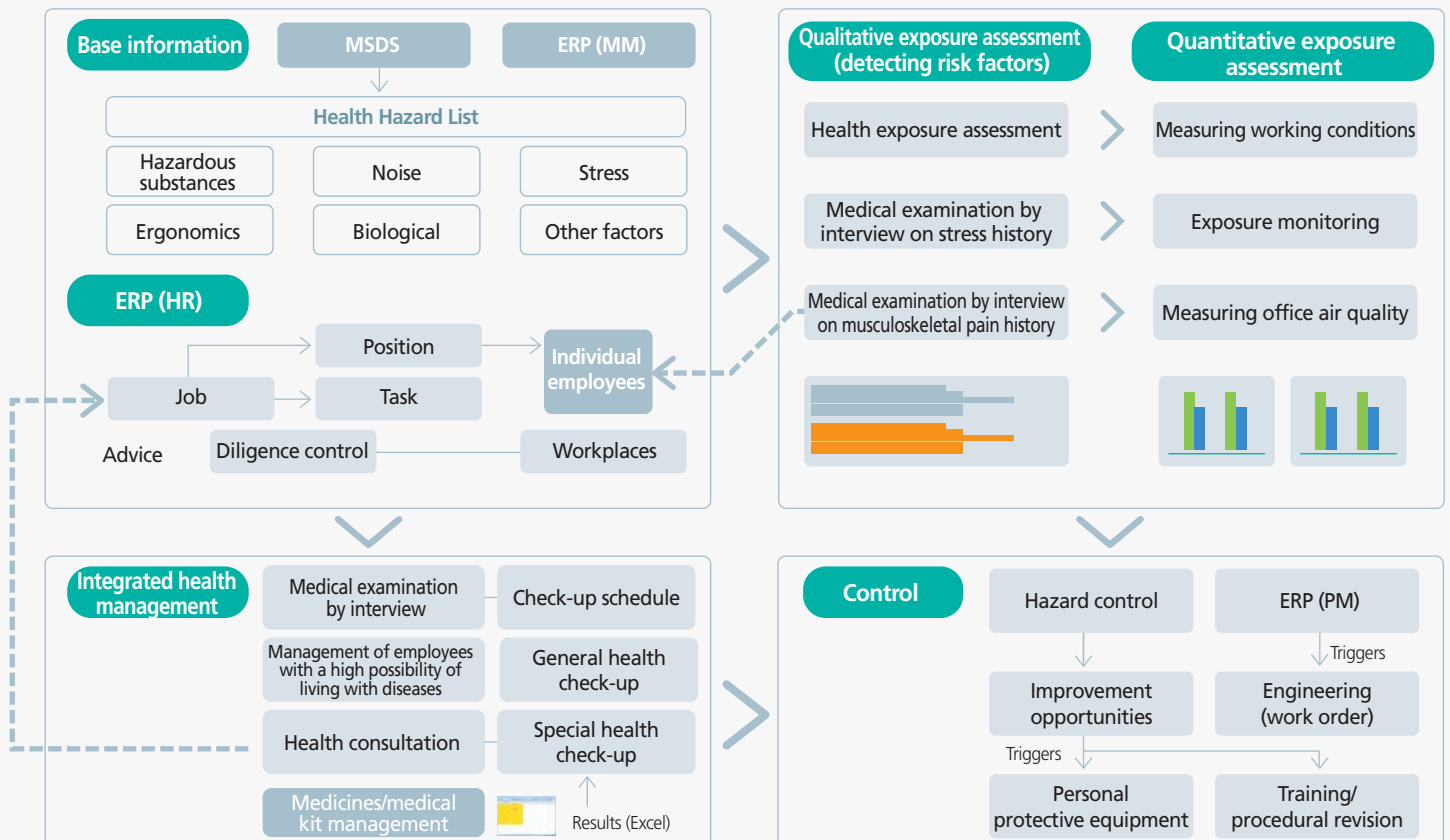
Name	Domestic	
	Cases	Participants
Safe Korea	1	273
Joint Drill	23	1,037
Disaster Drill	57	2,645
Phone-answering	46	6,462
Report System Check	22	-
Total	149	10,417



Health Management

Committed to sound working conditions, KOGAS strives to minimize hazardous factors in the course of duty and to prevent industrial injuries or occupational diseases. We have integrated the existing health management system into our new ERP system, establishing an integrated solution system for health management. Having gone into operation in 2009, this new system facilitates the systematic health management of our employees.

Integrated solution for health management



Occupational Health & Safety (OHS) Committee

KOGAS encourages voluntary activities to enhance health and safety awareness and to prevent industrial accidents. On this purpose we hold quarterly Occupational Health & Safety Committee (OHS) meetings to insure sound working conditions. Comprised of an equal number of representatives from labor and management, the committee discusses major issues for improving the health and safety of KOGAS employees. Matters requiring further discussions are referred to the Labor Council for discussion. Starting with the three premises at Incheon, Pyeongtaek and Gyeongin in 2008, we will expand the practice to all of our business premises in 2009.

Work Conditions and Exposure Assessments

To protect the health of employees and improve their working conditions, our technicians conduct inspections of worksites to monitor exposures to hazardous. The purpose of this program is to identify health hazards, assess risks and to eliminate or mitigate these risks. Preliminary inspections are conducted to measure the working conditions within a month of changes to or commencement of new processes, or every five years in case of changes to substances or facilities. Should a hazardous material be detected, we continue regular measurement and exposure inspections twice a year. In 2008, we conducted this process at one of our premises, which was subsequently found to be safe.



Material Safety Data Sheet (MSDS)

We regularly update our safety data and post the MSDS at the worksites to ensure its accessibility by all. The MSDS communicates to workers the potential hazards and risks of hazardous chemicals, with a focus on health and spill response issues. We also conduct drills and training for the employees and contractors on first aid in the event of fire or chemical substance spill.

Health Check-ups

KOGAS implements annual health check-ups for all employees, commissioning prominent hospitals. Commissioning three hospitals for the check-ups, we provide our individual workers with the option to choose. Classified into A, B and C type checks according to age, these check-ups have helped us steer clear of any serious diseases or death amongst our workforce for the past five years. We also offer bi-annual check-ups for the spouses of our employees. In addition, we operate health care centers within our premises and a designated hospital. To help our employees remain in good condition and to instill a sense of partnership, we hold sports events and hiking sessions every six months. Other welfare programs include such facilities as tennis courts, work-out centers and table tennis facilities as well as sports club programs.

Medical Subsidies

We secured up to KRW 70 million on each of our employees per annum covered by Employer's Liability which includes KRW 6 million for those in selective welfare programs which includes KRW 2.5 million in medical subsidies.

Industrial Accidents

We had a total of 3 industrial accidents in 2008: one case involving a finger amputation during a work-site facility check; one case of a brain hemorrhage on duty; and one case of septicemia while on duty. We ensured appropriate compensation to the injured in accordance with the related regulations and procedures. KOGAS will continue its endeavors in maintaining the safety and health of its employees through sound working condition and health management programs.

	2005	2006	2007	2008
No. of cases	2	1	1	3



KOGAS' Climate-friendly Efforts

KOGAS actively participates in the global initiatives to slow the pace of global warming and minimize climate change. Tapping into our specialty as a clean energy provider, we spare no effort in preventing global warming through campaigns and initiatives to promote natural gas as a green fuel source, develop eco-friendly future energy sources, identify more CDM projects and establish our internal GHG control system.

Council Activities

Initiated in February 2005, the KOGAS Consultative Committee for Environmental Tasks on Climate Change is now in its third committee term as of 2008. In addition to the environmental database and CDM feasibility study, the committee activities under the action plan have included: confirming GHG inventories; participating in the carbon disclosure project; and conducting training courses on climate change and GHG reduction. Since January 2009, we have assigned a dedicated team to respond to the climate change convention and the government-driven carbon-lean green growth policy. While reinforcing our competence to address climate change, we have come up with the following objectives.

- First, to thoroughly analyze climate change risks (physical, institutional and competitive) and form the platform for practical and verifiable GHG reduction projects.
- Second, to proactively participate in the national drive to reduce GHG emissions by practicing cost-efficient reduction projects based on the systematic analysis of GHG emission sources.
- Third, to participate in the rapidly-growing global carbon markets and aggressively pursue business opportunities in the global initiatives against climate change.

Air Pollution

KOGAS' GHG emissions grow in accordance with its increasing domestic natural gas sales. We therefore participate in the global initiatives to reduce GHG emissions. In 2008, we identified our GHG inventories to clarify the sources of GHG emissions from our business premises and analyzed the potentials for GHG reduction.

As a result, we found that the submerged combustion vaporizers (SMV), gas heaters, cogeneration power generators, boilers and air-cooling systems are the main culprits of air pollutant emissions. Therefore, we came up with ways to minimize the pollutant emissions of these facilities. We control the emissions of our cogeneration facilities maintaining levels under

75ppm, half of the domestic legal requirement of 150ppm. The density and flow rate of NOx are controlled and monitored in real time via the tele-monitoring system (TMS) embedded in the stacks. We set and design the NOx emission level of SMVs at 50ppm, injecting combustion gas directly into the water basin to minimize NOx emission.

In 2008, the declines in the supply of seawater for general vaporization resulted in the increased use of SMVs, pushing up the fuel usage amount. Consequently, the CO₂ and NOx emissions significantly rose in 2008 versus 2007.



Submerged Combustion Vaporizer (SMV)



Gas Heater



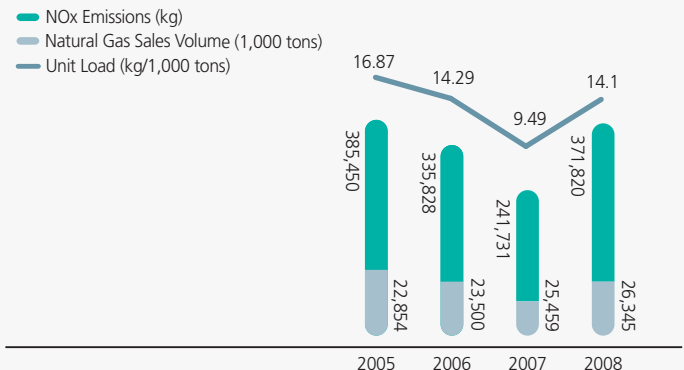
Cogeneration power plant

GHG Emissions & Unit Loads

	2005	2006	2007	2008	
Natural Gas Sales Volume (1,000ton)	22,854	23,500	25,459	26,345	
Emissions (tCO ₂)	Scope 1	231,032	202,411	168,445	228,816
	Scope 2	176,744	182,826	217,150	242,935
Total	407,476	385,237	385,595	471,751	
Unit Load (tCO ₂ /1,000ton)	17.82	16.4	15.1	17.9	

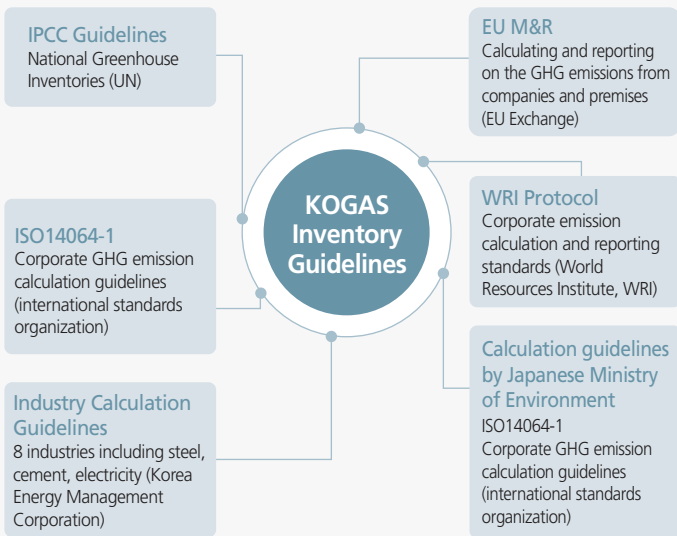
- ※ Calculation scope: Scope 1 (stationary combustion, mobile combustion, process emission), Scope 2 (purchased electricity)
- ※ Third-party verification of 2005~2007 emissions completed (Dec. 2008, Korean Foundation for Quality, KFQ)
- ※ Figures from the previous report have been corrected in reflection of the changes which occurred in the course of GHG inventory-building

NOx Emissions & Unit Loads



Confirming up GHG Inventories

Recognizing the urgency of GHG emission analysis in addressing climate change, KOGAS has set its primary climate change initiative goal for 2008 at third-party verification of GHG emissions and GHG inventory identification at all of its business premises. Our GHG inventory includes not only the direct emissions of stationary combustion facilities, transportation vehicles, process emissions and fugitive emissions but also the indirect GHG emissions from the purchase of external energy sources such as electricity and steam. Since March 2008, we have conducted tour sessions at all of our business premises for the training of our energy officers. Through active communications and consultations with each department, we developed guidelines for KOGAS GHG emission calculation in September 2008. By applying IPCC Guidelines, WRI Protocol, ISO14064-1 and other international GHG emission calculation standards, we have ensured the reliability of our new guidelines, enabling us to calculate our GHG emissions for three years from 2005 through 2007. A third-party verified these figures through written and on-site inspections in October 2008



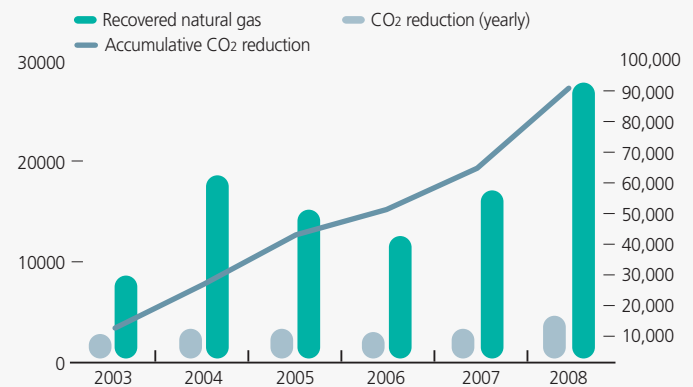
Climate Change Initiatives Major Performances

Initiative	Performance
GHG Inventory	· Preparing up master plans for GHG inventory (Mar. 2008)
	· Developing standard form and on-site interviews (Mar. 26~ Apr. 3, 2008)
	· Survey on emissions from all premises and data collection (May 13 ~ June 20, 2008)
	· Environment and energy officers workshop (July 14~15, 2008)
	· Developing guidelines for GHG emission calculation (Sep. 2008)
Education of Experts	· Completed a third-party verification (Dec. 2008, by the Korea Foundation for Quality, KFQ)
	· Tour training on climate change initiatives at all premises (Sep. ~ Oct. 2008)

GHG Reduction Initiatives

Recycling the vented gas I The repair and relocation of pipelines inevitably entails venting the residual natural gas into the air, releasing gases that have 21 times more global warming effect than carbon dioxide (CO₂). Actively addressing this issue we have adopted recompression equipment since 2003 which recycles the vented gases to save energy and curtail the release of greenhouse gases. With this equipment, we have recompressed and transmitted a total of 4,757 tons of natural gas, saving KRW 3,362 million (based on the 2008 current price), in turn reducing 89,913 tCO₂ equivalent in GHG emissions.

CO₂ Reduction by Recompression Equipment



Increased Energy Consumption due to Declining Sea water Temperature I In coping with the changing business environments driven by the government's carbon-lean green growth policy and the global initiatives against climate change, KOGAS has implemented aggressive energy conservation initiatives. Nevertheless, the unit load of energy use grew 1.43TOE/1,000 tons in 2008 due to the increased fuel usage for SMV at our Pyeongtaek and Incheon Terminal Divisions. Therefore, we set our goal for 2009 at achieving a 10% greater reduction than our original energy conservation target and plan to conduct extensive energy conservation campaigns.

Energy Consumption & Unit Loads

	2005	2006	2007	2008
Energy Consumption (TOE)	196,625	189,741	170,510	212,954
Natural Gas Sales Volume (1,000 tons)	22,854	23,500	25,459	26,345
Unit Load (TOE/1,000 tons)	8.60	8.07	6.70	8.08

※ TOE: Ton of Oil Equivalent

Pilot Test of Carbon Point Program for Individual Workers I

The GHG that humans generate is destroying the global climate system at an enormous speed. In 2005, 62 million tCO₂ or 12.4% of Korea's GHG emissions of 499 million tCO₂ were emitted from homes or commercial sectors. This figure speaks to the necessity of nationwide efforts to realize a carbon-lean society.

Spearheading this effort, KOGAS launched an individual carbon point program in 2008, encouraging our employees' homes to lead the national initiative towards a carbon-lean society. Under the program, we check and compare monthly energy consumption to that of the previous year and offer carbon mileage in proportion with their GHG reduction. During the pilot test in 2008, 473 of our employees participated and realized 16,553kg in CO₂ Reduction. The company selected and rewarded 1 division and 10 employees as best performers. Going into full-scale implementation starting in 2009, we established a web-based program, where participants can easily input their performances and obtain diverse information on promotions and climate change.



※ Carbon Point Program for Individual Workers

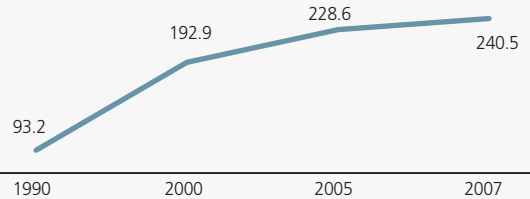
Adopting renewable energy in gas supply facilities I

In response to the UNFCCC that will put caps on annual CO₂ emissions in Korea, most nations are actively pursuing renewable energy sources such as solar power plants in order to reduce CO₂ emissions. KOGAS, for its part, plans to harness the pollution-free solar energy. In 2008, we started constructing solar power generators within our Cheonan and Gunsan offices, which will enable cost savings and GHG reduction at the same time.

Continued Increase in Energy Consumption & GHG Emissions

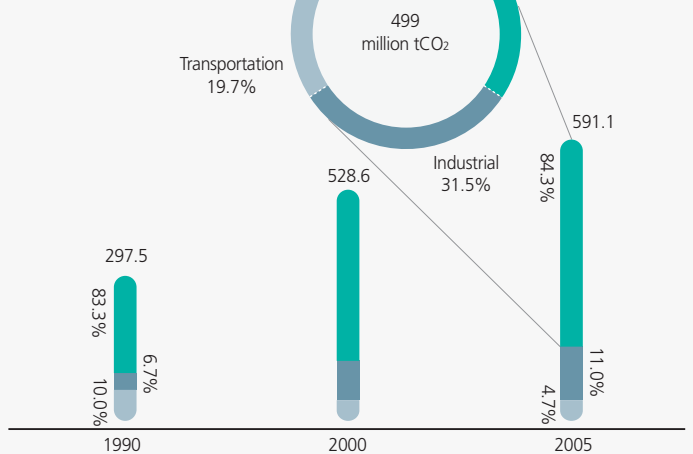
Total Primary Energy Consumption

(Unit: 1 million TOE)



GHG Emissions

(Unit: 1 million tCO₂)



※ Source: Basic Plan for National Energy (Aug. 2008, Ministry of Knowledge Economy)

Participating in the Carbon Disclosure Project (CDP) I

The Carbon Disclosure Project (CDP) collects and analyzes carbon disclosures, management strategies and other related issues for globally listed companies held by financial and investment institutions.

Having started with the major companies listed on FT500 Index, the subjects have now been expanded to include 385 financial institutions such as Goldman Sachs, Morgan Stanley and AIG as of 2008. The questionnaires have been distributed to 3,000 global companies including Korea's 50 largest companies based on market capitalization. KOGAS also participates in the project, enabling accurate measurement of investment risks and opportunities regarding climate change and reflection of the investment risks in their portfolios.

Natural Gas in Carbon-Lean Green Society

Natural gas is considered to be the most efficient and economic alternative energy source for a carbon-lean society. Therefore, KOGAS endeavors to spread and promote its natural gas service in order to realize carbon-lean society.

Eco-friendly Natural Gas | Although it is a fossil fuel, the structure of natural gas has a 1:4 carbon to hydrogen atom ratio, containing much more hydrogen per molecule than carbon, as opposed to other fossil fuels such as coal and oil. Consequently, it emits less CO₂ during combustion. Since most of the impurities such as sulfur and nitrogen are eliminated during the liquefaction process, the process emits virtually none of the energy production pollutant by-products such as SO_x, NO_x, radioactive waste or ash, all of which require costly reprocessing.

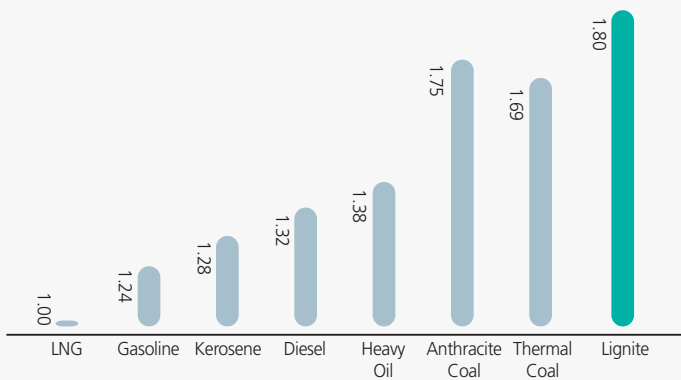
※ Amongst fossil fuels, coal has the highest carbon to hydrogen ratio at 1 or 2 carbon atoms per hydrogen atom, while oil consists of two hydrogen and one carbon atom.

GHG Emission Comparison

Category	Gas		Liquid			Solid		
	LNG	Gasoline	Kerosene	Diesel	Heavy oil	Anthracite Coal	Thermal Coal	Lignite
Carbon Emission Factors (kgC/GJ)	15.30	18.90	19.60	20.20	21.10	26.80	25.80	27.60
CO ₂ Emissions (based on 1 LNG)	1.00	1.24	1.28	1.32	1.38	1.75	1.69	1.80

※ Source: IPCC Guidelines

Relative CO₂ Emission by Energy Source (based on 1 LNG)



Air Pollutant Emissions Comparison (based on 1 LNG)

Energy Source / Pollutant	LNG	LPG	B-C oil	Diesel	Kerosene	Anthracite Coal	Soft Coal
CO ₂	1	1.03	1.20	1.20	1.17	1.60	1.58
SO ₂	1	0.002	3,360	808.7	19.2	3,233.6	3,149.7
CO	1	393.5	1,767.7	1,202.2	2,011.5	3,888.9	2,651.5
NO _x	1	78.7	858.2	595.7	178.3	1,348.6	919.5
Dust	1	833.3	12,506	3,105.6	3,284.1	3,597.9	24,603.2

※ Source: CO₂ (IPCC), others (U.S. Environmental Protection Agency)

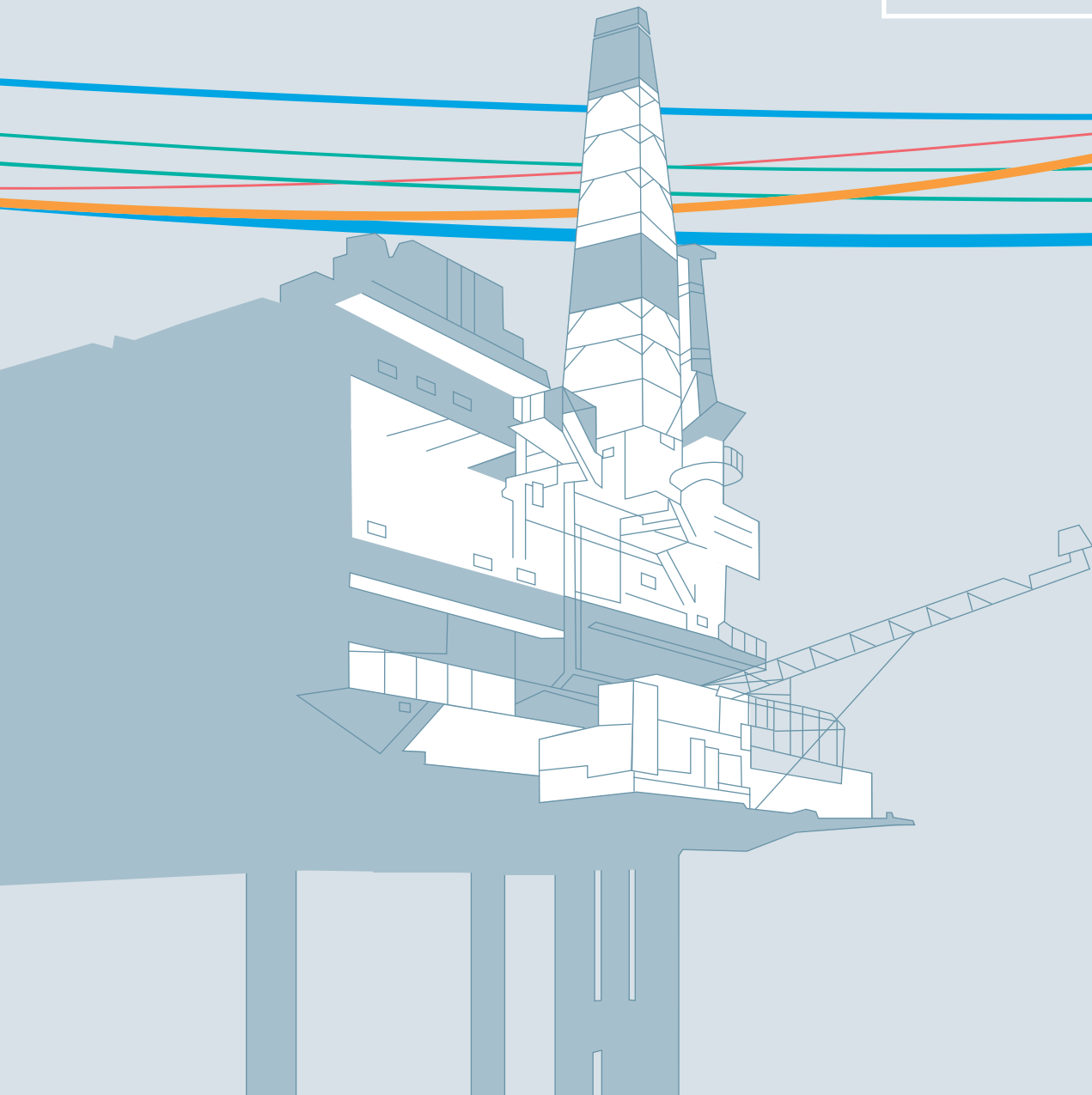
Natural Gas under the Kyoto Protocol Scheme | The UNFCCC and GHG regulations have turned global attention to natural gas as an alternative energy source due to its minor emission of GHG. Its eco-friendliness is internationally recognized as the emissions trading scheme and the acceptance of CDM project and encourages conventional fossil-fueled entities to convert their fuel sources to natural gas.





APPENDIX

- 68 Assurance Statement
- 70 Review of KOGAS 2008
Sustainability Report
- 72 GRI G3 Index
- 76 Glossary
- 77 Awards & Memberships
- 78 KOGAS Code of Ethics
- 79 Non-standing Directors' Code of Ethics



To the Stakeholders of Korea Gas Corporation

Korea Gas Corporation (hereinafter called “KOGAS”) Sustainability Report 2009 (hereinafter “The Report”) was structured and prepared by the management of KOGAS, who retains responsibility for the contents and data presented in the report.

SolAbility (hereinafter “The Auditor”) was assigned by the management of KOGAS to conduct an independent third-party review of the full report. The objective of this review is to externally assure that statements and data presented in The Report are free of material misstatements and based on thorough data collection systems.

Assurance Methodology

The Auditor’s assurance work has been planned and performed in accordance with leading international standards, including, but not limited to, the AA 1000AS. The Report has been evaluated against the following criteria as defined in the AA1000AS:

- **Materiality**
- **Completeness**
- **Responsiveness**

In addition, The Report has also been assessed against the reporting criteria as outlined in the Global Reporting Initiative’s Sustainability Reporting Guidelines (GRI G3).

Scope of this assurance engagement

The Auditor’s assurance engagement covers and reviewed and examined the following:

- **Review of whether financial data has been derived adequately and correct from the financial statement audited by an external third-party auditor**
- **Provision of assurance on whether non-financial data in The Report is presented in full, and free of material misstatement**

Assurance process and works undertaken

In order to provide assurance to the stakeholders, The Auditor undertook the following steps during the assurance engagement:

- Reviewed a selection of external media reports and selected group-level documents relating to safety, social, ethical and environmental aspects of KOGAS’ performance, to test the coverage of topics within The Report against stakeholder information needs
- Reviewed stakeholder feedback
- Reviewed KOGAS processes for determining material issues to be included in The Report
- Conducted interviews with senior managers of KOGAS
- Reviewed relevant policies, guidelines and management systems at site and corporate level
- Reviewed KOGAS approach to data collection and data management at corporate level
- Reviewed internal performance documentation of non-financial data presented in The Report
- Conducted one site visit at Incheon LNG terminal, interviewing all relevant operational managers
- Reviewed site data collection and management systems
- Reviewed environmental, health and safety related processes, data management systems and data from all operational sites to test whether they have been collected, consolidated and reported appropriately at corporate level and the locations visited
- Performed a peer review of global Sustainability Reports to benchmark disclosure levels

Limitations of this assurance engagement

The scope this assurance engagement was limited to a sample of one of 3 LNG terminals in Korea. The Auditor did not conduct any visits to overseas facilities or projects in which KOGAS holds interests. Our review of data processes included the following data sets: environmental data, health & safety data, as well as sample social data. Our review of these data processes at operations level was limited to the KOGAS-operated businesses visited.

Our conclusions

On the basis of our review and in accordance with the terms of reference for our work we provide the following conclusions on The Report. Our conclusions should be read in conjunction with the above section on “Assurance process and works undertaken” and “Limitations of this assurance engagement”

Materiality:

Has KOGAS provided a balanced representation of material issues concerning KOGAS' sustainability performance in its operations and business interests?

- We consider that the information contained in The Report covers the most relevant aspects of KOGAS' sustainability management and performance according to KOGAS business and operations
- We are not aware of any material aspects concerning KOGAS' sustainability performance which have been excluded from The Report
- Nothing has come to our attention that causes us to believe that KOGAS' management has not applied its processes for determining material issues to be included in The Report, as described in "Assurance Methodology"

Completeness:

Does KOGAS have a complete set of information and data on which to base a judgement of what is material for inclusion in The Report?

Is the data presented in The Report complete and free of material misstatements?

- We have reviewed internal and external information and explanation on the statements on KOGAS' sustainability activities presented in The Report and we are not aware of any misstatements in the assertions made
- Nothing has come to our attention that causes us to believe that health, safety or environmental data presented in The Report has not been properly collected from information reported at operations level
- We are not aware of any errors at site and corporate level that would materially affect KOGAS health, safety, environmental or social related data as presented in The Report

Responsiveness:

How does KOGAS' Report respond to stakeholder concerns and information needs?

- We are not aware of any additional issues of stakeholder interest that are not currently included in the Report's scope and content
- However, it is recommended that KOGAS extends and diversifies its communication channels to engage with relevant stakeholders to acquire more in-depth stakeholder opinions. The Auditor also suggests that KOGAS reports on how KOGAS applies the collected stakeholder opinions in the materiality test process

Issued for further consideration by the management of KOGAS

- The Auditor recommends that KOGAS keeps refining and developing its sustainability management systems and structure across all operations, particular in light of planned overseas operations and exploration activities
- Defines long-term sustainability key performance indicators and targets on corporate level

Our independence

The Auditor was not involved in the preparation of any part of The Report, and has no other affiliation with KOGAS that might compromise our independence or autonomy or place The Auditor under KOGAS' influence, therefore ruling out any possible conflicts of interest.

June 16, 2009

Andy Gebhardt
Director, SolAbility Ltd.



A handwritten signature in black ink, appearing to read "Andy Gebhardt", is written over a light grey background.



Referring to the GRI G3 guidelines, it is our opinion that the KOGAS 2008 Sustainability Report, the third such report of the company, adequately identifies and reports KOGAS' achievements in the economic, social and environmental arenas, while maintaining consistency with its previous reports. It is also deemed that this report is globally compatible. This external assurance report assesses whether the company's report provides a fair and balanced representation of the KOGAS sustainability management strategy, sustainability management performances and stakeholder communications.

First, integrated into its mid- to long-term strategic plan, KOGAS sustainability management strategies work as the core tools for the long-term development of KOGAS. The company has devised its mid- to long-term strategic initiatives based on its global benchmarks, evaluation of its own sustainability levels and its stakeholders' opinions. These procedures are deemed to be desirable to enhance the internal understanding and participation in the company's sustainability management and the external adequacy of its strategies. In addition, the "Vision 2017" that the company has developed in order to practice government-driven energy policies as a natural gas supplier of the nation and to secure global competitiveness in overseas markets, fully reflects the internal and external changes in the management environment. However, it is our recommendation that KOGAS needs to quantify its conceptual mid-term goal of "implementing DJSI-level sustainability management" and reflect it in its strategies and tasks.

Second, the report is fairly represents the major achievements and future plans of KOGAS sustainability management in the economic, social and environmental areas in comparison with previous data. Most conspicuous were its "Energy Security" achievements that the company has made in spearheading the government policies in the stable supply of natural gas, overseas resource development initiatives and R&D achievements in 2008. Still, we see more room for improvement in the following areas.

1) It is our opinion that KOGAS made sustainable achievements in the economic area as it was able to realize significant growth in its economic performances despite the adverse business environment of high oil prices and fluctuating foreign exchange rates in 2008. However, the company needs to separately report on the measurements and consequences of the deteriorated financial structure due to the governments' policies to freeze public utility charges. It is also deemed that KOGAS needs to footnote the impact of the government's introduction of a system of competition in the natural gas import business in Korea as part of its public corporation advancement policy.

2) In the social area, the company has fulfilled its corporate citizenship in various activities with tangible accomplishments. Most conspicuous was its realization of public good as a public corporation and fulfillment of corporate social responsibilities through its proactive support of SMEs in helping them to cope with the economic crisis. However, KOGAS is required to practice and abide by the international standards in labor, human rights, anti-corruption and business ethics and expand its scope of philanthropy activities and social contribution programs in underdeveloped countries. At the same time, it is recommended that the company adopt the "selection and focus" strategy in its social contribution programs and come up with plans to materialize and realize the achievements of its corporate values.

3) In the environmental area, the company made outstanding tangible achievements in addressing climate change in comparison to 2007. Most importantly, it is complimentable that KOGAS has presented its own GHG inventories and has begun to participate in the carbon disclosure project (CDP), which will have significant influence on the company's funding in the global markets and on its own share prices. However, we still see room for improvement in its environmental accounting system.

Third, the stakeholder communications performance can be assessed whether the report fairly represents information in an easy-to-understand way with good applications in strategy-building. In terms of fair representation, the report is well prepared in line with the GRI G3 indicators with detailed explanations. The KOGAS Sustainability Report 2008 is to be commended for its efforts to help foster the understanding of its stakeholders by inserting tables, diagrams, and statistics pertaining to its activities, supported by detailed explanations. Yet, the report still has room for improvement to achieve perfection in the reporting of sustainability activities. In terms of the strategic utility of its stakeholder communications, the report has to serve as a supplement to the financial report for stakeholders in their balanced and informed assessment of KOGAS' corporate value. In particular, KOGAS sustainability report needs to serve as a strategic report with which domestic and international capital market players can assess the sustainability management performances of the company.

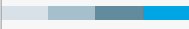



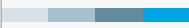







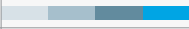









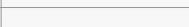

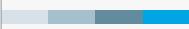
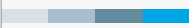
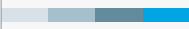








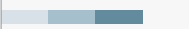

The KOGAS 2008 Sustainability Report was fairly prepared in line with the GRI G3 Guidelines, with significant advancement in sustainability management performances. We recommend that KOGAS makes consistent efforts to realize its sustainability management performances in its corporate values in order to secure global competitiveness.

July, 2009

Professor of Business Administration at Chung-Ang University
Head of Korean Society for Public Enterprise
Jang, Ji In






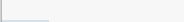
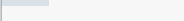
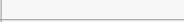

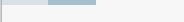




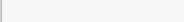
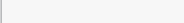


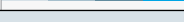




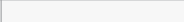



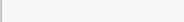

Not Applicable Not Disclosed Disclosed Partially Disclosed

GRI Index		GRI content	Reporting level	Page
Strategy and Analysis				
	1-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy		9
	1-2	Description of key impacts, risks, and opportunities		15,19,22,66
Organizational profile				
	2-1	Name of the organization		18
	2-2	Primary brands, products, and/or services		18
	2-3	Operational structure of KOGAS		18
	2-4	Location of organization's headquarters		18
	2-5	Countries in which the organization's operations are located		30
	2-6	Nature of ownership; legal form		20
	2-7	Nature of markets served		18
	2-8	Scale of KOGAS		18
	2-9	Significant changes during the reporting period regarding size, structure, or ownership		18
	2-10	Awards received in the reporting period		75
REPORT Parameters				
Aspect: Report Profile	3-1	Reporting period for information provided		2
	3-2	Date of most recent previous report		2
	3-3	Reporting cycle		2
	3-4	Contact point for questions regarding the report or its contents		2
Aspect: Report Scope and Boundary	3-5	Process for defining report content		15
	3-6	Boundary of the report		2
	3-7	State any specific limitations on the scope or boundary of the report		2
	3-8	Basis for reporting on joint ventures, subsidiaries		2
	3-9	Data measurement techniques and the bases of calculations		2
	3-10	Explanation of the effect of any re-statements of information provided in earlier reports		2
	3-11	Significant changes from previous reporting periods in the scope, boundary		2
Aspect: GRI Content Index	3-12	Location of the Standard Disclosures in the report		72-75
Aspect: Assurance	3-13	Policy and current practice with regard to seeking external assurance for the report		68-69
Governance, Commitments, and Engagement				
Aspect: Governance	4-1	Governance structure of the KOGAS		20
	4-2	Indicate whether the Chair of the highest governance body is also an executive officer		20
	4-3	Number of members of the highest governance body that are independent and/or non-executive		20
	4-4	Mechanisms for shareholders and employees to provide recommendations or direction to BOD		21
	4-5	Linkage between compensation for executive and organization's performance		21
	4-6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		20
	4-7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics		21
	4-8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance		4-7,12,76
	4-9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance		20-21
	4-10	Processes for evaluating BOD's own performance		21
Aspect: Commitments to External Initiatives	4-11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		22
	4-12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses		75

Not Applicable Not Disclosed Disclosed Partially Disclosed

GRI Index	GRI content		Reporting level	Page
4-13	Memberships in associations and/or national/international advocacy organizations			75
4-14	List of stakeholder groups engaged by the organization			16
4-15	Basis for identification and selection of stakeholders with whom to engage			16
Aspect: Stakeholder Engagement	4-16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		16
	4-17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns		16-17
Management Approach and Performance Indicators				
Economic				
Aspect: Economic Performance	EC1	Economic value generated and distributed		36
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		63-66
	EC3	Coverage of the organization's defined benefit plan obligations		46
	EC4	Significant financial assistance received from government		–
Aspect: Market Presence	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation		38
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		53
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		42,49
Aspect: Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement		18,35,48
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts		35-36
Environmental				
Aspect: Materials	EN1	Materials used by weight or volume		28
	EN2	Percentage of materials used that are recycled input materials		28
Aspect: GRI Content Index Aspect: Energy	EN3	Direct energy consumption by primary energy source		65
	EN4	Indirect energy consumption by primary source		65
	EN5	Energy saved due to conservation and efficiency improvements		65
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives		65
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved		65
Aspect: Water	EN8	Total water withdrawal by source		–
	EN9	Water sources significantly affected by withdrawal of water		–
	EN10	Percentage and total volume of water recycled and reused		58
Aspect: Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		–
	EN12	Description of significant impacts of activities, products, and services on biodiversity		–
	EN13	Habitats protected or restored		–
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		–
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		63
Aspect: Emissions, Effluents, and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight		63
	EN17	Other relevant indirect greenhouse gas emissions by weight		64
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		–
	EN19	Emissions of ozone-depleting substances by weight		63
	EN20	NOx, SOx, and other significant air emissions by type and weight		58
	EN21	Total water discharge by quality and destination		58

Not Applicable Not Disclosed Disclosed Partially Disclosed

GRI Index		GRI content	Reporting level	Page
Aspect: Emissions, Effluents, and Waste	EN22	Total weight of waste by type and disposal method		58
	EN23	Total number and volume of significant spills		–
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		–
	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		57
Aspect: Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		–
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category		57
Aspect: Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		–
Aspect: Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce		57
Aspect: Overall	EN30	Total environmental protection expenditures and investments by type		42
Social Performance				
Labor Practices & Decent Work				
Aspect: Employment	LA1	Total workforce by employment type, employment contract, and region		42
	LA2	Total number and rate of employee turnover by age group, gender, and region		46
Aspect: Labor/Management Relations	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		45
	LA4	Percentage of employees covered by collective bargaining agreements		46
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		46,62
Aspect: Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees		62
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		62
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases		62
Aspect: Training and Education	LA9	Health and safety topics covered in formal agreements with trade unions		44
	LA10	Average hours of training per year per employee by employee category		44
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		43
	LA12	Percentage of employees receiving regular performance and career development reviews		42
Aspect: Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity		38
	LA14	Ratio of basic salary of men to women by employee category		–
Human Rights				
Aspect: Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		–
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		24
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		42
Aspect: Non-Discrimination	HR4	Total number of incidents of discrimination and actions taken		45-46

Not Applicable Not Disclosed Disclosed Partially Disclosed

GRI Index	GRI content	Reporting level	Page
Aspect: Freedom of Association and Collective Bargaining HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights		30
Aspect: Child Labor HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor		30
Aspect: Forced and Compulsory Labor HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor		–
Aspect: Security Practices HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations		–
Aspect: Indigenous Rights HR9	Total number of incidents of violations involving rights of indigenous people and actions taken		46–48
Society			
Aspect: Community SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities		24
Aspect: Corruption SO3	SO2 Percentage and total number of business units analyzed for risks related to corruption		24
	SO3 Percentage of employees trained in organization's anti-corruption policies and procedures		25
	SO4 Actions taken in response to incidents of corruption		18
Aspect: Public Policy SO6	SO5 Public policy positions and participation in public policy development and lobbying		–
	SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		19
Aspect: Anti-Competitive Behavior SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		46
Aspect: Compliance SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		
Product Responsibility			
Aspect: Customer Health and Safety PR2	PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures		56,59–61
	PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes		–
Aspect: Products and Service Labeling PR5	PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		–
	PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes		27,36
	PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		–
Aspect: Marketing Communications PR7	PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		–
	PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes		–
Aspect: Customer Privacy PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		–
Aspect: Compliance PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services		19

Cargo Containment

LNG storage facilities in LNG carriers

Cheongyeon Fund

KOGAS' matching grant program where the company contributes matching funds to the amount collected from employees

CNG (Compressed Natural Gas)

The critical temperature of natural gas is very low; therefore it remains in a gaseous form when compressed

DME (Di-Methyl Ether)

Dimethyl Ether (DME) is an organic compound with the formula CH_3OCH_3 . Produced by synthesizing CO and H_2 gas extracted from natural gas, coal and biomass materials, it can replace LP gas. It demonstrates the optimal properties of good compression ignition and smokeless combustion

E&P (Exploration & Production)

E&P indicates an "upstream operation" such as exploration and production of natural gas

ESOP (Employee Stock Ownership Plan)

Based on Korea's Laborer Welfare Law, KOGAS purchases and donates treasury stock to employees

Fuel Cell

A fuel cell is a highly efficient and environmentally-friendly electrochemical device that combines hydrogen and oxygen to produce electricity

Intelligent Pig (Smart pig)

A device used to inspect the inner surfaces of pipes by moving within the pipe using fluid flows

There are two types of pigs: a geometry pig is used to detect abnormalities in the pipe's form and a magnetic flux leakage (MFL) pig is used to measure the loss in thickness of the pipes due to external damage

LCA (Product Life Cycle Assessment)

A Life Cycle Assessment (LCA) is a systematic evaluation of the environmental aspects of a product or service system through all stages of its life cycle

LNG Dual-Fueled Vehicles

Vehicles that can use both oil and LNG as their fuel source

Membrane Type

An aluminum membrane with a contracting characteristic, which is installed on the inner wall of a cryogenic LNG storage tank

NEP (New Excellent Product)

A certificate that is awarded by the government for the technologies that were first developed in Korea or products that use such technologies

The certificate is accompanied by support in the initial market-building of the product and promotion of further technological development

Odorant

A substance added to the natural gas to give warning of gas leakage and aid in leak detection

ORV: Open Rack Vaporizer

ORVs sprinkle seawater on the surface of heat exchange tubes to gasify LNG into a gas

PNG (Pipeline Natural Gas)

PNG is a pipeline system for transporting natural gas from a production site without using a liquefying process

SMV: Submerged Combustion Vaporizer

SMVs are heat exchangers that heat water through the combustion of fuel in the water. Using tubes installed in the water, the LNG is pumped into the tubes to be gasified

Spot Market

Natural gas sales are typically contracted on a long-term basis, but surpluses from production sites can be sold by the cargo unit on the spot market

Tcf (Trillion Cubic Feet)

The volume of a cube with equal of one trillion cubic feet

TDR (Turn Down Ratio)

TDR indicates the gap ratio in demand for natural gas between winter and summer

Vent

To release natural gas into the air for the purpose of repairing facilities and/or emergencies

VaR (Value at Risk)

An estimated amount of probable maximum loss that could occur in the event that a certain risk is realized under a given condition

VOC (Voice of Customer)

A system of receiving customers' opinions on the company's business operations via diverse channels, including the internet



Awards

Category	Awards	Organization
General	2008 Culture Management Awards (ethical management sector)	Hankook Daily
	2008 Grand Innovation Awards	Korea Economic Daily
	Korea's Most Admired Companies (Energy sector)	KMAC
Safety	Excellent agency in the 2007 Disaster Management Evaluation	Ministry of Public Administration & Security
	Certificates of OHSAS18001, ISO9001, ISO14001	Korea Gas Safety Corporation
Environment	Certificate of Environmental Declaration of Products (Incheon and Tongyeong Terminals)	Korea Eco-products Institute
	Excellent performer of 2007 Voluntary Agreement (Pyeongtaek)	Ministry of Knowledge Economy
Sustainability Management	Korea Sustainable Management Award (Minister of Strategy & Finance)	Korea Economic Daily

Associations

Sustainable Management Associations	Activities
· UN Global Compact	-Compliance with global Code of Ethics & COP reporting
· UNGC Korea Network	-Regional network activities of the Global Compact
· Business Institute for Sustainable Development	-Working-level activities of sustainable management
· The Korea Business Council for Sustainable Development	-CEO group activities in relation to sustainable management
· B.E.S.T. Forum & B.E.S.T. CEO Club	-CEO and working-level activities of practicing ethical management
· The Council for the Korean Pact on Anti-corruption and Transparency	-CEO activities for practicing ethical management in the public sector



In an effort to foster transparent management and thus help KOGAS become a world leading, clean energy supplier, we have prepared a code of ethics that is built on the trust of customers, shareholders and the local community. The code provides a clear direction for all KOGAS employees to follow in their decision processes, guiding them to make ethical decisions.

The 1st mission is to firmly establish a basic framework for practicing ethical management in the workplace.

- Handling affairs fairly in the workplace and putting the interests of the Company before anything else.
- Fostering mutual trust and respect among all KOGAS employees regardless of rank.
- Ensuring KOGAS' clean reputation by being fair and transparent with all stakeholders and colleagues.

The 2nd mission is to act responsibly in dealing with other KOGAS workers.

- Evaluating and promoting workers based on their ability and performance.
- Ensuring and supporting our employees' competence and creativity.
- Pursuing cooperative industrial relations for peaceful coexistence.

The 3rd mission is to fulfill our duties and obligations to shareholders and customers.

- Ensuring a stable supply of safe natural gas.
- Maximizing investment returns for shareholders and practicing "open" management.
- Respecting our customers' and shareholders' right to know, thus sharing business information with stakeholders in a transparent manner.

The 4th mission is to fulfill our duties and obligations to the local community and the nation as a whole.

- Making society cleaner by engaging in activities to protect the environment.
- Engaging in and actively providing support for volunteer social services.



We set and declare our full commitment to practicing the following behavioral targets in fulfilling our duties as non-standing directors of KOGAS.

1. We will deploy our full capabilities to contribute to the sound development of KOGAS and the enhancement of its corporate value.
1. We will take efforts to insure that KOGAS fulfills its corporate social responsibilities and contributes to the nation's economy and social development.
1. We fully appreciate our autonomy and responsibilities and shall exercise these responsibilities, maintaining due accountabilities.
1. We will strictly maintain the confidentiality of the corporate information we acquire in the course of performing our jobs and will not pursue private interests by taking advantage of our positions or knowledge of proprietary information.
1. We will handle all tasks in a fair and transparent manner and will maintain an enterprising mindset and sense of perspective.
1. We will make an all-out effort in fulfilling our duties and contribute to KOGAS' corporate culture through our participation in the board of directors, based on mutual trust and cooperation.

Sustainability Excellence : DJSI Level 2011 Efforts to address climate change Human Energy Environmentally-Friendl

Excellence
DJSI Level 2011
Health
Share
Project
EHS Management System
Righteousness
Safety
Eco-friendly
Natural Gas
yeon Cheong
Trust, Change,
Challenge,
GHG Inventory
Responsibility
Health
Sharing Project
Better Energy,
Better World
Sustainability Excellence
DJSI Level 2011 Safety
Social Responsibility
Efforts to
Clear
KOGAS
Human Energy
Love-sharing
GHG
Cheongyeon
Fund Trust,
SME
Social
activities



KOGAS
KOREA GAS CORPORATION

215, Jeongja-dong, Bundang-gu, Seongnam, Gyeonggi-do
Tel: 82-31-710-0114 Fax: 82-31-710-0117 <http://www.kogas.or.kr>

Designed by Communication Dong-gam
www.dong-gam.co.kr