



Better Energy, Better world

Changing for the Excellence, Global KOGAS

THE ANSWER

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ER IS KOGAS

REPORT INFORMATION

About This Report

Since joining the UN Global Compact in 2007, KOGAS has published a report on its sustainability management performance every year. KOGAS' sustainability management initiatives are rooted in the goal of providing a long-term stable supply of natural gas to the nation, while also contributing to the well-being of its customers and the general public. KOGAS has also remained steadfast to practicing ethical and environmental management as part of its sustainability management practices. Since 2007, KOGAS has integrated and incorporated the triple bottom line into sustainability management and published a report regarding the Global Reporting Initiative (GRI) G3 Guidelines. This is the fourth KOGAS sustainability report. While the details have been refined in order to make it more user friendly, the basic structure remains the same with additional explanations of any changes.



2006
Sustainability Report

2007
Sustainability Report

2008
Sustainability Report

Reporting Principles

This report is compiled in reference with the GRI G3 Guidelines, and covers the findings from the DJSI Korea survey in 2009 as well as the company's internal survey on stakeholders' opinion regarding KOGAS' sustainability management strategy and a media analysis in order to ensure the transparent disclosure of information.

Reporting Scope

The scope of this report includes the headquarters and 12 domestic business locations, including its affiliated company, Korea Gas Technology Corporation, but excluding subsidiaries and overseas branches.

Reporting Period

This report covers all business activities from January 1, 2009 to December 31, 2009, as well as the performances of the three to four years prior to 2008, in order to highlight trends. Significant events that have taken place in 2010 are highlighted.

Report Assurance

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

Additional Information

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Please Use the Following Websites for Information Regarding...

Corporate Overview <http://www.kogas.or.kr>

Sustainability Management http://www.kogas.or.kr/kogas_eng/html/main/main.jsp

Ethical Management <http://www.kogas.or.kr/moral/eng/main.jsp>

Safety & Environmental Management

http://www.kogas.or.kr/kogas_eng/html/environment/environment_01.jsp

Social Contributions

http://www.kogas.or.kr/kogas_eng/html/environment/environment_04.jsp

Gas Science Museum http://www.kogas.or.kr/museum_in/eng/00_main/main.jsp

E-Bidding system http://bid.kogas.or.kr/supplier/index_eng.jsp

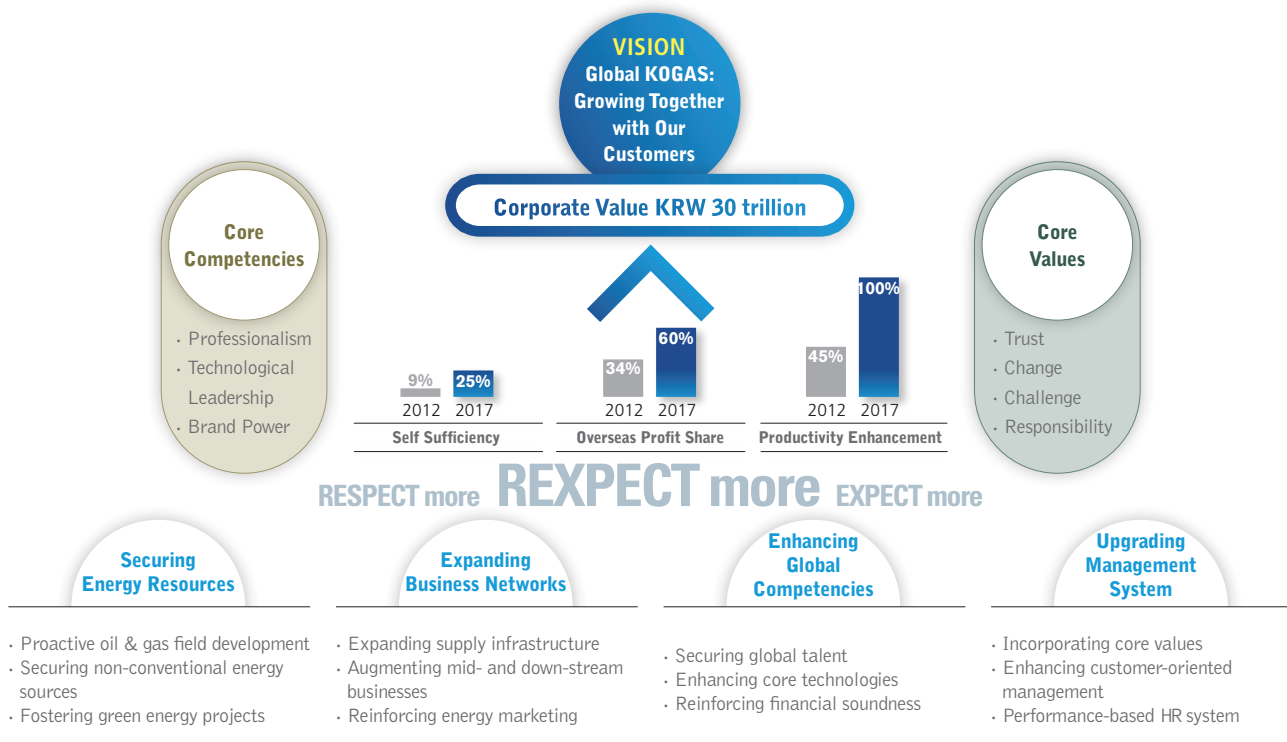
R&D Division http://www.kogas.or.kr/kogas_eng/html/what/what_03.jsp

VISION 2017

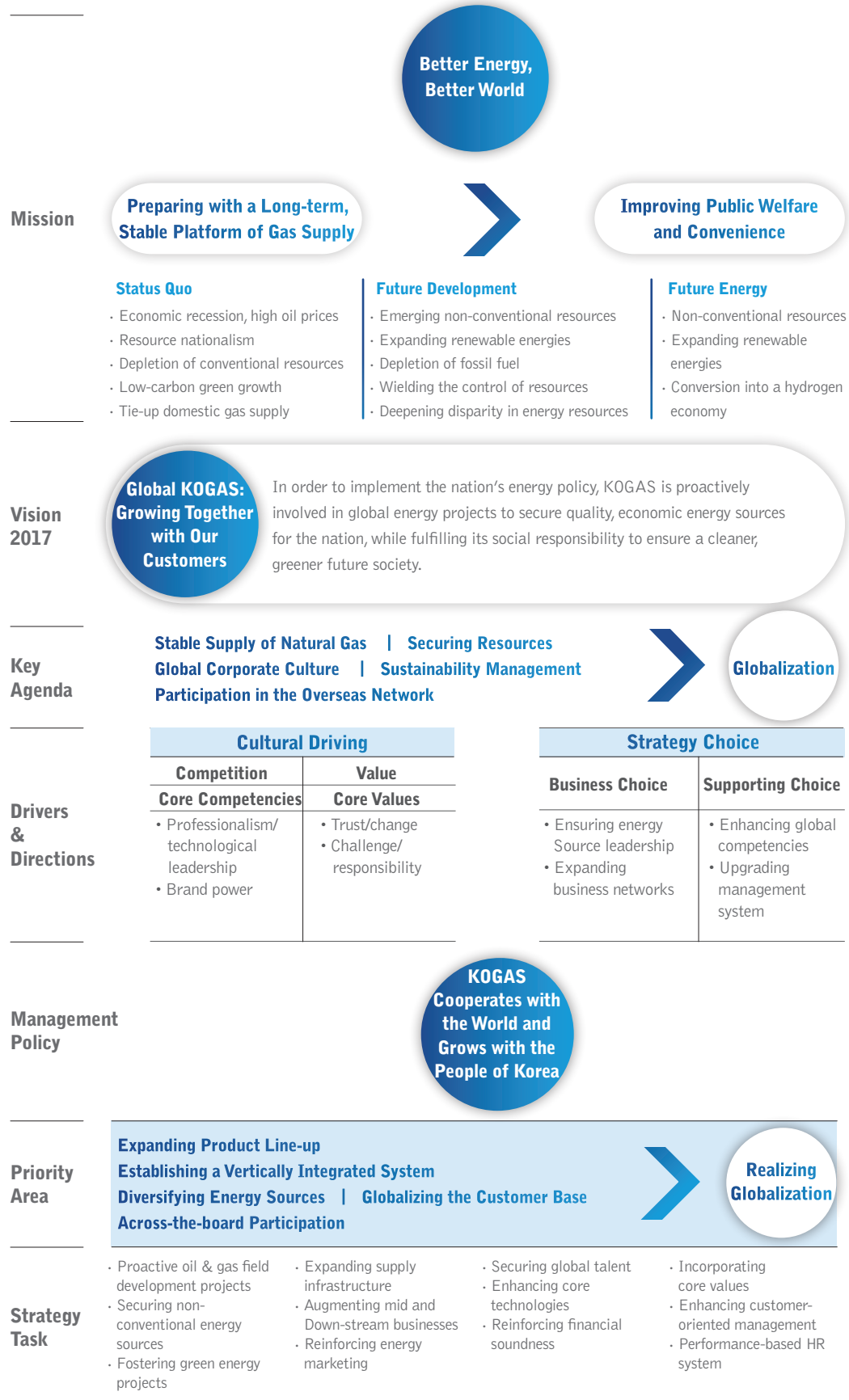
In coping with the rapidly changing global energy markets, KOGAS set its vision in 2007 at “Global KOGAS: Growing together with our Customers,” and developed strategies accordingly.

In 2009, KOGAS reviewed its accomplishments over the previous years and refined its strategic goals and schemes. In terms of quantity, we set our goal for corporate value at KRW 30 trillion. We will attain this goal by achieving 25% self-sufficiency by 2017 through the aggressive pursuit of overseas resource projects, increasing and solidifying our portion of profits from overseas businesses and enhancing productivity. Through these activities, KOGAS will be able to grow into the broader world market as a global energy enterprise.

VISION 2017 & Strategies Scheme



KOGAS Value Chain



KOGAS cares about sustainable development not only for the nation and society, but also for the world.

As we publish our fourth sustainability report, we ask for the constant support and engagement of our customers, shareholders and business partners in order for us to fulfill our corporate social responsibilities.



KOGAS had a dynamic year in 2009. Playing the pivotal role in the nation's energy security, we made strenuous efforts to advance into overseas markets. We take great pride in that these efforts bore fruit, in overseas resource development projects. Meanwhile, our supply capacity was tested by both declining market demand in the wake of the economic recession and an abrupt rise in demand during the unusually cold winter. While pushing forward with our pipeline networking-building project, we also developed a "green growth strategy" in preparation for low-carbon green growth. It is my honor to report to you our performances and achievements in sustainability management over the past year.

KOGAS' dedication to securing a stable supply of natural gas extended this year to overseas resource development projects in order to establish long-term energy supply lines. Most conspicuously, our bids for Iraqi oil field development projects successfully landed the Zubair and Badra projects, laying the foundation for more Korean companies to successfully compete for the restoration projects in Iraq in the future.

At the same time, we diversified our natural gas supply lines into Australia and Russia, thus increasing the stability of our supply lines. Our commitment to developing unconventional

energy sources such as CBM and shale gas also continued in Canada, Mongolia and Australia. In order to minimize risks associated with overseas resource development projects and to maximize the synergy among our various business areas, we advanced into the entire value chain of the natural gas business, including the construction and operation of overseas LNG terminals and the city gas businesses. All of these efforts are part of our commitment to "Better Energy, Better World", helping us transform our promise to customers into action.

As a public corporation, KOGAS is expected to apply high standards of transparency and ethics. In the course of our overseas business activities, we are also required to actively address environmental, social and human rights issues. In response to these social calls and political and cultural complexities in the global market, we will specify and strengthen our Codes of Conduct as well as take other appropriate measures.

On the domestic front, we are actively expanding our pipeline network to include remote areas not yet in service. With our fourth LNG terminal currently under construction in Samcheok, our plan to strengthen our storage capacity is also making progress. In the meantime, we care enough about environmental protection to ensure that all historical relics excavated at the Samcheok site as well as neighboring environmental protection areas are preserved. While striving to expand the economic and social benefits of our business activities, we will continue to make preemptive responses to environmental issues.

I'd like to bring your attention to another achievement. Our energy consumption and CO₂ emissions substantially decreased in 2009. While this was partly due to a decline in the sales of natural gas over the year, it owes much to our concerted efforts towards energy conservation, including the development and introduction of green growth strategies. In 2010, we will set a long-term GHG reduction goal in line with the industry's goal set by the government.

KOGAS' procurement policy from local communities, SME support programs and social contribution activities are another pivotal contribution to the economic and social development of local communities. Our commitment to energy welfare for everyone has included a gas bill discount for charities since 2001. Beginning 2009, this offer expanded to include the socially underprivileged. In 2009, we offered discounts to these people worth a total of KRW 15.3 billion. Our community engagement projects also include scholarships and cultural asset protection campaigns.


In 2009, KOGAS reorganized its strategies. In the course of this, we incorporated the sustainability strategic issues into business strategy, which ensured our strategic sustainability management. As a result, we were selected as having the best practice in the gas industry at the Dow Jones Sustainability Indices Korea.

In addition to everything we have done, we will strive to humbly heed and reflect our stakeholders' concerns and 3rd party verification agent's suggestions in all our future endeavors to improve our performance.

I apologize for not mentioning this earlier, but I would like to now take the opportunity to deliver my earnest appreciation to all of you, our stakeholders, for your steady interest in and encouragement of KOGAS. Standing on the threshold of the global energy market, KOGAS needs your unwavering support and interest more than ever before.

Thank you.

President & CEO
Korea Gas Corporation



2009

HIGHLIGHTS

While fulfilling its corporate social responsibility through its environmental and ethical management practices, KOGAS also aims to secure a long-term stable gas supply through its diversified supply sources and the globalization of its business portfolio in order to ensure sustainability management. Furthermore, the company aligns its sustainability activities with its corporate vision and strategies.



Concluded an agreement on a Korea-British energy joint venture
Mar. 31, 2009

KOGAS established a joint venture with AMEC, a British energy company. KOGAS has a 15% share in the company, with AMEC a 54% share, KEPCO 19% and KDB 12%. This joint venture acts as an Asian hub of energy resource technology.

Imported Russian natural gas for the first time
Apr. 11, 2009

Following the signing of an agreement to import 1.5 million tons of natural gas from the "Sakhalin-2" gas field annually for 20 years in July 2005, the first cargo arrived. This deal is significant as it has diversified the company's natural gas import sources, while stabilizing the nation's energy supply. The shorter distance will also save transportation costs.

Inked an MOU with a Canadian company for a natural gas project
May 22, 2009

KOGAS concluded an MOU with Kitimat, a Canadian LNG supplier, to import up to 2 million tons of LNG annually for the next 20 years. This accounts for more than 10% of the nation's LNG supply, while also securing North America as Korea's new LNG source.

The Excellent COP award by the UN Global Compact Network Korea
Aug. 18, 2009

KOGAS was awarded the Excellent Communication on Progress (COP) prize by the UN Global Compact Network Korea. Presented by UN Secretary General, Ban Ki-Moon, KOGAS won the award as one of five companies demonstrating excellent performance in compliance with the ten principles of the UN Global Compact as well as fulfilling social responsibilities.





Entered into an LNG HOA with Chevron
Sep. 15, 2009

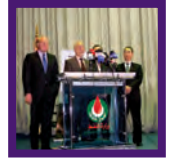
KOGAS contracted a Heads of Agreement (HOA) with Chevron to import 1.5 million tons of LNG per year from the Gorgon Project for the next 15 years; Korea's first long-term LNG import with Australia.

Enlisted to the DJSI Korea Listing
Oct. 20, 2009

KOGAS became one of the 41 Korean large-caps to be enlisted to the DJSI Korea, where it ranked top among gas companies. This serves as an assessment of the company's sustainability practices as well as its corporate value in the global market.

Secured super-sized oil fields in Iraq
Oct. 13, and Dec. 12, 2009

KOGAS secured development and production rights for oil and gas fields in Zubair and Badra, Iraq, contributing to the self-sufficiency of the nation's energy supply and energy security.



KOGAS Love Sharing Project
Apr. ~Dec. 2009

As part of its aim to create jobs for the young unemployed and underprivileged, KOGAS hired 203 unemployed young people and housewives to serve the underprivileged, such as helping the disabled, teaching underprivileged children and assisting with housework for those in the socially marginalized bracket.

MOU on job creation in construction business
June 03, 2009

KOGAS entered into a tripartite agreement with Korea Polytechnic University and construction companies to foster and create jobs for welders in order to ensure the successful construction of main pipelines in areas not being supplied with natural gas in line with the government's policy.

Cooperates with Korea Gas Safety Corp.
Aug. 19, 2009

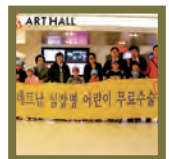
KOGAS entered into an MOU with the KGS to mutually cooperate on expanding the natural gas supply network and facilities nationwide (1,004 km-long pipelines including the Samcheok LNG Terminal).

Received the "Best-HRD" certificate
Sep. 14, 2009

KOGAS' advanced system and its human resources development and management was highly recognized by the Ministry of Labor, the Ministry of Knowledge Economy, the Ministry of Education, Science and Technology and the Small and Medium Business Administration, setting an example for the development of HR.

Provided rehabilitation equipment to disabled children from low-income families
Nov. 23, 2009

KOGAS has provided rehabilitation equipment to disabled children from low-income families to ensure they are provided with the same educational opportunities as others.



Entered into an MOU for fuel cell electric vehicles (FCEV) with Hyundai Motor
Apr. 14, 2009

As part of the "Fuel Cell Electric Vehicles (FCEV) Monitoring Project" being conducted by Hyundai Motor and consigned by the Ministry of Knowledge Economy, KOGAS is operating a pilot operation involving a vehicle equipped with a 100kW-class fuel cell.

Collaborates with Korea Intellectual Property Office
May 06, 2009

KOGAS and KIPO signed an MOU to collaborate in the development of future green energy technology in the fuel cell and gas hydrate businesses through the strategic analysis of intellectual property rights, thereby establishing a strategic model for the intellectual property rights management of public corporations.

Excellent performer of the public service business sector in addressing climate change
Oct. 28, 2009

KOGAS was honored by the Korean Committee of CDP based on a review of the carbon management performances and disclosure of Korea's top 100 companies. The award was in recognition of KOGAS' 10% reduction in energy unit load and various GHG reduction initiatives, including a carbon point program.



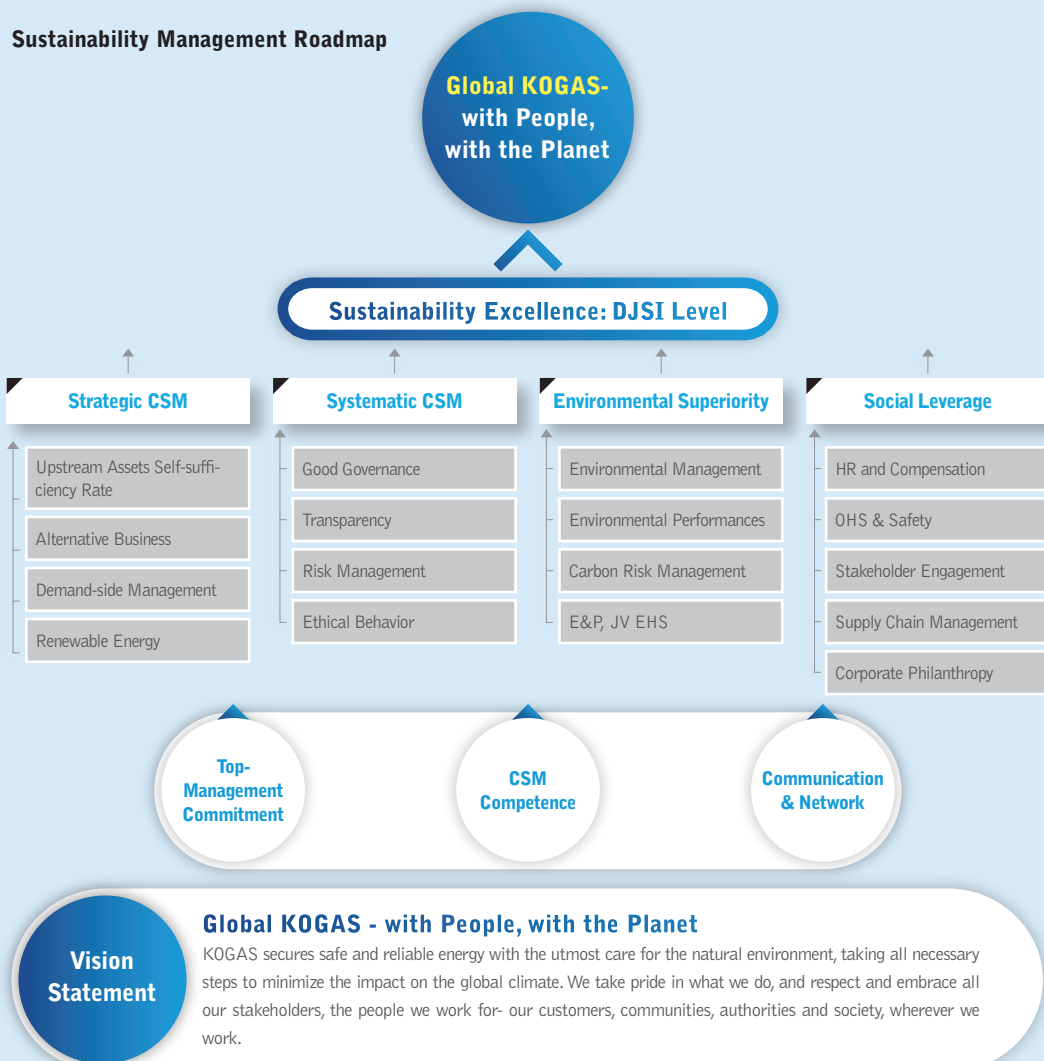
KOGAS Sustainability Management

KOGAS benchmarked five major global companies in 2007 for the systematic operation of sustainability management that matches global standards. According to the findings and with the assistance of an outsourced consultant agency, we identified key issues and then developed strategic directions and a roadmap for sustainability management in 2008. In 2009, these sustainability strategies and a roadmap were incorporated into the business strategies and scheme.

Sustainability Strategy Scheme

KOGAS was established to contribute to the nation's welfare through ensuring a long-term stable supply of natural gas. The purpose of the company is also embodied in its mission, "Better Energy, Better World," setting the direction for its vision and strategies.

As a public corporation in charge of the nation's energy welfare, KOGAS strives to serve the nation through continuous change and challenge, while at the same time fulfilling its corporate social responsibility. Based on the systematic analysis of corporate social responsibilities and business activities, we devised a sustainable management strategy scheme. The harmony of the triple bottom-line constitutes the core of the scheme. To that effect, the Business Strategy Team integrates and realigns the respective strategies of the environmental, ethical, social contribution and safety management teams with the corporate business strategies. Strategy-building practices are periodically reviewed and determined by the company's top decision-making body, the Management Committee.



Sustainability Management Strategy & Business Strategy

KOGAS has realigned its strategic scheme with the business environment and internal competencies based on its review of the vision and strategy performances. In the process, we incorporated our sustainability management strategy and roadmap into each strategic agenda, creating a platform for implementing sustainability management. In coping with various business environmental factors, such as the rising issue of human rights in overseas resource development projects, we came up with a customer-oriented management policy, while also promoting the integrated practices of sustainability management and socially responsible management. Furthermore, we set our target at enlisting to the DJSI indexes and devised a sustainability roadmap based on the 2009 experience of being enlisted on the DJSI Korea Index, the DJSI Asia /Pacific by 2012 and ultimately the DJSI World.

The strategic agenda also included all preparation tasks to satisfy ISO26000 requirements, which will be available by the end of 2010. Therefore, the company is well poised to proactively cope with the changing external environment.

Sustainability Management Strategic Agenda		Vision 2017 Strategic Agenda				Ensuring Energy Source Leadership			Expanding Business Networks			Enhancing Global Competencies			Upgrading Management System		
		Development Projects	Proactive OI & Gas Field	Non-conventional Energy Sources	Securing Energy Projects	Fostering Green Energy Projects	Expanding Supply Infrastructure	Down-stream Businesses	Augmenting Mid And	Reinforcing Energy Marketing	Securing Global Talent	Developing Core Technologies	Reinforcing Financial Soundness	Incorporating Core Values	Establishing Customer-Oriented Management Practices	Performance-based Operation	
Strategic CSM	Upstream Assets Self-sufficiency Rate																
	Alternative Business																
	Demand-side Management																
	Renewable Energy																
Systematic CSM	Good Governance																
	Transparency																
	Risk Management																
Environmental Superiority	Ethical Behavior																
	Environmental Management																
	Environmental Performances																
	Carbon Risk Management																
Social Leverage	E&P, JV EHS																
	HR and Compensation																
	OHS & Safety																
	Stakeholder Engagement																
	Corporate Philanthropy																

Reinforcing the Binding Force of Strategies as an Autonomy Management Agency

KOGAS was designated as an autonomy management public company by the government in 2009. An autonomy management company is endowed with autonomous management rights, allowing merit-oriented accountable management under reduced government control regarding management activities. In particular, KOGAS has expanded the autonomy of its organizational and personnel operations within the 2% limit of its regular workforce, enabling flexible personnel recruitment for overseas projects. Without any influence on corporate governance, the partial autonomy in the operation of the workforce contributed to management efficiency. KOGAS is working to return the fruits of this to the people.

Materiality Test & Key Issues

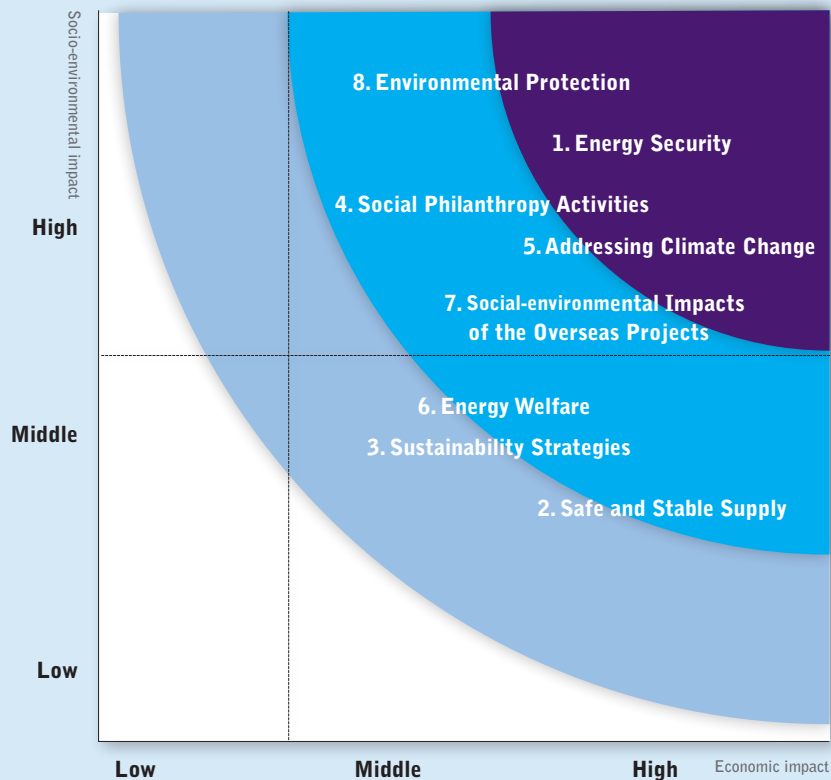
Materiality Test Process & Results

KOGAS constantly monitors media coverage of the company and classifies sustainability issues for internal review. Its Web-based VOC system functions as an effective channel for collecting the complaints and interests of its customers and stakeholders.

While remaining up-to-date with the latest trends in sustainability management through the related associations and organizations we joined, we also visit major sustainability-related Web sites on a regular basis in order to collect any necessary information. This information also serves as the basic pool of issues for materiality test from the stakeholders' point of view. The key issues are separately concluded from surveys of stakeholders.

These key issues have been defined through the materiality test matrix by review of their socio-environmental and economic impact on the company's management. The concluded key issues constitute the major contents of our sustainability report.

Materiality Test Matrix

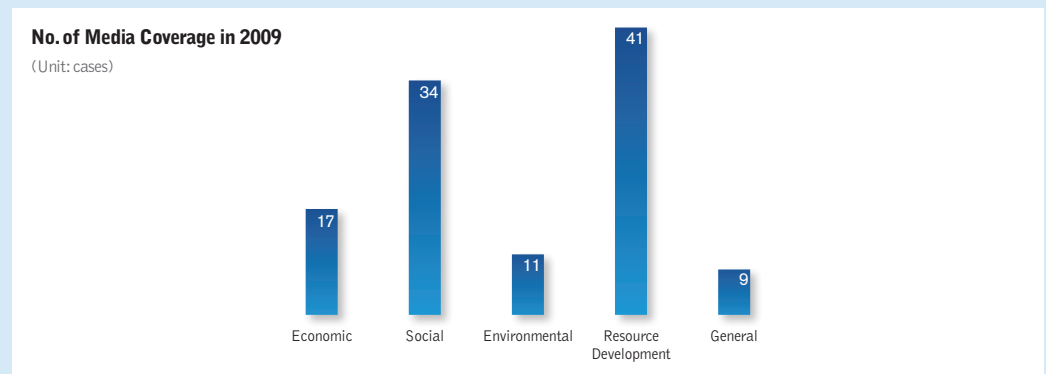


This report contains the following key issues, in a bid to meet our stakeholders' interests.

Key Issues	Contents	Page
Energy Security	Although volatile oil prices lowered in 2009, they are still high and an unfavorable factor to the stable domestic energy supply and economy. Against this backdrop, KOGAS has continued its all-out efforts to secure stable energy sources, successfully landing a bid for oil fields in Iraq.	28P
Sustainability Management Strategies	KOGAS has realigned its sustainability strategy and roadmap with its revised business strategies in 2009, securing the binding force of the sustainability strategy. In particular, it has developed initiatives to deal with climate change, such as resource development and green growth strategy.	8P
Overseas Projects	In addition to resource development activities, we strive to diversify business portfolios into downstream business and plant businesses such as the construction & operation of LNG Terminals, constructing pipelines and running city gas businesses in the Far East.	33P
Social Contribution Activities	Departing from sporadic and window-dressing social philanthropy activities, KOGAS developed social contribution programs designed to fit the characteristics of its business. In collaboration with local communities, the company continued its efforts to improve the nation's energy welfare through the effective and universal practice of programs.	73P
Addressing Climate Change	Meanwhile the global efforts to develop renewable energy sources achieve economy of scale, natural gas will fill in the gap as an eco-friendly energy source. Taking advantage of this opportunity, KOGAS will actively stay at the forefront of the nation's CO ₂ reduction drive. In line with its low carbon green growth strategies, KOGAS has developed internal "low carbon green growth" strategies, setting the mid to long-term stage for addressing climate change.	53P
Environmental Protection	Natural gas is relatively more environmentally-friendly fuel than other energy sources. However, natural gas is still categorized as a fossil fuel, the main culprit of the greenhouse effect. Holding itself comprehensively accountable for environmental issues, therefore, the company makes strenuous efforts regarding air quality, water and soil quality as well as environmental protection activities. At the same time, it is actively involved in diverse campaigns designed to improve social awareness of environmental protection.	50P

Media Analysis

In 2009, KOGAS appeared in 112 articles in the domestic media. The majority of this coverage focused on the company's social responsibility and resource development activities. The second largest number of media coverage looked at the company's financial stringency due to the freeze in natural gas price. Numerous other articles dealt with environmental issues, such as natural gas' role in addressing climate change. The media analysis does not include international media coverage as KOGAS experienced only minimum international media coverage.



DJSI Korea Enlisting

KOGAS was enlisted to the DJSI Korea in 2009. This enlisting serves as a platform for the company's goal at "Sustainability Excellence: DJSI Level," while putting its sustainability in an objective perspective. Closely reviewing the feedback from the DJSI, the company reflected these results in its 2010 sustainability management initiatives and continues to improve its sustainability management practices to the level of global standards.

Stakeholder Survey

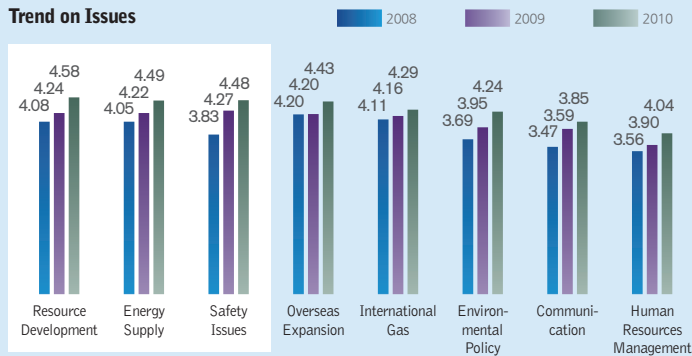
● Survey Summary

KOGAS conducted a phone-based survey on its 100 internal and 200 external stakeholders so as to define their interest in KOGAS' sustainability management activities. The 200 external stakeholders were randomly selected from customers, shareholders & investors, business partners, local communities & NGOs, governmental bodies and authorities groups. Based on the results, we have compiled our 2009 sustainability report and our 2010 sustainability management initiatives.

● Survey Results

The survey found that stakeholders have a high interest in "resource development" and "energy supply." Therefore, we reported on these issues in the energy security section "Priority Area," while details of safety and environmental performances are dealt with in their respective chapters.

Trend on Issues

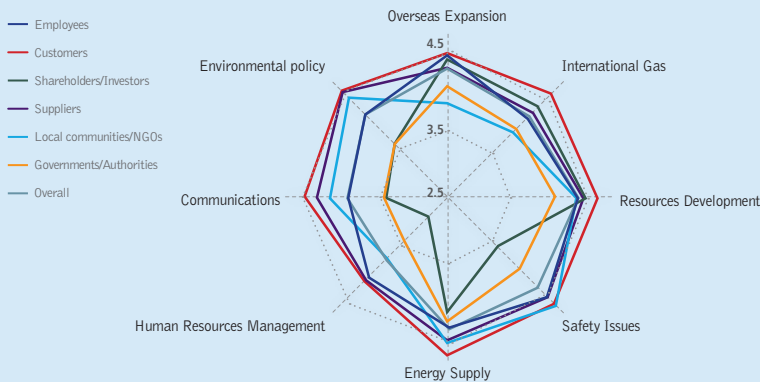


● Interest Assessment by Major Issues

Material issues for sustainable development

KOGAS' survey on material sustainability issues found that stakeholders are highly and constantly interested in resources development, energy supply and safety issues. In particular, their concerns for resource development and eco-friendliness rose significantly from the previous year, highlighting their expectations regarding stable energy sources and green growth initiatives.

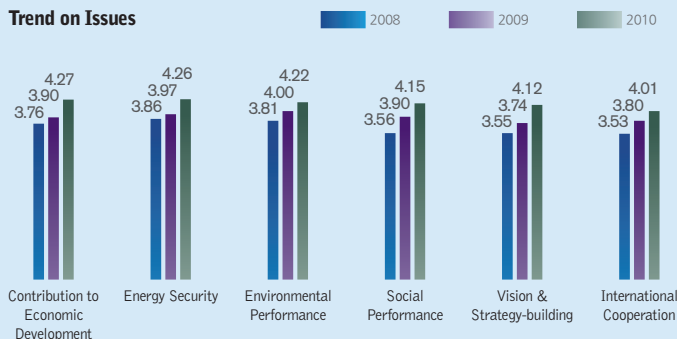
Review of Major Issues of Interest to Each Stakeholder Group



Major Issues of Interest to Each Stakeholder Group

Our research found that customers and employees have relatively high concerns, while shareholders/investors, governmental bodies and authorities have a relatively low interest in the company. Investors in particular displayed low concern regarding internal issues such as personnel management and safety issues. However, all stakeholders were highly interested in resource development and energy supply issues.

Trend on Issues



● Assessment of Response to Major Issues

KOGAS reviewed its responses to major sustainability issues. The results showed gradual improvement trends in scores since 2007, with performances in all categories rated particularly high this year. Notably, the company's endeavors towards establishing a stable supply of energy resources in line with the nation's energy drive earned high scores in the contribution to economic development and energy security issues categories.

Communication with Stakeholders

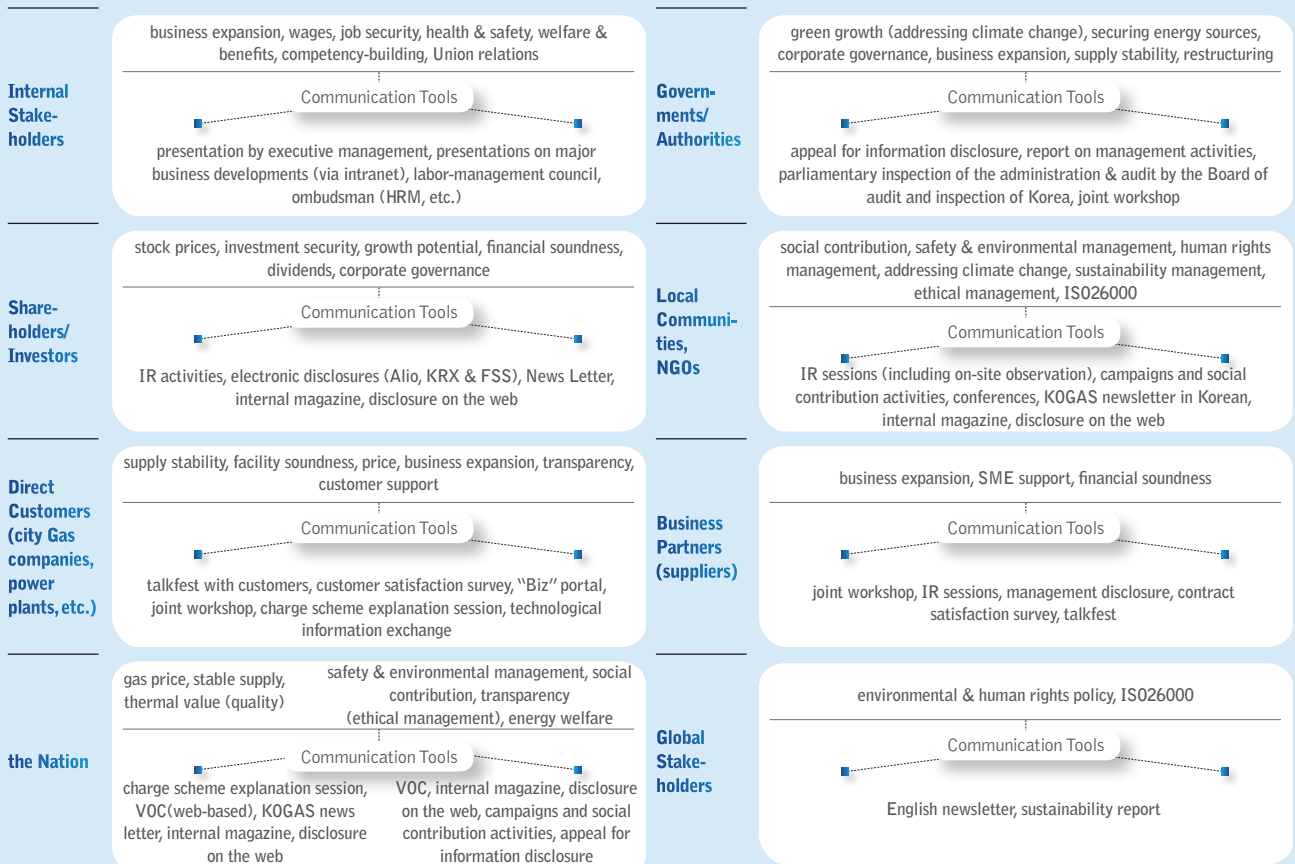
The main business of KOGAS is to import natural gas and supply it to its direct wholesale consumers, such as city gas companies and power generation plants via its nationwide pipeline networks.

Consequently, the safe and stable supply of natural gas and ensuring the livelihood fuel of the nation are important roles for KOGAS. Characteristically, therefore, KOGAS' operation is closely connected to local communities and is of high interest to the public.

Being a publicly enlisted corporate company, KOGAS has to take the shareholders' demands into consideration for all its management decisions. The details of the company's efforts to understand and meet the needs of various stakeholder groups constitute the main contents of the report. In particular, we went an extra mile in terms of the key issues, such as energy security and climate change in order to provide an insightful review and offer a full disclosure of information.

Committed to the transparent disclosure of information to its stakeholders, KOGAS maintains various communication channels. In addition to the web-based interactive channel, the company arranges various opportunities for direct contact with its stakeholders, such as dialogues and sessions so as to better understand and reflect the stakeholders' demands. In particular, the recent overseas expansion gave rise to the concerns over the environmental and human rights issues at the worksites abroad.

Although KOGAS has no overseas premises under its direct control, the company encourages responsible management practices regarding socio-environmental issues at locations where it holds stakes. Therefore, it shares its principles and guidelines on socio-environmental issues via Web pages and related reports with all its partners. In the future, the scope of stakeholders will be expanded for a more active stakeholder engagement.



KOGAS Corporate Overview

KOGAS Profile

Established in 1983 in order to contribute to public welfare by ensuring a long-term stable supply of natural gas, KOGAS has strived to strengthen its LNG storage capacity and expand its supply network. In addition to the existing three LNG terminals, a fourth terminal is currently under construction in Samcheok. Network expansion is being undertaken to supply natural gas to remote areas not yet being serviced. As a result, the number of households being serviced totaled 14 million as of the end of 2009.

At the same time, we proactively pursue overseas resource development projects to ensure the stable supply of natural gas and other energy resources. In 2009, we entered oil field development projects in Zubair and Badra by forming consortiums with ENI and Gazprom, respectively. The company also participated in nonconventional gas field projects in Australia and Canada as well as various exploration projects in East Timor.

KOGAS has realigned its sustainability management strategies with its 2009 business strategies, establishing a platform to incorporate sustainability management in all sectors of its businesses. For instance, the company decided to preserve the ancient mud rampart as it was excavated from the site for its fourth LNG terminal in Samcheok. Dedicated to environmental protection, the company excluded the wetlands and lagoons in the vicinity as well as the sandbanks from its business premises as much as possible. Moreover, gravel and pebbles from the beaches of its construction site was relocated to other nearby beaches. As part of its initiative to improve air quality in the Seoul metropolitan area, the company was involved in supplying 23,000 CNG-fueled buses and 750 LNG-fueled vehicles by the end of 2009.

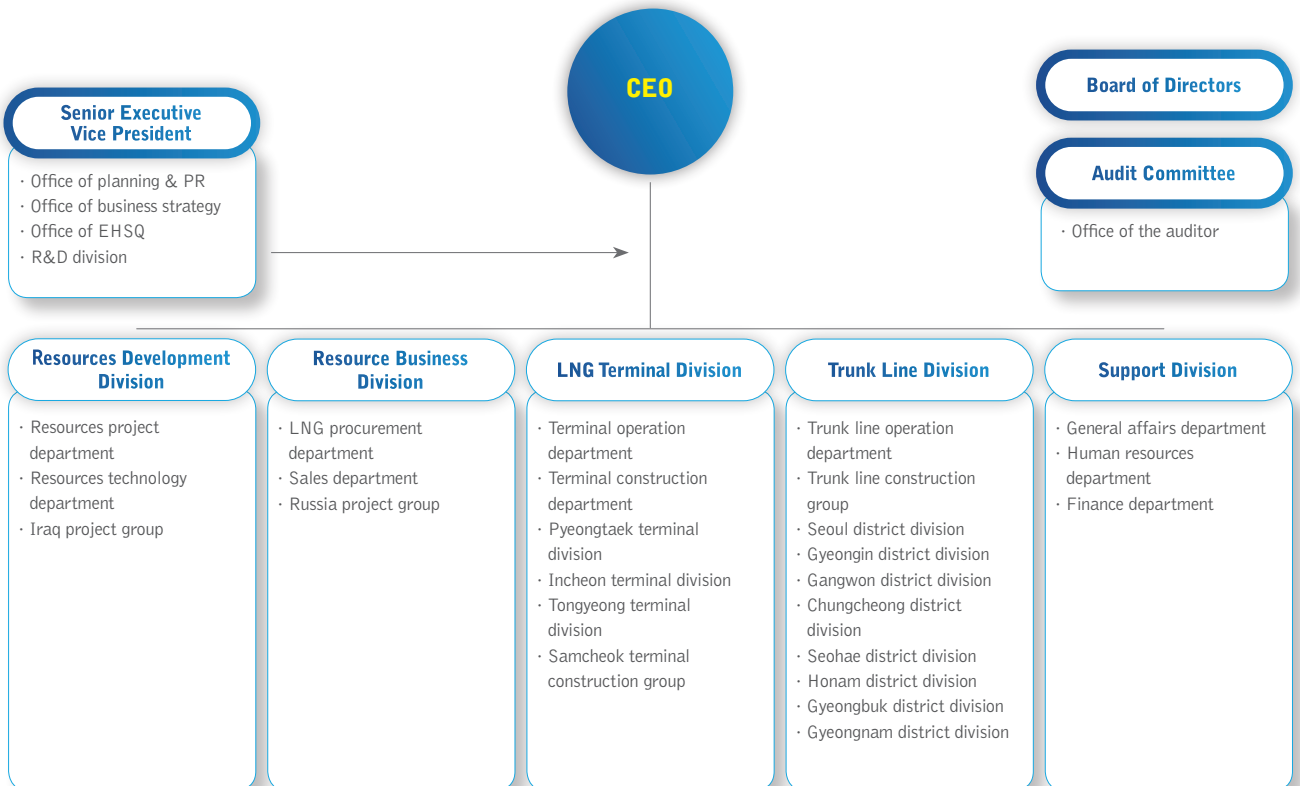
In line with the government's low carbon green growth initiative, KOGAS devised its own green growth strategy in 2009 as a comprehensive roadmap for its company-wide effort to fight climate change. Furthermore, it will develop its own CO₂ emission goals in line with government-set targets. In addition, the company actively works to reduce greenhouse gas emissions and develop and populate renewable energies in order to slow down climate change. Keenly aware of the importance of comprehensive environmental management; including water and soil quality, KOGAS has put in place the EHS Management System and obtained the ISO9001, ISO14001 and OHSAS18001 certificates.

KOGAS bases its social contribution activities on its business ideal of the safe and stable supply of natural gas. Through its nationwide network of business premises, it proactively engages in various social contribution programs, while it implements the "Blue Sky" project as part of its environmental protection initiative. The company's social contribution activities include city gas price discounts and the creation of jobs for those in low-income brackets. The company is also actively involved in campaigns to preserve cultural assets. As a public corporation, KOGAS adheres to the principles of transparent and ethical management practices. In addition to overseas expansion, the company also promotes ethical management practices at worksites abroad. While remaining vigilant to local environmental and human rights issues, it will continue to lead business activities in compliance with local and international laws and regulations.

KOGAS Overview

Company Name	Korea Gas Corporation
President & CEO	Choo, Kang-soo
Establishment	August 18, 1983
Business Type	Import & supply of natural gas
Total Sales	KRW 19,391.8 billion
Main Office	215, Jeongja-dong, Bundang-gu, Seongnam City, Gyeonggi Province, Korea
Premises	LNG Terminal Divisions in Incheon, Pyeongtaek and Tongyoung - District Divisions in Seoul, Gyeongin, Gangwon, Chuncheong, Seohae, Honam, Gyeongbuk and Gyeongnam - Samcheok Terminal Construction Group, R&D Division
Major Businesses	<ul style="list-style-type: none"> - Production & supply of natural gas - Refining & sales of natural gas by-products - Construction & operation of natural gas receiving terminals and transmission grids - Development, transportation, export/import of natural gas, development and export/import of liquefied petroleum gas - R&D activities on renewable and alternative energy, utilizing natural gas and its by-products - Projects commissioned by national and local governments
Employees	2,796 persons
Total Assets	KRW 22,933.5 billion
Natural Gas Sales	24,640 thousands tons
IPO	1999 on Korea Stock Exchange
Credit Ratings	A(S&P), A2(Moody's), A+(R&I)

Organization Chart



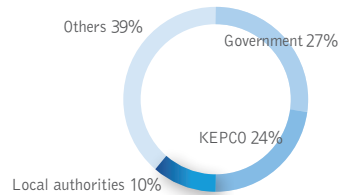
18 departments including offices, centers and groups, under 5 divisions and 12 branches including terminal divisions, district divisions and construction groups

Corporate Governance

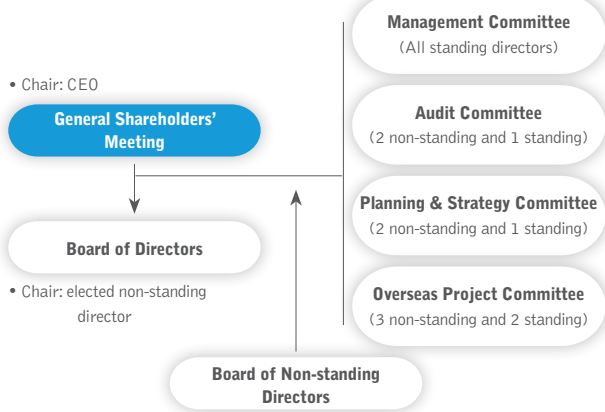
As a public corporation, KOGAS has established a rational and transparent decision-making system in a bid to contribute to the nation's energy security and globalization. At the same time, it has worked to improve its internal corporate governance through autonomy and responsible management for management efficiency. This reflects the company's dedication to creating innovative value for the nation and to realize a sustainable future.

Ownership Structure

Number of outstanding shares: 77,284,510 shares



BOD Operational Scheme



BOD Decision-making Process

	Proposal	Management Committee	Preliminary Council (subcommittees)	BOD	Result Report
Participants	Pertinent director	All standing directors	All non-standing directors	All directors	All directors
Meeting Term	3 wks. prior to BOD meeting	Every Thursday	Every third Friday	Every fourth thursday	Following BOD meeting
Agenda	Major issues	Major issues (BOD agenda)	BOD agenda	BOD agenda	BOD agenda

Suggestion Feedback System



Ownership

Unchanged from 2008, 61.1% of KOGAS shares are held by public entities such as the Korean government, local authorities and the Korea Electric Power Corp. (KEPCO), with a total market capitalization of KRW 386.4 billion.

Board of Directors

KOGAS has come up with a BOD operational goal in coping with the rapidly changing business environment. In answer to the government's drive to improve the corporate governance of public corporations, the BOD has also heightened its control and monitoring of management practices. At the same time, the operational system has improved.

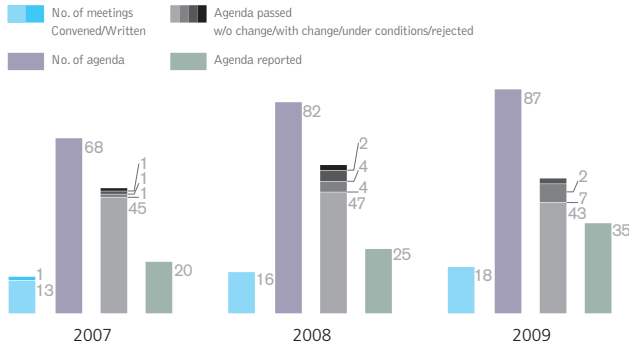
Chaired by an elected non-standing director, the BOD consists of 13 members, including six standing and seven non-standing directors, under the "Act on the Operation of Public Entities." The BOD also has three subcommittees under its control and timely discloses the activities and performances of the board.

These subcommittees are operated side-by-side with the preliminary council in order to reinforce the BOD's deliberation function. Regulations have been revised and an operational manual devised to redefine the decision-making and operational scheme. By reinforcing the function of BOD, we aim to realize a BOD-centric management model and capitalize on the profound expertise of non-standing directors in our improved management performances.

Subcommittees Activities

Under the improved operational scheme, the KOGAS BOD adopted a business suggestion & feedback system in 2009. During subcommittee and preliminary council meetings, a total of 15 suggestions were made on cost-savings and overseas expansion. The subcommittee held five meetings in 2008 and 17 meetings in 2009, significantly increasing the opportunities for directors to make their voices heard in major decisions regarding management activities. While step-by-step programs.

No. of BOD Meetings & Agenda (Unit: meetings, cases)



Increased Contribution by Non-standing Directors to the BOD

Subcommittees and suggestions system has been adopted since 2008

	2007	2008	2009	Remarks
No. of Agenda Resolved by BOD (case)	68	82	87	5 cases (6%) growth
No. of Agenda Resolved subcommittees (case)	-	15	45	30 cases (200%) growth
No. of Suggestions on the Management (case)	-	16	26	10cases (63%) growth
Participation Rate (%)	93	97	97	Relatively good performance

● **Nomination and Compensation of Directors and Executives**

KOGAS ensures transparency in the nomination and compensation of its directors and executives under its governing regulations and BOD resolutions. Candidates undergo deliberation by the related committee before being elected at the general shareholders’ meeting. On the passing of a resolution, the KOGAS CEO is designated by the Korean President, while non-standing directors are designated by the Minister of Strategy & Finance. Standing directors are designated by the KOGAS CEO after they are recommended by the Executive Recommendation Committee and approved at the general shareholders’ meeting. Remuneration of executive members includes basic salary, incentives and retirement allowance. The annual basic salary is determined by non-standing directors within the limits approved at the general shareholders’ meeting. Incentives paid to the CEO and other directors vary: the CEO is paid in accordance with the ratio decided by the Governmental Performance Evaluation Committee; standing directors, according to their performance based management contracts; and standing auditors according to the limit and ratio set by the government.

Directors and Executives Nomination Process



Compensation to Executives (as of December 31, 2009)

	Total Amount	Approved Amount	Per Capita Average Payment	Remarks
Non-standing Directors	-	-	-	KRW 2.5 million per month for research and allowances
Standing Directors (KRW 1,000)	577,136	1,178,966	123,154	
Standing Auditor (KRW 1,000)	116,343	172,068	116,343	

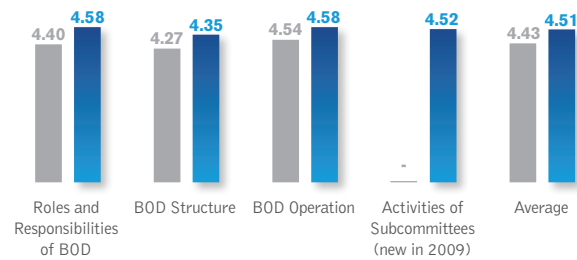
● Operation and Evaluation of BOD

For objective evaluation, KOGAS runs separate evaluations of the performance of the BOD and individual directors every December and uses the findings to improve its efficiency. In 2009, evaluation categories were expanded from three to four, while the segmented questionnaires increased from 22 to 29 items. The scores slightly declined due to the relatively short period of activities by the newly designated non-standing directors. The company conducted brief job orientation and training course to help the new directors more quickly adapt to their duties.

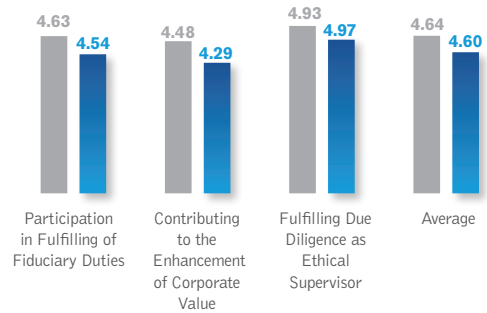
2009 Results

■ 2008 ■ 2009

BOD Evaluation



Individual Director Evaluation



Audit Committee & Auditing System

KOGAS was the first market-oriented public corporation to adopt an audit committee. Designated by a resolution at a general shareholders' meeting, the three members include two non-standing directors and one of them is accounting and/or financial expert. The committee audits accounting practices, requests reporting on business activities, surveys the performance and financial status of the company and implements special assignments commissioned by the BOD.

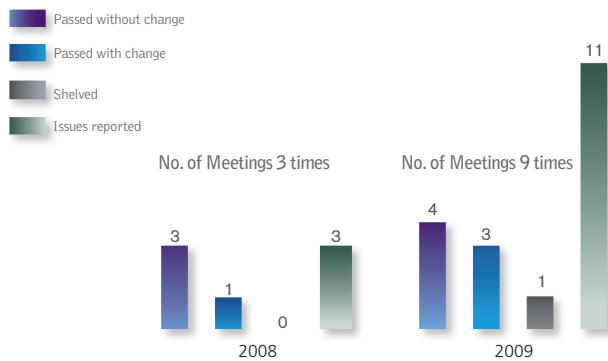
In 2009, the committee realigned its audit policy with the corporate business strategy, coming up with ten missions and 26 action plans based on its internal audit quality assessment results. Furthermore, the audit scheme shifted from traditional post de facto auditing to preemptive monitoring and a policy-oriented auditing scheme through system and process improvement, for the realization of management efficiency and cost-saving.

Management Committee

Comprised of the CEO, the standing auditor and all vice presidents and directors of each division, the Management Committee holds regular meetings every Thursday. Chaired by the CEO, the committee resolves on a submitted agenda regarding management issues through the consensus of the majority. Any member with interests in the submitted agenda or a standing auditor who proposed an audit opinion waives their voting rights on that agenda.

Audit Committee

Participation ratio 100%

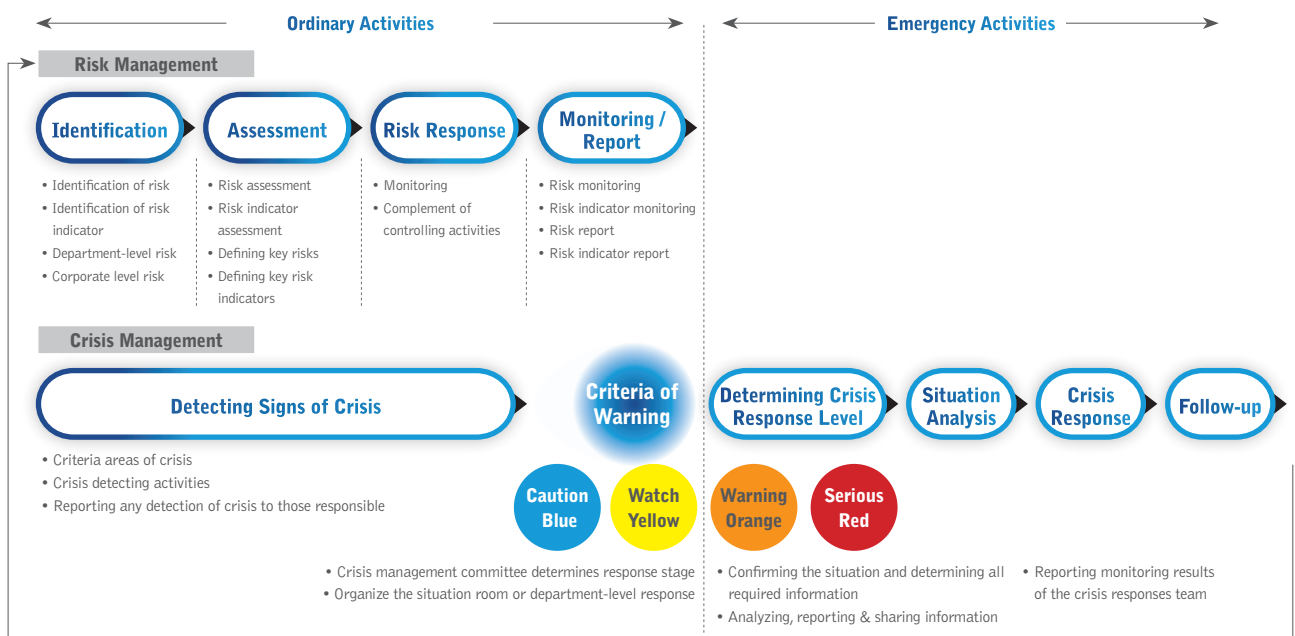


Risk Management

KOGAS operates a dual system for risk management: an ordinary risk management system which entails the preemptive detection and assessment of risk factors, while the crisis management system is designed to minimize damage in the case of an actual realization of risk factors.

Risks are classified by their potential risk factor at each stage of the value chain of the natural gas business, from resource development, facility construction and importation, to production, supply and distribution. Taking into consideration frequency and impact, the risk levels are evaluated in order to prepare appropriate countermeasures. In preparation of management risks, information regarding the right timing for countermeasures is included in the manuals, allowing for the immediate operation of countermeasure systems when necessary.

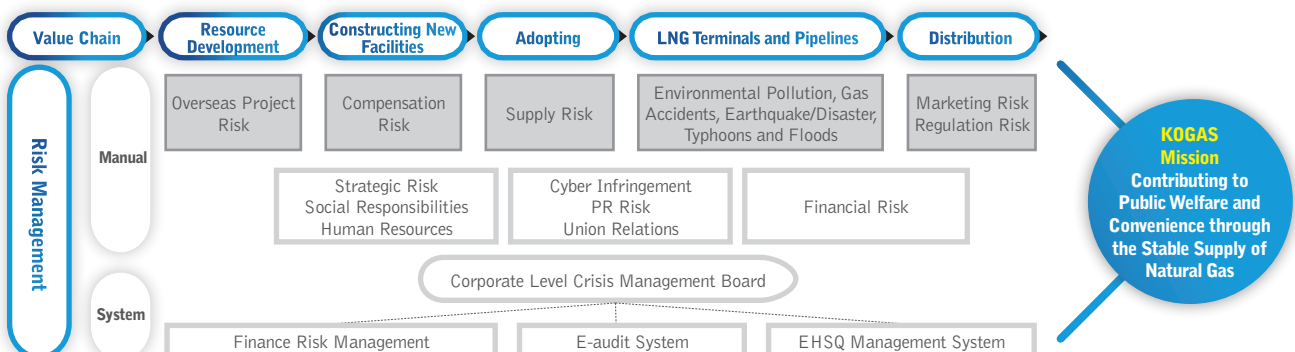
Any sign of a crisis results in the convening of the Crisis Management Committee, which then determines the level of these warnings before activating actual response systems. The preliminary response activities run at the cautionary and watch stages, while the actual response activities function at the warning and dangerous stages.



Risk Management System & Activities

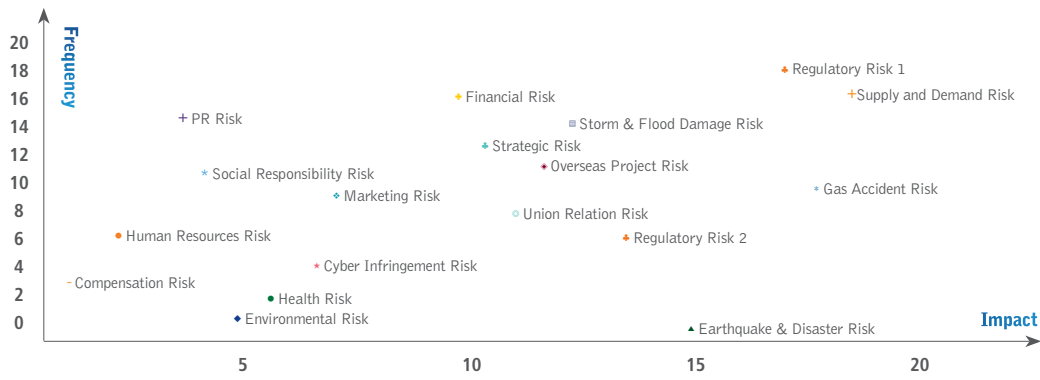
KOGAS' risk management system consists of a financial risk management system that controls financial risks such as foreign exchange rate, oil prices and interest rates, an e-audit system that monitors any corruptive practices by its employees, and an EHSQ management system that detects safety, health and environmental risk factors and comes

up with responses in the case of an emergency. Under the control of the senior vice president, the manager of the Office of Business Strategy is in charge of these systems operated based on the EHSQ management system which identifies and assesses risks in order to develop countermeasures.



(Risk Management Activities)

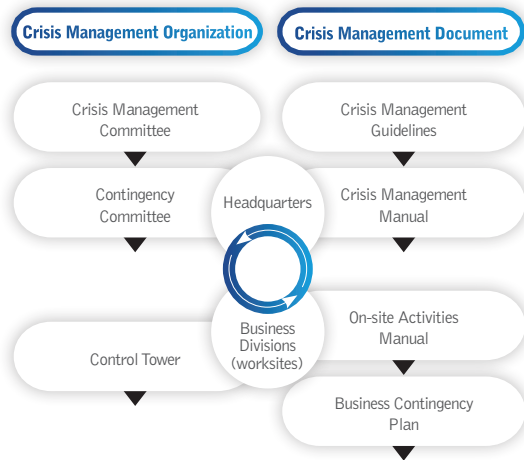
As part of a pilot operation for its enterprise risk management (ERM) system, KOGAS has devised an “enterprise risk management plotting board.” This board classifies ordinary status as “excellent”, caution and watch stages as “normal” and warning and serious stages as “abnormal.” Furthermore, enterprise risk indicators have been developed based on the qualitative priority of frequency and impact of each risk. As a result, the top management is able to recognize the crisis situations and make decisions based on the comprehensive monitoring of the situation.



Crisis Management System & Performances

Learning from the experience of the pandemic H1N1 flu in 2009, KOGAS has added a health risk to its existing crisis management scheme, bringing the total to 18 risk factors in 4 categories. KOGAS also revised and improved its crisis management manual for the one-on-one matching of crises and scenarios.

In addition, an “on-site activity guidelines manual” has been prepared for the three LNG terminals and eight District Divisions, completing an organic collaboration scheme between the headquarters and each division. The manual serves as an effective tool for training and scenario drills, helping employees to prepare for gas accidents, earthquakes, damage from storms and floods and terrorist attacks, and thereby furthering the company’s capacity to respond to crises.



● **Crisis Management Activities**

Committed to the stable supply of natural gas, which accounts for 13% of Korea’s preliminary energy supply, KOGAS makes strenuous efforts to ensure the stable and safe supply of natural gas. Any crisis can cause a setback in the stable supply of natural gas, and thus resulting in inconvenience for the general public. Therefore, we take into consideration the social impact as well as the economic impact when determining and practicing responses. In 2009, KOGAS wisely dealt with external and internal crises such as labor strikes, the H1N1 flu pandemic, the distributed denial of service (DDoS) and natural disasters.

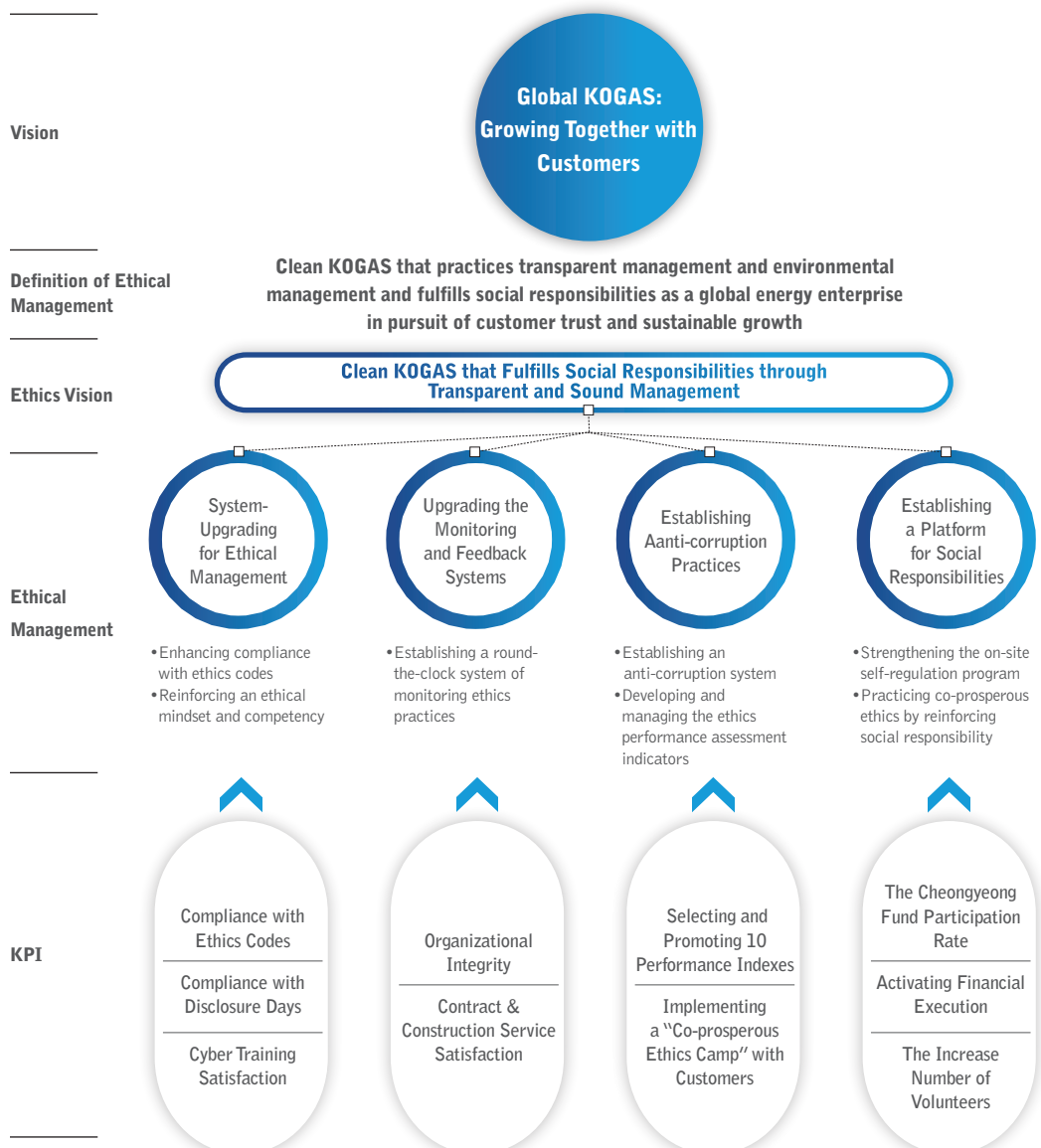
Ethical Management

The practice of ethical management at KOGAS is based on transparent and sound management principles. As a public corporation supplying safe and convenient natural gas, KOGAS applies a high standard of ethics. Not only does it abide by national regulations and normal social and ethical values, it also works hard to establish global-standard ethical management practices in all its systems and mechanisms. As a result, the company had not been subject to caution due to corruption case in 2009. On top of that, the company's score in the government's ratings on the integrity of public organizations improved to 9.24 points on a scale of 10 points in 2009 compared to last year.

Ethical Management Strategies

KOGAS' ethical management system segments the ethics codes to ensure that all its employees understand them and comply with them. This, in turn, constitutes the basic platform for anti-corruption, and ultimately facilitates the company to fulfill its social responsibilities to the nation. As for the company's four major initiatives, the key performance indicators (KPI) were set and kept in check, coming up with feedback regarding ethical management performances on a regular basis.

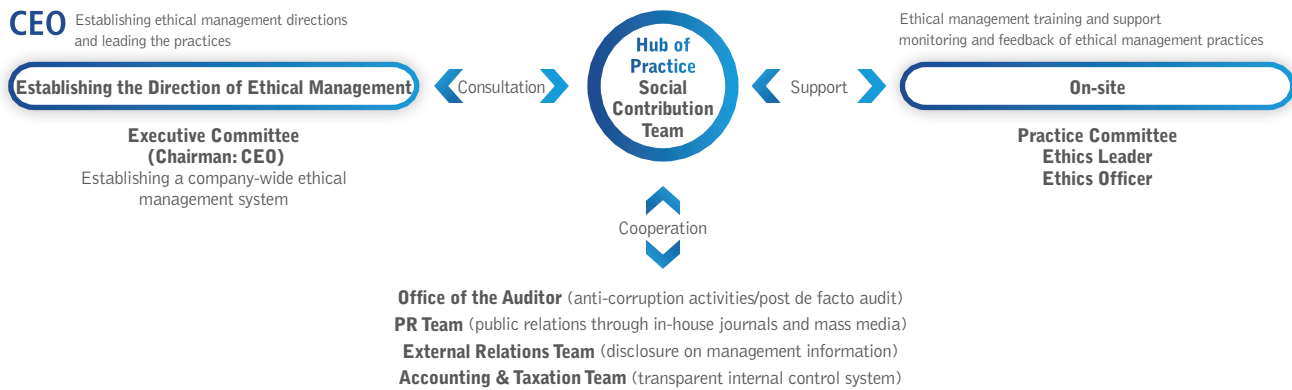
Ethical Management Practice Roadmap



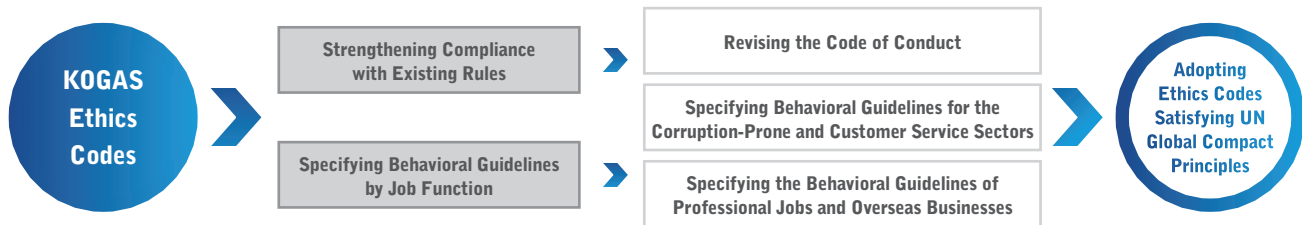
Ethical Management Practice Infrastructure

Top management's strong commitment can easily propel the spread of ethical practices across-the-board to reach the contact point with customers. The strong commitment of KOGAS executives towards ethical management is embedded in the ethics regulations and bylaws, including the ethics codes, and conveyed to all employees. The company also runs an anti-corruption system to preemptively detect and prevent problems in the normal course of business.

Ethical Management Flowchart



Ethics Codes Specification Process



- **Ethical Management Organization**

KOGAS' ethical management organization not only establishes and promotes ethics regulations and systems but also articulates the roles and responsibilities of each segment, ensuring a bottom-up practice of ethical management.

- **Specifying Ethics Codes by Job Function**

KOGAS is currently working to tune its ethics codes to individual job functions. In 2009, it introduced its "Ethics Codes for Marketing" and "Integrity Pact of Executives." In the future, we plan to apply specific ethics codes to overseas projects and other new businesses.

Cyber Education Satisfaction



● **KOGAS-specific Ethics Training**

KOGAS continuously develops diverse content for its ethics training programs. In 2009, the company reformed its cyber ethics training program in reflection of the needs of its employees. Traditionally, it has produced cyber programs by customizing established packages. This year, however, the company invited employees to join in with the production of its own ethics training programs. As a result, 2,672, or 96% of the total workforce, attended a three-hour cyber training course. Furthermore, 1,700 employees attended 12 sessions regarding on-site training course, with another 120 attending four ethics camps. In 2009, KOGAS held a contest on ethical practices and dramatized the contest-winning cases with KOGAS employees starring and produced video clips of interviews with employees of various levels for cyber training programs.

Ethics Training by Class

Target	Date	Program
All Employees (2,672 persons)	Nov. 2009	'KOGAS ethics (cyber course)' (Featuring video clips of company practices and a case study on ethics)
Touring 13 On-sites (520 persons)	June 2009	Practical understanding of KOGAS ethical management

Customized Training for Corruption-prone Areas (co-prosperous ethics camp with customers)

Target	Date	Program
Contracting (30 persons)	Aug. 2009	Discussions and role-playing in sought of solutions to ethical dilemmas at the workplace
Construction (60 persons, 2 times)	July and Sep., 2009	- participated by contractors, subcontractors and KOGAS employees
Marketing (30 persons)	Sep. 2009	

Promoting Co-prosperous Ethical Practice On-sites

The Practice Committee takes the lead in collaborating with district divisions (on-sites), the ethical practices of clients, partners and communities, PR, training and social contributions and ensuring that everyone is on the same page.

Practice Committee	
Objective	<ul style="list-style-type: none"> • Searching for a balance in the image of individual divisions with the company's overall image • Building solidarity and a platform for ethical practices in collaboration with clients and partners
Composition & Periods	<ul style="list-style-type: none"> • Chairman: heads of district divisions (clients and partners participate when necessary) • Period: concurrently with the meetings of district division committees
Performances	<ul style="list-style-type: none"> • Joint education with local communities, clients and partners, transferring technologies to small businesses and other activities focused on the initial stages of building solidarity

Ethical Management Monitoring

● **Ethical Management Monitoring System**

In the monitoring of ethical management practices, KOGAS conducts quarterly reviews and evaluations on the performances and activities of ethical management. The results are used as subject of study for identifying issues and developing solutions. As such, this constant flow of feedback provides opportunities for continuous study and improvement.

● Internal Evaluation of KOGAS' Ethical Level

The test by an external agency constitutes the core part of the monitoring system, and which can be classified into internal and external (customer) monitoring. Since the declaration of the company's commitment to ethical management in 2004, the ethical mindset and practices of KOGAS employees have gradually improved. In 2009, the company scored 8.3 points in its internal evaluation of ethical levels by 851 respondents; strong evidence of a gradual improvement in the company's ethical level.

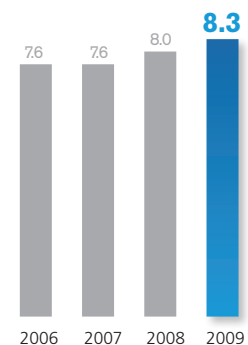
● Ethical Level Evaluation by Customers

To understand customers' recognition of KOGAS' ethical levels, KOGAS has consigned a government agent to perform integrity assessments since 2007. In order to address the issues raised from the results of the 2008 assessment, the company expanded its ethics camp, which has traditionally concentrated on the contract and construction areas, to include marketing and branch offices. It also instituted and implemented an integrity pact for executives. As a result, KOGAS earned 9.24 points in the organization integrity assessment by the Anti-corruption & Civil Rights Commission (ACRC) in 2009, ranking 10th among the total of 69 public organizations.

Ethical Level Test Results (Dec. 2009)



Integrity Evaluation Results (Dec. 2009)



KOGAS Anti-corruption System

● Internal Anti-corruption Activities

The rate of electronic bidding has increased to 93% in 2009 from 81% of total contracts in 2008, improving the transparency of contracting practices. The company also provides an integrity practice manual regarding construction projects, therefore preemptively eliminating any corruptive factors. At the same time, it has instituted behavioral guidelines for integrity pacts, prohibiting opportunities for bribery or entertainment by foreign or domestic contractors and agents by drawing a line between the rights and obligations of these individuals. In order to prevent any ethical mishaps, the company conducts campaign and education sessions to encourage whistle-blowing, while also improving the accessibility of the Web site reporting center to all its employees. At the same time, the whistle-blowing center protects employees under a cloak of anonymity.

● E-based System of Monitoring Job Performances

KOGAS runs an electronic-based round-the-clock monitoring system to preemptively prevent any ethical mishaps. From the 100 risk scenarios developed based on the comprehensive review of the auditor's opinions and results in previous audits, a final 40 scenarios have been selected for round-the-clock monitoring.

Ethical Management Performances

Moving on from being simply window-dressing, ethical management is establishing itself as a form of management system with accurate measurements and improvement mechanisms for employees.

In 2008, KOGAS pushed the envelope of the characteristic difficulty of measuring ethical management performances by adopting key performance indicators (KPI), a first in the industry. However, the six categories introduced fell short of effectively quantifying these performances. In addressing this issue, which was raised by an external consulting agency, the company revised the six indicators and added four new ones, such as the investment information provision rate in 2009. As a result, a total of ten indicators are currently in place, ensuring the effective measuring of performances.

In the future, KOGAS will continue to develop more indicators for a more objective assessment of its ethical practices so as to establish a reliable evaluation system. It will also continue to serve the company's initiatives to earn customer trust and achieve sustainable growth befitting its position as a global leading company.

2009 Ethical Management Key Performance Indicators (KPI)

Strategies	KPI	2008 Performance	2009 Goal	2009 Performance
System-upgrading for Ethical Management	Employees' ethics compliance level	80.6 points	81.5 points	83 points
	Rate of compliance with information disclosure days	8 days/case	7 days/case	100%
Enhancing the Company's Reliability	Avoiding penalty marks through transparent disclosure practice	Goal achieved	Goal achieved	Goal achieved
Establishing an Anti-corruption Platform	Organizational integrity	8.59 points	9 points	9.24 points
	Contract satisfaction	9.4 points	9.5 points	9.6 points
	Construction satisfaction	8.15 points	8.3 points	8.9 points
Establishing a Platform for Social Responsibility	Cheongyeon fund participation rate	58%	60%	Goal achieved (60%)
	Financial execution	-	60% in 1H	Goal achieved (68% in 1H)
	Cyber education satisfaction	78 points	75 points	83 points
	Rate of increase in the number of volunteers	4,776 persons	2% growth year-on-year	4,856 people/ an approximate 2% increase from the previous year



WE CARE ABOUT RESOURCES

DMA Economic Performances

OUR APPROACH | The 2008 financial crisis pushed up oil prices to an unprecedented level and caused alarm in Korea, a country heavily dependent on imported energy sources.

Dedicated to the stable supply of energy sources, KOGAS has therefore strived to diversify its LNG import routes, while aggressively pursuing a number of overseas resource development projects. In addition, the company is expanding its service areas to cover not-yet-in service areas for the popularization of natural gas nationwide, further more KOGAS is highly interested in the development of green energy as a future energy source.

OUR PERFORMANCE IN 2009 | In 2009, KOGAS wisely dealt with the oversupply of LNG due to an economic slowdown in the summer and the undersupply during the winter arising from the economic recovery and the heating season.

Its overseas resource development initiatives reaped oil & gas fields in Zubair and Badra in consortiums with ENI and Gazprom, respectively. Opening its eyes to the value of unconventional gas resources, which have traditionally been neglected, KOGAS entered unconventional gas resource development projects such as coal seam gas (CSG) in Australia and shale and tight gas projects in Canada. In a bid to advance into the upstream business of natural gas, KOGAS is engaged in a number of exploration projects in Indonesia, Australia, Mozambique, East Timor, Uzbekistan and other countries.

In 2009, natural gas sales slightly declined; affected by economic and environmental factors. Nonetheless, KOGAS' dedication towards sustainable growth in partnership with the nation and local communities never diminishes.



KEY INDICATORS

Category	Account	Major Performances		
		2007	2008	2009
Financial Performances	Sales (KRW trillion)	14.2	23.2	19.4
	Total Assets (KRW trillion)	12.5	21.9	22.9
Facility Expansion	LNG Storage Capacity (10,000 m ³)	516	564	612
	Natural Gas Pipeline	2,720Km	2,739Km	2,777Km
Natural gas Transactions	LNG import (1,000 tons)	24,758	26,627	24,923
	Natural Gas Sales (1,000 tons)	25,459	26,345	24,644
Overseas Resource Development	Secured Reserve (accumulative, 1,000 tons)	23,473	23,473	32,786
	Self Sufficiency	1.24%	1.24%	1.5%
	Dividend Income from Overseas Projects (US\$ million)	111	140	86
Customer Satisfaction	PCSI (Ministry of Strategy & Finance)	98.7	98.6	98.9
Ethical Management	National Anti-corruption Index	9.19	8.59	9.24

- 1) The LNG import amount is different from the figures stated in the 2008 report because the total amount of imports by KOGAS now includes the amount provided from the Donghae Gas Field.
- 2) The economic slowdown in the aftermath of the global financial crisis resulted in a decrease in natural gas demand in the summer, which is heavily concentrated on power plant use. Nevertheless, demand slightly gained in the winter owing to the extraordinarily cold weather. As a result, sales slightly exceeded the target despite reduced sales stemming from rising oil prices.
- 3) The "secured reserve" replaced the "incremental exploration mining block" account in the 2008 report to better represent the performance.



Energy Security

Priority Area

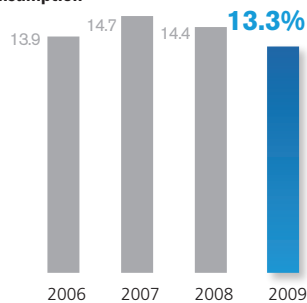
Stable Supply of Natural Gas

The pervading resource nationalism around the world is giving rise to the need for energy security. KOGAS works hard to expand its LNG infrastructure while flexibly responding to seasonal ups and downs in the Korea natural gas market so as to contribute to public convenience and welfare. Therefore, just diversifying LNG supply lines is not enough to ensure the stable supply of natural gas. KOGAS has proactively pursued the upstream business of natural gas, and thus securing the source of energy. In addition, the company is strenuously strengthening its storage capacity and expanding pipelines in not-yet-in service areas in a bid to strengthen supply infrastructure.

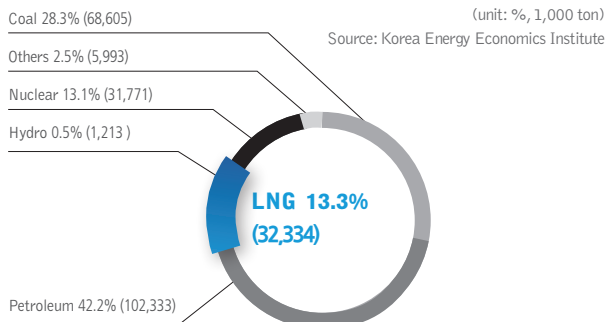
Natural Gas as the Nation's Source of Energy

As of 2009, natural gas represented 13.3% of the nation's primary energy consumption and 14.0% of all power generation fuel, making it an important national source of energy. However, its proportion in overall energy consumption dropped as market demand for lower-price fuels such as coal surged in the aftermath of the 2009 economic recession. However, it remains an integral part of our daily lives, supplying more than 77% of Korea's households in 2009. While power generation fuel demands are forecasted to rebound in 2010, it is admittedly declining in the longer term.

Natural Gas' Share in Energy Consumption

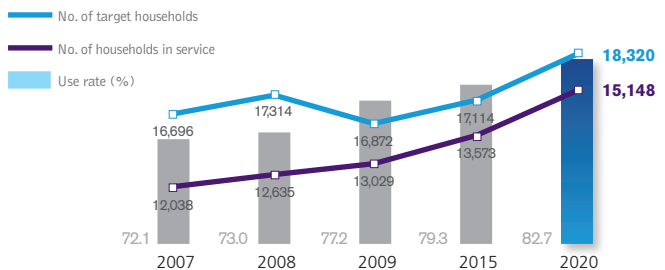


Primary Energy Consumption (as of 2009)



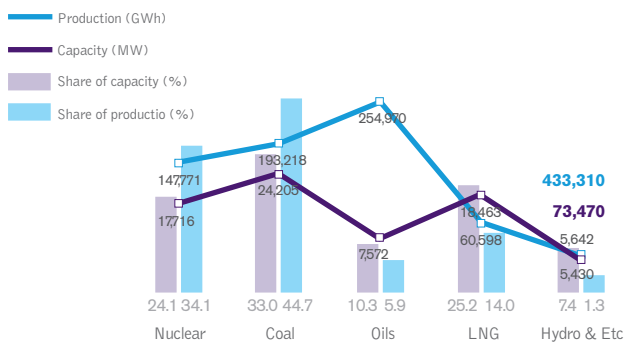
Natural Gas Use & Outlook (Unit: 1,000 households)

Service will begin in Yeongwol, Hoeseong, Geumsan and Goseong in 2010.



Share for Power Generation (as of 2009)

Source: Korea Electricity Exchange



Natural Gas Sales & Outlook

Natural gas sales maintained an annual growth rate of 13.2% on average from 1987 to 2009. However, this growth is forecasted to slow down to an annual growth of 0.1% between 2010 and 2020. While the temporary sales decrease in 2009 owed much to the economic recession, the sales growth will continue to slow down in the longer term following the growing popularization of renewable energy sources and nuclear energy. In dealing with this trend, KOGAS needs to expand to new markets abroad in pursuit of new growth engines.

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

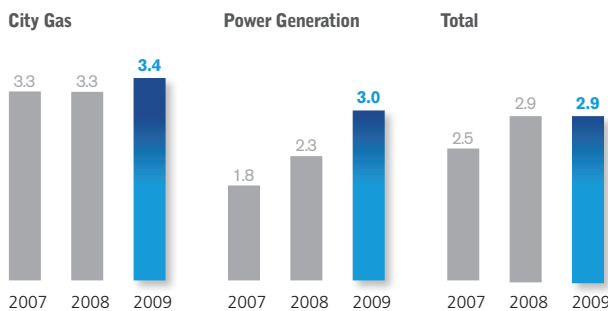
	Sales			Forecast			Average Annual Growth Rate
	2005	2008	2009	2010	2015	2020	
City Gas	14,032	15,316	15,510	16,992	20,243	24,188	3.6%
Power Generation	8,821	11,029	9,134	14,747	11,428	7,745	-6.2%
Total	22,853	26,345	24,644	31,740	31,671	31,933	0.1%

Natural Gas Demand Forecasts

(Characteristics of Domestic Natural Gas Consumption)

The seasonal factor is a fundamental issue in forecasting domestic natural gas demand. Temperatures vary greatly in Korea from summer to winter, resulting in a significant gap in gas demand during the winter heating season and the hot summer. However, international natural gas deals are basically long-term based contracts and supplied at a steady rate throughout the year and over the years. Consequently, it is hard to import natural gas in sync with the cyclical demands of the end user. To address this structural imbalance, we have strengthened our storage capacity and are able to buy natural gas when market prices are lower, storing any surplus in order to meet the high demand during the winter season. We also operate an appropriate inventory management model in order to reduce this gap in seasonal demand.

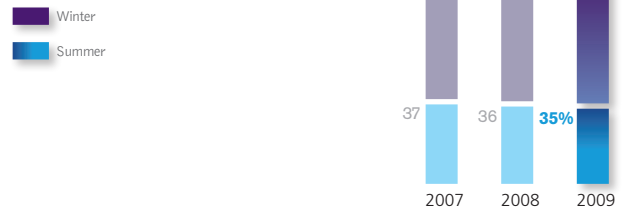
TDR



TDR (Turn Down Ratio): The largest monthly sales volume to the lowest monthly sales volume ratio for a given year

TDR by usage (2009): 10.2 for household, 2.9 for general use, 1.8 for industrial use, 3.0 for power generation

Winter-Summer 3 Year Demands

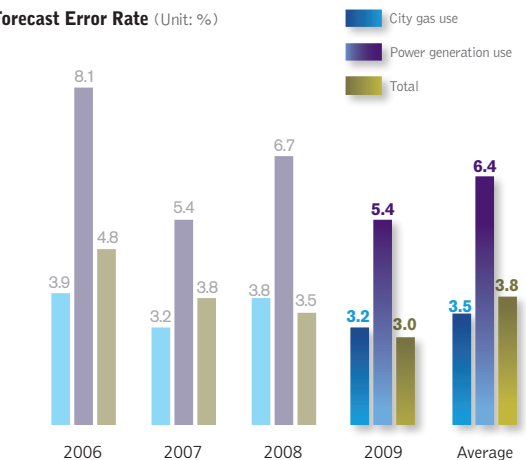


	2007	2008	2009	Avg.	
Demand	Winter	63%	64%	65%	64%
	Summer	37%	36%	35%	36%
Sales (1,000 tons)	25,460	26,345	24,644	-	

(Enhancing Accuracy in Demand Forecasts)

The accurate prediction of future demands is integral to the stable supply of natural gas. KOGAS consigned the Institute of Economics Research at Seoul National University to develop a prediction model based on usage (power generation and city gas). Other steps designed to improve the accuracy of forecasts include the training of professional forecasters and swapping biannual long-term natural gas demand forecasts for annual ones.

Demand Forecast Error Rate (Unit: %)



Effort for Stable Supply

(Uncertainties in Supply-Demand & Countermeasures)

The weather is a major factor regarding uncertainty in city gas demand. On the other hand, demand of LNG for power generation use depends more on demand for electricity, the operational status

of power plants and the prices of the substitute fuels such as heavy oils. Therefore, KOGAS prepares for emergencies such as unusual weather conditions by purchasing surplus LNG in the spot market. It also maintains a contract-based transaction volume with city gas companies and private power generation companies and increases its supply to heavy oil-fueled power plants and coal-fueled power plants so as to stabilize its LNG supply for power generation use. In a bid to stabilize and rationalize supply and demand, the company adopted a specialized pricing policy in order to take control of demand and tap into overseas storage tanks, thus reinforcing its capability to control the supply-demand of natural gas.

The supply line of LNG has traditionally been concentrated in Southeast Asian countries such as Indonesia and Malaysia. However, these countries recently are experiencing a decrease in their natural gas production volume. Consequently, KOGAS is diversifying its supply line to Middle East countries, particularly Qatar. At the same time, the company is pursuing new import routes in countries such as Russia, Australia and Brunei in order to diversify its supply line and minimize geographical and political risks.

KOGAS has secured 22.68 million tons in long-term LNG import contracts. Spanning 20 to 25 years in contract periods, these contracts mature at various times, with the earliest being in 2014 and the latest in 2028. Mid-term contracts that are good for approximately ten years total 4.06 million tons. All in all, the company imports approximately 26.74 million tons through mid to long-term contracts annually. Major import sources are located in ten countries in Southeast Asia, the Middle East and Oceania.

(Expanding LNG Storage Capacity)

As of the end of 2009, KOGAS' LNG storage rate stood at 11.3%, which is relatively low compared to that of Japan (16~18%), another major LNG importer. KOGAS has filled the shortage in low storage capacity by conducting spots and swaps. In the future, however, it aims to raise its storage rate to 20% by 2020 as part of fundamental measures to ensure a stable supply. In addition to the three existing LNG terminals at Incheon, Pyeongtaek and Tongyeong, a fourth LNG terminal is currently under construction at Samcheok. At the same time, we are reviewing innovative storage option such as utilizing underground rock bed storage technology and/or the East Sea Gas Field.

(Laying Pipelines in Not-Yet-In Service Areas)

In a bid to contribute to a balanced regional development through the supply of clean energy to the entire nation, KOGAS is expanding its economic natural gas service to underserved cities. Under the "Not-Yet-In Service Area Pipelining Plan," the company plans to add 1,040km of pipeline and 110 valve stations by 2013 to the original 118km pipeline construction plan. Upon completion, the project will add 40 small cities across the nation to our service area.

Supply Stabilizing Activities in 2009

(Controlling Surplus Inventory in the Summer of 2009)

The 2008 global financial crisis reduced the domestic demand for natural gas at the beginning of 2009. In order to absorb the resultant surplus inventory, KOGAS made various moves, such as conducting a carry-over, swaps and import volume adjustment rights since March 2009. Those efforts eliminated the possibility of utilizing LNG carriers as temporary LNG storage.

Steps to Absorb Surplus Inventory in Summer 2009 (Unit: cargo)

	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Total
Adjustment	-	1	3	6	2	-	1	1	-	-	14
Carry-over	-	-	1	1	11.5	8	8	2	2	-	33.5
Swap	1	-	-	-	1.3	0.3	2.4	0.3	0.3	0.4	6
Total	1	1	4	7	14.8	8.3	11.4	3.3	2.3	0.4	53.5

(Meeting Rising Demand in the Winter of 2009)

Since the latter part of 2009, the recovering economy and cold winter weather have caused the market demand for natural gas to rise, resulting in the possibility of a supply shortage. Therefore, KOGAS created a "plan to fill the shortage in the winter supply of natural gas." Under the plan, the company reconciled procurement prices through bids and by phasing in the required number of barrels, thereby minimizing market impact, from October 2009 to March 2010. For the same period, it purchased 33 cargoes of LNG spots and adjusted the annual development plan (ADP) with its contract counterparts. These steps secured an additional 10 cargoes, while the company also secured one more cargo from KOMAN Energy, the company's LNG trading subsidiary Headquartered in Dubai.

Natural Gas Business

Natural Gas in a Carbon-lean Green Society

Natural gas emits the least CO₂ and other air pollutants during combustion. Consequently, it constitutes the best option to fight climate change before the next-generation of alternative energy sources become widely available. Looking at the entire process, from the production to the transmission of natural gas, the production stage displays the highest GHG emissions, which can be technologically controllable. Most conspicuously, KOGAS is engaged in a campaign to promote CNG-fueled buses in metropolitan areas. These CNG-fueled buses are dust-and SO_x-free and emit negligible levels of NO_x and HC.

Emission Factor of Vehicle Fuels

Source: The research of LNG heavy vehicle introduction (Korea Transport Institute)

	Emissions Factor by Pollutant (g/km)		
	PM	NO _x	CO ₂
Diesel	0.028	7.934	655.9
LNG	0	3.163	545.6
CNG	0	2.832	586.0
LPG	0	6.300	610.0

(Eco-friendly Natural Gas)

Although it is a fossil fuel, the structure of natural gas has a 1:4 carbon to hydrogen atom ratio, thus containing much more hydrogen per molecule than carbon, as opposed to other fossil fuels such as coal and oil and therefore emits less CO₂ during combustion. Since most impurities such as sulfur and nitrogen are eliminated during the liquefaction process, the process emits virtually none of the energy production pollutant by-products such as SO_x, NO_x, radioactive waste or ash, all of which require costly reprocessing. Coal has a 2:1 carbon to hydrogen atom ratio, the highest among fossil fuel, while petroleum has a 1:2 carbon to hydrogen atom ratio.

GHG Emission Comparison

Source: IPCC guidelines

	Gas	Liquid				Solid		
	LNG	Gasoline	Kerosene	Diesel	Heavy oil	Anthracite Coal	Thermal Coal	Lignite
Carbon Emission Factors (kg C/GJ)	15.30	18.90	19.60	20.20	21.10	26.80	25.80	27.60
CO₂ Emissions (based on 1 LNG)	1.00	1.24	1.28	1.32	1.38	1.75	1.69	1.80

Air Pollutant Emission Comparison

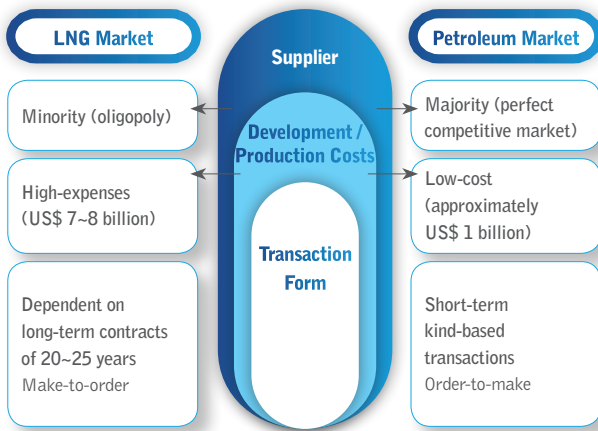
Source: CO₂ (IPCC), others (U.S. Environmental Protection Agency)

Energy Source Pollutant	LNG	LPG	B-C oil	Diesel	Kerosene	Anthracite Coal	Soft Coal
CO₂	1	1.03	1.20	1.20	1.17	1.60	1.58
SO₂	1	0.002	3,360	808.7	19.2	3,233.6	3,149.7
CO	1	393.5	1,767.7	1,202.2	2,011.5	3,888.9	2,651.5
NO_x	1	78.7	858.2	595.7	178.3	1,348.6	919.5
Dust	1	833.3	12,506	3,105.6	3,284.1	3,597.9	24,603.2

Characteristics of Natural Gas Trading

Produced in gas form from the field, the prevailing form of trading is pipeline natural gas (PNG) for convenience and economic reasons, especially over short distances. For distances longer than 4,000km, inter-continental or trans-ocean transmission, liquefied natural gas (LNG) is the popular trading form for economic reasons. Furthermore, LNG trading continues to grow due to its flexible marketability. According to the 2009 World Energy Outlook report by the International Energy Agency (IEA), the portion of LNG trading is forecast to grow from 34% in 2007 to 38% by 2015 and up to 40% by 2030. Although Korea imports only LNG to date for geographical reasons, it is positively reviewing the import of PNG from Russia in the future.

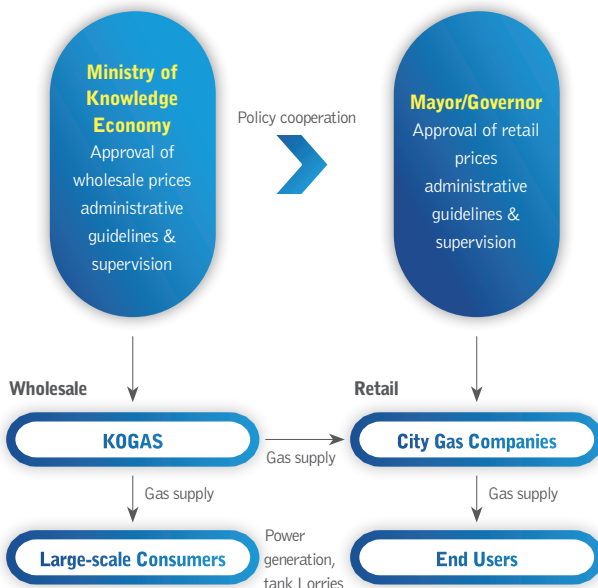
LNG Market vs. Petroleum Market



Characteristics of the Global LNG Markets

The natural gas business characteristically entails enormous investment and long waiting periods before the production of gas is realized. The trading of natural gas is, in general, conducted under strict conditions, such as “take or pay, ship or pay” terms, with prohibitions against reselling after designation of a destination. In terms of transactions, Korea and Japan, the two major LNG importers in Asia, couple their natural gas prices with crude oil prices, furthering rigidity, while North America mostly opts for an open free-market pricing policy. Nonetheless, the rising demands for more flexibility in the market will allow alternative transaction methods, such as spot markets. As for KOGAS, it purchased 11% and 7% of its importation in the spot market in 2008 and 2009, respectively. Spot purchasing declined in 2009, due to the overall decrease in its purchase amount in the aftermath of the economic slowdown.

Natural Gas Business Flow Chart



Korea Natural Gas Business System

KOGAS is the major importer of natural gas for the domestic natural gas industry and directly supplies Korea’s large-scale consumers—22 power stations of 14 power generation companies and 30 of the total 32 city gas companies across the nation. These retail city gas companies then distribute the gas to their end users.



Overseas Project Performance

KOGAS is involved in overseas projects so as to secure the stable, long-term supply of energy sources and expand its business portfolio. Its business expansion is across the entire value chain of the natural gas business, from the upstream businesses including the development and production of natural resources and the midstream business of transportation and trading of resources, to downstream businesses such as providing natural gas to end users. Geographically classifying its business areas into Africa, Southeast Asia, the Middle East / CIS, the pan-pacific and polar region, it applies different business strategies in consideration of local economic and political conditions. For the stable domestic supply of natural gas, KOGAS devises portfolio strategies customized to the features and size of each region.



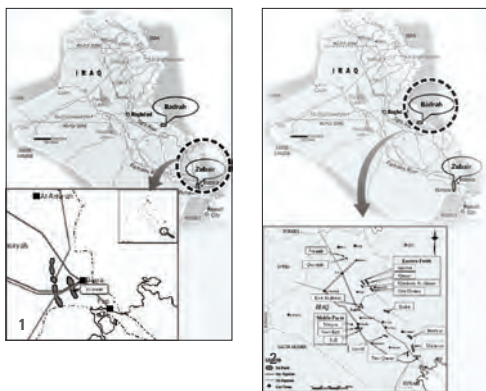
Diversifying Energy Sources

Oil Field Development & Production Business in Iraq

(Zubair)

Located 20km southwest of Basra, Iraq, the Zubair oil & gas field spans 900km²; equivalent to 1.5 times the size of Seoul. KOGAS is the only Korean company participating in the project, the largest ever developed by a Korean company. The project includes the restoration and upgrading of worn-out production field (blocks) and increasing production with the aim of generating approximately 6.3 billion barrels of oil over the next 20 years. KOGAS formed a consortium with Italian ENI and American Occidental, who have years of E&P business experiences, in order to participate in the project. The consortium will render the company with technological development in the area of resource development, while also securing new sources of revenue and serving as a foothold for becoming an independent business in the future.

Consortium composition: KOGAS (18.75%), Eni (32.81%), Occidental (23.44%)



1_ Location of the Zubair oil & gas field

2_ Location of Badra oil & gas field

(Badra)

Sitting 160km southeast of Baghdad, Iraq, the Badra Oil & Gas Field was discovered through exploration. The production plan has a two-stage development process, including the preliminary and final development. Over a period of 20 years, a total of 800 million barrels will be produced, with a maximum daily production capacity of 170,000 barrels for seven years.

The consortium of KOGAS and experienced E&P enterprises such as Gazprom (Russia), Petronas (Malaysia) and TPAO (Turkey) will be jointly involved in the project. The project provides KOGAS with an opportunity to enhance its corporate image in Iraq and enter more bids in the future as well as advance into E&P and related businesses.

Consortium composition: KOGAS (22.5%), Gazprom (3.0%), Petronas Carigali (15%), TPAO (7.5%)

Securing the Source of Natural Gas

(Equity Investment in LNG Projects)

KOGAS invested in the RasGas project in Qatar acquiring shares in Ras Laffan I company in 1999, its first LNG importation related investment. Since then, the company has secured shares in Oman LNG and Yemen LNG projects, reaping profits from these projects. These investments have been made in consortium with Korean companies. All in all, KOGAS generated US\$ 626.7 million in accumulated profits as of 2009. Increased profit inflow is expected as the Yemen LNG project begins commercial operations in 2011.

	RasGas	Oman LNG	Yemen LNG
Project Period	1999~2029	2000~2025	2008~2033
Production Volume (per year)	6~6.5 million tons	6.6 ~7.0 million tons	
Share	3%	1.2%	8.88%
Accumulated Profits	US\$ 516.8 million	US\$ 109.9 million	Generating profits from 2011

(Participation in the Myanmar Gas Field Project)

KOGAS joined gas field development projects on the A-1/A-3 blocks in Myanmar in November 2001. The consortium signed a sales agreement with China National United Oil Corporation (CNUOC) in 2008 and completed the front-end engineering and design (FEED) for the gas field and submarine pipeline construction in

May 2009. Having declared the commercial discovery in November 2009, the consortium broke ground and proceeded with the regular development stage.

In the project, KOGAS acts as an investor, supporting Daewoo International, the operator, in responding to environmental and human rights issues raised by stakeholders. Daewoo International provides KOGAS with a monthly "Socio-Economic Program" and a "SHWE Project Socio-Economic Program Annual Report" for it to monitor responses to social issues. Daewoo International conducted an official environmental impact assessment on the platform construction in a bid to ensure its operation is free of any environmental infringement. At the same time, the consortium did its utmost to eliminate any environmental or human rights issues while also complying with regulations, international labor law and environmental standards as well as OECD guidelines regarding onshore and offshore pipeline construction.

(Unconventional Gas Development and Production)

- **Unconventional Gas Business in Australia** _ KOGAS aims to secure an advantageous position in the development of coal seam gas (CSG) an important future resource, and participate in the Australian energy market as well as secure a long-term LNG source. To that end, KOGAS has acquired a 10% stake in Blue Energy, an Australian energy company, and is now reviewing the preferred rights to an equity acquisition agreement on the ATP 813P and 814P mining blocks in Queensland, Australia. Based on the technology and economy assessment of the project, KOGAS will make the best decision for investment in order to secure a stable supply of resources.

- **Shale/Tight Gas in Canada** _ In a bid to secure an unconventional gas resource in Canada, KOGAS has entered into the Farmout Agreement, acquiring a 50% share of three mining blocks in Kiwigana, Jackpine and Noel that Encana has in Canada. Under the agreement, the company will collaborate with Encana on the exploration, development and production of the three mining blocks in the northeast of the British Columbia state. The Horne River and West Cutbank regions, where the blocks are located, have received attention for unconventional gas production in North America.

This project is significant in many aspect: KOGAS has not only secured a stable supply source overseas for a large amount of gas in the long-term, but is also entitled to get technologies regarding the development of unconventional gas. The company has also established a foothold for an LNG liquefaction terminal business in the region.

Through this project, KOGAS will be able to strengthen its capabilities in exploration and the development of shale gas, coal bed methane (CBM) and other unconventional gas resources. When an additional supply source is realized in the local LNG business operation, the company plans to introduce an integrated business line-up covering the entire value chain from up and mid to downstream businesses by importing natural gas from Canada. KOGAS believes its exploration into new and unconventional energy sources will contribute to its growth as a leading global energy enterprise.

(Exploration)

As part of its business expansion into the upstream business of natural gas and energy security, KOGAS operates exploration projects in many countries around the world including Indonesia, Australia, Mozambique, East Timor and Uzbekistan. In June 2010, drilling is planned to commence at five marine mining blocks in East Timor. Furthermore, underway is a three-dimensional elasticity wave exploration projection on the Area 4 mining block in Mozambique. The company is currently working to select an outsourcer for elasticity wave exploration at a Uzunkui mining block in Uzbekistan. While involved in a new mining block project in Australia, the company is also currently working on a plan to develop the JAU gas field in Indonesia. These upstream exploration projects will secure a long-term stable platform for supplying natural gas, while also diversifying the revenue structure of KOGAS.

1_ Badra operating conference meeting

2_ Zubair oil field construction site



Diversifying Natural Gas Related Businesses

Surgil, Uzbekistan

KOGAS acts as the co-representative company of the Korean consortium for the development and production of the Surgil Gas Field in Uzbekistan. In the project, the Korean consortium is collaborating with its counterpart Uzbekneftegaz to develop the Surgil Gas Field and construct and operate a gas chemical complex (GCC), entailing a total investment of US\$ 4.0 billion. The key to this project lies in utilizing cost-competitive raw materials in order to produce chemical products such as HDPE and PP and sell gas products with added value. As of 2009, the project is in the due diligence and feasibility test stage for project financing.

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

Drawing on its more than 25-years of gas plant operational knowledge and experience KOGAS is now proactively pursuing overseas mid and down-stream business opportunities. As it collaborates with Korean construction & engineering companies to participate in overseas gas plant markets, these efforts will prop up the capital investment boom both domestically and overseas.

(Mexico LNG Terminal Investment & Operation Project)

This is a build-own-operate (BOO) project, in which the KMS will own and operate the project as an administrator to recover investment. Of the total US\$ 876 million invested (equity capital of US\$ 195 million and project financing of US\$ 681 million), KOGAS invested 25%, with Samsung Corporation and Mitsui contributing 37.5% each. Construction began in April 2008, with the consortium operating the terminal for 20 years until 2031, provided construction is completed in August 2011 as scheduled. Major facilities of the LNG Terminal include two 150,000kℓ-class storage tanks and a jetty, handling 3.94 million tons of LNG annually. Since the ground breaking ceremony in June 2008, construction has been slightly delayed due to environmental issues concerning the neighboring seashore. However, construction resumed in 2009 and is expected to meet the original completion schedule of August 2011.



1_ Bird's-eye view of the Mexico Manzanillo LNG Terminal
2_ The construction site of the PTT LNG Terminal
3_ The bird's-eye view of the Fujian LNG Terminal in China

(Thailand PTT LNG Terminal Technology Project)

This is an order placed by the state-owned PTT LNG of Thailand for the construction of an LNG terminal, including two 165,000 kℓ storage tanks and jetty. As a member of the consortium, which includes GS E&C, Hanyang and Daewoo Engineering, KOGAS serves as technical advisor, as well as training technicians and conducting start-up operations. The project period spans from February 2008 to May 2011. As of the end of 2009, KOGAS had established a local subsidiary and completed the second stage of its training and technical advisory services. In August 2010, it will send its staff to conduct a start-up operation.

(China Fujian LNG Terminal Start-up Operation Consulting Project)

KOGAS provides consulting services in the process, machinery, instrumentation, marine and operation areas for the Fujian LNG Terminal start-up operation and commissioning project placed by the Fujian LNG Corporation, Ltd. of China. The company has dispatched eight consultants for this project since February 2008 and successfully wrapped up the project in May 2009.

(Singapore LNG Terminal Start-up Operation Project)

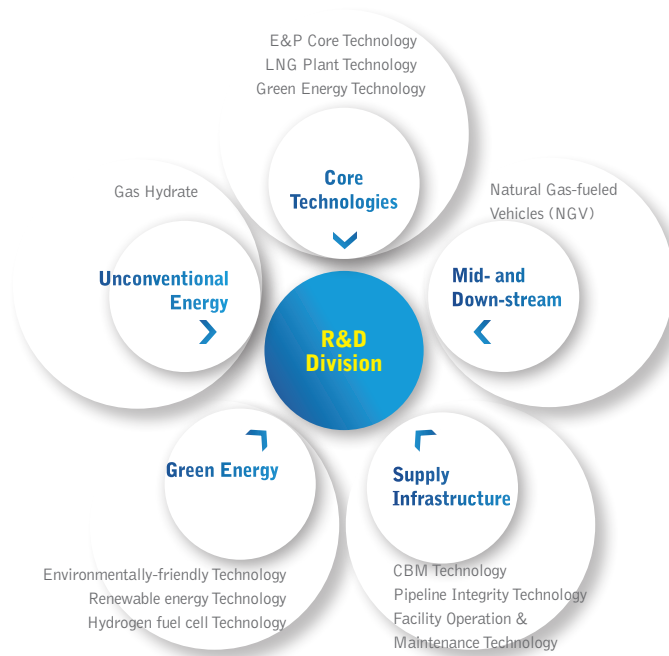
Singaporean SLNG placed an order for the construction of a Singapore LNG Terminal equipped with two 180,000kℓ storage tanks and jetty. KOGAS landed this project in collaboration with Samsung Corporation. Its role in the project includes serving as a technical advisor, training and start-up operation. In the project period spanning from March 2010 to August 2013, KOGAS' services began with technical advice in March 2010.

Research & Development Performances

R&D Strategies

In line with its corporate vision 2017, KOGAS has realigned its R&D strategies. With a focus on strengthening its core technologies for sustainable growth, most research activities will be centered around securing core technologies and LNG plant-building as well as green energy technologies.

At the same time, the company has engaged in research activities for gas hydrate, GHG reduction and green energy businesses and other environmentally-friendly technologies as well as using bio gas as fuel and hydrogen fuel cell technologies.



R&D Investment Performance & Plan (Unit: KRW billion)

		2006	2007	2008	2009	2010 (plan)
R&D	R&D Expenses	25.1	41.1	31.3	33.7	48.6
Investment	Infrastructure Investment	2.9	36.	0.7	1.0	1.4
Total		28.0	44.7	32.0	34.7	50.0
	R&D Investment to Sales Ratio (%)	0.22	0.31	0.24	0.18	0.23

The decline in the ratio of R&D investment to sales can be ascribed to the sales growth, coupled with the decreased number of large-scale research projects, such as constructing plants for R&D purpose.

For the stable supply of natural gas, the company invests in technologies associated with pipeline integrity testing, the maintenance and repair of gas facilities and the new natural gas resource, CBM. It also conducts R&D activities to replace fuel for heavy vehicles and ships with pollutant-free natural gas.

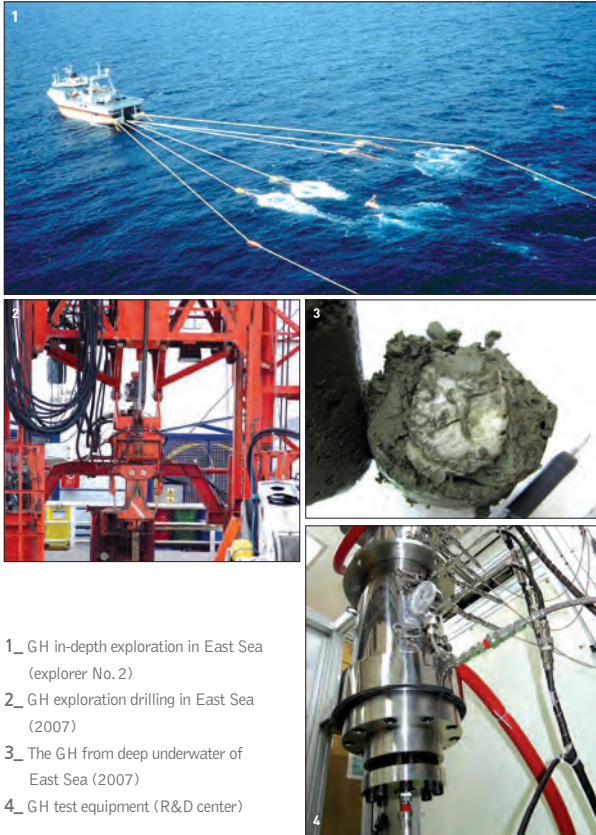
Resource Development (Upstream) Business

(Gas Hydrate R&D Projects)

Combined with water, gas hydrate (GH) is a hydrate crystal similar to that of ice and is often discovered in deep underwater or freezing land layers such as those Alaska and Siberia. While conventional oil and gas fields are only located in certain parts of the world, GH has been discovered in every corner of the world, with reserves reportedly more than 25 times those of natural gas (about 10 trillion tons, LNG equivalent).

In cooperation with the Ministry of Knowledge Economy, KOGAS has conducted a two-dimensional exploration over a wide area, spanning 44,538km², in order to verify the possibility of a gas hydrate reserve from 2000 to 2004. From the study, the company has calculated the reserve factor and prospect of a GH reserve and has secured objectivity for its results following verification by the Geological Survey of Canada. Since then, the GH R&D project became a state-driven policy in 2005. For the efficient operation of the project, the government launched the Gas Hydrate Development Project Group—consisting of KOGAS, the Korea National Oil Corporation (KNOC) and the Korea Institute of Geosciences and Mineral Resources—, which will run the three-step 10 year GH development project until 2014.

In 2006, the group completed an in-depth exploration and analysis of the prospect a GH reserve spanning 400km², while the underwater drilling discovered a ultra-sized GH reserve spanning 130m in the deep underwater floor near the Ulleung Basin, 135km northeast of Pohang in November 2007. The discovery was confirmed to be larger than those drilled by Japanese, Indian and Chinese companies before us. We became (only) the fifth country to identify gas hydrate reserves through deep water drilling after the U.S. (1980), Japan (1989), India (July 2006) and China (June 2007).



1_ GH in-depth exploration in East Sea (explorer No.2)
 2_ GH exploration drilling in East Sea (2007)
 3_ The GH from deep underwater of East Sea (2007)
 4_ GH test equipment (R&D center)

(Coal Bed Methane Development in Mongolia)

The coal bed methane (CBM) is methane gas embedded in the coal by the high pressure of the underground water covering the coal bed. As the coal bed is saturated by underground water, the methane gas that is locked in the coal escapes through previously laid pipelines when the underground water is pumped out.

A reservoir totaling 150.0 billion tons of coal is estimated in Mongolia, with sub-bituminous coal and brown coal in the eastern area and bituminous coal in the mid-west area. However, the exact size of the overall reservoir has not been estimated as CBM exploration has yet to be implemented. Approximately 10.5 million tons in Hattarbagtai and Nuursthogor mines and 9.7 million tons of CBM in the Tabantolgoi mine are estimated at the moment. While Mongolia lacks the financial and technological ability to develop CBM, Korea has the required equipment and infrastructure as well as the expertise. Therefore, KOGAS has secured DME production

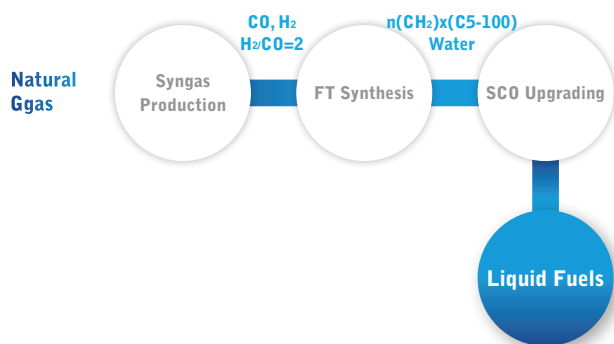
technology in order to liquefy the developed CBM, and is thus expecting a significant synergy effect from the project.

KOGAS began talks regarding the "Korea-Mongolia Gas Business Cooperation Project" in April 2009 and is now working to provide CBM gas produced from the CBM exploration and development in Mongolia to Ulaanbaatar city.

(Gas-To-Liquid Technology Development)

Gas-to-liquid (GTL) technology involves chemical processing of natural gas to produce synthetic gas and then the production of the petro product that is the compound of liquid carbon hydrate through the Fischer-Tropsch synthesis process. This synthetic gas production process entails technological developments for a high performance catalyst comprised of hydrogen and carbon monoxide extracted from natural gas.

KOGAS funded the technological development expenses from the government in 2009 and is focused on R&D activities for the construction and operation of the 1bpd-class pilot plant and design of the 100bpd-class empirical plant. Being a late starter in GTL technology, KOGAS expects these research results will expedite its R&D activities in this field.



Synthetic gas, syngas: Compound gas comprised of H_2 and CO produced by the oxidization of natural gas and/or reforming process

FT: Abbreviation of Fischer-Tropsch referring to the process of producing the SCO from Syngas

(LNG Liquefaction Plant Technology Development)

As part of its plans to build a vertically integrated natural gas business portfolio, KOGAS proactively pursues the natural gas liquefaction plant business, the upstream business of natural gas. However, LNG liquefaction plant technology has been developed

by major global companies with high entrance barriers, making it harder for late-starters to enter the market. As a result, success in the development of a reliable independent technology for liquefaction process and liquefaction plant design has become the prerequisite to penetrating the market. Fortunately, KOGAS is well positioned to leverage its global stance as the world's largest LNG purchaser and to tap into the advanced EPC engineering technology of domestic engineering companies, and expects a synergy effect from collaboration with them.

In order to develop its own LNG liquefaction plant technology, KOGAS participated in the Plant Technology Upgrading Project conducted by the Ministry of Land, Transport and Maritime Affairs (MLTM) in 2008, playing an administrative role in the development of a new liquefaction process. In 2009, it analyzed the patent data of advanced technology-holders regarding the liquefaction process, outlining the Korean liquefaction process (KLP). By simulating the existing liquefaction process of C3MR and OCP and a new process of employing new ideas, the company has set a roadmap for a new high-efficient liquefaction process. By reviewing the composition and construction of the liquefaction plant, especially in the test bed, it has finalized liquefaction plant EPC business conditions such as equipment expenses, construction costs and electricity requirements.

Green Energy Technology

(Home Fuel Cell Monitoring Project)

The home fuel cell project is a future-oriented housing environment project that replaces the household electricity power source with a fuel cell in order to provide households with a high-efficient, eco-friendly energy source. This project is expected to improve the function and durability of Korean home fuel cell technology. With an aim at 1 million green homes by 2020, the company is aiming placing home fuel cell units in 100,000 households. In 2010, an additional 200 units have been finalized for popularization in households.

With KOGAS serving as an administrator of the project, city gas companies and local governmental bodies are also involved in the project. During the first stage, spanning from 2006 to 2009, a total of 40 fuel cells have been placed in ten city gas companies across



Home fuel cell installed in the Blue House

the nation. In the second stage, from 2007 to 2010, six local governments including the Seoul and Gyeonggi-do governments formed consortiums with regional city gas companies and related organizations to place and monitor a total of 70 fuel cell units in major governmental office buildings, including two units planted in the Prime Minister's residence and two units in the residence of the president of KIST. Spanning from 2008 to 2011, the third stage include placing a total of 80 home fuel cell units as of the end of 2009, including those in the Blue House and the Presidential Committee on Green Growth, effectively promoting both the nation and the governmental bodies. When the third stage



The signing ceremony between KOGAS and BRG for the joint research of bio gas (July 2009)

ends in 2011, a total of 210 fuel cells will have been installed and operated for monitoring. We will be equipped with analytical data that will enable the future localization and popularization of the technology.

(Biogas Fuelizing Research)

In line with the government's green energy initiative, KOGAS signed a joint research agreement with Business Region Göteborg (BRG) in July 2009 for natural gas, biogas and bio DME research. The agreement calls for the sharing of technologies regarding the biogas (methane-based gas) industry that utilizes waste, energy crops and wood as raw materials, as well as the production and usage of bio gas as a renewable energy source that utilizes domestic waste.

As part of its green technology development plan to transform waste into an energy source, KOGAS collaborated with Gangwon-do on research to make fuel out of biogas in 2010. The project involves developing refiners that increase the density of methane gas in the biogas that arises from organic waste such as food waste and livestock excrement. This refined methane gas will be supplied to automobiles and business operations via mobile recharging vehicles, that will provide the opportunity to compare the efficiency of the

dual supply of natural gas and biogas with the sole supply of biogas. The project also includes testing the biogas-fueled vehicles' engines and durability.

(The Feasibility Test of Small Hydro Power Generation Utilizing Seawater Discharged from LNG Terminals)

After vaporizing LNG at LNG terminals, seawater is discharged as cool water. The foam from this discharged seawater is visually disagreeable, causing complaints from neighboring residents. The fundamental solution shall be deep underwater draining. By adding a water turbine to the deep underwater draining structure, hydro power generation is possible.

The company is reviewing the feasibility of a small hydro power generation plant that can solve the environmental issue of the seawater drainage and generate electricity using clean energy at LNG terminals. Following the geographical location review in 2009, details of the small hydro power generation method, the type, capacity and number of turbine units will be finalized before proceeding with the numerical analysis and economic analysis.

(DME Production & Empirical Technology)

Di-methyl Ether (DME) has a similar physical characteristic with that of LPG and can be mixed with LPG. Being a clean fuel source with a similar cetane number to diesel fuels, it is a future green energy source that can replace diesel. It produces less dust than diesel as

well less NO_x and CO₂, thereby improving the air quality and GHG emissions. KOGAS has successfully developed the core technology of the whole process of producing DME from natural gas. Having built DME demo plants with daily production capacities of 10 tons of DME, and completed empirical studies, the company has completed the basic design for constructing a commercial plant. In particular, KOGAS has developed technology to recover CO₂ from the gas field and waste CO₂ from the production process and transform it into raw material gas, saving 17% of CO₂ compared to other DME production plants. In 2009, KOGAS completed operations of the DME demo plant with a 10 ton daily production capacity and completed long-term stable operation testing. Throughout the 2,000 hour-operation of the DME synthesizer reactors, the company has successfully reviewed the commercialization of the reactor and catalyst, while the synthetic gas production facilities completed 3,000-hours of operation. The DME product has a high purity of 99.5%, qualifying it for fuel use under the ISO international standards for DME fuel use.

Under the government-driven "DME-LPG dual fuel pilot operation project," research into the domestic application of DME is currently underway as well as an application study of DME-LPG dual-tank on domestic LPG-fueled vehicles.

KOGAS is currently reviewing the construction of DME commercial plants in Saudi Arabia and Oman and other parts of the Middle East. Furthermore, the construction of DME commercial plants or DME-FPSO in Vietnam, Indonesia and other Asian countries are also under review.

DME-LPG Dual-fueled Facilities, Refueling Facilities



- DME storage tank
- 100% DME refueling unit: DME refueling facilities

- DME-LPG dual-fueled facility | - DME-LPG refueling equipment
- Tank lorry refueling facility and refueling the portable supplying equipment



Economic Performances

Financial Performances

The debris of the 2008 global financial crisis scattered across industrial sector in 2009. Consequently, the abrupt decline in the demand for power generation fuel pulled down natural gas sales by 6.5%. To make matters worse, the company's drastic decision to hold over the fuel cost indexation in a bid to relieve the heating expenses of households deteriorated the accrued bill by up to KRW 4.7 trillion, affecting the company's financial stability. Despite these challenging market environments, KOGAS realized record high operating profits, while expanding investment in constructing pipelines in not-yet-in service areas and strengthening the LNG storage capacity. As a result, the company was able to realize energy welfare for the public, while reinforcing the stability of supply and expanding its business platform.

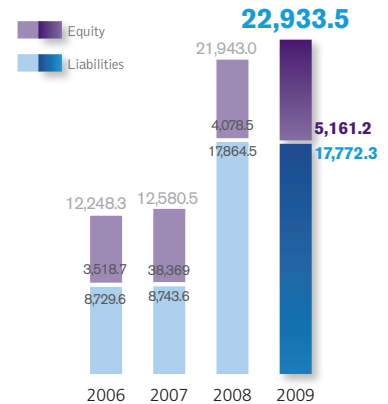
2009 Financial Performances

Despite the 16% year-on-year shrink in sales due to a declining demand for power generation and falling import prices, the improved return on investment from 5.78% in 2008 to 6.77% in 2009 propped up operating profits to a record high. Capitalizing on our accumulated foreign exchange management and expertise, we were able to realize significant gains on foreign exchange and hedged the potential risk of the company's credit rate downgrading through aggressive investor relations activities.

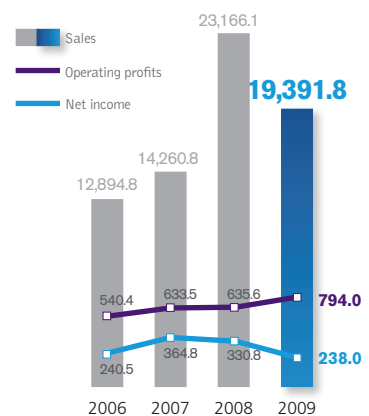
KOGAS also makes strenuous efforts to improve its financial stability. To that effect, it is imperative to collect accrued bills arising from the postponed fuel cost indexation. The company raised the gas price (rate) in June 2009 through tireless discussions with the government, collecting approximately KRW 40 million in accrued bills. It also improved the high debt-to-equity ratio through asset revaluation. Meanwhile, its profit structure also gradually improved, realizing an average annual profit growth rate of 16% since 2005. Issuing global bonds, the company improved its heavy dependence on domestic financial markets, thereby improving its borrowings portfolio. The accounting system and policy were changed in preparation of the new International Financial Reporting Standards (IFRS) that are expected to be applied from 2011. Furthermore, the company has never rested in its efforts to provide financial information to investors in a reliable and transparent manner. KOGAS also makes constant efforts to upgrade its management mechanism. Its commitment to preemptively eliminate waste factors bore fruit as it realized record-high levels of cost reduction. The company returns these fruits to the public by lowering the gas price. The adoption of the activity-based budget (ABB) system and analytic hierarchy process (AHP) method will bring about innovation in the budgeting system and improve rationality and efficiency in the decision-making process, consequently reducing budgets and improving efficiency in budget spending.

2009 Financial Highlights

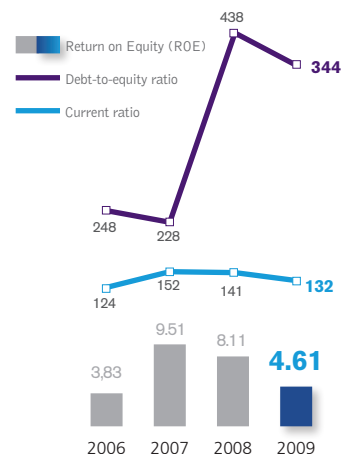
Financial Status (Unit: KRW billion)



Profit/Loss (Unit: KRW billion)



Major Ratio (Unit: %)



Economic Performances

(Unit: KRW billion, %)

	2006	2007	2008	2009	
Financial Status	Assets	12,248.3	12,580.5	21,943.0	22,933.5
	Liabilities	8,729.6	8,743.6	17,864.5	17,772.3
	Equity	3,518.7	3,836.9	4,078.5	5,161.2
Profit/Loss	Sales	12,894.8	14,260.8	23,166.1	19,391.8
	Operating Profits	540.4	633.5	635.6	794.0
	Net Income	240.5	364.8	330.8	238.0
Major Ratio	Debt-to-equity Ratio	248	228	438	344
	Current Ratio	124	152	141	132
	Return on Equity (ROE)	3.83	9.51	8.11	4.61

Financial Performance by business Sector

KOGAS has continued to invest in receiving and supply facilities in order to secure an economical and stable supply infrastructure of natural gas. As a result, the company has 6.12 millionkℓ of LNG storage capacity and 2,777km of pipelines. Keenly aware of the importance of energy security and our social responsibilities as a public corporation, we make ceaseless efforts to enhance economies of scale and management efficiency in all our operations.

(Constructing the Infrastructure for Energy Supply)

For a safe and stable supply of natural gas, KOGAS is currently constructing a fourth LNG terminal in Samcheok and is planning an additional 4.54 millionkℓ storage capacity and 1,309km in pipeline. Upon completion, the company will operate four LNG terminals with a combined storage capacity of 10.66 millionkℓ and 4,086km of pipeline. This will raise its storage ratio from the current 11% to 16%, similar to that of Japan, and enhancing the stability of natural gas supply. In order to improve natural gas availability throughout the country, KOGAS is planning to invest approximately KRW 2 trillion until 2017, including small-sized LNG terminals in remote areas such as Jeju Island.

Equipment & Facilities**Storage Tanks & Capacity**

	2005	2006	2007	2008	2009
No. of Tanks (units)	35	38	40	43	46
Capacity (10,000kℓ)	446	488	516	564	612

Pipelines

	2005	2006	2007	2008	2009
Length (km)	2,511	2,519	2,720	2,739	2,777

(Supply of Natural Gas)

As an energy source provider to 13.89 million households across the nation, KOGAS sold 24.64 million tons of natural gas in 2009. City gas sales increased by 1.3% thanks to the stable growth of industrial use, which improved by 3.6% from 2008. Sales for power generation use, however, shrank 17.2% due to the deteriorating economic load dispatch principle and the construction of nuclear and coal power plants. It will bounce back to the normal rate in 2010 when the economic recovery is realized.

As predicted in the 9th Long-range Natural Gas Supply and Demand Plan in 2008, the continuously falling demand for power generation use will enlarge the gap between demands in winter and summer. In preparation of this, the company strives to discover and secure new sources of demand, while contracting to import LNG in winter seasons and winning national subsidies for the development of natural gas-fueled air cooling equipment. In addition, it endeavors to reduce the seasonal disparity of supply and demand by diversifying its supply channels into NGVs and tanker transporters for industrial use.

Natural Gas Procurement & Sales**Procurement** (Unit: 1,000 tons, cargo)

	2005	2006	2007	2008	2009
Imported Volume	22,304	24,605	24,759	27,944	23,802
Cargoes	374	410	413	460	384

LNG Sales (Unit: 1,000 tons)

	2005	2006	2007	2008	2009
City Gas Use	14,033	13,957	14,449	15,316	15,510
Power Generation Use	8,821	9,543	11,011	11,029	9,134
Total	22,854	23,500	25,460	26,345	24,644

(Enhancing Management Efficiency)

Human resources constitute an integral part of KOGAS' endeavors in pursuing opportunities for growth. Readjusting job functions to eliminate unnecessary aspects and expanding the resource development organization, the company reorganized its structure to focus on strategic business areas, thereby improving employee satisfaction from 68.6% in 2008 to 70.2% in 2009. Employee satisfaction regarding training programs for competence-building currently stands at 82%. In particular, the public job opening program that was partially introduced in 2008 was expanded to cover all job positions across the board, helping the company to establish a unique corporate culture that values talented and capable people. Furthermore, the company provides quality jobs to underemployed youths, while also maintaining the engineer quota and continuing its gender equality programs. These efforts have continuously improved labor productivity, and helping the company realize 12% year-on-year growth in 2009.

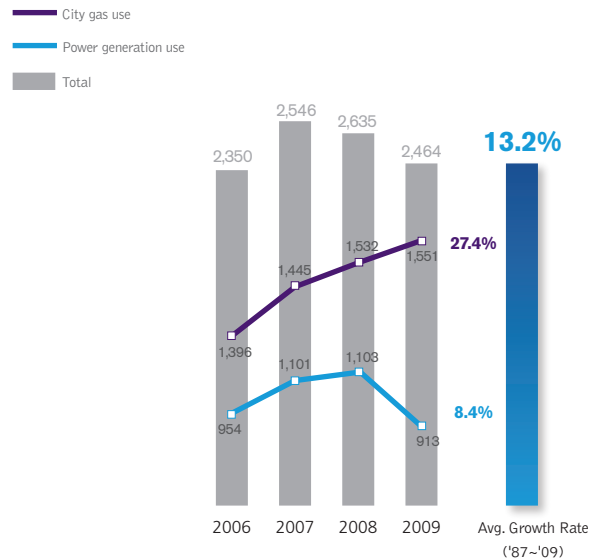
(Credit Ratings and Foreign Exchange Management)

The delay in price hike resulted in growing accrued bills, adding to the pressure of being downgraded by overseas credit rating agencies such as Moody's and S&P. However, we have worked hard on our investor relations activities, successfully maintaining our credit ratings at the same level as the government; A2 grade by Moody's. We have also hired foreign exchange experts and realized gains in foreign exchange for six years in a row.

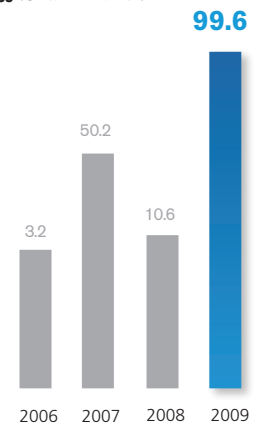
(Efforts towards Economic Recovery)

While working hard to ensure the safe and stable supply of natural gas at an economic price, KOGAS has also been vigilant to its corporate competitiveness, especially in area of fuel cost reduction. Especially, its order for an LNG carrier with a domestic shipbuilder contributed to the value-added shipbuilding technology of the shipbuilder. Its decision to postpone the fuel cost indexation reduced LNG charges by up to 40%. In addition, the company spent 68% of its annual budget during the first half of the year to prop up the construction industry which accounts for more than 20% of the national GDP. This KRW 1.4 trillion investment creates jobs at construction sites.

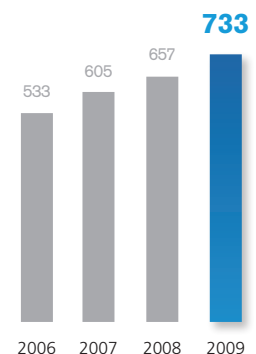
LNG Sales Trends (Unit: 10,000 tons, %)



Yearly Foreign Exchange Profit/Loss (Unit: KRW billion)



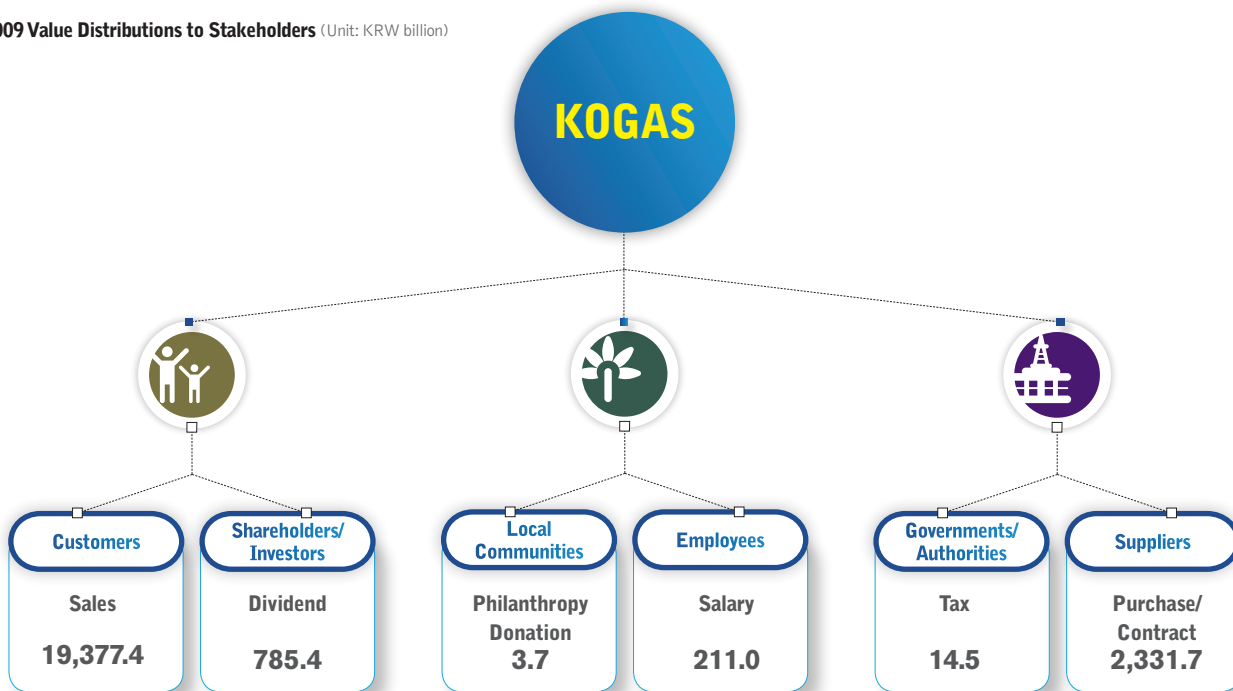
Labor Productivity (Unit: KRW million/person)



Distribution of Economic Value to Stakeholders

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

2009 Value Distributions to Stakeholders (Unit: KRW billion)

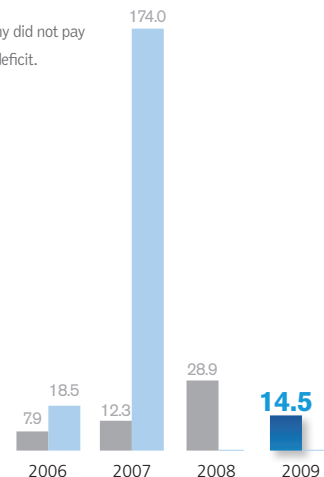
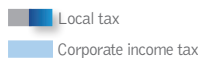


(Customers)

The primary customers of KOGAS are power stations and city gas companies. However, we continue to improve our facilities and amend our supply contracts in order to provide a better service to our end users, the entire nation. In a bid to support those financially-distressed, the company absorbed the price hike of raw materials by freezing charges as well as offering them lower city gas rates. At the same time, we conduct regular customer satisfaction surveys of our primary customers; city gas companies, and incorporate these findings in our customer satisfaction improvement initiatives. These efforts have been honored as we have topped the customer satisfaction survey conducted by the Ministry of Knowledge Economy for three consecutive years.

Taxation (Unit: KRW billion)

According to Korean tax law, the company did not pay corporate tax in 2008 and 2009 due to deficit.

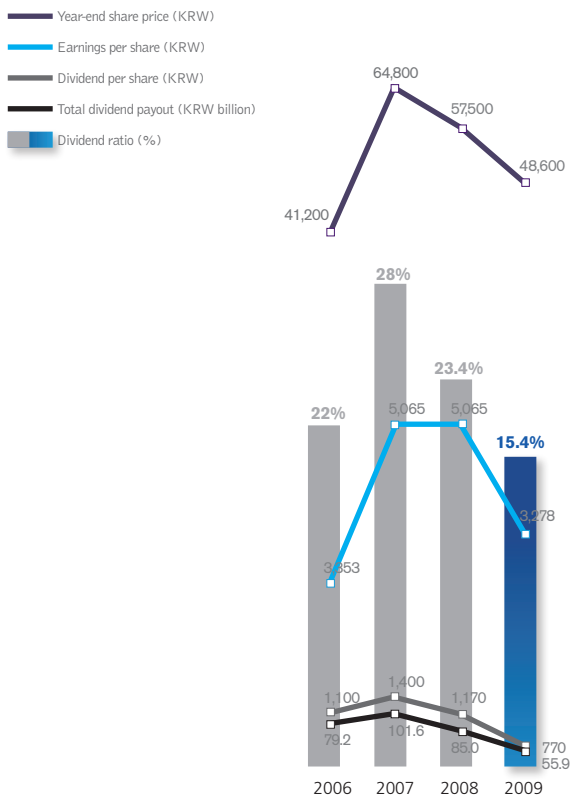


(Government)

For the stable and universal supply of natural gas, KOGAS continuously expands its storage capacity and supply pipelines into not-yet-in service areas. At the same time, the company channels its resources into overseas resource development projects out of its commitment to energy security. During the global financial crisis, it has contributed to increasing foreign currency reserves by issuing foreign currency-denominated bonds. In 2009, we paid KRW 14.5 billion in tax, faithfully fulfilling our basic duties of taxation.

(Shareholders & Investors)

KOGAS paid KRW 55.9 billion in dividends and KRW 729.5 billion in interest expenses for 2009. This significant increase in interest expenses from KRW 403.8 billion in 2008 can be attributed to rising financial expenses resulting from the accrued LNG raw material costs. However, coupled with high external credit ratings, the asset revaluation reduced the debt-to-equity ratio, resulting in a stable inflow of funding.



(Local Communities)

KOGAS fulfills its social responsibilities through cultural support and various social contribution activities. The company offers discounts in charges to 5.12 million underprivileged households, worth a total of KRW 11.4 billion, as well as a subsidized total of KRW 3.6 billion to those financially-distressed through charity programs and scholarships. Drawing on the characteristics of natural gas, the company has also constructed an ice rink at its Incheon LNG terminal for balanced regional development and in support of less popular sports.

(Suppliers)

Our suppliers are an integral part of KOGAS' stable and safe supply of natural gas to the nation. Therefore, the company supports its partners with technology development activities and pays them in cash and on time. In regards to safety control, the company holds safety information exchange sessions with safety officers from city gas companies as well as conducts a safety & environmental advisory group consisting of safety and environmental experts from universities and the Korea Gas Safety Corporation (KGSC). In financial support of small and medium-sized enterprises (SMEs), the company purchased approximately one fourth of its total procurement, or 24%, worth KRW 565.6 billion, from SMEs. We also made purchases totaling KRW 4.8 billion in order to encourage SME technology development as well as purchased KRW 4.5 billion of new technology certified products in a bid to improve our service quality.

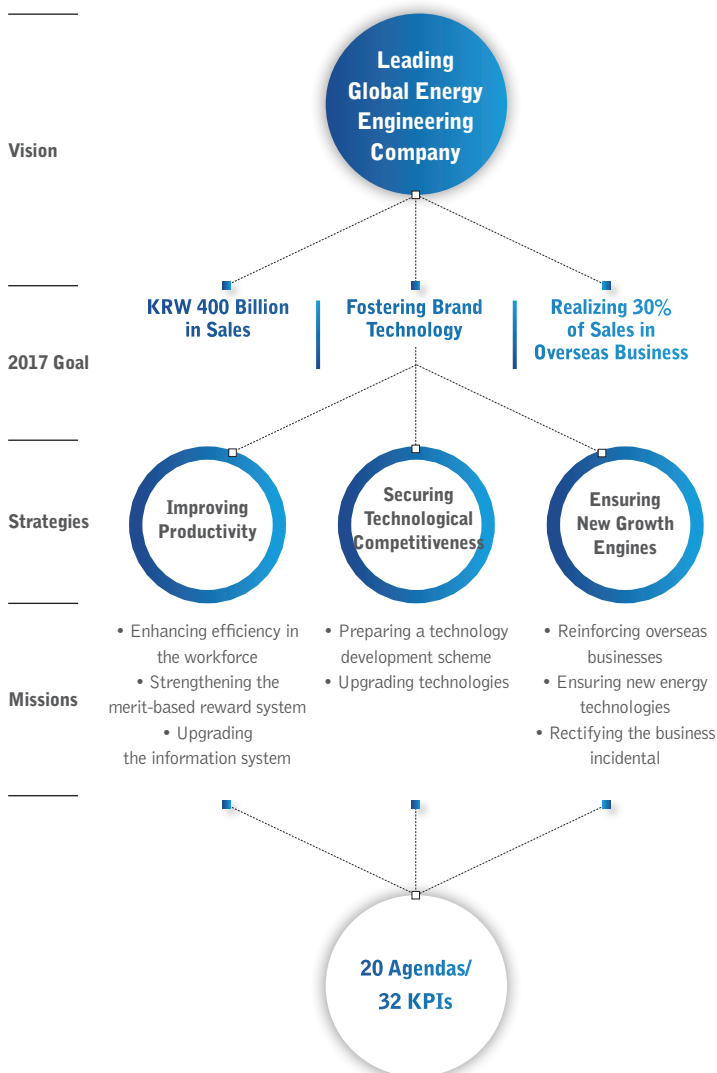
(Employees)

Economic value is distributed to our employees in the form of wages and welfare benefits. In 2009, a total of KRW 211.0 billion was spent on wages. In addition, a variety of welfare programs are in place to enhance the welfare and competence of our employees. In full compliance with domestic and international regulations, we have eliminated all discrimination regarding pay, such as age, gender, race or employment status, and instead differentiate our payment schemes only on the basis of performance. KOGAS new employees' initial wage is 231% that of the legal minimum wage.

Korea Gas Technology Corporation (KGTC)

The mission of Korea Gas Technology Corporation (KGTC) is to provide a safe infrastructure for the supplying of natural gas for the sake of the nation's convenience and welfare. Established through an investment by KOGAS in 1993, KOGAS-Tech maintains and repairs KOGAS' three LNG terminals in Pyeongtaek, Incheon and Tongyeong, a 2,777km-long national grid of pipelines and 178 valve stations. In 2001, the company merged with the Korea Gas Engineering Corporation, a company that designs LNG terminals and storage tanks, expanding its business scope into engineering. In 2008, KOGAS-Tech reformed its business portfolio to focus its resources more on the stable supply of natural gas. Since then, KOGAS-Tech has capitalized on its years of experiences and accumulated technologies and knowledge and expanded its engineering business globally.

KOGAS-Tech Strategy Scheme



Embracing the World and Tomorrow-KOGAS-Tech

The economic slowdown and skyrocketing oil prices triggered by the 2008 global financial crisis added to national concern regarding energy security. In coping with these unfavorable global business environments, KOGAS-Tech readjusted its corporate vision and strategies to become a leading global energy engineering company with globally competitive technologies and a stable business infrastructure. Accordingly, all employees at KOGAS-Tech made concerted efforts to seize the opportunities lying in the crisis. While reshuffling its organizational productivity based on the management philosophy of President, Kim Chil-hwan of "human-oriented satisfaction management," "fair and transparent righteous management," and "on-site and skinship management that values safety and the environment," the company devised three major strategies; "improving productivity," "securing technological competitiveness" and "ensuring new growth engines," while collaborating with KOGAS to prepare for a new chapter in the global energy industry.



Engaging in Social Contribution Activities

The primary purpose of KOGAS-Tech's social contribution activities is to ensure the integrity of the natural gas facilities and a safe natural gas supply infrastructure, thereby contributing to the welfare and benefit of the nation. While remaining faithful to its innate corporate mission, KOGAS-Tech makes all-out efforts toward building a warmer and harmonious society.

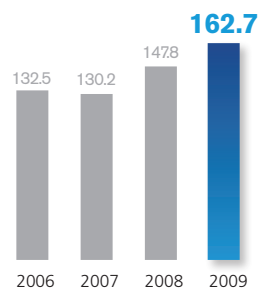
In 2009, the company organized 12 volunteer corps at each district division. The 976 members have volunteered 3,102 man-hours over the year and donated KRW 86 million to those in need. It also purchased products made by socially responsible companies who employ the underprivileged, SMEs and even charities.

In a bid to address youth unemployment issues, KOGAS-Tech employed 32 interns in 2009, providing them with opportunities to perform jobs and be trained in preparation of their future careers.

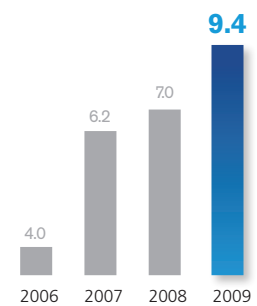
Health & Safety

The maintenance and repair of natural gas facilities inevitably entails various hazards for workers. As part of its efforts to ensure the safety of its employees and suppliers, KOGAS-Tech operates a safety management policy that goes back to basics. In particular, in 2009, the company conducted safety checks and training sessions with a special focus on enhancing safety awareness in order to continuously reinforce its safety management program and establish on-site safety practices. As a result, the company was accident-free at all its business premises in 2009 and held on to its ISO9001 (quality management), ISO14001 (environmental management) and K-OHSMS18001 (health and safety management) certificates.

Sales (Unit: KRW billion)



Net Income (Unit: KRW billion)



Business Results

	Unit	2006	2007	2008	2009	
Financial	Sales	KRW billion	132.5	130.2	147.8	162.7
	Net Income	KRW billion	4.0	6.2	7.0	9.4
	Current Ratio	%	202.7	241.5	240.1	278.4
	Debt-to-equity Ratio	%	76.4	60.7	65.0	51.8
Management	Per Capita Sales	KRW million	135.9	130.1	147.4	163.2
	Per Capita Added value	KRW million	74.6	76.7	75.5	82.2
	Per Capita Labor Cost	KRW million	58.6	59.8	60.1	59.4
Safety Management	Safety Investment Expenses	KRW billion	17.4	18.0	18.7	19.9
	Investment Expenses to Sales	%	13.13	13.81	12.7	12.2
Education & Training	Education & Training Expenses	KRW million	860	1,351	1,664	2,473
	Investment Expenses to Sales	%	0.65	1.04	1.00	1.52
Growth Engine	Overseas Business Sales	KRW million	847	6	3,954	8,819
	R&D Investment Expenses	KRW million	448	480	494	530
	Investment Expenses to Sales	%	0.33	0.36	0.3	0.33
Credit Ratings	KIS		P-AA-	P-AA-	P-AA-	P-AA-
	Korea Ratings		P-A+	P-AA-	P-AA-	P-AA-



WE CARE ABOUT THE FUTURE & ENVIRONMENT

DMA Environmental Performances

OUR APPROACH | KOGAS' business has characteristically low environmental impact factors due to the clean and environmental-friendly feature of natural gas. Despite this, the company is well aware of its social responsibility to climate change as an energy enterprise. Its approach to environmental protection starts from responding to the pan-planet concern over the greenhouse effect, and also includes low carbon green growth initiatives for new growth engines and minimizing environmental impact from its construction and operation of natural gas facilities. In order to control these various efforts with a single system, the company operates the EHSQ management system and applies a total quality management (TQM) process to continuously improve the company's effectiveness and soundness.

OUR PERFORMANCE IN 2009 | In 2009, the sales decline contributed to a decrease in energy consumption and CO₂ emissions, with the respective unit load improving. In line with the government-driven low-carbon green growth initiative, KOGAS devised its own green growth initiatives, articulating its role in responding to greenhouse gases and the nationwide campaign to reduce GHG emissions. However, the company has held back from setting a target for reducing CO₂ emissions until the government finalizes its guidelines later in 2010. Meanwhile, we are constantly developing and applying new renewable energy sources in an attempt to reduce our GHG emissions. While constantly monitoring our water usage, we have tightened control over the causes of water pollution. Yet again, KOGAS displayed a perfect shape, not once breaching environmental regulations in 2009.



KEY INDICATORS

Category	Items	Major Performances			
		2007	2008	2009	
Greenhouse Gas	Emissions (tCO ₂ e)	389,368	496,218	402,194	
	Unit Load	15.3	18.8	16.3	
NO _x Emissions	Emissions (kg)	241,731	371,820	235,200	
	Unit Load	9.49	14.1	9.54	
Wastes	Emissions (tons)	13,947.252	8,636.113	230,152.706	
	Unit Load	0.55	0.32	9.34	
Energy Consumption	Energy Consumption (TOE)	170,510	212,954	183,281	
	Unit Load (TOE/1,000ton)	6.70	8.08	7.44	
Environmental Activity Expenses	Environmental Activity Expenses (KRW million)	21,510	21,984	34,694	
Water Usage	Amount (kℓ)	-	-	481,461	
Water Pollutants Emission	BOD	Emissions (kg)	221	169	253
		Unit Load (kg/1,000 tons)	0.0086	0.0064	0.01
	COD	Emissions (kg)	48	47	81
		Unit Load (kg/1,000 tons)	0.0018	0.0017	0.0032
	SS	Emissions (kg)	353	217	293
		Unit Load (kg/1,000 tons)	0.0138	0.0082	0.0116

GHG emissions figures were adjusted in accordance with the opinion of a third party

Water usage was included since 2009.



Environmental Management

Environmental Policies

The core of KOGAS' business is vaporizing LNG in order to distribute it through the nationwide grid of pipelines. However, this vaporization does not involve any chemical change in property, causing only negligible environmental impact. Located on the coast, LNG terminals inevitably bring about change in the neighboring environment, as does the construction and operation of the pipelines nationwide. Therefore, it is imperative for KOGAS to minimize any impact on the environment. As part of its participation in the global initiative to fight climate change, KOGAS established a Climate Change & Environment Team at the beginning of 2009 as a dedicated entity for environmental management activities as well as addressing climate change.

While controlling its emissions of soil, water and air pollutants, the company added water usage to its company-wide monitoring list in 2009. The company employs the EHSQ Management System as an integrated environmental management system, which collects and maintains the environmental database on the KOSMOS (KOGAS' integrated information management system). To date, none of KOGAS' business sites have influenced any protected areas such as the Ramsar Wetlands. In response to rising public concern over biodiversity, the company will discreetly approach the issue in all its environmental impact assessments in the future.

As part of these efforts, the company has excluded the local wetlands and lagoon from its Samcheok LNG Terminal construction site as well as relocated the sea grabbles to neighboring beaches.

Continuous Improvement of Environmental Activities

KOGAS runs an integrated EHSQ Management System for the comprehensive control of its environmental, health, safety & quality management activities. The key functions of the EHSQMS include the periodic measuring and monitoring of corporate activities in order to identify any improvement opportunities and make any necessary corrections.

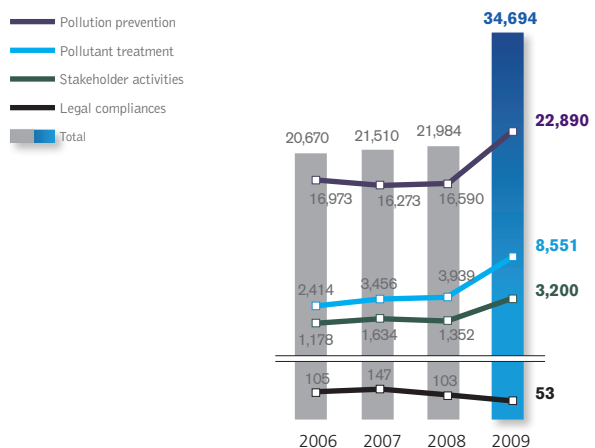
An environmental performance evaluation (EPE) system is also in place for the objective and qualitative evaluation of environmental activities and performance against environmental indicators, thereby developing and implementing new measures to improve environmental management and operations at worksites. For a more effective and efficient response to environmental emergencies, the company revises and improves the environmental (marine) pollution working-level manual on a regular basis, while regular drills at the three LNG terminals reinforce the company's capability to respond to environmental crises.

(2009 Environmental Expenses)

KOGAS has developed its own standards for environmental cost calculation in four categories—pollution prevention, pollutant treat-

ment, stakeholder activities and legal compliances. The lion's share of the company's environmental budgets is spent on preventing pollution, followed by the treatment of pollutants. Due to facility expansion, the depreciation of environmental facilities grew in 2009, with waste treatment expenses also significantly increasing. R&D expenses for DME and fuel cell projects rose, as did subsidies for the installation of natural gas-fueled air coolers, resulting in a 58% year-on-year increase in overall environmental expenses.

Annual Environmental Expenses Breakdown (Unit: KRW million)



Environmental Expenses in 2009 (Unit: KRW million)

By Activity By Media	Pollutant Treatment	Pollution Prevention	Stakeholder Activities	Legal Compliances & Restoration	Total
Air	2,234	7,177	-	-	9,411
Water	1,390	1,430	-	-	2,820
Waste	3,047	3	-	-	3,050
Noise & Vibration	158	1,697	-	-	1,855
Land	0	6	-	-	6
Common	1,378	7,289	-	-	8,667
Others	345	5,288	3,200	53	8,886
Total	8,551	22,890	3,200	53	34,694

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 of environment labeling as stipulated by the ISO). It includes information about the environmental impact associated with a product or service, such as raw material acquisition, manufacturing and waste generation.

Efforts to Reduce Pollution

Dedicated to minimizing the environmental impact of its LNG receiving and vaporizing facilities, as well as national pipeline grid, KOGAS continues to monitor its waste control and use of hazardous chemicals. During all procedures connected with controlling and treating pollutants, KOGAS fully abides by governing laws and regulations.

Water Pollution Control

(Water Usage)

KOGAS commenced collecting and controlling data on its use of water resources and underground water in 2009. The main source of water use is the water service, but some of our valve stations operating in remote areas use underground water.

(Sewage Discharge)

Of KOGAS' three LNG receiving terminals, the Pyeongtaek and Incheon Terminals treat sewage water on-site before discharging it into the sea. The sewage water from the Tongyeong Terminal and valve stations of the Trunk Line Operation Depart-

Environmentally-friendly KOGAS

(Maintaining the EDF Certificates)

KOGAS' Pyeongtaek Terminal acquired the environmental declaration of products (EDP) certificate from the Korea Eco-products Institution (KEI) in 2004, a first in the Korean energy industry. In 2008, our Incheon and Tongyeong Terminals were added to the list. These terminals renew the certificates every three years. Conducted as part of the process of acquiring and renewing the EDF certification, the life cycle assessment (LCA) serves to highlight the eco-friendliness of the natural gas business and identify opportunities to reduce GHG emissions. Based on the results, KOGAS can be seen to be proactively working with suppliers on measures to reduce GHGs.

ment is sent to city wastewater treatment facilities. We control the pollutant concentration of all our effluents within the legal requirement of 20 ppm.

Water Usage & Unit Load

		2009
Sales Volume of Natural Gas (1,000 tons)		24,644
Usage (kℓ)	Water Service	474,990
	Underground Water	6,471
	Total	481,461
Unit Load (kℓ/1,000 tons)		19.54

(Industrial Water Discharge)

The Incheon Terminal operates its own oil mixed water and general water treatment facilities in order to treat the wastewater from its cogeneration facilities and laboratories. Other business premises recycle most of their used water on-site after eliminating water pollutants. Seawater used in the LNG vaporizer is discharged without any negative effects.

Pollutant Discharge Control

(Hazardous Chemical Substance Control)

The major chemicals that KOGAS uses are NaOH and hydrochloric acid (HCl). However, use of these substances has decreased from 2008 due to a decline in the overall sales of natural gas, despite the unit load growing slightly. This growth can be attributed to a slight increase in the use of NaOH for controlling pH levels in the water tank of submerged combustion vaporizers (SMV) in proportion to the increasing sales of natural gas during winter.

(Wastes)

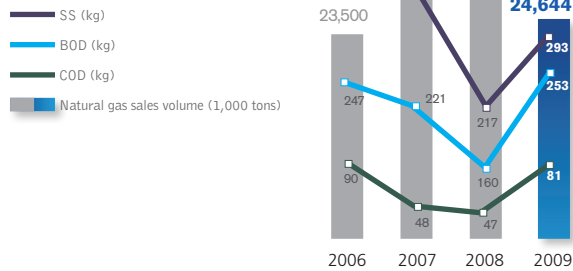
Most of KOGAS' waste originates from construction sites. In 2009, construction waste rapidly grew due to our facility expansion at the LNG Terminals and relocation of pipeline. KOGAS applies higher standards than legal requirements to all its waste handling. We farm out the treatment of waste to external expert agencies, which are selected after due diligence and verification, on their actual treatment capacity and methods. We also conduct regular audits of their legal compliances.

(NOx Emissions & Unit Load)

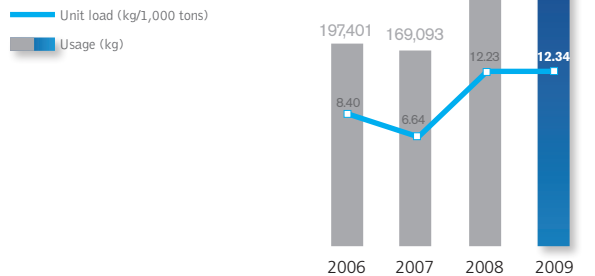
The decrease in the sales volume of natural gas in 2009 and the reduced operating hours of SMVs at Incheon LNG Terminal during winter resulted in a significant decline in NOx emissions from 2008.

Water Pollutant Discharge

(Pyeongtaek & Incheon Terminal)



Hazardous Chemical Substance Usage & Unit Load

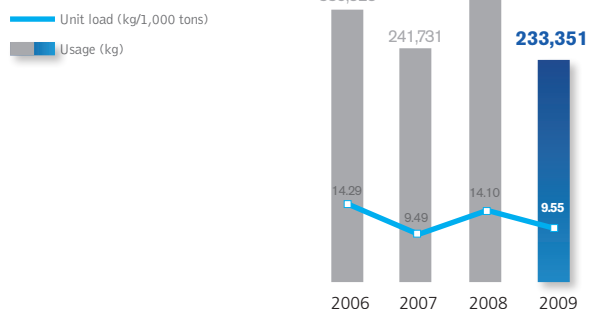


Waste Discharge & Unit Load

	2006	2007	2008	2009
Natural Gas Sales Volume (1,000 tons)	23,500	25,459	26,345	24,644
General	639.309	1,078.879	1,344.076	726.440
Wastes Specified	72.327	323.570	214.838	231.112
(tons) Construction	6,307.591	12,544.803	7,077.199	229,195,150
Total	7,019.227	13,947.252	8,636.113	230,152,706
Unit Load (tons/LNG 1,000 tons)	0.30	0.55	0.32	9.34

Waste from headquarters and R&D center has been included since 2009

NOx Emissions & Unit Load



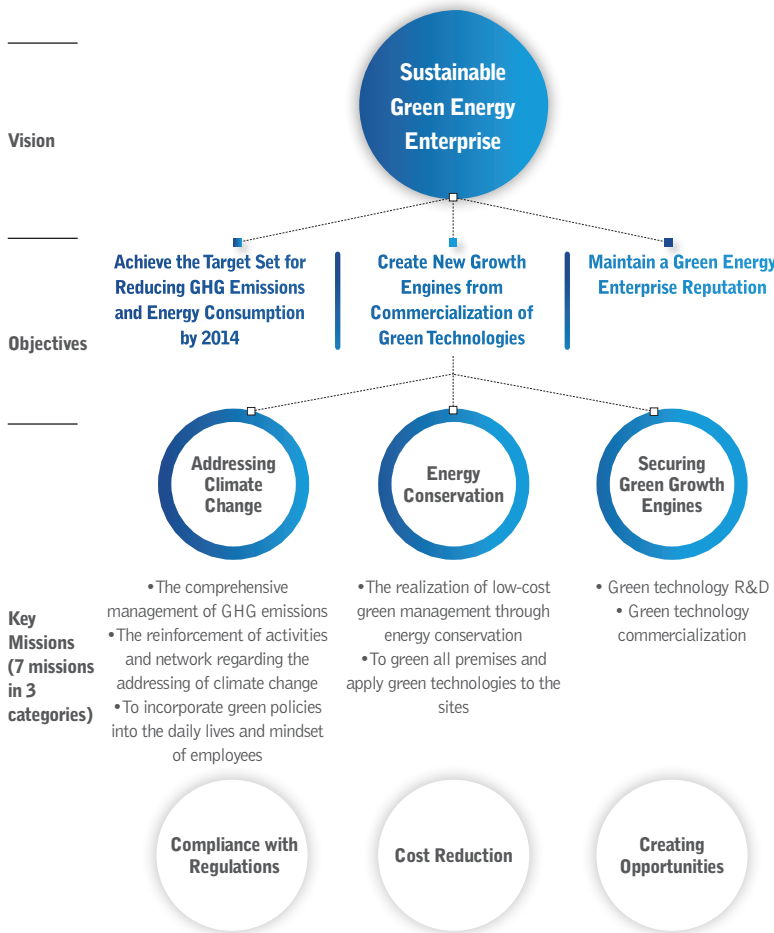


Green Management at KOGAS

Addressing Climate Change

As Korea's leading environmentally-friendly energy enterprise, KOGAS has developed its green management strategies in line with the nation's carbon-lean green growth initiatives. Through the implementation of these green management strategies, KOGAS has proactively engaged in GHG reduction initiatives, instilled a green mindset among its employees at a working level and established itself as a sustainable green energy enterprise by securing green growth engines.

Green Management Strategy Scheme



(Climate Change Organization)

The company established its Climate Change & Environment Team in January 2009 to serve as a comprehensive platform for its response to climate change. In addition, it launched its Green Growth Commission, a decision-making body consisting of executives and charged with developing green growth strategies as well as deliberating on major issues regarding the corporate response to climate change.

(Green Management Mid-term Strategies)

Under the vision of becoming a "sustainable green energy enterprise," KOGAS has developed green management mid-term strategies for the period from 2010 to 2014, including seven missions and 52 action plans in three categories: "addressing climate change," "energy conservation" and "securing green growth engines". From the comprehensive information management system controlling GHG emissions to renewable energy technology R&D and commercialization, these 52 action plans will utilize the PDCA process to implement a five-year plan. Performances will be closely monitored at the Green Growth Commission meeting held twice a year. At the same time, an annual review of plans will help us keep updated on policies and strategies regarding the rapidly changing business environment.

Self-driven Efforts to Reduce GHG Emissions

GHG Emissions Control

Measuring GHG emissions is imperative in order to reduce them. In 2008, KOGAS developed its own inventory guidelines, based on which it calculated the company-wide GHG emissions. This GHG inventory includes not only the direct emissions of stationary and mobile forms

of combustion, the process and fugitive emissions, but also indirect figures arising from the purchase of external energy sources such as electricity and steam. As a result, the company has completed a GHG inventory report covering the four years from 2005 to 2008, and which was verified by a third party the following year. In 2009, overall

CO₂ emissions declined as the sales volume of natural gas shrank by 6.5%. In particular, the temperature of seawater used for vaporizing LNG rose by about 0.3°C (the average seawater temperature in winter remained 3.9°C in 2008 and 4.2°C in 2009) from that of 2008, reducing the operational hours of SMV and seawater heaters, and thus reducing the unit load of CO₂ emissions to previous levels.

GHG Emissions & Unit Loads

	2006	2007	2008	2009
Natural Gas Sales Volume (1,000 tons)	23,500	25,459	26,345	24,644
Emissions (tCO₂)				
Scope1	208,143	171,970	230,845	171,085
Scope2	182,825	217,398	265,373	231,109
Total	390,968	389,368	496,218	402,194
Unit Load (tCO ₂ /LNG 1,000 tons)	16.6	15.3	18.8	16.3

- **Calculation scope:** Scope 1 (stationary and mobile combustion, process emission), Scope2 (purchased electricity and steam)
- Third-party verification of 2005~2008 emissions completed (Dec. 2008, Korea Foundation for Quality, KFQ), the 2009 figures will be verified only after the government finalizes the calculation standards in September 2010.
- Figures from the previous report have been corrected in reflection of the changes which occurred in the course of GHG inventory-building.

(Achieved the 10% Energy Conservation Target)

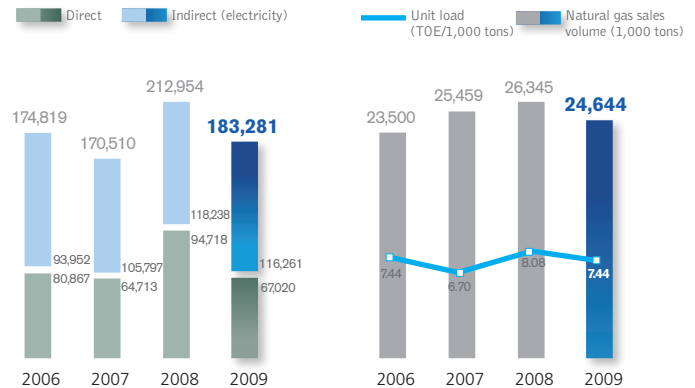
By coping with the rapidly changing business environments driven by the government's carbon-lean green growth policy and numerous global initiatives against climate change, KOGAS has implemented various aggressive energy conservation initiatives. In 2009, coupled with across-the-board efforts regarding energy conservation, the higher vaporizing seawater temperature and shrinking sales of natural gas brought down energy consumption by 13.9% from 2008. Consequently, GHG emissions from energy consumption dropped 95,331 tCO₂. In 2010, the company plans to adopt an Energy Management System (EMS) for the more systematic and efficient management of energy.

(Reducing Greenhouse Gas Emissions by Recovering Vent Gas)

KOGAS has adopted recompression equipment since 2003 in order to recycle vent gas produced by repairing and/or relocating pipelines. In 2009, KOGAS recycled a total of 1,284 tons of natural gas, in turn reducing 26,964 tCO₂ equivalent in GHG emissions.

Annual Energy Consumption & Unit Loads

TOE: Ton of Oil Equivalent



(Setting the Reduction Potential for Efficient GHG Reduction)

Through participation of global GHG reduction initiatives, the Korean government had set its national GHG reduction goal at 30% reduction by 2020. Accordingly, KOGAS evaluated its GHG reduction potential in order to set a voluntary GHG reduction goal based on to the potential for reducing GHG emissions. KOGAS identified several options to reduce GHG emissions, such as optimizing the operation of the vaporizing pumps, replacing the steam condensation water traps and installing solar heat systems, etc. When applied, these measures are expected to reduce GHG emissions by 6,800 tCO₂ starting from 2015. Based on this analysis, the company will push forward with its activities in 2010 in order to reduce GHG emissions based on its own mid to long-term GHG reduction goal.

(Renewable Energy for Gas Supply Facilities)

In response to the UNFCCC which will introduce caps on annual CO₂ emissions, most nations are actively pursuing renewable energy resources. KOGAS, for its part, chose solar power generators and solar heat systems as energy sources at its Cheonan and Gunsan valve stations. In 2010, the company is planning to install a solar power generator at the office building of the Chungcheong District Division. Meanwhile, the company is also currently reviewing the feasibility of small wind power plants, fuel-cell power generators and air-cooling facilities fueled by terrestrial heat being applied to its terminals in the future.

Improving Green Mindset

(Carbon Disclosure Project (CDP))

KOGAS participates in a carbon disclosure project (CDP) involving about 3,000 global companies, including 475 leading global financial institutions such as Goldman Sachs, Morgan Stanley and AIG. In 2009, the company did its best to provide more accurate and credible climate change information, which was utilized to evaluate investment risk and opportunities by numerous global financing and investment organizations. As a result, KOGAS was selected as a 'Best Practice' for its addressing of climate change by the CDP Korea Committee in October 2009.



CDP Award

(GHG Emissions Trading Scheme)

While countries around the world are seeking efficient ways to reduce greenhouse gas emissions, the Korean government affirmed its adoption of the GHG emissions trading scheme in its carbon-lean green growth basic act announced in 2010.

In a bid to enhance company-wide understanding of the scheme as well as the attitude of working-level employees' in regards to fighting climate change, KOGAS gave a training session involving the mock trading of GHG emissions in 2009. While training environmental and energy officers at its headquarters and branch offices, the company also introduced software developed and provided by the Korea Energy Management Corporation (KEMCO). In 2010, the company plans to conduct two company-wide emissions mock trading sessions as well as participate in a national event.

(Instilling a Green Mindset in Employees)

KOGAS conducted diversified education and promotion programs in order to establish a green mindset among its employees. The company gave a two hour presentation on the subject of "Climate Change & Carbon-lean Green Growth" to all of its employees, helping them better understand climate change. Inviting external experts to give presentations, the "GHG Inventory-Building In-house Audit Course" has helped the company's environmental and energy officers to strengthen their understanding and preparedness in responding to climate change. In the meantime, the company also published a glossary book on climate change and carbon-lean green growth terms.

(Carbon Point Program for Individual Workers)

Reducing GHG emissions begins with changes in individual habits. Providing its employees with opportunities to better understand the company's GHG reduction efforts, KOGAS is dedicated to establishing a habit of reducing GHG emissions in the day-to-day lives of its workforce both in work and out.

Encouraged by the successful results of the pilot program, KOGAS expanded the program to a company-wide level, providing its employees with opportunities to contribute to a carbon-lean society from their individual homes. After reviewing individual actions, such as commuting by bike and monthly energy conservation at home, the company paid employees carbon mileage points in proportion to their improvement from the previous year. At the same time, a dedicated web-based program for carbon mileage points was constructed on the corporate Web site, where employees can keep records of their energy consumption patterns. In 2009, a total of 776 employees participated in the program, reducing GHG emissions by 171,498kg CO₂. The company gave recognition incentives to the best performing individuals and group.



Carbon mileage web program



WE CARE ABOUT CUSTOMER SATISFACTION

DMA Social Performances

OUR APPROACH | Staying faithful to its business principles of contributing to public welfare through the stable supply of natural gas, all business decisions at KOGAS are made in consideration of their social benefits and profits. In line with its basic principles, KOGAS is involved in numerous environmental activities and community programs in the vicinities of its business premises. Internally, the company strives to ensure safe and pleasant working conditions for all its employees as well as create systematic programs that cultivate worker's talents. The recruitment system and human resource development (HRD) programs render all candidates with equal opportunities, while the company also takes full responsibility for everything it does by proactively cooperating with the labor union in various community programs. All in all, KOGAS has the overarching principle of respecting human rights in all circumstances.

OUR PERFORMANCE IN 2009 | In 2009, KOGAS endeavored to improve its management efficiency through layoffs and improving its welfare program in response to government-driven management efficiency initiatives.

While assisting its employees to strengthen competences so as to enhance labor productivity, the company worked to deal with issues arising from a lacking workforce. At the same time, it continues to encourage its employees to proactively participate in voluntary services.

KOGAS also supports its business partners by helping SMEs with management issues. In addition, the company fully abides by international standards regarding human rights and labor protection. In 2009, the company received no fines regarding the infringement of human rights or other social issues.



KEY INDICATORS

Category	Items	Major Performances		
		2007	2008	2009
Workforce	Total Employees (persons)	2,820	2,813	2,796
	Female Workers (% , persons)	7.7% (216)	7.7% (216)	7.7% (215)
	No. of Nonregular Staffs (persons)	103	100	72
Labor Relations	Labor Union Members (persons)	2,448	2,454	2,424
	Welfare Expenses (KRW million)	9,441	9,315	9,361
	Treasury Stock Holding Ratio	6.05%	6.05%	6.05%
Social Contribution	Social Philanthropy Expenses (KRW billion)	3.0	3.5	3.7
	No. of Accumulated Volunteers (persons)	4,207 persons	4,670 persons	4,788 persons
	Gas rate Discount for Charities (KRW billion)	2.3 (9,836 places)	2.9 (11,000 places)	3.9 (13,266 places)
SME Product Purchase	Total Procurement (KRW billion)	1,035.6	818.4	2,331.7
	SME Product Purchase (KRW billion)	163.7	155.4	565.6
	Percentage	16%	19%	24%
Safety Management	No. of Industrial Accidents (case)	1	3	1
Talent Cultivation	Training Investments (KRW million)	6,139	7,313	6,528
	Per Capita Training Expenses (KRW 1,000)	2,177	2,600	2,335

Per capita training expenses have been calculated based on the number of regular staff. However, from this year, the formula was changed to calculate the figure based on the current number of all staff.



Human Resources Management

The human resources management policy at KOGAS pursues a balanced growth of corporate productivity and individual competitiveness. To that end, the company assigns the right staff to the right position, as well as providing them with opportunities to choose from various career paths. Committed to its social responsibilities, KOGAS offers attractive opportunities to the underprivileged, and has eliminated any discrimination in its human resources management practice in compliance with international and domestic rules and regulations.

KOGAS Human Resources Management

(Workforce)

As of the end of 2009, 2,796 dedicated staff worked for KOGAS, excluding temporary workers. Under Affirmative Action, the company employs disabled and National Meritorious Persons, and has also reduced its number of non-regular workers in a bid to eliminate discrimination on its premises.

Employment Status

		2006	2007	2008	2009
Workforce (persons)		2,747	2,820	2,813	2,796
Female	No. of Persons	204	216	216	215
	Ratio (%)	7.4	7.7	7.7	7.7
Physically Challenged	No. of Persons	59	61	64	63
	Ratio (%)	2.1	2.1	2.3	2.3
National Meritorious Persons	No. of Persons	227	249	247	246
	Ratio (%)	8.3	8.8	8.8	8.8

Temporary Employment Status

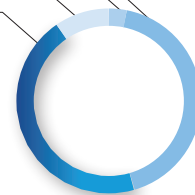
		2006	2007	2008	2009
No. of Persons (persons)		176	103	100	72
Male (%)		77.8%	55.3%	61.0%	54.2%
Female (%)		22.2%	44.7%	39.0%	45.8%

(Service Years and Employee Ages)

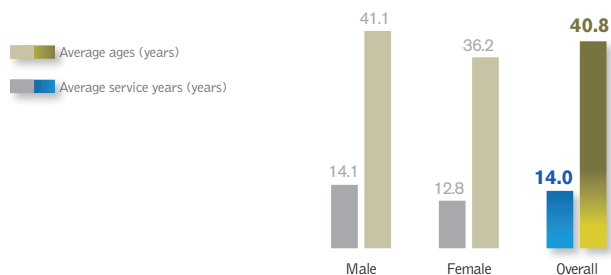
As of the end of 2009, the average years of service for KOGAS regular employees stood at 14.0 years, with the average age of employees standing at 40.8 years. While these figures represent a relatively long average time of employment and reasonable job stability, the aging workforce presents new issues that could undermine the company's dynamic power.

Breakdown by Age

30's 41.1% (1,149)
20's 3.7% (103)
50's 10.8% (301)
40's 44.5% (1,243)



Average Service Years & Age



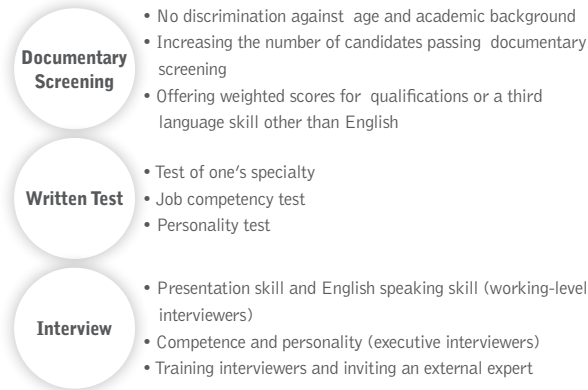
Equality in Employment

(Employment)

As a principle, KOGAS eliminates all discrimination against age and academic background in its recruiting process, allowing us to concentrate on hiring talented personnel. In order to recruit those that will best serve its corporate vision and core values, the company adopts various screening techniques, further enhancing the fairness and transparency of the recruitment procedures.

It also allocates quotas for the physically challenged, national meritorious people and the low-income brackets, offering favorable scores to these people. Meanwhile, in a bid to tackle the social issue of youth unemployment, KOGAS operates a youth intern program, hiring 133 interns in 2009.

KOGAS Employment Process



(Gender Equality)

KOGAS eliminates gender discrimination in its employment policies and working conditions. In a bid to recruit and retain competent female workers, the company offers advanced female-friendly employment policies, such as maternity leave, day care centers at work, lady's lounges and sexual harassment prevention campaigns. In 2009, KOGAS had its first female department manager and expects to have female executives in the future.

Fair Evaluation & Promotion

(Evaluation System)

In pursuit of the enhancement of its employees' competencies, KOGAS employs a fair evaluation system incorporating individual capabilities and performances. For the effective and fair management of human resources, we utilize these evaluation results as our basic criteria for promotion, transfer, training, education and compensation. These evaluation results are provided to our employees in order to help them sharpen their competitiveness. The performance evaluation of teams and divisions invigorates constructive competition within the company, and ultimately contributes to the attainment of our organizational goals.

(Promotions)

KOGAS practices a competence and performance-based promotion system. Performance evaluation, service year and a multi-rater promotion screening system are used to determine employees

Individual Evaluation Scheme

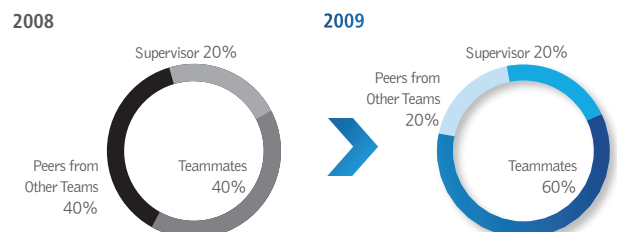
	Competence	Performance	Multi-rater	Recommendation for Promotion
Target	All employees lower than 1 st grade	All employees lower than 1 st grade	Employees in 1 st and 2 nd grades	Employees in 3 rd and 4 th grades
Evaluator	Supervisor	Supervisor	Supervisor, peer and subordinate	Supervisor, peer and subordinate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

eligible for promotion. The candidates then undergo a review by a promotion review board before executives or the President makes a final decision. All process are conducted in a transparent and fair manner. In particular, the company improved its promotion procedures and evaluation factors for grade-3 employees (deputy managers), considered to be key KOGAS employees. The new procedure has reinforced competence evaluation and self-development performances to encourage self-development and engagement. At the same time, the company includes the voices of fellow workers in the multi-rating screening procedure, thus enhancing the reliability and acceptance of the results.

Improvement to the Promotion Process of Grade-3 Deputy Managers



Improvement to the Multi-rater Screening



(Job Openings for Transparent HRM Operation)

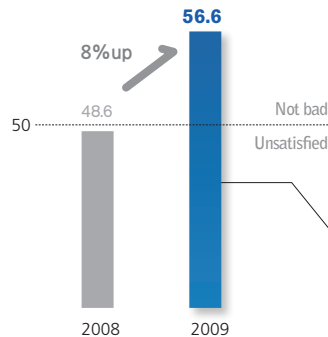
KOGAS assigns employees selected through internal job openings to key positions, establishing fair competition within the organization and enhancing fairness and transparency in the selection process. In particular, job positions above team manager level are recruited through job openings, enhancing the job satisfaction and responsibilities of employees. The increasing number of overseas projects has also given rise to more opportunities to work abroad. The company publicly recruits candidates for overseas dispatches, recruiting talented workers and assigning employees to their dream positions, which, in turn, improves rationality and transparency in our human resources management practices.

Improving Job Satisfaction

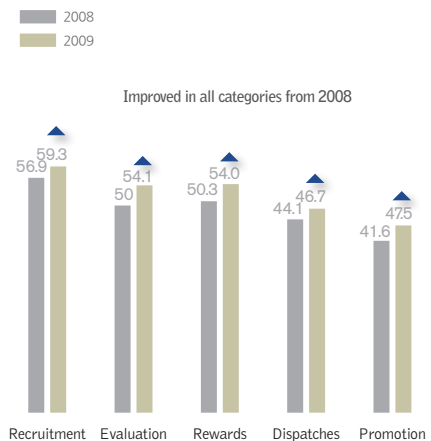
(Job Satisfaction Survey)

KOGAS conducts surveys of its employee satisfaction as part of its human resources management practices. For objectiveness and transparency in its procedures and results, the company outsources the survey to an external agency. Based on the objective diagnosis of its human resources management system and operation, the company prepares improvements and future directions. In addition, the company conducts follow-up surveys on employee satisfaction in regards to recruitment, evaluation, rewards, dispatches and promotion for a more effective and specific analysis of its system. In 2009, employee HRM satisfaction improved by 8% from the previous year, a clear indication of improved rationality and employee satisfaction.

HRM Satisfaction Score Comparison



Comparison of HRM Satisfaction by Category



Interactive HRM

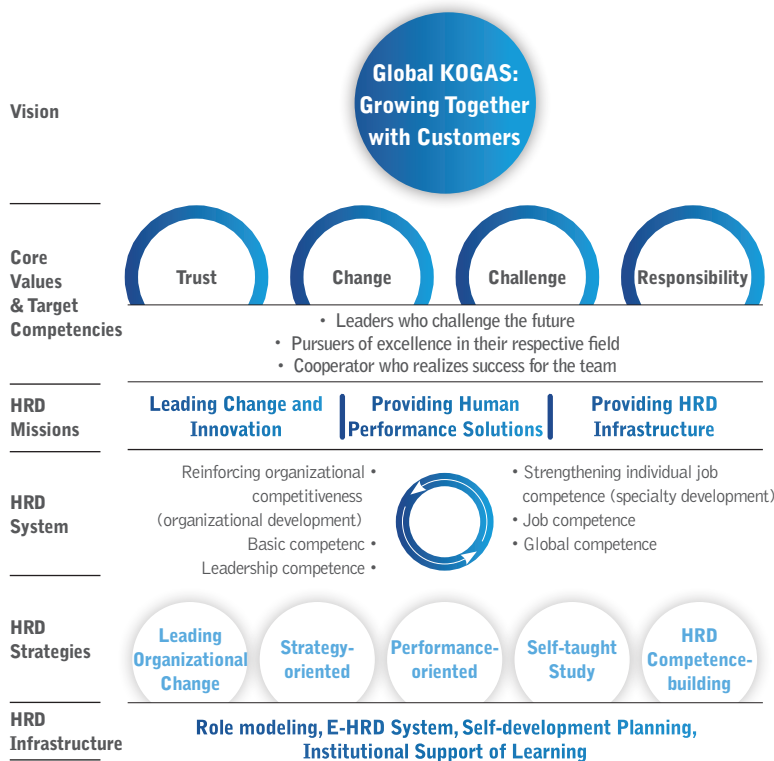
HRM employees run tour sessions of all our business premises in order to explain current HRM policies and issues and listen to employees' suggestions, thus enhancing the employees' acceptance of the HRM systems and its rationality. In case of a revision to the system, the company holds workshops to reflect employees' opinions. It also operates diversified channels for its employees to voice their grievances and complaints, such as e-mail, telephone, visits and an intranet system. Those voices are incorporated in the assigning process.



Human Resources Development

In order to attain its vision of “Global KOGAS: Growing Together with Customers,” KOGAS developed numerous strategic tasks in order to retain a globally competent workforce and core technologies. In particular, the company helps employees strengthen their competences and realize their full potential, while also providing diverse programs designed to create a happy family life. At the same time, it operates a number of community programs in order to pursue co-prosperity with local communities.

2009 HRD Strategic Scheme



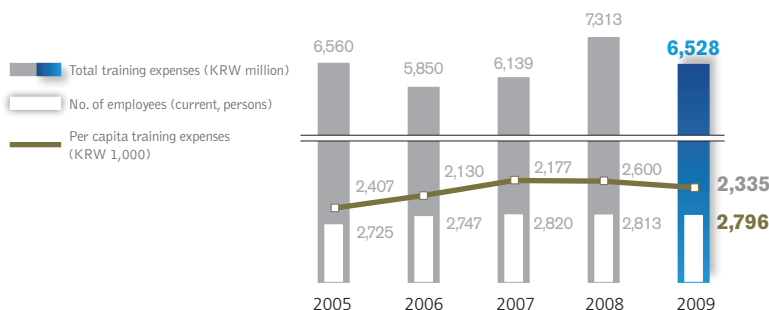
Fostering Future Leaders

(KOGAS Education Philosophy & Target Competencies)

The HRD program of KOGAS has set its target at strengthening individual job competences and the four major competences of its employees, including basic competence, leadership competence, job competence and global competence. While inducing changes in individuals that will lead innovation in the organization, the company also encourages self-directed learning and on-the-job training in a bid to help them increase their competences for overseas projects and new businesses. For the comprehensive and systematic management of these goals and programs, KOGAS has constructed a HRD infrastructure, including the e-HRD system, which serves as an effective tool in incorporating the four core values into the corporate culture and fostering future leaders.

Total & Per Capita Training Expenses

Since 2009 the per capita training expenses is calculated based on the current number of staff unlike last done based on the prescribed number.



(Training Investments)

KOGAS makes consistent investments in education programs in order to foster a talented workforce, while also customizing training programs to individual and organizational demands and needs. In 2009, we spent a total of KRW 6.5 billion in training expenses, with a per capita cost of KRW 2.33 million. Per capita annual training hours stood at 104 hours, up 11 hours from 2008.

Development of Specialized Global Talent

(Domestic and Overseas Advanced Training Programs)

With the aim of cultivating globally competent management skills and profound expertise in all its employees, KOGAS operates commissioned courses for degrees and research programs at colleges, both domestic and overseas, in addition to OJT courses. In 2009, the company ran similar programs to those of the previous year, while further fine-tuning the overseas and domestic courses.

(Comprehensive HRD System)

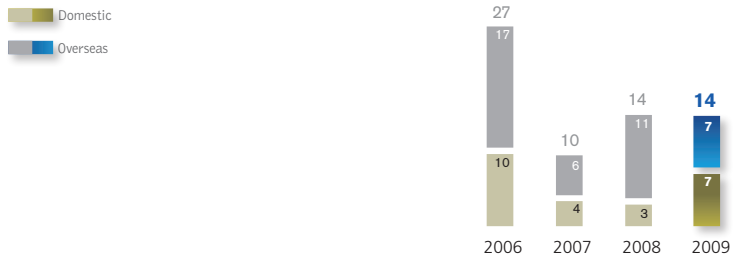
Competences are built upon the knowledge and experience accumulated in the course of fulfilling ones duties. Therefore, KOGAS operates a career development program (CDP) to assist its employees in effectively building their competences. Under the program, employees set their individual career goals and regularly check their current status and required competences. Based on the results, they can design their own competence-building plans. CDP progress is monitored at each step and feedback provided to employees in order to strengthen their competences and increase job fulfillment. Through the objective review of their achievements, the company then positions qualified employees in the most suitable areas.

(Self-directed Life Learning)

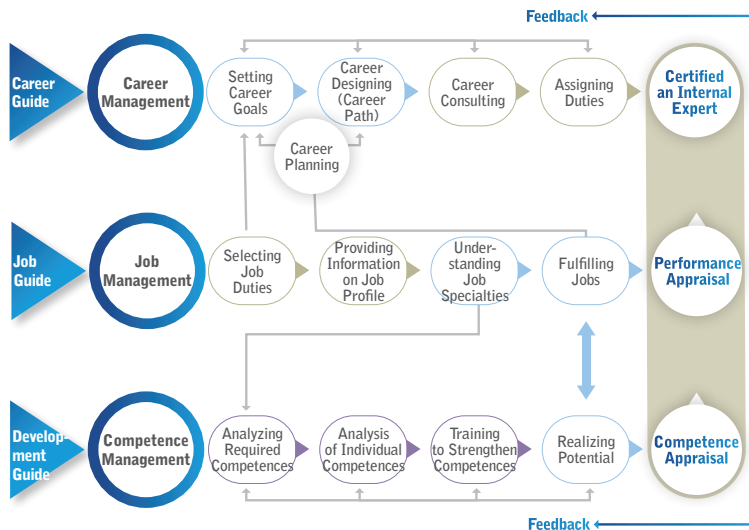
Through a multi-dimensional analysis of individual and organization demands, KOGAS is able to create the optimal conditions for self-directed learning, setting the stage for co-prosperous growth. While individuals are able to plan the career path they desire, the company supports them by informing them of the required competences needed for these positions. This systematic approach allows employees

Yearly Advanced Training (Unit: persons)

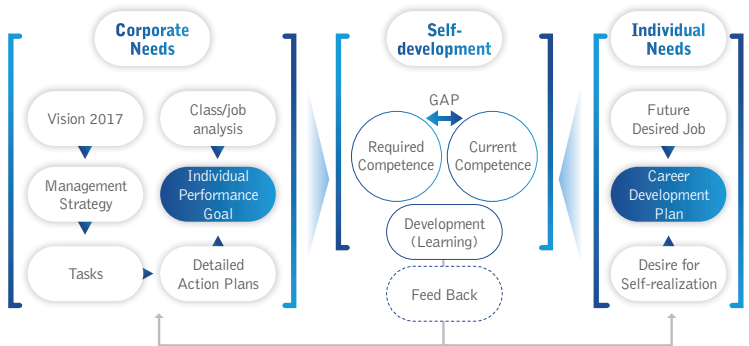
2009 trainees composition: Two in global MBA courses, two on the EHS and climate change course, five on resource development, two on financing and three on overseas OJT



Human Resources Development Scheme



A Comprehensive Multi-dimensional Analysis of Individual and Organizational Needs





to more clearly understand the requirements needed for their prospective careers.

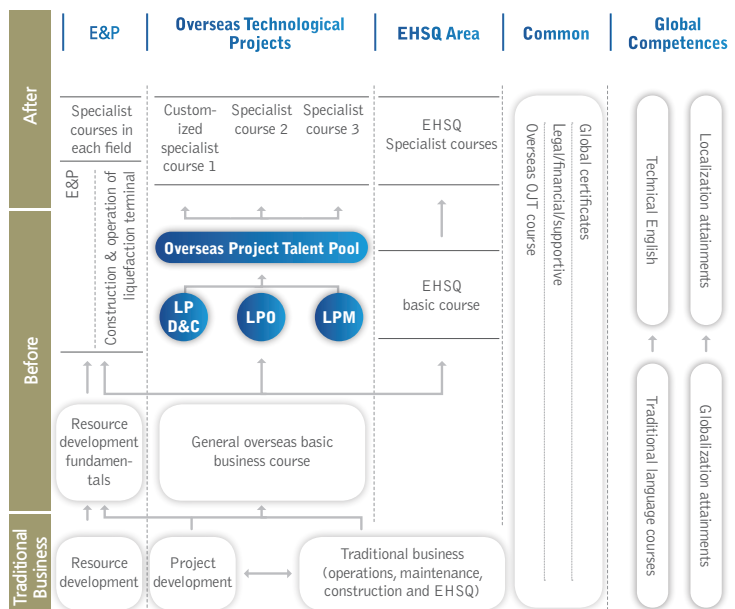
(Fostering Key People to Attain its Vision)

While contributing to the nation’s energy security, KOGAS is also dedicated to breaking through the stagnated domestic gas industry. To that end, the company is actively involved in overseas projects involving the whole value chain of the natural gas business as well as other new business areas. While leveraging its competencies in LNG terminal construction and operation, the company needs experts in new business areas such as the development and production of natural gas. In dealing with this issue, KOGAS has devised a roadmap for strengthening its overseas project workforce, identifying the competences it requires. At the same time, the company is continuing with its conventional HRD programs, such as long-term domestic and overseas training courses, language courses, OJT programs, short-term courses on specialty-building and internal job training courses.

(Mutual Growth of the Company and Community)

KOGAS values a work-life balance for the mutual growth of the company and its employees’ families. Under the belief that a healthy family constitutes a prosperous company, KOGAS operates family programs in an attempt to improve the quality of life of its employees and their families, including weekend family programs, teenager leadership camps and English language camps. In fulfilling our social responsibility to our local communities, we also operate a KOGAS Academy for local residents, at which socially prominent figures give monthly lectures on a variety of subjects. These activities serve as a platform for the company’s realization of co-prosperity management as a respected corporate citizen.

Overseas Project Workforce Building Roadmap



Knowledge Management

KOGAS’ knowledge management is based on action-learning, where the community of practice (CoP) program allows learning and improvements to be made at the same time. In addition to this, the company runs a company-wide management system, KOSMOS, through which employees can register ideas which are then reviewed by experts in terms of feasibility. In 2009, we integrated CoPs that had been categorized by knowledge, suggestion and performance in encouragement of more active CoP operations. As of 2009, a total of 298 CoPs are active. In review of the performances, the company pooled 128 CoPs, from which it drew 90 through contests. These CoPs received incentives totaling KRW 55 million, double the amount awarded in 2008. Of the total 2,687 cases of registered knowledge, 17 outstanding cases were rewarded with a total of KRW 7.8 million.

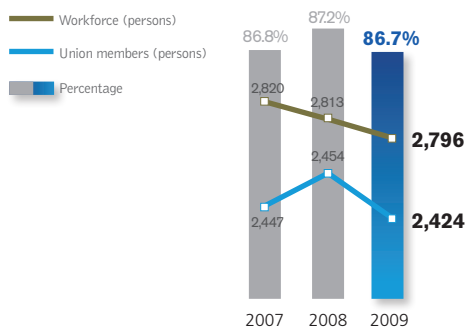
Co-prosperous Labor-Management Partnership

(Labor Union)

KOGAS fully abides by the "ILO Convention 87 Freedom of Association and Protection of the Right to Organize Convention" and the "ILO Convention 98 Right to Organize and Collective Bargaining Convention" and respects workers' rights. Founded in November 1985, the KOGAS labor union was incorporated as a branch of the Korean Public Services Union in November 2006 under the reorganization of labor union associations. The union operates under the union shop system, in which all employees under grade 3 are automatically entitled to membership. As of the end of 2009, 2,424 people, or 86.7% of the company's regular staff, were members of the union.

Number of Union Members Trend Over the Past Three Years

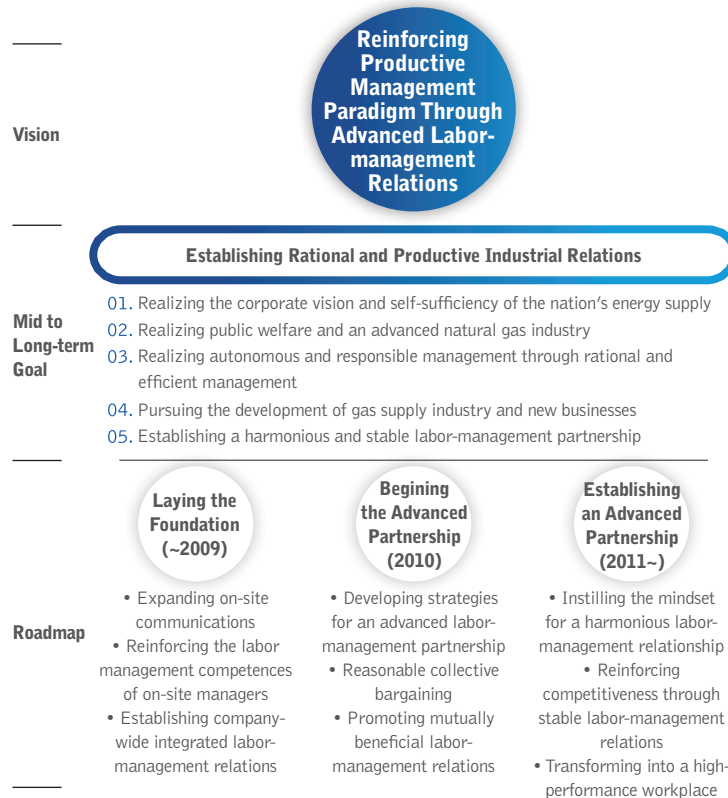
The percentage is against the current number of regular staff.



(Strategies for Advanced Labor-Management Relations)

The labor and management of KOGAS signed an agreement for rational and productive union relationship on March 2, 2009, and established strategies for an advanced partnership. Accordingly, both parties have worked together in open communications and active discussions regarding management efficiency in order to realize public welfare and KOGAS' vision.

Strategy for Advanced Labor-Management Relations



Renewal of Collective Bargaining and Dismissal Notice

Collective bargaining is a written agreement between the company and labor union regarding individual working conditions and general labor-management issues.

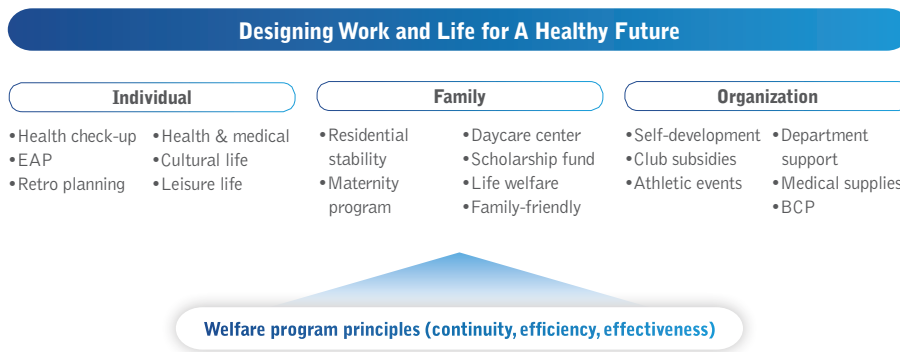
KOGAS' collective bargaining is effective for two years, from March 14, 2007 to March 13, 2009, but will remain in force during the negotiation until the new agreement is signed. KOGAS and the labor union have been in negotiations regarding new collective bargaining since April 2009. The labor union broke off negotiations on the 25 disagreed issues in August 2009, and called two strikes in November 2009 after the failure of mediation.

In response, the company claimed the strikes were illegal walkouts for political reasons and responded strictly based on law and principles as well as the breakdown of the collective bargaining. With the labor union calling off the strikes in December, the two parties have been in talks ever since.

Employee Welfare Programs for Healthy Future

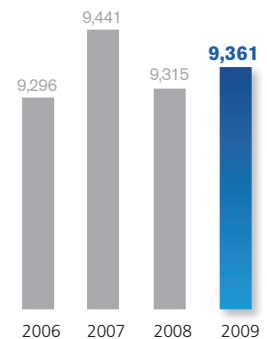
KOGAS adopted an optional welfare program in 1998 that caters to the individual needs of employees, and thereby enhancing their satisfaction and productivity. The welfare card, introduced in 2007, further enhanced efficiency and transparency of the welfare programs. Furthermore, the company mobilized the employee assistance program (EAP) and the H1N1 Business Continuity Planning (BCP) so as to promote a healthy work life for its employees. Currently, the company is reviewing a retirement pension program designed to provide a stable retirement life to its employees.

KOGAS Welfare Program



Optional Welfare Expenses

(Unit: KRW million)



(Health Check-ups & EAP)

Concerned over the health of its aging workforce, KOGAS upgraded its annual health check-ups to provide special care to its employees aged 40 and above. As a preemptive health management program, the company supports stress management program as well as an employee assistance program that prevents risk factors in advance. As such, these win-win strategies are enhancing employee satisfaction and organizational productivity.

(Retirement Pension Program)

Dedicated to ensuring the stable retirement life of its employees, KOGAS is reviewing a retirement pension program that has been proven effective by some public corporations. Following consultancy with an expert agency, the company designed its own retirement pension program customized to its needs. Before finalizing the program, the company conducted surveys, seminars and workshops to ensure that employees, the direct beneficiaries of the program, and the labor union were on the same page. Aiming to implement the program in 2010, the company is planning to give a presentation with the labor union and gain consent from its employees before finalizing the system.



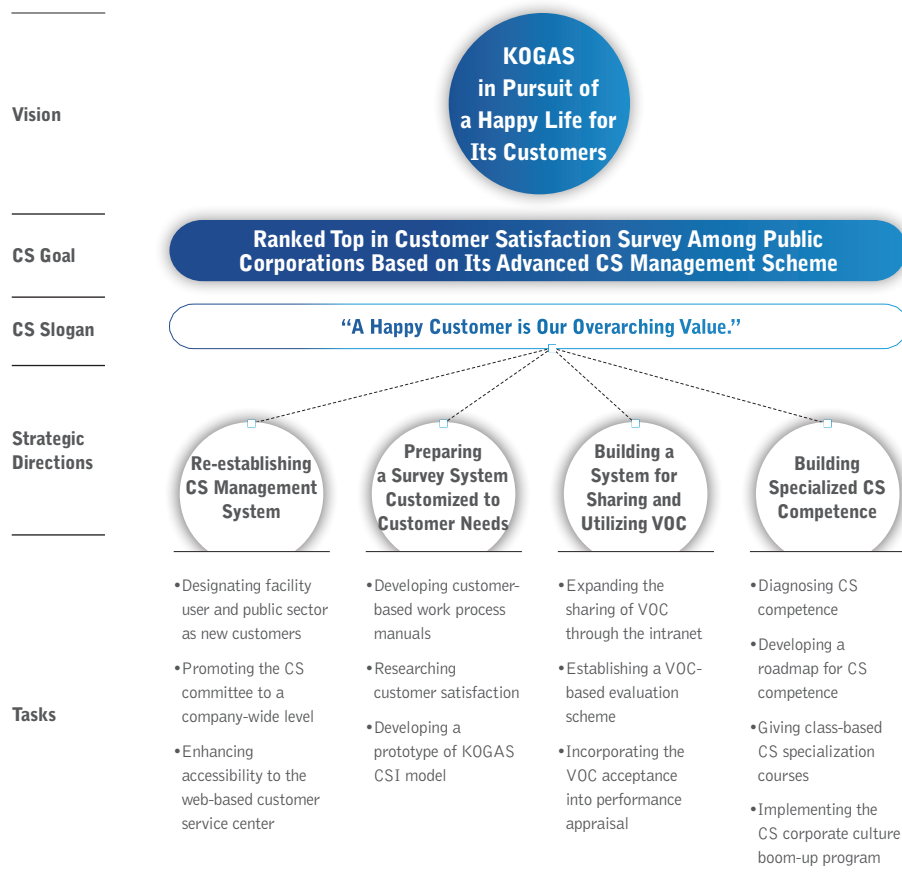


Mutual Growth Activities

Customer Satisfaction Management

The beneficiaries of KOGAS' natural gas service, as well as the general public and all stakeholders are customers of KOGAS to some extent. In line with the corporate vision of "Global KOGAS: Growing Together with Customers," KOGAS has developed a customer satisfaction management vision and four strategic directions and 13 action plans as a platform for implementing customer-oriented management. As a result, the customer satisfaction survey of public corporations conducted by the Ministry of Strategy & Finance has named KOGAS as the best performer for three years in a row since 2007.

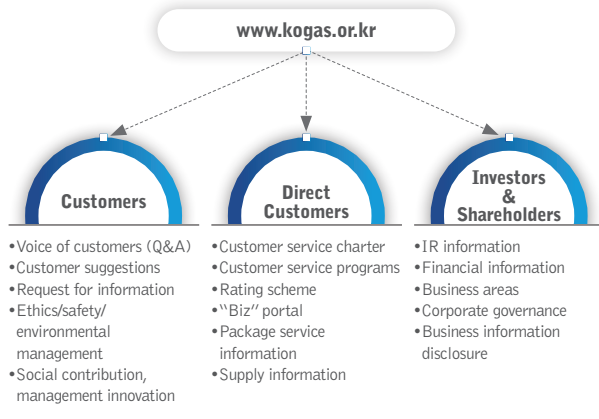
CS Management System



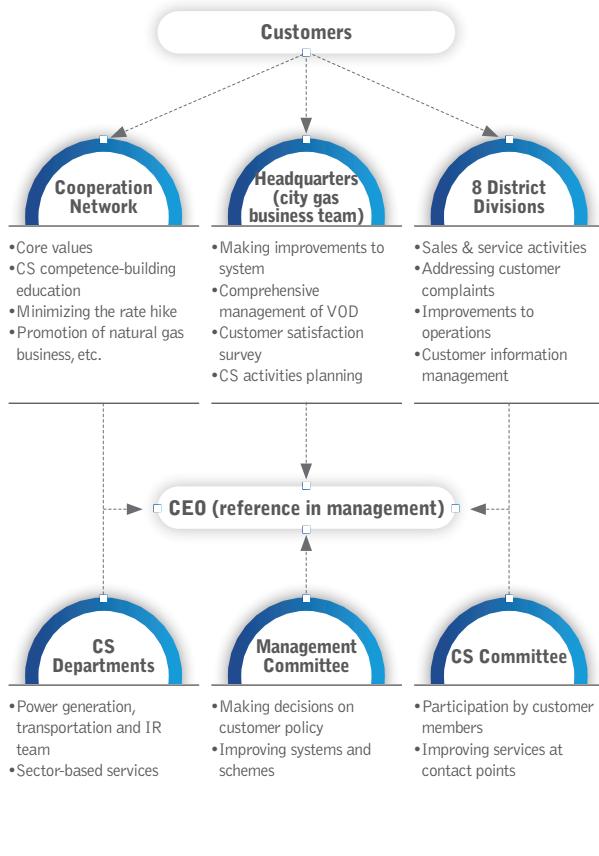
(CS Organization)

KOGAS has working-level CS organizations at each of its district divisions and operates a CS Committee and online customer service center through which customers can participate directly. In 2009, the company promoted the CS Committee to a company-wide level and upgraded its online customer service center Web site, further reinforcing the CS scheme.

The Web-based Customer Service Center



Activating Offline CS Organization



CS Management Practices

KOGAS earned 98.1 points in the customer satisfaction of public corporations survey in 2009. It scored particularly high for its win-win management practices, such as joint marketing and continued communications with client companies.

(Strengthening On and Offline Customer Communications)

KOGAS has connected with customers through various contact points and communication channels. In addition to its demand development council, rate pricing presentations, customer talkfest, technology information exchange sessions, demand development workshops, Anti-corrosion council and field experience days, the company held a total of 120 meetings with customers in 2009. Meanwhile, it also upgraded its online customer service center, improving accessibility to the database for those without memberships as well as establishing a "Biz" portal that provides customized information to customers. In addition, its voice service for the visually-challenged has ensured everyone has equal accessibility to information.

(Improving Systems According to VOC)

KOGAS has ceaselessly worked to improve service quality and expand its natural gas supply network. Furthermore, it improved the system of contract-based industrial supply in order to deal with volatile economic developments and the financial crisis.

Upon a request by local governments and city gas companies regarding pipelines, KOGAS has developed plans to increase and upgrade natural gas supply pipelines. This move has saved approximately KRW 8.2 billion in customer pipeline investment expenses and contributed to the early supply of natural gas to not-yet-in-service areas. In addressing the city gas companies' complaints that it is difficult to keep to contracted purchase volumes, KOGAS has amended the individual contract-based agreement to a lump-sum purchase agreement instead. In addressing private importers' requests for sharing natural gas production and supply facilities, the company has introduced new regulations regarding the use of its gas production and pipelining facilities, as well as entered into contracts on the use of gas supply facilities and the provision of unloading, storage, vaporizing, transmission and pipeline services.

Supporting SMEs

KOGAS depends on SMEs for 90% of its materials and procurement of LNG terminal construction or natural gas pipelines. Therefore, competent SMEs contribute to KOGAS' competitiveness. The stable construction and operation of cryogenic high pressure gas facilities heavily depends on these SME's technologies. Therefore, KOGAS supports its SME partners so as to improve the quality of its gas facilities and stabilize management.

(Increasing SME Product Purchases)

KOGAS sets SME product purchase goals and devises expansion plans in order to offer more opportunities to its SME partners. While training those employees in charge of these goals, the company conducts monthly progress checks on their performances. To date, KOGAS has outperformed all of its targets.

The 12 district divisions and R&D division of KOGAS make preferred purchase from their respective local businesses, thus contributing to the development of local economies.

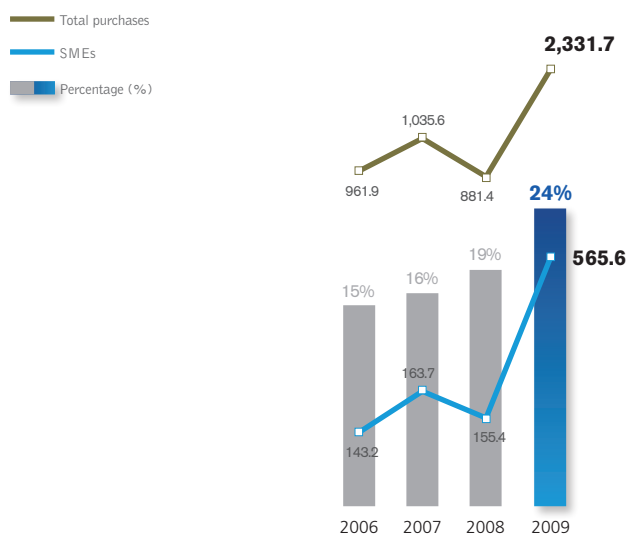
(Supporting SME Technology Innovation)

In encouragement of SMEs' technological development, KOGAS promotes new product development projects with purchase guarantees and localization of core components. These programs provide stable supply lines and encourage SME to push forward with technological R&D activities.

(New Product Development Projects with Purchase Guarantees)

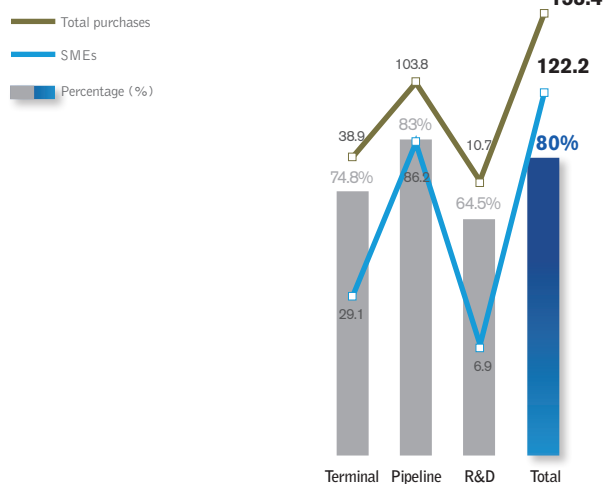
Entering into an agreement with the Small and Medium Business Administration (SMBA) in 2003, KOGAS selects items every year in order to fund SME development activities, making preferred purchases of these items for two years. Through this program, KOGAS has purchased five items in deals worth KRW 830 million from 2005 to 2009. It also purchased KRW 12.7 billion in additional products from SMEs possessing excellent technologies in NEP and other key products.

SME Product Purchase (Unit: KRW billion)



2009 District Divisions' Purchase (Unit: billion)

Purchase made by district divisions are usually in small amounts and for different items, but oriented to local suppliers.



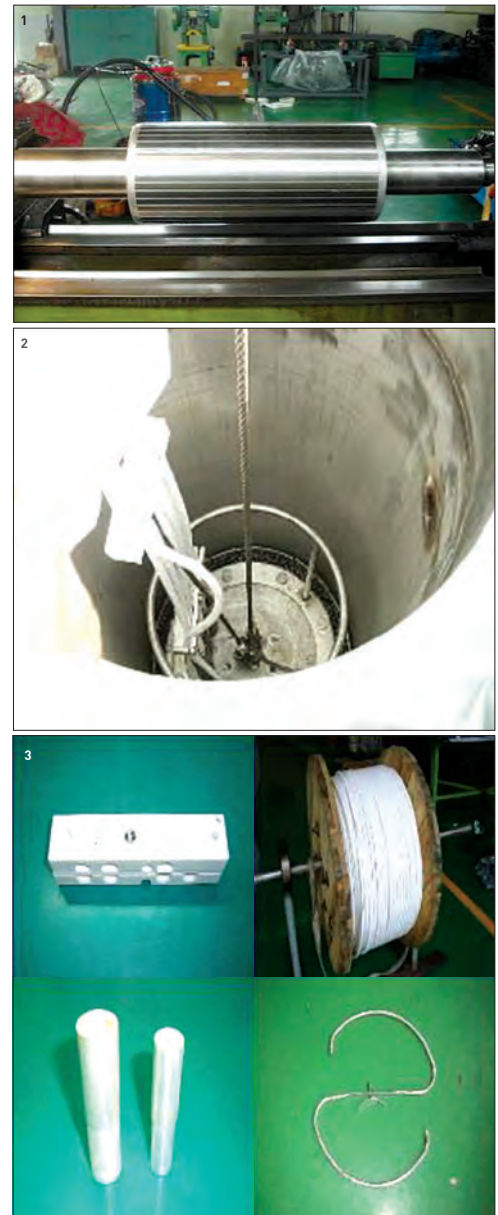
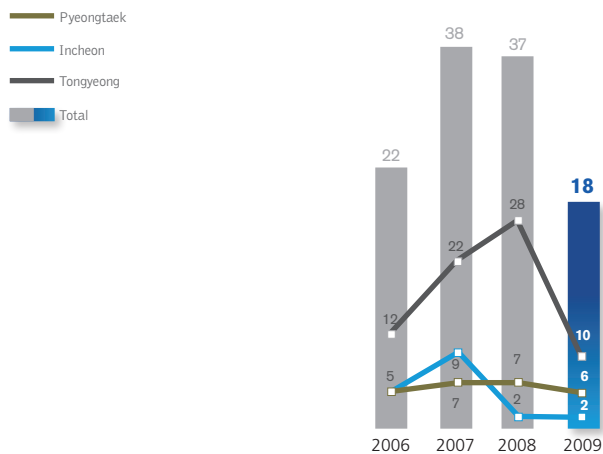
(Localization of Terminal Equipments)

In a bid to stabilize its facility operations, KOGAS supports its SME partners' technology development and the localization of spare component supplies of foreign made LNG Terminal facilities. In 2009, 18 items were localized.

(Supporting SMEs with Liquidity Issues)

KOGAS runs a liquidity aid program for its SME partners to improve management conditions and stability in after sales service. KOGAS has paid SMEs in cash since October 2004. Furthermore, it raised the portion of prepayments in 2007, and has paid KRW 1.6 billion more in prepayments since then. From December 2008 to December 2009, KOGAS has paid its SME partners up to 70% of bills in prepayment. Furthermore, KOGAS continues to educate its employees on the public purchase program, cultivating a mutual cooperation mindset and reinforcing its internal competencies for SME support. It also holds regular meetings with partners to listen to their grievances and suggestions, as well as collects opinions through anonymous surveys in order to eliminate any inconvenience or unfairness regarding their transactions with KOGAS.

Localization Performance of Terminal Reserve Supplies (No. of items)



1_ Localization of secondary pump rotor ass'y

2,3_ Localization of primary pump cryogenic cable

Safe & Healthy Workplace

The safety and health management of KOGAS was fully described in the 2008 report. The comprehensive EHSQMS* has acquired the ISO9001, ISO14001 and OSHAS18001 certificates, continuously improving integrity and effectiveness. In particular, safety and health management practices at KOGAS focus on preemptively identifying any hazards and eliminating or minimizing them, thus ensuring fundamental safety and health in the workplace. While the company continues to reinforce its response capabilities through regular education and training drills in normal times, a crisis management system is put into operation in emergencies.

* EHSQMS: Environment, Health, Safety & Quality Management System

Safety & Health Management Performance

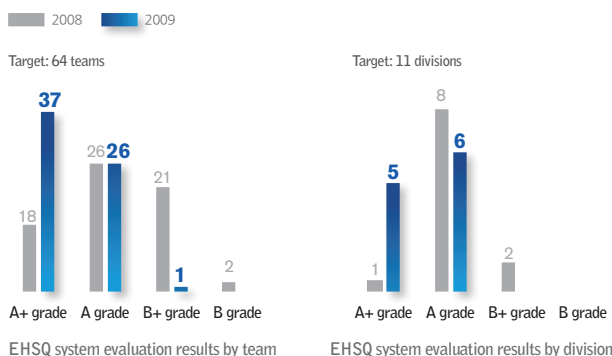
KOGAS has continuously improved the effectiveness and efficiency of its EHSQ management system, while simultaneously preemptively detecting and taking appropriate measures regarding any on-site hazards. Through these activities, the company has been able to become an accident-free workplace. Based on this high-level of safety, the company has been able to maintain the integrity of its natural gas supply facilities and ensure a stable supply of natural gas.

(Improving the Assessment of the EHSQ Performances)

KOGAS runs a feedback system through which it assess the effectiveness and appropriateness of the PDCA activities of each team on-site of the EHSQ management policies and requirements, making any necessary improvements to the system and ultimately preventing any on-site disasters or accidents. The company added the International Safety Rating System (ISRS) in 2009 to its four existing conventional management system evaluation programs, and therefore upgrading its management system to a globally competent level.

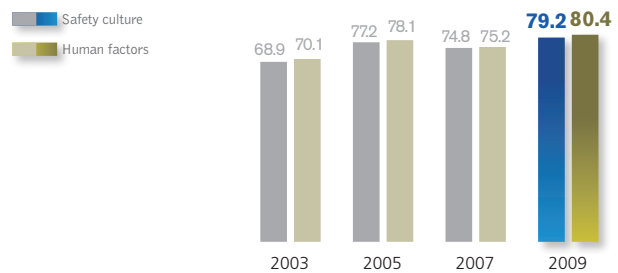
The five assessment programs: EHSQ management system evaluation, ISRS, compliance of safety regulations, fair and safety audit, and ISO integrated certification evaluation

2009 EHSQ Management System Evaluation Results



(EHSQ Program to enhance Safety Mindset of Employees)

A safe workplace can be realized based on the employees' awareness and engagement to safety, as well as the company's management system and corporate culture. As part of its initiative to encourage safety practices, KOGAS has reinforced the independency of its safety management organization, adopted the EHSQ rating and international standards, conducts system education for managers and gas fire drills for the entire workforce, EHSQ practice training as well as reminding the importance of safety through its intranet. These efforts bore fruit in the safety culture survey of 2009.

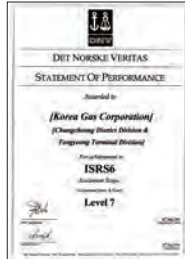
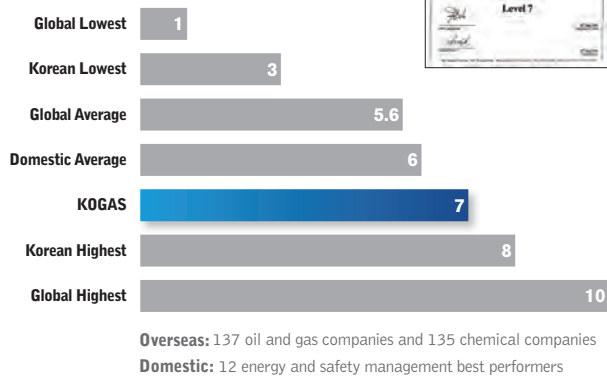


Safety culture: Employees' willing to participate in the system in their daily activities of duties through EHSQ mindset and behavioral changes
Human factors: Employees' willing to comply with safety guidelines

(ISRS External Analysis (benchmarking against global best practices))

By objectively comparing KOGAS' safety management practice with global benchmarks, KOGAS can identify its current status, strengths and weakness as well as make improvements, and thus ensure globally competent safety & health management practices. To that end, it consigned the ISRS evaluation to DNV, an external agency. The analysis showed that KOGAS maintains an average level, as well as revealing areas requiring improvement, which the company will work to improve.

The ISRS Analysis Results



Crisis Response System Effectiveness Verification

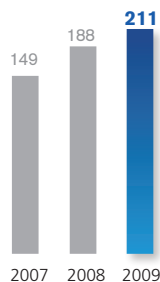
(Near-miss Review & Follow-up)

KOGAS identifies and rewards best employee practices in near-miss cases, before sharing them with the rest of the company. In 2009, a total of 211 near-miss cases were reported up 12% from the previous year. Of this, improvements were made to 193 cases, 91.5%, with 18 cases still in the process of being improved.

(Ensuring an Emergency Response System)

KOGAS operates an emergency response system in order to minimize any damage and protect the lives and properties of citizens in case of any emergency and/or crisis situation. While operating

Near Miss Trends



remote monitoring and response systems via headquarters and its nationwide network, the company also operates a hotline, connecting itself to all related organizations. Regular emergency drills based on the working-level response manual for case-by-case scenarios also further enhances on-site countering capabilities. In 2009, a total of 198 drills involving 16,492 participants verified the effectiveness of the company's system and reinforced its emergency response capabilities.

Disaster Drill Performances

Drill	2008		2009		Remarks
	Cases	Partici-pants	Cases	Partici-pants	
Safe Korea	1	273	1	315	• 49 cases increased (33%)
Joint Drill	23	1,037	11	1,140	
Disaster Drill	57	2,645	101	4,091	• No. of participants increased by 6,067 persons (58%)
Phone-answering	46	6,462	59	10,946	
Report System Check	22	-	26	-	
Total	149	10,417	198	16,492	

Korea Safety Awards



1_ Korea Safety Awards 2_ Disaster and accident case book
 3,4_ Disaster response training drills

Health Management

(Occupational Health & Safety (OHS) Committee)

KOGAS operates an Occupational Health & Safety (OHS) Committee as a mechanism for coordinating its health and safety policies, labor union opinions and establishing a cooperative health and safety management system. Comprised of an equal number of representatives from both sides, each district division has its own respective OHS committee. In 2009, the committee held 33 meetings in total.



Occupational Health & Safety (OHS) committee

(Non-Smoking KOGAS Campaign)

Dedicated to providing a healthy and quality lifestyle to its employees, KOGAS has been engaged in a "Non-smoking KOGAS campaign." With the aim of reducing the current 30% smoking ratio to 5% by 2013, the company operates numerous diverse programs. In the first year (2009), the company ran a poster and essay contest regarding stopping smoking, rewarding the five best suggestions. Furthermore, the company also conducted non-smoking classes for volunteers aiming to quit smoking. In addition, the company ran non-smoking programs, closed smoking areas within its buildings and installed smoke sensors inside toilets.



Pop-up screen of the intranet

(Industrial Accidents)

In 2009, KOGAS only experienced one incident of a person being taken to casualty, that of an employee having a brain hemorrhage while on duty. Dedicated to creating an agreeable and safe workplace, KOGAS will further endeavor to operate an agreeable and safe workplace, so that all employees stay healthy and safe both at home and at work.

	2005	2006	2007	2008	2009
No. of Cases (cases)	2	1	1	3	1

Industrial accident criteria under the Occupational Safety and Health Act:

Death, disease or injury requiring medical treatment for more than four days



- 1_ Fire drill
- 2_ Gas leak point safety check
- 3_ Situation room simulation



Building a Happier Society

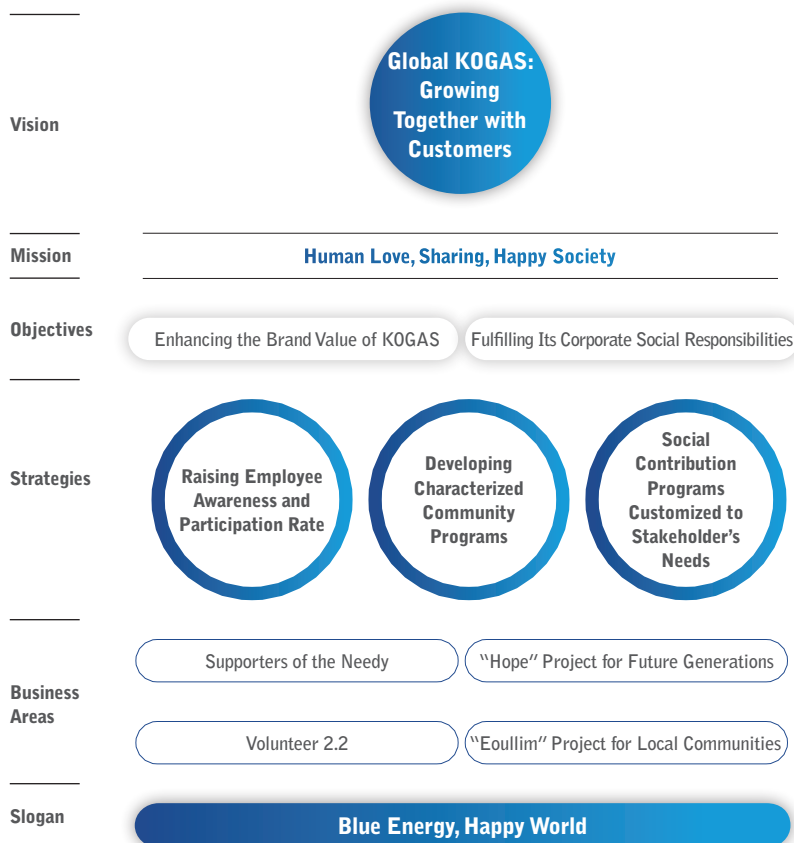
In a bid to return benefits to society for people’s unwavering support throughout our 25 year history, KOGAS shares with its customers and communities and cares about them. Through 13 regional divisions across the nation, KOGAS provides community programs catering to local needs and demands, and helping those in need get back on their feet. Dedicated to a blue energy and happy society, the company engages in various environmental, cultural and scholarship programs for the nation’s future generations.

Social Contribution System

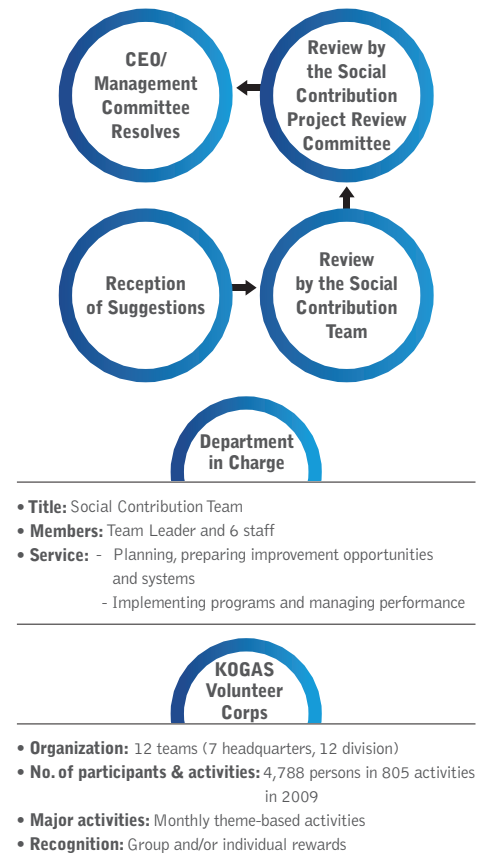
KOGAS’ social contribution programs underscore the corporate mission “better energy, better world.” In the longer term, the corporate vision towards a “global KOGAS: growing together with customers” expresses our dedication to our social responsibilities. In the same context, we set the objectives of our social contribution activities at ‘enhancing the brand value of KOGAS’ and “fulfilling our corporate social responsibilities” and are developed strategies to raise

employee awareness, as well as a KOGAS-characteristic community program and social contribution programs that satisfy stakeholders. Through its various social contribution initiatives, KOGAS is leading the green society with clean energy, while also helping to create a happier society that realizes welfare for everyone. KOGAS has established a “social contribution day” and a social contribution career management system.

KOGAS Social Contribution System



Social Contribution Organization & Decision-making



Voice of Customer

KOGAS surveyed the 69 charities nationwide to get their opinions and responses regarding the company's performance and the improvements made following the results of a survey conducted the previous year. The survey found that public recognition was high for our direct programs, such as charity patronage (32%), city gas rate discounts (25%), and scholarships for young people (12%).

Public demand was found to be highest for gas rate discounts for the underprivileged (39%), followed by free gas facility safety checks (24%) and supporting the construction expenses of laying pipelines

in not-yet-in service areas (20%).

As for areas requiring the company's attention, respondents picked "community program sponsorship (32%)," "gas rate subsidies to low-income brackets (26%)," "more voluntary services (19%)," "environmental protection activities (10%) and "scholarship programs (9%)." In consideration of these findings, the company will design and improve its community programs to ensure efficient social contribution activities.

Love and Care for the Needy

(Gas Rate Discounts for Charities)

As part of our initiatives to support the stable livelihoods of the socially underprivileged classes, KOGAS offers gas rate discounts to charities. Applying the lowest industrial gas rate, the company reduced the gas bills of 13,000 charities, saving them KRW 3.9 billion.

(Gas Rate Discount for the Underprivileged)

In an effort to help the financially-distressed, such as beneficiaries of the national basic livelihood, the disabled, and person of merit and national meritorious persons, KOGAS has been providing discounts on gas bills since January 2009. In its first year, the program provided KRW 11.4 billion in discounts to 7.78 million households. To ensure a warm winter for those in low-income brackets, the company postponed the suspension of services for about 2,000 households in arrears from October 2008 to May 2009.

(Creating Jobs for the Underprivileged – Love Sharing Project)

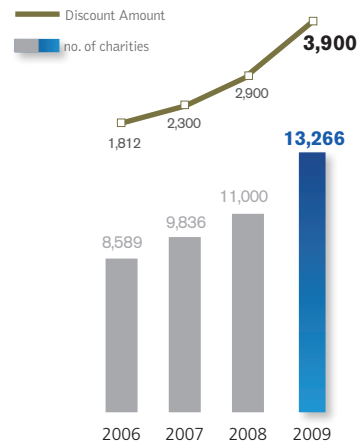
In response to the government's initiatives regarding job creation, KOGAS hired 203 university students and housewives as rehabilitation assistants, who will serve those in need with their housework and other daily life affairs. Called, 'Love Sharing Project.' In addition, the company hired 92 interns in response to the government's job sharing policy.

(Investment in Health for the Underprivileged – KOGAS Health-Sharing Project)

KOGAS offers medical services to the underprivileged, whom are otherwise overlooked by the social net of medical service, in cooperation with the Community Chest of Korea and the Bundang Hospital of Seoul National University. Beginning at the end of 2008, the KOGAS selected 389 low-income residents near its headquarters and 12 district divisions and subsidized their cataract operation costs. In 2009, the company worked with the Bundang Hospital of Seoul National University to provide assistive equipment to young disabled people.

Gas Rate Discounts to Charities

(Unit: KRW million, no. of charities)



Dreams Come True, Hope Project

(Blue Sky Project)

The Blue Sky Project is a joint environmental protection campaign conducted with civic groups in order to improve urban air quality. Launched in 2005 in collaboration with Green Korea United in Daejeon, the project involves the annual measurement and analysis of city air pollution, broadcasting campaigns and an environmental education program at the Blue Sky School for young people. In 2009, we created bicycle lanes in partnership with the Daejeon municipal government, receiving good responses for setting an example for the low carbon green growth project.



(Scholarship Program)

Dedicated to educational equality, KOGAS runs a scholarship program. In 2009, the company delivered scholarships worth KRW 1.6 million per annum each to 153 high school students selected by directors' recommendations and reviews. Furthermore, its "Clean Zone" project provides customized services designed to improve and sponsor educational equipment and facilities at local community childcare centers. Dedicated to delivering hope to our next generation, KOGAS will continue its education projects in the future.



(1 Cultural Asset, 1 Company Campaign)

KOGAS has been engaged in various cultural asset protection activities in order to protect the nation's cultural assets, from fire disaster to safety check-ups, since the fire at the Naksan temple. In 2009, a total of 292 KOGAS employees participated in activities at 43 cultural heritage sites, such as gas facility safety check-ups and the donation of fire extinguishers. At the same time, the company revised its site plot plan at its 4th terminal construction site in Samcheok, in order to preserve an ancient mud rampart that had been excavated at the site.



A Good Neighbor to the Local Community

(Community Engagement Programs)

KOGAS runs numerous community-friendly projects through its nationwide network of headquarters and district divisions. In addition to the KOGAS Academy that meets the cultural needs of local residents, we sponsor various projects customized to the diverse needs of stakeholders from different regions and classes. The company also operates various volunteer programs, such as providing free meals, improving the living conditions of elderly citizens living alone and family volunteer programs. KOGAS currently maintains sisterhood ties with 16 rural villages, 12 schools and two military corps, supporting them in various capacities.





Gas Science Museum Visitors

(Unit: persons)

The number abruptly dropped in 2009 due to the company's policy regarding the prevention of the H1N1 flu.

2006	2007	2008	2009
101,262	102,069	101,352	61,075



(Free Access to Gas Science Museum)

Despite its nationwide service, natural gas is relatively unknown to most public in general. Therefore, the KOGAS Gas Science Museum was established to promote convenient and clean natural gas energy to children. In addition to the Gas Science Museum at the Incheon LNG Terminal, small pavilions in Pyeongtaek and Tongyeong terminals provide local residents with opportunities to better understand KOGAS and its business. In particular, the company offers transportation services to those who are mobility-challenged, ensuring everyone has equal access to the museum.

Global Social Contributions Activities

(Inviting Vietnamese Child Patients with Heart Disease to Seoul)

KOGAS provides Seoul tour services to Vietnamese children who have undergone heart disease operations under the sponsorship of the Yoido Full Gospel Church and Milal Heart Foundation. In collaboration with the Seoul Baik Hospital, the company has provided Seoul tour services every year since 2008. This program has established itself as a new representative social contribution program of KOGAS.

(Sponsoring East Timor Youth Soccer Team)

KOGAS continues to invite the East Timor Youth Soccer Team and sponsor them with various soccer supplies, delivering them hope and encouragement. Since 2007, KOGAS has invited the team to Korea three times, with both sides learning more about each other every year. In the future, the company will seek to revamp its suspended volunteer activities in East Timor.

interview

KOGAS Volunteer Services

We offer free meals to the homeless in Suwon city. In January 2009, KOGAS donated a specially built vehicle from which we can cook and distribute meals. Furthermore, KOGAS employees volunteer to distribute free meals and wash dishes every first Thursday. The sight of these people working hard late through the night speaks of the company's dedication to the needs of local communities. I hope KOGAS keeps to address local community issues and continues to grow with the community through its active social contribution activities.

Baek Jeom-kyu Head of the 119 Shelter from the Wild World



Volunteer 2.2 Campaign

The Volunteer 2.2 Campaign is the promise that KOGAS employees made to the nation that they will translate care for the needy into action by increasing the number of volunteers and donations by at least 2% year-on-year.

(Sowing the Seeds of Happiness, KOGAS Volunteer Service Corps)

Launched as the former Cheongyeon Volunteer Group in April 1999, KOGAS VSC marked its 10th anniversary in 2009. Over the past decade, KOGAS VSC has grown into a good friend for those in need. KOGAS VSC not only provides material support to underprivileged people but also establishes a platform for a happier society through continued volunteer work. In 2009, a total of 4,788 man-hours have been spent conducting 805 volunteer activities.

The KOGAS VSC also operates various other weekend volunteer programs for employees and their families. The social contribution day, held every quarter, gives employees the opportunity to share their care for the community and contribute to a happier society.

(Matching Grant Program)

KOGAS employees contribute to the company-wide fund-raising by donating part of their salary to various charities as well as disaster relief programs. The company donates a sum equal to that of employees, calling it a matching grant. The funds raised through this program, sponsored 66 charities and 144 people in need in 2009.



East Timor Youth Soccer Team Sponsorship

Year	Period	No. of beneficiaries (persons)
2007	Oct. 14 ~ Nov. 8	40
2008	Aug. 25 ~ Sep. 23	25
2009	Sep. 6 ~ Sep. 19	23

KOGAS Volunteer Corps Organization



Volunteer 2.2 Campaign Performance

Volunteer hours: The volunteer service track record system was adopted in January 2009 to calculate per capita volunteer hours

The number of participants in the Cheongyeon Fund declined due to the overseas dispatch

	2006	2007	2008	2009
Cheongyeon Fund participants (persons)	1,369	1,561	1,631	1,543
Sponsorship	Group (no. of places)	22	46	54
	Individual (persons)	34	83	86
Accumulated No. of Volunteers (persons)	3,370	4,207	4,670	4,788
Per Capita Volunteer Hours (hours)	-	-	-	5.46

APPENDIX

Assurance Statement | GRI G3 Index
Glossary | Awards & Accociations

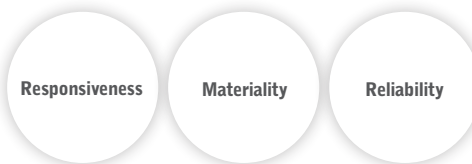


Assurance Statement

To the Management and Stakeholders of Korea Gas Corporation Korea Gas Corporation (hereinafter called “KOGAS”) Sustainability Report 2009 (hereinafter “The Report”) was structured and prepared by the management of KOGAS, who retains responsibility for the contents and data presented in The Report. SolAbility (hereinafter “The Auditor”) was assigned by the management of KOGAS to conduct an independent third-party review of the full report. The objective of this review is to externally assure that statements and data presented in The Report are free of material misstatements and based on thorough data collection systems.

Assurance Methodology

The Auditor’s assurance work has been planned and performed in accordance with internal guidelines that go beyond leading international assurance standards. The Report and the Report contents have been evaluated against the following criteria:



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

Scope of this assurance engagement

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

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

Assurance process and works undertaken

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

- Reviewed a selection of external media reports and selected group-level documents relating to safety, social, ethical and environmental aspects of KOGAS’ performance, to test the coverage of topics within The Report against stakeholder information needs.
- Reviewed stakeholder feedback
- Reviewed KOGAS’ processes for determining material issues to be included in The Report

- Performed a peer review of global sustainability reports to benchmark disclosure levels
- Conducted interviews with senior managers of KOGAS
- Reviewed relevant policies, guidelines and management systems at site and corporate level
- Reviewed KOGAS’ approach to data collection and data management at corporate level
- Reviewed internal performance documentation of non-financial data presented in The Report
- Conducted one site visit at Incheon LNG terminal, interviewing all relevant operational managers
- Reviewed environmental, health and safety related processes at the sites visited to test whether they have been collected, consolidated and reported appropriately at corporate level and the locations visited
- Reviewed site data collection and management systems
- Verified site sample data to test whether non-financial data have been collected, consolidated and reported appropriately at corporate level and the locations visited.

Limitations of this assurance engagement

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

Findings

We reviewed and provided feedback on drafts of The Report and the data presented, and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that The Report does not properly describe KOGAS' non-financial performance.

Our conclusions

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

Responsiveness

How does The Report respond to stakeholder concerns and information needs? Does The Report fully reflect KOGAS' operations and external impacts?

- We have reviewed internal and external stakeholder-related information and consider that the information presented in The Report responds to most stakeholder information needs and requests
- We are not aware of any additional issues of stakeholder interest that are not currently included in The Report's scope and content.

Materiality

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

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

Reliability

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

- We have reviewed internal policies, processes and management systems. Nothing has come to our attention that causes us to believe that The Report contents are not free of material misstatements.
- We have reviewed data collection systems and verified samples of the presented non-financial data. Nothing has come to our attention that causes us to believe that health, safety or environmental data presented in The Report has not been properly collected and consolidated from information reported at operations level.

Issued for further consideration by the management of KOGAS

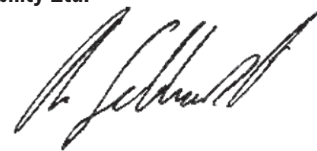
- The Auditor recommends that KOGAS keeps refining and developing its sustainability management systems and structure across all operations.
- In particular, The Auditor recommends to define sustainability requirements and management systems for planned overseas operations and exploration activities, as well as monitoring systems for overseas projects in which KOGAS holds interests.
- Defines long-term sustainability key performance indicators and targets on corporate level.

Our independence

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

August 2, 2010

Andy Gebhardt
Director, SolAbility Ltd.




SolAbility Ltd. is a company based in Korea, exclusively specialised in corporate sustainability management services for corporate clients.

GRI G3 Index

GRI Index	GRI Content	Report Content	Page	
Strategies & Analysis	1.1	CEO's statement on sustainability management	Sustainability Management Strategies & CEO's Message	4, 8
	1.2	Key impacts, risks and opportunities	Stakeholder Analysis, Materiality Test and Addressing Climate Change	10, 53
Organization	2.1	Name of organization	Korea Gas Corporation (KOGAS)	15
	2.2	Priority brands, products and/or services	Import & supply of natural gas	15
	2.3	Organizational structure of KOGAS	Organization chart & workforce (number of employees)	15
	2.4	Location of organization's headquarters	Locations of the main office and district division	15
	2.5	Countries in which the organization's operations are located	Headquarters and overseas operations	15
	2.6	Nature of ownership; legal form	Listed public corporation with majority shares held by the government	16
	2.7	Nature of markets served	Business Type	15
	2.8	Scale of KOGAS	Organization chart & workforce	15, 58
	2.9	Significant changes regarding size, structure, or ownership	Organization & Ownership Structure	15, 16
	2.10	Awards received in the reporting period	2009 Awards	85
Report Profile	3.1	Reporting period for information provided	Fiscal year from January 1 to December 31, 2009	1
	3.2	Date of most recent previous report	Reports published over the past three years	1
	3.3	Reporting cycle	Annually	1
	3.4	Contact point for questions regarding the report or its contents	Contact points for further information	1
	3.5	Process for defining report content	Stakeholder surveys, materiality test, GRI G3 Guidelines	10
	3.6	Boundary of the report	Main office, domestic branch network and subsidiary	1
	3.7	Limitations on the scope or boundary of the report	Excluding overseas branches and equity investment	1
	3.8	Basis for reporting on joint ventures, subsidiaries	Including subsidiary	1
	3.9	Data measurement techniques and the bases of calculations	Data processing & verification	79
	3.10	The effect of any re-statements of information provided in earlier reports	Data use guidelines for the past three years	1
	3.11	Changes from previous reporting periods in the scope, boundary	No remarks	-
	3.12	Location of the Standard Disclosures in the report	GRI G3 Index	81
	3.13	Policy and current practice with regard to seeking external assurance for the report	The third party assurance report and expert's review	79
	4.1	Governance structure of the KOGAS	Ownership structure (61% held by public entities)	16
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	BOD operation (chaired by non-standing director)	16
	4.3	Number of members of the highest governance body that are independent	BOD operation (standing and non-standing directors)	16
	Governance, Commitment, Engagement	4.4	Mechanisms for shareholders and employees to provide recommendations to BOD	Subcommittees and preliminary councils
4.5		Linkage between compensation for executive and organization	Determining the compensation for executives	17
4.6		Processes in place for the highest governance body to ensure conflicts of interest are avoided	BOD decision-making process (decision by majority)	18
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	Director selecting procedures (committees, etc.)	17
4.8		Internally developed statements of mission or values, codes of conduct, and principles	Strategies, core values, ethics code	2
4.9		Procedures of the highest governance body for overseeing the organization's sustainability management	Planning & strategies subcommittee, green growth committee	18
4.10		Procedures of the highest governance body for evaluating the organization's management of economic, environmental, and social performance	Methodologies to review the performances by the Management Committee and BOD	18
4.11		Explanation of how the precautionary approach or principle is addressed by the organization	CEO's message (upholding the prevention principle)	4
4.12		Externally developed initiatives to which the organization subscribes or endorses	Compliance with the UN Global Compact ILO, etc.	85
4.13		Memberships in associations and/or national/international advocacy organizations	KBCSD and other associations	85
4.14	List of stakeholder groups engaged by the organization	Stakeholder survey and communication	12, 13	
4.15	Basis for identification and selection of stakeholders with whom to engage	Materiality test and stakeholder communication	10	
4.16	Approaches to stakeholder engagement, including type	Stakeholder communication	13	
4.17	Key topics and concerns of stakeholders and the organization's response	Reflecting the results of stakeholder surveys in the report (priority area)	11, 12	

GRI G3 Index

GRI Index	GRI Content	Report Content	Page	
Economic Performance	EC1	Economic value generated and distributed	Value distribution by stakeholder group	44
	EC2	Financial implications and other risks and opportunities due to climate change	KOGAS low-carbon green growth initiative	53
	EC3	Coverage of the organization's defined benefit plan obligations	Fair welfare benefits and new corporate pension program	65
	EC4	Significant financial assistance received from government		-
	EC5	Range of ratios of standard entry level wage compared to local minimum wage	The entry level wage of regular staff compared to the legal minimum wage	45
	EC6	Policy, practices, and proportion of spending on locally-based suppliers	Purchase practices from local enterprises and SMEs	68
	EC7	Procedures for local hiring and proportion of senior management hired from the local community	Main business activities are confined to the Korean peninsula	15
	EC8	Infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Expanding the pipelines to not-yet-in service areas and promoting CNG and LNG-fueled vehicles	14, 30
	EC9	Indirect economic impacts, including the extent of impacts	Economic impact by stakeholder group	44
Environmental Performance	EN1	Materials used by weight or volume	Import and sales of LNG	28
	EN2	Percentage of materials used that are recycled input materials	Initiatives to minimize fugitive emissions such as recovering the vent, etc.	54
	EN3	Direct energy consumption by primary energy source	Direct energy consumption (67,020TOE)	54
	EN4	Indirect energy consumption by primary energy source	Indirect energy consumption (116,261TOE)	54
	EN5	Energy saved due to conservation and efficiency improvements	Energy reduced compared to the previous year	54
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Applications of renewable energy such as solar power generation	54
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Replacing incandescent light with LED light	54
	EN8	Total water withdrawal by source	Amount of water used in 2009	51
	EN9	Water sources significantly affected by withdrawal of water	Water supply system	51
	EN10	Percentage and total volume of water recycled and reused	Treatment of sewage and industrial wastewater	51
	EN11	Land of protected areas and areas of high biodiversity value outside protected areas	Measures taken to protect the environment of the construction site for LNG Terminal in Samcheok	50
	EN12	Description of significant impacts of business activities on biodiversity	Environmental impact assessment before the project	50
	EN13	Habitats protected or restored	No remark	-
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	No remark	-
	EN15	Number of IUCN Red List species and national conservation list species by level of extinction risk	Not applicable	-
	EN16	Total direct and indirect greenhouse gas emissions by weight	Total amount of greenhouse gas emissions	54
	EN17	Other relevant indirect greenhouse gas emissions by weight	Total amount of Scope 2 emissions	54
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Greenhouse gas reduction project (green growth initiative)	53
	EN19	Emissions of ozone-depleting substances by weight	No remark	-
	EN20	NOx, SOx and other significant air emissions by type and weight	NOx emissions	52
	EN21	Total water discharge by quality and destination	Wastewater treatment & water quality analysis	52
	EN22	Total weight of waste by type and disposal method	Waste amount	52
	EN23	Total number and volume of significant spills	Use of hazardous chemical substance (no leakage or spill)	52
	EN24	Weight of waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	Not applicable	-
	EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by KOGAS's discharges of water and runoff	Not applicable	-
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	The eco-friendliness of natural gas, environmental declaration of products	31, 51
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Not applicable	-
	EN28	Cases of non-compliance with environmental laws and regulations	No cases of non-compliance	-
	EN29	Environmental impacts of transporting products and other goods and materials used for KOGAS' operations, and transporting members of the workforce	No significant environmental impact	-
	EN30	Total environmental protection expenditures and investments by type	Environmental expenses	50
Social Performance – Labor Practices & Decent Work	LA1	Total workforce by employment type, employment contract, and region	Workforce & temporary workers	58
	LA2	Total number and rate of employee turnover by age group, gender, and region	Service years	58
	LA3	Benefits provided to full-time employees only	Welfare programs (no discrimination between regular and temporary workers)	65
	LA4	Percentage of employees covered by collective bargaining agreements	Union membership against total workforce (86.7%)	64

GRI Index	GRI Content	Report Content	Page		
Social Performance – Labor Practices & Decent Work	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Labor-management council (quarterly)	72	
	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	OHS Committee (equal number of representatives from both sides)	72	
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Yearly industrial accident outbreaks	72	
	LA8	Training, counseling, prevention, and risk-control programs to assist workforce members, their families, or community members regarding serious diseases	Health management	72, 64	
	LA9	Health and safety topics covered in formal agreements with trade unions	OHS Committee and in the works of renewing collective bargaining	61	
	LA10	Average per capita training hours per year by employment status	Annual average training hours: 104 hours	61	
	LA11	Programs for lifelong learning and continued employability of employees, to assist them in managing career endings	Comprehensive HRD programs	59	
	LA12	Number of employees receiving regular performance and career development reviews	Evaluation and promotion	16	
	LA13	Composition and breakdown of BOD and workforce	BOD members	45	
	LA14	Ratio of basic salary of men to women by employment status	Executives payment (no discrimination)	-	
	Social Performance – Human Rights	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	No remark	-
		HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	No remark	23
		HR3	Total hours of employee training on policies and procedures concerning aspects of human rights	Trainings on human rights as well as the ethical education	-
		HR4	Total number of incidents of discrimination and actions taken	No discrimination issues	64
HR5		Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk	Win-win partnership	-	
HR6		Measures taken to contribute to the elimination of child labor	No cases of child labor	-	
HR7		Measures taken to contribute to the elimination of forced or compulsory labor	No cases of forced labor	-	
HR8		Number of security personnel training in KOGAS' policies and procedures concerning aspects of human rights	Periodic education on security personnel (no human right issues)	34	
HR9		Total number of incidents of violations involving rights of indigenous people and actions taken	Ungrounded issues were raised over the Myanmar Project	50	
Social Performance- Society	SO1	Programs that assess and manage the impacts of operations on communities	Sharing information prior to such meetings as community hearings on new projects	23	
	SO2	Percentage and total number of business units analyzed for risks related to corruption	Special lectures on contract and construction	23	
	SO3	Percentage of employees trained in KOGAS' anti-corruption policies and procedures	Ethical education program on the workforce	24	
	SO4	Actions taken in response to incidents of corruption	Anti-corruption system (No remark)	14	
	SO5	Public policy positions and participation in public policy development and lobbying	Responding to the nation's public policy as a public corporation	-	
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Prohibition on political activities	-	
	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions for anti-competitive behavior, anti-trust and monopoly practices	-	
	SO8	Fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No cases of violation or fines	31	
Social Performance – Product Responsibility	PR1	Life cycle stages in which health and safety impacts of products and services are assessed	Characteristically clean natural gas	-	
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	No cases of breaches	66	
	PR3	Type of product and service information required by procedures	Efforts to diversify product line-up such as providing product MSDS and CNG and others	-	
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	Not applicable	66	
	PR5	Practices related to customer satisfaction, including customer satisfaction survey results	Customer satisfaction survey results conducted by the government	66	
	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	Not applicable	-	
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	No incident of violation	-	
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No cases of substantiated complaints	-	
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No incident of legal violation	-	

Glossary

BOO (Build Own Operate)

A project where the builder owns and operates the plant

CDP (Carbon Disclosure Project)

A global project that collects and analyzes the greenhouse gas emission databases of global companies on behalf of global investors and financial institutions

CIS (Commonwealth of Independent States)

An alliance made up of states that had been Soviet Socialist Republics of the Soviet Union prior to its dissolution in December 1991-Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Turkmenistan, Tajikistan and Uzbekistan.

CNG (Compressed Natural Gas)

Natural gas being compressed to be utilized as a vehicle fuel at normal temperature(14.5℃ ~ 15.5℃)

DJSI Korea

(Down Jones Sustainability Index Korea)

A spin-off of the Dow Jones Sustainability Index that enlists only Korean companies

DME (Di-Methyl Ether)

Dimethyl Ether (DME) is an organic compound with the formula CH₃OCH₃. Produced by synthesizing CO and H₂ gas extracted from natural gas, coal and biomass materials, it can replace LP gas.

EAP (Employee Assistance Program)

A program to assist employees with health and welfare issues as well as private life issues that could undermine work efficiency. The program includes counseling, diagnosis and hospital referrals for employees and their families.

Fuel Cell

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

GH (Gas Hydrate)

Also known as Methane Hydrate, a crystalline compound with an isometric ice lattice containing cages that incorporate small guest gas molecules; they are stable at moderate pressure and low temperature

GHG (Green House Gas)

Gas that absorbs part of the sun's rays (infrared radiation), such as carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄), tropospheric ozone (O₃) and sulfur hexafluoride (SF₆), contributing to the greenhouse effect

Global Compact

A global voluntary initiative under the United Nations by corporate citizens that provides the framework for the ten principles of corporate compliances in the four categories of human rights, labor, environment and anti-corruption

GTL (Gas To Liquid)

A chemical refinery process to convert natural gas or other gaseous hydrocarbons into longer-chain hydrocarbons such as gasoline, diesel, naphtha, wax or methanol fuels

KOSMOS

An integrated information management system of KOGAS for operating and controlling the production and sharing of documents, accounting and management information

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

Low Carbon Green Growth

A government-driven national development paradigm aimed at sustainable growth without greenhouse gases and environmental pollution, while creating new growth engines and jobs from green technologies and clean energy sources

NEP (New Excellent Product)

A certificate awarded by the government for technologies first developed in Korea or products that use such technologies. The certificate is accompanied by support in the initial market-building of the product and promotion of further technological developments

PNG (Pipeline Natural Gas)

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

Self Sufficiency

The percentage of dividing the volume of resources developed by domestic companies by the annual imported volume. The calculation is based on the equity held by Korean companies of the total production from overseas fields.

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

Apart from the typical long-term contracts of LNG trading, surpluses from production sites can be sold by the cargo unit on the spot market.

TDR (Turn Down Ratio)

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

Tcf (Trillion Cubic Feet)

The volume of a cube equal to one trillion cubic feet

TOE (Tonne of Oil Equivalent)

A standardized unit of caloric value generated from the combustion of different energy sources converting into that of 1 ton of crude oil, 1kg of crude oil is converted into 10,000kcal basis, 1 TOE is equivalent to 42GJ or 10⁷kcal

Unconventional Gas

Categorized into coal bed methane (CBM) or coal seam gas (CSG), shale gas, tight gas or gas hydrate according to the constituent of the layer containing gases

Requiring different technologies to develop from the conventional gas field, these fields have been neglected for economic reasons. However, technological development and rising oil prices have brought them into the spotlight

Vent

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

Awards

	Awards	Organization
Sustainability Management	<ul style="list-style-type: none"> Public service sector of the Korea Sustainability Report Awards Enlisted in the DJSI Korea (top-ranking in the gas industry) Won the Presidential Award at the 4th Sustainability Management Award Grand prize of the 2009 Global CSR Awards Excellent CoP prize of the UN Global Compact 	<ul style="list-style-type: none"> Korean Standards Association Korea Productivity Center Ministry of Knowledge Economy The Hankyoreh Newspaper UNGC
Environmental Performance	<ul style="list-style-type: none"> Awarded the prize in the utility sector for its good performance in addressing climate change Pyeongtaek Terminal won the Grand Prize at the Korea Green Energy Award Incheon Terminal won the Excellent Prize at the Voluntary Agreement for Energy Conservation and Greenhouse Gas Reduction Grand Prix at the 2009 Korea Ethics Management Award Excellent protector of cultural assets 	<ul style="list-style-type: none"> CDP Korea Committee The Korea Society for Energy Engineering Korea Energy Management Corporation Hankookilbo Cultural Heritage Administration of Korea Ministry of Labor Ministry of Strategy & Finance Provincial Governor of Gyeongsangnam-do Ministry of Health & Welfare (MOHW) Red Cross Korea Korean Association for Volunteer Effort
Social Performance	<ul style="list-style-type: none"> Excellent performer of human resources development Top-ranking in the customer satisfaction survey for the third year in a row Tongyeong District won a commendation by the provincial governor for its excellent performance in fire drills Gangwon District won a commendation by the MOHW as an organization of merit in child welfare for 2009 Honam District won a commendation for its excellent social contribution performances Gyeongnam District won the bronze prize at the 16th Nationwide Volunteer Convention 	<ul style="list-style-type: none"> Ministry of Public Administration & Security Incheon City Mayor of Gwangju City Ministry of Labor
Safety Management	<ul style="list-style-type: none"> Incheon Terminal won the Ministerial Prize for excellent performance in safety management at the energy industry category at the 8th Korea Safety Awards Incheon Terminal won the Mayoral Prize for excellent performance at the 2009 Incheon Gyeonggi Awards Honam District won a commendation for its excellent performance in emergency drills Gyeongnam District won the Ministerial Prize for its excellent performance in preventing industrial disasters 	<ul style="list-style-type: none"> Ministry of Public Administration & Security Incheon City Mayor of Gwangju City Ministry of Labor
R&D	<ul style="list-style-type: none"> Won the SMBA Presidential Award at the 39th Korea Industrial Technology Awards 	<ul style="list-style-type: none"> Korea Association of Standards and Testing Organization

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 for 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 for the practice of ethical management
The Council for the Korean Pact on Anti-corruption and Transparency	CEO activities for the practice of ethical management in the public sector



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