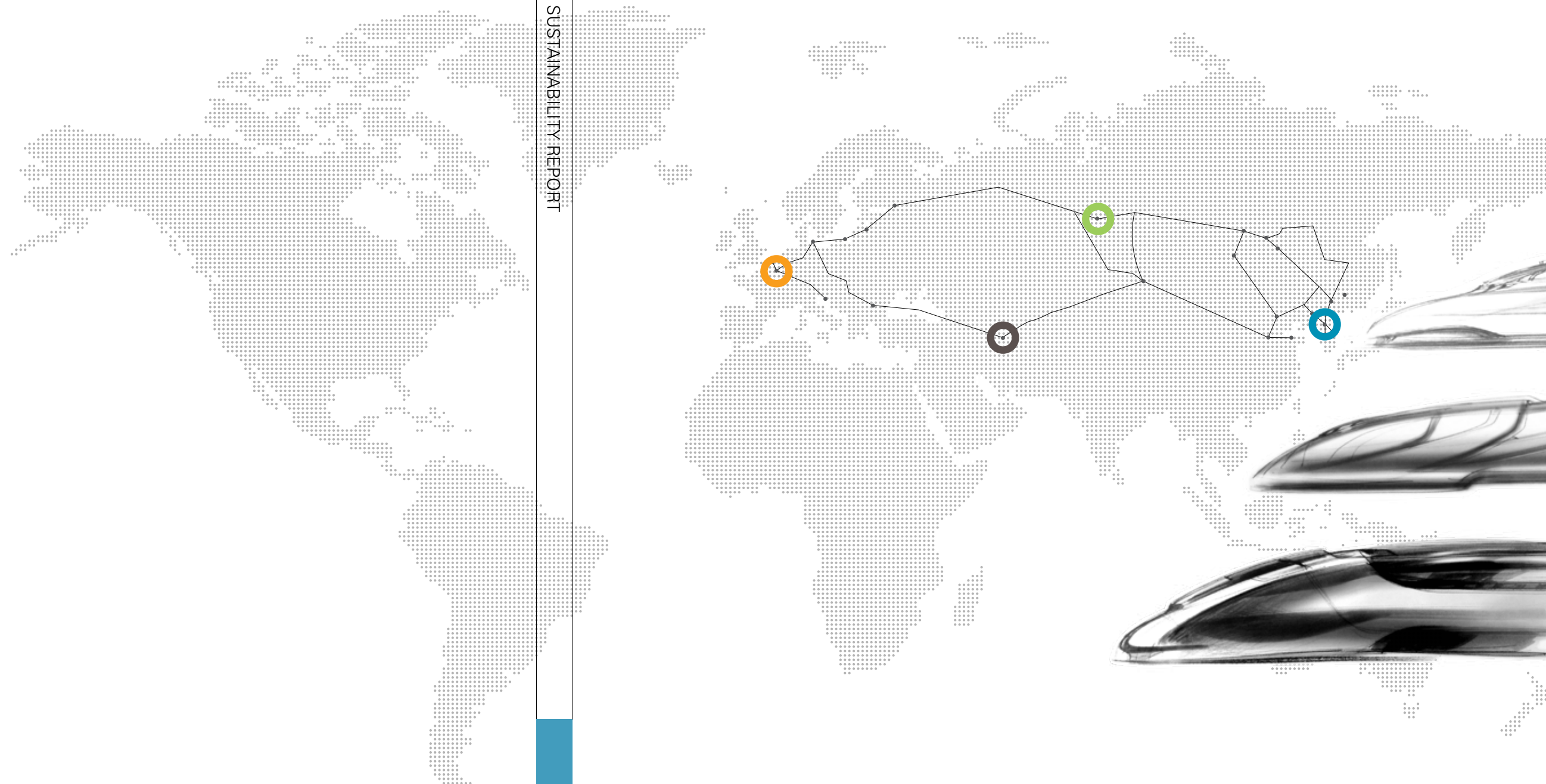




KORAIL 2011 SUSTAINABILITY REPORT

KORAIL 2011 SUSTAINABILITY REPORT



ABOUT THIS REPORT

Characteristics of This Report

This report marks the fourth sustainability report of KORAIL since the first such report was issued in 2008. This report discloses KORAIL's achievements on sustainability management in the areas of economy, society and environment and demonstrates its future directions and initiatives for sustainability management to stakeholders. KORAIL aims to become a state-owned enterprise that takes a step closer to stakeholders and proactively communicates with them through its annual sustainability reports.

Reporting Standards

This report was prepared in accordance with the GRI (Global Reporting Initiative) G3.1 guidelines and outlines KORAIL's progress in complying with the seven core subjects of ISO 26000 and the 10 principles of the UN Global Compact.

KORAIL introduced IFRS in January 2010 and applied these international accounting standards to reporting starting from January 2011, which may cause numerical discrepancies regarding economic performance between previous reports and this report. If there are any such discrepancies due to the change in accounting standards, they were clearly stated in this report. The currency unit is the Korean Won and all quantifiable data is marked in both numbers and units.

Reporting Period and Boundary

The reporting period spans from January 1, 2011 to December 31, 2011. The reporting period for any important details or changes was extended to the first quarter of 2012. The activities and accomplishments on sustainability management in this report primarily cover the corporate and regional headquarters and partially cover KORAIL subsidiaries.

Assurance

All statements contained in this report were assured through objective procedures by the Korean Standards Association, an independent third-party assurance provider. It was also discovered that this report satisfied all the requirements for the GRI G3.1 Application Level A+.

For More Information on This Report

KORAIL's sustainability reports are available both in Korean and English and can be downloaded at the KORAIL website. For more details on KORAIL's sustainability management, please refer to the management disclosure section at the website.



GROWING INTO A GLOBAL GREEN CULTURAL SERVICE PROVIDER WITH A STRONG COMMITMENT TO SOCIAL RESPONSIBILITY

We at KORAIL have been fully committed to serving as the main transportation mode for the general public throughout our 110-year history. Nowadays, KORAIL is recognized as a best-in-class transportation service provider with a fierce global competitive edge. In terms of both punctuality and safety, KORAIL has achieved No. 1 ranking in the world. At KORAIL, our firm commitment towards sustainability management is based on a safety-driven style of management that places top priority on its customers, a mutually-beneficial labor management culture, shared growth with suppliers and engagement in the development of local communities. Such endeavors to satisfy a wide range of stakeholders will enable us to fulfill our social responsibility as a corporate citizen and grow into a global green cultural service provider.



If you have any inquiries about KORAIL's sustainability management activities or reports, please contact us at

Department in charge: Creation and Innovation Department, Management Innovation Office
Phone: 042-615-3202
Fax: 02-361-8278
E-mail: sustainability@korail.com

2011

KORAIL
Sustainability Report 2011

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KORAIL, THE PROVIDER OF PUNCTUAL AND SAFE RAILROAD SERVICES TO THE PUBLIC

The beautiful scenery flickering through the train window, the quiet sound of the train wheels ringing in my ears, the comfort of the steady vibrations being carried from the seat to my body...all these small sensations unite to calm my mind as feelings of sorrow and longing sink deep in my heart. Thoughts of my parents, whom I visit rarely despite the fact they are always there to care for me, come to mind

KORAIL carries its passengers safely and right on time with its proven capabilities as a best-in-class transportation service provider in terms of both on time ratios and safety.

[On-time Ratio]

[Number of Accidents per 1 Million km]

99.7 % 0.066

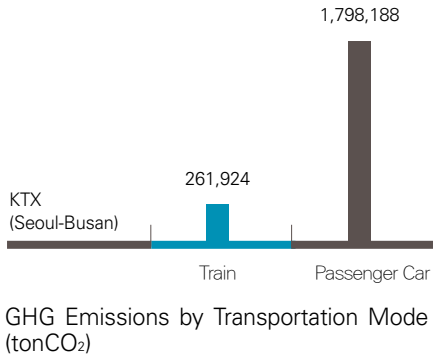
KORAIL achieved the No. 1 ranking in on time ratios and safety according to the UIC



KORAIL, AN ECO-FRIENDLY MODE OF TRANSPORTATION WITH REDUCED CARBON EMISSIONS

KORAIL, an eco-friendly mode of transportation with reduced carbon emissions
Climate change demands immediate response on a global-scale. It is for this reason that KORAIL is always my preferred choice whenever I take business trips. Not only is KORAIL faster, it is a more eco-friendly way to travel. As it emits only one-seventh of the GHG emissions of passenger vehicles, it is easily recognized as a low-carbon mode of transportation. Simply taking a train from Seoul to Busan is tantamount to planting 11 pine trees and KORAIL serves as a great contributor to a more sustainable world.

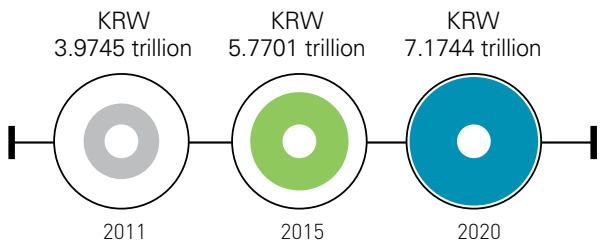
KORAIL carries its passengers safely and right on time with its proven capabilities as a best-in-class transportation service in terms of both on time ratios and safety.



KORAIL, THE COMPANY OF THE PEOPLE THAT UNLEASHES A FLOURISHING FUTURE

To become an advanced country with a well-established railroad infrastructure requires endeavors to create a safe, flourishing and sustainable world. Every point in the nation will be accessible within only two hours and a well-equipped railroad logistics infrastructure will enable the transportation of freight at affordable prices. This in turn will lead to a stronger economy, and every station will deliver rich cultural content for a more content and happier life for residents living nearby. We hope to transform this vision into a reality when Korea emerges as a truly advanced nation with an outstanding railroad infrastructure and KORAIL becomes a leader in the global railroad landscape.

KORAIL is determined to lead the global railroad market as a global logistics service provider that spearheads sustainable growth.



KORAIL's Business Result and Performance Targets (Sales)

CEO's MESSAGE

CEO's Message

2011 Performance Highlights
Corporate Overview
Management Value Framework
Corporate Governance

Dear Stakeholders,

It is with great pleasure that we publish our fourth KORAIL sustainability report to provide a means of honest communication with our valued stakeholders.

To address the crisis emerging in the business sector, including the global economic slowdown and to satisfy the ever-diversifying needs of customers, we at KORAIL declared our new vision entitled "KORAIL, the Company of the People that Communicates with its Customers, the Environment and the Future." Ever since, we have firmly committed ourselves to a variety of endeavors to evolve into a world-class, sustainable company.

Safe and Convenient KORAIL

A recent survey of railroad operators around the world, conducted by the UIC (Union Internationale des Chemins de fer) in 2012, demonstrated that KORAIL achieved the No.1 ranking in both safety (0.06 accidents per 1 million km) and high-speed train on time ratios (99.7%). Yet despite our obvious success in the field, we refuse to ever become complacent and consider it our duty to further strengthen our commitment to even safer and more convenient KTX passenger trips.

KORAIL in Pursuit of Mutually-Beneficial Partnership with Stakeholders

We are in full support of the UN Global Compact principles and review our compliance annually through ISO 26000, the international standard on social responsibility. We believe that sustainability management is the most appropriate way for us to deliver economic, social and environmental values and this means that we are determined to satisfy our stakeholders in our business conduct.

KORAIL, the Eco-friendly Global Logistics Service Provider

We believe that the railroad industry will serve both as a new catalyst for growth as a core transportation mode, expanding its coverage into the vast Eurasian Continent in the upcoming years, and also as an eco-friendly mode of green transportation. To this end, KORAIL will continue to foster key talented individuals with integrated technical capabilities and accumulate technological skills in order to secure future engines of growth.

Dear Stakeholders!

We at KORAIL will fully commit ourselves to incorporating the feedback from our valued stakeholders into our business conduct by means of proactive communication. This also involves fulfilling our social responsibilities in sincere cooperation with local communities and the environment in all our business operations.

We greatly appreciate your interest and support, which has proven to be indispensable in our reaching every important milestone at KORAIL, and we humbly ask for your continued encouragement in the upcoming years.

Thank you.



KORAIL, THE COMPANY OF THE PEOPLE

who communicates with its customers,
the environment and the future

CEO, KORAIL
Chang-Young Chung

정창영

2011 PERFORMANCE HIGHLIGHTS

PROMOTION OF 88 EMPLOYEES WITH OUTSTANDING CAPABILITIES AND PERFORMANCE RESULTS

In order to achieve the vision of KORAIL in becoming the company of the people (by reinforcing our organizational edge based on a sound competitive culture and improving services in consideration of public benefits), our employees with outstanding competency and performance outcomes were carefully selected and promoted.

GROUNDBREAKING CEREMONY FOR THE YONGSAN INTERNATIONAL BUSINESS DISTRICT

Our project to develop areas near Yongsan Station was successfully resumed despite temporary difficulties caused by the slowdown in the domestic real estate market. Thanks to the support of the Seoul city government, we were able to continue the project and the full-fledged developmental phase was initiated with the start of the civil engineering work.

DOMESTIC AND OVERSEAS HEALTH& SAFETY MANAGEMENT SYSTEM CERTIFICATION

To ensure the systemized and scientifically-based operation of our health & safety management systems, all our business sites were certified with KOSHA 18001, (the domestic certification for health and safety management systems). Additionally, six major business sites working in relation with high-speed trains were also certified with the international health & safety standard of OHSAS 18001. This further enhanced the external credibility of our health and safety systems.

WORLD'S NO. 1 RANKING IN SAFETY AND ON-TIME RATIOS IN 2011

AT KORAIL, railroad safety ratios and on-time ratios are managed in accordance with the UIC world rail statistics to comply with global-level safety standards. In 2012, we achieved the world's top ranking in both safety and punctuality ratios. Yet, even with this ranking, we will strive further to provide best-in-class services and never fall into complacency.

RANKED NO. 1 IN INFLUENCE AMONG 119 TWITTER ACCOUNTS CREATED BY GOVERNMENTAL AGENCIES

KORAIL provides real-time information on train operation during rush hour through its Twitter account, which is linked with several other accounts that provide traffic information. We utilize such social network services to communicate easily with our customers.

WINNING THE PRESIDENTIAL COMMENDATION FOR THE PROMOTION OF ECO-FRIENDLY BUSINESS AND LOW CARBON GREEN GROWTH

The company-wide initiative to obtain the carbon labeling certificate, launch green campaigns and build the GHG inventory and environmental management information system, was recognized at the fourth Green Start Management Awards, where we were awarded with the Presidential Commendation. Thus, KORAIL is establishing its status as a representative eco-friendly organization in Korea.

WINNING THE PRESIDENTIAL AWARD FOR CONSUMER-CENTERED MANAGEMENT

Our customer satisfaction management system was optimized by establishing a voluntary management unit chaired by the company CEO and the CS Management Committee. In December 2011, we were re-certified with the CCM (Customer Centered Management), for the first time as a state-owned enterprise, and were honored with the Presidential Award.

WINNING THE GRAND PRIZE IN THE SOCIAL RESPONSIBILITY MANAGEMENT SECTOR AT THE GLOBAL STANDARD MANAGEMENT AWARDS

In 2011, we were credited with practicing the spirit of appreciation in our wide-ranging social contribution initiatives, which involved 472 volunteer organizations and 29,559 volunteers who worked 185,863 hours in total. This allowed us to be honored with the Ministry of Health and Welfare Award. We were also awarded with the Grand Prize in the social responsibility management sector at the 'Global Standard Management Awards'.

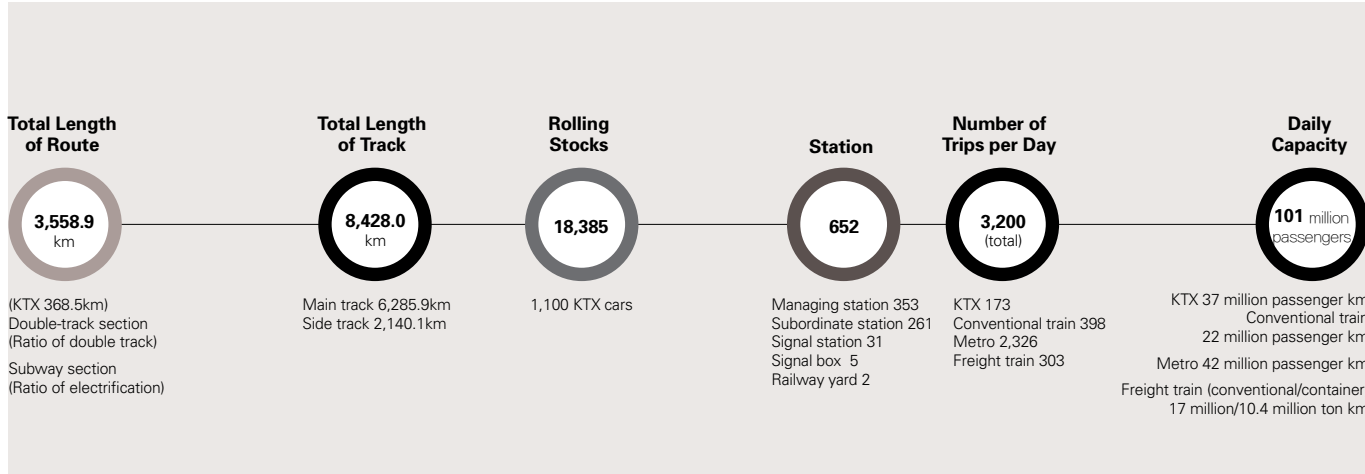
At KORAIL, we have diligently fulfilled our role as a representative mode of transportation in Korea since its inception in 1899. We will continue to commit ourselves to the creation of sustainable values in our society as an eco-friendly mode of transportation.

KORAIL was established with an aim to contribute to the Korean railroad industry and the national economy through enhanced professionalism and efficiency in railroad operation pursuant to the 'Basic Law on Rail Industry Development' and the 'Korea Railroad Corporation Act'. At KORAIL, we are determined to serve as a central axis in the future of transportation landscape by taking full advantage of our mass transport capabilities and eco-friendliness.

As of 2011, we provided 3,200 daily trips on 90 service lines at 652 stations. The total length of route amounts to 3,558.9km (high speed train: 368.5km, conventional train: 3,190.4km) and the ratio of double tracks and electrification stand at 52.3% and 66.2% respectively.

Name of Company	KORAIL (Korea Railroad Corporation)
Date of Establishment	September 1899 (KORAIL was established on January 1, 2005)
Corporate Headquarters	242 Jungangno, Dong-gu, Daejeon City, Korea
CEO	Chang-Young Chung
Organization	Corporate Headquarters: Six headquarters, Seven offices, four units, 63 departments Affiliated Organizations: 15 organizations and 12 regional headquarters
Number of Employees	29,479
Assets	KRW 19. 1183 trillion
Liabilities	KRW 10. 8068 trillion
Sales	KRW 3. 9745 trillion
Net Profit	KRW 312.3 billion

As of Dec. 31, 2011



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graph TD
    CEO[CEO / President] --> VP[Vice President]
    CEO --> SO[Safety Office]
    CEO --> CPO[Culture & PR Office]
    CEO --> AO[Auditors]
    CEO --> AIO[Audit & Inspection Office]
    VP --> MIO[Management Innovation Office]
    VP --> PLO[Personnel & Labor Office]
    VP --> FMO[Financial Management Office]
    VP --> TCO[Transport & Control Office]
    PLO -.-> HDI[HR Development Institute]
    FMO -.-> CAC[Centralized Accounting Center]
    TCO -.-> RTC[Railroad Traffic Control Center]
    TCO -.-> STO[Special Train Operation Office]
    VP --> PCHQ[Planning & Coordination HQ]
    VP --> PTHQ[Passenger Transport HQ]
    VP --> MRHQ[Metropolitan Railroad HQ]
    VP --> LQH[Logistics HQ]
    VP --> BDHQ[Business Development HQ]
    VP --> OBHQ[Overseas Business Office]
    VP --> EQHQ[Engineering HQ]
    PCHQ -.-> ITO[Information Technology Office]
    BDHQ -.-> ADO[Asset Development Office]
    EQHQ --> RSO[Rolling Stock Office]
    EQHQ --> CEOHQ[Civil Engineering Office]
    EQHQ --> EEO[Electrical Engineering Office]
    RSO -.-> RMD[RS Maintenance Depot]
    CEOHQ --> MEWO[Maintenance Equipment Works Office]
    EEO --> SEIO[Seoul Information & Telecommunication Office]
    MEWO -.-> HSCWO[HSR Civil Works Office]
    SEIO -.-> HSEWO[HSR Electrical Engineering Works Office]
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Regional HQs(12): Seoul, Western metropolitan area, Eastern metropolitan area, Gangwon, North Chungcheong Province, Daejeon & South Chungcheong Province, North Jeolla Province, Gwanju, South Jeolla Province, North Gyeongsang Province, Busan & South Gyeongsang Province

* Corporate headquarters: Six headquarters, seven offices, five units and 62 departments

* Affiliated organizations: 12 regional headquarters and 15 organizations

CORPORATE OVERVIEW



Subsidiaries

At KORAIL, we have adopted a diversified business model based on six subsidiaries that were established to develop new engines of growth and improve our competitive edge as a railroad operator. Our aim is to guarantee autonomy to our subsidiaries in order to increase their management efficiency and to seek shared growth. The adjustment of any similar or redundant operation among subsidiaries ensures that they are developed as a company that specializes in respective business domains and that the foundation is laid for them to stand as independent business entities.

Name of Company	Number of Employees	Capital (KRW 100 million)	KORAIL's Equity Ownership
KORAIL RETAIL	300	20	100.0
KORAIL LOGIS	94	77	92.1
KORAIL TOURISM DEVELOPMENT	979	20	51.0
KORAIL NETWORKS	1,325	72	89.5
KORAIL TECH	49	19	97.3
KORAIL AIRPORT RAILROAD	445	2,700	88.8

Overseas Offices

As Korea is a large operator of high-speed trains, KORAIL also has an established office in Paris, France.The purpose of the office there includes technology exchange and training programs with SNCF (SocieteNationaleChemins de ferfrancais), as well as the efficient procurement of KTX components. The office is responsible for analyzing and reporting European railroad policies, management information, and trends in railroad technology, as well as building cooperative relationships with advanced international railroad organizations and the UIC.

Address : 14,rue Mademoiselle 75015 PARIS, FRANCE
Phone : +33 -1-4562-0142, 070-4222-7377
Fax : +33 -1-4562-0146

Major Business Domains

The railroad industry is a highly technology-intensive business where rolling stocks, electricity, facilities, signals, information and operational systems are closely interconnected. It also provides the essential infrastructure that supports the daily public life and the national economy.

KORAIL encompasses the two overarching business domains of transportation business and non-transportation business. Our transportation business is classified into passenger rail business, metropolitan rail business, and logistics business while our non-transportation domain includes multifaceted and overseas & technology business.

Passenger Rail Business

Length of Track	KTX 368.5km , Conventional train 3,190.4km
Number of rips per Day KTX: 173 trips on weekdays (192 trips on weekends), Conventional Train:398 trips on weekdays (394 trips on weekends)	
Daily Capacity	KTX 37 million passenger km, Conventional Train 22 million passengerkm
Sales	KRW 1.8641 trillion



KTX Sicheon

Passenger Rail Business

Carrying passengers on the main track constitutes the most critical aspect of our business at KORAIL and the passenger HQ is responsible for this business. The total operating length is 3,558.9km (including the KTX,the Saemaul and Mugunghwa conventional trains and the commuter rail lines), which accounts for 368.5km of the high-speed track and 3,190.4km of the conventional tracks as of December 2011. Throughout the nationwide network of 652 stations, KTX trains operate 173 trips per day on weekdays and 192 trips on weekends, totaling 59,130 trips per year.

Since it first initiated its operation in 2004, KTX has surpassed 200 million in the accumulated number of passengers in five years. With the addition of new service lines and various marketing initiatives, its passenger transportation volume is growing by more than 10% every year. This demonstrates that KTX is moving beyond just being one of the many transportation modes to choose from into a highly influential force that is transforming the Korean lifestyle and paving the way for a more advanced culture. Not even the difficulties caused by the global economic slowdown, the surging national inflation or the emergence of low-cost airlines in 2011 hindered our sustained progress.We went on to post KRW 1.8641 trillion in sales, which was the largest-ever in KORAIL's history. Our success could be largely attributed to the promotion of the eco-friendly aspects of our railroad services and to the undertaking of varied marketing initiatives.

Metro Rail Business

Due to unstable fluctuations in international oil prices, there is an increasing interest in and preference for railroad services as a daily mode of transportation. Metro rail services not only provide savings in cost and time compared to other transport means, they also offer better benefits in terms of safety and eco-friendliness as they connect cities and constitute the central axis for the metropolitan mass transit system. Presently, KORAIL has 12 operating service lines and carries 273 million passengers per day, providing 2,349 trips throughout 484.0km of service lines.

The metropolitan rail network consists of: the Gyeongbu Line(running for 98.8km between Seoul and Cheonan), the Gyeongin Line (27.0km between Guro and Incheon),the Gyeongwon Line (42.9km between Cheongnyangri and Soyosan), the Jungang Line (71.2km betweenYongsan and Yongmun), the Gwacheon Line (14.4km between Namtaeryeong and Geumjeong), the Ansan Line (26km between Geumjeong and Oido), the Bundang Line (27.7km between Suseo and Bojeong), the Ilsan Line (19.2km between Jichuk and Daehwa), the Janghang Line (19.4km between Cheonan and Sinchang), and the Gyeongui Line (46.3km between Seoul and Munsan), and the Gyeongchun Line (81.3km between Sangbong and Chuncheon). In addition, there is a 4.7km-long line between Geumcheon-gu Office and Gwangmyeong where shuttle trains operate to connect to high-speed trains.

Metro Rail Business

Length of Track	484km in 12 service lines
Number of Trips per Day	2,326 trips on weekdays (1,941 on weekends)
Daily Capacity	273 million passengers per day on average, 42 million passenger km
Sales	KRW 597.7 billion



Operation of metro rail

CORPORATE OVERVIEW

Logistics Business

Operational Details	134 freight stations
Number of Trips	290 trips on weekdays (based on freight trains) (241 on weekends)
Daily Capacity	110,000 average number of passengers per day, Conventional Freight: 17 million ton km Container: 10.4 million ton km
Sales	KRW 347.1 billion



KORAIL's logistics business

Multifaceted Business

Business Details	Our program of real estate development includes the development of station areas (based on KORAIL assets and the reinforcement of retail and advertisement business)
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Development of Yongsan Station areas

Logistics Business

Railroad logistics has been the main pillar in strengthening Korea's national competitive edge, which ranges from economic development to balanced regional development. Presently, 290 freight trains are in operation daily, carrying 110,000 tons of containers and cement to 134 different freight stations. In 2010, our top priority in railroad logistics was to 'achieve the green logistics system' in response to the national policy agenda of 'low carbon green growth' and the emerging trend of greener and more highly efficient logistics. An institutional framework was established to stimulate a modal shift to railroads by creating a subsidy scheme (KRW 5 billion) and a green railroad freight mileage scheme(base mileage: KRW 3 won per 1kg of freight). We also launched the nationwide 'GLORY' Campaign to increase the share of railroad in freight transportation, through continued exchange among logistics service providers, transport companies, and opinion leaders.

The development of new services on train units (e.g. cement freight trains for off-season periods) was based on the outcomes of market surveys and analyses of customer needs and the expansion of flexible fare schemes to boost demand during low-demand hours. This assisted us in shifting into a marketing strategy shaped by a market-driven paradigm. To overcome the limitations of railroad logistics, our customized trains (Block Train) were aligned with shuttle freight cars to expand door-to-door services that deliver freight to destinations during designated hours(number of shuttle cars rose from 234 to 286).

Multifaceted Business

Our multifaceted business spans a wide spectrum of daily services that are delivered around KORAIL stations. At KORAIL, we strive to revitalize our multifaceted business in order to diversify our profit structure and to develop new engines of growth for sustainable growth.

Our aim is to turn KORAIL stations into a customer-centered cultural space in order to deliver customer satisfaction and increased profitability. The enactment of the station area development act allowed for shortened project periods for urban management planning and integrated multi-purpose high-density development. The rearrangement of the Yongsan Station area development project and the direct development of the Seoul Station areas will further boost the value of KORAIL assets. This will allow us to pool our efforts into providing more sophisticated cultural and daily services, along with the railroad traffic card business, the steady development of multi-purpose stations and the station theme park business, which will continue until the end of 2012.

The establishment of overseas operations is an essential task that we must perform as a railroad company in possession of advanced technology. KORAIL has been undertaking Official Development Assistance(ODA) projects since 2007 and other high-speed train projects in Malaysia, Libya, the U.S., and Brazil, contribute to the national policy agenda and the national economy.

MANAGEMENT VALUE FRAMEWORK

KORAIL aims to become a world-class railroad company by providing a better life and top-notch services to the entire public

Vision and Mid/long-term Management Strategy

At KORAIL, we are fully aware of our mission to build a world-class railroad network by providing a better life and a flourishing future through our commitment to protection of the natural environment, safe services and diversified multifaceted business activities. We believe that satisfying the public,the true owner of our railroad infrastructure, and laying the basis for social contribution initiatives and sustainable growth is central to achieving this mission. Therefore, we established the vision of "KORAIL, the company of the people that communicates with its customers, the environment and the future" to renew ourselves as a public enterprise that is always open to communicate with stakeholders. Our management goals were then set accordingly.

Under these management goals,we established the four strategic directions of "Expansion of convenient services for the public", "Creation of greener and safer railroad services", "Expansion of future engines of growth" and "Leading the cutting-edge operational technology,"on top of the 12 detailed strategies. Every KORAIL employee is fully dedicated to translating these strategies into action.



CEO'S presentation on KORAIL's corporate vision



KORAIL employees declaring their pledge for commitment to customer services

Mission	Green Network for a Safer and More Flourishing Life			
Vision	KORAIL, the Company of the People that Communicates with its Customers, the Environment and the Future			
Management Principles	Customer-Centeredness	Social Responsibility	Creative Innovation	Talent Management
Management Goals (2020)	Customer Satisfaction (PCSI) 99.1 points	Railroad Accident Rate 0.055 accidents/ 1 Million km	Sales of New Growth Business KRW 615.9 billion	Fostering Key Talented Individuals-540 employees
	Railroad's Share of Transportation 27.3%	Sustainability Management Index 97 points	Sales of Subsidiaries KRW 1. 8932 trillion	R&D Investment KRW 126.4 billion
Four Strategies	Expansion of convenient services for the public	Creation of greener and safer railroad services	Expansion of future engines of growth	Leading the cutting-edge of operational technol
Strategic Tasks	Customer Satisfaction	Stronger Absolute Safety Systems	Facilitation of Multifaceted Business	Promotion of World-Class Talent
	Management Efficiency	Co-existence among Labor, the Company and the Public	Optimized Subsidiary Business	Core Technology
	Railroad Logistics Business	Ethics/ Environmental Management	Optimized Technology Business	Performance-oriented Responsible Management System

MANAGEMENT VALUE FRAMEWORK



KORAIL Vision Promulgation Ceremony

Strategic Directions and Management Goals

Four Strategies	Strategic Directions	Management Goals (2020)
Expansion of convenient services for the public	Highly-personalized customer services, Strengthened role of stations as a center for local culture Expansion of areas that benefit from KTX and direct connecting services, Innovation of connection and transfer systems, Expansion of customer amenities	Customer satisfaction index 99.1 points Railroad's share of transportation 27.3%
Creation of greener and safer railroad services	Reinforcement of on-site safety management, Facilitation of safety verification systems Contribution to the local economy, Continued initiatives to practice sharing-oriented management with an emphasis on KORAIL's core business	Railroad accident rate 0.055 accidents/1 million km Sustainability management index 97 points
Expansion of future engines of growth	Strategic development of station areas and idle land, Promotion of employees who are specialized in overseas business Expansion of human exchange with subsidiaries, Reinforcement of professionalism	Sales of new growth business KRW 619.5 billion Sales of subsidiaries KRW 1.8932 trillion
Leading the cutting-edge operational technology	Development of core technology through expanded and strengthened participation in national R&D projects Promotion of professional key talented individuals, Establishment of technical training programs to be completed by employees	R&D investment KRW 126.4 billion, Promotion of key talented individuals 540 employees

CORPORATE GOVERNANCE

At KORAIL, our Board of Directors (BOD) ensures transparency in its operation and considers economic, social and environmental factors in making decisions in order to contribute to the sustainable development of our society.

Shareholders and Corporate Governance

KORAIL is a state-owned enterprise that was established to engage in railroad passenger and freight transportation business in accordance with the Korea Railroad Corporation Act and the Basic Law on Rail Industry Development. All of its business is conducted in compliance with the Public Organization Management Law and other relevant commercial laws. As of 2011, its capital amounted to KRW 9. 5814 trillion, and KORAIL is wholly owned by the Korean government.

BOD Composition

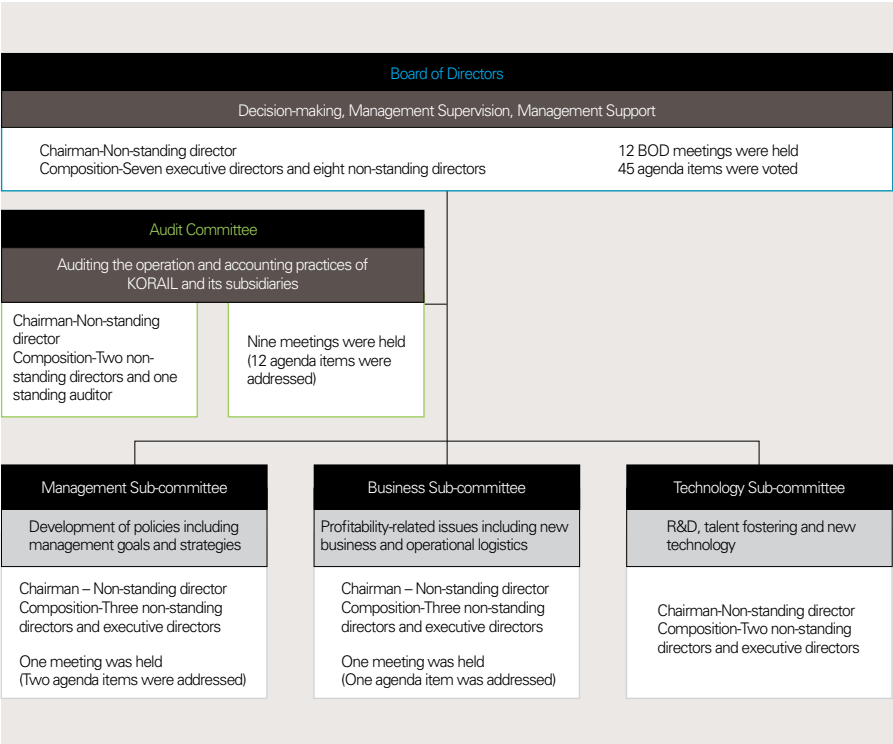
At KORAIL, we are fully dedicated to establishing advanced corporate governance by ensuring transparency, accountability and independence in our management practices. Our Board of Directors (BOD) consists of 7 executive directors (including the CEO) and eight non-standing directors. The BOD Chairman is appointed among non-standing directors. The BOD is our top decision-making body and is responsible for making decisions on major strategies and policies, as well as supervising and supporting management practices.

The Management Sub-committee, the Business Sub-committee, the Technology Sub-committee and the Audit Committee are under the BOD in order to solicit professional management advice from these sub-committees. The Audit Committee is independent from the entire spectrum of our business and is responsible for providing checks, balances and support through its involvement in management activities.



BOD meeting

BOD Composition



Category	Name	Gender	Position
Executive Directors	Chang-Young Chung	Male	President
	Won-Kwan Park	Male	Auditor
	Jung-Goang Paeng	Male	Vice President
	Bok-Hwan Kim	Male	Senior Executive Director of Passenger Rail HQ
	Sung-Youn Cho	Male	Senior Executive Director of Metropolitan Railroad HQ
	Keon-Tae Lee	Male	Senior Executive Director of Logistics HQ
	Sung-Chang Shin	Male	Senior Executive Director of Engineering HQ
Non-standing Directors	Young-Sup Kim	Male	Advisor of BAE, Kim & Lee LLC
	Jong-Hoon Lee	Male	Advisor of Seonjin Accounting Corporation
	Joo-Sup Kim	Male	Advisor of HanYoung SDS
	Myung-Chul Han	Male	Former Chairman of Gangseo district, Grand National Party
	Dae-Young Han	Male	Former aircraft safety management officer at the Ministry of Construction and Transportation
	Jae-Hung Yoo	Male	Former brigade commander at the Republic of Korea Defense Intelligence Command
	Hee-Joong Kim	Male	Former editor of Seoul Economy Newspaper
	Han-Chul Chae	Male	Former deputy department head at the Seoul Metropolitan Police Agency

93.6 95.9 97.1

2009 2010 2011

Special reporting on pending management issues is actively used to support efficient decision-making. In 2011, nine sessions of special reporting were conducted on railroad safety, facilitation of logistics business and development of the Yongsan Station areas. The BOD attendance was 97.1% and the ratio of remarks made by non-standing directors was 56% in 2011. BOD members are prohibited from making decisions on matters that they have interest in and thus may give rise to conflict. In appointing BOD members, the Committee on Recommendation for Board Members verifies the qualifications of director candidates so that only those with appropriate expertise and qualifications may serve on our BOD.

■ Proposals Accepted (Number of proposals)
○ Management Proposals (Number of proposals)

Year	Proposals Accepted (Number of proposals)	Management Proposals (Number of proposals)
2009	4	7
2010	3	9
2011	10	24

Compensation for executive directors includes base pay, performance pay and severance pay and the base pay is determined by the BOD in accordance with the compensation guidelines stipulated by the Minister of Strategy and Finance. Performance pay for the KORAIL President is determined by the outcomes of institutional assessments and by the management contract signed. Performance pay for executive directors is determined by management performance criteria separate from the management evaluation outcomes. Performance pay cannot exceed the 100% range of the base pay.

Materiality Test Process
Key Performance Indicators
Transparency/Ethics Management at KORAIL
Risk Management

MATERIALITY TEST PROCESS

RECOGNIZING SOCIAL RESPONSIBILITY

Media Analysis

We analyzed 3,246 media reports regarding KORAIL between 2010 and 2011, in order to identify our sustainability issues and use them in selecting issues to be reported. These issues primarily concerned consumer issues, community involvement & development and response to climate change.

Diagnosis of Compliance with ISO 26000

Our level of sustainability management was diagnosed by the Korean Standards Association, a third-party independent organization, by using the ISO 26000 check list. Implications generated by the diagnosis process were utilized in identifying the issues to be reported.

Analysis of Sustainability Trends & Impact

Internal surveys were conducted on sustainability issues to review the direction for KORAIL to take in responding to these issues. It was discovered that KORAIL needed to focus on such issues as: intensifying competition, product and service safety, customer information security, customer health and safety, increasing the importance of retaining talented individuals, participation in public policy making, creation and distribution of profits, customer satisfaction initiatives and provision of product information, informational security and other security issues.

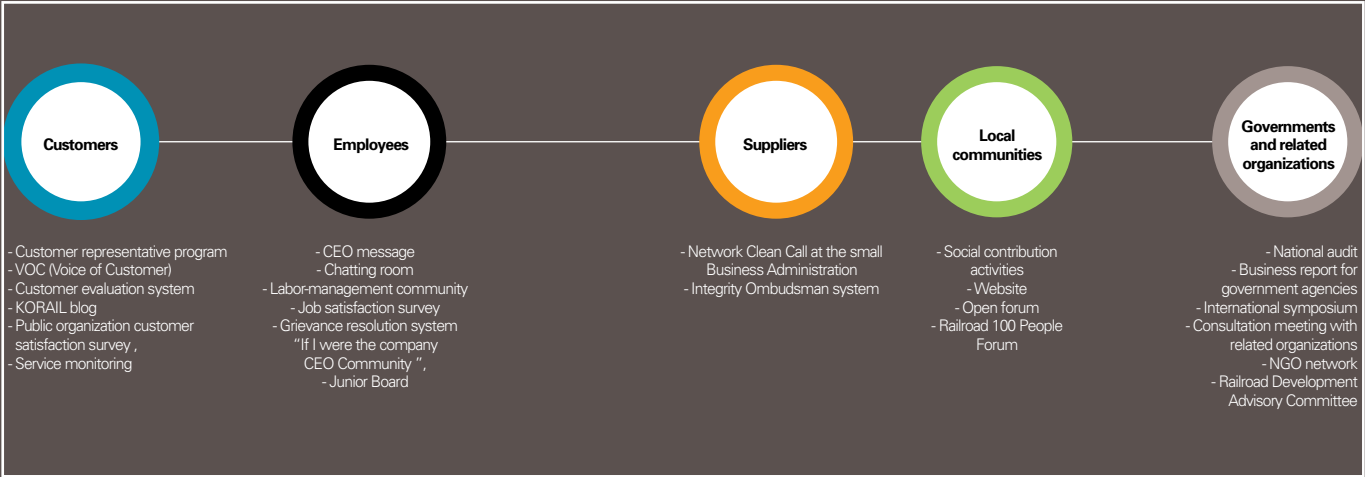
STAKEHOLDER IDENTIFICATION AND ENGAGEMENT

KORAIL's Stakeholders

KORAIL's stakeholders include customers, employees, suppliers, local communities, governments and related organizations. They are classified by the scope and extent they influence KORAIL's business and various communication channels are operated to address each stakeholder group.

Compilation of Stakeholder Feedback

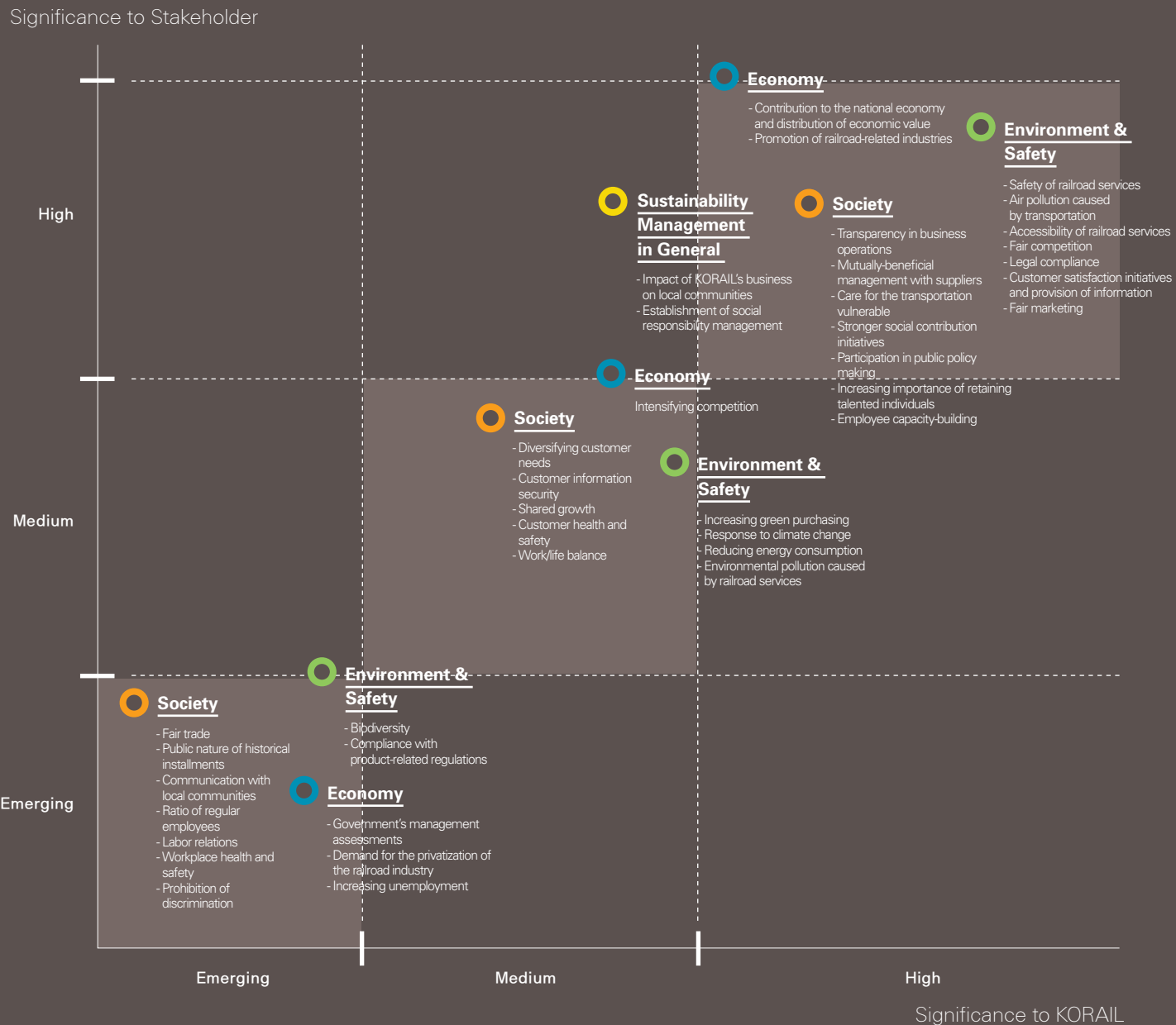
The issues contained in this sustainability report were reviewed through stakeholder engagement. During the initial step, expert interviews were conducted in each stakeholder group, which were then followed by stakeholder surveys. The results were then reflected in the materiality test process.



MATERIALITY LIST

Results of the Materiality Test

A variety of stakeholder issues identified through multiple analyses were classified into three groups (High, Medium, Low) by the level of materiality through the materiality test.



KEY
PERFORMANCE
INDICATORS

At KORAIL, key performance indicators in the respective segments of economy, society, environment and safety are managed through the BSC (Balanced Score Card) and the KOVIS (Korail Vision & Innovation System).

		Indicators	2009	2010	2011	2012 Goals
Economy	Business expansion	Accumulated length of track(km)	3,377.9	3,557.3	3,558.9	3,917.2
		Ratio of double track railroads(%)	43.9	49.6	52.3	56.1
	Corporate value	International credit rating(Moody's)	A2	A1	A1	A1
		Sales per employee (KRW 1 million)	113	121	134	163
		Sales of overseas business (KRW 100 million)	2.5	1.65	1.7	201
Society	Customer satisfaction	Customer satisfaction of state-owned enterprises (point)	88.1	92.6	92.3	94.0
		KTX on-time ratio (%)	98.3	98.1	99.8	99.8
		Satisfaction with VOC handling (point)	75.5	72.7	80.2	83.0
	Management transparency	Total integrity (point)	8.93	8.90	8.56	9.15
		BOD attendance (Number of directors, %)	93.6	95.9	97.1	98.0
		Information disclosure (%)	88.2	90.5	85.0	90.0
	Partnership with suppliers	Purchase of SME products (KRW 100 million)	8,810	7,387	5,677	6,831
		Purchase of products developed through technology development projects (KRW 100 million)	149	188	211	364
		Purchase of products developed through purchase-conditional projects (KRW 100 million)	279	114	298	300

		Indicators	2009	2010	2011	2012 Goals
Society	Social contribution	Volunteering (Number of hours per employee)	9.32	12.67	6.30	8.00
		Purchase of products manufactured by physically-challenged individuals (KRW 100 million)	11	12	13	15
		Purchase of products manufactured by female-owned companies (KRW 100 million)	542	520	524	512
	Respect for human beings	Employment of physically-challenged individuals (%)	3.50	3.10	3.0	3.0
		Employment of female workforce (%)	8.10	8.23	8.47	8.47
Environment and Safety	Promotion of talent	Training hours (per employee)	89	85	108	116
	Environmental protection	Soil remediation projects (KRW 1 million)	767	909	2,262	3,201
		Purchase of eco-friendly products (KRW 100 million)	72	103	87	50
		Railroad electrification (%)	55.9	60.4	66.2	68.9
	Safety	Railroad accidents (Number of accidents/ 1 million km)	0.092	0.066	0.070	0.066
		Occupational injuries (%)	0.458	0.368	0.289	0.349

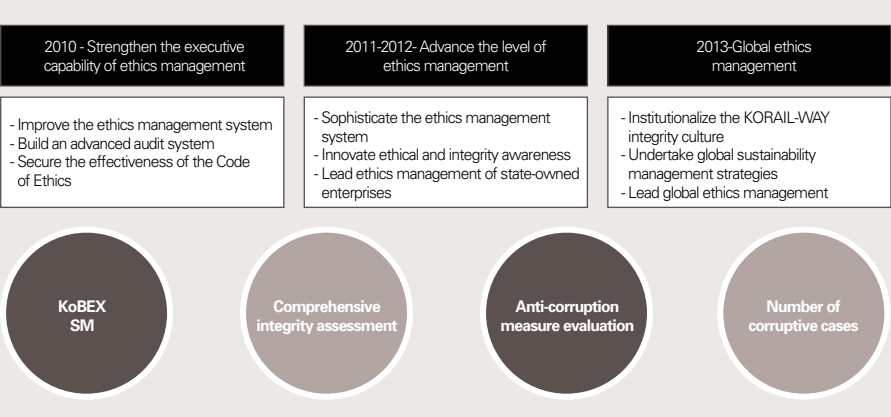
TRANSPARENCY/ ETHICS MANAGEMENT AT KORAIL

At KORAIL, we seek to establish a world-class ethical culture and disseminate it across our chain of suppliers, facilitating compliance with social responsibility in our society.

Disclosure on Management Approach in Social Areas		
Management Aspect	Mid/long-term Implementation Directions	2011 Achievements (Explanations and quantifiable accomplishments)
Local Communities	To improve the independence of local communities	Social contribution programs were run by assessing their impact on local communities
Corruption	To disseminate the integrity culture across the organization	Number and ratio of project units whose corruption risks were analyzed: None Ratio of employees who were trained on anti-corruption policies and procedures: 24,694 employees Measures taken against corruptive cases: Five
Public policy	To encourage policies that contribute to the national economy	KORAIL's position on specific public policies, participation in lobbying activities: None Total donations of cash/cash equivalents to specific political parties and politicians: None
Anti-competitive behavior	To pursue policy directions that maintain market order	Number of legal actions taken against unfair competitive behaviors and monopolistic behaviors and their outcomes: None
Compliance	To fulfill the minimum responsibility for general legal compliance as a state-owned enterprise	Penalties and the number of non-monetary sanctions imposed due to legal and regulatory violations: None

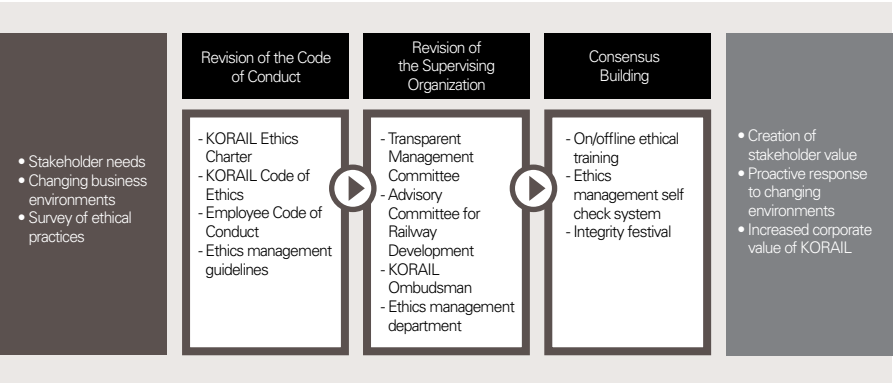
Action Framework

At KORAIL, we transparently disclose management information, establish a world-class ethical corporate culture and build responsibility into our management practices. We have a clearly defined roadmap to spearhead the ethical management of state-owned enterprises in Korea with our best-in-class ethics management practices. To evaluate and review our ethics management practices, KoBEX SM, comprehensive integrity, anti-corruption measures and the number of corruptive cases are managed as key indicators. We aim to build integrity into our corporate DNA and take the lead in ethics management across the globe, through systemized ethics management systems and differentiated ethics management practices.



Ethics Management System

At KORAIL, we build and advance our ethics management system in order to eliminate any possibility of corruptive cases occurring and to boost our capability in taking precautionary measures for ethics management. Our ethics management strategy is classified into the Code of Conduct, the compliance check organization, and consensus by ethics education. At KORAIL, principles under the Code of Ethics are strictly abided by, organization and systems are revised in accordance with changing environments and wide-ranging training programs and ethics inspection systems are utilized for assessment and improvement.



Special lecture by KORAIL Integrity Ambassador (Prof. Sung-Eun Kim at Kyunghee University)



Awarded with the Proud Auditor Award (Won-Kwan Park, Auditor at KORAIL)

Ethical Norms and Principles

At KORAIL, we comply with such ethical norms and principles demanded by the Code of Ethics, the Employee Code of Conduct and the Ethics Charter for auditors, as well as by practical guidelines for auditors. Our Ethics Charter was revised in November 2011 in consideration of our safety-driven management philosophy and the seven core subjects of ISO 26000. The Code of Conduct was also revised by strengthening ethical compliance standards. In addition, the public reporting system was revisited to expand the scope of eligible informants and compensation, and other anti-corruption and disciplinary schemes were reorganized to improve our executive capability.

Organizational Structure for Ethics Management

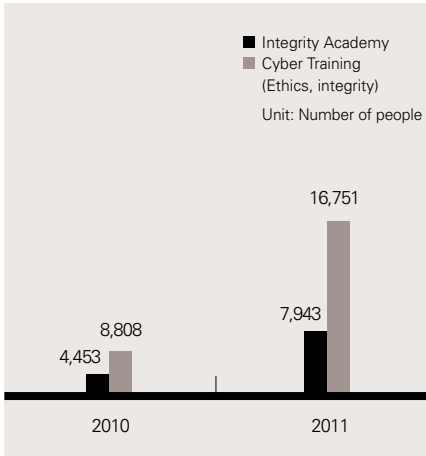
At KORAIL, the Transparent Management Committee, in charge of reviewing our performance regarding anti-corruption and integrity, takes on a stronger role to boost its executive capability and reinforce follow-up management.

Organizational Structure for Ethics Management

Organization	Achievements
Transparent Management Committee	Committee meetings held (Once)
Investment Committee	Committee meetings held (6 meetings)
Commission for Promotion on Fighting Corruption	Meetings held monthly
KORAIL Ombudsman	On-site inspections (twice), council meeting(once), number of suggestions made (10)

TRANSPARENCY/ ETHICS MANAGEMENT AT KORAIL

Number of Participants
in Ethical Training Programs



Ethics Management Training

At KORAIL, all employees must take mandatory integrity training courses and our training programs were systematically organized in order to enhance the awareness of anti-corruption and integrity. In 2011, our CEO gave special lectures on ethics management (17 sessions) to the entire staff at KORAIL and other KORAIL subsidiaries and sent integrity letters (twice) to suppliers and employees, in order to ensure that ethical messages were shared across the board. Other special lectures given by auditor and outside experts also served as an opportunity for all employees to share the importance of anti-corruption and integrity awareness.

Differentiation Programs

At KORAIL, our sustained endeavors to improve on areas vulnerable to corruption enable us to establish management transparency and we take the initiative in improving relevant systems to comply with the precautionary principle in practicing ethics management.

KORAIL introduced the corporate credit card point service scheme in 2011 for the first time as a state-owned enterprise in order to eliminate the possibility of corruptive practices occurring. Operational guidelines were established to define the boundary and procedures regarding the use of corporate credit cards and the sanctions that are imposed on the inappropriate use of such cards so that accounting transparency can be further enhanced. Moreover, corruption impact assessments are made to identify and eliminate elements within the corporate policies that may cause corruption and the corruption reporting system was also improved to prevent careless management practices.

Management Monitoring

Our compliance with the Code of Conduct is reviewed bi-annually and self-initiated compliance checks in respective departments are made quarterly. In 2011, 17 secret inspections were made throughout the year and their outcomes were incorporated into business operations.

1. ETHICS MANAGEMENT MONITORING OF SUPPLIERS

The Clean Call scheme aimed to investigate the level of integrity of our suppliers and quarterly supplier feedback was solicited so it could be reflected in internal management evaluations made in respective departments. The Anti-Corruption Center, the first-of-its kind that was established by a state-owned enterprise to receive reports regarding unjustifiable favors or requests, enables us to take precautionary steps to root out any corruptive practices. The center received 98 reports on corruptive behaviors and offered counseling services on 262 cases regarding the Code of Conduct in 2011.

2. INTERNAL INTEGRITY SURVEY

At KORAIL, employees in the Grade 2 position and above are subject to internal integrity surveys to improve the level of employee integrity. Integrity and anti-corruption measure assessments made by the Anti-Corruption and Civil Rights Commissions and KoBEX SM are other ways we manage achievements on ethics management at KORAIL.

RISK MANAGEMENT

At KORAIL, economic, social and environmental risks that may occur in our business conduct are managed in accordance with the precautionary principle.

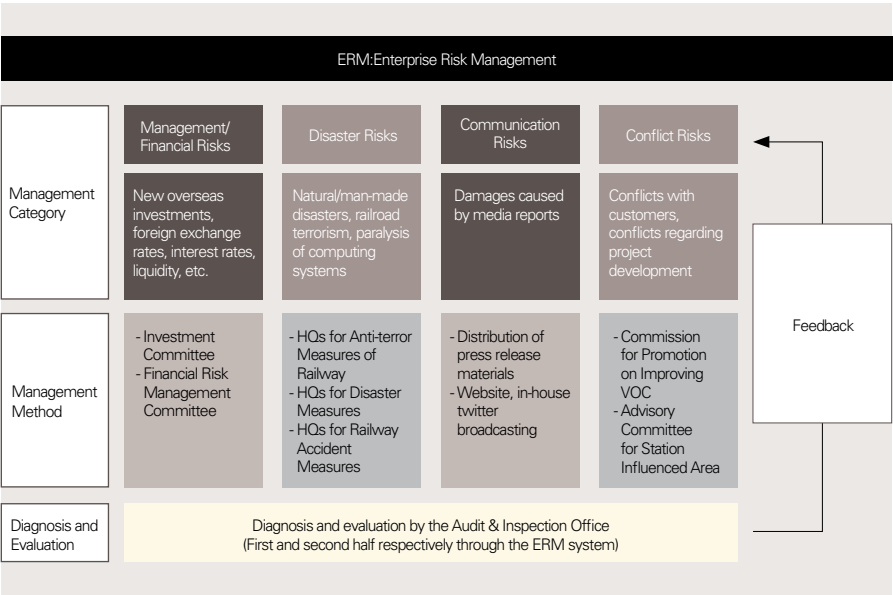
Risk Management Systems

1.ERM

To enable the diagnosis, evaluation and integrated management of risks under the precautionary principle, our Enterprise Risk Management (ERM) system was established to manage nine categories of risks in the four areas of disasters, communication, conflicts and management/finance. We have a dedicated department (Planning & Coordination HQ) that is responsible for the year-round integrated management of risks according to manuals developed in each risk category. In addition, risk diagnosis and evaluation is undertaken bi-annually by the Audit & Inspection Office to ensure proper operational risk management.

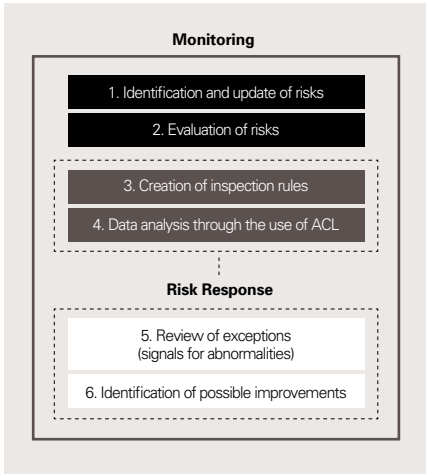
Price risks regarding finance and management are managed by the BIS operational information system and by the Counter Inflation Committee meetings (the Ministry of Strategy and Finance). Risk factors related to foreign exchange rates, interest rates and liquidity are managed by the Financial Risk Management System and by the Financial Risk Management Committee. Moreover, the expansion of access to the financial risk management system and other system improvements allowed us to prevent operational risks from occurring.

To ensure preemptive response to crisis, the financial budget system and the integrated management system were developed to enable the application of International Financial Reporting Standards (IFRS) beginning from 2011. Moreover, 'ManriKyoung(telescope)', the year-round monitoring system, allows us to perform audits on our informational systems and run 133 risk scenarios to prevent any possible accidents.



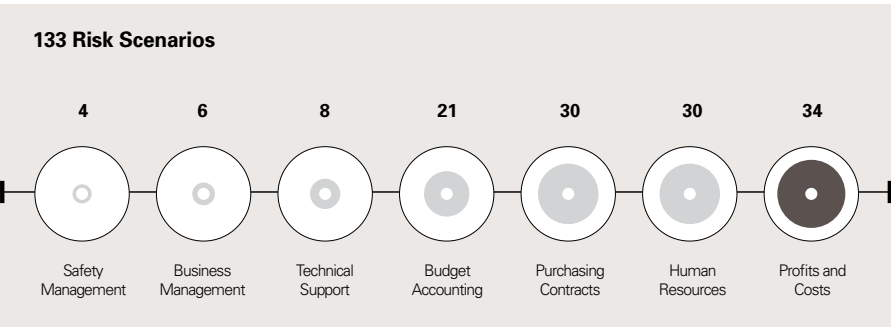
RISK MANAGEMENT

Year-round Monitoring Process



2. YEAR-ROUND MONITORING SYSTEM

To fully use ManriKyoung, the year-round monitoring system, the dedicated organization was expanded to constantly prevent and audit management risks. Massive amounts of operational information was analyzed in real time (based on data from the monitoring of KOVIS that contains information on asset/suppliers management, employee work attitude management, purchasing contracts, profit management and train fares).In addition, specific audits were performed on key risks and exceptions, which led to KRW 19.2 billion in budget savings and 455 new administrative measures.



3. PREVENTION OF CARELESS MANAGEMENT

To bring extensive innovation to unreasonable and bureaucratic practices in business conduct, a careless management prevention system was developed in consideration of the inherent features of the railroad industry and the ‘Careless Management Prevention Committee’ meets regularly to review risk management performance. These endeavors enabled us to improve on supply purchasing and management processes, while saving KRW 23.7 billion in budget and KRW 1.2 billion in procurement fees.

In addition, self-initiated internal control assessments that engage all employees allow us to come up with voluntary improvement measures for internal control. These assessments are aligned with internal tasks to prevent careless management, in order to satisfy the strict requests raised by external stakeholders for the improved efficiency in state-owned enterprises.



Awarded with the Plague of Appreciation for KORAIL's contributions to the successful hosting of the G20 Summit

Disaster Risk Management

Risks regarding railroad terrorism are an issue of special interest to our CEO. Thus, protective guidelines for railroad terrorism were developed (2005) under the leadership of the CEO and manuals defining protection responsibilities, protection personnel, equipment procurement, reporting systems, actions to be taken in each alert phase and response for each type of terrorist attacks are proactively implemented and thoroughly managed.



Mock anti-terrorism exercises performed jointly with relevant organizations within KORAIL stations



Special lecture delivered by an anti-terrorism expert

Employees in charge of the anti-terrorism operation are assigned to the headquarters, regional headquarters and affiliate organizations. At the beginning of each year, anti-terrorism action plans are developed at the headquarters and distributed across the board and each station and office creates its own action plan in order to perform education, training and inspections, which helps us build full-fledged preparedness against terrorist activities. We have established video monitoring and control systems (2007) to monitor the major structures of high-speed trains and our dedicated CCTV monitoring staff are assigned (2004) to major high-speed train stations (seven stations including Seoul Station). Other anti-terrorism devices that are in use include: explosion-proof bags (23 units), portable metal detectors (12 units), telephones equipped with caller identification and recording functions (512 units) and transparent trash bins (3,029 units).

Safety Risk Management

1. ENTERPRISE-WIDE RISK ASSESSMENT

Enterprise-wide risk assessments enable us to identify and manage potential risk factors on the spot. With the firm belief that employees working in the field are the best experts on these on-site risk factors, each manager takes on a leading role in performing self-initiated comprehensive safety inspections throughout the entire spectrum of safety management. These range from the vulnerable offices, major facilities to various work manuals. This is then followed by risk assessments made of identified risk factors. These factors are classified into low and high risk factors (depending on their frequency and severity). Low risk factors are designated and managed as internal safety tasks by each station and office and high risk factors are managed as safety tasks by the regional and corporate headquarters.

In 2011, enterprise-wide risk assessments accounted for a total of 7,677 risk factors. These factors were transformed into safety tasks for management. These tasks are prioritized so that high-risk tasks take precedence in receiving investments from the safety budget.

2. FIRST STATE-OWNED ENTERPRISE TO ADOPT THE SAFETY VERIFICATION SYSTEM

At KORAIL, we introduced the ‘safety verification’ system for the first time as a state-owned enterprise in Korea. This enabled us to build and operate preemptive safety management processes to eliminate risk factors from the initial policy-making stage. Previously, supervisors took on the responsibility for safety issues after the project contract was awarded, but this system instituted a new practice that confirms safety issues in the initial design stage. In 2011, 183 safety verifications were made in the five areas (including construction and services) to minimize risk factors.

Safety Enhancement Activities

Unit: Number of cases	
Category	Number of Tasks
Total	7,677
Higher efficiency in safety management and system improvement	1,465
Employee safety capacity improvement	2,739
Railroad facility safety improvement	2,651
Rolling stock safety improvement	719
Expansion of railroad safety PR programs	103



40,012 tons
in freight
transport

KRW 3.9745
trillion
in sales

To become
a global green
cultural service
provider
by 2020

KORAIL

OUR CREATION OF VALUE

DISCLOSURE ON MANAGEMENT APPROACH IN ECONOMIC AREAS

The economic value that we create at KORAIL, as a state-owned enterprise in the railroad industry, returns to benefit our society in promoting balanced market development.

Management Aspect	Mid/long-term Implementation Directions	2011 Achievements (Explanations and quantifiable accomplishments)
Economic performance	To establish KORAIL as the company of the people that communicates with its customers, the environment and the future	Sales: KRW 3.9745 trillion Employee compensation: KRW 1.9513 trillion Donations: KRW 20.6 billion Government grants received: 691.5 billion
Market presence	To seek mutually-beneficial partnerships with suppliers and a balanced development of the market	Entry-level wage: KRW 24.37 million (no gender discrimination) Local purchasing policies: Fair opportunities are offered to local suppliers in accordance with the internal policy that promotes shared growth with suppliers 'Local people first' recruitment policy: KORAIL employees are located across the nation
Indirect economic impacts	To pursue public interest as a representative mode of industry, logistics and transportation in Korea	Infrastructure investments that place top priority on public interest and their impact: Railroad construction and facility expansion facilitates a variety of infrastructure-related businesses and thus helps create jobs and generate economic benefits

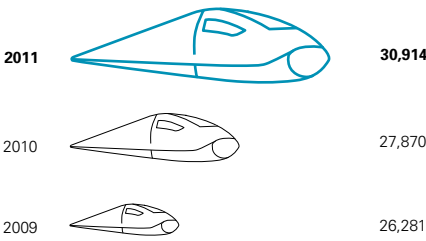
STRONGER COMPETITIVE EDGE IN THE RAILROAD INDUSTRY

Sales by Train Type

Category	KTX	Conven- tional Train	Metro	Freight Train
Sales (KRW 100 million)	13,853	4,797	5,977	6,287
Ratio (%)	44.8	15.5	19.3	20.3

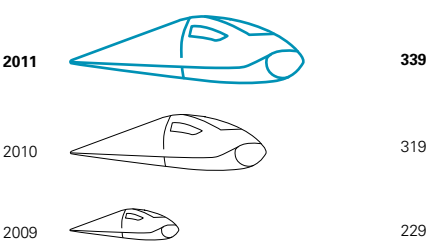
Sales of Transportation Business

Unit: KRW 100 million



Operation of Tourism Products- Transportation Profit

Unit: KRW 100 million

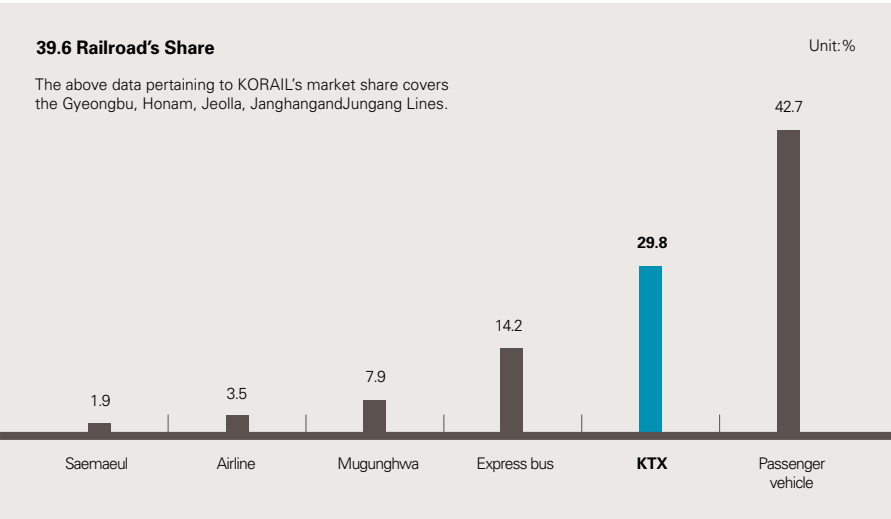


KORAIL is strengthening its competitive edge by providing optimized services to the public in the four areas of: passenger rail, metro, logistics and multifaceted businesses, which all contribute to an improved edge in the railroad industry.

We are committed to the development of the national economy by ensuring that our business operations are more professional and effective within the industry. This befits the fundamental purpose of the establishment of KORAIL. To achieve our vision ‘KORAIL, the company of the people that communicates with its customers, the environment and the future’, we believe that the transportation business that constitutes the core of our business portfolio should stand at world-class levels. Thus, we strive to reach the level of those highest-performing railroad industries in countries whose labor productivity is even higher than that of Korea. To this end, we are developing a stronger competitive edge in the railroad industry, improved efficiency in the transportation business (by establishing optimized train operational systems) and through stronger marketing strategies, securing the highest-possible level of business profit.

Our transportation business posted KRW 3.0914 trillion in sales, accounting for 77% of the total in 2011, when the number of passengers stood at 1,118,618,000 (50,309,000 on KTX, 71,457,000 on conventional trains and 996,852,000 on metro trains). Freight transportation volumes reached 39,217,000 tons.

KORAIL's Share of the Transport Market on Major Service Lines



Passenger Rail Business

Transportation convenience and safety for the general public constitutes our top priority in our endeavors to optimize both train operations and to establish a greener transportation system, in which railroads play a central role. We will also continue to improve on the connecting and transfer systems to deliver a more user-friendly environment.

To enhance customer convenience, we ensure that KTX operates long-distance lines for lengthy trips and conventional trains for short-distance travel to ensure that passengers are able to transfer seamlessly between KTX and conventional trains. In addition, an optimal train operation system was created through the methodical analyses of passenger populations based on both service line and time frame. Moreover, certain train tourism package deals were developed and sold to facilitate railroad tourism. These, together

Number of Metro Rail Passengers

Unit: Number of
people

Year	Number of passengers
2011	996,852
2010	948,832
2009	912,586

with the ‘Naeilro’ tickets for teenage passengers and other marketing initiatives for railroad tourism led to KRW 33.9 billion in profits. ‘Haerang’, a rail cruise program, ‘Korea Rail Pass’, and other marketing activities to attract foreign tourists were also reinforced, contributing to a 12% increase in the number of foreign consumers purchasing our tourism products to 72,387 (from 64,283 in the previous year) in 2011 of the previous year in 2011 on the previous year.

Metro Rail Business

With affordable prices and a marked growth in the annual number of passengers (due to the sustained expansion of service networks and passenger convenience enhancements), KORAIL's metro has established itself as the favored means of public transport. We are working with local governments to further enhance the accessibility of our metro rail services, create station areas that are customized to local conditions and expand the transportation network to connecting systems. We are fully committed to creating new demands on the network by linking to various tourism infrastructuresand local events along the major suburban lines.

We will continue to ensure that our transportation services adapt quickly to changing conditions and that temporary subway trains are operated in consideration of seasonal fluctuations and line-specific characteristics. Standard operational timesare measured on our major lines to adjust train operational schedules and to prevent delays in train arrivals. To address the fast-changing needs of our customers, bikes are now allowed on the trains and the development of smartphone applications for metro rail services has allowed us to provide wider-ranging and greater differentiation of services.An example of this is online tourist information, which is just one way in which we are contributing to the improved environment of our metro rail passengers.

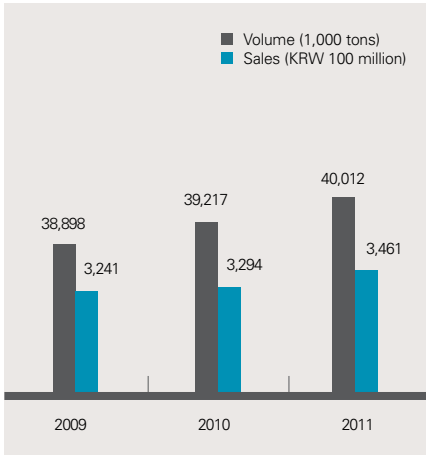
Continuous investments are being made in improving lighting and cooling devices on the subway trains for a more comfortable environment. Airgun, waterfog and other advanced amenities are under pilot operation within stations to deliver an even more sophisticated and caring service. Metro rail will further enhance its value as the most eco-friendly mode of transportation for public transit and as a leader of the future urban transportation system. Our endeavors will continue to deliver faster and more convenient services.

Logistics Business

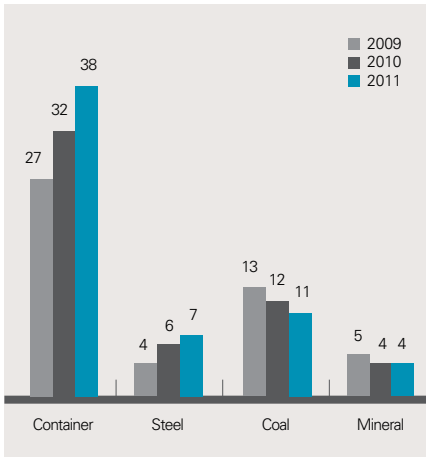
Based on the analyses of market environments we utilized to lay the foundation for advanced green logistics systems at KORAIL, system improvements were made and new products were developed and put into operation. The analysis of our competitive edge regarding price in each container transportation section led to the overhaul of the flexible fare system. This in turn, further strengthened our edge in the railroad freight business. To respond to the Korean governmental policy of eco-friendly green growth and to support companies in shifting toward railroad transportation, the Green Railroad Freight Mileage program was introduced and a subsidy program to facilitate the shift toward railroad transportation was fully utilized. This has contributed to a greener style of logistics.

STRONGER COMPETITIVE EDGE IN THE RAILROAD INDUSTRY

Freight Transportation



Changes in Freight Volume by Item



Profits in Multifaceted Business

Unit: KRW 100 million			
Category	2009	2010	2011
Multifaceted Business Profits	917	1,077	1,318
Share of Multifaceted Business in Profits	2.5%	2.6%	2.3%

Stronger Competitive Edge in the Railroad Industry
Economic Performance at KORAIL
Creation of Economic Values Shared with the Public

While railroad transportation offers the obvious advantages of punctuality, safety and eco-friendliness, it suffers structural limitations such as the need for shuttle transport and labor in loading/unloading. To address such shortcomings, freight cars for shuttle transportation are under expansion and a network connecting international air freight and railroad transportation is being established for stronger transport connections. Increased investments in the expansion of transportation capacity, including containers, steel and the diversification of transportation systems (through analyses of transportation patterns in the logistics market), has enabled us to develop products that respond to market shifts and attract new demands, all of which have further increased our profits.

In particular, our endeavors to develop products customized for specific customer needs led to the transportation of Hyundai Mobis export containers throughout the railroad from October 2011. This marked the first-ever shift in the entire production volume of a large-scale plant to railroad transportation. Now trains dedicated to Hyundai Mobis export products are in operation five times a week to ensure trouble-free transportation.

These measures are expected to generate profits amounting to KRW 2.2 billion (18,000TEU) per annum and to reduce carbon emissions of 1,470,000 kg per annum compared to road transportation. In addition to slashing logistical costs, we also take the lead in reducing GHG emissions. Sustained efforts are underway to make logistics transportation more efficient. The establishment of a concentrated train-unit transportation system for military freight, which was previously transported in a fragmented manner as needs arose, improved the efficiency of freight train operations and shortened transportation lead times from 4~5 days to 3~4 days. This further contributed to an increased quality in transportation services.

Multifaceted Business

Our multifaceted business refers to all service business aligned with the railroad not affiliated with actual transportation. Its sources of profit include: rental fees regarding KORAIL assets, retail, advertising, other overseas business, conference facilities rentals, and traffic card charging fees. In 2011, our multifaceted business posted KRW 125 billion in sales, accounting for 2.3% of the total KORAIL sales.

1. Facilitation of Multifaceted Business

The facilitation of multifaceted business is a strategy adopted by many advanced railroad companies to improve business operations and to overcome business limitations in transportation. In order to generate profits through the facilitation of the multifaceted business, KORAIL provides proactive services to ordinary potential consumers as well as conventional train passengers alike. The opening of the wedding and convention halls at the Osong KTX Station generated KRW 700 million in rental fees and our retail profits amounted to KRW 32.4 billion in 2011. Advertising regulation revisions that allowed for exterior advertisements on trains, led to an 18.3% increase in advertising profits (from KRW 18 billion to KRW 21.3 billion in 2011 from the previous year). Moreover, older facilities were renewed as a source of rental income. This included the previously closed Hwarangdae Station, which has now been transformed into a hub of train experience programs. Such creative initiatives contributed to the KRW 35.9 billion in rental profits for 2011. We plan to spearhead this proactive business model nationwide.

Stronger Competitive Edge at Subsidiaries to Integrate with Retail and Station Operations

Category	Scope of Business before Revision	Scope of Business after Revision
KORAIL RETAIL	Servicing national subway stations + selling products (17 stations)	Focusing on retail business (sales of products)
KORAIL NETWORKS	Servicing metro rail stations + selling products (51 stations)	Focusing on station services

2. Expansion of New Multifaceted Business

The development of station areas is critical in providing various services to passengers. Advanced train operators consider such real estate development projects as their core business in increasing profits, as they serve to expand the scope of multifaceted businesses into other areas, such as retail advertising. To enhance the business potential of railroad land, we established a business model that aims to fully utilize small areas of land nearby railroad facilities. In 2011, development projects on railroad land near Dongdaegu Station, idle land near Wangsimni Station and the KORAIL employee apartment complex in Youngdeungpo generated KRW 15.8 billion in profits. Negotiations are underway for potential development areas to generate even more profit.

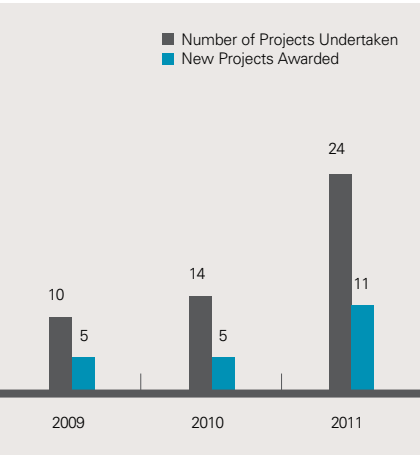
To overcome the challenges in developing station areas (caused by the sluggish real estate market and the lack of financial funding), measures were discussed to put our real estate development business on the right track. In addition, local residents were engaged in dialogue through working-level meetings also attended by executives from major companies where KORAIL has equity ownership. The resolution of liquidity issues contributed to returning these real estate projects to normal.

Our multifaceted business is primarily led by subsidiaries. Previously, each subsidiary was responsible for both the sales of products and station services in each station. However, as our modus operandi was re-classified according to the core business areas, redundant operations among subsidiaries were adjusted and train station operations and retail business were unified. In June 2011, the performance-based annual salary scheme was expanded to cover manager-level employees at our subsidiaries, in order to fully establish responsible management systems at subsidiary levels. We will encourage our subsidiaries to increase their sales in their respective specialty areas so that they may stand autonomously as independent entities in the upcoming years.

3. Strategic R&D Investment

KORAIL is tapping the global railroad technology market by being a first-mover in developing core technology. In 2011, 24 national R&D projects were undertaken to secure intellectual property rights on core technologies (five patent registrations and three patent applications) and the commercialization of these technologies is expected to save KRW 218.1 billion in costs. In order to accumulate railroad technological capabilities and reduce the purchase of imported components through the development of major railroad components, the 'National R&D Research Unit' was successfully established at KORAIL for the first time in its history in December 2011. This new initiative will reinforce our endeavors to fully engage in the localization of core technology and secure a stronger future competitive edge in the railroad industry.

Number of National R&D Projects Undertaken and New Projects Awarded



ECONOMIC PERFORMANCE AT KORAIL

KORAIL will turn the global challenges of climate change and the depletion of natural resources, into an opportunity to develop our business further and grow into a sustainable company.

Business Strategy

1. Crisis and Opportunity

We are committed to a strategy of sustainability management in order to address the global challenges of the world-wide economic slowdown and fiscal crisis, as well as energy and resource shortages associated with climate change,. We have witnessed increased demands for corporate social responsibility, governmental and railroad-driven commitments to green growth and transportation policies, diversifying customer needs, and a general growing demand for railroad safety and improved technological capacities.

Thus our operational policy at KORAIL aims to provide the best-in-class services to the public by delivering a convenient and safe railroad infrastructure, while contributing to the local economy and society through trust and cooperation.

2. Rearrangement of Mid/long-term Business Strategies

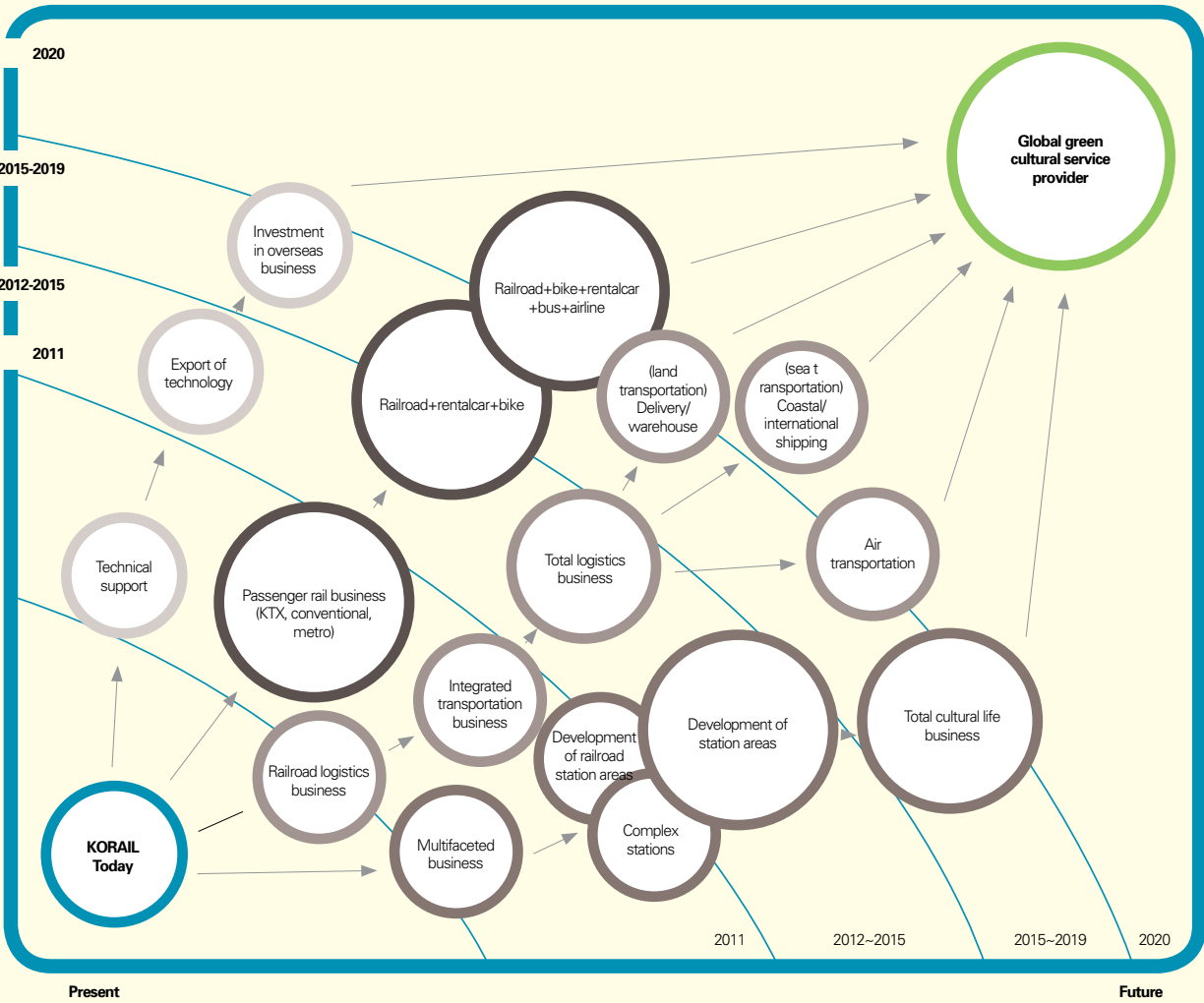
The second national railroad network development plan of the Korean government was finalized in April 2011 and other changes followed in external and internal business environments surrounding KORAIL. Thus, we redefined our management values and modified & supplemented our mid/long-term business strategies. KORAIL strives to increase highly personalized services to customers and improve the function of stations as centers of local culture, while expanding direct connecting services to areas benefit from KTX services and innovating connecting and transfer systems.

High-speed trains and multifaceted & overseas businesses were specifically chosen as new engines of growth, under the core business strategies and plans set to intensively invest resources and personnel into these areas. In addition, projects are underway to improve metro rail efficiency, as well as conventional train and logistics businesses, in order to ensure cost savings and more efficient HR operations.

In line with our goal of becoming a world-renowned top-notch company by 2020, we are committed to reaching the management goals of 0.036 accidents per million km (0.070 accidents per million km as of 2011), KRW 619.5 billion in sales from new business (KRW 129.1 billion as of 2011), 27.3% of railroad's share in passenger transportation (22.5% as of 2010), and KRW 1 trillion in operating surpluses.

'KORAIL, the Company of the People that Communicates with its Customers, the Environment and the Future'

	2012	2014	2020	
	0.066	0.059	0.036 accidents per million km	▶ Train Accident Ratio
	KRW 180.1 billion	KRW 262.5 billion	KRW 619.5 billion	▶ Sales from New Business
	22.9%	23.3%	27.3%	▶ Railroad's Share in Passenger Transportation
	KRW 4.6 trillion	KRW 5.3 trillion	KRW 7.2 trillion	▶ Operating Earnings
	KRW 231 billion	KRW 266.4 billion	KRW 1 trillion	▶ Operating Surplus



Government Grants (2011)	
Unit: KRW 100 million	
Name of Project	Value
Current Subsidies for the Private Sector	
Compensation for public service obligation (PSO)	2,825
Nurturing of train engineers	-
Support for modal shift into trains	30
Assistance for self-initiated improvement	-
Capital Subsidies for the Private Sector	
Purchase of transportation vehicles	757
Replacement of interior materials for subway trains	-
Assistance for train automation facilities	1,000
Expansion of train amenities	-
Improvement of transfer lines at train stations	20
Total	6,915

Financial Statement (December 31, 2011)	
Unit: KRW million	
Item	Value
Assets	
Current assets	1,063,768
Non-current assets	18,054,501
Total assets	19,118,269
Liabilities	
Current liabilities	2,507,508
Non-current liabilities	8,299,302
Total liabilities	10,806,810
Capital	
Capital	9,576,563
Deficit	(1,290,176)
Other capital	25,072
Total capital	8,311,459
Total liabilities and capital	19,118,269

Income Statement Seventh fiscal year: January 1, 2011~December 31, 2011	
Unit: KRW million	
Item	Value
Sales	3,974,485
Cost of sales	4,320,296
Gross margin	(345,811)
Other revenues	7,731
Selling expenses and general management expenses	176,595
Other expenses	61,056
Other gain	1,317,898
Operating profit	742,167
Financial income	(107,964)
Income tax expenses	322,184
Current net income	312,333

CREATION OF ECONOMIC VALUES SHARED WITH THE PUBLIC

The creation of economic value at KORAIL is closely related to the economic life of ordinary people. We will take the initiative in creating shared values through railroad services by contributing to the vitality of local economy, job creation and price stability.

Distribution of Economic Value

By reinforcing the competitive edge in our business conduct and identifying new engines of growth, KORAIL is committed to sales growth. We also fulfill our social responsibility by ensuring the fair distribution of the profits generated through our business activities to our stakeholders. In 2011, KRW 4.6317 trillion was returned to our employees, shareholders, central & local governments, suppliers and local communities.

Distribution of Economic Value with Stakeholders

Unit: KRW 100 million			
Income	Employees	Labor expenses	Wage, general allowances, severance pay and welfare benefits
			19,513
	Local communities	Donations and social contribution expenses	Donations
			206
	Government organizations	Taxes	Taxes & dues and corporate taxes
			3,331
	Shareholders and investors	Dividends	Interest expenses and dividends
			4,807

Indirect Economic Benefits

1. Revitalization of the Local Economy

At KORAIL, we have utilized the local tourism infrastructure to both create jobs and increase the demand for tourism to revitalize local economies. In 2011, a theme-based project was undertaken in alignment with the Masou Salmon Festival in Hwacheon country and a railroad theme park was developed to generate KRW 370 million in new tourism demands.

2. Job Creation

In order to fulfill our social responsibility as a state-owned enterprise, we have created more jobs by making bold investments in creating high-quality positions. To move beyond a purely reactive approach in creating jobs, such as outsourcing into a more systemized model, we have opted for public-private partnership models, such as the railroad area greening project in conjunction with local governments and relevant organizations. In terms of job creation, large-scale station area development projects demonstrate that we are acting from a long-term perspective.

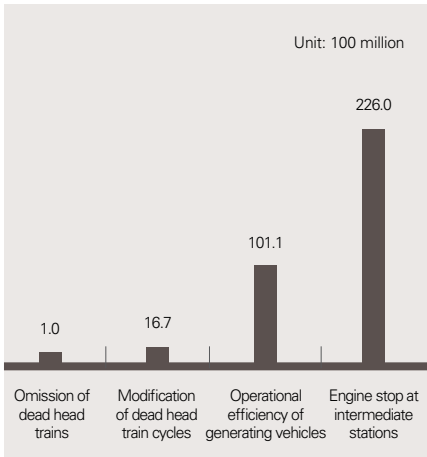
Revitalization of the Local Economy through Job Creation

Unit: Number of people			
Category	Targets	Number of Jobs Created	
		2010	2011
Private sector outsourcing	Vehicle maintenance, building repair and maintenance, etc.	3,929	4,002
Execution of investment projects	Maintenance and repair of vehicles & facilities, remodeling projects, protection operations	21,906	27,016
Partnership with the private sector	Eco-friendly green projects	-	610



Agreement for the railroad theme park project

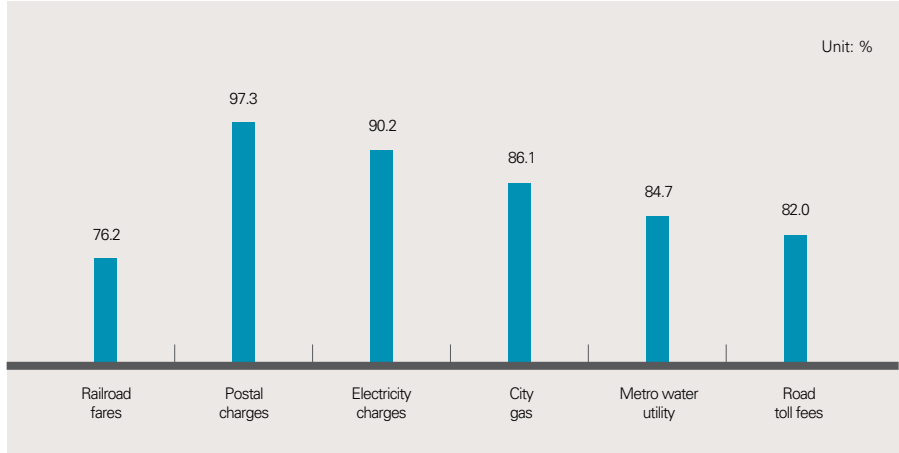
Reduced Consumption of Operational Fuel by Sector



3. Contribution to Price Stability

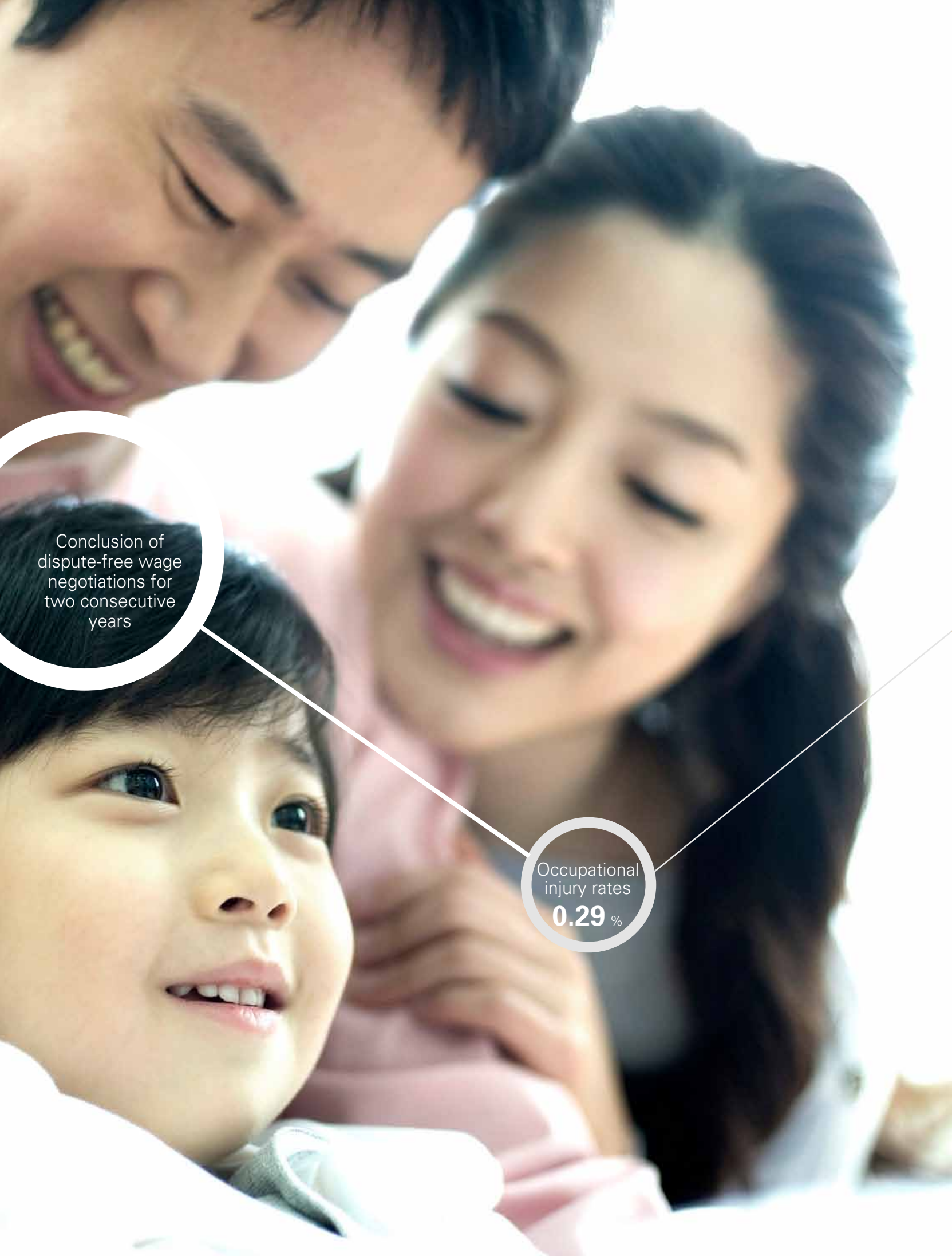
Increased consumer prices and international oil prices since 2007, have contributed to an approximate 7% increase in fare costs. Yet, we at KORAIL have frozen train fares for the past four years to reduce the financial burden extolled on ordinary people. The cost recovery ratio at KORAIL stands at 76.2%, the lowest level among public utility services. Unfortunately, conditions beyond our control, forced us to increase the fare for conventional trains (except for KTX) by a minimum margin in 2011. Our endeavors in freezing fares and keeping fair raises to a minimum contributed to price stability, while in-house innovation initiatives (including a knowledge proposal program), led to the reduced consumption of operational fuel in each sector. This alone generated KRW 34.5 billion in price stability.

Lowest Cost Recovery Ratio among Public Utility Services



General Management _ Soo-Wook Kim Professor Associate Dean for Student Affairs

Despite its inherent limitations as a state-owned enterprise, KORAIL is efficiently operated upon on its strategies, policies and internal environment, which enable systemic response to external changes and risk factors. For KORAIL to fulfill its social responsibility and succeed in sustainability management, it needs to become even more stringent in pursuing customer-driven management and opening its doors wider to innovation. KORAIL needs to satisfy the quickly shifting requirements of its customers proactively through a customer-centered management philosophy. This will enable KORAIL to establish a favorable industry advantage. New types of products, services and business models should be developed together with an innovative management that seeks shared, not unilateral, growth. Recently, the public interest in safety issues and green management has increased and KORAIL needs to do its part in providing improved services that address these issues.



Conclusion of
dispute-free wage
negotiations for
two consecutive
years

Occupational
injury rates
0.29 %



Ratio of
electronic bidding
98.6 %

OUR CITIZENSHIP

DISCLOSURE ON MANAGEMENT APPROACH IN ECONOMIC AREAS
KORAIL fully supports and complies with the UN Universal Declaration of Human Rights and other internationally-upheld regulations and initiatives. We take the lead in creating a more prosperous society by strengthening our responsibilities in labor practices, human rights, society and services.

DISCLOSURE ON MANAGEMENT APPROACH IN LABOR AREAS

Management Aspect	Mid/long-term Implementation Directions	2011 Achievements (Explanations and quantifiable accomplishments)
Employment	To guarantee employment stability	Employee status by region: 11,299 employees in Seoul, 4,994 in Daejeon, 5,826 in Busan, 8,148 in Suncheon, 4,212 in Yeongju Number of employees who left KORAIL and turnover rates (by gender, region and age): Turnover rate 2.5% Benefits provided to regular employees only, not contract employees: All employees are provided with equal benefits
Labor/ management relations	To build an amicable labor-management culture	Dispute-free wage negotiations Employees subject to collective bargaining: 22,204 Minimum notice period regarding major changes in business: Employees are notified of important changes in business in accordance with the collective agreement signed
Occupational health and safety	To strengthen health and safety initiatives at workplace	Ratio of employees represented at the Occupational Safety and Health Committee: The Occupational Safety and Health Committee represents all KORAIL employees Injuries, lost working days, occupational diseases, absence and job-related accidents: 86 injured employees, 0.29% in occupational injury rate Programs to support employees, their families and local residents regarding significant diseases: Employees and their families are offered opportunities to receive health check-ups
Training and education	To expand opportunities for self-development	Average annual training hours per employee in each employment type: 113,037 trainees, 93 hours of training per employees, KRW 307,000 in training expenses per employee Job training and life-long education programs to support retirees: Retirement pension fund system is in operation
Diversity and equal opportunity	To guarantee equal rights for female employees	Members of the BOD: 15 (males), 0 (females) Composition of employees: Male 26,922, Female 2,487 Number of female managers: 130 (4.2% of the total managers)
Equal remuneration for women and men	To establish an equal culture of employment	Entry wage for male and female employees in each employee category: Equally paid at KRW 24.37 million General welfare benefits: No of discrimination-related cases

CUSTOMER SATISFACTION MANAGEMENT THAT TOUCHES THE HEART OF CUSTOMERS

Customer Satisfaction Management that Touches the Heart of Customers
People-centered Management for a Happier Workplace
Mutually-beneficial Management for a Fairer Society
Sharing-driven Management Filled with Hope

At KORAIL, we pursue customer satisfaction together with our customers through our customer-centered management principle. In such ways as caring for the transportation vulnerable and the provision of cultural services, we step closer to our customers.

Customer Satisfaction Management System

1. Customer Satisfaction Strategies

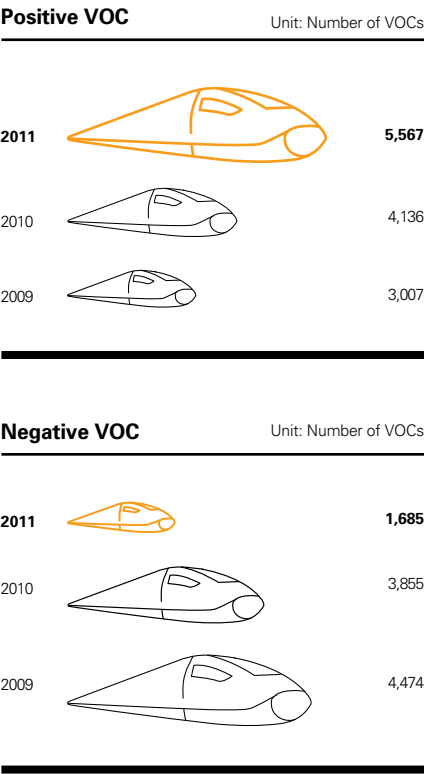
At KORAIL, our customer satisfaction management takes a systemized approach in addressing both train passengers, as well as logistics customers. Their feedback is reflected in the further improvement our services.

The introduction of the CCM (Customer Centered Management) in 2009 enabled us to expand our customer-driven culture and develop relevant systems. This also assisted us in improving the quality of products and services that we offer and in gaining customer trust through promptly addressing their complaints. As a result of such endeavors, KORAIL became the first state-owned enterprise to be CCM-certified in 2009.

At KORAIL, customer satisfaction constitutes one of the major pillars of our management philosophy and customer satisfaction management initiatives are undertaken under the leadership of the Management Innovation Office in order to deliver the safer and more convenient railroad services that are revered by customers. Relevant proactive measures are taken by the Customer Service Department and CS specialization teams. In addition, our customer satisfaction management system was optimized through the creation of a voluntary management unit chaired by the company CEO and the operation of CS Management Committee. These endeavors enabled us to become the first state-owned enterprise to be re-certified with the CCM in December 2011.

Handling of VOC			
Category	2009	2010	2011
Total VOC	51,571	64,451	72,113
Compliments and encouragement (Ratio)	3,007 (5.8)	4,136 (6.4)	5,567 (7.7)
Complaints over inattentive services (Ratio)	4,474 (8.7)	3,853 (6.0)	2,180 (3.0)
Total (Ratio)	7,481 (14.5)	7,989 (12.4)	7,747 (10.7)

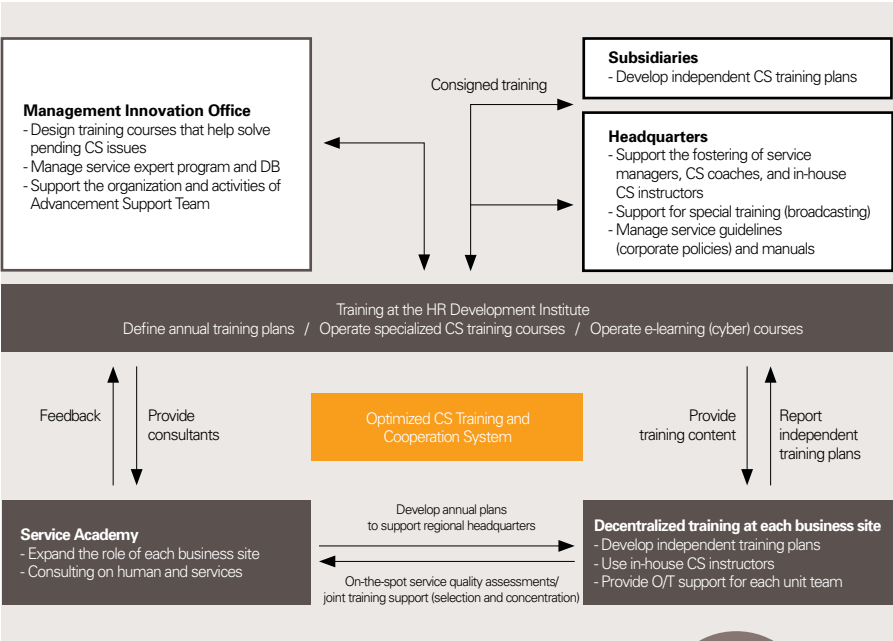
Statistics on Customer Satisfaction				
Category	2009	2010	2011	
Compliance with the Customer Service Charter	-	50/52	51/52	
CS Supporters (Number of cases)	-	3,088	10,496	
Monitoring (Points)	Stations	96.04	94.74	96.93
	Trains	96.64	97.19	98.59
	Subsidiaries	91.93	88.38	91.29
	Telephone	93.00	96	97.10
Service Certification Program (SEP)	Beginner(Number)	7,687	2,066	1,688
	Green (Number)	606	685	2,921
	Blue (Number)	-	386	495
	Gold (Number)	-	32	161
Customer satisfaction surveys	PCSI (Public Enterprise Customer Satisfaction Index)	88.1	92.6	92.3
	NCSI (National Customer Satisfaction Index)	68	70	73
	PT-CSI (Public Transportation Customer Satisfaction Index)	-	77.6	-
	KCSI (Korean Customer Satisfaction Index)	59.9	67.5	67.1
	KSQI (Korean Service Quality Index)	-	88	90



2. Capacity Building for Improved Customer Satisfaction

To strengthen our capacity in delivering improved customer satisfaction, our customer service delivery standards were amended to address environmental factors and elevated the levels of customer services. Our employees in charge of services at customer contact points were surveyed to assess our current level of customer service capacity. To pursue high-quality customer services, both on/offline training courses are offered under the leadership of the Management Innovation Office, in addition to company-wide human and facility service consulting services.

The VOCs (Voice of Customers) submitted the previous day are analyzed so that the positive/negative feedback can be shared among employees and so that concerns can be handled swiftly as to reinforce employee customer satisfaction capacity. In 2011, positive VOCs accounted for 5,567 of the total 72,113 submitted. This marked a 1,431 increase in positive VOCs. On top of this, the negative VOCs regarding inattentive services fell by 1,673 to 2,180 from the previous year.



Customer _ Sang-Hong, Kin Ph.D Chair Professor

As a customer who frequently rides KTX due to business trips to local areas, I always feel that KORAIL is a kind and clean organization with an amicable organizational atmosphere. More than ever, KORAIL provides various services and a caring attitude toward its customers. Nothing matters more in this world than the life of one individual. With this being said, I believe KORAIL could work a bit harder in identifying the needs of train passengers and improve on these aspects even more. It is critical that KORAIL offers safe trips to destinations as well as delivering higher speeds. Its ultimate goal should be a 0% accident rate. KORAIL should not be complacent but rather continue to strive to secure high value-added technology for the overseas market, while committing itself to sustained quality improvement through a positive and customer-driven service mind-set.

CUSTOMER SATISFACTION MANAGEMENT THAT TOUCHES THE HEART OF CUSTOMERS

For details on KORAIL's Customer Service Charter and related performance, please visit our website (Introducing KORAIL –KORAIL Innovation Way – Customer Service Charter).

Customer Satisfaction Surveys				
Unit: Points				
Category		2009	2010	2011
VOC Management System	Satisfaction with VOC Handling	75.5	72.7	80.4
	Service Quality Assessment	95	94	96
Customer Satisfaction	Public Enterprise Customer Satisfaction Index (PCSI)	88.1	92.6	92.3
	National Customer Satisfaction Index (NCSI)	68.0	70.0	73
	Korean Customer Satisfaction Index (KCSI)	59.9	67.5	67.1
	Public Transportation Customer Satisfaction Index (PT-CSI)	-	75.9	-
	CS Training Sessions (Number of sessions)/ Trainees (Number of trainees)	138/ 4,584	236/ 8,854	10/ 1,883

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Monitoring and Performance

At KORAIL, our customer satisfaction management is assessed through the VOC management system, service monitoring and customer satisfaction surveys. VOC-handled customer satisfaction is surveyed monthly and semi-annual monitoring is used to assess our service quality. In addition, various customer satisfaction surveys are conducted every quarter.

Internal Control Systems for Customer Satisfaction

Category	Internal Control Systems	Department in Charge
Prevention of customer complaints	Expansion of the compensation authority of service managers	Passenger Transport HQ, Management Innovation Office, PR Office
	VOC advance notice scheme	
	Sharing daily VOC news	
	CS Supporters	
	Web clipping	
Handling of customer complaints	SNS (Social Network Service)	Management Innovation Office
	Working-level meetings (directors) (top management) to improve on HOT VOC	
	Product development	
	Sales of products	
	Product quality improvement	
Service quality improvement	Management of compliance with the Customer Service Charter	Passenger Transport HQ
	Strengthen the function of FAQ	Management Innovation Office
Provision of information	Facilitate management disclosure practices	Management Innovation Office
	Service training	HR Development Institute, Management Innovation Office, Passenger Transport HQ

Open Communication System

1. Delivery of Information

At KORAIL, information is delivered to customers through various channels including management disclosures, informational disclosures, the Ombudsman System, and the logistics information system. We strive to be voluntary and proactive in disclosing information so that we gain trust from customers and offer accurate and timely management information. The five-phase verification scheme further helps us in preventing any errors regarding disclosure documents.

Handling of Information Inquiries

Unit: Number of cases	
Inquiries	549
Disclosed	330
Partially	47
Not Disclosed	64
Provision of information/ Transfer of Notification, etc.	108

‘Advance information disclosure operational plans’ were developed in August 2011 and managers in each business unit were designated, along with respective roles and responsibilities, to ensure proactive response to the needs of information disclosure. In 2011, 549 registrations were made regarding advance informational disclosures and 377 out of the 441 inquiries were addressed. The average time frame for making information disclosure decisions was reduced from last year’s 4.24-day-average to 3.86 days.

2. Use of VOC

The VOC process is optimized for railroad service and its proactive use enables us to further improve our service quality. The VOC system that compiles customer feedback, the customer representative program, and the CS supporters all assist us in delivering best-in-class services. The real-time customer feedback collected through various VOC channels is promptly addressed through the integrated VOC management system and dedicated departments were expanded and recognized, in order to shorten the time required in handling VOCs. Especially noteworthy, is the fact that we apply standards more stringently than the basic legal requirements regarding customer complaints. The complaints received from the internet or phones are handled within a day and those received through fax or post are handled within four days. In addition, customers are informed of the entire handling process through text-messaging services.

The ‘Customer Representative Program’ aims to compile customer feedback more proactively. In 2011, the fifth class of 1,010 representatives registered 1,588 opinions, out of which 729 were addressed. In order to provide top-notch services, the CS supporter scheme encourages employees at KORAIL and its subsidiaries to identify and improve on possible complaints from a customer’s perspective.

Current Status of VOC

Category	Receipt/ Handling (Number of VOC)	Satisfaction (Points)	Inattentive Services (%) (Number of cases)	Delay Handling Rate (%) (Number of cases/ Average handling time)
2009	51,571	75.5	8.7 (4,474)	0.40 (184 / 22.2)
2010	64,451	72.7	6.0 (3,853)	0.20 (132 / 21.5)
2011	72,113	80.4	3.0 (2,180)	0.13 (95 / 9.5)
Compared to the Previous Year	Up by 7,662	Up by 7.7 points	3.0%p drop (down by 1,673)	0.07%p drop (down by 30 cases/12 hours)

Improved Services

1. Convenient Services

In 2011, wireless internet services were made available at metro rail stations and on subway trains and their scope was expanded from 33 stations in 2010 to 160 stations and 2,258 trains. All KTX cars provide wireless internet connections to enable customers to work and enjoy entertainment on the move.

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In the case of unusual activity, the world’s first-ever multiple remote real-time guidance system (developed at KORAIL), allows us to identify situations and disseminate relevant information in real time so that everything is under perfect control and guidance by the Passenger Control Team.

Smile	Movement	Art	Relationship	Timely
Services that encourage with bright smiles and are faithful to our basic principles	High-quality human services in each aspect of customer traffic	Spatial arrangements that consider artistic values and the flow of pedestrian traffic	Services that communicate with customers and improve on their inconveniences	Provision of timely tourism information and punctual train operation



Seoul Station on the Airport Railroad

Amenities for the Transportation Vulnerable

Amenities	2011
Electric lift	205 lifts at 82 stations
Electric wheelchairs	Electric wheelchairs at 21 stations in alignment with six local governments
Braille guides	7 stations
Audio guiding devices	7 stations

2. Traffic Connection Services

At KORAIL, we have established an easy-to-use service system by improving on connecting and transfer systems. Transfer lines were minimized to improve customer access to alternative means of public transportation. From 2011, connecting and transfer systems at Nonsan, Jeungpyeong and Seonghwan Stations have been improved through consultations with local governments. At Osong Station, the number of connecting city buses was increased and its parking lot was expanded. At Gimcheon (Gumi) Station, public transportation options were expanded through cooperation with the local government.

Rental car services were made available at 40 different stations across the nation, including Dongdaegu Station. Railroad-to-airport connecting train lines opened and bike parking lots and bike racks were expanded for bike-riding passengers, which contributed to the improved convenience of our customers. In 2011, bike racks to accommodate 7,870 bikes were installed near stations and bike pathways were established at 39 stations.

3. Services for the Transportation Vulnerable

We define the transportation vulnerable individuals as the physically-challenged, seniors, pregnant women, those caring for babies/infants/children or simply those who may experience greater difficulties in using public transportation services. At KORAIL, manuals were improved to deliver more convenient and safer trips for vulnerable passengers and radio announcements are made in the case of unexpected emergencies. These are just a few ways we contribute to addressing problems that vulnerable passengers may face in using railroad services.

For the convenience of wheelchair users, wheelchair lifts (250 units) were installed along with fast chargers for electronic wheelchairs (21 units). Additionally, there are braille guidance (7 stations), audio guidance devices (4 stations), and breastfeeding rooms (6 stations)to create a friendly environment for transportation vulnerable individuals. In total, breastfeeding rooms were installed at 8 stations including Yeocheon Station and children’s playrooms were newly created within stations, which demonstrates our commitment to a friendly and convenient railroad environment for all.



KORAIL's smartphone application

4. Top-notch IT-based Services

With the growing rise of smartphones, we launched our own smartphone applications in December 2010, to provide instant services through smartphones, and to expand our ticketless services. Ticketless services enable our customers to use our services through membership cards or mobile tickets on their cell phones, without ever having to buy paper tickets.

Our smartphone applications allow users to make ticket reservations, check their reservation status, and to find nearest stations. In a mere two months, the number of downloads reached one million. The ‘Metro Rail Guide’ application provides information on metro rail operations and areas near stations and the ‘Glory Logistics’ application offers railroad logistics information and enables one-stop services, ranging from making reservations to checking fares. This not only reduced the workload at stations, but it also led to greater convenience for our customers.

5. Cultural Services

To deliver a cleaner environment and develop our stations from a mere window for purchasing train tickets into an enjoyable cultural place to buy products, a variety of cultural performances have been held. In 2011, 1,754 such events were offered, including invitational cultural performances.



KORAIL Symphony Orchestra

Happy KORAIL	High-quality regular performances at the Open Concert Hall in Seoul Station Expansion of performing clubs at major portals Operation of open concert halls at each regional headquarter
Cultural KORAIL	Invitations for cultural performances and discount offerings Invitations to movie premier events Reading KORAIL (Selection of recommendable books)
Friendly KORAIL	Supplementing the role of subway train stations and providing communication channels to address the physical separation of these stations as a result of the automation of station operation
Welcoming KORAIL	Efficient operation of the Cultural Love Point Scheme



Improved train interior design

6. Creation of a Greener Station

To create a high-end station environment which is pleasant for passengers to stay in, unnecessary facilities were minimized and pedestrian traffic flow was improved. Improvements to the environmental landscape were carried out, in consideration of the spatial features of each station, with the aim of delivering a tidier and more sophisticated environment. In 2011, special inspections were made on 256 stations (1,279 offices) for their station facilities and general operational environments. Under the leadership of the ‘Environmental Design Improvement Committee’, 56 environmental design improvements were made at 63 stations and 302 stations (539 offices) benefited from improved environments.

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PEOPLE-CENTERED MANAGEMENT FOR A HAPPIER WORKPLACE

Current Status of Employees

Unit: Number of people			
Gender	2009	2010	2011
Male	28,183	27,501	26,992
Female	2,403	2,457	2,487
Total	30,586	29,958	29,479

Unit: Number of people			
Age Group	2009	2010	2011
Under 25	167	27	40
25-34	6,523	4,989	4,407
35-44	13,091	12,610	12,120
45-54	9,613	10,088	10,466
Over 55	1,192	2,244	2,446
Total	30,586	29,958	29,479

Unit: Number of people			
Region	2009	2010	2011
Seoul Area	11,694	11,375	11,299
Daejeon Area	5,057	5,036	4,994
Busan Area	5,998	5,950	5,826
Suncheon Area	3,310	3,228	3,148
Yeongju Area	4,527	4,369	4,212
Total	30,586	29,958	29,479

* Dispatched workers include the 'Seoul Area'

At KORAIL, we believe that our corporate ideals will only be realized through employee satisfaction. Every KORAIL employee should be duly respected and we are building a corporate culture that unites the fulfillment of individual employee dreams.

Disclosure on Management Approach		
Management Aspect	Mid/long-term Implementation Directions	2011 Achievements (Explanations and quantifiable accomplishments)
Investment and procurement practices	To reflect sustainability management performance in selecting suppliers	Ratio of major suppliers who conduct human rights inspections: Human rights issues are considered in concluding contracts Number of employees attending training sessions on human rights: 23,122 employees
Non-discrimination	To prohibit discrimination on the grounds of gender, age, or physical disabilities	Total number of discrimination cases: None
Freedom of association and collective bargaining	To guarantee the freedom of association and collective bargaining	Areas of business that may give rise to the violation of the freedom of association and collective bargaining: None
Child labor	To comply with ILO and domestic labor regulations	Areas with high possibility of child labor: None
Prevention of forced and compulsory labor	To comply with ILO and domestic labor regulations	Areas with high possibility of forced labor: None

Equality in Employment

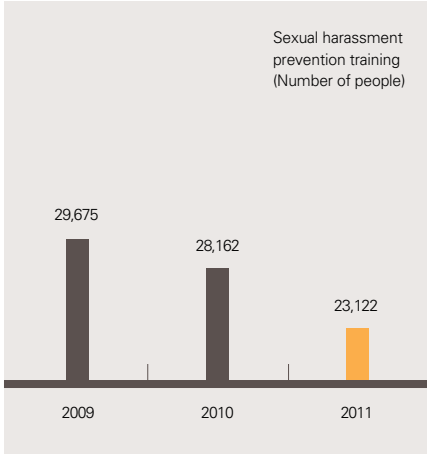
1. Employee Status

In 2011, the total number of employees at KORAIL was 29,583 and 29,479 or 99.4% of them were regular employees. We strive to increase efficiency of our HR system and employ an appropriate number of workers, with an emphasis on core jobs, in accordance with the Korean governmental initiative to advance the management of state-owned enterprises. This centralization of work enables us to integrate distributed operations and clarify the scope of operation in each business unit. This in turn, strengthens our working-level operational capability and ensures efficiency in managing and operating HR resources.

Employees by Recruitment Type

Unit: Number of people				
Category		2009	2010	2011
Employment	Regular	30,586	29,958	29,479
	Contract	447	196	104
	Female managers (second class or higher)	11	16	20
	Average length of service (years)	16.5	17.0	17.2
	Total number of employees	31,033	30,154	29,583
Turnover	Turnover ratio (%)	0	2.6	2.5

Human Rights Training



2. Respect for Human Rights

At KORAIL, we respect the diversity and dignity of individual employees in accordance with the UN Global Compact and the core subjects of ISO 26000. Child labor and forced labor is strictly prohibited at KORAIL, in conformity with the Labor Standards Act and ILO regulations. To protect the human rights of our employees, annual training is offered in accordance with sexual harassment prevention regulations. Our employees are banned from engaging in political activities or supporting specific political parties while on the clock. Human rights grievances are addressed according to grievance handling procedures.

3. Compliance with Equal Employment Principles

At KORAIL, any discrimination on the grounds of gender, education, age, religion, family, background or physical disability is strictly prohibited and this goes for the entire spectrum of HR management, from recruitment, to employment and promotion. In open recruitment procedures, unreasonable limitations based on gender or age, were abolished. Upon joining KORAIL, these high-school graduates are eligible to perform the same job duties as university graduates and may be assigned to the same position levels. At KORAIL, our entry-level salary is KRW 24.37 million, regardless of gender, and all KORAIL employees receive equal benefits in receiving wages and welfare.

4. Expansion of the Recruitment of the Underprivileged

We ensure social equality in recruiting employees. In 2011, females accounted for 2,505 or 8.47% of the total number of employees, which is above the legal threshold of 5.67%, and female employees made up 27.5% or 56 of the total new recruits. We are committed to expanding opportunities for women to develop their capacities and in improving their status at workplace. In 2011, there were 130 female managers, accounting for 4.2% of total percentage of employees.

In 2011, the number of physically-challenged employees was 929 (3.1%) and those with severe disabilities were also offered optimized working conditions, through occupational suitability reviews and customized assignment management. In 2011, 600 youth interns were employed and 271 (including 70 for KORAIL subsidiaries) were recruited as regular employees. This demonstrates our firm commitment to socially-equitable employment.

Employment in Consideration of Social Equity

Unit: Number of people			
Category	2009	2010	2011
Recruitment	9	103	204
Female	2	25	56
Local talented individuals	5	63	120
Vocational high school students	1	7	23
Science and engineering majors	4	58	113
Youth interns	139	500	600
Employment of females (mandatory quota 5.67%)	-	8.23%	8.47%
Employment of the physically-challenged (mandatory quota 3.0%)	-	3.1%	3.1%
Employment of the elderly (mandatory quota 6.0%)	-	7.4%	8.4%

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Promotion of Talent

1. Development of Core Talent

To foster creative global talent with expert knowledge, we at KORAIL conducted company-wide job capability assessments in May 2011, in order to improve our educational and training systems relating especially to working-level jobs. In 2011, our training programs to nurture core leaders and global experts were attended by 2,080 employees. Our future plan is to shift the focus of our training from sector-specific expertise and railroad operational technology to integrated talent with technical capabilities and system engineers (SE) as a leader of the railroad industry. In so doing, we aim to secure source technology and tap the global market.

2. Improvement of Technological Capabilities and Reinforcement of Job Capabilities

Our educational and training systems are geared toward the establishment of cutting-edge technology and the improvement of working-level job capabilities. In May of 2011, company-wide job capability assessments were made, training branch institutes were created in eight regions and 47 dedicated instructors were assigned to lay the foundation for working-level job capability training systems.

Annual Training Results

	2009	2010	2011
Trainees (Number-based on those who completed training)	100,739	90,796	113,087
Training hours per person (Total number of trainees/average number of employees x 4 days x 7 hours)	Over second class	11	22
	Under third class	89	85
Training expenses per person (KRW 1,000)	300	250	307

Performance and Compensation Management

Performance-driven Culture

To establish fair and transparent HR systems and compensation schemes aligned with individual employee capability and performance, the annual salary scheme was expanded to cover the third class staff employees in 2011. In addition, the performance-based annual salary scheme was introduced to all the KORAIL subsidiaries, in order to respond to governmental policies and disseminate a fair and transparent corporate culture that duly rewards achievements.

With the introduction of the performance-driven annual salary scheme for executives in positions of second class or above, the difference in performance pay determined by governmental management assessments may double. Moreover, the newly-created in-house performance pay scheme that reflects internal management assessments and contributions to annual management outcomes may also double the difference in performance pay. Finally, promotional evaluations were shifted from seniority-based to performance based ones and 63 employees were promoted under this revised evaluation system.



KORAIL Naksan Training Center

Welfare Benefits

1. Welfare Benefits Scheme

To ensure the stable lifestyle and increased job satisfaction of our employees, we at KORAIL developed our own welfare benefits roadmap in 2011, with the purpose of systematically managing our welfare benefit schemes. We assist our employees in various ways in striking the right work/life balance and in enjoying a comfortable work environment. The scope of items that can be purchased with welfare points and franchises was expanded, based on the feedback from employee surveys. Further research is underway to improve on the benefits offered to our employees. As a result of all these efforts, the employee satisfaction at KORAIL with welfare benefits was 83.2 points, up by 4.9 points from the previous year (78.3 points) in 2011.

Welfare Benefits Roadmap

Work/life balance	- Operation of worksite childcare facilities and provision of childcare suppliers - Childcare leave: One year, 50% of the base pay is guaranteed during the leave - Family Consensus 2011: Regular meetings between the CEO and employee families - Funeral support: Provision of total funeral services
Improvement of working conditions	- Remodeling of dormitories for employees and their children and operation of employee housing - Improvement of clothing design, creation of the clothing management system - Replacement of aging facilities at the corporate cafeterias and financial support for purchasing necessary devices
Incorporation of employee needs	- Optional welfare benefits scheme: Expansion of items and franchises where welfare points are available - Retirement fund scheme: Consideration to expand the retirement pension scheme - Support for in-house club activities and sports events

2. Expansion of Family-friendly Management

KORAIL set an example in undertaking family-friendly management practices and thus was certified as a "family-friendly" company in 2010. We continuously strive to further expand these practices on a company-wide level. In 2011, shorter working hours were introduced for a fairer work/life balance and 33 employees became part-time workers in order to take care of their children, home-bound family members or to pursue self-development. To improve employee work conditions, the triple shift scheme was modified into a quintuple shift scheme, which increased the number of holidays by two days. In addition, continuous overnight work was abolished and the total number of graveyard shifts was also reduced. We also strive to improve the welfare benefits for female employees, by providing childcare facilities and support.

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KORAIL Family

Parental Leave in 2011

Unit: person

	Parental leave	Return and retention
Man	30	30
Woman	184	11(*173)
Total	214	41

(*On parental leave)

Expansion of the Welfare Benefits Scheme in 2011

Category	Details	Status Quo	Possible Improvements or Future Plans
Work/life balance	Flexible working hours	In operation	Short-time working scheme will be newly added
	Childcare Facilities	Four facilities nationwide/ accommodating 271 children	Construction of new facilities in South Jeolla Province is under review
	Childcare support	Prevention of any disadvantages regarding promotion and compensation when taking childcare leave	Provide childcare suppliers for employees with multiple children
	Leave	Leave to take care of sick family members/Going abroad to study with spouses	Executives and those in higher positions are encouraged to take annual leaves
	Housing support	1,105 housing units are provided nationwide for long-distance commuters or employees who have no house	Remodeling of employee apartment buildings
	Medical expense support for employee families	Partial support for medical expenses in the case of cancer, leukemia and grade 1 disabilities	Support for rare or incurable diseases is under review
	Livelihood support	Mutual benefit association/ low-interest credit loans	Increase of operational revenues
Improvement of working conditions	Dormitory for employee children	Facilities to accommodate 202 in the metropolitan area	Support for and remodeling of dining facilities
Incorporation of employee needs	Support for self-development	Support for 50% of university tuitions (selected employees only)	Family KORAIL website (self-development section)
	Health care	Medical expense discounts available through the cooperation agreement signed with hospitals	Additional such agreements to be signed
	Condominium/ Guest houses	Operation of summer guest houses in eight regions nationwide	Purchase of 66 additional corporate condominium accounts
	Tuition loan	Tuition support and operation of the Railroad Scholarship Foundation	Secure more donations (KRW 40 million)

Health and Safety

1. Introduction of the Global-level Voluntary Health & Safety Management System

In 2011, all our business sites were certified with KOSHA 18001, the Korean health and safety management standard, in order to ensure the systemized and scientific management of health and safety. Six major business sites related to the high-speed train business were additionally certified with OHSAS 18001, the international health and safety standard. This demonstrated the recognized credibility of our health and safety management, both internally and externally.

Number of Industrial Injuries and Injury Rates

Category	2009	2010	2011
Employees (Number)	31,033	30,154	29,748
Injured Employees (Number)	142	111	86
Occupational injury rates (%)	0.458	0.368	0.289

*Formula =(Number of employees injured/Number of employees)*100

(Evidence: Industrial injuries approved by the Korea Workers' Compensation and Welfare Service

At KORAIL, we are committed to the lowest-possible occupational injury rates among OECD countries. In 2011, occupational injury management targets were defined in each business unit and their outcomes were reflected in internal management assessments. Included in a variety of initiatives to prevent occupational injuries were two training sessions (held by invited experts), UCC public competitions (25 pieces), evaluation of managers and supervisors to identify their level of understanding relevant regulations (672 employees), and joint safety consulting projects undertaken with external outside experts (two sessions). As a result, our occupational injury rates dropped by 0.08% (from 0.37% in the previous year of 2011 to 0.29%).

2. Creation of a Safe and Pleasant Work Environment

KORAIL is fully committed to maintaining and improving the health of all its employees, preventing safety accidents and eliminating high-risk jobs. We are also in full compliance with the Industrial Health and Safety Act and other relevant governmental regulations. In addition, we do our best to prevent musculoskeletal diseases, noise-induced deafness, addiction to organic compounds and other work-related diseases. We provide regular employee health check-ups that allow us to take appropriate measures, including follow-up checks.

Labor Relations

1. KORAIL Labor Union

KORAIL allows the existence of multiple labor unions and presently, there are three labor unions in operation, including: the Korean Railway Worker's Union (under the Korean Federation of Trade Union), the Korean Railroad Industry Trade Union (under the Federation of Korean Trade Union) and the KORAIL labor union. A total of 22,204 employees are unionized (as of December 2011), which consists of 21,462 (96.7%) from the Korean Railway Worker's Union, 735 (3.3%) from the Korean Railroad Industry Trade Union and 7 from the KORAIL labor union.



Signing the collective agreement

2. Mutually-beneficial Labor Relations

At KORAIL, labor and management successfully concluded dispute-free wage negotiations for two consecutive years beginning in 2012. This solidified mutually-beneficial partnerships. The bilateral cooperation framework was established under the four strategic tasks of the labor relations advancement strategy, the operation of joint labor-management programs and in the communication facilitation and improvement of collective agreements to reasonable levels. Communication channels for the employees at KORAIL expanded and consultative channels with labor unions were strengthened to overcome structural limitations imposed by decentralized business sites across the nation. Sustained efforts for bilateral consultation, closer communication & discussion meetings (attended by both labor and management representatives) and cooperation meetings were all attributable to the successful conclusion of dispute-free wage negotiations.

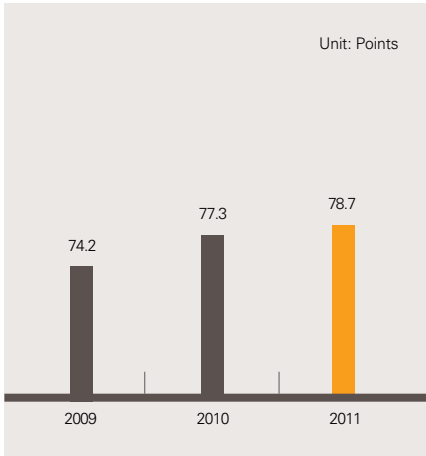
3. Building Online Emotional Communication Channels that Engage Employee Families

KORAIL became the first state-owned enterprise to build online communication channels to engage employee families as well as employees themselves. This assists us in translating the interest and encouragement of families into employee's strong loyalty for KORAIL, stimulating positive changes across the organization.

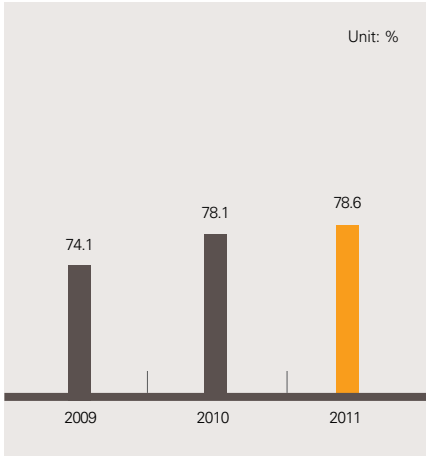
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Employee Satisfaction with Grievance Handling



Labor-Management Win-Win Partnership Index



4. Improvement in Employee Satisfaction of Grievance Handling and Handling Rates
Various grievance-handling channels were established to improve employee work life quality and the prompt resolution of grievances through such channels, has improved employee satisfaction.

5. Reinforcement of Joint Labor-Management Consultation Channels and On-the-Spot Communication Channels
On-the-spot communication channels were strengthened in consideration of the inherent structural features of KORAIL, which has decentralized business sites across the nation, and for railroad safety, joint labor-management consultation channels were strengthened as well. These endeavors have led to the invaluable achievement of two consecutive years of dispute-free wage negotiations and the improved safety of railroad operations.

Expansion of Communication Channels for All Employees

Internet	Website(official), blog, online cafe, and function-specific and regional headquarter-specific websites
Operational systems	CEO Chatting Room, electronic counseling system, grievance handling system (Happy KORAIL)
SNS	Twitter, Facebook
Offline	Newsletters (KORAIL with People, weekly HR reviews), poster management, letters, postings
Electronic newspaper	CEO report, electronic newsletters at regional headquarters
Video	In-house broadcasting, video materials
Communication programs	CEO Management by Walking Around, executive-level field experience programs, sisterhood ties, subgroup meetings, Junior Board

6. Employee Satisfaction
A desire for interactive communication that fully reflects employee feedback and a management approach that sought closer ties with employees, has led to an increase in the labor-management win-win partnership index.

MUTUALLY-BENEFICIAL MANAGEMENT FOR A FAIRER SOCIETY

At KORAIL, we have a dedicated team for mutually-beneficial management to pursue shared growth on a company-wide level. Such an initiative is based on fair bidding practices and assistance for our suppliers with technical training and sustainability management.

Characteristics of KORAIL Suppliers

Our suppliers are defined as ticketing agents and companies working in relation to services, construction, purchasing or rental services. To provide equal opportunities to all our suppliers, we build transparency into the entire spectrum of our business transactions, ranging all the way from bidding to processing and follow-up management. In addition, we strive to expand the awareness for voluntary compliance with fair trade principles and continue to improve on unfair transaction practices and systems, in order to ensure fair business relationships with our suppliers, while strengthening our efforts in assisting Tier 2 suppliers.

Establishment of a Mutually-beneficial Culture

1. Full Compliance with the Principles of the Shared Growth and Fair Trade Agreement
KORAIL created a dedicated department to head the faithful compliance with the shared growth and fair trade agreements, which KORAIL signed for the first time as a state-owned enterprise in Korea. Under the leadership of the department, wide-ranging measures to support SMEs were systemically undertaken, including the increased financial support for SMEs, improved payment conditions, expanded technology & training support and facilitated public purchasing practices. In addition, various on/offline communication channels allowed us to compile the feedback from our suppliers and use it in developing and supplementing shared growth policies.



Shared growth and fair trade agreement ceremony

With the termination of the agreement in November 2011, we worked to extend the agreement (in conjunction with subsidiaries) and committed ourselves to sustained endeavors for shared growth, together with 1,097 suppliers.

2. Company-wide Commitment to Shared Growth

The Shared Growth team was recently created as a dedicated department to strengthen the professional expertise of our shared growth operations. The team is responsible for defining policy directions and developing & evaluating shared growth programs. To reinforce company-wide executive capabilities, the scope of the evaluation of shared growth initiatives was extended from employees to executives and subsidiaries. These efforts won KORAIL the Presidential Commendation for Shared Growth and Fair Trade. We were also chosen as a company with outstanding performance in shared growth for two consecutive years by the Ministry of Knowledge and Economy, in accordance with the ministry's assessment regarding shared growth achievements.

Support for SMEs

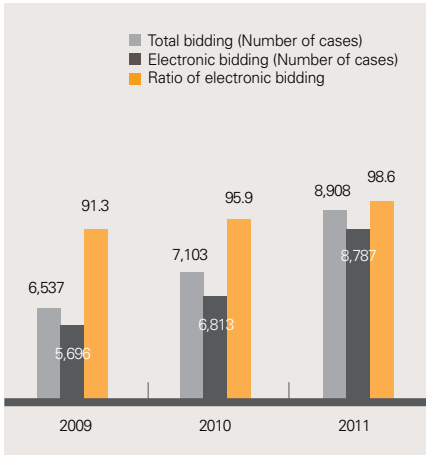
1. Improvement of Unfair Transactions

Central to the creation of a fair society, is the sustained improvement of unfair practices and systems in our daily operations. To ensure equal opportunity and fair competition, KORAIL introduced the 'voluntary fair trade compliance program' in 2011 and stipulated internal monitoring and other control mechanisms in detail.

To prevent chronic factors that may cause unfair practices and corruption, five corporate policies were revised, including the two-phase competitive bidding standards and the railroad advertisement operational guidelines. To ensure the equal distribution of outcomes, we also strove to prevent illegal subcontracting practices. Previously, distinct

MUTUALLY-BENEFICIAL MANAGEMENT FOR A FAIRER SOCIETY

Ratio of Electronic Bidding



Shared Growth Workshop

evaluation standards were applied to each contract and this raised concerns over unfair bidding practices. Now, with the introduction of the two-phase competitive bidding standards complete with clarified scoring types, evaluation items, evaluation methods and limitation criteria, we are finally able to secure contract transparency.

Our direct subcontract payment scheme and payment verification scheme were implemented fully. To prevent illegal subcontracting practices, stringent disciplinary actions are taken against individuals who neglect or fail to report such practices and measures to protect the identify of informants and prevent retaliatory behaviors were developed. These efforts enabled us to create a fair subcontract culture.

2. Open Competitive Bidding and Electronic Procurement Systems

At KORAIL, our open competitive bidding practices are strengthened by improvements within the entire purchasing process. In 2011, all our contract operations were integrated to enhance their professional expertise: the Contract Department is responsible for central procurement contracts and the Centralized Accounting Center is responsible for local procurement construction, service contracts, purchasing of suppliers and divestment. In addition, we also changed our advertising practices from private contracts to open competitive bidding, in order to improve transparency in selecting suppliers.

3. Support for Business Stability

In order to create a culture of shared growth with SMEs, KORAIL operates programs that assist in the stable business operation of SMEs. Our 'GLORY Win-Win Growth Center' has been under operation since October 2010 as an on/offline counseling channel for SMEs. Other online channels such as the VOC System and offline channels (including purchase counseling, discussion meetings, and seminars), allow us to offer opportunities to those SMEs who are willing to promote their products, share information about the railroad market and assist SMEs in finding new markets.

Support for SMEs

Category	2009	2010	2011
Total purchasing budget (KRW 100 million)	15,596	14,173	10,488
Purchase of SME products (KRW 100 million)	8,810	7,387	5,677
Purchase of products manufactured through technology development projects (KRW 100 million)	149	188	211
Purchase of new products manufactured through purchase-conditional projects (KRW 100 million)	323	204	298
Purchase of products manufactured by female-owned companies (KRW 100 million)	542	520	524
Purchase of products manufactured by the physically-challenged (KRW 100 million)	11	12	13
Purchasing ratio of SME products (%)	49.0	52.1	54.1
Purchasing ratio of products manufactured by female-owned companies (%)	3.0	3.7	5.0

4. Technology and Training Support

We have signed the 'National Human Resources Development Consortium Bridge Agreement' to provide training programs that are led by professional organizations to suppliers and assist them in building the capacity of their employees. We perform training programs on the shop floor and operate quality improvements & safety management courses. Through sharing our safety and environmental technology expertise, we also serve as a mentor to our suppliers, which contributes in turn to the strengthened edge of SME suppliers.

Outcomes of Shared Growth Support Programs

Support Items		2009	2010	2011
Financial support	Public purchasing loans (KRW 100 million)	78	153	163
	Companies benefited from technology transfers (Number of companies)	-	-	5
Capacity-building	Free-of-charge training (Hours)	-	-	840
	Projects and participating companies (Number of projects and companies)	-	5/10	6/14
Joint R&D projects	Budget for technology innovation at SMEs (KRW 100 million)	-	42	37

5. Support for Sustainability Management at Suppliers

KORAIL assists its suppliers with sustainability management so as to take the lead in sustainability management in the railroad industry. In signing contracts with suppliers, diverse social and environmental factors-ranging from eco-friendliness, gender equality in employment, technology innovation and outstanding labor relations-are utilized as detailed standards, and those suppliers with excellent performance in these areas are awarded additional points. In order to assist our suppliers in strengthening ethical awareness across the board, preventing corruption and building a culture of contract integrity into the fabric of their business operations, we also provide cyber ethics management training to our suppliers.

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Making a happy world with the railroad

At KORAIL, we are committed to creating warm-hearted local communities. Our sharing-driven management propels us to undertake social contribution projects in order to communicate with local communities and contribute to their development.

Social Contribution Action Framework

1. Social Contribution Strategies

Under the slogan ‘Making a Happy World with the Railroad’, dedicated departments were established to take professional and systemized social contribution initiatives. Our practical social-giving activities are led by corporate volunteer units and are attended by the entire staff. In so doing, we aim to fulfill our social responsibility for the development of the local communities in which we are based.

In addition to corporate philanthropic programs held in conjunction with professional organizations, ‘Happy Train’ and other such programs that represent our unique business features, as a railroad operator, are under continuous development. Proactive participation forms the basis for our sharing-driven management and wide-ranging social-giving programs that utilize our nation-wide railroad network will be developed to expand our commitment to local communities.

Strategic Directions	Build Infrastructure to Practice Sharing	Develop and Operate Strategic Programs	Partnership with Professional Organizations	Promotion and Sharing of Achievements
Implementation Tasks	- Systemic resource management and efficiency improvement - Arrangement of organizational structure and reinforcement of support activities	- Development and operation of company-wide joint programs - Development and operation of joint labor-management programs	- Reinforcement of partnerships in each specialized area - Establishment of strategic partnership with media outlets	- Reinforcement of strategic promotional activities - Establishment of systems to share social contribution performances and make assessments

2. Resources Operation

At KORAIL, a variety of resources are mobilized and employees are encouraged to participate proactively, in order to undertake systemized social contribution initiatives and strengthen our capacity in practicing the spirit of sharing. To fulfill our social responsibility at KORAIL as a state-owned enterprise, the ‘KORAIL Love Fund’ campaign was launched in 2006. Under this campaign, our employees have at least one account (KRW 1,000) and have a portion of their monthly wages set aside for this account. The total donations made are proportional to the number of accounts owned by our employees. In 2011, 23,348 employees (or 79% of total) voluntarily participated in this campaign.

KORAIL reciprocated this generosity through the matching grant system, where it matches all donations made to the Love Fund. A total of KRW 520 million was donated in 2011. Donations made through the Love Fund campaign benefit company-wide social contribution projects and welfare organizations that help the needy. Relevant records are made public to ensure its transparent operation.

Our Love Point program further aims to assist the underprivileged in using train services. Under this program, the underprivileged are defined as the physically-challenged, the elderly, the young living separate from their parents, immigrant workers, North Korean defectors and homeless people. These individuals benefit from the volunteer activities, social welfare and cultural programs provided by the Korean Council of Volunteer Organizations. To strengthen the transparency and reliability of the organizational structure and funding of our social contribution programs, relevant operational guidelines were revised in 2011 and compensation for and achievements of top-performing volunteering units were shared to improve the executive capabilities of these programs.

Fund-raising and Spending of Social Contribution Resources

	Category	2009	2010	2011
Financial resources for social contribution initiatives	Fund-raising of Love	27,844 employees	20,653 employees	23,348 employees
	Matching grant	KRW 260 million	KRW 420 million	KRW 520 million
	KORAIL Love Fund	KRW 860 million	KRW 680 million	KRW 670 million
	Love Point	43.6 million points	18.95 million points	19.88 million points
	Collection Box to Help the Needy	KRW 4.02 million	KRW 7.84 million	KRW 3.12 million
Spending of social contribution budgets	Helping farmers	-	KRW 49,704,000	KRW 84,498,000
	Cultural exchange	-	KRW 49,031,000	KRW 41,501,000
	Environmental volunteering	-	KRW 10,621,000	KRW 32,254,000
	Donations	-	KRW 34,217,000	KRW 379,108,000

* The volunteering classification system was revised in 2010 due to the creation of the social contribution portal system



Environmental remediation activities

3. Major Achievements

In 2011, 472 volunteer groups and 29,559 volunteers participated in wide-ranging social contribution programs for a total of 185,863 hours. This translates into 6.3 volunteering hours per person. Social-giving programs to help farmers, promote cultural exchange and engage in environmental volunteer work were undertaken proactively, as well as differentiated programs, such as ‘Happy Train’ that reflected our inherent features as a railroad operator. In order to incorporate the feedback of our social-giving programs into the operation of such programs, both the beneficiaries and the volunteering employees were surveyed regarding their satisfaction with our social contribution programs in 2011. It was discovered that 97% of the beneficiaries and 89% of the volunteers were satisfied with the programs.

Moreover, these company-wide social contribution initiatives allowed us to be recognized as a top-performing organization in practicing the spirit of sharing’ and in 2011, we were honored with the Minister of Health and Welfare Award. We were also awarded the Grand Prize in the social responsibility management sector at the ‘Global Standard Management Conference’.



Local Community _ Woon-Wang Kim Director of Administrative Office

As they are led by respective regional headquarters, operated systematically and attended by committed employees, KORAIL’s social contribution programs are highly recommendable. Recently, the breakdown of the middle class has emerged as a critical social issue and the economic gap is widening even more in provincial cities. As a state-owned enterprise, I hope that KORAIL will increase its interests in addressing this issue and do its share, as a partner who seeks out mutually-beneficial relationships. Due to resource limitations, it is difficult for local centers to sufficiently assist children and teenagers from multicultural families. Therefore, it is my sincere hope that KORAIL will become more proactive in offering practical assistance so that these children may have their human rights respected and mingle freely with the rest of the society.

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Happy Train activities

Social Contribution Programs

1. Happy Train

KORAIL's representative social contribution program—"Happy Train," aims to enable the underprivileged and vulnerable populations, who would not otherwise benefit from the culture and tourism industry, to enjoy the opportunity and pleasure of train tours through the use of "love points" donated by our employees. Each month, respective volunteer units choose their own themes and undertake Happy Train programs. In 2011, a total of 268 Happy Trains trips were provided to 12,292 people.

Fund-raising and Spending of Social Contribution Resources

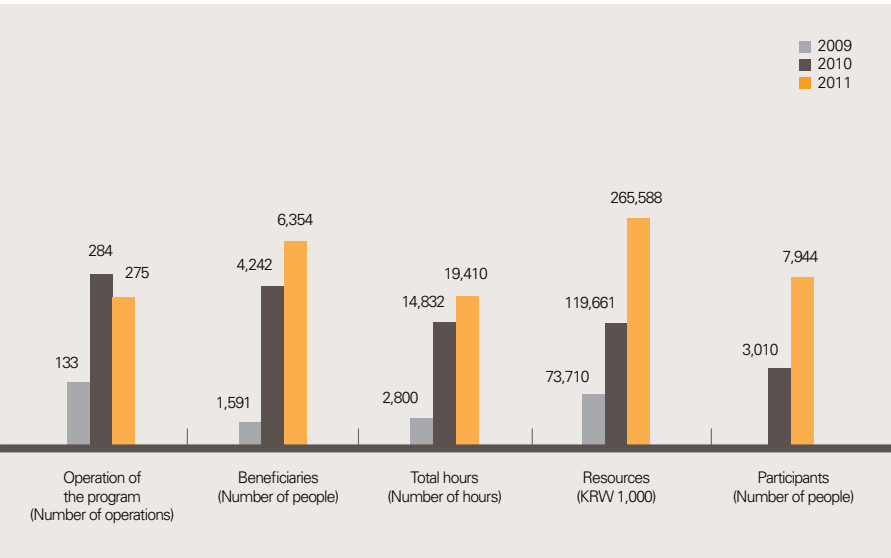
	2009	2010	2011
Operation of programs (Number of operations)	89	227	268
Beneficiaries (Number of people)	5,441	9,296	12,292
Total hours (Number of hours)	14,818	20,112	17,480
Resources (KRW 1,000)	97,162	316,472	370,298
Participants (Number of people)	-	2,250	5,511



KORAIL Village activities

2. KORAIL Village

The KORAIL Village program utilizes its human resources to help repair houses or renovate study rooms for the underprivileged living near station areas nationwide. In addition to simple living environment improvements, this program was expanded to cover pro bono initiatives to promote learning and a total of 275 sessions were held in 2011.



Helping farmers

3. Current Status of Social Contribution Programs

KORAIL is engaged in various social-giving programs-ranging from helping farmers on-site volunteer activities for the underprivileged to cultural and sporting events. We forged partnerships with a variety of non-profit organizations to undertake practical social contribution programs and the scope of our philanthropic initiatives include: disaster recovery, volunteer services for adolescents, life-sharing initiatives, blood donation and environmental protection.

The 'One Company One Village' program aims to work with nearby farming villages to extend helping hands during the busy farming season. By helping farmers discover new markets for their local products and providing venues for farmer's markets through sisterhood ties between KORAIL and farming villages, this program also contributes to the increased income of farming households. In addition, there are diversified programs to offer economic and emotional assistance to immigrant women married to Koreans, immigrant workers, and elderly people living alone. Cultural and sports assistance also assists individuals who are otherwise unexposed to cultural activities, to enjoy a more emotionally enriching life.

We have a designated railroad environmental protection week and undertake volunteer activities to protect the areas near railroads. These include the 'One Company One River' campaign, the 'collection of waste' campaign and the 'taking care of unmanned train stations' program. We encourage local governments and companies to participate in these programs to establish 'eco-friendly green railroads'. Forestation projects were also launched to create forests on empty land near train stations and 1,155 trees were planted at 390 offices in 2011.

NGO	Collaborative Project
Korean National Red Cross – Blood Donation Bank	Operation of joint fund-raising boxes within stations (80 stations)
Korean Council of Volunteer Organizations – Happy Train program	Operation of the Love Point scheme
'Rise Up Again' counseling center	Support for homeless rehabilitation programs
Habitat Korea-Joint operation of the KORAIL Village program	Serving as a business mentor
Child Fund-Happy Train program	Cooperate in selecting beneficiaries

	Helping Farmers	Visiting Volunteers	Education and Learning	Cultural Exchange	Sisterhood Ties with Welfare Organizations	Environmental Volunteering	Disaster Recovery	Blood Donation
Operation (Number of operations)	187	368	123	82	2,594	572	38	561
Beneficiaries (Number of people)	4,924	6,696	6,156	16,305	231,327	85,868	8,318	4,831
Total hours (Number of hours)	16,859	12,047	2,297	4,190	78,578	24,114	2,863	4,362
Participants (Number of people)	2,628	2,873	699	933	19,115	8,107	380	1,218

Ratio of
green purchasing
81.7 %

Environmental
investment
KRW **4.1** billion

GHG emissions
reduction target
for 2012
170,000 tons

OUR GREEN RAILROAD

DISCLOSURE ON MANAGEMENT APPROACH IN ECONOMIC AREAS

At KORAIL, environmental management constitutes a main pillar of our company-wide strategy. Our firm commitment to sustainability management is based on our endeavors to minimize our environmental footprint on the soil, air, water and the whole eco-system.

Management Aspect	Mid/long-term Implementation Directions	2011 Achievements (Explanations and quantifiable accomplishments)
Materials	To undertake policies to reduce the consumption of materials	Consumption of materials by weight or volume:
Energy	To improve the efficiency of energy use	Direct energy consumption by primary energy source: 7,679,502 TJ Indirect energy consumption by primary energy source: 22,346.053 TJ Energy consumption reduced through saving efforts or efficiency improvement: 1,101 TJ Efforts to provide services based on renewable energy and reductions in energy use: 3,377 MWH was saved annually (including the installation of operational electricity storage devices)
Water	To improve the efficiency of water use and reuse	Total water intake by source: 5,997,139 tons Water intake sources affected by water intake: 38 sources in addition to Paldang dam Total volume and ratio of water reused or recycled: 17,371 tons / 0.3%
Biodiversity	To consider the natural environment in undertaking business projects	Location and size of land possessed by KORAIL with high biodiversity value: 390 offices including the Seoul Station premises, 622,548m ² Impact of KORAIL's business on biodiversity: Habitats protected or restored: Habitats were provided to creatures through the creation of forests, parks and flower ways Biodiversity management strategies: Create a greener environment based on the green railroad development strategy (Undertaking railroad greening projects)
Compliance	To comply with environmental regulations	Penalties and the number of non-monetary sanctions imposed due to the violation of environmental regulations: None
Transport	To improve eco-friendliness through railroad transportation	Environmental impact caused by the transport of products, materials and employees: Eco-friendly railroad services are used
Overall	To expand facility investments to improve eco-friendliness	Expenditure on and total investments in environmental protection: KRW 4,108,284,000

*Operational fuel and fuel for daily consumption (oil and gas) **Operational electricity and electricity for daily consumption, cooling & heating (electricity, steam)



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[Environmental Management at KORAIL]

Eco-friendly greener railroads

↓ Low Carbon,
↑ Green Growth

KORAIL declared its vision for green management and developed strategic tasks to fully commit itself to green management.

Vision and Strategy

We are fully committed to achieving our vision to promote 'low carbon green growth' by developing a railroad-driven transportation system and through establishing an advanced environmental management system that befits both a leading railroad operator and a top-notch company.

Vision for Environmental Management

Establish an Eco-friendly Green Railroad Network

Three strategic Tasks in Environmental Management

In order to create new environmental values, our company-wide environmental improvement initiatives are based on the fulfillment of corporate social responsibility, environmental management and environmental protection. This is in addition to our proactive response to global environmental issues and climate change.

Goal	Establish Environmental Management and Reduce GHG Emissions		
Strategic Tasks	To develop eco-friendly management systems	To optimize environmental operation and management	To reduce GHG emissions
Detailed Implementation Tasks	- Disclosure of environmental information internally and externally - Advancement of the level of environmental management information systems - Development of eco-friendly technology	- Sustainable environmental investment - Reduction in environmental pollution - Strategic Environmental Communication	- Company-wide reduction of GHG emissions - Preparedness for the upcoming Korean emissions trading scheme - Discovery of and support for green business projects - Undertaking green environmental tasks



Related environmental organization _ Jang, Cheol Hyeon Ph.D
Vice-Chairman of Faculty Association Professor

The reduction of CO₂ emissions (even in inventory development) is emerging as an issue of interest all around the globe. KORAIL is responding to this trend by developing environmental management systems and eco management practices that are recognized as best practices. I hope that the wide-ranging endeavors taken at KORAIL to reduce energy consumption and CO₂ emissions are more actively communicated to the public through social network services and train broadcasting services. I also believe that KORAIL needs to take the lead in initiating various approaches in less economically-feasible areas through technology development and investment. In practicing the major emerging issue of eco management, I expect KORAIL to undertake more systemized and phased-in steps. Not only will this manage and improve the external environmental footprint of railroad services, it will allow KORAIL to become a state-owned enterprise that takes the lead in reducing energy consumption in the railroad industry.



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[Environmental Management System]

At KORAIL, our environmental management systems are used to ensure that environmental information is systematically analyzed and that environmental management fully covers each segment. We also strive to build a risk management system that enables immediate response to environmental accidents.

Environmental Management Information System

In order to support rapid decision-making, KORAIL's environmental information is analyzed and managed through the development and computerization of quantifiable data on the environmental operation of railroad services. This system includes the management of pollutant discharge information (which further includes GHG emissions, environmental facility information management, environmental expense management and green product purchasing support systems). The system allows the sharing of environmental resources and information distributed across the nation and supports rapid decision-making regarding environmental investments and facility management, through the environmental accounting system.

ISO 14001 Certification

We are focusing on the rolling stock workshops (in the metropolitan areas of Busan and Daejeon) where various environmentally related machines are being used in obtaining and managing the ISO 14001 certification. We take follow-up measures and certification renewal examinations on this process continuously. There will be sustained efforts for the entire company to be certified with environmental standards.

KORAIL Departments Certified with ISO 14001

Department	Date of Certification
Goyang Rolling Stock Workshop	2003. 09
Busan Rolling Stock Workshop	2002. 06
Daejeon Rolling Stock Workshop	2002. 11

Certification Body: Korean Standards Association

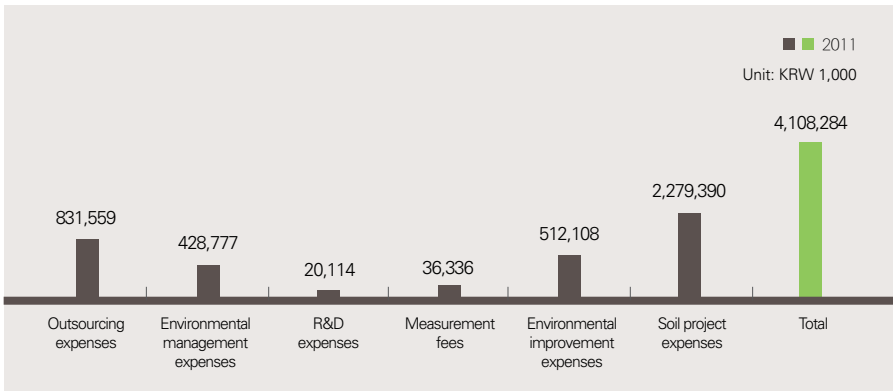
Management of Environmental Expenses

Our environmental investments and expenses are analyzed in each sector as a strategic means to improve the efficiency and environmental performance of these sectors. This process also allows the departments at KORAIL to use greater reasoning skills in daily operations and support more efficient decision-making by top management (including facility investment). It also helps us ensure transparency in providing information to stakeholders.

Transparent Disclosure of Environmental Information

KORAIL's environmental management content is operated and managed through its official corporate website (www.korail.com) and continuous upgraded environmental data is uploaded to the website to provide environmental management information to website visitors and customers in an expedient and transparent manner. Moreover, our environmental management reports, which illustrate KORAIL's endeavors to respond to climate change, environmental management and environmental protection activities have been published since 2006, in order to share such information with customers and stakeholders.

Environmental Expenses



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[GHG Energy Target Management]

Disclosure on Management Approach

Emissions (Atmospheric emissions)

Total direct/indirect GHG emissions: 1,744,551 tonCO2-eq

Other GHG emissions: No emissions from processes in concern

Emissions reduction projects and their outcomes: Savings in fuel for powered rolling stock and in electricity consumption (80,145 tonCO2-eq)

Emissions of ozone-depleting substances: To be investigated in 2012

Emissions of Major Air Pollutants including NOX and SOX:
- NOX : 9,463 tons
- SOC : 0 ton (Not relevant to railroads)
- CO : 1,932 tons
- VOC : 839 tons
- TSP : 274 tons
- PM10 : 260 tons

At KORAIL, the GHG Energy Committee is up and running to help reach GHG and energy reduction targets. We strive to systematically manage these targets and will fulfill our role as an operator of low carbon transportation means.

Mid-term GHG Emissions Reduction Targets

KORAIL set its own GHG emissions reduction target and is fully committed to reaching this goal of 170,000 tons for 2012, which is higher than the 98,000 tons that was allotted by the Korean government under the GHG energy target management system.

2012 GHG Emissions Reduction Target Allocated by the Korean Government

Category	Base year emissions	2012 emissions under the BAU scenario	Reduction rates	Reduction targets for 2012	Allowed emissions for 2012
GHG emissions (tCO ₂)	1,664,080	1,933,367	0.5%	9,876	1,923,491

Mid-term GHG Emissions Reduction Targets at KORAIL

Category	2012	2013	2014	2015	2016
GHG emissions under the BAU scenario (tCO ₂)	1,933,387	2,060,211	2,102,976	2,164,468	2,296,966
GHG emissions plans (tCO ₂)	1,767,091	1,839,466	1,886,249	1,945,174	2,043,668
GHG emissions reduction targets (tCO ₂)	166,296	220,745	216,727	219,293	253,298

Establishment of the GHG Emissions Reduction System

Our company-wide Green House Gas Committee was created and supervised by the Vice President and attended by top executives in order to manage GHG emissions and energy consumption. In addition, GHGE working-level committees and GHGE committees in each organization are up and running to provide working-level support. The development of GHG emission calculations, monitoring and verification systems allow us to collect and manage data on GHG emissions-related activities.

GHG Inventory

At KORAIL, sources of GHG emissions are classified into operational energy for railroad transport and into daily energy consumption for the operating railroad facilities. Our GHG emissions (based on train operation distance) fell by 1.4% to 0.89 kg/km in 2011, against the base year number of 0.90 kg/km (average between 2007 and 2009).

GHG Emissions by Train Mile

Category	2007	2008	2009	2010	2011
GHG Emissions from Trains (1,000 tons)	1,516	1,535	1,483	1,507	1,568
Train mile (converted to car-100 million km)	16.6	17.1	16.5	16.8	17.6
kg/km	0.91	0.90	0.90	0.90	0.89

GHG Emissions at KORAIL

In 2011, our GHG emissions were 1.745 million tons, up by 4.7% from 1.664 tons of the base year. This is attributable to increased governmental investments for railroads to open new lines and expand train operations. These investments can be attributed to the fact that railroads are far superior to other means of transportation, in terms of the potential they have in reducing GHG emissions per transport unit. The continued increase in railroad operation is the surest way to dramatically reduce GHG emissions in the transportation sector.

GHG Emissions by Activity

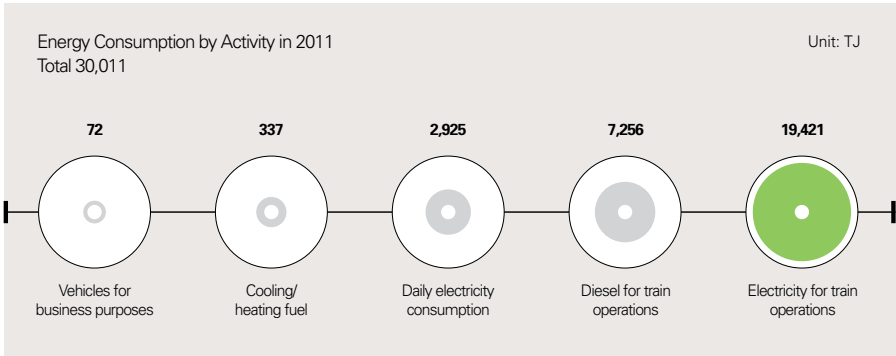
Category of Activity	2007	2008	2009	2010	2011
Total	1,665,804	1,687,794	1,638,640	1,678,977	1,744,551
Diesel for train operation	697,257	680,930	601,306	585,563	562,192
Electricity for train operation	818,360	853,929	881,382	921,827	1,006,112
Daily electricity consumption	120,633	119,326	127,582	142,483	151,529
Cooling/heating fuel	25,207	29,866	24,896	25,275	18,760
Vehicles for business purposes	4,347	3,743	3,474	3,829	5,958

KORAIL accounts for 40% of the total GHG emissions generated by the 11 transportation companies subject to the GHG target management system of the Korean government. It also accounts for 64.4% of the total GHG emissions generated by six companies in the railroad industry. This demonstrates that KORAIL is the sole way for the government to manage GHG emissions in the transportation sector.

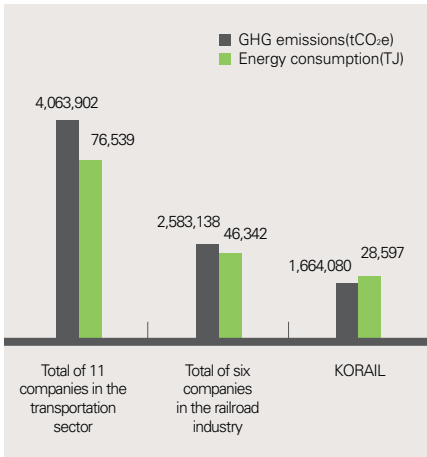
Energy Consumption at KORAIL

At KORAIL, our energy consumption relates primarily to train operations. This type of energy accounts for 91% of the total energy consumption. The remaining energy consumption relates to daily consumption, such as: daily electricity needed to maintain and manage stations, railroad depots&signal facilities, cooling & heating fuel and fuel for vehicles used for business. While electricity consumption for electricity-powered trains is on the continuous rise due to increasing demands, the consumption of diesel for trains is declining due to the massive amount of pollutants generated by diesel.

GHG Emissions and Energy Consumption in 2011



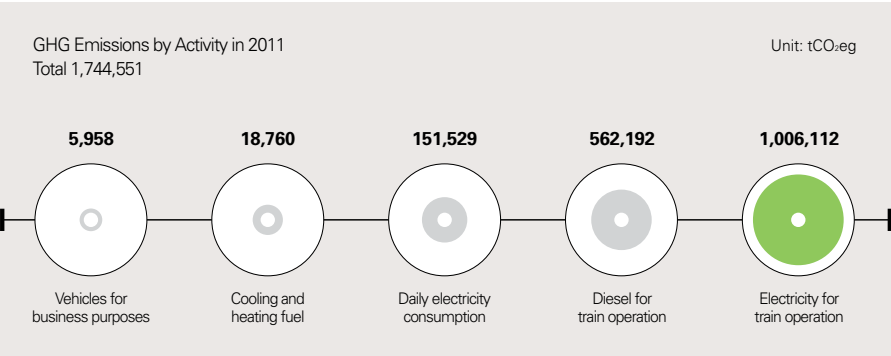
Base Year Comparison of GHG Emissions and Energy Consumption in the Transportation Sector



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[GHG Energy Target Management]

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Energy Consumption by Activity

Unit: TJ

Category of Activity	2007	2008	2009	2010	2011
Total	27,029	28,136	27,710	28,597	30,011
Diesel for train operations	8,405	8,788	7,760	7,558	7,256
Electricity for train operations	15,797	16,484	17,013	17,794	19,421
Daily electricity consumption	2,329	2,303	2,463	2,750	2,925
Cooling and heating fuel	443	513	428	449	337
Vehicles for business purposes	55	48	46	46	72

Effects of the Mock Training Scheme

Year	2010	2011
Organization	Headquarter building	Regional headquarters and affiliated organizations
GHG emissions reduced	31tCO ₂ e	20,840tCO ₂ e
Expenses saved	KRW 21 million	KRW 3.814 billion

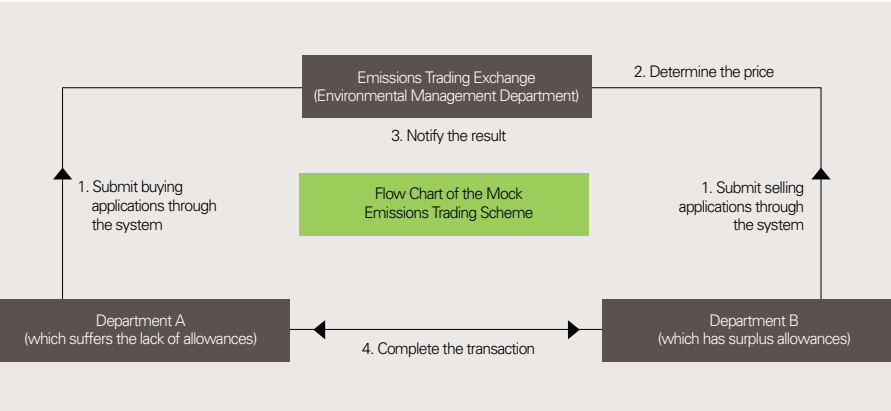


Awarding ceremony for the in-house mock emissions trading scheme

Mock Emissions Trading Scheme

To build preparedness for the upcoming Korean emissions trading scheme to be launched in 2015, the mock emissions trading scheme was developed at KORAIL in order to accumulate experiences in advance, build company-wide capacity and undertake efficient GHG emissions reduction initiatives, thereby saving more energy. One of its quantifiable outcomes was KRW 3.8 billion in energy savings in 2011.

KORAIL ETS Operational Process



First Railroad Company with Carbon Labeling

GHG emissions generated in the entire process of railroad service operations to train maintenance are managed and disclosed to our customers under the carbon labeling system by the Ministry of Environment. By providing this officially recognized data, we contribute to the expansion of a low carbon consumption culture.

Carbon Labeling

The KTX Seoul-Busan Line, our representative line, was certified with carbon labeling for the first time in the railroad industry. Next, the Sangbong-Chuncheon section on the Gyeongchun metro line was certified, along with our railroad logistics that were also carbon-labeled. Such accomplishments illustrate our firm commitment in encouraging customers to practice a greener lifestyle and in assisting the GHG energy target management system of the Korean government, by providing accurate GHG emissions data to railroad customers and logistics companies.

Carbon labeling officially recognizes KORAIL's efforts to thoroughly manage its GHG emissions and energy consumption in the entire spectrum of its railroad services. It also externally recognizes the eco-friendliness of low carbon railroad services that are far ahead of vehicles, in terms of GHG emissions.

Carbon Labeling Certification

Details	Total GHG emissions	Emissions by 1 km	Level of GHG emissions	Carbon labeling logo
KTX (Seoul-Busan) one person, one-way trip	9.98kg	24.5g	1/6.9 of passenger vehicles	
Gyeongchun Line (Sangbong-Chuncheon) one person one-way trip	2.09kg	25.7g	-1/6.5 of passenger vehicles	
Railroad logistics, one tone, one km trip	45.1g	45.1g	1/6.7 of freight vehicles	

GHG Emissions Reduced in Carbon Labeled Sections Compared to Roads

Section	GHG intensity (CO ₂)	Railroad transportation volume in each section	GHG emissions by transportation means(tonCO ₂)	GHG Emissions Reduction (tonCO ₂)
KTX (Seoul-Busan)	Railroad	24.5g/ per person.km	10,690,773 ,000 persons.km	261,924
	Passenger Vehicles	168.2g/ per person.km		1,798,188
Gyeongchun Line (Sangbong-Chuncheon)	Railroad	25.7g/ per person.km	894,743 ,000 persons.km	22,995
	Passenger Vehicles	168.2g/ per person.km		150,496
Railroad logistics	Railroad	45.1g/ Ton.km	9,996,495 ,000 ton . km	450,842
	Passenger Vehicles	299.6g/ Ton.km		2,994,950

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[Company-wide Endeavors for
Energy Efficiency]



‘Let’s Wear Long Underwear’ campaign

Conservation of Operational Energy		
Category	Achievements (KRW million)	
	2010	2011
Total	10,343	11,224
Suspension of operation	8,786	9,559
Omission of connection of generator vehicles	1,162	1,276
Non-fire deadhead-ing of powered rolling stock	395	389

Penetration of LED Lighting in Subway Trains			
Unit: Car, KRW 1 million			
Category	2010	2011	Total
LED-replaced cars	200	56	256
Monetary savings	155	43	198



LED-lighted

To efficiently manage energy consumption expenses (11% of KORAIL’s operating profit or KRW 4.9 trillion), we developed a dual management system that separates operational energy for train vehicles from daily consumption energy for stations.

Top Management’s Commitment to Energy Conservation

In order to demonstrate its firm commitment to the goal of reducing 10% of its daily energy consumption, the top management at KORAIL held a ceremony to announce its firm resolution to conserve on electricity consumption.

Company-wide Awareness for Energy Saving

The energy saving pledge sung by all KORAIL employees helped improve awareness in energy conservation. The green leader training (supervised by the Ministry of Environment) assisted KORAIL in developing and operating a talent pool of energy mentors. Various campaigns (including ‘Let’s Wear Long Underwear’) also contribute to nation-wide energy saving promotional activities.

Conserving Operational Energy for Train Operation

We are fully committed to advancing our railroad system by ensuring the systemized management of operational energy for train operation, which accounts for 91% of the total energy consumption at KORAIL. Detailed actions taken to conserve energy include the practice of eco-driving habits, the prevention of idling of powered rolling stock and conservation of energy during vehicle inspections.

Conserving Operational Energy of Trains

Stronger endeavors to save the consumption of idle r.p.m of diesel trains and the efficient operation of train cars, enabled us to post KRW 11.2 billion in energy savings annually.

Expansion of LED Lighting

In order to save electricity, we are increasingly installing LED lighting devices in existing buildings (as well as trains).

Penetration of LED Lighting in Subway Trains				
Unit: Car, KRW 1 million				
Category	2009	2010	20112012(Expected)	Total
LED-replaced cars	360	380	380	750
Monetary savings	107	113	113	223

Introduction of Eco-friendly Electricity-powered Trains

To maximize the efficient use of operational energy, we offer precedence to the operation of electricity-powered trains, which are three times more energy efficient than diesel trains.

Category	Converted km by Train (1,000 km)		
	2009	2010	2011
Total	1,654,407(100%)	1,681,095(100%)	1,760,895(100%)
Diesel train	604,963(37%)	594,873(35%)	570,645(32%)
Electricity-powered train	1,049,444(63%)	1,086,222(65%)	1,190,250(68%)

Operation of Storage Devices for Operational Electricity

To ensure the efficient use of operational electricity, electricity storage devices are in operation at Yongjeong sectioning point on the Gyeongbu high-speed train line and the reuse of regenerative electricity save us KRW 300 million (3,377MWh) in energy costs annually.

Achievements in Conservation of Daily Consumption Energy

All KORAIL, employees join the campaign to practice a greener lifestyle and lead energy-saving activities. This campaign, along with others, which were launched in order to help KORAIL develop into an advanced state-owned enterprise, translated into KRW 4.2 billion in daily consumption energy savings.

Category	Details	Cost Saved
1	Office heating through the use of the heat energy produced by testing labs	KRW 48 million
2	Creation of standards regarding the development and operation of lighting tower control devices	KRW 240 million
3	Energy saving through the company-wide mock emissions trading scheme	KRW 3.8 billion
4	Operation of the maximum electricity control system	KRW 63 million
5	Participation in the weekly-forecast demand control system	KRW 12 million
6	Replacement of conventional lighting devices in offices and stations with LED devices	KRW 39 million

Management of Energy Saving Tasks

Open competitions for energy-conservation ideas and tasks are held at KORAIL to maximize our energy-saving initiatives. The chosen tasks are then applied to our actual operations to contribute to improved management efficiency.

Year	Implementation Tasks	Cost Saved
2010	Adjustment of shunting passenger train operation schedule	KRW 137 million
2010	Reduction in fuel consumption for deadheading of push-pull DHCs (diesel hydraulic car)	KRW 44 million
2010	Modification of freight train operation (segmentation of operational patterns)	KRW 1.789 billion
2010	Adjustment of idling velocity of diesel trains	KRW 68 million
2010	Reduction of testing operation time during regular inspections of generator vehicles	KRW 3 million
2010	Installment of bumps to collect residual oil from the use of diesel for train operation	KRW 33 million
2011	Production of testing devices to enable the measurement of water temperature sensors of generator vehicles	KRW 10 million
2011	Reduction of operational fuel during incoming deadheading of RDC trains	KRW 8 million

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[Advancement of Environmental
Operation and Management]

At KORAIL, we are fully dedicated to developing a proactive environmental infrastruc-
ture along with an environmental management structure, through eco-friendly and ad-
vanced management practices that place the environment above mere profit-making.

Continued Efforts to Build an Environmental Infrastructure

To ensure the sustainable growth of the railroad as an eco-friendly means of transporta-
tion, we are intensively investing in the appropriate treatments for various pollutants
(generated from maintaining and repairing railroad facilities), the improvement of treat-
ment processes and the management of sector-specific environmental risks.

Investment in Environmental Facilities

At KORAIL, environmental pollution control facilities are continuously being improved
and installed, in order to minimize the discharge of environmental pollutants from our
worksites. In so doing, we are making proactive investments in creating future environ-
mental values.

Unit: KRW million				
Category	2008	2009	2010	2011
Total	826	1,025	403	268
Air	-	-	305	-
Noise	-	-	13	-
Water	571	769	61	239
Soil	90	222	-	29
Waste	165	34	24	-

Water Quality Management

Discharge of Water Pollutants at KORAIL

Water pollutants(generated from railroad worksites and classified as “waste water”) include the water from cleaning and maintaining train cars, sewage from train toilets and daily wastewater from various facilities.

Management of Discharge Water Quality

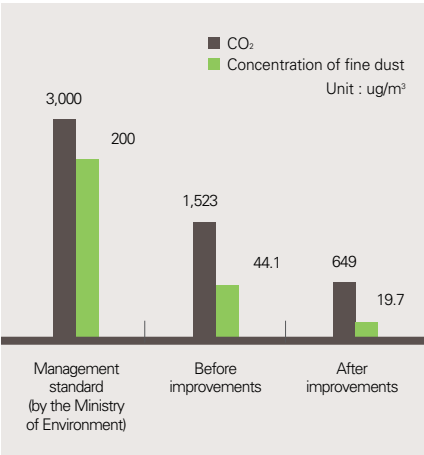
Sewage and wastewater generated from our worksites is treated in-house or by out-
sourcing companies and discharged into the natural water system to maintain the quality
of the public water. In addition, environmental engineers are appointed to manage the
function of water treatment facilities at normal levels. The regular monitoring of water
quality also ensures that the quality of effluent is maintained at legally-permissible levels.

Efficient Management of Water Resources

To proactively respond to climate change and the emerging shortages of water, we at
KORAIL are expanding water-saving water facilities and launching water saving cam-
paigns to save water resources. Rainwater harvesting devices are up and running to
collect and use the rainwater on rooftops of train stations and depots. Such endeavors
aim to secure eco-friendly water resources and promote the use of sustainable water
resources. In so doing, we practice an eco-friendly green lifestyle in our daily operations
to respond to climate change.

Composition of Rainwater Harvesting Facilities			
Water trap facility	Treatment facility	Settling facility	Water supply and drainage facility
Water trap surfaces (rooftops, etc.)	Settling tank	Retaining tank	Water supply pump
Roof train	Initial rainwater treatment device	Treatment tank	Water supply facility
Gutter bearer	Filter tank	-	Water supply pipe
Collecting pipe	Disinfection device	-	Facility measure-ment and control device

Improvement of KTX Train Air Quality



The improvement of water supply systems to prevent freezes and bursts helps us
eliminate unnecessary water waste in the winter season. In addition, the installment
of water-saving disks at water discharging ports and the manufacturing and operation
of portable water pressure measurement units save us KRW 350 million in water costs
annually.

Air Quality Management

Management of Air Pollutants

Air pollutants generated from the railroad consist of: dust from inspecting and painting
train cars, hydrocarbon (THC) and exhaust gas from train operations. To manage these
air pollutants, our ventilation facilities and train vehicles are subject to constant examina-
tions and control facilities are installed and improved.

Management of Indoor Air Quality at Multi-purpose Facilities

Indoor air quality at such multi-purpose facilities as underground stations and ground
stations (waiting rooms of over 2,000m² in gross floor area) is regularly measured and
reported to local governments in charge. In addition, the management of underground
air-conditioning facilities, general inspections of cooling facilities, and the management
of station ventilation facilities constitute part of our endeavors in continuous inspections
and improvement to manage indoor air quality. These are just a few of our efforts to
ensure the safety of our customers. All our stations subject to indoor air quality manage-
ment (29 ground stations and 35 underground stations) satisfy more stringent criteria
than the legal threshold in indoor air quality.

Management of Indoor Air Quality of Public Transportation

The indoor air quality of KORAIL trains is measured in accordance with the indoor air
quality management guidelines for public transportation and fully satisfies the recom-
mended standards. To maintain clean and fresh air on trains, air purification filters that
produce phytoncide effects were installed and the capacity of air supply facilities was
expanded. The improvement of air-conditioning facilities on KTX trains reduced the con-
centration of fine dust from 44.1ug/m³ to 19.7ug/m³.

To address the structural problems that lie in bottom-mounted air-conditioning devices
on conventional trains, air-suctioning ducts were improved and air discharging ducts
were replaced (66 train cars) in order to enhance the quality of indoor air on trains.

Phytoncide: This refers to all substances having sterilizing effects and that are generated by forest plants

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[Advancement of Environmental
Operation and Management]

Soil Quality Management

Soil Quality Measurement Net

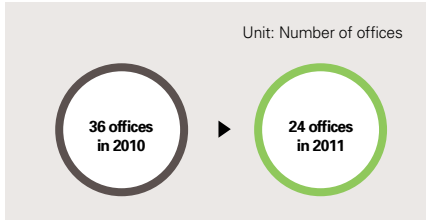
In order to identify the status of soil contamination and relevant problems, the soil quality sites at railroads are under constant monitoring at KORAIL. There are 1,521 measurement nets installed and operated across the nation by the Ministry of Environment.

We share these measurement nets with the ministry to keep an eye on soil quality near railroad sites and so that we can continue monitoring changes in soil quality for further improvements to prevent soil contamination. These endeavors encouraged the ministry to make an announcement to reduce the number of railroad site measurement points from 36 to 24 (Mar. 31, 2011).

Changes in Soil Contamination Measured by the Soil Quality Measurement Network Installed along Railroad Sites

Unit: mg/kg											
Year	Cd	Cu	As	Hg	Pb	Cr ⁺⁶	Zn	Ni	F	CN	TPH
Legal threshold	60	2,000	200	20	700	40	2,000	500	800	120	2,000
2009	0.097	4.276	0.390	0.035	6.177	0.080	87.285	6.251	211.577	0.009	31.039
2010	1.231	26.497	6.602	0.027	32.669	0.100	102.658	12.793	257.035	0.008	51.195

Status of the Soil Quality
Measurement Network by Year



Measurement Points by Region

Unit: Number of offices	
Category	
Total	35
Metropolitan area	9
Yeoungnam region	9
Honam region	8
Daejeon region	5
Gangwon region	4

Management of Offices with High Soil Contamination Risks including Station Premises

We are highly cautious in preventing soil contamination that is caused by the use of various types of oil-ranging from oil fall from train cars, lubricants sprayed from wheel lubricators and oil anointed on track switching devices. Included in measures to manage offices that use these types of oil are the installment of oil absorption pads on tracks and track bed replacements at offices with frequent occasions of train standby and train incoming/outgoing lines. Moreover, lubricants used for track switching devices are increasingly replaced with biodegradable counterparts and inunction-less turn-out devices are under development.

Management of Noise and Vibration

Railroad Noise Measurement Nets at KORAIL

The Ministry of Environment designated 35 points to represent the level of railroad noise in urban areas and has been building and operating railroad noise measurement nets at these points since 2004.

Noise Control Measure by Sector

Mechanical Noise

Noisy diesel electric trains with loud mechanics are being replaced with low-noise vehicles (298 electricity-powered trains and 246 EMU trains).

Disclosure on Management Approach

Effluents and Waste

Wastewater discharged by each source: 218,039m³

Total discharge of waste: 3,054 tons

Number of cases where hazardous substances were discharged and their volume: None

Vibrational Noise

Continuous welded rails that are seamless and high in weight are being installed to cover 3,689 km (92%) of the total 3,998 km of main tracks by 2012 under the agreement with the Korea Rail Network Authority.

※ Continuous welded rail: Rails that are over 200 m in length

Aerodynamic Noise

Trains are designed and manufactured in accordance with the ISO-3095 standards to reduce aerodynamic noise.

※ ISO-3095: International standard on the measurement of railroad noise

Other Operational Noise

Special training is offered to train crew members on using restraints on whistle in relation to densely populated areas and contract research (11 projects) is underway to reduce railroad noise.

Waste Management

Reduction of Waste

To reduce waste, real name discharging documentation, designation of discharging hours and the recycling of waste are constantly observed, as well as appropriate management standards by waste property.

The waste generated from our worksites is treated by outsourcing companies and in accordance with legal standards. To encourage employees to fully engage in such endeavors, we ensure that individual employee efforts in reducing waste are reflected in employee training and department-level performance assessments. The following shows how waste is treated at each worksite annually.

Recycling of Waste

Daily waste from stations and offices is recycled to reduce waste. Promotional banners are collected and recycled as shopping bags and aprons, which are then given as gifts to customers. Through such actions, we take the lead in recycling valuable resources.

Reduction of Food Waste

To reduce food waste from stations and offices, a “No Leftover Food Day” is designated at KORAIL, and top performers are awarded with mugs. The eco menu program also enables us to donate leftover food so that it can be used for food-sharing volunteer work.

Support for Waste Oil Recycling Projects

Technology development assistance was offered to companies specializing in recycling waste lubricants generated from train engine rooms and other machines (the company was chosen at the in-house public venture competition in 2008). To further reduce waste from business operations and increase recycling rates, each department is encouraged to apply various recycling methods and minimize the discharge of waste.

Eco-friendly railroads that
care for the earth
Convenient and Safe Railroad
High-quality and Prepared Railroad

ECO-FRIENDLY RAILROADS THAT CARE FOR THE EARTH

[Railroad Greening Project]

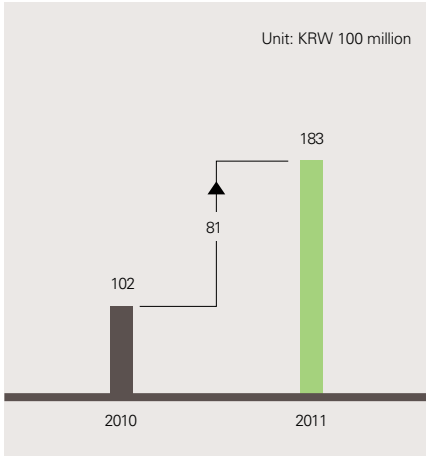


Planting flowers along railroad tracks



Planting Rose of Sharon flowers

Increase in Reduction of Project Expenses (126%)



In order to create a greener environment, KORAIL works together with stakeholders to undertake greening projects at station plazas, track areas and other vacant sites. This contributes to low carbon green growth and to the creation of greener railroads.

Creation of Eco-friendly and Greener Railroads

Sound-proof walls that were initially installed to reduce railroad noise were beautified with ivy, spindle trees and shrubs of differing heights to create more eco-friendly and greener railroads.

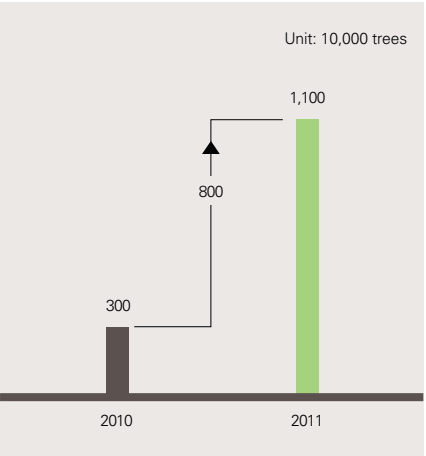
These roads will not only help reduce railroad noise, they will provide passengers with the pleasure of convenient and pleasant trips. In order to deliver a more beautiful and greener travel and to offset GHG emissions, urban forests have been developed along tracks and at station plazas. This constitutes just part of our railroad greening projects.

Achievements for Greening Projects

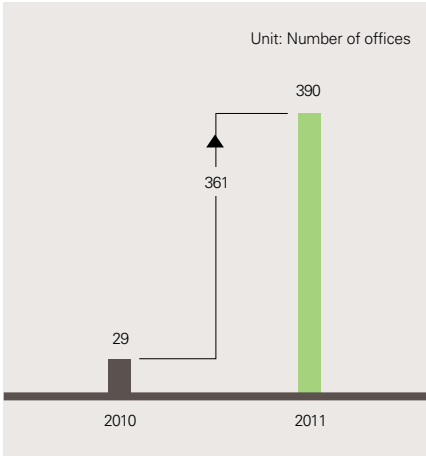
KORAIL worked with 99 private sector companies and local governments on greening projects to plant 1.15 million trees at 361 offices.

Project Name	2010		2011	
	Number of offices	Number of planted trees	Number of offices	Number of planted trees
Total	361	7,892,291	390	11,549,331
Forestation (Number of trees)	154	310,829	129	299,938
Greening of sound-proof walls (Number of trees)	18	24,800	11	3,502
Creation of flower gardens (Number of plant individuals)	189	7,556,662	250	11,245,891

Increase in Planted Trees (37%)



Increase in Green Offices (8%)



ECO-FRIENDLY RAILROADS THAT CARE FOR THE EARTH

[Green Purchasing]



Rally to promote green purchasing

At KORAIL, the facilitation of green purchasing is clearly stipulated in our corporate policy in accordance with the 'Green Purchasing Facilitation Act' to promote green purchasing.

Management of Green Purchasing Performance

In order to promote the purchase of green products, each department is analyzed biannually for its green purchasing performance. Included in our endeavors for green purchasing in 2011 were: the development of a green purchasing system (twice), the incorporation of green purchasing into corporate regulations (three times), the incorporation of green purchasing in design service specifications (79 times), system improvements (10 times), training (105 times) and implementation orders for green purchasing (30 times). As a result, KORAIL scored 92.62 points (up by 11.02 points from the previous year) according to the governmental management evaluation of mandatory green purchasing obligations in 2011. Moreover, it is clearly stipulated that green products should take precedence over other products in various service contract documents, contract specifications and bidding announcements. Constant monitoring systems (MRO, ERP) for green purchasing outcomes are developed and improved in accordance with annual green purchasing plans.

In practicing green purchasing that conserves resources and reduces environmental pollution, we aim to minimize our environmental footprint in the product use stage and reduce environmental remediation costs, thereby contributing to the conservation of social costs.

Annual Green Purchasing Ratio			
Cat-egory	Results		(%)
	Total purchases (KRW 10,000)	Purchase of green products (KRW 10,000)	
2008	10,010	7,194	71.84
2009	12,894	10,352	80.28
2010	11,339	8,977	79.17
2011	10,690	8,734	81.70

Sales of Green Products

The KTX character products sold through our subsidiaries at stations (lunch boxes, spoons and cups) help us contribute to the green industry in that these products are eco-friendly and made from biodegradable resin corn starch.

Green Purchasing PR

Our annual green purchasing outcomes and plans are disclosed through corporate disclosure documents. In addition, electronic boards at stations and screens and announcements on trains, serve as another means to promote green purchasing nation-wide and encourage the public to practice green purchasing.

In order to raise awareness regarding green purchasing at KORAIL, the green purchasing pledge was signed, a green purchasing rally was held and the compliance form was developed.

In addition, the green card program (which aims to promote green purchasing) is promoted on the KORAIL website and throughout stations nationwide.

Promotional activities were undertaken with 1,160 posters, 49,600 leaflets and 110 banners.

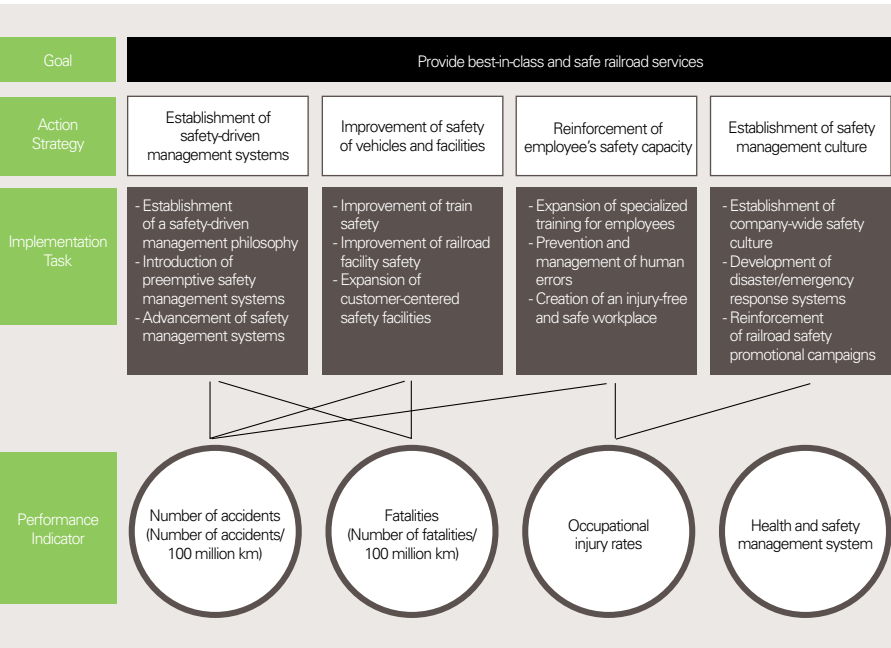
CONVENIENT AND SAFE RAILROAD

KORAIL is committed to providing the safest railroad services to its customers. We will do our utmost to offer more convenient services through proactive safety management.

Safety-centered Management System

At KORAIL, the introduction of advanced safety management systems allowed us to establish a safety-centered management system and utilize scientific analyses and system management to provide safe railroad services. In 2011, ‘safety’ was defined as a top priority management value. This came in accordance with the firm commitment of the company CEO. The share of safety indicators in internal and external management evaluations rose significantly and this created a solid foundation for safety management. To maintain an absolute safety system, the Safety Office ,under the direct control of the CEO, was created in May 2011. This system specialized in safety operations and 316 safety tasks that cover the entire business operation were identified and are under implementation. Moreover, the Committee on Promoting Railway Safety Operating, chaired by Vice President, meets weekly to review safety improvement tasks and pending safety issues to secure executive capabilities.

Our targets are more stringent than the comprehensive railroad safety plan targets set by the government and we aim to reduce the number of railroad accidents and fatalities by 10% per 100 train km by 2015. Moreover, we are determined to improve occupational injury-free rates to the No. 1 level among OECD countries (0.230 in Japan) and to have each one of our worksites certified with domestic & international health and safety standards.

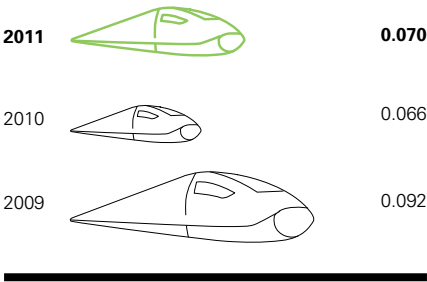


Preemptive Safety Management

KORAIL became the first state-owned enterprise to apply risk analysis techniques to operational procedures by using safety management systems. Safety verification procedures, standards and methods were institutionalized through implementation regulations and practical manuals were disseminated in November 2011 to lay the basis for working-level implementation. Moreover, managers in each risk level were obliged to perform double checks regarding maintenance and repair work and maintenance and repair work check lists were improved to strengthen safety management systems.

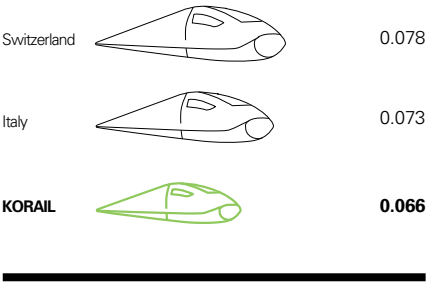
Railroad Accident Rates

Unit: Number of accidents/ million km

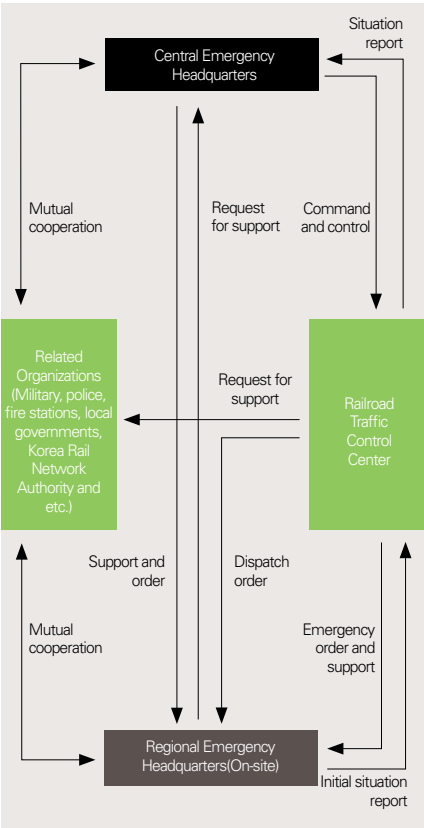


Comparison against Overseas Railroad Accidents

Unit: Number of accidents/ million km



Emergency Response Framework



Introduction of an Advanced Safety Management System

At KORAIL, the SMS (Safety Management System) based on risk assessment, is utilized to identify and improve risk factors and issues with safety management in order to minimize accidents and resultant damages. In 2011, safety management systems in the aerospace industry were benchmarked to further advance our SMS and safety improvement tasks. Consequently, 74 tasks that suited KORAIL operations were chosen and undertaken. This elevated the level of our safety management a notch higher.

We use UIC's world rail statistics in managing railroad accident rates to improve our railroad safety to global levels. Thorough efforts for safety management enabled us to record a 0.066 railroad accident rate as of UIC statistics in 2010, which put KORAIL in the world's No. 1 position. In 2011, we are expected to once again place first, with a 0.070 accident rate.

Establishment of Disaster and Emergency Response Systems

At KORAIL, ‘risk management standard manuals’ for each type of disaster (storms, floods, blizzards and earthquakes) and disaster response systems were developed to prevent disasters. Emergency exercises are also executed in each stage of various disasters in order to establish prompt recovery systems and secure safety in train operation. Previously, the manual terms between the government and KORAIL differed and the terms between the main headquarters and the regional headquarters and line of command were not clearly defined for high-speed train operation. This hampered a swift response to emergencies. However, scenario-specific exercises that respond to various risk situations and the reorganization of risk response manuals allowed us to establish a well-functioning line of command to address emergencies.

CONVENIENT AND SAFE RAILROAD



Safety inspection of high-speed railroads



Disaster exercises



Emergency drills

Reinforcement of Train and Facility Safety

1. Improvement of Train Car Safety

Our Zero Malfunction Promotion Committee meets monthly to analyze root causes for failures and to develop & undertake customized safety measures in order to secure safety in train operation. In 2011, there was a temporary surge in malfunctions due to the increasing fatigue of high-speed trains and this was addressed by restructuring the train operation systems to enable swift inspections and expand the inspection schedule.

All aging KTX components were replaced with new counterparts in accordance with the replacement cycle. To address KTX-Sancheon train production defects, repair measures were taken immediately and the quality management department of the train manufacturer was further strengthened. The procurement lead-time was also shortened from 7~14 days to 2~4 days, to ensure timely repair work in the case of train failures. This contributed to the establishment of a stable component supply system and to strengthening the management of major components. These endeavors led to reductions in high-speed train failures from 22 cases (third quarter) to 9 cases (fourth quarter).

2. Improvement of Railroad Facility Safety

At KORAIL, we improved older railroad structures (approximately 48%) with over fifty years of service and reorganized maintenance and repair systems in order to establish an advanced safety management system. Internally, maintenance and repair regulations and manuals were restructured and a track switching device maintenance and repair check list was developed internally to establish inspection criteria to prevent track derailment. Externally, examination standards to select qualified suppliers became more stringent to fundamentally prevent train accidents caused by external factors.

To prevent rail irregularities regarding high-speed trains, intensive efforts were made to stabilize tracks. This included rail grinding and the spraying of track bed stabilizing agents. This addressed defects on rail surfaces and helped reduce train vibration.

3. Expansion of Safety Facilities

At KORAIL, we continue to expand safety facilities to prevent safety accidents that could involve passengers (with an emphasis on individuals who may be less mobile). To this end, train interiors have been refurbished with non-flammable materials and the number of screen doors has increased to prevent passengers from falling from the platform. In addition, safety fences, safety footholds and emergency stop buttons were installed at 166 stations.

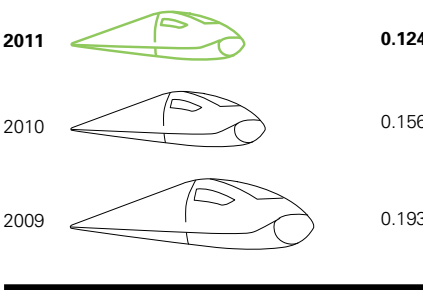
Audio guidance devices (144 units) were installed at 29 stations and elevators and escalators were installed at 12 stations to assist those with mobility issues.

Measures to Prevent the Same or Similar Accidents in 2011

Category	Human error	Improvements made
Control-ler	Insufficient confirmation and handling of signals and monitoring of the operating panel, Insufficient cooperation with train operators	Operation of year-round training institutes (those under three years of experience), Mutual exchange between controllers and maintenance workers (27 employees), Accident-handling exercises (twice a month)
Engineer	Insufficient confirmation of signals and pathways, Random operation, Insufficient attention to train operation, Violation of stop positions	Application of stronger criteria in selecting KTX captains and engineers, Newly created regulation on the ban of use of cell phones (June), Improvement of the FTS function (Taking steps in the case of failures)
Signal handler	Wrongful handling of signals and pathways, Insufficient work consultation and provision of operational information	Training on pointing and calling (twice), Installment of facilities to prevent running into wrong track (six offices)
Train crew	Negligence in device check and insufficient capability in handling devices, Tardiness	Application of stricter disciplinary measures for drinking, Application of more stringent standards on crew member's job suitability and punctual arrival at work
Maintenance workers	Negligence in walk-around inspections and shunting blocking operation, Negligence in vehicle inspections	Development of the dual check system on maintenance and repair operations, Consigned training and technology exchange for manufacturers in each sector

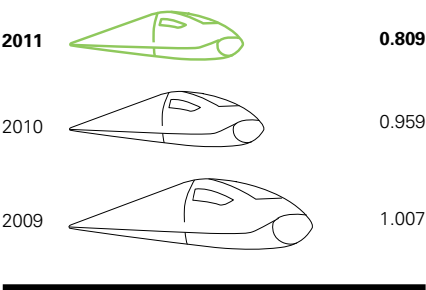
Operational Accidents-Train Accidents and Level Crossing Accidents

Unit: Number of accidents/train operation/ million km



Human-involved Accidents- Passenger Fatalities and Public Accident Fatalities (including workers)

Unit: Number of accidents/train operation/ million km



Capacity Building for Safety

1. Enhancement of Professionalism and Expansion of Safety Training

We believe that railroad safety can only be guaranteed through technological capability. Thus, we are committed to improving our technological competency within the entire railroad industry. Our Technology Academy Center was established in 2011 to foster talented individuals with core technology. SE (System Engineer) and ME(Master Engineer) courses are provided to nurture engineers with integrated technological capabilities and sector-specific technology experts respectively. Moreover, safety training is incorporated into all training courses (55) offered by the HR Development Institute to raise safety awareness.

2. Stronger Management to Prevent Human Error

KORAIL strives to prevent accidents and failures caused by human error. Controllers, engineers and other employees whose work is directly related with the safe operation of trains are supervised and coached on their errors so as to prevent the same and similar accidents from reoccurring and to develop improvement measures. In so doing, we aim to build a sense of profound responsibility into their daily work.

To prevent accidents and failures specifically caused by the inattentiveness of engineers, we apply more stringent standards in selecting KTX captains and engineers. Previously, these captains and engineers were appointed according to the date of their obtaining high-speed train licenses. However, it is now required that candidates take practical training before their appointments and be subject to stringent assessments. In this way, those who fail to qualify or who simply do not have the right aptitude, are excluded in the appointment process.

HIGH-QUALITY AND PREPARED RAILROAD

We are committed to delivering high-quality and convenient services to customers through systemized quality management.

Disclosure on Management Approach in Product Areas		
Management Aspect	Mid/long-term Implementation Directions	2011 Achievements (Explanations and quantifiable accomplishments)
Customer health and safety	To set customer safety as the top priority	Current status in the life cycle assessment of the health and safety impact of products and services for the purpose of improvement: The quality of air on KTX trains was improved (Improvements on air-conditioning devices and the indoor air quality within stations)
Product and service labelling	To improve customer rights to information by providing service information	Types of product and service information needed for procedural reasons: Ticket-related information is uploaded on the KORAIL website
Marketing communications	To maintain fairness in marketing and comply with relevant regulations	Marketing regulation compliance program and voluntary regulation compliance program: There is no advertisement given the inherent characteristics of KORAIL Violations of voluntary regulations regarding marketing communication: None
Customer privacy	To pursue the protection of customer privacy	Complaints raised in relation to customer information protection and data loss: None Compliance with the private information protection law: Information Planning Department serves as the dedicated department in charge
Compliance	To fulfill KORAIL's minimum role to comply with general regulations as a state-owned enterprise	Penalties imposed due to violations of the regulations regarding the provision of products and services: None

Train Quality Management

Included in our efforts to deliver defect-free, high-speed trains are such preventive initiatives as: monitoring train operations, real-time improvementsfor offices with failures, and the timely replacement of aging components. Failure statistics are also analyzed monthly and reviewed by the Zero Malfunction Promotion Committee. This committee was established through a five-year analysis of causes of malfunction in June 2011 and respective departments are responsible for setting and managing targets, in order to enhance the sense of responsibility for train failures. To ensure a thorough production management of newly-introduced train cars, intensive efforts are made from the initial design stage to apply a systemized quality management system throughout the entire production cycle-ranging from train production to maintenance and repair. KORAIL is dedicated to improving the performance of train cars through quality management and improvement activities on the shop floor. These endeavors allowed us to be honored with the Presidential Award at the Korean Quality Management Conference for 12 consecutive years.



Replacement of older components according to the replacement cycle

Automation Systems to Advance KORAIL's Maintenance and Repair Technology

Category	Before Improvement	After Improvement
Introduction of track alignment inspection devices	Inspection of track irregularities was conducted by manual operation	Automated inspection of track alignment allowed for scientific and objective assessments of track quality, Repair cycle was extended due to effective track repair operation
Introduction of hand tie tampers	Manual work was required through the use of a beater, which is used to harden track beds	Hardening of track beds was mechanized, Job efficiency was enhanced
Expansion of electrical facility technical support systems	Inspection and measurement was done manually, Electrical facilities were managed in a distributed manner	Inspection and measurement was automated, Centralized intensive management of on-site facilities became possible, Personnel efficiency was improved
Development of electrical remote inspection systems	Dependence on inspectors was heavy	Inspection operation became automated, Personnel efficiency was improved, Constant monitoring of electricity consumption became possible

Facility Quality Management

At KORAIL, comprehensive safety assessments were made to prevent failures caused by aging facilities and low quality construction and materials. Vulnerable high-speed train offices were subject to special inspections to identify potential risk factors. Safety assessments were made under the leadership of the Railway Safety Committee to address 110 high risk factors and lay the foundation for safer train operation.

Intensive improvement efforts were invested in the Norangjin-Geumcheon-gu Office section that handles the nation's heaviest work-load (with 364 trips per day) to deal with failures caused by facility fatigue, improve rails and replace rail ties.

Electrical Facility Quality Management

After the high-speed train crash that occurred in Wenzhou, China (Jul. 23, 2011), KORAIL has consulted with related organizations about the importance and urgency to improve on older facilities in order to strengthen railroad safety. To ensure efficient improvement through selection and concentration, improvement measures were taken on aging facilities at the Jichuk substation on the Ilsan Line. We also improved subway tracks that were near abrasion thresholds in the metro rail operation areas and uninterrupted power supply devices at 46 offices. This ensured the safe management and operation of facilities.

A monitoring system was developed to connect our Railroad Traffic Control Center with the National Emergency Monitoring Board to enable the board to monitor video images recorded at 76 offices (of which 16 are major train stations) and to respond to disasters and emergencies immediately.



Development of the electrical remote inspection system



Expansion of electrical facility technical support system



Appendix

- Affiliation and Awards
- ISO 26000 Compliance Diagnosis Report
- Third-party Assurance Statement
- GRI G3.1 / ISO 26000 Index
- KORAIL Subsidiaries
- Corporate History
- Reader Feedback Survey
- GRI Application Level Check

AFFILIATION AND AWARDS

AFFILIATION

[Domestic]

- UN Global Compact Korea Network
- Korean Society for Railroads
- Knowledge Management Society of Korea
- Korea Productivity Center
- Organization of Consumer Affairs Professionals
- Public Innovation Forum
- Korean Association for Public Administration
- Asia-Pacific Travel Association, Korea Chapter
- Audit Innovations Forum for Public Institutions
- Korea Railroad Engineering Technology Association
- Korean Association of Public Enterprises
- Seoul Association for Public Administration
- Korea Management Association
- The Institute of Internal Auditors
- Korean Society of Transportation
- Railroad Industrial Committee
- Korean Standards Association
- Korea Logistics Association

[Overseas]

- UN Global Compact
- WCRR (World Congress on Railroad Research)
- SGS Testing Korea Co., Ltd.
- UIC (Union Internationale des Chemins de fer)
- EURAIL SPEED (international conference on high-speed trains)
- Korea-China-Mongolia Railroad Exchange and Cooperation
- CCTST (Coordinating Council for Trans-Siberian Transport)
- Korea-Russia Railroad Exchange and Cooperation
- Korea-Japan Railroad Exchange and Cooperation (Ministry of Land, Infrastructure, Transport and Tourism, JR Kyushu and JR East Japan)

AWARDS

- KORAIL Call Center services certified with the Korea Industrial Standards (KS) in 2011, Korean Standards Association, call center service sector, December 2011
- Korea Consumer Rights Day, Presidential Commendation for CCM (Customer Centered Management) (Fair Trade Commission)
- KORAIL was re-certified with CCM (Fair Trade Commission-Korea Consumer Agency)
- Grand Prize in the State-owned Enterprise sector, Korea Internet Communication Awards (Korea Internet Communication Association)
- Golden Prize in the sustainability report sector, LACP Spotlight Awards, Ranked 70th in total score (out of 1,5000 submissions made around the globe)
- Grand Prize in the 'innovation management' sector, National Brand Awards (JoongAng Daily Economist)
- Presidential Commendation for shared growth and fair trade (Apr. 1) Fair Trade Commission
- Credited with support for commercialization methods of new technology, Ministry of Knowledge and Economy
- Credited as the top-performing company by the shared growth performance evaluation, Ministry of Knowledge and Economy
- Credited for outstanding performance in promoting technology cooperation with SMEs, Small Business Administration
- Presidential Commendation in the climate change adaptation sector, credited for promoting eco-friendly industries and low carbon green growth in 2011
- Prime Minister's Commendation at the 33 Energy Conservation Competition (hosted by the Ministry of Knowledge and Economy)

Affiliation and Awards
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ISO 26000 COMPLIANCE DIAGNOSIS REPORT

Dear KORAIL Management and Stakeholders:

Diagnosis Standards

The Korean Standards Association (KSA) developed the ‘social responsibility compliance diagnosis check list’ in accordance with ISO 26000, the international standards on social responsibility. This check list covers processes to fulfill social responsibility and the seven core subjects of: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues and community involvement & development. KSA diagnosed the level of social responsibility compliance at KORAIL based on this ISO 26000-assisted check list.

Scope of Diagnostics

The scope of our diagnosis included KORAIL’s general internal/ external activities, mid/long-term strategies, social responsibility initiatives and sustainability management compliance processes. The outcomes of diagnosis were evaluated through the review of relevant policies, internal documents, performance data and data generation systems.

Diagnostic Methods

The first step was the self-initiated diagnosis. This was performed by internal stakeholders in each KORAIL department related to the publication of sustainability reports. The second step was performed by the KSA verification team members, who visited KORAIL’s headquarters and reviewed internal documents regarding the diagnostic outcomes and interviewed the employees in concern.

Diagnostic Outcomes

KORAIL scored 876.9 points out of 1,000, which placed KORAIL in the IV stage of ISO 26000’s social responsibility compliance. This demonstrates that KORAIL employees are highly aware of social responsibility compliance and that its operational systems, policies and practices are well-established.

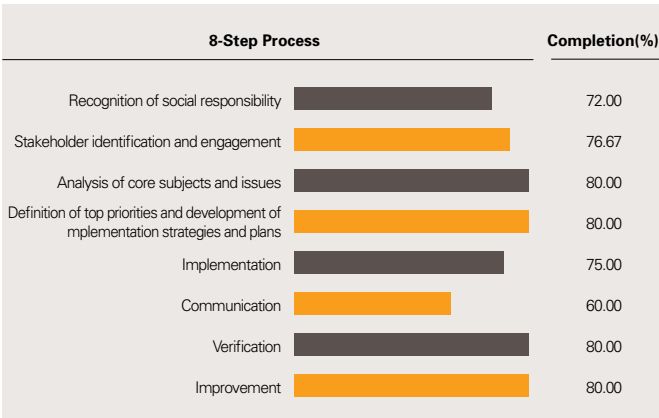
Core Subject	Total Scoring	KORAIL’s Score
Process	360	272
Performance	640	604.9
Total	1000	876.9

I. Diagnosis of Social Responsibility Processes: 272 points out of 360

KORAIL’s social responsibility processes are generally well-functioning: social responsibility management was declared internally

and externally based on the CEO’s firm commitment to sustainability management and relevant activities were strengthened accordingly. Especially noteworthy is the publication of sustainability reports, performance management through sustainability management indicators, and the gathering of stakeholder feedback through the operation of dedicated permanent organizations.

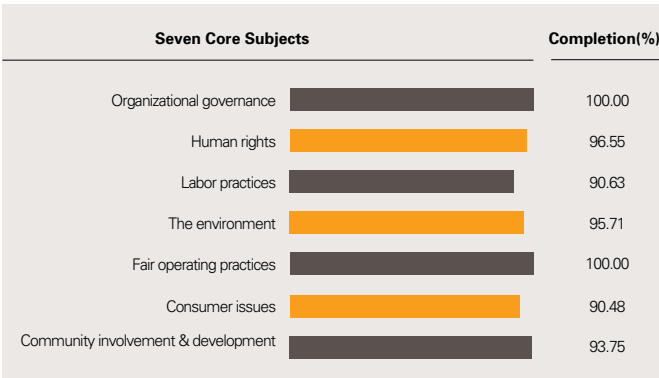
Outcomes of Process Diagnosis



II. Diagnosis of Seven Core Subjects: 604.9 points out of 640

KORAIL is evaluated to be outstanding in satisfying the expectations of the seven core subjects of ISO 26000. KORAIL is particularly excellent in terms of organizational governance and fair operating practices. It is also well-functioning in terms of human rights and community involvement & development.

Outcomes of Core Subject Diagnosis



III. Recommendations by Core Subject

KSA presents the following recommendations in accordance with the outcomes in each core subject.

1. Organizational governance

KORAIL operates such top decision-making bodies as the board of directors and management strategic meetings in order to review issues relating to ‘strengthening social responsibility’, which is one of its company-wide strategies. KORAIL is advised to continue to maintain and evolve its practices to fulfill its social responsibility, guided by the decisions made by top management.

2. Human rights

KORAIL is outstanding in addressing human rights issues: human rights situations are examined regularly regarding: organization, suppliers and subsidiaries by way of independent inspectors. Measures are taken to identify those who are being marginalized at the workplace, to prevent human rights violations and undertake follow-up measures. KORAIL would benefit even more from systematically stipulating human rights issues in its code of ethics.

3. Labor practices

At KORAIL, the number of part-time workers and accident rates continue to fall and KORAIL is very positive about introducing mental health care systems for employees. It is recommended that KORAIL includes its subsidiaries and suppliers in setting safety improvement targets and managing relevant performance.

4. The environment

KORAIL has computerized environmental performance management systems supported by dedicated environmental departments and environmental management information systems. KORAIL is particularly interested in improving the eco-friendliness of its services by setting GHG target management plans and replacing diesel trains with electrically-powered trains. It is also highly commendable that KORAIL protects the mobility of animals living near railroad tracks and undertakes greening projects. KSA advises that KORAIL strengthen its initiatives in using resource sustainably, including recycling and restoring natural habitats.

5. Fair operating practices

KORAIL is evaluated as “highly excellent” in implementing fair operating practices. KORAIL was chosen as a top performer by the Anti-corruption and Civil Rights Commission and is developing corporate policies and the code of conduct for anti-corruption

and integrity initiatives. It is recommended that KORAIL become more systemized in performing these activities and develop programs to support social responsibility initiatives for its suppliers.

6. Consumer issues

KORAIL is currently operating customer information management systems to manage customers and develop private information management guidelines. KORAIL would benefit from developing health and safety improvement programs for train passengers and operating consumer-training programs that cover sustainable consumption and other issues.

7. Community involvement & development

KORAIL is gathering feedback from local communities through development councils in each local region. It is a very positive sign that KORAIL’s social contribution activities are increasing and that KORAIL is committed to creating jobs by undertaking projects that employ local residents. It is advised that KORAIL take long-term perspectives in pursuing community development by engaging in technological development projects in alignment with local universities and research institutes and that KORAIL takes greater initiatives to protect our local cultural heritage.

Conclusion

At KORAIL, it is clear that social responsibility activities are under expansion throughout the entire organization and systems and compliance levels are generally excellent in responding to ISO 26000. For KORAIL to take a step further, regular channels for the integrated management of stakeholder feedback (including dialogues with society and a clear line of communication to identify stakeholder expectations) should be opened. KSA specifically recommends that KORAIL reflect the expectations of ISO 26000, in evaluating employee performance. This would improve its executive capability in fulfilling its social responsibility in an integrated manner.



August 1, 2012
Chang-Ryong Kim
Chairman and CEO, Korean Standards Association

Chang Ryong Kim

THIRD-PARTY ASSURANCE STATEMENT

Dear KORAIL Management and Stakeholders:

Introduction

The Korean Standards Association(KSA, ‘the assurer’ hereafter) was commissioned by KORAIL to perform an independent assurance engagement of the ‘KORAIL Sustainability Report 2011’(the ‘Report’ hereafter). KSA reviewed the feasibility of the Report in based on the systems and evidence used to produce the information and performance data contained in this report and presented its own independent assurance opinions. KORAIL is solely responsible for analyzing, compiling and organizing all the statements and data in this report.

Independence

KSA does not have any interest in KORAIL aside from this third-party assurance engagement of the report and is independent and autonomous in conducting assurance.

Assurance Standards and Level

KSA utilized the AA1000AS (2008), ISO 26000, and GRI G3.1 guidelines in assuring this report. The AA1000AS (2008) principles of inclusivity, materiality and responsiveness were applied in verifying the Report. This constitutes a moderate level assurance that covers the reliability that is based on procedures to generate specific performance data.

Assurance Type and Scope

KSA performed a Type 2 assurance in accordance with the AA1000AS. Type 2 assurance aims to evaluate a company’s level of compliance with the principle of reporting responsibility under the AA1000AS (2008) and the reliability of sustainability management performance data contained in the report.

The scope of this assurance engagement spans data illustrated in the Report from January 1, 2011 to December 31, 2011 and physical inspections were limited to the KORAIL headquarters.

Assurance Methods

KSA used the following methods in collating information and data related to the scope of assurance and performing the assurance engagement.

- Visit to the KORAIL headquarters and interviews with KORAIL employees
- Reviews of the reporting process (including stakeholder identification & engagement and the materiality test)
- Review of internal management systems (regarding sustainability management performance)
- Trace and review of internal documents and basic materials (including public organization management evaluation reports)
- Review of the consistency between the Report and audit reports that pertain to financial performance
- Review on the level of management disclosure and the application level in accordance with the GRI G3.1 guidelines

Assurance Results and Opinions

KSA presented its own independent opinions by reviewing the content of this report and modified the Report when deemed necessary. KSA is not aware of any significant errors or biases pertaining to the sustainability management activities outlines in this report. KSA also discovered that the Report satisfied the requirements for the Application Level A+ in accordance with the GRI G3.1 guidelines, the international reporting standards.

KSA offers the following recommendations in conformity with AA1000AS (2008) assurance principles.

Inclusivity

KSA assessed the level of stakeholder engagement at KORAIL in undertaking responsible and strategic response initiatives and developing such response measures on sustainability issues.

KSA discovered that KORAIL operated communication channels for each stakeholder group and compiled their feedback. KSA also believes that the process is operated appropriately.

Materiality

KSA assessed whether KORAIL included material information that may affect its stakeholders in this report.

KSA confirmed that the materiality test process was adequately undertaken in selecting the issues to be reported at KORAIL and is not aware of any omission or exclusion of data that is material to stakeholders.

Responsiveness

KORAIL reviewed whether KORAIL responded to sustainability issues of high interest to stakeholders and communicated its initiatives to address these issues through the report.

KSA believes that KORAIL is appropriately addressing sustainability issues that are highly material to stakeholders.

Opinions and Recommendations by Sector

For KORAIL to respond to sustainability issues raised by stakeholders appropriately and communicate its responses effectively in practicing sustainability management on a company-wide level, KSA presents the following recommendations.

Sustainability Management in General

As KORAIL’s sustainability management is in its infancy, KSA recommends that KORAIL would develop mid/long-term strategies and an implementation roadmap for sustainability management in order to integrate sustainability management into the company-wide management strategy framework through stakeholder engagement, identification of material issues and implementation of relevant activities and communication initiatives including the publication of sustainability reports.

- It is advised that KORAIL manage stakeholder communication on a company-wide level in order to improve its sustainability through stakeholder engagement.
- KORAIL would benefit from defining detailed goals in accordance with mid/long-term sustainability management plans and reporting compliance with these goals in order to enhance its responsiveness.

Economy

KORAIL faithfully presents its overall economic performance, including the creation and distribution of economic values. KORAIL is recommended to illustrate the progress regarding lawsuits that are of interest to some of its stakeholders, in order to improve reader convenience.

Environment

KORAIL paints a detailed picture of its environmental performance on the management of indoor air quality, as well as its response to climate change and energy conservation, which is garnering growing attention from stakeholders through its sustainability and environmental reports. KORAIL would benefit from strengthening the alignment between its strategic goals of

environmental management and its detailed implementation of tasks. To more actively improve on safety, KORAIL should also disclose more of its endeavors on this matter.

Society

KORAIL outlines its sustainability management performance in detail throughout the entire social spectrum. KORAIL’s policy directions would be further improved by strengthening due diligence on sustainability management achievements and incorporating organizations within the sphere of KORAIL’s influence in undertaking sustainability management initiatives.

KORAIL would be able to further enhance its public nature and sustainability as a state-owned enterprise by recognizing and fulfilling its social responsibility in accordance with ISO 26000, the international standard on social responsibility. It is recommended that KORAIL would build ISO 26000 principles into the fabric of its business operation to enhance its corporate value as a leader in social responsibility and to further uphold its image as “the company of the people.”



August 1, 2012
Chang-Ryong Kim
Chairman and CEO, Korean Standards Association

Chang Ryong Kim

Korean Standards Association(KSA), established as a special corporation in accordance with the Law for Industrial Standardization in 1962, is serving as a knowledge service provider who distributes and disseminates such services as industrial standardization, quality management, sustainability management, KS certification and ISO certification. KSA is committed to the sustainable development of Korean society as an ISO 26000 national secretary, recognized GRI training body, AA1000 assurance provider, KSI(Korea Sustainability Index) operator, UN CDM DOE(development operational entity), and assurance provider of the Korean government’s greenhouse gas energy target management system.

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● Reported ● Partially Reported ○ Not Reported ● Not Available

Description		Reporting Level	No. of Page	Note	ISO 26000
Principle of Stakeholder Engagement					6.8.2
Boundary Protocol					6.6.5
Strategy and Analysis					
1.1	Statement from the most senior decision-maker of the organization.		pp. 8-9		6.2
1.2	Description of key impacts, risks, and opportunities.	●	pp. 8-9		6.2
Organizational Profile					
2.1	Name of the organization.	●	pp. 12		
2.2	Primary brands, products, and/or services.	●	pp. 14-17		
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	pp. 13		6.2
2.4	Location of organization's headquarters.	●	pp. 12		
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	pp. 14		
2.6	Nature of ownership and legal form.	●	pp. 19		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	pp. 12		
2.8	Scale of the reporting organization.	●	pp. 12		
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	pp. 19		
2.10	Awards received in the reporting period.	●	pp. 87		
Report Parameters					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	About This Report		
3.2	Date of most recent previous report (if any).	●	About This Report		
3.3	Reporting cycle (annual, biennial, etc.)	●	About This Report		6.2
3.4	Contact point for questions regarding the report or its contents.	●	About This Report		
3.5	Process for defining report content.	●	pp. 22-23		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance	●	About This Report		
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●	About This Report		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	About This Report		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	●	About This Report		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●	About This Report		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	About This Report		
3.12	Table identifying the location of the Standard Disclosures in the report.	●	pp. 92-96		
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	pp. 90-91		7.5.3

● Reported ● Partially Reported ○ Not Reported ● Not Available

Description		Reporting Level	No. of Page	Note	ISO 26000
Governance, Commitments, and Engagement					
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	pp. 19		6.2
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	pp. 19		6.2
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●	pp. 20		6.2
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	pp. 21	Management Strategy Committee processes	6.2
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	●	pp. 20		6.2
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	pp. 20		6.2
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	●	pp. 20		6.2
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	pp. 17-18		6.2
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	pp. 8		6.2
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	pp. 21		6.2
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	pp. 29-31		6.2
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	pp. 21		6.2
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	●	pp. 87		6.2
4.14	List of stakeholder groups engaged by the organization.	●	pp. 22-23		6.2
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	pp. 22-23		6.2
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	pp. 22-23		6.2
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	pp. 22-23		6.2
Disclosure on Management Approach			pp. 33		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	pp. 40		6.8/6.8.3/6.8.7 /6.8.9
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	pp. 38		6.5.5
EC3	Coverage of the organization's defined benefit plan obligations.	●	pp. 43, 53	Review is underway to expand the support	6.4.4/6.8
EC4	Significant financial assistance received from government.	●	pp. 38		
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	●	pp. 51		6.4.4/6.8
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	●	pp. 33	Equal opportunities are offered to suppliers	6.6.6/6.8/6.8.5 /6.8.7
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	●	pp. 33	No precedence is given to individuals from specific regions	6.8/6.8.5/6.8.7
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	pp. 38, 40		6.3.9/6.8/6.8.3/6.8.4/ 6.8.5/6.8.6/6.8.7/ 6.8.9
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	pp. 40		6.3.9 /6.6.6/ 6.6.7/ 6.7.8/6.8/6.8.5/ 6.8.6/6.8.7/6.8.9

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Description	Reporting Level	No. of Page	Note	ISO 26000
Environmental		pp. 65, 68, 77		
EN1	Materials used by weight or volume.	●	pp. 65	6.5/6.5.4
EN2	Percentage of materials used that are recycled input materials	●	pp. 65	
EN3	Direct energy consumption by primary energy source.	●	pp. 65, 69-70	
EN4	Indirect energy consumption by primary source.	●	pp. 65, 69-70	
EN5	Energy saved due to conservation and efficiency improvements	●	pp. 65, 72-73	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	●	pp. 65, 72-73	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	●	pp. 65, 72-73	
EN8	Total water withdrawal by source.	●	pp. 65, 74	
EN9	Water sources significantly affected by withdrawal of water	●	pp. 65, 74	
EN10	Percentage and total volume of water recycled and reused.	●	pp. 65, 74	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	●	pp. 65	6.5/6.5.6
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	pp. 65	
EN13	Habitats protected or restored.	●	pp. 65	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	●	pp. 65	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	●		6.5/6.5.3
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	pp. 65, 68-69	
EN17	Other relevant indirect greenhouse gas emissions by weight.	●	pp. 65, 68-69	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	pp. 65, 68-69	
EN19	Emissions of ozone-depleting substances by weight.	○	pp. 65, 68	
EN20	NO, SO, and other significant air emissions by type and weight.	●	pp. 65, 68	
EN21	Total water discharge by quality and destination.	●	pp. 65, 74-75	
EN22	Total weight of waste by type and disposal method.	●	pp. 65, 77	
EN23	Total number and volume of significant spills.	●	pp. 65, 77	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	●		
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	●	pp. 65	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	pp. 65, 71-73	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	●		
EN28	Monetary value of significant fines and total number of nonmonetary sanctions for non-compliance with environmental laws and regulations.	●	pp. 65	6.5
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	●	pp. 65	6.5/6.5.4/6.6.6
EN30	Total environmental protection expenditures and investments by type.	●	pp. 65, 67	6.5

● Reported ● Partially Reported ○ Not Reported ● Not Available

Description	Reporting Level	No. of Page	Note	ISO 26000
Social: Labor Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region.	●	pp. 43	6.4/6.4.3
LA2	Total number and rate of employee turnover by age group, gender, and region.	●	pp. 43, 50	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	●	pp. 43, 51	
LA4	Percentage of employees covered by collective bargaining agreements.	●	pp. 43, 55	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	pp. 43	
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.	●	pp. 55-56	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	●	pp. 43, 54, 80	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	pp. 54-55	
LA9	Health and safety topics covered in formal agreements with trade unions.	●	pp. 55-56	
LA10	Average hours of training per year per employee by employee category.	●	pp. 25, 43, 52	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	pp. 53	6.3/6.3.10/6.4/6.4.3
LA12	Percentage of employees receiving regular performance and career development reviews.	●	pp. 51, 53	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	●	pp. 43	
LA14	LA14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	●	pp. 51	
LA15	Return to work and retention rates after parental leave, by gender.	●		
Social: Human Rights		pp. 50		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	●	pp. 50	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	●	pp. 50	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	●	pp. 50	
HR4	Total number of incidents of discrimination and actions taken.	●	pp. 50	
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.	●	pp. 50	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	●	pp. 50	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	●	pp. 50	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	○		
HR9	HR9 Total number of incidents of violations involving rights of indigenous people and actions taken.	●	-	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	●	pp. 50	
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	●	pp. 50, 56	

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Description	Reporting Level	No. of Page	Note	ISO 26000
Social: Society		pp. 26		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	●	pp. 26	6.3.9/6.8/6.8.5 /6.8.7*/6.6.7
SO2	Percentage and total number of business units analyzed for risks related to corruption.	●	pp. 26	6.6/6.6.3
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	pp. 26, 28	
SO4	Actions taken in response to incidents of corruption.	●	pp. 26	
SO5	Public policy positions and participation in public policy development and lobbying.	●	pp. 26	6.6/6.6.4/6.8.3
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●	pp. 26	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	●	pp. 26	
SO8	Monetary value of significant fines and total number of nonmonetary sanctions for non-compliance with laws and regulations.	●	pp. 26	6.6/6.6.7/6.8.7*
SO9	Operations with significant potential or actual negative impacts on local communities.	●		There is no business areas that have negative impact at KORAIL
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	●	pp. 60-63	
Social: Product Responsibility		pp. 84		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	●	pp. 80-85	6.3.9/6.6.6/6.7/ 6.7.4/6.7.5
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.	●	pp. 84	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	●	pp. 84	6.7/6.7.3/6.7.4/ 6.7.5/6.7.6/6.7.9
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	●	pp. 84	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	pp. 44-47	6.7/6.7.4/6.7.5/ 6.7.6/6.7.8/6.7.9
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	pp. 84	6.4/6.4.6
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.	●	pp. 84	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	●	pp. 84	6.7/6.7.7
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	pp. 84	6.7/6.7.6

Declaration of the GRI G3.1 Application Level

Our KORAIL Sustainability Report 2011 was prepared in accordance with the GRI G3.1 guidelines and we self-declare that this report meets all the requirements for the Application Level A+.

The Korean Standards Association served as an independent assurance provider of this report and confirmed that the report qualified for the Application Level A+.

In accordance with the 2002 Guidelines		C	C+	B	B+	A	A+
Mandatory	Self-Declaration	Independent Assurance Report		Independent Assurance Report		Independent Assurance Report ✓	
Optional	Third-Party Verification					✓	

KORAIL SUBSIDIARIES



KORAIL RETAIL

Introduction



Initially launched as Railroad Incarnation Association (later re-named Hongik Association in 1936), KORAIL RETAIL developed along with the history of the Korean railroad industry. As KORAIL'S subsidiary specializing in retail and advertising, it operates commercial facilities and advertising media as well as Story Way, KORAIL's convenient store brand, at train stations nationwide and metro rail stations in the metropolitan area, contributing to a more convenient daily life for the public.

Major Business Activities

- **Retail Business:** Establish commercial facilities at subway and train stations to sell products to passengers and the public (convenient stores, specialty stores, vending machines)
- **Advertising Business:** Develop, install, sell and manage advertising media by using train facilities, trains, stores and vending machines (digital advertising, promotional advertising, etc.)
- **Resource Retail Business:** Industrial Freight Line and cargo handling at Mukho Harbor (anthracite, limestone, dolomite, iron ore, etc.)

KORAIL LOGIS

Introduction



KORAIL LOGIS was established on December 31, 2003 to contribute to the competitive edge of Korea's logistics business. It did so by expanding the role of trains in logistics services, building international railroad freight transportation systems and addressing system failures regarding the national logistics system, based on the through transportation system centered around railroads.

KORAIL LOGIS continues to expand the infrastructure for railroad logistics and facilitate railroad transportation, while developing a new profit model to deliver higher added value in order to evolve in a world-class global total logistics service provider. It is determined to take the lead as a main pillar in ushering in the era of the 'Silk Road'.

Major Business Activities

- Railroad through transportation: Operate major logistics footholds across the nation and provide through transportation services connected with railroad
- Cargo handling: Operate Complex No. 1, No. 2, No. 3 near Busanjin, Sappgyo container yards and railroad invoice documents at Busan Newvport
- Forwarding: International multi-modal transportation services for cross-border freight imports and exports
- CFS: Operate CFS at Busanjin and Busan Newport Station, store small-volume freight and provide cargo shipment services

KORAIL SUBSIDIARIES



KORAIL TOURISM DEVELOPMENT

Introduction



KORAIL TOURIM DEVELOPMENT ceaselessly endeavors to achieve the vision of ‘high-end train tourism, No. 1 railroad service’. It strives to move beyond first place as a railroad tourism company and into leading the tourism leisure industry, all while evolving into a key subsidiary for KORAIL.

Major Business Activities

- Tourism: Tourism in Korea and overseas
- Mice (Meeting, Incentives, Convention, Events and Exhibition): Plan and undertake events regarding international conferences, exhibitions and other events in Korea and overseas
- Theme park: Rail bike in Jeongseon, Train Village in Gokseong, Sea Train in Samcheok
- Crew service: Crew services for KTX, Saemaul and Mugunghwa trains
- Retail service : Provide supplies for KTX VIP passengers, sell products on KTX trains, Café Train on Saemaul and Mugunghwa trains
- Rental car: Rental car business aligned with train passengers at major stations

KORAIL NETWORKS

Introduction



As a representative IT company for KORAIL, KORAIL NETWORKS was established in September 2004 in order to create profits through the improvement of railroad management and the diversification of profit sources by utilizing KORAIL membership and railroad infrastructure. Its scope of business includes membership, point services, e-ticket, online train ticket reservations and parking lots. Its aim is to deliver the highest-possible value and satisfaction to customers.

Major Business Activities

- Consigned train ticketing services
- Consigned management of metro rail, airport train and New Bundang Line stations
- Consigned operation of railroad customer centers
- Provide services for the convenience of KORAIL members in using trains
- Point services, Van, internet portal, traffic cards and other related business
- Development and operation of parking lots, development of station areas



KORAIL TECH

Introduction



As a manager of railroad facilities, KORAIL TECH is contributing to “low carbon green growth” that constitutes a new engine of growth for Korea and the “green railroad.” This is a goal KORAIL pursues with a strong sense of pride as it serves the nation and the public. It possesses outstanding expert human resources and cutting-edge devices to manage railroad facilities, electricity and train cars that are at the core of railroad technology.

Major Business Activities

- Railroad track construction, maintenance & management of rail track construction, and facility safety assessment
- Security services and construction supervision for railroad crossings and major facilities
- Construction and repair services for subway, electricity, electricity transmission & distribution, signals, communication and firefighting facilities consigned by KORAIL
- Electrical work of electrical facilities whose orders are awarded by ordinary public organizations, design & supervision, IT-related construction, firefighting construction, management of firefighting facilities, operation of engineering technology, and manufacturing of electrical devices
- Partial maintenance for KTX trains and maintenance for conventional trains
- Maintenance for metro rail subway trains
- Maintenance for overseas railroads and train cars, manufacturing of train components, and maintenance & management

KORAIL AIRPORT RAILROAD

Introduction



KORAIL's airport railroad is the only railroad in Korea that specializes in connecting Incheon International Airport, the gateway to Korea, with Seoul Station, at the heart of the capital city, Seoul. The first section between Incheon International Airport and Gimpo Airport opened on March 23, 2007 and the entire section of 61 km spanning from Seoul Station and Incheon International Airport opened on December 29, 2010. It is fully committed to railroad management that touches the heart of customers for a better future and in so doing, aims to become a company beloved by the public.

Major Business Activities

- Provide services between Incheon International Airport and Seoul Station
- Consignment business on the Gyeongui Line

CORPORATE HISTORY

1899.
9

Korea's first railroad that serviced 33.8km between Norangjin and Jemulpo opened

1963.
9

National Railroad Administration was established as an administration agency of the Ministry of Transportation

1974.
8

Metro rail (Seoul-Suwon, Guro-Incheon) opened

1992.
6

Construction of Gyeongbu High Speed Rail started

2004.
4

Gyeongbu High Speed Rail opened and the operation of KTX (Korean high-speed train) started

2005.
1

KORAIL was established

2006.
10

Asian Railway Summit was held

2007.
4

The number of KTX passengers surpassed 100 million

2008.
5

UIC regular meeting/WCRR were held

2009.
11

UIC's Asian General Assembly was held

2010.
3

Operation of KT-Sancheon started

2010.
11


Second section of Gyeongbu High Speed Rail fully opened


2010.
12


Gyeongjeon Line's double track subway section (Simrangjin-Masan) opened/KORAIL airport railroad fully opened

2011.
10

Operation of KTX between Yongsan and Yeosu Expo on the Jeolla Line started







Reader Feedback Survey for the KORAIL Sustainability Report 2011

KORAIL'S Sustainability Report 2011 aims to transparently disclose our social responsibility performance and promote communication with our dear stakeholders. We intend to gather your feedback through this survey and reflect it in our future sustainability reports and management practices. Your participation would be greatly appreciated.

1. Which of the following stakeholder groups do you belong to?

- ☐ KORAIL employees
- ☐ Shareholders
- ☐ Financial institutions
- ☐ Customers
- ☐ Suppliers
- ☐ NGO
- ☐ Local residents
- ☐ Academia
- ☐ Governments
- ☐ Media
- ☐ Research institutes
- ☐ Others ()

2. What is your main area of interest regarding social responsibility? (Multiple choices are allowed)

- ☐ Stakeholder communication
- ☐ Organizational governance
- ☐ Human rights
- ☐ Labor practices
- ☐ The environment
- ☐ Fair operating practices
- ☐ Consumer issues
- ☐ Community involvement and development

3. Please rate the completeness and usefulness of the information provided in this report.

	Highly disagree	Disagree	Neutral	Agree	Highly agree
Economic Performance at KORAIL	①	②	③	④	⑤
Stakeholder Communication	①	②	③	④	⑤
Customer Satisfaction Management "that Touches the Heart of Customers"	①	②	③	④	⑤
People-centered Management for a Happier Workplace	①	②	③	④	⑤
Mutually-beneficial Management for a Fairer Society	①	②	③	④	⑤
Sharing-driven Management Filled with Hope	①	②	③	④	⑤
Environmental Management System	①	②	③	④	⑤
GHG-Energy Target Management	①	②	③	④	⑤
Company-wide Endeavors for Energy Efficiency	①	②	③	④	⑤
Advancement of Environmental Operation and Management	①	②	③	④	⑤
Railroad Greening Project	①	②	③	④	⑤
Green Purchasing	①	②	③	④	⑤
Convenient and Safe Railroad	①	②	③	④	⑤
High-quality and Prepared Railroad	①	②	③	④	⑤

4. What do you think is the most important initiative that KORAIL should value in order to ensure sustainable growth? Please number the following items according to their importance.

	Highly disagree	Disagree	Neutral	Agree	Highly agree
Economic Performance at KORAIL	①	②	③	④	⑤
Stakeholder Communication	①	②	③	④	⑤
Customer Satisfaction Management "that Touches the Heart of Customers"	①	②	③	④	⑤
People-centered Management for a Happier Workplace	①	②	③	④	⑤
Mutually-beneficial Management for a Fairer Society	①	②	③	④	⑤
Sharing-driven Management Filled with Hope	①	②	③	④	⑤
Environmental Management System	①	②	③	④	⑤
GHG-Energy Target Management	①	②	③	④	⑤
Company-wide Endeavors for Energy Efficiency	①	②	③	④	⑤
Advancement of Environmental Operation and Management	①	②	③	④	⑤
Railroad Greening Project	①	②	③	④	⑤
Green Purchasing	①	②	③	④	⑤
Convenient and Safe Railroad	①	②	③	④	⑤
High-quality and Prepared Railroad	①	②	③	④	⑤

5. How satisfied are you with this report?

Highly disagree	Disagree	Neutral	Agree	Highly agree
①	②	③	④	⑤

6. Please feel free to describe any expectations you may have of this report or KORAIL's management activities.