

# Beyond Future

Blue Energy KOGAS



# Beyond

## Contents

Vision 2017 .....	12	Stable Supply of Natural Gas .....	32	<b>Environmental Value</b>	
Core Values .....	13	Exploration & Production (E&P) .....	34	EHS Overview .....	58
CEO's Message .....	14	Research & Development (R&D) .....	35	Environmental Policies .....	59
2007 Sustainability Highlights .....	16	Financial Performance .....	38	Health & Safety Performance .....	62
Sustainable Management System & Major Issues .....	18	Distributions of Economic Value to Stakeholder .....	40	Addressing the Climate Change Convention .....	64
KOGAS Stakeholders .....	20	Performance of Korea Gas Technology Corporation .....	41		
KOGAS Overview .....	22	Knowledge Management .....	42	<b>Appendix</b>	
Natural Gas Business .....	23	Work System Innovation .....	43	KMAR Assurance Statement .....	68
Corporate Governance .....	24			GRI Index .....	70
Risk Management .....	26	<b>Social Value</b>		Glossary .....	74
Ethical Management .....	27	Human Resources Management .....	46	2007 Awards & Memberships .....	75
<b>Economic Value</b>		Trusted Labor-Management Relations .....	48	KOGAS Code of Ethics (Clean KOGAS) .....	76
Energy Security (Priority Area) .....	32	Co-prosperity through Fostering Talent .....	49	Non-standing Directors' Code of Ethics .....	77
Natural Gas, the Nation's Source of Energy .....	32	Social Contribution Activities .....	51	UN Global Compact .....	78
		Mutual-prosperity with Partners .....	54		

## Report Information

For questions or information inquiries, contact:

Website: [www.kogas.or.kr](http://www.kogas.or.kr)  
e-mail: [Jongsoon@kogas.or.kr](mailto:Jongsoon@kogas.or.kr)  
Tel: +82-31-710-0084  
Fax: +82-31-710-0899  
Contact Point: Best & First Team

Please use the following websites for information regarding:

Corporate Profile, safety, environmental management: <http://www.kogas.or.kr>  
Management Innovation: <http://www.kogas.or.kr/innovation>  
Ethical Management: <http://www.kogas.or.kr/moral>  
Gas Science Center: <http://www.kogas.or.kr/museum/index.jsp>  
Biddings: <http://www.kogas.or.kr/jsp/index.jsp>  
Research Centers: <http://www.kogas.re.kr>  
And our 2007 Annual Report for financial information.

# Future

## Blue Energy KOGAS



The eyes of KOGAS are always set beyond the future. We have prepared for surging oil prices and climate change conventions through our concentration on clean, LNG energy. We have advanced into overseas markets to secure a stable supply, and have embraced globally competitive technologies in our ceaseless efforts towards technology independence. Going forward, we will continue to maintain our course of sustainable development by anticipating and staying ahead of the ever changing future.



### About This Report

This is our second sustainability report on the economic, social and environmental activities and performances of KOGAS, providing answers to issues of interest to our stakeholders.

### Reporting Principles

This report was produced referred to with the Global Reporting Initiative G3 Guidelines.

### Reporting Scope

The scope of this report includes the main office and the 15 in-country business locations of KOGAS including the affiliated company Korea Gas Technology Corporation, but excluding subsidiaries and overseas branches.

### Reporting Period

This report covers all business activities from January 1 to December 31, 2007 as well as the past performances of 2004 to 2006, to show trends.

### Improving Reporting Reliability

In order to insure the reliability of the report, we have consulted with external economic, social and environmental experts, employed an outside survey agency to conduct gap analyses of internal & external stakeholders for each major issue and help develop Core Values, and received assurances from an independent third party.



## Better energy, Better world



KOGAS has a unique story, imbedded in the four fundamental rules of arithmetic.

(+) We add value to the national economy through a stable energy supply,

(÷) We share love with our neighbors, with the undepleteable energy of hope,

(-) We subtract pollutants through the use of the most environmentally-friendly energies,

(×) And we multiply Korea's competitiveness through our passionate energy across a borderless world.

This is our model for maintaining sustainable development, building a better world with a better energy.

# Beyond + Growth

Taking a leap toward an energy power nation  
beyond the economic growth



**Beyond & Growth** KOGAS contributes to 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.



# Growth + Dream

Realizing Vision 2017 through continued challenges



**Growth & Dream** Amidst the ongoing challenges and changes in our market environments, KOGAS is making steadfast progress, one step after another, towards its dreams, with its eyes fixed firmly on the future. To cultivate global competence as a global energy company, we have set a three-dimensional, long-term goal to achieve: a 25% share of independent development; 100% growth in productivity improvement and; a 60% share in overseas profits, by 2017.



×

+

×

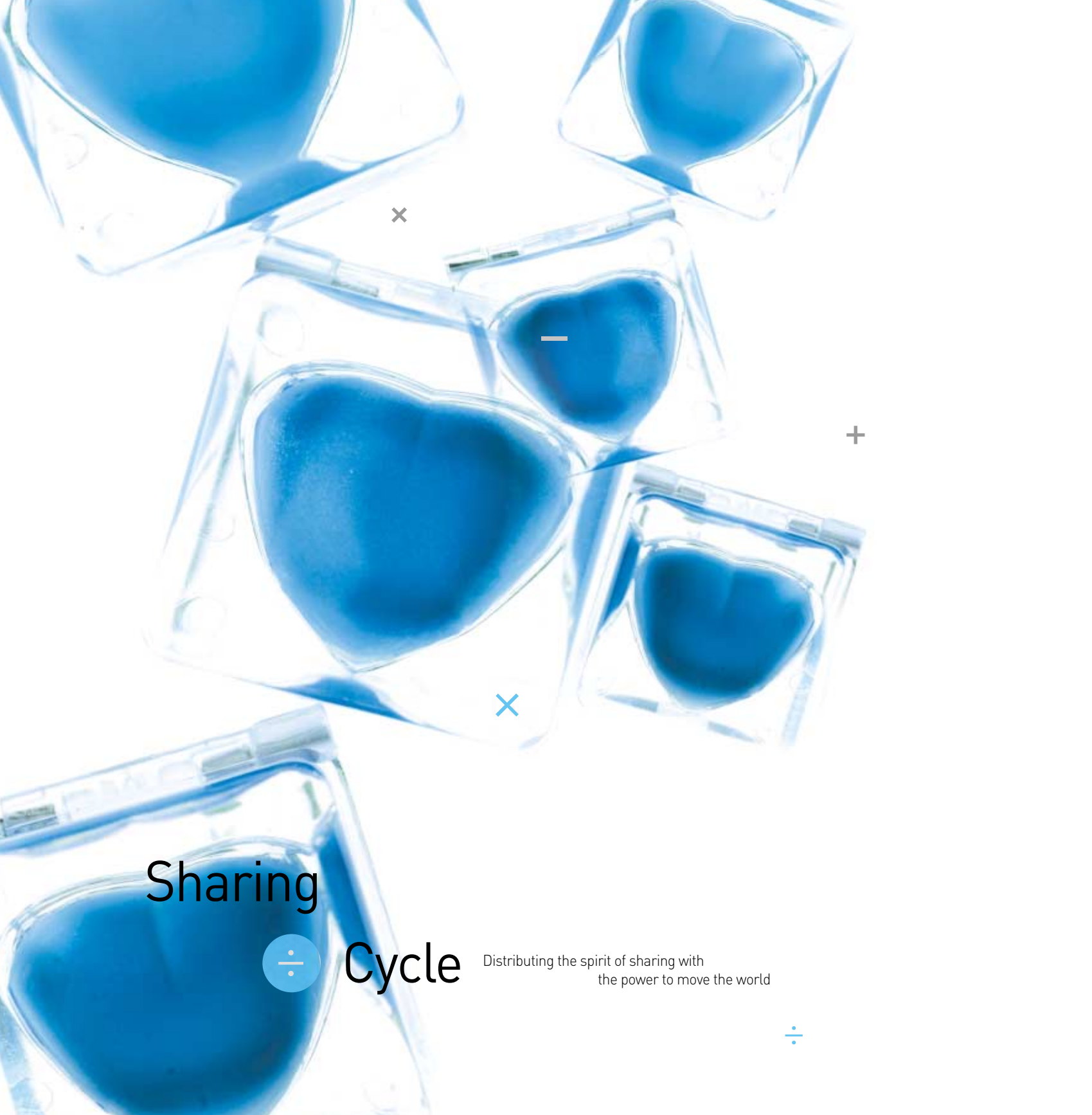
÷

Sharing dreams and hopes for a happier world through blue energy

Dream ÷ Sharing



**Dream & Sharing** KOGAS Social Service Corps practices love for our neighbors, environment and the global community, building a happier world through blue energy. As a responsible corporate citizen, we support everyone's dreams and hopes through our various social contribution activities.



# Sharing



# Cycle

Distributing the spirit of sharing with  
the power to move the world



**Sharing & Cycle** We preserve our traditional cultural assets through our "one-company, one-cultural asset campaign," make caring investments through our Blue Fund and Matching Grant programs, with the aspiration of becoming better friends with the world community through global social contribution activities. Through the spirit of sharing and caring, we are building a happier world.





÷

# Cycle — Protection

Protecting nature  
and our own livelihood



**Cycle & Protection** 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.



# Protection – Potential

Creating unlimited possibilities  
for the next generation by preserving the environment



**Protection & Potential** KOGAS actively promotes a public campaign to protect the next generation's environmental rights through our "Blue Sky Project", designed to enable our offspring to realize their dreams in a clean environment. We are also active in the development of environmentally friendly, future energy, under the government's support, to usher in a brighter future, full of hope for succeeding generations.



Potential

× KOGAS

Expanding possibilities  
by challenging the world market



**Potential & KOGAS** Based on its accumulated knowledge and experience in overseas markets, KOGAS is actively expanding its business scope into the areas of overseas exploration & development, DME business, terminal construction and LNG trading. Advancing into a broader, more diversified market, we are taking bold strides to become a total energy company.

**Vision 2017**

**Global KOGAS, Growing Together with our Customers**

**Long-term Goals**

- Independent Development (25%)
- Productivity Enhancement (100%)
- Overseas Profit share (60%)

**Core Values**

- Trust
- Change
- Challenge
- Responsibility

**Core Competencies**

- Professionalism
- Technological Leadership
- Brand Power

**Securing Global Talent**

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

**Strategic Direction  
Sustainable Management**

**Expanding Business Networks**

- Strengthen competitiveness of existing businesses
- Expand related businesses
- Foster future businesses

**Dynamic Organizations**

- Establish an open corporate culture
- Improve work processes

## VISION

# <sup>1</sup>Global <sup>2</sup>KOGAS <sup>3</sup>Growing together with <sup>4</sup>Customers

- <sup>1</sup> Domestic and global stakeholders including our product users, shareholders, employees, partners and communities.
- <sup>2</sup> Returning value to our customers through constant endeavors to their benefit—the origin and destination of all values and competitiveness.
- <sup>3</sup> Securing competitiveness by pursuing global standards in human resources, systems and corporate culture, while expanding into global businesses.
- <sup>4</sup> Realizing our vision through our brand, maintaining the trust and future of our customers as a priority.

## Long-term Goals

■ 2012 ■ 2017



## Core Competencies

### Professionalism

Professionals with excellent communications skills who internalize the Core Values and perpetuate self-development as leading subject matter experts in their fields, with a profound depth of knowledge in other fields.

### Technological Leadership

E&P technology, receiving & liquefaction terminal design · operation technology, future energy technology.

### Brand Power

Worldwide recognition of KOGAS based on its credibility and experience in large-scale facility design, operating capabilities, value and purchasing power.

## Vision 2017 Slogan

REXPECT more  
RESPECT + EXPECT

To realize Vision 2017 by expecting more value, growth and rewards while earning greater customer respect.

RESPECT more  
EXPECT more

Respecting customers, the center of KOGAS' success, and providing more innovative value. Innovating the current work processes to create more value, growth and rewards.

## Core Value



Trust

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



Change

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



Challenge

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



Responsibility

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.

## CEO's Message



We will become a world leading company that shares prosperity with our customers. We will hone our corporate competitiveness through enhanced governance and environmental management, and further strengthen our reliability through the practice of ethical and transparent management. As a responsible corporate citizen, we will implement stakeholder-oriented management, maintaining sustainable development while continuing our social contributions.

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

As we publish the second sustainability report of KOGAS, it is my honor to report to you on our various sustainability activities and performances.

Under the corporate mission of “better energy, better world,” KOGAS has been a leader in promoting public welfare through the stable supply of clean energy, while contributing to preserving the global environment. In particular, we announced our new Vision and Core Values and made clear that adopting the sustainability development as a basic guideline in 2007.

In the past year, KOGAS has focused on identifying and communicating with our various stakeholder groups. We set up a taskforce dedicated to regional cooperation at three of our LNG terminals to address our various stakeholders’ issues of interest. We also conducted gap analyses on our external and internal stakeholders, identified the Core Values definition and reported back to stakeholders on a regular basis.

Realizing the importance of compliance with global ethical standards in step with our global expansion, we joined the UN Global Compact. We were also cited as an excellent public entity for our continued improvements in corporate governance and effective internal controls. As part of our efforts to solidify the company’s ethical management practice, we conducted relevant training programs for our employees and evaluated our ethics levels assessed by our partners.

In 2007, we posted record-high sales of KRW 14.2 trillion selling 24,590,000 tons of natural gas—the largest sales volume of LNG in the world. As the stable supply of natural gas was identified as one of the major sustainability issues, we have devoted ourselves to natural gas projects and participated in 15 large and small resource development projects. We also achieved a 9.87 score on a scale of 10 in the National Customer Satisfaction Index (NCSI) for our continued CS activities.

We effect shareholder value through the transparent disclosure of management information and the conduct of regular IR activities with our shareholders and investors. As a result of our constant interest in and support of socially responsible investments (SRI), our stock was enlisted in the SRI fund.

We also set up a dedicated team for organized social contribution activities. Voluntary service groups including Cheongyeon Social Service Corps are active in various social contribution initiatives and we have promoted the “Blue Sky” campaign, environmentally friendly, social contribution activities, jointly with civic groups, garnering good response. We currently promote



2008 09

a natural gas vehicle project to improve the air quality of metropolitan areas. KOGAS has acquired ISO 14001 certification on its environmental management practices.

Its 2007, major environment & safety activities included: building a greenhouse gas (GHG) inventory; commissioning external verification life cycle assessment; improving our safety control performance assessment process and; strengthening our fire fighting drills at the Gas Fire Drill Center.

Effectively addressing the Climate Change Convention is integral to sustainability. KOGAS is further preparing for the Convention's mandates, through related training courses, establishment of dedicated councils to review the GHG reduction projects, creation of an integrated database of environmental issues and the voluntary reduction of GHG emissions.

KOGAS aims to share its sustainable management issues and the results of its initiatives with all constituents through our sustainability activities and the publication of this report. While continuing our sustainability activities along with our stakeholders, we will continue to improve the quality of our future reports. KOGAS aims to become a world leading company that grows together with its customers. We will hone our corporate competitiveness through enhanced governance and environmental management and improve our reliability through the practice of ethical and transparent management. As a responsible corporate citizen, we will implement stakeholder-oriented management disciplines and maintain sustainable development, while continuing our social contributions.

To achieve our efforts towards sustainable growth, we humbly request the unwavering support of our stakeholders. Thank you.

A handwritten signature in black ink, appearing to be 'Choo, Kang-Soo'.

Blue Energy KOGAS

Choo, Kang-Soo  
President & CEO of KOGAS



# 2007 <sup>+</sup> Sustainability Highlights

Celebrating its 25<sup>th</sup> anniversary, **KOGAS** reconfirmed its commitment to its vision “Global KOGAS, Growing Together with Customers.” In 2007, we announced a company—wide sustainable management program and implemented various activities. In the future, KOGAS will maintain sustainable growth through balanced development in economic, social and environmental aspects, achieved under the principles of value management for our customers.

## + Joined UN Global Compact

As a responsible global corporate citizen, we joined the UN Global Compact in March and pledged compliance with its 10 principles on human rights, environmental protection, prohibition of discrimination and anti-corruption. We participated in the Korea network of the Global Compact and submitted our CoP report.

## + Declared Vision & Core Values

With an aim to grow into a global energy company and to strategically cope with the ever-changing business environments, fierce competition for energy sources and the overseas resource development initiatives of other major global energy companies, we announced a new vision “Global KOGAS, Growing Together with Customers” in December 2007. This new vision values business expansion, adopts global standards in human resources, systems and corporate culture and creates new values, returning those values to our stakeholders by proactively addressing challenges.

## + Participated in New Exploration of 7 Blocks with Eni

We purchased more than a 10% share, respectively, in the seven mining blocks of Eni—an Italian E&P company, actively engaged in natural gas development projects.

## + Named as an Excellent Public Enterprise

In February 2007, KOGAS was named as an “Excellent Public Enterprise” in a comprehensive audit of government agencies and local governments on the basis of audit results, effectiveness and innovation.

## + Acquired “AAA” on Unsecured Bonds

In February 2007, Korea Investors Service (KIS) rated the unsecured bonds of KOGAS as “AAA,” reflecting our stable financial structure.

## + Entered an MOU with Korean Shipbuilders

In April 2007, KOGAS entered into an MOU with the Korea Shipbuilders’ Association to collaborate in building LNG carriers, related technology development and the commercialization of these technology assets.

## + Enlisted in SRI Funds

In April, KOGAS was selected as one of the nine companies out of 60 with environmentally friendly technologies, for its clean energy and contributions towards fighting global warming. Our shares were one of nine companies listed in Korea’s socially responsible investment (SRI) funds, made up of businesses with exemplary corporate ethics, governance structures and social contributions, amongst which KOGAS is a bellwether. We will continue efforts to become investors’ best choice with our environmentally friendly policies.

## + Constructed Hydrogen Refueling Station

We held a completion ceremony for the hydrogen refueling station as part of our new & renewable energy technology development project. The new station reforms natural gas into hydrogen with a 99.9% purity, which powers hydrogen fuel cell-powered vehicles.





+ Selected Excellent Performer in Voluntary Compliance Agreements

In December 2007, our accomplishments in energy saving and GHG reduction were recognized by the Korea Ministry of Knowledge Economy and Korea Energy Management Corporation in their citation and certification of our excellent performance in our voluntary compliance agreements.

+ Chungcheong Branch Entered <2007 Daejeon Blue Sky Project> Agreement

In April 2007, the KOGAS Chungcheong branch entered into an agreement with Daejeon Chungnam branch of the Green Korea United to participate in the <2007 Daejeon Blue Sky Project>. The joint project of the two Chungcheong branches, initiated in 2005, is celebrating its third anniversary in 2008. Through this project, we have been actively involved in various activities to address air pollution in partnership with local citizens.

+ External Expert's Opinion

The Korea Sustainability Investing Forum (KOSIF) is a non-profit organization that was established on April 3, 2007 under the approval of the Financial Supervisory Committee, with membership consisting of SRI fund operators and consulting companies in pursuit of long-term investments in socially responsible companies and a beautiful society. The global SRI fund market capitalization amounts to about KRW 5,000 trillion as of 2008 and is growing by 10% annually in the U.S. In Korea, SRI funds represent approximately KRW 2 trillion in market cap, with the National Pension Fund being a major investor and growing public interest in SRI's. A company's share listing in these SRI funds involves a qualification process that requires not only financial performance but social and environmental responsibility performances. The listing of KOGAS shares in Korea's 9 SRI funds is encouraging, as it not only speaks to the financial stability of the company, but the low environmental and social risk of KOGAS. Social responsibility has become a barometer of corporate competitiveness. We expect KOGAS to lay the stepping stones for co-prosperity of the company and society.



Yang, Chun-Seung  
Standing Director, Korea  
Sustainability Investing Forum



# Sustainable Management System & Major Issues |

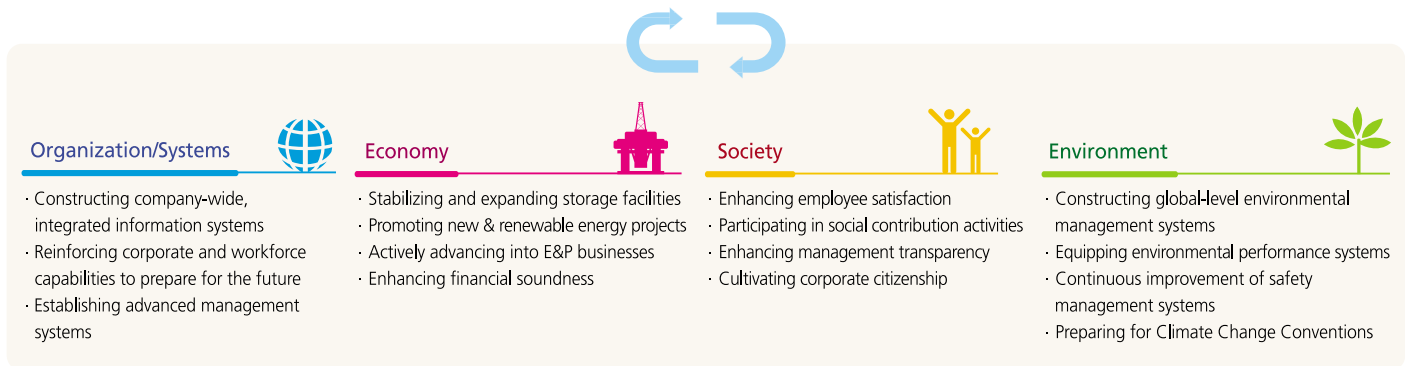
KOGAS is committed to a sustainable future and the implementation of organized, efficient and sustainable management in line with its corporate vision and management strategies. By synchronizing the management strategies that focus on business activities with sustainable management initiatives that reflect our stakeholders' perspectives, we will be well positioned to realize our new vision.

Corporate Vision

Global KOGAS, Growing together with Customers

Sustainability Goals

Sustainable management activities that contribute to human society



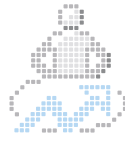
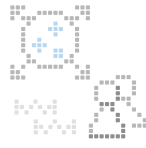
# Materiality Test |

KOGAS conducted an extensive survey to identify the material issues of interest to its stakeholders or having influence over them. We reviewed other reports from energy industry and global trends in sustainable management and collected stakeholders' feedback. Based on the results, we have identified the major issues to cover in the report and have prepared detailed information on these issues.





# Sustainability Issues |



	Employees	Customers	Shareholders/ Investors	Partners	Community/NGO	Government/ Regulatory Authorities
<b>PLAN</b>	<ul style="list-style-type: none"> <li>• Vision/Management Strategies</li> <li>• Risk Management</li> <li>• Sustainability Strategies</li> <li>• Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing Customer Satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Global Expansion</li> </ul>		<ul style="list-style-type: none"> <li>• Addressing Climate Change</li> </ul>	<ul style="list-style-type: none"> <li>• Stable Supply</li> <li>• Compliance</li> </ul>
<b>INNOVATION</b>	<ul style="list-style-type: none"> <li>• Ethical Management</li> <li>• Knowledge Management</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent Management</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Global Compact</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing Transparency</li> </ul>
<b>PRODUCTION</b>	<ul style="list-style-type: none"> <li>• Securing Resources</li> <li>• Environmental Management</li> <li>• Safety</li> <li>• Energy</li> </ul>	<ul style="list-style-type: none"> <li>• New &amp; Renewable Energy Development</li> <li>• Energy Security</li> </ul>			<ul style="list-style-type: none"> <li>• Addressing Climate Change</li> <li>• New &amp; Renewable Energy Development</li> </ul>	
<b>SUPPLY</b>	<ul style="list-style-type: none"> <li>• Environmental Management</li> <li>• Safety</li> <li>• Energy</li> </ul>				<ul style="list-style-type: none"> <li>• Addressing Climate Change</li> </ul>	
<b>SALE</b>	<ul style="list-style-type: none"> <li>• Transparency</li> <li>• Accurate Demand Forecasting</li> </ul>					
<b>FINANCE</b>	<ul style="list-style-type: none"> <li>• Internal Controls</li> <li>• Financial Performance</li> </ul>		<ul style="list-style-type: none"> <li>• Maximizing Management Performance</li> <li>• Sound Financial Structure</li> </ul>			<ul style="list-style-type: none"> <li>• IFRS (Transparent Accounting)</li> </ul>
<b>PR</b>	<ul style="list-style-type: none"> <li>• Voice of Customers</li> <li>• Social Contributions</li> </ul>	<ul style="list-style-type: none"> <li>• Voice of Customers</li> </ul>			<ul style="list-style-type: none"> <li>• Listening to Various Opinions</li> <li>• Social Contribution Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Information Disclosure</li> </ul>
<b>HRM</b>	<ul style="list-style-type: none"> <li>• Benefits &amp; Welfare</li> <li>• Labor-Management Relations</li> <li>• Fostering Talent</li> <li>• Human Rights &amp; Diversity</li> </ul>					
<b>SUPPORT</b>	<ul style="list-style-type: none"> <li>• Integrity Pact</li> </ul>			<ul style="list-style-type: none"> <li>• Integrity Pact</li> </ul>		
<b>Purchasing (LNG, facilities, materials, service)</b>	<ul style="list-style-type: none"> <li>• Adopting Stability</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation With SME's</li> </ul>		<ul style="list-style-type: none"> <li>• Co-Prosperity Management</li> <li>• SME Support</li> <li>• Green Purchasing</li> </ul>	<ul style="list-style-type: none"> <li>• Resource Development</li> <li>• International Cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Resource Development</li> <li>• International Cooperation</li> </ul>

This report states the major issues of high interest or issues of significant influence on our stakeholders related to KOGAS' management activities. KOGAS classifies its stakeholders into six groups: employees; customers (power generators/ city gas companies); shareholders/ investors; partners; communities & NGOs and; government and regulatory authorities.

## Pledges to Stakeholders

**Employees** | We take regular surveys of employee satisfaction to better understand the various needs of our employees, our internal stakeholders. We maintain a cooperative labor-management relationship based on trust, through labor council activities. In addition, we endeavor to enhance employee satisfaction by improving our welfare system and fostering the development of talented professionals to reinforce our competence.

**Shareholders/Investors** | We are dedicated to enhancing transparency and efficiency in management through proactive IR activities with all our shareholders—national and local governments, individual and institutional investors and credit agencies—through an electronic disclosure system.

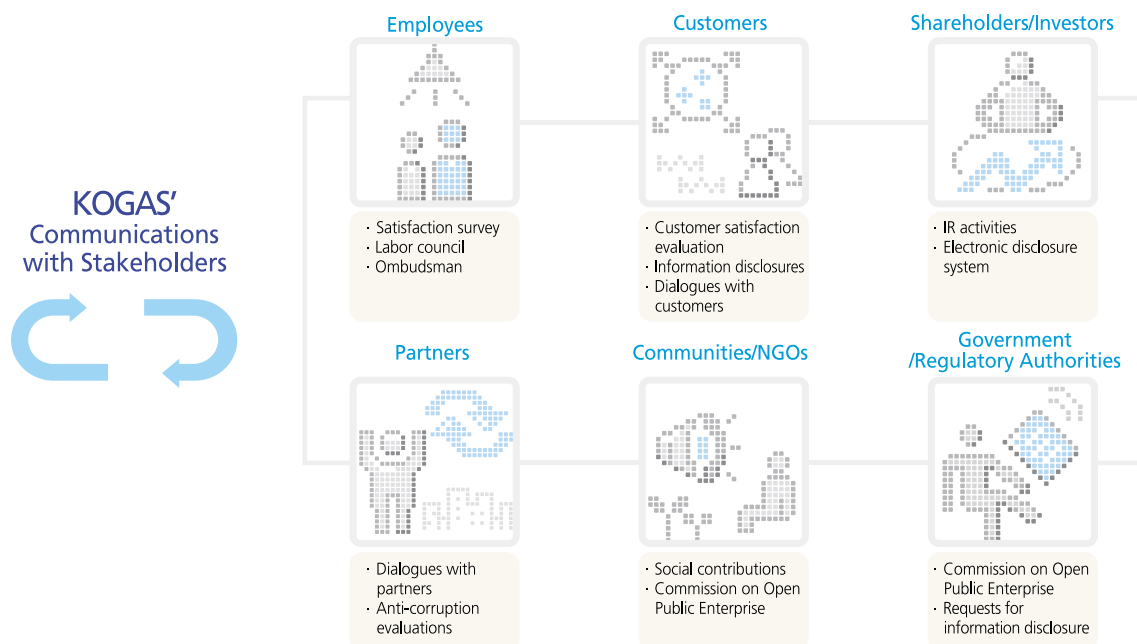
**Partners** | We utilize an electronic bidding system and enter into an Integrity Pact with all partners who provide services to KOGAS in the construction of production and supply facilities, procurement and other outsourced services based on our transparent transaction system. We also hold regular meetings and employ a voice of customer (VOC) system to actively collect and reflect our partners' opinions, in order to maintain a mutually prosperous relationship.

**Communities & NGOs** | We maintain systematic communication channels with our communities, environmental groups, government & public agencies and civic groups. We also base all our social contributions and environmental activities on the foundation of good corporate citizenship, to build a happier society, while maintaining mutually beneficial relations with these communities and NGOs.

**Customers** | We implement regular customer satisfaction evaluations, dialogues with customers and an information disclosure system to maximize the satisfaction of our direct customers—power generators and city gas companies.

**Government & Regulatory Authorities** | We comply with the laws and regulations set by the government and supervisory organizations and fulfill our corporate responsibilities through tax compliance, and active participation in the Korean Pact on Anti-Corruption and Transparency of Public Enterprises. We strive in all our endeavors, to establish a trusted public enterprise.

## Communications with Stakeholders



## Stakeholders Survey

### Survey Summary |

Participants: Employees, customers, shareholders/investors, partners, communities/NGOs, government

Sample size: 300 persons (100 internal, 200 external and 40 from each stakeholder group)

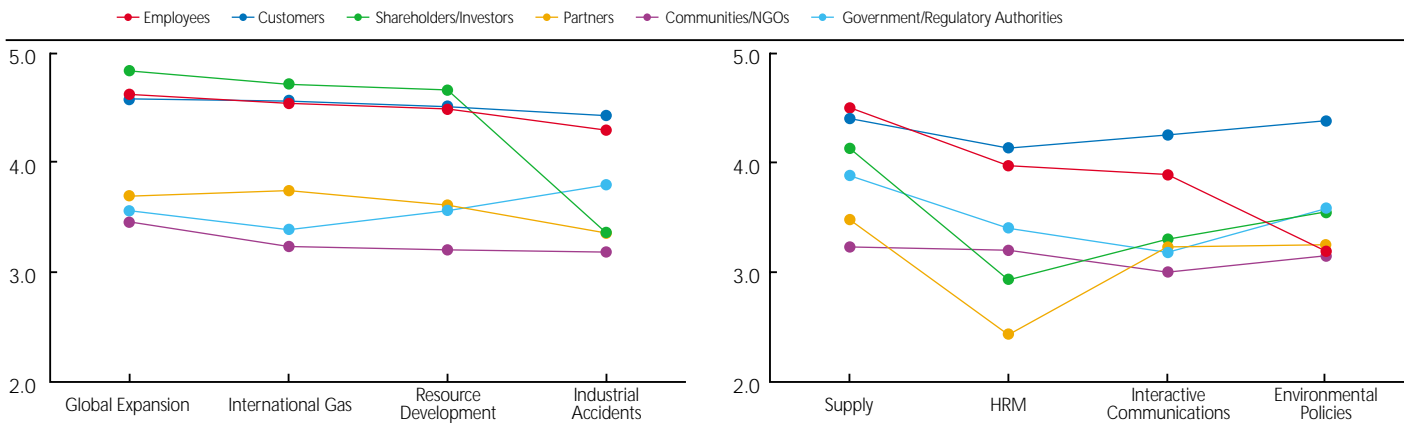
Method: Telephone survey questionnaires (ratings on a scale of 1-5)

Period: June 4 ~ 11, 2008 (survey agency: Telsearch)

Purpose: Materiality test of sustainability issues and finalizing sustainability core values and gap analysis among stakeholders

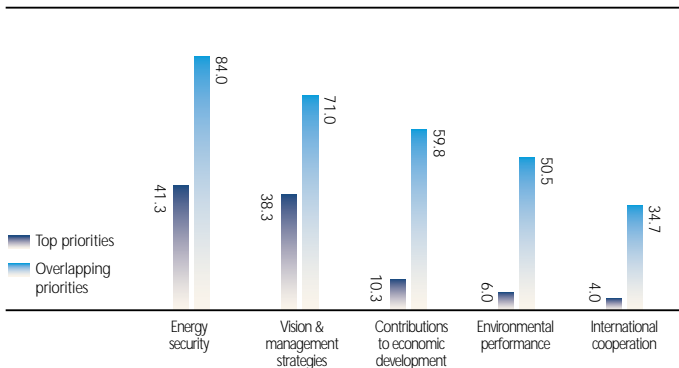
### Survey of Interest in Major Issues by Each Stakeholder Group |

KOGAS surveyed stakeholder's level of interest in the material issues. The result showed that employees, shareholders and investors were relatively highly interested in the company while customers, communities, NGOs, government agencies and supervisory agencies all demonstrated a low level of interest. Based on the results, KOGAS will build a closer relationship with its stakeholders through continued and proactive communications and PR activities.

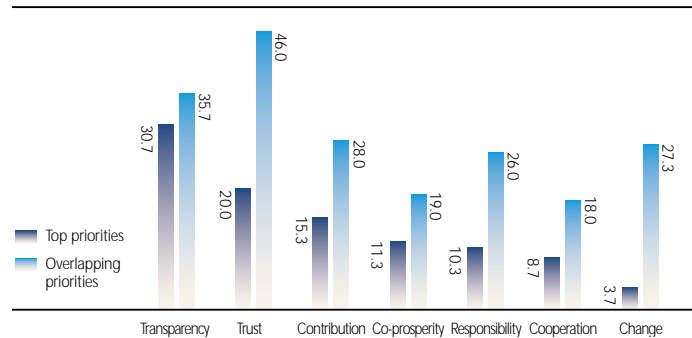


**Survey on material issues and values |** We surveyed our stakeholders' opinions on the material issues and core values that require our efforts for sustainable development. Amidst the rapidly changing energy market environment, energy security has emerged as an impending issue. Vision, management strategies, contributions to economic development, environmental performances and international cooperation were also listed on our stakeholder's priority list. Therefore, we will focus on the energy security issue in the following part of our report. Stakeholders also picked transparency and trust as the core values for sustainable development. Therefore, KOGAS will work to enhance trust with its stakeholders through righteous management as a responsible public enterprise.

### Material Issues of Stakeholders |



### Core Values Picked by Stakeholders |





## KOGAS Overview

KOGAS contributes to the national economy by providing a diversified and stable energy source through its supply of clean energy—natural gas, and to improving the nations’ welfare and benefits by reducing environmental pollution in the communities it serves. We are also active in extensive social contribution activities as a responsible corporate citizen, while pursuing sustainable growth that balances public wealth and entrepreneurship.

### KOGAS Profile

Established in 1983, KOGAS ushered in the natural gas era to Korea. In 1986, it started supplying natural gas for power generation and for general use the following year. In 1990, under the basic plan for the national supply of natural gas, the construction of natural gas supply facilities raised safety issues. In order to secure national safety, KOGAS came up with comprehensive safety management measures and acquired ISO 9001, ISO14001 certification to enhance its management quality and environmental management. At the same time, we pushed forward with long-term contracts with Indonesia, Malaysia, Brunei, Qatar, Australia and Oman to secure a stable supply of natural gas resources. We also constructed LNG terminals in Pyeongtaek, Incheon and Tongyeong, equipping ourselves with a stable supply and storage facilities. As a result, the national demand for natural gas numbered 120 million households as of 2007.

As a responsible public enterprise, KOGAS practices the spirit of sharing with its neighbors and involves itself in various environment preservation activities. For instance, we promote a project encouraging CNG buses to improve the air quality in metropolitan areas. As of 2007, a total of 15,000 CNG buses are operating around Seoul and its vicinity. Our plan to promote LNG fueled vehicle is on the way We launched the Cheongyeon Social Service Corps in 1999 to translate our environmental values and volunteerism into action. In response to the rapidly changing energy business environment, KOGAS will continue to provide a stable supply of energy resources while fulfilling its responsibilities. KOGAS will grow into a global energy company that maintains sustainable growth through the realization of its vision “ Global KOGAS, Growing together with Customers.”



### KOGAS Organization |

Company	Korea Gas Corporation
President & CEO	Choo, Kang-Soo
Establishment	August 18, 1983
Business Type	Import & supply of natural gas
Total Sales	KRW 14,260,834,946,749
Main Office	215, Jeongja-dong, Bundang-gu, Seongnam City, Gyeonggi Province
Premises	-LNG terminals operation and pipeline construction office -construction offices in Incheon, Pyeongtaek and Tongyeong -Branches in Seoul, Gyeongin, Gangwon, Chuncheong, West Sea, Honam, Gyeongbuk and Gyeongnam, R&D Center
Major Business	-Production & supply of natural gas -Refinery & sales of natural gas byproducts -Construction & operation of natural gas receiving terminals and transmission grids -Development, transportation, export/import of natural gas, development of liquefied petroleum gas, renewable and alternative energy, R&D utilizing natural gas and its byproducts -Projects commissioned by national and local governments
Employees	2,820 persons
Total Assets	KRW 12,580,514,630,293
Natural Gas Sales	25,459,931 tons
IPO	1999 on the Korea Stock Exchange
Credit Ratings (as of Dec. 31, 2007)	AAA (S&P), A2 (Moody's)

### KOGAS Facilities

#### Production Facilities |

	Operation	Under construction	Total
Berth Facilities	5 berths	1 berth	6 berths
Storage Tanks	5,160,000m <sup>3</sup> (40 units)	3,700,000m <sup>3</sup> (20 units)	8,860,000m <sup>3</sup> (60 units)
Vaporizers	8,596 tons/hour	1,560 tons/hour	10,156 tons/hour

#### Supply Facilities |

	Operation	Under construction	Total
Main Pipeline (km)	2,720	210	2,930
Valve Stations (units)	176	25	201

KOGAS is devoted to establishing infrastructures for the stable supply of natural gas.



## Natural Gas Business

Natural gas is produced throughout the world including such regions as Russia, the Middle East and Asia, with longer reserve-production ratios (R/P) than petroleum. Since its first import, natural gas has become widespread as a major national energy source for Korea, with an annual growth rate of 16%.

### Characteristics of Natural Gas

Natural Gas is lighter than air and dissipates rapidly when leaked. Due to its high ignition temperature, it is considered a relatively safer energy source than others. It is also an environmentally friendly energy that emits little CO<sub>2</sub>, SO<sub>2</sub>, CO, NOx or dust. At the beginning era, Lacking appropriate transportation system natural gas was to be burned off as a by-product of the oil extraction process in the field. With the development of welding and pipeline technologies, pipelines have been laid down to transport gas from their production sources to end users, enabling more effective use of this natural energy source. With the development of natural gas carriers, the industry advanced into the era of liquefied natural gas. KOGAS sold 25,460,000 tons of natural gas in 2007, accounting for about 8.4% of Korea's primary domestic energy demand. The proven global reserve of natural gas amounts to 145 trillion m<sup>3</sup> and with the current pace of consumption, that will be sufficient to meet global demands for the next 65 years.

### LNG vs. LPG |

	Ingredients	Air=1	Ignition Temperature	Liquefaction Temperature	Usage
LNG (liquefied natural gas)	Methane	0.66	530°C	-162°C	City gas use, power generation use
LPG (liquefied petroleum gas)	Propane	1.5	450°C	-42°C	Household use, city gas use
	Butane	2.0	400°C	-0.5°C	Vehicle fuel, industrial material

※ Source: Natural Gas Composition Standards (Korean Industrial Standards KSM ISO 6976 (2007))

### LNG vs. Other Energy Sources Pollutant Emission Index |

Energy Source \ Pollutant	LNG	LPG	B-C Oil	Diesel	Kerosene	Anthracite	Soft coal
CO <sub>2</sub>	1	1.03	1.20	1.20	1.17	1.60	1.58
SO <sub>2</sub>	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
NOx	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: CO<sub>2</sub> (IPCC, Intergovernmental Panel on Climate Change), others (EPA, U.S. Environmental Protection Agency)

### Natural Gas Reserves by Continent (2007) | Unit: %

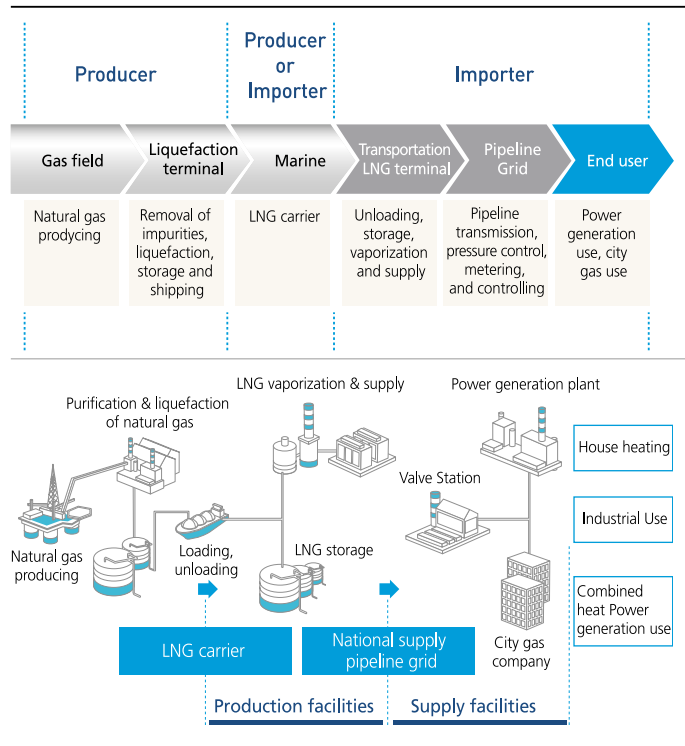
	North America	Central-South America	Europe-Eurasia	The Middle East	Africa	Asia-Pacific	Total
Natural Gas	4.5	4.4	33.5	41.3	8.2	8.2	100

※ Source: BP Statistical Review of World Energy, June 2008

### Natural Gas Trading

In terms of transmission, pipeline natural gas (PNG) is the prevailing form of transmission for distances less than 5,000 km and liquefied natural gas (LNG) for longer distances. Korea imports only LNG so far.

### LNG Business Flow Chart |

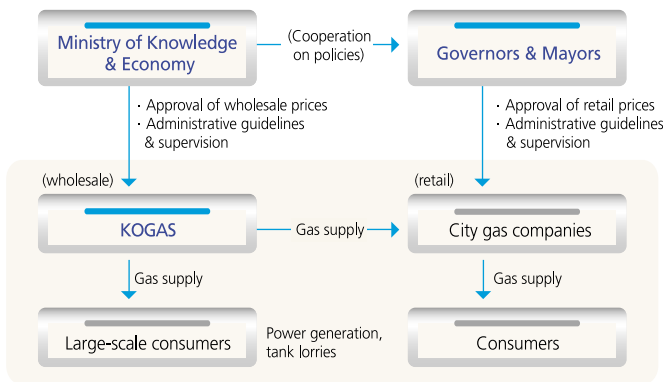




## Korea Natural Gas Business System

As a public enterprise, KOGAS is in charge of the wholesale of natural gas in the Korea domestic market while 30 private city gas companies hold monopoly retail sales rights within their respective regions. KOGAS imports LNG and distributes it to consumers across the nation—17 power generation plants of 10 power generation companies, while the city gas companies, relay the gas to their end users within each region.

### Natural Gas Business Flow Chart |

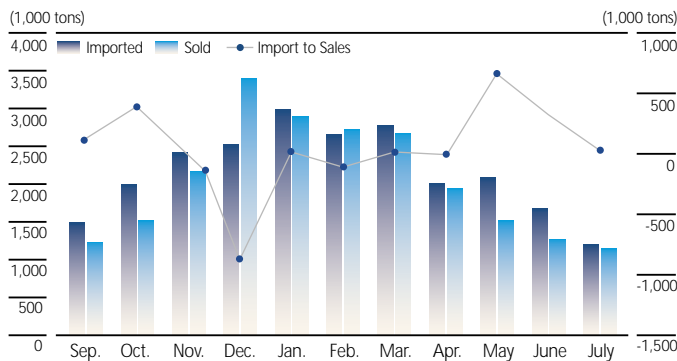


※ Anyone qualifying under the given criteria can report and import gas for self-consumption.

## 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 characteristic causes an imbalance in supply-demand between summer and winter. Therefore, our focus is on compromising the structural problem.

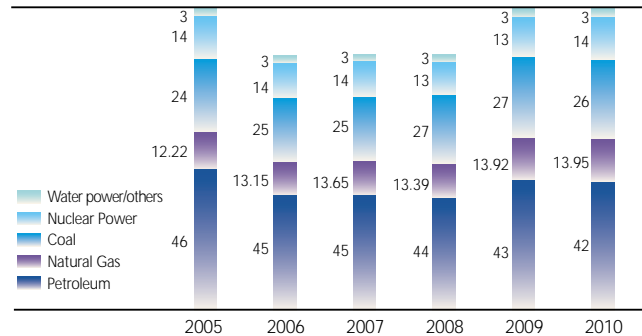
### Natural Gas Supply-Demand Pattern (2006~2007) |



## Natural Gas Demand Forecast

LNG's share of domestic energy consumption amongst primary energy sources continued to grow over the past decade, reaching 12.22% in 2005 and is expected to grow up to 13.95% by 2010, while petroleum's share is forecast to decrease.

### Forecast of Domestic Consumption of Primary Energies | Unit: %



※ Source: Korea Energy Economics Institute, mid-term demand forecast (Dec. 2005)

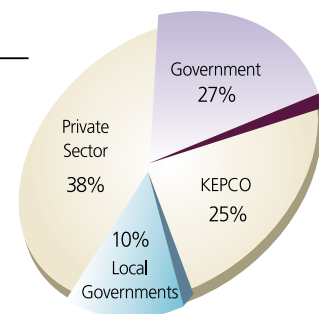
## Corporate Governance

KOGAS is committed to a crystal-clear transparent and rational decision-making process and to the future-oriented maximization of its corporate value. Our undaunted entrepreneurship and dedication will lead KOGAS to a promising future.

### Composition of Shareholders

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

### Shareholder Composition |



※ Total number of shares issued: 77,284,510





## Board of Directors

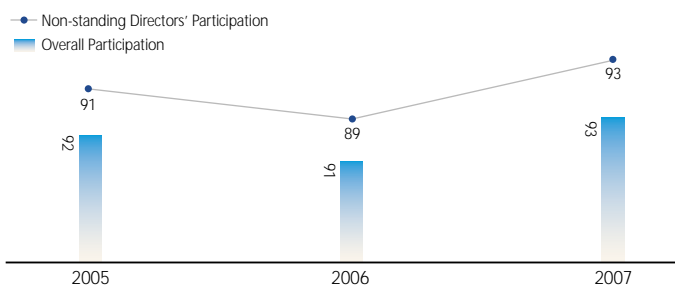
KOGAS places its board of directors (BOD) at the center of its management activities to maximize corporate value through rational and transparent management while fulfilling social responsibilities. As part of the government's drive to innovate the governance of public enterprises, "The Act on the Operation of Public Entities" was promulgated on April 1, 2007. In accordance with the new Act and our own articles of incorporation, we operate through a BOD consisting of 5 standing and 7 non-standing directors and chaired by an elected non-standing director, charged with making decisions on material management issues. As of 2007, KOGAS did not operate subcommittees under its BOD, but plans an audit committee in 2008, pursuant to the governing acts. We actively utilize the professionalism of our non-standing directors in the company's decision-making processes regarding management goals, budget, operational planning and settlements.

### BOD Meetings & Agenda | Unit: times, cases

Year	No. of Meetings			No. of Agendas	Agendas Passed				Sub total	Reported Agenda
	Summons	Documents	Sub total		Passed without Change	Passed with Change	Passed under Conditions	Rejected		
2006	12	1	13	51	33	-	-	1	34	17
2007	13	1	14	68	45	1	1	1	48	20

We support and encourage active participation in the company's management by our non-standing directors. In April 2007, we revised the BOD regulations to prepare "BOD agendas" to appropriately allot agenda items for submission to the BOD in such way that reflects internal and external management environments. The annual plan of BOD meetings provides for advance notices to BOD members and the establishment of regularly scheduled preliminary meetings to fine-tune the schedules and BOD agendas, beforehand. This systematic management of BOD meetings enhanced participation by BOD members, with the attendance rate reaching 93% in 2007. Every January, a "BOD Operation Plan" is presented including roadmaps and feedback systems on the major agenda issues, which has strengthened the BOD deliberation function.

### BOD Participation | Unit: %



## Management Information Provision & Deliberation |

### | Promoting understanding of KOGAS management |

	Results	
	2006	2007
Preliminary council (attended by all BOD members)	9 times	12 times
Reported Agenda	17 cases	20 cases
Providing complimentary materials for deliberation	7 cases	10 cases
Reporting on the major management issues	6 cases	14 cases
Reporting of each division's performance (overall divisions)	2 times	3 times

### | Strengthening deliberation during BOD meetings |

	Results	
	2006	2007
Deliberation times span per meeting	56 minutes	75 minutes
Deliberated cases per meeting	3.9 cases	4.9 cases
Deliberation duration per agenda	14 minutes	20 minutes
Number of proposal per agenda	15 times	26 times
Proposal ratio by non-standing directors	42 %	48 %

※ Provision of full management information for decision-making, enables in-depth deliberation

KOGAS ensures transparency in the nomination and compensation of its directors and executives under the governing regulations and BOD resolutions. Candidates recommended by the Executive Recommendation Committee undergo deliberation by the Public Entity Steering Committee. Elected in the general shareholders' meeting, the KOGAS president is designated by the President and non-standing directors, by the Minister of Strategy & Finance. Standing directors are designated by the KOGAS president. Remuneration of executive members includes basic salary, incentives and retirement allowances. The annual basic salary is determined by the non-standing directors meeting within the limits assigned for standing directors and auditors, which is approved in the general shareholders' meeting. The incentives are paid in accordance with performance based management contracts signed at the beginning of each year.

## Standing Auditor & Audit Committee

KOGAS appoints a standing auditor at the general shareholders' meeting. We convene an Audit Committee when the current auditor's term ends in accordance with Commercial Law and our Articles of Incorporation. Comprised of 3 members, 2 of which are non-standing directors, the committee must include an accounting or financial expert in the related regulations, insuring expertise in audit practices. The Committee can request reports on the KOGAS'



accounting audit and sales activities and can initiate surveys on the performances and financial status of employees, as well as taking on special assignments commissioned by the BOD. KOGAS provides the Committee with access to necessary management information in relation to audit practices.

### Management Committee

KOGAS holds regular Management Committee meetings every Thursday. Chaired by the CEO and comprised of all vice presidents and other department head executives, the Committee resolves important management issues that require the consensus of the majority of the members. The standing Auditor can attend the meeting to make suggestions.

## Risk Management

All risks entailed in the company's business management activities must be identified, quantified and prevented in an appropriate manner at the source. KOGAS' risk management (RM) system is based on the corporation's accumulated knowledge and experiences. KOGAS undertakes continuous endeavors to capture and effectively control various risks inherent inside and outside the company, on a timely basis.

### Financial Risk Management

While actively expanding its business scope, KOGAS has established a financial risk management (FRM) system to monitor and promptly take control of risks, thereby reinforcing its financial stability. Utilizing this system, we measure VaR of foreign exchange rates, interest rates and credit and analyze our risk exposures, and prepare a manual for the effective management of financial risks.

#### Contingency Plan for Financial Risk Management |

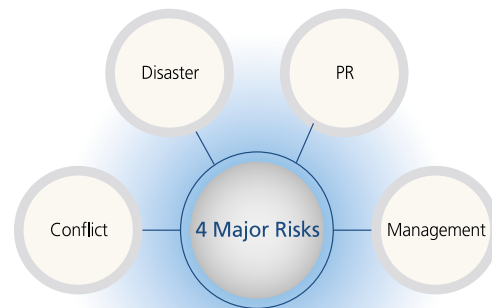
	Moderate (Blue)	Caution (Yellow)	Warning (Orange)	Danger (Red)
	VaR limit exceeding 50%	VaR limit exceeding 60%	VaR limit exceeding 75%	VaR limit exceeding 90%
Criteria	Foreign exchange fluctuating more than 5 won/day	Foreign exchange fluctuating more than 5 won/day	Foreign exchange fluctuating more than 20 won/day	Foreign exchange fluctuating more than 30 won/day
	Interest rates fluctuating more than 5%/week	Interest rates fluctuating more than 10%/week	Interest rates fluctuating more than 15%/week	Interest rates fluctuating more than 30%/week
Measures	Limit on additional exposure	Reducing non-hedge Limit on additional exposure	Reducing non-hedge to less than 50% Prohibition on additional exposure	Implementing funding measures Complete risk hedging

### Non-financial Risk Management

KOGAS classifies its non-financial risks into management risks, disasters, PR and conflicts arising in the course of its business activities, focusing on the prevention and preparation for potential risks. In particular, disaster risks arise in the course of construction and operation of gas supply facilities. Therefore, they fall under control of the company's Crisis Preparedness System that prepared by EHS management system. As an emergency in gas supply interruption constitutes a national crisis, we maintain a multi-channelled cooperation with the government to take timely control of such event.

### Building a Company-wide Crisis Management System

KOGAS has prepared company-wide contingency plans to strategically address disasters in gas facilities, environmental incidents, wars and oil crises that threaten management activities. We have prepared manuals and set up a countermeasure organization to control 16 risks in 4 categories. Classifying the crises into phases including crisis, recognition of potential crisis, actual events and spread of crisis, we have prepared guidelines, operating schemes and follow-up measures for each phase.



#### 16 Risks in Each Category

Management	9	Regulations, social responsibility, marketing, business portfolio management, supply, strategy, human resources, financial
PR	1	Public relations
Disaster	4	Environment, facilities, accidents, information system
Conflicts	2	Labor relations, compensation



## Ethical Management System

KOGAS practices ethical management in a consistent, organized, ongoing effort to grow into a global energy company that is socially responsible, while establishing a platform for sustainable growth through transparent and conscientious management. Through this effort, we will strengthen the bonds of trust with our stakeholders and build a brighter future for KOGAS.

### Ethical Management System and Roadmap

The "KOGAS ethical management system & roadmap" provides guidelines to our employees on the voluntary practice of ethical principles in line with the corporate goal. In 2007, we enacted and enforced behavioral guidelines for audit, construction and R&D workers to reinforce our employees' ethics competencies. As of November 2007, 2,298 of our people have participated in the online ethics courses.



## Efforts to Practice Ethical Management

KOGAS instills ethical minds in its constituents, devotes itself to anti-corruption initiatives, and practices a transparent and open management style. Through these efforts, KOGAS will grow as a global leading company.

### Company-wide Efforts Toward Ethical Management

**Ethical mindset of employees** | Ethical management at KOGAS' originates in ethical leadership. In support of the organization's dedication to ethical management, we have devised a Code of Ethics, Code of Conduct and guidelines on practicing ethics. We announced these guidelines to the executive team for them to take the lead in ethical practices and to strengthen our ethical leadership. We also operate annual training courses to enhance anti-corruption measures and build integrity among our employees.

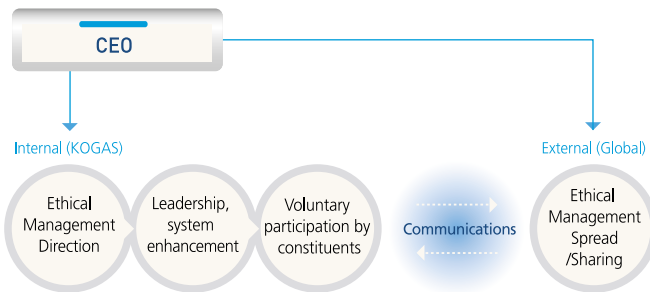
**Announcement of ethical management and Code of Ethics** | Since 2004 when KOGAS first declared its position on ethical management, we have set up an ethical management goal of "realizing transparent and conscientious management as a clean energy company," which includes 11 core values in 4 categories as standards for our employees' behavior and judgment. We also encourage employees to make oaths of compliance to this Code of Ethics. We also have in force, separate Codes of Conduct by job type, for each non-standing director, contract, construction and research worker in the company.

## Ethical Management Organization

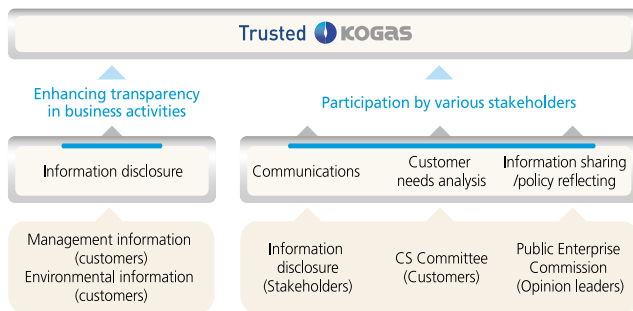




**CEO ethical management leadership** | The CEO of KOGAS participates in the annual oath ceremony for our Code of Ethics and is actively involved in the Pact on Transparent Society campaign. He participates in the public reporting conventions and social service activities, leading the company-wide campaign for ethical management. In 2007, KOGAS joined the UN Global Compact.



**Voluntary provision of management information** | KOGAS enhances transparency in its business activities through public disclosure of management information and embraces the practice of open management by encouraging the participation of its stakeholders.



**Transparent accounting** | We have assigned a control team to strengthen the reliability and transparency of our financial accounting and information and have implemented a system to operate and monitor internal accounting controls. To insure the effective operation of this internal control system, we assess the design and operation of the system, examining 378 items and 11 processes, every quarter.

**Co-prosperity ethics council** | KOGAS has organized a council to promote co-operative ethical management relationship with its business partners. We actualize this program through various support initiatives with our partners and maintain a grievance reporting system.



**Internal audit system** | KOGAS maintains records of all audit results in our Audit Information System, dating back to 1999. This provides us with the opportunity to identify and monitor weak performing sectors. Our consulting and preventive audits to monitor policy compliance focus on enhancing management efficiency by improving our management disciplines while controlling risks. Furthermore, we operate "Cheongeungo," a confidential whistle-blowing system, to secure transparency and enhance ethical awareness.

### Practicing Transparency for Ethical Management

**Ethical management website "Clean Zone"** | KOGAS has established a dedicated website for ethical management to share information with its stakeholders. It also operates a center for reporting ethical violations and a cyber ethical counseling board.

**Integrity manual & anti-corruption system** | In an effort to identify and control factors vulnerable to corruption in the construction area, KOGAS operates an integrity manual and anti-corruption system for all construction contracts worth more than KRW 10.0 billion to enhance the transparency of its construction projects.

**Integrity pact** | KOGAS announced the implementation of its ethical management policies in 2004 and encouraged all employees involved in the contracting process to execute integrity pacts. In addition, all contracting processes include the execution of integrity pacts by both KOGAS and our contracting counterparts, encouraging their participation.



## External Expert's Opinion



Corporate governance has emerged as a major issue on the domestic business front over the past decade, introducing such systems as outside directors, cumulative voting, strengthened disclosure regulations and diversified composition of committees. Unfortunately, however, the ongoing domestic discussions are weighted towards the perspectives of shareholders. In a society of shareholder capitalism like Korea, "good corporate governance" might righteously be interpreted as a principle to realize neutrally and transparency, in the interests of all shareholders. In the longer term, however, corporate governance has something to do with the interests of all stakeholders—not just shareholders. Shareholder value is impossible to achieve in a company whose employees and customers are dissatisfied or if the company is in a bad relation with their partners or the community. To some extent, stakeholders are like the air which the company must breathe in order to survive and thrive. Therefore, we are obliged to find the clues to effect material change in our thinking on corporate governance. "Good corporate governance" is the foundation on which we must reflect our stakeholders' interests in an optimal, neutral way. Consequently, "good corporate governance" must be accompanied by corporate social responsibility. The ESGI™ the CSR evaluation model of Sustainvest, graded KOGAS highest amongst the top 100 Korean companies in terms of market capitalization. We also found that KOGAS puts in place various strategies to strike the right balance on the triple bottom-line, while placing human interest, nature, economic interest and stakeholder relations at the core of its sustainability management doctrine. We hope that KOGAS will continue to maintain this leadership in setting global standards in sustainable management.



Ryu, Young-Jea  
Sustainvest CEO

**Integrity Pact as Condition of Contract** | KOGAS provides advance notice to all its potential contractors that execution of its Integrity Pact is a pre-condition of bidding and contracting. We impose sanctions on any violation of the pact, thereby enforcing our counterparts to abide by the pact.

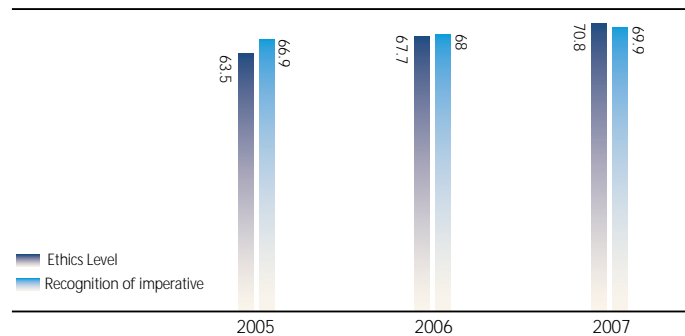
**Electronic Bidding** | KOGAS has utilized an electronic bidding system since 2002, conducting the entire process of bid announcements, preliminary pricing and contract award, all on-line, enhancing the transparency of our transaction practices.

### Ethical Management with Customers

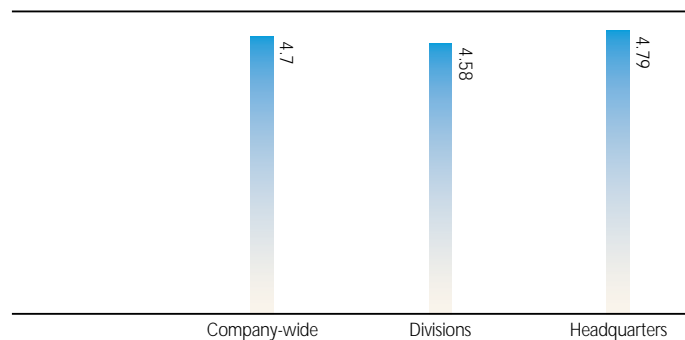
As part of our effort to grow into a global leading energy company, we take regular surveys on the satisfaction of internal and external stakeholders with respect to the company's ethical management practices, ethics and integrity levels.



KOGAS Internal Assessment of Ethics Level (on a scale of 100) |



Satisfaction of KOGAS' Contract Practice (on a scale of 5) |



# ECONOMIC

# VALUE



WE WILL SOON BECOME 'GLOBAL KOGAS, GROWING TOGETHER WITH



# Disclosure on Management Approach

## Approaches

Under its corporate philosophy of contributing to public convenience and welfare through a stable supply of energy, KOGAS devotes itself to sound corporate governance and ethical, transparent management. We intend to realize our vision of "Global KOGAS, Growing Together with Customers" by expanding our supply infrastructure, along with a diversification of our import channels and overseas resource development projects.

## Initiatives

KOGAS has adopted a company-wide enterprise resource planning (ERP) system to innovatively improve its work processes. Other initiatives to enhance governance and transparency in management include our Audit Committee and continuous efficiency improvements in our internal control and internal audit systems, as well as a company-wide risk management system. As part of our efforts to secure a stable energy source supply, we have built a comprehensive vertical line-up of exploration-development-production-transportation-supply capabilities, expanding our storage and supply facilities, while enhancing management efficiency and adding customer value. All in all, we will continue to grow as a globally competent company through such endeavors, leading the way with ethical management, corporate integrity and transparency.

## Performance & Plans

Category	Details	Performance	
		2007	Target 2008
Financial performance	Sales	KRW 14.2 Trillion	KRW 15.6 Trillion
	Total assets	KRW 12.5 Trillion	KRW 13.2 Trillion
Facilities expansion	LNG storage facilities	5.16 million m <sup>3</sup>	5.64 million m <sup>3</sup>
	Natural gas pipeline	2,720km	2,739km
Natural gas trading	LNG import	24,758,000 ton	26,417,000 ton
	Natural gas sales	25,459,000 ton	27,071,000 ton
Overseas resource development	Incremental exploration project	15unit	16unit
	Independent development ratio	1.24%	1.00%
Global expansion	Overseas project dividend income	US\$111 million	US\$107 million
Customer satisfaction	NCSI	98.7	98.7
Ethical management	National anti-corruption index	9.19	9.5

CUSTOMERS'





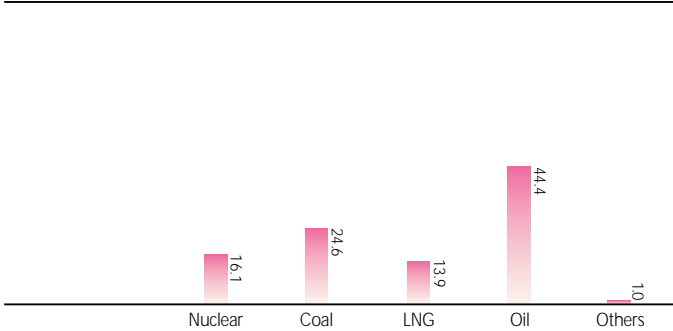
## Natural Gas Business as the Nation's Source of Energy

KOGAS is devoted to a stable supply of natural gas. To that end, we maintain accurate forecasts of the domestic demand trends, risk management against emergencies, expand storage facilities and strive to actively develop our overseas resources. We also endeavor to secure next-generation growth engines through an aggressive R&D program, not only in natural gas but overall energy development.

### Expanding the Supply of Natural Gas

Since first supplied as a fuel for power generation in November 1986, natural gas has maintained an average annual growth rate of 16%, representing 13.9% of Korea's primary energy consumption and 17.6% 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, and forecast to reach 82.7% by 2020.

Primary Energy Type Consumption (as of 2006-end) | Unit: %



※ Source: Korea Energy Economics Institute

Natural Gas Use & Outlook | Unit: %



※ Source: City Gas Industry Handbook

## Natural Gas Sales & Outlook

The sale of natural gas has increased at an annual growth rate of 16.5% from 1992 to 2007, but is expected drastically slow down to 3.5% from 2008 to 2020, with natural gas for power generation increasing at a rate of 0.1% growth per annum.

Natural Gas Sales & Forecast | Unit: 1,000 tons

Category	Sales		Forecast			Average annual growth rate	
	2000	2007	2008	2011	2015		2020
City Gas	9,528	14,448	15,334	19,090	23,300	29,780	3.5%
Power Generation	4,689	11,011	11,737	13,810	10,190	10,570	0.1%
Total	14,217	25,459	27,071	32,900	33,490	40,350	5.4%

※ Source: The 8<sup>th</sup> Long-term Natural Gas Supply Plan (Ministry of Knowledge Economy)

## 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 others. KOGAS is continually reinforcing its countermeasures to control these risks, ensuring national energy security.

## Characteristics of Domestic Natural Gas Demand

The supply of natural gas in Korea involves many uncontrollable factors. Temperatures vary greatly in Korea from summer to winter, resulting in a significant demand gap for natural gas between the winter heating season and the hot summer. However, international natural gas deals are long-term based contracts, supplied at a steady rate throughout the year and over the years, making it hard to import natural gas in sync with the cyclical demands of the end user. To address this structural problem, we buy natural gas when spot market prices are lower and store the surplus in reserve, to meet the high demand during winter. At the same time, we are developing a scientific inventory management platform to close the large gap in seasonal demand.

Winter-Summer 3 Year Average Demand (2005~2007) | Unit: %

Category	Average
Winter	64
Summer	36





### TDR |

Category	2005	2006	2007
City Gas Use	4.38	3.57	3.36
Power Generation Use	2.56	2.16	1.81
Overall	2.99	2.87	2.46

※ TDR (Turn Down Ratio): Maximum monthly sales volume to minimum sales volume ratio for a given year

※ TDR by use (2007): Household use 9.28, general use 2.60, industrial use 1.69, power generation use 1.81

### Efforts for Accurate Demand Forecasts

Accurate predictions of future demand are integral to the stable supply of natural gas. The Center for KOGAS Economics Management has developed and continues to improve its prediction model based on usage. The forecast of long-term natural gas has previously been made biannually, but now it is forecast every year utilizing the model. In addition, we train professional forecasters to improve their forecasting accuracy. As a result, KOGAS reduced its demand forecast error rates in 2007 by 1.0%p from the previous year to 3.8%, lower than the average.

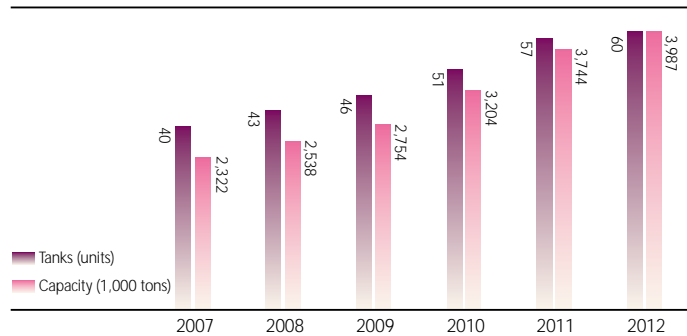
### Demand Forecast Error Rate | Unit: %

Category	City Gas Use	Power Generation Use	Overall
2005	2.4	10	4.4
2006	3.9	8.1	4.8
2007	3.4	5.4	3.8
Average	3.2	7.5	4.4

### Expanding LNG Storage Capacity

At the moment, KOGAS' LNG storage capacity falls slightly short of the turn down ratio (TDR). As of the end of 2007, the storage capacity rate stood at 9.5%, much lower than that of Japan (16~20%), one of the world's major LNG importers. Although we have managed to stabilize LNG supply with a small number of storage facilities by importing spots and swaps, these measures are not permanent solutions. Therefore, we are constructing more storage tanks with an aim to increase the rate to 16% by 2020. In addition to the 3 LNG terminals in Incheon, Pyeongtaek and Tongyeong, a fourth terminal is in the pipeline. Also under review are an East Sea Gas Field and an innovative storage facility utilizing underground storage technology.

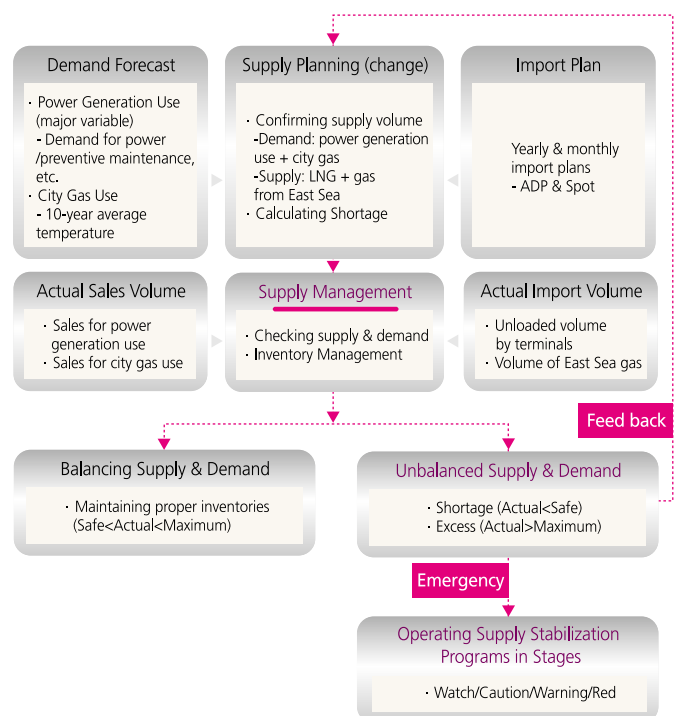
### LNG Storage Tank Construction | Unit: 1,000 tons



### Emergency Supply Stabilization Plans

During the peak winter demand for natural gas, we operate an emergency supply planning team in cooperation with the government, KEPCO and other related organizations. The team conducts a program designed to reduce demand for city gas power generation using alternative fuels, ensuring adequate amounts of LNG. In particular, we have prepared a practical manual for emergencies such as disruptions in the supply of natural gas, detailing the procedures and measures to be taken in such events.

### Supply Management Work Flow Chart |





## Exploration & Production (E&P) Projects

KOGAS has successfully expanded its scope of business from mere import and distribution of natural gas, to global projects including exploration and production, enabling us to secure a stable supply of energy and expand our business portfolios. KOGAS will continue to seek diversification of its income sources and a stable supply chain, while laying the groundwork to become a global, total energy company.

conclusion of a purchase agreement, it will announce the commercial discovery and commence production development to extract the natural gas. To address potential environmental and safety risks, we have conducted an official assessment of the environmental impact of a platform construction. Going forward, we will abide by global standards for environmental and human rights issues as we develop this site.

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

As part of our efforts to expand our upstream business and secure potential LNG sources, we formed a consortium with 3 partners including Petronas Carigali to participate in the 2006 bidding for exploration rights, led by the Designed Authority (DA) and won the development rights to the JPDA 06-102 Mining Block. The Consortium plans a full-scale exploration project of three-dimensional elasticity wave exploration and exploration ship operations for three years starting from 2007. When an economically feasible gas reserve is identified, we will proceed with development to provide a stable, incremental supply of energy resources for Korea, securing new sources of income for KOGAS.

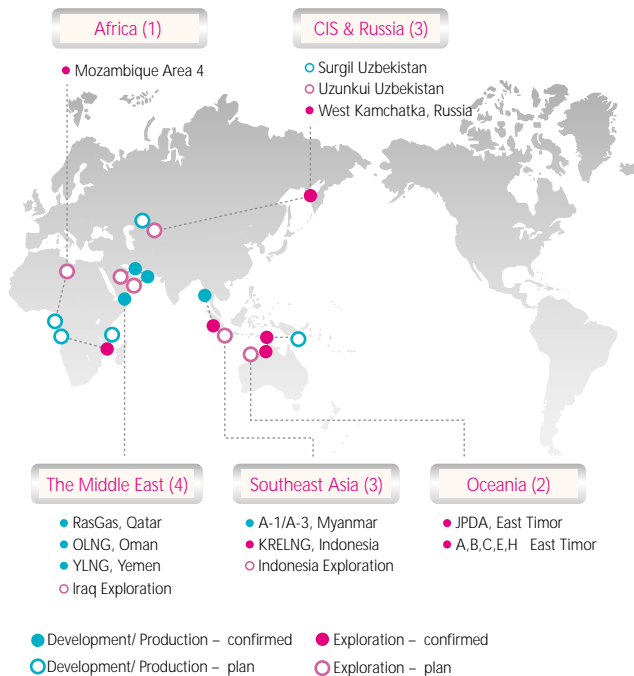
※ Composition of Consortium: KOGAS (30%), Petronas Carigali (50%), Samsung Corp. (10%), LG International (10%)

### Gas Field Exploration & Production Project at Surgil, Uzbekistan

On the occasion of the Korea-Uzbekistan summit in March 2006, KOGAS and Uzbekneftegaz, a government-run oil company of Uzbekistan, signed an agreement for a joint survey of the Uzunkui Exploration Project and an MOU for the development of a gas field in Surgil. When the survey proves the feasibility of the project, we will proceed to negotiate a contract with the Uzbekistani government to acquire the exploration license. KOGAS is also a part of a Korean consortium that has established a joint venture with Uzbekneftegaz to invest US\$1.8 billion in the development and production of the Surgil gas field, which offers about 96 million tons of reserves and the opportunity for the construction & operation of a gas chemical complex (GCC) on the field.

These projects will provide KOGAS with opportunities to secure exploration technologies and foster expertise, while the GCC business will help diversify our sources of income. We can also acquire a competitive edge in the Uzbekistan market over other major oil companies who have yet to enter the market.

### Resource Development by KOGAS |



### Participation in Myanmar Gas Field Project

KOGAS entered into a gas field development project in the A1/A3 Block of Myanmar's northwestern sea, in November 2001. A consortium of Daewoo International (60%), KOGAS (10%), ONGC-Videsh Limited (20%) and GAIL (10%) has almost completed exploration of the east mining block and has acquired a certificate of gas reserves of 4.53Tcf (based on 2P) from the GCA and is exploring the possibilities of additional reserves. The consortium is also in sales talks with potential purchasers. Upon the



## Participation in Overseas LNG Projects

**Oman OLNG 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 Korean companies in 1997 to acquire a 5% share in OLNG. So far, KOLNG has generated US\$344 million in dividend income, US\$83 million of which belongs to KOGAS.

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

**Qatar RasGas Investment Project** | KOGAS organized an independent investment consortium, KORAS, with 6 Korean companies in 1999 to acquire a 5% share in Ras Laffan I. KORAS generated US\$636 million in dividend income, earning US\$382 million for KOGAS after the repayment of borrowings.

※ 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** | In August 2005, KOGAS signed an equity participation agreement (EPA) to acquire a 6% share in Yemen LNG in line with the long-term importation of 2 million tons of LNG from Yemen. It acquired a 49% stake in Hyundai Yemen LNG in September 2006, equal to an additional 2.88% indirect equity share of 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 several 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. In addition, our US\$262.7 million equity investment in the Yemen LNG since December 2005 is expected to generate US\$1.13 billion in dividends over 25 years.

KOGAS continues its ceaseless R&D activities for sustainable growth.



## Research & Development

KOGAS R&D Center has devised its own proprietary R&D strategies in line with the company's "Vision 2017" plans, focusing on technology innovation. The center also cultivates core competencies for our upstream businesses and overseas projects and is charged with developing next-generation energies and independent technologies for the construction of liquefaction plants.

### R&D Vision & Strategies

KOGAS R&D Center has set its own vision of "Global Leading Energy Technology R&D Center." It has expanded its R&D scope into overall energy fields, cultivating core competencies in upstream businesses, new energy and future growth engines. Furthermore, it is actively building an advanced R&D system through an expanded network with domestic and overseas energy R&D institutes.



### Risk Assessment Technology R&D

As safety is integral to a process industry like the LNG business, the safety management technologies developed by KOGAS hold value, not only for the future safe operation of KOGAS, but as roadmaps for other industries as well. We also develop safety facilities to prevent industrial incidents and protect the corporation from losses.



**Risk assessment basic technologies** | In pursuit of a perfect risk assessment tool for LNG facilities, KOGAS has ceaselessly developed and applied basic technologies to identify hazards, analyze facility and human reliability, incident frequency and consequence assessment technology for more than a decade. Based on the accumulated technologies, we established an internal risk management system. By constructing an organized database of LNG/NG facility failure rates, we have secured the most advanced quantitative risk assessment system in the Korean petrochemical process industry.

**Risk assessment system** | Risk assessment is the key to successful safety management. KOGAS has developed and put in place various proprietary systems and programs for the systematic assessment of risks. The “Valve Station Qualitative Risk Assessment Intranet System” is a web-based qualitative assessment system that comprehensively analyzes the frequency and the results of accidents, enabling measured control of risks.

**Risk exposure information-based technology** | KOGAS develops application technologies based on risk exposure information to maximize the cost effectiveness of efficient risk management. We encourage constant investment in safety by emphasizing that safety technology is the best way to enhance productivity, using technologies that help us determine the optimal preventive maintenance policies and the development and application of SIL technology.

### Technologies for Facility Safety Checks

**Facilities safety monitoring system** | This system employs a system-building technology to develop and operate systems, based on safety analysis technology, including sensor setup and other constituent technologies. Our R&D Center developed and set up this system separately from SCADA, our operating network for existing facilities, as a safety control system for places that require monitoring for a given period. This system is comprised of vibration, strain, and alarmed, wired/wireless telecommunications. We developed these software and system building technologies from various on-site experiences within the organization. Usually used on sites with exposed pipelines, the system drew keen interest from city gas companies who operate a lot of exposed gas pipelines. This technology was applied in the construction site for the first time in Korea, proving its safety. Based on its accumulated experience and operation, KOGAS continues improving the safety and reliability of the system, establishing it as an industry leading, competitive technology.

**Technologies relocating buried pipelines** | Relocating buried, operational pipelines that are being moved due to road construction or underground excavations, requires advanced technology. This new technology utilizes scientific structural analysis to solve the problems of cost, site and leakage of natural gas arising in the course of relocating pipelines for a short period. We allocate sufficient safety margin in the review and relocation planning, in applying these technologies. To ensure the accurate and safe operation of the process, we have prepared a manual describing the procedures and tasks of the workers. Our safety measure also includes the “pipeline relocation monitoring system” to ensure safety of the pipelines throughout the process. Our R&D Center commands efficient relocation technologies accumulated from on-site experiences and analyses. We are currently systemizing the technology as we complete our comprehensive database of structural analysis of pipes by diameter and thickness.

### Piping Integrity Improvement Technologies

**Intelligent pigging technology** | The integrity of pipes is critical to the stable supply of natural gas. Therefore, KOGAS selected intelligent pigging (ILI: In-Line Inspections) as one of its future R&D focuses. Inserted in operational pipelines, the intelligent pig rides the flows of gas, oil or water moving through the pipe, to directly explore the inner surface of the pipes for damage, deformation, or corrosion, measuring the size and location of such spots. This technology won the grand prize as new technology/ pipe flaw detecting equipment in its category of products and technologies at the 4<sup>th</sup> Korea Technology Innovation Awards by Korea Business Newspaper. Having completed a geometric pig that diagnoses the physical shape of pipes in 2005, we are now applying it to commercial use. In 2008, we are preparing for commercial use of the magnetic flux leakage (MFL) pig—a technology that diagnoses the changes in the thickness of pipes due to corrosion—which we completed in 2007. In the future, when we complete our line-up of pigs which will apply to all types of pipes and enhance the functions of our intelligent pigs, we plan on expanding into the pipe inspection business, starting first with its commercial use in KOGAS pipelines.

### Upstream Business Gas Field Development Assessment Technologies

In an effort towards stable supply of natural gas and national energy security, KOGAS has actively participated in the businesses of exploring, developing, producing and operating petroleum and gas fields around the world. To that end, KOGAS is making an all-out effort to secure E&P

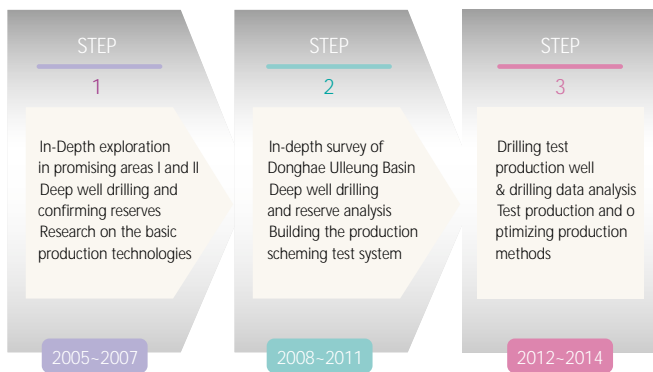
Combustion of gas hydrate harvested from the East Sea



technology platforms and state-of-the-art resource development technologies. Research is currently underway in such projects as building G&G and reservoir interpretation systems and developing multiphase & multi-component, fractured reservoir interpretation simulators. We are also reviewing the feasibility of reusing depleted gas fields as underground storage facilities and technologies for improving production of petro-gas fields.

**Gas Hydrate Development Project** | As part of the national drive for energy security, KOGAS conducted regional exploration in Korea's East Sea from 2000 to 2004. Having discovered the possibility of gas hydrate reserves in the region, we participated in the further development and are now in the second phase of the project. The first phase involved two-dimensional and three-dimensional in-depth exploration & analysis of the promising areas in sections I and II near the Ulleung Basin in order to locate a drilling spot. In 2007, we discovered a vast gas hydrate structure spanning 130m in the deep ocean floor, 135km northeast of Pohang. Confirmed to be larger in size than those fields of Japan, India and China, we became the fifth nation to identify gas hydrate reserves through deep water drilling after the U.S. (1980), Japan (1989), India (2006) and China (2007).

**National Gas Hydrate Development Phases** |



**Home fuel cell monitoring project** | KOGAS administers a home fuel cell monitoring project as part of the national drive for developing new & renewable energy technologies for a sustainable future, where environmentally-friendly houses generate their own electricity. In the first year of 2006, 10 city gas suppliers jointly participated in the project to install 40 fuel cells at KOGAS and participating suppliers. Starting in 2008, the second phase involves the installation and monitoring of 70 fuel cells at local government installations in the Seoul and Gyeonggi-do regions. By the end of 2009 when the third phase completes, a total of 210 home fuel cells will be

installed and monitored, to provide the data analysis for the further expansion of this program in the future.

**Fuel Cell Monitoring Project Scheme** |

Category	2006-2009	2007-2010	2008-2011		
Scale	40 units	70 units	100 units		
Basic price rate	KRW 130 million/unit	KRW 100 million/unit	KRW 80 million/unit		
Localization rate (mandatory localized components)	55% (stack, heat supply module)	70% (reformer, sensor, pump)	80% (converter, filter)		
Project expenses (Unit: KRW 100 Millions)	Government	55	70	80	
	Private Sector	Cash	17	21	24
		Spot	38	49	56
		Subtotal	55	70	80
	Total	110	140	160	

**LNG Vehicle Technologies**

In a bid to improve air quality, KOGAS provides LNG vehicles for city buses and is developing LNG vehicles for large-size motor freight carriers and express buses.

Due to its lower energy density and pressure vs. CNG, LNG is more appropriate for long-distance, large-size vehicles. We first developed LNG buses and tractors in 2006 and LNG dual-fuel vehicles for commercial use in 2007. Once commercialized as freighters and express buses, LNGV will contribute to improving the country's air environment, introduce economic values and expand the demand for natural gas for transportation use, in turn fostering the development of the country's LNG refueling infrastructure. While developing these vehicles, KOGAS cooperated with authorities to revamp the standards of LNG container manufacturing and inspection, setting the stage for LNGV standardization and commercialization. In 2007, we localized the technologies of LNG-refueling facilities, securing our own models for refueling control systems and station designs.

**CNGV vs. LNGV** |

	CNGV	LNGV
Fuel	CNG (20Mpa)	LNG (0.8-1.5MPa)
Fuel Tank	High Pressure Tank	Very Low Temp. Tank
	100kg/EA x (6-8)EA	230kg/EA x (1-2)EA
Fuel Efficiency (travel distance)	about 300km	about 1,000km
Usage	City Bus	Limousine Bus, HD Truck

# Financial Performance

Economic Value



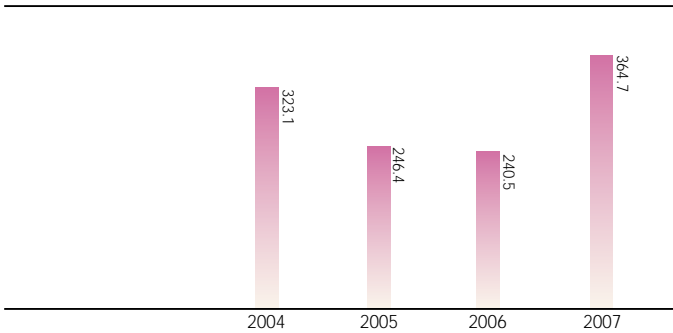
## Financial Status

KOGAS realized an historic high in net income thanks to increased sales volumes and new sources of income from resource development projects, pushing its share prices up to KRW 64,375, a gain of 50% as of December 2007 over the previous year.

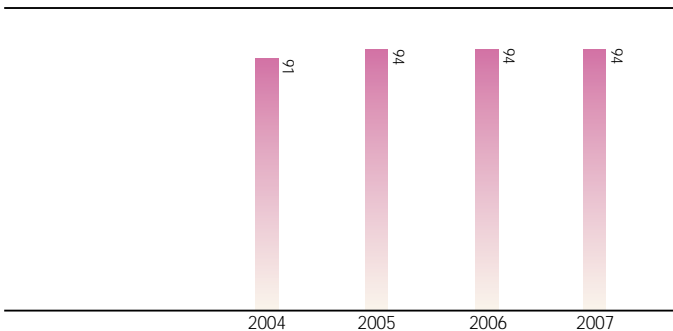
### 2007 Financial Performance

KOGAS' total assets reached KRW 12.5 trillion with sales of KRW 14.2 trillion in 2007. Although the debt ratio is relatively high due to our investments in facility expansion and resource development projects, Moody's raised KOGAS' rating to A2 in 2007 from an A3 rating in 2006. This upgrade set the stage for KOGAS to turn to domestic and overseas capital markets, for lower cost, quality funding for our future capital requirements. In addition, we are committed to transparent financial management through our financial reporting internal control system. We also employ state-of-the-art risk management systems to minimize market uncertainties, providing constant monitoring and prompt control of any emerging financial risks.

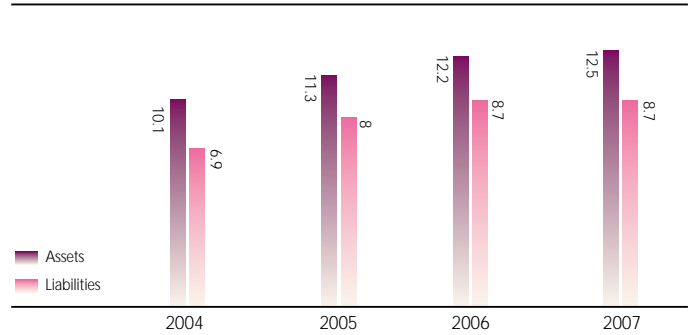
Net Income | Unit: KRW in Billions



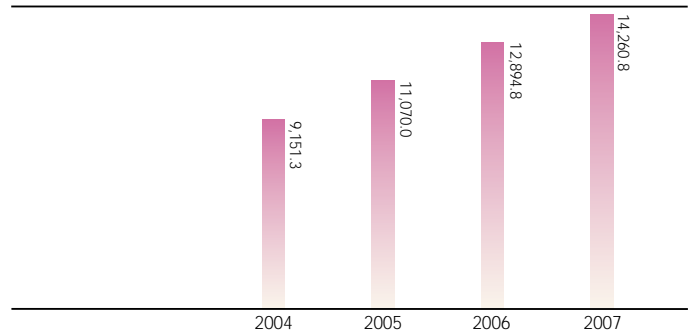
Sales to Cost Ratio | Unit: %



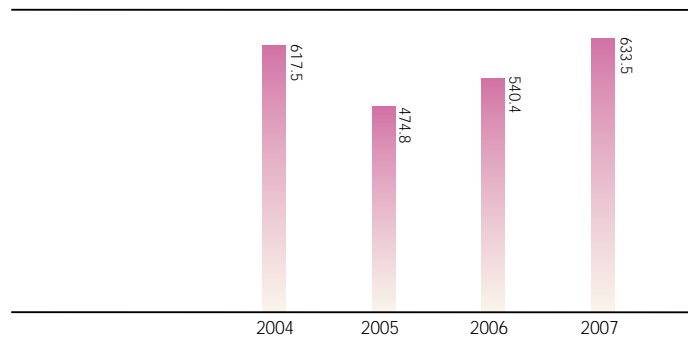
Assets & Liabilities | Unit: KRW in Trillions



Sales | Unit: KRW in Billions



Operating Income | Unit: KRW in Billions



We endeavor to manage prudently through stable financial management which generates new sources of income and increasing sales volumes.





## Financial Performance by Business Sector

In a rapidly changing energy market environment, we strive to secure stable energy supplies and growth engines. We have increased our facility investments and secured 5.16 million m<sup>3</sup> of LNG storage capacity and 2,720 km of pipelines, supplying 25,459,000 tons of natural gas. In a bid to reinforce national energy security and secure economical resources, we are actively advancing into new businesses. As of the end of 2007, we secured 11 mining blocks where exploration projects are underway. We participated in 3 overseas LNG liquefaction projects earning about US\$400 million in accumulated dividend income. We are also taking part in such overseas projects as gas field production and LNG EPC.

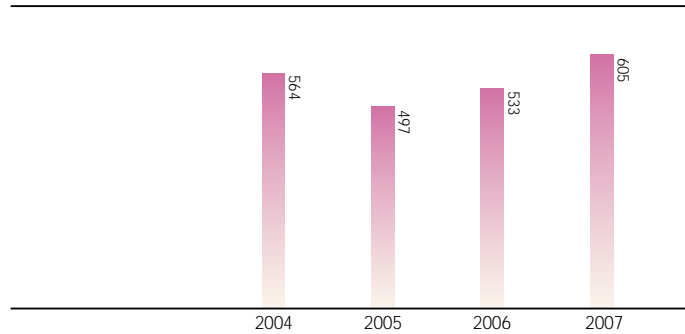
**Production and sales (sales)** | In 2007, the total sales volume of natural gas grew by 8.3% from the previous year. Sales of city gas grew by 3.5% to reach 14,448,000 tons while power generation gas sales increased by 1.96 million tons, or 15.4% year over year, to reach KRW 110.11 million, thanks to the surging price of heavy oil. Although our costs increased due to high oil prices, we strived to minimize consumer price hikes through constant cost-saving efforts and efficient management.

LNG Sales Volume | Unit: 1,000 tons

	2004	2005	2006	2007
City Gas	12,504	14,033	13,957	14,448
Power Generation Use	8,818	8,821	9,543	11,011
Total	21,322	22,854	23,500	25,459

**Management (labor productivity)** | KOGAS has set a mid-to long-term vision and is making steady progress towards sustainable growth and becoming a globally competitive energy company. First, we changed our post-oriented system to a work-oriented one, to enhance management efficiency. We also introduced a more practical team-style organization structure, which employs a separation of positions and grades and a flattened decision-making process to meet global standards in work process. We established an enterprise resource planning (ERP) system to maximize work efficiency. In the meantime, we continue to maintain a mutually prosperous and harmonious labor-management relationship.

Labor Productivity | Unit: KRW in Millions/person



**Construction (storage capacity, pipeline, vaporizing capacity)** | As of 2007, KOGAS provides a safe and stable supply of gas with 5.16 million m<sup>3</sup> of storage capacity in its 40 tanks at 3 LNG terminals and through 2,720 km of pipelines connecting its 8 branches. At the moment, 20 more tanks and 210 km of additional pipelines are under construction. KOGAS will continue to localize technologies of storage tank design and pipeline testing and will apply this knowledge base towards the construction of an economical energy infrastructure.

**New Business (new exploration, development, production mining blocks & overseas mid-downstream business)** | In coping with a maturing domestic natural gas industry and a rapidly changing market environment, KOGAS is actively engaged in overseas businesses to develop new growth engines for its future. Capitalizing on our purchasing power as the world's largest LNG consumer and its accumulated experience and technologies, we are actively participating in a variety of related business, upstream and downstream, in the gas industry's value chain.

### Overseas New Business |

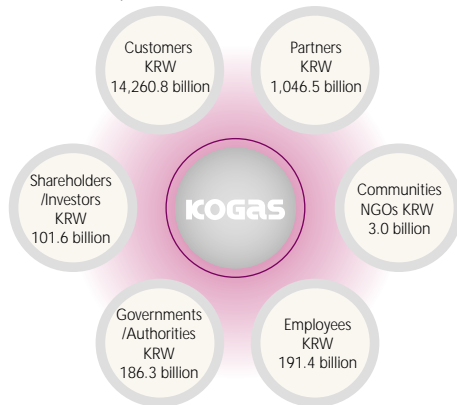
Exploration (11 blocks)	LNG Liquefaction (3)	Production (1)	EPC & Technology Service (6)
Myanmar A-1/A-3 blocks			LNG Terminal EPC, Mexico
Mining blocks in West Kamchatka, Russia			LNG Terminal EPC, Thailand
JPDA in East Timor/Australia			Calhoun LNG Terminal, U.S.A. Operation · Maintenances
5 marine blocks in East Timor	OLNG, Oman		Technology Consulting for Piping, Vietnam
Marine blocks in Mozambique	RasGas, Qatar		CNOOC-Fujian, China Pilot operation of LNG Terminal Technology consulting/operator training
Marine blocks in Indonesia	YLNG, Yemen	Surgil Gas Field, Uzbekistan	Oman LNG Trading Joint Project



## Distribution of Economic Value to Stakeholders

Beyond its public role of contributing to the nation's economic development through its gas business, KOGAS strives to create and fairly distribute value to each of its stakeholders—shareholders, investors, customers, employees, governments, communities, NGOs, and its business partners.

### 2007 Distributions to Stakeholders |



### Customers

KOGAS provides natural gas to power plants and city gas companies through 3 LNG terminals, 8 branches and 4 construction offices. In pursuit of mutual prosperity, we strengthen our relationships with our direct customers—the power plants and city gas providers—through joint marketing, facility improvements, amendment to supply agreements and joint venturing in overseas projects with domestic city gas suppliers.

### Government

KOGAS is committed to its corporate responsibility to the nation in compliance with national policies on employment and taxation. In 2007, we created 74 new jobs and practiced Affirmative Action through expanding our employment of female and physically challenged workers. In 2007, we paid a total of KRW395.0 billion in taxes.

#### Taxes | Unit: KRW in Billions

Category	2004	2005	2006	2007
Local Tax	20.6	23.8	7.9	12.3
Corporate Income Tax	165.0	7.6	18.5	174.0

### Shareholders & Investors

In 2007, KOGAS paid KRW 101.6 billion in dividends, a KRW 22.4 billion increase from 2006, and KRW 302.0 billion in interest, a KRW 5.5 billion growth over 2006. The interest expenses increased due to our expanded facility investments and the rising cost of LNG. Nevertheless, our increased sales and average selling price expanded our operating income growth at a higher pace than expense growth, further strengthening our debt retirement capacity.

#### Dividend Payments |

Category	2004	2005	2006	2007
Dividend Payout (%)	40	35	22	28
Dividend Per Share (KRW)	2,000	1,750	1,100	1,400
Total Dividends (KRW in Billions)	141.6	123.2	79.2	101.6
Year-end Share Price (KRW)	32,100	33,150	41,200	64,800
Earnings Per Share (KRW)	4,579	3,480	3,353	5,065

### Community

As a public enterprise, we fulfill our corporate social responsibilities through various social contribution activities. Moreover, the steady expansion of our energy infrastructure helps us to promote balanced regional development, while the overseas resource development projects contribute to our national energy security. These efforts were highly recognized in 2007 as we received CSR Awards for two consecutive years and the grand prize at the Korea Cultural Industry Awards.

### Employees

We distribute economic value to our employees in the form of wages and welfare benefits. In 2007, our labor expenses amounted to KRW 146.2 billion, of which KRW 17.7 billion was paid in retirement allowances. We spent KRW 27.5 billion in welfare expenses in 2007. We do not discriminate in payment scales between male and female employees, and per capita annual payments are as described in the following table.

#### Annual Average Salaries Per Capita | Unit: KRW in Millions

Category	2004	2005	2006	2007
Annual Payment/person	54	55	57	59





## Partners

The natural gas industry is a processing industry requiring large-scale investment in production and pipeline facilities. Consequently, KOGAS' facility investments have significant influence on the employment and manufacturing activities of its contractors and partners. Therefore, KOGAS offers various support to its partners to ensure the reliability of its gas supply facilities. KOGAS has paid its partners KRW 1,046.5 billion for construction, services and purchase activities. Through SME support programs, we have been able to expand our SME product purchases, support SME technology innovation, and offer liquidity support programs.

## Korea Gas Technology Corporation

KOGAS invested in and established Korea Gas Technology Corporation (KGTC) in 1993 for the maintenance of its 3 LNG production facilities in Pyeongtaek, Incheon and Tongyeong and its national grid of pipelines. Utilizing its independent technologies and knowledge of natural gas facilities, KGTC localized the LNG storage facility design technology for the first time in Korea, creating new added value for domestic and overseas markets.

## Management Principles

Under the management principles of customer satisfaction, global management and valuing technology and people, KGTC strives to realize its corporate philosophy of contributing to society through its energy technologies. It has also devised behavioral guidelines for its employees to practice these principles in their pursuit of new frontiers, with a passion towards customer service.

## Ethical Management

Ethical management is integral to sustainable management. KGTC devised an ethical management master plan and announced its pledge to ethical management in 2004. As shown in its 2007 ethics & integrity survey, KGTC achieved a 9.70 on a scale of 10, up 0.11 points from 2006. KGTC has demonstrated positive results from its sustained Code of Conduct compliance efforts, enhancing the overall integrity of its employees.

## Technology Development

Under its strong belief that people and technology are the basis of its

prosperity KGTC has devoted itself to these two basic elements. As a result, it holds 20 patents, 23 designs of practical utility, 3 programs and 3 trademark/service rights. The company was also awarded the Presidential prize in the 2006 Korea Quality Convention and a certificate of quality innovation by the Ministry of Knowledge Economy (MKE). It was also selected as the exclusive AVS consulting company for the terrestrial heat facilities for new & renewable energy by MKE and the administrator of detailed tasks for "development of integrated technology for next-generation fuel production & usage" in the ETI sector of the "2007 Energy Resource Technology Development Project."

## Safety & Health

Throughout the maintenance of natural gas facilities, workers' safety and health are always our top priority. In particular, KGTC's primary customer, KOGAS, places the highest value on safety. Therefore, safety is integral to customer satisfaction and KGTC concentrates its efforts on securing sustained safety in its maintenance of KOGAS' facilities. For instance, the company publicly solicited safety catchphrases and slogans and now produces industrial accident prevention posters using these slogans, while broadcasting safety education programs and safety case studies to each plant. KGTC also conducts regularly scheduled emergency drills jointly with KOGAS to strengthen its emergency response system. Since the integrity of facilities is the key to worksite safety, we implement monthly safety checks, periodic spot checks and regular checks of our managers and safety officers.

### 2007 Management Performance |

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



## Knowledge Management

KOGAS is laying the groundwork for a knowledge management system (KMS). The system will enable us to manage our institutional knowledge as a corporate asset by packaging our experience and knowledge into easily communicated information. It will minimize trial and error by providing a platform for employees to collect, process and communicate necessary information across the board. Eventually, KMS will serve to maximize productivity and management efficiency by reducing time waste and expense.

### KMS Performances

**Integrated KMS Infrastructure** | KOGAS has revised its systems to activate community of practice (CoP) programs and has established an integrated KMS infrastructure to improve the quality of its KMS and suggestion programs. While reworking and standardizing our KMS regulations, we streamlined the work process and organization of knowledge and our suggestion and CoP programs. We then centralized the registration, evaluation, compensation of knowledge and suggestions programs into an integrated mileage program.

Ideas & Suggestions | Unit: %

	2005	2006	2007
Ideas	18,523	10,940	8,183
Suggestions	11,674	1,090	583

**Community-driven Blog-type KMS** | The new KMS suggested a new paradigm in knowledge management by building a community-oriented blog-type KMS to solve problems and reduce the user's inconvenience in data management caused by the separation of the control of knowledge and suggestion programs. KOGAS has filed a patent for its' blog-type KMS—the world's first blog-type KMS model—in protection of this innovative application.

**Connecting Idea Suggestions with CoPs** | KOGAS revamped its action-oriented suggestion system into an idea-suggestion format and devised a CoP promotion plan to put the chosen ideas into practice. In 2005, only 82 CoPs were operated and 92 in 2006. In 2007, however, 176 CoPs were active, enabling us to build a database of members' knowledge. The increased CoP activities also facilitated establishing a platform to turn this

knowledge into viable assets. By allowing its employees to share in the values of the company, these CoP activities provided opportunities to further strengthen the mutual cooperation between the company and its employees.

### KOGAS CoP Operations Process |



#### Identifying innovative ideas

- Voluntary suggestion of innovative ideas by members
  - 1 member 1 Blog
  - Registering innovation idea on the blog
- Registered innovation idea
  - Innovation suggestion quality (knowledge-building)
  - Above 70: organizing CoP

#### Participation & Process

- Participation
  - A CoP is organized to put the suggestion into practice, on- and off-line, through the joint efforts of voluntary participants and the suggestion proposer.
- Process
  - Sharing innovation ideas through CoP activities and registering the results for performance assessment

**Refining & Upgrading Knowledge** | Out of the 160,000 items accumulated through the KMS, KOGAS refined 150,000 items, maintaining 10,000 core items intact, to improve the quality of knowledge. At the same time, we adopted a knowledge certification system to have experts evaluate and single out items of excellence, which were subsequently registered and put into practice.



## Business Process Innovation

KOGAS has established an enterprise resource planning (ERP) system for the integrated management of information across the organization. This innovative company-wide work system diagnosis and analyzes management activity and information on a real time basis, contributing to productivity and corporate competitiveness.

### ERP System

The ERP is a management tool to enhance productivity, customer satisfaction and value through the efficient management of the human and material resources of the company. We adopted the system to provide connectivity between our global standards management teams, enabling us to deliver prompt responses to customer needs and rapidly changing business environments.

### Features & Purpose of ERP System

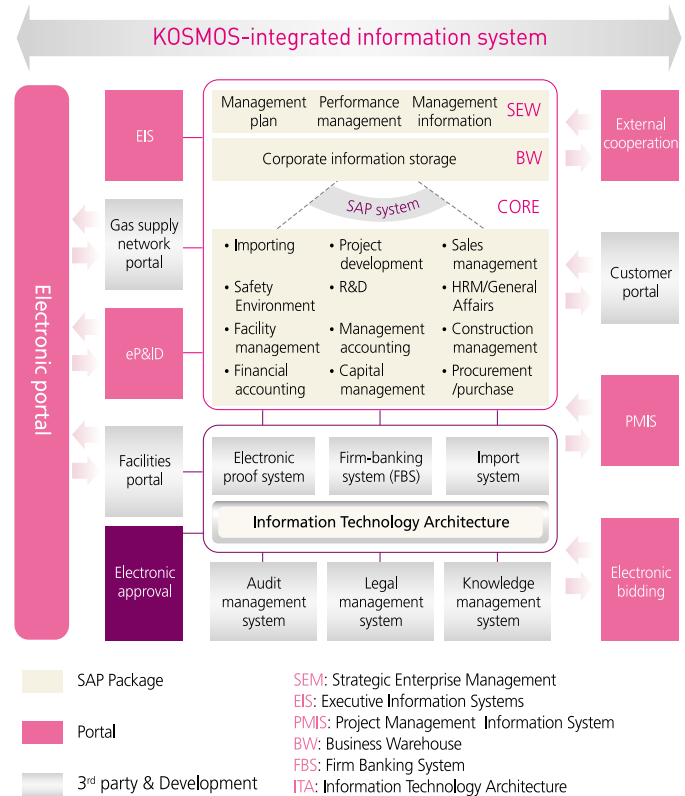
ERP is an integrated work process system that supports the overall working processes of the company. The system eliminates redundant input, enhances efficiency of indirect jobs, and reduces lead time in production by speeding up the work process. The ERP system takes care of routine work and groupware addresses irregular work, enabling the seamless processing of corporate work activity. By adopting this ERP system, KOGAS will be better positioned to innovate, through the improved and expedited work processes that the system facilitates. Secondly, the system will better support and manage our decision-making processes by constructing a company-wide, integrated management information system of materials and accounting data, enhancing reliability and usage of data by all users of the network across the KOGAS world. Finally, we aim to quickly respond to changing technology environments by constructing new, specialized modules and through the constant upgrades of our ERP System.

### Expected Effect of ERP System

KOGAS expects this ERP system will enhance efficiency and quality of work by speeding up the work and decision-making processes. By adopting ERP, we will be able to more efficiently utilize and manage our human resources on the company level. Simultaneous access to the integrated databases from all departments will eliminate information input and activity overlaps by different departments. The real-time based usage and analysis of

management information will help our people concentrate on more creative endeavors and their own jobs.

### ERP-based Integrated Information System Concept Map |



Efficient work process and work innovation, enhances productivity.



# SOCIAL

# VALUE

PURSUING HUMANITY IN OUR SOCIETY, KOGAS THINKS OF A HAPPIER FUTURE FOR



# Disclosure on Management Approach

## Approaches

KOGAS is committed to improving the quality of life of its employees and the public in general by building safe and agreeable working conditions.

In addition to our cooperative labor relations, sustained welfare programs and social contributions, we actively cultivate globally competent talent to enhance our corporate citizenship role as a world leading company.

## Initiatives

KOGAS strives to maximize its corporate value while achieving its management vision. We implement rational human resource management (HRM) and mutually beneficial labor relationship on a companywide level. We expanded our education programs and encourage career development programs to foster professional development and global talent. We also make allotments to an internal welfare fund to improve working conditions and operate various welfare programs to meet employees' needs. As a responsible corporate citizen, we are committed to sharing our success with society, and practicing our "sharing" philosophy.

## Performance & Plans

	Details	Performance	
		2007	Target 2008
Member Composition	Total Employees	2,820 persons	2,818 persons
	Female Workers	7.7% (216 persons)	7.7% (216 persons)
	Affirmative Action	11 persons	12 persons
Labor Relations	Labor Union Members	2,448 persons	2,448 persons
	Accumulated Welfare Fund Contributions	KRW 164.5 billion	KRW 171.7 billion
	Treasury stock holding ratio	6.39%	6.50%
Social Contribution	Social contribution expenses	KRW 3.0 billion	KRW 7.8 billion
	Cumulative number of volunteers	4,207 persons	5,000 persons
	Gas rate discount for charities	KRW 2.3 billion (9,836 place)	KRW 3.0 billion (11,000 place)
Talent Cultivation	Education & training investment expenses	KRW 6.1 billion	KRW 8.984 billion
	Per capita education expenses	KRW 2,176,000	KRW 3,185,000

※ The performances are based on 2007 results and 2008 plans, as well as our business plan.

EVERYONE





## Human Resources Management

KOGAS practices rational human resources management to ensure fair evaluation and compensation, based on individual performance and achievements, while systematically fostering individual competencies through harmony in productivity and individual competitiveness.

### KOGAS Human Resources Management (HRM)

**Employment** | KOGAS advocates Affirmative Action in its employment policy and provides equal opportunities to talented individuals regardless of their age and academic backgrounds. We apply various recruitment programs to ensure fairness and objectivity in employment. As a responsible public enterprise, we allocate quotas for the physically challenged, national meritorious people, those from low-income families and good conductors.

**Workforce** | As of the end of 2007, 2,820 dedicated staff are working for KOGAS, excluding temporary workers. Of this, we have 216 female workers accounting for 7.7% of total workforce, 61 physically challenged workers, or 2.1%, and 249 national meritorious persons, or 8.8%.

#### Yearly Trends in Employment Status |

		2004	2005	2006	2007
Workforce		2,724	2,725	2,747	2,820
Female	Number of persons	204	205	204	216
	Ratio (%)	7.5	7.5	7.4	7.7
Physically Challenged	Number of persons	32	44	59	61
	Ratio (%)	1.2	1.6	2.0	2.1
National meritorious persons	Number of persons	202	212	226	249
	Ratio (%)	7.4	7.8	8.2	8.8

※ Temporary workers are excluded.

### Merit-based Fair Opportunities

**Registration of competent employees** | KOGAS operates a registration system on its website to maintain a pool of talent from which it can recruit and retain skilled human resources from those holding special expertise, technologies or certificates.

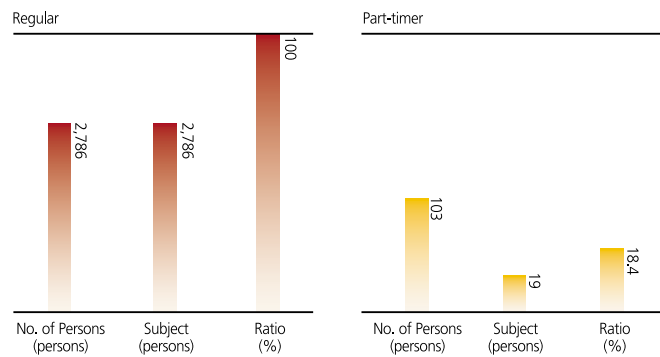
**Merit-based promotion** | KOGAS has revamped its old title- and seniority-based promotion system and expanded the scope of its promotion screening process to provide opportunities to those who are exceptionally qualified and those who achieve their goals. We strive to ensure objectivity

and fairness in promotions utilizing the results of a multi-rater system considering performance, experience and competencies (language, certificate, grades, etc.) as our basis for promotion.

**Objective evaluation system** | We have upgraded our management evaluation program using fair appraisal systems which evaluate employees on the basis of competence, attitude and performance. For effective and fair management of human resources, we utilize these appraisal results as basic information for promotion, transfer, training, education and compensation decisions. In addition, we have expanded the scope of the multi-rater system for class 1 and 2 employees to ensure objectivity and reflect greater aspects of performance.

**Regular assessment of regular worker and part-timer performances** | KOGAS makes regular performance assessments of all its employees, excluding contract-based workers, temporary workers and commissioned researchers, to enhance productivity and provide fair, merit-based evaluations and treatment.

#### Evaluation Subject & Ratio |



※ Part-timers include temporary workers and regular workers include president, standing auditor and other executives.

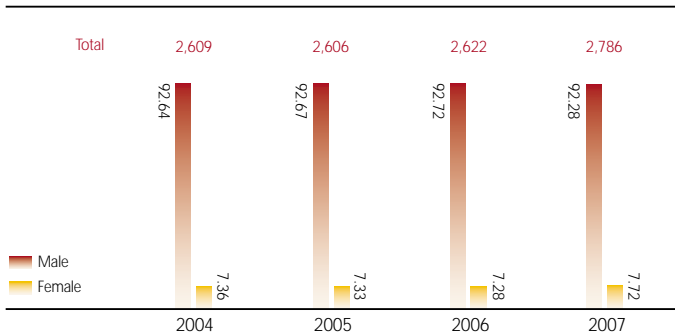
### Upholding Equality in Corporate Culture

**Gender equality** | 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 employment and working conditions, with zero tolerance for discrimination. We also uphold human rights and practice our corporate philosophy of respect through various programs to improve the working conditions for female workers such as maternity leaves, day care centers at work, lady's lounges, sexual harassment prevention campaigns and women's leadership programs.

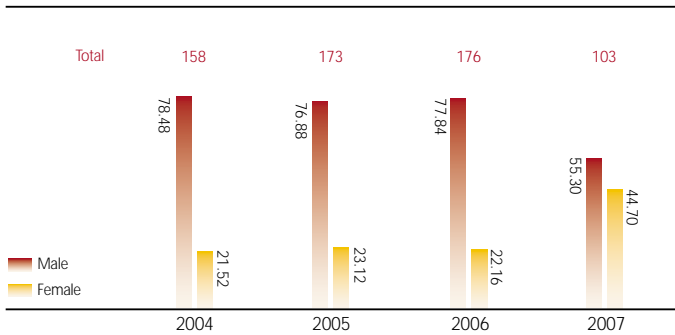


## Employment by Gender |

### Regular employment by gender | Unit: %

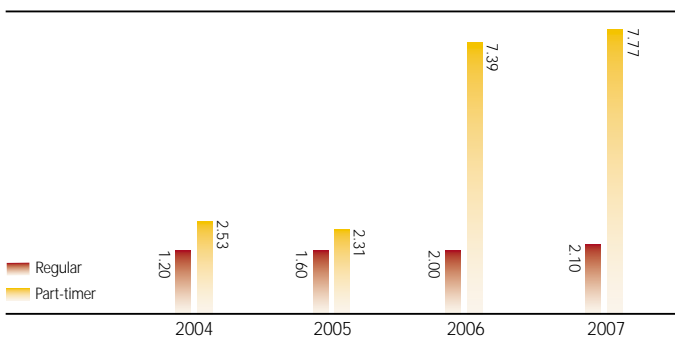


### Fixed-term contract employment by gender | Unit: %



**Disabled Employment** | KOGAS offers the physically challenged preference in recruitment and its practice of Affirmative Action, as stated in its employment policy. As of the end of December 2007, 61 physically-challenged workers were working for KOGAS, meeting the legal requirement of 2% of the total workforce.

### Disabled workers ratio | Unit: %



## Employment by Age |

### Regular Employment Status by Age | Unit: %

Year	twenties	thirties	forties	fifties more
2004	10.58	60.79	24.19	4.45
2005	8.29	59.63	26.71	5.37
2006	7.36	57.63	28.76	6.25
2007	7.39	54.45	31.26	6.89

### Fixed-term Contract Worker Employment Status by Age | Unit: %

Year	twenties	thirties	forties	fifties more
2004	36.71	42.41	13.92	6.96
2005	35.26	41.62	14.45	8.67
2006	25.57	48.30	15.34	10.80
2007	51.46	28.16	6.80	13.59

**Service Years** | The service years of employees are an indicator of employee satisfaction. As of 2007, the average service year of KOGAS regular employees stood at 12.4 years, while part-time male and female worker's seniority stood at only 2.5 years and 0.7 years, respectively.

### Regular · Part-timer Average Service Years (2007) | Unit: Year

		Regular	Part-timer
Gender	Male	12.5	2.5
	Female	11.5	0.7
Disability	Able	12.5	1.0
	Disabled	11.2	1.2
Average		12.4	1.7

Active communications and discussions on work process, foster stable working conditions.





## Trusted Labor-Management Relations

Business environments are rapidly changing. High oil prices have increased uncertainties in the energy industry and recent paradigm changes in the labor union associations have added conflicts to labor management relations. In coping with the adverse market conditions, KOGAS has strengthened its cooperative labor management relations by sharing information through diversified communication channels.

### Strengthening Labor Management Cooperation

#### Communication Channels Between Labor and Management |

Channels	Major Topics
Labor-management cooperation committee	Sharing and collecting opinions on management issues between executives and on-site workers
Labor-management joint workshop	Discussion on labor-management partnership and mutually beneficial development Discussion on major management agendas and future plans
Labor-management meetings	Discussion on improving on-site work conditions
Working-level joint meetings	Collecting opinions on issues of interest by labor unions
ESOP Union committee	Supporting and improving ESOP system
Welfare fund management committee	Deliberation & decision-making on funding plans and plans to enhance employee satisfaction
Labor-management joint overseas training	Mutual understanding through visiting overseas energy companies
Labor-management joint safety inspection	Joint safety inspections of worksites and safety resolution conventions

**Labor Council** | KOGAS operates a labor council to maintain cooperative labor-management relations. Comprised of 10 equal numbers of representatives from both sides, the council works to improve working conditions and worker's rights. It encourages the union's active participation and cooperation for the development of the company and prevents labor disputes through sufficient discussion and information sharing on management issues.

#### Labor Council Meetings (2007) |

Regular meetings (quarterly)	Held four meetings on wage and collective bargaining
Working-level meetings (on occasion)	Held 23 meetings on activating ESOP, improving HRM, welfare, working conditions, and handling complaints of on-site workers

**Employment Stock Ownership Plan (ESOP)** | KOGAS has distributed its stock to its employees over six times in recent years and provides financial incentives to the workforce to participate in the ESOP, encouraging employee ownership and building solidarity.

#### ESOP Ratio & Stock Prices |

Year	Share	Stock prices
2004	6.08%	KRW 32,100
2005	5.91%	KRW 33,150
2006	6.18%	KRW 41,200
2007	6.39%	KRW 64,800

#### Dividends on ESOP Stocks | Unit: KRW in Billions

	2004	2005	2006	2007
Annual Dividends	9.7	5.8	5.2	6.9
Accumulated	32.7	38.5	43.7	50.6

**Vision 2017 announcement & convention** | On December 3, 2007, we jointly announced the "KOGAS Vision 2017" with our labor union, refreshing our resolution to rebound and presenting a roadmap to the future. This provided us with the opportunity to share management issues, visions and core values amongst labor, management and other employee stakeholders, laying the foundation for success and renewing our joint resolutions to attain our goals.

**Diverse channels of grievance handling** | KOGAS strives to enhance work motivation by endeavoring to solve its employees' grievances in cooperation with the labor union.

#### Major Activities

Management's visit to workplaces	On-site visits by CEO and executives to encourage employees and listen to their grievances
HRM consulting programs	Enhancing fairness and transparency in HRM consulting via official system
Ombudsman Center	Operated at 14 premises to resolve grievances
On-site grievance hearings	Collecting opinions through cross-board communications
Labor union website	Monitoring suggestions on the free boards

### Welfare Programs

**Welfare Programs** | KOGAS operates various selective welfare programs to ensure fair and equal benefits to all employees. In 2007, we adopted a welfare card in partnership with Woori Bank, enhancing transparency in welfare expenses and ensuring important benefits for our employees at any time and place they may need them.

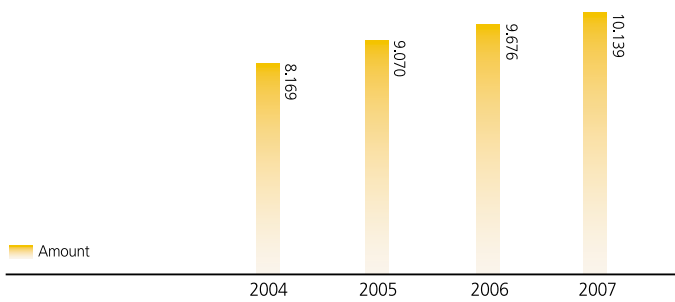




### Welfare Card Benefits |

- Leisure: hotel, transportation, restaurant, sports and culture
- Vehicle maintenance expenses: fuel cost, repair
- Shopping: department stores, discount stores, chain stores, home shopping, internet malls
- Education: subsidies for the employees and their family education
- Medical expenses: supporting insurance policies

Welfare Expense Budget Allocated to Employees | Unit: KRW in Billions



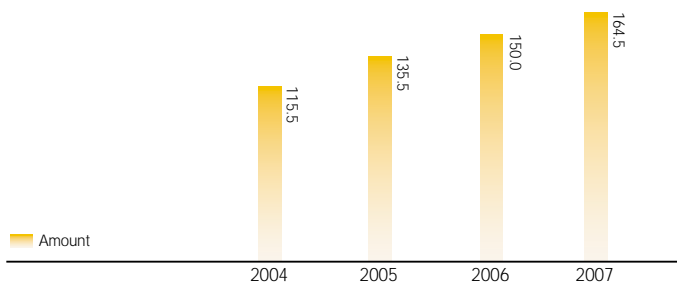
**Internal welfare fund** | We contribute up to 5% of pre-tax income to a welfare fund for the sustainable development of both the company and employees, by sharing our profits with our employees. In addition, we operate various welfare benefit programs which enhance employee satisfaction and foster an energetic corporate culture.



### Welfare Fund Major Activities |

- Scholarship for children's education expenses
- Supporting expenses for congratulatory greetings and messages of condolence
- Supporting ESOP stock purchases
- Supporting cultural & sports expenses
- Aiding employees' welfare
- Selective welfare programs
- Medical subsidies
- Extending loans for housing expenses

Cumulative Contribution to Internal Welfare Funds | Unit: KRW in Billion



## Human Resources Development for Mutual Growth

Since competent people are the key element in realizing its vision, KOGAS invests in and operates various training programs to improve the competence of its employees and to help them achieve their goals, growing along with our employees, their families and the community.

### KOGAS HRD System

**KOGAS education philosophy & target competencies** | Under our education philosophy of "developing the creative side of our individuals who challenge the future with passion and devotion to their missions," we have set up an education system and established KOGAS Target Competencies to wisely cope with changing business environments in attainment of our vision and strategies in pursuit of mutual prosperity.



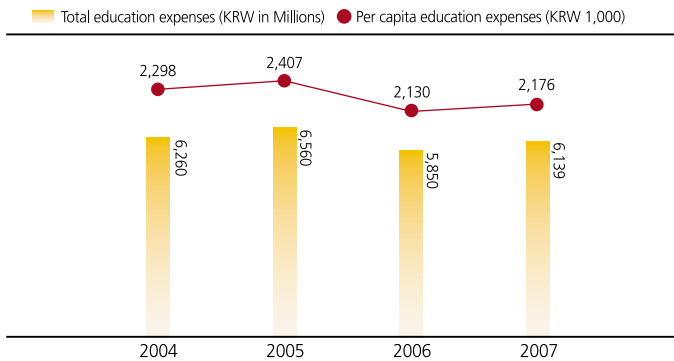
KOGAS makes all-out efforts to cultivate global competence in its employees.



## HRD Initiatives

**Education & training investment expenses** | Committed to developing an excellent workforce, we spend generously on our investments in education. In 2007, we invested KRW 6,139.0 million in education, or KRW 2.17 million per employee.

### Total Education Expenses/Per capita |



※ Total education expenses are actual expenditures.

### Development of Specialized Global Talent |

**Domestic and Overseas Advanced Training Programs** In order to secure global competitiveness as a leading energy company, KOGAS operates commissioned courses for degree and research programs at colleges, both at home and abroad, cultivating world leading competencies in its workforce.

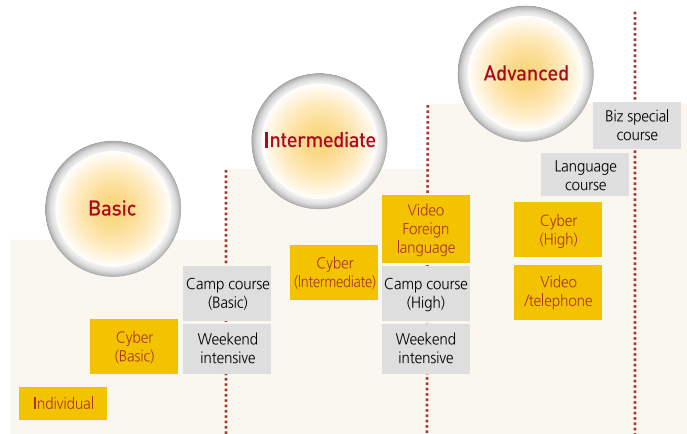
#### Advanced Training | Unit: persons

	2004	2005	2006	2007
Domestic	26	25	10	4
Overseas	20	23	18	6
Total	46	48	28	10

**Global communication competencies** Global competencies of employee are integral to becoming a world leading energy company. Therefore, we have set a goal of "achieving SEPT Level 5 on average" and ambitiously rolled out intensive language courses in 2006. In line with this goal, we set a strategy to secure a pool of 600 employees who can conduct global business in 3 years and to improve the competence of employee in practical language skills. In particular, our Global Language Course at the

Jeongseon Training Center in Gangwon Province trains 50 trainees each through a special 10-week course, 3 times a year. In addition, a basic 5 week course for 10 trainees each is conducted 6 times a year.

### KOGAS Language Program Road Map |



**Self-directed learning** KOGAS endeavors to establish a culture of self-directed learning to encourage employees to upgrade their competence and in turn, the competitiveness of the company through ceaseless self development. Backed by the systematic support of the company, the program achieves maximum effectiveness as employees participate on their own will in consideration of the needs of the company and of the individuals. Self-directed learning programs cover various areas such as external educational institutes (colleges and graduate schools), internal OJT training, specialized license training, CoPs and internal on-line programs. We motivate employees to participate in the programs and offer financial support; scholarships, reimbursement of language test fees and studying expenses, as well as incentives for acquiring new licenses.

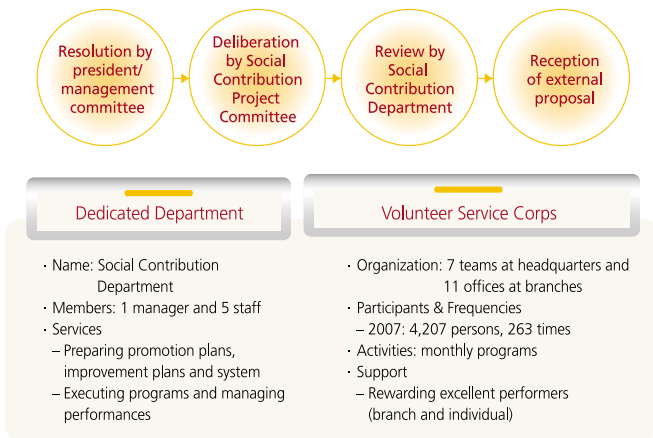
**Mutual growth of the company and community** Our HRD policy is focused on "developing individual work competencies" and "reinforcing corporate competitiveness" to improve individual value and corporate value in market. Based on our analysis of business environments, core competencies and needs, we put in place education programs that are in line with our strategies and realigned our basic job training system. In addition, we support self-regulated CoP activities and offer scholarships for self-development. At the same time, we provide hands-on experience and weekend programs for families.



## Social Contribution Activities

As a responsible corporate citizen, KOGAS launched Cheongyeon Service Corps in 1999 dedicated to organized social service activities. In 2007, we set up an independent department dedicated to the strategic practice of social contribution activities.

**Organization & decision-making system** | KOGAS maintains organized social contribution activities through a dedicated department. All proposals are delivered to the related department for objective review and then referred to a resolutions council.



**Social contribution emblem** | The blue outline symbolizes the blue energy, youth, reliability and responsibility, encapsulating a society of shared love and hope. The three hearts inside represents KOGAS Social Service Corps and people living together in a happier world, practicing love for their neighbors, environment and global community.



※ The emblem was selected through a public contest.

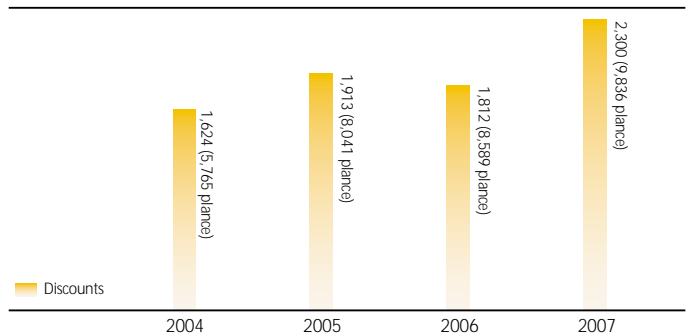
## Striving to Build a Happier Society

Under our corporate philosophy of “better energy, better world,” we practice sharing and caring to build a happier world for everyone. In addition to contributing to the national economy and public convenience as a public enterprise, KOGAS fulfills its corporate social responsibility by returning profits to society. By conserving the environment and our cultural assets, we deliver dreams and hopes to our communities and underprivileged neighbors and build a happier world with blue energy.

### Public Welfare Programs

**Discount rate for charities** | As part of our initiatives to stabilize the livelihoods of marginalized people, we offer product discounts to social charities. Starting from July 2001, the number of beneficiaries amount to 9,836 charities for the disabled, elderly and children protection facilities across the nation. Applying the lowest industrial gas rate we discounted a total of KRW 23 million in 2007.

Charity's Gas Rate Discounts | Unit: KRW in Millions





**Stable supply of fuels for NGVs** | In response to the government's policy to improve air quality in metropolitan areas that started in the run-up to the 2002 World Cup Games, KOGAS strives to safe and stable supply of fuels to natural gas vehicles (NGV). Through close consultation with bus operators, we placed refueling stations in key locations where city gas companies had yet to set up stations. As of the end of 2007, we operated 2 LNG refueling stations and 24 daughter stations, also provide safety check services. Onward we will continue to provide necessary services for the support to the vehicles and expansion of NGVs.

**Gas safety welfare service** | KOGAS conducts regular safety checks on the public gas facilities of hospitals and schools and repairs any troubles. Its nationwide branch offices cooperate with local gas companies on gas safety checks for marginalized people and conducts gas safety street campaigns.

**Althea hill for citizens** | KOGAS created a wildflower zone at the 4<sup>th</sup> Park of Lake Park in Ansan City in cooperation with the Ansan City Volunteer Service Center in 2007, planting 250 global species of Althea, the largest collection of Althea species in the world.

**Affirmative Action** | KOGAS upholds Affirmative Action in its employment policies. In 2007, we employed 11 people, or 15% of our 75

new employees, from low-income families, employment protected groups, and the physically challenged.

Low-income families	Employment protected groups	Physically challenged	Injured for social beneficial	Good conductors	Total
1 persons	7 persons	3 persons	-	-	11 persons

※ 15% or 11 out of 75 total new employees

**Matching grant** | The Cheongyeon Fund is funded by payroll contributions from participating workers along with a matching grant from KOGAS to sponsor 46 charities and 83 marginalized neighbors. The number of participants now includes 1,561 persons.

### Environment & Cultural Asset Conservation Activities

**Blue Sky Project** | Having started in 2005 as a joint project of KOGAS Chungcheong Branch and Green Korea United, the project encourages citizens' participation in initiatives to reduce air pollution from cars in metropolitan areas and to pass on clear blue sky to our next generation. Citizens participate in monitoring and analyzing city air pollution, broadcasting the results, and producing education materials for juveniles. In 2008, the project spread into 4 major cities including Seoul, Incheon and Gwangju and has become the representative environmental protection program of KOGAS.



Althea hill for citizens



Air pollution monitoring

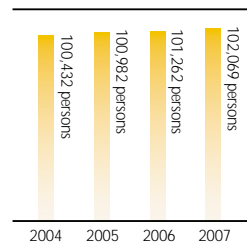


Survey results presentation

**Gas Science Center** | Fashioned in the shape of a space station floating in an ocean, the Gas Science Center has 44 exhibits in 18 corners of the basement, ground floor and first floor, with a 13-story high Observation Tower. While cultivating the dream of science for our next-generations, the Center also introduces local residents and companies to clean, safe natural gas as an alternative fuel source. In groups of 30, visitors are provided with an extensive tour and explanations conducted by our employees. Over 100,000 people visit our center every year.

For on-line reservations try our website at <http://www.kogas.or.kr/museum/english/>  
964 Dongchun-dong, Yeonsu-gu, Incheon (Weekdays: group tours, weekends: individual & family tours)

### Gas Science Center Visitors |



### Free Tour of Gas Science Center |





## Expectations are high on Blue Sky Project

KOGAS Chungcheong Branch chose environmental activities as its main project and cooperated with environmental groups to develop the program. This was an unconventional initiative in a country where corporate social contributions are traditionally concentrated on welfare programs and one-time events.

Actively involved in the planning stage and execution of the project, the Branch sets a new model for engagement in social contributions. Given that the sustainability of a company entails social and environmental responsibilities of the company, the Blue Sky Project holds much significance. The project will set a new gold standard for Korea's air environment activities, and will be the signature corporate social contribution of KOGAS.



**Yang, Heung-Mo**  
Chief of Eco-City Bureau,  
Daejeon-Chungnam branch of  
Green Korea United

**Conserving cultural assets** | Under an agreement on "1 cultural asset, 1 corporate" with the Cultural Heritage Administration of Korea (CHAK), KOGAS pays regular visits to the office to conduct gas facility checks, changing fire extinguishers and cleaning around the building. In 2007, 316 of our employees participated in similar activities in 32 cultural heritage sites including Bulguksa temple. For these activities, we were declared an excellent contributor by the CHAK (Dec. 2006) and received a "2007 Cultural Industry Award" from Hankook Ilbo (Aug. 2007). Starting from 2008, we extended our support to intangible cultural properties.

### Art Holders of Intangible Cultural Property Supported by KOGAS |

Region	Items	Support		
		Categories	Name	Gender
Pyeongtaek, Gyeonggi-do	Farmers' music of the Pyeongtaek region		Art holder	
Ganseok, Incheon	Hwagakjang (Ox horn inlaying)	holder	Lee, Jae-Man	Male
Tongyeong, Gyeongnam	Duseokjang (Metal craftsman)	holder	Kim, Geuk-Cheon	Male
Dohwa, Seoul	Duseokjang (Metal craftsman)	holder	Park, Mun-Yeol	Male
Bupyeong, Incheon	Gungsijang (Korean bow and arrow making)	Assistant	Park, Ho-Jun	Male
Wonju, Gangwon	Najeonjang (Mother-of-pearl inlaid lacquer ware making)	holder	Lee, Hyung-Man	Male
Seocheon, Chungnam	Hansan mosijagi (Ramie cloth weaving of the Hansan region)	holder	Bang, Yeon-Ok	Female
Iksan, Jeonbuk	Irihyangjejulpungnyu (Hyangjejul local music of Iri)		Art holder	
Buk-gu, Gwangju	Chaesangjang (Bamboo cases with colored designs)	Assistant	Seo, Shin-Jeong	Female
Seongju, Gyeongbuk	Myeongju jjadi (Making silk)	Assistant	Lee, Gyu-Jong	Female
Miryang, Gyeongnam	Baekjungnori of Miryang		Art holder	

### Community Volunteer Service

**Community projects** | KOGAS implements so-called, community projects through its network of headquarters, 3 LNG terminals and 8 branches. In addition to the KOGAS Academy that provides cultural education programs to meet the cultural desires of local residents, we sponsor various projects by local charities—volunteering "free-meal events," sponsoring foster families, supporting English classes in countryside

elementary schools, and conducting campaigns to reduce food waste. We also maintain sisterhoods with 12 rural villages, 12 schools and 2 military corps and provide them with supporting in various capacities.

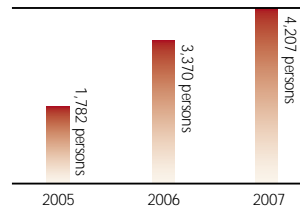


Visits to charities

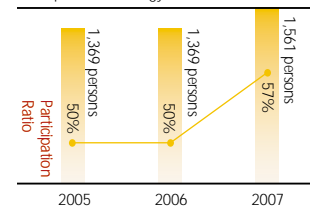


Volunteering education programs

Accumulated Number Of Volunteers



Participants in Cheongyeon Fund



※ Cheongyeon Fund: Participants contributes at least KRW1,000 and more from their pay to sponsor charities.

**Blood donation** | We have been engaged in blood donation campaigns since 2002. We hold blood drives twice a year at the headquarters and once a year at other KOGAS locations. In 2007, 281 employees donated their blood more than 11 times. Our Social Contribution Department has recorded 160 certificates of blood donation as of the end of 2007. We will continue our promotion of blood donation campaigns, encouraging the voluntary participation of our employees.

**Oil spill Rescue at West coast** | Turning over a clean environment to our next generation is our most important mission. Therefore, we are actively engaged in various activities to restore environmental damage from human disasters. In 2007, 1,027 KOGAS employees joined the rescue the oil spill on Korea's West coast and raised KRW106 million in funds for contribution to the people of Taean-gun who were impacted by the disaster.



## KOGAS Social Contributions



When I first held a KOGAS Volunteer Leader Seminar, I learned two things. KOGAS people have yet to fully appreciate the value of volunteering since it was not yet imbedded in the corporate culture. At the same time, I saw ardent eyes amongst the people and the company toward social contribution activities.

Becoming a CSR leader requires a variety of strategic approaches and, most importantly, requires the competence of its participants. Once KOGAS people have a strong belief in the value of volunteering—the greatest power that changes the world—and ardently participate in social service activities and start engaging in local and global social issues, KOGAS will be able to achieve a much higher level of social contribution, enhancing the quality of all the lives that they touch.



**Cho, Eun-Ju**  
Manager of Education & Promotion Team  
Seongnam Volunteer Service CenterUnited

**Global social contribution activities** | KOGAS has coupled its overseas resource development projects with its global social contribution activities. Our Myanmar A-1, A-3 Block Consortium made donations equivalent to KRW 50 million to medical service and child welfare programs in that region. In 2007, we joined Seoul National University Hospital in volunteer service in East Timor, providing support for various sports activities for the East Timor youth soccer club. We will continue our global social contributions as a responsible global corporate citizen.

**Juvenile education projects** | Providing equal opportunities of education to our next generation is of greatest importance. To this end, KOGAS operates scholarship programs for youth. Every year, we select 100 ardent students from low-income families and sponsor their tuition for middle and high schools.

**Sports sponsorship** | In an effort to contribute to promoting local sports activities, KOGAS operates a corporately sponsored Taekwondo team.



KOGAS Taekwondo Team



Participation in regional sports events

## Co-prosperity with Partners

KOGAS relies on its partners for 90% of its LNG terminal construction, supply of gas pipelines and other components, with most of its partners being small and medium enterprises (SME). Consequently, the competence of its SME partners bears direct correlation to the competitiveness of KOGAS. Since SME's technologies and stable operations are integral to the stable construction and operation of our gas facilities, we strive to assist them in maintaining their stable business activities.

### Expanding SME Product Purchases

KOGAS has set SME product purchase goals and devised expansion plans to offer more opportunities to its SME partners. While training the employees in charge of the goals, we conduct monthly progress checks on their achievements. To date, we have surpassed our targets.

#### SME Product Purchases (2007) |

Goal	Results	Achievement
KRW116.3 billion	KRW 163.7 billion	140%





**Bidding competition & direct purchase** | We purchased KRW 2.9 billion of the 226 designated products from SME's in 2006 and KRW 3.3 billion in 2007, through open bid competitions in accordance with the guidelines set by the Small and Medium Business Administration (SMBA). As for the construction projects, we reviewed the material lists and selected 7 items eligible for direct purchase worth KRW 3.1 billion in 2006 and 16 items worth KRW 5.5 billion in 2007. Posting these items on our website provided our partners with free access to this information throughout this process.

### Supporting SME Technology Innovation

In a bid to promote the technology development of our SMEs, KOGAS actively promotes new product development projects with options to purchase and localize components, while providing stable sales channels. This structure motivates our SME partners to invest in technology development.

#### Localization Performance | Unit: cases

Terminals	2004	2005	2006	2007
Pyeongtaek	9	7	5	7
Incheon	12	24	5	9
Tongyeong	4	13	12	22
Total	25	44	22	38

※ Localizing imported facilities by supporting the SMEs and localizing the spare parts of terminal facilities

**New product development projects with options to purchase** | Having entered into an agreement with SMBA in 2003 on the "new product development projects with options to purchase program," KOGAS selects 1 or 2 items every year to fund their development. When the beneficiary SME develops a new product, KOGAS is obliged to make priority purchases for two years. To date, 5 new products have been developed for which we purchased KRW 830 million worth of product between 2005 and 2007. We also purchased KRW 6.2 billion in additional products from SMEs who possessed excellent technologies in NEP and other key product areas.

**Localization of terminal facilities** | KOGAS supports SMEs' technology development initiatives to localize foreign components used in its LNG terminals to enhance maintenance stability. Through this program, we localized 38 items in 2007 and placed orders to our SMEs in the amount of KRW299 million. The localization project saved KRW204 million vs. foreign parts procurement.

### SME Liquidity Support

Intensifying competition, high oil prices and fluctuating foreign exchange rates have exerted an adverse influence on our partner's business environments. To assist them in developing their competitive technologies, we operate an SME liquidity support program. KOGAS always pays its partners in cash regardless of the amount. Since June 2007, we upgraded the prepayment ratio and spent an additional KRW 1.6 billion in prepayments. In May 2007, we adopted a public purchase loan program, providing our partners with interest savings of approximately 1% compared to bank loan interest rates. We also continue to educate our employees on the public purchase program, cultivating a mutual cooperation mindset and reinforcing our internal competencies for SME support. We also hold regular meetings with partners to listen to their grievances and suggestions, and collect opinions through anonymous surveys to eliminate inconvenience or any unfairness in their transactions with KOGAS.

#### Upgrading Prepayment Ratio |

Category		Prepayment Ratio	
Projects	Purchase, Service	Plan	Change
KRW10.0 billion more	KRW1.0 billion more	20	30
KRW2.0~10.0 billion	KRW0.3~1.0 billion	30	40
KRW2.0 billion less	KRW0.3 billion less	50	60



Regular meetings with suppliers

# ENVIRONMENTAL

# VALUE

KOGAS WILL BUILD A HARMONIOUS FUTURE IN WHICH PEOPLE AND NATURE CAN





# Disclosure on Management Approach

## Approaches

Environment, Health and Safety (EHS) are our top priorities in all our business activities. Through constant improvement of our EHS system and fostering an EHS mindset amongst all employees, we are taking the lead in providing a safe supply of natural gas and building an agreeable environment, while providing the best quality products and services to insure customer satisfaction.

## Initiatives

We conduct specialized education programs to cultivate the risk management capabilities of our employees, while enhancing management efficiency and competitiveness through work process innovation. In addition, while identifying the EHS roles and accountabilities of each unit of the organization, we regularly evaluate and improve the organization, HRM scheme, system and work process to realize best practices and global EHS standards.

## Performance & Plans

Initiatives	Plans	Performance	Action Plans
		2007	2008
Environmental management	<ul style="list-style-type: none"> <li>• Building GHG inventory</li> <li>• Renewing certificates of Environmental Declaration of Products (EDP)</li> <li>• Establishing environmental performance evaluations (EPE) system</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed planning on building inventory</li> <li>• Life cycle assessment (LCA) and certifications by external agencies</li> <li>• Completing system building</li> </ul>	<ul style="list-style-type: none"> <li>• Building GHG inventory and acquiring third party assurance</li> <li>• Expanding LCA on Pyeongtaek and Tongyeong terminals</li> <li>• Calculating 2007 EPI indicators</li> </ul>
Safety management continuous improvement systems	<ul style="list-style-type: none"> <li>• Preparing 2007 Safety Management Goal &amp; Roadmap</li> </ul>	<ul style="list-style-type: none"> <li>• Improving safety management performance assessment process (team-based evaluation)</li> <li>• Establishing an intranet system for quantitative risk assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing an assessment model</li> </ul>
Enhancing emergency response capabilities through EHS education and drills	<ul style="list-style-type: none"> <li>• 2007 EHS Education Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Education on the Climate Change Convention (60 persons)</li> <li>• Reinforced training at Gas Fire Drill Center (985 persons completed)</li> </ul>	<ul style="list-style-type: none"> <li>• Fostering GHG inventory experts and training on-site workers</li> <li>• Plan training of 900 persons</li> </ul>
Accident prevention & post-management	<ul style="list-style-type: none"> <li>• LNG Terminal safety check plan</li> </ul>	<ul style="list-style-type: none"> <li>• Close safety analysis on LNG terminals (110 defects fixed)</li> <li>• Near Miss case study (22 cases shared)</li> </ul>	<ul style="list-style-type: none"> <li>• 90 cases</li> <li>• Continued case sharing</li> </ul>



# EHS OVERVIEW

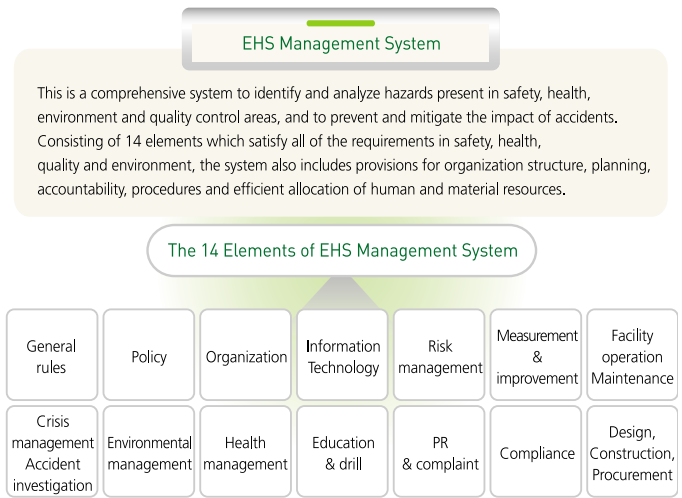
Environmental Value



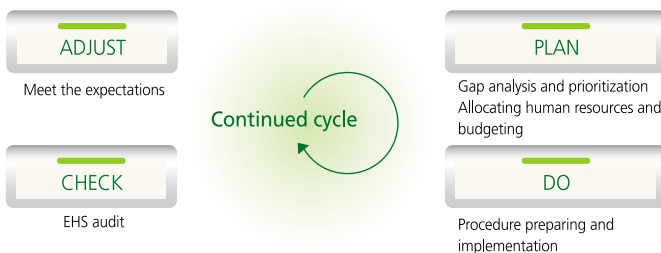
## EHS Overview

KOGAS has devoted itself to establishing an integrated management system, encompassing environment, health and safety (EHS). In 2007, we announced VISION 2017, setting the stage for a global standard management system and clarifying our commitment to a safe and agreeable environment. We adopted the EHS management system as the core guideline for our business activities and have actively cooperated with stakeholders from the environment sector, while fulfilling our corporate social responsibility as a blue energy supplier.

**EHS management system** | Based on the "5 Year Safety Development Plan" from 1997 to 2001, we benchmarked Mobil's (presently, ExxonMobil) EHS management system and customize it as a KOGAS EHS system. The system consists of EHS requirements in design, construction and operation of facilities and equipment.



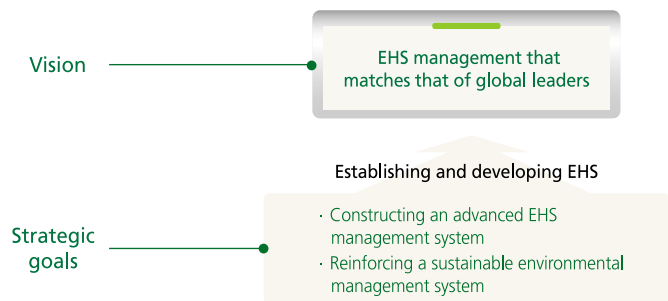
**EHS operation** | The system adopts a P-D-C-A cycle approach, consisting of "plan, do, check and adjust," to achieve continuous improvement.



## EHS Management Vision | Management Practices that Respect Nature & Humanity

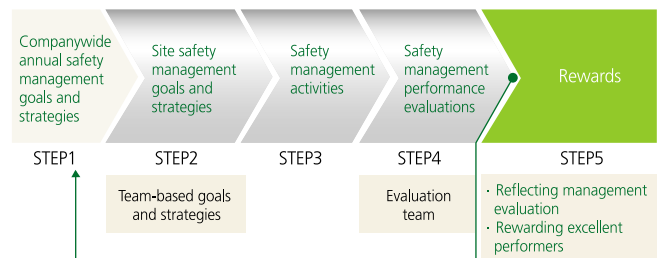
We put EHS at the top of our priority list and pursue a course of continuous improvements and preventive activities to insure a safe and sound workplace. Through these efforts, we ensure the health and welfare of our employees and the public, providing a high quality of service to satisfy our customers.

## Vision 2017 EHS Management Vision & Goals |



**Improving the evaluation of EHS performance** | Our Safety, Quality and Environment Team evaluates each team's performance and suggests improvements, every year. Evaluations are conducted on all the activities of line departments encouraging their engagement in the company-wide drive to secure safety, health and environment in their daily business practices.

## EHS Performance Evaluation Process |



## Improvements to the Evaluation Method |

Category	Before	After
Subject	Plant-level (15 plants)	Team-based segmentation (67 teams)
Methods	Plant checklists	Team checklists
Reflecting management evaluations	Plant managers	Team manager

# Environmental Management



Environmental Value



Marine pollution emergency drill

## Environmental Policies

KOGAS announced its commitment to environmental management in 1997 and designated internal officers to promote employees' engagement in environmental management. As a responsible, environmentally-friendly company, we apply stricter standards on discharging air and water pollutants than the law requires and continue our efforts to minimize the environmental impact of our business activities. Through these efforts, we acquired an ISO 14001 certificate.

### Environmental Performance Evaluation

Corporate responsibilities require a higher level of environmental management activities than mere compliance with regulations, especially, those companies with high environmental impact potential, such as energy companies, who are obliged to disclose their environmental performance information. Therefore, KOGAS has established an environmental performance self-evaluation (EPE) system reflecting domestic and global guidelines, to enhance the effectiveness of its environmental management and to monitor environmental performance indicators as part of its sustainable management initiatives. In addition, we conduct annual evaluations of these performance indicators, enabling us to incorporate proactive changes to our systematic management of environmental activities.

### Environmental Crisis Management System

In December 2007, KOGAS prepared an "Environmental (Marine) Pollution Control Manual" to provide measures for responding to marine disasters and established a system for instant and efficient response to such accidents. We conduct regular drills and implement preventive measures exceeding legal requirements, designed to minimize secondary impact in the event of accidents.

### 2007 Environmental Expenses

KOGAS participated in the "Environmental Management Accounting Methodology Development and Spread Pilot Project" conducted by the Ministry of Knowledge Economy from October 2002 to September 2004. Through this project, we developed standards for environmental cost calculation in 4 categories of activity and calculated the costs of pollution prevention, pollution treatment, stakeholder activities and compliance with legal requirements. In 2007, we spent KRW21.5 billion—or 2.51% of manufacturing costs—in environmental related expenses, listed in rank order-

pollution prevention, pollution treatment, stakeholder activities, compliance with legal requirements and recovery. In the future, we will develop integrated standards for calculating EHS management costs and disclose these figures on our website for easy access by external stakeholders.

### Environmental Expenses Breakdown |

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

### Costs of Environmental Activities in 2007 | Unit: KRW millions

By Media \ By Activities	By Activities				Total
	Pollution Treatment	Pollution Prevention	Stakeholder Activities	Legal Compliance & Recovery	
Air	504	7,510	-	-	8,014
Water	759	77	-	-	836
Waste	382	17	-	-	399
Noise & Vibration	333	1,270	-	-	1,603
Land	-	4	-	-	4
Common	1,276	4,740	-	-	6,016
Others	202	2,655	1,634	147	4,638
<b>Total</b>	<b>3,456</b>	<b>16,273</b>	<b>1,634</b>	<b>147</b>	<b>21,510</b>

### Annual Costs of Environmental Activities | Unit: KRW millions

Year	Pollution Treatment	Pollution Prevention	Stakeholder Activities	Legal Compliance	Total
2004	1,735	17,013	1,558	93	20,400
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

### Environmentally-friendly KOGAS

**Renewal of the EDP certificate** | KOGAS conducts a life cycle assessment (LCA) on the potential and actual environmental impact of its life cycle processing of natural gas from raw material acquisition, refining and manufacturing, to usage and treatment of wastes. Based on the results, we acquired a certificate of environmental declaration of products (EDP) in 2004, a first in the Korean energy industry. We reinitiated LCA again in 2007 and earned a certificate from the Korea Eco-products Institute in September 2007. (Certificate No. EMC-2007-008)



※ 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.

**Environmental Performance Information** | Functional unit: 1Nm<sup>3</sup> of natural gas

	Raw material acquisition/processing & production stage	Usage & waste stage	Total
Resource consumption (kg Sb-eq)	1.59E-02	-	1.59E-02
Global warming (kg CO <sub>2</sub> -eq)	2.01E-01	2.26E+00	2.46E+00
Impact on the Ozone layer (kg CFC11-eq)	2.20E-12	-	2.20E-09
Acidification (kg SO <sub>2</sub> -eq)	1.65E-03	3.27E-03	4.92E-03
Eutrophication (kg PO <sub>4</sub> -eq)	4.87E-05	6.07E-04	6.56E-04
Photo-chemical oxidized products (kg C <sub>2</sub> H <sub>4</sub> -eq)	2.20E-04	4.50E-05	2.65E-04

**Environmentally-friendly Corporation** | Going beyond the passive compliance with the regulations, KOGAS' environmental policies extend into voluntary evaluation and minimizing of its environmental impact. Consequently, our two terminals in Pyeongtaek and Incheon were designated as environmentally-friendly corporate operations.

- Pyeongtaek terminal: first designated on May 1, 2002 and renewed on July 21, 2005
- Incheon terminal: first designated on December 31, 2003 and renewed on May 17, 2007



### Striving to Decrease Pollution

KOGAS maintains accurate measurements of pollutants and prepares countermeasures to minimize any environmental impact associated with its production and supply of natural gas. As an environmentally-friendly company, we operate to stricter standards than required by law, in the treatment of pollutants.

### Air Pollution

KOGAS' greenhouse gas (GHG) emissions are growing along with its increasing domestic natural gas sales. We participate in the global initiatives to reduce GHG emissions by conducting GHG inventories and reducing energy use in all our premises. In particular, we devised detailed plans to build a GHG inventory, identifying the sources of GHG emission. Based on historic emissions statistics, we will analyze the potentials for GHG reduction. By connecting the future statistics of GHG emission, marginal costs of reduction projects and reduction performances to our ERP system, we will establish an IT-based GHG control system, setting a scientific stage for GHG reduction programs.

The SMVs and gas heaters are the main culprits of air pollution. We use SMVs during the winter peak season and gas heaters for heating natural gas to ensure optimal conditions for distribution. The cogeneration facilities that produce electricity and steam for self-use and boilers, heaters and coolers, also add to air pollution as they emit NOx and CO. 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 our stacks. We set and design the NOx emission level of SMVs at 50ppm and inject combustion gas directly into the water basin to minimize NOx emission. In 2007, we reduced the NOx emission by 28% vs. 2006 through a company-wide energy saving campaign and by changing the operating methods of the cogeneration facilities.

**GHG Emissions & Unit Loads** |

	2004	2005	2006	2007
Natural Gas Sales Volume (1,000 tons)	21,322	22,854	23,500	25,459
Emissions (tCO <sub>2</sub> )	360,405	431,733	417,322	398,436
Unit Load (tCO <sub>2</sub> /1,000 tons)	16.90	18.89	17.76	15.65

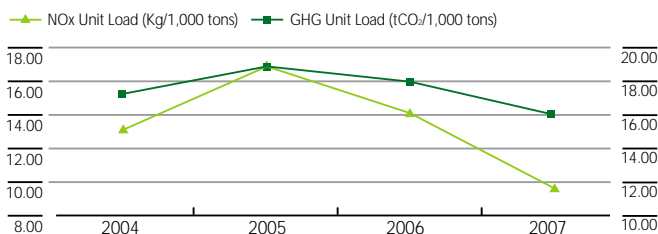
※ Calculated within the recognized level based on IPCC-GL 1996 emission factors.

**NOx Emission & Unit Load** |

	2004	2005	2006	2007
NOx Emissions (kg)	279,346	385,460	335,828	241,731
Natural Gas Sales Volume (1,000 tons)	21,322	22,854	23,500	25,459
Unit Load (kg/1,000 tons)	13.12	16.87	14.29	9.49



### GHG & NOx Emission & Unit Load |



### Hazardous Chemicals Control

KOGAS uses caustic soda (NaOH) and hydrochloric acid (HCl) to control pH level within the water tank of its submerged combustion vaporizers (SMV) of LNG. The use of these substances has increased rapidly with the growing market demands for natural gas over the past five years. To reign in control of these substances, we have conducted research on reducing the use of neutralizers in SMVs.

### Hazardous Chemical Consumption and Equivalents |

	2004	2005	2006	2007
Natural Gas Sales Volume (1,000 tons)	21,322	22,854	23,500	25,459
Discharge (ton)	253,725	220,480	197,401	169,093
Unit Load (kg/1,000 tons)	11.90	9.65	8.40	6.64

### Wastes

KOGAS applies stricter standards than legal requirements on waste handling. When we commission waste treatment to an outsourcer, we check and verify their actual treatment capacity and conduct regular audits to insure that their treatment of waste is in compliance with the law and our environmental standards. In 2007, construction wastes rapidly grew due to our facility expansion and pipeline relocations, and we treated all waste generated by these activities in accordance with the procedures prescribed by law.

### Waste Discharge & Unit Load |

	2004	2005	2006	2007	
Natural Gas Sales Volume (1,000 tons)	21,322	22,854	23,500	25,459	
Wastes (ton)	General	987,262	311,670	639,309	1,078,879
	Specified	157,020	648,829	72,327	323,570
	Construction	5,559,090	4,205,080	6,307,591	12,544,803
Total	6,703,372	5,165,579	7,019,227	13,947,252	
Unit Load (ton/1,000 ton)	0.31	0.23	0.30	0.55	

### Water Pollution Control

**Sewage discharge** | Sewage water from the Pyeongtaek and Incheon Terminals is treated within the company's on-site water treatment facilities before being discharged into the sea. Sewage water from the Tongyeong Terminal and valve stations across the country is sent to city wastewater treatment facilities. The pollutants in the discharged water are maintained at levels below the legal requirement of 20ppm. In 2007, the unit load of water pollutants improved with the addition of sand filters to our treatment facilities and resulted in reduced water use.

**Processed water discharge** | KOGAS' LNG production process has negligible impact on water pollution. 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 terminals and branch offices recycle most of their used water within their premises. Furthermore, seawater used in vaporizing LNG is discharged without any effect on the environment.

### Water Pollutants Discharge & Unit Load |

	2004	2005	2006	2007	
Natural Gas Sales Volume (1,000 tons)	21,322	22,854	23,500	25,459	
BOD	Discharge (kg)	342	377	247	221
	Unit Load (kg/1,000 tons)	0.016	0.016	0.011	0.0086
COD	Discharge (kg)	80	84	90	48
	Unit Load (kg/1,000 tons)	0.0038	0.0037	0.0038	0.0018
SS	Discharge (kg)	315	456	444	353
	Unit Load (kg/1,000 tons)	0.0148	0.0200	0.0189	0.0138



## Health & Safety Performance

KOGAS has built an emergency response system and health management programs to ensure the health and safety of its employees, partners and communities. In preparation for emergencies, we conduct various drills and training programs. Through continued safety education and intensive safety control, we will strive to prevent industrial accidents.

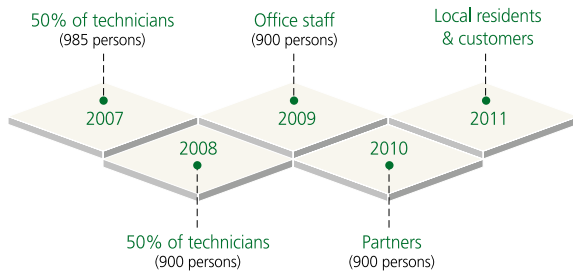
### Safety Control Activities

**Gas Fire Drill Center** | KOGAS built a Gas Fire Drill Center within its Pyeongtaek Terminal, the only one of its kind in Korea. At the center, we implement continued training programs to develop efficient and prompt response capabilities in our employees, cultivating vigilance in the event of fire outbreaks.

#### Gas Fire Drill Center Exercise Programs |

Continuous gas fire drills	Participants: 985 persons (drills for technicians)
Special drills for management	Participants: all managers above Class 1 including executive management Objective: increasing understanding of and interest in the management of safety issues
Benchmarking overseas fire training centers	Benchmarking the methods and equipment of the Fire Drill Center of Texas A&M University Based on the benchmark, producing fire drill videos and education Taeon Coast Guard
Special drills for related agencies and organizations	- Joint response in the event of fire outbreak based on complete understanding of the characteristics of gas fire outbreaks - City gas company workers

#### Gas Fire Drill Center Exercise Plan |



**Preventive activities for safety at terminals** | We strengthen safety in all three of our terminals—the national backbone infrastructure—by conducting intensive safety analyses by external safety experts. In case of identification, we promptly come up with improvement measures, such as detailed procedures for factor analysis and detailed prevention check lists.

#### Intensive Safety Analysis of Terminals (April ~ June 2007) |

Subject	3 terminals in Pyeongtaek, Incheon and Tongyeong
Agency	Administered by KOGAS, it is composed of 19 experts, domestic and global, from academia and agencies

#### Improvement Plans & Performances by Sector | Unit: cases

Category	Detected	Improved	2008 Plan
Storage tanks	19	17	2
Operational management	62	40	22
Maintenance system	35	18	17
Electric instruments	38	28	10
Fire fighting	46	7	39
Total	200	110	90

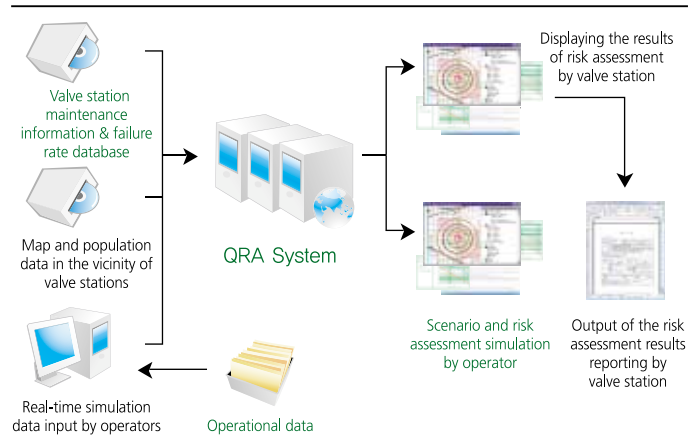


#### Analysis Items |

- Analysis of maintenance systems such as gas, fire fighting, electric and mechanical equipment
- Check for internal leaks within storage tanks at the three terminals
- Operational management systems including operational guidelines for storage tanks
- Safety management systems including information, work and change management
- Review of the self-assessment results

**Intranet system for quantitative risk assessment of valve stations** | In consideration of the characteristics of each valve station, we have developed an intranet system for quantitative risk assessment for internal use. We will use this new system for intensive control of risk factors.

#### Valve station QRA Intranet System Flowchart |





## Stakeholder's Opinion on Green KOGAS



KOGAS' Declaration on Environment proclaims that the company will "adapt to the environment and contribute to building an energy-saving industry and green environment nation." A green environment is achievable provided that industry and society both adopt a sustainable structure and that citizens voluntarily participate in the initiative. Speaking to our responsibilities, KOGAS is striving to turn over a clean, blue sky to the next generation through its Blue Sky Project in cooperation with Green Korea United. Going forward, we expect further engagement of KOGAS in efforts to address global energy initiatives on energy and climate change issues, developing hydrogen fuel cell and other new and renewable energies, while encouraging citizens' participation in energy-saving campaigns.



**Jang, Jeong-gu**  
Chief staff at Incheon Branch  
Green Korea United

### Emergency Response System |

**Risk management system** | KOGAS has established a rapid and systematic emergency response system to prevent crisis from spreading to public life and the national economy and to protect the life and properties of citizens in the event of any crisis in the production or supply of natural gas. Centered at the Central Control Team in headquarters, we have formed an organic network linking the central control rooms of our 3 terminals and the regional control towers of our 8 branch offices, charged with the round-the-clock remote monitoring and control of our domestic gas facilities. The network also includes cooperation with fire stations and other related organizations. We have segmented various types of disasters by potential risk factors and built a database of manuals for immediate and systematic risk control according to each respective scenario. We regularly conduct various drills and training programs verifying and analyzing the efficiency and effectiveness of the manual. In addition, we have set up the Gas Fire Drill Center, a first in Korea, for regular fire drills and training of all our employees as well as the employees of our partners.

### Initiatives for Health Management

**Work Conditions and Exposure Assessments** | To protect the health of employees and improve working conditions, our technicians conduct periodic inspections of worksites to monitor exposures to hazardous materials, twice a year. The purpose of this program is to identify health hazards, to assess risk factors and to eliminate and mitigate them.

**Material Safety Data Sheet (MSDS)** | We regularly update our safety data and post the MSDS at worksites to ensure 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.

**Health check-ups** | KOGAS implements annual health check-ups for all of its 2,820 employees, commissioning prominent hospitals to maintain employees' health through appropriate preventive measures, early diagnose and treatment of diseases. 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, the check-ups have helped us steer clear of any serious disease or death amongst our workforce for the past five years. We also offer bi-annual check-ups to the spouses of our employees.

**Medical subsidies** | We offer various medical subsidies to our employees and their families. We spend up to KRW 70 million for each of our employees per annum covered by Employer's Liability and KRW 6 million for those in the selective welfare program and up to KRW 2.5 million in medical subsidies through selective welfare systems of welfare funds.

**Occupational Safety & Health (OSH) Committee** | In addition to its 3 LNG terminals, KOGAS operates 8 branch offices for pipeline maintenance and 3 construction offices for LNG infrastructure. Committed to the safety and health of our employees, each of our plants hold quarterly meetings, as well as on-request joint OSH Committee sessions to listen to employees' safety concerns and undertake regular checks of safety and work conditions at worksites.

**Industrial Accidents** | We had one case of a heart attack on duty in 2004; one car accident in 2005; two cases of injuries from sports events in 2005 and 2006—a bone fracture and torn ligament; and one case of amputation during an experiment in 2007. We ensured appropriate compensation to the injured in accordance with related regulations and procedures. KOGAS will continue its endeavors in maintaining the safety and health of its employees through good working conditions and health management programs.



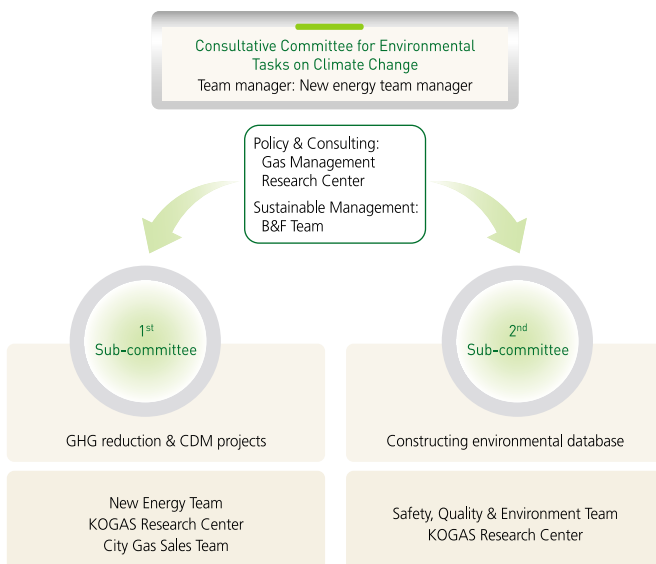
## Addressing Climate Change

The United Nations Framework Convention on Climate Change (UNFCCC), and the global initiatives to address global warming, are now coming into force. Korea will fall under strict regulations as the world's 10<sup>th</sup> largest GHG emitter. Consequently, Korean companies are obliged to adopt strategic environmental management practices. As a clean energy company, we proactively participate in the national drive for energy savings and are active in addressing the issues of global warming. We are engaged in projects encouraging natural gas as an alternative fuel option, developing environmentally-friendly future energy sources, CDM projects and establishing an internal GHG control system.

### Organic Council Activities

We set up the first Consultative Committee for Environmental Tasks on climate change in February 2005 and the second Committee has been active since 2007. In addition to the environmental database and CDM feasibility study, the second Committee activities under the action plan have included: training courses on climate change and GHG reduction (Feb.~Mar. 2007); public collection of GHG reduction performances (Mar.); publication and distribution of KOGAS Climate Change Initiative Manuals (Oct.); and CDM feasibility review of natural gas (July ~ Dec.). In 2008, we are working on a KOGAS master plan to address climate change.

### The Committee Organization |



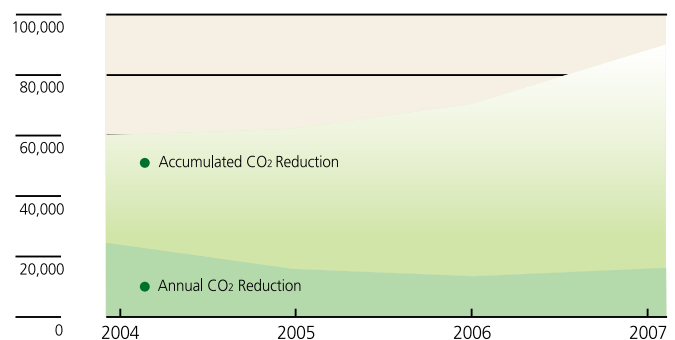
### Action Plan & Performances |

Activities	Performances
GHG Reduction Project	- Public collection of GHG reduction performance (Mar. 2007)
CDM Project	- CDM feasibility study of cogeneration (May 2007) - CDM feasibility study of natural gas business (Dec. 2007)
Setting up Environmental DB	- LCA S/W analysis & Management (June 2007) - Calculating emission factors of heaters (SMV, HTR) (June 2007) - 3 <sup>rd</sup> party verification
Training	- Education on climate-friendliness and GHG reduction (Feb. ~ Mar. 2007) - Participating in the courses for GHG Reduction Registration Judges (Jul 2 ~ 6, Aug. 27~31, 2007) - Production and distribution of KOGAS climate-friendly project manuals (Oct. 2007) - Education on the NGO Youth for "Environmental Justice" (20 persons, July 23, 2007) - Participating in workshops for tank lorry safety officers (Sept. 13, 2007) - Lectures on demand strategy development (City Gas Sales Team, Dec. 10, 2007)

### GHG Reduction Initiatives

**Recycling the vented gas |** 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 (CO<sub>2</sub>). Actively addressing this issue, we have adopted recompression equipment since 2003 which recycles the gases, except for the unavoidable venting of residual gases, to save energy and curtail the release of greenhouse gases. From 2003 to 2007, we recycled 3,560 tons of natural gas, saving about KRW1,933.0 million and reducing about 74,760t CO<sub>2</sub> equivalent in GHG emissions.

Annual CO<sub>2</sub> Reduction Using Recompressor | Unit: tons







**Voluntary agreements to save energy** | In an effort to address global warming, KOGAS actively participates in energy saving initiatives. We established an energy saving committee to regularly monitor and inspect the energy saving practices of our offices and facilities, generating performance indicators for each plant. We have also entered into a voluntary agreement with the government on saving energy. As a result, our energy unit load has continuously improved and, in 2007, it improved by 1.37 vs. 2006.

**Yearly Energy Use & Unit Load** | Unit: KRW in Millions

	2004	2005	2006	2007
Energy Usage (TOE)	174,025	196,625	189,741	170,510
Natural gas production (1,000ton)	21,322	22,854	23,500	25,459
Unit load (TOE/1,000ton)	8.16	8.60	8.07	6.70

※ TOE: Tons of Oil Equivalent

**CDM Feasibility study on natural gas** | KOGAS conducted a “feasibility study on a CDM for cogeneration using natural gas” in partnership with the Korea Energy Management Corporation and the Energy Climate Change Research Center of Ajou University. Completed in May 2007, the study concluded a plan for a cogeneration-type CDM project and an analysis of its effectiveness at the national level. The feasibility study on a CDM for the natural gas industry from July to December found the following results. First, segmenting the industry into upstream, mid- and down-stream categories, the study found more opportunities for CDM in the up and downstream sectors than in the midstream, which offers less GHG reduction options. Second, an analysis found more opportunities for KOGAS as a domestic emission trader, than risks from GHG emission controls. As a result, it turned out to be feasible for KOGAS to reposition itself as a leading domestic emission trader in line with its projects to develop alternative energy and overseas resources, while generating profits from its expanded natural gas business.

**Carbon Disclosure Project (CDP)**

**Carbon Disclosure Project (CDP)** | KOGAS will transparently disclose all its carbon information, enabling accurate measurement of investment risks and opportunities regarding climate change, eventually minimizing its investment risks. Implemented in 2003, the purpose of CDP is to collect and analyze carbon disclosures of global listed companies for financial and investment institutions. At the beginning stage, the subject companies were limited to those listed on the FT500 Index. In 2008, however, 3,000 global companies—including Korea’s 50 largest companies based on

market capitalization—became eligible to participate in the carbon survey questionnaires for 385 financial institutions including Goldman Sachs, Morgan Stanley and AIG.

**Korea CDP 6 Programs** |



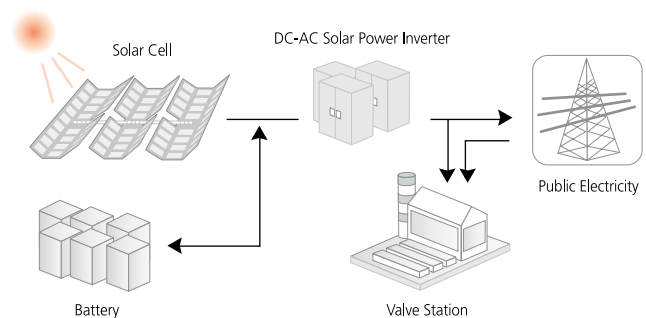
**Adopting new and renewable energy in gas supply facilities** | With the UNFCCC taking effect, most nations are actively pursuing new and renewable energy sources as a measure of reducing and controlling CO<sub>2</sub> emissions under a certain level. KOGAS also plans a pilot operation of solar power generation facilities to supply electricity and energy required for operating valve stations in pursuit of our concurrent objectives of GHG reduction and cost-saving.



**Solar Power Generation Facility Introduction Plan** |

- Organizing a CoP for solar power generation facilities research
- Technology research and data collecting to design and construct a solar power generation facility
- Opting for and Designing a Solar Power Generation Facility
  - Subject: Pilot operation of valve station in Gunsan
  - Capacity: 50kW-class
  - Establishment: scheduled in May 2009

**Solar Power Generation System Flowchart** |





Blue Energy **KOGAS**



# Beyond Future



KOGAS is making another leap into a brand new future, continuing its growth over the past 25 years based on the trust of its customers. We will achieve our goal of "Global KOGAS, Growing Together with Customers" through our undaunted challenging spirit and ceaseless innovation, carrying us beyond Korea, and into the global markets.



Global KOGAS, Growing Together with Customers





## APPENDIX

KMAR Assurance Statement
Review
GRI Index
Glossary
2007 Awards & Memberships
KOGAS Code of Ethics (Clean KOGAS)
Non-standing Directors' Code of Ethics

## To the Management of the KOGAS Sustainability Report 2007

### Foreword

The Korea Management Association Registration and Assessments (KMAR) has been engaged by KOGAS to assure the contents of its 2007 Sustainability Report (the Report). KOGAS is responsible for the collection and presentation of information within the Report. Our responsibility is to carry out assurance activities on specific information in the assurance scope stipulated below.

### Our independence

With the exception of providing third party assurance services, KMAR is not involved in any other KOGAS business operations that are aimed at making profits in order to avoid any conflicts of interest and to maintain independence.

### Assurance scope

KOGAS described its efforts and achievements of its sustainability activities in the Report. The Assurance process was designed to provide readers with the following information:

**Assurance of the economic segment:** Review whether financial performance data has been extracted appropriately from KOGAS's 2007 Financial Statements Audit Report and Annual Report as defined in the Report's performances and conclusion sectors

**Assurance of social/environment segments:** Review whether information included in the following segments is presented appropriately.

Sustainability Management System / Innovation Activities & Products / Environment & Climate Change/ Employees / Society

"Presented appropriately" means that the contents of the Report appropriately reflected actual data and original information and were presented in a consistent and reliable manner. For the economic sector, we based our evidence gathering procedures on reasonable assurance. It is a higher level of assurance than the limited assurance in terms of characteristics and the extent of performed tasks.

### Assurance standards

KMAR performed the review based on our assurance standards that have been developed in accordance with the Accountability's "AA1000 Assurance Standard." We also used the International Auditing and Assurance Standards Board-issued "International Standard on Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information" as additional guidelines.

### Assurance process and conclusion

In order to form our conclusion, KMAR undertook the steps outlined below to assess KOGAS's internal processes for reviewing the sustainability reporting practices.

- Surveyed KOGAS's sustainability related media information during the reporting period
- Reviewed systems and processes used in producing data
- Assessed internal documents and materials
- Interviewed people in charge of disclosed activities and performances

Based on results we have obtained from material reviews, related department visits and interviews, we held several discussions with KOGAS on the revision of the Report. We reviewed the Report's final version in order to confirm whether our recommendations for improvement and revisions have been reflected.

#### Economic performance

We compared the Report with KOGAS's 2007 Financial Statements and found that the financial data presented in the Report has been appropriately derived from 2007 Financial Statements.

#### Environmental and social performance

We observed that information contained in the "environmental and social sections" has been appropriately presented. We did not discover any significant errors.

#### Recommendation for improvement

We hope KOGAS's publication of the Report is actively used as a communication tool with stakeholders and recommend the following for improvements.

- Linkage of corporate sustainability management system and individual activities (including KPI)
- Building up integrated performance/risk management on social and environmental activities
- Enlargement of scope of the Report:: including information of overseas organization
- Materiality test concretization



*K. H. Park*

CEO Ki Ho Park

Not Applicable Not Disclosed Disclosed Partially Disclosed

GRI Index	GRI content	Reporting level	Page
<b>Strategy and Analysis</b>			
1-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy		16, 17
1-2	Description of key impacts, risks, and opportunities		26
<b>Organizational profile</b>			
2-1	Name of the organization		22
2-2	Primary brands, products, and/or services		22
2-3	Operational structure of KOGAS		22
2-4	Location of organization's headquarters		22
2-5	Countries in which the organization's operations are located		22
2-6	Nature of ownership; legal form		24
2-7	Nature of markets served		22
2-8	Scale of KOGAS		22
2-9	Significant changes during the reporting period regarding size, structure, or ownership		24
2-10	Awards received in the reporting period		77
<b>REPORT Parameters</b>			
Aspect: REPORT PROFILE	3-1	Reporting period for information provided	3
	3-2	Date of most recent previous report	3
	3-3	Reporting cycle	3
	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	18
	3-6	Boundary of the report	3
	3-7	State any specific limitations on the scope or boundary of the report	3
	3-8	Basis for reporting on joint ventures, subsidiaries	3
	3-9	Data measurement techniques and the bases of calculations	3
	3-10	Explanation of the effect of any re-statements of information provided in earlier reports	3
	3-11	Significant changes from previous reporting periods in the scope, boundary	3
Aspect: GRI CONTENT INDEX	3-12	Location of the Standard Disclosures in the report	72, 73, 74, 75
Aspect: ASSURANCE	3-13	Policy and current practice with regard to seeking external assurance for the report	68, 69, 70, 71
<b>Governance, Commitments, and Engagement</b>			
Aspect: GOVERNANCE	4-1	Governance structure of the KOGAS	24, 25
	4-2	Indicate whether the Chair of the highest governance body is also an executive officer	25
	4-3	Number of members of the highest governance body that are independent and/or non-executive	25
	4-4	Mechanisms for shareholders and employees to provide recommendations or direction to BOD	25
	4-5	Linkage between compensation for executive and organization's performance	25
	4-6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	25
	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	18
	4-8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance	78
	4-9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	25
	4-10	Processes for evaluating BOD's own performance	25
Aspect: COMMITMENTS TO EXTERNAL INITIATIVES	4-11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	26
	4-12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	77

GRI Index	GRI content		Reporting level	Page
Aspect: STAKEHOLDER ENGAGEMENT	4-13	Memberships in associations and/or national/international advocacy organizations		77
	4-14	List of stakeholder groups engaged by the organization		20
	4-15	Basis for identification and selection of stakeholders with whom to engage		20
	4-16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		21
	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		21
<b>Management Approach and Performance Indicators</b>				
<b>Economic</b>				
Aspect: Economic Performance	EC1	Economic value generated and distributed		40
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		64
	EC3	Coverage of the organization's defined benefit plan obligations		48
	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		40
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		55
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		46
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		16
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts		32
<b>Environmental</b>				
Aspect: Materials	EN1	Materials used by weight or volume		65
	EN2	Percentage of materials used that are recycled input materials		-
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		61
	EN9	Water sources significantly affected by withdrawal of water		61
	EN10	Percentage and total volume of water recycled and reused		61
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		-
Aspect: Emissions, Effluents, and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight		60
	EN17	Other relevant indirect greenhouse gas emissions by weight		-
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		64
	EN19	Emissions of ozone-depleting substances by weight		-
	EN20	NOx, SOx, and other significant air emissions by type and weight		60
	EN21	Total water discharge by quality and destination		61

Not Applicable   Not Disclosed   Disclosed Partially   Disclosed

GRI Index	GRI content	Reporting level	Page
EN22	Total weight of waste by type and disposal method		61
EN23	Total number and volume of significant spills		61
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		-
Aspect: Products and Services	EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		60, 61
Aspect: Compliance	EN27 Percentage of products sold and their packaging materials that are reclaimed by category		-
Aspect: Transport	EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		-
Aspect: Overall	EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce		-
Aspect: Overall	EN30 Total environmental protection expenditures and investments by type		59
<b>Social Performance</b>			
<b>Labor Practices &amp; Decent Work</b>			
Aspect: Employment	LA1 Total workforce by employment type, employment contract, and region		47
Aspect: Employment	LA2 Total number and rate of employee turnover by age group, gender, and region		47
Aspect: Labor/Management Relations	LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		49
Aspect: Labor/Management Relations	LA4 Percentage of employees covered by collective bargaining agreements		45
Aspect: Labor/Management Relations	LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		48
Aspect: Occupational Health and Safety	LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees		45, 63
Aspect: Occupational Health and Safety	LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		63
Aspect: Occupational Health and Safety	LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases		62, 63
Aspect: Occupational Health and Safety	LA9 Health and safety topics covered in formal agreements with trade unions		63
Aspect: Training and Education	LA10 Average hours of training per year per employee by employee category		50
Aspect: Training and Education	LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		50
Aspect: Training and Education	LA12 Percentage of employees receiving regular performance and career development reviews		46
Aspect: Diversity and 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		46
Aspect: Diversity and Opportunity	LA14 Ratio of basic salary of men to women by employee category		40
<b>Human Rights</b>			
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		-
Aspect: Investment and Procurement Practices	HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		-
Aspect: Non-Discrimination	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		46
Aspect: Non-Discrimination	HR4 Total number of incidents of discrimination and actions taken		46



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		-
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.		-
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		46
Aspect: Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken		-
<b>Society</b>				
Aspect: Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities		53
Aspect: Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption		27
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures		27
	SO4	Actions taken in response to incidents of corruption		27
Aspect: Public Policy	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		-
Aspect: Anti-Competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		-
Aspect: Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		-
<b>Product Responsibility</b>				
Aspect: Customer Health and Safety	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		63
	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	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		22
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes		-
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		31
Aspect: Marketing Communications	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		-

**B&F (Best & First)**

B&F is a KOGAS slogan that describes the Company's management innovations.

**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.

**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

**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.

**Membrane Type**

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

**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.

**SCADA (Supervisory Control And Data Acquisition)**

A computer system similar to TM/TC (Telemetry /Tele-control) to manage, monitor and control on-site facilities based on the analysis of data collected through the computer and controller.

**Selective Welfare System**

An Elective Welfare System that allows employees to design their own welfare benefit items within an allocated budget.

**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 sides of one trillion feet (3,048,000,000 km)

**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

## 2007 Awards

Category	Award	Agency
Corporate Governance	Commendation for excellent audit activities	The Board of Audit and Inspection of Korea
	Certificate for achieving Accident Free goals 10 times	Korea Occupational Safety & Health Agency
Safety	Distinguished Service Medal in gas safety management	Korea Gas Safety Corporation
	Integrated certifications (OHSASA 18001, ISO 9001, ISO 14001)	Korea Gas Safety Corporation
	Recognition for accomplishments in industrial accident prevention	Ministry of Labor
Environment	Designated as an environmentally-friendly corporation	Ministry of Environment
	Daesung Safety Culture Awards (Environment)	Daesung Group
	Environmental Declaration of Products (EDP)	Korea Eco-Products Institute
CSR	Korea Gas Industry Awards	Korea Gas Newspaper
	Korea Cultural Industry Awards	Ministry of Knowledge Economy
	2007 CSR Awards	Korea Economic Daily
SME Support	Public purchase of SME products	Presidential Commission on Small and Medium Enterprise
Sustainable Management	Korea Sustainable Management Award (Minister of Environment)	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 1<sup>st</sup> 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 2<sup>nd</sup> 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 3<sup>rd</sup> 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 customer's and shareholder's right to know, thus sharing business information with stakeholders in a transparent manner.

**The 4<sup>th</sup> 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.

Principles	Gri Index (directly relevant)	Gri Index (indirectly relevant)	KOGAS ACTIVITY (page)
Human Rights			
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	HR 1-9	LA4,LA13 LA14,SO1	46, 45, 40, 53
Principle 2: make sure that they are not complicit in human rights abuses.	HR 1-2, HR 8		46
Labour Standards			
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	HR5. LA4.LA5		45, 48
Principle 4: the elimination of all forms of forced and compulsory labour;	HR7	HR1-3	46
Principle 5: the effective abolition of child labour; and	HR6	HR1-3	46
Principle 6: the elimination of discrimination in respect of employment and occupation.	HR4.LA2 LA13.LA14	HR1-2.EC5 EC7.LA3	46, 47, 40, 49
Environment			
Principle 7: Businesses should support a precautionary approach to environmental challenges;	4-11	EC2	26, 64
Principle 8: undertake initiatives to promote greater environmental responsibility; and	EN2.EN57.EN10	EC2.EN1.EN3-4	65, 61, 64, 60, 59, 22
	EN13-14.EN18 EN21-22.	EN8-9.EN11-12 EN15-17.	
	EN26-27.EN30	EN19-20.	
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	EN2.EN57.EN10 EN18.EN26-27	EN23-25. EN28-29.PR3-4	65, 61, 64, 60
Anti-corruption			
Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.	SO2-4	SO5-6	27, 28





215, Jeongja-dong, Bundang-gu, SeongnamCity, Gyeonggi Province (Zip Code: 463-754)  
Tel: +82-31-710-0114 Fax: +82-31-710-0117 <http://www.kogas.or.kr>