



KORAIL 2009 SUSTAINABILITY REPORT



THE WORLD'S **1** BEST
KOREAN RAILROAD



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Characteristics of Report

KORAIL's second Sustainability Report details the company's economic, social, and environmental policies and performance. This report was reviewed by a third party to ensure accuracy.

Scope and Period of Report

Most data in the report covers the period between January and December 2009. Since the first such report covered the period between January 2005 and December 2007, the current report also includes some data from 2008 to enable time series analysis.

In cases where data are from a period outside the 2009 calendar year covered in this report, the original date of report is specified. Instances in which data couldn't be collected or projects began after 2009 are identified and performance in specified periods are reported when available.

The Korean Won (₩) is the currency used in the report, and quantitative data are measured in km, ton, and TEU. When necessary, other units of measurement are specified next to a numerical value. This report covers KORAIL's sustainable management activities and performance in Korea. The performances of overseas offices are not included in this report.

Report Writing Standards

The GRI (Global Reporting Initiative) G3 guidelines were used in writing this report, with reference to the G3 industry guidelines (Logistics & Transportation industry).

GRI G3 Guidelines Application Level

KORAIL is publicly announcing that this sustainability report has been created in the direction of satisfying all requirements of Level A+, among the GRI G3 report application level indicators.



KORAIL promotes topnotch dreams of the future

through challenge
and innovation

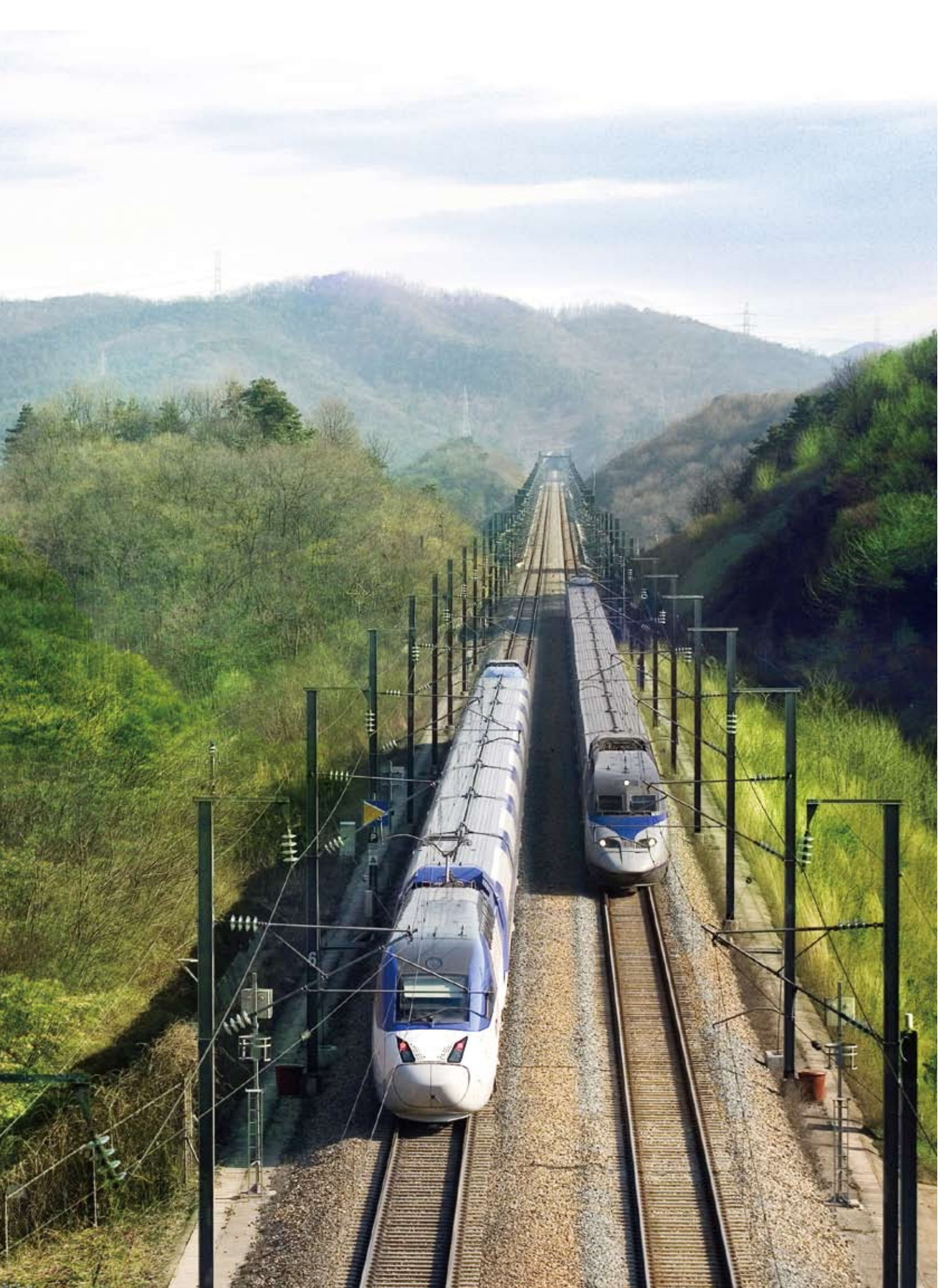


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KORAIL Loves *Green*

Our dreams reach every corner of Korea.
More than 30,000 KORAIL employees work hard every day to help
you meet your loved ones sooner, deliver goods that will strengthen
Korea's economy, and help our customers
build a cleaner future and live lives of abundance.
KORAIL is building a "Green Network." Korea's railroad history
is being rewritten in green.





KORAIL Loves People

KORAIL strives to be an environment-friendly global transportation company that provides the world's best rail services and fulfills its social responsibilities. We, KORAIL are not afraid to fail in our continuous effort to improve. We strive to create revenue based on technology and efficiency, and in all our business activities we work to increase customer value. KORAIL has been around for 110 years, and we're preparing for the next 100 years with the vision to build the "World's Best Korean Railroad." Our vision statement demonstrates our commitment and promise to deliver customer satisfaction, realize environment-friendly green growth, and build a competitive company for efficiency and performance.







KORAIL Loves to Be the *Best*

KORAIL strives to implement the best technology and achieve the best performance. It is working to build a new growth engine, improve the value of related parties, and strengthen its global competitiveness based on an optimal management system. KORAIL will not only provide transportation services, it will also offer cultural services around railroads and train stations and lead the way in technology until the day it is recognized by customers and the entire nation as a responsible company where talented people are given opportunities to grow.



Huh, Joon-Young
President, KORAIL

Green Life of Railway Yearning, KORAIL!

Dear Stakeholders,

Trains are built for people. This is especially so because they connect people with people, delivering happiness. Furthermore, trains are our hope as they deliver hope for people to carry on for tomorrow. These are only some of the reasons why trains form an essential part of our lives, helping us share both happiness and burdens with each other. Today, railroad transportation is under the spotlight in many countries more than ever before since it is the most environment-friendly means of mass transportation. Rail is not only the safest and most punctual means of transportation, but also a leader of the green life paradigm that could save the Earth in this era of low-carbon green growth in the face of climate change. It is a well-known fact that trains consume much less energy and produce far less carbon dioxide than cars. That's why taking a train is one of the most natural ways to save energy and protect the environment.

KORAIL has been making continuous efforts to create the "World's Best Korean Railroad System" by communicating with customers and earning their trust. By the "World's Best Korean Railroad System," we mean providing the world's

best rail services so that anyone planning a trip will consider taking a train above all other means of transportation. By doing so, we will become a leading public enterprise in Korea, and a company that is truly loved by the public. These are some of the reasons why our performance-oriented management policies are based on customer moving, innovation, and sustainable growth.

Earning the trust of customers is the first step towards realizing customer satisfaction. We removed a total of 262 AGMs (Automatic Gate Machines) from 17 KTX stations, including Seoul station, after announcing our new vision. This was a gesture of trust on our part, demonstrating how much we trust our customers and that we serve them like kings. In addition, we have enhanced the convenience of using trains by extending the last KTX departure time at Busan station and adding a new train for the first departure time. We have also improved the accessibility, convenience, and functionality of train stations, transforming them into comprehensive service spaces that also encompass culture and entertainment. As a result of our efforts, we were ranked number one among public enterprises in the Customer Satisfaction Index.

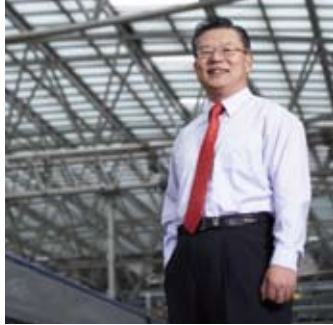


Furthermore, we have made multilateral efforts in introducing management innovations. The management structure must be proper and fair in order to effectively surmount any crisis. Our overall management structure was overhauled last September in a bid to build an organization based on efficiency and creativity. We also undertook a personnel reshuffle with the aim of building a performance-oriented personnel management system and eliminating nepotism. We made an additional bold move by doing away with old customary practices and expanding communication channels with our employees so we can build a strong foundation. What's more, we have also tried to build a "win-win-win" culture that will be beneficial to the public, KORAIL, and the labor union. We firmly believe that the importance and value of maintaining amicable relations with the labor union can never be stressed enough, and such belief has led us to make continuous efforts to establish a work and growth-oriented labor-management relationship and to improve communication. All these efforts are aimed at serving the public, who are the real owners of Korea Railroad.

In the past Korea Railroad has suffered from a somewhat negative image, particularly because of a "chronic deficit

problem." We have been making all-out efforts to shed that image and build a much-needed "advanced railroad system." We have focused on improving efficiency in the saturated transit industry and on promoting green logistics as a new growth engine. We recently signed MOUs with a number of large corporations including Samsung Electronics, Hyundai Motor, POSCO, and LG Electronics that will promote railroad transportation. We have also established a basis for business diversification by offering third-party logistics, storage, and distribution services, rather than providing only basic logistics services involving transportation from point A to point B.

We have launched a number of development projects at Seoul station and other stations, and stabilized the development of the Yongsan International Business Zone after overcoming the various difficulties caused by the domestic and international economic slowdown. Since I was elected as the Chairman of the UIC Asia at the Asia Meeting of the International UIC in May of last year, we have signed an MOU with Kazakhstan State Railway, entered the Libyan rail market, and won a number of overseas railroad construction projects in a consortium with KOTRA. In an effort to enhance synergies we have also taken over the airport railway project that private companies failed to carry out. As a result of such efforts, we achieved a net profit of 648.6 billion Won, representing an increase of 134.6 billion Won compared with last year. Notably, we also successfully decreased our operating deficit by 51.3 billion Won. In November of last year, we hosted the "1st World High-Speed Interaction Workshop" and the "UIC Asia Regional Assembly" in our new headquarters building. They were great opportunities for KORAIL to demonstrate its leadership and prove that KORAIL is playing a pivotal role in green growth.



We at Korea Railroad will
continue to strengthen our
resolve to build an enterprise
that's loved by the people by
doing our best to ensure that
our customers don't suffer
even the slightest discomfort.

Our railroad system is the most suitable means of transportation for ensuring value for people and meeting international trends. Rail is permeated with the values of leisure, speed, tradition, and advanced technology. It's second to none as an environment-friendly form of transportation, which is essential for improving the quality of our lives. We have launched a nationwide campaign titled "Let's Ride a Train!" with the aims of helping people to understand the value of rail transit in their everyday lives and raising public awareness that green living starts with taking a train. As part of the campaign, we began to allow bicycles on subway trains last June, introduced the "Green Carbon Calculator" service, which can be used to calculate the effects of taking a train in terms of the planting of pine trees by comparing the CO₂ emissions of trains and cars last September, and also implemented the "Green Mileage" program, which offers incentives to companies according to their transportation performance. We also reached an agreement with regional autonomous governments to operate a "Train for Lively Woods" campaign as well as a number of environmental protection campaigns such as "Let's Plant Trees for Our Hometown Railroad Stations." Thanks to these efforts, our commercial film "Let's Ride a Train!" won the gold prize at the Maeil Economic Daily CF Awards.

We, KORAIL, will continue to strengthen our resolve to build an enterprise that's loved by the people by doing our best to ensure that our customers don't suffer even the slightest discomfort. I think that winning people's hearts

is yet another vision that KORAIL should strive to achieve. All of us, KORAIL, will always try to deliver heart-warming service to every customer. I want everyone to ride a train bound for both their loved ones and a brighter future, and arrive at a station of love and happiness. I hope you will ride a train towards a brighter and more fruitful future too. We, KORAIL, are ever willing to serve you better by providing a comfortable trip and filling your heart with warmth.

We, KORAIL, are launching a campaign to encourage you to ride trains in your everyday life under the banner of "Railroads for Green Life!". I urge you to live a green life by riding environment-friendly trains. Your interest and support in our effort to build the "World's Best Korean Railroad" will be greatly appreciated.

Huh, Joon-Young
President, KORAIL
December 2009

* KORAIL supports the ten principles of the Global Compact in respect to human rights, labour rights, the protection of the environment and anti-corruption.

My heart is beating faster because we're about to go on
an exciting trip. Today, we'll take a KTX train to a new world.
I heard that trains have been used for transportation since the days of
my grandpa's grandpa. It is Wonderful to find out
that trains of hope and dreams have been running for such a long time.
I've also learned that trains can take us much farther to a bigger world
today. It's all because of a company called KORAIL.

The World's Best

Railroad in Innovation





14	Company Summary
16	Management Value System
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| Groundbreaking Ceremony for Gyeongin Railroad



| Inauguration of Korea National Railroad



| Opening of KTX



| Inauguration of KORAIL (Korea Railroad)



| KTX Sancheon Line

Company Summary

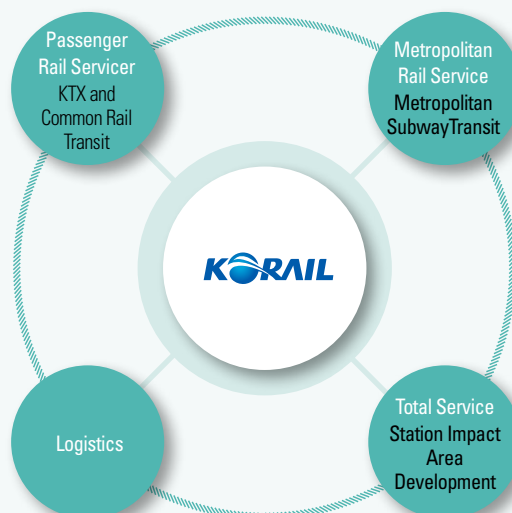
The “World’s Best Korean Railroad” is leading to low carbon green growth

Purpose of Establishment

KORAIL was established for the purpose of contributing to the growth of the rail industry and national economy by improving the professionalism and efficiency of railroad management pursuant to Article 1 of the Korea Railroad Corporation Act.

To this end, KORAIL is engaged in a number of businesses such as: Intermodal transportation encompassing rail transit, freight, and other means of transportation; production, sales, maintenance, and rental of railroad equipment; maintenance and rental of trains as well as development programs utilizing assets of station impact areas and KORAIL; main tenance and repair of rail facilities and services commissioned by the government, regional autonomous bodies, and public organizations; and businesses that are related to those mentioned above.

Main Business Areas



History

1899. 9	33.2km railroad between Noryangjin and Jemulpo opened	2007. 5	North-South Korea Railroad opened (Gyeongui Line: Dorasan-Panmun, East Sea North Line: Jejin-Gamho)
1950. 6	Korean War (North-South Korea Railroad out of service)	2008. 11	100 distinguished people in the 100 years of railroad history
1963. 9	Korea National Railroad established as a subsidiary of the Ministry of Transportation	2009. 7	Gyeongui Line double-track railroad opened (46.3km between Seoul-Munsan)
1974. 8	Subway lines (Seoul-Suwon, Guro-Incheon) opened	2009. 8	Vision of being “The World’s Best Korean Railroad” announced
1992. 6	Construction of Gyeongbu High Speed Railroad	2009. 9	Moved to KORAIL Building
2004. 4	KTX (Korea Train Express) opened	2009. 11	Hosted UIC Regional Assembly and the 1st World High Speed Interaction Workshop
2005. 1	Inauguration of KORAIL (Pursuant to Framework Act on Rail Industry Development)	2009. 12	200 million KTX Passengers
2007. 4	100 million KTX Passengers	2010. 3	KTX II (KTX Sancheon) Line opened

KORAIL is working ceaselessly to build a sustainable growth structure in order to diversify revenue and fulfill social responsibilities based on environmental friendly systems.



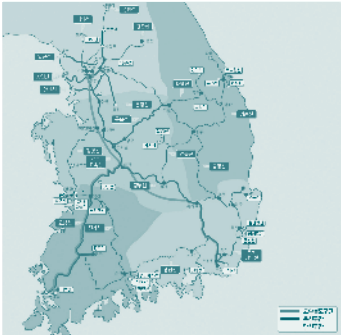
KORAIL Building



KTX Cars

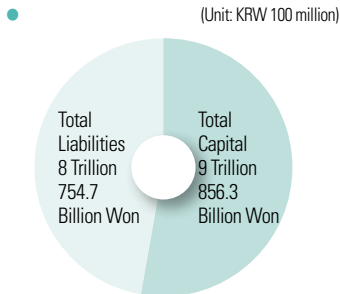


Seoul Station



Map of Railroad Lines

Total Assets



Corporate Status

(As of 2009. 12. 31)

General Status	Company Name	KORAIL (Korea Railroad Corporation)	
	Date of Establishment	1899. 09 (Korea Railroad Est: 2005. 01. 01)	
	Address	293-74, Soje-dong, Dong-gu, Daejeon	
	President	Huh, Joon-Young	
Services & Facilities	Organization	Main Headquarters	5 Headquarters, 8 Offices, 3 Departments, 63 Teams
		Regional Headquarters	12 Headquarters and 84 Teams
		Total Number of Employees	31,033
	Train Cars	Korea Train Express (KTX)	920 Cars
		Common Trains (Power Cars, etc. . .)	15,260 Cars
		Services & Facilities	2,184 Cars
	Track Length	7,980 km (Main Track: 5,720km, Side Track: 2,260km)	
	Route Length	High Speed Line	240.4km
		Common Train Line (Metropolitan Line)	3,139.5km (395.4km)
		Total	3,379.9km
	Number of Stations	639 Stations	
	Number of Trips per Day	KTX (Korea Train Express)	142
		Number of	457
		Trips per Day	2,237
		Freight Trains	300
Financial Status	Daily Capacity	Total	3,136
		KTX (Korea Train Express)	103,000 Passengers
		Common Train	205,000 Passengers
		Metro politan line	2,520,000 Passengers
	Total Assets	Freight Train	106,859 Tons
		18 Trillion 611 Billion Won	
	Total Capital	9 Trillion 856.3 Billion Won	
	Total Liabilities	8 Trillion 7,547 Billion Won	
	Total Sales	3 Trillion 5,288 Billion Won	
	Net Profit	648.6 Billion Won	

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Vision Announcement

President Management Policy

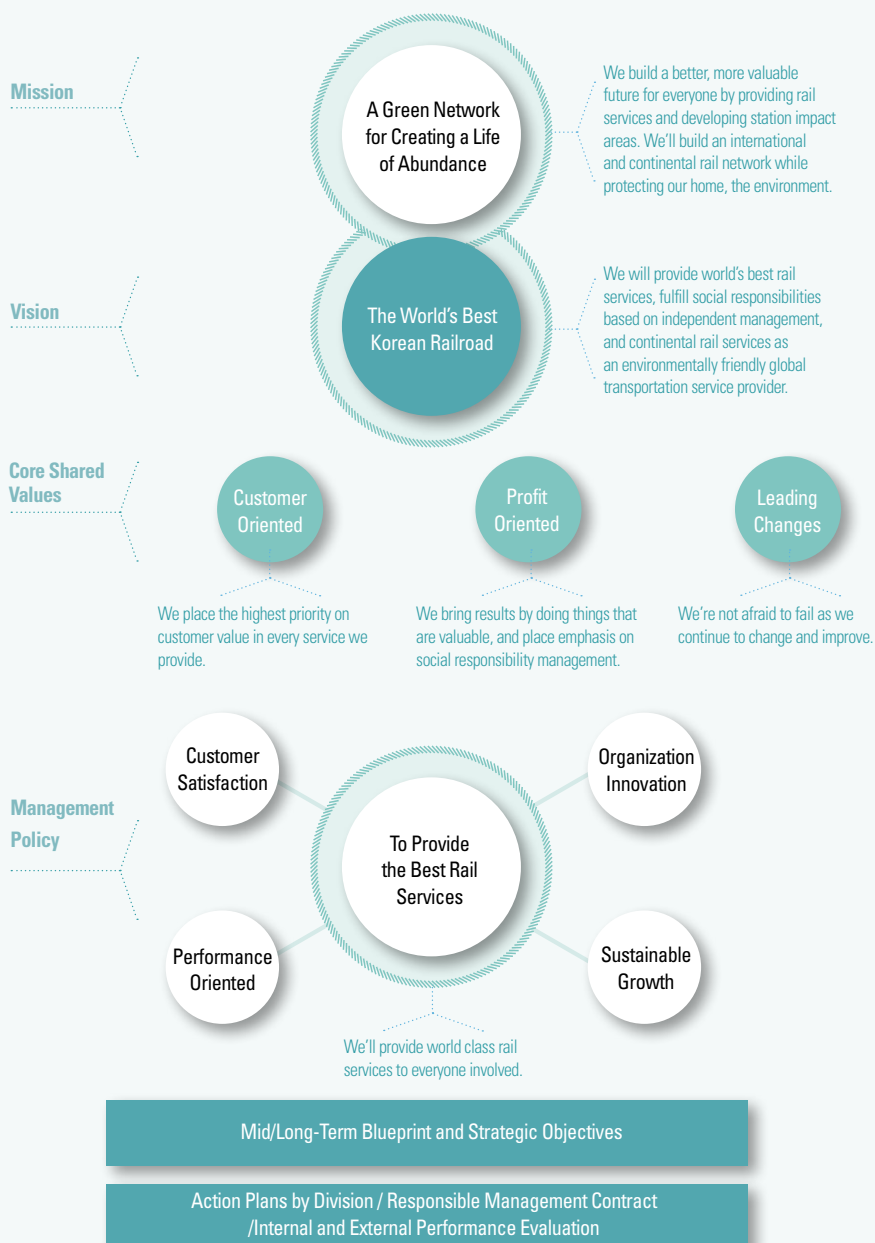


Management Value System

We're creating a life of abundance with a new vision for growth

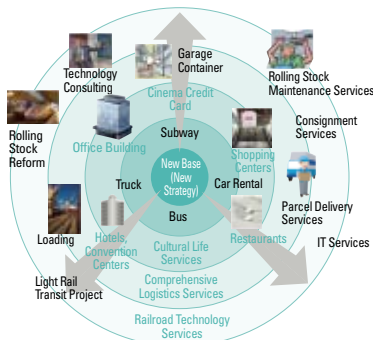
New Management Values

KORAIL announced a new vision in August 2009 in order to improve profit for both the rail industry and public while also coping with the changes in the management environment. The new vision is also intended to further strengthen the core capabilities of KORAIL and realize detailed plans for starting new businesses. KORAIL will play a leading role in creating a paradigm for national green growth and become a company with potential for sustainable growth.



The green rail growth strategies and “KORAIL Way” serve as the basis for realizing the vision of building the “World’s Best Korean Railroad.” KORAIL will play a leading role in creating a new paradigm for national green growth by further strengthening its core capabilities, creating new businesses, and diversifying its business.

KORAIL-Way Pledge



Green Rail Growth Strategy

KORAIL now has a new roadmap for establishing a new vision, and has used it to develop an action strategy for achieving the goal of building the “World’s Best Korean Railroad.” The green rail growth strategy was selected from a number of excellent ideas and improvement objectives proposed by all the employees of KORAIL. It has been adopted as KORAIL’s highest priority management strategy for achieving the new vision, and its performance and feedback is analyzed on a regular basis.

The Four Strategic Objectives and Corporate Strategies

The Four Strategic Objectives

Expand the Future Growth Engine

Establish an Optimal Management System

Improve the Value of Related Parties

Strengthen Global Competitiveness

The Ten Corporate Strategies

- Strengthen culture and life businesses
- Launch a general logistics company
- Expand technology services

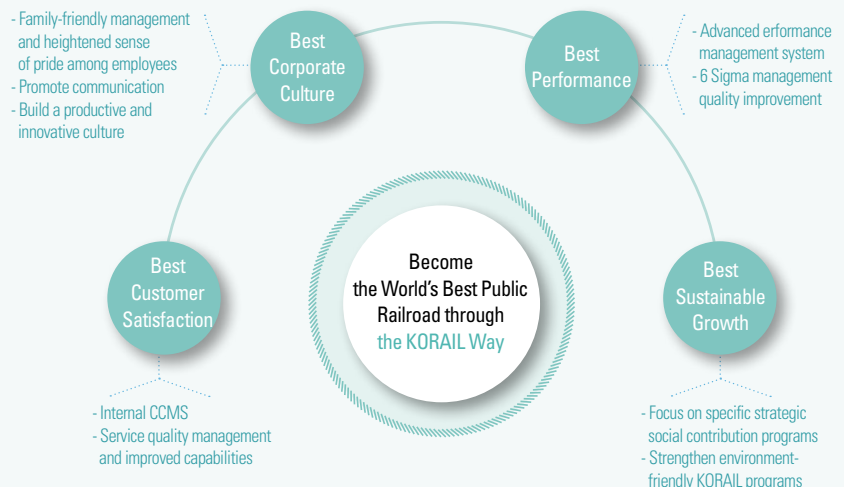
- Secure core technologies
- Maintain an ultimate safety system

- Realize customer satisfaction
- Mutual survival of labor, management, and people
- Practice environmental management

- Develop human resources
- Establish a performance-oriented responsible management system

Building the KORAIL Way

Along with the “Green Rail Growth Strategy” for achieving the quantitative goal, KORAIL also developed the “KORAIL Way” to maximize employees sense of achievement and willingness to achieve the objectives. In the process, we have held sharing and brainstorming sessions and field experience programs on a regular basis to ensure good communication between the management and employees, including the President, and realize “Leadership of Communication.” Furthermore, we have opened a “President Hot-Line” on our online group portal to serve as a direct communication channel between the President and employees, as well as the “Railroad Hall of Fame” on our website and group portal in order to foster a sense of pride among employees. We have also added a number of other programs aimed at achieving our vision, such as “Praise Best Employees,” “Love Coworkers and Family Campaign,” and “Regular Sharing Session with Families.”



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KORAIL for Customers



Train Operator



Rolling Stock Maintenance



Facility Maintenance

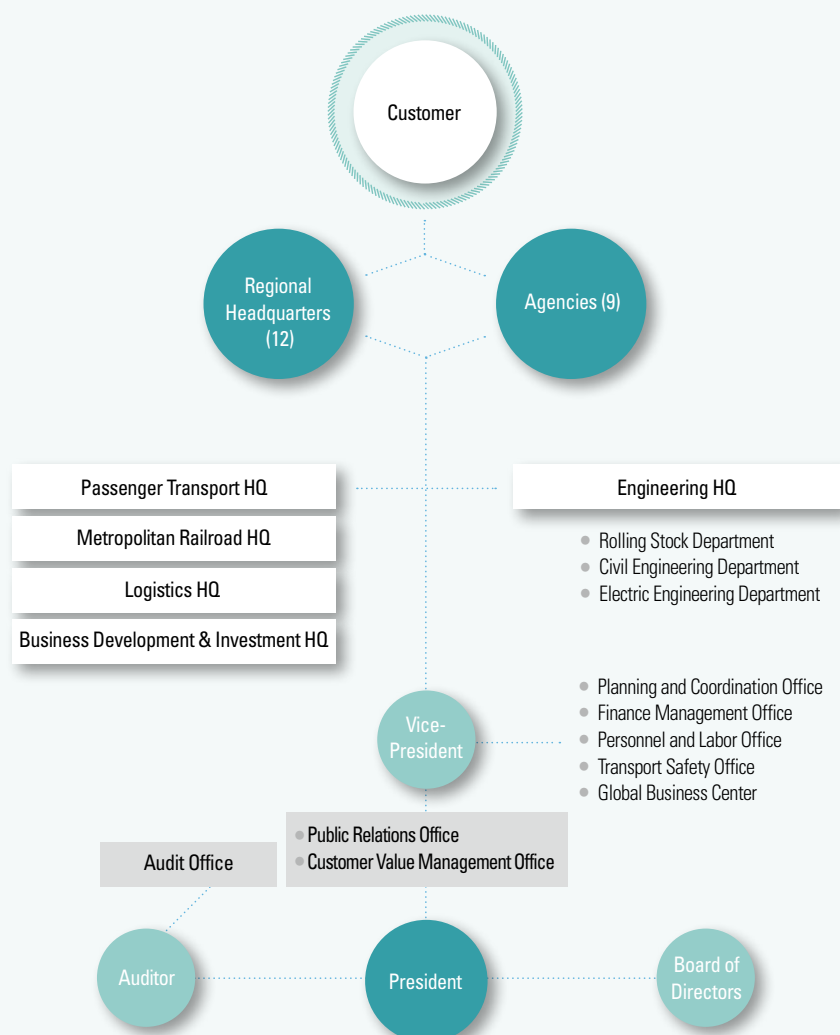
Organization and Subsidiaries

KORAIL has built an advanced customer and performance-oriented organization system

Organization

KORAIL underwent a corporate reorganization in July 2009. The company announced a new vision and built an organization system centered on core growth businesses and strategic implementation, while focusing on building an advanced customer and performance-oriented organization. In the process, the previous “5 headquarters, 7 offices, 3 departments, and 65 teams” were reorganized into “5 headquarters, 8 offices, 3 departments, and 63 teams.” The company also moved to a new building in order to strengthen the function of the urban rail headquarters, open a division dedicated to low carbon green growth, promote station impact area development, and create synergies. As a result, the organization is now focused on core areas including customer, green and new growth engine.

Organization Chart





| Concession Business



| Logistics



| Tourism Development



| Garage Business

KORAIL has undergone a reorganization in order to strengthen the competitiveness of its rail business and increase revenue, while also implementing innovative activities to improve the performance of subsidiaries and promote overseas businesses. In particular, the corporate reorganization for core businesses centered on customer satisfaction, green business, and new growth engines will serve as the basis for achieving the new vision in the future.

Subsidiaries

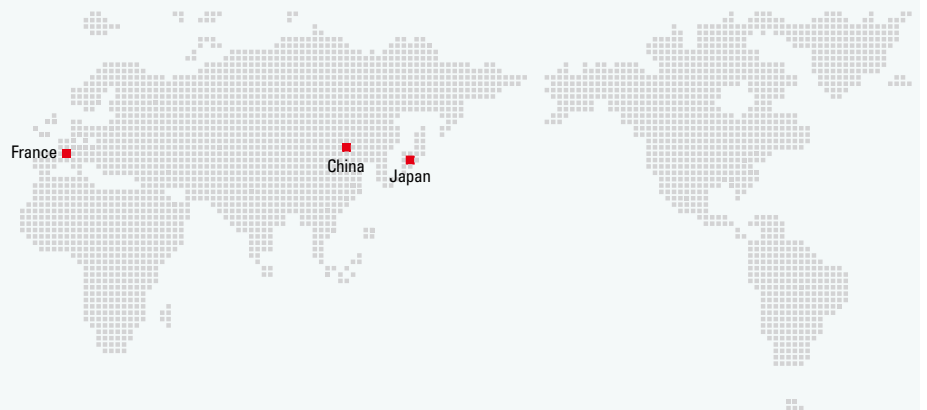
KORAIL currently has six subsidiaries that are dedicated to creating synergies such as lowering costs and increasing efficiency, strengthening the competitiveness of rail services, and increasing revenue. These subsidiaries are responsible for train and facility maintenance/repair as well as ticket sales. They also contribute significantly to operating a VOC system for customer satisfaction, handling overseas marketing for a new growth engine, and building an infrastructure for the development of station impact areas.

Company Name	Service Areas	Capital (Investment, 100 Million Won)	Share (%)	Number of Employees	2009	
					Total Sales	Net Profit (100 Million Won)
KORAIL Retail	Station Shops & Advertisement	9.1(9.1)	100	440	2,359	82
KORAIL Logis	Logistics	30(23.9)	80	89	538	△25
KORAIL Tourism Development	Tour, Leisure, Train Services	20(10.2)	51	939	646	18
KORAIL Networks	Commissioned station management, Station surrounding area development, Parking lot	71.5(62.9)	89	1,246	570	10
KORAIL Tech	Railroad, Electric Facility Maintenance, Train Repair	17.0(22.2)	97	1,178	376	29
KORAIL Airport Railroad	Airport Railroad Management	9,310(8,267)	89	360	1,742	28
6 Companies		9,457.6(8,395.3)		4,252	6,231	142

Overseas Offices

KORAIL has offices in France, Japan, and China responsible for overseas marketing and building a close relationship with local rail-related organizations. The offices also collect and analyze data on local railroad policies, services, and management strategies and develop strategies for building partnerships in their respective country.

France	- Effective supply of foreign materials - Technology exchange and training negotiation with the SNCF (Societe Nationale des Chemins de fer Francais, French National Railways)
Japan	- Support for business and product development between Korea and Japan - Support and research on international railroad and comprehensive/consistent transportation business between Korea and Japan
China	- Build a basis and prepare for a continental railroad network - Support and research on international railroad and comprehensive/consistent transportation business between Korea and China



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Main Business Areas

Achieving sustainable growth based on global standard technology and competitive revenue structure



Passenger Trains(KTX)



Train Passenger(Automatic Ticketing)



Metropolitan Electric-Powered Train



Logistics

Passenger Rail Service

Passenger rail service is the most important business area for KORAIL, and the Transit Headquarters is in charge of providing this service. The total length of common railroads including KTX, Saemaul, Mugunghwa, and Commuting Train lines amount to 3,379.9km, with the new 240.4km high speed railroad and 3,139.5km common railroad forming a nationwide network.

KTX trains run 142~181 times a day on the average, while common passenger trains run 457 times a day. Electric trains run a total of 2,237 times a day. From on the KTX opened on April 1, 2004, and the total number of KTX passengers exceeded 200 million within 5 years. Today, it is recognized as an important means of transportation, providing comfortable and safe transportation supporting customers' economic and leisure activities.

Construction began in 1992 and it took a total of 12 years to build the high speed railroad. The 238.6km-long high speed railroad running between Gwangmyeong and Daegu was connected the existing 169.9km-long Gyeongbu and Honam Line before commencing operation. It was viewed as a project that raised the competitiveness of the Korean rail industry a notch higher. The introduction of KTX Sancheon in 2009 was a turning point, as people began to see KTX as a familiar and important way to travel, particularly because it was built using only Korean technology and designed after Sancheon (a species of trout native to Korea)—not to mention the convenience of the high-speed service. With this railway, Korea was able to stand shoulder to shoulder with the leading countries in high-speed railroad technology, including Germany, France, and Japan. KORAIL also reestablished its train operation system so it can expand the culture of travelling by train by providing KTX services in more regions and placing railroads at the center of the transportation network.

Metropolitan Rail Service

Along with passenger train service, urban rail service accounts for a large portion of KORAIL's passenger transportation business. Urban railways are not only a safe and environmentally friendly way to travel, but an integral part of our everyday life. Since the opening of the first rail line in 1974, the number of KORAIL Metropolitan Rail lines has today risen to 10, stretching a total of 395.4km, handling 2,237 train runs and carrying 2.52 million passengers a day.

The 10 urban lines include Gyeongbu Line (96.6km between Seoul-Cheonan), Gyeongin Line (27.0km between Guro-Incheon), Gyeongwon Line (42.9km between Cheongnyangri-Soyosan), Jungang Line (71.2km between Yongsan-Yongmun), Gwacheon Line (14.4km between Namsaeryeong-Geumjeong), Ansan Line (26.0km between Geumjeong-Oido), Bundang Line (27.7km between Suseo-Bojeong), Ilsan Line (19.2km between Jichuk-Daehwa), Janghang Line (19.4km between Cheonan-Sinchang), and Gyeongui Line (46.3km between Seoul-Munsan). There is also a 4.7km-long line between Siheung and Gwangmyeong for shuttle trains that connect to the high speed railroad. The trains run every two minutes during peak commuting hours and every 15 minutes during normal hours to ensure efficient transportation. The Gyeongin Line is the busiest, and therefore has both normal and express trains.

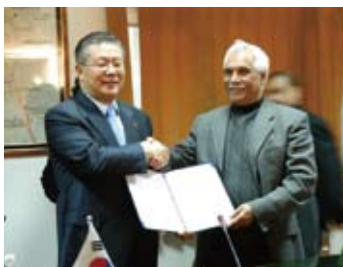
KORAIL has developed a number of growth strategies aimed at improving efficiency (2009~2010), speed (2011), and diversification (2012~) as well as an action strategy to achieve nationwide green growth and meet people's expectations for green transportation. The company is currently expanding infrastructure to include transfer discounts on public transportation, more express trains, system automation, and deluxe express trains.

Logistics

Since the opening of the 33.2km-long rail line between Noryangjin and Jemulpo in 1899, the logistics industry has been a driving force behind Korea's modernization and economic growth. Today, the total rail length is 3,049.3km. Transporting over 110,000 tons of freight a day and 40 million tons a year, it continues to play an important role in national economic growth. KORAIL's logistics service also plays a leading role in meeting the global trends of low carbon, green growth.



Bird's Eye View of Yongsan International Business District



MOU with Libyan Railways

The Green Rail Growth Strategy is serving as a basis for achieving the new vision of building the “World’s Best Kreaan Railroad”

Under the vision of becoming a “Global General Logistics Company,” KORAIL is striving to achieve a 15% share of total transportation by 2012. The company has switched from traditional weight-based freight transportation to container transportation, and today, KORAIL handles more than 10% of total domestic container transportation. KORAIL Logistics Headquarters will develop a new growth engine and start providing warehousing, equipment rental, international logistics agency, and door-to-door package delivery services in order to increase its market share and play a leading role in realizing low carbon, green growth.

Total Service

Total Service will encompass all rail transport-related services as it will include a wide range of services at train stations. KORAIL is making maximum use of the rail infrastructure in order to reorganize the business structure centered on transportation services and meet changing customer demands. KORAIL will develop train stations and areas around the stations to establish a foothold through which it can launch related services and increase revenue by connecting the rail network with other means of transportation. KORAIL will make all-out efforts to provide new services to customers and the general population.

Station Surrounding Area Services Station Surrounding Area Services will include both cultural and transportation services, and is currently being launched as a part of the Station Surrounding Area Development and Asset Development Projects. KORAIL will start hotel and restaurant businesses by 2011 and cultural services by 2012. The company also plans to provide overall services through the development of all-inclusive train stations, station impact areas, shopping centers, offices, and dining services

Technology In 2009, KORAIL introduced KTX Sancheon, a train built using only Korean technology, proving itself a global leader in railroad technology. The achievement has led to the development of a wide range of rail products and established a basis for the diversification of revenue, including the practical application of railroad cars, infrastructure for railroad cars, and railroad car operation technology. KORAIL plans to strengthen the technical cooperation system between the industry, academia, and research institutes, develop technology for practical use, establish a basis for building a diversified revenue structure, and show its global standard railroad technology to the world.

Overseas Markets Entering overseas markets is necessary for railroad companies with advanced proprietary technology. KORAIL is realizing a sustainable corporate vision by tapping into overseas markets based on its years of technical expertise and know-how.

KORAIL's Overseas Projects

Year	Country	Project	Main Project Objectives
2007-2009	Malaysia	EMU Technical Cooperation and Consulting	Technical consultation on electric car maintenance and repair
2010-2012	Libya	Railroad Staff Training	Training program for railroad staff following the construction of the double-tracked railroad in Libya
In Progress	Libya	Tripoli Subway Construction	Consultation on operation, maintenance, and repair following the subway construction in Tripoli
In Progress	Malaysia	North-South Double-Track Electric Railroad Construction	Basic plan, SE, O&M, Training program
In Progress	Egypt	Construction of Railroad Operation IT System	Consultation on IT system construction
In Progress	USA	California High Speed Railroad Construction	Consultation on operation system design, maintenance/repair, and education/training
In Progress	Brazil	High Speed Railroad Construction between Rio and Sao Paulo	Education and consultation on planning, project management, IT system, operation, maintenance, and repair

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Governance Structure

KORAIL practices transparent management based on a professional and fair decision-making structure



Board of Directors' Meeting

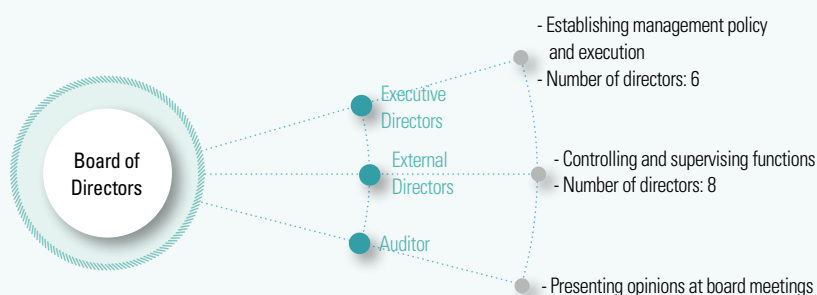


Executive Contract Signing

Structure of the Board of Directors

KORAIL practices transparent and responsible management and has revitalized the functions of the Board of Directors and the Auditors to establish the basis for an advanced management system. As of December 2009, the Board of Directors consisted of six executive directors, including the President, and eight external directors with expertise in railroad technology and policies. KORAIL is strengthening its management checking functions by ensuring that external directors constitute more than half of the Board's members.

Organization of the Board

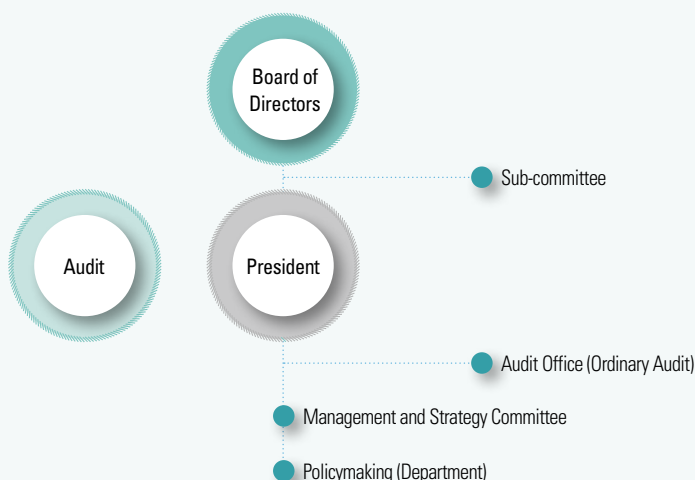


Board Operations

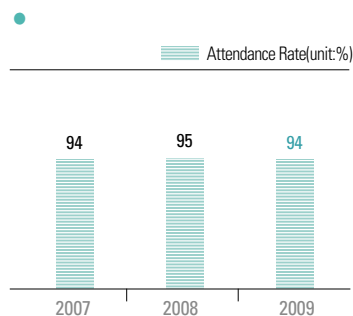
KORAIL aims to increase the rate of participation and ensure in-depth agenda reviews by holding regular board meetings and by establishing annual board operational plans. The board meets once a month, but temporary board meetings may be convened upon the request of more than one third of the members.

KORAIL is also making efforts to increase the attendance rate at Board meetings, notably by introducing a video conference system.

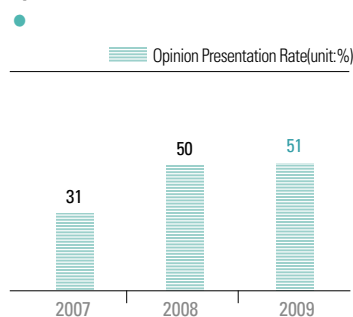
Process of the Board's Decision Making



Attendance Rate of the External Directors



Opinion Presentation Rate



The Board of Directors operates independently and professionally so that KORAIL can comply with the new national development paradigm, namely, Low Carbon Green Growth. The transparent process of appointment to the Board and the performance-centered evaluation system are the principal foundations for sound and transparent management.

Executive Directors and Auditor

(As of December 31, 2009)

Name	Position	Major Work Experience
Huh, Joon-Young	President (Chairman of Board of Directors)	The Planning and Management Office in the Ministry of Foreign Affairs; Korean Consulate General in Hong Kong; Traffic Review Officer in the Public Security and Traffic Bureau of the National Police Agency; Chief of the Seoul Metropolitan Police Agency; Chief of the National Police Agency (12th); President of Secure Net Co., Ltd
Kim, Hae-Jin	Auditor	Head of the Politics Division of the Kyunghyang Daily; Director of the Planning Dept. of the Kyunghyang Daily; Consultant Member of the Presidential Transition Committee
Sim, Hyeog-Yun	Vice President	Railroad Policy Officer of the Aviation and Railroad Administration of the Ministry of Land; Director of the Busan Aviation Administration Office of the Ministry of Construction and Transportation; Director of the Civil Aviation Safety Authority under the Ministry of Construction and Transportation
Lee, Cheon-Se	Senior Executive Director - Passenger transport headquarter	Director of the General Rail Division; Head of the High-Speed Railroad Project; President of the Southern Gyeongbuk Regional Office and the Daejeon Branch Office
Park, Choon-Sun	Senior Executive Director - Metropolitan railroad headquarters	Internal Auditor; Head of the Logistics Center; President of the Southern Metropolitan Office and the GangWon Branch Office
Choi, Han-Joo	Senior Executive Director - Logistics headquarter	Head of the Wide Distribution Logistics Project; President of the Jeonnam Regional Office; Director of the Planning Adjustment Headquarter
Gang, Byeong-Su	Senior Executive Director - Engineering headquarter	Staff member of the Office of Nuclear Energy of the Ministry of Science and Technology; Auditing Director; Director of the Personnel and Labor Relations; President of the Northern Seoul Metropolitan Branch Department

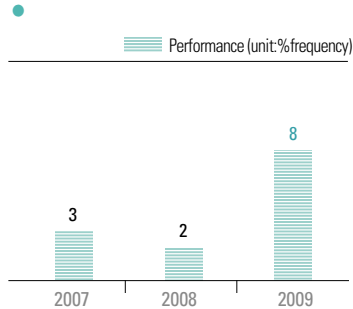
External Directors

(As of December 31, 2009)

Name	Position	Major Work Experience
Kwon, Soon-Jik	Chairperson of 'MPC21' (Non-executive Director)	Editorial Committee of the Dong-A Ilbo; Deputy Director in the Editorial Office of the Dong-A Ilbo; Member of the Financial Development Committee of the Ministry of Finance and Economy; Insurance Division Committee; Director of the Dong-A Ilbo
Kim, Sung-Eun	Prof. in the Department of Global MBA, Kyung Hee University	Evaluation Committee of government investment institutions; Stock Index Operating Committee; Self-assessment Committee of the Financial Services Commission; Member of the Policy Evaluation Committee
Kim, Chee-Joong	Partner at Barun Law Firm	Judge at Daegu High Court; Chief Prosecuting Attorney at Seoul Administrative Court; Chief Prosecuting Attorney at Seoul High Court; Chief Prosecuting Attorney at the Patent Court; External Director of Kukmin Bank
Lim, Young-Hee	Auditor of Oh Media Net Co.,Ltd.	President of Dream Miz Co.; Southwest Coast Operating Committee; Operating Committee of the Social Responsibility Investment Forum; President of the Close Net Community
Kwon, Soon-Wook	Attorney at Logos Firm	Chief Prosecutor of the Seoul District Prosecutors' Office; Member of the KBS Advisory Committee; Member of the Public Official Payment Appeals Commission; Justice Protection Manager of the Ministry of Justice
Kim, Gwang-Hee	Prof. in the Department of Medical Social Welfare, Woosong University	The first president of Daejeon Metropolitan Rapid Transit Corporation; Vice Mayor of Political Affairs of Daejeon Metropolitan City; Chairperson and Vice Chairperson of the Daejeon Congress Operating Committee (2nd, 3rd)
Kim, Jun-Gee	Prof. in the Administration Graduate School of Seoul National Univ.	Academic Chair of the Non-Profit Society of Korea; Director of General Affairs Secretary of the Korean Society of Public Enterprises; Member of the Government Investment Institution Management Assessment Team
Lee, Mun-Hee	Vice President of Seoyeong Engineering Co.,Ltd.	Research Fellow of the Daehan Construction Policy Research Institute; Head of the Seoul Urban Railway Design Department; Manager of Seoul Water Management Division; Head of Seoul Audit Team

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Performance of the Expert Sub-Committees



Visit to the Railroad Management Center

Independent External Directors System

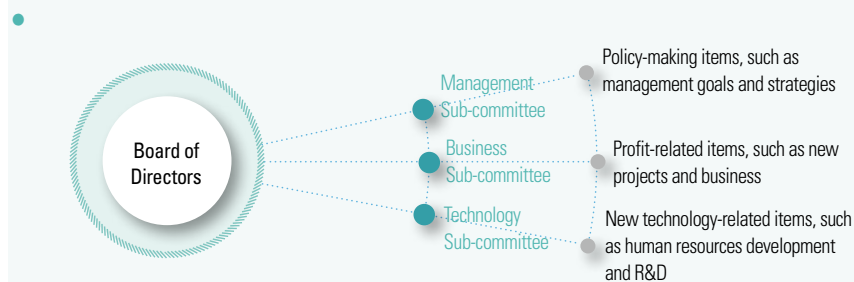
KORAIL has implemented a system to facilitate independent and rational decision-making on the part of the External Directors.

Use of Expertise External Directors are professionals drawn from their respective fields, such as professors and attorneys with wide experiences in and knowledge of economics and management. They are appointed to one of either the Management Sub-committee, Business Sub-committee, or Technology Sub-committee, where they engage in in-depth discussion and decision-making related to proposed issues. The expertise of the external directors contributes significantly to the revitalization of railroad management.

Organization of External Directors by Field



Activities of the Sub-committees



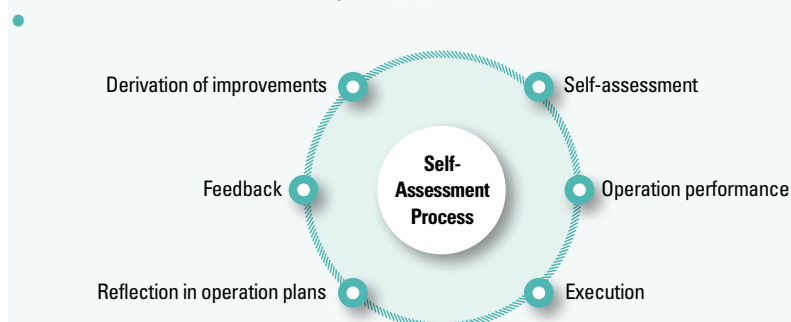
Independence To ensure that external directors can present their opinions and participate in the decision-making process independently, candidates for the post of external director who have direct or indirect conflicts of interest are excluded from the executives' recommendations, and if they have conflicts of interest with the agenda, their participation in decision-making is restricted. Additionally, meetings of external directors, excluding executive directors, are held so that external directors can review the proposed agenda and form opinions objectively beforehand.

Railroad Expertise KORAIL strives to improve the railroad expertise of the external directors by holding board meetings on a related site if the meetings further their understanding of the railroad industry or the proposed agenda. Additionally, the company holds meetings for former and current directors to enable them to share railroad management information and present their opinions.

Fair and Transparent Executive Nomination System

At the 56th Board held meeting in July 2008, KORAIL revised the regulations of the executives' nomination committee and established a transparent, fair executive nomination system. Accordingly, the executive candidates of KORAIL are selected according to clear requirements concerning task performance and specific qualifications for each position, and are appointed ethically and fairly by disclosing the procedure and method of selection and the review of candidates, as well as imposing sanctions/penalties on violators of the nomination system.

Self-Assessment Process of the Board Operating System



Assessment and Management of the Functions of the Board

The Board of Directors conducts self-assessment and performance management processes so that its functions coincide with the practical strategies under the new national development paradigm of “low carbon, green growth.”

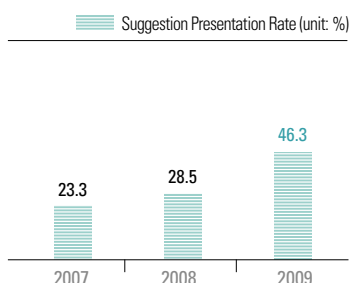
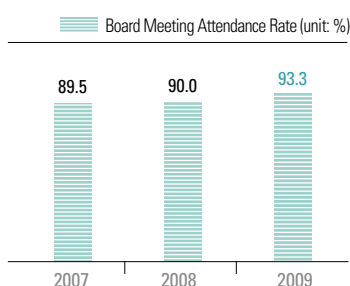
By classifying the overall operation of the Board into “Good Aspects” and “Improvements” based on its performance during the previous year, the results of assessment are reflected in the planning of the Board’s operations for the following year. In particular, an evaluation of the task performances of external directors whose term is due to expire is conducted in terms of (1) participation in the activities of the Board, development of the agenda, and the successful implementation of their suggestions; (2) adoption of suggested policies and the performance of system improvements; (3) rational decision-making and contribution to the operation of the organization; and (4) compliance with government policy. Ultimately, the results of the evaluation are used as basic data for determining the Board members’ re-appointment.

2009 Board Activities

2009 Board Meetings

Category		2007	2008	2009	2010 Plan
Number of Meetings(frequency)		19	16	15	12
Attendance Rate (%)		94	95	94	96
Reviewed Agenda	Voting	89	54	53	53
	Report	30	27	21	21

Performance of Executive Auditor Activities

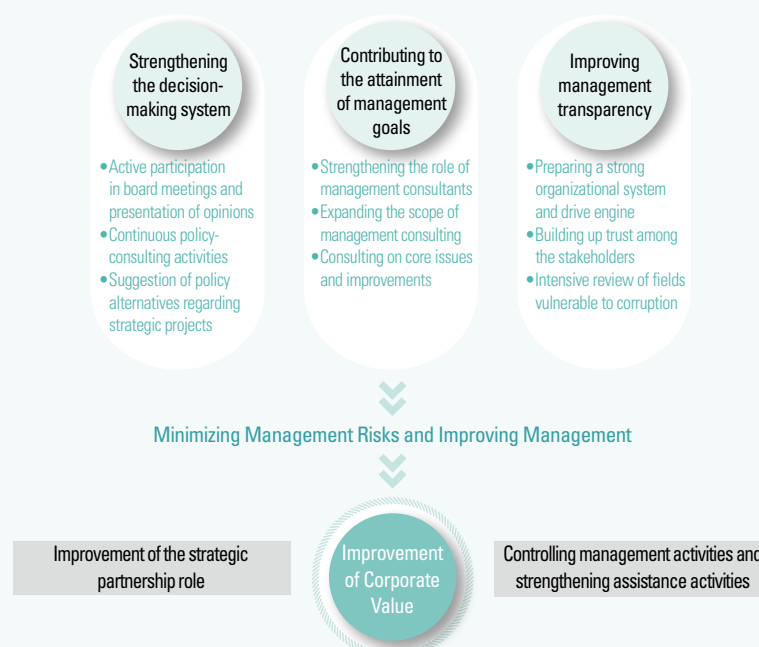


Role of the Executive Auditors

The executive auditors are granted the authority to attend board meetings and present their opinions in accordance with the Law on the Management of Public Bodies, and they control the operation of the Board of Directors and execute assistance activities while assuming an independent position.

The executive auditors handle affairs related to the selection of auditors so that they can present their opinions when attending board meetings by reviewing the proposed agenda of the Board beforehand, and they also strive to improve the transparency of the external accounting audit. To faithfully implement the external audit, executive auditors manage the points of improvement indicated by the external auditors, and establish and execute the planning of the preventive audit. They serve to build up the trust of the stakeholders by performing continuous quality management, principally by performing advanced audit tasks via the internal audit QAR (quality assurance review).

Internal Audit System



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Management Innovation Contest



Customer Service Assessment System



Fostering 6 Sigma Improvement Experts

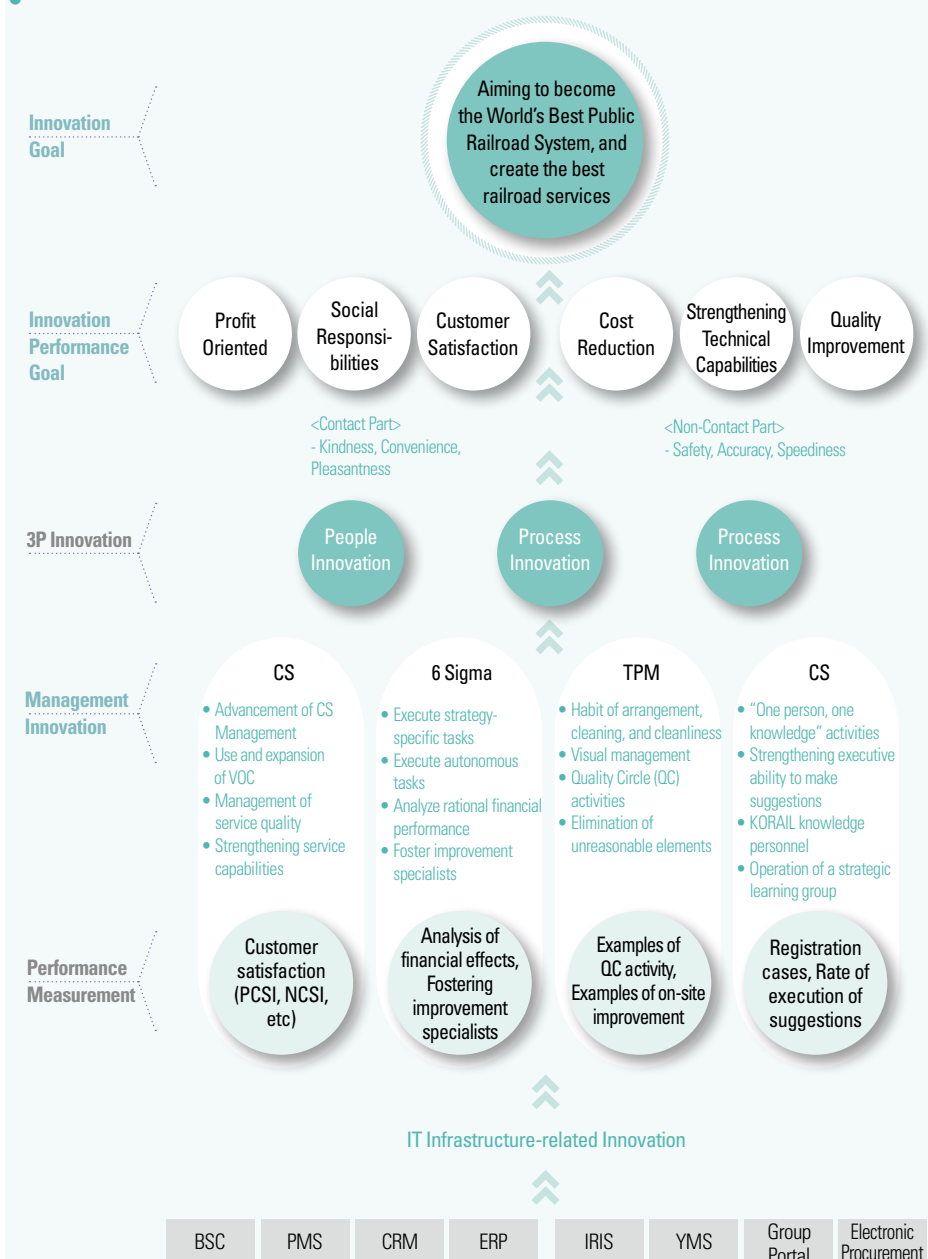
Advanced Management System for Sustainability Growth

KORAIL aims to become Korea's best public corporation by implementing an advanced management system

Customized Management Innovation System

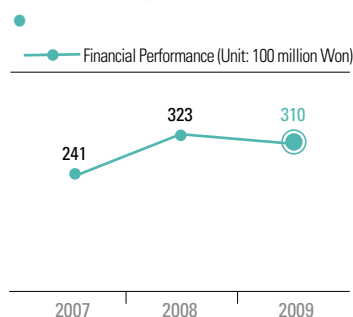
Since the launch of the public corporation's first "customer-centered management innovation" in 1994, KORAIL has continuously developed innovative activities, such as quality management, knowledge management, and 6 Sigma. In particular, in 2009 KORAIL revised its vision and strategic goals based on the needs of the stakeholders and a scientific management system, and it has been executing corporate-wide innovation activities to achieve that vision.

Innovative Management System

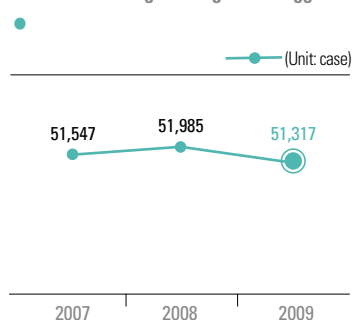


KORAIL has systemized its customized innovation technique and responsible management system in order to improve sustainability management, and is increasing the stability and efficiency of management by constructing and operating a management risk control system and a performance management system.

The Effects of 6 Sigma Financial Performance



Trend of Knowledge Management Suggestion



Customer Satisfaction Activities KORAIL launched its customer satisfaction activities in 1994, and established the Charter of Customer Service (CS) in 1998; however, the Charter is currently under revision based on the continuous collection of customers' opinions in order to assure quantitative CS management. The assessment and rectification of the 59 core execution standards, as well as the contents of compensation, are posted on the KORAIL homepage on a quarterly basis to achieve continuous monitoring. Furthermore, the CCMS (Consumer Complaints Management System) was introduced in July 2009 to establish an organizational culture of voluntarily seeking out and processing customer complaints.

6 Sigma Quality Management Activities Since 1997, quality management activities in the areas of technology and safety have been performed to ensure safe and on-time train performance and R-TPM and quality circle (QC) activities are ongoing. In particular, 6 Sigma was introduced in 2009 to complete the entire quality management system, and about one hundred improvement specialists are trained every year to provide the core capabilities of corporate-wide quality management. The assessment and sharing of improvement issues are performed by the Execution Committee and the Assessment Committee, and some 150 improvement issues have been completed using the 6 Sigma PMS (Project Management System), which is designed to perform and approve tasks in real time, achieving cost reduction benefits of more than 30 billion Won.

Accordingly, the mode of performing tasks using the 6 Sigma management is being expanded corporate-wide, and a culture of innovation is being established, through measures including the distribution of a comprehensive 6 Sigma manual in 2008. Based on such activities, external benchmarking of 6 Sigma management has begun, and a joint project with Samsung Fire & Marine Insurance Co., Ltd. and various 6 Sigma training courses and lectures have been conducted for the Korea Air Force Headquarters. Furthermore, the UIC (International Union of Railways) has participated since 2009 in the Business Excellence Board, a small group activity in the management quality area, in order to share 6 Sigma, benchmarking and know-how.

Knowledge Management In 1999, KORAIL was the first public corporation to introduce knowledge management, and future-oriented creative management is now being realized by strengthening its capability using the management of KORAIL's core knowledge base. As a forerunner among public corporations, KORAIL's knowledge management system annually handles some 50,000 cases (24,347 knowledge cases and 26,970 suggestions) of knowledge sharing and suggestion activities, and KORAIL has been recommended as a benchmarking company by several institutions related to knowledge management. In particular, suggestions are not simply recorded as "registered suggestions": By strengthening the company's ability to put them into practice, 18.3% of the entire number of registered suggestions have been applied to on-site cases, thereby making a real contribution to the improvement of management.

In 2007, a new system called ThinkRail was launched by integrating a knowledge management system and a suggestion management system. Earlier this year, a two-way knowledge channel known as KORAIL Knowledge Personnel was opened to enhance communication and unity throughout the organization by going beyond the boundaries of conventional knowledge management channels.

Construction and Operation of a Responsible Management System

KORAIL has set itself clear goals of responsibility, and pursues the clear and efficient management of performance in order to keep its promises to stakeholders regarding its responsibility for Korea's green logistics program. In 2009, KORAIL strengthened its organization, which was centered on the business division, by reforming its structure, and has advanced its management system by expanding the authority of the local headquarters, which have direct contact with the customers, as well as extending the authority of the working-level vice president, the executive directors of the local headquarters, and the team leaders. By signing performance contracts with executive directors, and by assigning the headquarters, individual divisions, and local headquarters as responsible management units, the performance of each strategic issue can be disclosed in real time, clearly and openly. This initiative is designed to strengthen KORAIL's timely response capability to the ever-changing management environment by assigning goals to and motivating all executives and employees, along with providing practical management leadership, thereby contributing to the early realization of management value.

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Signing of a Responsible Management Contract



Performance Management System

Practical Leadership by the Management As an opinion leader in Korea's transportation policy and a responsible corporation, KORAIL's management informs people inside and outside the company of its role in the railroad industry as a future core transportation mode, and is doing its utmost to transform itself into a sustainable corporation via management innovation. In 2008, KORAIL was able to successfully complete the "100 distinguished people in the 100 years of railroad history," which consisted of a petition supported by 100 public representatives of Korea's political, mass media, cultural, arts, and civic circles, by holding transportation conferences and climate change seminars; by presenting solutions for environmental and energy problems; and by forming a social consensus regarding the revival of the eco-friendly railroad. Furthermore, in responding to economic crisis by freezing the salary of the President (since 2006) and executives (since 2008), and by practicing a model for improving management finances, KORAIL has demonstrated responsible leadership in its innovation activities.

Responsible Organization, Human Resources To ensure regular analysis of tasks and submitted opinions, KORAIL has entrusted the authority for personnel affairs (team member appointment, education, assessment), budgetary control (right to change the budget-below tax items, right to execute ordinary expenses under 5 million Won, right to execute construction expenses under 1 billion Won), and task-related rights to team leaders. In addition, KORAIL is offering training in leadership capability with the focus on the performance of team leaders and on-site division directors. Of the 200 recipients, 50 superior recipients received "KORAIL Core Leader" certificates. This initiative plays a key role in fostering professional human resources capable of realizing the management value of KORAIL.

Responsible Management Contract Every year, departmental and team leaders stationed at the main headquarters, directors of local headquarters, and executive directors sign responsible management contracts with the President, and these contracts are used as a foundation for the provision of incentives, such as differential increases in basic annual salary, and differential payment of the annual performance salary. The assessment criteria are as follows: (1) improvement of business income and expenditure; (2) efficiency of human resources, and (3) structural revision of affiliates. (These are the performance outcomes of core strategies related to the vision of becoming the "World's Best Korean Railroad System"). Most public corporations draw up performance contracts involving the President and executive directors, but KORAIL has expanded the concept to include directors of local headquarters nationwide, the heads of partner companies, and the presidents of company affiliates, and ultimately expanded it to a total of 42 heads of department, in order to establish a practical responsible management system.

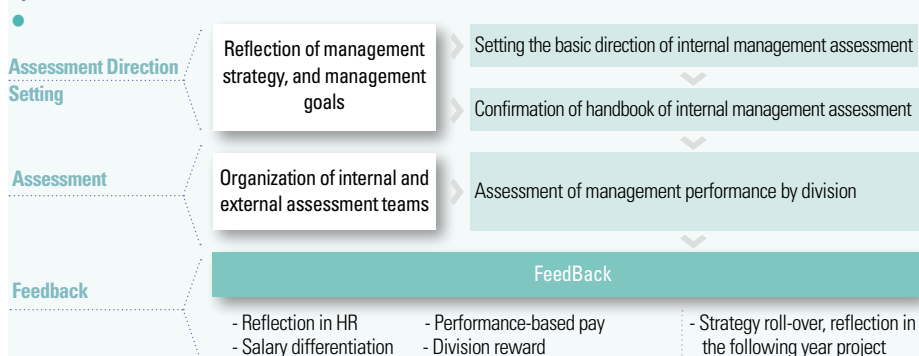
System of Responsible Management Contract



Performance Management System

KORAIL operates a performance assessment system for departments and individuals that is designed to improve the company's capability to implement strategies for the accomplishment of its vision. Additionally, KORAIL operates various performance management systems including KOVIS in order to systematically and scientifically manage its performance indices. Furthermore, the corporation shares performance information with major businesses and considers and evaluates supplementary measures via conferences in order to review major outcomes.

System of Performance Assessment





Manager Workshop



Financial Risk Management System (FRMS)

Conferences for Reviewing Major Outcomes

Category	Opening Date	Participants	Major Contents
Management Video Conference	First Monday of even-numbered months	President, auditor, vice-president, heads of division and group, executive directors of local headquarters, head of vehicle maintenance division	- Analysis of sales performance, and presentation of measures for achieving management goals - Review and status assessment of various project goals
Management Workshop	First Friday of odd-numbered months	President, auditor, vice-president, executive director of headquarters, heads of division and group, executive directors of local headquarters	- Analysis of sales performance, and discussion of measures for achieving management goals - Sharing information on current issues, and collecting opinions ※ Special lectures by public figures
Corporate Executive Meeting	Second Monday of each month	President, auditor, vice-president, executive director of headquarters, heads of division and group, major team leaders	- Review to achieve the advancement of goals - Improvement of profit and expense structure - Review of other major current management issues
Management Meeting	Third Monday of each month	President, auditor, vice-president, executive director of headquarters, heads of division and group, executive directors of local headquarters, major team leaders	- Presentation and discussion of policy issues as well as agenda proposed by the Management Strategy Committee and the Board of Directors - Issue resolution and information sharing
Headquarter Team Leader Meeting	The last day of each month	President, vice-president, executive director of headquarters, heads of division and group, team leaders of headquarters	- Delivery of President's management policy - Discussion of major performance by team, and planning of the following month - Presentation of agenda items and ideas ※ Excluding June and December
Regional headquarter Team Leader Meeting	The last days of June and December	President, vice-president, executive director of headquarters, heads of division and group, team heads of partner companies	- Delivery of President's management policy - Delivery of various agenda items and the direction for construction works

Risk Management System

KORAIL established the corporate-wide risk management system (ERM) in order to diagnose and assess the risk management situation and to achieve integrated management of risks. In particular, in 2009 KORAIL strengthened the financial risk management system to fulfill its responsibilities as a public corporation in managing the national economy and public life.

The financial risk management (FRM) system is an advanced system designed to manage financial risks systematically; as such, it can execute simulation analyses and derive an optimal finance structure in response to changes in economic circumstances, such as financial risks. By developing and implementing this system, KORAIL secured its own tool for assessing derivative financial products in preparation for the introduction of the International Accounting Standards, and was the first public corporation to successfully manage oil price risks. It is also expected to increase its management efficiency by implementing an early alarm system.

Financial Risk Management

Contents	
Currency Exchange Rate Risk	<ul style="list-style-type: none"> - Establish a system to enable the periodic reporting of foreign exchange exposure and VaR (Value at Risk) in the exchange rate market. - Establish a preparation plan by holding quarterly meetings of the finance Risk Management Committee, and construct a cooperative system for experts. - Allow early hedging (rewinding) of foreign currency swaps in emergency situations.
Interest Rate Risk	<ul style="list-style-type: none"> - Establish a periodic reporting system regarding debt duration and EaR. - Extend the fixed interest rate from 91.5% to 96.0% by establishing a regular changing strategy for the portfolio of fixed interest rate debt and floating interest rate debt. - Distribute risks by directly acquiring foreign currency denominated bonds when the domestic bond market is unsafe, and by securing an international credit rating.
Liquidity Risk	<ul style="list-style-type: none"> - Derive a management limit of 70 billion Won by analyzing liquidity funds for liquidity management. - Operate an early warning system for liquidity risks. - Execute an agreement with three banks for a short-term loan of 600 billion Won, with a low interest rate in the event of insufficient liquidity.
Credit Rating Risk	<ul style="list-style-type: none"> - Improve the corporate credit rating, lower the added interest rate, and cover public bonds by holding regular IRs. - International Credit Rating: Moody's(A2), S&P(A).



Today, I became a train driver. It made me feel proud because I have the ability and responsibility to take people to any location safely.

I learned that there are more than 30,000 employees at KORAIL, and they're responsible for the safety of over 1 billion passengers a year. Wow! Just how many people are involved with KORAIL?

The World's Best

Korean Railroad





| Railroad Customers



| A Meeting with Partner Companies



| Environmental Protection Activities



| A Health Marathon Competition for Employees

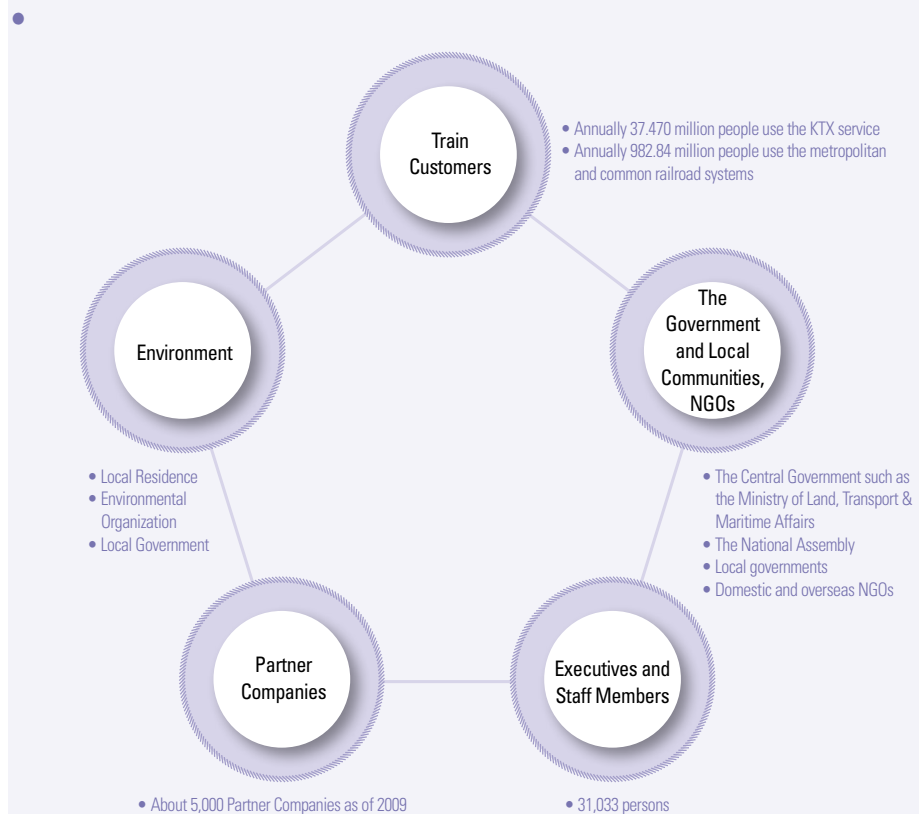
Definition of Stakeholders and Key Issues

We will listen to your voice and
spring into action!

Definition of Stakeholders

The key stakeholders in KORAIL's efforts to achieve sustainable growth can largely be divided into five groups: customers; the government; local communities; executives and staff members; partners; and the environment. All employees have a clear understanding of all major issues with all stakeholders. They are committed to proactively reflecting the opinions of stakeholders in their management activities to realize the corporation's vision and goal of becoming the world's best people's railroad operator in terms of both the public interest and operating profits.

Definition of Stakeholders and Key Issues



Key Issues for Each Stakeholder

Train Customers ||||||||||||||| KORAIL defines its customers as purchasers who demand punctual and quick mobility, and diverse cultural services. Its customers include all people who enjoy not only a railroad system within the conventional context of transportation but also eco-friendly, safe journeys, along with those who enjoy social, economic and cultural activities provided by communities around the subway areas. KORAIL is committed to reflecting the opinions of customers in such a way as to form a management culture focused on customer value, to implement detailed strategies tailored to the needs of each customer, to boost communication with its customers and to practice tighter standards of social responsibility on behalf of its customers. Driven by these efforts, the corporation adopted a Consumer Complaints Management System in 2009, while further promoting the existing Customer Representation System it has striven to implement so far, in order to consolidate its base for sustainable management.

Methods of Communication with Stakeholders



- Customer Representation System
- Voice of the Customer
- Customer Evaluation System
- Corporate Blog
- Survey on Customer Satisfaction



- President Hotline
- Survey on Job Satisfaction
- Grievance Relief System



- Meetings Presided Over by the President
- Networks of the Small & Medium Business Administration
- Clean Call
- Monitoring Visit



- Government Organization
- NGO Network
- Local Governments
- Engaged Organization Committee



- Environmental Network
- Environmental Railroad Advisory Conference

KORAIL has implemented a variety of policies to reflect the economic, social and environmental needs of its stakeholders in its management system. The voice of the stakeholder lets us know in which direction the corporation should proceed.

Executives and Staff Members As of December 2009, the corporation has a total of 31,033 employees, of which 14,817 (46.7%) work in sales, 6,316 (19.9%) are in rolling stock, 8,075 (25.4%) are in electrical engineering, and 2,552 (8.0%) are in management, etc. With the largest number of employees of any domestic public corporation, KORAIL has, from an internal perspective, been playing a significant role in providing agreeable working conditions for all its employees while, from an external perspective, it has been creating job opportunities for society. In particular, the corporation has been committed to the recruitment of human resources based on a healthy social balance, by striving to employ women and members of the disabled community in numbers exceeding the Statutory Obligatory Employment Rate, to provide more opportunities for women employees in administrative posts to receive promotion, and to raise the number of employees eligible for promotion. On top of these efforts, the corporation has established communication channels that reflect the various functional natures of each division and its railroad operations, and to support its employees as regards their safety and welfare. It provides support for each individual to build up his or her own expertise through self-development and training programs, while working to establish a corporate culture based on mutual trust by means of an assessment and personnel evaluation process focusing on performance.

Partner Companies KORAIL's Partner Companies have been raising the value of the corporation under a transparent cooperative system, by undertaking such tasks as the issuing of tickets, outsourced services, and purchasing. With ethical measures ranging from the Integrity Ombudsman System to meetings with partners presided over by the President, the 'Clean Call' system, the integrity contract system for each domain, the anti-corruption monitoring system and the monitoring of partners through visits, the corporation boasts the highest level of integrity among public corporations. In addition, KORAIL has been establishing co-prosperity and co-survival relationships through its support for technologies and sales channels (including the development of commodities on condition that they are purchased by the public), and the joint development of new products.

The Government and Local Communities, NGOs KORAIL has continued to operate even in remote areas and has voluntarily adopted a ticket discounting system for the elderly, the disabled, and other disadvantaged members of society to fulfill its social responsibilities. In particular, its operation of train services in remote areas contributes to the generation of operating losses, but the corporation has nonetheless continued its role as a public transportation agency to enhance convenience for local communities.

Furthermore, KORAIL has established a corporate culture where its employees voluntarily participate in activities to fund social welfare programs in order to put its sharing philosophy into action and enhance consensus among all of its employees. It has also developed "Localized Sharing Programs" that capitalize on the fact that its railroad business provides service to communities throughout the nation to help the less fortunate in these communities and boost its railroad operations. While strengthening its Sharing Partnerships with external, specialized groups to beef up its capacities for social contribution, it has maintained the Volunteer Works On-Duty Recognition System and the Voluntary Service Performance Management System, as well as various other programs aimed at establishing a sharing culture within the organization.

Environment As the 'Low Carbon, Green Growth' paradigm emerges as a main topic of conversation around the world, the world is moving towards the tightening of environmental regulations. KORAIL is carrying out enterprise-level environmental management activities to respond to such a move in a proactive manner and with a long-term perspective. The corporation has introduced a methodical environmental control system via such activities as participating in the Carbon-Trading Scheme and conducting environmental audits (environment-friendly performance evaluations), while doing its best to acquire eco-friendly technical solutions applicable to railroad and transportation systems based on studies on sustainable railroad management.



Visions Based on Values Sought by Stakeholders

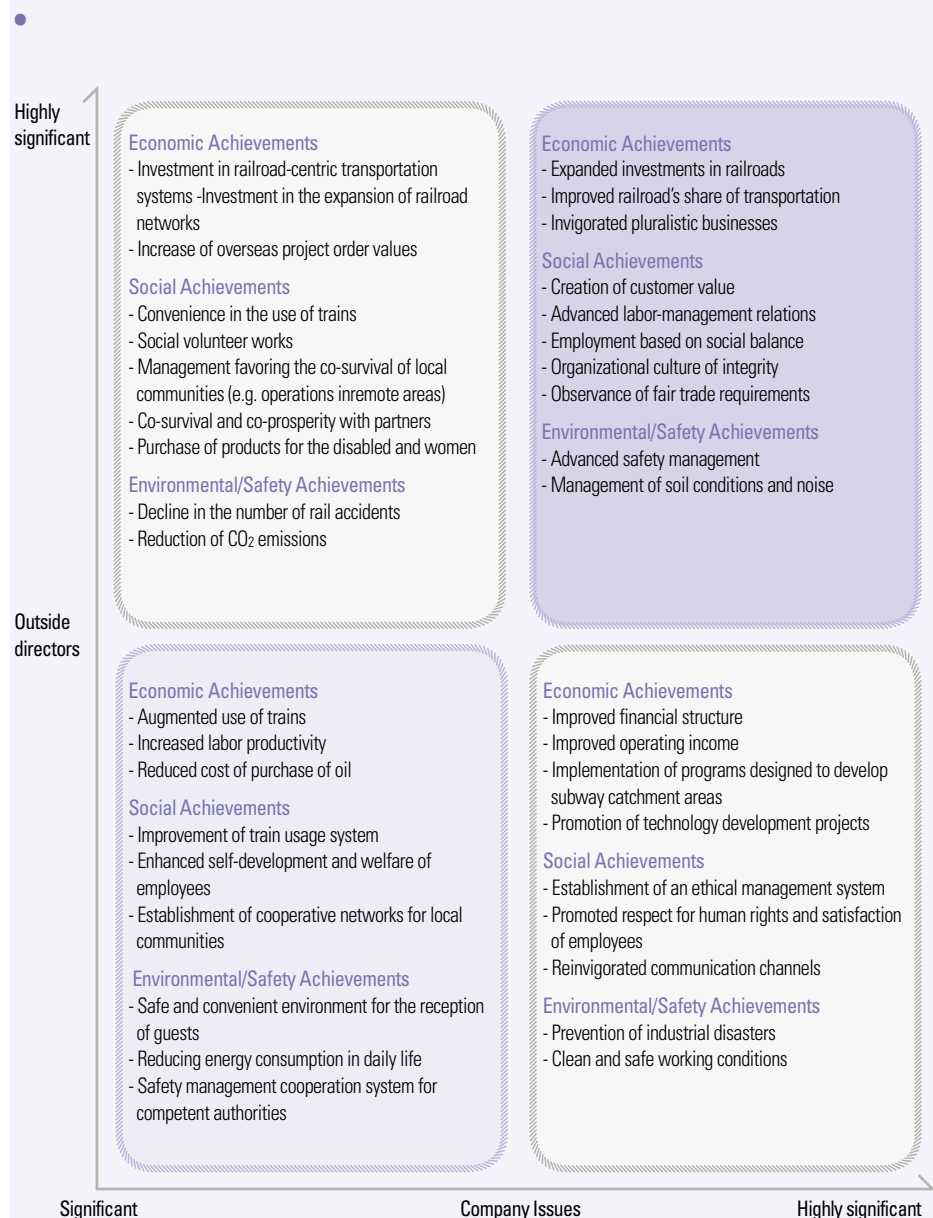
2008-2009 Sustainable Management Reviews_ KPI and Achievements

Sustainable management of KORAIL reflects the values desired by stakeholders

Evaluation of Significance

The five tests applied to the evaluation of the significance of key issues for each stakeholder include tests on company rules, the relevant norms and laws, direct and indirect economic effects, benchmarking of overseas advanced enterprises, and media analysis. KORAIL, in its second issue of the report, is planning to expand its communication channels and devote itself to achieving a more in-depth resolution of the "significance" issue by such means as surveying or interviewing stakeholders and railroad specialists.

The Outcome of Significance Evaluation



KORAIL has launched its drive to become a global enterprise and to achieve substantial growth on the basis of its efforts to expand its transportation share, to enhance its capabilities for diversifying its business domains, and to improve its transportation efficiency and security systems. The corporation's Key Performance Index is managed in a methodical and scientific manner, and is duly reflected in all of its management activities.

KPI Achievements

KORAIL manages its KPIs for each sector – including economic, social, and public safety - through the BSC (Balanced Score Card) and KOVIS*.

Items		Index	2007	2008	2009
Economic	Growth potential	Per-capita sales (0.1 billion Won)	1.09	1.12	1.12
	Stability	Debt ratio (%)	72.0	73.8	88.8
	Profitability	ROE (%)	1.61	5.58	6.58
	Efficiency	Cost reductions for each year (0.1 billion Won)	1,425	1,497	1,571
	Corporate values	Corporate brands (ranking)	52	83	49
		Brand royalty (0.1 billion Won)	26.4	21.5	25
	Innovative management	Registration of Knowledge - Proposal (case)	51,547	51,985	51,317
		Fulfilling of 6 Sigma Assignment (no. of assignment)	98	185	180
	Creative management	Development of experts in managerial improvement	241	373	301
		Overseas business sales (0.1 billion Won)	8	8	2.5
Social	Customers	Income from themed tour commodities (0.1 billion Won)	125.5	174.2	229.4
		Public Service Customer Satisfaction Index (PCSI)(point)	86.20	82.80	88.10
		Ratio of On-time Passenger Train Operation (%)	96.86	96.37	97.60
	Employees	VOC Processing Satisfaction Index (point) (A modified grading system applied since 2009)	82.0	85.4	76.0
		Organizational Culture Index (points-based)	702/3.60	785/3.50	732/2.36
		Employment of the disabled (person, %)	2,651/8.10	2,605/8.10	2,491/8.00
		Employment of women (person, %)	66.40	72.74	72.15
		Training recipients (person)	118,504	124,613	127,567
	Ethical management	Integrity Index (scored out of 10 points)	9.01	9.31	8.93
		Cyber Education of Ethics (person, %)	10,732/71.00	9,180/104.00	16,954/160.00
		Ratio of ethics education completion (person, %)	12,621/54.00	101,752/404.00	72,600/646.00
	Partner Companies	Suggestions (number)	23	10	22
		Purchase of mid & small firms' products (0.1 billion Won)	5,784	4,494	8,810
		Purchase of tech. developed products (0.1 billion Won)	153	143	149
		Purchase of products developed on condition of their purchase (0.1 billion Won)	45	133	279
	Communities	Social volunteer work (time per capita)	13.03	14.03	9.32
		Purchase of products made by the disabled (0.1 billion Won)	19	11	11
		Purchase of products made by the disabled (0.1 billion Won)	312	421	542
Environmental & Security	Environment	Proportion of the subway lines using electric locomotives (%)	53.60	54.50	55.90
		Noise (day/night, dB)	58/56	59/57	59/57
		Purchase rate for environment-friendly goods (%)	71.90	69.50	80.30
	Safety	Operational accidents (case/1 million km)	0.25	0.23	0.19
		Personal accidents (case/1 million km)	1.10	0.94	1.01

* KOVIS (KORAIL Vision & Innovation System)

- Name of KORAIL's Corporate-wide Resource Management System (ERP)

Listening to the voice of the people and advancing to the world



| Inauguration of President Huh, Joon-Young)

Inauguration of Huh, Joon-Young, the new President of KORAIL

In the ceremony celebrating his inauguration at the Daejeon local government office on March 19, 2009, the new President Huh, Joon-Young pledged to faithfully undertake his regular duties. He was appointed to the post via a series of public subscriptions, including document screening and interviews with the Executive Recommendation Committee and the recommendation of the Public Institution Operating Council. In his inauguration speech, President Huh said, "KORAIL has a mission to contribute to the recovery of the country's economy as one of the nation's key industries and to secure its position as a new growth engine in this 'Low Carbon, Green Growth' era." He also emphasized that "The railroad family must come together to establish a holistic response system to overcome the current economic crisis." As part of the efforts to achieve such an aim, he highlighted the importance of enhancing the railroad system, moving the hearts of customers, seeking sustainable growth, and improving the organizational structure, among others, as key management approaches; as well as the necessity of augmenting operating income, reducing costs, securing the efficient operation of human resources and effective management of its subsidiaries, and of enhancing the responsible management system for each operating unit.

Declaration of Strategies and Visions for Growth of the Green Railroad System

KORAIL proclaimed its vision of becoming 'the world's top railway system for the people' in a bid to lead the nation's green growth, and advanced the concept of 'growth based on a green railroad system' as a practical strategy. KORAIL's green growth strategies consist of extending the corporation's main business area, namely railroad transportation service (current passenger traffic, logistics and development) to other relevant business domains such as cultural and entertainment services, total logistics and domestic and overseas developments, and boosting its sales to 5.1 trillion Won and its operating profits to 1.1 trillion Won, and further upgrading the corporation to a global enterprise that provides a green cultural service. In addition to this, the strategies also include detailed solutions for the achievement of accumulated sales amounting to 1.4 trillion Won for new projects by investing a total of 4.7 trillion Won in overseas projects, establishment of the Logistics Composite Transfer Center, and the development of subway catchment areas, etc. by 2012.

Full-scale Work on the 'Project to Develop the Subway Surrounding Area for the North of Seoul Station'

As the masterplan for the development of certain districts north of Seoul station into an international cultural and business center was approved by the board of directors on April 23, 2009, execution of the Project to Develop the Subway Surrounding Area is now under way.

The Subway Surrounding Area project involves the introduction of a new World Convention Center as a growth engine for the 21st-century industries and as a communication channel for citizens on a 55,535 m^2 site at #122, Bongrae 2-ga, Jung-gu Seoul, as well as the development of a composite multi-functional cultural space as an international cultural exchange complex, while preserving the historical value of Seoul. The anticipated effects of the project include the creation of about 10,000 jobs and an economic boost of about 2 trillion Won.

Proactive Initiatives for Overseas Railroad Projects

Huh, Joon-Young, the President of KORAIL, was elected as the next chairman of the UIC Asia by unanimous decision at the Asia Meeting of the International Union of Railways (UIC) held in St. Petersburg, Russia, on May 15, 2009. The UIC Asia Chairman is responsible for summoning and presiding over the UIC Asia general meeting as a representative of 30 railroad organizations from 19 Asian countries; the Chairman also holds the authority to develop joint projects after collecting the opinions of all member countries, and compiles the budget. The Chairman of the UIC Asia is at the same time an executive director of the entire UIC, including its European branches.



| Hosting of the UIC Asia Meeting



| CCMS Accreditation



| Mobile Tickets



| Co-survival Agreement with Partners

Immediately upon assuming his post, President Huh, Joon-Young successfully set about enhancing the standing of the Korean railroad system, primarily by winning the bid to host the High-speed Railway Workshop and the UIC Asia Meeting in Daejeon, Korea, scheduled for November, 2009. Meanwhile, he signed an inclusive Memorandum of Understanding (MOU) on railroad cooperation with the Kazakhstan Railway Corporation, on May 13rd, 2009 before signing a contract with Russia.

The two nations have agreed to pursue the joint development of a transcontinental railway, modernize logistics operations in Kazakhstan, cooperate in the construction and operation of local infrastructure and jointly promote railroad transportation systems based on IT solutions, which should lead to mutual exchange visits by staff, invitations to training sessions, joint market research campaigns and so forth, with KORAIL establishing a basis for participation in improvement projects involving the construction of infrastructure in Kazakhstan and all other aspects of its operation.

Introduction and Accreditation of a Consumer Complaints Management System

KORAIL has acquired the CCMS (Consumer Complaints Management System) accreditation from the Fair Trade Commission, the first such accreditation among public enterprises. Since adopting this program last April, the corporation has received numerous positive reviews for its performance in managing consumer complaints.

CCMS, which is operated by the Fair Trade Commission, is designed to prevent consumer complaints in advance and resolve complaints received, all from the consumer's perspective.

KORAIL has received high marks for its CS Committee operations, which include △ discussing key VOC (Voice of Customers) issues at executive meetings and seeking to resolve them, VOC news aimed at instilling enterprise-level concerns, △ its service accreditation system for the improvement of services by staff members at the point of contact, and △ its methodical program to listen to, and reflect in its policies, the voice of customers, especially regarding the President's strong commitment to customer service and addressing the enterprise-level concerns about customer-oriented service.

Opening of Mobile Ticket Era

KORAIL launched a mobile ticketing service last January to enable the convenient purchase of railroad tickets through cellular phones anywhere, anytime. Using this service, train passengers can complete all the steps required for ticketing, from the checking of railroad schedules for KTX, Saemaeul, Nuriro and Mugunghwa trains, to the reservation and issuance of tickets, all at the same time, provided they download the 'train ticket reservation-dedicated software program' to their mobile handsets. The corporation has successfully established the infrastructure for the service and will make it available to all domestic telecom operators from this July.

Enhancement of Co-Survival Relationships with Partner Companies

On June 27th, KORAIL held a meeting to discuss its plan to 'Build the World's Top People's Railroad together with Partners' together with representatives of the 300 companies with which it works closely. At this meeting, which was held in order to provide an opportunity to hear about business obstacles directly from each President and to devise ways to facilitate mutual cooperation, KORAIL and its partner firms entered into a 'Practical Agreement to Build the World's Top People's Railroad,' and to contribute to the nations' sustainable growth and development by fulfilling its duties fairly and transparently, conducting ethical, co-survival management and moving the hearts of customers.

All existing manual tasks such as contracts for Public Purchase Loans (PPL) or the checking of account information have been computerized and connected to websites offering PPL for small and mid-size enterprises. Accordingly, any small or mid-size company having an agreement with KORAIL will no longer have the inconvenience of having to visit the contract division to apply for a PPL as of September 1st. The PPL system is a financial service designed to support SMEs, enabling them to borrow production or operating funds from a bank based on evidence of their contracts with a public enterprise. With this service, they can obtain loans at a prime rate of up to 80% of the value of the contract deposit.



Commissioning of Integrity Publicity Ambassadors



Clean Korail Festival



A Train Reserved for Bicycles

Consistent Efforts to Remain an Enterprise of Integrity and Ethics

KORAIL has taken the initiative of fostering integrity experts to operate the '3rd Stage of the Integrity School Program' and to improve KORAIL's corporate values. The 'Integrity School' which has been the foundation for propagating a corporate culture based on integrity by providing integrity training tailored to each function, is attended by integrity guards from each division, leaders of integrity tasks, other persons in charge, and working-level staff members in the contract management, various approvals and property renting. The school provides video lectures, sponsors special lectures by external specialists or internal instructors, and open discussions, as well as other participatory programs in which trainees try to devise solutions to identify and eliminate corrupt practices.

The corporation also appointed 731 staff members as its second Integrity Guard last April in order to further spur diversified integrity activities.

In addition, in June it arranged a system by which visitors can evaluate the degree of integrity of KORAIL through the CES (Customer Estimation System) installed in the lobby.

The CES allows visitors to conduct their own assessment of the level of kindness, fairness and integrity of the personnel in each division through touch-screen monitors. KORAIL has installed a total of 31 terminals in its 26 branches, employing vehicle management teams and other offices across the nation to implement the system, and thereby providing a real-time analysis on the outcome of evaluation for ten items, along with intensive efforts to improve any shortcomings in its services.

Building Eco-mobility Together

A happy convergence of eco-friendly transportation means has finally been realized. Last June, KORAIL conducted a pilot operation for boarding a train with a bicycle, and permitted bicycles to be taken on the central subway line (Yongsan – Guksu) which connects the heart of Seoul City with South Yangju and Yangpyeong County, etc. Passengers can now take their bicycles on the subway from 10 AM to 3 PM exclusive of commuting and rush hours, after 9 PM on weekdays, and without restriction on Sundays, Saturdays and holidays.

Furthermore, the corporation held a "Let's Ride a Train Campaign" as a part of its efforts to protect the environment, which included a range of activities such as "Train for Lively Woods" and "Let's Plant Trees for Our Hometown Railroad Stations."

Since September 1st the corporation has also been providing the 'Green Carbon Calculator' service, which compares the CO₂ emissions of trains with those of other vehicles and calculates the number of pine trees needed to reduce the CO₂ emissions by the same amount saved by each ride on the train. If you visit KORAIL's website at www.korail.com or its logistics info website at www.logis.korail.go.kr, and click the Green Carbon Calculator banner and enter your departure station and destination, you will receive information on the relative CO₂ emissions of the train and other vehicles, along with how many pine trees would have to be planted to reduce the level of CO₂ emissions saved by your decision to travel by train.

KORAIL has designated Wednesdays as 'Practicing the Green Life' days in its efforts to reduce daily consumption of energy resources and green house gas emissions. This initiative accompanies the government's work on the 'Practicing of Green Life' program and its efforts to promote it, and is based on the corporation's plan to 'Promote a Green Railroad Lifestyle.' The 'Practicing a Green Railroad Lifestyle' plan, which aims for a 10% reduction of daily garbage and a 10% saving of daily energy consumption, includes a large range of recommendations for a green life such as commuting by public transportation, using stairways for 4th or lower floors (±4), using green life cups, 'no neckties in summer but underclothes in winter,' turning off the power when one's PC is idle, turning off lights and cooling/heating systems during lunch breaks, reusing paper, and turning off the power supply upon leaving work. This extensive initiative is attracting the proactive participation of all the company's staff.



| Agreement on Promotion of the Tourist Industry



| Agreement on Green Logistics



| 100 Distinguished People in the 100 Years of Railroad History



| World High-Speed Railway Workshop

Enhancement of Cooperative Networks for Mutual Green Growth

KORAIL set out its plan to globalize its railroad system and develop further diversified railroad cultural commodities by signing a cooperative agreement with Gyeonggi Province and the Korea Tourist Service. Last August, KORAIL entered into an MOU for the promotion of the tourist industry with the Gyeonggi Province local government, introducing the 'DMZ Tour on KTX' train, the first fruit of the agreement, to the nation. On the day of the tour, tourists from all over the country rode trains on the Gyeong-Bu and Ho-Nam routes, taking tours of the third underground tunnel, the Dora Mountain Observatory, and steam locomotives at Yimjingak and Gangdan Station, etc. And last December, the corporation signed an MOU for the Promotion of Railway Tourism with the Korea Tourist Service and agreed to expand railroad tourist commodity experience opportunities for foreigners staying in Korea, including multi-cultural families, and conducted joint marketing initiatives aimed at attracting foreign tourists through mutual cooperation.

KORAIL also signed an MOU to boost railway logistics in the era of green growth with the Ministry of Land, Transport & Maritime Affairs, Samsung Electronics, Hyundai motors, POSCO and LG Electronics on October 27.

KORAIL and the top four domestic enterprises will work together to reinforce the nation's competitive power by establishing a logistics/transportation system focused on the railroad network, and reduce logistics and social costs. Specifically, the agreement concerns the Green Mileage System, by which incentives are granted to the aforementioned companies based on their performances in railroad transportation; mileage points are awarded per ton/kilometer of cargo delivered by the railroad system, with the consequent effect of reducing carbon emissions connected to discounts on shipping charges. This system should contribute significantly not only to reduce corporate logistical costs by up to 300 billion Won annually for each 1% increase in their transportation share of the railroad system, but also to improve the environment.

Assessment of External Institutions

- Acquired the first LOHAS Korea certification as a transportation operator.
- Acquired first CCMS accreditation awarded to a public enterprise.
- Designated as the best entity for anti-corruption policy evaluation (for 3 consecutive years).
- Awarded the Presidential Award in the national quality management competition for 10 consecutive years.
- Awarded the grand prize in the national productivity competition for 3 consecutive years.
- The KORAIL Housewife Volunteer Squad awarded the prize of the director of the Korea National Council on Social Welfare.
- Held the UIC Asia Meeting and the World High-Speed Railway Workshop
- Selected as the best call center by a survey on call centers' service quality index for 4 consecutive years.
- Awarded the grand prize in Green Industry (President).
- Awarded 1st women prize (Head of Customer Value Management Office)
- Designated as the best agency for info sharing.
- Acquired the first international verification for its greenhouse gas inventory.
- Selected as the best enterprise in quality competitiveness for 7 consecutive years
- Awarded the gold prize in TV commercials, by Maekyung Daily, for its CF 'Let's ride the train!'
- Its company newsmagazine, 'Happiness+' awarded a prize in 'Stevie Awards 2009'
- 100 distinguished people in the 100 years of railroad history

I heard that KORAIL is ready to open the door to a bigger world. It has the foundation to go farther and become a company that can provide cultural services as well as services on trains +and at stations. They say KORAIL can build a new world and help people to live a more abundant life.

That's why there are more than 30,000 KORAIL people working striving themselves every day.

The World's Best

Railroad for Growth





Key Economic Performance Index

KORAIL, as the largest public enterprise in Korea, with assets ranked 19th among all domestic companies, is committed to △ a proper finance and budget management system, △ improving its asset operation; △ executing the budget reasonably; and △ compiling, distributing and managing the budget based on the performance of each operation, with the aim of “promoting corporate values for the corporation’s future growth.” In particular, the corporation is devoting its energy to improving its financial health through the normalization of its management based on the medium- and long-term road map for its financial policies, as well as creating a sustainable growth foundation via the establishment of a management system focusing on operating incomes and the proactive introduction of new projects.

KPI



Category	Items	2007	2008	2009
Growth	Sales increase (%)	1.14	1.71	△ 2.83
	Net profit increase (%)	125.34	285.64	26.19
	Per-capita sales (0.1 billion Won)	1.09	1.12/2.75	1.12/-
Profitability	ROA (%)	0.94	3.21	3.49
	ROS (%)	3.73	14.15	18.38
	Net income (0.1 billion Won)	1,333	5,140/285	6,486/26.19
Stability	Debt ratio (%)	72.0	73.8	88.8
	Current Ratio (0.1 billion Won)	96.4	90.0	72.5

Management Achievements



(Unit: 0.1 billion Won)

Items	2008 (A)	2009 (B)	Difference (B-A)
Operating profit and loss	△ 7,374	△ 6,861	513
Operating revenue	36,314	35,288	△ 1,026
Operating expense	43,688	42,149	△ 1,539
Incidental profit and loss	15,044	17,257	2,213
Non-operating income	25,937	24,791	△ 1,146
Non-operating expense	10,893	7,534	△ 3,359
Net income before taxation	7,670	10,396	2,726
Income tax expense	2,530	3,910	1,380
Net income	5,140	6,486	1,346

Financial Status

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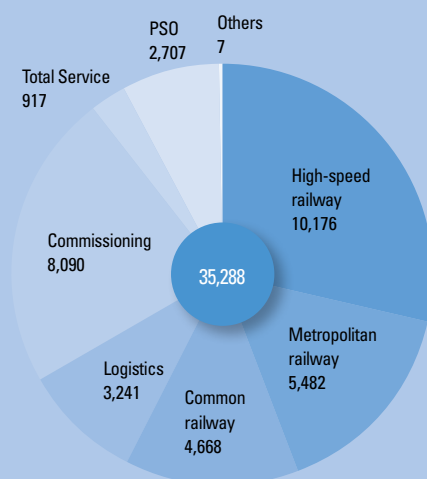
(Unit: 0.1 billion Won)

Items	2008 (A)	2009 (B)	Difference (B-A)
Assets	160,075	186,110	26,035
Current assets	12,818	14,114	1,296
Non-current assets	147,257	171,996	24,739
Liabilities	67,963	87,547	19,584
Current liabilities	14,238	19,462	5,224
Non-current liabilities	53,725	68,085	14,360
Capital	92,112	98,563	6,451

Operating Profits for Each Business Area in 2009

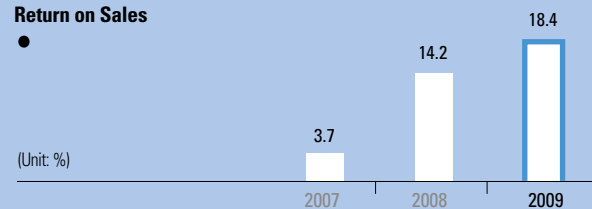
(Unit: 0.1 billion Won)

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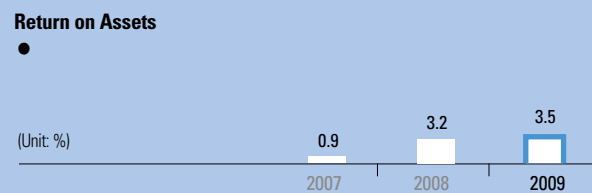
Return on Sales

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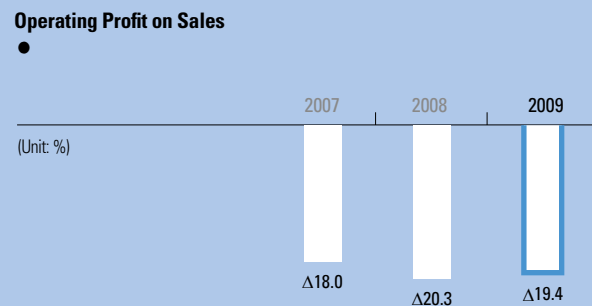
Return on Assets

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Operating Profit on Sales

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Key Economic Performance Index

Summarized Balance Sheet

(Unit: 0.1 billion Won)

Items	2008 (A)	2009 (B)	Difference (B-A)
Assets			
Current assets	12,818	14,114	1,296
Current account assets	10,750	12,124	1,374
Inventory assets	2,068	1,990	△ 78
Non-current assets	147,257	171,996	24,739
Investment assets	7,324	17,705	10,381
Tangible assets	126,083	125,620	△ 463
Intangible assets	350	324	△ 26
Other current assets	13,500	28,347	14,847
Subtotal	160,075	186,110	26,035
Liabilities			
Current liabilities	14,238	19,462	5,224
Non-current liabilities	53,725	68,085	14,360
Debentures	37,698	53,871	16,173
Long-term loans payable	10,944	8,726	△ 2,218
Provision liabilities	4,949	5,337	388
Other non-current liabilities	134	151	17
Subtotal	67,963	87,547	19,584
Capital			
Capital	96,412	96,422	10
Capital adjustment	△ 49	△ 67	△ 18
Other cumulative comprehensive incomes	598	579	△ 19
Earned surplus	△ 4,849	1,629	6,478
Subtotal	92,112	98,563	6,451
Total	160,075	186,110	26,035

Summarized Statement of Profit and Loss

(Unit: 0.1 billion Won)

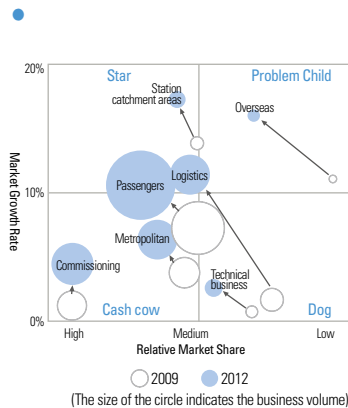
Items	2008 (A)	2009 (B)	Difference (B-A)
Operating revenue	36,314	35,288	△ 1,026
Transportation business	27,880	26,281	△ 1,599
Passenger traffic	21,361	20,326	△ 1,035
Freight · others	3,857	3,248	△ 609
PSO	2,662	2,707	45
Total Service	819	917	98
Commissioning	7,615	8,090	475
Operating Expenditure	43,688	42,149	△ 1,539
Operating profit and loss	△ 7,374	△ 6,861	513
Incidental profit and loss	25,937	24,791	△ 1,146
Non-operating expense	10,893	7,534	△ 3,359
Net income before taxation	7,670	10,396	2,726
Income tax expense	2,530	3,910	1,380
Net income	5,140	6,486	1,346

42	Key Economic Performances
45	Medium- and Long-term Road Map
46	Operating Performance for Each Business
52	Stabilized Management of Economic Performance

Medium- and Long-term Road Map for Sustainable Economic Performance

'Independent profit-oriented management' will pave the way for success

Analysis of Business Structure



Management Environment

The environmental and energy crises that have impacted the entire world have posed a global challenge, namely, the pursuit of "Low Carbon, Green Growth." Accordingly, the world railroad industry, which had been showing sluggish growth, is returning to the spotlight.

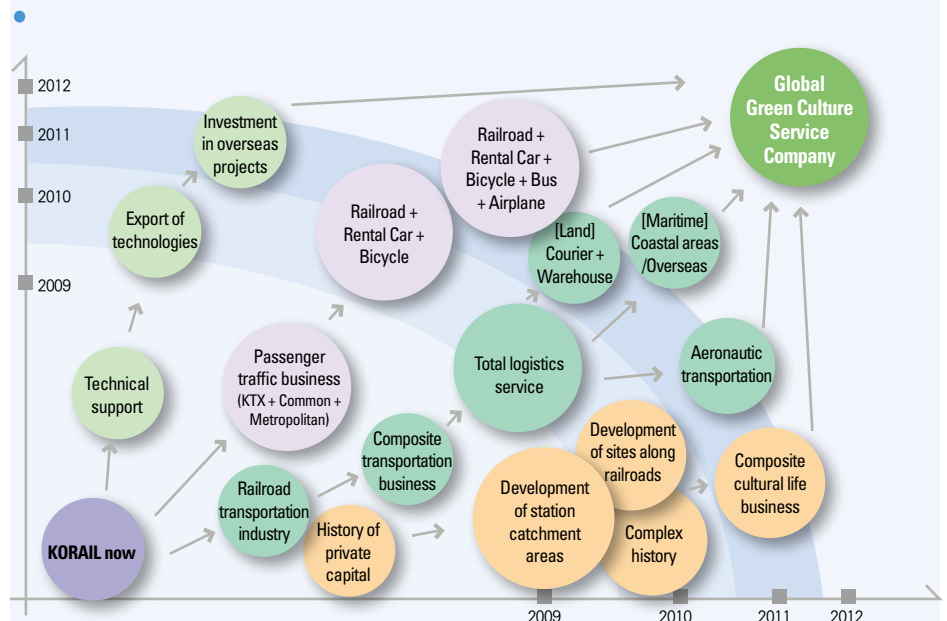
The situation is no different in Korea. Along with the announcement of the Sustainable Transportation & Logistics Development Act and the 5-Year Green Growth Plan, a Special Act on the Expansion and Use of Railroads, an Act on the Development and Use of Station Surrounding Areas, and a Special Act on the Promotion of Maintenance of Station Surrounding Areas are scheduled to be laid before the National Assembly, and this has escalated public concern and expectations about sustainable modes of transportation.

In line with these movements, KORAIL has launched comprehensive initiatives to reform its organization based on the eco-friendly nature of railways. The corporation is striving to establish a sustainable growth structure by diversifying its revenue structure and by wholeheartedly embracing its social responsibilities. To this end, it has undertaken a variety of tasks to improve management structure and efficiency and achieve its vision of becoming the world's top people's railroad operator, beloved by the entire nation.

KORAIL's financial policy road map has been drawn up to achieve sustainable growth and overcome the limitations of the railroad industry, which is vulnerable in terms of its cost structure, has been integrated with the strategic road maps designed for each of the corporation's major business areas, with the overall aim of achieving the vision of becoming "The World's Best Korean Railroad." The road map also serves as a foundation shaping the specific goals of KORAIL's financial plans, and improving its executive capacities and service quality.

Especially in light of the current situation, where the role of the railroad transportation system is becoming increasingly significant under the flag of green growth and the advancement of the railroad industry into overseas markets is gathering steam, the corporation is planning to improve its operating profits around existing core operations such as KTX; to establish an independent profit-oriented management system through asset development projects and the proactive introduction of new initiatives; and to build enterprise-type administration and management systems by securing financial risk management capabilities.

KORAIL's Medium- and Long-term Road Map



42

Key Economic Performances

45

Medium- and Long-term Road Map

46

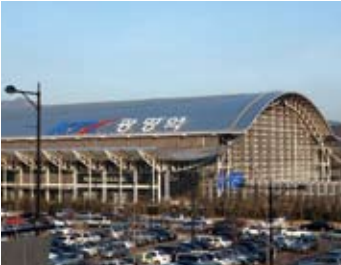
Operating Performance for Each Business|||||||

52

Stabilized Management of Economic Performance

Operating Performance for Each Business

Upgrading of corporate value,
the unlimited value-added created
by the railroad



KTX-dedicated Metropolitan Station



KTX-centered Train Operating System



Nuriro Train

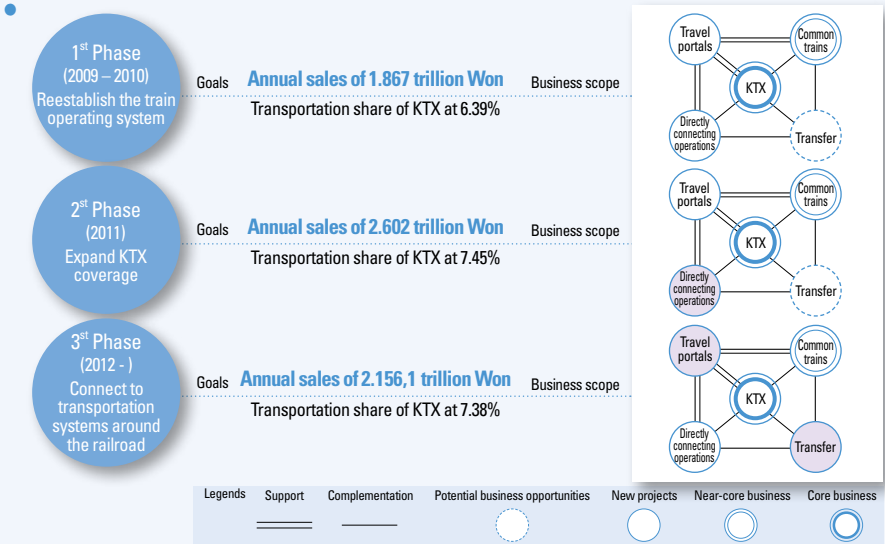


Mugunghwa Train

Passenger Rail Service Business

KORAIL aims to establish a foundation for sustainable growth according to its mandate to achieve an advanced railroad system △ by generating revenue through a revamp of its transportation system, with the focus on KTX, △ by enhancing acceptable site management activities, △ by reducing operating costs via the efficient operation of station and train crew services and △ by establishing customer-oriented management that provides cultural and emotional value. To that end, the corporation is seeking to expand demand for railroad transportation and increase profits, devise solutions to gradually reduce the deficit in the domestic railroad business, and develop profit-improving models.

Model for Increasing Profits from the Passenger Traffic Business

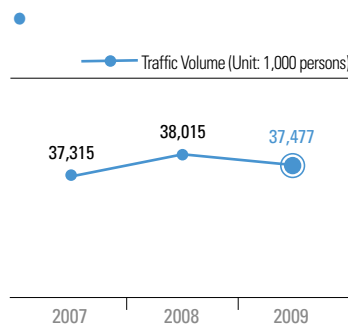


Key Performance ||||| KORAIL aims to secure a competitive edge in transportation and achieve further growth by analyzing customer travel patterns and preferences using various models and establishing an optimized train operation system. The KTX and KTX Sancheon (‘sancheon’ is name of Korean native fish) teams are committed to ensuring the flexible operation of trains and adjusting train operating patterns based on each route, day and timeframe in response to future increases in demand and the limitations of supply, in order to increase profits from the transportation service. As a result, KORAIL has succeeded in raising its profits by an average of 4,000.6 million Won annually by adjusting the schedule of the first and last trains for the Gyeong-Bu line to meet the changed needs of its customers. The corporation has also increased profits by 183.6 billion Won (equivalent to a total rise of 3%) from the previous year by implementing strategic transportation plans for New Year’s Day and Chuseok (Korean harvest festival), respectively, as well as special arrangements for mass transportation during the summer season, etc., and has boosted its operating profits by KRW 89.24 million by operating special KTX services for local festivals and the days when government recruitment tests are administered. On top of this, KORAIL promoted KTX brand value through a strategic publicity campaign celebrating the 5th anniversary of the opening of the KTX line, while promoting a variety of new commodities to attract potential customers and create demand during the off-season. In particular, the corporation has recorded cumulative revenue of 1.3 billion

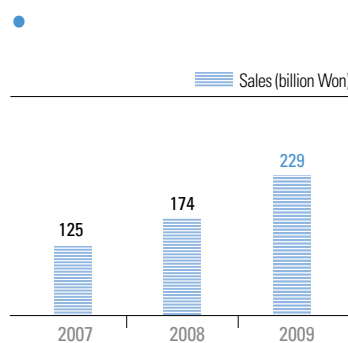
Medium- and Long-term Strategies of KTX Operation

Items	2009	2010	2011	2012
KTX	181 trips	206 trips	316 trips	316 trips
KTX Sancheon, trains adopted	Allocation 6 trains	Allocation 13 trains	Allocation 5 trains	Additional reviews
KTX share of transportation	5.62%	6.39%	7.45%	7.38%

Status of Annual Increase of KTX Transportation



Operating Performance of Themed Commodities (for regular and temporary trains)



Wine Train



Bicycle Train

KORAIL has been devoting its energies to improving values added by providing services through both its railroad system and its stations, while seeking to enhance its competitive power in the transportation industry through customer-oriented service, refashioning itself into a green railroad enterprise.

Won, representing an 86% year-on-year increase, through proactive sales and the promotion of 'Railro Tickets' – which provide young customers with free travel on all trains below Saemaeul class for 7 consecutive days.

In addition, the corporation has been making efforts to improve the efficiency of non-profitable stations without negatively impacting the public interest. Specifically, KORAIL is committed to reducing labor costs by implementing automated operational handling* and curtailing train frequency at stations that have low profits and attract a small number of passengers. It has also achieved a management improvement equivalent to 25.9 billion Won, as well as an improvement of its human resource management in 2009, by reducing headcount by 63. Furthermore, the corporation has improved the work processes, safety and efficiency of the working environment by deploying effective information service and automated systems. Importantly, these achievements have been driven by a labor-management agreement highlighting △ the pilot operation of KTX Sancheon, and the relevant training and support for high-speed railways; △ the revision of regulations on injuries, deaths and accidents; △ and the reinforcement of corporate policies including the preparation of mental health care programs for locomotive engineers.

Effects of Management Improvements Based on the Efficient Operation of Stations and Personnel

Items		2007	2008	2009
No. of stations subject to efficiency improvement	Unmanned	13	18	16
	Downgrade	15	17	29
	Decreases in frequency of stop	90	36	25
	Closed	10(0)	-	-
	Total	128	71	70
Efficient use of personnel (persons)		62	77	63
Management improvement effect (0.1 billion Won)		180	209	259

In conjunction with these efforts, the corporation has established an environment that enables passengers to buy tickets regardless of the time or place, improving the use of Online Self-Ticket Purchase (SMS Ticket, Home Ticket, Mobile Ticket, Auto Ticketing Issuing Machine) by 50% and reducing ticket issuance costs by 4.3 billion Won, thereby minimizing the cost of distributing train tickets and introducing substantial improvements to its cost structure. KORAIL has also trained counter personnel in high value-added functions to maximize the efficiency of its human resources.

Commodity Development and Diversification of Revenue Sources The corporation plans to create new revenue sources and diversify the appeal of rail journeys by developing and operating railroad travel commodities connected to the various tourist resources of local governments across the nation. KORAIL has been introducing new commodities each year by establishing medium- and long-term plans for the development of tourist commodities; it has paved the way for the sustainable creation of revenue by classifying and managing existing tourist commodities into rail travel themed commodities.

KORAIL has created new demand through such themed commodities as a rail cruise, Haerang, the Wine Train and the Jeongseon Arirang Train, generating profits of 222.9 billion Won, respectively, up 31% from the previous year. Additional efforts to create revenue include its signing of an MOU regarding Tourist Industry Promotion and its operation of seasonal tourist trains. Driven by these achievements, KORAIL has signed MOUs with the local governments of Jeju Special Autonomous Province, Gyeongsangbukdo, Jeollabukdo, Daejeon Metropolitan Cty and Gyeonggi-do, Yeosu International Exposition 2012, and the Korea Tourist Service. The corporation has also developed new tourist commodities such as Daejeon Scientific Exploration, DMZ Eco Exploration, Paldo Market Places, and the Saemangeum Tour as a part of its efforts to instill a dynamic sales spirit into its employees and diversify its revenue sources.

* Automated Operational Handling

- This is a renovation of an auto remote control system for operational handling and signal equipment so that a single station can control 3-5 other stations. This solution integrates signals and operation, transportation and station offices, promoting personnel and functional efficiency.

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Motor Coach Train



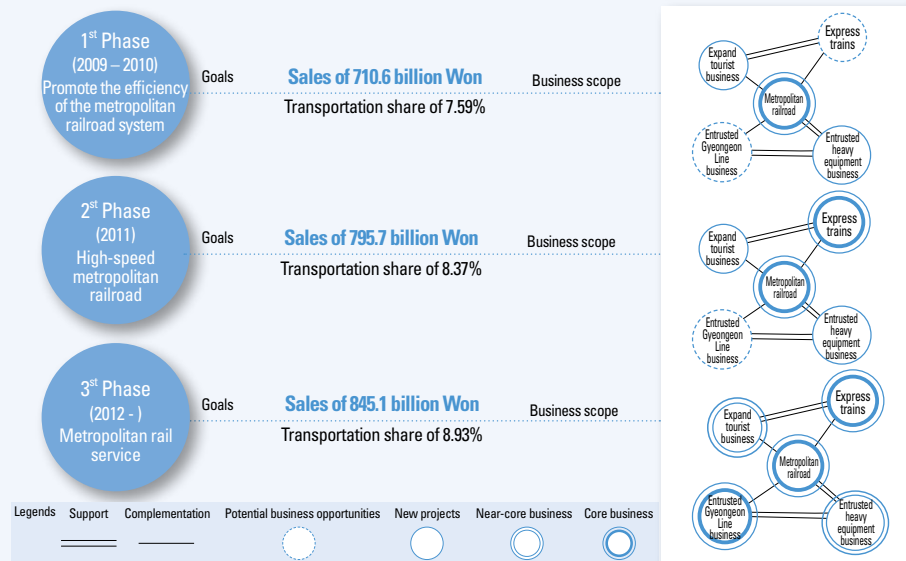
Promoting convenient use of trains in capital areas

In coming years, KORAIL will secure its expertise for the development of higher profitability services and commodities and cultivate specialists in railroad tourism, promote a travel portal website providing a one-stop service to create new demand from foreign tourists, and will operate a variety of connective train tickets.

YMS (Yield Management System) The YMS is used to anticipate demand at a certain point when a train is in operation and to check the sales volume of tickets to maximize the corporation's profits. KORAIL is now capable of generating profits amounting to 3.48 billion Won or more through the optimization of this system and increased staff training in its application. With the YMS, the corporation has secured the ability to analyze demand for a given time slot, tracking sharp increases in demand and demand along each section of the route, as well as customer use patterns, enabling the yield management operator to establish plans in real time and thus boost profits from each seat. The corporation has also fostered profit managers by providing manuals on the use of the YMS, examples of overseas cases of its operation and other materials required for the most effective use of the YMS.

Metropolitan Rail Service Business

KORAIL has expanded the operation of the Motor Coach Express Train by responding to the demand and travel patterns of commuters in capital areas using 5 out of 10 metropolitan railroad lines - including the Gyeongbu, Gyeongin, Gyeongwon, Jungang and Gyeongui lines. Notably, the express train service runs on the Gyeongin Line 213 times per day, and the operation is controlled through flexible schedules depending on demand for the service.



Key Achievements The corporation implemented a fare system integrated with those of bus operators in Seoul as of July 1, 2004, Gyeonggi Province on July 1, 2007 and Incheon City on October 10, 2009, and unified the dual MS (Magnetic Strip, paper type) and RF (Radio Frequency, card type) train ticket system into a single RF ticket system in September 2009; consequently, 94% of its customers now use the transportation card. KORAIL has converted all ticketing management functions - including issuing, recharging and balance accounting of tickets - into automated systems to improve the efficiency of its station services. In addition, operates an integrated service which combines the station management tasks and commodity sales functions of the metropolitan railroad system at 33 stations (out of 180 stations in total), to improve efficiency at stations and promote overall operational efficiency. KORAIL also achieved personnel efficiency equivalent to 326 persons in 2009 by allowing conductors to focus on their primary duties not asking them do any other irrelevant work, improving the checking cycle for subway trains, and reshuffling the working system for the Gyeongui and Jungang lines. The corporation's operating profits for 2009 amounted to 548.2 billion Won (628.1 billion Won if PSO is included).

Logistics Business

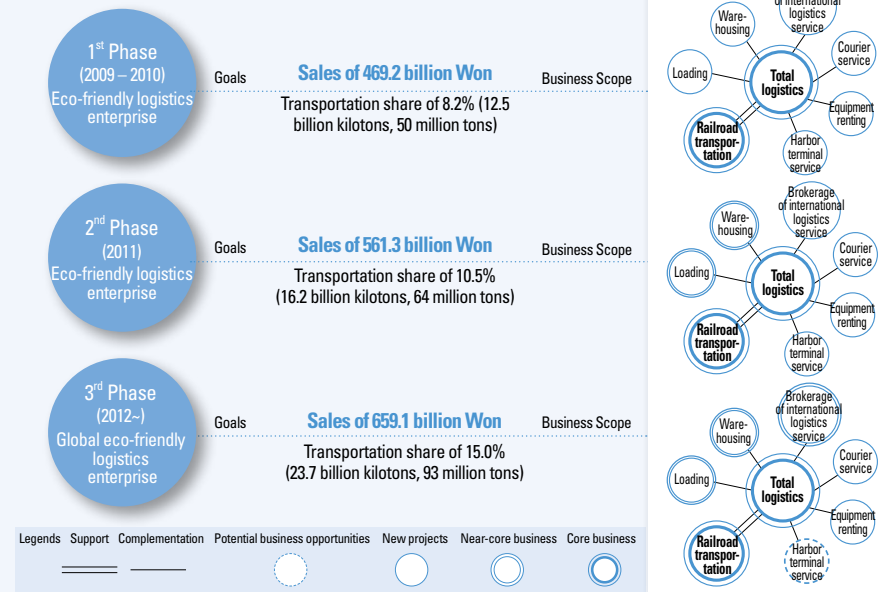
KORAIL is aiming to become a global total logistics enterprise by 2012 by extending its current business structure, which is focused on transportation, to new logistics business including warehousing, loading, and trunk line courier services. To this end, it has adopted major initiatives designed to expand its low carbon and green logistics and total logistics business, innovate its logistics transportation system, enhance its inter-modal transportation system and expand its logistics infrastructure, making the year 2009 the launch year of its green logistics business.



Container Loading



Container Transport Train



Key Achievements In conjunction with the establishment of growth strategies (a plan) for its green railroad system in the logistics sector, the corporation has established a “Practical Plan for the Promotion of Railroad Logistics” in cooperation with the Ministry of Land Transport & Maritime Affairs, the Korea Rail Network Authority, and state-run research organizations, etc. The plans will be a cornerstone in the establishment of the railroad logistics system as an eco-friendly means of transportation leading the government’s mandate to realize “Low Carbon, Green Growth.” Currently, a range of aggressive logistics-related legislation activities are under consideration such as the ‘Sustainable Transportation Logistics Development Act.’ and the ‘Logistics Policies Act.’ In particular, the government has granted the domestic railroad industry a subsidy of 1.75 billion Won for companies that switch transportation to the railroad for the first time in the history of the domestic railroad industry, which has been disadvantaged by the oil price subsidies granted to certain types of road transportation (trucks, etc) and the midnight discounts accorded to freeway transportation. The government will continue the same subsidy in its budget for the year 2010, and such an incentive could lay a revolutionary foundation for the domestic railroad logistics industry to improve its transportation share. The corporation has continued to expand logistics infrastructure as one of its growth engines to introduce new container stations (two locations), logistics warehouses (one location) and other facilities, and has established a cost-saving transportation system by overhauling freight-handling stations (in 30 locations), reshuffling operating schedules for cargo trains and improving the checking system for cargo trains in its efforts to reduce operating costs. KORAIL has expanded the fixed operation of regular trains organized as 120km/h or higher-speed cargo transporters, increased the operation of Block Trains* fourfold, and completed the construction of a system for optimizing the freight transportation mechanism via the maximized use of transportation resources (common and cargo trains, etc), to reform its railroad transportation system. Despite these efforts, however, sales from its logistics service for 2009 failed to reach the level of the previous year, standing at 324.1 billion Won (15.7% of the figure for the previous year), which may be attributed to the drop in import/export container transportation volumes triggered by the recent global economic recession.

Future Plans The corporation is planning to diversify its business, expanding the loading service and launching a warehousing business, in order to boost its share of the total logistics service. It is also concentrating on developing new growth engines for the logistics business, such as operating loading equipment and trunk line courier services, as well as improving the integrity of its transportation service by promoting the RSR** between Korea and Japan, enhancing the inter-modal transportation system and giving the government a priority list of candidate railroad lead-ins to be constructed as part of the government’s plan to modify the national railroad networks.

* B/T (Block-Train)

- A freight train tailored to the needs of customers, which runs without stopping directly to the destination during the time slot each group of customers desires. (As of now 18 trains are under operation on the Gyeong-Bu line)

** RSR: Korea - Japan Rail-Sea-Rail Service

- An international inter-modal transportation system to provide high-speed freight trains. In Korea (Euiwang ICD ↔ CYs in Busan); high-speed ferries for maritime transportation (Busan Harbor ↔ Kakada Port); and common trains in the hinterlands of Japan.

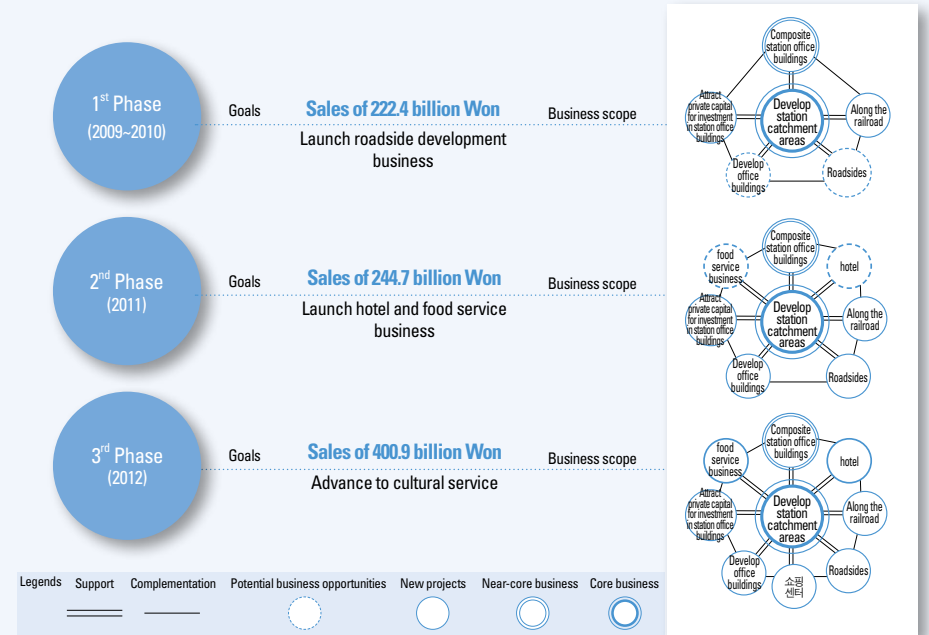
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A Bird's-eye View of the Station Catchment Areas North of Seoul

Total Service Business

KORAIL is working to boost revenue by improving its profit structure, focusing on the transportation service and promoting the efficiency of its subsidiaries' management functions. The corporation is committed to efficiently carrying forward its Total Service (Comprehensive Service) by implementing a 'performance responsible system' to reinforce its risk-control capacities, and by making every possible effort to cultivate a professional workforce for each business and overseas project. Furthermore, the corporation has accomplished its goal of promoting management efficiency with regard to its subsidiaries by reducing their number from 9 to 5, and has laid the foundations for independent management.



Key Achievements||||||| In 2009, KORAIL earned operating revenue of 91.7 billion Won from its Total Service, representing a 12% increase from the previous year, and enjoyed a 45% increase in sales driven by the improved management efficiency of its subsidiaries, and a 316% hike in operating profits. The corporation also improved its debt ratio by 18% compared with the previous year.

Profit Increase of Total Service and Sales of Subsidiaries

	2007	2008	2009
Operating profits of Total Service (0.1 billion Won)	881	819	917
Sales of subsidiaries (0.1 billion Won)	3,641	4,265	6,200
Net income of subsidiaries (0.1 billion Won)	65	27	113
Debt ratio of subsidiaries (%)	263	262	215

As the plans for Green Railroad Growth Strategies was established in July 2009, KORAIL determined its KPI with the aim of achieving mutual growth through the creation of new growth engines and the pursuit of strategic functional cooperation with its subsidiaries. The corporation has diversified its approaches to business development into a long-term return model involving the development of station catchment areas, and a short-term return model involving roadside development. It aims to generate operating profits of 400.9 billion Won in 2012 on the basis of such efforts.

KPI for Green Railroad Growth Strategies

(Unit: 0.1 billion Won)				
Items	2007	2008	2009	Goal for 2010
Returns from Total Service (operating & non-operating)	4,720	18,881	22,650	30,710
Operating profits from Total Service	881	819	917	2,224



| KTX Character Shop



| Thematic Pension Train

Future Plans ||||| KORAIL has proactively led the change of business environment by helping legislate and revise the laws and regulations regarding the infrastructure of Comprehensive Service, and by providing expanded learning and growth opportunities in order to achieve its KPI.

In 2009, as part of these efforts, it began pushing for the passage or revision of six laws. To cite one example, if the 'Station Surrounding Area Development and Use Act' is enacted, we will be in a position to undertake the composite and vertical development of railroad stations and the surrounding areas, thereby spurring Total Service around railroad stations. In addition, to prevent any conflicts between stakeholders that may arise in the process of driving its business forward by exploiting its tangible assets, and to promote business efficiency and co-growth with the local community, KORAIL plans to hold business presentations, form a Station Surrounding Area Development Committee, and enter into an MOU with local communities. In addition, it has already paved the way for the future expansion of its Total Service by cultivating Total Service-related professions in such a way as to encourage its employees to complete outsourced education courses in real estate development or master's degrees at domestic graduate schools (majors in real estate, business administration, etc.), or to acquire the 6 Sigma Certificate.

Medium- and Long-term Plans for Station Catchment Areas

Phases	Total	Development points	Subject stations
Phase I (Entry)	7	2005 - 2010	Yongsan (launched in 2006), north of Seoul Station, Seongsu, Suseong, Daejeon, Dongdaegu and Incheon Stations
Phase II (Expansion)	9	2011 - 2016	Busan, Chuncheon, Oryu-dong, Jinju (1st phase), Iksan, Suncheon, Andong, Gangneung and Gwangju Stations
Phase III (Stabilization)	8	2017 -	Jeongdongjin, Gimcheon, Gunsan, Jinju (2nd phase), Dongrae, Jecheon, Yeongju and Gwangju Stations
Sum	24		

Meanwhile, the corporation has been seeking to boost its profits from new business through the proactive development and promotion of new projects and by utilizing its in-company venture system. Since 2005, when the Rules on In-company Venture Operation were established, the corporation has invited suggestions on new business developments from the public on nine occasions, and six opportunities suggested by the public are now under development. In 2009 the corporation received a total of 31 suggestions from the public, and implemented one suggestion (reusing scrapped materials as a resource).

Achievements of In-company Venture Business Development

Business	Key details
Artificial fishing banks using old railroad rolling stocks	Generate annual profits of 50 million. Won from patent royalties and promote the fishery economy
Commercialization of KTX characters	Generate character sales profits (0.11 billion Won) and promote the corporate image
Railroad Theme Pensions	Generate profits by utilizing scrapped rolling stocks (0.11 billion Won) and contribute to boosting the local economy
Practical application of patents for multi-branch ties	Generate profits from patent licensing and improve the safety of railroad lines
Resource recycling	Improve work processes by purifying waste oil from construction sites and reinforce the corporate image as an eco-friendly enterprise
Utilization of scrapped materials as a resource	Generate profits from the manufacture and sale of eco-friendly products using recycled materials and promote the image of a green railroad

Risk Management and Business Performance Responsibility System ||||| As the corporation's green railroad growth strategies drive further Total Service activity, KORAIL is devoting more energy to stabilizing the growth of its business by enhancing its entrepreneurship, risk management and business performance responsibility system. The corporation has formed a Business Examination Council to review all the tasks it currently conducts, including the management and monitoring of its parent companies and the selection of its in-house venture business, while consulting specialists in the private sector to secure expertise in developing businesses and examining investment plans to ensure that each individual business uses its budget prudently

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Key Economic Performances

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Medium- and Long-term Road Map

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Operating Performance for Each Business

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Stabilized Management of Economic Performance

Management of Economic Efficiency

KORAIL seeks to reduce risks and maximize revenue through methodical and scientific financial management solutions

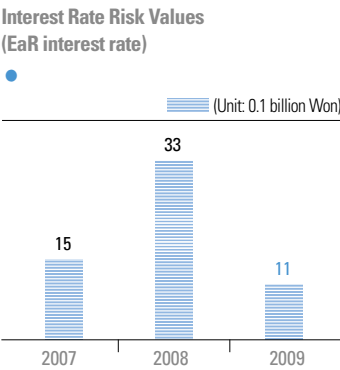
Financial Risk Management System

KORAIL is committed to the stabilized management of key financial risk indices such as exchange and interest rates and liquidity to improve its capacity to manage financial risk. The corporation established a Financial Risk Management System between November 2008 and May 2009 in order to enhance consistency throughout its financial statements and financial plans by using a financial engineering method, and to improve its calculation of the appropriate level of liquidity by applying appropriate liquidity risk control criteria. In addition, it has switched from VaR to EaR in terms of its financial risk measurement criteria so as to improve the applicability of its risk analysis to its transportation business and to enable the real-time calculation, report and control of financial risks.

These efforts have improved the performance of the financial risk management system, which has in turn paved the way for enterprise-wide sharing of information on financial risks, thereby accelerating the spread of enterprise-level risk management activities.

Financing Capabilities of the Highest Level

KORAIL has been raising capital in a stable, prompt manner via the strategic issuance of bonds and the diversification of its financial sources to hedge against possible future instability of the bond market. In 2008 it adopted - making it the first public enterprise to do so - the reopening system, which invites additional investors and issues new bonds with the same interest and expiration structures as existing issued bonds, thus raising funds at low interest rates, and succeeding particularly well in directly attracting overseas capital to reduce its financial costs, despite the global financial crisis. The reduced portion of its financial costs for 2009 amounted to 4.9 billion Won (on the basis of the average interest rate of funds raised by major domestic public corporations).

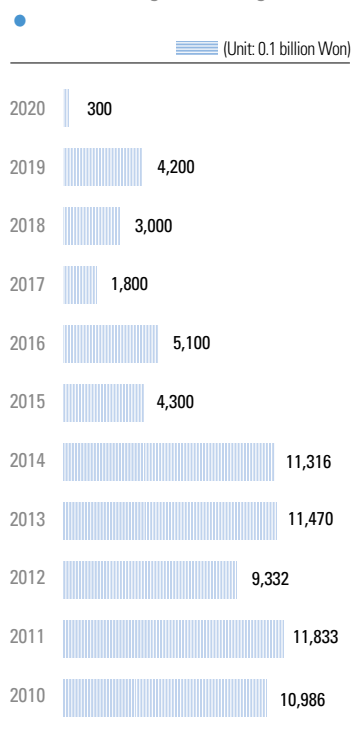


Financing Status

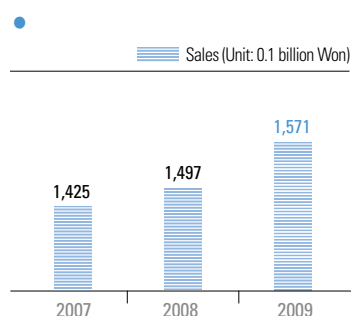
(Unit: 0.1 billion Won)

Items	2007	2008	2009	2010 Paln
Basic cash	1,090	3,544	5,820	3,542
Internal revenue	35,817	40,269	39,187	41,159
Government subsidies	10,586	9,969	6,348	7,224
Loans	11,683	16,463	32,544	22,796
Sum	59,176	70,245	83,899	74,721

Debt Redemption Plans Based on the Medium- and long-term Strategies



Achievements in Cost Reduction



By implementing self-reliant financial solutions and normalizing management tasks we, KORAIL are striving to establish a reliable public enterprise that is loved by the people. KORAIL is committed to boosting the profitability of its businesses by undertaking extensive reforms, improving its financial structure and practicing scientific risk management, despite having to bear all the costs incurred by the construction and operation of railways.

Improvement of Debt Redemption Plans and Establishment of the EVA Management System

As part of its efforts to reduce financial expenses and improve its financial structure, KORAIL established a "Debt Redemption Plan" based on a comprehensive financial engineering analysis. The corporation undertook a series of actions, including a structural review for an appropriate amount of loan in 2006, the development of Yongsan station surrounding areas in 2007, the plan for amending its management strategies in 2008, and the acquisition of airport railroad systems in 2009 (the corporation's debt volume is 7 trillion 346.5 billion Won, representing an increase of 1 trillion 467.2 billion Won from the previous year), to improve its financial structure. Meanwhile, the corporation has been measuring performance in accordance with the authorities and responsibilities of each pertinent division based on responsible management policies, as well as KVD (Key Value Drivers) factor analysis and EVA index management.

Management of Economic Value Added (EVA) Index for Globalized Management

	2009	2010	2011	2012	2013	2014	2015
EVA	▲ 16,226	▲ 17,553	▲ 7,548	▲ 6,798	▲ 4,889	▲ 5,937	▲ 4,436

Intense Self-Relief Efforts

KORAIL has been implementing a variety of measures aimed at achieving financial independence and the normalization of its business administration. In 2009, its net income stood at 648.6 billion Won, representing an increase of 134.6 billion Won from the 514 billion Won of the previous year. Its operating profits decreased by 102.6 billion Won (2.8%) from the previous year, despite carrying out diverse efforts to improve its revenue; the decrease may be attributed to such negative circumstances as the global economic recession or the swine flu virus, but its operating costs dropped by 153.9 billion Won (3.5%) from last year by virtue of its continuous efforts to reduce costs and performance bonus payments. It posted operating profits of 1 trillion 725.7 billion Won, most of which came from the profits generated by the disposal of assets, including the third disposal of the Yongsan station surrounding areas.

Efficient Operation of Human Resources and Trains The corporation has successfully reduced the number of its regular personnel by 5,115 persons using the modernization and automation of equipment (2,411 personnel), the improvement of work process (987 personnel), and the outsourcing of non-core functions (1,717 personnel), etc.

Enterprise-level Cost Reduction KORAIL has effectively spread and shared best practices and a corporate spirit of cost reduction by rewarding good performers and inviting the public to participate in idea contests, while making the adoption of the "Clean Card" as the corporate credit card mandatory, in order to secure transparency with expense accounts and ensure the continuous reduction of its operating costs.

In addition, the corporation has put into practice its mandate for energy saving to combat high oil prices, principally by applying a series of company rules including "stop the engine when not in operation," "economic operation to reduce power costs," "replace existing lights with highly efficient eco-friendly LED lights," "refrain from using maximum power for power transmission plants," and "curtail the operation of the corporation's vehicles for public use by 30%," as well as routinely receiving proposals for energy saving to continuously focus the attention of its executives and staff members.



KORAIL employees always think of us first when they work.

They are continually trained to satisfy customers,
work with integrity, and create a culture of mutual trust.

They also find time to volunteer to help neighbors in need.

With its railroads, KORAIL is creating a happier world.

The World's Best

Railroad for Happiness

Key Social Performance Index

Evaluation of KORAIL's social performance is largely based on mutual-support practices involving customers and staff, partners and local communities. Among the main criteria of the Customer Moving Index are the effects of the customer moving management policy and service capacity, while those of the Employee Satisfaction Management Index include the promotion of employee welfare, open communication channels, self- and capacity-development, etc. Sharing management - trustworthy business activities with its partners and contributions to local communities - and the ethical management system are core factors in the corporation's social performance evaluation system. The corporation reports performance and managerial strategies for these aspects of its operations are based on the following four indices: Customer Moving Management, Employee Satisfaction Management, Trustworthy and Ethical Management for Partner companies, and Sharing Management.

Customer Moving Management	Classification	Items	2007	2008	2009	Goals for 2010
	Customer satisfaction index	Public Enterprise Customer Satisfaction Index (PCSI, points)	86.2	82.8	88.1	95.1
	Service evaluation	Station/Train service monitoring (points)	92.85	89.52	95.58	97
		Handling Satisfaction Index (points)	82	85.4	76	81
	CS training	Training frequency (sessions)	70	81	138	156
		No. of recipients	3,355	2,292	4,584	4,365
	Diversification of service	Self-ticket purchase /Amount (% , 0.1 billion Won)	15.3/3,620	28.4/5,265	36.7/6,539	37.0/6,555
		Use of Mobile Ticket/Amount (% , 0.1 billion Won)	-	-	0.3/52	1.0/177
Employee Satisfaction Management	Classification	Items	2007	2008	2009	Goals for 2010
	Employment	No. of disabled employees/Employment ratio (persons, %)	702/3.6	785/3.5	745/2.4	926/3.0
		No. of female employees/Employment ratio (persons, %)	2,651/8.1	2,605/8.1	2,491/8.0	2,624/8.5
	Employee education /training	Organizational Culture Index (points)	66.40	72.74	72.15	75.0
		Budget	90	132	90	98
		No. of recipients	118,504	124,613	127,567	132,688
		Common capacity training (budget (0.1 billion Won)/No. of recipients)	30/38,935	30/38,305	30/36,255	25/34,658
		Leadership capacity training (budget (0.1 billion Won)/No. of recipients)	5/6,196	5/4379	5/4,550	10/11,215
Trustworthy and Ethical Management for Partners	Classification	Items	2007	2008	2009	Goals for 2010
	Partners	Purchase of small and medium-size enterprises' products (0.1 billion Won)	5,784	4,494	8,810	6,215
		Purchase of technically developed products (0.1 billion Won)	153	143	149	123
		Purchase of products developed on condition of purchase (0.1 billion Won)	45	133	279	100
	Ethical management	Integrity Index (10 points)	9.01	9.31	8.93	9.52
		Completion of cyber ethical training (persons, %)	10,732/71	9,180/104	16,954/160	13,000/203
		Completion of other ethical training courses (persons, %)	12,621/54	101,752/404	72,600/646	80,000/908
Sharing Management	Classification	Items	2007	2008	2009	Goals for 2010
	Social responsibilities	Purchase of products made by the disabled/Companies with women CEOs (0.1 billion Won)	19/312	11/421	11/542	11/326
		Social volunteer service (hours/person)	13.03	14.03	9.32	14.5

56	Key Social Performance Index
57	Sustainable Customer Moving Management
58	Achievements of Customer Moving Management
63	Employee Satisfaction Management
67	Industrial Safety and Healthcare System
70	Open Management/Communication
72	Sustainable Ethical/Trustworthy Management
74	Trustworthy Management for Partners
76	Sustainable Sharing Management

Sustainable Customer Moving Management

We set our visions based on customers' opinions



Concert in Station



Removal of a Gate Machine

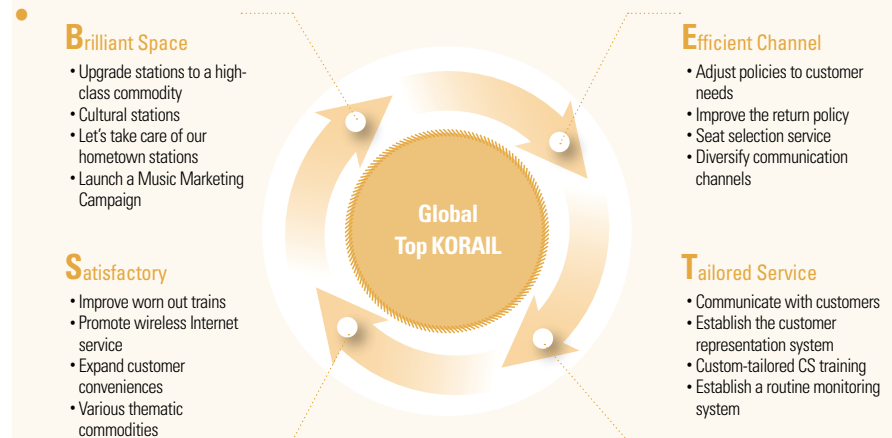


Installation of KTX Wireless Internet

The Customer Moving Management Program

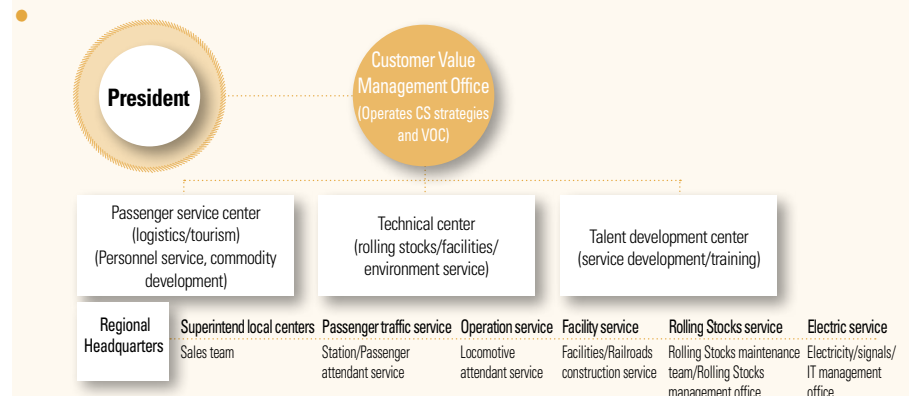
In 2009, KORAIL pushed ahead with the Global-Best (G-Best) project to systematize its customer services. Its highest priority, out of the corporation's four major strategies for achieving its vision of becoming "The World's Best Korean Railroad," is that of "Moving the Customer." G-Best was conceived to achieve the corporation's mandate for moving its customers by providing custom-tailored services based on customer needs - such as time and cultural values, and to fulfill the corporation's social responsibilities. This system classifies customers into 'buying customers' who use trains, 'value-delivering customers' including affiliates and partners, 'value-creating customers' such as the staff at contact points and the rest of the company's employees, and 'value-flow customers' including the Ministry of Land, Transport and Maritime Affairs, the Ministry of Strategy and Finance, and the general public, in order to address 58 sub-tasks.

The G-Best Project program



KORAIL aims to establish customer value-oriented management, make use of the VOC channel system, standardize its contact point service quality, and enhance its customer service capacity as its key strategic mandates to achieve the ultimate goal of Customer Moving Management, namely 'to secure the competitive power of the corporation's transport service.' To implement more methodical Customer Moving Management, it has integrated CS planning and evaluation into VOC operation and integrated the Customer Moving Team into its CS management task force, with the customer moving mandate now being fulfilled by the deployment of three headquarter divisions to each business domain and six local headquarter divisions to each service.

Organizations Responsible for Customer Moving Management



56	Key Social Performance Index
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74	Trustworthy Management for Partners
76	Sustainable Sharing Management



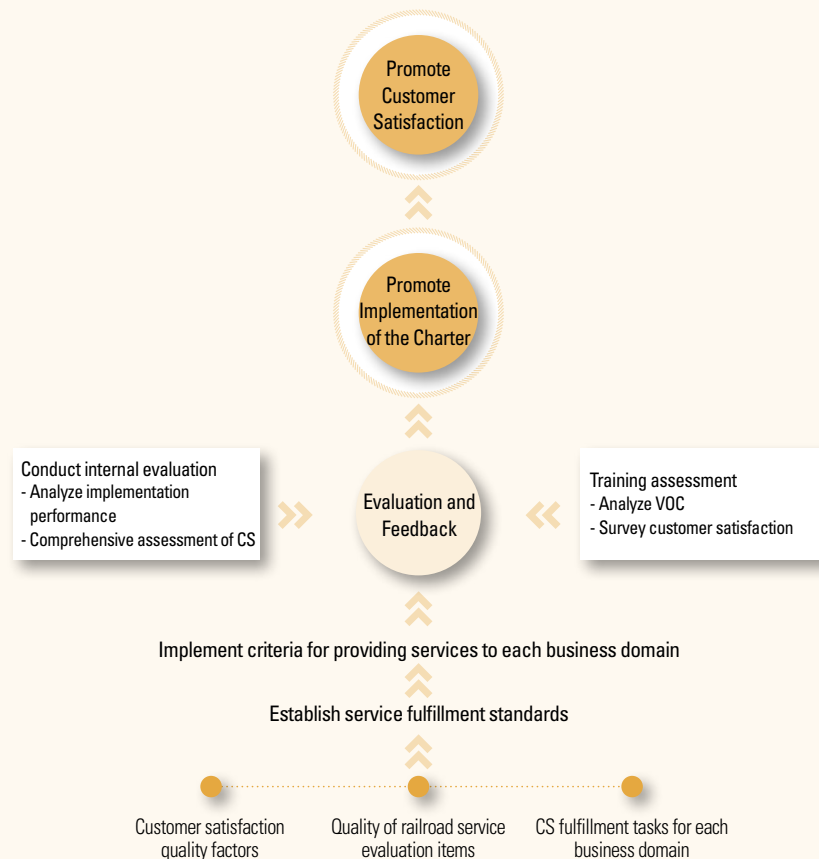
Customer Service Charter

Achievements of Customer Moving Management

Communication with Our Customers

Customer Service Charter KORAIL has launched the Customer Service Charter, which includes the corporation's promises for its key services as well as the details of compensation for inefficient or poor services, to positively respond to changes in the external environment such as customer needs and the corporation's social responsibilities. Each quarter, the corporation analyzes and surveys the voice of customers and the extent of customer satisfaction to monitor how well the Charter system is working, publishing its findings on its website. In addition, KORAIL reflects the major compliance criteria contained in the Customer Service Charter in its Service Quality Index, monitors the implementation of the Charter, and operates a feedback system, in a bid to continuously improve its service standards. In 2008, the corporation opened a mentoring website featuring the Charter, which provides mentoring for each case of applying of the Charter, thereby spreading know-how on the operation of the program accumulated over the last ten years to other institutions.

Program for Implementing the Customer Service Charter



Achievements in Implementing the Customer Service Charter

Items	Implementation standards	Achievements	Previous year	Remarks
Safety	Railroad accidents/human casualties per 1 mil km to be decreased by 10% or more	Railroad accident – 0.19	17.4% ↓	Achieved
	Goals for 2009: Railroad accidents – 0.27 cases; Human casualties – 1.13 cases	Human casualties – 0.01	7.4% ↑	Achieved
Reliability	Operate passenger trains 100% as planned	100% as planned	100% as planned	Achieved
Punctuality	Operate 96% or more passenger trains without delays; KTX, 5 min or less; common trains, 10 min or less	KTX 98.27%, Common trains 97.36%	1.6% ↑ 1.1% ↑	Achieved
	Ensure customers are able to buy their tickets within 5 min.	Average 1.7 min	Shortened by 0.4min	Achieved
Convenience	Maintain telephone response at the CS center above 80% on average	82.9%	11.7% ↑	Achieved
	Make the utmost effort to help customers recover lost or missing objects	80,606 cases	22.3% ↑	Achieved
Delightfulness	Maintain pleasant travel conditions by monitoring trains (passenger trains)	95.93 points	4.28 points ↑	Achieved

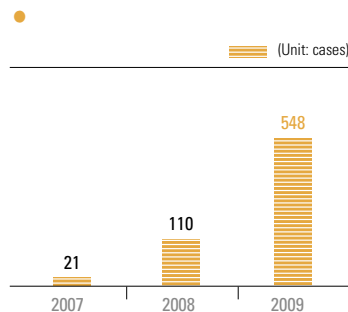


Inauguration of the 3rd Group of Customer Representatives



A Website Specifically for Customer Representatives

Rewards for Customer Proposals

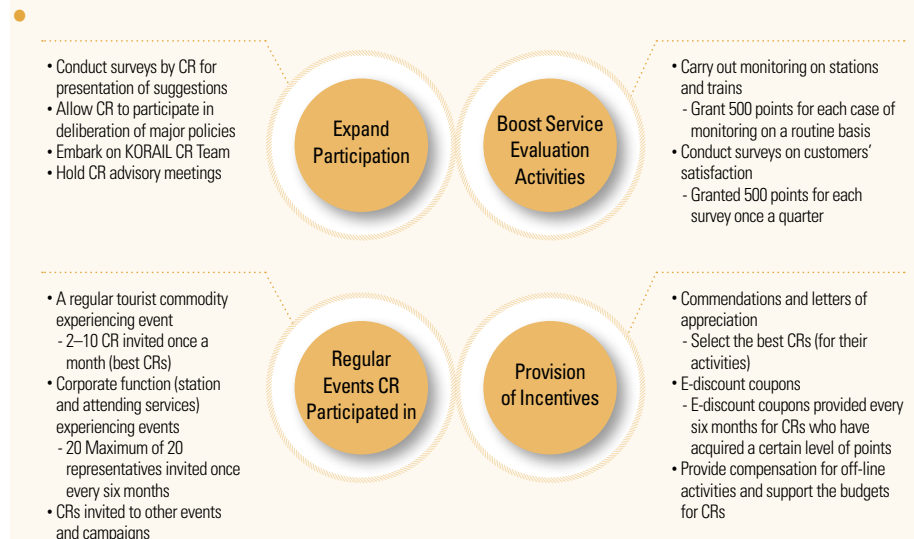


Call center

Items	Implementation standards	Achievements	Previous year	Remarks
Compensation for poor service	Compensate passengers for KTX delays exceeding 20 min and other delays exceeding 40 min with cash or fare discount	70,151 cases	15,119 cases ↑	Achieved
	Compensate passengers for a subway train delay over 1 hour, or the last operation if delayed by more than 30 min	26,829,850 Won	133% ↑	Achieved
	Refund fare upon a redundant ticket	No achievements	No achievements	Achieved
	Advise customers of estimated time for settlement of delayed handling of a VOC matter	2,979 cases	57.6% ↑	Achieved

Customer Representation System KORAIL has been carrying out two-way communication with its customers using the Customer Representation System (CRS) in order to thoroughly evaluate its customer service and directly reflect customers' voices in any improvement of key policies and systems. Since the launch of the 1st group of Customer Representatives (CR) in 2007, the system has been established as the corporation's representative customer-participation-based management system. In 2008 some 1,185 Customer Representatives were selected from all fields of life. Customer Representatives influence the corporation's decision-making process for its major policies by participating in various experience events; report a problem with any aspect of the service on the corporate website (krc.KORAIL.com), and suggest approaches to improving such a problem. The corporation also holds a regular closing Customer Representatives conference to collect clear demands and suggestions of passengers and lead the corporation's Customer Moving Management efforts. In 2009, a total of 1,123 customers were selected as the 3rd group of Customer Representatives, working with both the local and central headquarters to actively support corporate functions. Based on previous experience and feedback, KORAIL has improved the operation of its website and established a system for the management of suggestions and routine monitoring to provide brisker support for Customer Representative activities, consequently collecting a total of 1,972 suggestions, of which 320 were accepted and the related issues settled.

Achievements from Activities of the 3rd Group of Customer Representatives



Key Activities of CRs

Items	2007	2008	2009
Registration of opinions	1,137	1,243	1,972
Meetings/Conferences for each local headquarters	36	55	17
Advisory/voluntary activities	29	48	61
Service monitoring	-	730	3,294
Cases improved	31	96	-320

Voice of Customers (VOC) KORAIL has developed a variety of communication channels - via telephone, Internet, customer satisfaction surveys, market research and press releases - to collect customers' opinions and precisely identify their needs at customer contact points. It has introduced a VOC channel, "Want-Slip," on its portal website, which is distinct from those of other institutions in that it collects every word the customer speaks. This intelligent, integrated VOC management system enables the corporation to assess and respond to customer opinions and common complaints gathered through the corporation's established communication channels.

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Service Evaluation System

In 2009, the corporation analyzed its internal capacities and formed the “VOC Improvement Task Force” to devise solutions to the identified weaknesses. At that time, the task force tabled recommendations on a total of 35 cases to be improved (26 cases were accepted). As a result, the corporation applied flexible incentive and penalty policies to its counseling staff, and adopted an ARS to promote its response to customer needs.

The Status of VOC

Items	2007	2008	2009	Goals for 2010
Cases collected (cases)	47,576	54,040	51,573	-
Satisfaction Index (points)	81.8	85.4	75.5	81
Response time (hrs)	31.7	20.1	22.3	12
Delays resolved (%)	4.0	0.5	0.4	0.4

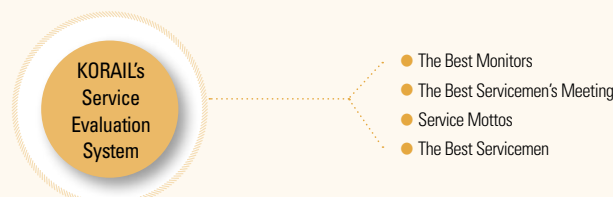
Implementation of the Service Approval System The corporation has introduced the Service Approval System to improve the service competencies of its staff at contact points. This system is designed to enable staff to build their competencies based on their spontaneous concerns and participation, rather than on traditional top-down unilateral efforts by the corporation through the provision of training on service and quality improvement. With this system, certifications are granted at each level, including Beginners (introductory), Green Basics (fundamental skills), Blue Ribbon (overall competence), and Gold Ribbon (specialized skills), based on an evaluation of each employee’s abilities. Since the introduction of the system in 2009, 7,687 certifications have been granted at the Beginners level and 606 at the Green Ribbon level. KORAIL is planning to further develop this system in order to continuously improve the service competencies of its staff.

CS Supporter KORAIL manages service quality on a regular basis to ensure that the best possible service is provided to its customers. To that end, it established the CS Supporter system whereby members of staff attempt to identify quality deficiencies from the customer’s perspective when traveling to or from work or during business trips, listing any deficiencies identified on the corporate intranet for handling on a real-time basis.

Results of CS Supporter System (Nov 14, 2009 – Jan 31, 2010)

Items	Stations	Trains			Human service		Conference on the system	Total
		KTX	Common	Subway	Poor	Praiseworthy		
Cases reported (cases)	99	50	34	19	17	3	29	251
Ratio (%)	39.4	19.9	13.5	7.6	6.8	1.2	11.6	100.0

Improvement of the Service Evaluation System In 2009, the corporation further enhanced its programs (such as the “Let’s have a Service Motto” initiative) designed to motivate all staff by sharing cases of best service practices, with a view to fostering service leaders capable of fulfilling the mandate of moving the customer. In addition, the corporation has been concentrating on providing the best railroad service by implementing service and train monitoring evaluation programs.



Improvement of Customer Value

Quick and Convenient Ticket Service KORAIL recognizes the value of its customers’ time and is committed to improving customer convenience via its Internet ticket issuance service and the ‘ticket-less’ system, which is capable of referencing available seats and issuing and managing various types of tickets (Home Ticket, SMS Ticket, e-Ticket, Mobile Ticket, etc). Furthermore, with respect to the purchase of tickets at train stations, the corporation complies with the “keeping the time taken to purchase a ticket to less than 5 minutes” rule included in the Customer Service Charter. The corporation has also expanded the installation of ticket vending machines within train stations and in December 2008 established standard user interfaces for them, thereby further decreasing ticket issuance time.



Home Ticket

In 2009, KORAIL unified train tickets and receipts into single units, and expanded the size of the tickets to provide more ticket information to customers and to lay the groundwork for its portal travel service.

The new tickets were distributed under a pilot project to 32 stations in September 2009, and entered widespread usage at 291 stations around the country in November 2009. With this new ticket, the corporation estimates that it can not only provide a more customer-oriented service but also reduce the cost of purchasing terminals and printers for stations by up to 0.9 billion 57 million Won; as such, the new ticket will play a part in promoting the efficiency of the corporation's service operation. On top of this, KORAIL has improved the process of issuing booked tickets to allow passengers to use their mobile handsets on the train and change their seats free of charge. It has also improved the ticketing process by allowing customers to buy their tickets on a credit card installment plan. In line with these changes to the corporation's ticket issuing service, it has been holding events to promote the use of the mobile or self-ticketing system, while applying a different discount rate for Home Tickets issued upon a railroad transportation contract - and other tickets issued at station ticket counters - and encouraging passengers to buy their tickets using ticket machines (at present, 30.6% of all passengers rely on the self-ticketing system), in order to further enhance customer convenience and efficiency at train stations.

Safe and Punctual Operation of Trains The corporation is concentrating on identifying and resolving issues that cause operational delays by submitting them to a thorough analysis by the KROIS (Korea Railroad Operation & Information System) or its consultative body for the on-time operation of trains, in order to improve the on-time operation rate, the most significant factor in its transportation service. As a result of these seamless efforts, the on-time operation rate of KTX has increased to 98.3%, 1.6% up from the previous year with most lines recording an increase in their on-time operation rate. The only exception was the Jeolla Line, whose rate decreased by 3.4% compared with the average over the previous four years; this failure is attributable to the construction of double track electrification project, which in turn caused a slow-down in train speed. KORAIL is making the utmost efforts to reduce the lead time of any construction which may result in such a slow-down, and is planning to improve the delay rate by raising the slow-down speed and taking strict safety measures around such construction sites. In addition, the corporation places the highest priority on preventing railroad accidents and eliminating the presence of obstacles on the tracks. KORAIL is also doing its best to guarantee more timely and safe travel by △ complying with the departure time given at the terminal, △ dispersing the boarding and alighting of passengers evenly along the length of the train at both terminal and way stations, and △ regulating the concentration of temporary trains within a particular period.

On-time Operation Rate

(Unit: %)

	2007	2008	2009	Goal for 2010
KTX	94.06	96.66	98.27	98.44
Common trains	97.76	96.27	97.36	97.86



KTX Cinema

Cultural Service In an innovative departure from conventional practices, KORAIL has been using its railroad stations across the nation as venues for festivals and cultural performances, staging a variety of cultural events including open concerts. Furthermore, in response to its customers' increasingly diverse expectations, it is operating new "theme-based" and "cultural experience" trains. The corporation introduced the Rail Cruise Haerang, a hotel-type classic tourist train, in December 2008 to allow passengers to enjoy cultural events as well as comfortable travel. In addition to these efforts, KORAIL is now operating a "Cafe Train" and a railroad theater, "KTX Cinema," as important elements of its pursuit of continuous change and innovation in a bid to position its trains as comprehensive cultural spaces that create added value, thereby extending their established function as a simple mode of transportation.

Multimedia Service By expanding the Wibro service across the capital's subway areas, providing wireless internet services to all zones in KTX trains and to cafeterias in Saemaeul and Mugunghwa trains, and making both wireless Internet and DMB broadcasting services available to individual seats on the KTX Sancheon service, KORAIL is taking proactive steps to implement a ubiquitous high-end multimedia environment in its trains in consideration of its customers' needs.

Service for the Less Privileged The corporation is installing facilities in its trains to eliminate the inconvenience encountered by traffic-vulnerable members of society when using the transportation service. So far, KTX has installed one motorized wheelchair-dedicated seat and wheelchair seat for every 20 cars, and one for every ten cars on the KTX Sancheon service. The Nuri and Mugunghwa trains provide one such seat for every 4 and 6 cars, respectively. In addition, station offices are also enhancing convenience for customers with special needs by expanding the installation of such devices as guided voice conductors.



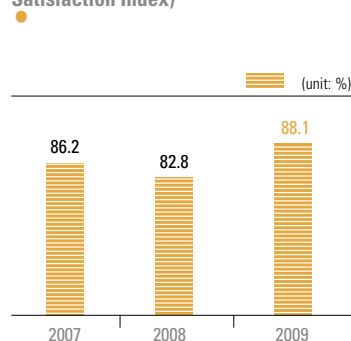
Seats reserved for KTX Electromotor Wheelchair

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Escalators for Wheelchair Users

Customer Satisfaction Index* (PCSI: Public-service Customer Satisfaction Index)



Station Facilities for the Physically Challenged

(Unit: EA)

Facility	Available Stations	No. of installations	Remarks
Guided voice conductors	143	2,151	
Storage of wheelchairs	118	176	
Emergency alarm bells	157	573	
Elevators	184	616	
Wheelchair lifts	96	253	
Tactile Maps	256	441	Independent – 178 / Wall-plug - 263

Enhancement of Customer Service Competencies

KORAIL has been implementing its mandates for the improvement of personnel competency and the reform of its enterprise level functional processes, to promote activities to better serve its customers. Specifically, it conducts surveys of staff who personally serve customers in order to gain a clear picture of their capacities for customer service. The corporation reviews the its customer service training program and establishes plans for improving the staff education system, before providing specialized and phased CS education, including training conducted by external CS experts for both management and front line staff members; in-depth training for CS managers at local headquarters and subsidiaries; or trainings for service managers.

The corporation grants a reward or incentive for good CS practices, and selects, cites and rewards the Best Station award each year in order to foster pride in CS achievements and honor staff belonging to such a station.

The corporation has also launched a series of stimulus programs to inspire spontaneous action, including applying the best works selected in the employee UCC contest as solutions for VOC issues, to foster an organizational culture committed to Customer Impression. KORAIL has selected 22 core business areas involving a large volume of transportation and sales to carry forward efficient and intensive QA activities, and revised 'KORAIL Service Manuals' focused on the customers' viewpoint into books (1,250 volumes) and E-books (PDF) to standardize service expectations and standards. As a result of these competence boosting efforts, the number of favorable VOCs increased to 2,788 out of the entire 54,040 in 2008, 32.8% up from the previous year, with unfavorable VOCs dropping to 3,741 cases, a 5.6 % year-on-year decrease. The result of 5. NCSI survey (National Customer Satisfaction Index) showed a sharp decline in customer complaints against all KORAIL trains. KORAIL's staff members will not be satisfied with this result, and will keep working to improve customer satisfaction management, through internal and external surveys on customer satisfaction, service monitoring activities and a Service Quality Index (SQI) generated from a comprehensive analysis of the voice of customers.

Favorable/Unfavorable VOC

(Unit: case)

Items	2007	2008	2009
Favorable	2,108	2,788	3,034
Unfavorable	3,962	3,741	4,474

Changes to Customer Complaints in National Customer Satisfaction Index

(Unit: %)

Items	Average for all trains	KTX	Saemaeul	Mugunghwa
2007	7.2	3.0	7.1	9.4
2008	1.5	1.0	0.0	2.0
2009	1.1	2.1	0.0	0.7
Goals for 2010	0.7	1.0	0.0	0.5

* Customer Satisfaction Index

- Public Service Customer Satisfaction Index (PCSI), National Customer Satisfaction Index (NCSI), Korean Customer Satisfaction Index (CSI)

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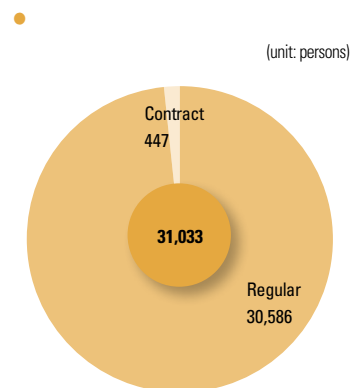
Sustainable Employee Satisfaction Management

Equal and fair selection, turning out international railroad specialists

Sustainable Employment

■ **The Status of Executives and Staff Members**||||||| As of December 2009, the number of domestic and overseas KORAIL employees stood at 31,033 persons. Among all employees, 98.6% are regular workers, and the average length of service is 16.5 years (men – 16.9 years, women – 10.9 years). The starting pay for new graduates is 21.84 million Won, and the average annual salary for the entire staff is 55.87 million, similar to those of other domestic public enterprises.

Status of Employees



| Woman Engine Driver



| Awarded 1st Women Prize

The Status of Executives and Staff Members

(Unit: persons)

Items		2007	2008	2009
Employment	Regular	31,678	30,910	30,586
	Contract	1,140	1,084	447
	Women managers	15	14	11
	Average length of service (years)	14.3	13.4	16.5
	Total	32,818	31,994	31,033
Recruitment	Women	149	3	2
	Physically challenged	25	0	0
	Local talented people	596	8	7
	Natural sciences and engineering	374	7	4
	Total	883	10	9
Separation	Separation rates (%)	7.5	0	0

■ **Adherence to Equal Employment Principles**||||||| KORAIL prohibits the practice of discriminating against applicants based on gender, educational background, age, religion, blood ties, native place, physical handicaps, etc. in compliance with Articles 2.8 and 6.2 of its Code of Ethics. In addition, the corporation has adopted a recruit system considering the social balance, and sets apart a particular proportion of available jobs for women, the physically challenged, majors in natural sciences and engineering, and local talented persons. In recruiting new employees the corporation applies open competition rules, and does not impose any limitations on applicants regarding age, native place, or educational background. In order to ensure the fairness and efficiency of its recruiting process and to attract competent talent, KORAIL has developed a KORAIL-Way competence interview to identify individuals who may fit the organization using a variety of tools such as in-depth interviews or group discussions.

① **Increase in number of women employees:** The corporation observes the Gender Equality Principles in recruitment and its efforts to provide equal job opportunities had led to the employment of a total of 2,491 women workers by the end of 2009, making the proportion of its women employees 8.5%, exceeding the Mandatory Women Employment Rate of 6.09%. The corporation's 2009 effort to practically expand opportunities for women workers to develop their competence and improve their standing allocated 75 women to managerial position and 548 to the division of planning, and promoted 49 women staff members.

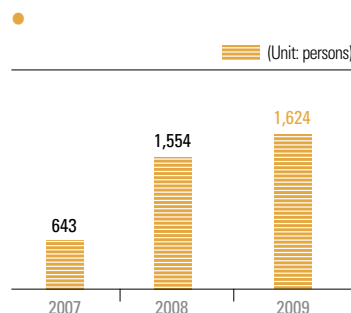
② **Increase in employment of the physically challenged:** In order to provide more job opportunities for the physically challenged, the corporation has introduced a system giving preference to physically challenged persons. If the number of physically challenged employees falls below the target recruitment ratio, the corporation fills 5% of the entire vacancies and 2% of all available jobs - capable of being performed by the physically challenged - with physically challenged workers in a separate recruitment process, through the recommendations of government organizations.

*Mandatory women employment

- The number of physically challenged employees KORAIL must employ by law is 497 persons, or 2% of 24,826, a number resulting from the calculation of the exception rate (20%) for each business domain.

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Cultivation of Core Talented Persons



At the end of 2009, KORAIL had 732 physically challenged workers, a figure exceeding the Mandatory Physically Challenged Employment Rate of 2% (497) 6 by 47.3% (235 persons). The corporate policies of reviewing job suitability for the seriously physically challenged, and custom-tailoring management of their posts is also contributing to the expansion of for physically challenged employees to explore their full potential.

③ **Recruitment of graduates in natural science and engineering and local people talented:** In accordance with its targets for the recruitment of majors in natural science and engineering and local people talented, the corporation has been continuously expanding their employment proportion. In 2009, a total of 7 were employed and they are working in labor, marketing, legal affairs, promotion, etc. The entire number of such employees is 25.

■ **Respect of Employees' Human Rights** ||||||||| KORAIL respects every individual staff member and strictly observes labor related laws such as the Labor Standard Law and the ILO regulations on prohibiting child and forced labor. In addition, the corporation abides by regulations on human rights and working conditions in accordance with applicable collective agreements and employment rules. In compliance with Article 2.8 of the Code of Ethics, it observes regulations on the prevention of sexual harassment, while addressing employees' complaints regarding personnel, industrial safety, welfare, etc., according to its internal procedures. We strictly comply with the regulations and ordinances concerning labor matters, including the ILO guidelines, when drawing up working conditions for our employees. Punitive measures have never been imposed upon us for any violation of the said matters or infringement of human rights.

Development of Human Resources

KORAIL recognizes that it is crucial to retain those talented employees who have global competence in order to achieve its vision of becoming "The World's Best People's Railroad." In this regard, the corporation has arranged human resource development strategies focused on the role, performance and competence of each employee, as well as fair personnel policies and an evaluation system to identify, retain and develop talented persons with exceptional expertise and creativity.

Goals and Strategies for Cultivation of Talent

Goals	Enhancement of human resource competence for achievement of KORAIL's visions			
Strategies	Support changes of individuals and organizations	Reinforce the competence	Boost self-directed activities and training	Improve the infrastructure of education
7 Key Mandates	- Competence focused training - Share and spread key values - Develop core leaderships - Promote HRD specialized competence - Cultivate professionals in each area - Promote the efficiency of the training system - Renovate the training system through innovative process			

Talent Development Road Maps

		2007	2008	2009-2010
Phase		Laying of groundwork	Leaping and developing	In-depth growing
Directions of HR development		Establish HRD system focused on performance	Strategic development of core/foundational talents	Lead the change and innovation for ideal employees
Top priorities	Leading roles for change and innovations	• Establish a model for ideal employees • Boost ethical management, organizational activities and change and innovation processes • Adopt hierarchical leadership training	• Develop professionals for each area • Manage talent pools • Cultivate in-house lecturers	• Phased development of experts for each area and global specialists • Launch education consulting business
	Establish competence-focused training system	• Develop training courses for each level of competence (common/leadership/roles) • Design LRM for each area	• Introduce and operate competence diagnosis programs • Overhaul LRM based on competence • Develop training performance analysis tools	• Establish talent development systems • Develop competences tailored to individual properties based on competence diagnosis
	Lay groundwork for lifetime learning	• Enhance new tech training • Implement career development plans • Introduce life planning education • Form learning organizations • Expand competence-based e-Learning	• Provide custom-tailored job transition training programs • Establish learning supporting through mentoring system • Boost activities of learning organizations	• Establish a corporate learning culture • Operate an in-house college campus • Advance to e-Learning business

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| Core leadership Development Training



| Junior Board Competence Improvement Training

Talent Development System |||||

① **Education/Training System:** KORAIL employs a competence-based training system which uses competence models for each area and position, and evaluation methods to develop talent that will lead activities for achieving KORAIL's visions and goals.

The Four Core Trainings Program

Recipients	Items	KORAIL Value Programs (KVP)	KORAIL Leadership Programs (KLP)		KORAIL Global Programs (KGP)		KORAIL Expert Programs
CEO/Executives	KORAIL shared values	KORAIL shared values	CEO seminars	Domestic and overseas outsourced training			
Team manager			Strategic leadership				
Dept Manager/ Deputy Manager			Next generation leadership		Fundamental courtesies	International railroad experts	
Stationmaster/ Chief	Customer Value Creation	Customer Value Creation	Site leadership		Foreign languages		Job practicing courses
			Self-leadership				
Boost Site OJT (focused on job positions) and Learning Organizations (CoP self-directed learning culture)							

② **Status of Education/Training:** KORAIL's efforts to expand training based on competence saw the number of training recipients rise to 127,569 in 2009 up 102% up from the previous year. The average training time for each individual was 89 hours and the total training cost amounted to 9 billion Won, with the per-capita training cost recorded at 300,000 Won.

Changes in Training Performance for Each Year

Items	2007	2008	2009	Goals for 2010
No. of recipients (persons)	118,504	124,613	127,567	132,688
Per-capita training time (hrs)	88	82	89	92
Per-capita training cost (one thousand Won)	247	412	300	326

Details of Competence

Common	Customer-oriented, innovative thinking · Team spirit/Ethics
Leadership	Strategic thinking · Task driving capability · Communication ability · Visions, etc.
position	Expertise and technologies · Emergency handling skills · Process improvement · Safety control, etc.
Global	Global mindset · Foreign language skills · Global business

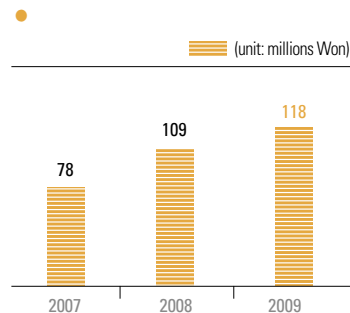
③ **Establishment of e-HRD:** KORAIL has developed and applied a system called 'e-HRD', a portal system that transformed an existing academic affairs management mechanism into a consumer focused one (providing one-stop solutions for the process of the diagnosis of competence – learning – evaluation of performance). In this system, employees can receive support for their learning activities, job training systems or planning of self-development of competence, all on-line, not limited by time and place. In addition, the corporation is planning to foster development of an efficient personnel system based on performance and capabilities through a system that provides a comprehensive management instrument for information on employee skills and capabilities.

Functions Supporting e-HRD System

Planning of training	Planning of annual training and self-development
Diagnosis of competence	Management of competence dictionaries, Analysis of competence gaps
Learning	Applying for courses, learning and preliminary/ follow-up assessment
Operation of training	Course management, refund and performance

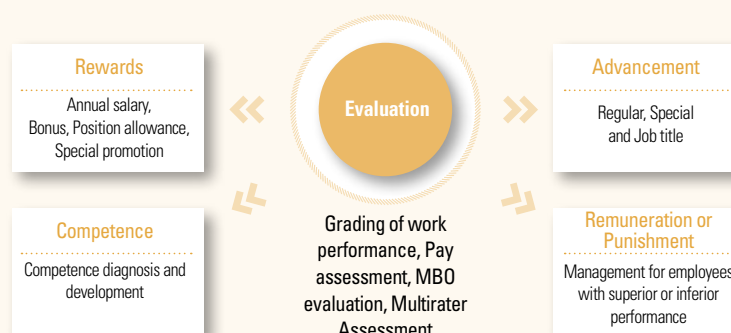
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Productivity of labor



④ **Personnel management focusing on performance:** KORAIL has connected systems for employee evaluation, reward, advancement and bonus payments based on each individual's competence and performance, implementing capability-based personnel management where job position and job title are divided. Since 2005 it has continuously expanded the ways in which vacant positions are advertised to pave the way for open competitions, and in 2007, it began to update its personnel appointment and performance-based dispatching policies and abolished personnel barriers. In 2008, the corporation created an Assessment Center to better realize a fair system of evaluation and reward for employees through a more objective and methodical assessment of each employee's performance. Also in 2008, the corporation established a "Management By Objective (MBO) Team Manager Evaluation System" applied to staff members at or below Grade2. In addition, it has further tightened, through its BSC evaluation system, the policies for pay raises and rewards in order to promote or appoint those with superior performance to a higher position and identify poor performers, who are subject to mandatory re-appointment at a lower level or lay-off.

Performance-based Personnel Management Process



Achievement/Competence Evaluation and Reward Strategies

Items	~2006	2007	2008	2009~
Evaluation	- Pay assessment		- Adopt and expand MBO · Evaluation Center	
Reward	- Annual salary system for Grades 2 and higher		- Expand application of different annual salary systems and pay to specialized jobs	
Advancement	- Promote the 2nd grade through an exam	- Promote the 2nd grade through deliberation	- Promote the 2nd grade based on performance	
Remuneration and Punishment	Manage employees with superior or inferior performance by reflecting assessment resultst			

⑤ **Performance-based Reward System:** The corporation has enhanced the practicality of the annual salary system by expanding the range of employees subject to the application of different pay and pay gaps; by enhancing the broad banding of salary increase rates; and by improving the centralized distribution of personnel for each rating, so as to establish a pay system focused on employee competence and capabilities, and to ensure the appropriateness of salary management. KORAIL has also continuously expanded the differentiated performance allowance system where organizational and individual assessment results are reflected to improve pay determination mechanisms. In the future, the corporation will gradually expand the competence and performance-based management of each employee's goals to further instill a performance-oriented corporate culture.

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Industrial Safety and Healthcare System

Industrial Safety and Healthcare (ISH)

Industrial Safety and Healthcare Council This organization is the corporation's top decision-making body regarding the management of on-site safety and healthcare, and it handles key relevant issues with the aim of ensuring employees' health and safety and providing a pleasant working environment. In 2008, the body met six times to discuss matters associated with physical checkups and special suitability tests.

KORAIL provides regular health checkups for its employees as well as a tracking test based on the checkup results in compliance with the ILO Convention. Additionally, it continuously implements measures to improve the working environment, such as the Industrial Safety and Healthcare Management Team in the transportation security room.

KRISH KORAIL has established a Korean Railroad Industrial Safety & Health (KRISH) system for gradually enhancing prevention-oriented safety and healthcare management. The corporation has consolidated information on industrial safety and health management and established a single point processing and managing system. It has also overhauled its Disaster-free Management System into one focused on the needs of users and connected the system to the Enterprise-level Resource Planning (ERP) system in order to improve the efficiency of its safety management efforts. KORAIL is also committed to connecting the system to its portal system in order to ensure integrated management of safety information and create synergies.

KRISH



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Industrial safety workshop

ISH Capacity Boosting Activities

	Activities
ISH workshops (May and Nov, 2009)	- Place and no. of persons: Samsung Fire & Marine Insurance Training Center, Useong/230 - Education from external experts and small group discussions for troubleshooting - Reflect recommendations into future ISH training and workshops
Education of industrial accident (2009. 5. 3~6. 3)	- No. and positions of recipients: 17 local headquarters and 8 subsidiary organizations/2,749 - Contents: Solutions for raising security awareness for managers and supervisors, etc. - Park, Yeon-Hong (Director of Korea Construction Safety Technology Association, KOCOSA) - Gwak, Hyeon-II (Director of a risk-forecasting training and research center)
Measurement of 'Law of industrial safety' (2009. 12. 18)	- Recipients: 472 persons including managers and supervisors (team managers in each area, stationmasters, business managers) and security managers. - Measurement details: General information on Occupational Health and Safety Regulations that managers or supervisors should be aware of - Results: Score 89.23 points in understanding of Occupational Health and Safety Regulations

Industrial Accidents

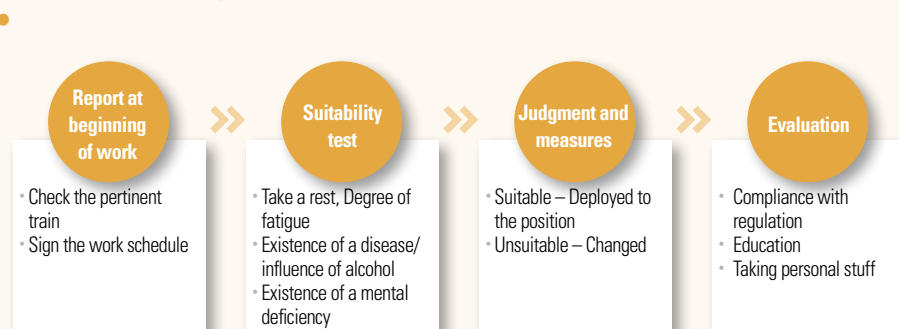
(Unit: case)			
2007	2008	2009	Goals for 2010
72	82	76	73

ISH Trainings KORAIL has converted training for managers/supervisors into cyber-training programs in accordance with Article 31, Industrial Safety and Health Law (ISHL) and continuously provides the training for 14,435 employees for 6 weeks and 40 hours from 2007 to 2009.

In addition, as a part of its efforts to sharply reduce the three most frequent accidents - traditional occupational accidents -, the corporation autonomously designated an ISH Highlighting Period (July 1 – 7, 2009) and held a 'Safety UCC Contest' to diffuse safety recognition throughout the enterprise. As a result of the contest, the corporation selected 16 pieces of outstanding work including UCC pieces and created a DVD to be utilized as a training material to promote an accident-free working environment.

Management of Qualifications for Railroad Operation In the effort to prevent any manual error by the corporation's railroad operations personnel, KORAIL provides a physical suitability test and removes disqualified persons from their current positions or transfers them to other positions. In addition, it conducts a suitability test for those assigned to attendant service to check the level of fatigue and the presence of dangerous medical conditions, blood alcohol levels, and other potentially dangerous conditions, providing special management for employees falling in the intensive monitoring category, including beginners (in service for under 6 months), the transferred (under 3 months), or those who have experienced an accident.

Attendant Service Suitability Test





Physical Fitness Events



Boosting of Club Activities



Opening of Naksan Training Center

Welfare System

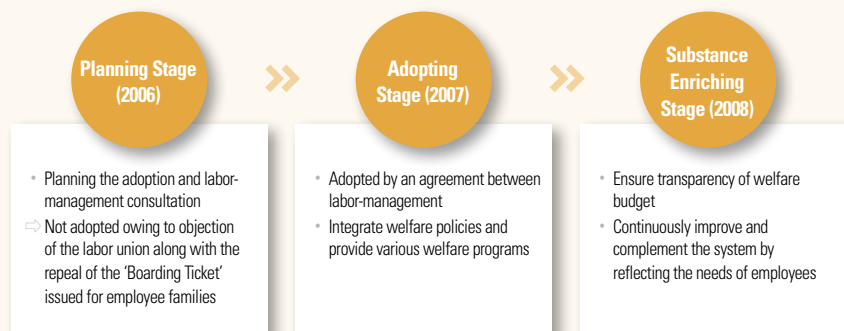
Welfare System This KORAIL has a variety of welfare programs in place to help its employees lead a healthy and stable life and to increase job satisfaction.

Welfare Management Program

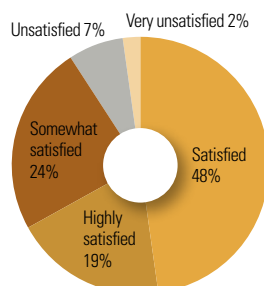


① **Optional Welfare System:** The corporation provides an optional welfare system to manage a bundle of welfare policies in an integrated manner, ensure the transparency of its welfare budget and provide welfare-related programs reflecting the needs of its employees. In addition, KORAIL tries to improve the welfare system by conducting regular employee surveys on welfare satisfaction and polls to reflect the opinions of staff members who receive practical benefits from the system.

Progress of Welfare Programs



Welfare Satisfaction Index



Per-capita Welfare Expense

(Unit: thousand Won)

Items	2007	2008	2009
	928	1,005	1,243

② **Retirement Grants:** As the corporation, which used to be a state-run company, was converted to the current public entity, the changed retirement grant for those with more than 20 years of service is equivalent to the level for government employees (including the pension). In addition, the corporation improved the previous disadvantage for retirees who served less than 20 years, by means of the special application of the Civil Servants Pensions Act aimed at ensuring the right to receive the pension. Recipients of the pension paid to government employees account for 34% of all employees; those who enjoy the benefit from the application of Civil Servants Pensions Act account for 57%; and the portion of retirees who received the grant for the current service term plus the previous term when they were in service as a government employee, is 9%. KORAIL conducted a consulting survey from January to March 2005 regarding the adoption of the retirement grant system, which has been proposed since December 2005. In 2007, it formally adopted the system through a bill submitted at the joint labor-management conference and offered candidates a subscription to a fixed salary option.

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A Regular Collective Agreement



A Forum for Representatives of the Labor Union

Open Management-Communication

Labor-Management Relationship

The Status of the Labor Union The KORAIL labor union, first established under the name of 'The Korea Railroad Industry Labor Union (KRILU)' became a member of a different parent union, the 'Korean Confederation of Trade Unions' in 2003. And in 2006, the union transferred itself to the 'Korean Transport Workers' Union.' KORAIL employees are supposed to join the union as soon as they are employed, in compliance with the Union Shop Agreement; as of Dec 31, 2009, 77.3% (24,080 persons) of regular workers and 40.5% (197 persons) of contract workers are enrolled on the list. Employees can also join, at their sole discretion, the KRIRU - which was established in 2004 and recognized by competent authorities as not breaking any competent regulations on multiple unions. As of Dec 31, 2009, 1.9% (597 persons) of all regular workers are on this list.

Communication between Labor - Management

① **Central Joint Labor-Management Conference:** This is one of the corporation's official conversation channels between labor and management, and was held three times in 2008 and once in 2009. Putting a range of issues on the discussion table, such as the improvement of the corporation's existing policies or introduction of new ones, labor and management have made significant achievements in their efforts to develop innovative systems and policies in all aspects of the corporation's.

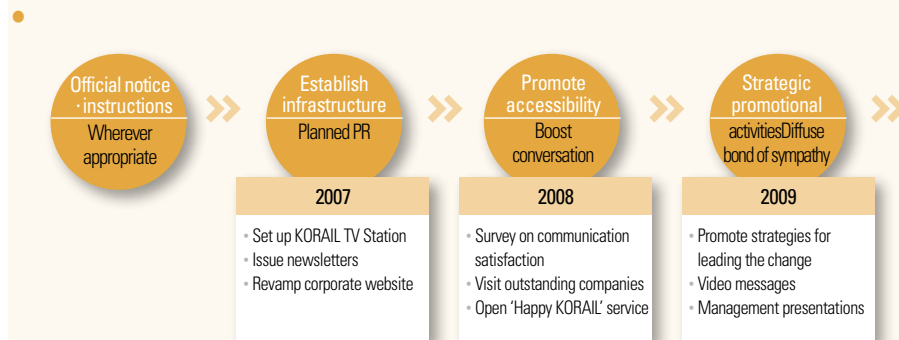
② **Labor-Management Consultative Groups:** KORAIL's labor-management consultative groups for each business area provide a variety of conversation channels, including the Industrial Safety and Healthcare Committee, Welfare Committee and Joint Labor-Management Council to address company issues before they sit at the table of a collective bargaining. The corporation's labor-management consultative meetings for each business were held 210 times in 2009, and round-table conferences were held 592 times.

③ **Round-table Conference with Labor Union Representatives:** In addition to collective bargaining and consultation with the Labor Union, the corporation's management provides opportunities for exchanging greetings and lunch meetings with union members to share management issues and collect recommendations from labor.

Promotion of Communication Channels The corporation has established its communication system to foster positive change in its labor-management relationship and has focused on its field operations in consideration of the distribution of its business operations across the nation. In particular, the corporation's efforts to reinforce and expand its on and off-line communication media may contribute to its open management mandate.

The corporation also provides the personnel in charge of site management with explanations of management status through direct communication channels such as company broadcasts or newspapers in order to enhance the role of field managers and to establish its communication system focused on site operations.

Communication Instruments and Promotion Process



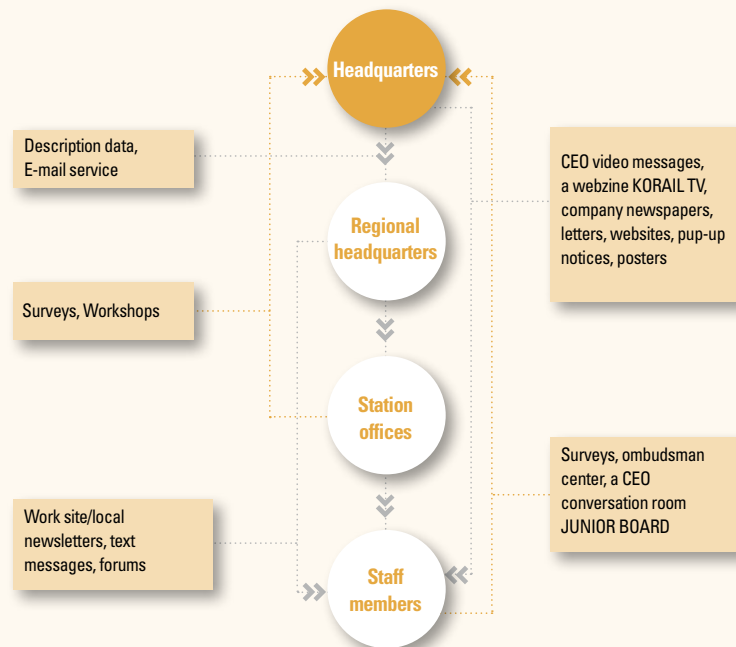
In-House Communications Media

Items	Details and Application of Communication Media
On-line	- Groupware work portals, Happy KORAIL (a labor affairs management website), Junior Board website - Groupware and Rail Eye pop-ups, KORAIL Inside (a webzine) - KORAIL newsletters, Pabalma (e-mail service), company broadcasts (TV, radio)
Off-line	- Company newspapers (KORAIL Always With You), bulletin boards for standards (KORAIL Notice), company newsletters
Others	- Text messaging system, ombudsman system, consulting center - Survey system, on-site meeting
Comm. media in site operations	- 22 media including Jump Up, South Jeolla Province Always With You, Management Info Weekly, Busan Galmaegi (seagulls) and Clean Wave



Employee's Marathon

Communication System Focused on Site Operations

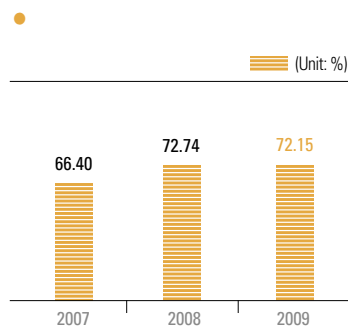


Ombudsman System KORAIL introduced an ombudsman system in 2005, established ombudsman regulations and a cyber handling system in 2006, and started full-fledged ombudsman operations in 2007. As the system became more stable in 2008, the number of complaint cases settled has increased while the filing of complaints has dropped. The task of handling complaints lies in the hands of the ombudsman committee members at headquarters, local headquarters and special task forces; they are supposed to respond to any complaint case filed with the ombudsman within 2 days.

Complaint Filing and Handling Status

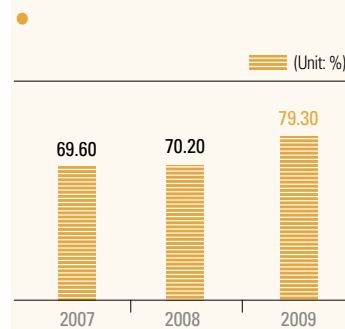
Items	Personnel	Industrial Safety	Welfare/Wages	Others	Sum
Filed	21	2	8	3	34
Settled	10	2	8	2	22
Complaint cases settled (%)	47.6	100	100	66.7	64.7

Culture Index

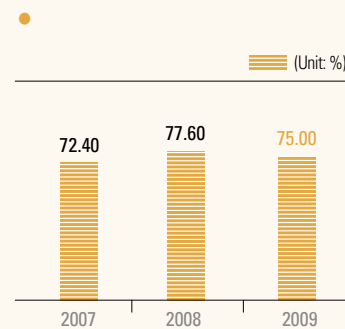


Satisfaction of Employee

Employees' Commitment



Satisfaction with Communication



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Sustainable Ethical · Trust-based Management

We will make an organization of integrity through our voluntary will and actions

A Roadmap for Ethical Management

Ethical management founded on trust and cooperation is a prerequisite for KORAIL to realize its visions for sustainable growth. The corporation has boosted its efforts to reform its organization on the basis of anti-corruption and integrity management solutions, and beefed up its ethical management system and competitiveness. All of KORAIL's management activities are based on its voluntary observance of the Ethics Charter and its management team is planning to establish a "Voluntary Review Index" to grant rewards to employees who display exemplary ethics.

Short- and Long-term Road Maps for Ethical Management



Enhance ethical management

- Establish future-oriented ethical management system
- Zero-Improve integrity and achieve zero-corruption



Settle KORAIL-way sustainable management

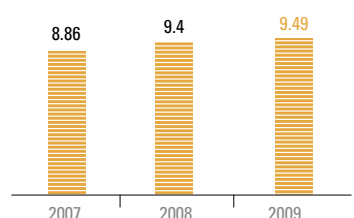
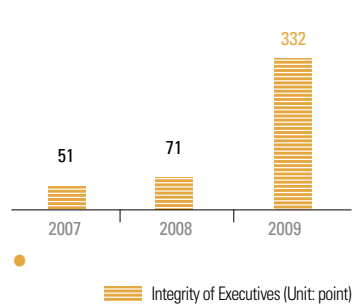
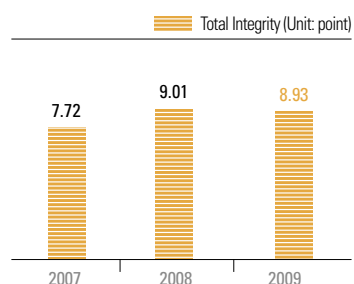
- Settle KORAIL's own sustainable and transparent management
- Establish a management system in response to enactment of ISO26000



Boost efforts to globalize sustainable management

- Establish a corporate ethics guide satisfying international standards
- KORAIL-way integrity culture
- Create an exemplary public enterprise committed to social responsibilities

KPI



Operation of the Organization aimed at Boosting its Actions

In order to achieve the goal of "Zero Corruption," and instill a sustainable and systemic integrity culture among its employees, the corporation has been committed to enhancing the role of its ethical management supervising organization as well as its anti-corruption task force.

Anti-Corruption Organization of Integrity



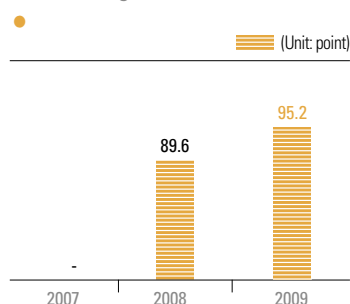


Launching of KORAIL Ombudsman



Integrity Golden Bell

Ethical Management Index



Ethical Management Council This council comprises of 10 members including 6 external experts. It examines basic approaches, strategies and key policies for ethical management, and is responsible for the establishment and revision of relevant regulations. In 2009, the council reviewed 4 cases at two meetings.

Integrity Strategy Committee The committee provides a forum for the regular review and evaluation of the corporation's tasks associated with anti-corruption policies, the diffusion of an environment sympathetic to such policies, and anti-corruption strategies for each division. It consists of 21 members under the vice-president as chairman and including general managers of local headquarters and the chief of the rolling stock management team. In 2009, the committee held two meetings to examine 6 cases.

The Ethical System seeks the highest standards among all domestic corporations

Integrity Ombudsman This is an external monitoring body which KORAIL was the first public enterprise to introduce, in 2006. Comprising of 3 external experts selected respectively out of an academic society, specialized technicians and civil groups, the body checks the integrity of a number of the corporation's business activities such as outsourcing and purchasing of supplies, and holds a consultative meeting at least once a month. It issues performance reports to the CEO twice a year. The Integrity Ombudsman has so far had a positive impact by improving 41 corporate policies and reducing the annual budget by 1.1 billion Won.

Integrity Ombudsman Activities in 2009

Year	Specific Activities				Achievements	
	Site checking (times)	Review of complaints (times)	Special activities (times)	Consultative meetings (times)	Improvement of work process and policies (cases)	Reduction of budget (thousand Won)
2007	7	3	3	7	18	-
2008	3	1	4	5	11	932,000
2009	3	-	2	2	11	184,000
Total	14	4	9	17	41	1,116,000

Integrity Contract System for each Area The corporation has tightened the standards of this system, which is supported by a number of instruments designed to strengthen several aspects of the system, including the 'Integrity Practices Agreement' and 'Special Conditions for Integrity Contact' applied to KORAIL's partners, 'Duties Integrity Agreement' and 'Integrity Resign Oaths' for executives, 'Employees' Oaths for Practicing the Code of Conduct', and 'Integrity Resign Oaths' for persons in charge of each task and 'Anti-Corruption plans'.

Clean Call System for Eradicating Corruption Through the Clean Call System which records employee performance in responding to customers into KAIS (KORAIL Audit & Information System), the corporation monitors the kindness, fairness, and effectiveness of an objection the employees make when against the corporation's partners, and problems and satisfactions with the system and its procedures.

Best Practices Development and Diffusion System In order to identify and spread the best integrity practices, KORAIL holds a "Clean KORAIL Festival" each year, while working to promote the employees' abilities to carry out the Code of Conduct through means such as the Integrity Golden Bell. In addition, the corporation has succeeded in establishing a voluntary ethics culture throughout its organizations by holding an 'Enterprise-level Code of Ethics Practice Resolving Rally', issuing relevant newsletters and rewarding those who have contributed to an achieving ethical management.

Ethics Training

All 74 curriculums at the Talent Development Center provide ethics courses, and as of now a total of 633 employees including customer contacting personnel from the contract and accounting departments, integrity managers and team leaders have completed the courses at the KORAIL Integrity School. Furthermore, the corporation has enhanced independent training of each division by inviting external experts to train staff and this led to the completion of ethics related courses by 8,741 employees in 2007, 6,328 in 2008 and 8,861 in 2009, as well as the completion of on-line courses by 10,732 employees in 2007, 9,180 in 2008 and 16,954 in 2009.

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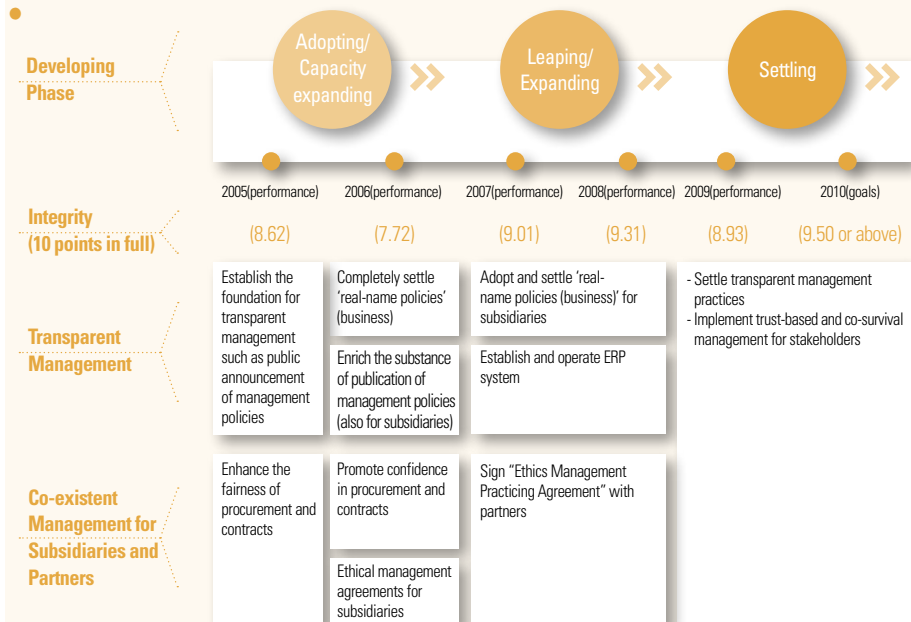
Forums

Trust-based Management for Partners

Properties of Partners and Sustainable Management Issues

For the purposes of this report, the term “partner” refers to any company that has dealings with the corporation, examples include the agency of the train ticket issuing service, and companies involved in outsourcing, or the purchase or leasing of properties. KORAIL has been transparent in all contracts and arrangements in all its business activities, including bids, process and follow-up measures, as well as its efforts to increase its purchase of products from companies managed by women and physically challenged CEOs and small and medium enterprises. As a result of such efforts to contribute to promoting the economic opportunities of the physically challenged and women, the contract volume for companies managed by women and physically challenged CEOs reached 55.3 billion won in 2009, equivalent to 3% of all purchases, while purchases from small and medium enterprises in 2009 reached 881.0 billion won, 49% of total purchases.

A Road Map for Trust-based Management for its Partners



Systems for Trust-based Management

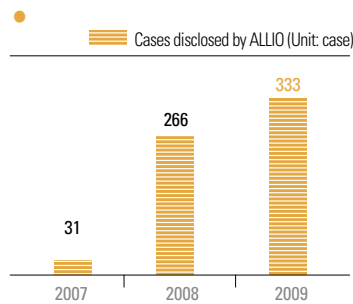
The corporation is making efforts from various angles to establish mutual trust with its partners by voluntarily opening its organizations to the public and establishing a transparent communication system. KORAIL has successfully established the systemic foundation for its transparent management through its full-fledged implementation of e-contracts and enhancement of requirements for private contracts in 2005 and a series of forums with partners. It began to get down to business in carrying out its visions of co-growth by applying substantial approaches to its efforts to support for small and medium enterprises (SME) and regularizing the forums with its partners. In 2009, it successfully computerized all the processes required for supporting the PP, to facilitate SME access to the PPL. The corporation now has in place a variety of policies that support SMEs in terms of funds, technologies, sales routes and personnel.

Proactive Cooperation and Co-survival ||||| The “Forum with Partners” hosted by the CEO is held once a year and has successfully positioned itself as a channel to collect opinions from KORAIL’s partners. In 2009, the forum’s theme was “Building the World’s Best People’s Railroad with Partners” and of the event included about 300 representatives of its partner companies. All participants listened to each others’ comments on their challenges or aspects to be improved, and tried to come up with solutions for how to improve coordination with each other.

Status of the Forum with Partners

Items	2007	2008	2009	Goal for 2010
Forum with Partners hosted by the CEO (times)	2	1	1	1
Recommendations/Reflected/Guided (cases)	23/8/11	10/6/2	22/11/0	20/15/5
Local headquarters - Forum with Partners for each rolling-stock management team	22	15	15	15

Disclosures by ALLIO(a notification system)



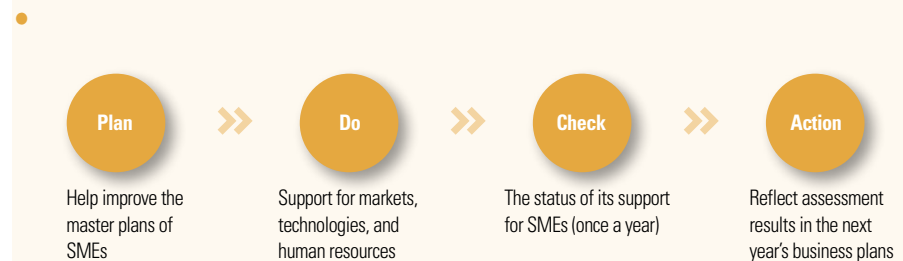
E-procurement System

Brisk Disclosure of Information As a first step in its trust-based management efforts, the corporation discloses its internal information in a transparent and voluntary manner. Under its corporate philosophy that the public announcement of management policies should be prompt, correct and transparent, the corporation provides integrated announcements using ALLIO (a notification system), management announcements on its website and official notices using the DART system (an e-announcement system provided by the Fair Trade Commission and the Financial Supervisory Service) for its subsidiaries. KORAIL has improved its performance in disclosing management information by its ALLIO system every year, also improving its operation of the system. It has also enhanced its management policy announcement monitoring system to further improve the quality of its twice-a-year public notices, while expanding details of the performance of its core services through the public operation of a "Service Charter" system.

Public Tenders and E-procurement System KORAIL is committed to fulfilling its responsibilities for fair trade by laying the groundwork for transparent management. The corporation has been improving the entire process of even small volume purchases to reinforce the transparency of its public tenders. It operates an E-Procurement system to isolate the origin of any irregularity that can arise from a private contract, and this system ensures suppliers with competitive prices and supports the entrance of new players in the procurement market. Starting in 2008, the corporation has been applying a 'Special Notes for Integrity Contracts & Tenders' to its "Guidelines for Processing Supplies Purchase Contracts," which prohibits any company breaching the guidelines from participating in all tenders held within 2 years of such breaching. The corporation has also set some special conditions for integrity contracts which obligate the tender participants to submit an "Oath for Integrity Contracts" to contribute to the fostering of a culture of integrity among its partner companies.

Support for Small and Medium Enterprises KORAIL is preparing an SME supporting system that provides opportunities for SMEs to improve their technical capacities and for KORAIL itself to procure in a timely manner high quality, low-cost parts and materials made in Korea. The corporation has so far provided practical support for SMEs in terms of funds, markets, technologies, and human resources, as well as the sharing of achievements and purchases, while reviewing the status of its support and reflecting the result in its internal assessment of management activities and business planning for the next year. KORAIL believes that these efforts will boost the competitive power of both domestic SMEs and the country. In accordance with its SME support policies, the corporation is committed to increasing its purchase of products produced by the physically challenged and companies led by women CEOs and products developed with technical solutions. It has also adopted a "Performance Sharing System" to promote KORAIL-SME joint research and development of new products in its artificial fish bank project and operation of movie passenger cars in the KTX and Wine Train as a part of its efforts to enhance the cooperative relationship with SMEs.

SME Supporting System



The Status of Supports for SMEs

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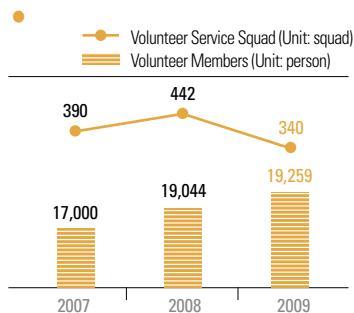
Categories	Items	2007	2008	2009	Goal for 2010
Partners	Purchase of SME products (0.1 billion Won)	5,784	4,494	8,810	6,215
	Purchase of technical products (0.1 billion Won)	153	143	149	123
	Purchase of products developed with option to buy (0.1 billion Won)	45	133	279	100

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| KORAIL's Social Volunteer Service Squad, 'Emblem'

Volunteer Service Squad Status



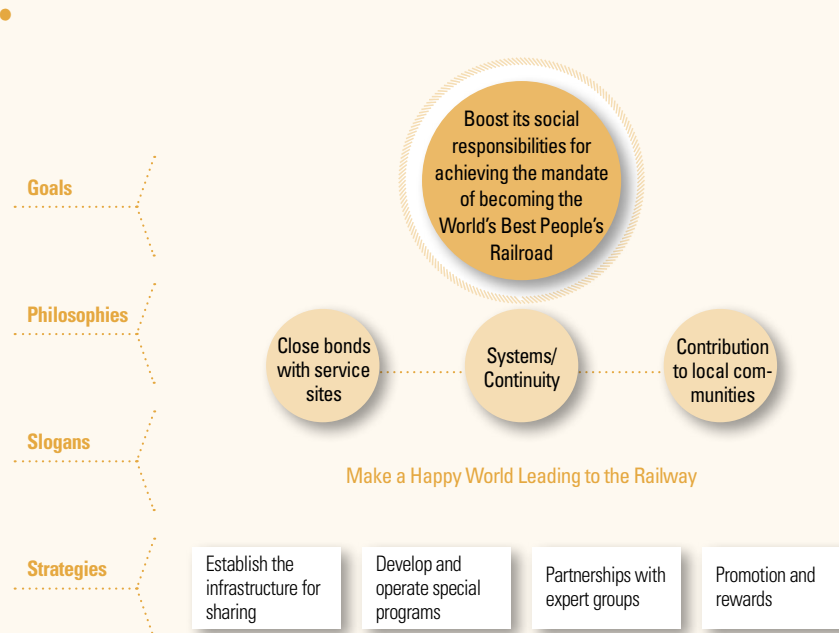
Sustainable Sharing Management

We develop the country with our railroads and increase happiness by sharing

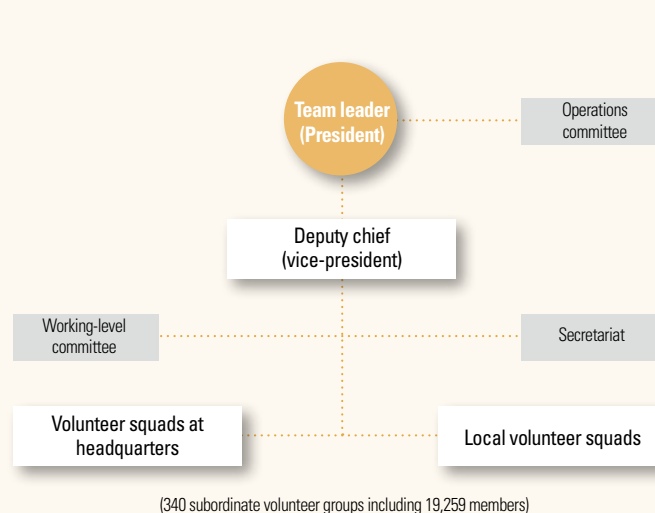
Visions and Organizations for Social Contribution

Every executive and staff member of KORAIL is committed to recognizing and honoring the corporation's social responsibilities by participating in activities to raise and donate money for the less fortunate and foster bonds of sympathy within the community. While working to enhance its capacities for social contribution by strengthening its partnership ties with external bodies, it has been devoting its energy to contributing to the development of the economy and culture of the nation and local communities through specialized sharing programs of its own.

KORAIL's Vision for Social Contribution



The Structure of Sharing Management Organizations



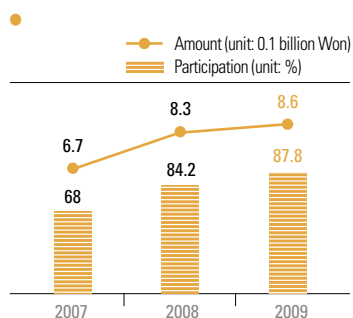


A Sharing Campaign with Good Neighbors



24-hour Fasting Experience

Participation in Love Funds and Amount of Funds Raised



Coordinated Networks for Social Contribution

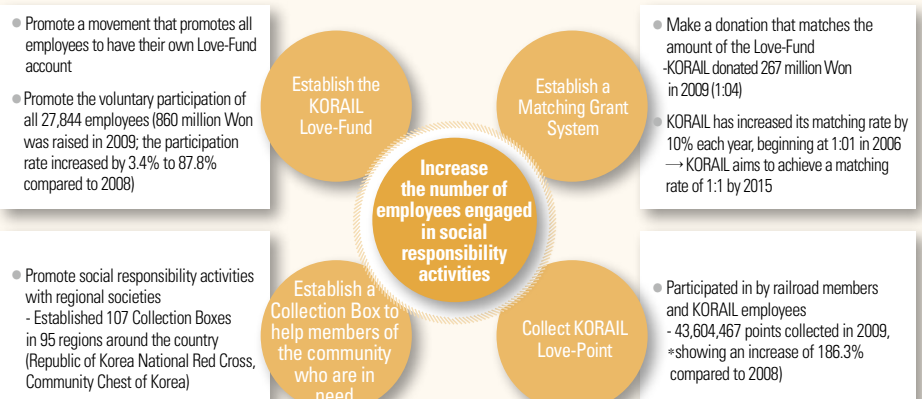
Since 2005, when its social contribution systems were established, KORAIL has installed a task force and cooperative relationship with NGOs to develop strategic theme programs. This has led to a full-fledged flowering of its social contribution activities focused on specially designed social contribution programs such as the Theme Train, expanding partnerships with private groups, boosting the Love Funds and adopting the Matching Grant System. In 2008, the corporation began to imbue its sharing management as a corporate culture, through the introduction of a policy to recognize any volunteer activities on duty; operation of a volunteer service performance management system for convenient tracking of each volunteer squad; improvement of safety controls for volunteers and support for outstanding volunteer service programs within the corporation.

Cooperation with NGOs

NGO	Joint programs	Achievements in 2009
Korea National Red Cross	- Outreach Team for the homeless - Operate a collection box within station buildings	Participated in 425 persons and 6 local stations, nationwide 21 stations
Habitat for Humanity, Korea	Create beautiful villages along railroads	Take the role of social mentors
Korea Council of Volunteer Organizations	KORAIL Love-p Joint Collection	Total amount collected: 43.30 million Won, 4,467 points (Used: 7.2 million points)
Community Chest of Korea	Operate a collection box within station buildings	98 stations nationwide
Good Neighbors	Fund-raising through a video device within KTX trains	Participated in 9,456 persons / 56.40 million Won collected

Fund Raising Programs

KORAIL's specialized programs begin with a fund raising program for. The social contribution activity fund, KORAIL Love Fund, where employees voluntarily subscribe to 1 account with a deposit of 1,000 Won – deducted from their pay each month – has recorded 87.8% participation rate and raised 0.85 billion Won. The Matching Grant program in which the corporation supports the donation in line with the Love Fund is aiming to fully match the raising target by 2015, by raising the matching percentage by 10% each year. In addition, the corporation has installed a collection box for helping neighbors jointly with the Korea National Red Cross (KNRC) and the Community Chest of Korea (CCOK) to pave the way for expanding the funds for sharing our hearts with neighbors through the collection of KORAIL Love Point by both the customers and employees of KORAIL.



Support for Social Contribution Activities

Items	Achievements in 2008	Achievements in 2009
Participants (persons)	125,123	80,373
Hours of activity	450,771 hrs	285,176 hrs
Support of Money/Supplies	1,347,028,000 Won	1,017,000,000 Won
Love-Fund	830,000,000 Won	860,000,000 Won
Matching Grant	180,000,000 Won	267,000,000 Won

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Travel on Theme Train



KORAIL Village



Outreach Service for the Homeless



1 Company – 1 Village Supports for the Countryside



Volunteer Service to the Neighbors

Social Volunteer Activity Programs

Travel on Theme Train

① **“Travel on Theme Train” for fostering hope for the disadvantaged**: This is a volunteer service which is provided at least once a month by each volunteer squad with a theme for each month such as obtaining jobs for the homeless or physically challenged, the elderly living alone, child breadwinners, residents setting up a new life, etc. In 2008, the volunteer squads held a “Happy Train Environment Campaign” with an environmental theme, providing benefits for 600 people in 16 areas. This event, which started with Love Points and discounts of KORAIL tickets, has been established as a primary social contribution activity representing KORAIL, continuously attracting more visitors each year.

KORAIL Village

① **“Relay Campaign for Creating Beautiful Villages along Railroads”**: KORAIL has been making efforts to improve the residential conditions of the disadvantaged including the destitute and elderly living alone along the railroads throughout the nation by utilizing its human resources. In 2008, this campaign was held 275 times and involved 2,975 people, who collected a total of 87.80 million Won, and in 2009, 1,508 people joined the campaign which was held 133 times and donated 73.70 million Won.

Outreach

① **“Outreach service during winter for the homeless”**: The Outreach Team for assisting the homeless during the winter season is committed to providing proactive support to protect both passengers and the homeless people. The volunteer service first started with the participation of 183 citizens at Seoul Station in 2006, and KORAIL gives to institutions for the homeless the donation collected during the year as activity money during the winter.

Love Farming Villages

① **1 Company – 1 Village**: The local KORAIL volunteer squads undertake a variety of events jointly with adjacent rural areas, from helping hands during the busy farming season in Spring and Fall to repairing houses of elderly people living alone, in cooperation with the village chief and other volunteer service centers.

② **Amenity**: KORAIL's activities for amenities are aimed at developing new models for its cooperation with other enterprises and farm villages and turning its love for the countryside into action.

As of now, the corporation has set up “1 company – 1 myeon – 1 agricultural cooperative association” sisterhood ties with 12 eup, myeon and dong authorities for each of its volunteer squads organized within its local headquarters at Daejeon city, to identify local properties such as the composition of residents and indigenous products for sustainable volunteer activities. In addition, the corporation has been promoting the cooperative relationship by searching for solutions for improving the effectiveness of volunteer activities currently under way and discussing future directions of its volunteer service through meetings with representatives of rural authorities under its sisterhood ties.

Notably, KORAIL stations have been operating farm product shops which provide a direct deal between the producer and buyers to alleviate difficulties of farmers finding the market to sell their products, by reflecting the properties of companies spread throughout the country and by presenting a new sales model by not acting as a simple brokerage but achieving a substantial profit for farmers through cooperation among farmers, agricultural cooperative associations and the enterprise.

Support for Social Welfare

① **Support the neighbors with love**: The volunteer squads at each local headquarters provide a variety of volunteer services including: “delivery of rice and briquettes,” “helping hands for the lonely elders,” “helping install the PC and Internet,” “helping underfed children,” “health and sanitation bathing service of the lonely elderly,” and “hair cut service.” The volunteer squads select the beneficiaries by making survey visits to local communities in cooperation with local government authorities, to deliver their love for neighbors.

② **Love cultural heritage**: The “Railroad Cultural Heritage Love Campaign,” aimed at promoting the recognition of station buildings and rejuvenating the whistle stops which have faded out of our memories, leads to such activities as “Let's take care of the heritage of our hometown,” and “Let's care for railroad heritage.” In particular, the “Let's introduce railroad cultural heritage to a wider audience” campaign at Daegu regional headquarters has paved the way for the promotion of whistle stops, contributing to the increased use of local stations.



Delivery of Briquettes with Love



Environmental Volunteer

Love for the Environment

① **Take care of 1 Company – 1 Mountain – 1 River:** Through this “1 Company – 1 Mountain – 1 River” service, the volunteer squads at each local headquarters contribute to the national mountain and river environmental purification activities. In this campaign held regularly once or twice a month, the volunteer workers devote their energy to laying the groundwork for a green railroad, through such activities as collecting refuse.





Did you know that taking the train from Seoul to Busan instead of driving reduces CO₂ emissions as much as planting 11 pine trees? Taking a train is now an important choice we all can make to protect our green environment.

What's more, KORAIL has also launched a number of environmental campaigns to help green transportation become an essential part of our lives. I think riding the train and getting to love trains is like sending a gift of love to our planet.

The World's Best
Green Railroads

Key Environmental and Safety Performance Indices

KORAIL has established the ECO-RAIL 2015 strategy, which is designed to lead Korea's green growth, and is committed to various global warming prevention activities, as well as soil environment management, noise management, environmental management, environmental auditing, air pollution control management, and water pollution management. With these initiatives in mind, KORAIL has constructed an eco-friendly infrastructure, and is promoting green growth as a top priority through both eco-friendly operations and its investment policy.

And KORAIL is working to make its safety management the best in the world. With respect to its safety management system, and emergency response and safety capabilities, KORAIL is making every effort to improve its systems and implement safety measures; to improve its employees' safety management capabilities, such as safety management education and qualification management, and its emergency response capacity; and to strengthen its safety management system by securing railroad safety facilities and regularly inspecting all its rolling stock. Additionally, as an eco-friendly green transportation mode.

Eco-Friendly Management

Category	Item	2007	2008	2009	2010 Plan
Global Warming Prevention	Electric railroad ratio (%)	53.6	54.5	55.9	66.4
Soil Management	Soil purification project (million Won)	2,663	767	909	2,656
Noise Management	Noise (above ground) daytime average (dB)	58	59	59	59
	Noise (above ground) nighttime average (dB)	56	57	57	57
Water Quality Management	Quantity of waste water / flow rate of passenger car waste water (ton)	303,465/52,214	323,527/66,412	298,107/54,374	270,000/49,000
	Water quality environment investment expenditure (million Won)	528	619	895	26
Waste Management	Quantity of waste discharge (General/Designated) (tons)	3,447/701	4,017/707	2,647/1,002	2,400/900
	Waste environment investment expenditure (million Won)	498	337	87	197
Indoor Air Quality Management	Indoor air quality management at stations (locations)	51	63	63	62
Environmental Products	Procurement of eco-friendly products (100 million Won)	77	72	103	68
	Procurement ratio of eco-friendly products (%)	71.9	69.5	80.3	79.3
	Installment of personal cups (pieces)	17,561	21,946	25,692	26,000
Environmental Education	Environmental education for all employees (times/yr)	4	6	6	6
	Railroad environment consultative meetings (times/yr)	2	1	1	2
	Traffic accident prevention campaigns (locations/persons)	952/11,430	728/10,467	494/7,861	620/8,500

Safety Management

Category	Item	Major Performance			Plan	
		2007	2008	2009	Change	2010
Customer Perspective Performance	KTX on-time operation ratio (%)	94.06	96.66	98.27	1.61%p	98.44
	Driving accidents (cases/million km)	30	28	23	-17.9%	20
	Personal accidents (cases/million km)	129	113	120	6.2	118
Process Performance	Vehicle breakdown (cases)	138	143	153	6.5	-
Learning and Growth Performance	Operational problems (cases)	329	274	303	10.6	-

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Medium- and Long-term Environmental Management Road Map and ECO-RAIL 2015 Strategic Performance

The low-carbon green management railroad paradigm is being established!

Background to and Purpose of Environmental Management

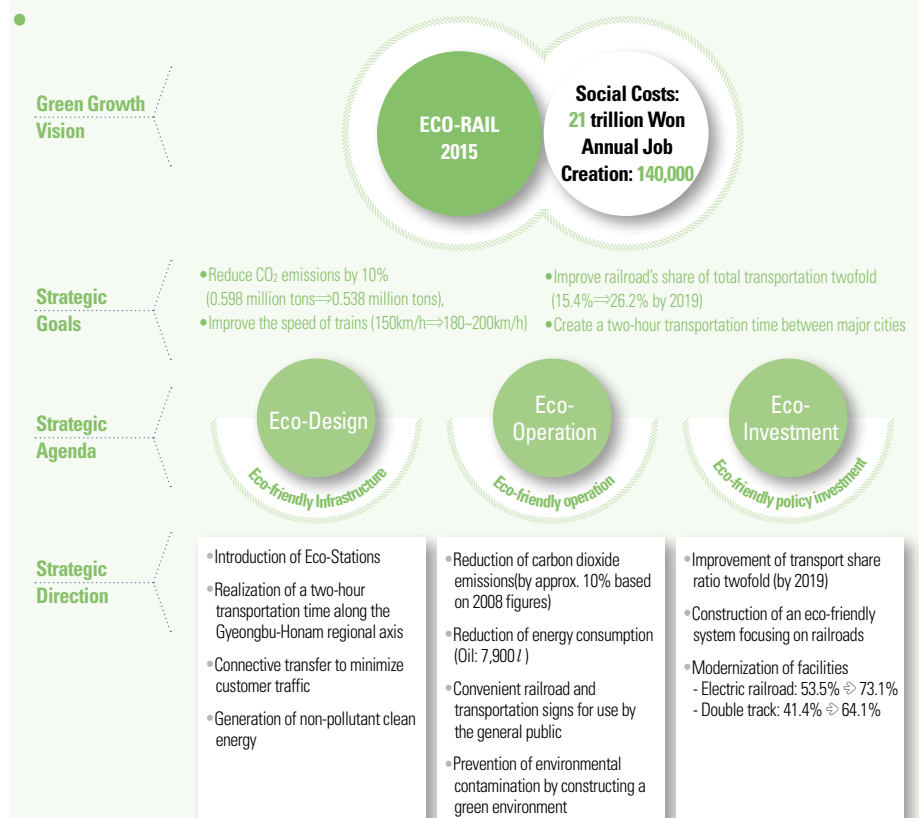
Annual petroleum consumption in Korea currently stands at 17.3 barrels per capita, ranking it fifth in the world and second among non-oil-producing countries. Korea's energy usage ratio in the transportation sector accounts for 21% of that consumption, demonstrating that the environment and energy are closely related to modes of transportation. Since the Kyoto Protocol and the Climate Change Convention took effect, the G8 Hokkaido Summit requires the world to reduce greenhouse gas emissions to 50% of the 1990 level by 2050: This indicates that environmental problems are now major issues of global concern, and are thus deeply related to our daily lives. In a nutshell, low-carbon green growth is a new paradigm of national development, and has become an essential requirement for the present era.

Shifting to the paradigm of railroad-centered transportation is a prerequisite for the national energy security as well as the existence of future generations.

ECO-RAIL 2015 Strategy

What is the ECO-RAIL 2015 Strategy? The ECO-RAIL 2015 strategy, established in tandem with the green growth policy presented by the Korean Government in August 2008, consists of several executable strategies, including the reduction of CO₂ emissions by 10%; the twofold improvement of railroad's share of total transportation; the realization of a two-hour transportation time between major cities; and the improvement of train speed in order to reduce social costs by 21 trillion Won and to create 140,000 jobs each year.

ECO-RAIL 2015 Strategy Roadmap



Eco-friendly Green Railroad

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Investment Plan by Year

(Unit: 100 million Won)

Current Agenda	2008	2009	2010	2011	2012	2013	2014	2015	Total
Eco-Stations	-	-	250	70	250	126	56	671	1,423
Innovation of connection/transfer system	-	1,913	2,175	6,975	10,018	21,448	8,026	4,699	55,254
Expansion of next-generation electric trains	2,238	4,252	6,644	5,225	15,898	10,774	3,143	3,602	51,776
Eco-Design: Sum ①	2,238	6,165	9,069	12,270	26,166	32,348	11,225	8,972	108,453
Energy saving (Eco-Driving)	42	86	23	1	On-going				152
Expansion of convenient facilities	57	1,382	1,396	799	4,894	451	431	461	9,871
Construction of green environment	16.5	56	86	85	85	85	85	85	583.5
Participation in the Emission Trading System	1.2	16	2	1	1	0.5	-	-	21.7
Application of eco-friendly technology, e.g. LED	-	49	245	246	245	240	Included on the purchase of trains		1,025
Strengthening door-to-door logistics services	49	11	47	250	28	208	11	256	860
Eco-Operation Sum ②	165.7	1,599	1,799	1,382	5,253	984.5	527	802	12,512.2
Expansion of railroad investment, e.g. electric railroad	25,755	20,939	83,026	7,407	20,932	14,668	17,498	70,937	261,162
Expansion of metropolitan rail network	6,115	13,094	1,345	1,426	1,460	1,791	1,025	1,098	27,354
Expansion of high-speed rail network	11,597	17,626	32,696	1,857	1,440	1,440	1,440	1,440	121,536
Development of clean trains, e.g. Hybrid trains	-	1	110	170	165	87	-	-	533
Eco-Investment: Sum ③	43,467	51,660	117,067	10,690	36,832	30,899	32,963	86,475	410,035
Total (① + ② + ③)	45,870.7	59,424	127,935	24,342	68,251	64,231.5	44,715	96,249	531,018.2

Performance by Strategic Agenda

① Eco-Design: A new concept of eco-friendly infrastructure is born!

KORAIL is pushing ahead with the construction of eco-stations by installing natural lighting, solar power plants, and electric power panels in the passage of passengers. Additionally, the company is preparing a foundation to secure a comprehensive traffic plaza as well as vehicle and bicycle parking lots; to construct connection and transfer system; and to include transfer centers, in consultation with the relevant organizations. It is also pursuing innovation to introduce a multi-dimensional transfer system and a connective transport system and to increase the share of railroad transportation by constructing infrastructure which will expand the freight railroads leading to harbors and industrial complexes.

② Eco-Operation: A new standard for green management has been established!

KORAIL is doing its utmost to expand elevators, escalators, and screen doors to railroad transportation more convenient for customers. Additionally, the company is actively engaging in environmental protection investments and activities, such as planting flower trees along railway lines or around railway stations, and recycling waste lubrication oil. The company is also presenting a blueprint for a next-generation green transportation system using its participation in the Emission Trading System, the application of eco-friendly technology (e.g. LED), the operation of MTB-dedicated electric-powered trains, and the operation of recreational trains using outdated passenger trains, and the development of artificial fishing reefs using outdated trains.

③ Eco-Investment: An eco-friendly transportation system is being established!

KORAIL is making efforts to lay the legal and systemic foundations for railroad-centered transportation policy, and is also expanding its investment in the railroad system to implement this policy. The company has provided infrastructure capable of bringing about a railroad transport watershed by investing in construction projects to expand metropolitan railroads (9 lines; 1 trillion 325.5 billion Won) and the high-speed railroad network (2 lines; 1 trillion 702.9 billion Won). In addition, the company is carrying out an eco-friendly train development project involving the development of hybrid trains.



Solar Power Plant



| Expansion of Electric Trains



| Introduction of LED Lighting in Driver Cab



| Construction of a Green Environment along the Railroad

Eco-Design Implementation Performance

Details of Implementation	2008	2009	2010 Plan
Eco-Design			
1) Construction of Eco-Stations - Natural lighting (no. of stations)	-	-	1
2) Innovation of the connective transfer system - Complex Station Construction (100 million Won/stations)	-	-	145/1
- Traffic plaza (100 million Won/stations)	-	16/2	10/2
- Expansion of parking lots (100 million Won/stations)	-	4/1	28/5
- Bicycle parking lots (100 million Won/unit)	-	29/1,253	16/2,000
- Comprehensive logistics system (100 million Won)	-	1,864	1,976
3) Expansion of next-generation electric trains - Investment in the introduction of 'KTX Sancheon' (100 million Won/car)	543/-	1,889/60	3,404/130
- Investment in the introduction of EMU (100 million Won/car)	-	430/32	-
- Investment in the introduction of EL (100 million Won/car)	1,349/28	-	-
- Investment in the introduction of electric trains (100 million Won/car)	328/28	1,933/104	3,240/218
Eco-Operation			
1) Energy saving, e.g. economic driving (100 million Won)	42	86	23
2) Expansion of convenient facilities - Elevators, escalators (100 million Won)	57	1,382	605
- Screen doors (100 million Won)	580	381	260
3) Construction of a green environment - Planting flower trees (100 million Won/10,000 trees)	5	43/121	10/100
- Environmental protection activities (100 million Won/locations)	11	13/16	73/9
4) For the reduction of greenhouse gas emissions	1	16	2
5) Adoption of eco-friendly technology, e.g. LED - Adoption of LED lighting (100 million Won/car)	-	21/250	25/578
- Improvement of air conditioning systems (100 million Won/car)	-	28/60	220/658
6) Strengthening logistics, door-to-door transportation services - Expansion of the comprehensive logistics system	4	0.7	47 (1 Line)
- Construction of e-logistics	45	10	
Eco-Investment			
7) Expansion of railroad investment, e.g. electric railroad - General rail construction project (100 million Won)	25,755	20,939	83,026
8) Expansion of metropolitan rail network - Metropolitan rail construction project (100 million Won)	6,115	13,094	1,345
9) Expansion of high-speed rail network - High-speed rail construction project (100 million Won)	11,597	17,626	32,696
10) Development of clean trains, e.g. hybrid trains - Expansion of R&D investment (100 million Won)	-	0.5	110
11) Implementation of the policy for inducing railroad transport transition - Events to form social consensus (events)	2	4	4

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Corporate-wide Environmental Management System

KORAIL is improving the environmental performance of all its business areas by investigating and assessing their influence on the environment. Additionally, the company is conducting continuous monitoring to reduce the emission of CO₂, the world's leading environmental issue, and is participating in the Emission Trading System based on monitoring. In particular, the company provides emergency training against environmental accidents by each division in order to minimize the risk of human fatality and property damage caused by oil leakage and fire resulting from a train collision, and has also published and distributed a manual on environmental accident response procedures in order to achieve zero environmental accidents by raising individual awareness. The company is building a foundation to establish a speedy recovery system by helping each relevant employee to acquire the necessary response skills.

The Environmental Management System is being implemented based on the PDCA (Plan-Do-Check-Action) cycle, with environmental management team overseeing the activities of each related division in accordance with environmental guidelines and an environmental impact assessment any of problems thus identified are analyzed and resolutions are explored using an internal auditing system which reflects them in the internal management assessment.

To achieve these goals, KORAIL complies with standard environmental regulations, the Clean Air Conservation Act, regulations related to water quality and water ecosystem preservation, the Soil Environment Conservation Law, and all other relevant regulations.

Environment-related Investment by Year

(Unit: 100 million Won)

Category	2007	2008	2009	2010 Plan
Soil	864	645	241	81
Water quality	528	620	895	26
Air	546	50	0	395
Waste	498	337	87	197
Soil purification project	2,663	767	909	2,656

Corporate-wide Environmental Management

Climate Change Response||||| KORAIL is making corporate-wide efforts to respond to climate change and to increase energy efficiency. In particular, in the railroad sector, the company is planning to reduce CO₂ emissions by replacing diesel trains, which emit a large quantity of CO₂, and trains whose service life is due to expire with electric trains by 2010. In addition, depending on the change in the business environment, KORAIL is controlling the generation of CO₂ as much as possible by operating electric trains, such as the KTX. In order to reduce energy expenditure, KORAIL is planning to introduce a number of high-energy-efficiency electric locomotives step by step, and will increase their number to 550 by 2015. The company is also working to develop hybrid trains using alternative energy such as LNG and batteries, with a goal of commercial operating them by 2020.

Greenhouse Gas Emissions by Train

(Unit: 1000 ton CO₂/Year)

2007	2008	2009	2010 Plan
1,435	1,485	1,432	1,582

Amount of Greenhouse Gas Emissions

(Unit: 1000 ton CO₂/Year)

	2007	2008	2009	2010 Plan
Electricity	941	971	993	1,147
Diesel Oil	679	741	635	625

Energy Use by Energy Type

Category	2007	2008	2009	2010 Plan
Diesel Oil (kl)	222,111	244,081	217,057	213,717
Electric Use (kwh)	Electric Train	1,767,584	1,836,013	2,203,828
	General Electric	263,602	261,515	273,487



| Waste Oil Recycle Equipment

Introduction of New Rail Cars (Electric Trains)

(Unit: car)

	2007	2008	2009	2010
Electric Trains	31	23	22	15
Electric Carriages Vehicles	-	4	160	120
Freight Vehicles	-	197	260	-

Energy Efficiency KORAIL is researching various means of increasing energy efficiency, such as reducing vehicle weight and improving air-conditioning and lighting systems. To lead the drive to save energy, the company holds contests collecting energy-saving ideas corporate-wide, and implements excellent ideas generated through the contest. To expand the use of off-peak electricity in the future, new stations will utilize KORAIL's own electric power system, which uses renewal energy, and a campaign to reduce electricity consumption in its offices is also planned.

Waste Recycling KORAIL maintains a close relationship between the main office and its worksites and strictly manages its consignment companies. It applies its own processing standard, which is stricter than the standard required by law, to workplace waste. When processing waste materials, KORAIL sorts recyclable and consignable wastes to recycle as much as possible and consign them properly. In the case of waste oil, KORAIL works to recycle as much waste oil as possible through the recycling process. Waste oil recycling divides oil into a type that retains its original purpose and nature and can be reused, and a type that is deteriorated and can be used as heating oil.

Waste and Recyclable Material

(Unit: ton/year)

Category	2007	2008	2009	2010 Goal
Workplace waste (General)	3,447	4,017	2,642	2,400
Workplace waste (Designated)	701	707	1,002	900
Recyclable waste	900	745	768	800

* These data do not include the processing of construction waste and deteriorated railroad crossties, which show a large fluctuation every year.

Recycling Processing Performance

(Unit: ton/year)

Category		2007	2008	2009	2010 Goal
Recycling (Trains)	Paper	559	468	252	280
	Plastic	103	60	68	80
	Cans	124	80	70	80
	Glass	139	78	68	80
	Other	5	8	2	2
	Total	930	695	460	522
Recycling (Stations)	Paper	1,195	1,150	918	1,000
	Plastic	158	160	255	280
	Cans	333	328	284	300
	Glass	367	384	468	500
	Other	194	144	305	340
	Total	2,247	2,167	2,230	2,420

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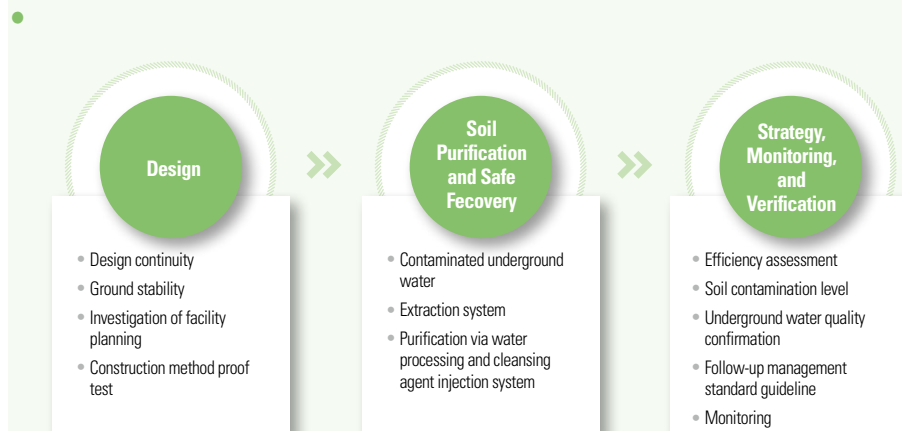
Environmental Management by Category

Soil Pollution Management Soil contamination by railroad tracks is mostly caused by oil, and usually occurs in the vicinity of fueling facilities. As a precautionary measure, KORAIL regularly inspects such facilities to prevent underground water soil contamination, and ensures the prevention of soil contamination using various methods such as installing oil pans (FRP) on tracks, installing roll-pads or paved concrete, and replacing contaminated gravel along the railroad track.

According to the mid-term and long-term soil preservation plan implemented since 2002, KORAIL completed the purification project at the Jecheon Rolling Stock Maintenance Office, followed by the Busan Rolling Stock Maintenance Dept., Busan station, and the Metropolitan Rolling Stock Maintenance Dept. After the soil recovery processing, soil contamination was reduced to 800ppm according to the inspection test.

Since the purification project, regular surveys of soil and ground water have been conducted to identify any disturbing trends and manage them accordingly. Abandoned wells are reported to responsible districts so that they can manage the soil environment.

Process of Soil Purification Project



Eco-friendly Soundproof Wall

Noise and Vibration Management

① **Noise and Vibration Management:** To reduce the noise caused by KORAIL trains, the decibel level of trains is regulated, except in cases of accident or emergency. Furthermore, noisy diesel trains are being replaced with silent electric trains, along with track construction work, including the installation of continuous welded rails. In addition, KORAIL works closely with the Korea Rail Network Authority to install eco-friendly efficient soundproof walls along the rail lines to reduce noise and vibration.

Although soundproof walls have been erected to reduce the level of noise pollution, this measure has also unfortunately reduced the scenic pleasure of train travel. Therefore, KORAIL is creating an eco-friendly green railroad by planting various plant species on and near the soundproof walls to create more pleasant views.

② **Operation of Railroad Noise Dampening Barriers:** KORAIL is installing and operating noise barriers in 34 urban areas considered most likely to suffer from railroad noise according to the noise reduction policy implemented by the Ministry of Environment in 2004.

The average noise level is 1-2dB, but it is expected to reduce steadily over time due to the efforts devoted to noise and vibration management.

Number of Noise Measuring Points per Region

	Seoul Metropolitan Area	Youngnam Region	Honam Region	Daejeon Region	Gangwon Region
No. of measuring points	8	9	8	5	4
Average no. of train operations per day per location in 2007 (frequency)	598	162	66	229	70

Air Pollution Management

① **Air Pollutant Management:** Major sources of air pollution include volatile organic compounds (VOCs) and liquid mist generated by the vehicle painting and parts cleaning processes, as well as dust and smoke emanating from the train inspection process. KORAIL is working within the regulation standards on air pollutant management and expanding its



Environmental Accident Response Training

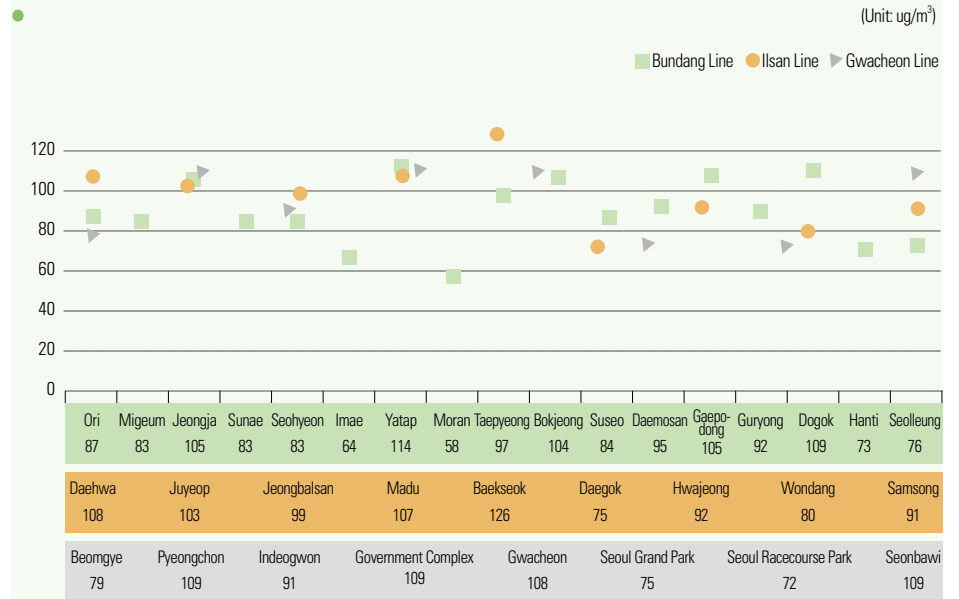


Emergency Training against Water Contamination

range of air pollution prevention measures through the company's environmental management policy and environmental review policy. In tandem with a governmental pilot program, diesel engines are being replaced with green LPG engines. KORAIL plans to continue its participation in the LPG engine conversion program.

② **Indoor Air Quality Management of Multi-User Facilities:** All underground or aboveground stations larger than 2000m² report their air quality to the relevant local government office. Currently, KORAIL manages 62 such stations (35 underground, 27 aboveground), all of which meet the air quality regulation standards. To maintain a pleasant environment in the stations, air cleaners and filters are regularly replaced and ventilation ducts cleaned.

Fine Dust Volume in Underground Stations



Water Pollutant Management

Wastewater runoff into the sewage system and rivers from business sites is regularly monitored and measured to prevent any negative impact on the community. Water pollutants from railroad business sites usually consist of (1) wastewater from railroad train inspection and maintenance processes; and (2) sewage water from train restrooms. Wastewater from business sites is either treated or contracted out for proper handling. By implementing a resource conservation campaign and installing water-saving infrastructure, KORAIL is steadily reducing its annual level of resource consumption. Furthermore, the implementation of a rainwater recovery system, restroom water recycling system, and landscape water recovery system is also planned.

Wastewater and Sewage Water from Railroad Business Sites

(Unit: m³/year)

Category	2007	2008	2009	2010 Goal
Wastewater	303,465	323,527	298,107	270,000
Sewage water from railroad passenger coaches	52,214	66,412	54,374	49,000
Sewage water from railroad restroom units	3,719	4,264	4,264	4,000

Water Usage and Recycling

(Unit: 1000 m³/year)

Category	2007	2008	2009	2010 Goal
Water supply usage	5,775	5,701	4,969	4,980
Groundwater usage	246	277	249	260
Industrial water usage	96	101	87	86
Heavy water usage	70	68	57	70
Water savings	205	283	651	150



Eco-friendly Character Product



Environmental Love Campaign

Toxic Chemicals Management The hazardous chemicals used by KORAIL include sulfuric acid (from batteries), wastewater treatment chemicals, and chemical paints. To prevent external leakage and hazardous conditions for workers, these chemicals are handled properly according to health and safety regulations on chemical management. A Material Safety Data Sheet (MSDS) for every hazardous chemical is prepared and posted at every worksite to prevent accidents due to misinformation. KORAIL shares MSDS information with its employees and holds regular training sessions to inform employees of the hazardous effects of industrial chemicals.

Environmental Improvements with Interested Parties

① **Eco-Friendly Product Purchase Promotion:** KORAIL purchases eco-friendly products having excellent quality, safety, and environmental performance, and which reduce environmental contamination during the production, consumption, and disposal processes. In 2009, KORAIL's purchase rate of eco-friendly products was 80.3%. Additionally, KORAIL produces and sells eco-friendly products showing KTX eco-friendly characters. These products do not contain hormone-disturbing chemicals or heavy metals, and completely disintegrate within two years of disposal in landfill sites.

② **Disclosure of Environmental Information:** KORAIL operates an internet homepage as a portal for the public to access KORAIL's environmental record and policy in a transparent manner. Its Environmental Report, which addresses the company's overall environmental management and detailed environmental management policy, is available on KORAIL's Internet homepage for download.

③ **Environmental Conference:** The Railroad Environmental Council meets twice a year to analyze trends in domestic and international environmental developments and to set environmental policy. Such information is disclosed to experts, NGOs, and interested parties to strengthen community communication. Through the Railroad Environmental Council, KORAIL receives advice on the future direction of its environmental policy, in order to draw up its environmental improvement plan and reflect it in the prevention measures.

④ **Environmental Training for Employees:** KORAIL provides environmental training to raise its employees' environmental consciousness and improve their work performance. Currently, KORAIL also operates environmental management and ISO operating teams. The company provides internal and external consignment training for employees in environmental posts in order to foster such employees' environmental management capability. For executives, the company offers seminars and workshops designed to enable them to promptly assess and respond to domestic and international environmental trends.

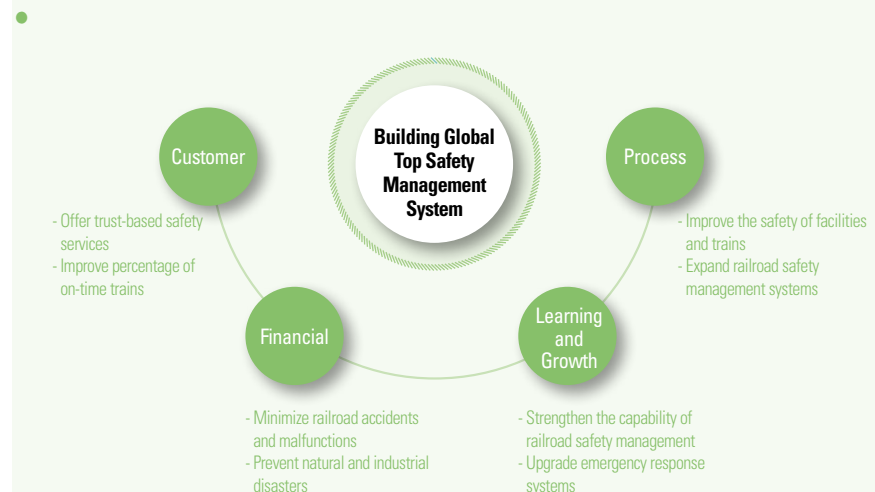
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Sustainable Safety Management

KORAIL's safety system and management are world's top class

Safety is the first principle upon KORAIL's mission of establishing a green network that contributes to the creation of a fruitful life. To that end, KORAIL is doing its utmost to be the world's best railroad in safety management by (1) constructing a systematic safety management system, (2) improving employees' safety management capabilities, and (3) improving facility and vehicle safety performance.

Structure of Safety Management System



Track Repair Work

Medium- and Long-term Road Map for Safety Management



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Developing Efficient Safety Management

Responsible Safety Management

To continually enhance its world-class safety management system, KORAIL has implemented a responsible safety system and assigned a safety management goal to the indices included in the responsibility management contract between the president and vice-president, as well as to the indices of the internal division management evaluation. Accordingly, the company is constructing a corporate-wide railroad safety system with the goals of (1) acquiring a disaster response system, (2) introducing advanced safety techniques, and (3) strengthening the capability of accident investigation, analysis, and management.

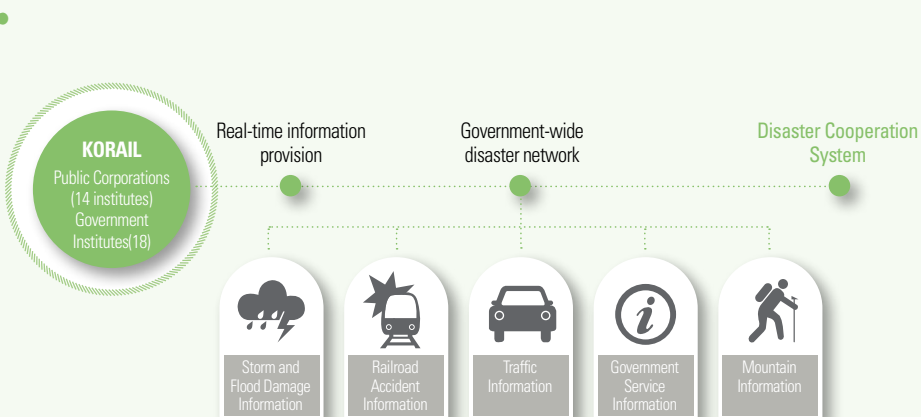
Organization of Railroad Safety Management



An Emergency Railroad Operations System

KORAIL operates a prompt, systematic response system to ensure that lives and property can be protected by quick countermeasures and recovery action in the event of an emergency situation. KORAIL also operates a railroad control center 24 hours a day, and ensures prompt response capability in case of emergency situations by (1) preparing an emergency response manual and an updated map; (2) constructing a cooperation system with the related organizations; (3) installing equipment for accident recovery; and (4) operating a disaster countermeasures HQ at all times. In the event of accident or disaster, information about the situation will be promptly sent to all employees, including executives, via SMS, as well as to the disaster management system, whereupon the information will be shared with 71 disaster-related organizations. KORAIL has a system for sending information about an incident to the mass media and public using ARS, and to issue emergency commands to secure the safety of all employees so that the full range of disaster recovery measures can be executed.

Government-wide Disaster Network



Countermeasures against Earthquakes The number of earthquakes on the Korean Peninsula since 2000 has reached 18~50 cases per year, and 10 incidents register 3.0 or more on the Richter scale annually. Accordingly, KORAIL is conducting seismic assessments and reinforcements of facilities to secure protection against earthquakes. The company has completed a seismic evaluation of all structures, and is reinforcing major buildings and structures step by step. Additionally, KORAIL has high-speed seismic investigation equipment, and has established a system for real-time transmission of information about earthquakes and the immediate control of train operations after an earthquake.



| Training for Railroad Track Accident Response



| Recovery of Railroad Malfunctions



| Training Against Terrorist Attack



| Weather Observation Equipment

Step-by-step Train Operation Standards by Earthquake Magnitude

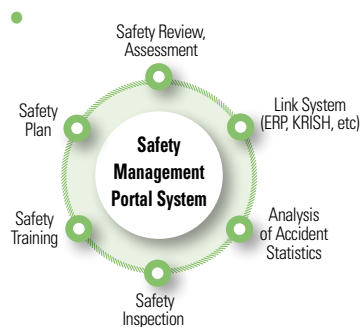
Upon Warning			If earthquake is confirmed	After first operation of vehicle	After operating at 90km/h or less	After measurement inspection
Red Alert (65gal or more)	High-Speed Rails	Operation Suspended	30km/h or less	90km/h or less	170km/h or less	Normal Operation
	Existing Rails			65km/h or less	65km/h or less	
Yellow Alert (40~65gal)	High-Speed Rails	Operation Suspended	90km/h or less	Normal operation if no abnormality is detected		Normal Operation
	Existing Rails		30km/h or less			

Heavy Rainfall and Storm Countermeasures In March 2008, KORAIL established a disaster response system for floods by revising the rules concerning railroad construction disasters and by publishing guidelines on flood damage restoration. KORAIL also operates an automatic rainfall warning system to enable checking of real-time rainfall information. In particular, the company aims to drastically reduce the amount of damage to facilities caused by natural disasters by constructing an emergency system for (1) mobilizing the related organizations and businesses, such as the Korea Meteorological Administration; (2) distributing a manual on flood disaster restoration; and (3) operating regular training courses and a disaster countermeasures HQ.

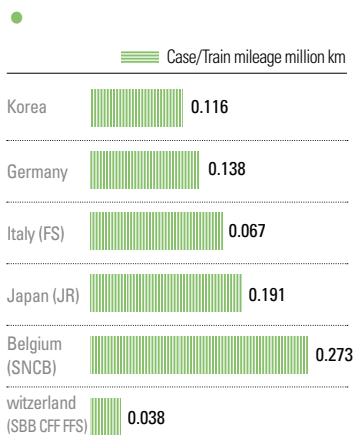
Railroad Safety Management System Based on Safety Assessment

KORAIL invests in improving safety by analyzing and assessing potential hazards. The company investigates potential threats to railroad safety, assesses them quantitatively, and develops and manages its own list of potential hazards based on the results of its hazard analyses. KORAIL began applying its hazard analyses and assessment of railroad crosswalks on a trial basis in April 2008, and completed its case analysis research in December 2008. Accordingly, the company is preparing to conduct full-scale hazard assessments from January 2010 by selecting its own research subjects and constructing a system of hazard analyses.

Safety and Environmental Health Management System



Accident Rate of Major Overseas Railroad Operators (as of 2008)



Development and Operation of the Railroad Safety Environment Health Management System

In order to actively respond to changes in both the domestic and overseas management environments, including developments in sustainability management and green growth, KORAIL launched the development of a railroad safety health environment management system in June 2009 to facilitate the efficient gathering, monitoring, and analyzing of data on safety, health, and environmental affairs. The system, which is scheduled for launch at the end of June 2010, will provide the framework for collecting, analyzing, and synthesizing various sources of railroad safety data, and provide systemic assistance for the implementation of the SMS (safety management system), such as hazard analysis and assessment programs. Accordingly, the company will be able to plan for and respond to such affairs systematically and efficiently by establishing a system which allows real-time data sharing and use between the main headquarters, local offices, and on-site workplaces.

Analysis of Disaster Survey and Operation of Safety Review and Assessment Programs

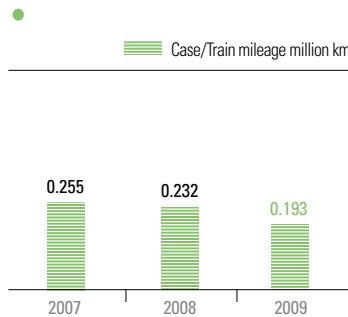
The Safety Investigation Team, dedicated to accident investigation, operates a joint investigation group comprising internal and external specialists; investigates the precise causes of accidents; establishes accident prevention measures; and improves the reliability and transparency of accident investigations. Additionally, the team evaluates safety management standards by conducting its own comprehensive safety review; provides incentives for the achievement of performance goals on the basis of excellent cases of safety management and zero-disaster achievement; and raises employees' awareness of safety issues. As a result of such systematic analysis and management of railroad accidents, KORAIL's railroad accidents (in accordance with the UIC standard) decreased by 8.7% in 2009 compared with the previous year, outperforming advanced railroad systems in many other countries.

* UIC Railroad Accident Standard

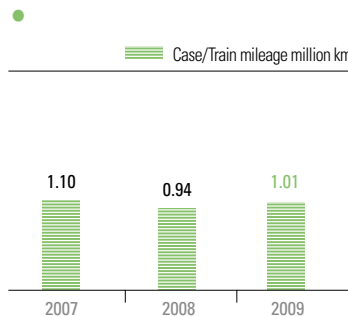
- Deaths of persons (instantaneous or within thirty days as a result of the accident) or serious injuries (involving a minimum 24-hour stay in hospital), excluding suicides and attempted suicides; criminal and natural death are also excluded in cases involving individuals; extensive damage to stock, track or other installations (usually damage of more than 150 000 EUR) or extensive disruptions to traffic (train services on a main line suspended for more than six hours, diversions or transfer of passengers to another train).

82	Major Environmental and Safety Indices
83	Medium- and Long-term Environmental Management Road Map
91	Sustainable Safety Management
92	Safety Management System
94	Operational Safety
96	Safety Personnel and Organization

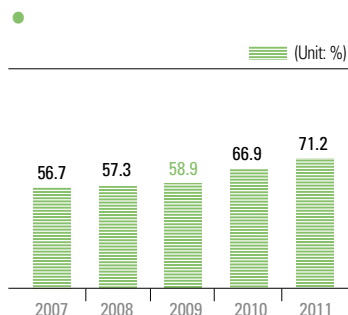
Operating Accidents: Train and Crosswalk Accidents



Human Accidents: Passenger and non-passenger fatalities



CTC Installation Status and Expansion Plan



Improvement of Operational Safety by Optimizing Train Operating Conditions

Advanced Safety System for Prediction and Control

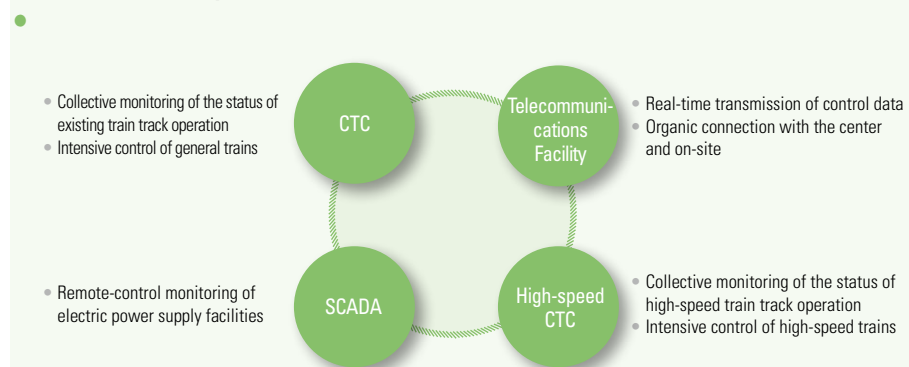
KORAIL aims to improve the safety of train operations by (1) operating a train control system; (2) strengthening the management of work performed near the railroad tracks; (3) maintaining an operational safety management cooperative group; and (4) implementing an on-time ratio improvement program. In particular, both the high-speed rail advanced operational safety system, which detects numerous hazards on train tracks before accidents occur, and the high-speed rail comprehensive monitoring and control system are operated 24 hours a day to detect the hazards facing high-speed trains in real-time and deliver information to the Railroad Traffic Control Center to ensure the safety of passengers at all times.

High-speed Rail Advanced Operational Safety System This system detects dangerous elements on high-speed tracks in real time, and delivers the information to the Railroad Traffic Control Center. The Center receives the information in real time, and controls the operation of trains accordingly. The system consists of the following devices: an obstacle and rockslide detector; an earthquake detector; an axle-temperature detector; a repairperson-crossing device; a tunnel detector; a rail temperature detector; a dragging detector; and a turnout heater.

High-speed Rail Comprehensive Monitoring and Control System This system monitors any intrusion into major facilities 24 hours a day. When a CCTV camera or a fence detector detects an unauthorized intruder, the comprehensive monitoring center is informed by a warning system and immediately conducts an on-site check. This information is sent to the high-speed rail control office of the Railroad Traffic Control Center, whereupon the center takes the appropriate action - including changes to train operations or dispatching personnel - depending on the on-site situation.

Centralized Traffic Control (CTC) System The Railroad Traffic Control Center monitors the status of train operations and controls train operations automatically in accordance with the train operation schedule entered into the computer. The traffic controller in the Railroad Traffic Control Center views the operational status of all trains for all sections of track from a single location and controls the railroad track remotely. The CTC monitors the status of train operation in real time and enables quick and accurate responses to guarantee the safety of railroad operations. This system was first introduced in 1968 for the Central Line, and the rate of installation as of December 2009 was 58.9% compared to the total railroad network. KORAIL is planning to increase the rate to 71% by 2011 to enhance the safety of railroad operations.

Railroad Traffic Control System



Automatic Train Control System (ATC) As railroad systems are moving toward high-speed and high-density operation, the Automatic Train Control system (ATC) is needed to overcome the limitations of operating systems which depend on train operators' eyesight and judgment. The condition of railroad operations is transmitted to trains through track circuits or information transfer devices. If a vehicle exceeds the speed limit indicated inside the vehicle, the ATC system stops the train or reduces its speed. The ATC system has been installed on 22.9% of the total railroad network so far.

Track Circuit Detection System (TLDS) The TLDS is an information system which monitors the status of track circuits in real time. It prevents the re-occurrence of a specific problem by reproducing and analyzing previous problems indicated in the monitoring results recorded by the system. At present, this system has been installed at 73 locations out of total of express line locations.



| Rail Temperature Detector



| Train Approach Alarm System

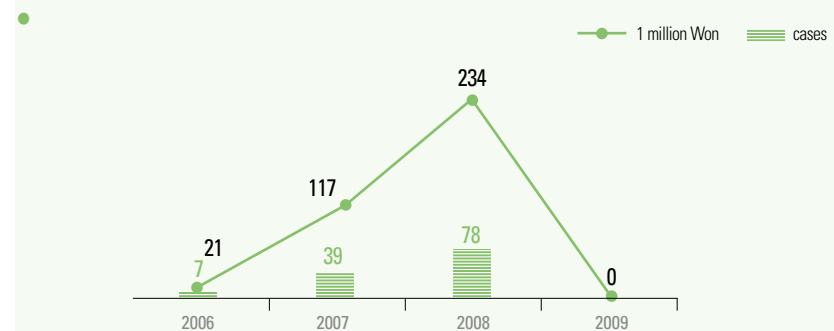
Train Radio Protection System (TRPS) The TRPS safety system was installed on all KTX trains in the wake of an accident which occurred inside Namsunghyun Station on the Gyeongbu Line in April 2006. Until now, the system has been installed on a total of 1,326 trains, including 92 trains on 46 KTX lines. The system quickly gives warning of dangerous situations, such as train malfunction or derailment, to all trains operating near the indicated position, and automatically stops the trains.

Train Safety Operation Information System and On-board Signaling System These systems are designed to assist the safe operation of new electric trains, and also contribute to the improvement of train speed and efficiency.

The train safety operation information system provides major information about tracks currently in operation visually and audibly (stations, curve forewarning, track branching, crosswalks, dangerous spots, etc), using GPS and a monitor installed in the train operator's cab. At present, the system has a database covering about 9 tracks and 1,590km.

KTX Axle Temperature Analysis System This system monitors the temperature of a train's wheel axle in real time during train operations, using the KTX-RCM system, and can accumulate temperature data. Until 2007, a contact-type thermometer was used, and the corresponding data were analyzed manually, which was time-consuming and less accurate. To improve these shortcomings, a non-contact thermometer equipped with an axle temperature detector is now used, shortening inspection cycles and significantly reducing train delays. It has also greatly improved the operation of KORAIL by removing refund factors due to KTX delays (3.1 million Won and more than 20 minutes per case).

Reductions in Train Delays and Expenses after Improvement of Axle Temperature Detector



82	Major Environmental and Safety Indices
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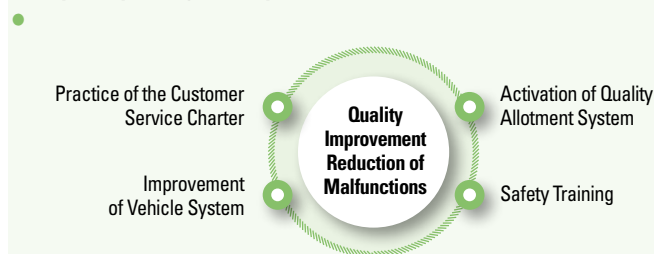
Railroad Control Center

Optimized Human Resources and Organization for Safety

World-class Quality Safety Management

KORAIL is doing its utmost to maximize efficiency in managing facilities and vehicle quality as well as its vehicle inspection performance by revising the structure of its human resources management. In particular, KORAIL's own systematic quality management is greatly contributing to the successful analysis of system failures, quality improvement, and system advancement. Based on its quality safety management, the company is emerging as a global leader of 'Low-Carbon Green Growth' by securing railroad infrastructure technology and by actively constructing an advanced system.

Quality Safety Management System



Structure of Human Resources Management for an Advanced Railroad Network

With 2020 as its target year, KORAIL is working to establish an operation plan for maintenance human resources to increase its efficiency. Moving away from labor-intensive inspection of railroad systems, the company will construct a scientific maintenance system by introducing an automated inspection and management system, while it will consign simple, repetitive tasks and specialized tasks, such as the inspection of structures, to specialist companies to increase its productivity. In particular, using the automation of inspection, including the introduction of advanced inspection vehicles, the company will improve the cycle of track patrol frequency and replace the labor-intensive inspection of train tracks located in metropolitan underground sections with automated inspection equipment. Additionally, the company is implementing an advanced, low-cost high-efficiency maintenance system by monitoring and analyzing high-speed track circuits and the operational status of the safety system in real time, using a functional detector.

Quality Management System for the World's Most Advanced Railroad

Decision-making and Automatic Inspection Systems for Advanced Track Management

The decision-making system for track management, an advanced system designed for preventive maintenance, predicts cycle and strength and determines the input of maintenance human resources, based on the analysis of track condition data. In conjunction with this system, a yet-to-be constructed system for detecting track warping and an automatic detection system for high-speed track will make it possible to monitor the condition of tracks in real time. The company will develop a preventive maintenance system at the level of advanced railroad countries by constructing an electric facility technology assistance system capable of monitoring and analyzing various types of electric facilities in real time at business sites.

Modernization, Automation, Scientification of Equipment KORAIL is aiming for world best practices in track maintenance using its advanced railroad maintenance equipment and automated inspection tasks. The company maintains high-quality facilities by fostering elite maintenance human resources and by designing advanced maintenance equipment to maximize efficiency in the changing environment, while replacing its existing labor-intensive manual-type inspection tasks with inspection-dedicated equipment, such as an infrared-light-camera-based measuring instrument, a laser-type railroad declination and height measuring instrument, and an ATC on-board signaling analysis measuring instrument. Facility data measured by such test vehicles and measuring instruments are inputted and managed via KOVIS, and cases of malfunction, accidents, and maintenance works are shared with all employees to establish a corporate-wide safety management system.

Sustainable Quality Management System With the introduction of KORAIL's quality management system in 2000, corporate-wide quality improvement activities have been expanded and operated nationwide, resulting in KORAIL receiving the President's Award for nine consecutive years. The improvement of vehicle inspection, component quality, and workplaces, and the development of testing instruments have resulted in precious time savings for customers as well as enhancing the safety and economic performance of all interested parties. In particular, the quality improvement activities led by the main headquarters have been developed into on-site voluntary quality management through training in order to strengthen task performance capabilities, while the provision of incentives for superior quality improvement and the sharing of analysis data are steadily increasing the quality of employees' performance.



●	Appendix
	Verification Report
	Customer Service Charter
	Associations and Membership Status
	GRI Index

To the readers of the 2010 KORAIL Sustainable Management Report

Preface

The Korea Management Association Registration and Assessments (KMAR) received a request from the Korea Railroad Corporation (KORAIL) to verify the 2010 Korea Railroad Corporation Sustainable Management Report (hereinafter "Report"). The administrators of KORAIL have assumed full responsibility for writing the report. The KMAR is responsible for issuing the Verification Report regarding the following information.

Independence of the Verification Procedure

With the exception of its provision of a third-party verification service, the KMAR does not have any profit interests in the business activities promoted by KORAIL and is independent from KORAIL.

Range of Verification

KORAIL must include in the Report the full details of the strategies, efforts and achievements regarding the sustainable management activities it has been promoting. The verification is written so as to provide the following to the readers.

Economic Field

To verify whether the financial data has been properly extracted from the Audit Report and Business Report of the KORAIL 2009 Individual Financial Statement, as defined in the performance and conclusion section of the Report

Environmental/Social Field

To verify whether the information regarding the following has been properly stated

- Ethical Management
- Sustainable Management System
- Stakeholder (Customers, Employees, Business Parties)
- Social Responsibility
- Environment

"Properly stated" indicates that the content of the Report properly states the actual data and original information, and that such data and information have been stated consistently and reliably. The logical verification of the economic field has been conducted using a verification methodology that is more reliable than limited verification in terms of the characteristics and depth of the performed businesses.

Standard of Verification

The verification process has been conducted by the Korea Management Association Registration & Assessments according to the standard of verification of the Korea Management Association Registration & Assessments, which was developed based on the "AA1000 Assurance Standard" of Accountability. The "International Standard on Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information" was applied as a sub-standard.

Verification Procedure and Conclusion

The Korea Management Association Registration & Assessment has verified as below the reliability of the content of the Report, the data included in the Report, and the internal process for writing up the Report as agreed upon.

- Media research relevant to the economic, social and environmental aspects of the products, activities and services of KORAIL
- Review of the system and process used to output data
- Review of internal documents and materials
- Interviews with the personnel engaged in the announced activities and performances

I, the person responsible for the verification of the Report, have on numerous occasions discussed with KORAIL the revision of the Report based on document reviews, visits to the relevant offices, and interviews, and have reviewed the final edition of the Report so as to confirm that the suggested revisions and improvements have been reflected.

- Economic Performance
The 2009 financial statements of KORAIL have been reviewed, and it is concluded that the financial performance data included in the Report have been properly extracted from the KORAIL 2009 Individual Financial Statement.
- Environmental and Social Performance
The information included in the Report concerning the environmental and social performances of KORAIL has been properly stated and no important errors have been discovered.

Suggestions for Improvements

I, the person responsible for the verification of the Report, expect the 2010 Report published by KORAIL to be actively used as a means of ensuring communication among the stakeholder, and suggest the following for sustainable improvements.

- Strengthen a connection between the Corporate Management Strategy, Sustainable Management and Road Map
- Extract important issues by collecting the opinions of the stakeholder and conduct a systematic analysis of the resolutions
- Analyze the performance and effects of the Strategy



President Park, Ki-Ho

K. H. Park



KORAIL promotes a greener life for a richer life.

KORAIL will become a corporation loved by its customers by keeping the following promises.

-
- ... KORAIL will provide railroad services that bring peace of mind to its customers.
 - ... KORAIL will carefully listen to its customers and reflect their opinions in its services.
 - ... KORAIL will devote itself to fulfilling its responsibilities as an eco-friendly corporation.
-

We, the employees of KORAIL, promise to establish a detailed service policy and to promote this policy so as to keep the abovementioned promises.

Employees of KORAIL

Domestic Memberships

- UN Global Compact Korea Network
- The Council for the Korean Pact on Anti-Corruption and Transparency
- Public Innovation Forum
- Korean Association for Public Enterprises
- Korean Society for Railway - The Korean Association for Public Administration
- Seoul Association for Public Administration
- Railroad Industrial Committee
- The Knowledge Management Society of Korea
- Korean Society of Transportation
- Pacific Asia Travel Association Korea Chapter
- Korea Industrial Technology Association
- Korea Management Association
- Korean Standards Association
- Korea Productivity Center
- Audit Innovation Forum for Public Institutions
- The Institute of Internal Auditors

International Memberships

- UN Global Compact
- International Union of Railroads (joined as a permanent member in 2003)
- Korea-China-Mongolia Railroad Exchange and Cooperation
- Korea-Russia Railroad Exchange and Cooperation
- World Congress on Railroad Research
- EURAIL SPEED (international conference on high-speed trains)
- Coordination Council for Trans Siberian Transport (International Coordinating Council of Trans Siberian Railroad, joined as a permanent member in 2003)
- Korea-Japan Railroad Exchange and Cooperation (Ministry of Land, Infrastructure, Transport, and Tourism, JR Kyushu, and JR East Japan)
- SGS Testing Korea Co., Ltd.

GRI Index

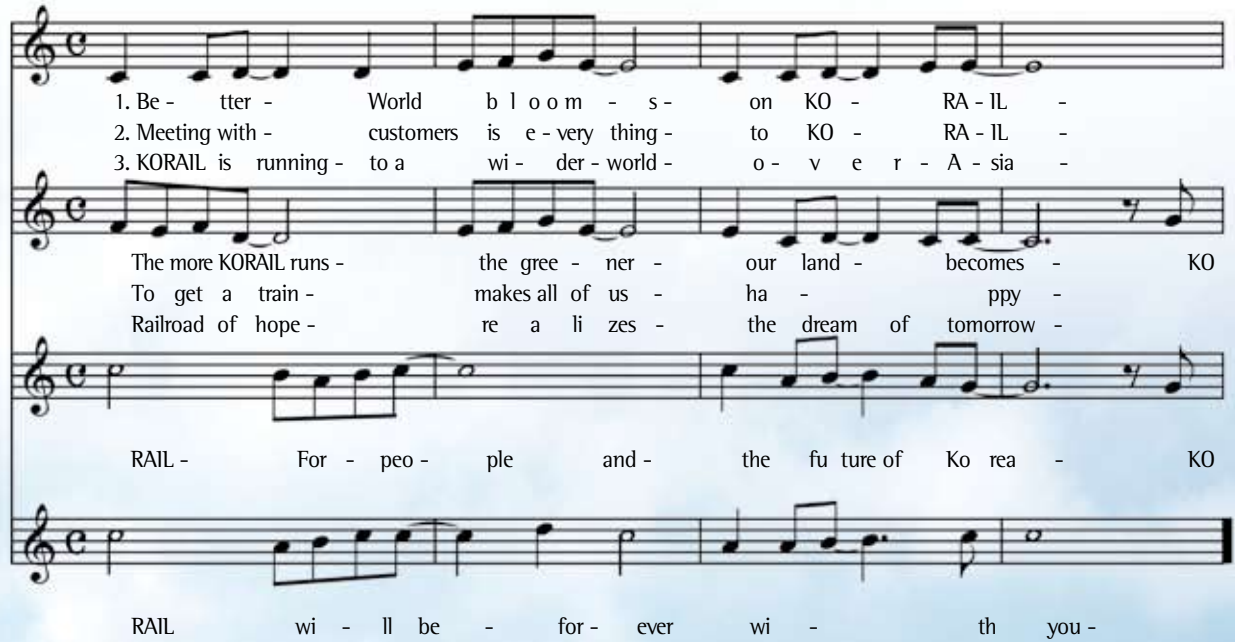
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EN9	Water sources significantly affected by withdrawal of water	○	89
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EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		not applicable
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		not applicable
EN13	Habitats protected or restored.		not applicable
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		not applicable
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HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	○	74-75
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	○	64-65, 72
HR4	Total number of incidents of discrimination and actions taken		not applicable
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	○	70-71

HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	○	64
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	○	64
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations		not available
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	○	72-75
Social: Society Disclosure on Management Approach			○ 56, 72, 74
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	○	74-75
S02	Percentage and total number of business units analyzed for risks related to corruption	○	73
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	○	72
S04	Actions taken in response to incidents of corruption	○	72-73, 74-75
S05	Public policy positions and participation in public policy development and lobbying		not applicable
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		not applicable
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	○	73, 74-75
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		not applicable
Social: Product Responsibility Disclosure on Management Approach			○ 56-57, 58, 91
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	○	57, 58-59, 60-61
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	○	58-59
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	○	58-59
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	○	58-59, 60-61, 62
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	○	59, 60-61
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	○	59
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	○	59
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	○	56, 58-59
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		not applicable
Transportation and Logistics			
LT3	Description of policies and programmes on the management of environmental impacts, including: 1) Initiatives on sustainable transportation (e.g., hybrid vehicles); 2) Modal shift; and 3) Route planning.	○	83, 84-85
LT4	Description of initiatives to use renewable energy sources and to increase energy efficiency.	○	86-87
LT5	"Description of initiatives to control urban air emissions in relation to road transport (e.g., use of alternative fuels, frequency of vehicle maintenance, driving styles, etc.)."	○	84-85
LT6	"Description of policies and programmes implemented to manage the impacts of traffic congestion (e.g., promoting off-peak distribution, new inner city transport modes, percentage of delivery by modes of alternative transportation)."	○	20, 48
LT7	"Description of policies and programmes for noise management/abatement."	○	88
LT8	"Description of environmental impacts of the reporting organisation's major transportation infrastructure assets (e.g., railways) and real estate ¹⁰ . Report the results of environmental impact assessments."	○	84-85, 88-89
LT9	Description of policies and programmes to determine working hours and rest hours, rest facilities, and leave for those driving and operating fleets.	○	68
LT10	Describe approaches to provision of facilities to enable mobile workers to maintain personal communications while working.	○	70
LT11	Description of policies and programmes regarding substance abuse (e.g., training and campaigns).	○	68
LT12	Number of road fatalities of drivers or third parties per million kilometres driven.	○	82
LT15	"Provision of logistics and transportation core competences to deliver humanitarian needs locally and globally measured in terms of: e.g., tons carrying capacity, person months; expenditure, value (fair market terms), and in kind contributions in disaster preparedness and response."	○	76-77, 78-79
LT16	Criteria for selecting recruitment and placement services. State how these criteria relate to existing international standards such as the conventions of the International Labour Organization (ILO).	○	63, 64-65
LT17	Describe measures in place to provide income security and employment continuity for workers employed/contracted repeatedly but not continuously.	○	64-65, 66

GRI Index	Explanations on Items not Reported
EC6	KORAIL has not promoted any purchase preferential policies to specific regions and has granted the same bidding conditions through its electronic notice system.
EC7	KORAIL has established overseas corporations in three countries. However, all the employees in those countries have been dispatched from Korea, and no locals have been hired so far. Thus, this matter is irrelevant
EN11, EN12, EN13, EN14, EN15	According to the Railroad Structure Reformation, KORAIL is responsible for the operation of the railroad and the Korea Rail Network Authority is responsible for managing the facilities.
EN17	At present, we are not monitoring the level of indirect greenhouse gas emissions (e.g. efforts to reduce emissions by switching from the use of private vehicles to company-provided commuter buses). We will establish the relevant mid- and long-term systems and report them to you.
EN27	As KORAIL is engaged in the service industry, it does not have any recyclable products.
EN28	There is no case of fines or violation of regulations.
HR1	KORAIL currently does not have a set rate for key investment agreements that include articles on human rights but will, in mid-and long-term, promote investment agreements that include articles on human rights.
HR4	We strictly comply with the regulations and ordinances concerning labor matters, including the ILO guidelines, when drawing up working conditions for our employees. Punitive measures have never been imposed upon us for any violation of the said matters or infringement of human rights.
HR8	KORAIL currently provides education on the Charter of Ethics and Sexual Harassment Prevention so as to protect human rights. However, KORAIL does not manage its data on the rate of security human resources. KORAIL will manage and report its performances in near.
S05	KORAIL has not announced its opinions on public policies, and has not taken part in establishing and lobbying for public policies during the period of the Report.
S06	KORAIL has not donated any national cash or goods to any political parties, politicians or relevant institutes during the period of the Report.
S08	KORAIL has neither been fined and nor received any non-financial sanctions as a result of violating any laws and/or neglecting its roles during the period of the Report.
PR9	KORAIL has not violated any laws and/or rules relevant to the supply of products and services, and has not been fined as a result of any such violation during the period of the Report.

“Oh! GLORY* KORAIL”



1. Be -tter - World b lo om - s - on KO - RA - IL -
2. Meeting with - customers is e - very thing - to KO - RA - IL -
3. KORAIL is running - to a wi - der - world - o - v e r - A - sia -

The more KORAIL runs - the gree - ner - our land - becomes - KO
To get a train - makes all of us - ha - ppy -
Railroad of hope - re a li zes - the dream of tomorrow -

RAIL - For - peo - ple and - the fu ture of Ko rea - KO

RAIL wi - ll be - for - ever wi - th you -

*Green Life Of Railway Yearning





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