



Korea Rural Community
Corporation

CLEAN & GREEN

2012 SUSTAINABILITY REPORT





It describes the meaning of growth and development. The vivid, bright and positive illustrations represent Korea Rural Community Corporation (KRC)'s will to act and show the image of KRC as a leader of new green growth for the future.

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Korea Rural Community Corporation's Contribution Toward Preservation of the Rural and National Environment Though Economic and Social Development.

Korea Rural Community Corporation (KRC) Creates Economic, Environmental, and Social Values Based on 5 Principles.

Five Major Principles and Economic, Environmental and Social Value Creation at KRC



REPORT OVERVIEW

Significance of this Report

KRC's 2012 Sustainability Report aims to report the economic, social and environmental values that the company creates for its stakeholders in a transparent manner. It also presents KRC's future development directions to generate even greater economic, environmental and social values. This report marks a significant starting point for KRC to share its sustainability endeavors and KRC is determined to make the voices of its stakeholders heard more clearly and transparently through its sustainability reports.

Reporting Period and Scope

This report is the 3rd sustainable management report issued by Korea Rural Community Corporation (KRC) to communicate the performances of the headquarters, 9 local headquarters and 93 branches, with a portion of the environmental data reflecting a certain number of branches. The reporting period is from January 1, 2011 to December 31, 2011, and quantitative performances are reported on a 3 year basis in order to show the recent developing trends.

Reporting Principles and Guidelines

This report was prepared according to the GRI 3.1 guidelines and the ISO 26000 international standards on social responsibility. Material issues were identified based on KRC's business characteristics, analysis of external/internal environments and stakeholder opinions, and a third-party independent assurance performed by an external inspection organization, in accordance with AA1000AS (2008) for enhanced reliability of the report content. The detailed assurance statement can be found on page 60 ~ 61.

Details of Contact for more Information

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

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1) GRI (Global Reporting Initiative) : Guidelines on sustainability reporting jointly generated by CERES (Coalition for Environmentally Responsible Economies) and UNEP (United National Environment Program)

2) AA1000AS : International standards used to assess, verify and reinforce the reliability and level of sustainability



WE SUPPORT

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



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

2012 HIGHLIGHT

Sales Revenue

42,500 100 million won (KRW)

Expanding business areas by presenting new policy models and institutionalisation as well as making efforts in responsible execution of business policies, and maintaining sustainable growth from 2008 to open a 4 trillion won (KRW) sales revenue era for the first time by Korea Rural Community Corporation (KRC).

Rice Self-Sufficiency Rate

104.6 % realization

Realizing self-sufficiency for the staple grain (rice) by establishing and managing a systematic infrastructure

Area of National Territory Development

135,000 ha reclamation

Reclaiming new national land of approximately 460 times of Yeouido, 1.4% of the total national land

Increase of Farm Household Income

42 100 million won (KRW)

Increase of farm household income through management revitalization support projects for expansion of rice professional farmers and resolution of farmers' debt.

36 million won (KRW) (income before support from KRC) → 42 million won (KRW) (income after support)

Number of Visitors to Green Rural Experience Villages

5,710 thousand visitors , 689 100 million won (KRW)

Establishing infrastructure to expand the bases for urban-rural exchanges, increasing visitors to experience villages and generate income besides agricultural means.

5,050 thousand visitors, 61,500 million won (KRW) (2010) → 5,710 thousand visitors, 68,900 million won (KRW) (2011)

Reduction of Greenhouse Gas

25,519 tCO₂eq reduced

Reduction of greenhouse gas emissions by producing new renewable energy through utilization of farming and fishing resources

Amount of Water Saved

135 million m³

Performance of environmental resources through expansion of automation of agricultural water management

For the First Time as a Public Organization

Obtained green business certificate

Saving energy, reducing greenhouse gas emissions and pollutant emissions through geothermal air conditioning and heating facility support projects

Customer Satisfactory Level of Public Organization

97.8 points ▲

Increasing the status as a public organization relied upon by the people through public organization's customer satisfactory level assessment.

Repairing Rural Houses

650 farming households

Improving the living conditions of underprivileged classes in rural areas in association with Dasom House Welfare Foundation (2008 ~ 2011)



CEO MESSAGE



Dear stakeholders

In its 100 years of history, Korea Rural Community Corporation (KRC) has experienced various environmental changes at home and abroad as a public corporation which is in charge of the staple grains. KRC is making relentless efforts to become a reliable public corporation which touches the hearts of our customers by always placing priority on the happiness of farmers and fishermen.

Last year, KRC promoted policy projects such as the Korean government's 4 Major River project and farmland pensions for stabilizing retirement life, along with KRC's main role in expansion of agricultural production bases, improvement of agricultural structure, and rural regional development, resulting in an era of 4 trillion won (KRW) sales revenue for the first time. KRC is also responding to the FTA and climate change proactively by training professional farmers, renovating and modernizing repaired facilities, and fulfilling its roles and responsibilities to improve the global competitiveness of the Korean agricultural industry through overseas agricultural development. KRC will promise to strive for a hopeful future for the agricultural and fisheries industry which is a life industry that protects the lives of our people, and at the same time, an environmental industry that protects our national land and environment.

First, we will further commit ourselves to the main duties of KRC and improve the competitiveness of the farming and fishing villages.

Creating an agricultural production basis for producing the staple grain of our people, securing agricultural and fisheries waters, and pursuing regional development and increasing the income of the agricultural and fisheries villages are our main missions and the reasons why we exist. Therefore, we will strive to provide farmers and fishermen with substantial agricultural services by reorganizing and modernizing the production bases. Our agricultural and fisheries industry is being transformed into a new paradigm which brings together food and life industries from production, processing and distribution, scenery and environmental development. In accordance with this trend, we will strive in creating an agricultural food export compound which creates new added value and develop a large scale agricultural and fisheries organizations. We would need to establish a system for managing clean and sustainable quality of agricultural industrial water which could produce high quality agricultural products. We will reinforce project implementation capabilities by increasing investment in R&D oriented towards developing professional management bodies and field commercialization. We will also strive to increase competitiveness of agricultural and fisheries villages through various support for the agricultural industry and urban-rural exchange projects such as summer holiday festivals.

Second, we will lay the foundations for sustainable management for KRC by developing growth engine industries.

It is essential to develop new policies and growth engine projects, which meet the new demand in order to promote stability and sustainable growth and development of KRC. Therefore, we need to solidify the management basis where KRC could grow with stability even in a changing environment. For example, the agricultural and fisheries village development and remodeling project as well as the tributary stream refurbishing project which is a post-4 Major River project. We will continue to strengthen our capabilities for North Korean agricultural development projects in preparation for entering the overseas market and for unification of South Korea and North Korea in the future. To this end, we intend to focus on improving related laws and institutions, securing self-autonomy of KRC and increasing project implementation capabilities.

Third, we intend to establish an organization culture of efficient management, communication, and synergy.

The recent direction of regional development is heading towards specialized project promotion methods at the regional level and not at the central level. As the roles of local governments are being strengthened in regional development sectors by the introduction of metropolitan special accounting and comprehensive supplementary systems, as for the management system of KRC, we will also reinforce the organization in the field so as to efficiently perform policy projects. Furthermore, we will promote community-based management which communicates with farmers and fishermen and grow together with local governments, while adopting new management methods such as value management and creative management.

Fourth, we will participate in the environmental management for green growth and increase our responsiveness to climate change.

KRC will also proactively promote low carbon green growth projects including photovoltaic power generation, wind power, hydrological power, and geothermal power generation using unused land in agricultural and fishery regions. In addition, we intend to faithfully perform our national mission of securing stable procurement of grains against a backdrop of increasing international grain prices and irregular supply and demand due to climate change. Entering the overseas agricultural market is meaningful in terms of establishing the bases for exporting Korean agricultural products and of stability in food security of obtaining stable supply of grains. KRC intends to establish the organizations and institutions which could systematically support overseas agricultural development projects, proactively support entry into overseas agricultural market by private companies, and increase our national status through agricultural diplomacy.

Fifth, we will make a public corporation which grows together with farmers and fishermen.

In order to fulfill the social roles and responsibilities as a public company such as Co-Growth, job creation, protecting the weak, etc., KRC will expand cooperation with SMEs and strive to develop rural village type social companies. In addition, we will establish the bases to act as a guardian which develops neighboring areas of 4 major rivers through 'protecting our homeland', a project where 2 thousand local citizens participate in. Furthermore, we are striving to establish an organization culture where labor and management share the perception that 'labor and management are one', full of pleasure and vitality.

Lastly, KRC will endeavor to wisely cope with the rapidly changing political and agricultural environment including Korea-US FTA. In addition, we will increase the competitiveness of the corporation based on the expertise and labor force in various fields that are full of creativity and challenges. We will do our best for the development of farmers, fishermen and rural villages with our wisdom and capabilities of 6 thousand employees and executives. We would like you to anticipate and experience KRC making the leap towards the best global public corporation.

Thank you.

Jae-Soon, Park
CEO of Korea Rural Community Corporation

박재순

COMPANY PROFILE



Established in Korea in 1908, Korea Rural Community Corporation (KRC) has protected the nation's rural communities as sustainable regions in spite of large-scale turbulence in its surrounding environment. KRC is determined to fulfill its role as a sustainable public organization that creates economic, social and environmental values in rural areas.

Company Profile

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

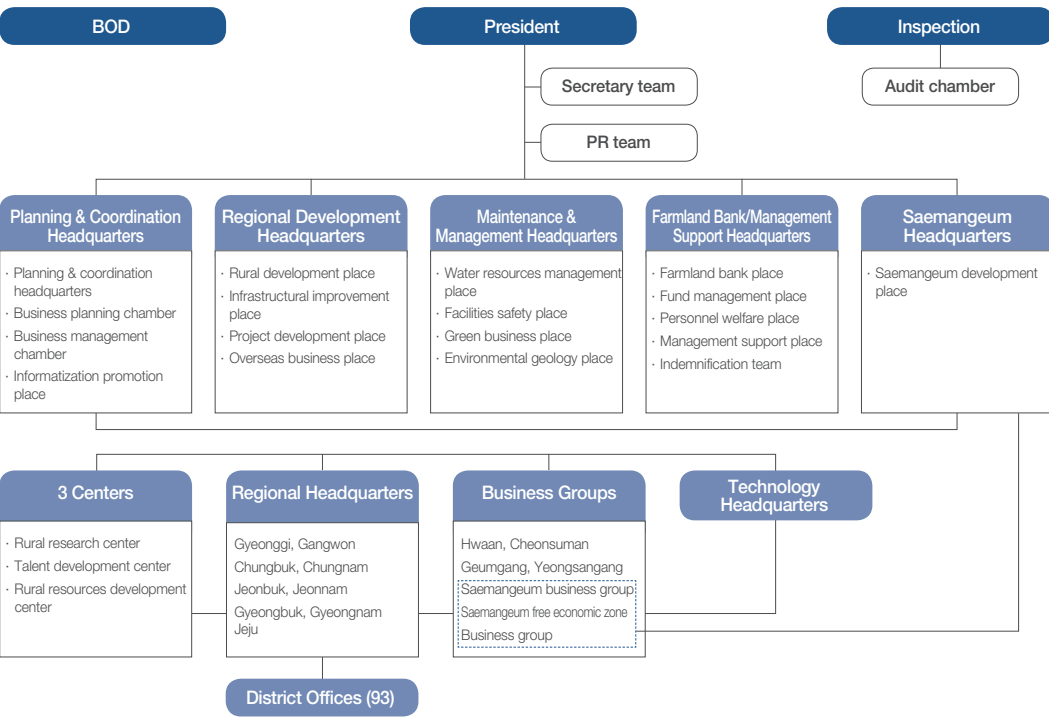
(as of December 31, 2011)

Location of Headquarters	Korea Rural Community Corporation 98 Anyang-Parkyo Road, Uiwang City, Gyeonggi Province	Capital	1.7762 trillion won (KRW)
Date of Establishment	December 8, 1908	Liabilities	5.3369 trillion won (KRW)
Industry	Services (survey services, operation of irrigation facilities and others)	Sales	4.2500 trillion won (KRW)
CEO	Jae-Soon, Park	Employees	5,248 persons
Total Assets	7.1131 trillion won (KRW)	Shareholder Composition	Wholly government-owned

Organization and Overview of Branches

KRC has 5 headquarters and 18 chambers in the head office, 3 local centers, 9 regional headquarters, 93 district offices, 6 business groups and 1 technology office.

- Head office 5 headquarters and 18 chambers
- Local 3 centers, 9 regional headquarters, 93 district offices, 6 business groups and 1 technology office.



KOREA RURAL COMMUNITY CORPORATION (KRC), SUSTAINABLE MANAGEMENT

KRC is establishing a sustainable management system in conjunction with the missions of KRC in order to effectively implement economic, environmental, and social responsibilities and promote value creating efforts.

KRC Mission



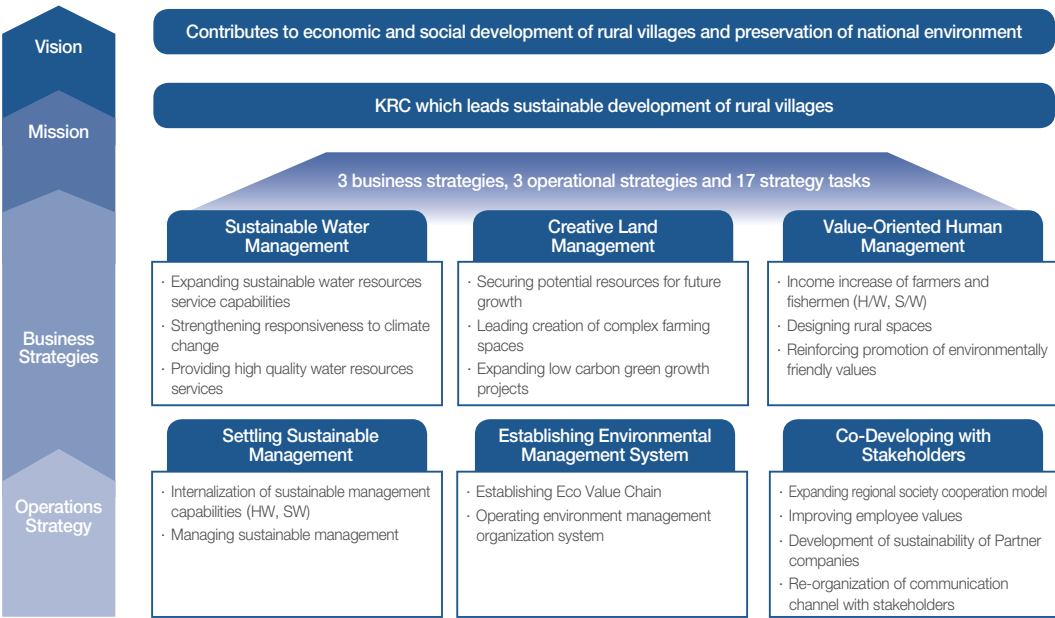
KRC contributes toward the economic and social development of rural communities and the preservation of the national land and environment through the creation of the food production infrastructure for 50 million Koreans, the use and management of rural resources with good faith and the enhancement of values of the values of rural communities

Paradigm Shift Towards Sustainability Management

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

KRC Sustainable Management System

KRC creates honest and creative values, promotes human-oriented sustainable management activities to create a Korea Rural Corporation which goes together with various stakeholders.



Major Achievements in Sustainability Management

Economic Achievements

Category	Details	Unit	2009	2010	2011
Profitability	Sales	100 million won (KRW)	30,533	38,157	42,500
	Operating Profit to Sales Ratio	%	2.6	2.2	2.2
Productivity	Gross Value Added to Total Assets	%	8.3	8.2	7.4
	Added Value Ratio	%	15.4	13.4	12.4
Safety	Total Assets	100 million won (KRW)	58,076	63,314	71,131
	Total Liabilities	100 million won (KRW)	41,940	46,399	53,369
	Total Capital	100 million won (KRW)	16,135	16,915	17,762

※ Most of the debt consists of farmland management fund loans related to governmental agency projects, and net debt is approximately 21.4%.

Environmental Achievements

Category	Details	Unit	2009	2010	2011
Creation of Eco-Friendly Values in Rural Communities	Ratio of Eco-Friendly investments against the total constructions of agricultural production infrastructure facilities	%	5.5	7.9	10.1
	No. of urban people participating in green agricultural village experience programs	1,000 persons	36,265	43,465	50,004
	Expenditures on R&D of biodiversity	million won (KRW)	1,404	1,372	1,506
	Expenditures on environmental remediation projects	100 million won (KRW)	360	400	439
Climate Change Adaptation	New renewable energy generation	MWh	31,707	35,451	42,534
	GHG emissions reduced through the generation of new renewable	tCO ₂ eq	19,185	21,375	25,519
	CDM project performance	tCO ₂ eq	-	UN registration 3,753	4,279
	New reductions made in GHG emissions through the application of geothermal energy in the agricultural/fisheries industry	tCO ₂ eq	-	314	10,463
Management of Water Resources	Water savings achieved through the automated management of gricultural water	million m ³	104	124	135
	Ratio of well-irrigated paddies ⁴⁾	%	39.9	42.4	45.6
	Operation of voluntary water quality management councils run by local people	district	727	905	988
Eco-Friendly Management of KRC	Energy consumption ^(Scope 1+2)	TOE ¹⁾	86,255	70,539	75,991
	GHG emissions ^(Scope 1+2)	tCO ₂ eq ²⁾	189,541	155,106	166,997
	Water consumption	m ³	333,780	287,700	298,545
	Waste discharge	ℓ ³⁾	2,000,119	1,898,535	1,868,083
	Eco-Friendly purchases	million won (KRW)	10,346	16,036	15,003

1) Including energy used in the entire KRC buildings, energy used for KRC business operations and energy consumed for vehicles that KRC employees drove for business purposes

2) Calculated with the IPCC emissions coefficient

3) Waste discharge is calculated with the assumption that 1,000 liter = 1 ton

4) Ratio of well-irrigated paddies: KRC management standard

※ Some of the data from 2009 to 2010 has been changed according to data recalculation and thus has been modified.

Social Achievements

Category	Details	Unit	2009	2010	2011
Customer	Customer Satisfaction	%	98.8	99.1	97.8
Employee	Job Satisfaction	%	71.0	73.0	70.6
	Labor Productivity	million won (KRW)	92	96	100
	Trained Employees	No. of persons	26,595	34,332	35,654
	Training Budget	million won (KRW)	2,640	3,556	4,301
Partner Company	Purchases of SMEs Products ¹⁾	100 million won (KRW)	12,894	16,436	20,375
Local Community	Social Contributions Made	million won (KRW)	1,765	1,846	2,602

1) Purchase amounts of SMEs products, technology development products, female-owned business products, and social company products etc.

PARTICIPATION OF STAKEHOLDERS

Participation of stakeholders is a core element in fulfilling social responsibilities. In 2012, we reviewed the current overview of participation of stakeholders and came up with measures to reinforce their participation. We will strive to understand the effects that business characteristics, operational status, decision making and activities have on stakeholders, as well as contribute to sustainable development.

KRC's Material Stakeholders

Stakeholders of KRC refer to individuals, organizations and companies that KRC affected in its business activities. KRC identifies its material stakeholders in accordance with the stakeholder recognition methodologies recommended by ISO 26000 5.3 and is working actively to strengthen engagement with stakeholders identified according to the ISO recommendations.

Identification of Material Stakeholders

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

Definition of Stakeholders and Communication Channels

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

Directions to Improve Stakeholder Engagement

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

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

2011 Media Survey

In order to understand KRC's major issues regarding stakeholders and social interests, we analyzed the articles that have been exposed to the media from January 1, 2011 to December 31, 2011. KRC utilized the media survey results to understand opinions of potential stakeholders and to derive major issues on the sustainable management of KRC.

2011 Media Survey Results

According to the 2011 media survey results, as a result of analyzing a total of 265 articles related to sustainable management of KRC, economic responsibility (57%) has been reported the most, followed by environmental responsibility (30%) and social responsibility (13%).

Economic responsibility has been reported the most consisted of KRC's management environment, production base, farmland bank, and rural development projects, followed by environmentally friendly projects, urban-rural exchanges, and activities and plans related to overseas projects.



Major Opinions Per Interested Party

Major opinions per interested party of 2011 are as follows. In addition, we will promote sustainable management activities proactively reflecting these major opinions.

Customers (Farmers & Fishermen · City Citizens)	Opinions of stakeholders <ul style="list-style-type: none">· Expansion of budget and resources subsidiaries for farmers and fishermen· Reinforcing PR on KRC to city citizens to raise awareness of KRC to farmers and fishermen but also city citizens· Developing various programs for farmers· Reflecting farmers' opinions when promoting projects· Establishing local offices to provide the environment for supporting farmers and fishermen· Creating various support programs for farmers and fishermen and expanding the program scale	Employees	Opinions of stakeholders <ul style="list-style-type: none">· Developing and revitalizing new projects to create new profits in KRC· Reinforcing expertise and institutional reorganization for efficient promotion of projects· Internalization of projects and creating performance· Supplementing insufficient manpower for maintaining and managing projects· Establishing fair and transparent personnel management and system and improving work performance evaluation system· Slimming work to improve overwork by employees and providing incentives to employees with excellent work performance
Academia · Media	Opinions of stakeholders <ul style="list-style-type: none">· Setting strategic directions by analyzing external environmental changes· Re-organizing reservoirs and agricultural production bases through environmentally friendly methods· Scientific management of agricultural water· Improving sustainable technology development· Diversifying technological capabilities in agricultural field· Distributing regional project expenses	Government · Municipalities	Opinions of stakeholders <ul style="list-style-type: none">· Participation efforts by stakeholders· Organic work between KRC and local governments for smooth promotion of projects· Reinforcing implementation capabilities related to projects such as cooperative rural village complex industrial support project etc.· Developing an administrative body having competitiveness from exclusive farmland cultivation to complex farmland cultivation· Reducing work process for licensing related to infrastructure

Materiality Analysis Process

KRC's sustainable management report has been planned and prepared based on major issues important to stakeholders through importance analysis.



Materiality Analysis

Area	Material Issues	No. of Page
Economy	Contribution to increase of rural income and to national economy	17 ~ 20
	Developing new future businesses and new growth engines	21
	Achieving KRC's sales revenue/profit/market share goals	17 ~ 20
	Integrated risk management (integration of economic/environmental/social risks)	27
	Reinforcing implementation of anti-corruption, fair competition, and fair management	26 ~ 27

Area	Material Issues	No. of Page
Environment	Modernizing water resources management	38 ~ 39
	Preserving and managing environmentally friendly agricultural production spaces	34
	Efforts for preserving rural environmental and for biodiversity	34
	Expanding corporation-wide effort for responding to climate change	36 ~ 37

Area	Material Issues	No. of Page
Society	Reinforcing indirect & direct communication with customers (farmers and fishermen) and policy efforts	11 ~ 12
	Developing sustainable rural villages and proactive roles and contribution to revitalization of rural villages	19 ~ 20
	Recruiting excellent talents and development measures	50
	Expanding sharing culture through social contribution	55 ~ 58
	Transparent and fair personnel management	49
	Cooperation and Co-Growth of labor and management	52
	Improving employee welfare and family management	51
	Co-Growth support with small and medium sized partner companies	53 ~ 54
	Various communication and activities by stakeholders	11 ~ 12

ECONOMIC VALUES

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

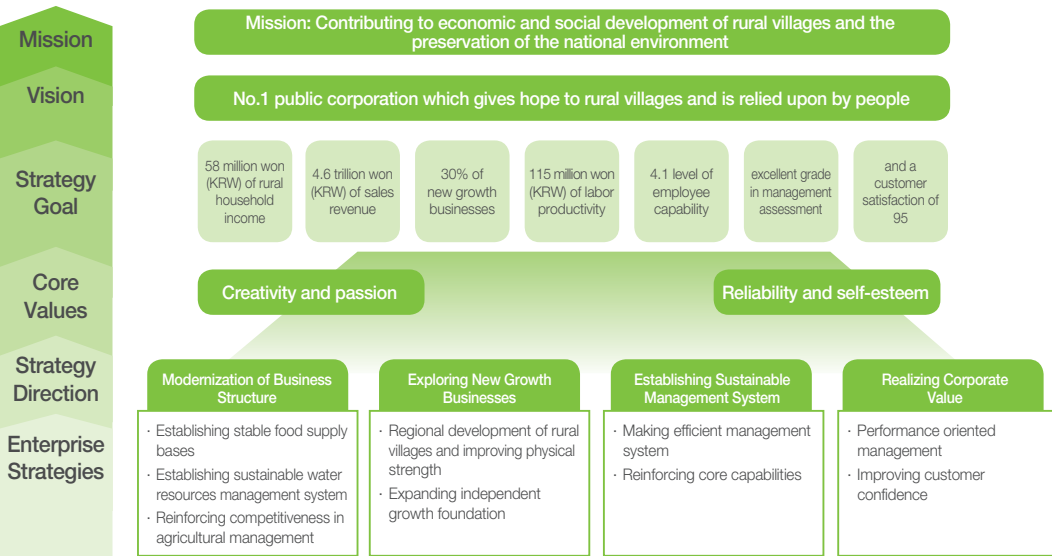


VISION OF KRC

KRC has set strategy goals and tasks to achieve the vision of 'No.1 public corporation which gives hope to rural villages and is relied upon by the people' in order to contribute to economic and social development and preservation of the national environment.

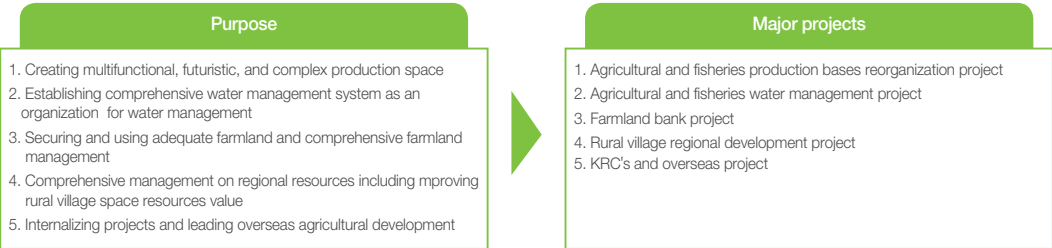
KRC's Missions and Vision System

Giving hope to rural villages is the reason of existence for KRC, which designated the following visions based on the goal of leaping to become No.1 public corporation relied upon by the people. The strategy goals will be achieved by 2016.



Major Projects

We select 5 core projects which suit the foundation purposes of KRC, establish annual master plans and mid-to-long term implementation plans, and unite company-wide capabilities to accomplish the goals of each core project.



SUSTAINABLE GROWTH OF RURAL COMMUNITIES

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

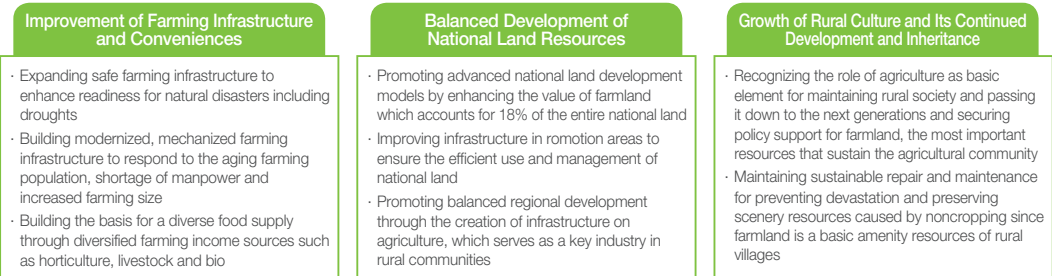
Maintenance of Agricultural/Fisheries Production Infrastructure

A process of creating and reorganizing farmland to enable mechanized farming, supplying agricultural water to prevent natural disasters such as drought and flood, and building and managing water facilities to avoid flood.

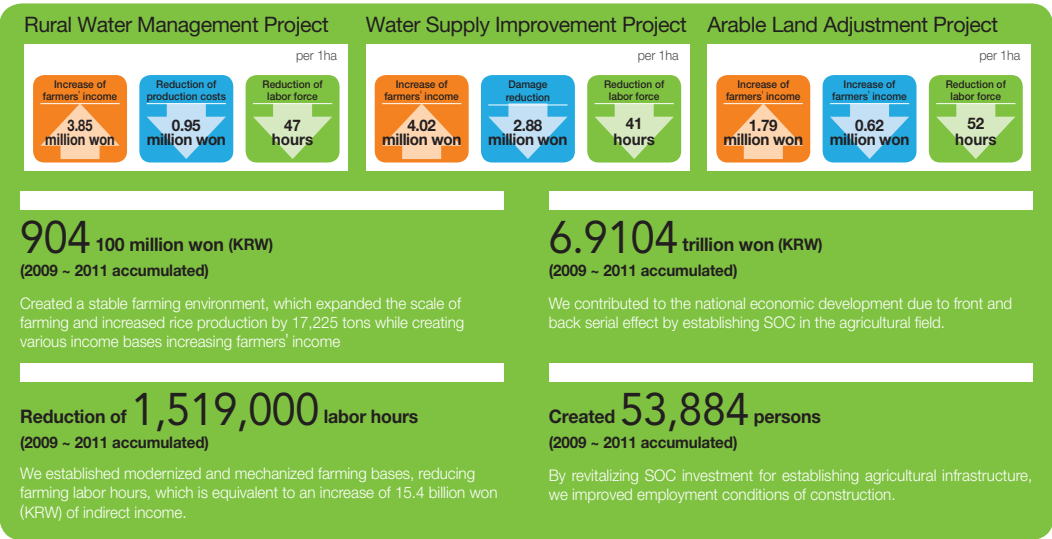
Building Agricultural/Fisheries Production Infrastructure

An aspect KRC focuses on is the enhancement of and rural villages for rice oriented farming to complex farming as the agricultural environment changes. KRC is efficient and stable farming environment improves the quality of agricultural living and increases farmers' income.

Major KRC Operations



Economic Performance of Agricultural and Fisheries Production Bases Reorganization Project



Increase of Public Effect

Agricultural income increase due to expansion of high income crops such as horticulture, fruit production, stock-raising, and bio, etc.



Leading Agricultural Food Industries

We lead the growth bases of agricultural food industries by improving conditions of shipment and distribution of agricultural products.



Rural Support

Creating environmentally friendly rural villages, scenery, and resources, to improve rural living environment and also to obtain public effects such as providing leisure space.



Rural Village Water Resources Management Project

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

Stable Management of Water Resources

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

Major KRC Operations

Meeting Water Resources Needs in Rural Communities

- Supplying all kinds of water resources (residence, industry, fisheries, stream water, etc.) needed in rural communities to meet the level of requirements of customers in a clean and safe manner
- Predicting and responding to natural disasters such as droughts and floods in advance in order to minimize damages and to ensure immediate repair and recovery in case of such emergencies

Sharing Water Resources With Local Citizen

- Building water resources systems that enable all local people in rural communities to enjoy the benefits
- Creating autonomous management systems where major facilities are managed by the central government and end points of water supply are managed by farmers and local people


Developing and Managing Water Quantities and Quality in an Integrated Manner by Water Basins

- Managing the quantity and quality of both surface and ground water in based on the water zones (464 zones) classified by water basins in rural communities

Implementing Science and Information-Based Water Resources Policies

- Performing analyses and predictions through the use of real-time measurement and information systems based on state-of-the-art equipment

Economic Achievements of Water Resources Management in Rural Communities



95,000 ha ▶ 104,000 ha
Agricultural water management automation area

Reducing water and labor force through automation of agricultural water management automation, to contribute to effective water management.

166,000 ha (2010) ▶ 257,000 ha (2011)
Water management automation Green Collar talent nurturing

We provide education for reinforcing expertise of operational manpower of the automation system, and are planning to education 345 people by 2014.

85.2% ▶ 87.3%
Rate of facilities satisfying water standards

We are improving confidence on the water survey results by promoting special measures for water quality improvement and establishing a water survey system.

Agricultural Competitiveness Increasing Project

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

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

KRC is fulfilling its role as the 「umbrella agency for farmland-related business」 in increasing agricultural competitiveness, using farmland more efficiently and supporting farming household income growth and business stability through the operation of the Farmland Bank. We assist farmers facing temporary difficulties with business recovery efforts, offer direct subsidies for the handover of farmland management and also help retiring and migrating farmers transitionally sell their farmland. In addition, in 2011, we adopted farmland pensions to provide stable support for aged living, and newly started 2030 generation farmland support project to create jobs in 2012 providing complex functions to promote management stability and welfare improvement.

The Farmland Bank

- Support for purchasing of farmland
- Farmland lease
- Farmland grouping
- Support for indebted farmers
- Support for retirement life

- Farmland transaction business (support for 2030 generation not included)
- Long-term farmland leasing business , Farmland leasing consignment business , Farmland purchase, Farmland reserve project (support for 2030 generation not included)
- Farmland exchange • Subdivision and amalgamation business
- Farmland purchasing business to support business recovery
- Farmland pension business

Major KRC Operations

Improving Farmers' Competitiveness

- KRC leads Korea's agriculture by expanding the managerial scale suitable to the development level of agricultural productivity, and generates income commensurate with urban households by developing systematic and internationally competitive full-time farmers who will lead Korea's agriculture.
- KRC is expanding the business areas of the farmland bank by living up to national policies such as by providing support for farmland for young 2030 generations and leading establishment of new venture capitals and creating jobs.

Managing Farmland Efficiently

- Supporting selling, leasing and consignment to enable efficient and productive ownership and use of farmland through the securitization of farmland.
- We acquire excellent farmland, lease the accumulated farmland to full-time farms, contributing to stability of farmland markets and efficient use of farmland.

Assisting Business Stability and Income Growth of Farmers

- Purchasing land from those farmers who are faced with temporary business crises due to debts or natural disasters and concluding long-term leasing contracts with them to ensure stable farming, supporting these farmers in recovering their business.
- Implementing the farmland pension system under which farmers receive a fixed amount of pension payments monthly by handing over their farmland, the most important asset of farming households, as collateral, ensuring the stable retirement life for elderly farmers.

Economic Achievements of the Farmland Bank

2.5 ha (before support) ▶ 5.4 ha (after support)
Increase in average farming size

The farm scale-up project has supported 7.1578 trillion won (KRW) since 1990 by 2011 in promoting the increase of farming size and grouping of farmland on 192,973 ha of land, bringing about tremendous effects in reducing production costs and growing farming income.

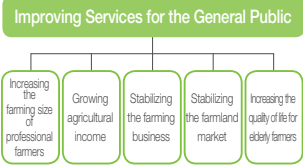
1,478 persons
▶ Support to 1,275 ha farmland (As of August 2008)
Training young farmers and creating jobs

The 2030 generation farmland support project, which was initiated in 2012, supports farmland for the younger generation to stably settle down and create jobs to make rural villages where people would like to go back to through existing farmland sales, farmland long term lease, farmland purchase accumulation, and farmland lease assignment project, etc.

9,070 100 million won (KRW)
▶ 3,878 farming households Recovered from crisis
Support for farmers facing temporary business crises

907,000 million won (KRW) was invested in 3,878 farming households by 2011 to help them recover from temporary business crises such as surging debts and natural disasters, preventing 77 million won (KRW) of asset losses per household and reducing 31 million won (KRW) in interest costs.

Role of The Farmland Bank



Achievements of the Farmland Bank



Number of Subscribers to Farmland Pension Exceeded 1000 (2011. 12. 12)

Farmland pension is an institution first adopted in 2011, and is being received well by aged farmers since it enables farming or leasing monthly fund as pensions with farmland as collaterals. Since the first subscriber in January 3, 2011, the number of subscribers exceeded 1,000 in just 1 year. Mr. Seon Gu Kim (70) and his wife Ms. Young Ok Kim (67) who live in Bonghwa-gun receive 1,047,370 won (KRW) every month for a security of farmland of 21,710m².

The average age of farmland pension subscribers is 75, and the average payment is 960 thousand won (KRW). There are 5 subscribers above 90, and the oldest subscriber is 92.

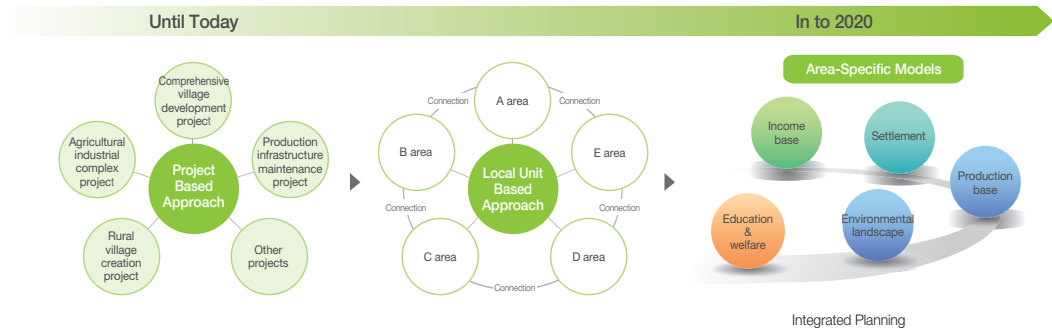
Local Development Projects in Rural Communities

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

Balanced Development of Rural Communities

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

Paradigm Shift in Rural Development



Major KRC Operations

Leading Integrated Local Development

- Nation-wide regional diagnosis and DB anagement to support customized local development
- Building and operating omprehensive consulting systems to help local governments with local planning
- Supporting the establishment of integrated local development models led by local communities

Facilitating the Vitality of Local Economies

- Building and operating community-based support systems for rural enterprises
- Supporting the commercialization of rural tourism products including quality assurance of rural experience villages and promoting such products as a global brand
- Supporting PR and marketing activities of the agricultural/fisheries industry

Planning Cooperation among Local Areas

- Pursuing development that connects 'natural/ cultural/historical' resources that transcend municipals or county boundaries
- Aligning commercially potential resources by product items among different regions and supporting their cooperation
- Building sustainable exchange/cooperation systems between urban and rural areas

Economic Achievements of Rural Development Projects

445 100 million won (KRW) (2009) ▶ **581** 100 million won (KRW) (2010) ▶ **655** 100 million won (KRW) (2011)

Increase in annual income of experience villages in rural communities

As part of the various projects that aim to diversify the income base of rural communities, 516 green farming experience villages were created, laying the basis for the experience tourism industry in rural communities.

4,444 persons (2010) ▶ **5,838** persons (2011)

Number of jobs in rural companies

We are making progress in creating jobs directly and indirectly through local development projects in rural communities and this is leading to economic vitality in these areas.

4,193 100 million won (KRW) (2010) ▶ **5,538** 100 million won (KRW) (2011)

Increase in sales of rural enterprises

We support the growth and development of rural enterprises as part of the endeavors to nurture the agricultural/fisheries industry through agricultural vitality promotion projects.

KRC-initiated Projects and Overseas Agriculture

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

Significance of KRC-initiated Projects and Overseas Agriculture

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

Enhancing Values in Rural Communities

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

Improving the Quality of Life in Rural Communities

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

Performing National Policy Projects

- Expanding the development of new renewable energy: Developing clean energy sources such as photovoltaic, hydro-power, and wind power participating in the carbon emissions trading system

Securing Farmland Overseas

- Creating agricultural infrastructure and handing down agricultural technologies to developing countries through public interest type promotion methods, to contribute to poverty reduction, economic growth and to procure necessary resources



Rural experience Tourism-Marine resort in Dobi Island



Support for national local industry policies- Saemangeum Industrial Complex

Achievements of KRC-initiated Projects and Overseas Agriculture Initiatives

91 100 million won (KRW) (2010) ▶ **184** 100 million won (KRW) (2011)

Overseas revenue

We are expanding our overseas business portfolio by widening the scope of business areas from Southeast Asia and Africa to diverse developing nations worldwide. We intend to strive to lay the foundations for the developing countries to stand on their feet by participating in projects for supporting overseas agricultural technologies, overseas agricultural development(information and financial support), direct participation in developing overseas farms, and international agricultural cooperation, etc. for Argentina, India, Tanzania, and Laos.

Q&A

Question from stakeholders

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

Answer from KRC

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

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

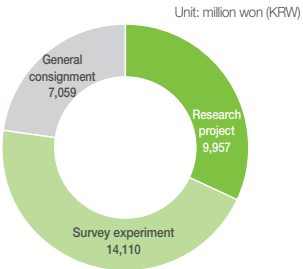


Personnel

Category	Total	Particular	General position					Engineers (6 grade)
			Total	Grade 1	Grade 2	Grade 3	Grade 4, 5	
No. of Persons	103	1	95	4	11	24	56	7

※ Current manpower: 73 researchers with masters' or PhD degrees (15 engineers)

Project Expenses



Rural Research Institute Which Leads the Green Future for Rural Villages

As an affiliate research institute of KRC, it creates new values for 'advanced rural villages' through R&D and technology support (R&D functions, irradiation test assessment functions, technology provision and support functions) in KRC's projects and related fields.

Roles of Rural Research Institute

The Rural Research Institute is performing various roles such as technology development, policy support, KRC's R&D and technology quality management necessary in agricultural and fisheries and rural village fields. Through these roles, the Rural Research Institute is promoting R&D in order to improve quality of living and balanced development of agriculture, fisheries, and rural villages.

Organization and Personnel

13 teams in 1 chamber and 2 places, and 1 center consist of 103 researchers including 73 (technicians 15) researchers having masters' and PhD degrees.

Overview and Major Performance of Research Projects

There are a total of 60 research projects currently under process in the Rural Research Institute, operating a total of 31,126 million won (KRW) in project expenses for research, testing, and general consignment, including 9,957 million won (KRW) of research expense.

In 2011, the Rural Research Institute made 206 improvements such as posting thesis', technology patents, MOUs, and taking the initiative in sustainable R&D in low carbon green growth while responding to climate changes.

Unit: million won (KRW)

Category	Number of Tasks	Project Expense
Total	-	31,126
Research projects	Total	60
	Rural development test research	13
	Saemangeum research	14
	Internal fund research	26
	Agricultural and forestry technology development project	2
	Other research projects	5
Survey test	-	14,110
General consignments	-	7,059

Major Measurable Improvements

Category	2010	2011	Note
Postings of theses and presentation performance	168 cases	187 cases	4 researchers registered in the world's top 3 biographical dictionaries.
Registration of patents	2 cases	10 cases	Increase of profits (82 million won (KRW)) through technology transfer
MOU	7 cases	9 cases	Signed MOU with South Bank University in England

Major Immeasurable Performance

Category	Research Areas	Research Contents
Presenting new growth projects and developing core technologies	Low carbon green growth	Leading green projects and policy research
		Developing new renewable energy
	Responding to climate change	Policy research and planning for climate change
Modernization of existing projects R&D	Water resources management	Developing Reservoir Disaster Management System (RDMS)
		Research in reinforcement of expertise in water resources management
	4 major rivers/Saemangeum	Research in master plan in integrated water resources management system
		Efficient support for 4 Major River projects
		Creating Saemangeum future state-of-the-art agricultural bases

Future Plans

The Rural Research Institute will revitalize technology exchanges with advanced research organizations at home and abroad in the years to come, and develop talents and establish infrastructure by exchanging human resources with renowned international research institutions.

Securing Sustainable Growth Bases

KRC is securing the bases for sustainable growth of the agricultural and fisheries projects by organizing rural production bases, managing water resources in rural villages, increasing agricultural competitiveness, and developing new policy projects in regional development areas.

Using Reasonable Budget and Reinforcing Profitability

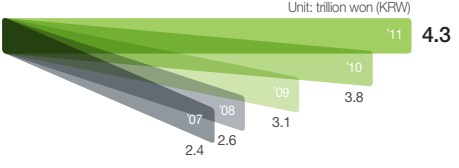
KRC is making continuous efforts to reinforce profitability by improving management efficiency through efficient operation of manpower, efforts to reduce expenses, efficient management, development of rural infrastructure, and reinforcing preliminary feasibility surveys.

Maintaining Financial Stability

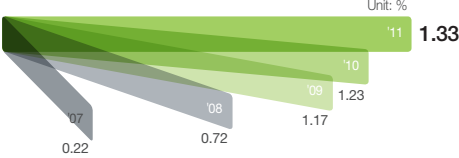
We are striving to minimize debt and secure liquidity by expanding capital, selling idle assets, and early recovery of operational capital to maintain a sound financial structure, and also operating effective financial management systems such as risk management and internal accounting management systems.



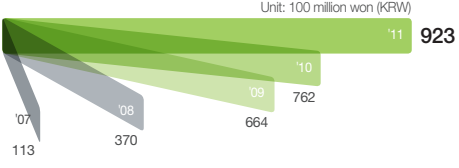
Sales Revenue



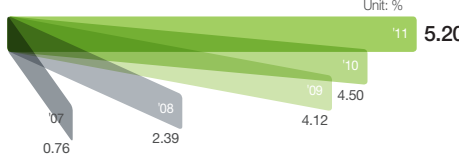
ROA



Net Profit During the Term



ROE



GOVERNANCE

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

BOD Composition

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

Category	Name	Work In Charge (Field of Specialty)	Experience
Permanent	Jae Soon Park	Chairman of BOD and president	Former governor of Gangjin-gun, Jeonnam Former highest officer of Hannara party
	Bu Bae	Vice president and planning adjustment headquarters	Former security general of human resources development Former head of Gyeonggi regional headquarters
	Young Hwan Oh	Regional development headquarters	Former Anseong branch manager Former head of 4 Major River project
	Han Oh Bang	Maintenance headquarters	Former head of management support Former head of Chungnam regional headquarters
	Eun Yang	Farmland and management support headquarters	Former head of management support Former head of farmland bank
	Bong Hoon Lee	Saemangeum headquarters	Former manager of 4 major rivers saemanguem, Ministry of Agricultural food Former head of agriculture and fisheries food research center
Nonpermanent	Cha Jeong Yang	Production base field	Former director of Korea farmer and fishermen newspaper Former head of Sancheong-gun agriculture cooperative union
	Hwee Young Woo	Regional development/production base field	Director of unification agriculture and fisheries project group Representative of Seonjinjongmyo
	Ki Ok Lee	Management planning/production base field	Formerly worked in KRC Former director of Daebo constructions
	Gwang Woo Park	Management planning/upright ethics field	Former chief prosecutor of Eujeongbu (criminal department) Lawyer in a law firm
	Yang Sik Kim	Management planning/upright ethics field	Former head of Jeonnam regional headquarters, nonghuup head of regional headquarters Former head of Jeonnam state affairs Former president of Korea Agriculture and Fisheries University
	Il seon Lim	Upright ethics/regional development field	Former secretary general of Naju city Jigu party Former vice commissioner of Hannara party Jeonnam party
	Dae Sik Kim	Integrity ethics sector	Former member of the 17th Presidential Transition Commission Former vice commissioner of the Anti-Corruption and Civil Rights Commission

※ Jae Soon Park inaugurated as chairman of BOD on October 24, 2011

Operation of BOD

The operation of the Executive Recommendation Committee makes sure that executives are appointed in a transparent and fair manner. In particular, non-standing executive directors should be investigated to find whether they have any interest in KRC's conduct of business in a bid to maintain BOD's independence. Those executives who have any interest in the agenda items are prohibited from attending BOD meetings and the results of deliberations are disclosed rapidly. BOD meetings are held regularly every month to prevent unnecessary BOD gatherings. In addition, non-standing executive directors are encouraged to participate in BOD meetings through the notice of next BOD meetings and meeting agenda items are evenly distributed in each BOD meeting.

BOD Operation Process



BOD Operation and Performance

Category	'09	'10	'11
No. of Meetings Held	15	11	13
Attendance of Non-standing Executive Directors (%)	99.0	100.0	95.5

Strengthening Roles of BOD

Board of directors meetings are held every month on a regular basis, where participation rate of nonpermanent directors is raised through pre-announcement and agendas are adequately allocated.

Operation of Expert Committee

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

Area	Name	Affaris
Production base	Cha Jeong Yang	Responding to climate changes, efficient execution of futuristic new conceptual production base reorganization projects
Regional development/production base	Hwee Young Woo	Developing sustainable new growth projects, internalizing internal projects through selection and concentration, responding to climate changes, efficient execution of futuristic new conceptual production base reorganization projects
Management planning/production base	Ki Ok Lee	Efficient management and establishing productive organization culture/responding to climate changes, efficient execution of futuristic new conceptual production base reorganization projects
Managerial planning/integrity ethics	Gwang Wu Park	Efficient management and establishment of productive organization culture/improvement of integrity and establishment of ethical management
Integrity ethics/regional development	Il Seon Lim	Improvement of integrity and establishment of ethical management/pioneering sustainable new growth projects, internalization of KRC projects through selection and concentration
Managerial planning/integrity ethics	Yang sik Kim	Efficient management and establishment of productive organization culture/improvement of integrity and establishment of ethical management
Integrity ethics sector	Dae Sik Kim	Improvement of integrity and establishment of ethical management

Enhanced Expertise of Non-Standing Executive Directors

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

Field-oriented BOD Operation

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

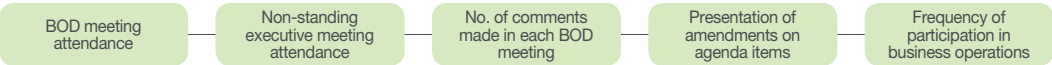
Improving the Decision-making Level from the Perspective of Sustainability Management

At KRC, non-standing executive directors come first in exercising their right to speak in BOD meetings to collect their suggestions on business management. Our BOD meetings aim not just to cast votes on agenda items but also to reflect the opinions of non-standing executive directors that fully represent stakeholders' ideas of balanced development of rural communities. Furthermore, in order to reinforce professionalism of nonpermanent directors, we are expanding participation such as various sessions of policy projects, report meetings, and discussion meetings to share the management issues and support reasonable decision making. Through the BOD homepage, we enable a two-way opinion exchange between working level officials and BOD members.

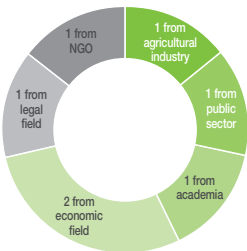
Managing BOD Performance Fairly

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

Job Performance Evaluation Criteria for Non-standing Executive Directors



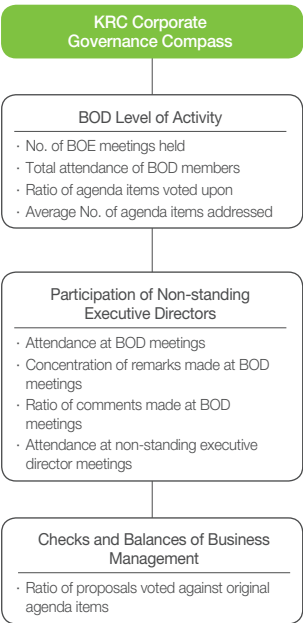
Securing Professional Non Permanent BOD Directors



BOD Website



BOD Performance Evaluation Framework



ETHICS MANAGEMENT

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

Anti-Corruption · Ethical Standards

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

Reinforcing Executive Ability Through Revision of Ethical Regulations

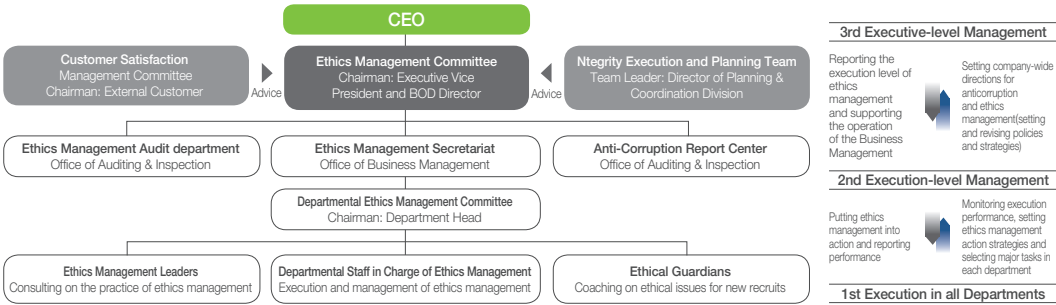
We define rules and regulations such as codes of conduct, public interest report processing guidelines, etc. under the superior rules of the charter of ethical management values and ethical codes presenting ethical standards of employees and executives. In addition, in 2010, the integrity ombudsman guidelines were established to actively reflect the voices of stakeholders in internal integrity work initiatives and the compliance with these ethical standards are monitored under the leadership of the Office of Auditing & Inspection to ensure their effectiveness.

Anticorruption Ethical System

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

Organizational Structure for the Implementation of Ethics Management

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



Reinforcing anticorruption, ethical management capabilities

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

Ethics communication

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

Performance Management of Anti-Corruption and Ethics Management

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

Internal Performance Management

The survey of employees' ethics awareness, conducted twice a year, helps us evaluate the appropriateness of various ethics management programs and address relevant difficulties. Our employees' ethics awareness is improving continuously and we started training courses to increase their interest in ethics management reflecting their candid opinions. In order to enhance individual employees' anti-corruption awareness and identify KRC's company-wide integrity level, the 'Integrity Thermometer' survey is carried out, which consists of self-diagnosis and external assessments. The integrity temperature for December 2011 rose by 0.15 degrees to 93.4 degrees.

Implementation of Systemic Audits

All KRC departments are subject to internal audits to ensure the soundness of every business activity as a corruption-free and healthy public enterprise. In addition to post audits, areas prone to corruption are identified in consideration of characteristics of work site departments and are monitored constantly to correct inappropriate behavior in a timely manner. In 2011, KRC reinforced monitoring on implementation of codes of conduct of employees and executives resulting in an increase of violation cases, and is taking actions based on the regulations when internal violations occur. KRC will continue to improve ethicality of KRC through adequate precaution and consequence response.

External Anti-Corruption Performance

According to the assessment on anticorruption policies by the Anti-corruption and Civil Rights Committee, KRC received excellent remarks for 4 consecutive years, which was achieved by only 16 organizations out of a total 208 organizations. However, KRC 8.54 rating in the public organization integrity survey, was 0.39 less than the previous year. KRC is striving to improve integrity by proactively discovering causes to corruption and by reinforcing education in ethics.

Risk Management

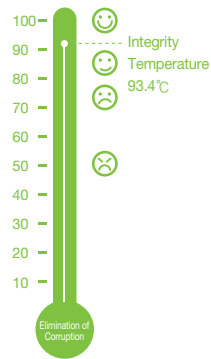
At KRC, we are working hard to identify and manage risks in advance that may affect our business stability at present and in the future, in addition to the generation and distribution of economic values. We defined 12 risk types in the 4 risk domains of management, disaster, communication and conflict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

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

Stakeholder Communication Channels to Prevent Corruption in Construction Sites



Integrity Thermometer System



Actions Taken against Employees Who Violated the Code of Ethics

Unit: No. of cases			
Type of Action Taken	'09	'10	'11
Total	11	2	15
Expulsion	6	1	1
Dismissal	2	-	2
Suspension	2	-	8
Salary reduction	-	-	1
Reprimand	-	-	2
Warning	1	1	1

Risk Management Framework



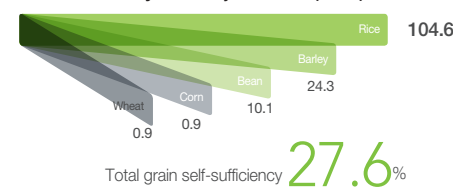
CREATION AND DISTRIBUTION OF ECONOMIC OUTCOMES

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

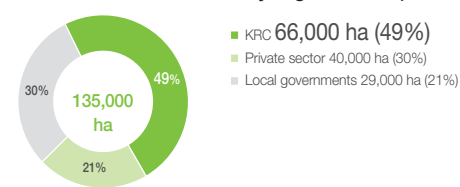
Making Economic Performance

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

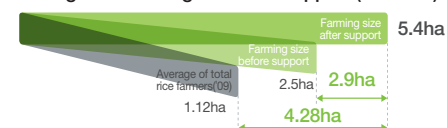
Self-Sufficiency of 5 Major Grains (2010)



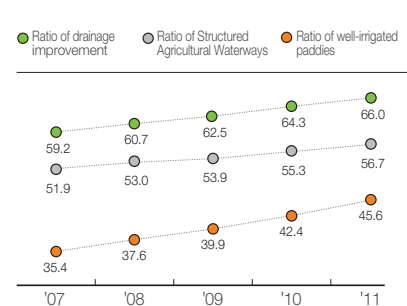
Reclamation Performance by Organizations (2011. 12)



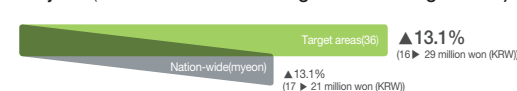
Changes in Farming Size with Support (2011. 12)



Modernization of Infrastructure Facilities Unit: %



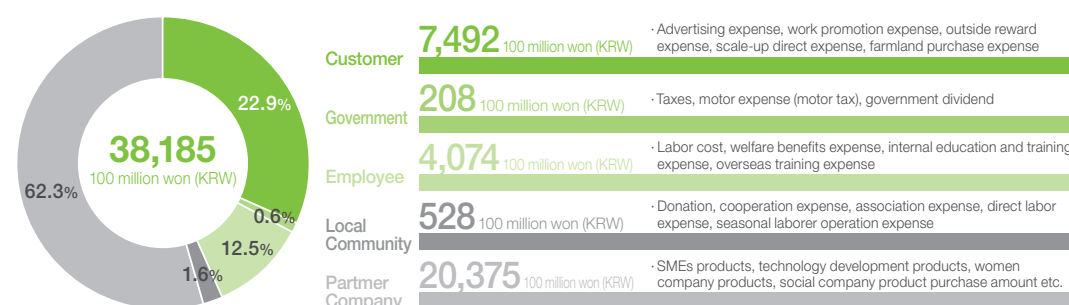
Performance of Comprehensive Agricultural Development Projects (Increases In Non-Farming Income In Target Areas)



Distribution of Economic Performance

KRC is reinvesting profits made from profitable projects into regional development projects. KRC continues to create and distribute economic values to improve corporate values of KRC through growth of rural villages, increase competitiveness, and disclosing transparently to all stakeholders including local communities, environmental groups and customers and affiliates. (Indirect economic values generated for stakeholders)

Indirect Economic Values Generated for Stakeholders

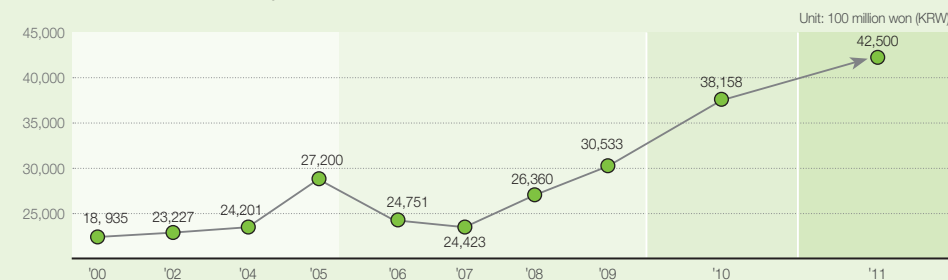


BEST PRACTICE

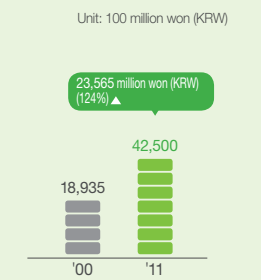
Opened 4 trillion won (KRC) Sales Revenue Era for the First Time

KRC changed its name to Korea Rural Corporation in 2008, and expanded the business area to fishing regions to provide policy services for balanced development of fishing villages. KRC is pursuing existing policy projects including expansion of agricultural production base, improvement of agriculture structure, rural village regional development, etc., while presenting new policy models such as new renewable energy projects and reservoir river bank raising projects, to maintain a growth rate of 13% of annual sales increase every year since 2008. In addition, in spite the sales revenue increased by almost 2.2 times since 2000, KRC made sustainable manpower reducing effects through efficient operation of manpower redistribution.

Sales Revenue and New Projects of Each Year



Sales Revenue Increase Rate



KRC strengthened preliminary feasibility research and threw out unprofitable projects in order to establish a sustainable growth basis, also investing into projects in a phased manner in consideration of the financial situation.

Promoting new projects and expanding areas

Sustainable Growth

Establishing systematic project management system

Increasing government budget

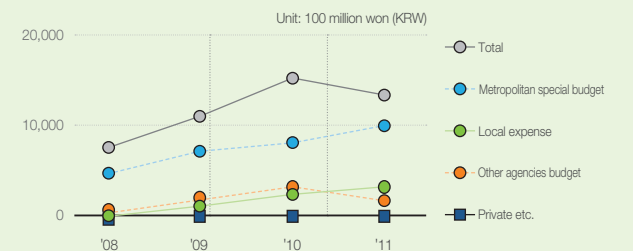
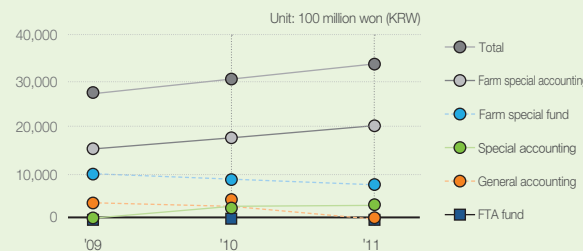
Increasing orders from consignment projects

Internalization of projects

Making profits through diversification of profit structure

KRC increased its budget in a sustainable manner through efforts to obtain financial resources such as farmland funds and FTA funds to establish an advanced rural infrastructure.

KRC's orders from local municipalities and other agencies have increased utilizing personnel, logistical, and technological capabilities, while diversifying profit sources and is improving management methods.



ENVIRONMENTAL PERFORMANCE

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



CREATION OF ECO-FRIENDLY VALUES

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

Preserving Rural Eco-Friendly Values

Rice paddies not only produce rice but also perform various environmental functions and serve as animal habitats. They prevent floods during the summer, recharge ground water and make the air and water cleaner. In addition, they prevent soil loss, provide green areas and preserve the ecosystem. In other words, rice fields carry out pluralistic functions that no price can be set upon in addition to rice production.

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

Every Korean needs to have an opportunity to understand and experience the Eco-Friendly values that rural communities offer, which is as important as preserving them. KRC is creating rural experience villages to enable urban citizens to visit rural communities themselves and have hands-on experiences of Eco-Friendly resources. The 535 green farming experience villages contribute to generating non-farming income and serve a critical role as an Eco-Friendly linkage between urban and rural areas. In addition, 'Welchon portal' and 'rural information services' allow urban people to easily access information on these experience programs in rural communities, expanding urban-rural exchanges.

Eco-Friendly Production Infrastructure

KRC takes into account the use of water, flood control capacity, environment, waterfront and landscape comprehensively in installing and managing rural facilities and strives to move beyond the basic function of building production infrastructure into the Eco-Friendly development of waterfront areas and local environments. We are building ecological environmental waterways, enhancing the eco-friendliness of pumping stations and drainage systems through renovation and maintaining waterfront areas in a bid to ensure Eco-Friendly maintenance of agricultural facilities. We create beltways around reservoirs, trails and rest areas to turn reservoir areas into Eco-Friendly break areas. We also develop waterfront roads, trails, observatories, and woodland parks in easily accessible areas with aesthetically pleasing landscape to attract more urban citizens. Such endeavors are leading to continuous improvement of satisfaction of local citizens living near these facilities.

Eco-Friendly Farming

KRC is creating environmentally friendly high tech glass green houses and is distributing geothermal (new renewable energy) utility facilities in order to promote environmentally friendly farming where environment and farming are in harmony.

Agricultural Food Export Compound

Agricultural food export compounds, which are under process, with the purpose to establish a stable export supply basis in response to FTA, is an environmentally friendly facility horticulture compound which utilizes rain water, nutrient solution recollecting system, and new renewable energy (geothermal). The high tech glass greenhouse compound of 15ha, which will be operated in an environmentally friendly crop growing system, such as fertilized bees and natural energy technology, will be established as a landmark of green growth.

Agriculture and Fisheries Energy Utilization Project

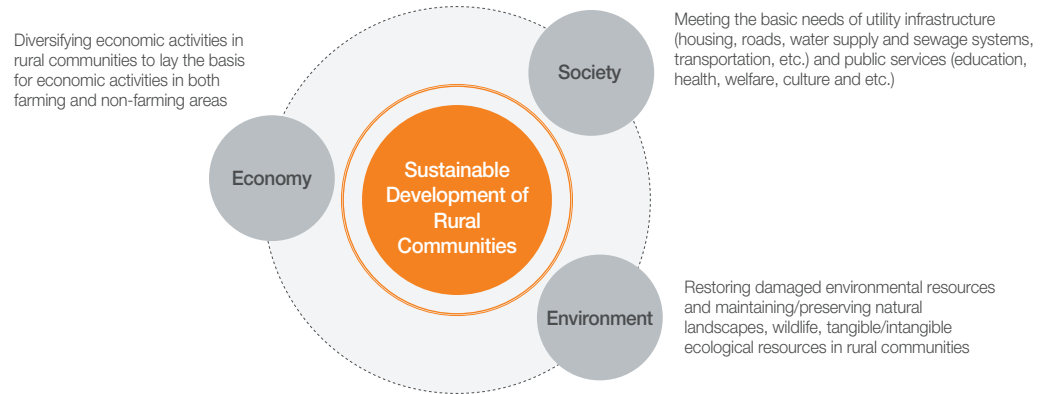
KRC is striving to increase the income of farmers and fishermen and realize convergence of agriculture and cutting-edge technologies and to save energy as well as reducing carbon emissions. Especially, the geothermal (air heat) air conditioning and heating systems for the facility horticulture business, which is part of the agriculture and fisheries energy utilization project, is resolving the problems of farmers and fishermen who are having difficulties by saving 70~80% in heating cost compared to diesel. Obtaining a three-fold effect of increasing income by year-round cultivation of crops and realizing green growth by utilizing new renewable energy.

Use of Ecological Cultural Resources in Rural Communities

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

Economic, Social, Environmental Development of Rural Villages

KRC promoted rural village development projects in 278 villages and rural village theme park projects in 31 areas as of 2011. KRC placed priority in environmentally friendly development, in addition to increasing economic, social values and environmentally friendly parks.



Improving Scenery of Rural Villages

KRC is carrying out rural landscape improvement projects to preserve and better utilize ecological resources in rural communities. KRC undertook preserving and managing valuable scenery of rural villages through the Ganghwa, Seondu, Jeonbuk, and Geunghang district scenery improvement project and the projects will contribute to revitalizing the local communities. Efforts to improve the scenery of rural villages will expand in a sustainable manner, and KRC is improving institutions and promoting projects that revitalize the scenery of rural villages together with the Ministry of Agriculture and Food.

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

We developed a total of 87 standard rural housing models between 1994 and 2011 and are distributing them free of charge. These free standard housing designs that are economically efficient and eco-friendly led to savings of at least 3.5 million won (KRW) per household. Especially, in 2012, we additionally developed and distributed 8 types of rural village life-type housing models, contributing to enhancing the energy independence of rural communities.

Nurturing Rural Village Eco- Friendly Service Projects

KRC is making efforts for sustainable rural village development through expansion of new renewable energy in efficient housing energy by utilizing photo voltaic panels, small hydropower and geothermal energy, etc. By doing this, KRC is obtaining efforts of increasing environmental values of rural villages by reducing the economic burden of rural village residents and improving the rural living environment through saving energy.

Eco-Friendly Values of Agriculture Translated into Economic Values

Unit: 100 million won (KRW)/year

Eco-Friendly Values of Agriculture	Estimated Value
Groundwater recharging	41,572
Preserving the Environment and Ecosystems	Water purification 21,910
	Air purification 55,889
	Reduced soil loss 9,520
	Protection of wild animals -
Mitigating Disasters	Prevention of floods 22,814
	Prevention of landslides -

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



Bird's eye view of Hwaong agricultural food export compound (to be completed in 2012)



Inside of glass green house which adopted the system (Yukmojang, Seongju, Gyeongbuk)

Preservation of Bio-diversity Resources

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



Bird's eye view of water quality improvement project

Preserving Bio-diversity and Complying with Environmental Regulations

KRC manages 66% of the irrigated paddies and 13,374 irrigation facilities across the nation. Preserving rice paddies, dry fields and ecosystems surrounding agricultural facilities constitutes the core of our corporate responsibility. We comply with relevant regulations including the Basic Environmental Policy Act, the Air Environment Preservation Act, the Natural Environment Preservation Act, and the Water Quality and Ecosystem Environment Preservation Act, taking into account ecological values of rural resources in every business activity that we carry out.

Development to Enhance Ecosystem Values

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

Preservation of Ecosystem Values through the Protection of Wetlands

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

Environmental Remediation

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

Four Major Directions for Groundwater/ Soil Remediation Projects



Preserving and Managing Groundwater Resources in Response to Climate Changes

95% of groundwater in Korea is located in rural villages. Groundwater is difficult to restore once it is polluted, high cost to restore, and thus it is very important to preserve groundwater against climate changes such as drought and flood. KRC is developing management measures suitable to each groundwater resources such as water quantity/quality management, sustainable monitoring, pollution source management, alternative tubular well development, etc. KRC is also contributing to safe farming in rural villages by proactively preparing against natural disasters through systematic management by establishing DB on groundwater tubular wells, observation networks, etc.

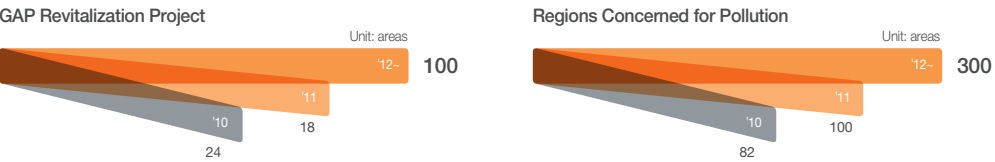
Eco-Friendly Land Preservation through Remediation of Polluted Soil

We witness an increasing frequency of soil and groundwater pollution in rural communities and more than 80% of those facilities that may cause soil pollutions are located in these rural areas. It is imperative that we systematically manage soil pollution factors (heavy metal and agricultural chemicals) to prevent the production and distribution of polluted agricultural products in the first place. In 2000, KRC conducted the national land purification project for the first time in Korea and is leading large scale policy projects such as Green Remediation (green purification) technology development for green growth based on the environmental restoration project of approximately 213 billion won (KRW) in about 150 areas by 2011.

Securing GAP-based Production Infrastructure

Consumer demand for high-quality Eco-Friendly agricultural products is increasing these days. KRC conducts investigations into farmlands in potentially polluted areas in order to prevent the production of polluted products, and enhancing the reliability of agricultural products in Korea. In addition, KRC is striving to increase environmentally friendly and safe agricultural production by providing GAP (Good Agricultural Practices) certified consulting and pollution survey in soil and water in regions which promote GAP certification.

Eco-Friendly and Safe Agricultural Produce (GAP), Performance of Creating Production Bases and Expansion Plans



'Rural village groundwater net' groundwater management system



Soil environment pollution survey (Bupyeong-gu, Incheon)



Operating soil environment pollution prevention technology support group

Q&A

Question from stakeholders

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

Answer from KRC

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

Preservation of Ecosystems

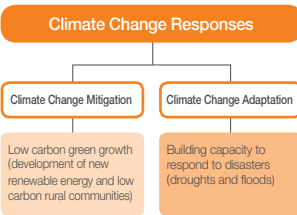
- Adopting the development approach based on resource-recycling carbon reduction techniques
- Developing land in alignment with green growth strategies
- Creating the clean ecology belt linking streams, rivers and the ocean
- Achieving zero-pollution through proactive environmental management
- Building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

※ For more detailed information, please visit the website below.
www.isaemangeum.co.kr

APPROACH TO RESPONDING TO CLIMATE CHANGE

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

Comprehensive Endeavors of KRC to Respond to Climate Change



2.22 million MWh/year
(=consumption of 920,000 households/year)
new renewable energy generation plans (~2016)



Water surface photovoltaic energy



Donghwa hydrological power



Saemangeum Garyeokdo wind power

Promoting Low Carbon Green Growth

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

Low Carbon Green Growth-Organizational Structure and External Cooperation

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

2011 Achievements of Cooperation with External Stakeholders

Participating Stakeholders	Efforts to Respond to Climate Change	Achievements
Government and Related Organizations	Water resources peoples' discussion held on November 14, 2011	Establishing water danger management system against climate changes and seeking measures for efficient management and development of rural water
Local Government and Private Sector Organizations	Gyeonggi area signs MOU for joint development in new renewable energy	Survey on wind power and photovoltaic resources to be established in breakWater and investment cooperation

New Renewable Energy Development

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

Photovoltaic and Hydrological Power Generation

KRC posts 4.1 billion won (KRW) in profit through its photovoltaic generation worth 7,634 MWh annually. New generation has currently stopped due to external changes surrounding the issue of photovoltaic power generation, but as the '2012 system for mandatory supply of new renewable energy supply' was adopted, the project resumed, and new projects utilizing reservoir water surface are under development. In addition, through hydrological power generation, which is clean energy developed by generating irrigation water including river water and surplus water, KRC constructed 14 plants by 2011, where 35,203MWh of clean energy is produced annually in 10,329kW, obtaining 3 billion won (KRW) of annual profits. KRC is also planning to develop a total of 45 plants producing 22,574kW by 2016. Especially, KRC is sharing the hydrological power generation technologies and knowhow with local municipalities while contributing to the hydrological power generation in the local communities.

Wind Power Generation

Wind power generation is an excellent project for utilizing the abundant land and wind in the Southwest region since it has relatively high production volume per unit of area compared to other alternative energy sources. KRC has planned out a 3000kW trial project in Saemangeum district for 2013. In addition, KRC has signed 3 MOUs with local municipalities and private organizations for jointly developing large scale wind power generation compounds since 2009, and is currently promoting feasibility studies.

Energy source	Effect	Unit	'10	'11	'12 (plan)
Photo-voltaic	Annual generation volume	MWh	7,331	7,331	8,689
	Number of households using the power	4/year	2,036	2,036	2,414
	Greenhouse gas reduced	tCO ₂ eq	4,925	4,925	5,837
	Pine tree plantation effect	1,000	985	985	1,167

Energy source	Effect	Unit	'10	'11	'12 (plan)
Hydro-logical-power	Annual generation volume	MWh	28,120	35,203	42,200
	Number of households using the power	4/year	7,811	9,780	11,722
	Greenhouse gas reduced	tCO ₂ eq	16,450	20,594	24,687
	Pine tree plantation effect	1,000	3,290	4,119	4,937

Participation in the Carbon Market

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

Reducing GHG Emissions

We continue to make remarkable progress in reducing GHG emissions through the development of new renewable energy. By developing new renewable energy, in 2011, KRC cut GHG emissions by 25,519tCO₂eq, which replaced the consumption of 77,944 barrels of crude oil. We are planing to achieve a reduction of 71,960 tCO₂ by 2016, making a significant contributions in reducing GHG emissions on a national level.

Carbon Trading Project

KRC registered its photovoltaic power generation as the CDM project to the UN for the first time in September 2010. This was the first project in reducing greenhouse gas based on KRC's continuous interest in climate change and KRC is planning to reduce 37,530tCO₂eq of greenhouse gas in the next 10 years. After this project, in August 2011, KRC continued to register hydrological power generation in VCS (Verified Carbon Standard) for the first time a public organization is planning to reduce 7,594tCO₂eq every year. Furthermore, KRC is planning to contribute to reducing greenhouse gas by proactively finding domestic and overseas carbon markets.

Achieving Low Carbon Rural Communities

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

Saving Rural Energy Consumption through Geothermal Energy

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

Green Business Certification

KRC obtained the Green Business Certification for the first time by a public organization. The green business certification was issued for the geothermal air conditioning and heating facility installation support project currently under process, that has a 70~80% energy saving effect compared to diesel. In addition, it has been recognized to contribute significantly in reducing greenhouse gas and increasing the quality and production through environmental improvement. The Green Business Certification is a system made by the Korea Institute in Advancement of Technology, which officially certifies projects that contributed to saving energy, reducing greenhouse gas and pollutants emissions. The certification became an opportunity to raise awareness about KRC in taking the initiative in low carbon green growth policies.

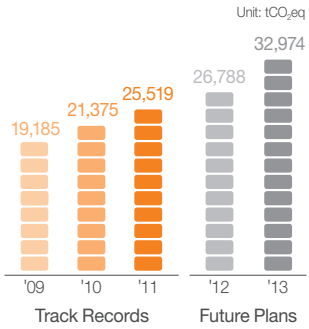
Green Villages with Energy Self-Sufficiency

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

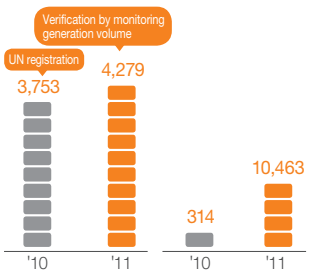
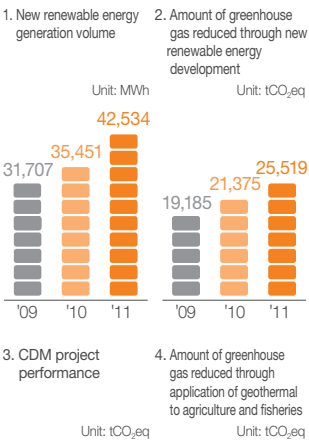
R&D Achievements on Low Carbon Rural Communities

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

Achievements And Plans to Reduce Co₂ Emissions Through the Development of New Renewable Energy



Environmental Performancesof Responding to Climate Changes



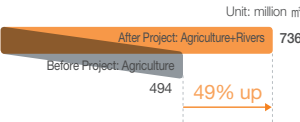
Facility horticulture house utilizing geothermal air conditioning and heating facilities (Yongin, Gyeonggi-do farmer)

SUSTAINABLE MANAGEMENT OF WATER RESOURCES

520,000_{ha}

Size and percentage of farmland provided with water resources stably in 2011

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



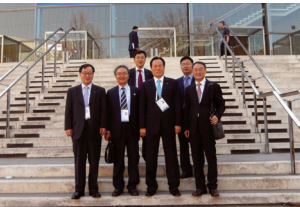
Bird's eye view of raising the banks in Baegkok reservoir



Control chamber for water management automation (Seocheon branch)



Water management school student training



Participation in the 6th World Water Forum (France)

Rural areas account for 62% of Korea's total water resources consumption. KRC is providing total water supply services to farmers and fishermen free of charge to enable local communities to grow further based on water resources. We are determined to enhance our water management endeavors to ensure an efficient and safe supply of cleaner water resources.

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

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

Supplying Stable, Multipurpose Agricultural Water

Securing and supplying agricultural water in a stable manner to get ready for climate change such as droughts is essential to ensure the sustainability of rural communities. In order to supply agricultural water smoothly, KRC is developing new river heads and expanding water supply infrastructure including drought response measures, maintenance of water-ways and drainage channels. In addition, our focus in developing water resources is shifting from the farming industry alone to diverse agricultural uses such as dry-field farming, residence, industry and environmental maintenance, moving forward comprehensive development of water resources. For example, we are working to build higher banks near reservoirs to supply water to local streams and to install irrigation facilities such as reservoirs and pumping stations in drought-prone areas suffering water shortages in a bid to provide agricultural, residential and environmental water resources to rural communities.

Water Management Centers

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

Advancing Rural Water Management Systems

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

Automation of Agricultural Water Management

The central management office is working to ensure comprehensive management of agricultural infrastructure facilities in the entire nation in order to manage the distribution of water resources in a scientific and centralized manner, which is leading to enhanced disaster responses of relevant facilities nationwide and reduced management costs including electricity costs. KRC plans to establish automated facilities on 413 thousand ha of land, which is translated into 80% of the rice paddies under KRC management by 2021. Identical sentence and the automation ratio stood at 25% (104 thousand ha) in 2011. In addition, KRC reflected 3 billion won (KRW) in maintenance fees in 2011 with repairs and reinforcing the system while currently operating various educational programs to nurture core talents in information communication and control measurement engineering areas.

Specialization of Water Resources Management

In 2010, KRC opened 'Water Management School' together with the Korea Polytechnics University in order to nurture water management manpower in a systematic manner. The joint venture produced its first 32 graduates in 2011, who were sent to the water management sites of KRC. While water management personnel continue to decline in numbers and newly recruited employees face difficulties in adapting to working conditions quickly, the specialized degree courses on water management will enable us to improve employees' capacity in the future and re-train existing employees, enhancing our expertise and the level of management services.

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

Strengthening Disaster Response Capacity

It is important to strengthen the responsive capabilities to rapid weather changes such as early heat waves, rainfall after the rainy seasons, and typhoons, to strengthen the risk management system. KRC is concentrating on analyzing the causes to such disasters, and is operating a regular management system in order to seek positive utilization of sustainable water resources and prevention of safety accidents of water facilities.

Tightening Safety Management of Irrigation Facilities

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

Strengthening Disaster Management Systems to Establish Disaster Prevention

Climate change on a global level is leading to an increasing likelihood of abnormal precipitation events and large-scale disasters. KRC is operating the flood emergency planning group, and advanced discharge measures of reservoirs and banks. KRC is also operating an emergency alarm system and Emergency Action Plan (EAP) to prevent and minimize damages to citizens and their properties. In addition to nurturing in-house disaster experts, we are building joint response systems together with local civil organizations and making promotional activities to build safety awareness in order to enhance our disaster management and response capacity in conjunction with stakeholders.

Comprehensive Water Quality Management

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

Water Quality Studies and Improvement

KRC is keeping track of water quality and causes of pollution by conducting agricultural water quality measuring networks and water quality situation surveys for a comprehensive water management. The water quality measuring network examines 16 items such as BOD, COD, TN, TP, and heavy metal every year in 800 freshwater lakes and major reservoirs, and the water surveys are conducted every two years on 17,000 national agricultural reservoirs. KRC utilizes the results and develops strategies for agricultural water quality management policies. The first step is planning to proceed with water quality improvement projects on 53 facilities, which surpass the long term water quality standards by 2020. In addition, we are also trying to improve the water quality of reservoirs of which water quality pollution levels increase during the summer and show severe algal blooms and dry seasons.

Efforts for Pollution Preventive Water Preservation

KRC is strengthening water pollution prevention activities through the water quality management governance system, which is implemented together with stakeholders such as agricultural water users, and is operating a 'regional autonomous water quality management program' through support for technologies and water quality examination equipment in order to raise awareness of local citizens on the environment. In addition, KRC is conducting water quality pollution prevention training programs on a regular basis in order to prevent the expansion of water pollution with quick and efficient early measures against water quality pollution accidents.

Water Quality Preservation Endeavors based on Stakeholder Engagement

Category	Efforts and Activities to Improve Water Quality with Stakeholder Engagement	'10	'11
Promoting the importance of water quality preservation	Contest of best stories on practicing the campaign 'Save Water in My Hometown'	12,505 cases	9,643 cases
	Public campaign on water quality preservation	211 times	207 times
	Juvenile experience type water quality environment preservation education	5,120 persons	5,380 persons
Increasing the participation of local people	Environmental clean-up activities led by local people in a regular way	153,665 persons	120,291 persons
	Honorary environmental guardians and their activities	3,996 persons	4,289 persons
Operating the council attended by stakeholders	Operation of water quality management councils voluntarily participated by local people	905 persons 10,485 persons	988 places 10,786 persons
	Agricultural use lake water quality management council	43 persons	95 persons
	Joint training to build preparedness against water pollution	15,512 persons	13,800 persons
	Autonomous water management programs for agricultural use reservoir regions	-	16 organizations 1,006 people (new)



Reservoir water quality survey



Implementation of short-term water quality improvement measures



Water quality pollution prevention training

BEST PRACTICE

Preliminary Prevention of Water Quality Pollutants in Livestock Burying ground due to Foot-And-Mouth Disease

Since the nationwide expansion of foot-and-mouth disease in 2011, there were concerns of water quality pollution in reservoirs due to damaged livestock burying grounds. KRC installed a management situation board for safe management of 113 livestock burying grounds, and is conducting regular inspection activities and special inspections during the rainy seasons, thawing seasons, and is notifying the local municipalities of livestock burying grounds which may be contaminating the grounds in advance, in order to prevent water pollution due to tainted burying grounds.

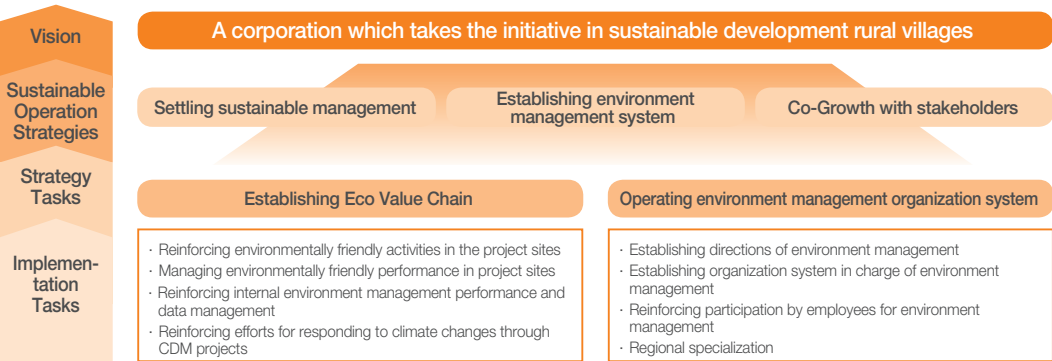
ECO-FRIENDLY MANAGEMENT SYSTEM

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

Environmental Management System

KRC established the 2011 sustainable management promotion strategies and expanded the management scope of environmental data which had been managed by headquarters, regional headquarters and district offices in order to reinforce the corporation-wide environment management. In addition, KRC expanded data management on not only the environmental data used in operating the corporation, but also on the energy used in transferring the employees and the energy used through the projects. Furthermore, KRC implemented the environment management system based on ISO14001, and is applying the system to the environment standards on all activities of management activities, survey designing, construction and maintenance.

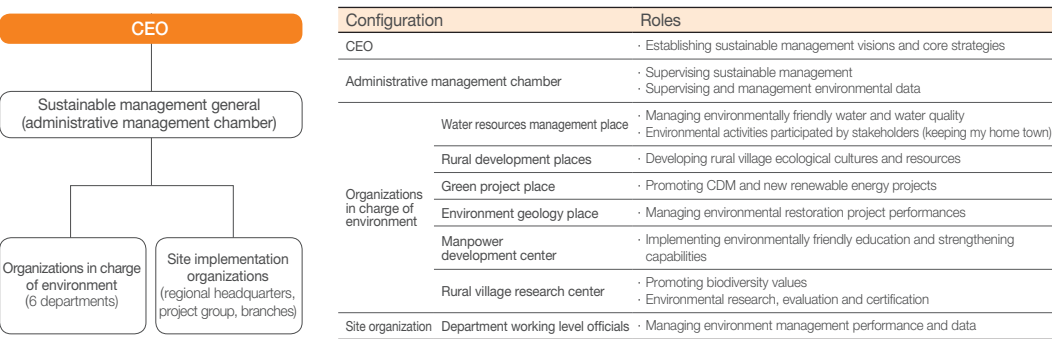
Environmental Management System



Environment certification overview

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

Environment Management Organization



Eco-Friendly Activities

KRC is well aware of the importance of environment management, and is making efforts in promoting environmentally friendly projects. However, there are problems due to organizations and facilities scattered nationwide. We will work harder to improve the corporation-wide environmental management performance.

Saving Water

We continue to monitor our water consumption every year to ensure the efficient use of water resources. Our water consumption in 2011 stood at 298,545㎥, up by 3.8% from the previous year but down by 10.6% from 2009.

Waste Reduction

Wastes from KRC is classified into daily living wastes discharged from KRC buildings and construction wastes discharged through the rural village development projects. Most of the construction wastes are concrete materials and these are processed and disposed of by a professional waste processing company so as to prevent environmental pollution. Daily living wastes decreased to 1,868,083㎥ in 2011, a 1.6% decrease from the previous year.

Green Purchasing

KRC is utilizing Eco-Friendly and recycled products actively. Our purchase of Eco-Friendly products in 2011 was worth 15,003 million won (KRW) and we are to increase the ratio of purchasing Eco-Friendly and recycled products every year.

Environmental Activities by Stakeholders

The third Wednesday of each month is the regional Water Environment Conservation Awareness day and clean-up efforts are utilized for agricultural facilities such as reservoirs and pumping stations. Local governments, staff, residents and students take part in the participation of environmental clean-up activities while promoting the environmental protection campaign. By promoting clean water and clean air practices, it ensures for a healthier environment and improved living conditions. In addition, we are engaged in activities to think over the meaning of environmental preservation and sharing including trail clean-up, release of baby fish and tree planting in welfare facilities.

Eco-Friendly Capacity Building

KRC is providing various forms of education such as environment management, green manpower nurturing, and reinforcing water management capabilities in order to improve the environmentally friendly mindsets and capabilities of KRC employees.

Environmental Management Training

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

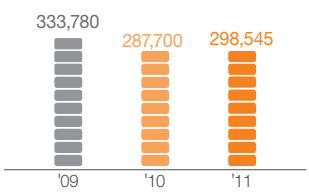
Fostering Green Talent to Respond to Climate Change

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

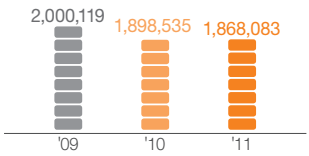
Nurturing Experts on Water Resources Management

We are striving to secure differentiated capacities required to manage rural water resources in the future and to cope with the fast-changing management environments of water resources. We are training employees to build their water management capacity with the help of the Human Resources Development Institute or external professional training agencies to ensure advanced water management, and 440 KRC employees took training in 2011.

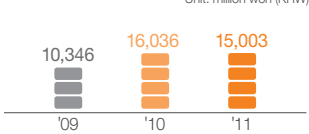
Water Consumption Over the Last 3 Years



Waste Discharge Over the Last 3 Years



Green Purchases



Environment purification activities

Training on Environmental Management

Unit: No. of persons			
Category	'09	'10	'11
In-house ISO 14001 Examiner	-	39	-
Job Training on Environment (including online training)	30	90	30

Fostering Green Talent

Unit: No. of persons			
Category	'09	'10	'11
Training on New Renewable Energy	60	120	1,150
Energy Diagnosis Xpert	-	50	42
Water Management Automation	22	46	80

Training on Water Management Capacity Building

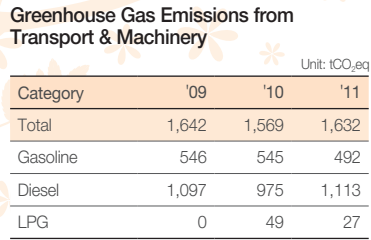
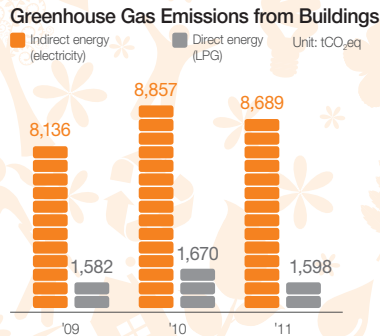
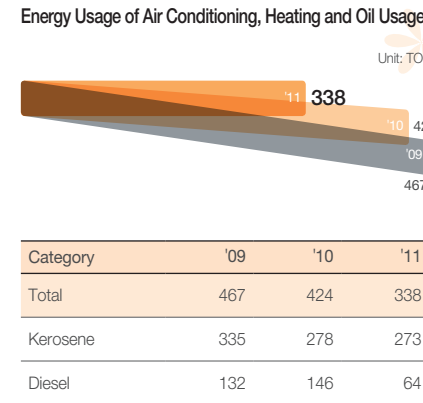
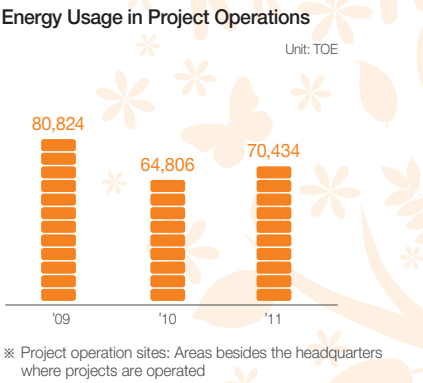
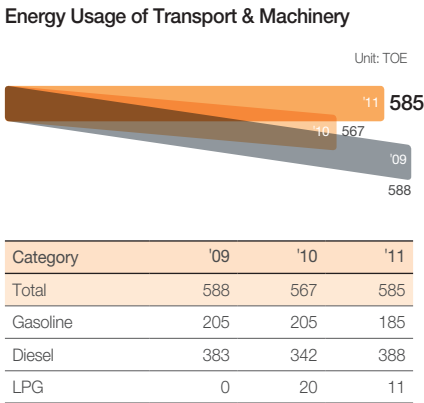
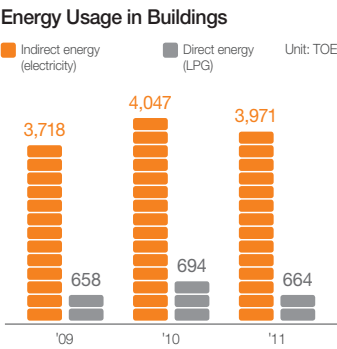
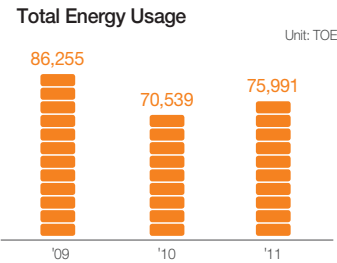
Unit: No. of persons			
Category	'09	'10	'11
Water Management College	-	Newly Established	33
Disaster Management Expert	113	-	225
In-House Job Training	89	344	440

ENVIRONMENTAL MANAGEMENT SYSTEM

Reducing Energy Consumption and GHG Emissions

We are reducing energy consumption through investments in high-efficiency energy facilities and employees' efforts to use energy more efficiently and also cutting GHG emissions through the use of new renewable energy instead of fossil fuels. We are taking energy saving initiatives in the following three domains: efficient business operations, investments in high efficiency energy facilities, and enhancement of employees' awareness on energy saving and Eco-Friendly activities.

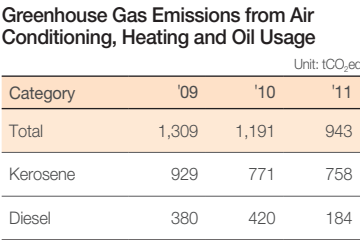
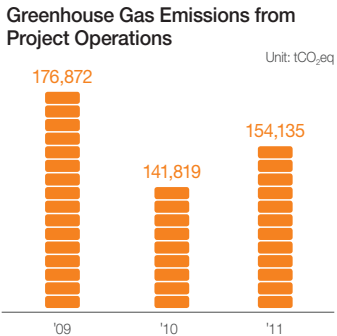
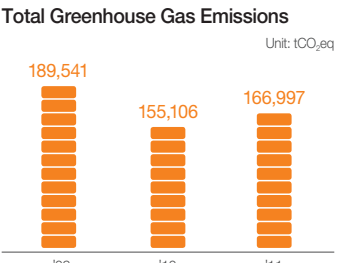
KRC



Investment In Highly Efficient Energy Facilities in KRC Buildings

We achieved 20.1% of LED lighting provision rate through investments in highly efficient energy facilities in KRC buildings in 2011. We will continue to strengthen our efforts in investing to reduce energy usage.

KRC



Energy Saving Through Increased Efficiency of Business Operations

We are using power and machinery facilities in pumping and drainage sites in operating most of the projects, and we examine the energy use situations, and install new renewable energy facilities and repair energy loss areas.

By doing this, we will expand the electronic document working environment by establishing a work D/B for driving facilities, supply and drainage situations, reinforce remote teleconferences and remote work, to strengthen low carbon capabilities by 2013.

SOCIAL RESPONSIBILITY

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



CUSTOMER

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

Customer Satisfaction Management

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

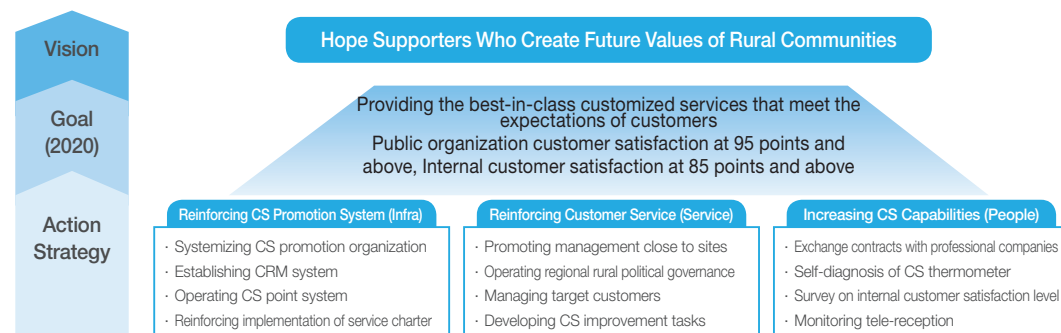
KRC's Customers

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

CS Strategy

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

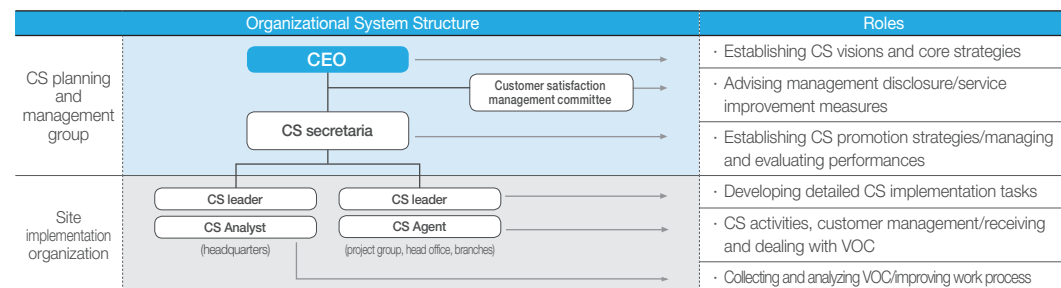
CS Vision and Strategy



Operating Customer Satisfaction Organization

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

Customer Satisfaction Organization



Customer-oriented Organizational Culture

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

Creating a Differentiated CS Management Image

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

CS Motivation

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

Instilling a Sense of Unity into the Corporate Culture

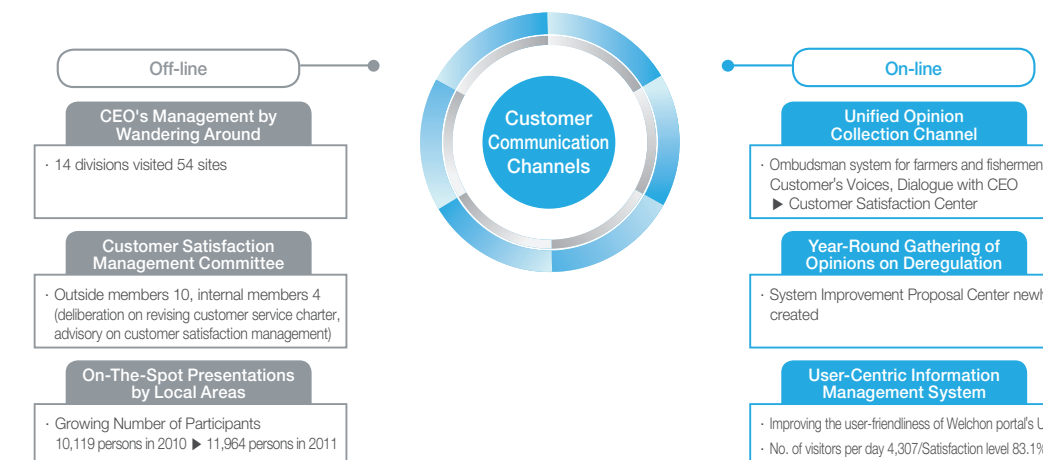
We survey all our employees on organizational contributions and business support satisfaction including job performance satisfaction and inter-departmental communication through the corporate intranet. The results are utilized to help employees recognize the need for and build consensus of a unified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

Customer Satisfaction Activities

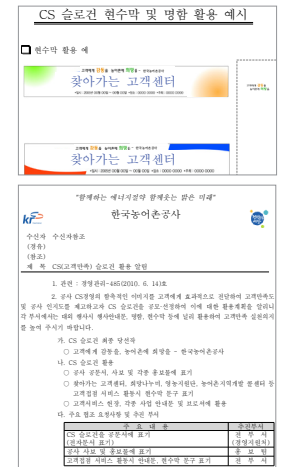
We are faithfully implementing the whole process for customer satisfaction including collecting opinions, establishing activity plans, implementation and feedback through direct contact with farmers.

Customer Communication

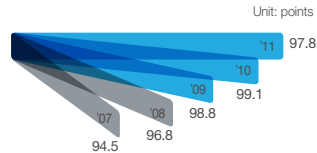
We collect customer opinions through direct contacts with farmers in a bid to strengthen customer participation and interaction of ideas. The CEO's Management by Wandering Around (MBWA) ensures seamless communication with internal and external customers. The operation of the 'Visiting Customer Centers'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



Building a Customer-Oriented Organizational Culture



Best Organization for 5 Consecutive Years in Customer Satisfaction Survey in Public Organization Category



3,308 persons

Implemented CS expert site training to 3,308 employees in 8 head offices and 80 branches from July to November of 2011

EMPLOYEE

Enhancing Services at Customer Contact Points

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

Improving KRC's Brand Value

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

Building Internet-Based Operation Manuals

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

Endeavors to Improve CS Quality

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

Public Organization CS Evaluation

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

CS Evaluations by Operation Areas

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

Interview with Employees

KRC has been trying to facilitate communication with our customers by implementing management close to sites, lead by the CEO, and is solving inconveniences by operating customer satisfaction management committee consisting of representatives of farmers and agricultural groups, and is improving the service quality of site employees through contracts with customer satisfaction education organizations.

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



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

KRC's Ideal Employee

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

Fair HR Principles

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

Employee Composition

The total number of KRC employees stands at 5,248 as of the end of 2011 and 4,802 are male and 446 are female employees. All KRC employees are paid above the legal minimum wage and not discriminated against in terms of wage due to their gender. KRC is in full compliance with the Labor Standard Act and the rules of employment and forced labor and child labor did not take place within the KRC worksites.

Socially-Equitable Talent Procurement

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

Creating Jobs for Ordinary People

KRC introduced a special recruitment system for children of farmers and fishermen for the first time as a public organization to offer more job opportunities to those raised in rural communities and established a separate recruitment process for the physically challenged apart from the regular hiring procedures to guarantee employment opportunities for those with physical challenges, spearheading Korea's efforts to create a fair society through socially-equitable employment.

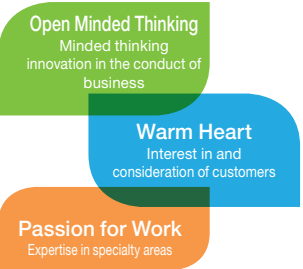
Expanding the Youth Internship Program

Our Youth Internship system aims to resolve the youth unemployment issue that is emerging as an urgent national challenge, offer an opportunity for young job seekers to gain work experience and build practical capabilities. Youth interns are assigned according to their major and qualifications to build practical capacity in their specialty areas. We hired 337 interns in 2011, fully meeting the minimum threshold (4% of total, 206 persons) set by the Ministry of Strategy and Finance. These interns are provided with the same online and collective training as their regular counterparts and are given differentiated incentives according to their evaluation results.

Special Recruitment for Children of farmers

In a bid to support the government's policies for ordinary people that emphasize the spirit of challenge and achievement in society based on fair competition, KRC secured 47% of its Grade 5 new recruits from children of farmers and fishermen in 2011, through its special recruitment system.

Ideal KRC Employee



Employee Data

Unit: NO. of persons			
Category	Total	Male	Female
Total	5,248	4,802	446
Executives	7	7	-
Specialists	3	3	-
Grade 1	104	104	-
Grade 2	389	384	5
Grade 3	1,326	1,297	29
Grade 4,5	2,451	2,206	245
Grade 6	968	801	167

Employee Status by Age Groups and Employment Types

Unit: NO. of persons			
Age	Category	Gender	
		Men	Women
Under 30	Administrative	0	0
	Management & staff	139	46
30 to 50	Administrative	0	0
	Management & staff	2,837	385
Over 50	Administrative	10	0
	Management & staff	1,816	15
Total workforce		4,802	446

Youth Intern Expansion

Unit: NO. of persons			
Category	'09	'10	'11
Number of interns	401	407	337



01 Customer
02 Employee
03 Partner Company
04 Local Communities

Results of Rural Development Expert Training Programs

Unit: NO. of persons

Category	'09	'10	'11	Note
Total	120	150	140	
Basic course	100	130	120	Chungnam National University, Chonnam National University, Gyeongsang National University etc.
In-depth course	20	20	20	Konkuk University

Development of Core Personnel

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

HR Promotion Strategy

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



Achievements of Training Courses to Secure Future Competitiveness

Unit: persons/million won (KRW)

Category	'09	'10	'11
No. of Employees Trained	26,595	34,332	35,654
Training Budget	2,648	3,556	4,301

Improved Employee Capacity

Unit: Lw/%

Category	'09	'10	'11
Capacity Level	3.5	3.6	3.7
Percentile Level	70	72	74

Average Employee Training Hours and Expenses

Unit: hours/1,000 won (KRW)

Category	'09	'10	'11
Training Hours	32	51	64
Training Expenses	490	611	834

Sexual Harassment Prevention Training

Unit: No. of persons/minutes

Category	'09	'10	'11
No. of Employees Trained	795	796	792
Training Time	120	60	60

※ Referring to training provided to employees at the headquarters

Building Advanced Capacity-based Training Systems

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

Fostering Future Core Talents

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

Promoting Experts in Respective Domains

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

Fair HR Management

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

Protecting the Rights of Female Employees

The Happy Together Committee is an organization made by KRC employees with an aim to protect the rights of female employees and help female executives realize their full potential through women's leadership. Representatives of female employees and labor union officials in charge meet on a half-yearly basis to present ways to make improvements and progress on requirements made by the Female Employee Committee.

Work-Life Balance

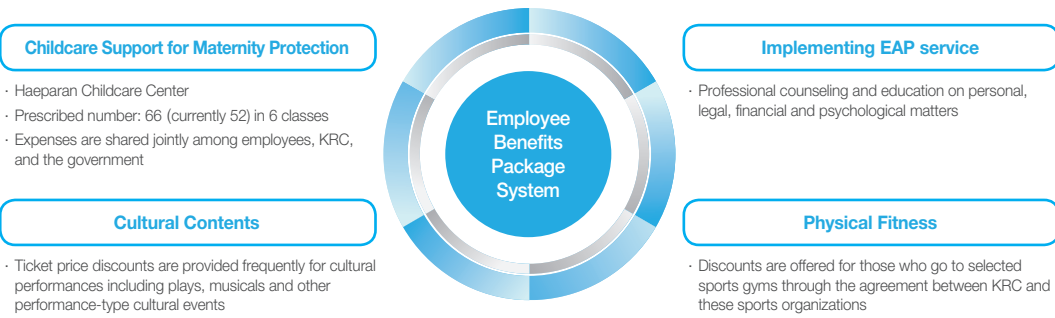
KRC is focusing on promoting the practical benefits package that suits the emerging welfare trend and operating transparent budget management systems through the integrated management of compensation and benefits, enhancing internal satisfaction.

Work-Home Compatible System

Improving working conditions is as part of our efforts to promote improvement of work satisfaction of our employees. Employees are allowed to select their working hours from 4 types divided in 30 minutes segments from 8:00 am, and we also encourage employees to take maternity leaves, including the right to take maternity leaves along with their spouses within corporate regulations. As a result of such efforts, KRC was designated as the 2010 certified organization for family friendliness (Ministry of Gender Equality and Family) and in 2011, KRC was acclaimed for women empowerment (president's award) and gender equality (Ministry of Employment and Labor).

Expanding Non-Monetary Benefits

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



Support for Retirement Candidates and Retirement Pensions

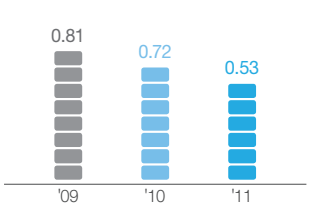
In December 2011, KRC signed 'Former Employee Support Service Contract' with the Labor Management Development Foundation to help former employees lead stable lives after retirement through successful reemployment and entrepreneurship of their own. This service provides 1:1 customized services to employees expected to retire soon, and various reemployment and business start-up support services utilizing facilities of both organizations. KRC selects a plurality of retirement pension operators to set a competitive system, and provides support to retirees so that they can live in stability through this retirement pension system.

Safe and Reliable Workplace

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

Employee Turnover Rates

Unit: %



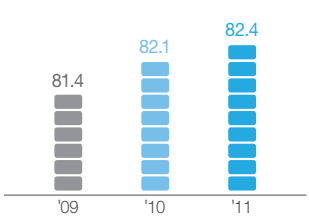
Male/Female Employees' Reinstatement Rates after Childcare Leave

Unit: %

Category	'09	'10	'11
Female Employees	100	100	100
Male Employees	-	-	-

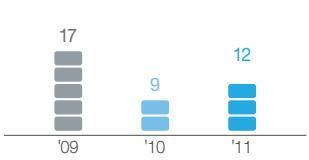
Internal Customer Satisfaction

Unit: Score points



Data on Industrial Accidents

Unit: No. of cases



Core Values of Labor-
Management Cooperation

Harmony and Mutual Benefits
Seeking harmony and mutual benefits for the future

Trust and Respect
Building the labor-management relationship based on trust

Social Responsibility
Meeting our social responsibility through the joint efforts of labor and management

Labor-Management Culture Based on Mutual Benefits and Cooperation

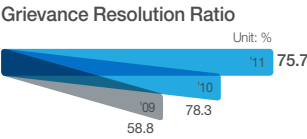
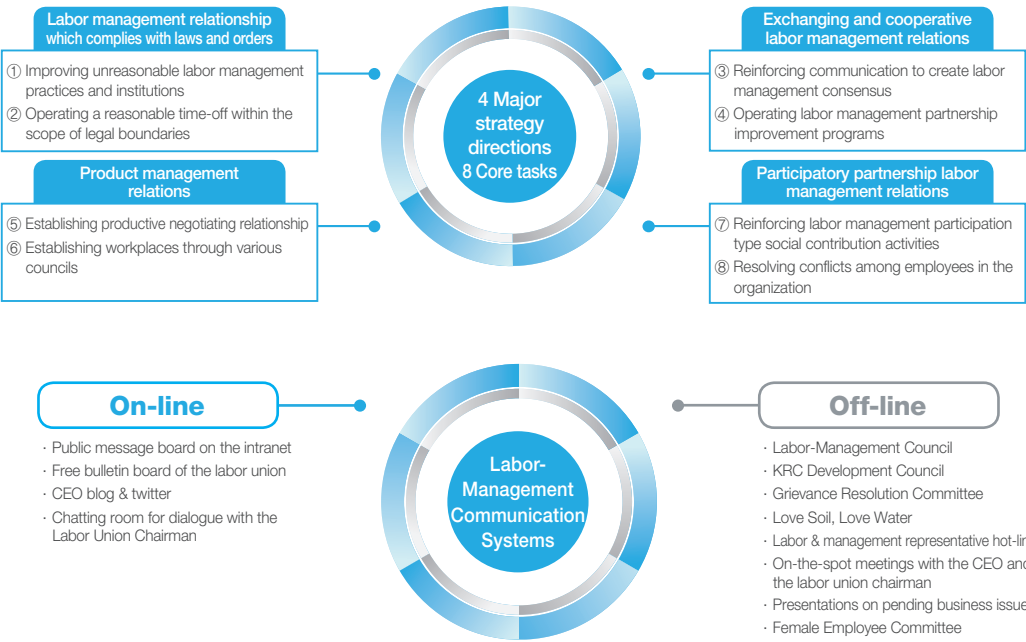
We are setting strategies to advance our labor-management relationship and further detailed strategies in a bid to create mutually-beneficial and cooperative labor relations through the bilateral consultation and a performance-oriented corporate culture, promoting the labor-management relationship that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

KRC Labor Union

We are creating a reasonable labor-management culture to build a mutually-beneficial labor-management relationship based on mutual trust. Our labor union was launched as a single labor union in December 2001 and 87% of the KRC employees are unionized as of the end of 2011. All employees other than those in manager positions at Level 2 and above and in specific positions such as HR-related positions or secretaries are eligible for union membership.

Setting Strategies to Advance the Labor-Management Relationship

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



※ Of the difficulties treatment cases, 24.3% is a result of considering working conditions of departments, transfer period, and personal reasons etc.

Establishing the Principle-based Labor Management Culture

Enhancing Job Commitment through the Resolution of Grievances

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

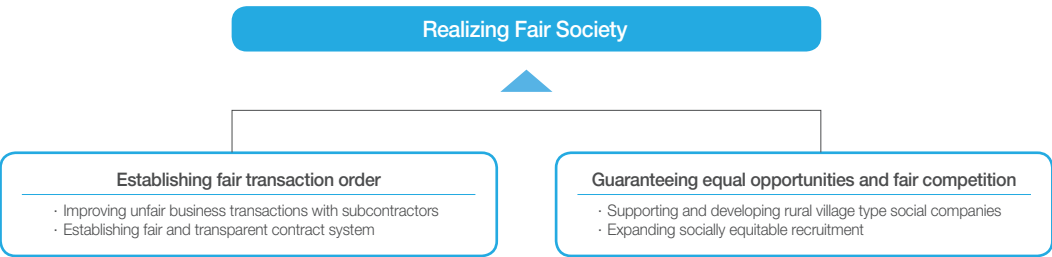
Joint Efforts between Labor and Management for Transparent Management

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

PARTNER COMPANY

Realizing Fair Society

KRC is taking the initiative in realizing Co-Growth with affiliate companies and fair transaction orders by improving unfair practices and institutions and in guaranteeing equal opportunities and fair competition based on KRC's specialized support policies and expansion of equitable recruitment programs.



Improving Unfair Business Transactions with Subcontractors

KRC increased the amounts of direct payments to subcontractors by granting additional scores according to 'Subcontractor Payment Direct Payment Plans' when screening qualifications for KRC bids. In addition, KRC increased the prepaid amounts to subcontractors, to facilitate flow of funds to subcontractors. KRC is striving to improve unfair trading practices with subcontractors by establishing and operating 'Subcontractor Payment Situation Board' at the sites in order to reinforce confirmation of payments to subcontractors.

Establishing Fair and Transparent Contract System

KRC notifies its ordering plans for each quarter through the KRC homepage, and established a system where submitting documents and making payments can be made through a system in order to minimize contact with bidders. Furthermore, in order to encourage fair contracts between original contractors and subcontractors, KRC is recommending using the standard contract form which includes protection regulations for subcontracts' by giving additional points when using this standard contract.

Supporting and Developing Rural Village Type Social Companies

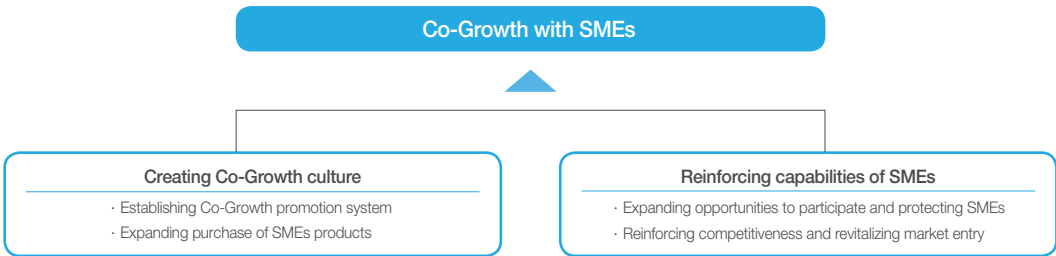
KRC established the Rural Village Community Support Center to develop rural village type social companies. This center provides professional counseling for social company certification, holds academies for converting to social company, producing, distributing work conversion manuals, manpower and PR activities necessary for developing rural village social companies to create jobs in the rural regions, thereby contributing to revitalizing rural villages.



Kong3al (president: Jeong Hoon Seo) located in Incheon Metropolitan city, Ganghwa province

Co-Growth Activities

KRC is practicing Co-Growth management through Co-Growth with small and medium sized partner companies, reinforcing capabilities of rural village companies, and supporting their entry into overseas markets, thereby fulfilling its social responsibility management



President's Award for Expanding Sales Routes for New Steam Products (November 16, 2011)

Establishing Co-Growth Promotion System

KRC reinforced internal evaluation on support for SMEs in order to efficiently promote Co-Growth operations in response to the government's Co-Growth expansion, and is operating Co-Growth revitalization T/F. KRC also provided trainings for improving Co-Growth promotion awareness and capabilities by inviting related organizations such as Co-Growth committee.

Expanding Purchasing of SMEs Products

KRC expanded purchasing of SMEs products in order to seek improvement and development of competitiveness of SMEs, and we chieved 76.9% of performance which is 6.9% more than government recommended goal.

Unit: 100 million won (KRW)/%			
Category	Total purchase amount (A)	SMEs product purchase amount (B)	Achievement degree (B/A)
2011	26,496	20,375	76.9

※ Government recommended goal of (70%) exceeded by 6.9%

Expanding Opportunities for SMEs to Participate In Bids and Protecting SMEs

KRC is taking the initiative in practicing Co-Growth by expanding opportunities for SMEs to participate in bids and providing SMEs protection systems. Companies bidding together with SMEs will be given preferential treatment such as expanded opportunities for getting orders, and companies submitting subcontractor direct payment plans and standard subcontracts will be granted additional points for bidding, and subcontractor payment situation boards will be installed and operated at the sites in order to reinforce confirmation function of subcontractor payment.

Nurturing Rural Village Companies and Revitalizing Overseas Entry by SMEs

KRC is reinforcing capabilities of rural village companies and contributing to expanding sales routes by providing consulting and educational support, certification of social companies, opening oriental herb antenna shops, opening rural village industrial exhibitions, and contributing to revitalizing overseas entry by SMEs by providing loans for overseas agricultural development, overseas agricultural environment survey and consulting, and expanding information provision to overseas agriculture.

BEST PRACTICE

KRC promoted domestic consumption by expanding exhibitions, sales and PR activities for 300 excellent oriental herbs and 63 national rural village companies through oriental herb antenna shops in Myeongdong Seoul, and is planning to contribute to expanding sales routes of rural village companies by operating additional antenna shops.

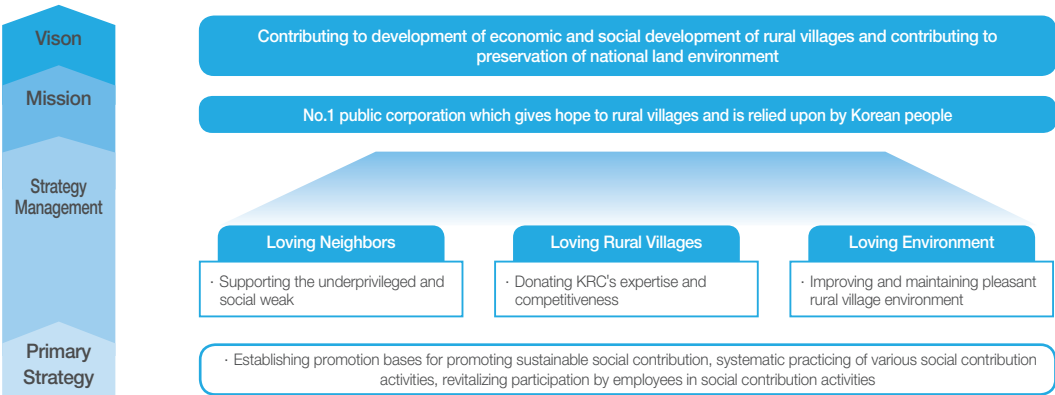
※ Antenna shop: Complex spaces for exhibition, PR and sales of oriental herb products operated for collecting consumer reactions and improving product quality.

LOCAL COMMUNITIES

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

Action Systems of Social Contribution Initiatives

In order to achieve our corporate philanthropy vision 「Public Enterprise that Delivers the True Value of Sharing」 , we are carrying out wide-ranging volunteering programs in the 3 areas of loving neighbors, loving rural villages and loving environment based on the unit volunteering teams nationwide. We are spreading the greater love to build a society where each one of us can be happy.





Repairing rural houses activities



Supporting children from broken families



Medical volunteering in remote areas



Presenting custom-made reading glasses

Contributing to Local Communities

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

Loving Rural Neighbors

Repairing Rural Houses

We are carrying out residential environment renovation projects for vulnerable people in remotely-located rural areas nationwide. In total, 4,187 KRC employees are voluntarily donating 196 million won (KRW) every year and such endeavors helped 336 households in promoting the safety of residence and the quality of life between 2007 and 2011.

Supporting Multi-Cultural Families

We are helping immigrant women who came to Korea to live with their Korean husbands. We provide them with support for stable settlement here as they are working diligently in spite of the less-favorable living conditions in rural areas. With their number increasing steadily in rural areas, we believe it is urgent to help them put down their roots firmly in local communities and we are helping them with visits to their home country, offering 183 million won (KRW) to 61 households by 2011.

Medical & Social Welfare

Donating Winter Underclothes

Our winter underclothes fund was created in 2006 and has been donating 9,063 pieces of underwear to the elderly living alone in rural areas. The underwear donation event has evolved into a wider sharing campaign attended by people from all walks of life including lawmakers, public servants, and elementary school students.

Presenting Custom-Made Reading Glasses (Bright Service)

We are offering free-of-charge reading glasses and glass repair services for people in rural communities and this is funded by voluntary donations made by KRC employees. Our Bright Service was recognized as a best practice of rural volunteering activities by the Korean government and this program has benefited 25,093 people between 2008 and 2011.

Education

Supporting Children from Broken Families

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

Specialized Social Contributions

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

Providing Visiting Customer Services to Facilitate Local Development

Due to diverse characteristics of respective rural areas, it is critical that we pursue customized and balanced local development. To promote local development that is most suitable for the distinct features of each local community and government, we are providing free-of-charge business presentations, seminars, policy advice and on-the-site training. We make sure that concerned stakeholders can ask for help easily through the rural development call centers and we supported a total of 315 related cases in 2011. Our plan is to keep developing a business structure where local communities identified their own differentiated development needs and KRC offers corresponding support proactively.

Running the Agricultural Support Team for Disaster Prevention and Emergency Recovery

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



Disaster restoration and rural labor support

BEST PRACTICE

'The Oriental Herb Coordination Project' led to the Revival of the Regional Economy by Developing and Promoting Local Resources.

According to domestic producers' groups, 95% (920 thousand tones) of all oriental medicine consumed is being imported, and so oriental medicine has high values as a new growth engine in the agricultural field which could create added values to the Korean agricultural industry which had declined due to market opening.

KRC launched the oriental herb affiliated cooperation project group together with the industry cooperation group of Mokwon University and 12 districts (Ganghwa-gun, Pyeongchang-gun, Jeicheon city, Geumsan-gun, Jinan-gun, Jangheung-gun, Mungyeong city, Sangju city, Andong city, Yeongcheon city, Sancheong-gun, and Hamyang-gun) in 2010. KRC opened 'Oriental herb antenna shop (Mok Hwa To Geum Su)' in Myeong-dong, Seoul, in May 2011, and had 67 million won (KRW) of sales revenue in October, which is 3 times the sales revenue of 18 million won (KRW) in June, increasing sales revenue of participating rural village companies and contributing to vitalization of regional economies.

Not only that, KRC participated in the Oriental Medicine Exhibition, Rural Village Industry Exhibition, and Paris Food Exhibition etc. in 2011, and proactively promoted Korean oriental herb products, and made remarkable achievements of a total of 2.4 million dollar (USD) worth of overseas export contract (Mungyeong Omija Valley signed a 2.2 million dollar (USD) contract with a Japanese company, and Jangheung Nature Family signed a 200 thousand dollar (USD) contract with a German beverage and food company). Based on such performance, KRC will open more agencies and conduct proactive PR activities and will do its best to make worldclass oriental herb products.



Mok Hwa Toh Geum Su brand



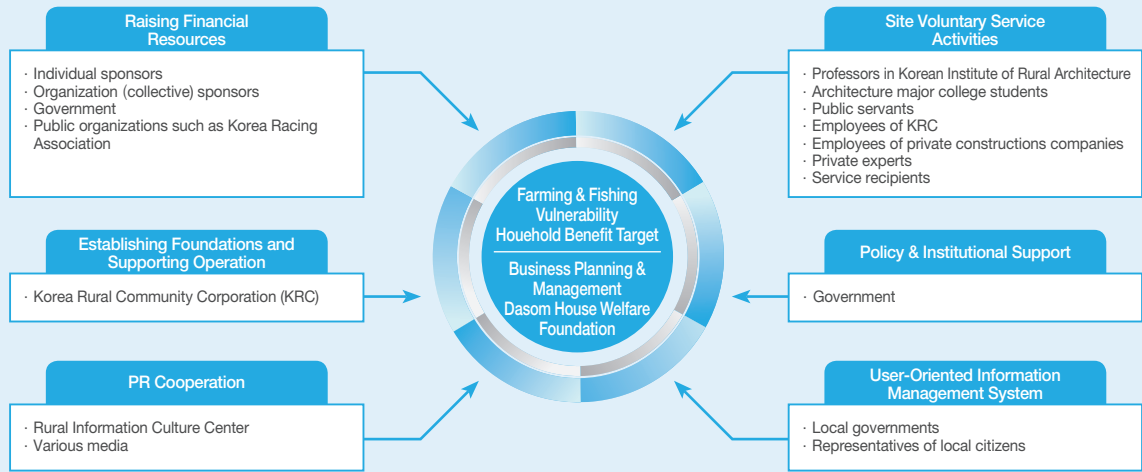
Paris Good Exhibition

BEST PRACTICE

'Repairing Rural Houses Activities' in Affiliation with Dasom Dungji Welfare Foundation

In comparison with efforts to improve housing environments of low class families in urban areas such as Bogeumjari housing projects and public lease housing projects etc., the underprivileged classes of rural villages are in blind spots of policies.

In 2007, KRC launched the Dasom Dungji Welfare Foundation, a non-profit foundation which promotes house repairing projects based on private-public cooperation in order to improve their living qualities by improving housing environment of rural underprivileged classes, The house repairing activities are supervised by Dasom Dungji Welfare Foundation, and participated by professors of the Korean Institute of Rural Architecture, Architecture major college students from 20 universities, and KRC employees. Through such activities to improve rural housing environment, KRC is giving hope and motivations to underprivileged classes in rural villages who are in urgent need of social support, and laid the foundation for improving the government's policies for rural regions in a long term perspective.



Due to special financial resources for rural welfare projects received from the government and voluntary funds raised by employees of KRC, a total of 650 (from 2008 to 2011) recipient households became able to live in comfortable and pleasant houses with improved roofs, kitchens, bathrooms, and heating facilities, etc. KRC is planning to continuously develop house repairing activities which it started with the purpose to give hope and motivations to underprivileged rural villages.

Kitchen Construction Case



Broke down the old kitchen, and replaced the wallpaper, linoleum, and sink, and renovated it into a stand-up type kitchen

APPENDIX

60 Third-Party Assurance Statement

62 GRI 3.1 Index

66 Glossary/Awards/Membership in Associations

67 Customers' Opinions

THIRD-PARTY ASSURANCE STATEMENT

Sustainable management report, independent opinion

BSI Group Korea Limited (hereinafter, BSI) was requested to issue an independent 3rd party opinion for '2012 KRC sustainable management report (hereinafter 'report'), and thus wrote this opinion statement based on the information provided by KRC and sustainable management activities and the verification scopes presented below. Other purposes or responsibilities besides the opinions disclosed in this opinion statement have nothing to do with BSI

Scope of verification

This report was first issued in 2009, and this is the 3rd report. The reporting period is from January 1, 2011 to December 31, 2011, and the subject of report includes the headquarters, 9 regional headquarters, and 93 district offices. Some of the environment data is for some district offices only, and the quantitative performances have been reported based on 3 years' data so as to show the recent trends. The scope of verification was limited to the contents of the report.

The followings were not included in the verification

- Financial information
- Additional information in other homepages besides the report

Responsibilities and independence

It is KRC's responsibility to write a sustainable management report. The responsibility of verification is to provide the management of KRC with independent verification opinions containing experts' opinions where verification methodologies have been applied to the disclosed scope, and to provide all stakeholders of KRC with the information.

The verification team has no interests of profit in KRC, and did not intervene in writing the report other than providing the verification opinions on the report. Furthermore, the verification was performed by a BSI verification team consisting of experts of each field having broad skills and in-depth experience so as to exert high level capabilities according to the BSI fair transaction code of conduct.

Unique limitations of verification

The non-financial performance information disclosed in this report has much unique limitations coming from the determining methods of the information and characteristics of the subject of verification. The qualitative interpretation of the relevance, importance, and preciseness of data may differ according to the estimation and determination that the management applied.

The verification process of moderate level has limited verification scope as compared to the verification of high level (reasonable level). Therefore, the characteristics, period, and scope of the verification process for collecting evidence have been planned in lower phases than high level verification.

- The verifier did not participate in interested party activities, and the verification opinions were made based on the interviews with the officials in charge in KRC and the related documents provided by KRC.
- Scope of verification is limited to the performances of 2011. 2010 and previous data has been excluded from the subject of verification.

Verification standard

The verification in this report has been performed based on the following standards.

- AA1000 Assurance Standard (2008) verification standard
- GRI G3.1 sustainable management report guideline

The verification steam checked compliance of comprehensiveness, importance, and responsiveness principles applying Type1, Moderate level of AA1000 AS (2008) standards, and did not include reliability assessment of sustainability performance information in the verification. GRI G3.1 guidelines were referred to as standards for evaluating the performance information.

Verification method

The verification team complied with the verification standards, and utilized the methodologies developed to collected related evidence with less errors, and performed the following activities..

- Reviewing and confirming the process for collecting opinions and participation by various stakeholders which affect or are affected by KRC.
- Reviewing and confirming adequacy of importance determining processes of KRC to determine priority of verification
- Reviewing sustainable strategy implementation processes and systems for implementation thereof
- Selecting the bases which support implementation of interviews by high level managers and employees who are responsible for managing sustainability related issues and discussed issues, and reviewing adequacy
- Generating and collecting data for each performance area and confirming the reporting process
- Independent evaluation on KRC's report with reference to GRI guidelines

Verification opinions

The verification team reviewed the report draft and presented its opinions, and made amendments of the report when necessary. Based on the verification activities performed, the verification team confirmed that KRC is appropriately disclosing the sustainability performances in compliance with the reporting principles.

It has been confirmed that GRI indexes disclosed in the GRI index had been reported as a whole or partially as results of the importance evaluation results.

This verification result is based on the comprehensiveness, materiality, and responsiveness of the three principles of AA1000 As, and the opinions on this report is as follows:

The verification team confirmed the KRC has modified the missions of KRC in order to effectively promote the economic, social and environmental responsibility implementations and value creation efforts, established medium term strategies of 2011~2015 for establishing the sustainable management strategies, and promoted the activities of each phase in a systematic manner. It has been confirmed that the sustainable management strategies have been developing in an integrated structure of establishing, implementing and supervising and improving the sustainable management strategies, and the scope of report on the sustainable management activities have been gradually expanded, increasing the values as integrated information.

Such efforts by KRC are meaningful in that they present advanced and developed methods for sustainable management for companies at home and abroad.

Comprehensiveness is a principle of guaranteeing participation by stakeholders in order to develop and achieve responsible and strategic response methods.

The verification team has confirmed that KRC interested issues and opinions of customers (farmers and fishermen, urban citizens), employees and labor union, cooperative companies and SMEs, experts and related organizations, NGOs, national assembly, government, local municipalities, media and the people through communication channels. In addition, there hasn't been found any important interested party omitted in the process. In addition, it is regarded that KRC established a regular channel for communicating with each interested party group, and that setting the order of priority regarding questionnaire for stakeholders and feedback has been helpful in determining the contents of the report.

In addition, it is regarded that KRC reinforced participation by internal and external stakeholders regarding sustainable issues based on the recommendations of ISO 26000, and that KRC is deriving measures of sustainably expanding the report level of the sustainable management report has been improved in a very desirable direction.

It is recommended that KRC apply the interested party participation process to the entirety of KRC (headquarters and district offices), operate the process in an integrated manner, reinforce the process so that it is operated in a sustainable manner, and establish measures where stakeholders can participate in the decision makings for improving sustainable performances.

Importance refers to stakeholders and KRC determining issues necessary for making decisions based on information on the effects.

The verification team confirmed through the importance evaluation process that major issues of sustainable management has been determined, and could not find any major issues omitted from the evaluation process. The importance evaluation process went through the steps of confirming internal and external major issues, interested party research, and deriving core issues, and derived a total of 18 major issues of 5 economic areas, 4 environmental areas, and 9 social areas.

This report has been planned and written based on the major issues derived through the above process, and it has been confirmed that these major issues have been reflected on the sustainable management strategies.

It is recommended that in determining the relevance and significance of the recognized sustainable issues, to develop importance evaluation process so as to consider the maturity of changing sustainability background information, issues, and interested issues, and to be based on clear, understandable, verifying, appropriate bases.

In order to develop the core sustainability issues recognized from the stakeholders, it is recommended to configure a highest organization system such as a sustainable management committee under the BOD. It is regarded that through such organization, KRC will become a more reliable corporation if the strategies regarding sustainable management and the activities are connected with the issues of the stakeholders, and if the will and efforts for sustainability of KRC can be confirmed.

Responsiveness is a principle regarding the scope by which the organization responds to the issues of the stakeholders.

The verification team confirmed that the activities responsive to the major sustainable management issues recognized through the importance evaluation process and sustainable management performances have been appropriately included in the report, and could not find any violations against the responsiveness principle.

It is regarded that KRC is appropriately responding to the major issues through various communication channels, and that reinforcing responsiveness will be a major motive in reinforcing the core capabilities of sustainable management.

However, in order to effectively implement the medium to long term sustainable management strategies that KRC established, it is recommended that KRC develop and maintain internal procedures and guidelines to expand quantitative establishment of promotion plans and goals, and to keep the report consistent, precise, and complete.

Each project area of the report reflects the positive aspects of the performances that KRC achieved regarding the sustainability issues. However, in order to maintain the balance of the report, it is recommended to also include deriving issues having poor performances, and efforts for resolving such issues.

Performance information

Performance data is reported in such a manner that performances of sustainable management promotion are comparable and understandable based on 3 years' performance data.

It is recommended to establish a system which is consistent to enable comparing the each area of economy, society, and environment, and which can be collected and integrated according to internationally approved standards.

It is recommended to connect the report with periodical internal audit process for data confidence management.

The medium of reporting the sustainable management performances may be more than one including a web report or document report. It is recommended to post detailed contents on the website, and to consider reporting methods which can respond to realistic variables such as reporting period, updating plans, expected users, or other variables.

November 14, 2012

BSI Group Korea

CEO Jeong Ki Cheon



GRI 3.1 INDEX

● Reported ● Partially reported ○ Not reported, N/A

Indicators	Description	ISO 26000	Report Content	Report Level	Additional Information
Common Indicators					
I. Vision and Strategy					
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	6.2	6 ~ 7	●	
1.2	Description of key impacts, risks, and opportunities		6 ~ 7	●	
II. Organizational Profile					
2.1	Name of the organization		8	●	
2.2	Primary brands, products, and/or services		2	●	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	6.2	8	●	
2.4	Location of organization's headquarters		8	●	
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 this report		Additional Information	●	There is an Indonesian local office (1), and more overseas offices will be established in Tanzania, Ghana, and Philippines, in order to expand overseas agriculture.
2.6	Nature of ownership and legal form		8	●	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)		8	●	
2.8	Scale of the reporting organization		8	●	
2.9	Significant changes during the reporting period regarding size, structure, or ownership		8	●	
2.10	Awards received in the reporting period		67	●	
III. Report Parameters					
3.1	Reporting period		3	●	
3.2	Date of most recent previous report		3	●	
3.3	Reporting cycle		3	●	
3.4	Contact point for questions regarding the report or its contents		3	●	
3.5	Process for defining report content		3	●	
3.6	Boundary of the report		3	●	
3.7	State any specific limitations on the scope or boundary of the report		3	●	
3.8	Basis for reporting that can significantly affect comparability from period to period and/or between organizations		10	●	
3.9	Data measurement techniques and the bases of calculations		10	●	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement		10	●	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods		-	●	None
3.12	Table identifying the location of the Standard Disclosure in the report		62 ~ 66	●	
3.13	Policy and current practice with regard to seeking external assurance for the report	7.5.3	3, 60 ~ 61	●	
IV. Governance, Commitments, and Engagement					
4.1	Governance structure of the organization, including committees under the highest governance body responsible or specific tasks, such as setting strategy or organizational oversight		24 ~ 25	●	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer		24	●	
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		24	●	
4.4	Mechanisms for shareholders and employees to provide recommendations or directions to the highest-governing body		25	●	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives		Additional Information	●	Permanent direction: compensated according to evaluations on implementation performance of management contract (including economy/ environment/social areas). Nonpermanent direction: duty allowance and agenda deliberation fee will be provided for activity expenses.
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		25	●	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organizations' strategy on economic, environmental, and social topics		25	●	
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	6.2	9	●	
4.9	Procedures of the highest governance body for overseeing the organizations' identification and management of economic, environmental and social performance		25	●	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance		25	●	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		27	●	
4.12	Externally developed economic, environmental, and social charters, principles or other initiatives to which the organization subscribes or endorses		3	●	
4.13	Membership in associations (such as industry associations) and/or national/international advocacy organizations		66	●	
4.14	List of stakeholder groups engaged by the organization		11	●	
4.15	Basis for identification and selection of stakeholders with whom to engage		11	●	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		11	●	
4.17	Approach to address core subjects raised		11	●	

● Reported ● Partially reported ○ Not reported, N/A

Indicators	Description	ISO 26000	Report Content	Report Level	Additional Information
1. Economic Performance					
EC1	Direct economic values generated and distributed	6.8/ 6.8.3/ 6.8.7/ 6.8.9	10, 28	●	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	6.5.5	36	●	
EC3	Coverage of the organization's defined benefit plan obligations		51	●	
EC4	Significant financial assistance received from government		Additional Information	●	No national subsidiary was provided in 2011.
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	6.3.7/ 6.4.4/ 6.8	Additional Information	●	2~2.5 times of minimum wage is provided for newly entrant employees.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	6.6.6/ 6.8/ 6.8.5/ 6.8.7	54	●	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	6.8/ 6.8.5/ 6.8.7	49	●	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	6.3.9/ 6.8/ 6.8.3/ 6.8.4/ 6.8.5/ 6.8.6/ 6.8.7/ 6.8.9	18 ~ 21	●	
EC9	Understanding and describing significant indirect economic impacts	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	18 ~ 21	●	
2. Environmental Performance					
EN1.	Materials used by weight or volume		Additional Information	○	Construction projects are outsourced, and the raw material usage is managed by affiliate companies. The raw material used will be managed by construction companies.
EN2.	Percentage of materials used that are recycled input materials		10, 41	●	Environmentally friendly purchase amount was 15,003 million won (KRW) (57.6%), including new renewable materials purchased. Purchasing of new renewable materials for construction sites will also be included.
EN3.	Direct energy consumption by primary energy source		10, 42 ~ 43	●	
EN4.	Indirect energy consumption by primary source		10, 42 ~ 43	●	
EN5.	Energy saved due to conservation and efficiency improvements	6.5/ 6.5.4	42	●	
EN6.	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives		10, 42 ~ 43	●	
EN7.	Initiatives to reduce indirect energy consumption and reductions achieved		42	●	
EN8.	Total water withdrawal by source		41	●	
EN9.	Water sources significantly affected by withdrawal of water		-	N/A	
EN10.	Percentage and total volume of water recycled and reused		Additional Information	○	Efforts have been made to reduce water usage, but there needs to be more efforts to reuse/recycle water. KRC conducted trial projects for reusing waste water as agricultural water (Suwon Byeongjeom 8,000ton/day, Jeju Pampo 5,000ton/day).
EN11.	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		34	●	
EN12.	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	6.5/ 6.5.6	34	●	
EN13.	Habitats protected or restored		34	●	
EN14.	Strategies, current actions, and future plans for managing impacts on biodiversity	6.5/ 6.5.6/ 6.8.3	34	●	
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/ 6.5.6	Additional Information	●	Narrow-mouthed toads and Korean golden frogs, which are endangered species, were living in Ansan wetland which is owned by KRC, and KRC is monitoring the inhabitant situations. KRC is planning to manage and monitor the endangered species in all project activity areas.
EN16.	Total direct and indirect greenhouse gas emissions by weighth		10, 42 ~ 43	●	
EN17.	Other relevant indirect greenhouse gas emissions by weight		10, 42 ~ 43	●	
EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved		37	●	
EN19.	Emissions of ozone-depleting substances by weight		-	N/A	
EN20.	NOx, SOx and other significant air emissions by type and weight		-	N/A	
EN21.	Total water discharge by quality and destination	6.5/ 6.5.6	-	N/A	
EN22.	Total weight of waste by type and disposal method		41	●	
EN23.	Total number and volume of significant spills		-	N/A	
EN24.	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		-	N/A	
EN25.	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organizations' discharges of water and runoff	6.5/ 6.5.3/ 6.5.4/ 6.5.6	-	N/A	
EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	6.5/ 6.5.4/ 6.6.6/ 6.7.5	35	●	
EN27.	Percentage of products sold and their packaging materials that are reclaimed by category	6.5/ 6.5.3/ 6.5.4/ 6.7.5	-	N/A	
EN28.	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	6.5	Additional Information	●	No case of noncompliance.
EN29.	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workplace	6.5/ 6.5.4/ 6.6.6	-	N/A	
EN30.	Total environmental protection expenditures and investments by type	6.5	10	●	

● Reported ● Partially reported ○ Not reported, N/A

Indicators	Description	ISO 26000	Report Content	Report Level	Additional Information
3. Social Performance					
Labor					
LA1	Total workforce by employment type, employment contract, and region	6.4/ 6.4.3	49	●	
LA2	Total number and rate of employee turnover by age group, gender, and region		51	●	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	6.4/ 6.4.3/ 6.4.4	51	●	
LA4	Percentage of employees covered by collective bargaining agreements	6.4/ 6.4.3/ 6.4.4/ 6.4.5/ 6.3.10	52	●	
LA5	Minimum notice period (s) regarding significant operational changes, including whether it is specified in collective agreements	6.4/ 6.4.3/ 6.4.4/ 6.4.5	Additional Information	●	To notify 30 days in advance if major changes occurred in terms of employment through collective agreement.
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	6.4/ 6.4.6	51	●	KRC has safety management committee organization and safety management regulations with labor management conference.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		51	●	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	6.4/ 6.4.6/ 6.8/ 6.8.3/ 6.8.4/ 6.8.8	51	●	
LA9	Health and safety topics covered in formal agreements with trade unions	6.4/ 6.4.6	51	●	
LA10	Average hours of training per year per head by employee category	6.4/ 6.4.7	50	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.4/ 6.4.7/ 6.8.5	51	●	
LA12	Percentage of employees receiving regular performance and career development reviews	6.4/ 6.4.7	Additional Information	●	KRC inspects performance assessment on all employees (regular employees).
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	6.3.7/ 6.3.10/ 6.4/6.4.3	24, 49	●	
LA14	Ratio of basic salary of men to women by employee category	6.3.7/ 6.3.10/ 6.4/ 6.4.3/ 6.4.4	49	●	
LA15	Return to work and retention rates after parental leave	6.4/ 6.4.4	51	●	
Human Rights					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	6.3/ 6.3.3/ 6.3.5/ 6.6.6	Additional Information	○	KRC signs investment/service agreements after having timely processes when developing overseas farms.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	6.3/ 6.3.3/ 6.3.5/ 6.4.3/ 6.6.6	Additional Information	○	KRC promotes participation by local social based construction companies, and is planning to reflect whether or not social/environmental responsibilities have been met in the assessment process.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employee trained	6.3/ 6.3.5	50	●	
HR4	Total number of incidents of discrimination and actions taken	6.3/ 6.3.6/ 6.3.7/ 6.3.10/ 6.4.3	49	●	
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	6.3/ 6.3.3/ 6.3.4/ 6.3.5/ 6.3.8/ 6.3.10/ 6.4.3/ 6.4.5	-	N/A	
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	6.3/ 6.3.3/ 6.3.4/ 6.3.5/	3, 49	●	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measure to contribute to the elimination of forced or compulsory labour	6.3.7/ 6.3.10/ 6.6.6	3, 49	●	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	6.3/ 6.3.5/ 6.4.3/ 6.6.6	Additional Information	●	Security related employees receive sexual harassment education.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	6.3/ 6.3.6/ 6.3.7/ 6.3.8/ 6.6.7	56	●	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	6.3/ 6.3.3/ 6.3.4/ 6.3.5	Additional Information	●	KRC conducts audit to all project places.
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	6.3/ 6.3.6	52	●	
Local Community					
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	6.3.9/ 6.8/ 6.8.3/ 6.8.9	55	●	
SO2	Percentage and total number of business units analyzed for risks related to corruption		27	●	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	6.6/ 6.6.3	26	●	
SO4	Actions taken in response to incidents of corruption		27	●	
SO5	Public policy positions and participation in public policy development and lobbying		36	●	
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	6.6/ 6.6.4/ 6.8.3	-	N/A	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes	6.6/ 6.6.5/ 6.6.7	Additional Information	●	No case of noncompliance.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	6.6/ 6.6.3/ 6.6.7/ 6.8.7	Additional Information	●	No case of fines levied or legal restrictions imposed.
SO9	Operations with significant potential or actual negative impacts on local communities	6.3.9/ 6.5.3/ 6.5.6/	55 – 58	●	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	6.8	55 – 58	●	

● Reported ● Partially reported ○ Not reported, N/A

Indicators	Description	ISO 26000	Report Content	Report Level	Additional Information
Product Responsibility					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant product and service categories subject to such procedures	6.3.9/ 6.6.6/ 6.7/	-	N/A	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle by type of outcomes	6.7.4/ 6.7.5	Additional Information	●	No case of noncompliance.
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	6.7/ 6.7.3/ 6.7.4/	-	N/A	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes	6.7.5/ 6.7.6/ 6.7.9	Additional Information	●	No case of noncompliance.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	6.7/ 6.7.4/ 6.7.5/ 6.7.6/ 6.7.8/ 6.7.9	48	●	
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	6.7/ 6.7.3/ 6.7.6/	48	●	
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	6.7.9	Additional Information	●	No case of noncompliance.
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	6.7/ 6.7.7	-	N/A	
PR9	Monetary value of significant vines for non-compliance with laws and regulations concerning the provision and use of products and services	6.7/ 6.7.6	Additional Information	●	No case of noncompliance.

GLOSSARY

UN Global Compact	UN organization established in July 2000 under the leadership of then UN Secretary General Kofi Annan who presented 10 principles in the 4 areas of human rights, labor, environment and anti-corruption on business transparency and social responsibility and encouraged business leaders around the world to voluntarily join and comply with them.
GRI (Global Reporting Initiative)	Organization under the UNEP (United Nations Environmental Program) which created guidelines on 'sustainability management reports.
ISO 26000	International standards on social responsibility that include voluntary compliance rules that are centered around the 7 main principles of governance, the environment, human rights, labour, organizational operation, consumers and local community.
Materiality Test	Comprehensive analysis of the materiality of major issues identified through stakeholder communication and internal issues related with sustainability management according to their internal/external priorities.
Irrigation Facility	Wide-ranging facilities and their management systems required to supply and use agricultural water and agricultural irrigation facilities in Korea refer to irrigation reservoirs, sluice gates, reservoirs, banks, waterways and pumping stations that are created through farmland improvement projects.
Agflation	Word created by combining agriculture and inflation to explain the phenomenon where general consumer prices increase due to surging agricultural product prices.
CDM (Clean Development Mechanism)	Advanced nations that have GHG reduction targets to meet are allowed to invest their capital and technology in developing nations who do not bear such responsibility and use the resultant reductions of GHG emissions to fulfill their reduction target.
GHG (Greenhouse Gas)	Substances that give rise to greenhouse effects and their excessive increases can cause global warming. carbon dioxide, HCFC (hydrochlorofluorocarbon), methane, and nitrogen dioxide are representative Greenhouse Gas.
TOE (Ton of Equivalent)	Unit of energy calculated based on the calorific value (107kcal) of 1 tonne of crude oil. It is used to compare the energy from different sources which have their own heating values each.
New Renewable Energy	A concept comprising 3 new energies: hydrogen, fuel cell, coal liquefied gas; and 8 types of renewable energies: solar heat, photovoltaic, bioenergy, wind power, water power, geothermal heat, marine and waste etc.
COD (Chemical Oxygen Demand)	A measure of polluted water quality and the amount of oxygen equivalent to the oxidizing agents consumed to oxidize organic materials in polluted water is presented in mg/L or PPM.
Farm Corporation	Corporation established to increase productivity, added values of agriculture and farming conveniences through enterprise-type farming management.
Irrigated Paddy	Area of rice paddy possible to receive agricultural water from agricultural based facilities
Well-Irrigated Paddy	Area of rice paddy which can respond to 10 frequency drought. That is, it means the area of land which can receive agricultural water from agricultural based facilities even in droughts of 10 years.
GAP (Good Agricultural Practices)	It means agricultural products excellent management system, which systematically manages from production, to distribution and sales of agricultural products.

AWARDS

Category	Grade	Granting Organization
Reinforcing measures and capabilities against disasters	Croix Nationale	Ministry of Public Administrative and Safety
New technology commercialization merit	President award	Ministry of Knowledge and Economy
Women empowerment merit	President award	Ministry of Gender Equality and Family
Designated as excellent science and technology organizations by the Ministry for Food, Agriculture, Forestry and Fisheries	Prime minister award	Ministry for Food, Agriculture, Forestry and Fisheries
Digital management innovation award	Minister's award	Ministry of Knowledge and Economy
Excellent organization for IT innovation	Minister's award	Ministry of Knowledge and Economy
Excellent organization for recruiting women science and technology manpower	Minister's award	Ministry of Science and Technology
Excellent organization for communication	Minister's award	Ministry of Knowledge and Economy · Ministry of Gender Equality and Family
Excellent organization for gender equality in employment	Minister's award	Ministry of Gender Equality and Family
Social welfare · sharing merit	Minister's award	Ministry of Health and Welfare
First public organization for green project	Certification	Ministry for Food, Agriculture, Forestry and Fisheries
Certified as excellent organization for labor management culture	Certification	Ministry of Employment and Labor

MEMBERSHIP IN ASSOCIATIONS

Subscribed Association	Date of Subscription	Motives for Subscription and Necessity
Korean Society of Agricultural Engineers	1957	Exchanging technologies and collecting information on agriculture and civil engineering
KoreaFAO Association	1959	Collecting information and materials on international agriculture, livestock, fisheries
Korea Management Association	1980	Collecting recent management information material
Korea National Committee on Irrigation and Drainage	1980	Exchanging technological information on irrigation drainage and flood adjustment
Korea Productivity Center	1995	Collecting information on customer satisfaction and services
Korea Fire Safety Association	1999	Regular education to fire managers and dangerous articles
Korea Foundation for Quality	2000	Exchanging information on quality environmental system
Korea Disaster Prevention Association	2000	Collecting information and research material on fire prevention
Korean Geotechnology Association	2003	Cooperation on applied geology and environment sectors
Korean Society of Earth and Exploration Geophysicists	2003	Cooperation on new project areas such as pollutant estimation and exploration
Korean Society of Soil and Groundwater Environment	2003	Cooperation on environment restoration project areas
Korean Standards Association	2004	Collecting information on quality management and quality control circle
Soil Pollution Research Association	2006	Status establishing and cooperation on soil pollution research organizations
World Water Council	2009	Supporting the World Water Forum and exchanging information
Overseas Agricultural Development Association	2012	Sound development of overseas agriculture development projects and efficient implementation



CUSTOMERS' OPINIONS

Thank you for your support and interests in KRC's 2012 Sustainability Report. KRC wishes to pay attention to the opinions of stakeholders and to develop sustainable management. We would like to hear your valued opinion.

1. Which group do you belong to? ()

- | | | | |
|-----------------------------|----------------------|--------------------|---------------------|
| 1 Executive | 2 Customer | 3 Employee | 4 Affiliate company |
| 5 Shareholder/investor | 6 Researcher/trainer | 7 NGO | 8 Media |
| 9 Governmental organization | 10 Student | 11 Local community | 12 Others |

2. Was this report helpful in understanding KRC's sustainable management? ()

- 1 Very much 2 Yes 3 Fairly 4 Not 5 Not at all

3. What was the most interesting part in this report?

4. What do you think about KRC's sustainable management activities? ()

- ① Very good ② Good ③ Average ④ Needs more effort ⑤ Needs much effort

5. Please give us your opinions about what needs to be supplemented or any of your opinions that come to your mind after reading KRC's sustainable management report.

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