



SUSTAINABILITY REPORT 2011

CLEAN
GREEN 8



Korea Rural Community
Corporation



The meaning of growth & development and eco-friendliness is described with leaf motifs to present the value of progress. The bright, vivid and positive colors and the freely arranged motifs represent the Korea Rural Community Corporation (KRC) as a leader of new green growth in the future.

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KRC is contributing towards the economic and social development of the rural community and the preservation of national land in Korea.

Five Major Functions and Economic, Environmental and Social Value Creation at KRC (GRI 2.2)

Advancement of Agriculture · Fisheries Production Infrastructure ·Creating the infrastructure to ensure stable food production for 50 million people in Korea ·Building a future-oriented industrial complex that covers livestock and horticulture as well as staple grains ·Developing overseas farms, supporting underdeveloped nations with agricultural technology and assisting inter-Korean cooperative projects	Economic Values	·Encouraging balanced regional development through the creation of a nation-wide agricultural production infrastructure ·Laying the basis for diversified sources of farming income including horticultural products, livestock and bio in addition to rice
	Environmental Values	·Creating the infrastructure for eco-friendly production to preserve the environmental values of the farmland that accounts for 18% of the total national land ·Expanding a safe agricultural production basis to build readiness for natural disasters such as droughts and floods
	Social Values	·Contributing towards the national development by achieving the self-sufficiency of staple grains in response to the global food crisis ·Meeting global social responsibilities through the provision of agricultural technology to underdeveloped nations
Science-based Management of Water Resources for Agriculture · Fisheries ·Preserving and managing water resources for agriculture/fisheriesand groundwater resources ·Maintaining and using infrastructure facilities ·Managing national disasters including prevention and recovery activities	Economic Values	·Building the economic infrastructure for farming and rural communities through the provision of multi-purpose water resources ·Promoting water savings through the information/science-based management of water resources for agriculture and fisheries
	Environmental Values	·Developing and managing water resources for agriculture and fisheries in an eco-friendly manner including the preservation of comfortable agricultural environments and ecosystems ·Preserving and managing water quality against various pollutants in a comprehensive manner
	Social Values	·Providing clean and free water needed for farming in rural communities ·Building the water resources system to enhance the values of local communities

Integrated Development of Agriculture and Fisheries · Rural Community



Growth of Income and Competitiveness of Rural Communities ·Facilitating scaling-up of farms to increase the competitiveness of agriculture and fisheries ·Assisting indebted farmers with business recovery through the Farmland Bank ·Supporting agriculture/fisheries and rural communities in growing and stabilizing their income	Economic Values	·Reducing rice production costs with the increased size of farming in rural communities ·Contributing towards the income growth of farmers as a result of the increased size of farming
	Environmental Values	·Investing agricultural funds in enhancing and preserving the value of farmland as ecological resources ·Maintaining and preserving the size of rice fields, a repository of land ecosystems, against urbanization
	Social Values	·Contributing towards the sustained existence of the rice industry by securing young talent ·Strengthening integrated support such as the provision of land for new and returning farmers
Enhancement of Rural Community Value and Revival of Local Economies ·Designing rural communities in a fresh new manner and transforming them with increased vitality ·Developing and implementing programs for increased quality of life for farmers and fishermen ·Revitalizing local Economies and creating jobs with large-scale local community development projects	Economic Values	·Creating the virtuous cycle of the local economy through the expansion of business in rural communities ·Facilitating new local economic activities through the promotion of urban-rural exchanges
	Environmental Values	·Preserving ecological resources in rural communities and managing them as a growth engine for local communities ·Improving living environments while considering rural community landscape and ecosystems
	Social Values	·Helping local communities to stand on its own through the support for local people in building communities ·Developing rural communities with their local social values in consideration and preserving traditional cultures and passing it onto the next generations
Contribution towards Low Carbon Green Growth ·Taking the lead in performing low carbon green growth projects including development of new and renewable energy sources, investigation into and recovery of groundwater and soil pollution ·Maximizing the environmental values of national land through the expansion of rural communities	Economic Values	·Creating income and new engines of growth through the use of rural community resources ·Providing an opportunity for a renewed economic take-off through green growth initiatives that consider both environmental and energy needs
	Environmental Values	·Contributing towards global climate change adaptation efforts through the development of new and renewable energy resources and the creation of low carbon rural communities
	Social Values	·Securing local communities' own energy sources and creating future development models for rural communities

Sustainability Management Highlights 2010



REPORT OVERVIEW

Features of the 2011 Sustainability Report Improved from the Previous Version

- 1. Reporting sustainability management achievements in a systemic way that is in accordance with the UNGC, GRI and ISO 26000
- 2. Describing KRS's unique sustainability management achievements with case studies and quantified indicators
- 3. Clarifying the distinctive areas of economic, social and environmental values created in KRC's major functions and management goals
- 4. Presenting interviews with KRC employees to demonstrate their commitment to sustainability management
- 5. Including the overview page in each section of the report to give a snapshot of the overall sustainability achievements in the economic, environmental and social areas



KRC's conduct of business is in conformity with the 10 UNGC principles and this report is written to meet the 24 reporting requirements of the Advanced Level. (GRI 4.12)

Significance of This Report

KRC's Sustainability Report 2011 aims to report the economic, social and environmental values that the company creates for its stakeholders in a transparent manner. It also presents KRC's future development directions to generate even greater economic, environmental and social values. This report marks a significant starting point for KRC to share its sustainability endeavors and KRC is determined to make the voices of its stakeholders heard more clearly and transparently through its sustainability reports.

Reporting Period and Scope (GRI 3.1-3)

This report spans the period between January 1 and December 31, 2010 and presents 3 years of data for quantifiable achievements to identify their trends over time. It also covers KRC's 9 regional headquarters and 93 district offices. As KRC's 2nd sustainability report, this report outlines the performance of its 9 regional headquarters and 93 district offices and partially covers district office-level performance as for some environmental data.

Reporting Principles and Guidelines (GRI 3.5-8, 3.13)

This report is based on the 10 UNGC principles. It was written in accordance with best practices of the 24 criteria required for the UNGC Advanced Level, which was initiated in February 2011 and KRC's compliance with these criteria appears on page 68~69.

In addition, this report was prepared according to the GRI 3.1 guidelines and the ISO 26000 international standards on social responsibility. Material issues were identified based on KRC's business characteristics, analysis of external/internal environments and stakeholder opinions and the third-party independent assurance was performed by Korea Sustainability Investing Forum (KOSIF) in accordance with AA1000AS (2008) for enhanced reliability of the report content. The detailed assurance statement can be found on page 67.

Details of Contact for More Information (GRI 3.4)

For more information on this report, please visit the website (www.ekr.or.kr) and for further inquiries, please contact us through the details below.

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DEAR STAKEHOLDERS



The shift of paradigm towards 'sustainability' is a critical prerequisite to create comfortable living conditions in rural communities. KRC is striving for the sustainable future of our rural communities.

CLEAN & GREEN

Second, we are to explore more proactively green projects, environmental remediation projects and overseas projects to lead the global initiatives in low carbon and green growth and to build the basis for self-sustainable management of KRC. We were able to reduce more than 20,000 tons of greenhouse gas emissions with such clean energy sources as small hydro power, photovoltaics and wind power. Our plan is to expand the generation of clean energy continuously by 2016 to supply power to 920,000 households annually.

Third, we will continue to work towards mutual growth with stakeholders. Our customer satisfaction level has been improving for 5 consecutive years and was rated one of the highest. We are also determined to strengthen our efforts to build the awareness of anti-corruption and business ethics into our conduct of business. Besides, we are to proactively practice the spirit of sharing in our business operations with strategic corporate philanthropic programs attended by all KRC departments.

With the belief that we have our own share to contribute towards sustainable development of economy, society and environment, we are to commit ourselves to the paradigm shift towards sustainability in the international society. We will not only support the UN Global Compact's principles in the areas of human rights, labour, environment and anti-corruption but also transparently communicate the improvements we make through substantial endeavors with annual sustainability reports.

Risk factors such as climate change, water shortages, global economic crisis and relentless urbanization will have even greater impact on the sustainability of our rural community. KRC, however, will turn this crisis into opportunity to focus on the generation of new & renewable energy and the development of low carbon rural community and to strengthen our efforts to manage water resources effectively to build readiness against possible water shortages. In addition, we will actively utilize the agricultural technology and know-how that we possess to support underdeveloped nations and to help solve global famine.

I would like to ask all our stakeholders for their continued interest in our endeavors to create a sustainable future for rural community.

Thank you.

Jae-Sun, Park
CEO of Korea Rural Community Corporation

Korea Rural Community Corporation (KRC) was established to help create income for farmers and fishermen, preserve the precious national environment and offer hope to rural communities nationwide. KRC finds the reason for its existence in making our nation's rural community 'sustainable' against fast-changing environments at home and abroad.

As a state-owned enterprise responsible for the infrastructure to produce safe food for 50 million Koreans, KRC is committed to managing agricultural/fisheries production infrastructure and water resources in a systemic way. We serve as a leader in low carbon green growth with new & renewable energy generation, taking initiatives in Farmland Bank, farmland pension, urban-rural exchanges and the development of fishing settlement, and spearheading the balanced development of rural community in the areas of economy, environment and society.

With the mission to contribute towards the economic and social development of rural community and the preservation of national land, we are committed to keeping the following promises to dear stakeholders in order to discover and promote hidden values of our rural community.

First, we are to make sustained efforts to modernize irrigation facilities, refurbish agricultural production infrastructure, and develop fishing villages in order to build an advanced agriculture/fisheries infrastructure. We also concentrated on the Farmland Bank and farmland pension projects to grow income of farmers and fishermen and to enhance their quality of life. We will move beyond our traditional focus on rice products in improving production infrastructure and redouble our efforts to create a future-oriented agricultural industry complex that puts more emphasis on dry fields and vitality of rural community.

1) GRI(Global Reporting Initiative) : Guidelines on sustainability reporting jointly generated by CERES (Coalition for Environmentally Responsible Economies) and UNEP (United National Environment Program)
2) AA1000AS : International standards used to assess, verify and reinforce the reliability and level of sustainability



END POVERTY 2015
KRC supports the Millennium Development Goals (a global promise to halve poverty by 2015) adopted by the UN and is determined to strengthen its organizational efforts to meet this goal. (GRI 4.12)

COMPANY PROFILE



Since its establishment in 1908, KRC has protected the nation's rural communities as a sustainable space in spite of large-scale turbulences in its surrounding environment. KRC is determined to fulfill its role as a sustainable public organization that creates economic, social and environmental values in rural.

Mission of KRC

KRC performs the development projects of rural communities and the Farmland Bank projects in an eco-friendly manner, comprehensively manages agricultural infrastructure facilities and promotes the optimization of farming size, thereby contributing towards the enhancement of agricultural productivity and the economic and social development of rural communities.

KRC Profile (GRI 2.4, 2.6-8)

Location of Headquarters	Korea Rural Community Corporation 98 Anyang-Pankyo Road, Uiwang City, Gyeonggi Province	Capital	KRW 1,6915 trillion
Date of Establishment	December 8, 1908	Liabilities	KRW 4,6398 trillion
Industry	Services (survey services, operation of irrigation facilities and others)	Sales	KRW 3,8738 trillion
CEO	Jae-Sun, Park	Employees	5,068 persons
Total Assets	KRW 6,3313 trillion	Shareholder Composition	Wholly government-owned

Systemized View of Management Goals

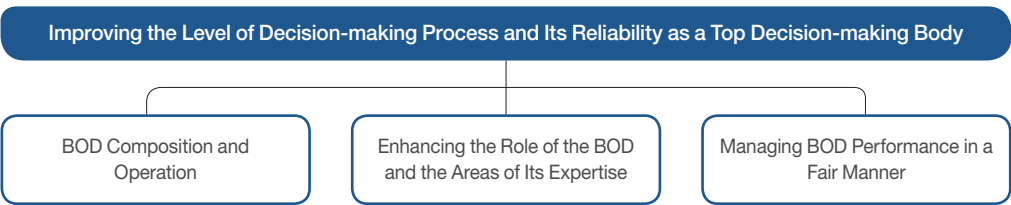
All KRC business is conducted with the consideration of economic, environmental and social factors altogether but the main focus differs in specific work domains as follows given the characteristics of each domain. Top management is in charge of achieving the management goals of KRC and the achievements are thoroughly evaluated by stakeholders including the government and customers.

● Economic Development ● Environmental Development ● Social Development			
Goals	Strategic Tasks	Work	Value Creation
Establishment of Advanced Agriculture/Fisheries Infrastructure	Building a future-oriented agricultural infrastructure complex	Building customized production infrastructure	●
		Enhancing the irrigation capacities of farming infrastructure facilities	●
	Creating sustainable water resources management systems	Developing future-oriented policy models	●
		Increasing water quality preservation functions	●
Creation of New Rural Community Space	Enhancing the competitiveness of farming business	Strengthening capacities to prevent natural and man-made disasters	●
		Securing competitiveness of agricultural water resources management	●
	Facilitating urban-rural exchanges	Increasing effectiveness of farmland use	●
		Increasing farm income and helping to stabilize	●
Expansion of the Basis for Self-sustaining Growth	Performing green growth projects	Enhancing the usefulness of farmland management funds	●
		Strengthening the role as a hub in urban-rural exchanges	●
	Facilitating overseas projects	Supporting industry development of rural communities	●
		Improving the business implementation infrastructure for local development	●
Improvement of Management System Efficiency	Building performance-centered business management systems	Enhancing the self-sufficiency of rural communities	●
		Setting systems to develop fishing villages	●
	Achieving smart work	Identifying new engines of growth	●
		Increasing the effectiveness of internal project implementation systems	●
Enhancement of Core Capacity	Promoting talent and strengthening R&D capacities	Promoting future energy development projects	●
		Commercializing green projects and expanding environmental projects	●
	Practicing socially responsible management	Improving overseas project implementation systems	●
		Building readiness to develop agriculture in North Korea after unification	●
Improvement of Customer Trust	Enhancing brand management	Offering target incentives that correspond to performance	●
		Focusing on work and performance in HR management	●
	Improving PR capacities	Establishing the company-wide management resources management system	●
		Advancing the information service infrastructure	●

CORPORATE GOVERNANCE

BOD Operation Approach

The board of directors (BOD) is KRC's top decision-making body and we are strengthening the role of the BOD, enhancing its expertise and ensuring open-minded BOD operations in order to improve the level of decision-making and its reliability.



BOD Composition and Operation (GRI 4.1, 4.3, 4.7, 4.13)

Our BOD is independent in its management activities, ensures productive checks/balances and strengthens its responsibility as a top decision-making body. KRC's CEO and non-standing executive directors are appointed based on recommendations made by the Executive Recommendation Committee and relevant government regulations in order to guarantee the qualifications and expertise required of executive members and to secure fairness of the appointment process. Executive directors are selected by the CEO out of those candidates who qualify with reasonable decision-making abilities and expert capabilities on KRC's major projects and business operations.

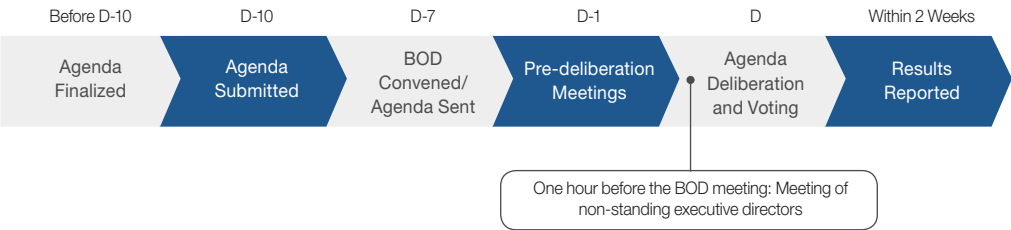
Enhanced Independence

The operation of the Executive Recommendation Committee makes sure that executives are appointed in a transparent and fair manner. In particular, non-standing executive directors should be investigated to find whether they have any interest in KRC's conduct of business in a bid to maintain BOD's independence. Those executives who have any interest in the agenda items are prohibited from attending BOD meetings and the results of deliberations are disclosed rapidly.

Regular BOD Meetings

BOD meetings are held regularly every month to prevent unnecessary BOD gatherings. In addition, non-standing executive directors are encouraged to participate in BOD meetings through the notice of next BOD meetings and meeting agenda items are evenly distributed in each BOD meeting.

BOD Operation Process



BOD Members (GRI 4.2, 4.3)

CEO and Executive Directors (6 directors)	
Jae-Sun, Park	BOD Chairman & CEO (inaugurated on Oct 24, 2011)
Yoon-Jin, Huh	Executive Vice President/ Director of Planning & Coordination Division
Han-Oh, Pang	Director of Region Development Division
Boo, Bae	Director of Farming Infrastructure Operation & Maintenance Division
Young-Sung, Kim	Director of Farmland Bank/ Management Support Division
Young-Hwan, Oh	Director of Saemangeum Project Division
Non-standing Executive Directors (7 directors)	
Yong-Dae, Kweon	Academia
Jong-Su, Jeong	Farmers and fishermen's organization
Hoe-Young, Yang	Farmers and fishermen's organization
Cha-Jeong, Yang	Farmers and fishermen's organization
Chun-Song, Lee	Farmers and fishermen's organization
Hwi-Young, Woo	Business Community
Ki-Ok, Lee	Public Organization

BOD Operation and Performance

Category	2008	2009	2010
No. of BOD Meetings Held (No. of meetings)	15	15	11
Attendance of Non-standing Executive Directors(%)	99.0	99.0	100

ANTI-CORRUPTION·ETHICS MANAGEMENT



Holding on-the-spot BOD meetings



BOD website

Strengthening the Role of the BOD and the Use of Expertise

BOD meetings are held regularly every month to prevent unnecessary BOD gatherings. In addition, non-standing executive directors are encouraged to participate in BOD meetings through the notice of next BOD meetings and meeting agenda items are evenly distributed in each BOD meeting.

Enhanced Expertise of Non-standing Executive Directors (GRI 4.7)

The phased-in adaptation program for new non-standing executive directors enables them to understand KRC's business as soon as possible and discussion meetings are held regularly to encourage their participation in BOD meetings and to provide agenda information before official BOD meetings in a timely manner.

Field-oriented BOD Operation

To move beyond fragmented and paperwork-oriented decision-making into field-centered operations, our BOD performs site inspections, workshops and on-the-spot BOD meetings. In so doing, KRC's BOD understands overall business information in the local community where it operates and actively listens to the voices in the field.

Improving the Decision-making Level from the Perspective of Sustainability Management (GRI 4.4, 4.6, 4.9)

At KRC, non-standing executive directors come first in exercising their right to speak in BOD meetings to collect their suggestions on business management. Our BOD meetings aim not just to cast votes on agenda items but also to reflect the opinions of non-standing executive directors that fully represent stakeholders' ideas of balanced development of rural communities. The BOD website also allows BOD members and working-level employees to exchange opinions.

Facilitating Balanced Decision-Making through the Operation of Special Committees

In order to incorporate the expertise of BOD members into the internal management decision-making process, sector-specific special committees are up and running at KRC. Our BOD directors work as a supervisor and make modification proposals to ensure decisions are made considering economic, environmental and social aspects.

Special Committees' Proposals Made and Their Incorporation into Business Operations Considering Economic, Environmental and Social Perspectives

Special Committees	Proposals Made to the BOD	Incorporation into Business Operations
Business Planning	[Economic/Social Aspects] Setting management goals that present an advanced rural community landscape	Creating detailed implementation tasks in setting management goals under the mid/long-term management strategies
Regional Development	[Economic/Social Aspects] Turning waterfront areas of reservoirs into valuable tourism resources of agriculture/farming communities	Reflecting the need for improved tourism resources in setting business plans to vitalize the local economy
Production Infrastructure	[Environmental Aspects] Reinforcing the basic data needed to predict abnormal climate changes	Expanding manuals to collect basic data, reinforce information and respond to disasters

Managing BOD Performance Fairly (GRI 4.10)

At KRC, we assess the BOD's performance fairly and disclose the results transparently. The performance evaluations are carried out twice a year in consideration of the three aspects of the level of activity, job performance of non-standing executive directors and the checks and balances of management. Besides that, non-standing executive directors are individually assessed for their performance. We plan to continue to make improvements on relevant evaluation items for stronger roles of the BOD from the perspective of sustainability management.

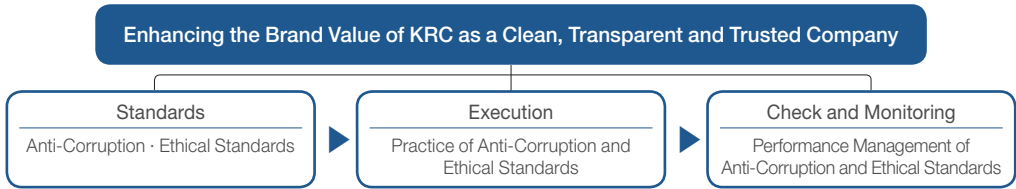
Job Performance Evaluation Criteria for Non-standing Executive Directors

- BOD meeting attendance
- Non-standing executive meeting attendance
- No. of comments made in each BOD meeting
- Presentation of amendments on agenda items
- Frequency of participation in business operations



Anti-Corruption ·Ethics Management Approach

KRC considers anti-corruption and ethics management the core value of its business operations and moves towards a sustainable and transparent management through compliance with legal, economic, social and environmental responsibilities and the respect for human rights.



Anti-Corruption · Ethical Standards

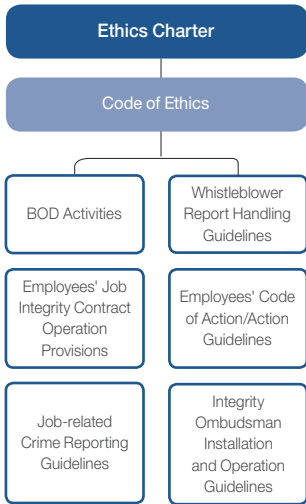
At KRC, the Ethics Management Committee is up and running to reflect internal/external changes in its anti-corruption and ethics policies in a timely manner and to ensure executive capabilities, actively revising relevant corporate regulations.

Maximizing Executive Capabilities through the Revision of Ethical Standards

In 2010, we revised the Ethics Charter with more succinct terms to enhance its comprehensibility internally and externally and to build global standards and sustainability management principles into it. The employee job integrity contract provisions were amended and the whistleblower report handling guidelines(4th version) and the crime report operation guidelines(1st version) were changed as well. In addition, the integrity ombudsman guidelines were established to actively reflect the voices of stakeholders in internal integrity work initiatives and the compliance with these ethical standards are monitored under the leadership of the Office of Auditing & Inspection to ensure their effectiveness.

Putting Anti-Corruption · Ethics Management into Practice

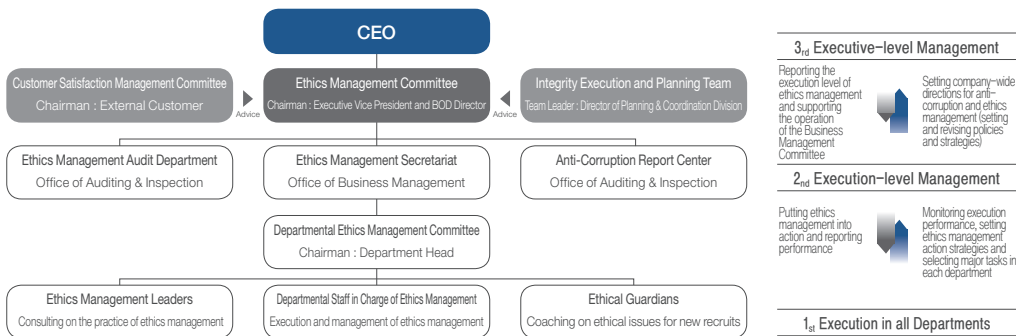
KRC is building its own anti-corruption and ethics management action framework that encompasses each and every department at every level and expanding training programs to raise employee awareness of anti-corruption and ethics management and to help develop their executive capabilities.



Action Framework of Ethics Management

The Ethics Management Committee under the direct control of the KRC CEO, the Ethics Management Audit Department and the Secretariat under the committee, and the Anti-Corruption Report Center are in charge of company-wide implementation and management of ethics management. The departmental Ethics Management Committees and ethics management leaders and staff in entire departments play a central role in performing ethics tasks and action programs in their respective departments.

Organizational Structure for the Implementation of Ethics Management



25,673
employees 232 employees (from 2009) ▲
Ethics management training (No. of employees that
attended training courses in 2010)

Stakeholder Communication
Channels to Prevent Corruption in
Construction Sites

Operating the
customer support
center in construc-
tion sites

▶

Addressing potential
complaints on the spot
before they are raised in a
timely manner

Conducting
surveys of field
agents

▶

Covering all KRC proj-
ect sites, using site-
specific preventive lists

Operating the
honorary super-
visor system

▶

Engaging local people
and relevant organiza-
tions

309
corrective actions taken
Efforts to make corrections in project-related
vulnerable areas

Actions Taken against Employees Who
Violated the Code of Ethics (GRI SO4)

Unit: No. of cases

Type of Ac- tion Taken	2008	2009	2010
Expulsion	3	6	1
Dismissal	-	2	-
Suspension	-	2	-
Warning	1	1	1
Total	4	11	2

Anti-Corruption and Ethics Management Anti-Corruption Capacity-Building Training (GRI SO3)

We are expanding training courses to help employees recognize and consider anti-corruption and ethics management issues in their daily operations. All of our employees are mandated to take ethics courses and wide-ranging courses are offered both online and offline.

Stakeholder Communication

We proactively incorporate the voices of internal/external stakeholders in our conduct of business to enhance our anti-corruption and ethics management initiatives. KRC is engaged in numerous construction projects due to the inherent characteristics of the industry where it operates and strives to take inclusive approaches in preventing corruption in construction sites through the collection of stakeholder opinions. We are identifying potential corruption factors and preventive measures with the help of on-the-spot itinerant training where the company CEO visits business sites himself, workshops and regular meetings for KRC employees.

Performance Management of Anti-Corruption and Ethics Management

At KRC, we are working diligently to advance our performance management system to review whether our anti-corruption and ethics management endeavors have a direct impact on enhancing the integrity of construction projects and to make continued improvements.

Internal Performance Management

The survey of employees' ethics awareness conducted twice a year helps us evaluate the appropriateness of various ethics management programs and address relevant difficulties. Our employees' ethics awareness is improving continuously and we started training courses to increase their interest in ethics management and updated ethics management manuals, reflecting their candid opinions. In order to enhance individual employees' anti-corruption awareness and identify KRC's company-wide integrity level, the 'Integrity Thermometer' survey is carried out, which consists of self-diagnosis (50%) and external assessments. The integrity temperature for 2010 rose by 0.56 degrees to 93.25 degrees.

Implementation of Systemic Audits

All KRC departments are subject to internal audits to ensure the soundness of every business activity as a corruption-free and healthy public enterprise. In addition to post audits, areas prone to corruption are identified in consideration of characteristics of work site departments and the industry and are monitored constantly to correct inappropriate in a timely manner. In a bid to monitor eemployees' compliance with the code of actions, those employees who violate internal regulations of the employee code of actions are given disciplinary measures pursuant to relevant corporate provisions.

External Anti-Corruption Performance (GRI SO8)

According to evaluations made by the Anti-Corruption Civil Rights Commission on anti-corruption policies, KRC was rated excellent or above for 3 consecutive years, which means its score was 0.3 points higher than peer organizations. The public organization integrity assessment found KRC to be excellent in integrity performance for 2 years in a row.

KRS MISSION AND SUSTAINABILITY
MANAGEMENT

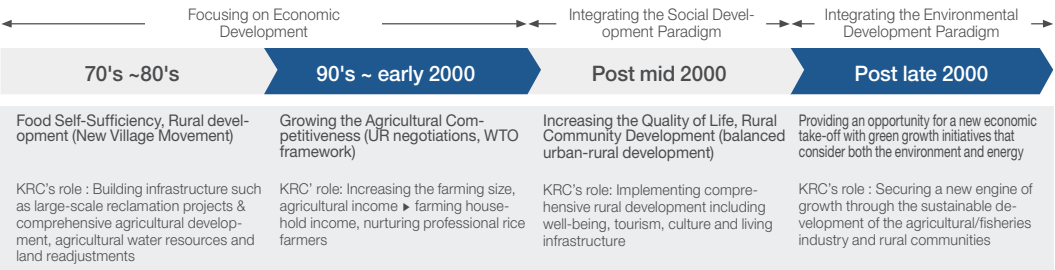
KRC Mission (GRI 4.8)



Paradigm Shift towards Sustainability Management

KRC, having pursued the development of the agricultural/fisheries industry and rural communities as its core objective, has been facing tremendous fluctuations in the external business environment. Before 2000, its top priority was 'economic development' to self-sufficiency in rice, increased farming size and industrial competitiveness. After 2000, however, the focus shifted towards social and environmental aspects of development. The global community is already transforming its value system towards a 'sustainability paradigm' where the pluralistic functions of agriculture, environmental preservation and food safety play a core role.

The Changing Role of KRC with the Development of the Agricultural-Fisheries Industry and Rural Community-Moving
towards Sustainable Development

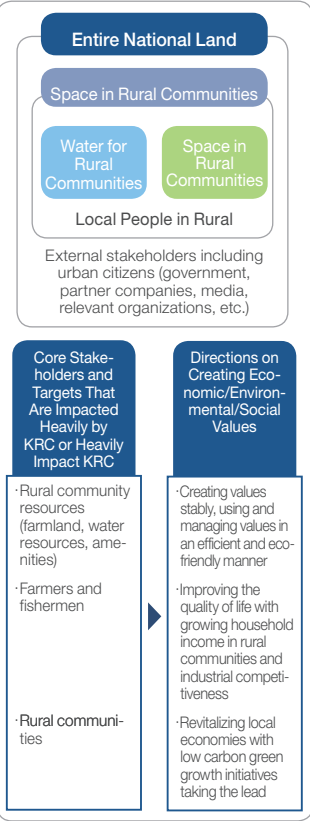


Challenges to Sustainability Management (GRI 1.2)

The economic, environmental and social risks we are facing at KRC are all interconnected. For example, climate change is bringing about tough challenges to water resources management and this leads to a fatal blow against the local economy in rural communities. For us to seek economic, social and environmental development in its true meaning, it is imperative that we accurately recognize the challenging factors around us from comprehensive perspectives and address them through cooperation with stakeholders.

Food	·The emerging global food crisis requires not just the preservation of an appropriate size of farming land in Korea but also the proactive procurement of farming land overseas ·The continued focus on staple grains in building production facilities led to the insufficient organization of dry field crop production infrastructure
Water Resources	·Aggravating water shortages, climate change and the growing world population are expected to cause water shortages affecting 3 billion people by 2025 ·The importance of water resources management is growing due to increasing natural disasters caused by abnormal climate changes ·Insufficient responses to meet the needs of water resources in rural communities
Climate Change	·Low level of green industry development and new energy distribution (one of the lowest among 30 OECD countries) ·Growing public awareness of GHG management and proactive collaboration among stakeholders are highly required
Local Community Development	·Insufficient responses to meet the needs of production infrastructure for eco-friendly agricultural products through efficiency-oriented projects such as increased productivity ·Lack of recreational infrastructure in rural community to satisfy the growing needs of tourism and experience programs that come with increasing demand for quality of life of the general public
Internal Challenges at KRC	·The virtuous cycle of management value creation is required to enable KRC to perform projects to meet the increasing demand for public services including the maintenance and management of irrigation facilities with its own budget without government subsidies ·Lack of human resources with technology capacities and experiences in new business areas such as overseas projects and eco-friendly business

Creating Sustainable Values in KRC's Business Domains and for Core Stakeholders



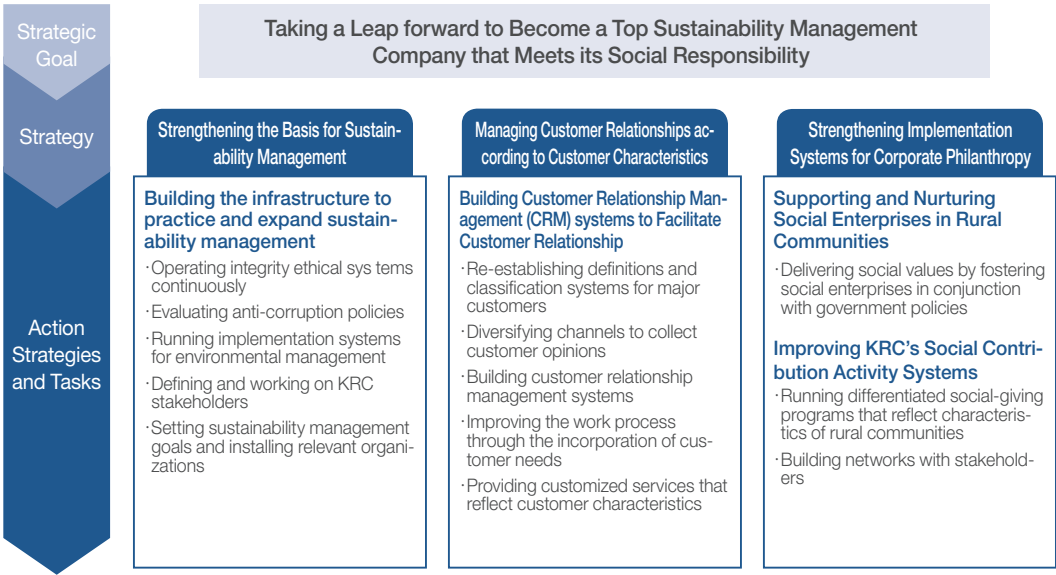
KRC's Directions to Pursue Sustainability Management

Sustainability management is not a matter of choice or a mere secondary job but constitutes the very core of our KRC mission. In order to ensure that sustainability management, which is fragmented across the board, is pursued in a more efficient and systemized manner, we are to re-establish the integrated sustainability management action framework in 2011 based on the existing sustainability management action plans, which will further boost our executive capabilities.

KRC's Directions on Sustainability Management

- 1 Pursuing integrated development that takes into account 'environmental' and 'social' factors in all projects performed to ensure the development of the agricultural-fisheries industry and rural
- 2 Leading wide-ranging green technology and green business through the eco-friendly development of KRC assets
- 3 Managing the performance of sustainability management values created for the agricultural/fisheries industry, rural communities and farmers & fishermen
- 4 Enhancing stakeholder engagement in KRC's decision-making and activities

(~2010)-Sustainability Management Action Framework (~2010)



Organizational Structure for Sustainability Management

The Performance Management Team under the Planning & Coordination Division is in charge of company-wide sustainability management and top management makes decisions on sustainability management issues through the Ethics Management Committee under the direct leadership of the company CEO. Each department is responsible for putting sustainability management into action and we plan to improve the governance structure according to ISO 26000 to make sure that sustainability management is performed and its performance is managed in an even more transparent manner.

Major Achievements in Sustainability Management

Economic Achievements (GRI EC1)

Category	Details	Unit	2008	2009	2010
Profitability	Sales	KRW 100 million	26,360	30,533	38,157
	Operating Profit to Sales Ratio	%	-0.3	2.6	2.2
Productivity	Gross Value Added to Total Assets	%	9.4	8.3	8.2
	Added Value Ratio	%	18.3	15.4	13.4
Safety	Total Assets	KRW 100 million	51,496	58,076	63,314
	Total Liabilities	KRW 100 million	36,042	41,940	46,399
	Total Capital	KRW 100 million	15,434	16,135	16,915

Environmental Achievements

Category	Details	Unit	2008	2009	2010
Creation of Eco-friendly Values in Rural Communities	Ratio of eco-friendly investments against the total constructions of agricultural production infrastructure facilities	%	4.9	5.5	7.9
	No. of urban people participating in green agricultural village experience programs	1,000 persons	2,359	3,620	5,050
	Expenditures on R&D of biodiversity	KRW 1 million	1,304	1,404	1,372
	Expenditures on environmental remediation projects	KRW 100 million	-	360	400
Climate Change Adaptation	New & renewable energy generation	MWh	10,356	13,093	20,835
	GHG emissions reduced through the generation of new & renewable energy	tCO ₂	6,131	8,083	12,603
	CDM project performance	tCO ₂	-	-	Registered at UN
	New reductions made in GHG emissions through the application of geothermal energy in the agricultural/fisheries industry	tCO ₂	-	-	18,787
Management of Water Resources	Water savings achieved through the automated management of agricultural water	1 million m ³	81	104	124
	Ratio of well-irrigated paddies	%	45.6	47.4	49.9
	Operation of voluntary water quality management councils run by local people	District	724	727	905
Eco-friendly Management of KRC	Energy consumption	TOE ¹⁾	78,661	86,257	70,539
	GHG emissions	tCO ₂ ²⁾	163,740	179,450	146,886
	Water consumption	m ³	1,284,634	1,305,316	1,282,638
	Waste discharge	m ³ ³⁾	1,810,608	1,980,022	1,898,535
	Eco-friendly purchases	KRW 1 million	5,718	10,346	16,036

1) Including energy used in the entire KRC buildings, energy used for KRC business operations and energy consumed for vehicles that KRC employees drove for business purposes
2) Calculated with the IPCC emission coefficient
3) Waste discharge is calculated with the assumption that 1 liter = 1 ton

Social Achievements

Category	Details	Unit	2008	2009	2010
Customer	Customer Satisfaction	%	97.1	98.8	99.1
	Job Satisfaction	%	68.7	71.0	73.0
Employee	Labor Productivity	KRW 1 million	85	92	96
	Trained Employees	No. of persons	28,937	26,595	34,332
	Training Budget	KRW 1 million	2,091	2,640	3,556
Partner Company	Purchases of SME Products	KRW 100 million	12,511	12,894	16,436
Local Community	Social Contributions Made	KRW 1 million	990	1,765	1,846

STAKEHOLDER ENGAGEMENT (ISO26000 5.3.2)

Stakeholder engagement serves as a core factor for KRC in meeting its social responsibility. Our focus in 2010 was to review the status of stakeholder engagement and explore ways to make improvements in the upcoming years. We are to understand the impact that our business characteristics, modus operandi, decision-making and business activities have on our stakeholders and contribute towards sustainable development.

KRC's Material Stakeholders (GRI 4.14, 4.15, 4.16 / ISO26000 5.3.2)

KRC identifies its material stakeholders in accordance with the stakeholder recognition methodologies recommended by ISO 26000 5.3 and is working actively to strengthen engagement with stakeholders identified according to the ISO recommenda-tions.

Identification of Material Stakeholders

Stakeholder Recognition	Relevant Stakeholders
·To whom does an organization have legal responsibilities?	·Government, Customers (farmers & fishermen, urban citizens)
·Who is positively or negatively impacted by the decisions and actions of an organization?	·Customers, Partner companies & SMEs, Employees & Labor union
·Who could offer help for an organization to address concrete issues?	·Employees & Labor union, Experts & Related organiza-tions, NGOs
·Who impacts organization's efforts to meet its social responsibility?	·Central and local governments, Employees & Labor union, Customers (farmers & fishermen, urban citizens)

Definition of Stakeholders and Communication Channels

Stakeholders	Definition	Major Communication Channels
Customers (farm-ers & fishermen, urban citizens)	·Beneficiaries of services offered by KRC	·Customer Satisfaction Management Committee, Repre-sentative Council on Water Management (headquarters/ all district office, KRC), Visiting Customer Centers, Local community meetings
Employees & Labor union	·Those internally hired for business operations ·Organizations created by employees for the purpose of enhancing their social and economic status	·Organizational Culture Improvement Committee, Internal customer satisfaction surveys, Employee surveys, Griev-ance Resolution Committee, Labor-management meet-ings, System Improvement Council, Channel 24
Partner compa-nies & SMEs	·Organizations or personnel externally hired for organizational operations ·Small and medium-sized companies in the local communities where KRC operates	·Meetings with partner companies, Integrity surveys, Whistle-blower systems
Experts & Related organizations, NGOs	·Organizations established to serve specific roles and objectives regarding sustainability management issues or individuals with expertise on those matters, without having any direct impact on organizational operations	·Participation regarding such special issues as mid/long-term strategies, water resources management, climate change adaptation, and local community development
National As-sembly, Central and local govern-ments	·Organizations who establish legal elements for prohibitions, regulatory conditions or supervision regarding organizational operations ·Organizations that exert control within legally accepted boundaries in concerned national territories	·National Audits, Management evaluations, Inspections by the Board of Auditing & Inspection, Meetings with the Ministry of Food, Agriculture, Forestry and Fisheries, and Governance establishment
Media and Public	·Playing a role in passing specific actions from one side to the other and often called 'mass media'	·Information disclosure websites including social media and the KRC website

Major Opinions of Respective Stakeholder Groups

Stakeholders' voice and their major engagement endeavors are as follows in 2010.

Cus-tomers (farmers & fishermen, urban citizens)	Opinions of Stakeholders ·Need to expand the cultivation of substitute crops such as beans and maize to respond to the declining prices of rice ·Improved PR of KRC operations recognized by not just farming population but also urban citizens ·Developing exchange projects between KRC and farmers & fishermen into an authentic solidarity-based relationship ·Need to set up an opinion-collection unit for the Customer Sat-isfaction Management Committee to fulfill its role ·Increasing on-the-spot management activities to enable farm-ers to feel their benefits	Employees & Labor union	Opinions of Stakeholders ·Improving policies and practical initiatives to help farmers and fishermen grow their income ·Boosting profitable in-house projects and future-oriented new business projects ·Improving systems in the directions desired by local people ·Increasing the amount of time KRC employees can spend to contribute towards such social issues such as narrowing the wealth gap, addressing the shortage of manpower in rural communities and assisting multi-cultural families ·Enhancing internal communication among employees and strengthening the sense of responsibility for failures of appropriate communication ·Expanding employee training to build capacity in sustainabil-ity management
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Partner companies & SMEs	Opinions of Stakeholders ·Strengthening close cooperation systems to ensure trouble-free construction through continued efforts for field management and integrity improvement ·Operation and training improvement for increased responsibilities for construction projects, improved technological capabilities and open-minded collaboration ·Need to introduce construction project systems suitable for KRC	Central and local govern-ments	Endeavors on Stakeholder Engagement ·Cooperation between local government officials and KRC constitutes a positive form of stakeholder engagement ·Holding wide-ranging discussion meetings attended by national legislators ·Improving continued cooperation on overseas agricultural development- Relevant operations transferred to KRC to ensure smooth implementation of 'International Agricultural Cooperation Projects' which intend to assist ODA operations for the agricultural industry and rural communities of developing countries led by the Ministry of Food, Agriculture, Forestry and Fisheries
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Stakeholder Opinions by Major Issues

Management of Water Resources ·Lack of integrated water resources management sys-tems, external activities and appropriate standing befit-ting KRC, human resources and work standardization ·Need to play more proactive roles in providing and managing water resources that serve various purposes required by rural communities ·Establishment of human networks with experts on water resources	Low Carbon Green Growth ·Need to improve green management strategies and implementation projects ·Creation of green management systems that integrate all regional headquarters in order to transform the en-tire KRC operations into green management systems ·Review and expansion of GHG reduction and CDM projects in the agricultural sector by utilizing farmland information and water management systems	Establishment of Future KRC Roles ·Mid/long-term enhancements are required in the fol-lowing areas ·Expanding its role as an organization specialized in integrated regional development ·Playing a central role in managing water resources used for the agricultural/fisheries industry in rural communities ·Playing a core role in managing farmland across the nation ·Need to position itself as a provider of comprehensive services for rural communities in the long term (rural community develop-ment, farmland-fishing port management and tourism)
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Directions to Improve Stakeholder Engagement (ISO26000 5.3.3)

Since stakeholder engagement is a fundamental prerequisite for sustainability management, we identified the status of stakeholder engagement at KRC based on ISO 26000 recommendations and improvement directions for stronger stakeholder engagement in the future.

ISO 26000 Recommendations on Stakeholder Engagement	Improvement Directions
Recognizing the impact that major decision-making and activities have on stakeholders	Enhancing endeavors to identify and consider the impact that major decision-making/activities have on stakeholders through the board of directors and existing communication channels
Resolving potential conflicts among stakeholders and challenging factors in organizational operations	Making phased-in efforts to address challenging factors and potential conflicts of opinions among stakeholders in practicing sustainability management
Providing opportunities to an organization for sustained learning, perfor-mance improvement and collection of various opinions	Strengthening stakeholder engagement on major sustainability management issues including future engines of growth
Enhancing transparency on decision-making and activities	Making better use of the sustainability reports internally and externally and expanding the reporting level continuously

Materiality Test (ISO26000 7.3.2)

KRC identified issues material to our operations in accordance with the Clause 7.3.2 of ISO 26000 and this report was prepared and written based on the following material issues.

Wide-ranging Sustainability Issues		
Issues Relevant to KRC	·Issues relevant to an organization and characteristics of the value chain ·Issues where KRC can exercise its influence ·Issues where stakeholders can exert their influence over an organization ·All social responsibility issues relevant to the activities and decisions of an organization	
Issues Significant to KRC	·Issues that stakeholders are highly interested in ·Issues that have a great impact on stakeholders and sustainable development ·Issues where high values can be created using the capacities and resources in KRC's possession	
Domains	Material Issues	No. of Page
Common	Strengthening the execution of anti-corruption, fair competition and 'Right-Way Management'	9-10
	Increasing income for rural communities and contributing towards the national economy	25
	Exploring future new business areas and new engines of growth	27
Economy	Preserving and managing eco-friendly agricultural production areas	32-33
	Expanding efforts to preserve the environment in rural communities	34-36
	Advancing the management of water resources	37-39
	Expanding company-wide endeavors to respond to climate change	40-42
	Contributing to the resolution of social issues through corporate philanthropy	61-63
Environ-ment	Enhancing efforts to have direct/indirect communication with customers (farmers & fisher-men, etc.) and reflect their feedback in KRC policies	50-52
	Mutually-beneficial relationships with small and medium-sized partner companies	60
	Securing top talent and expanding ways to nurture them	54-55
	Win-win relationship between labor and management	57-58
	Transparent and fair HR management	53
Society	Playing a proactive role in developing and facilitating a sustainable rural community	20-24

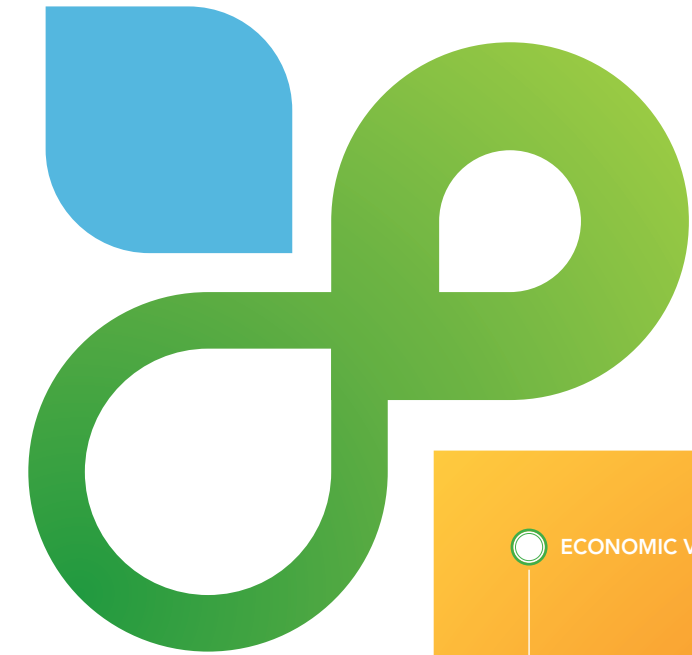
01 CREATION OF ECONOMIC VALUES

KRC has been taking the lead in advancing Korea's agricultural and fisheries industry together with farmers and fishermen over the last one century. With changes in time come such emerging needs as income growth and profit generation in the agricultural/fisheries industry and rural communities and KRC is determined to enhance the global competitiveness of our agricultural/fisheries industry and rural communities through science-based and mechanized production infrastructure.



● GRI EC9 Creation of Indirect Economic Effects

- Daeho Tide Embankment (located in Dangjin, South Chungcheong Province) completed by KRC helps secure large-scale reclaimed farmland and water resources and its idle facilities are utilized as a welfare center for farmers and fishermen, enabling them to create more income and urban citizens to access recreational resources.



- ECONOMIC VALUE
- ENVIRONMENTAL PERFORMANCE
- SOCIAL RESPONSIBILITY

OVERVIEW OF ECONOMIC VALUE CREATION

Partner in Economic Development of Korea's Rural Community (GRI EC8, EC9)

KRC is improving the production efficiency of the agricultural/fisheries industry through the maintenance of production infrastructure in rural communities and the efficient management of water resources and also promoting a balanced regional development through local development of rural communities. Additionally, KRC is seeking the stability of the agricultural/fisheries industry through the operation of the Farmland Bank, contributing towards the economic and social development of rural communities.



98% of self-sufficiency of rice production through the increase of well-irrigated paddies to 49.9% of total

98% Achieving (as of 2010)

Management of Rural Water Resources

KRC is engaged in installing irrigation facilities such as reservoirs, pumping stations and irrigation channels in areas prone to droughts in order to ensure the stable supply of water to rural communities, promoting conveniences of farmers and fishermen and contributing to the stability of agricultural production. We are also working hard to build readiness against droughts and heavy downpours caused by abnormal climate conditions and to secure clean water resources for rural communities, helping our agricultural/fisheries industry produce eco-friendly and high-quality products.



Free-of-charge agricultural water supplied to farmers

6.6 billion tons KRW 317.3 billion

Prevention of disasters through the management of agricultural infrastructure facilities

KRW 513 billion (as of 2010)

Agricultural/Fisheries Industry Production Infrastructure Improvement Projects

KRC is contributing towards increased agricultural productivity through the timely supply of high-quality water for farming, utilizing such agricultural infrastructure facilities as reservoirs, pumping stations, drainage facilities and irrigation reservoirs. We ensure that relevant facilities are efficiently maintained and managed through safety assessments and prevent flood damage and promote safe farming through the improvement of drainage facilities.



Investments made in KRC-initiated projects using rural community resources

KRW 194 billion

KRC-initiated Projects

KRC is carrying out resources development projects that consider local characteristics such as the development of waterfront areas near agricultural reservoirs and the generation of new & renewable energy, spearheading the efforts to improve the quality of life in rural communities and to revitalize the local economy. We also fulfill our role to support the national engine of growth through such policy projects as Saemangeum Industrial Complex construction.



Farmers who received business recovery support

2,899 farming households

KRW 667 billion

Farmland Bank Projects

KRC is engaged in farmland purchasing, reserved farmland, consignment management and support for farmers facing financial crises in response to instabilities in the farmland market such as declining farmland prices and increasing idle farmland caused by the opening of the agricultural product market.

- 01 Overview of Economic Value Creation
- 02 Sustainable Growth of Rural Communities
- 03 Creation and Distribution of Economic Outcomes
- 04 Enhancement of Future Competitiveness

Achievements in nurturing rural enterprises

22,000

jobs created

221

enterprises attracted

SUSTAINABLE GROWTH OF RURAL COMMUNITIES

Approach for Sustainable Growth of Rural Communities

KRC’s operations include the maintenance of agricultural/fisheries production infrastructure, local development of rural communities, Farmland Bank projects and comprehensive management of water facilities. We are also working to secure new engines of growth including KRC-initiated projects and overseas agricultural development in order to ensure sustainability in the future.



Maintenance of Agricultural/Fisheries Production Infrastructure

We create new farmland, organize water drainage systems, adjust farmland for large-scale mechanized farming, and prevent natural disasters including droughts and floods by securing water resources and improving water facilities.

Building Agricultural/Fisheries Production Infrastructure

Our agricultural production infrastructure maintenance projects allow us to develop multi-purpose, multi-functional agricultural water resources and expand agricultural infrastructure. In addition, the infrastructure adjustments made for large-scale farming help nurture large-scale farming enterprises, leading to increased income for farming households.

Major KRC Operations

Improvement of Farming Infrastructure and Conveniences <ul style="list-style-type: none">·Expanding safe farming infrastructure to enhance readiness for natural disasters including droughts·Building modernized, mechanized farming infrastructure to respond to the aging farming population, shortage of manpower and increased farming size·Building the basis for a diverse food supply through diversified farming income sources such as horticulture, livestock and bio	Balanced Development of National Land Resources <ul style="list-style-type: none">·Promoting advanced national land development models by enhancing the value of farmland which accounts for 19% of the entire national land·Improving infrastructure in promotion areas to ensure the efficient use and management of national land·Promoting balanced regional development through the creation of infrastructure on agriculture, which serves as a key industry in rural communities	Growth of Rural Culture and Its Continued Development and Inheritance <ul style="list-style-type: none">·Recognizing the role of agriculture as basic element for maintaining rural society and passing it down to the next generations and securing policy support for farmland, the most important resources that sustain the agricultural community
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Economic Achievements of Production Infrastructure Maintenance Projects

KRW 561.1 billion in preventing flood damages (accumulated between 2000 and 2010) <p>Reservoir establishments prevented flood flows effectively during localized torrential downpours in the summer season and contributed to reducing flood damages by KRW 561.1 billion in estimated value.</p>	KRW 13.7 billion in residential and industrial water supplied (accumulated between 2000 and 2010) <p>The supply of residential and industrial water improved conveniences for people in rural communities and contributed to industrial development.</p>
KRW 834.6 billion in increase of water quality and climate change mitigation (accumulated between 2000 and 2010) <p>Increased water quality and climate change mitigation were brought about through the penetration of soil layers with irrigated water conveyed for rice growth, which led to KRW 385.8 billion estimated worth of water quality improvement and climate change mitigation caused by the latent heat effect of rice paddies led to KRW 448.8 billion in economic losses prevented.</p>	KRW 1.9248 trillion in rich natural landscape preserved and recreational places created (accumulated between 2000 and 2010) <p>The improved quality of life brought about through the preservation of natural landscape and the creation of recreational places resulted in KRW 1,157.3 trillion in estimated value of landscape and KRW 767.5 billion in estimated value of rice farming created by visits paid by urban citizens.</p>

Maintenance and Management of Water Resources in Rural Communities

We identify needs for multi-purpose water resources in rural communities such as agriculture, residence, industry and environment required by rural people and also ensure the safe supply of high-quality water in sufficient quantities.

Stable Management of Water Resources

Water management in rural communities constitutes one of the core business domains at KRC which is playing a central role in addressing national food issues and building the basis for farming security. Despite diverse challenges including degrading facilities and unstable funding sources, KRC is doing its utmost to ensure the safe management of water resources through the introduction of advanced systems and the improvement of work efficiency.

Major KRC Operations

Meeting water resources needs in rural communities <ul style="list-style-type: none">·Supplying all kinds of water resources (residence, industry, fisheries, instream water, etc.) needed in rural communities to meet the level of requirements of customers in a clean and safe manner·Predicting and responding to natural disasters such as droughts and floods in advance in order to minimize damages and to ensure immediate repair and recovery in case of such emergencies	Sharing water resources with local people <ul style="list-style-type: none">·Building water resources systems that enable all local people in rural communities to enjoy the benefits·Creating autonomous management systems where major facilities are managed by the central government and end points of water supply are managed by farmers and local people
Developing and managing water quantities and quality in an integrated manner by water basins <ul style="list-style-type: none">·Managing the quantity and quality of both surface and ground water in anised on the water zones (464 zones) classified by water basins in rural communities	Implementing science and information-based water resources policies <ul style="list-style-type: none">·Performing analyses and predictions through the use of real-time measurement and information systems based on state-of-the-art equipment

Economic Achievements of Water Resources Management in Rural Communities



1% growth rate of the rice price (2010)

During the 2008 Agflation and the resultant international food crisis, rice prices in the international market skyrocketed by 183% but the Korean market posted a highly stable increase rate in the 1% range thanks to the self-sufficiency of rice which was achieved through the creation of all-weather farming infrastructure and could prevent shocks from global rice price fluctuations.

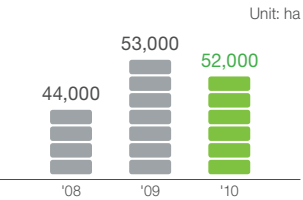
KRW 490.1 billion (2002) – KRW 137.3 billion (2010)

Minimizing damages on irrigation facilities

The advanced management of water supply and irrigation facilities allowed us to ensure science-based and systemized management of water resources and this is leading to minimization of damages on irrigation facilities.

52,000 ha

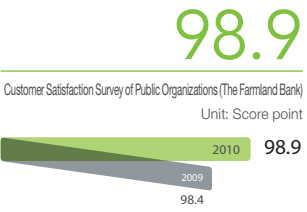
Areas where further farmland loss damages were prevented in 2010



Interview with Employees

"Since 2000, the scope of water resources management in rural communities has been expanding from traditional farmland into the more diversified areas of tourism, environment and industrial complexes. To respond to this emerging trend, KRC is making sustained efforts into building employee capacity and introducing new facilities in order to ensure the stable supply of water across local communities through advanced water resources management. "

Dae-II, Kim, Deputy Director, Office of Water Resources Management



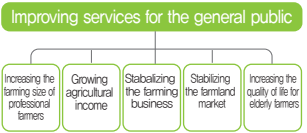
The Farmland Bank Operations

The Farmland Bank aims to support the growth of agricultural competitiveness based on the efficient use of farmland and the improvement of the agricultural structure and to help increase farming income and secure the stability of farming households' livelihoods through increased efficiency of farmland use and enhanced farm household income and business stability.

The Farmland Bank, the Provider of Farmland-related Services to the General Public

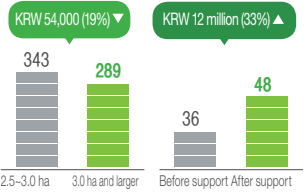
KRC is fulfilling its role as the 'umbrella agency for farmland-related business' in increasing agricultural competitiveness, using farmland more efficiently and supporting farming household income growth and business stability through the operation of the Farmland Bank. We assist farmers facing temporary difficulties with business recovery efforts, offer direct subsidies for the handover of farmland management and also help retiring and migrating farmers sell their farmland smoothly. In addition, we introduced the farmland pension system to support the stable retirement life of elderly farmers, serving diverse functions not only to increase income in rural communities but also to ensure the business stability of farmers and sufficient welfare benefits.

Role of The Farmland Bank

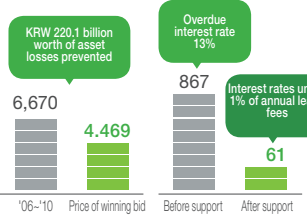


Achievements of The Farmland Bank

1.Reduction in direct production costs 2. Increase in farming income
Unit: KRW 1,000 Unit: KRW 1 million



3. Prevention of farmers' loss of assets 4. Reduction in interest costs for farmers
Unit: KRW 100 million Unit: KRW 100 million

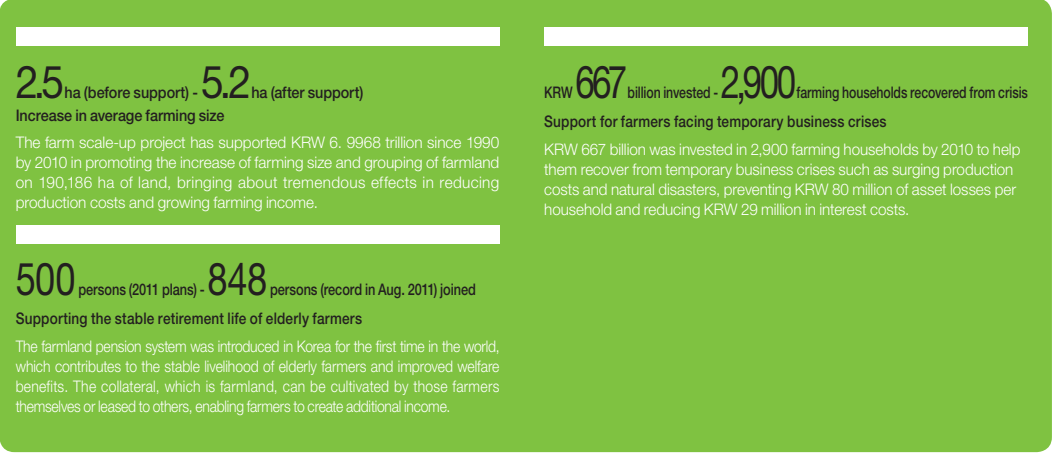


1st Pensioner Joining the Farmland Pension System (Jan. 5, 2011)
Nation's 1st-ever member of the farmland pension system
Receiving KRW 500,000 monthly for the entire remaining life with the handover of KRW 150 million worth land as collateral
Korea saw its 1st-ever beneficiary of the 'farmland pension system' where members receive their pension on their farmland as collateral. The Korea Rural Community Corporation (KRC) announced on January 3 that Mr. Dae-Su, Kim (69) and his wife, living in Galwon-ri, Shinbuk-myeon, Pochon City, Gyeonggi Province, became the 1st pensioner of the farmland pension system. The Kims will continue to get KRW 508,000 in pension every month for their entire life, handing over their farmland worth KRW 150 million as collateral.

Major KRC Operations



Economic Achievements of The Farmland Bank



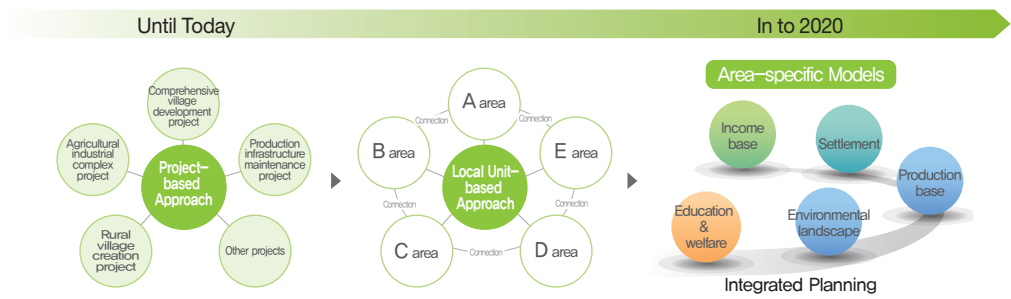
Local Development Projects in Rural Communities

We use and develop local resources with the participation of local people in rural communities and contribute toward the substantial growth of local communities through economic prosperity, social cohesion and the creation of environmental values.

Balanced Development of Rural Communities

We face an increasing likelihood of losing our valuable local history, culture and traditional resources due to the convergence of the agriculture/fisheries industry, and the declining population and aging of rural communities. KRC is making contributions to growing real income in rural communities through the local development projects jointly participated by local communities and relevant stakeholders based on local resources.

Paradigm Shift in Rural Development



Major KRC Operations



Economic Achievements of Rural Development Projects





Rural experience tourism- Marine resort in Dobi Island



Customized development of local resources-Special district of Universe ocean resort in Goheung



Support for national local industry policies-Saemangeum Industrial Complex

KRC-initiated Projects and Overseas Agriculture

We are generating alternative profits to make up for reduced government subsidies for the maintenance and management of irrigation facilities and promoting urban-rural exchanges and rural tourism in order to lay the basis to faithfully fulfill our role as a public organization and to stand on our own in business operations.

Significance of KRC-initiated Projects and Overseas Agriculture

As part of the financial resources needed for the maintenance and management of irrigation facilities come from the profits generated through the sales of KRC assets, this is aggravating the burden on our operations. This is why we are determined to develop our assets in a balanced manner to replace the share of declining government subsidies in our profits and to give back to farmers & fishermen and agricultural/fishing areas for a sustainable rural community.

Enhancing Values in Rural Communities

- Nation-wide regional diagnosis and DB management to support customized local development
- Building and operating comprehensive consulting systems to help local governments with local planning
- Establishing and practicing integrated local development models led by local communities

Improving the Quality of Life in Rural Communities

- Enhancing the quality of agricultural water to be used for residential purposes in rural communities
- Building rural villages to encourage the influx of population
- Creating general industrial complexes to create jobs

Performing National Policy Projects

- Creating new engines of growth for the nation through the creation of the Saemangeum Industrial Complex
- Expanding the development of new & renewable energy: wind power, small hydropower generation and the introduction and operation of an emissions trading scheme

Securing Farmland Overseas

- Commercialized approach where KRC and the private sector jointly build integrated supply systems from farm development to distribution
- Public approach where KRC helps developing nations with creating agricultural infrastructure and transfers farming technology, meeting necessary resource needs

Achievements of KRC-initiated Projects and Overseas Agriculture Initiatives

KRW 1.2 billion (2009) - KRW 13 billion (2010)
New overseas orders we won

We are expanding our overseas business portfolio by widening the scope of business areas from Southeast Asia and Africa to diverse developing nations worldwide. KRC is to help more developing countries in the world with building the basis to stand on their own.

Q&A

Question from Stakeholders

·Considering there are plenty of controversies over the Korean government's 4 Major River project, what is the role of KRC here?

Answer from KRC

·The project intends to expand the infrastructure for stable agricultural production by preventing water shortages, flood damages and other possible negative impacts that may be caused by climate change through the heightening of reservoir banks and the structural improvement of the Youngsan River estuary barrage.

·In addition, it includes preventing tributaries and mainstreams of the 4 major rivers from drying up during the non-farming season by securing sufficient water quantities, restoring waterside ecosystems and preventing flood damages near the 4 major rivers during the flood season.

CREATION AND DISTRIBUTION OF ECONOMIC OUTCOMES

KRC's Economic Responsibility and Creation of Economic Outcomes

KRC's economic responsibility is to build the infrastructure to produce food for its most important stakeholders, 50 million Koreans, through its business operations and to lay the groundwork for sustainable growth of rural communities through the enhancement of the quality of life.

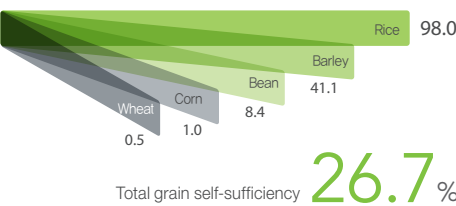
Environmental Changes in Rural Communities

While the agricultural/fisheries industry is showing steady growth from the global perspective, the industry in Korea has been rather stagnant in its growth since 2000. The traditional agricultural/fisheries sector continues to dwindle and its share in Korea's GDP also keeps declining from 4.6% in 2000 to 2.5 % in 2008. This is leading to changes in agricultural production systems and the traditional focus on rice production is shifting to fruits & vegetables and livestock products, bringing about fundamental changes to the business structure in rural communities.

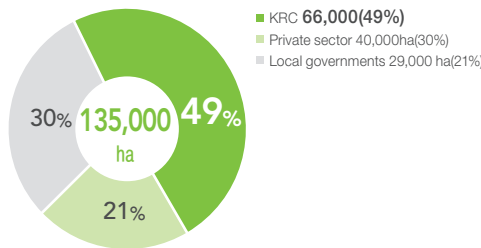
KRC's Economic Achievements over the Last 100 Years

KRC has been making wide-ranging economic achievements throughout its 100-year history including the revitalization of rural economies and the implementation of government policy projects. We succeeded in achieving self-sufficiency of rice supply through the creation and management of systemized rice production infrastructure and laid the basis for safe agriculture through the water supply and efficient management of irrigation facilities. We helped enhance our agricultural competitiveness by fostering professional rice farmers with increased farming size and expertise and promoted efficient economic development in rural communities through the local development in rural areas and the promotion of urban-rural exchanges.

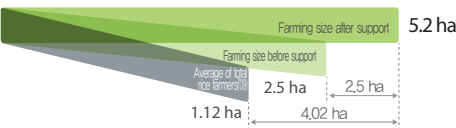
Self-sufficiency of 5 Major Grains (Dec. 2009)



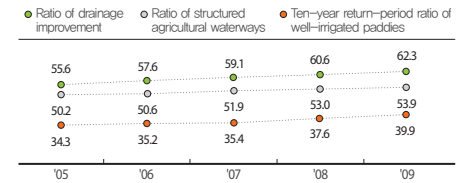
Reclamation Performance by Organizations



Changes in Farming Size with Support (Dec. 2009)



Modernization of Infrastructure Facilities



Performance of Comprehensive Agricultural Development Projects (increases in non-farming income in target areas)



ENHANCEMENT OF FUTURE COMPETITIVENESS

Distribution of Economic Outcomes and Risk Stabilization

KRC is re-investing profits generated from its revenue-making projects into developing rural communities. We are determined to continue our endeavors to generate and distribute more economic values to ensure the development of rural communities in Korea and to enhance the corporate value of KRC through increased competitiveness.

Distribution of Economic Outcomes (GRI EC9)

In 2010, KRC produced KRW 3. 8185 trillion of economic values through business operations covering its 5 major business domains and posted KRW 76.1 billion in net profit. These values are invested back into developing rural communities and improving facilities in rural communities and also transparently disclosed and re-distributed to all stakeholders including local communities, environmental organizations, customers & partner companies.

Indirect Economic Values Generated for Stakeholders



Risk Management

At KRC, we are working hard to identify and manage risks in advance that may affect its business stability at present and in the future in addition to the generation and distribution of economic values. We defined 12 risk types in the 4 risk domains of management, disaster, communication and conflict according to the risk management guidelines for public organizations, identified core risk indicators by risk type and created risk response manuals, taking action to manage risks on a company-wide level.



Responding to Risks According to the Enterprise Risk Management (ERM) System

Risk Factors		Management Targets by Risk Factors
Management Risk	Environment	Changes in government policies, Organizational integration, Privatization
	Strategy	Failures in investment/operation regarding KRC-initiated projects
	Finance	Instability in the financial/real-estate market, Shrinking government budgets
	Operation	Embezzlement of company funds, Misuse of KRC assets
Disaster Risk	Natural Disaster	Storm/flood damages, Earthquakes, Droughts, Other natural disasters
	Man-made Disaster	Fire in office buildings, Safety accidents in construction sites
	Information	Network failures, Operation failures of the information network, Information security accidents
PR Risk	Public Relations	Negative media reports, Critical public opinions
Conflict Risk	External Conflict	Mass protests by those filing civil complaints
	Internal Conflict	Collective actions taken by the labor union including strikes

KRC-initiated Projects for Future Sustainability

KRC-initiated projects aligned with its own functions allow the company to secure alternative profits in order to fulfill its public functions in a stable manner and to enhance its management independence.

Need for KRC-initiated Projects

KRC aims to compensate for declining government subsidies of the maintenance and management of irrigation facilities with profits from KRC-initiated projects and to re-invest profits secured through the creation of new engines of growth in farmers & fishermen and rural communities.

Purpose of KRC-initiated Projects

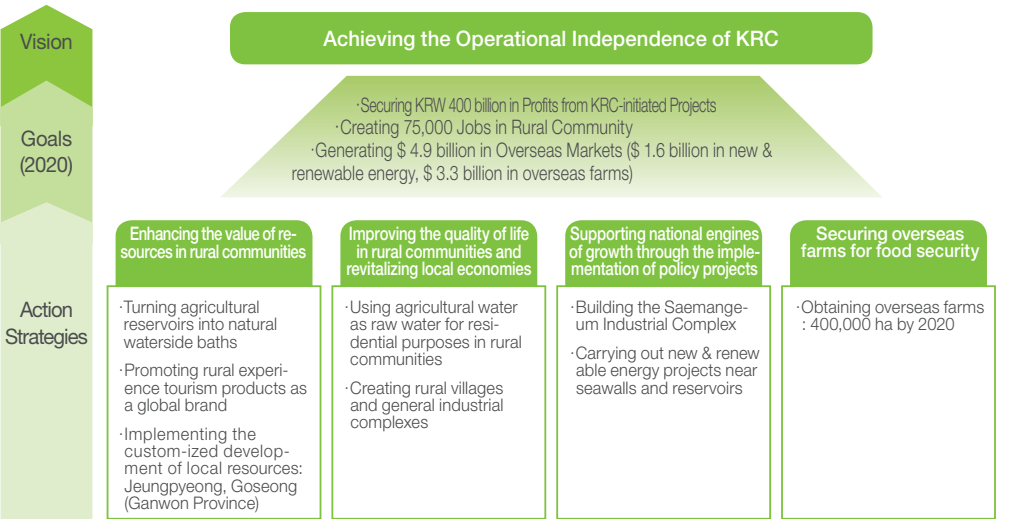
- To build the basis for fulfilling KRC's public functions stably and achieve operational independence through the generation of alternative profits
- To promote the income growth of farmers & fishermen and revitalize local economies through urban-rural exchanges and increased investments in rural tourism
- To meet the needs of the general public for rural experience programs and recreational agriculture
- To reorganize the business structure of KRC to strike the right balance between policy projects and KRC-initiated projects (maintaining the share of KRC-initiated projects at 25% of the total sales)
- To present efficient ways of using idle properties in KRC's possession and make better economic use of national assets

Achievements and Challenges of KRC-initiated Projects

Our continued investments in KRC-initiated projects (KRW 173.9 billion) for management independence since 2000 enabled us to successfully complete 20 district projects including new & renewable energy projects. Additionally, KRC is improving legal/institutional systems to build the basis for further growth of these projects and also working hard for the successful implementation of large-scale national policy projects such as the selection of construction companies for the development of the Saemangeum Industrial Complex.

Vision and Goal of KRC-initiated Projects

The focus of KRC-initiated projects will be on the creation of sustainable rural communities to enhance the value of rural resources and the procurement of overseas farms in a bid to ensure the self-sustaining operations of KRC.

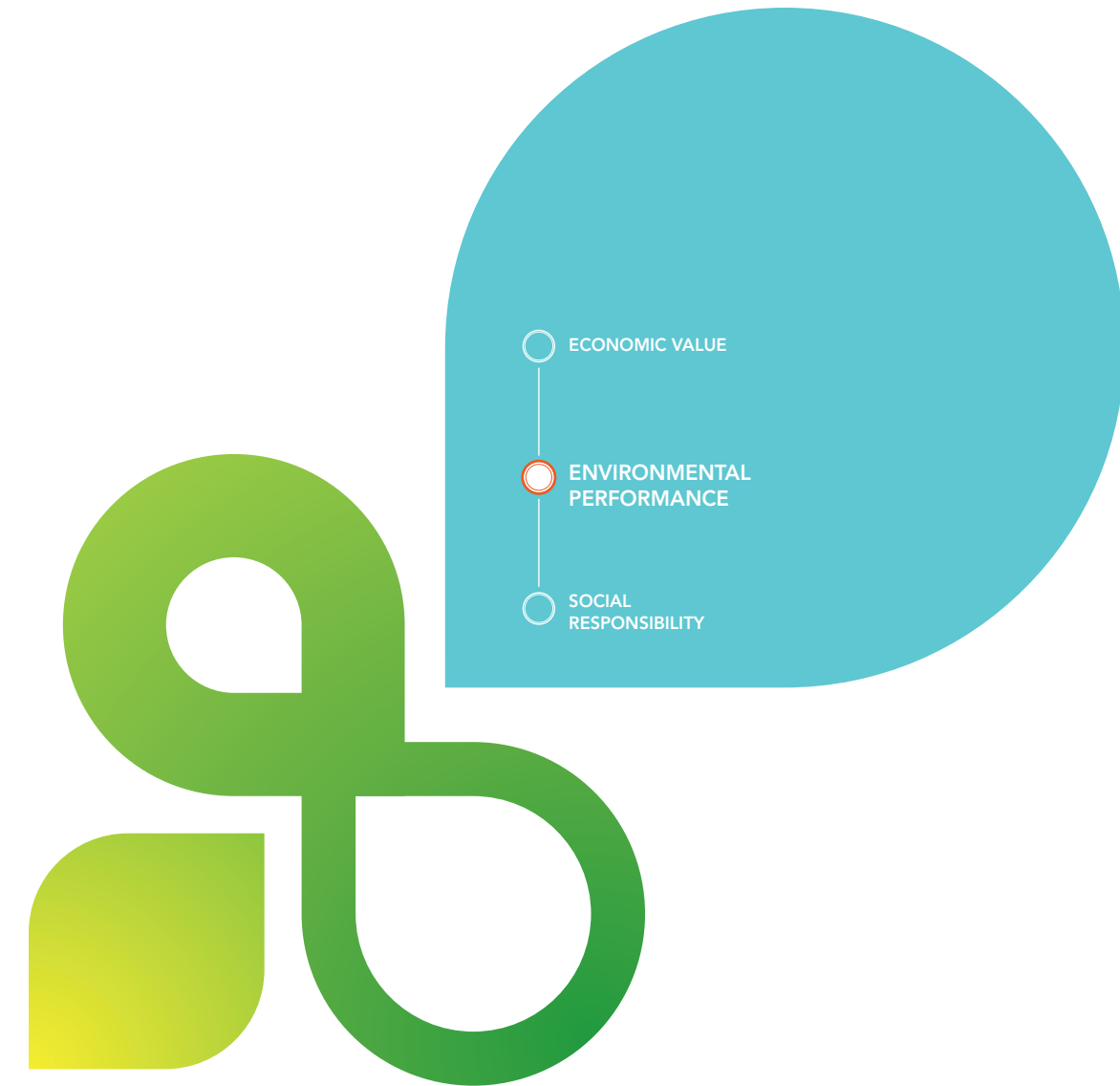


02 CREATION OF ENVIRONMENTAL VALUES



● UNCG Principle 9 Facilitating the Development and Distribution of Eco-friendly Technology

- The wind power stations built on the world's longest Saemangeum Embankment (linking Gunsan and Buan of North Jeolla Province) completed by KRC represent our commitment to preserving the precious natural environment through green management.



Our 'Mission' at KRC is to preserve our national land and create eco-friendly values by meeting social and economic needs and striking the right balance among these diverse needs. As a professional water management service provider, we are promoting more efficient and science-based water management, taking the lead in participating in the carbon market through the development of cleaner new & renewable energy and offering an opportunity to both rural and urban people to recognize the importance of the environment with local development initiatives that maximize the indigenous green values of rural communities. We are determined to elevate KRC into a public organization capable of generating substantial environmental values across society as an umbrella agency encompassing the agricultural/fisheries industry, rural communities and farmers & fishermen.

OVERVIEW OF ENVIRONMENAL VALUE CREATION

KRC is committed to maximizing the indigenous green values that lie in rural communities and the agricultural/fisheries industry and is working proactively to ensure sustainable management of water resources and appropriate responses to the global issue of climate change. We fully meet our environmental responsibility through our own eco-friendly management and comply with UNGC's environmental principles in making internal decisions.



Public values of agriculture (flood control, ground water recharging, air purification, and soil loss reduction)
KRW 15 trillion annually

KRW 15 trillion annually

Creation of Eco-friendly Values in Rural Communities

The agricultural industry and village serve wide-ranging eco-friendly functions in addition to economic ones such as production of agricultural goods. In order to preserve and maximize the eco-friendly values of agriculture, we make integrated endeavors to build eco-friendly production infrastructure, perform eco-friendly farming practices, preserve the value of bio-diversity, develop ecological cultural resources of rural communities and restore soil quality.



Supply ratio of water at grade 4 and above

86.7%

Value of pluralistic functions provided by agricultural water

KRW 7.1569 trillion annually

Sustainable Management of Water Resources

As a professional water management service provider, KRC is taking the initiative to ensure more efficient and science-based water management and providing clean agricultural water in a safe manner to enable the production of eco-friendly agricultural products. In order to further enhance pluralistic values of rural water resources, we are diligently working to manage multi-purpose water resources in rural communities, advance water management in rural communities, build capacity to respond to natural and man-made disasters, and manage water quality in a comprehensive way.



New & renewable energy generated in 2010

20,835 MWh

Performance of CDM projects

3,753 tCO₂



Greenhouse gas emissions (Scope 1+ 2)

146,886 tCO₂

(18% ▼)

Environmental Management of KRC

In addition to diverse environmental projects, KRC is striving to reduce its emissions of carbon dioxide on its own. We keep monitoring our water consumption every year to ensure further water savings and strengthen employee training on environmental issues. We are also promoting eco-friendly products by increasing our use of these products as well as reducing waste discharge. There may still be a long way to go to completely shift to a company-wide environmental management system but we are determined to make phased-in efforts to make progress in the upcoming years.

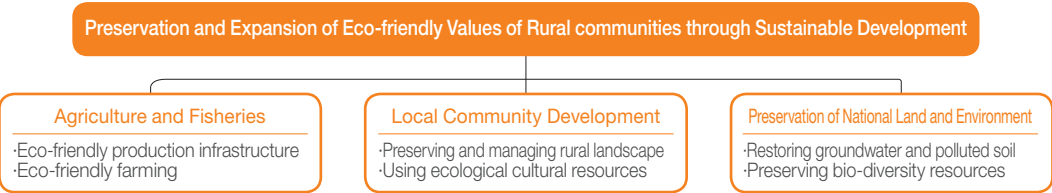
Climate Change Response

Agriculture is directly affected by global warming due to its dependence on weather conditions. This is why KRC is working on various fronts to secure GHG sinks and reduce GHG emissions. We are actively developing new & renewable energy sources such as small hydro power, wind power, photovoltaics and thermal power through the use of rural resources nationwide and participating in CDM projects by registering our GHG emission reductions with the UN. In addition, we are committed to developing future development models for rural communities to help it secure self-sustaining energy sources and lead a low-carbon lifestyle.

CREATION OF ECO-FRIENDLY VALUES IN RURAL COMMUNITIES

Approach to Creating Eco-friendly Values

The balanced growth of rural communities is at the core of KRC’s mission and we are determined to spearhead the endeavors to preserve and expand the indigenous eco-friendly values of rural communities.



Importance of Preservation and Expansion of Eco-friendly Values of Rural communities
Rice paddies not only produce rice but also perform various environmental functions and serve as animal habitats. They prevent floods during the summer, recharge ground water and make the air and water cleaner. In addition, they prevent soil loss, provide green areas and preserve the ecosystem. In other words, rice fields carry out pluralistic functions that no price can be set upon in addition to rice production. When the shape of rice paddies is maintained as they are, this alone is sufficient to enhance eco-friendly values of the entire national land and every Korean can benefit from it.

Creating Economic Values through the Preservation of Eco-friendly Agriculture

Agriculture generates KRW 15 trillion in economic values annually by preserving the environment and ecosystems. These values include recharging of ground water, reduction of soil loss, improvement of water and air quality and flood control capacity of forests.

Eco-friendly Values of Agriculture Translated into Economic Values

(unit : KRW 100 million/year)		
Eco-friendly Values of Agriculture		Estimated Value
Preserving the Environment and Ecosystems	Groundwater recharging	41,572
	Water purification	21,910
	Air purification	55,889
	Reduced soil loss	9,520
	Protection of wild animals	-
Mitigating Disasters	Prevention of floods	22,814
	Prevention of landslides	-

※Source: Research on Implementation Methods of Comprehensive Agricultural Industry/Village Measures, Korea Rural Economic Institute, 2004

Growing Awareness of Eco-friendly Values of Rural Communities through Urban-Rural Exchanges

Every Korean needs to have an opportunity to understand and experience the eco-friendly values that rural communities offer, which is as important as preserving them. KRC is creating rural experience villages to enable urban people to visit rural communities themselves and have hands-on experiences of eco-friendly resources. The 516 green farming experience villages contribute to generating non-farming income and serve a critical role as an eco-friendly linkage between urban and rural areas. In addition, 'Welchon portal' and 'rural information services' allow urban people to easily access information on these experience programs in rural communities, expanding urban-rural exchanges.

5,050 persons
(5%▲)

The number of urban people who experienced the eco-friendly values of agriculture through green farming village experience programs

Eco-friendly Production Infrastructure (GRI SO10)

KRC takes into account the use of water, flood control capacity, environment, waterfront and landscape comprehensively in installing and managing rural facilities and strives to move beyond the basic function of building production infrastructure into the eco-friendly development of waterfront areas and local environments.

Eco-friendly Maintenance of Agricultural Production Facilities

We are building ecological environmental waterways, enhancing the eco-friendliness of pumping stations and drainage systems through renovation and maintaining waterfront areas in a bid to ensure eco-friendly maintenance of agricultural facilities. We create beltways around reservoirs, trails and rest areas to turn reservoir areas into eco-friendly break areas. We also develop waterfront roads, trails, observatories, and woodland parks in easily accessible areas with aesthetically-pleasing landscape to attract more urban people. Such endeavors are leading to continuous improvement of satisfaction of local people living near these facilities.

Eco-friendly Agriculture

In order to promote eco-friendly agriculture where the environment and agriculture co-exist in harmony, KRC provides comprehensive support for eco-friendly agriculture from the creation of eco-friendly agricultural complexes to production and consumption.

Rural Production Facilities Operated in Harmony with Nature



Creating ecological facilities to promote co-existence between artificial facilities and natural ecosystems (ecological passages for animals)



Preserving stream ecosystems by considering not just agricultural water but also environmental water

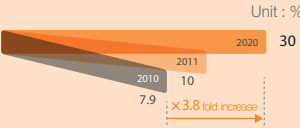
BEST PRACTICE

Continuous Expansion of Eco-friendly Rural Production Infrastructure (GRI EN30)

KRC is striving to expand eco-friendly rural production facilities. Eco-friendly investments stood at 7.9% of the total KRC expenditures in 2010 and our plan is to boost such investments by 5% every year to surpass the 30% mark and maintain this level of investment from 2020. In addition, we are to tighten eco-friendly design criteria that consider harmony with the surrounding landscape, eco-friendly design of structures and other comprehensive landscape concepts and expand the application of these criteria into new development projects and on-going project districts. We also plan to expand national-level training programs to help working-level employees understand the overall direction of KRC's eco-friendly projects, hold best practice competitions, and share concrete cases of difficulties identified and resolved in applying eco-friendly techniques. KRC is determined to shift from simple function-oriented development into 'eco-friendly development' in the upcoming years.

Plan to expand eco-friendly investments continuously

Share of eco-friendly investments of the total KRC expenditures



Regional Eco-friendly Agricultural Complexes

Eco-friendly farming goes for the effect of killing two birds with one stone as it utilizes resources that are poorly managed and pollute the environment such as livestock manure in order to reduce environmental pollution load and the livestock industry's burden to treat livestock manure and also to produce eco-friendly products. In a bid to scale up small-scale eco-friendly farming into a low-cost, high-efficiency one with increased farming size, KRC created natural-circulating eco-friendly agricultural complexes and in so doing, contributed to increasing the ratio of eco-friendly products from 2.5% in 2004 to 10% in 2010.

Urban People in Daeho Eco-friendly Agricultural Complex Experiencing the Eco-friendly Rice-Duck Farming



What is the definition of eco-friendly agriculture?

Eco-friendly agriculture does not use chemical materials such as chemical fertilizers or synthetic agricultural chemicals or minimizes their consumption and reuses byproducts of the agricultural, livestock and forestry industries (ex) livestock manure) in order to maintain/preserve agricultural ecosystems and the environment and to produce safe agricultural, livestock and forest products.



Use of Ecological Cultural Resources in Rural Communities

Rural communities have ecological cultural resources that are unlimited. KRC serves as a facilitator to preserve ecological resources of rural Communities in an eco-friendly manner and to encourage society to make the best use of these resources.

Total Development of Economy, Society and Environment of Rural Communities (GRI SO10)

KRC carried out comprehensive farming village development projects in 301 rural communities and rural theme park projects in 14 areas by 2010. KRC's top priority in these projects was to ensure eco-friendly development, not just the enhancement of economic and social values.



Customized Local Development Using Rural Landscape Resources (Yesan-gun)



Creating an ecology experience park aligned with Slow City of Yesan-gun

- Restoring stork habitats, Setting organic farming experience programs of growing apples in red-clay soil

Contributing to the enhanced vitality of local economies through the customized utilization of eco-friendly values and eco-friendly training, not just a mere appreciation of beautiful landscapes

Preservation of Eco-friendly Values through Rural Landscape Improvement Projects

KRC is carrying out rural landscape improvement projects to preserve and better utilize ecological resources in rural communities. Red Pepper/Kite Theme Park in Youngyang, North Gyeongsang Province and Sweet Persimmon Theme Park in Changwon are representative examples of KRC's endeavors to turn eco-friendly values of rural communities into valuable resources, further preserving eco-friendly resources and bring vitality to rural economies. Such efforts are to be expanded continuously and KRC plans to actively pursue integrated development that reflects stakeholders' voices.

Development and Expansion of Standard Eco-friendly Housing Models in Rural Communities

We developed a total of 55 standard rural housing models between 1994 and 2010 and are distributing them free of charge. These free standard housing designs that are economically efficient and eco-friendly led to savings of at least KRW 3.5 million per household. In 2010, we developed and distributed 5 types and 10 patterns of low-energy eco-friendly housing models, contributing to enhancing the energy independence of rural communities.

Nurturing Eco-friendly Services Business in Rural Communities

We assist the renovation of accommodation facilities through new & renewable energy such as photovoltaics and wind power and integrate these efforts with environmental training and ecology preservation programs in rural communities. This enables rural accommodations to refurbish their image as they are often considered low-quality facilities by urban people. It also leads to substantial savings of energy and offers an opportunity to urban people to experience the value of eco-friendliness.

Preservation of Bio-diversity Resources (GRI EN14)

Rice paddies emerged as a major agenda item as they were garnering attention in the Ramsar COP 10 in 2008 as the 'amazing wetlands in Asia', which recognizes its value as a wetland rich in bio-diversity. KRC is expanding its research on wetland preservation and working to create wetlands in order to preserve the value of bio-diversity.

Preservation of Ecosystem Values through the Protection of Wetlands (GRI EN12)

KRC is fully aware that reclamation may lead to enormous changes in ecosystems and this is why we continue monitoring ecological environments in the wetlands of the Daeho Reclaimed Tidal Land, Ansan Reclaimed Wetlands and other large-scale reclaimed areas to restore their ecosystems. In particular, we see a sustained improvement in bio-diversity values in Ansan Reclaimed Wetlands and this proves that wetlands created through reclamation can be transformed into healthy wetland ecosystems that are capable of supporting bio-diversity.

Reclaimed Wetlands Under Restoration and Protection (GRI EN13)



Improvement in bio-diversity in Ansan Reclaimed Wetlands

Development to Enhance Ecosystem Values (GRI EN13)

We are establishing artificial wetlands and botanical islands in those facilities that fail to meet the required water quality criteria (grade 4) to enhance the water quality in an eco-friendly manner. In renovating deteriorating irrigation and drainage channels, we ensure the preservation of the surrounding ecosystems including wetland protection as well as the stable supply of water resources. We are to embark on large-scale ecosystem restoration projects in fishing villages to boost their preservation efforts.

BEST PRACTICE

R&D on Enhancing Bio-diversity Values (GRI EN30)

KRC is carrying out wide-ranging R&D activities on environmental remediation and the preservation of aquatic ecosystems. For example, we developed standard designs capable of increasing the ecology restoration rate to 70% and above from previous ones through our research on environmental remediation facilities for eco-friendly development. In addition, we make sure that development master plans that take into account ecosystems are established in building large-scale farming infrastructure facilities. In 2010, our R&D focused on eco-friendly management of water quality and improvement of bio-diversity including the creation of an ecological basis for increased diversity of wetland rice fields, the development of habitat health assessment techniques for lake ecosystems, the study on applications of water quality prediction models by agricultural reservoir types, and the ecological management methodology of reclaimed wetlands. The outcome of our R&D is recognized for their technical expertise through patent registration and the publication of SCIE-level papers. In addition, we are actively distributing technology to enhance bio-diversity through eco-friendly farming and water quality management, improving the awareness of bio-diversity values.

KRW 1.372 billion
in R&D achievements in
bio-diversity in 2010

- Research on establishing ecological infrastructure to increase the diversity of creatures living in wetland rice fields
- Development of habitat health assessment techniques of lake ecosystems
- Development of technology for field application of natural enemies to prevent algal blooms in agricultural water catchment areas
- Methodology to manage reclaimed wetlands in an ecological manner
- Research on application methodologies of water quality prediction models by agricultural reservoir types

Q&A

Q Stakeholder's Question

The Saemangeum Industrial Complex is giving rise to concerns over the destruction of ecosystems there as the project is turning mud flats into land. What kinds of actions are being taken to address this?

A KRC's Answer

It is true that the existing ecosystem is affected as mud flats are transformed into land. This is why KRC is striving to further enhance its environmental values by compensating for any shortcomings that may come and making steady progress so that Saemangeum can serve as the outpost for green growth of our nation.

Preservation of Ecosystems

- Adopting the development approach based on resource-recycling carbon reduction techniques
- Developing land in alignment with green growth strategies
- Creating the clean ecology belt linking streams, rivers and the ocean
- Achieving zero-pollution through proactive environmental management
- Building resource-recycling farming infrastructure to support the generation of bio gas and the growth of the organic industry

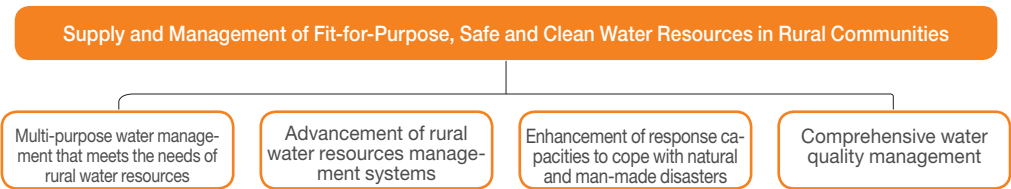
※ For more detailed information, please visit the website below.

www.isaemangeum.co.kr

SUSTAINABLE MANAGEMENT OF WATER RESOURCES

Approach to Managing Water Resources

Rural areas account for 47% of Korea's total water resources consumption. KRC is providing total water supply services to farmers and fishermen free of charge to enable local communities to grow further based on water resources. We are determined to enhance our water management endeavors to ensure a efficient and safe supply of cleaner water resources.



Multi-purpose Water Management to Meet Water Needs in Rural Communities

KRC is striving to supply multi-purpose water resources that meet agricultural, residential, industrial and environmental needs required by rural communities.

Stable Supply of Agricultural Water

Securing and supplying agricultural water in a stable manner to get ready for climate change such as droughts is essential to ensure the sustainability of rural communities. In order to supply agricultural water smoothly, KRC is developing new river heads and expanding water supply infrastructure including drought response measures and maintenance of waterways and drainage channels.

Supply of Multi-purpose Rural Water

KRC's focus in developing water resources is shifting from the farming industry alone to diverse agricultural uses such as dry-field farming, residence, industry and environmental maintenance, moving forward comprehensive development of water resources. For example, we are working to build higher banks near reservoirs to supply water to local streams and to install irrigation facilities such as reservoirs and pumping stations in drought-prone areas suffering water shortages in a bid to provide agricultural, residential and environmental water resources to rural communities.

Water Management Centers

We are to establish water management centers to be in charge of managing and controlling rural water resources nationwide. This will allow us to manage information on rural water resources on a national level, collect information on disasters that are taking place more frequently due to climate change in a more scientific and reasonable manner, and make immediate responses to disasters.

Advancing Rural Water Management Systems

KRC is committed to creating appropriate conditions for future rural water resources management and building differentiated capacities.

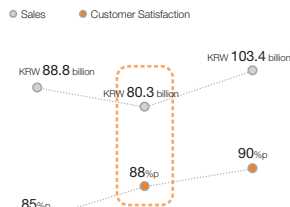
Automation of Agricultural Water Management

The central management office is working to ensure comprehensive management of agricultural infrastructure facilities in the entire nation in order to manage the distribution of water resources in a scientific and centralized manner, which is leading to enhanced disaster responses of relevant facilities nationwide and reduced management costs including electricity costs. KRC plans to establish automated facilities on 425,000 ha of land, which is translated into 80% of the rice paddies under KRC management by 2021 and the automation ratio stood at 22% (95 ha) in 2010.

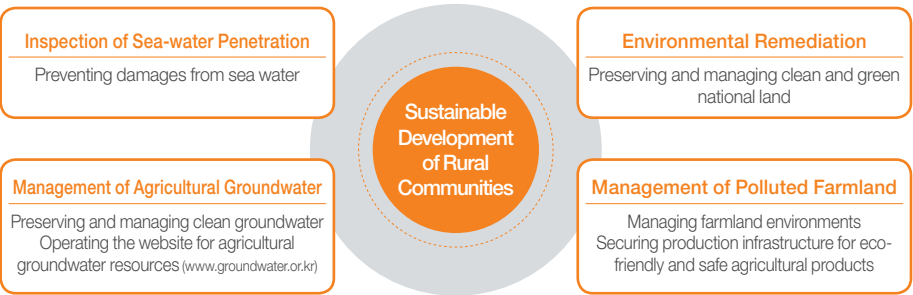
Environmental Remediation (GRI EN26)

We are working to purify and restore polluted areas through our investigations into groundwater and soil pollutions. As a nationally-authorized organization specializing in managing groundwater and soil resources, we create public values by actively performing environmental remediation activities using our own technical expertise.

Groundwater/Soil Projects



Four Major Directions for Groundwater/ Soil Remediation Projects



Eco-friendly Land Preservation through Remediation of Polluted Soil

We witness an increasing frequency of soil and groundwater pollution in rural communities and more than 80% of those facilities that may cause soil pollutions are located in these rural areas. It is imperative that we systematically manage soil pollution factors (heavy metal and agricultural chemicals) to prevent the production and distribution of polluted agricultural products in the first place. KRC performed the national land purification project for the first time in Korea in 2000 and has worked on environmental remediation projects worth KRW 200 billion in 121 areas by 2010. We are building on these experiences to embark on large-scale pollution clean-up projects.

Securing GAP-based Production Infrastructure

Consumer demand for high-quality eco-friendly agricultural products is increasing these days. KRC conducts investigations into farmland in potentially polluted areas in order to prevent the production of polluted products in the first place, enhancing the reliability of agricultural products in Korea. In addition, we examine soil and water in those areas seeking the GAP (Good Agricultural Practice) certification to make sure that eco-friendly agricultural products that are safe to eat are delivered to the consumer's table.

Preservation of Groundwater Resources

Some 94% of the groundwater nationwide is located in rural areas and once it is polluted, it is extremely difficult to restore its quality and it requires tremendous investments to do so, which emphasizes the importance of preservation of groundwater resources. To maintain high-quality groundwater in rural areas, KRC is managing groundwater resources in a way that considers specific characteristics of different groundwater resources including management of water quantities/quality, continuous monitoring, management of pollution sources and alternative development.

Building GAP-based Production Infrastructure-Achievements and Future Expansion Plans

-GAP promotion projects : 20 areas (2010) ► 40 areas (2012-)
-Inspections of potentially polluted areas : 82 areas (2010) ► 300 areas (2012-)

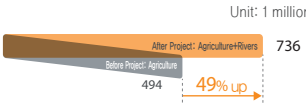


Soil pollution remediation project site (Munhyeon-dong, Nam-gu, Busan)

503,000_{ha}

Size and percentage of farmland provided with water resources stably in 2010

Expansion of the supply scope of multi-purpose water resources in rural Communities through the project to build higher banks near reservoirs



124_{million m³ of Water Saved}

47_{million tCO₂ of GHG Emissions Reduced}

Achievements brought about through the automated management of agricultural water in 2010

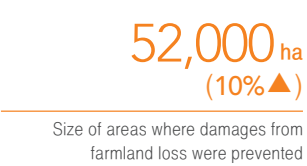


Establishment of Korea's first water management college



Expanding global exchanges on water management expertise

- Participating in the OECD Workshop on Agriculture and Water
- Working as a member of the International Cooperation Subcommittee under the Bid-ding Committee for the World Water Forum
- Working with the Royal Irrigation Department of Thailand on mutual technology exchanges and cooperation



Modernization of Agricultural Water Management Equipment

Earth canals make up 58% of the total water ways and drainage channels, hampering the efficiency of water management. In order to enhance management efficiency, we are developing equipment customized for specific field conditions, establishing management standards and spreading best practices. The employee suggestion system is offering incentives to KRC employees to develop on their own water management equipment most suitable for specific working environments.

Enhancing Expertise on Water Resources Management

KRC established Korea's first 'water management college' with Korea Polytechnic Colleges in 2010 in order to foster water management experts in a systemized way. While water management personnel continue to decline in number and newly recruited employees face difficulties in adapting to working conditions quickly, the specialized degree courses on water management will enable us to improve employees' capacity in the future and re-train existing employees, enhancing our expertise and the level of management services. In addition, we are working to create standard water management manuals to turn relevant know-how into useful resources and standardize the performance of water management.

Improving Expertise on Water Management with Stakeholders (GRI PR3)

KRC is engaged in promotional activities to help farmers and urban people recognize the importance of agricultural water in order to strengthen its external role as a professional water management agency and also transparently disclosing information on agricultural water through its website. As water resources deserve national-level considerations for tis significance, we are expanding related policy debates nationwide and promoting global exchanges continuously.

Strengthening Disaster Response Capacity

Natural disasters caused by droughts and floods are growing in scale due to aggravating climate change. Korea is far exceeding the global average in terms of global warming trends and we have been witnessing an increasing frequency of abnormal climate conditions taking place such as typhoons since the late 80's. This is why we need to come up with fundamental measures and our top priority should be to enhance capacity to respond to floods and build risk management systems. KRC is determined to expand its endeavors to prevent safety accidents of irrigation facilities and to prevent water-related disasters and build preparedness against disasters.

Tightening Safety Management of Irrigation Facilities

All irrigation facilities under KRC management are subject to safety inspections more than 5 times a year and facilities found to be vulnerable to disasters need to go through precision safety diagnosis and deteriorating facilities are repaired and renovated. This enabled us to repair facilities vulnerable to disasters and see a continuous drop in the number of safety accidents and civil complaints filed with increasing effects in preventing facility damages.

Strengthening Disaster Management Systems to Establish Disaster Prevention

Climate change on a global level is leading to an increasing likelihood of abnormal precipitation events and large-scale disasters. KRC is operating its own flood emergency planning team and multi-purpose dam discharge measures. We also have reservoir emergency response plans in place to prevent damages to the life and properties of people living in the downstream areas of reservoirs. In addition to nurturing in-house disaster experts, we are building joint response systems together with local civil organizations and making promotional activities to build safety awareness in order to enhance our disaster management and response capacity in conjunction with stakeholders.



Principle 7

Comprehensive Water Quality Management

At KRC, our water quality management aims to meet various water needs (residence, industry and environment) required by rural communities to ensure the supply of clean rural water.

Water Quality Inspection

KRC conducts inspections on quality measurement networks of agricultural water and all-out inspections on the management of water quality in order to understand the current status of water quality and pollution causes and to set up comprehensive water quality management measures. Water quality measurement networks are examined quarterly on 16 items including BOD, COD, TN, TP and heavy metal in 800 major reservoirs and freshwater lakes. In addition, all 17,569 reservoirs managed by KRC and local governments and 400 major pumping and drainage stations are subject to all-out inspections every two years.

Improvement of Water Quality and Prevention of Pollution

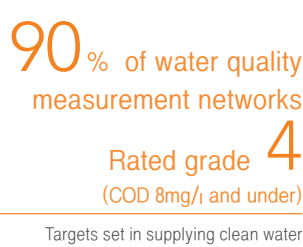
We are working on those areas that fail to meet set criteria of water quality to improve their overall quality. Our plan is to improve the water quality of a total of 35 districts by 2015. Besides, potentially polluted reservoirs will be equipped with pollution prevention facilities to prevent any pollution from taking place in advance.

Preserving Water Quality with Stakeholders

KRC is making 'engaging' endeavors to preserve water quality that ensure the participation of stakeholders including end-users of agricultural water. In particular, we make sure that those areas where the water quality management council, operated through the voluntary participation of local people, produces outstanding results come first in receiving our support for water quality improvement projects, offering incentives to local communities to take part in our endeavors for enhanced water quality.

Water Quality Preservation Endeavors based on Stakeholder Engagement

Category	Efforts and Activities to Improve Water Quality with Stakeholder Engagement	2010 Achievements (measured against the previous year)
Promoting the importance of water quality preservation	Contest of best stories on practicing the campaign 'Save Water in My Hometown'	12,505 writings submitted (39%▲)
	Public campaign on water quality preservation	211 events
	PR activities on radio and other media outlets	313 cases
	Experience-based training on water quality environment preservation	5,120 persons(5.3▲)
Enhancing transparency of information disclosure	Disclosure of water quality information and various activities through the website of the campaign 'Save Water in My Hometown'	http://smilewater.erk.or.kr
Increasing the participation of local people	Environmental clean-up activities led by local people in a regular way	153,665 persons
	Honorary environmental guardians and their activities	3,996 persons
Operating the council attended by stakeholders	Operation of water quality management councils voluntarily participated by local people	905 councils in total (up by 178▲), 10,485 persons in total
	Operation of water quality management councils on agricultural lakes (attended by local governments, KRC, and expert groups)	43 councils newly established
	Joint training to build preparedness against water pollution (participated by private sector stakeholders, local governments and the military)	15,512 persons



Website of the 'Save Water in My Hometown' campaign

BEST PRACTICE

Importance of Water Quality Management and KRC's Efforts

With growing interest in the quality competitiveness of agricultural products and waterfront environments, it is getting increasingly important to secure the quality of agricultural water. Insufficient management of pollution sources such as industrial wastewater and livestock manure and lack of interest in managing pollution sources led to a rising number of water pollution events. The trajectory of COD data on water quality measurement networks in rural areas demonstrates that water quality is declining increasingly due to urbanization and the reckless development of groundwater, with COD figures increasing from 5.4 mg/l in 2005 to 6.0mg/l in 2007 and 6.3mg/l in 2009. KRC is proactively working on water quality improvement projects by strengthening water quality management governance with local governments, farmers, and environmental organizations. Our efforts to enhance water quality management include the implementation of special management measures on water quality of leased reservoirs and the installation of improvement facilities in those reservoirs that do not meet quality criteria. KRC is committed to fulfilling its role as a public enterprise specialized in water quality management.

Cases of water quality improvement led by local water quality management councils

Water discharged from chicken farms flowed into surrounding reservoirs, giving rise to reservoir pollution and surging complaints by local people in the North Jeolla Province

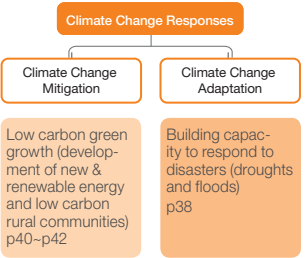
An official document was sent asking for cooperation to prevent pollution to the concerned local government and the chicken farms, the source of pollution

Requests were made via on-the-spot inspections of the chicken farms and phone calls to install septic tanks and remove the chicken farms

The chicken farms were voluntarily demolished by the owners themselves (Jun. 2010)

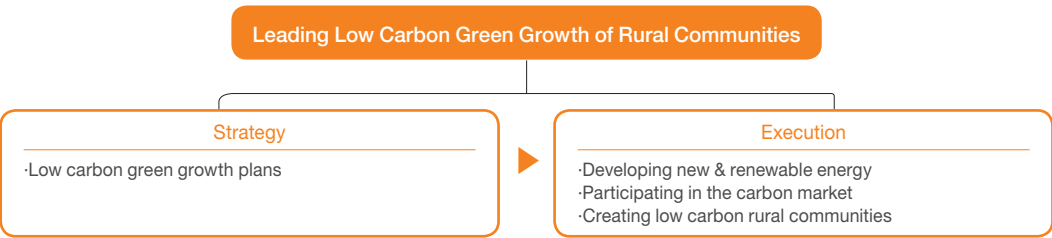
APPROACH TO RESPONDING TO CLIMATE CHANGE

Comprehensive Endeavors of KRC to Respond to Climate Change



Approach to Responding to Climate Change (GRI EC2)

Global warming is giving rise to abnormal climate conditions such as droughts, floods, cold waves and heavy snowfalls with increasing frequency and such natural disasters negatively affect the primary agricultural and fisheries industry first. KRC is committed to leading low carbon green growth of rural communities by building a ‘green growth paradigm’ into its entire business operations.



Low Carbon Green Growth

We are actively looking for and utilizing opportunities to reduce GHG emissions in rural communities. In accordance with the national green growth strategy and agricultural/food industry vision 2020, we will pursue eco-friendly energy development and low carbon rural communities, which will enable us to cut GHG emissions and secure carbon sinks.

Directions for Low Carbon Green Growth Action Plans

Domains of Value Creation	KRC's Endeavors	Climate Change Response
Rural Resources	-Building sustainable development systems including wind, geothermal, small hydro and photovoltaic power -Developing new & renewable energy, Turning biomass such as livestock manure into energy sources and useful resources	Reducing GHG emissions
Rural Villages	-Delivering complex venues that enable eco-friendly low energy consumption, Creating rural green villages with energy independence, Building bio energy villages	Reducing GHG emissions
Agricultural/Fisheries Industry	-Distributing eco-friendly farming techniques for circular storage of carbon, Building eco-friendly agricultural infrastructure, Creating regional eco-friendly agricultural complex, natural-circulating agriculture and Eco Farm land	Reducing GHG emissions + sinks

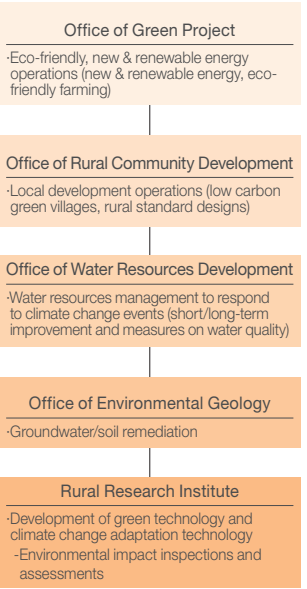
Low Carbon Green Growth-Organizational Structure and External Cooperation

We are making wide-ranging efforts on green projects on a company-wide level and plan to further expand cooperation with external stakeholders including central & local governments and private sector companies in order to contribute to sustainable development based on the capacity and resources in our possession.

2010 Achievements of Cooperation with External Stakeholders

Participating Stakeholders	Efforts to Respond to Climate Change	Achievements
Government and Related Organizations	-Holding the nationwide debate of the agricultural / fisheries industry, rural community and general public to respond to climate change (Jun. 18, 2010)	Exploring practical ways to cope with climate change and KRC's role in doing so
Local Government and Private Sector Organizations	-Concluding MOUs on wind power generation	Research on wind resources and investment cooperation to develop large-scale wind farms
Research Institutes	-Concluding an MOU on new & renewable energy and technology exchange with the Korea Energy Economics Institute	Enhancing reliability of new & renewable energy projects with mutual green technology expertise

Role of Respective Departments in Responding to Climate Change



Principle 9

Development of New & Renewable Energy with Rural Resources

We are contributing to low carbon green growth through the expansion of clean energy generation using KRC's idle land resources and water resources.

New & Renewable Energy Generation Plans by 2016

Category	No. of Facilities	Generation Capacity (kW)	Expected Generation Capacity (MWh/year)	Expected Profit (KRW 100 million/year)	Reduction of GHG emissions (tCO ₂)
Total	83	1,215,722	2,219,502	2,681	1,484,100
Wind Power	20	1,185,000	2,132,033	2,537	1,432,293
Small Hydro Power	57	25,845	80,126	96	46,874
Photovoltaic Power	6	4,877	7,343	47	4,933

※Subject to changes according to national energy policies

Small Hydro Power Generation

Small hydro power is defined as clean energy generated through the use of irrigation water of agricultural reservoirs, instream water and surplus water. Our target is to produce 25,845 kW of small hydro power in 57 areas by 2016 and the current small hydro power generation stands at 9,919 kW in 13 areas as of 2010. In addition to in-house small hydro power generation, we are to share our technology and know-how with local governments to help them build their own small hydro power generation capacity.

Photovoltaic Generation (GRI SO5)

KRC posts KRW 3.9 billion in profit through its photovoltaic generation worth 6,175 MWh annually. New generation plans are put on hold for now due to changes in external business conditions but KRC will again become an active player in leading the photovoltaic generation industry with the introduction of the Renewable Portfolio Standard (RPS) in 2012.

Wind Power Generation

Wind power generation accounts for the biggest share of KRC's new & renewable energy generation target and we intend to produce 1,185,000kW of wind energy in 20 areas by 2016. We signed 2 MOUs with private sector companies in 2010 for capital procurement, operation and construction to develop large-scale wind farms and we are proactively reflecting expert opinions in the industry, academia and research institutes through the establishment of the wind power generation advisory group.

2.22million MWh/year (=consumption of 920,000 households/year)

New & renewable energy generation plans (~2016)



Photovoltaic power generation project in Heongseong



Pilot wind farm project performed based on multilateral cooperation (Southern coast of South Jeolla Province)

BEST PRACTICE

Small Hydropower Generation - Driving KRC's Development of New & Renewable Energy

Starting with the basic function of supplying agricultural water, KRC evolved into generating eco-friendly and clean small hydropower energy using agricultural water. Small hydropower plants are small-scale power generation facilities with a capacity of 10,000 kW and under and produce power through the use of head, the pressure of falling water, utilizing water flowing from reservoirs or small-sized dams. These plants not only generate power but also supply agricultural water and control floods during the summer. They are small in size compared to mega power plants but they can contribute greatly to the stable energy supply if they are distributed 'nationwide' and even worldwide. In addition to owning the 3 major assets of water resources, properties and human resources, KRC is the only organization in Korea equipped with small hydropower engineering capacity-design, supervision, and maintenance & management. We are to make the most out of this unique capacity and continue to expand the generation of small hydropower, doing our share in pursuing sustainable development.



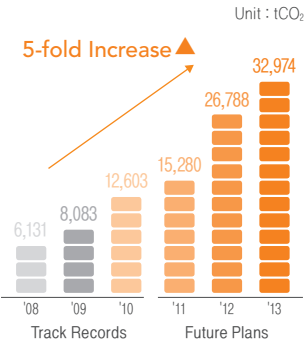
※ The FIT (Feed-In-Tariff) system for photovoltaic projects of public organizations came to a stop in April 2009
※ RPS: Setting mandatory quotas of utilizing renewable energy (applied to 13 power plants with a capacity of more than 500 MW)

Interview with Employees

"KRC is managing the following agricultural infrastructure facilities across the nation: 3,333 reservoirs, 4,039 pumping and drainage stations, and 151 seawalls. We are to proactively develop new & renewable energy sources by utilizing these abundant rural resources."

Bum-Yong, Choi, Director-General, Office of Green Project

Achievements and Plans to Reduce CO₂ Emissions through the Development of New & Renewable Energy



3,753 tCO₂

Achievement registered with the UN's CDM project

18,787 tCO₂

Reductions of GHG emissions delivered through the use of geothermal energy for rural facilities



Geothermal indoor units installed (a farm in Anseong, Gyeonggi Province)



Standard rural housing design

Participation in the Carbon Market

KRC plans to expand its efforts to reduce GHG emissions and become an active member of the increasingly growing carbon market.

Reducing GHG Emissions (GRI EN6)

We continue to make remarkable progress in reducing GHG emissions through the development of new & renewable energy. In 2010, we cut GHG emissions by 12,603 tCO₂, which replaced 33,000 barrels of crude oil consumption and we are to raise this figure to 1,484,100 tCO₂ by 2016, making significant contributions to reducing GHG emissions on a national level.

CDM Projects (GRI EN18)

KRC's photovoltaic performance in cutting GHG emissions enabled us to be registered with the UN in September 2010 for the first time. This is translated into allowances worth 3,753 tCO₂ a year and expected to bring KRW 700 million in profit for the next decade. We intend to further expand our CDM projects and make sure that voluntary GHG emissions reductions delivered through small hydro power are registered with the overseas carbon market in accordance with the Voluntary Carbon Standard (VCS).

Achieving Low Carbon Rural Communities

KRC supports rural areas in evolving into a leader that adapts to climate change faster than anyone else.

Saving Rural Energy Consumption through Geothermal Energy

We are distributing heating systems run on geothermal energy and waste heat in a bid to reduce the heating costs of rural households and GHG emissions. We support geothermal generation facilities with the central government, which leads to significant reductions in heating expenses since they cost 70~80% of fossil fuel-based heating facilities. In so doing, we encourage farming households to respond to the 'low carbon agricultural/livestock product certification system' to be launched in 2012. These endeavors are expected to increase both the quality and quantities of agricultural products through improved farming conditions brought about by 3~4 times better heating performance compared to electricity and cooling and dehumidification functionalities during the summer season.

Green Villages with Energy Self-sufficiency

We have been working to create 'green rural villages with energy self-sufficiency' since 2010 through the cooperation of various government agencies. KRC established the basic model for this project and created and distributed standard designs on low-energy eco-friendly housing in rural communities. We currently expect that this will result in reductions of 75~91% in annual energy consumption of rural housing. Green villages with energy self-sufficiency are forecast to revitalize rural areas through improved living conditions, growth of the tourism industry and job creation as well as to reduce GHG emissions and better utilize resources in rural communities.

R&D Achievements on Low Carbon Rural Communities

The Rural Research Institute is focusing on R & D efforts to lay the basis for low carbon green growth. Its work primarily deals with the improvement of the quality of life in rural communities through low carbon green growth and includes development strategies on CDM projects in the agricultural/fisheries industry, horticultural facility boilers and geothermal heating systems' sharing of load, rural training programs on green capacity-building, development of sustainable fishing villages and ports and KRC's roles.

KRC'S ECO-FRIENDLY MANAGEMENT

Approach to Practicing Eco-friendly Management

We are setting an example internally and externally by making our conduct of business more eco-friendly on our own initiative and striving to demonstrate the necessity for eco-friendly projects. We are fully aware, however, that we still have a long way to go to achieve company-wide eco-friendly management due to the dispersed organizational structure of having 93 district offices in 93 areas and managing facilities located across the nation. We are determined to better manage core in-house indicators for environmental management and work harder to make substantial progress on environmental management.



Environmental Management System

With the environmental management system based on ISO 14001, we make sure that all of operations including management activities, survey designs, construction and maintenance & management comply with environmental standards. One of our major achievements to enhance company-wide environmental management in 2010 was to expand the scope of environmental data management from the central headquarters to all regional headquarters and branches. In addition, the scope was further extended to include data on energy consumed through business operations and the introduction of business travel as well as the environmental data on KRC operations.

Challenges and Opportunities of Environmental Management

The expansion of scope of environmental data management serves as a critical starting point for us to move towards green management systems on a company-wide level. We are aware, however, that there are tremendous challenges and also opportunities ahead of us: the introduction of environmental management governance and Environmental Performance Evaluation (EPE) programs, expansion of company-wide energy saving efforts, establishment of Energy Management Systems (EMS), and spread of awareness on environmental management for business partners and SMEs. Our plan is to start with workable areas first where we can make progress and boost these efforts further step by step.

Reducing Energy Consumption and GHG Emissions

We are reducing energy consumption through investments in high-efficiency energy facilities and employees' efforts to use energy more efficiently and also cutting GHG emissions through the use of new & renewable energy instead of fossil fuels.

Energy Saving

We are taking energy saving initiatives in the following three domains: efficient business operations, investments in high-efficiency energy facilities, and enhancement of employees' awareness on energy saving and eco-friendly activities.

Energy Saving through Increased Efficiency of Business Operations (GRI EN5, EN7)

The majority of the electricity that we use for business operations is for electric power systems and mechanical facilities of pumping/draining stations and KRC is evaluating the use of energy consumed for business operations, install new & renewable energy facilities and repair energy loss regions. Our plan is to expand the e-paperwork work environment through the establishment of database on facility operations, water supply/drainage and other business operations and to further build the low carbon principle into our conduct of business by adopting remote video conferencing and remote working more proactively.

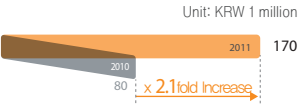


Photovoltaic-powered gate installed to reduce energy consumption for business operations

9 regional headquarters and 93 district offices are integrated in managing environmental management data

One of the major achievements made in environmental management in 2010

High-efficiency energy facility investment expansion plan



Investing in High-Efficiency Energy Facilities of the KRC Office Building (GRI EN5)

Investments in high-efficiency energy facilities (LED) of our office building reduced 89.5 tCO₂ of GHG emissions in 2010. We are determined to boost our investments and in-house initiatives to save energy continuously.

Improving Employees' Awareness and Saving Energy

- Running the Energy Saving Committee (attended by the Director of the Management Support Division and 6 others)
- Tightening the criteria of indoor temperatures, prohibiting the use of electric heaters during office hours and peak hours of electricity consumption
- Designating Energy Keepers (22 employees designated)
- Maintaining optimal indoor temperatures, checking whether all lights are out during lunch time and after office hours, inspecting the use of individual electric heaters

Use of New & Renewable Energy

KRC is installing geothermal, photovoltaic and other new & renewable energy facilities in its new building as part of its efforts to enhance the self-sufficiency of the energy supply.

Reductions in GHG Emissions through New & Renewable Energy Generation

Energy Source	Category/Year	Unit	2009	2010	2011 (Plans)
Geothermal	Annual Generation Capacity	kW	1,512	1,639	2,021
	Reduced GHG Emissions	tCO ₂	425	461	569
Photovoltaic	Annual Generation Capacity	kW	161	197	228
	Reduced GHG Emissions	tCO ₂	165	202	234
Hybrid (Wind+Photovoltaic)	No. of Streetlights Installed	No. of Streetlights	16	22	36
	Reduced GHG Emissions	tCO ₂	6.9	9.5	15.5

GHG Emissions and Energy Consumption (GRI EN3, EN4, EN16, EN17)

The scope of KRC's energy consumption covers its office building, business operations and vehicles owned by KRC and used for its business operations. As it turned out that business operations accounted for the largest share of our total energy consumption, it's critical that we increase the energy efficiency in business operations to further expand reductions of GHG emissions. Our plan is to keep monitoring GHG emissions along the value chain and work harder to cut GHG emissions.

GHG Emissions

Category	Unit	2008	2009	2010
CO ₂ Emissions	Direct GHG	4,562	4,549	4,441
	Indirect GHG	159,178	174,901	142,445

Direct Energy Consumption

Category	Unit	2008	2009	2010
Direct non-renewable energy sources	Fuel distilled from crude oil	440.2	431.3	396.3
	liquefied petroleum gas (LPG)	259.7	267.5	282.1
	Coal	-	-	-
	Biofuels	-	-	-
Direct renewable energy sources	Ethanol	-	-	-
	Hydrogen, etc	-	-	-
Total direct energy consumption		699.9	698.8	678.4

Indirect Energy Consumption

Category	Unit	2008	2009	2010
Indirect non-renewable energy sources	Electricity	31276.5	34365.9	27988.7
	Steam	-	-	-
	Solar	-	-	-
Indirect renewable energy sources	Wind & Hydro energy	-	-	-
	Biomass based intermediate energy, etc	-	-	-
Total indirect energy consumption		31276.5	34365.9	27988.7

Reducing the Use of Resources and Environmental Impact

Saving Water (GRI EN8)

We continue to monitor our water consumption every year to ensure the efficient use of water resources. Our water consumption in 2010 stood at 1,282,638 m³, down by 2% from the previous year.

Reducing Waste (GRI EN22)

At KRC, waste is classified into domestic waste discharged from its office buildings and construction waste discharged through rural development projects. The majority of construction waste is concrete structures and they are handled by professional treatment service providers to prevent environmental pollution. In 2010, the amount of domestic waste generated was 1,898,535.

Green Purchasing (GRI EN1, EN2)

KRC is utilizing eco-friendly and recycled products actively. Our purchase of eco-friendly products was worth KRW 16.036 billion or 33% of the total and we are to increase the ratio of purchasing eco-friendly and recycled products every year.

Preserving Bio-diversity and Complying with Environmental Regulations (GRI EN11, EN12, EN20, EN28)

Since we manage 65% of the irrigated paddies and 13,478 irrigation facilities across the nation, preserving rice paddies, dry fields and ecosystems surrounding agricultural facilities constitute the core of our corporate responsibility. We comply with relevant regulations including the Basic Environmental Policy Act, the Air Environment Preservation Act, the Natural Environment Preservation Act, and the Water Quality Environment Preservation Act, taking into account ecological values of rural resources in every business activity that we carry out.

Eco-friendly Capacity Building

Environmental Management Training

Our environmental training programs aim to enhance the environmental awareness of all employees, ensure eco-friendliness in business-related survey designs, and to develop theoretical and practical capacity to evaluate the environmental impacts caused by our business operations. In addition, field staff in charge of environmental performance evaluations and in-house examiners are trained on ISO 14001 and environmental audits.

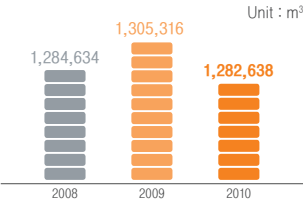
Fostering Green Talent to Respond to Climate Change

Our Green Board and Green Idea Bank programs are to give a further boost to green projects and raise awareness of such projects. In addition, we benchmark best practices of leading companies overseas to understand and learn advanced green technology and support employees in becoming certified energy diagnosis experts in a bid to identify causes for energy loss and ways to make improvements.

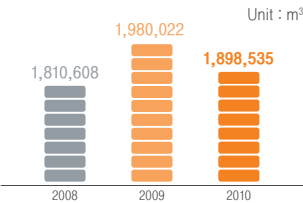
Nurturing Experts on Water Resources Management

We are striving to secure differentiated capacities required to manage rural water resources in the future and to cope with the fast-changing management environments of water resources. We are training employees to build their water management capacity with the help of the Human Resources Development Institute or external professional training agencies to ensure advanced water management. In 2010, 538 KRC employees took 13,645 hours of training.

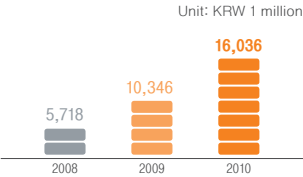
Water Consumption Over the Last 3 Years



Waste Discharge Over the Last 3 Years



Eco-friendly Purchases



Training on Environmental Management

Unit: No. of persons

Category	2008	2009	2010
In-house ISO 14001 Examiner	-	-	39
Job Training on Environment (including online training)	20	30	90

Fostering Green Talent

Unit: No. of persons

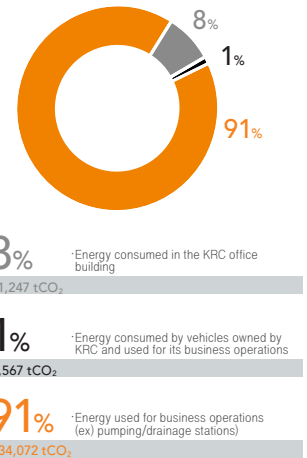
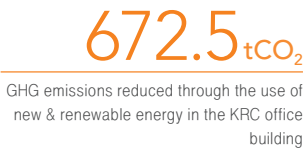
Category	2008	2009	2010
Training on New & Renewable Energy	40	60	120
Energy Diagnosis Expert	-	-	50
Water Management Automation	23	22	46

Training on Water Management Capacity Building

Unit: No. of persons

Category	2008	2009	2010
Water Management College	-	-	Newly Estab-lished*
Disaster Management Expert	1	113	-
In-house Job Training	219	89	344

*: Attended by 33 employees since 2011





03 SOCIAL VALUE CREATION

- ECONOMIC VALUE
- ENVIRONMENTAL PERFORMANCE
- SOCIAL RESPONSIBILITY

Each and every KRC employee is committed to providing the best-of-class services to customers with their open-minded thinking, warm heart and passion for work. We contribute to the development of local communities and the social development of rural areas by sharing the value of mutually-beneficial relationships with partner companies and strive to grow into a company respected by stakeholders as a member of the local communities where we operate.



ISO 26000 6.8. Contributing towards Local Community Involvement and Development

KRC launched the "Bright-KRC" campaign nationwide to provide free-of-charge personalized reading glasses to correct presbyopia for elderly people in rural communities that suffers from a lack of decent medical services, contributing to local society and delivering the true value of sharing. (The picture was taken of KRC employees volunteering under the Bright-KRC campaign in the regional headquarters of South Chungcheong Province where the first such volunteering activities started)

OVERVIEW OF SOCIAL VALUE CREATION

Pioneer of Korea's Rural Community Development

KRC promotes the health and increased quality of life for its employees through the creation of safe and comfortable work conditions. We maintain mutually-beneficial cooperation between labor and management to enhance productivity, continue to provide sufficient benefits packages to employees and foster talented people with global capabilities in order to develop into a public organization equipped with world-class competitiveness. In addition, all of our employees help narrow the gap between urban and rural areas and lend their helping hands to those less fortunate people in society through the management of local community involvement and sharing. We will grow into a partner of stakeholders' future as a supporter for our neighbors and local community as we are today and have been over the last 100 years.

Achieving

Supporting agricultural technology development overseas

22 Countries, KRW 87.8 billion

Assisting Under-developed Countries Overseas

With Korea's best agricultural SOC technology in our possession, we are expanding projects to seek joint growth with underdeveloped nations in the world. In addition to SOC engineering services projects to address floods, water shortage and lack of agricultural infrastructure, we are inviting local leaders in these nations to offer training on Korea's agricultural/fisheries policies contributing to a sustainable society through the prevention of poverty, hunger and natural disasters all around the world.

Enhanced Awareness of KRC's Brand Image

19.5 % (2009) 20.0 % (2010)

(0.5% ▲)

Customers

We extended the scope of our definition of core customers from farmers and fishermen to include urban people and the general public and are striving to offer services that touch the heart of our customers and instill new hope for rural communities.



Expanding the purchase of SME products

KRW 1.6435 trillion in 2010
(KRW 354.1 billion ▲)

SME Partner Companies

As part of our efforts to meet our social responsibility for achieving a fair society, KRC is seeking mutually-beneficial and shared growth through the establishment of fair trade practices. We are coming up with practical support measures such as increasing the ratio of purchasing SME products and offering more opportunities to small-sized local construction companies to participate in our projects, putting the win-win management philosophy into action where everyone can grow together.



Performance of KRC employees in taking part in sharing activities

Annual No. of participating employees 73,826 persons

Volunteering hours 29.5 hours

Local Community

Our activities to fulfill our social responsibility serve as a major tool for sustainability management in setting management strategies and we put in place a network of 130 volunteering teams across the board to provide sharing activities to the less privileged and the wider local community.

Employees' job satisfaction

73 score points (2 score points ▲)

Training hours and expenses per employee

64 hours, KRW 834,000

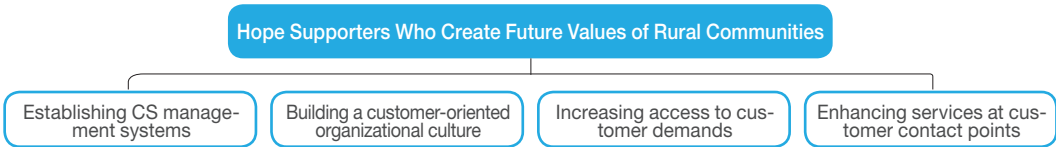
Employees

KRC is fully aware of the importance of talented employees and we operate reasonable and fair HR systems that take into account employees' capacity and performance, provide career opportunities to enable the individual employees and the company to grow together, help employees strike the right balance between work and life, evolving into a world-class public enterprise to renew the value of the agricultural/fisheries industry and rural communities.

CUSTOMER

Customer Approach

With the growing scope of customers into the entire public which is attributable to KRC's core mission regarding comprehensive rural development, increased urban-rural exchanges and the Farmland Bank business, KRC is striving to provide the best-of-class, customized services that meet the expectations of customers.



Establishing Customer Satisfaction Management Systems

We ensure that customer satisfaction management is performed as the core value of KRC by carrying out CS management policies and selecting implementation tasks that suit the business characteristics of KRC.

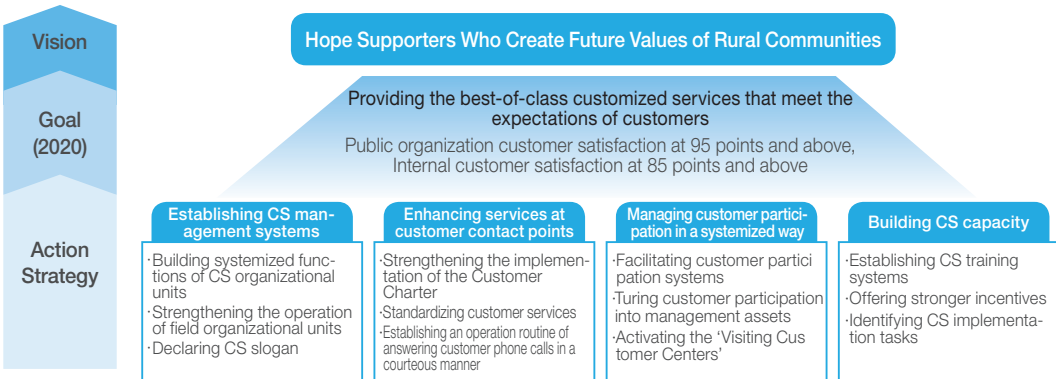
KRC's Customers

We define 'customers' as those stakeholders who are affected directly or indirectly by the products or services we offer in the entire business process from value creation to final consumption and these customers are further segmented according to various criteria such as KRC's business characteristics and customer types and we make sure that our customers are provided with appropriate services.

CS Strategy (GRI PR5)

In addition to the establishment of customer satisfaction (CS) systems, we also build employee capacity and expand services at customer contact points to increase the satisfaction of internal/external stakeholders, perfecting our customer-centered field management strategies.

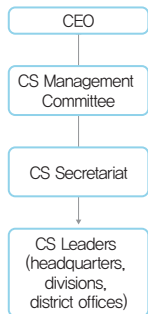
CS Vision and Strategy



Customer-centered Field Management

Our CEO visits customer contact points himself to spread KRC's management philosophy and the central & local operation representative conference is held to collect opinions on possible improvements to KRC's services and report them to top management. Customer Satisfaction Management Council meetings are also held to redefine directions to drive our CS activities and the CS Secretariat is in charge of managing performance and making assessments. Respective CS leaders in the field are responsible for checking whether standards stipulated in our Customer Service Charter are observed appropriately.

CS Organizational Operation



Building a Customer-oriented Organizational Culture

In order to build a customer-oriented organizational culture, KRC is setting up CS strategies and building company-wide consensus on customer satisfaction. We are also providing more training to help employees build their CS capacity.

Creating a Differentiated CS Management Image

We introduced our corporate CS slogan to concentrate employees' interest and capacity and to create KRC's differentiated CS management image, improving customers' trust in us. In particular, the finalized prize-winning slogan is being used for KRC official documents and promotional literature such as company newsletters to encourage employees to participate in CS management and to raise the public's awareness of KRC.

CS Motivation

We developed the customer orientation diagnosis system where employees can assess their own customer orientation according to specific criteria, quantify various CS evaluation results through the CS Thermometer and check their own CS capacity in a real-time manner in a bid to secure objectivity in improving customer satisfaction both internally and externally.

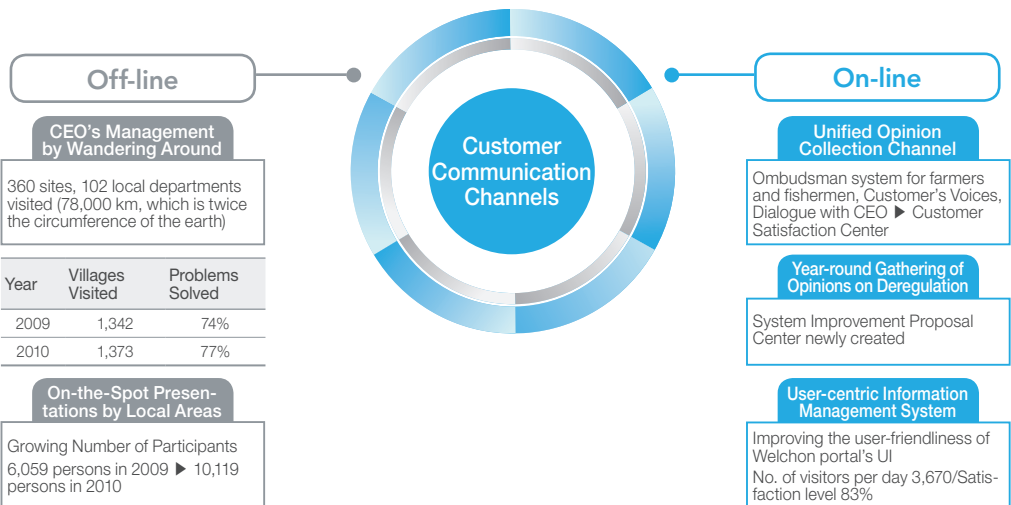
Instilling a Sense of Unity into the Corporate Culture

We survey all our employees on organizational contributions and business support satisfaction including job performance satisfaction and inter-departmental communication through the corporate intranet. The results are utilized to help employees recognize the need for and build consensus of a unified corporate culture.

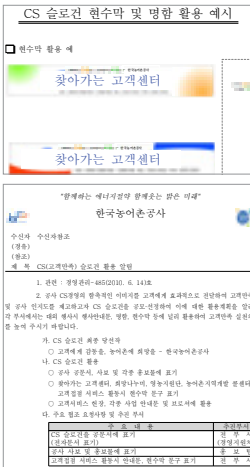
Increasing Access to Customer Demands

Customer Communication

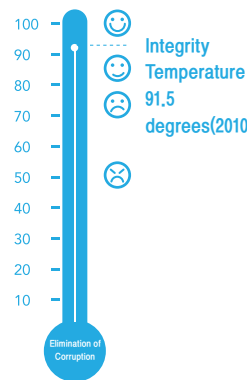
We collect customer opinions through direct contacts with farmers in a bid to strengthen customer participation and collection of their ideas. The CEO's management by wandering around (MBWA) ensures seamless communication with internal/external customers and the operation of 'Visiting Customer Centers' enables us to listen to the voices of agricultural production sites and provide one-stop services. Customer opinion collection channels, which were previously dispersed on the website are now merged into a single 'Customer Satisfaction Center' to offer easier customer access and the newly established 'System Improvement Proposal Center' on the in-house intranet allows us to gather opinions on deregulation and system improvements year-round. We are listening to wide-ranging customer needs through the use of online information systems.



Building a customer-oriented organizational culture



Integrity Thermometer System



99.1 points

Chosen as the top-performer in the Public Organization CS sector (according to the 2010 National Customer Satisfaction Index)

Enhancing Services at Customer Contact Points

In order to offer the best-of-class services to customers, we continue to improve CS standards and enhance service quality in response to changing business environments, ultimately increasing customer satisfaction.

Building Internet-based Operation Manuals

We are moving beyond simple basic customer service activities into building operation manuals to enhance the expertise of employees to handle customers' problems in addition to basic services. The web-based operation manuals enable us to benefit from even speedier business processes.

Endeavors to Improve CS Quality (GRI PR2-PR4, PR7, -PR9)

We are striving to make our business operations more customer-oriented and improve customer satisfaction based on operation improvements that are brought about through the feedback activities of public organization's CS surveys and the outcomes of CS surveys performed by business domains. Thanks to such endeavors, there were no violations of regulations or rules reported regarding CS activities during the reporting period.

Public Organization CS Evaluation

The feedback activities of public organizational CS surveys further solidify our commitment to improving services at customer contact points. For those departments whose CS score is below the average by business domains, 1 item is selected where satisfaction level was low or potential improvement benefits may be greater than others out of the total service quality evaluation items so that relevant issues and fundamental problems can be identified and improvement tasks can be found and implemented.

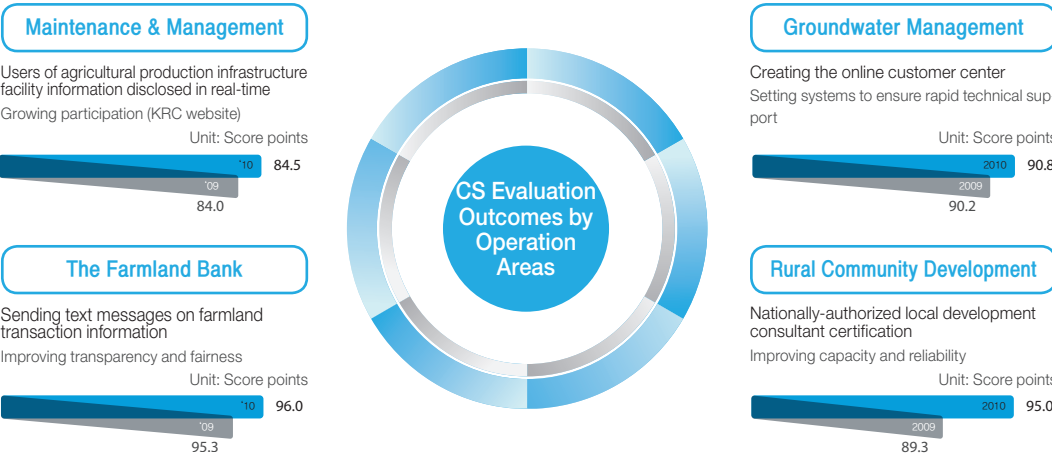
CS Evaluations by Operation Areas

We survey our customers including local people and related local governments by operation areas on their satisfaction level through phone calls and mail. This helps us look for possible improvements to be made and they serve as the basis upon which we identify and perform implementation tasks in order to enhance customer satisfaction.

Interview with Employees

"The Visiting Customer Center is greatly helpful for us in gathering candid opinions in many different corners of our local community. Farmers and fishermen, who rarely had a chance to make their voices heard due to their lack of access to the internet and other online media, are directly visited, their opinions on KRC services are collected, and their grievances are resolved under the specialized KRC program. Between 2005 and 2009, 7,353 villages were visited and 17,408 customer issues were addressed."

Sang-Kyu, Shin, Deputy Director, Office of Business Management



Improving KRC's Brand Value (GRI PR6)

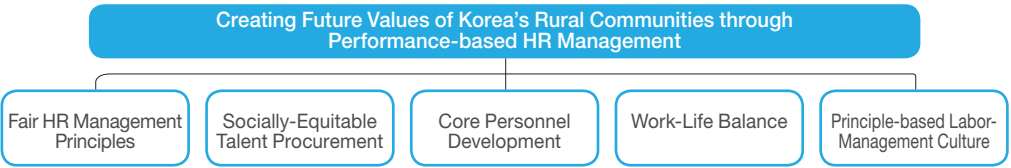
Our radio campaigns aim to promote the public's understanding of agriculture and farming villages, not just their awareness of KRC as a corporate brand. We are also running interactive SNS channels such as the KRC blog, CEO blog and CEO twitter to help younger generations raise their awareness of KRC. These activities to enhance KRC's brand value will allow us to secure potential customers in the future.

EMPLOYEE



Employee Approach

KRC is committed to hiring talented people to fully utilize new engines of growth in response to such environmental changes as the development of fishing villages and overseas agriculture and working hard on various fronts to help employees build their capacity continuously.



Fair HR Principles (GRI HR4)

KRC employees are not discriminated against on the grounds of gender, age, religion, education and physical challenges and we comply with the Labor Standard Act and ILO's prohibitions on forced labor. All our employees are free from discrimination for reasons of gender, religion, race or age when they are recruited.

KRC's Ideal Employee

In order to ensure creativity and innovation in the conduct of business, we help employees keep their warm heart for organizational unity and offer devoted customer services based on open-minded thinking and interest in and consideration of co-workers and customers. Our goal is to encourage all KRC people to grow into experts in their specialty fields through job capacity building and further evolve into talented personnel who lead the creation of future values of Korea's rural communities.

Employee Composition

The total number of KRC employees stands at 5,282 as of the end of 2010 and 4,847 are male and 435 are female employees. All KRC employees are paid above the legal minimum wage and not discriminated against in terms of wage due to their gender. KRC is in full compliance with the Labor Standard Act and the rules of employment and forced labor and child labor did not take place within the KRC worksites.

Fair HR Management (GRI LA12)

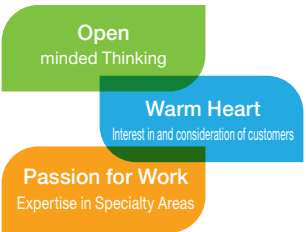
Our HR management policies are fair and reward top performers through the alignment of evaluation and compensation systems. We are working hard to further motivate our employees through the expansion of direct compensation measures: for example, those who generate outstanding results are given performance mileages aligned with HR decisions and an opportunity to perform in higher positions. In addition, we ensure that female employees occupy a certain percentage of the Promotion Committee to prevent any disadvantages against female employees in terms of promotion.

BEST PRACTICE

Prevention of Corruption Regarding Transparent HR Decisions

At KRC, some executives were involved in an unfortunate case where a special favor was asked for promotions in 2008 and those who were related or involved were given heavy disciplinary measures including dismissal. In order to prevent possible HR-related corruptions in a more fundamental manner, we introduced an open promotion evaluation system where third-party experts take part. The previous system that allowed executive directors to make personnel appointments unilaterally was abolished and the promotional screening process was expanded from the 1-step to a 3-step process and those who were promoted in an unfair manner are demoted one grade. In so doing, we are striving to establish transparent and performance-based HR management systems.

Ideal KRC Employee



Employee Data (GRI LA1)

Category	Total	Male	Female
Total	5,282	4,847	435
Executives	10	10	-
Grade 1	108	108	-
Grade 2	431	427	4
Grade 3	1,326	1,296	30
Grade 4,5	2,400	2,166	234
Grade 6	1,007	840	167

Employee Status by age groups and employment types

Age	Category	Gender	
		Men	Women
Under 30	Administrative	-	-
	management & staff	156	57
30 to 50	Administrative	-	-
	management & staff	3,273	369
Over 50	Administrative	10	-
	management & staff	1,408	9
Total workforce		4,847	435



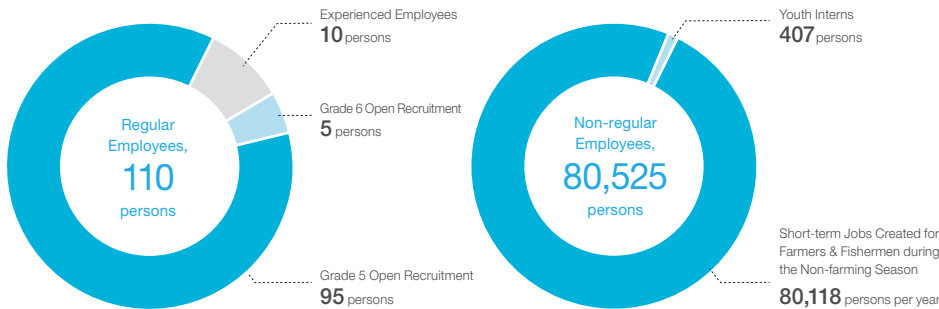
80,118 persons per year

Short-term jobs created for farmers and fishermen

Socially-Equitable Talent Procurement (GRI EC5)

We are securing talented people with expertise through transparent and fair procedures. Additionally, we contribute to a fair society with our endeavors to ensure social equality in hiring employees such as a special recruitment process for children of farmers and creating job opportunities especially for ordinary people.

New Recruits in 2010



Creating Jobs for Ordinary People (GRI EC5, LA14)

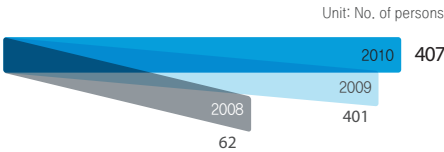


KRC introduced a special recruitment system for children of farmers and fishermen for the first time as a public organization to offer more job opportunities to those raised in rural communities and established a separate recruitment process for the physically challenged apart from the regular hiring procedures to guarantee employment opportunities for those with physical challenges, spearheading Korea's efforts to create a fair society through socially-equitable employment. The entry-level annual salary is KRW 22 million as of the end of 2010, dropped by 7.2% from 2008, and this is applied equally both to male and female employees.

Expanding the Youth Internship Program

Our 'Youth Internship' system aims to resolve the youth unemployment issue that is emerging as an urgent national challenge, offer an opportunity for young job seekers to gain work experience and build practical capabilities. Youth interns are assigned according to their major and qualifications to build practical capacity in their specialty areas. We hired 407 interns in 2010, fully meeting the minimum threshold (4% of total, 203 persons) set by the Ministry of Strategy and Finance. These interns are provided with the same online and collective training as their regular counterparts and are given differentiated incentives according to their evaluation results.

Youth Interns, 407 persons



Socially-equitable Talent Procurement

Unit: No. of persons

Category	No. of Recruits
Total	100
Regular Recruitment	48
Special Recruitment for Children of Farmers & Fishermen	45
Special Recruitment for the Physically-challenged	2
Recruitment of Grade 6 Engineers	5

Recruitment of Professional Experienced Employees

Unit: No. of persons

Category	No. of Recruits
Total	10
Green Growth	3
Marine Engineering	2
Urban-Rural Exchange	1
Water Quality Improvement	1
Groundwater, Soil	2
Inter-Korean Cooperation	1

Special Recruitment for Children (GRI EC7)

In a bid to support the government's policies for ordinary people that emphasize the spirit of challenge and achievement in society based on fair competition, KRC secured 50% of its Grade 5 new recruits from children of farmers and fishermen through its special recruitment system.

Securing Strategic Talents in Core Growth Areas

KRC is committed to securing professional talents required for mid/long-term strategic business including green growth and inter-Korean cooperation. We hired 10 such talented people with experience in 6 areas in 2010 and are doing our utmost to obtain professional personnel needed for the further advancement of our business portfolio.

Development of Core Personnel

We set targets for capacity building for all employees through the establishment of mid/long-term HR development strategies, came up with measurable key performance indicators and identified core implementation tasks to improve the effectiveness of employee training. In so doing, we are completing our strategy to develop and utilize core personnel.

HR Promotion Strategy

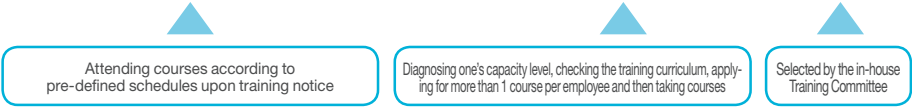
KRC is providing customized capacity-centered training and building next-generation leader promotion systems to secure the expertise of human resources and strengthen core capacities to respond to changing internal/external business environments. We are also helping employees build their core capacity through the advancement of learning systems and the promotion of in-house teachers.

Building Advanced Capacity-based Training Systems

KRC employees set up their own capacity-building plans through capacity diagnosis and can access position-specific capacity-oriented training courses. We encourage them to take phased-in training programs to narrow the gap in job capacity, aiming for the balanced achievements in operating our training programs.

Design of Training Programs

Position	Compulsory Courses			Optional Courses		
	Leadership Capacity			Common Capacity	Job Capacity	Core Talent Promotion
	Leadership Training	Training for Those Newly Promoted	Training for New Recruits			
Grade 1	Executive Courses KRC Academy KRC Academy Self-Leadership	High-level Managers		Ethics Management OS Management Ethics Management		
Grade 2		Core Leaders				
Grade 3		Middle Managers			Farmland Business Production Infrastructure	Rural Development Courses Full-time Resident Training Degree Courses
Grade 4~5		Working-level Staff	Grade 5 New Recruits		Local Development Water Resources Management	
Grade 6~7			Grade 6 New Recruits		R&D Management Support Business Development	



Fostering Future Core Talents

In order to nurture next-generation leaders who will enable us to respond to the future business environment more proactively, we are looking for ways to make improvements and increase the effectiveness of training programs through the operation of the Course Review Committee. We are fostering future leaders of rural development in Korea by assisting them in learning new management techniques and enhancing decision-making abilities for sustainable growth.

Promoting Experts in Respective Domains

We are nurturing experts on rural development through the step-by-step customized training courses such as region-specific basic courses, advanced courses and development policy manager courses in a bid to facilitate environmental and urban-rural exchange projects. In addition, we established master/doctoral degree courses to foster core talents with expertise on respective project areas and high-level executive courses to increase strategic decision-making abilities, moving a step closer to achieving the goal of local development through the promotion of position-specific and area-specific experts.

HR Development Strategy



Results of Rural Development Expert Training Programs

Basic Courses	Advanced Courses	Policy Courses (managers)
130 persons	20 persons	15 persons
Chungnam National University, Chonbuk National University, Yeungnam University, Jeju National University	Konkuk University	Hanyang University, Seoul National University

Achievements of Training Courses to Secure Future Competitiveness

Category	No. of Employees Trained	Training Budget
2008	28,937 persons	KRW 2.091 billion
2009	26,595 persons	KRW 2.648 billion
2010	34,332 persons	KRW 3.556 billion

Improved Employee Capacity (on a level of 1 to 5)

Category	Capacity Level	Percentile Level
2008	-	-
2009	3.5 Lv	70%
2010	3.6 Lv	72%

* Employee capacity diagnosis began in 2009

Average Employee Training Hours and Expenses (GRI LA10)

Category	Training Hours	Training Expenses
2008	16 hours	KRW 145,000
2009	32 hours	KRW 490,000
2010	51 hours	KRW 611,000



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Right Balance between Work and Life

KRC is focusing on promoting the practical benefits package that suits the emerging welfare trend and operating transparent budget management systems through the integrated management of compensation and benefits, enhancing internal satisfaction.

Improving Regulations for Work-Life Balance

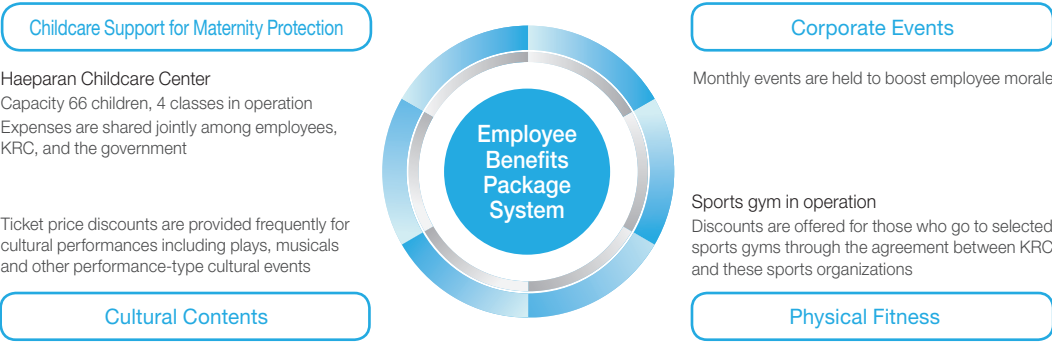
As part of our efforts to increase employee job satisfaction through better work conditions, we revised our childcare systems and regulations. The flexible working-time system allows employees to choose from 4 different types of working hours which start at 8 a.m. with 30 minute intervals. This new system helps employees lessen their childcare burden and such proactive endeavors for regulatory improvement made us a certified family-friendly company (Ministry of Gender Equality and Family) in 2010.

Boosting Employee Morale through the Improvement of Corporate Regulations

Category	Previous Regulations	Revised Regulations
Rules of Employment	Breast-feeding time (30 minutes, twice per day)	Can be aligned with working hours
	Pregnancy leave (only after the 16th week)	For the entire pregnancy period
	-	Adoption leave newly created
	-	Sterilization surgery is eligible for the application of sick leave
HR Regulations	Childcare leave (infants under 3 years old)	Under 6 years old
	-	Joint overseas leave together with spouse(3 years)

Expanding Non-monetary Benefits (GRI LA3)

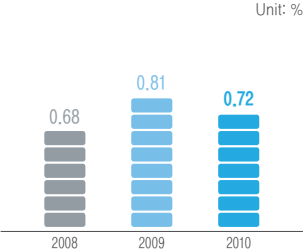
In addition to establishing optional benefits package systems, we are expanding non-monetary benefits as well including culture, sports agreement and events to promote the quality of life for our employees.



Retirement Pension System (GRI EC3)

Our retirement pension system allows the competition among multiple insurance providers and it supports our employees in leading a more stable retirement life.

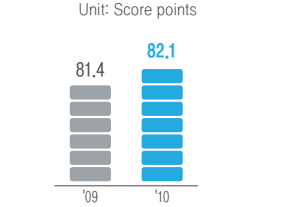
Employee Turnover Rates (GRI LA2)



Male/Female Employees' Reinstatement Rates After Childcare Leave (GRI LA15)

Category	Female Employees	Male Employees
2008	100	-
2009	100	-
2010	100	-

Internal Customer Satisfaction



Principle 3

Labor-Management Culture based on Mutual Benefits, Cooperation and Principles (GRI HR5)

We are setting strategies to advance our labor-management relationship and further detailed stepwise strategies in a bid to create mutually-beneficial and cooperative labor relations through the bilateral consultation and a performance-oriented corporate culture, promoting the labor-management relationship that is supported by mutual benefits, cooperation and principles.

KRC Labor Union

We are creating a reasonable labor-management culture to build a mutually-beneficial labor-management relationship based on mutual trust. Our labor union was launched as a single labor union in December 2001 and 85.5% of the KRC employees are unionized as of the end of 2010. All employees other than those in manager positions at Grade 2 and above and in specific positions such as HR -related positions or secretaries are eligible for union membership.

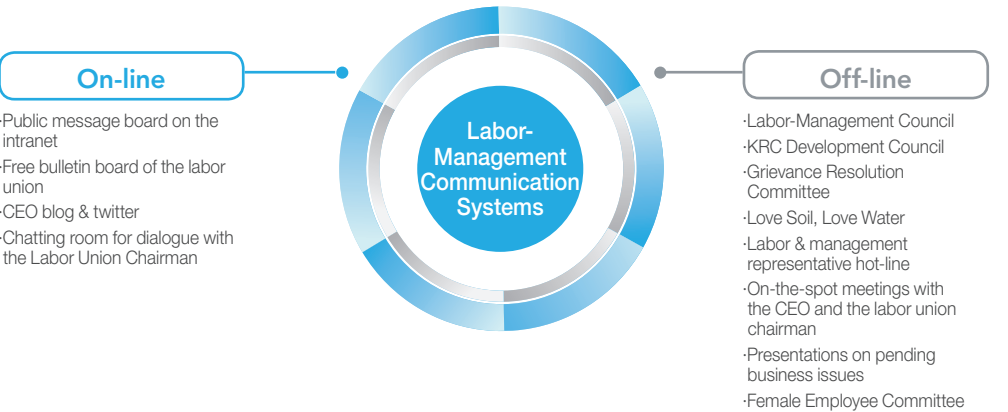
Setting Strategies to Advance the Labor-Management Relationship

We held discussions on directions and strategies to develop the labor-management relationship through labor-management workshops and the KRC Development Council and gathered the opinions of unionized employees and executives in order to come up with 4 high-level strategies and 8 core tasks to further advance the labor-management relationship.

4 High-level Strategies	8 Tasks
1 Advancing the Labor-Management Relationship	Setting the ceiling on the time-off available under the time-off system Revising unreasonable collective agreement provisions that hamper the HR management rights
2 Complying with Regulations and Principles	Revising the collective agreement while it is effective Banning the payment of wage to those other than unionized members eligible for the time-off benefits
3 Enhancing the Effectiveness of Communication	Advancing the culture of labor-management consultation The CEO's being engaged in field-centered communication
4 Increasing Management Independence	Expanding KRC's business areas Improving labor productivity per employee

Stronger Labor-Management Communication (GRI LA5)

We are seeking shared growth of both labor and management through cooperative bilateral relations built on such communication channels as the Labor-Management Council and Labor-Management Joint Committee. Our CEO and the labor union chairman work together to increase organizational productivity by sharing and communicating organizational goals and we are building interactive communication systems between labor and management to create new values of labor-management harmony.



Core Values of Labor-Management Cooperation



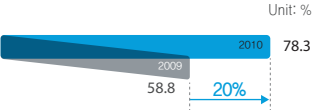
Interview with Employees

"We are building a venue for labor-management communication that is voluntary and reasonable. The previous Labor-Management Cooperation Meeting was changed into the KRC Development Council to facilitate related activities further through the exchange of opinions between labor and management. In addition, we are inviting outside experts to offer training on the win-win management between labor and top management to ensure more proactive external communication, building consensus on changes taking place in the labor environment among all KRC employees."

Jae-Mun, Choi, Chief Staff, Office of Human Resources & Welfare



Grievance Resolution Ratio



Sexual Harassment Prevention Training (GRI HR3)

Category	2008	2009	2010
No. of Employees Trained (No. of persons)	810	795	796
Training Time (minutes)	60	120	60

※ Referring to training provided to employees at the headquarters

Establishing the Principle-based Labor Management Culture

Enhancing Job Commitment through the Resolution of Grievances

Our Grievance Resolution Committee, jointly set up by labor and management, is handling wide-ranging problems our employees face regarding family life, disease treatment and self-development in order to increase their job commitment and work productivity.

Protecting the Rights of Female Employees

The Happy Together Committee is an organization made by KRC employees with an aim to protect the rights of female employees and help female executives realize their full potential through women's leadership. Representatives of female employees and labor union officials in charge meet on a half-yearly basis to present ways to make improvements and progress on requirements made by the Female Employee Committee. These endeavors won us an AA rating under the Family-friendly Company Certification system in November 2010.

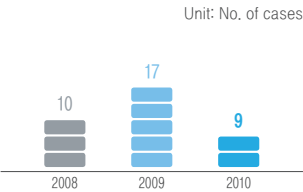
Joint Efforts between Labor and Management for Transparent Management

We are committed to building a stronger sense of community between labor and management in order to prevent potential negative factors regarding anti-corruption and transparent management and to build a company-wide consensus on ethics management. We held a rally to adopt a resolution on zero tolerance for corruption and a ceremony to sign the anti-corruption and integrity pledge in order to externally declare that both labor and management are fully aware of the importance of joint efforts to produce business outcomes in a transparent manner and to ensure joint growth in doing so.

Safe and Reliable Workplace (GRI LA4)

We ensure employees' trust in the workplace health and safety through the Labor-Management Council and collective agreements. We plan to expand institutional support so that our employees can work anywhere in our business sites in Korea with the confidence that they are working in a safe and healthy environment.

Data on Industrial Accidents (GRI LA7)



Creating Safe and Accident-free Work Environments (GRI LA8, LA9)

The improvement of safety equipment and relevant systems is highly critical to the safety of our employees due to the inherent characteristics of the business we are involved in such as the remodeling of rural facilities and large-scale reclamation projects. We are setting up comprehensive safety accident plans in order to minimize human and property damages to KRC employees and local people and to reduce the likelihood of employee safety accidents to a minimum. We also provide compensations and excess medical expenses to unionized members who became injured or sick due to accidents at the workplace in accordance with the Industrial Accident Compensation Insurance Act and pay them an appropriate level of wages for the period they cannot work according to relevant regulations to ensure that the livelihood of their family members is not jeopardized.

BEST PRACTICE



What are Human Rights?

Economic, social and cultural rights through which every person is provided with the same level of privileges and responsibilities in making social achievements

Human Rights Management

While KRC does not use the term 'human rights' frequently, it is committed to corresponding efforts to promote human rights including the prohibition of discrimination and the observance of the labor union's rights. This section of the report aims to review the current status, possible improvements and future ways forward regarding KRC's human rights management.

Endeavors to Respect Human Rights

KRC is in full compliance with the principles laid out in the 4 areas (freedom of association, forced labor, child labor and discrimination & equality) of the ILO Declaration of Fundamental Principles and Rights at Work. Child labor and forced labor is strictly prohibited by law in Korea.

KRC's Efforts to Meet Its Responsibilities under the ILO Convention

Category	KRC's Activities and Efforts	Quantifiable Achievements
Freedom of Association	-Operating the KRC Development Council to ensure rapid joint responses of labor and management to internal/external environment changes -Operating Channel 24, a working-level year-round communication channel, for horizontal cooperation between labor and management -Running the joint labor-management Grievance Resolution Committee to handle employee problems smoothly -Improving the collective agreement continuously to reflect changes in the external environment	-Grievance resolution ratio of 78.3% in 2010 (33%) -Channel 24 held monthly (12 cases)
Discrimination & Equality	-Running the Happy Together Committee to ensure gender equality through the incorporation of needs of female employees -Providing flexible working hours and employee support programs to create a happy workplace -Operating the System Improvement Council to ensure employee-oriented HR systems and to improve the benefits package system -Expanding open-minded management through various channels-chat room for dialogue with the labor union chairman, CEO Hot-line -Running the Organizational Culture Improvement Committee to ensure joint labor-management endeavors to enhance the corporate culture	-Rated AA under the Family-friendly Company Certification system -6 rounds of System Improvement Council meetings held, 7 improvement tasks selected -88 rounds of CEO involvement management held, took action on 105 cases out of the 129 proposals -Awarded with the Presidential Award for 'enhanced women's status' at work (2011)



UN Human Rights Council

'Protect, Respect, Remedy' Framework

The guiding principles of the 'Protect, Respect, Remedy' framework which is to serve as a global standard in the human rights area was endorsed by the UN Human Rights Council. KRC plans to obey the existing guidelines on the responsibility of business to respect human rights.

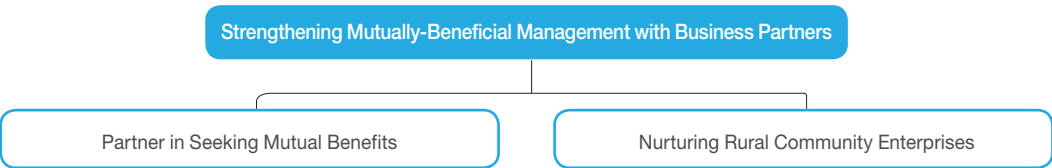
Guiding Principles	Current Status at KRC	Future Improvement Directions
Publicly announcing the human rights policy declaration approved by the highest-level officials of an organization through the expert advice and communicating with stakeholders proactively	-The CEO's new year message/inauguration speech, emphasizing the importance of advanced labor-management relationship and proactive cooperation of the labor union -Joining the UNGC	-Building cooperative relationships with organizational or individual experts on human rights such as the National Human Rights Commission of Korea -Monitoring decisions that may violate human rights through the BOD operation
Ensuring consistency among responsibilities, policies and procedures to respect human rights	-Including human rights in the definition of KRC's ethics management -Fragmented policies and management efforts regarding human rights across the board	-Creating governance (organizational structure) for human rights management -Incorporating human rights in labor-management relationships and HR strategies -Building 'human rights' into internal audit domains
Paying close attention to identify, prevent and mitigate negative impact on human rights	-Analyzing internal/external risk/opportunity factors in the labor relations and HR management areas and reflect them in the annual corporate plans -Improving negative factors that KRC may have on its business partners and SMEs to create a fair society	-Analyzing negative, potential risk/opportunity factors from the perspective of 'human rights' and reflecting them into HR management plans -Analyzing negative factors of human rights on business partners and SMEs and considering them in business operations
Reflecting and integrating the outcomes generated through the impact assessment into business operations and taking appropriate actions		
Utilizing qualitative and quantitative indicators and tracking down on the effectiveness of corporate human rights policies	-Managing labor-management relationship satisfaction, internal customer satisfaction	-Reflecting the result of human rights assessments in surveying labor-management relationship satisfaction and internal customer satisfaction
Publicly reporting the impact an organization has on human rights (through meetings and sustainability reports)	-Reviewing the current status of human rights management through sustainability reports and reporting improvement directions	-Reporting improvements made through sustainability reports
Improving negative impact through grievance resolution systems and others	-Resolving grievances smoothly through the joint labor-management Grievance Resolution Committee and running the in-house whistle-blower system	-Facilitating the operation of the grievance resolution system continuously and improving the relevant process
Complying with internationally-recognized human rights norms and local regulations in the areas where an organization operates	-Complying with ILO criteria	-Strengthening internal efforts to implement the guiding principles of the 'Protect, Respect, Remedy' framework

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PARTNER COMPANY

Partner Company Approach

As part of our efforts to meet our social responsibility for building a fair society, KRC is making its business operations more socially responsible through the practice of mutually-beneficial management with small and medium-sized business partners based on fair trade principles and shared growth initiatives and the promotion of social enterprises.



Achievements on the Shared Growth Initiatives



Winning the Prime Minister's Award in the Public Purchase Promotion Conference in 2010

Partner in Seeking Mutual Growth

We are moving beyond the passive approach of purchasing SME products into a more proactive way of enhancing the value of shared growth based on the participation of business partners.

Proactive Efforts to Address SME Difficulties

We are helping small subcontractors in addressing their business problems by proactively handling the issues of subcontract payments and overdue wages in the construction sites, bringing about stability to the livelihood of ordinary people and greater effects of early execution of budgets. In addition, we are strengthening our management efforts before and after the payments to ensure that unfair subcontract payment practices do not occur.

Purchasing More SME Products (GRI EC6)

In order to promote joint growth and development with SMEs through the increased purchase of their products, KRC set an ambitious goal of 68% of purchase ratio, which is higher than the government's mandatory SME product purchase ratio (50%) and we overachieved the goal by 7.2%. We also invited related agencies to offer special employee training to fully meet the government's policy recommendations and trained concerned employees to set the proper target of purchasing SME products.

Increasing Participation by Small Local Construction Companies

We are offering more opportunities to small local construction companies and coming up with SME protection systems, taking the lead in building a fair society. We are fully committed to providing policy support to help these SME construction companies in participating in local development projects in a substantial manner: local companies are given weights when they are screened for qualifications to take part in a bidding process and SMEs can benefit from added points if they are to participate in a construction project where the lowest bid wins the contract.

Promoting Rural Community Enterprises

We are providing consulting and networking services to enable rural communities that have proven profitability, continuity and community strength to be organized and operated as an enterprise, facilitating the local economy.

BEST PRACTICE

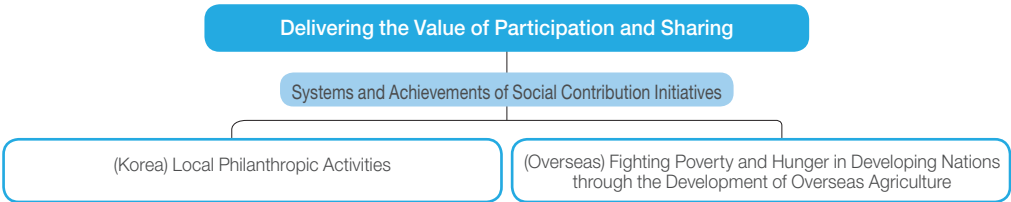
Handmi Distribution Farm Corporation in Danyang, North Chungcheong Province

The village named Handmi in Danyang, North Chungcheong Province, established the Handmi Distribution Farm Corporation with the initiatives taken by the local people themselves, starting local efforts where all village residents participate in managing this rural community enterprise. The corporation generated income between KRW 1.7 million~ 7 million (KRW 140,000~580,000 monthly) depending on the level of participation of local residents there in 2009 and it plans to run a local restaurant specialized in indigenous food ingredients, boosting the creation of jobs and income in the upcoming years.

SOCIAL CONTRIBUTION

Social Contribution Approach

KRC is delivering the value of sharing through its company-wide network of 130 volunteering teams. We are working with The Dasom House, a welfare foundation, in establishing the nation-wide campaign of repairing old housing in rural areas, growing into a social enterprise contributing to the development of rural communities.



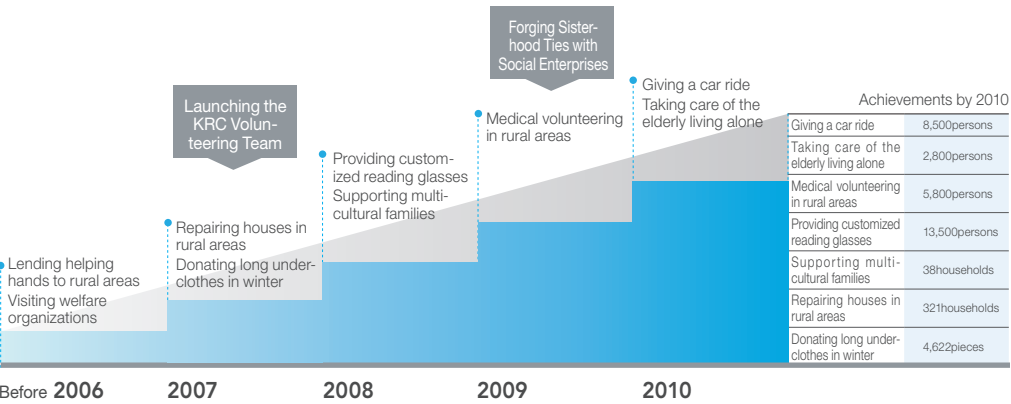
Action Systems and Achievements of Social Contribution Programs

In order to achieve our corporate philanthropy vision Public Enterprise that Delivers the True Value of Sharing , we are carrying out wide-ranging volunteering programs in the 4 areas of love of rural communities, love of neighbors, love of the environment and self-fulfillment based on the unit volunteering teams nationwide. We are spreading the greater love to build a society where each one of us can be happy.

KRC's Volunteering Team, Hope Sharers (GRI SO1)

We are running Hope Sharers, a company-wide volunteering team participated by all employees. With the company CEO serving as the leader, Hope Sharers is made up of 10 regional headquarters and 130 unit volunteering teams. Volunteering leaders are designated in each unit team to reflect the opinions of team members and to facilitate the development and implementation of voluntary programs.

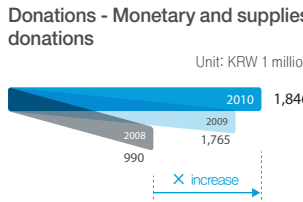
Major Social Contribution Achievements



BEST PRACTICE

Creating Short-term Jobs on a Large Scale in Rural Communities during the Non-farming Season

We are working to create short-term jobs for farmers and fishermen during the non-farming season in order to secure human resources to perform aid work for all-out maintenance of agricultural production infrastructure and repair of facilities such as reservoirs, assisting the income growth of rural areas. In addition, we have local people appointed as 'seasonally-employed waterway supervisors' to create employment and support safe farming.





Repairing houses in rural areas



Medical volunteering in remote areas

Contributing to Local Communities

As a first-line organization working in the agricultural/fisheries industry and rural Communities, we not only contribute to the social development of rural areas with sound management activities but also take care of economically (socially) suffering rural areas and marginalized neighbors with sustained social-giving activities.

Love of Rural Neighbors

Repairing Houses in Rural Communities

We are carrying out residential environment renovation projects for vulnerable people in remotely-located rural areas nationwide. In total, 4,187 KRC employees are voluntarily donating KRW 196 million every year and such endeavors helped 323 households in promoting the safety of residence and the quality of life between 2007 and 2010.

Supporting Multi-cultural Families

We are helping immigrant women who came to Korea to live with their Korean husbands. We provide them with support for stable settlement here as they are working diligently in spite of the less-favorable living conditions in rural areas. With their number increasing steadily in rural areas, we believe it is urgent to help them put down their roots firmly in local communities and we are helping them with visits to their home country, housing repair, child birth, child care expenses, and education on Korean language and informatization, offering KRW 114 million to 38 households by 2010.

Medical & Social Welfare

Donating Winter Underclothes

Our winter underclothes fund was created in 2006 and has been donating 3,032 pieces of underwear to the elderly living alone in rural areas. The underwear donation event has also provided KRW 41 million to 4,622 people by 2010 and evolved into a wider sharing campaign attended by people from all walks of life including lawmakers, public servants, and elementary school students.

Offering Personalized Reading Glasses (Bright Service)

We are offering free-of-charge reading glasses and glass repair services for people in rural communities and this is funded by voluntary donations made by KRC employees. Our Bright Service was recognized as a best practice of rural volunteering activities by the Korean government and this program has benefited 13,500 people between 2008 and 2010. Our goal for 2011 is to offer reading glasses to 9,500 farmers and fishermen.

Education

Helping Children from Broken Families

We are offering financial and psychological support to those students who find it difficult to continue their education as they are living with grandparents only without support from parents or coming from single-parent families through meal support and scholarships. In addition, we are working with students for the Save Water in My Hometown campaign to raise their awareness of environmental protection. We are serving as a supporter of rural schools, offering meal volunteering and classroom cleaning services.

Love of the Environment

Protecting the Water Environment in Rural Communities

We designated every third Wednesday of the month as an Environmental Clean-up Day to enhance the awareness of water environment preservation in rural communities and our employees, local people, students and local governments come together in carrying out environmental clean-up and protection campaigns around agricultural water facilities such as reservoirs and pumping stations. The Save Water in My Hometown student essay contest enables us to promote the importance of water as a source of life nationwide, contributing to creating rural areas filled with clean water, quality air and favorable living conditions. In addition, we are engaged in activities to think over the meaning of environmental preservation and sharing including trail clean-up, release of baby fish and tree planting in welfare facilities.

Specialized Social Contributions

KRC has been engaged in diverse projects for a new take-off of the agricultural/fisheries industry and rural communities and its core mission is to contribute to the development of the rural industry and communities which are relatively left behind their urban counterparts. We will make the best use of the capacity and resources available to us in order to keep carrying out differentiated social-giving activities that only KRC is capable of doing.

Providing Visiting Customer Services to Facilitate Local Development

Due to diverse characteristics of respective rural areas, it is critical that we pursue customized and balanced local development. To promote local development that is most suitable for the distinct features of each local community and government, we are providing free-of-charge business presentations, seminars, policy advice and on-the-site training. We make sure that concerned stakeholders can ask for help easily through the rural development call centers and we supported a total of 276 related cases in 2010. Our plan is to keep developing a business structure where local communities identified their own differentiated development needs and KRC offers corresponding support proactively.

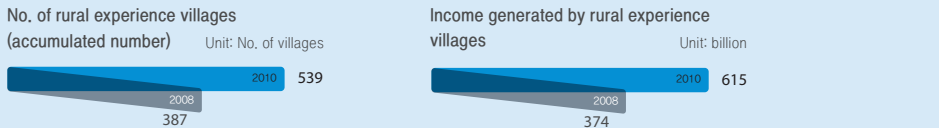
Running the Agricultural Support Team for Disaster Prevention and Emergency Recovery

One of our responsibilities is to prevent disasters affecting agricultural facilities and we are operating the Agricultural Support Team on our own through the use of our capacity and resources in order to prevent disasters and support immediate recovery in rural areas. The Agricultural Support Team is run on a regional headquarters and district office level and is in charge of taking part in nation-wide disaster relief activities, assisting disaster recovery of such facilities as reservoirs, waterways and drainage channels in rural areas and making advance inspections of facilities to prevent disasters.

BEST PRACTICE

Promoting Urban-Rural Exchanges

Our "Urban-Rural Exchange Support Headquarters" aims to create comfortable living environments in rural communities which account for 83% of the entire nation and to pursue the balanced development between urban and rural areas, facilitating urban-rural exchanges, rural tourism and investments in rural areas. Our comprehensive rural information portal website enables us to provide total services for urban people who are to settle down in rural communities and to operate various programs such as 'Spending Your Summer Vacation in Rural Areas' that serve as a bridge between urban and rural areas, which lead to tangible results of growing number of visitors to green rural experience villages and local people's income.



Twenty rural tourism attractions are selected every year and promoted into internationally-recognized tourism sites (100 areas to be selected by 2014)
Website: <http://www.rural20.kr>

※KRC worked on the project Rural 20 which combined the G20 Summit and the Korean Wave with Korea's rural communities and succeeded in attracting 24.05 million tourists from overseas.

276cases

Achievements made in providing Visiting Customer Services to help develop local communities
(176 cases in farming villages, 55 cases for business consulting in farming and fishing villages, 46 cases for advice on business planning)

Volunteering in rural community to help recover from typhoon and flood damages



Taking preventive measures against foot and mouth disease



Q&A

Question from Stakeholders

As KRC is involved in wide-ranging projects, how does it address complaints raised by local people and conflicts among them?

KRC's Answer

Our top priority in operating construction sites is local people.

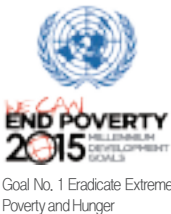
- Collecting opinions from local residents
- Gathering opinions of local people and preventing complaints through project presentations
- Appointing local residents as 'Honorary Supervisors'

Preventing complaints by complying with relevant regulations

- Minimizing damages from dust through the installation of dust-collecting facilities
- Looking for mitigation measures when the legal threshold is violated (including the establishment of soundproof walls)

If damages still occur even after the installation of preventive facilities

- Compensating for damages if they are directly related with KRC's operations



BEST PRACTICE

Helping to End Poverty and Hunger in Developing Nations through the Development of Overseas Agriculture (GRI SO9, SO10)

The first principle of the UN Millennium Development Goals is to end extreme poverty and hunger. One of the most important ways to address the global hunger and poverty issues is to build agricultural production infrastructure in developing nations. In particular, agriculture and farming villages make up a large share of the economy in these developing countries, which means that their demand for development is very high and Korea is able to contribute to eliminating hunger in the world by sharing its experiences in developing agriculture and rural villages and seeking co-existence with the rest of the world.

KRC's Overseas Agricultural Development Activities and Achievements

With its experience in leading Korea's agricultural and rural development for more than 100 years as a public enterprise, KRC has been transferring agricultural technology through 80 projects carried out in 27 countries in the overseas agricultural infrastructure construction since 1967. We deliver fundamental solutions for poverty through the increase of agricultural productivity by participating in developing nations' projects to renew their aging agricultural production infrastructure directly and indirectly.

Activity Areas	Representative Activities and Efforts	Quantifiable Achievements
Overseas Agricultural Technology Support	Providing technical support for dams, irrigation canals, rural development and flood control to South Africa and other African regions ·70's~80's - Providing agricultural development and irrigation canal technology to Vietnam, Nepal and Bangladesh, ADB (Asian Development Bank)'s funding support ·80's~90's - Providing water management and farming technology to Argentina, Indonesia and Brunei, WB (World Bank) & IBRD's funding support ·After the 90's - Providing reclamation and agricultural development technology to Tanzania, Laos and Cambodia, KOICA & EDCF's funding support	·Carrying out 84 projects in 21 developing nations since 1967
Overseas Agricultural Development Support (providing information and funds)	2~3 nations are selected every year to investigate their investment environments and farming conditions and providing such information to private sector companies who want to invest in these overseas markets ·Operating the website for 'Overseas Agricultural Investment Information Center' and running the overseas agricultural investment consulting center to offer advice to private businesses and individuals (200 cases) ·Distributing research reports and agricultural investment information: 153 cases, 295 copies, offering loan support for overseas agricultural development ·Financing private sector companies (7 overseas farm developers and 4 distribution companies) planning to develop overseas farms	·Investigating the agricultural environment of and providing information on 15 countries since 1997 ·Lending KRW 21 billion to 11 private sector companies
Direct Participation in Overseas Farm Development	Working with the private sector and government agencies (Public Private Partnership) to directly secure overseas production infrastructure for wheat, beans and corn ·Adopting differentiated entry approaches depending on local conditions (combining with ODA is one example)	·Planning to enter Russia and the Philippines from 2012
International Agricultural Cooperation	Performing cooperation projects to support agricultural and rural development in developing nations since 2006 ·Planned cooperation project: Providing packaged support that combines human and material resources to ensure substantial contributions to the development of agricultural and rural development in developing countries ·Joint cooperation project: Working with international organizations and advanced nations to respond to such global issues as food security and green growth together ·Experience transfer project: Offering the technology and experiences we accumulated in developing our own agriculture and rural areas ·General economic cooperation project: Small-scale and short-term/one-off projects focusing on inviting trainees for education in Korea, sending experts for technology transfer and providing material support	·Working on international agricultural cooperation projects worth KRW 8.8 billion in 20 Asian countries between 2006 and 2010

Representative Case of Overseas Agricultural Development

Case	Support Projects	Achievements
Comprehensive Agricultural Development in the state of Kampong Cham in Cambodia 	Carrying out pilot projects, sending experts, inviting local trainees to Korea for education, providing equipment and etc. ·Building agricultural production infrastructure: Irrigation and farm road improvement projects ·Transferring farming technology: Offering farming technology and creating experimental nurseries ·Improving living conditions: Installing toilets and water supply facilities ·Supporting education facilities: Providing school equipment, building libraries, gyms and ecological learning centers ·Facilitating civil organizations: Creating local independent organizations	·Improving the quality of life and reducing poverty for local people through the improvement of living environments and the growth of income in rural areas ·Establishing the status of KRC as a professional organization performing agricultural development projects in developing nations and increasing the possibility of working continuously in project areas through the alignment with agricultural development projects and agricultural development strategy planning projects that were already completed in 3 villages

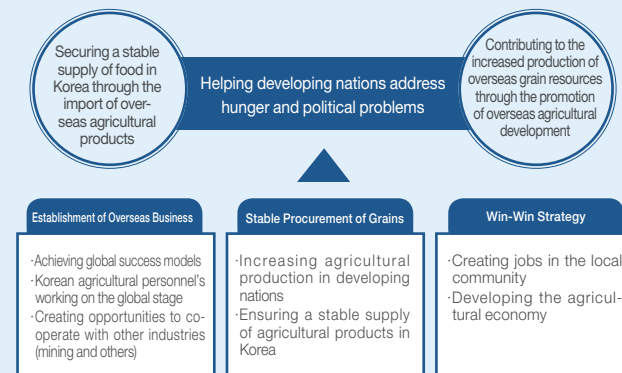
Making Stronger Inroads into Overseas Agriculture as a Future Strategic Industry

Developing nations put their top priority on dealing with food shortages and promoting political stability through the sufficient supply of food and thus are calling for help to learn Korea's experiences and technology on agricultural development. KRC is determined to proactively expand overseas agricultural development to enhance the global status of Korea's agriculture and to help developing nations with fighting poverty.

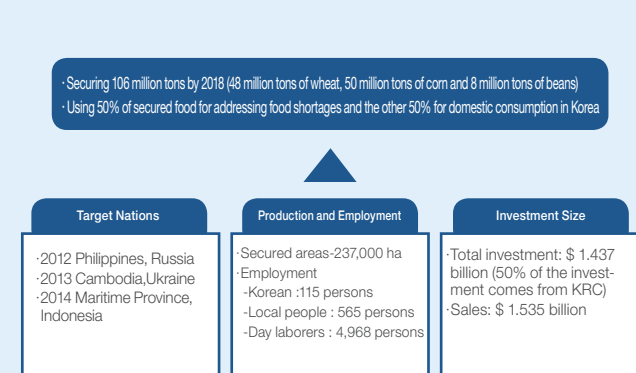
Expanding the Development of Overseas Farms

The core objective of overseas farm development projects is to help the target nation with ending poverty and to secure food resources that are lacking in Korea. Such development efforts will be made in a way that benefits all participating stakeholders- target developing nation, the Korean government, private sector players and KRC. The developing nation would see benefits of agricultural/economic developments such as increased productivity and promotion of welfare for its people and the Korean government would be able to seek its national interest (food security) through the bilateral cooperation. Private sector players may have an opportunity to create profits by entering the overseas agricultural and other related markets.

Overseas Farm Development Strategy



Overseas Farm Development Plans



Interview with Employees

"Agriculture and rural development is faced with a growing challenge of having to play a more active role in reducing poverty as stated in the Millennium Development Goals. As a member of the OECD Development Assistance Committee, Korea needs to fulfill its responsibility in the international society and we will work harder to transfer our technology and experiences to other nations in a more proactive manner."

Chang-Beum, Lee, Director-General, Overseas Project Team

Exporting Technology and Investing in SOC

We export technology in such core capacity areas as dam, seawall and agricultural development in order to help developing nations respond to climate change and build Social Overhead Capital resources related to the water industry. The current grand aid projects are small in scale and produce relatively insignificant impacts and we are turning to large-scale overseas projects actively and planning to make direct investments in SOC projects (hydro power, bio energy, and CDM projects) of developing nations in addition to technology export. One of the most representative examples is the on-going development of Karimang Dam in Sulawesi in Indonesia.

Overseas SOC Investment Plans



APPENDIX

67 Third-Party Assurance Report

68 UNGC Advanced Level

70 ISO 26000

71 GRI 3.1 Index

75 Glossary/Awards/Organizational Membership

THIRD-PARTY ASSURANCE STATEMENT

Assurance Statement

Dear Korea Rural Community Corporation (KRC)

Korea Sustainability Investing (the assurer hereafter) was commissioned by Korea Rural Community Corporation (KRC) to perform a third-party independent assurance engagement of its '2011 Sustainability Report' and the assurance statement is as follows.

Independence and Responsibility

The responsibility for the data and opinions stated in this report solely lies in KRC. The assurer is an independent organization which has no interest in KRC and aimed to provide an independent assurance report that contains expert opinions based on the stated scope and methodologies for KRC stakeholders.

Assurance Scope

The assurance engagement focused on the KRC headquarters with physical inspections on its business sites regarding the 2011 Sustainability Report which was prepared based on KRC activities. We reviewed activities in each division and district office but they were excluded from the scope of physical inspections.

The assurance was based on the three principles of inclusivity, materiality and responsiveness as defined in the AA1000AS(2008) and the assurer reviewed whether KRC complied with the principles on the report content and quality according to the index application in the economic, environmental and social areas of the GRI G3 Guidelines. In addition, the ISO 26000 principles on the information that include completeness, clarity, responsiveness, accuracy, balance, timeliness and accessibility were utilized.

Assurance Standards

This assurance was performed at a moderate level in accordance with the AA 1000AS(2008) Type-1 criteria. The assurance provider adopted an appropriate level of assurance methodologies to enable readers to trust this report by reducing such risks as mistakes and errors in the report content. Besides, it confirmed that the report content meets assurance standards through the evidence materials including relevant laws & systems, process, regulations and information.

Methodology

The assurer adopted the following methods in verifying the systems and processes utilized to manage and report the statements and relevant data & information outlined in this sustainability report by KRC.

- Media research
- Review of reports, in-house guidelines, documents & information systems
- Inspections of Korean business sites and verification through the visit to the headquarters
- Interviews with employees working in relation with sustainability reporting and providing report data within Korean business sites
- Review of the systems, activities and documents referenced in this report

Opinions

Based on the assurance activities described above, the assurer verified that this report reflects KRC's sustainability management activities and achievements in a way that is sincere and fair. In addition, the assurance provider confirmed that the report meets the requirements of the GRI Application Level A as KRC self-declared.

- Inclusivity : Stakeholder Engagement

The assurance team verified that KRC is properly identifying its stakeholders that it has impact on and the guidelines and engagement processes are implemented across the company that actively encourage stakeholder engagement through wide-ranging communication channels. In particular, KRC's efforts to identify stakeholders and improvement directions to further engage its stakeholders according to the stakeholder rec-

ognition methods recommended by ISO 26000 is highly appreciated given the global trend regarding corporate social responsibility. KRC would benefit from building more systemic and effective stakeholder engagement channels and managing and reporting not just the stakeholder engagement process but also relevant achievements continuously in the upcoming years.

- Materiality : Selecting and Reporting Material Issues

The assurer confirmed that issues identified through the materiality test process are prioritized and that sustainability issues of major stakeholders are properly understood in respective economic, environmental and social areas. In particular, key performance indicators are well laid out through the Disclosure on Management Approach (DMA) in the economic social and environmental fields and responsibilities, detailed strategies, and performance monitoring in each of these fields are appropriately reflected in the report. It is recommended, however, that KRC needs to improve the objectivity and reliability of its sustainability reports by establishing more systemized and clear materiality test methodologies, standards and procedures. We expect that the outcomes of the materiality test will be built into KRC's sustainability management strategies in the future.

- Responsiveness : Organization's Response to Issues

The assurance provider verified that this report properly describes KRC's current responses to material issues that were identified out of the opinions gathered through the communication with stakeholders. Especially, the report addresses negative or even controversial information, presenting a balanced perspective overall. We recommend that KRC would express its own positions on the ideas suggested by stakeholders to further improve the responsiveness of its sustainability reports.

Recommendations

The assurer presents the following recommendations to help KRC produce future sustainability reports and enhance its level of sustainability management.

- 1.KRC will benefit from setting mid/long-term sustainability management plans and targets in the economic, environmental and social areas and building a more advanced governance structure to ensure systemized sustainability management activities and performance management.
- 2.KRC is recommended to make its stakeholder channel building & engagement and materiality test more systemic and effective.
- 3.Sustainability Reports intend to present the methodologies adopted and contributions made by a reporting organization to sustainable development of society made up of diverse stakeholders with its own unique activities. This report is highly valuable in that KRC clearly shows its endeavors to achieve this goal of sustainability reporting, especially in the economic performance section. KRC is striving to maintain a similar perspective and report accordingly in the environmental and social performance section as well but we recommend that KRC further solidify such efforts and quantify relevant performance as much as it can in the upcoming years.
- 4.KRC would benefit from adopting more systemized data management practices on indicators that are closely related with its core business and also emerging as global issues including bio-diversity and the total volume and ratio of water reused and recycled.



UNGC ADVANCED LEVEL

(GRI 3.12)

KRC’s Sustainability Report 2011 outlines its sustainability management achievements based on the 24 criteria required by the UNGC Advanced Level. We will commit ourselves to meeting these criteria continuously and expanding best practices.

Criterion	Summary of Report Content (or Future Plans)	Page
1. C-suite and Board level discussions of strategic asp	·Describing the following in the CEO Message ·Sustainability risk factors that may affect KRC in the mid/long-term ·Social and environmental impacts generated by KRC’s activities ·Sustainability management achievements in 2010 ·KRC’s missions directly reflecting ‘economic, environmental, and social development’	p5
2. Decision-making processes and systems of governance for corporate sustainability	·Top management responsible for building and practicing management goal systems from the perspective of economic, environmental and social development ·BOD suggesting opinions from the economic, environmental and social perspectives through special committees and incorporating them into management ·Reviewing whether to create new evaluation criteria to enhance BOD’s role from the sustainability management perspective	p3
3. Engagement with all important stakeholders	·Clearly describing KRC’s material stakeholders and their engagement channels ·Clearly describing the outcomes of engagement (by stakeholder, by issue) ·Clearly describing KRC’s efforts to reflect the voice of stakeholders in setting management strategies and making decisions	p14-15
4. Actions taken in support of broader UN goals and issues	·KRC is committed to meeting the UN Millennium Development Goals ·Reporting KRC’s performance in respective 8 issues	p69
5. Robust commitments, strategies or policies in the area of human rights	·Reviewing KRC’s endeavors and achievements regarding human rights ·Planning to analyze the current status based on the UN ‘Protect, Respect, Remedy’ framework and strengthen efforts for human rights man-agement	p59
6. Effective management systems to integrate the human rights principles	·Working to reduce negative impact on business partners and SMEs ·Planning to establish human rights management systems on the basis of the UN ‘Protect, Respect, Remedy’ framework ·Running the grievance resolution and whistleblower systems	p59 ~ 60
7. Effective monitoring and evalua tion mechanisms of human rights integration	·Measuring performance in the human rights area through internal customer satisfaction and labor-management relationship satisfaction ·Monitoring decision-making that may violate human rights through the BOD operation ·Reflecting ‘human rights’ in the scope of internal audits	59p
8. Standardized performance indicators on human rights	·Reporting achievements and future plans on human rights recommendations of ISO 26000 and GRI 3.1 human rights indicators	p70 ~ 74
9. Robust commitments, strategies or policies in the area of labour	·Strategy to advance the labor-management relationship ·Describing core values of labor-management cooperation	p57 ~ 58
10. Effective management systems to integrate the labour principles	·Holding Labor-Management Council and KRC Development Council meetings-CEO and the labor union chair lead the meetings to improve the quality of communication and productivity ·Facilitating open-communication between CEO and the labor union (meetings, Hot-lines) ·Promoting employees’ balanced view of the labor-management relationship through employee training led by the labor union and discussion meetings	p57 ~ 58
11. Effective monitoring and evaluation mechanisms of labor principles integration	·Managing internal performance indicators regardinglabour-labor relations satisfaction, internal customer satisfaction, labor productivity, wage negotiations made during the reporting period	p57 ~ 58
12. Standardized performance indica tors on labour principles integration	·Reporting achievements and future plans on labor recommendations of ISO 26000 and GRI 3.1 indicators	p70 ~ 74
13. Robust commitments, strategies or policies in the area of environmental stewardship	·Reporting KRC’s environmental commitments and strategies by outlining its approach to create eco-friendly values in rural communities, ap-proach to manage water resources, approach to respond to climate change and approach for eco-friendly management	p30 ~ 31
14. Effective management systems to integrate the environmental principles	·Company-wide endeavors to practice ISO 14001 ·Training to build eco-friendly capacity ·Collecting opinions from outside experts on climate change and water resources management	p14 ~ 15, p43 ~ 45
15. Effective monitoring and evalua tion mechanisms for environmental stewardship	·Managing environmental performance indicators regarding creation of eco-friendly values in rural communities, climate change adaptation, water resources management, and eco-friendly management of KRC ·Systemically managing indicator performance of respective departments in charge including the water resources management team, green growth team, Rural Research Institute, and general affairs team	p13

Criterion	Summary of Report Content (or Future Plans)	Page
16. Standardized performance indicators on environmental stewardship	·Reporting achievements and future plans on environment recommendations of ISO 26000 and GRI 3.1 indicators	p70 ~ 74
17. Robust commitments, strate gies or policies in the area of anti-corruption	·Setting the employee codes of conduct, whistle-blower’s report handling guidelines, employee job integrity contract operation regulations, rule of conduct of the employee codes of conduct, job-related crime reporting guidelines, integrity Ombudsman establishment/operation guidelines under the Ethics Charter and executing & applying them on a company-wide level	p9
18. Effective management systems to integrate the anti-corruption principle	·Expanding training to build capacity on anti-corruption and ethics management continuously ·Communicating with internal/external stakeholders on anti-corruption and ethics management ·Listening to agents in the construction sites and implementing the Integrity Ombudsman system (to be set up)	p9
19. Effective monitoring and evaluation mechanisms for the integration of anti-corruption	·Surveying ethical awareness twice a year ·Evaluating integrity performance every year ·Performing audits (including compliance with the employee code of conduct)	p9 ~ 10
20. Standardized performance indicators on anti-corruption	·Reporting achievements and future plans on social recommendations of ISO 26000 and GRI 3.1 indicators	p70 ~ 74
21. Implementation of the Global Compact principles in the value chain	·Surveying site agents to enhance occupational transparency of construction companies including SMEs who are main business partners in the value chain and utilizing the outcome as basis materials for anti-corruption activities in the construction area ·Handling inappropriate work done through the constant monitoring in the construction area	p59 ~ 60
22. Information on the company’s profile and context of operation	·Describing KRC’s major functions and the economic, environmental and social value areas by function ·KRC’s company profile (business sites and others) and management strategy systems ·Reporting corporate governance and economic values delivered to stakeholders	p2, 6 ~p8, 26
23. High standards of transparency and disclosure	·Reporting achievements transparently in accordance with ISO 26000 and the GRI 3.1 Guidelines and including future plans to make up for shortcomings ·Third-party statement regarding the GRI A+ Level ·Three years of data on sustainability management KPIs	p67, p70 ~ 74
24. Independently verified by a credible third-party	·Third-party assurance of the report was transparently performed by KOSIF (Korea Sustainability Investing Forum), a non-profit organization on sustainability management working to enhance awareness of organization’s social responsibility and to promote socially responsible investments	67p



OUR ENDEAVORS TO CONTRIBUTE TO ACHIEV-ING THE UN MILLENNIUM DEVELOPMENT GOALS

Goal	KRC Achievements in 2010 and Future Directions	Page	Goal	KRC Achievements in 2010 and Future Directions	Page
1. Eradicate Extreme Poverty and Hunger	·Helping end hunger through the creation of agricultural infrastructure and transfer of farming technology in developing nations	p64 ~ 65	5. Improve Maternal Health	·Adopting flexible working hours ·Expanding Employee Assistance Program (EAP)s ·Considering whether to provide benefits for multiple children families	p56 - -
2. Achieve Universal Primary Education	·Assisting children from broken homes	p62	6. Combat HIV/ AIDS, Malaria and Other Diseases	·Supporting medical volunteering in rural areas (30 rounds of volunteering performed)	p62
3. Promote Gender Equality and Empower Women	·Operating the Happy Together Committee to protect the rights of female employees ·Striving for the right balance between work and life	p58 p56	7. Ensure Environmental Sustainability	·Preserving and maximizing the indigenous values of the agricultural/fisheries industry ·Enhancing the development of new & renewable energy, protection of water resources and biodiversity values	p32 ~ 36 p37 ~ 42
4. Reduce Child Mortality Rates	·Need to carry out more corporate philanthropic activities regarding child protection	(future directions)	8. Develop a Global Part nership for Development	·Actively cooperating with international organizations, govern ments in developing nations and Korea, private sector and related organizations in transferring agricultural technology to developing countries and developing overseas farms	64 ~ 65p

Indicators		Description	Report Content	Report Level	Additional Information
EC4		Significant financial assistance received from government	Additional Information	●	Government Grants Received (KRW 152.7 billion in 2010)
EC5		Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Additional Information	●	Our entry-level wage is 2~2.5 time higher the legal minimum wage.
EC6		Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	60	●	
EC7		Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	54	●	
EC8		Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	18,19	●	
EC9		Understanding and describing significant indirect economic impacts	20-24	●	
2.Environmental Performance					
EN1.		Materials used by weight or volume	Additional Information	○	Materials management is outsourced to construction companies in construction projects and we plan to identify the amount of materials used by these construction companies in the upcoming years.
EN2.		Percentage of materials used that are recycled input materials	Additional Information	○	Our eco-friendly purchase was worth KRW 16,036 billion(33%) including recycled products. We are to identify the purchase of recycled materials used in construction sites.
EN3.		Direct energy consumption by primary energy source	44	●	
EN4.		Indirect energy consumption by primary source	44	●	
EN5.		Energy saved due to conservation and efficiency improvements	43,44	●	
EN6.		Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	13	●	
EN7.		Initiatives to reduce indirect energy consumption and reductions achieved	44	●	
EN8.		Total water withdrawal by source	45	●	
EN9.		Water sources significantly affected by withdrawal of water	-	N/A	
EN10.		Percentage and total volume of water recycled and reused	Additional Information	○	We are committed to saving water but our efforts to recycle/ reuse water are not sufficient yet. We are considering establishing wastewater reuse systems and relevant systems.
EN11.		Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	45	●	
EN12.		Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	45	●	
EN13.		Habitats protected or restored	35	●	
EN14.		Strategies, current actions, and future plans for managing impacts on biodiversity	35	●	
EN15.		Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Additional Information	●	As we have such species at the risk of extinction as narrow-mouthed toads and golden frogs living in the Ansan Re-claimed Wetlands owned by KRC, we are monitoring their habitat behaviors. We are to identify and manage these animals and plants at the risk of extinction in the entire scope of business operation on a company-wide level.
EN16.		Total direct and indirect greenhouse gas emissions by weight	44	●	
EN17.		Other relevant indirect greenhouse gas emissions by weight	44	●	
EN18.		Initiatives to reduce greenhouse gas emissions and reductions achieved	42	●	
EN19.		Emissions of ozone-depleting substances by weight	-	N/A	
EN20.		NOx, SOx and other significant air emissions by type and weight	-	N/A	
EN21.		Total water discharge by quality and destination	-	N/A	
EN22.		Total weight of waste by type and disposal method	45	●	
EN23.		Total number and volume of significant spills	Additional Information	●	ZERO
EN24.		Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	-	N/A	
EN25.		Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organizations' discharges of water and runoff	-	N/A	
EN26.		Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	35	●	
EN27.		Percentage of products sold and their packaging materials that are reclaimed by category	-	N/A	
EN28.		Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	Additional Information	●	ZERO
EN29.		Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workplace	-	N/A	
EN30.		Total environmental protection expenditures and investments by type	35	●	
3.Social Performance					
Labor					
LA1.		Total workforce by employment type, employment contract, and region	53	●	
LA2.		Total number and rate of employee turnover by age group, gender, and region	56	●	
LA3.		Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	56	●	
LA4.		Percentage of employees covered by collective bargaining agreements	57	●	
LA5.		Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	57	●	
LA6.		Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	58	●	
LA7.		Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	58	●	
LA8.		Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	58	●	
LA9.		Health and safety topics covered in formal agreements with trade unions	58	●	
LA10.		Average hours of training per year per head by employee category	55	●	
LA11.		Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	55	●	
LA12.		Percentage of employees receiving regular performance and career development reviews	Additional Information	●	We are conducting performance evaluations of all our employees (regular employees).
LA13.		Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	8,53	●	
LA14.		Ratio of basic salary of men to women by employee category	54	●	
LA15.		Return to work and retention rates after parental leave	56	●	

Indicators		Description	Report Content	Report Level	Additional Information
Human Rights					
HR1.		Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Additional Information	○	We undergo legal procedures to conclude investment/ services agreements in the developing overseas farms.
HR2.		Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Additional Information	○	We encourage local construction companies to take part in our projects and are to consider their performance in meeting social/environmental responsibilities in the evaluating process.
HR3.		Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employee trained	58	●	
HR4.		Total number of incidents of discrimination and actions taken	10	●	
HR5.		Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	-	N/A	
HR6.		Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	59	●	
HR7.		Operations identified as having significant risk for incidents of forced or compulsory labour, and measure to contribute to the elimination of forced or compulsory labour	59	●	
HR8.		Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Additional Information	●	Our security personnel are trained on sexual harassment prevention.
HR9.		Total number of incidents of violations involving rights of indigenous people and actions taken	63	●	
HR10.		Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	11	●	All business sites are subject to audits.
HR11.		Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	58	●	
Local Community					
SO1.		Percentage of operations with implemented local community engagement, impact assessments, and development programs	63	●	
SO2.		Percentage and total number of business units analyzed for risks related to corruption	10	●	
SO3.		Percentage of employees trained in organization's anti-corruption policies and procedures	10	●	
SO4.		Actions taken in response to incidents of corruption	10	●	
SO5.		Public policy positions and participation in public policy development and lobbying	15,41	●	
SO6.		Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Additional Information	●	No relevant case was reported.
SO7.		Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes	Additional Information	●	No case of noncompliance.
SO8.		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Additional Information	●	No case of fines levied or legal restrictions imposed.
SO9.		Operations with significant potential or actual negative impacts on local communities	63	●	
SO10.		Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	63	●	
Product Responsibility					
PR1.		Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant product and service categories subject to such procedures	-	N/A	
PR2.		Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle by type of outcomes	Additional Information	●	No case of noncompliance.
PR3.		Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	-	N/A	
PR4.		Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes	Additional Information	●	No case of noncompliance.
PR5.		Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	52	●	
PR6.		Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	52	●	KRC is providing factual and reliable information to customers.
PR7.		Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Additional Information	●	No case of noncompliance.
PR8.		Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Additional Information	●	No case of relevant complaints.
PR9.		Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Additional Information	●	No case of noncompliance.

GRI SECTOR SUPPLEMENT INDICATOR FOR PUBLIC AGENCIES

Indicator		Description	Report Content	Report Level	Additional Information
PA1		Describe the relationship to other governments or public authorities and the position of the agency within its immediate governmental structure	Additional Information	●	Quasi-public organization under the Ministry of Food, Agriculture, Forestry and Fisheries.
PA2		State the definition of sustainable development used by the public agency, and identify any statements or principles adopted to guide sustainable development policies	11	●	
PA3		Identify the aspects for which the organization has established sustainable development policies	12	●	
PA4		Identify the specific goals of the organization for the each aspects listed in PA3	12	●	
PA5		Describe the process by which the aspects and goals in both PA3 and PA4 were set	12	●	
PA6		For each goal, provide the following information: implementation measures; Results of relevant assessments of the effectiveness of those measures before they are implemented;State targets and key indicators used to monitor progress, with a focus on outcomes; Description of progress with respect to goals and targets in the reporting periods, including results of key indicators; Actions to ensure continuous improvement towards reaching the public agency's goals and targets; and Post-implementation assessment and targets for next time period	13	●	
PA7		Describe the role and engagement with stakeholders with respect to the items disclosed in PA6	12,13	●	
PA8		Gross expenditures broken down by type of payment	26	●	
PA9		Gross expenditures broken down by financial classification	Additional Information	●	Gross expenditures in 2010 stood at KRW 3,787,644.
PA10		Capital expenditures by financial classification	Additional Information	●	Capital expenditures in 2010 stood at KRW 1,691,515.
PA11		Describe procurement policy of the public agency as related to sustainable development	45,60	●	We focus on SME products and eco-friendly products in making purchasing decisions.
PA12		Describe economic, environmental and social criteria that apply to expenditures and financial commitments	45,60	●	
PA13		Describe linkages between the public agency's procurement practices and its public policy priorities	Additional Information	●	Our in-house purchasing policy is in accordance with the Eco-friendly Product Purchase Promotion Law and the SME Promotion & SME Product Purchase Promotion Law.
PA14		Percentage of the total value of goods purchased that were registered with voluntary environmental or social labels and/or certification programs, broken down by type	45,60	●	We are purchasing certified eco-friendly products.



Statement GRI Application Level Check

GRI hereby states that **Korea Rural Community Corporation** has presented its report “Korea Rural Community Corporation Sustainability Report 2011” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level A+.

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

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

Amsterdam, 16 December 2011



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The “+” has been added to this Application Level because Korea Rural Community Corporation has submitted (part of) this report for external assurance. GRI accepts the reporter’s own criteria for choosing the relevant assurance provider.

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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 13 December 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

Glossary

UN Global Compact	UN organization established in July 2000 under the leadership of then UN Secretary General Kofi Annan who presented 10 principles in the 4 areas of human rights, labor, environment and anti-corruption on business transparency and social responsibility and encouraged business leaders around the world to voluntarily join and comply with them.
GRI (Global Reporting Initiative)	Organization under the UNEP (United Nations Environmental Program) which created guidelines on 'sustainability management reports'.
ISO 26000	International standards on social responsibility that include voluntary compliance rules that are centered around the 7 main principles of governance, the environment, human rights, labour, organizational operation, consumers and local community.
Materiality Test	Comprehensive analysis of the materiality of major issues identified through stakeholder communication and internal issues related with sustainability management according to their internal/external priorities.
Irrigation Facility	Wide-ranging facilities and their management systems required to supply and use agricultural water and agricultural irrigation facilities in Korea refer to irrigation reservoirs, sluice gates, reservoirs, banks, waterways and pumping stations that are created through farmland improvement projects.
Agflation	Word created by combining agriculture and inflation to explain the phenomenon where general consumer prices increase due to surging agricultural product prices.
CDM (Clean Development Mechanism)	Advanced nations that have GHG reduction targets to meet are allowed to invest their capital and technology in developing nations who do not bear such responsibility and use the resultant reductions of GHG emissions to fulfill their reduction target.
Greenhouse Gases	Substances that give rise to greenhouse effects and their excessive increases can cause global warming. carbon dioxide, HCFC (hydrochlorofluorocarbon), methane, and nitrogen dioxide are representative greenhouse gases.
TOE (Ton of Equivalent)	Unit of energy calculated based on the calorific value of 1 tonne of crude oil.
New & Renewable Energy	Refer to 3 types of new energy (hydrogen, fuel cell, and coal liquefied gas) and 8 types of renewable energy (solar power, photovoltaics, bio energy, wind power, hydro power, geothermal energy, ocean energy, and waste).
COD (Chemical Oxygen Demand)	A measure of polluted water quality and the amount of oxygen equivalent to the oxidizing agents consumed to oxidize organic materials in polluted water is presented in mg/L or PPM.
Farm Corporation	Corporation established to increase productivity, added values of agriculture and farming conveniences through enterprise-type farming management.

Awards (GRI 2.10)

Number	Name of Awards	Number	Name of Awards
1	Meritorious Presidential Award for enhance women’s status in 2011	6	Selected as a top performer in disaster management in 2010 (Presidential Commendation)
2	Award of Minister of Knowledge and Economy in the 11th Korea Digital Management Innovation Awards	7	First Price in the National Shinmungo Awards in 2010 (Shinmungo refers to Korea’s Ombudsman system)
3	Selected as a top performer in the 11th Gender Equality in Employment conference (Award of the Minister of Employment and Labor)	8	Presidential Awards in the 35th National Qualify Management Competition (awarded for 10 consecutive years)
4	Award of the Minister of Knowledge and Economy in the 17th Business Innovation Awards	9	Grand Prize in the National Productivity Competition in 2009
5	Prime Minister’s Award in the Public Procurement Promotion Competition in 2010	10	Grand Prize in the Customer Satisfaction Management Competition in 2008

Membership in Associations (GRI 4.13)

Number	Association	Number	Association
1	Korean Society of Agricultural Engineers	6	Korea Foundation for Quality
2	Korea FAO Association	7	Korea Disaster Prevention Association
3	Korea Management Association	8	Geological Society of Korea
4	Korea Water Resources Association	9	Korean Standards Association
5	Korea Productivity Center	10	UN Global Compact



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