



This report was printed with soy-based ink on eco-friendly paper.



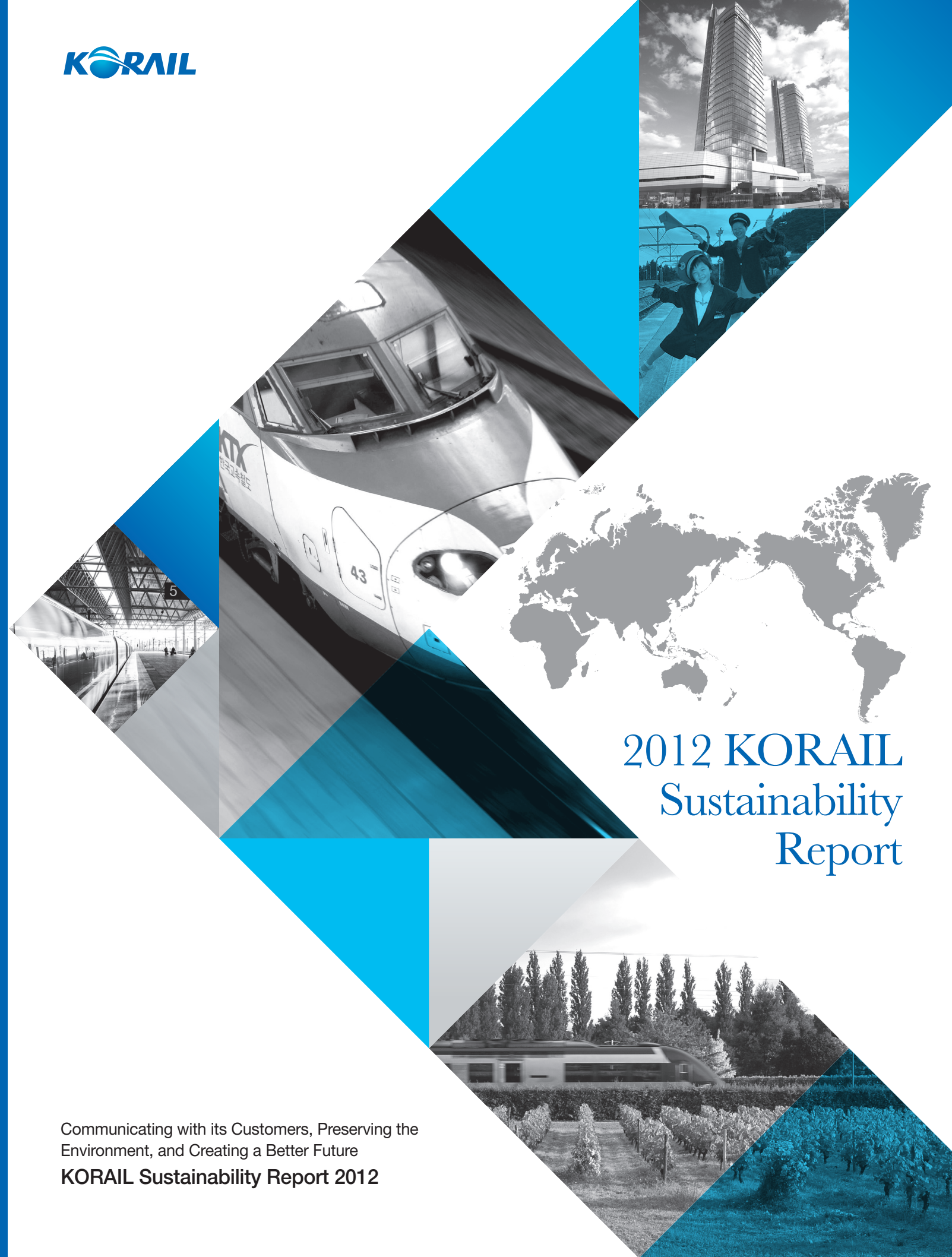
Korail



Address : Creative Innovation Department, Management Innovation Office, KORAIL,
240 Jungangno, Dong-gu, Daejeon, Republic of Korea 300-720
Telephone : 82-42-615-3203 E-mail : sustainability@korail.com



KORAIL Sustainability Report 2012



2012 KORAIL Sustainability Report

Communicating with its Customers, Preserving the
Environment, and Creating a Better Future
KORAIL Sustainability Report 2012

About This Report

KORAIL has published sustainability reports every year since 2008. The sustainability report 2012 is the fifth edition. This report discloses KORAIL's sustainability activities and performance under its vision of "communicating with its customers, preserving the environments, and creating a better future." The report also serves as KORAIL's promise of its future directions based on communication and cooperation with its stakeholders. KORAIL remains committed to becoming a public enterprise that actively builds relationship with its stakeholders.

Guideline

This report was written based on the GRI (Global Reporting Initiative) G3.1 guideline and reports about activities related to ISO 26000 core topics and the 10 top principles of UN Global Compact (UNGC). This report is about activities and performance for important issues driven from the significance evaluation, and the Korean won (KRW) is the standard currency unit.

Period and Scope

This report is about the sustainability activities of KORAIL head office and local headquarters from January 1, 2012 to December 31, 2012. Some activities of the first half of 2013, which are considered of significance, are also included.

Verification

Third-party verification was performed to increase the credibility and accuracy of the contents and data of the report. The third-party verification organization confirmed that this report is eligible for an "A+" level among the criteria in the guideline GRI G3.1.

Additional Information about the Report

KORAIL openly discloses our sustainability activities on the public announcement corner of our website. The Sustainability Reports of KORAIL have been published in Korean and English, and may be downloaded in PDF file format from the KORAIL website.

Website : <http://www.korail.com>

Address : 240 Jungangno, Dong-gu, Daejeon, Republic of Korea 300-720

Creative Innovation Department, Management Innovation Office, KORAIL

Phone : 82-42-615-3203

E-mail : sustainability@korail.com

About This Report

- 01 Contents
- 08 CEO message
- 10 2012 Sustainability News

1. KORAIL SUSTAINABILITY OVERVIEW

- 14 Company Overview
- 18 Management Value System
- 19 Governance Structure
- 22 Ethical Management
- 24 Risk Management
- 26 Participation of Stakeholders
- 30 Major Sustainability Issues

2. Customer : Customer-centered KORAIL

- 34 Customer Satisfaction Management
- 37 Special Page #1 : Cultural Experience Events at Stations for Customers to Enjoy

3. Environment : Environmentally Friendly KORAIL

- 40 Environment Management
- 48 Safety Management
- 51 Special Page #2 : Reinforcing Eco-friendly Green Business through Voluntary Participation in Carbon Disclosure Project (CDP)

4. Future : Sustainable Future for KORAIL

- 54 Management Performance
- 58 Improvement of Railroad Industry's Competitiveness
- 61 Special Page #3 : KORAIL advances into the World

5. Communication : A Good Listener, KORAIL

- 64 Employee Satisfaction
- 72 Co-prosperity with Partners
- 76 Sharing with the Local Community
- 80 Special Page #4 : Self-support Program for the Homeless, Providing Hope from Seoul Station

6. Appendix

- 82 Affiliates
- 84 ISO 26000 Compliance Diagnosis Report
- 86 3rd Party Verification Statement
- 88 GRI G3.1 / ISO 26000 Index
- 93 Status of Registered Committee and Groups / Award Records
- 94 GRI Application Level Check Statement



KORAIL makes customers happy

Relax with your family inside the train, and enjoy the sights of nature just outside the window. KORAIL works to bring happiness.

Number One in the world in punctuality and safety

99.83%
[On-time operation rate]

96.6points
[Service quality evaluation]

68.5%
[Electrification rate]

KRW 9.6 billion
[Purchase of eco-friendly products]

Eco-friendly train realizes sustainable future

KORAIL is operated as an eco-business by reducing
greenhouse gas, conserving energy, and building green tracks.
KORAIL is working towards creating a sustainable future.





Spurred by dreams, KORAIL heads toward the future!

KORAIL is constantly getting closer towards realizing a better future, growing and advancing as a world-class company. →

KRW 7.4 billion
[Revenue from overseas projects]

KRW 62.5 billion
[R&D investment]



CEO message



KORAIL has established a new vision in April 2012 to become a company that “communicates with its customers, preserves the environment, and creates a better future.” With the vision, we have reinvented ourselves as a public enterprise that actively communicates with stakeholders to satisfy the people, who are the owners of the railroads, and lay the foundation for sustainable growth.

As part of the effort to realize the vision, we have modified our mid- and long-term management strategy by reinforcing our tasks to serve public good. We have also strived to become the “world’s best railroad operator loved by the people,” with all our employees being the core driving force.

Dear stakeholders,

Realizing a safe and green railway

We have focused on providing a better service for the people and restore public confidence in rail safety. As a result, we have accomplished the world’s highest level of safety with an accident rate of 0.046/million km in 2012. The failure rate of KTX also dropped by 23.4% compared to the previous year.

As part of an effort to ensure a level of safety that meets international standards, KORAIL received an assessment of its safety management system by an internationally recognized certification organization, which confirmed that KORAIL complies with international practice on safety management systems. We also operate the Human Error Research Committee, which determines the root causes of human errors through scientific research and analysis and comes up with comprehensive and customized solutions. Moreover, we have become the first railway operator in the world to restore damaged aluminum train cars, obtaining the technologies necessary to carry out train repairs on our own. We have been selected as a company with strong competitiveness in quality by the Ministry of Trade, Industry and Energy for 10 years in a row.

Expanding overseas business

Despite the recent global economic crisis, KORAIL have made concerted efforts to lay the foundation for sustainable growth by focusing on growing promising businesses and securing a competitiveness edge in our new business areas.

Notably, we have reinforced our overseas business organization and international network, as the size of the global railway market is expected to expand to 202 trillion won by 2017 with an increasing investment from developing countries. Based on our strengthened competitiveness, we secured KRW 32.5 billion worth of orders from 15 overseas projects in 2012.

Securing cutting-edge technologies

With an aim to enhance its competitiveness in the international market, KORAIL is actively participating in the national R&D initiatives to localize core railway technologies and continuously expanding its R&D investment. We have secured core railway technologies and successfully developed local technologies, which culminated in the introduction of TOPS, a world-class train operation system. Our effort to secure state-of-the-art technologies have contributed to improving our management performance and expanding business opportunities in the domestic and international railroad markets.

Co-prosperity through cooperation

KORAIL continues to strengthen its competence through cooperation with

diverse stakeholders to move beyond being just a transportation company and develop into a more diversified and global company. We have expanded our business areas by collaborating with local governments and our affiliates. We have strengthened the competitiveness of the railroad industry through technology cooperation with SMEs, and supported SMEs to grow into global and specialized organizations.

Furthermore, we have provided practical assistance for the underprivileged, including the lower class, people with reduced mobility and the homeless, continuing to fulfill our roles in local communities through programs such as the Virtuous Cycle of Homeless Rehabilitation program. We will continue to take the lead in the pursuit of co-prosperity by expanding our communication with stakeholders.

Harmony between labor and management

Through cooperative efforts between labor and management, we have concluded collective agreements with no strike or lockout in the process for three years in a row. We have built a framework of mutually beneficial relationship between labor and management based on active communication between all stakeholders. We have also firmly established the practice of fair treatment for all employees. Furthermore, as part of an effort to make our employees’ lives more stable and happier, we have expanded flexible work hours and the support program for the retirees.

Eco-friendly transportation

KORAIL has complied with the government policies on reducing greenhouse gas emissions and introduced a mock emissions trading system in preparation for the planned introduction of the emissions trading system in 2015. We have obtained a carbon footprint certificate for our logistics business and the KTX Seoul-Busan, Gyeongchun and Sangbong-Chuncheon lines. We also received 28 environmental awards in 2012 for our eco-friendly management initiatives, including energy conservation and proactive environmental preservation activities.

KORAIL’s sustainability activities will grow further with interest and cooperation from our stakeholders. Always communicating with our stakeholders, we will remain committed to providing public good and strengthening our competitiveness in the international market.

Thank you.

CEO Choi Yeonhye
KOREA RAILROAD CORPORATION

최연혜

2012 Sustainability News



01

New vision of KORAIL : Communicating with its customers, preserving the environment, and creating a better future

KORAIL's vision was newly declared in April 2012. It expresses our will to become a people's company which satisfies its customers and fulfills social responsibilities through ceaseless efforts and communication with customers, working to improve the environment and the future to create new values.



02

KTX ridership surpasses 300 million

The number of KTX users was 19.8 million in 2004 when it was first opened, and the accumulated number of users exceeded 100 million after 3 years and 1 month. This number surpassed 300 million on February 21, 2012.



03

Launch of the ITX-Cheongchun

In February 2012, the ITX-Cheongchun train was launched, connecting the center of Seoul to famous tourism sites in Chuncheon without any traffic jam. The number of passengers has continuously increased through marketing linked to tourist attractions around the Gyeongchun line, and 366 million people used this line in 2012.



04

World's best in safety and on-time operation rate of the KTX

KORAIL was rated no. 1 in the world in 2012 UIC (International Union of Railways) for safety and the on-time operation rate of KTX.



05

Peaceful execution of the collective labor agreement for the third consecutive year

KORAIL has established a foundation for co-prosperity between labor and management with non-dispute collective agreements for three years in row. We were able to successfully avoid labor disputes through active dialogue and cooperation.



06

Grand Prize for Communication Culture in Korea Internet Communication Awards 2012

KORAIL was awarded the Grand Prize for a public organization in the area of "Communication Culture" at the 2012 Korea Internet Communication Awards. This follows KORAIL winning the Grand Prize in the area of "Public Company" in the 2011 Korea Internet Communication Awards. These accomplishments prove that we have secured competitiveness as a public organization that effectively communicates with customers.



07

Helping the homeless support themselves... Selected as an excellent case of an advanced public organization

KORAIL's "Homeless Self-support Virtuous Circle Program" provides jobs to the homeless, helping them to advance from the position of cleaner to transportation exchange helper. This program was selected as an excellent case in the advanced public organization's customer satisfaction area by the Ministry of Strategy and Finance.



08

KTX was selected as "2012's Green Product"

KTX's transportation service from Seoul to Busan was selected as "2012's Green Product", and KORAIL is the first public organization to receive such high results in its excellence evaluation by consumers in the area of eco-friendliness, differentiated productivity, and communication with customers.





KORAIL *SUSTAINABILITY* *OVERVIEW*

Communicating with its Customers,
Preserving the Environment,
and Creating a Better Future

Disclosure on Management Approach in Social Area

Strategy and direction of process

KORAIL has set up special measures on anti-corruption and ethical management plans in 2012 to become a reliable and people-centered company, actively implementing them according to the strategy roadmap for ethical management. We are reinforcing an ethical management infrastructure to improve integrity and promote practical programs that will internalize ethical management.

Monitoring

We operate a monitoring system for ethical management at all times: it includes mobility inspections and especially focuses on possible scenarios in which employees may be more susceptible to corruption. We are improving ethics and integrity activities through regular in-house integrity and clean-call monitoring and use all of the integrity results of the Civil Rights Commission and KoBEX SM results by the Ministry of Trade, Industry, and Energy as our major performance index.

Department in Charge

Audit & Inspection Office-Audit Planning Department, Management Innovation Office-Creative Innovation Department

Major performance

- | | |
|--------------------|---|
| Major performances | <ul style="list-style-type: none">• Civil Rights Commission total integrity rate 8.62 points (0.06 increased compared to previous year)• 100% on time construction rate• KoBEX SM 96.3 points (AAA levels 4 years in a row) |
|--------------------|---|

Company Overview



Headquarters

KORAIL strives to provide a better life and brighter future to citizens with our high quality railway service. We pursue the development of the railway industry for our customers, environment, and future. We hope to revamp KORAIL into the best total transportation service company in the world, earning the love of the citizens as we continuously create new values through communication.

About the company

KORAIL is leading the railway industry, developing an eco-friendly railway network as the center of future transportation to help strengthen the economy. According to the June 2013 statistics, we are currently operating 663 stations and 92 railroad lines. We operated trains 3,220 times per day on average in 2012, transported 37,412 million passenger-kilometers, and transported 40 million tons of freight.

General status

(As June 2013)

Company name	Korea Railroad Corporation (KORAIL)
Establishment	September 1899 (Establishment of Korea Railroad Corporation: Jan. 1, 2005)
Headquarters	240 Jungangno Dong-gu, Daejeon
CEO	Choi Yeonhye
Organization	[Headquarters] 6 HQs, 8 offices, 4 divisions, 61 departments [Departments] 20 affiliated departments, 12 regional headquarters
Total assets	18 trillion 367.5 billion won
Total liabilities	14 trillion 835.5 billion won
Revenue	2 trillion 163.3 billion won*

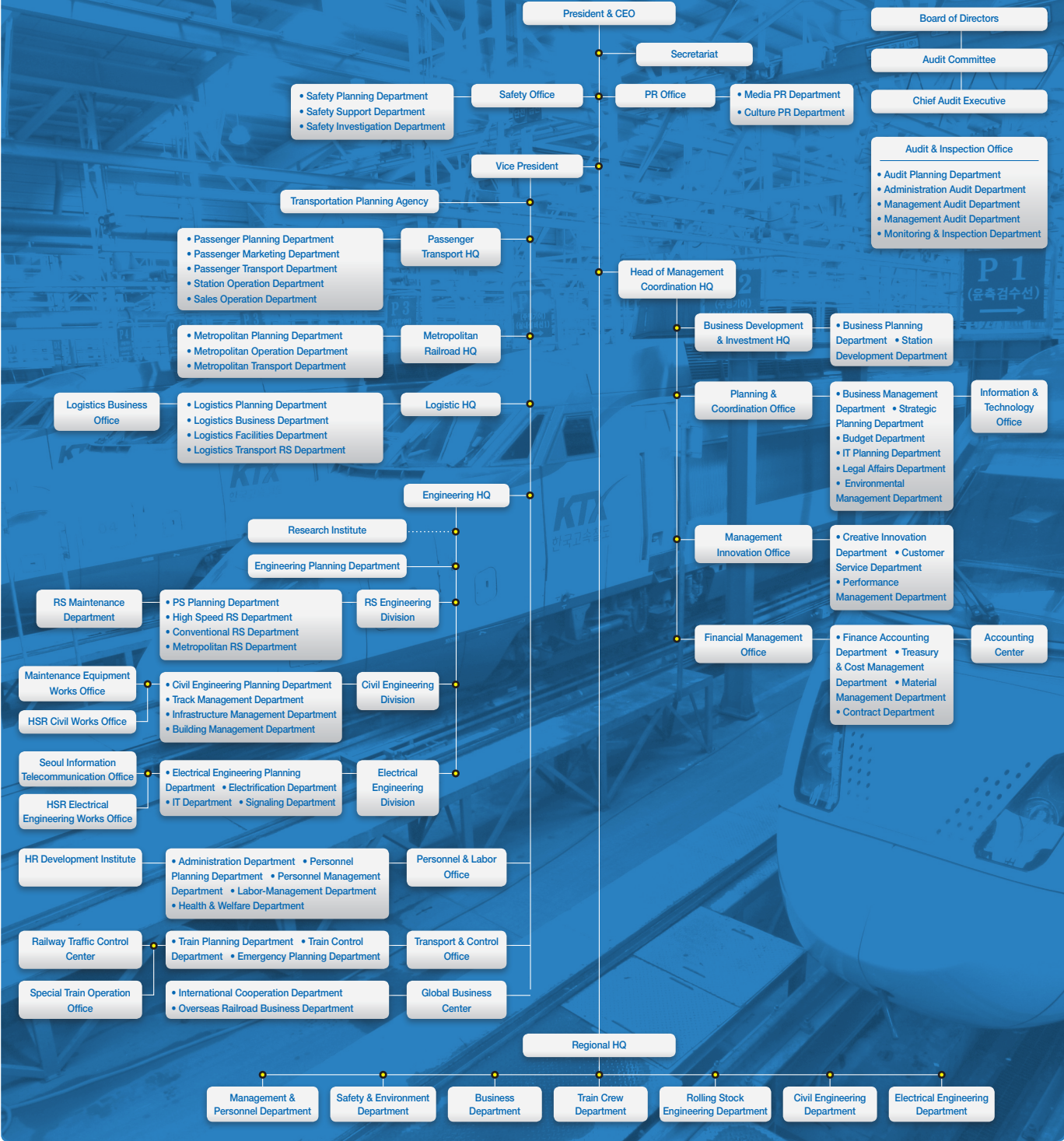
* Revenue stands at 4 trillion 815.3 billion won as of Dec. 31, 2012.

Revenue and facilities

Rail distance	3,583.7km (Double-track lines: 1,982.4km (55.5%), Electrified lines: 2,445.3km (68.2%))
Track distance *	8,499.0km (Main line: 6,430.8km, Side line: 2,069.1km)
Number of train cars	18,198 cars (KTX 1,160 cars)
Number of station	663 stations (342 ordinary stations, 68 whistle stops with station attendants, 214 whistle stops with no station attendants, 2 switchyards, 37 signal boxes)

* Sum of total track length, including main lines, side lines, and entrance lines. (The length of a double or quadruple line has been calculated by doubling or quadrupling the length of a single line.)

Organization



Shareholders

KORAIL is a publicly owned company which was established to provide railroad passenger and freight transportation services. All our business activities are performed under the laws and commercial laws regarding the operations of public organizations. The company's capital in 2012 was 9 trillion 582.7 billion won, which is 100% government owned.

Affiliates

KORAIL has established six affiliates to develop a new force for growth, diversifying business and securing highly specialized professional experts with business specialties. We are redefining core business with our affiliates, expanding and making advancements with related businesses as we maximize revenue growth.

Company name	Share (%)	Capital (100 million won)	Main business
KORAIL Retail Co., Ltd	100.00	20	Distribution retail
KORAIL Logistics Co., Ltd.	92.1	77	Railroad logistics
KORAIL Tourism Development Co., Ltd.	51.0	20	Tourism and service in trains
KORAIL Networks Co., Ltd.	89.5	72	Labor communication, parking lots
KORAIL Tech Co., Ltd.	97.3	19	Construction and repair of railroads
KORAIL Airport Railroad Co., Ltd.	88.8	2,700	Airport train

Overseas office

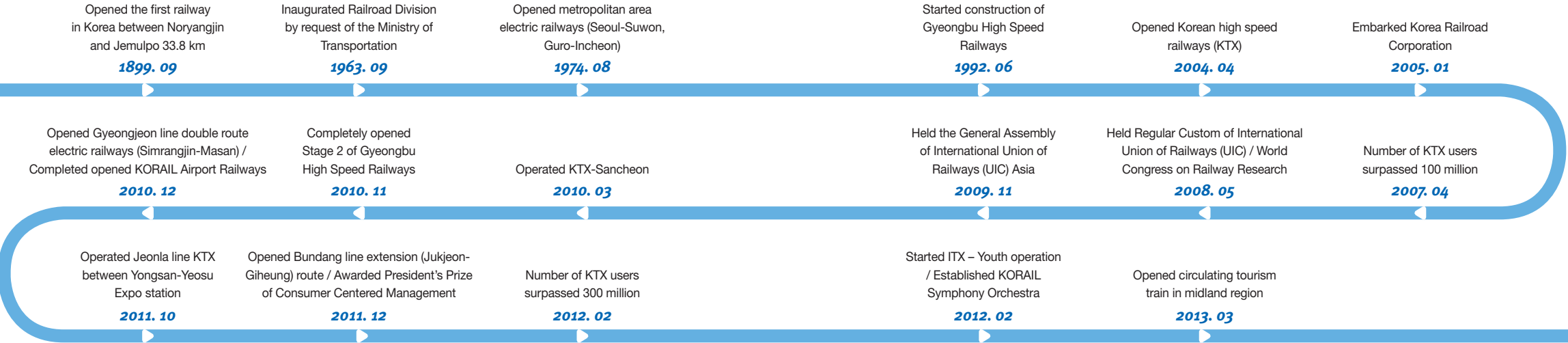
Our overseas office collects and analyzes information on advanced foreign railways policies and services and establishes networks with railways operators and related organizations. Our overseas office is in Paris, France, where we support technical and training exchange with SNCF(France National Railway: Société Nationale des Chemins de fer Français) and procure KTX parts.

Affiliates



Overseas Office Address
14, rue Mademoiselle 75015 PARIS, FRANCE

History



About our business

KORAIL is operating transportation businesses such as passenger service, wide area railway service, and logistics service. The company is also advancing business diversification, adding non-transportation businesses, overseas business, and technology business.

	Passenger <ul style="list-style-type: none">Passenger transportation via high speed train (KTX) and general trains (Saemaeul, Mugunghwa, Nuriro, and commuting trains)228 stations (stop 41 KTX)	Track length KTX 368.5km, general train 3,215.2km Daily trip KTX 230 times, general train 391 times (Saturday basis) Transportation volume per day KTX 38 million passenger-km, general train 22 million passenger-km Transport volume KTX 14,083 million passenger-km, general train 8,029 million passenger-km Revenue KTX 1,506.5 billion won, general train 638.2 billion won
	Metropolitan railroad <ul style="list-style-type: none">Express subway trains crossing two or more cities or provinces12 lines, 223 stations	Track length 517.2km Daily trip 2,500 times (electric locomotive 2,456 times, ITX 44 times (on weekdays)) Transportation volume per day 42 million passenger-km Transport volume 15,300 million passenger-km Revenue 676.2 billion won
	Logistics <ul style="list-style-type: none">Providing total logistics services including unloading, warehouse, KTX express delivery, international logistics arrangements, and railroad transportation.127 freight stationsDeveloping large sized logistics complex (Shintanjin, Hanam, Susaek)	Track length 3053.2km Daily trip Freight train 289 times (weekdays end of month during peak season basis) Transportation volume per day General freight 17 million ton-km, Container 11 million ton-km Transport volume 10,271 million ton-km Revenue 353.7 billion won
	Diversified business <ul style="list-style-type: none">Providing diverse life services linked with railroadsAsset development businessTourism businessOverseas business	Advanced to overseas business Obtained 15 cases worth 32.5 billion won of business Revenue 146 billion won

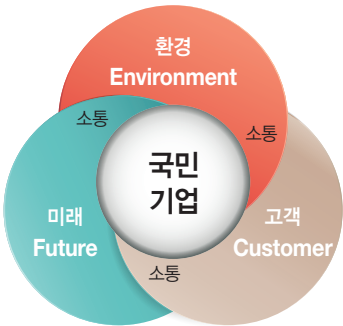
Management Value System

KORAIL has established a new vision and business policy that focuses on people in April 2012, following the business policy of the president, who takes the role of publicly owned company very seriously. We strive to realize people's happiness, protect the environment, and achieve continuous growth for the railroad industry. Our goal is to be revamped as the best total transport service company in the world, loved by the citizenry for creating new values.

KORAIL, a Company that Communicates with its Customers, Preserves the Environment, and Creates a Better Future

KORAIL's goal is to provide a better life and future for people, protect the natural environment, and realize continuous growth for the railroad industry. Our new vision drives us as we become a people-centered company that fulfills our social responsibilities of a public enterprise. We strive to satisfy citizens through ongoing communication, diligent efforts, and the creation of new values.

Vision of KORAIL



Vision and strategy structure

Vision						
Communicating with its Customers, Preserving the Environment, and Creating a Better Future						
Business policy	Customer-orientated	Social responsibility	Creative innovation	Manpower management		
Strategy direction and 12 strategies	Increase service for people's convenience <ul style="list-style-type: none">Customer satisfactionManagement efficiencyReinforcing railroad transport business	Realizing green safe railroads <ul style="list-style-type: none">Reinforcing absolute safety systemCo-prosperity of labor and managementRealizing ethical environment management	Increase service for people's convenience <ul style="list-style-type: none">Advancing business diversificationOptimization of affiliates' businessOptimization of technology business	Leading cutting-edge operation technology <ul style="list-style-type: none">Cultivating talented manpowerSecuring core technologyPerformance - centeredEstablishing responsibility management system		
Management goal (year 2020)	Public Service Customer Satisfaction Index (PCSI) 99.1	Train accident rate 0.055 / million km	On time running rate / 99.9%	Operating profit 4.7%	Raising 540 core talents	KoBEX SM score 97.0 AAA level

Mid to long term strategy direction and management goal

In July 2012, we established 4 strategy directions and 12 major strategies to reinforce our public role. We've accordingly adjusted our mid and long term strategies, as well as reinforced public strategies and people-centered tasks. We at KORAIL are striving to accomplish our challenging business goals by unifying our foundation purpose, mission, vision, and management policies and improving our management value system. In 2012, we set and processed major tasks such as "Reinforcing safety management and reliability to people", "Carrying out advances into overseas railroad markets", "Normalization of Yongsan station area development business", "Job creation and expanding open recruitment", and "Co-prosperity with small and midsize companies"

Strategy directions and management goals

4 major strategies	Management goals (year 2020)	Direction of progress
Convenience of people Increase service	- Customer satisfaction rate 99.1 point - Operating profit rate 4.7%	- Best level of satisfaction rate as publicly owned company - Establish 1.6%p actual goal per year
Realizing green safe railroads	- Train accident rate 0.055 cases/1 million km - On time running rate 99.9%	- Global top level - Maintain the goal as global top company
Expanding future growth power	- KoBEX SM 97.0 point AAA level	- Maintain AAA best level external evaluation
Leading cutting-edge operation technology	- Train 540 core talents	- Train 60 core talents per year within the company



Vision declaration ceremony

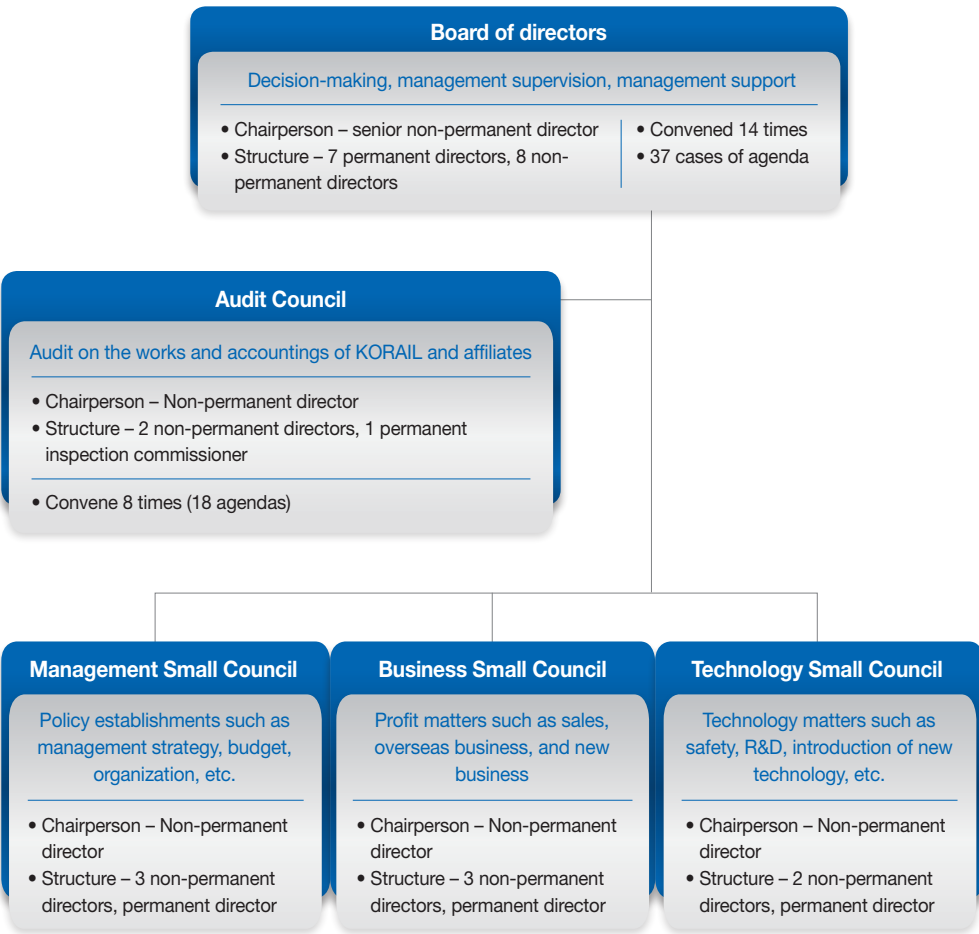
Governance Structure

KORAIL's board of directors is the top decision making organization for economic, social, and environmental issues, and is ultimately responsible for reviewing and resolving them. The board is reinforcing its checking function by expanding the role and influence of non-permanent directors by promoting their participation in management. In particular, the non-permanent directors' field management activities contribute to management improvements including increasing interests and reinforcing field communication in the railroad industry.

Structure of board of directors

KORAIL's board of directors consists of 15 members, including seven permanent directors with a representative director, and eight non-permanent directors. The senior permanent director assumes the role of chairman to secure independence for this governance structure. An audit council reinforces the checking function of management. The board of directors also has specialized small councils with experts in the railroad industry to solve management issues.

Structure of board of directors



Board of directors' meeting

KORAIL SUSTAINABILITY
OVERVIEW

Board of directors

Classification	Name	Sex	Position
Permanent directors*	Choi Yeonhye	Female	CEO
	Sohn, Chang-wan	Male	Permanent inspection commissioner
	Paeng, Jung-goang	Male	Vice President
	Kim, Bok-hwan	Male	Head of overall management
Non-permanent directors	Kim, Young-seob	Male	(Present) Advisor of Taepyeongyang Law Firm
	Kim, Ju-seob	Male	(Present) Advisor of Hanyoung SDS
	Han, Myung-cheol	Male	(Former) Chairman of Gangseogu(eul) Grand National Party
	Ham, Dae-young	Male	(Former) Aviation Safety Management Officer of the Ministry of Construction and Transportation
	Yu, Jae-heung	Male	(Former) Brigade Commander of the Army Information Headquarters
	Kim, Hee-jung	Male	(Present) Editor of Seoul Economy News
	Kim, Hyeon-cheol	Male	(Present) Professor of Seoul National University Graduate School of International Studies
	Choi, Yun-cheol	Male	(Former) President of Dongil Total Architecture Co., Ltd.

* 3 vacancies of 7 permanent directors

Election of directors

KORAIL thoroughly observes “Article 25 (Election of executives at public organization) of the Law of Public Organization Operation” and the internal operation regulation of the Executive Recommendation Committee. The president is appointed by the President of South Korea through recommendation by the Minister of Land and Transportation after multiple (3-5 times) nominations by the Executive Recommendation Committee. The permanent inspection commissioner is appointed by the President of South Korea through recommendation by the Minister of Strategy and Finance after multiple (3-5 times) recommendations by the Executives Recommendation Committee. In addition to the president and permanent inspection commissioner, the President of South Korea appoints permanent directors. Non-permanent directors are recommended by the Executive Recommendation Committee multiple times (3-5 times), undergo review and resolution by the Public Organization Operation Committee, and appointed by the Minister of Strategy and Finance. The nominees recommended as executives were elected through 100% open recruitment in 2012 to reinforce transparency and fairness. Furthermore, experts in finance accounting, construction transportation, administration, management, and media were appointed as non-permanent directors.

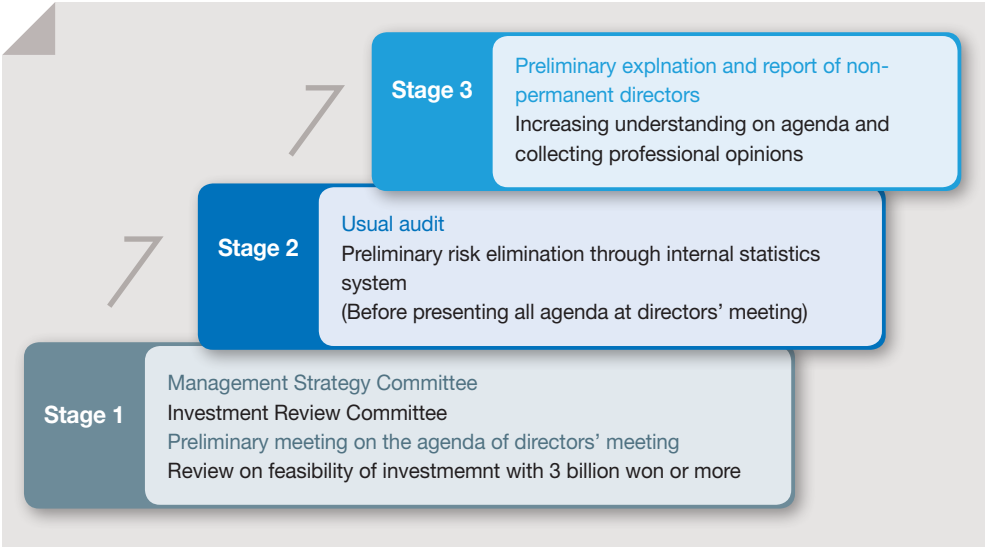
Board of directors’ activities

In October 2012, the operation regulation of board of directors was revised to reinforce finance management and fast decision making with effective operation. The directors’ meeting is regularly held once per month, and additional written and temporary directors’ meetings were convened in 2012 for a total of 14 meetings. Before the directors’ meeting, the preliminary review system is processed by stage to reinforce review of the agenda. The non-permanent directors’ meetings became a regular task carried out before the directors’ meeting, and attendance by management was eliminated to reinforce the non-permanent directors’ checking function. Access to information and understanding of agenda by non-permanent directors was increased to give them more opportunities to speak at meetings. KORAIL increases non-permanent directors’ understanding on domestic and overseas railroad system and activates field management activities and opinions to strengthen their roles. In particular, their management opinions are actively reflected in policy. The attendance rate of non-permanent directors at the directors’ meetings was 97.85 percent in 2012.



Community of KORAIL's directors

Preliminary review by stage



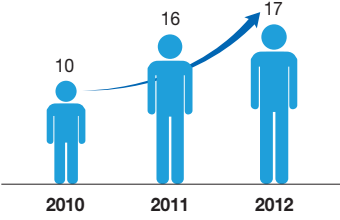
Operation performance of directors’ meeting

Classification	2010	2011	2012
Preliminary review rate (%)	100	100	100
Revised resolution agendas (no. of agenda, %)	3 (8.8)	3 (6.7)	7 (18.9)
Attendance rate at directors’ meeting (%)	95.9	97.1	95.6
Attendance rate of non-permanence directors (%)	96.6	96.8	97.8
Speaking participation rate of non-permanent directors (%)	56.4	55.9	57.4
Management advice by non-permanent directors (number of times)	7	8	11
Management recommendation by non-permanent directors (case)	9	24	17
Reflecting rate of management recommendation (case)	3	10	16

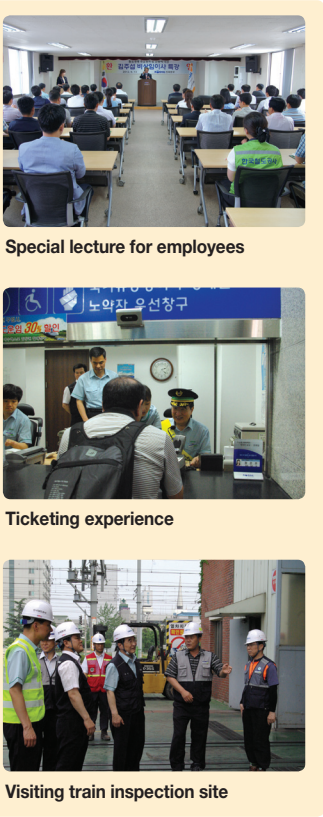
Evaluation and compensation

Evaluation of the head of the organization or permanent inspection commissioners is conducted for their management contract implementation and performance of their work during the year under the “Law of Public Organization Operation”. Their compensation is finally decided by resolution at the board of directors’ meeting in observation of the related laws and regulations. Compensation of the head of the organization is awarded in grades within the range 0-200% of the basic wage according to the evaluation result of management contract. Compensation of the permanent director is given according to separate management performance evaluation results and standard set up by the president, as well as public organization management performance, and is within 100% of the basic wage. Non-permanent director’s performance is evaluated if required by the Minister of Strategy and Finance according to the “Law of Public Organization Operation”, and his or her reappointment is decided according to the result. Moreover, the wage of non-permanent director is given according to internal regulations.

Performance of field management
performance (Unit : number of times)



Field management activities of
non-executive directors



Ethical Management

Mid and long term ethical management strategy roadmap

Before 2011

- Establishment and maintenance of ethical management system

Expanding infrastructure for ethical management

2012~2014

- Sophistication of ethical management system
- Innovation of ethical management awareness
- Leading ethical management of publicly owned company

Developing KORAIL style ethical management

After 2015

- Implementing and leading global norms
- Realizing sustainability

Global ethical management



Audit information system

Ethical management system

Plan

Establish the master plan for KORAIL's ethical management

Do

Set up the goal by core areas and implement action

CHECK

In-house diagnosis of KoBEX SM/Ethical level Evaluation on integrity rate and anti-corruption competitiveness

Act

Internal and external official announcement through publishing sustainability reports, etc. Operate "Clean Call" and special integrity activities

KORAIL understands that ethical management is the basis of earning trust from customers and developing the company. We are therefore focusing on building an upright organization culture. KORAIL has created an effective ethical management system in 2012 with the goal of achieving the top integrity rate. We at KORAIL strive to establish an ethical corporate culture by actively promoting participation programs for maintain and improving ethics.

Ethical management system

KORAIL endeavors to accomplish our vision of ethical management, living up to the slogan, "KORAIL, a reliable and people-centered company that is loved by the people", based on strong ethical management leadership and active staff participation. We manage our ethics through KoBEX SM, ethical management check system, integrity rate of manager, anti-corruption competitiveness evaluation, and total integrity rate. We would like to lead global ethical management after 2015 by improving our advancements in KORAIL style ethical management according to the strategy roadmap.

Strengthening basis of ethical management

KORAIL is expanding our ethical management organization and continuously improving ethics norms and systems for implementation. In 2012, we revised the content and standards of our ethics principles and code of conduct, reinforced the obligation of integrity education for overseas operation and management regulations, and strengthened practical powers related to ethical management. Moreover, all our staff made integrity pledges to work with an ethical awareness. In case a staff member violates the integrity pledge related to the contract, his or her labor contract would be canceled under the institution for integrity culture. In addition, a local audit agency was established in 2012 for regular inspections to find corruption and vulnerable areas in five districts. There were only 39 semi-inspection commissioners was 39 in 2011, but this number increased to 386 to support anti-corruption and integrity activities independently by department.

System improvements to prevent corruption

Classification	Major content
Prevent unfair receipt of education fund	<ul style="list-style-type: none">Concluded information sharing agreement with Korea Scholarship FoundationExcludes applicants that receive education funds from other organization
Prevent private use of flight mileage	<ul style="list-style-type: none">Establish computation system of flight mileage and manage individual's pointsObligatory submission of mileage upon returning from business trip
Prevent budget waste in using company railcar	<ul style="list-style-type: none">Specify the range of using exclusive railcar and disclose operation statusAdhere the organization's logo on company railcar to prevent personal use
Improve contract and procurement works	<ul style="list-style-type: none">Expanding blind assessment and disclose results by areaExcludes special forms to solve the problem of entry barrier, etc.

Promoting ethical and integrity culture

Internalize ethical culture

KORAIL implements interesting and friendly programs for employees to naturally practice ethical culture. We have given ethical management quizzes since April 2012 and provide gifts every month through raffles. The gifts are donated to poor children in the winning employee's name. Moreover, our employees publish a webzine, "Ethical Management Story" to spread the management staff's message about ethical management.

The newsletter shares outstanding cases and trends of ethical management cases inside and outside the company, and includes an expert's column, UCC by employees, or web cartoons to naturally expand ethical culture in the workplace.

Ethical management quiz

Message on ethical management by the executives

Ethical management story

Customized ethics education

All our employees take integrity training to promote awareness of integrity and ethics. Level 2 or higher staff take 6 hours of training or more while Level 3 or lower staff take 5 hours. In 2012, the effectiveness of training was enhanced with field-centered and customized training. Each staff member took 13.9 hours of integrity training. In particular, 293 staff members in human resources, budget, accounting, and contract work in vulnerable areas took special training. Special lectures by anti-corruption experts were held 25 times, and a total of 2,045 staff members participated in anti-corruption training.

Monitoring and feedback reinforcement

We are improving our around-the-clock monitoring system of ethical management and actively reflect feedback as we strive to become a reliable and people-centered company. KORAIL surveys the recognition level of ethics of employees through an ethical management check system each quarter and collects feedback. The around-the-clock monitoring system and Corruption Expulsion Center prevent possibilities of corruption in advance. In particular, we use the One-Strike Out system to strengthen punishment on corrupted officials to create an upright and ethical organizational culture.

We at KORAIL maintain excellent results in ethical management, as assessed by external organizations, through our efforts and practices. In 2012, we earned 96.3 points in KoBEX SM by the Ministry of Knowledge Economy, which is 4.4 points higher than the average of 91.9 points for public companies, and qualified for Level AAA for four years in a row.

Performance of ethical management

Classification	2010	2011	2012
Civil Rights Commission Total Integrity Rate (points)	8.90	8.56	8.62
Civil Rights Commission Anti-corruption Competitiveness Assessment*	Excellent	Excellent	Excellent
Integrity rate of manager (points)	9.86	9.88	9.85**
Clean Call monitoring	9.45	9.59	9.69

* Name changed from Corruption Prevention Policy Assessment in 2011.

** The subject of investigation was expanded from Level 2 to Level 3 (head of station and head of division) in 2012.



Activities by permanent inspection commissioners

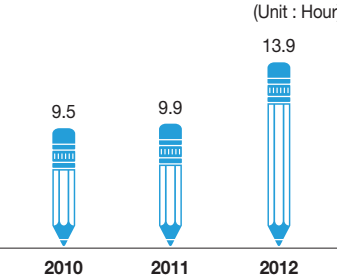


Integrity activities of college students

Ethical training

Classification	Course
Customized	Integrity expert training
	Special training on vulnerable area in corruption
	Expansion of professional training commissioned to Anti-corruption and Civil Rights Commission
	Life cycle of public servant
Field centered	Integrity room for standing auditors
	Integrity school at your field
	Cyber integrity ethics training
Common	Special lecture by external anti-corruption specialist
	Work training at KORAIL's Human Resources Development Center

Hour of integrity training per staff



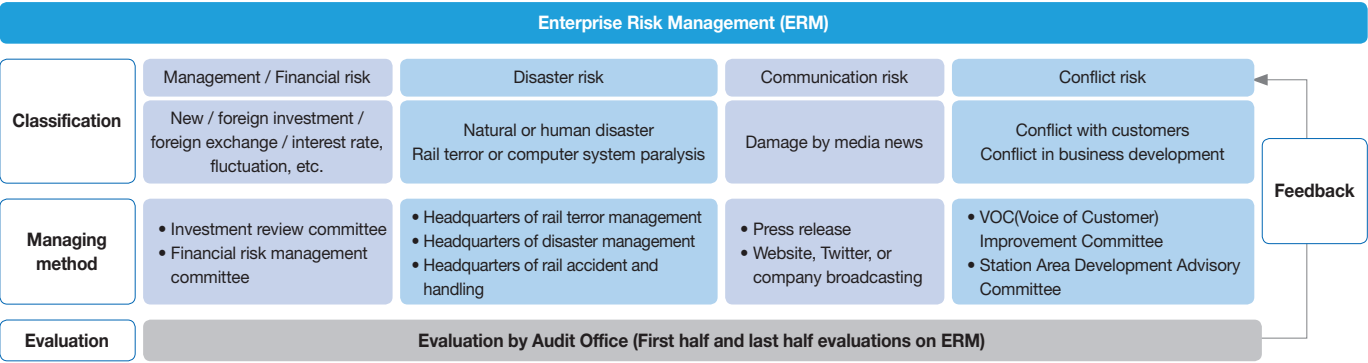
Risk Management

KORAIL is preventing risks in management by effective handling of financial and non-financial risks through the Enterprise Risk Management (ERM). In particular, we are strengthening training for emergencies and continuously supplementing crisis management manuals.

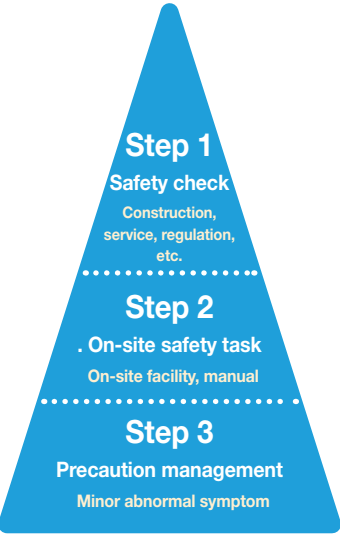
Risk management system

KORAIL is preventing risk factors through enterprise-wide risk management of management/finance crisis, natural disaster, communication crisis, or conflict crisis. The Planning and Coordination Headquarters manages by following the manual according to risk type, and the management status is assessed by the Audit Office twice a year. Due to the evaluation results in 2012, we reestablished the work of the risk management department and strengthened cooperation with the field departments as part of our short term plan. In the long run, we will reinforce risk management training and implement mock training.

KORAIL's enterprise-wide risk management



3-step precaution safety management system



Management / Financial risk management

We prevent and inspect management risks through “Manrigyeong (telescope)”, an around-the-clock monitoring system. We check matters including safety, management, technology support, budget and accounting, purchase contract, human resources, and profit and orders to take corrective measures in response to violations. In 2012, we conducted a special audit on 140 factors, took administrative measures for 589 cases, and saved 42.7 billion won in the budget. Moreover, we reinforce measures for expected scenarios involving future financial risks and manage five major financial risks including foreign exchange, interest rate, credit, liquidity, and fund raising.

Disaster risk management

KORAIL is managing disaster risk through focused inspections of high risk facilities. We implement joint training with related organizations for emergencies such as natural disaster, train fire, or terror and establish actual risk measurements by reflecting identified problems into related company regulations and our crisis response manual. In particular, we strengthened our response to train accident situations to the crisis response level. We redefined specific procedures and reinforced the professionalism of the staff in charge. In order to establish the passenger priority rescue system, we developed the emergency response scheme through joint rescue

training with the police, fire department, and related organizations inside Geumjeong Tunnel, and established the passenger on-site support system through organizing an emergency response team at major stations for the high-speed train. KORAIL has continuously reinforced disaster management and qualified for Level “A” in the disaster management evaluation of the national infrastructure system for three years in a row.

Status of emergency response training

Classification	Training	Frequency	Note
Natural disaster	Prepare for derailment accident due to typhoon or earthquake	9 times	Joint training with related organization
Train fire	Prepare for fire accident inside a tunnel (Geumjeong, etc.)	7 times	
Terror	Prepare for bomb threat at underground area (Daehwa station)	8 times	
Blackout	Prepare for blackout at train station (119 stations)	126 times	Training within KORAIL

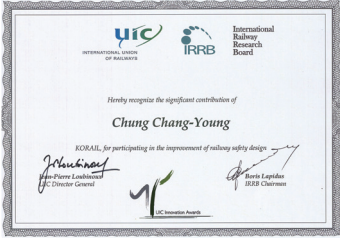
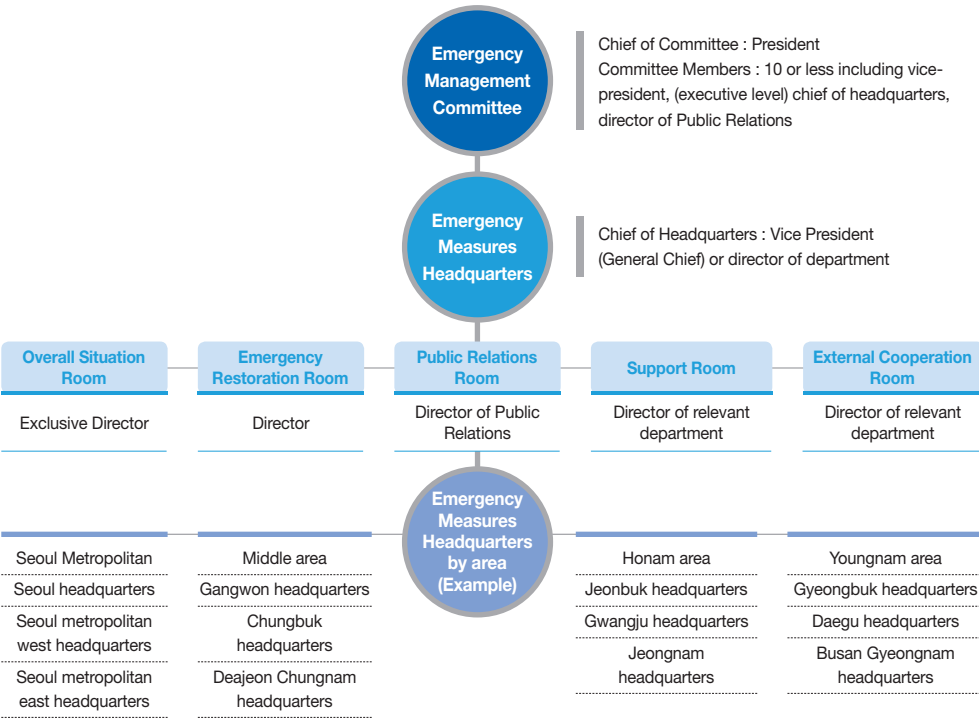


Geumjeong Tunnel KTX emergency response training

Safety risk management

KORAIL fundamentally negates risk factors through handling minor matters which are not reported as well as major projects. We are eliminating risk factors through mandatory safety inspections from the planning stage of major businesses such as construction or service. Moreover, on-site staff members identify risk factors for facilities, equipment, and manuals and systematically manage minor errors to prevent the fundamental causes of accident and failure. As such, we manage risk factors through our 3-step precaution safety management system and were awarded the Special Prize in the “2012 UIC (International Union of Railways) Innovation Awards”.

Organization of emergency measures in case of crisis



Special prize on safety area in 2012 UIC (International Union of Railways) Innovation Awards



Emergency response comprehensive training

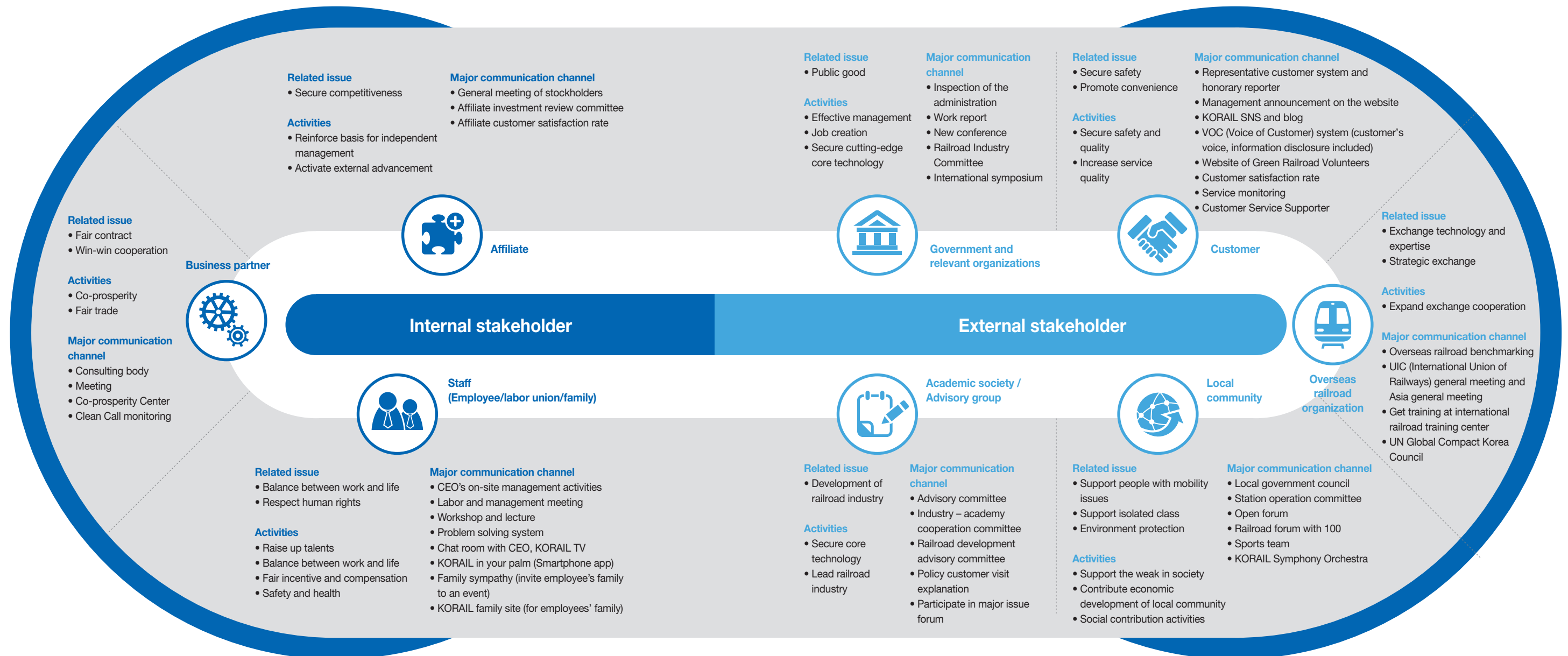
Participation of Stakeholders

Definition of stakeholder group

The stakeholders of KORAIL are classified as customer, staff, business partner, local community, government, and related organizations in consideration of their scope and level of influence on the business. We operate a communication channel for each stakeholder group. In particular, we redefined business partners as internal stakeholders and reinforced information exchange and communication. We also included overseas railroad organizations as external stakeholders as we advanced into overseas markets.

Participation and communication channel of stakeholder

KORAIL has established and operated communication channels for each stakeholder's characteristics. We understand that the communication with stakeholders is the core of sustainable management, and we collect diverse internal and external opinions to reflect them in our management activities.



Interview with stakeholders

KORAIL has listened to diverse stakeholders' opinions and considers them as important indicators of sustainable management. To find out detailed issues in KORAIL's sustainable management, we have selected core stakeholder groups and conducted interviews on major stakeholders.

[Creative innovation - Section chief Sun-hong Park of Anti-corruption and Civil Rights Commission Department of Civil Complaints Investigation]



Sustainability management can be accomplished through continuous responses to environmental changes and diligent efforts. Therefore, it is important to understand the diverse future trends related to the railroad industry and enact efforts to establish and implement a mid and long-term vision and strategy. Domestically, railroads are becoming a diverse form of transpiration which citizens may select due to the expansion of the overall transportation system rather than a national infrastructure industry. Therefore, it is necessary to secure priority in the domestic market competition and focus on importing KORAIL's accumulated technology and infrastructure. Moreover, we need to prepare for North Korea's active opening up policy in the future and welcome a cooperative atmosphere between the North and South with peaceful exchange (unification in the long run). We should prepare to establish railroads between the North and South, as well as the long distance railroad system between Russia and Europe.

Since KORAIL became a corporation, we have highly improved services for citizens and accomplished sustainable management innovations for the active exchange of humans, goods, and transportation in Korea. Through our continuing effort, we plan to develop the railroad industry, carefully considering the environment and the needs of the public to help resolve global environmental problems and satisfy the citizens of Korea.

[Customer – Professor Seon-mi Choi at Yonsei University Department of Business Management]



KORAIL's railroad business is a national infrastructure industry: although it shouldn't pursue only profit, it must also generate profit. In order to improve the current poor financial structure, it is necessary to reduce necessary costs and continuously identify the service demands of diverse customers. Customers' demands are diversifying due to the growing population, increase of singles, widening gap between poor and rich, and increase of leisure or idle time. KORAIL needs to take initiative to respond to such changes, reflect them in product development and infrastructure improvement, and assume a leading role in fulfilling customers' demands.

In order to improve the service centered on customers, it is important to secure creative manpower with flexible thinking. KORAIL must secure more professional service management, develop the flexibility and creativeness of the organization, and create a customer-centered organization culture for its sustainable development.

[Environment management – Professor Gi-tae Baek at Jeonbuk University Department of Environment Engineering]

KORAIL perhaps has the longest history among state corporations in Korea, and has accumulated years of invaluable expertise and expertise on railroads. I think it is responding relatively effectively to the global climate change issue by replacing old diesel trains with electric trains and managing and improving in consideration of environment regulations, indoor air quality, and soil pollution.

It is necessary to take more initiative on environmental issues as a corporation with 100 years of history. I hope that KORAIL will address environmental issues and enact efforts on environmental improvements and energy conservation based on a long-term plan. In particular, it is necessary to implement a purification process for polluted soil due to wasted lubricant from train maintenance work and corrosion of fuel tanks. It is also necessary to publicize such activities through public relations.



[Co-prosperity – President Jae-young Lee of Yujin Construction Inc.]

KORAIL is the leading organization in the domestic railroad industry. Supported by its long history and wealth of expertise, it has approached the world level in terms of on time operation and railroad accident rate.

Its operation system, human resources structure, and technical direction set the standard for other transportation organizations. Due to its great influence, it would be much better if KORAIL provides a long-term direction in advance for the benefit of relevant organizations. Moreover, it is important to accumulate expertise among engineers and the organization: KORAIL must reinforce training within the organization and continually support the stabilization of teams. In particular, I hope that KORAIL supports outstanding professional companies to implement projects for new trains or other special projects and introduce domestic products whose reliability and safety are verified. This will stimulate the domestic railroad industry and realize co-prosperity.



[Social responsibility – Secretary General Gyeong-seok Goh of Korea Red Cross]

KORAIL has a nationwide network and fast transportation net. This means it has great accessibility with local communities, more so than any other organization. In this aspect, it is significant that KORAIL is implementing "Happy Train" who lack the financial means to travel often, supporting free weddings for the socially underprivileged, and conducting blood drive activities. Since KORAIL has a nationwide network, it will exert positive influence if it shares that value and plays an assisting role in the local communities. I think KORAIL will be seen as even more reliable if it cooperates with affiliates and relevant organizations as it invests more efforts in social contribution programs and publicizes its brand.



Major Sustainability Issues

Materiality test process

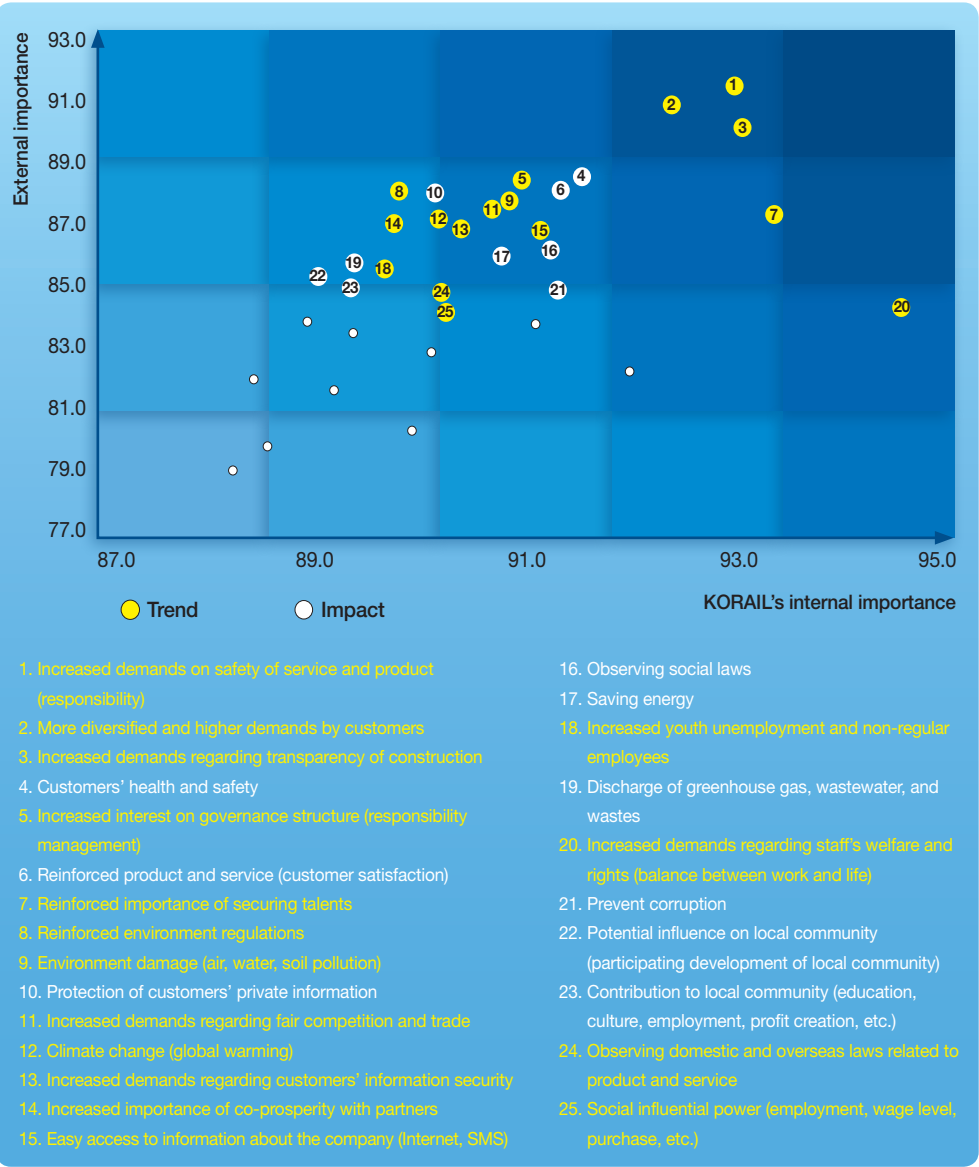


Materiality test process

KORAIL conducted internal and external environments to set issues for sustainability according to the procedure set forth in ISO 26000, and then reported them to stakeholders.

Deducing core issues

For the importance evaluation, we conducted a relevance evaluation and importance evaluation on 102 sustainability issues. As a result, 25 trend & impact issues were rate at 85 points or higher out of 100; these were designated as the final core report issues.



Sustainability core performance index

KORAIL is managing its high rating sustainability core performance index in the economy, society, environment, and safety areas through BSC (Balanced Score Card) and KOVIS (KORAIL Vision & Innovation System).

Classification		Index	2010	2011	2012	Goal in 2013
Economy	Business expansion	Accumulated rail distance (km)	3,557.3	3,558.9	3,571.8	3,578.8
		Double rail line (%)	49.6	52.3	55.5	56.1
	Corporate value	International credit level (Moody's)	A1	A1	A1	A1
		Revenue per person (million won)	120.9	134.4	146.8	162.0
		Revenue from overseas business (100 million won)	2.3	1	74	438
Society	Customer satisfaction	Satisfaction rate for publicly owned company (point)	92.6	92.3	88.8	93.7
		KTX on-time running rate (%)	99.67	99.81	99.83	99.88
		Satisfaction rate for processing customer's feedback (point)	72.7	80.2	81.0	83.0
		Total integrity rate (point)	8.90	8.56	8.62	8.85
	Management transparency	Participation rate of directors' meeting (person, %)	95.9	97.1	95.6	97.0
		Information disclosure rate (%)	90.5	85.0	87.9	90.0
	Partnership	Purchase from small and midsize companies (100 million won)	7,387	5,677	6,160	6,410
		Purchase of technology development product (100 million won)	188	211	408	494
		Purchase of development product with purchase condition (100 million won)	144	298	336	353
	Social contribution	Social voluntary activities (hour per 1 person)	12.7	6.30	6.62	12
		Purchase of product made by handicapped (100 million won)	12	13	16	38
		Purchase of primarily female owned or operated company's product (100 million won)	520	524	447	495
	Hiring Quotas	Fixed rate of handicapped (%)	3.10	3.0	3.0	3.0
		Hiring rate of female workers (%)	8.23	8.47	8.8	8.8
	Raising talents	Hours of training (1 person)	85	116	106	120
Environment and safety	Environment protection	Soil purification business (million won)	909	2,262	3,184	2,231
		Purchase of eco-friendly product (100 million won)	103	87	96	64
		Electric railroad rate (%)	60.4	66.2	68.5	68.7
	Safety rate	Train accident rate (case/million km) *	0.066	0.070	0.046	0.468*
		Industrial disaster rate (%)	0.368	0.289	0.334	0.318

* Calculation of train accident rate was changed since 2013 [train accident (crash + derailment + crossing + fire) + death toll (excluding suicide)].

Customer: *Customer-centered KORAIL*

KORAIL focuses on customers as the central focus of all corporate activities. We are working diligently to offer the best service quality and convenience for customers, resulting in highly safe and convenient train services. KORAIL is forming a customer-centered environment for happier travel, greater customer trust, and unsurpassed satisfaction.

Disclosure on Management Approach in Product Responsibility Area	
Strategy and direction of process KORAIL is improving all corporate activities including service, quality, and Public Relations, as well as product development for the benefit of our customers. We provide customer convenience services such as transportation transfer services or train freight systems and continually strive to create an expedient and comfortable train environment.	
Monitoring We continuously look into customers’ needs through VOC (voice of customers) and customer satisfaction surveys and monitor services through a service quality assessment twice a quarter.	
Department in Charge Management Innovation Office-Customer Service Department	
Major performance	
Performance index	<ul style="list-style-type: none">Public Service Customer Satisfaction Index (PCSI) : 88.8 pointsVOC (Voice of Customer) satisfaction rate: 80.7 points
Compliance with the laws	<ul style="list-style-type: none">No penalties from violation of the laws or regulations of product and service supply
Customer information protection	<ul style="list-style-type: none">Resident’s registration numbers were all deleted due to legal prohibition of collecting and using such information through websitesNo claims related to violation of customer’s private information and lost data
Marketing communication	<ul style="list-style-type: none">VVoluntarily observed regulations in terms of marketing communication; no violations occurred.

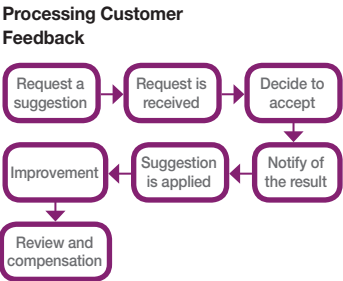


Customer Satisfaction Management

We are expanding our convenience and services for customers who use trains and logistics service to provide the best value for them. KORAIL is listening to customers' voices for their feedback, strengthening customer-centered service, and reinforcing public service for people with mobility issues so that everyone can be satisfied with using our services.



KORAIL customer representatives



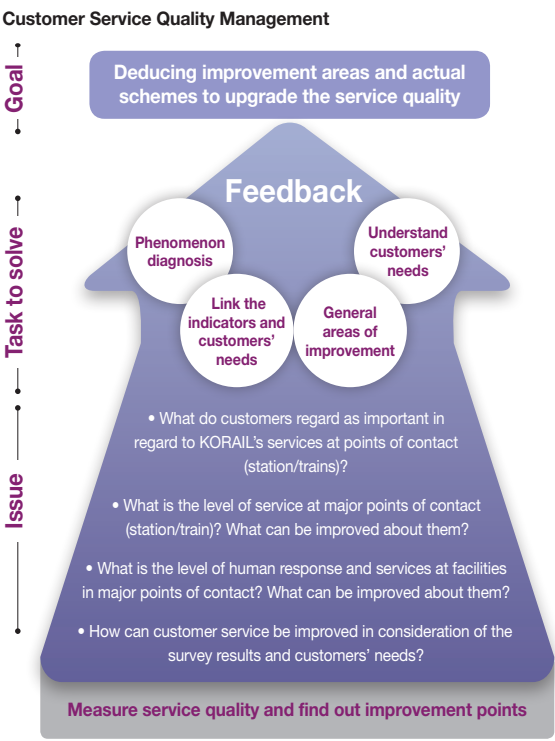
Customer satisfaction management system

Reinforcing CS (Customer Satisfaction)

We are striving to realize customer satisfaction by providing customized services. We provide employees with a handbook about our diverse services and reinforce their service capabilities by distributing internal news through the company newspaper or bulletin board.

Customer participation program

We operate a representative customer system for customers to participate in management, enabling us to understand and respond to their needs. In order to understand customers' opinions about general areas in train operation, we selected 1,121 customers from six representative groups such as students, housewives, local government, professionals, and seniors, taking into account their ages, jobs, and train usage, and encouraged them to actively participate. We have reflected their feedback in product development, sharing management, and other management activities. We also carry out continuous efforts to prevent problems, resolve claims from customers, and consistently enact product and service quality improvement.



Monitoring and evaluation system

Customer satisfaction management includes VOC (Voice of Customer) management, service monitoring, and the customer satisfaction rate survey. We conduct the VOC satisfaction rate survey every month and the diverse customer satisfaction survey every quarter. Moreover, we established our evaluation system by conducting the service quality evaluation twice a year. KORAIL has established an internal control system with thorough precautions to provide a level of service that is much higher than mandated by law.

Monitoring status

Classification		2010	2011	2012
VOC (Voice of Customer) management system	VOC handling satisfaction rate	72.7	80.4	80.7
Service monitoring	Service quality evaluation	94.7	96.6	96.6
Customer satisfaction rate	Public Service Customer Satisfaction Index (PCSI)	92.6	92.3	88.8
	National Customer Satisfaction Index (NCSI)	70.0	73.0	68.0
	Korean Customer Satisfaction Index (KCSI)	67.5	67.1	69.2
	Public Transportation – Customer Satisfaction Index (PT-CSI)	75.9	-	-
	Korea Service Quality Index (KSQI)	88.0	90.0	-

Voice of Customer (VOC)

KORAIL is working to provide the best quality of service with VOC, representative customer system, CS supporter system, and so on. Customers' claims are accepted through the VOC integrated system. Claims submitted through internet or phone are processed within a day, and those sent through fax or mail are processed within three days. Accepted claims usually receive a response within the day, and the progress notifications are sent through SMS (text service). Thus, VOC was processed within 8.4 hours on average in 2012. Our “Representative customer system” and “CS support system” helps identify and resolve inconvenience for the sake of customers.

Customer information protection

The leaking of private information on the internet is a social issue. Since leaked private information can be used for other crimes, the importance of information protection is gaining attention. KORAIL has reinforced efforts to fulfill its legal obligations in regard to information security. In September 2012, we checked the essential measures on private information protection and implemented 100% of the 45 essential items including the collection and management of private information. As the collection and use of resident registration numbers has been prohibited through the website since February 2013, we have taken measures to safely delete such private information for all 10 thousand or more members. We also implement a membership number protection service for smartphone users so that only the user with the issued ticket may inquire for information on his own smartphone. All our employees must complete the training on private information to raise security awareness. We thoroughly train staff on the supervision and management of private information. In 2012, KORAIL has achieved the accomplishment of having no accidents or incidents regarding information security. We have been recognized for our information security with an 81.27 point rating in the evaluation by the National Intelligence Service (NIS).



CS support system

Status of VOC

Classification	2010	2011	2012
Acceptance / Handled (case)	64,451	72,113	56,943
Satisfaction rate (point)	72.7	80.4	80.7
Unsatisfactory employee attitude rate (5) (case)	6.0 (3,853)	3.0 (2,180)	0.9 (518)
Delayed handling rate (%) (case / average handling hours)	0.20 (132/21.5)	0.13 (95/9.5)	0.40 (228/8.4)

Smart service reflecting customers' needs

Transportation transfer service

We have facilitated customers' convenience by expanding our transportation transfer service with buses, taxis, car rental, airport railroads, bicycles, and other forms of transportation. We provide this service with rental car companies at 29 stations including Dong-Daegu station. We also sell connection tickets for KTX and airport railroad to facilitate the convenience of customers travelling overseas. The number of users for this service has increased by 51% to 17 million compared to last year. Furthermore, we have transportation transfer facilities at seven stations including Namwon station for easy access to public transportation. We received investments from local government and state funds. As a result, the transportation plaza project at Nonsan station was completed in 2012 through full funding by the local government.

Establishing transfer system with other forms of transportation

Forming transportation plaza at train stations • Establishing transportation transfer bus bay and taxi bay	Expanding connection bus Connection with rental car • Expanding city bus passing by stations • Expanding rental car service to major stations nationwide	Attract commuting bus Connection with tour bus • Attract university bus near stations • Support tourism train connection with buses in cooperation in local government	Connection with airport railroad • Sell KTX+airport railroad (direct) connection ticket • Immigration service	Bicycle facilities • Expanding bicycle parking lot connected with trains • Constructing sloped paths for bicycles
--	---	---	--	--



Bicycle parking facility at Daegu Station

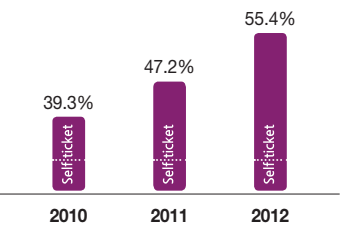


Transportation plaza at Nonsan Station



KORAIL Talk (Smartphone Application)

Status of self-ticket usage



Facilities for people with mobility issues in 2012

Classification		Electric lift		Stepped pulley master	Total
		New	Existing	Upgraded	
High-speed train station	No. of units	94	10	17	121
	No. of stations	34	34	7	75
General station	No. of units	10	90	35	135
	No. of stations	9	53	23	85
Sum	No. of units	104	100	52	256
	No. of stations	43	87	30	160

Railway logistics connection transportation system

KORAIL has established a cooperation style compound transportation system of ships, roads, and railways by developing a new rail transport route which connects to Jeju Island.

We support connected transportation for national logistics crises for safe transportation as a publicly owned railroad company. There was an emergency crisis in June 2012 due to the strike of the freight union, but KORAIL had been monitoring the situation and was prepared. We provided emergency trains at the proper time and minimized a national logistics crisis.

Customized service

We provide customized services by reflecting customer needs to maximize their satisfaction. We offer diverse services including comfortable passenger cabins for conversation, childcare cabins, breast-feeding rooms, and a seat selection system to match customers' diverse needs and increase our satisfaction rate.

KORAIL continuously supplements the ticketing service for customers and foreigners so they can buy tickets anytime, anywhere through the internet or the latest mobile devices. Our website provides a one-stop service from online to ticketing, and we have improved the ticket purchase service on our smartphone app, which is fast and secure. Since the online self-ticketing service has been implemented, the usage rate for ticketing services has increased by 55.4%. This saved about 1.3 billion won in distribution costs.

Creating comfortable and convenient stations

We established a standard design manual for stations in June 2012 to make stations safer and more convenient for customers. Unnecessary facilities have been minimized, and customer service space and convenience facilities were rearranged. This improved customer traffic and more efficiently arranged ticket booths, station and train maps, and information indicators for destinations, thus improving customer convenience.

We systematically conduct asbestos inspections to maintain clean and comfortable station environments. We will replace asbestos materials in 364 stations by 2016. We have already completed asbestos replacement at 120 stations by 2012.

KORAIL cleans stations and surrounding environments for 15 minutes every day to make sure that they are clean and comfortable.

Services for people with mobility issues

We carry out efforts to assist people with mobility issues, including the handicapped, elderly, pregnant women, guardians with babies, and children. We are also expanding convenience facilities for them at the stations and trains.

We added 102 lifts for auto-wheelchairs and upgraded 187 existing lifts in 2012. We also established 29 fast chargers for auto-wheelchairs through support from six local governments. Furthermore, we have exclusive ticketing windows for handicapped and elderly people and established waiting seats for ticketing at 41 stations.

Special Page #1

Cultural
Experience Events
at Stations for
Customers to
Enjoy



KORAIL Symphony Orchestra

KORAIL implemented 3,302 Cultural experience events in 2012, including open concerts and exhibitions, by transforming the stations into cultural spaces where customers can rest and relax. We provided enjoyment for customers during national holidays with events such as traditional cultural performances by World Beat Vinari and concerts performed by the KORAIL Symphony Orchestra at Seoul Station. KORAIL has also held diverse Cultural experience events in which customers can participate on Children's Day or Christmas. On Christmas, the "Dasoni Performing Art Group" of the Gwangmyung Handicapped Welfare Center performed with its chorus and orchestra at Seoul Station. We also gave away tickets for the 2013 Pyeongchang Winter Olympics. Providing such cultural performances is just part of our efforts to contribute to the local community. KORAIL will continue holding diverse cultural experience events to develop as a cultural company that fully supports and serves its customers.



Christmas Event

I am more confident now, thanks to the "Hope Sharing Concert".

Hello. My name is ooo, and I am 23 years old.

I am a Level 3 mentally handicapped person, but I play the cello in the Gibbum Woori Chamber Orchestra which consists of mentally handicapped people. I have regularly participated in outside performances, but my most memorable experience was performing at "Seoul Station Hope Sharing" on January 25 to pray for the success of the Pyeongchan Special Olympics. It was very meaningful for us to cheer and support mentally handicapped sports participants as we, the members of the orchestra, were also mentally handicapped. I made a few mistakes in the performance because I didn't use my own violin. I was embarrassed, but I focused on playing again and finished the performance. I would like to tell the sports participants at the Pyeongchang Special Olympics to never give up, even if they make mistakes.

I would like to thank the staff of KORAIL who invited us to play at the concert, even though we were not great musicians. The chief of Seoul headquarters gave us good musical instruments on that day to support us so that we could play better. We also had a pizza party with some staff members who helped our orchestra members, even though they must already be busy. I will work harder to become a better member of the Gibbum Woori Orchestra and practice more as KORAIL's staff expects us to do. Our orchestra will continue performing for more people to share hope and courage.



Environment: *Environment
friendly KORAIL*

KORAIL is contributing to the government's policy to reduce greenhouse gas emissions and carry out its responsibilities in preserving the environment and gaining the trust of the public by establishing an eco-friendly green railway system which can be the optimal transportation system for dealing with global warming. We will do our best to minimize the environmental impact in all processes related to the provision of our railroad transportation services, and cut energy consumption to improve the environment.

Disclosure on Management Approach in Environment Area

Strategy and direction of process

KORAIL is leading effort in environmental management of customers in the low carbon green growth railroad industry through establishing a railroad-centered transportation system. Through the establishment of an advanced environment management system, optimization of environment operation management, and reduction of greenhouse gas emissions, we strive to achieve advanced environment management as a global leading company.

Monitoring

To prevent environmental pollution, we thoroughly observe regulations and standards on water, air, and soil. Moreover, we continuously pursue environmental management with the handling of greenhouse gas emissions and carbon index through effectively managing our greenhouse gas inventory.

Department in Charge

Planning & Coordination Office-Environmental Management Department

Major performance

Performance index	• Greenhouse gas emission : 1,736,000 ton (0.5% reduction from 2011)
Legal compliance	• No penalties or non-monetary sanctions due to violation of environment law
Hazardous material handling	• No leaks of significant hazardous material
Biological diversity handling	• There is high value with biology diversity at 390 areas including Seoul Station (622,548m ²). We provide habitats for plants and animals and protect the environment with green railroad projects for forests, parks, or gardens.

Environment Management

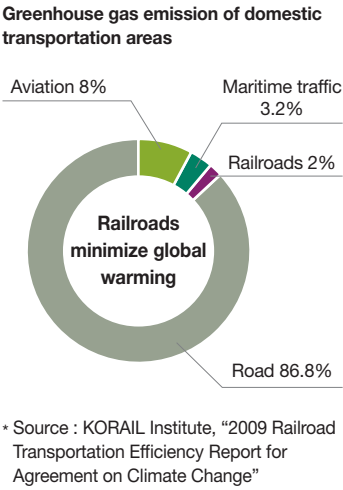
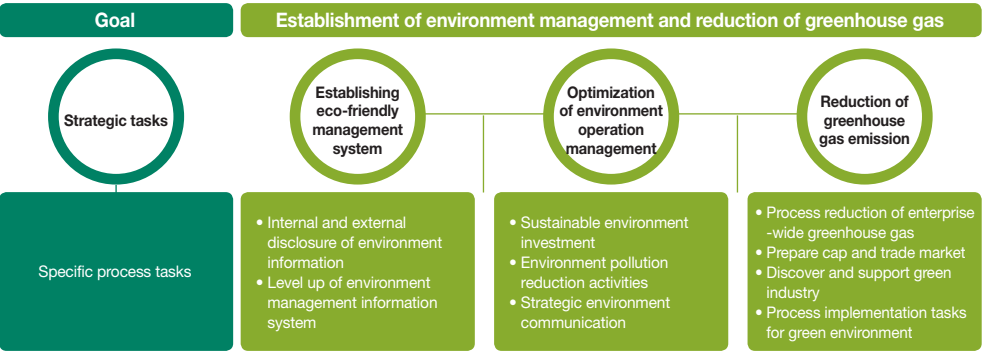
KORAIL is striving to improve eco-friendliness in the rail transport industry with the reinforcement of enterprise-wide environment management in compliance with the government's environment policy. Externally, we take active measures on global environment and climate changes and create new environment values. We will do our best to realize a clean and comfortable environment for customers as well as accomplish low carbon green growth by establishing a rail-centered transportation system.

Responding to climate changes

Environment management strategy system

KORAIL has established three top strategic tasks of environment management including “Establishment of eco-friendly management system”, “Optimization of environment operation”, and “Reduction of greenhouse gas emission” to reduce greenhouse gas and carry out advanced environment management at the best level, which is expected of an advanced railroad organization and world-class corporation. We manage the environmental resources for each field by using our environment management information system, which enables us to make quick decisions in environment investment and facility management nationwide. Through our system, we optimize environment operation management by using information about discharging polluted material, environment facilities, management of environment cost, and support for purchasing green products. This therefore allows us to achieve enterprise-wide reduction of greenhouse gas.

Strategic tasks for environment management

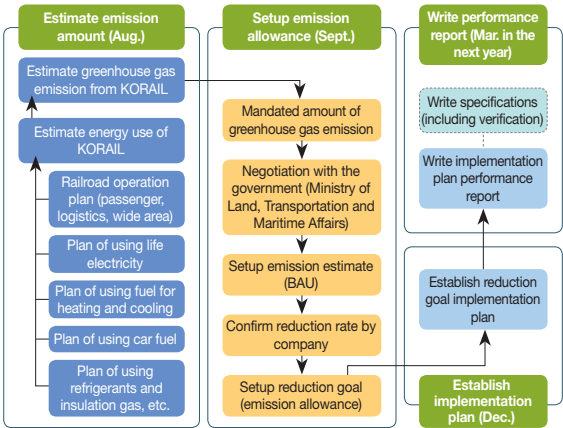


Managing greenhouse gas

KORAIL has established the goal of reducing greenhouse gas in compliance with the government's greenhouse gas and energy reduction directives. For this end, we operate a greenhouse gas and energy committee in the company and relevant departments. We collect and manage reliable data of greenhouse gas activities through the calculation and monitoring of greenhouse gas. In 2012, the amount of greenhouse emissions was 1,736,000 tons, meaning we achieved an increase in reduction of about 180,000 tons.

2012 Government allocation of greenhouse gas reduction	
Classification	Amount of greenhouse gas emission (tCO ₂)
Average emission in the base year	1,664,080
2012 Emission BAU	1,933,367
Reduction rate	0.5%
2012 reduction goal	9,876
2012 emission allowance	1,923,491

Goal management process of greenhouse gas



KORAIL mid-term greenhouse gas reduction goal

(Unit : tCO ₂)					
Classification	2013	2014	2015	2016	2017
Emission estimate (tCO ₂)	1,974,125	1,982,546	2,092,573	2,131,347	2,169,302
Emission goal (tCO ₂)	1,824,258	1,832,040	1,933,714	1,969,544	2,004,618
Reduction goal (tCO ₂)	149,867	150,506	158,859	161,803	164,684

Greenhouse gas inventory

KORAIL established a greenhouse gas inventory and calculates the emission amount for each emission source. KORAIL's greenhouse gas sources are classified as train operation energy and life energy from railroad facilities. The greenhouse gas emission per kilometer of train operation distance in 2012 was 0.86kg/km; this was a 4.4% reduction compared to 0.90kg/km from the goal management base year (average for 2007-2009).

Greenhouse gas emission per train operation distance

Classification	2010	2011	2012
Greenhouse gas emission from train (1,000 tons)	1,507	1,568	1,554
Operation distance (conversion : railcar-100 million km)	16.8	17.6	18.0
Greenhouse gas emission per kilometer of operation distance (kg/km)	0.90	0.89	0.86

Status of greenhouse gas emission

The amount of greenhouse gas emission in 2012 was 1,736,000 tons, which was a 0.4% reduction from 1,744,000 tons in 2011. KORAIL is continuously expanding eco-friendly and high efficiency electric locomotives to minimize greenhouse gas emission. The continuous increase of train operations is a definite and effective method for reducing greenhouse gas emissions in transportation areas.

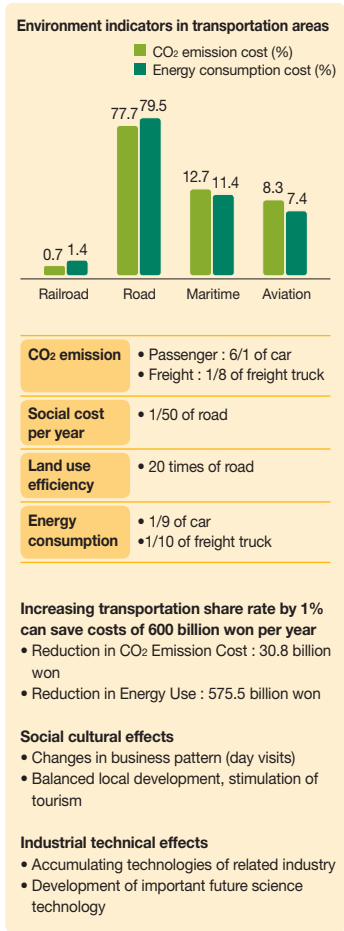
Amount of greenhouse gas emission by activities

Activity	2007	2008	2009	2010	2011	2012
Diesel for train	697,257	680,930	601,306	585,563	562,192	544,968
Electric power for train	818,360	853,929	881,382	921,827	1,006,112	1,009,321
Life electric power	120,633	119,326	127,582	142,483	151,529	158,901
Fuel for cooling and heating	25,207	29,866	24,896	25,275	18,760	19,299
Fuel for vehicles of business purpose	4,347	3,743	3,474	3,829	5,958	4,322
Total	1,665,804	1,687,794	1,638,640	1,678,977	1,744,551	1,736,811

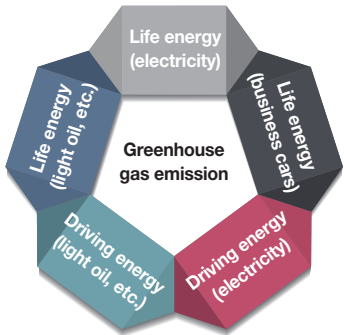
Implementing Mock Emissions Trading Scheme

We have adopted the Mock Emissions Trading Scheme since 2010 to prepare for its implementation in 2015. We conducted the Mock Emissions Trading Scheme in 2010 at the headquarters building, implemented it in the local head offices (12 divisions) in 2011. In 2012, we expanded it to all our workplaces (25 divisions) and reduced electric energy expenses by 5.2 billion won.

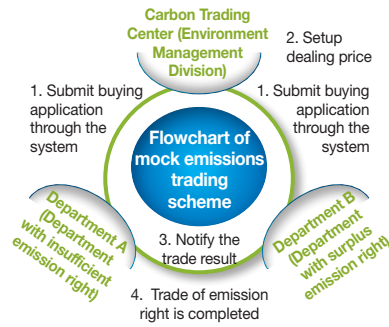
Eco-friendly transportation that promotes low carbon green growth and prevents global warming



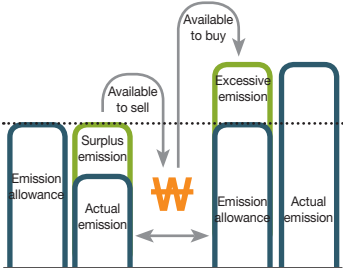
Source of greenhouse gas emission



Flowchart of mock emissions trading scheme



Government's operation process of cap-and-trade system



Company A Assigned amount > Emission
Company B Assigned amount < Emission



Management's resolution for energy conservation

Effect of Mock Emissions Trading Scheme

Classification	2010	2011	2012
Object	Headquarters	Local head offices	Local head offices and subsidiary agencies
Amount of greenhouse gas reduction (tCO ₂ eq)	31	20,840	22,616
Cost saving (million won)	21	3,814	5,273

Carbon index certification

KORAIL has been certified to carry out greenhouse gas and energy management of overall train services, using the carbon index by the Ministry of Environment as a guide. We support customers' implementation of green life by providing accurate information on greenhouse gas emissions to customers and logistics companies. Moreover, we have been awarded with 28 commendations in the area of environment, including the commendation from the Minister for our diverse environmental management activities such as energy conservation, active environment preservation work, excellent soundproofing of facilities, reducing food waste, and green start activities.

Certification of carbon index

Certification		Total greenhouse gas emission	Emission per km	Level	Certification logo
KTX (Seoul-Busan) 1 person one-way transport basis		9.98kg	24.5g	Comparison with railcar 1/6.9	
Gyeongchun line (Sangbong-Chuncheon) 1 person one-way transport basis		2.09kg	25.7g	Comparison with railcar 1/6.5	
Rail logistics 1 ton/1 km transport basis		45g	45g	Comparison with truck 1/6.7	

Greenhouse gas reduction effect per year compared to roads in the certification section of carbon index

Section		Greenhouse gas unit (CO ₂)	Rail transport amount per section	Conversion of greenhouse gas emission by transportation method (ton CO ₂)	Effect of greenhouse gas reduction (ton CO ₂)
KTX (Seoul-Busan)	Rail	24.5g/passenger-km	10,765,698	263,760	1,540,033
	Car	167.55g/passenger-km	1000 passenger-km	1,803,793	
Gyeongchun line (Sangbong-Chuncheon)	Rail	25.7g/passenger-km	998,500	25,661	141,637
	Car	167.55g/passenger-km	1000 passenger-km	167,299	
Rail logistics	Rail	45g/ton-km	10,271,232	462,205	3,082,397
	Freight car	345.1g/ton-km	1000 ton-km	3,544,602	

Green railroads

KORAIL is introducing more high efficiency electric locomotives and expanding operations of eco-friendly high-speed trains to realize green railroads. We are leading the research and development of eco-friendly railroad systems. We have started operation of 56 railcars and 8,500 electric locomotives by December 2012 and stopped operation of the Saemaeul train (PMC), which is diesel fueled. We will further enhance the eco-friendliness of the railroad industry by putting more eco-friendly trains in operation by 2014.

Status of possessing trains

Classification	High speed train (KTX)	Railcar		Locomotive	
		Artery electric train	Electricity	Diesel	Electricity
2008	920	-	2,088	524	179
2009	920	32	2,184	500	179
2010	1,110	32	2,287	471	179
2011	1,110	32	2,360	444	177
2012	1,160	32	2,445	397	204

Efforts on energy conservation

All our staff members pledge to conserve energy to promote energy awareness. An energy keeper is assigned by division to check the status and results of energy conservation efforts. We implement eco-driving activities such as a No Driving Day, riding bicycles, and observing stop regulations of switch engines. We also practice energy conservation through the installation of automatic light shutoff devices at electric facilities, replacing light bulbs with eco-friendly LED, maintaining appropriate indoor temperatures, and adjusting the water level of sinks and toilets. We encourage businesses to use eco-friendly railroads for transporting products and raw materials for industry to minimize the effects on the environment.

Energy saving activities in everyday life

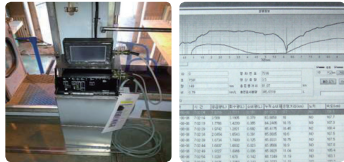
	Oil	<ul style="list-style-type: none">No driving dayRide a bicycleCompliance with stop regulation of switch engine
	Water	<ul style="list-style-type: none">Close water adjuster under washstand to set water level at ½Plastic bottles placed in toilet septic tanks to conserve water
	Electricity	<ul style="list-style-type: none">Installation of auto light shutoff devices at electric facilitiesManaging cooling and heating standardsEco-friendly LED lights, etc.

Minimizing environmental effect

Resource management

88% of KORAIL's total energy consumption is used in train operation. The remainder of KORAIL's energy consumption comes from electricity used for the maintenance of stations, railroads bases, or signal facilities, fuel for cooling and heating, and fuel for business cars. In order to reduce fuel expense of train operation, we stopped engines outside of their running times and improved the level of reserved oil, which reduced inventory. According to the oil expense reduction plan, we improved the fuel management of cars for oiling performance and cost, etc. We also reduced the oil cost of cars by purchasing small railcars or low pollution railcars when replacing old railcars. KORAIL has saved 132,886,000 won in 2012 through the continuous efforts to conserve oil, electricity, and water.

Developed fuel usage measurement device for diesel trains

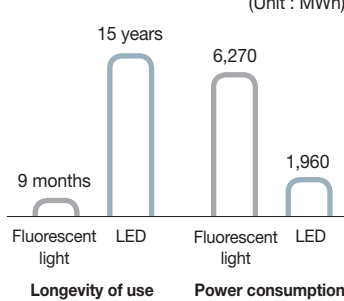


Installation in the train driving room
Operation pattern analysis



LED lights in passenger trains

Comparison between fluorescent light and LED in passenger trains



Installing water conservation disc



Emergency response train for environmental pollution accidents



Rain recycling facility (Daejeon maintenance unit)



Revamp of platform roof and rain recycling (Sabuk station)



Energy consumption by activity

(Unit : TJ)

Activity type	2007	2008	2009	2010	2011	2012
Diesel for train operation	8,405	8,788	7,760	7,558	7,256	7,008
Electric power for train operation	15,797	16,484	17,013	17,794	19,421	20,782
Life electric power	2,329	2,303	2,463	2,750	2,925	3,272
Fuel for cooling and heating	443	513	428	449	337	348
Fuel for business cars	66	58	54	58	87	62
Total	27,040	28,146	27,718	28,608	30,026	31,472

Environment management

KORAIL is installing environmental pollution prevention facilities in each area including water quality, air, wastes, and soil to minimize the discharge of environmental pollution, investing in the environment every year. We regularly measure wastewater, air, and soil through in-house and commissioned agencies and properly operate environmental facilities through inspection on environmental facilities and parts replacement.

Managing the water quality

KORAIL used a total of 4,465,000 tons of water in 2012, and the company has a potential effect on 38 water sources including Paldang dam. The water pollution at railroads is from washing trains, wastewater from repairs and train toilets, and life sewage from facilities. The sewage and wastewater from our workplaces are discharged through the natural water system by commission or by our own system. We observe the discharging regal water quality standard through regular monitoring of water quality. In particular, we strengthened the usual twenty-four hour monitoring system on the inlet amount of wastewater.

Moreover, we recycle purified discharged water through wastewater facilities and use it for washing, toilets, and gardening to reduce social environmental costs. We also operate rainwater facilities to collect rain on the roofs of stations or train bases as an eco-friendly and green measure in preparation for climate change.

Amount of water usage and the amount of reused water

Classification	2010	2011	2012
Water available for use (ton)	4,779,190	4,632,366	4,465,537
Amount of reused water (ton)	107,379	109,811	114,842
Ratio of reuse (%)	2.25	2.37	2.57

Status of water quality management

(Unit : m³/year)

Classification	2007	2008	2009	2010	2011	2012
Wastewater from train	52,214	45,384	43,435	36,859	30,385	61,007
Amount of wastewater processing	303,465	323,527	298,107	281,250	218,039	204,926

Managing air

The air pollution from railroads includes dust, hydrocarbon (THC) from repairing trains, and exhaust from running trains. We manage air pollution through continuous inspections of trains with ventilation facilities and installing and improving facilities that prevent air pollution.

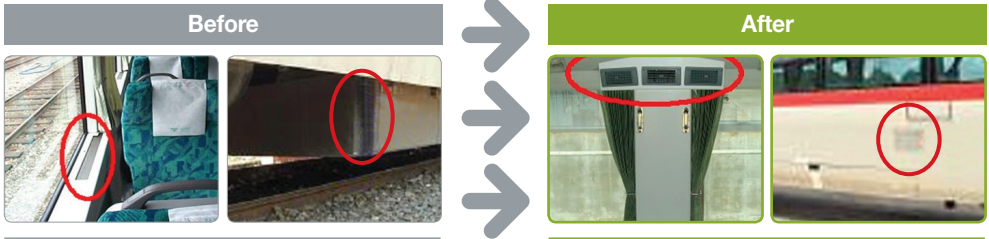
The trains run by KORAIL are managed under the guidelines for air quality of public transportation. We try to keep clean air in the cabin through the installation of air purifying filters and increasing air supply facilities for the comfort of customers.

We manage 64 stations (29 ground stations, 35 underground stations) which are subject to indoor air quality management under the legal standard through continuous inspections and improvement.

Managing air pollution

Classification		Legal standard / Managing standard (Notification by Ministry of Environment)	Measurement in 2012
Underground station Air quality	Fine dust	150 $\mu\text{g}/\text{m}^3$ or under	91
	Carbon dioxide	1,000ppm or under	478
	Formaldehyde	100 $\mu\text{g}/\text{m}^3$ or under	10
	Carbon monoxide	10ppm or under	1
Air quality of KTX cabin	Carbon dioxide	3,000ppm or under	1,677
	Fine dust	2,00 $\mu\text{g}/\text{m}^3$ or under	15

Improvement of air harmony device



Wastewater facility



Water quality pollution monitoring



Boiler air pollution prevention facility



Track facility smoke management



Inspection on soil pollution



Oil absorber on railroads



Noise measurement

Status of railways noise measurement network
(Unit : No. of area)



Managing soil

KORAIL is monitoring the soil pollution rate around the railways by sharing information on our railway land and soil measurement network with the Ministry of Environment. Moreover, we install oil absorbers on tracks and train bases and replace roads to prevent pollution. We also use biodegradable lubricant on tracks and are developing non-injunction turnouts to prevent soil pollution from occurring.

Changes of soil pollution rate with railways land soil measurement network
(Statistics of Environment)*

(Unit : µg/kg)

Year	Cd	Cu	As	Hg	Pb	Cr ⁺⁶	ZN	Ni	F	CN	TPH
Standard	60	2000	200	20	700	40	2000	500	800	120	2000
2009	0.097	4.276	0.390	0.035	6.177	0.080	87.285	6.251	211.577	0.009	31.039
2010	1.231	26.497	6.602	0.027	32.669	0.100	102.658	12.793	257.035	0.008	51.195
2011	1.394	31.601	6.902	0.041	50.878	0.329	126.008	15.489	225.329	0.087	58.741

* Data for 2012 will be announced in November 2013.

Soil measurement network for railroads by local headquarters

(Unit : place)

Seoul	Suseo	Sudong	Gangwon	Chungbuk	Daejeon	Jeonbuk	Gwangju	Jeonnam	Gyeongbuk	Daegu	Busan
0	3	1	0	1	5	2	3	1	2	4	2

Managing noise and vibration

KORAIL is sharing the railroads noise measurement network with the Ministry of Environment, selects places which are expected to suffer damage from railroad noise among urban areas, and continues monitoring the noise. We limit whistle signaling unless it is an accident or urgent matter to minimize the noise and offer quiet life environments. We also install seamless heavy long rails to reduce railroad noise.

Managing waste at workplaces

We observe proper storage of waste according to its properties and commission waste in full compliance with the legal standards of processing. We separate the waste lubricant filter and waste from stations or workplaces for separate collection. The amount of waste in our workplaces was 1,427 tons in 2012, which was a 93 ton reduction from the previous year. The amount of food waste was 325 g per person, which was a 12% reduction from the previous year.

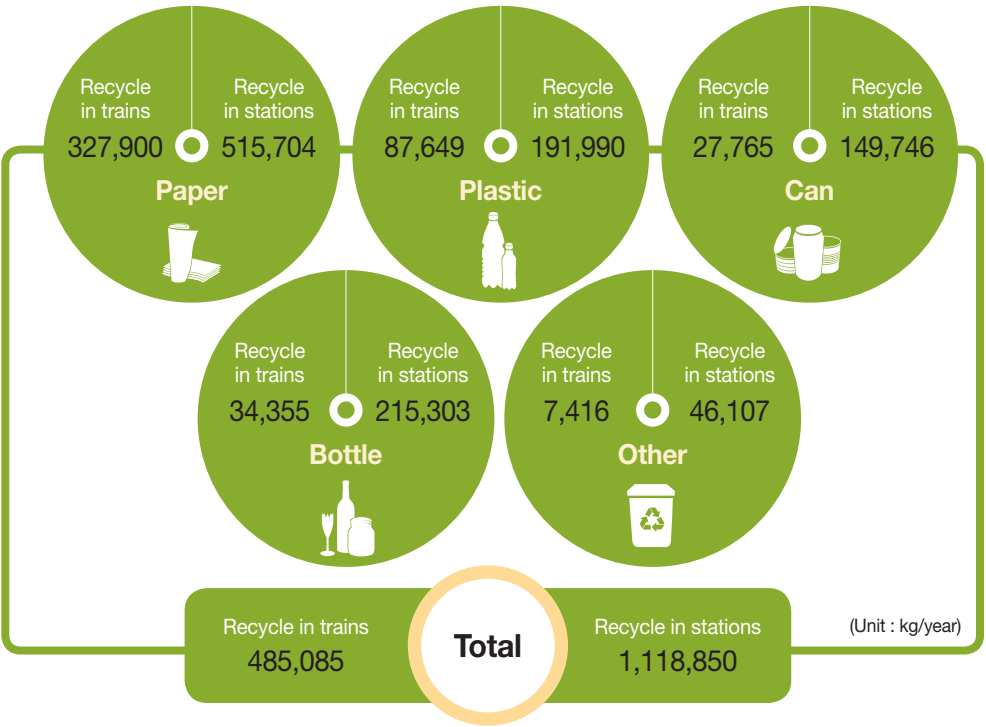
Status of waste processing

(Unit : ton/year)



* Status of processing construction waste not included

Status of recycling waste



Recycling wastes

Green products purchasing management

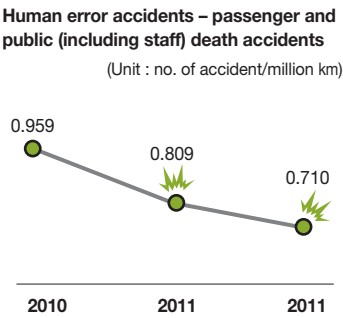
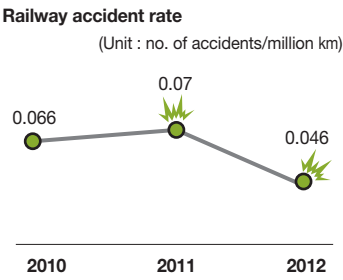
KORAIL is enacting efforts to minimize environmental effects through expanding purchasing of green products. We are establishing and promoting a green consumption culture to help create a foundation for Korea to grow into a green environmental powerhouse.

Purchase rate of green products by year



Safety Management

KORAIL has established a safety management system that meets international standards: reinforcing safety and improving quality are integral to our mission. We will secure core technology in safety management to realize the best level of safety for railroads.

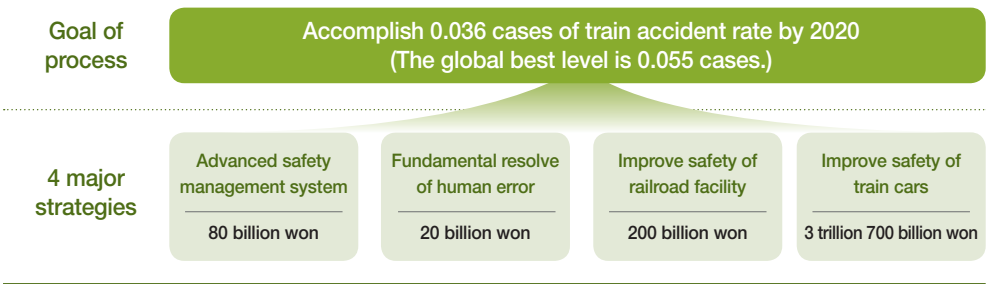


Reliable and safe train

Advanced safety management system

We are recognized as having an international standard level safety system that fulfills the safety expectations for railroads. We manage train accident rate, human error, industrial disaster rate, and death poll with our performance index, and review analysis of accident status with the Railroad Safety Committee and by using total safety reviews. This work enables us to establish measures and reflect the internal management evaluation in enacting safety improvements. In April 2012, we established mid and long-term safety plans for the next 10 years to provide the safest possible service. KORAIL has increased the investment budget for safety, and we will invest 4 trillion won by 2020 in 150 tasks under 4 major strategies. In September, our safety was verified in a safety management system diagnosis by Lloyd's Resister, an international certificate organization. The advice from Lloyd's Resister was reflected in our enterprise-wide safety management master plan to further enhance our safety. Through our systematic and preemptive efforts on safety management, we recorded our lowest accident rate in 2012.

Master plan of enterprise-wide safety management



Strengthening safety abilities

KORAIL has strengthened professional training on safety management, securing cutting-edge technology for this purpose. In 2012, we improved our system and facilities and reinforced training to focus on enterprise-wide abilities and prevent human error. Instead of relying on a punishment system for human accident or error, we tried to scientifically clarify causes and establish resolution measures. We formed the “Human Error Research Committee” in April 2012 with internal and external experts and processed on-site research. In addition, we operated the Labor-Management joint TF team and formulated 25 recommendations. The recommendations are reflected in the “Enterprise-wide Safety Management Master plan”. We will also establish the “Human Safety Center” and process systematic research and management of human errors. As a result, the number of accidents or errors due to human error was 121 in 2012, which was a 13.6% reduction from the previous year, and it was reduced by 32.3% after the operation of the “Human Error Research Committee”.

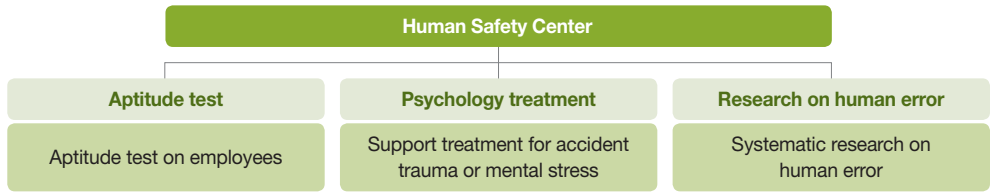


Human Error Research Committee

Precautions for human error

Area	Major contents
System improvements	<ul style="list-style-type: none">Reinforcing the organization to strengthen attendance service → Newly established attendance unit (6 local headquarters)Clarify the roles and measures of attendance at arrival to stationsEstablish methods of technological support by train type when train breaks down during operation
Training	<ul style="list-style-type: none">Develop emergency manual and implement on-site training regarding attendance by train typeImplement training for controllers to prevent decline of focus and reinforce evaluation standardInstall train simulator at all attendance offices and strengthen on-site
Facility improvements	<ul style="list-style-type: none">Additional installation of GPS and secure normal functioning (coordinates DB of newly installed line, wireless update, etc.)Supplement control facility (Prevent running into the wiring track, appoint newly established train level, reinforce alarm function, etc.)Improve cabin broadcasting to allow controller to hear notices (announcement of stop), etc.

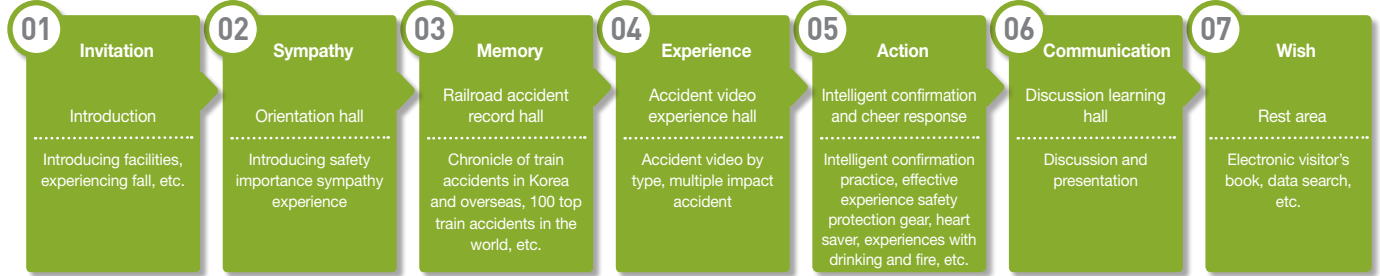
Human safety center



Settlement of safety culture

KORAIL encourages all staff members to participate in our autonomous safety culture. In December 2012, we established the “Railroad Safety Experience Center” inside our Human Resources Development Center to provide training through practical experience. It consists of seven themes including the train accident record hall, accident video experience hall, intelligent confirmation and cheer response hall, and discussion learning hall (that covers nine major subjects). All the employees who enter the Human Resources Development Center take two hours of training. Thus, about 10,000 employees take the safety experience each year, and the training opportunity will be provided to related organizations and the public. To prevent mistakes in work, we opened a large theme festival at the headquarters and invited locals to participate in the “Check the points and respond with cheer” event, which is being implemented in the company to pledge safety practice. About 600 people from railroad organizations, academy, and outside guests attended the festival to promote safety culture. In 2013, the event was expanded into the “Safety Festival” to lead the safety culture in the railroad industry.

Structure and contents of railroad safety experience center



Opening ceremony of Railroad Safety Experience Center



Railroad Safety Experience Center

Expanding infrastructure for safety

KORAIL is implementing total safety inspection and emergency response training for railcars, rails, electricity, and signals according to the Railroad Safety Implementation Plan.

Expanding safety facilities

We secure customers' safety through improving and revamping facilities. We replaced old hydraulic lifts to rope type lifts and improved lift doors and cooling maintenance systems. In particular, we expanded safety facilities such as screen doors and supplemented fences around rails to prevent accidents due to prohibited crossing.

Securing car quality

We analyzed the cause of breakdown on KTX and established resolution measures. Moreover, we process real-time improvements through train operation monitoring of breakdown areas. In particular, we pay attention to railcar production, starting from the design stage, and strengthened the test run distance with stricter standards than the railroad safety laws to secure quality for new railcars. Furthermore, we introduced a real name system for railcars in November 2012 so that one person takes charge of one railcar to reinforce reliability during inspections. We supplemented the manpower in three maintenance units for professional safety and maintenance work and secured objectivity and independence in quality management.



Inspection of trains at Seoul metropolitan train maintenance unit

Progress of safety reinforcement on high-speed train

Major measures	Progress
Accelerate replacement	• Replaced 100% 20,792 parts of 11 items
Improve maintenance technology	• Overseas training and technical advice to secure original high-speed train technology - Consigned education at SNCF, France (9 employees) - Technology presentation (twice), analysis on the causes of breakdown (47 cases) - Expert training (3 times)
Arrange professional manpower	• Arrange maintenance worker and major reserved parts of high-speed train at mid-way station
Concentrated management on car production	• Establish an organization of fair management (Technical support, production, undertake) • Expand distance of test run (currently 35,000km → new 180,000km/mass production 35,000km) • Design inspection (demand improvement at design stage)

Breakdown of rails or electric defect

Classification	2010	2011	2012
Breakdown of rail (case)	10	9	6
Breakdown of electricity (case)	34	38	28

Stabilization of operation facilities

We established measures on errors including rail, electric facilities, or old parts and intensively manage them. In 2012, we reinforced areas in which we identified need for improvement by securing technology for rail inspection and preventing track errors, enabling us to better manage facilities. We also improved errors of parts at electric facilities and reduced breakdowns or errors. There were 34 cases of rail or electric errors in 2012, which was a 27.6% reduction from the previous year.

Special Page #2

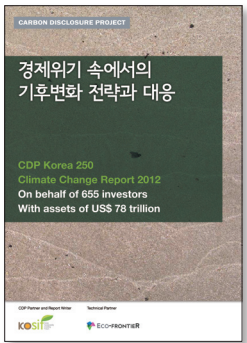


Reinforcing
Eco-friendly Green
Business through
Voluntary Participation
in Carbon Disclosure
Project (CDP)*

KORAIL has participated in the Carbon Disclosure Project (CDP) as the first among state corporations in Korea. We have opened access to information about our railroad business, disclosing our greenhouse emissions, reduction policy, crisis and opportunity due to climate change, carbon management strategy, and evaluation to international society. The Carbon Disclosure Project is an international non-profit organization that provides a global environment information disclosure system on behalf of 722 organization investors in the world with 87 trillion of capital. It offers updates on greenhouse gas emission data of top global companies and strategies on climate change every year. In 2012, 82% of the top 500 global companies responded to the Carbon Disclosure Project's questions. KORAIL has no obligation to participate in the Carbon Disclosure Project, but voluntarily submitted reports to demonstrate our seriousness about sustainability. Moreover, carbon disclosure is important basic data for the reduction activities of companies, and it helps to improve the world's response to climate changes. KORAIL will continue striving to consistently improve carbon management and share our excellence in this area.

Carbon Disclosure Project 2012 Voluntarily participating companies

Company name	Sector	Response 1	Reception 2	2011	2010	2009	2008	Scope1 Emission amount	Scope2 Emission amount	Scope3 Report of emission source 3	Verification 4	Reduction goal	Goal management system
	Industrial material	No response		Refusal to respond	Refusal to respond								
	Industrial material	Response	92B	Refusal to respond	Refusal to respond			15,457	8,611	*	VAA S1, S2	Unit KRW	
	Industrial material	No response		Refusal to respond	No response								○
	Industrial material	Response	Non-disclosure	No response	Refusal to respond		No response						
Gangdonggu Urban Management Corporation	Voluntary participation	Response						817	1,509		VAR S1, S2	Absolute quantity	Public sector
Busan Facility Corporation	Voluntary participation	Response						2,504	5,983		VAR S1, S2	Absolute quantity	Public sector
Korea East-West Power Co., Ltd	Voluntary participation	Response						41,377,486	57,678		VAR S1, S2	Unit KRW	○
KORAIL	Voluntary participation	Response						690,341	973,729		VAR S1, S2	-	○
Hanwha Group	Voluntary participation	Response	Non-disclosure										Some affiliates



* Carbon Disclosure Project (CDP) : The project through which corporations disclose their carbon information. 722 domestic and international financial organizations, including pension and fund, participated in the CDP sign up and utilized this information for investment and loan.





Future: *Sustainable Future for KORAIL*

KORAIL has contributed to national economic growth and local development by focusing on technology development, effectively operating transport business and other diverse businesses, and reinforcing the competitiveness of railroads. We are investing our best efforts in raising profit through customized marketing, establishing a basis for mutual prosperity with small and midsize companies. KORAIL is also advancing into overseas markets and as securing core technology for future sustainability growth.

Disclosure on Management Approach in Economy Area

Strategy and direction of process

KORAIL is expanding advancement into overseas markets and diversifying business to stimulate the local economy and become the world's best railroad company. We are securing competitiveness by developing cutting-edge railroad technology through activation of R&D. We strive to create economic value and return it to society, and we are also creating jobs to fulfill our public responsibility. We also strive to achieve price stability and development of the local economy.

Monitoring

The continuous economic stagnation is affecting businesses with dull asset development. Therefore, we at KORAIL are modifying our plans realistically by reflecting domestic and overseas conditions and environmental changes. Moreover, we established a management system for five major financial risks and are working diligently to achieve stability and healthiness of the nation's financial structure.

Major performance

Performance index	<ul style="list-style-type: none">• Revenue : 4,815.3 billion won• R&D investment : 62.5 billion (1.36% of revenue)• Advancement to overseas market: 15 projects, 32.5 billion won• Reception of government subsidiary: 486.7 billion won
Market position	<ul style="list-style-type: none">• Policy of local purchase: Provide fair supply chance with the co-prosperity policy• Priority hiring of local people: No priority hiring for certain regions
Indirect economic effect	<ul style="list-style-type: none">• Accumulated number of created jobs in private sector: 41,226• Amount of investment into public assistant activities: 523.8 billion won• Assist many foundation business including railroad construction and facility expansion, create jobs, and stimulate local economy.

Management Performance

The railroad industry is closely connected to the economy and citizens. KORAIL works for the public good, providing trains for customers to use as eco-friendly transportation. We will carry out diverse marketing activities and reinforce co-prosperity with local communities to lead the development of the local economy, create jobs, and help realize price stability.

Major economy performances

Economic value creation and allocation

KORAIL tries to increase profit in the transport business and new growing businesses by increasing professionalism and efficiency in the railroad business. We create economic values through passenger and freight transport and business diversification and allocate these created values to share them with stakeholders.

Economic value allocation with stakeholders

(Unit : 100 million won)

Employee	Labor (wage, bonus, retirement wage, benefits)	20,095
Partner company	Business expense, purchasing goods from small and midsize companies, etc.	6,160
Local community	Social contribution fund	14
Government organization	Tax (public imposts and corporate tax)	1,396
Stockholders and investors	Dividend (interest cost, dividend)	Interest cost : 424.3 billion spent Dividend : 68.3 billion profit
Other	Other (current outlay, loan refund, etc.)	16,928

Indirect economic effect

Job creation and activation of local economy

We are continuously developing railroad business to fulfill our social responsibility as a publicly owned company and stimulate the economy. This enables us to create jobs in private sectors and lead job sharing. In 2012, we found development projects in idle areas near stations as a major long-term project and hired 1,904 people. Moreover, we created local jobs by starting tourism and leisure businesses and using the railroads infrastructure. We also contributed to the development to the local economy by supporting the sales of local products.

Job creation in private sector

(Unit : people)

Classification	2011			2012		
	Full-time job	Other employment (part-time, temp, etc.)	Total	Full-time job	Other employment (part-time, temp, etc.)	Total
Outsourcing	2,847	1,155	4,002	2,880	1,166	4,035
Investment project	26,811	205	27,016	18,645	104	18,749
Partnership	482	128	610	16,012	126	16,138
Other	-	-	-	2,304	-	2,304

Efforts for stability of people's lives

KORAIL froze train fares, except for general trains, according to the government's policy of stabilizing prices and minimized burden on general people. The rise of international oil costs affected the increasing train fare, but we improved our processes, instead of raising the fare, and reduced the fuel cost for operation.

KORAIL supports fares for the social underprivileged and operates trains to remote places to maintain the company's public function and contribute to balanced development. We spent 523.8 billion won in public support and expanded the public responsibility of railroads to reinforce support for the underprivileged.

Connected financial statement

(Unit : million won)

Subject		2011	2012
Asset	Floating asset	1,685,109	1,689,772
	Non-floating asset	20,494,140	18,495,457
	Total asset	22,179,249	20,185,229
Debt	Floating debt	2,664,476	2,484,605
	Non-floating debt	10,791,729	11,836,268
	Total debt	13,456,205	14,320,873
Capital	Capital of controlling company's possession	8,617,244	5,749,652
	- Capital	9,581,417	9,582,661
	- Other	(964,173)	(3,833,009)
	Non-controlling capital	105,800	114,704
	Total capital	8,723,044	5,864,356

Connected profits and losses statement

(Unit : million won)

Subject		2011	2012
Revenue		4,631,769	4,815,297
Sales and cost		4,749,778	4,752,644
Other profit		7,984	26,344
Sales cost and general management expenses		246,024	268,043
Other costs		72,100	2,738,678
Other profit		1,318,739	222,543
Operation profit		(364,033)	(205,390)
Financial profit		486,935	621,183
Corporate tax		363,858	76,818
Net profit of this term		450,664	(2,820,178)

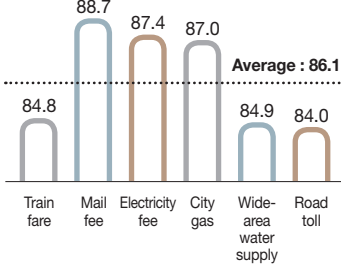
Railroads' supports for public good

(Unit : 100 million won)

Classification	Cost
Reduction of fare	2,834
- Mugunghwa or under	1,806
- KTX / Saemaeul	1,028
Operating deficit line	2,375
Special purpose business	29
Sum	5,238

Cost compensation rate on public prices (2011 closing accounts basis)

(Unit : %)



* Source : T-Price website
(Cost information on major public prices)



Central area inland circulation train (O-train)



Baekdu mountain canyon train (V-train)

Business performance

KORAIL tries to contribute to national economic development by creating economic value through our passenger business, wide-area railroad business, logistics, and business diversification.

Passenger business

We maximize profit by reinforcing marketing for KTX (high-speed train) and artery railroads or general trains (Saemaeul, Mugunghwa, Nuriro, and Commute trains).

Our accumulated number of KTX passengers surpassed 360 million in 2004, and KTX accounts for 57.0% of travel for distances of 300km or longer. Recently, we increased the transport ability to match the changing usage trends of KTX as identified through data analysis, improved the sales discount system (for example, connection tickets with airport railroads), and created new demands. The transport capacity of KTX in 2012 was 52,362,000, and revenue was 1,506.5 billion won, the highest record in our history.

We actively reflect customers’ needs and traveling trends, develop diverse tourism train products, and our improve services each year. The number of users of “Railro tickets”, which targeted young people, surpassed 180,000 per year after the six years since it was launched. It was selected as the “Star of Korean Tourism” in 2012 by the Ministry of Sports and Tourism as it contributed to the local economy’s growth and helped in creating a healthy traveling culture for young people.



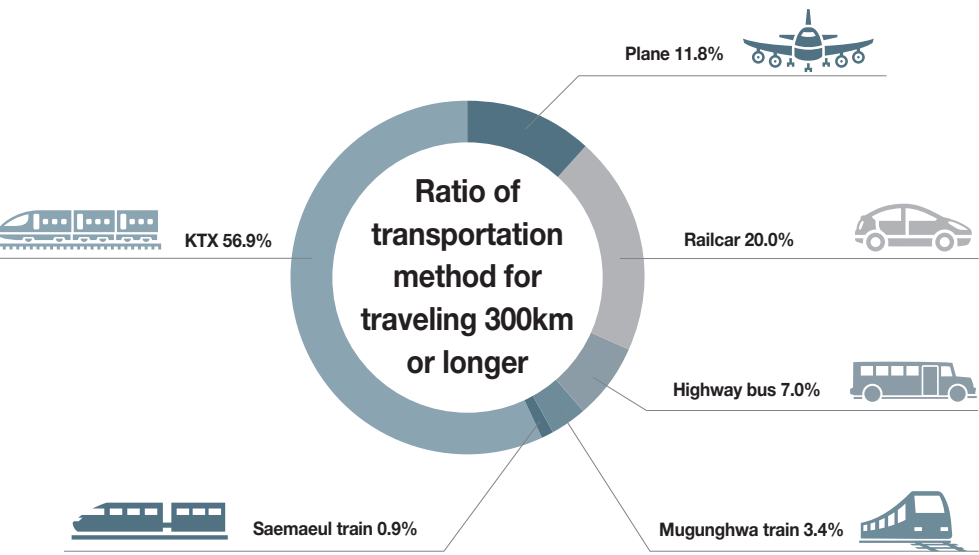
KTX



Saemaeul train



Mugunghwa train



Wide-area railroad business

Wide-area railroads have been mainly used in the past for commuting. KORAIL recognizes that families are traveling more since children don’t have classes on Saturday, and more travelers are enjoying one-day trips, so the company is leading the leisure culture by developing various travel programs. We expanded the operation area of the ITX-Youth train to cover the entire metropolitan area and operate tourism products that are connected with major attractions. We develop products with local governments, such as touring famous sites around each station, and develop experience products by using festivals or tourism infrastructures in the area. Our efforts contribute in creating a demand for tourism that helps local economies. We accomplished 676.2 billion won of revenue from wide-area railroad, and the annual users of the wide-area railroad surpassed 1 billion in December 2012.

Classification	2010	2011	2012
Revenue from wide-area railroad business (Unit : 100 million won)	5,214	5,977	6,762
Customer of wide-area railroad (Unit : thousand users)	948,832	996,852	1,027,181

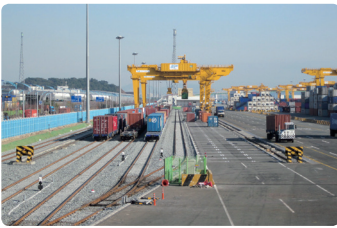


ITX-Youth

Logistics business

We established logistics business organizations at 5 major regions and reinforced on-site marketing. We expanded infrastructure around the stations that handle logistics and established a basis for self-reliant management of railroad logistics. In 2012, we rearranged our business portfolio around core items and focused on managing containers and steel as products as part of our financial strategy. We made new railcars for container items and formed container yards (CY) at the new port in Busan as part of our infrastructure expansion. We increased profits by upgrading multipurpose cars so that they are made with transport steel.

Classification	2010	2011	2012
Revenue from logistics business (Unit : 100 million won)	3,294	3,461	3,537
Freight transport capacity (Unit : thousand tons)	39,217	40,012	40,309



Logistics (station)

Business diversification

KORAIL’s business diversification is centered on services linked to train stations. The profits from business diversification include asset development, tourism, and overseas business related to trains other than railroad transport business. We discovered a new lease profit model as we made use of idle spaces inside stations and converted them into container type warehouses. Furthermore, we are continuously developing new parking lots by using spaces around stations. KORAIL increased profit by 6.3 billion won through successful business diversification. KORAIL is endeavoring to discover profitable businesses connected with trains other than transport business. We successfully entered the market of international forwarding by safe delivery to destination by means of various transport methods and incidental services.

Classification	2010	2011	2012
Profit from business diversification (100 million won)	1,077	1,318	1,460
Ratio of business diversification profit (%)	2.6	2.3	4.2



Freight train

Improvement of Railroad Industry’s Competitiveness

We are working to become a leading company in the world railroad industry by expanding our future growth and securing core technology. We will establish a foundation for continuous growth through the development of cutting-edge railroad technology with R&D, technological independence from advanced railroads countries, and securing competitiveness with new growth businesses.

Research and Development

KORAIL is expanding participation in national R&D and securing competitiveness through the development of domestic technology.. This expansion is done in compliance with the national railroad policy and regulations on environmental management, and it is also necessary for the systematic research and development of cutting-edge systems for the rail network.

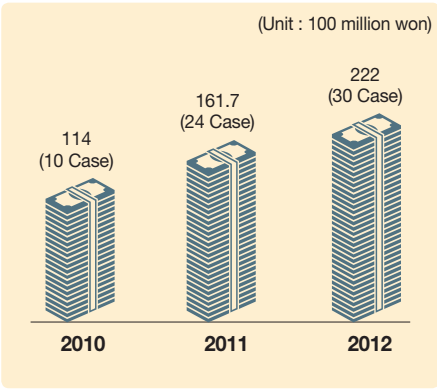
Participation in national R&D

We at KORAIL are expanding participation in national R&D by reinforcing our R&D organization and establishing mid and long-term strategies. We organized our National Research and Development Team (TF) and Railroad Core Parts Development Research Team (TF) in December 2012. We also modified specific standards for research and development to better fit international standards and establish our foundation for R&D. We generated 22.2 billion won of profit from R&D projects and secured sustainable competitiveness by developing railroad core parts and devices with domestic technology. In 2012, we saved 279.6 billion won in budget with domestic technology development and secured 7 cases of intelligent rights in railroad core technology.

Research performance and intelligent rights

Classification	Name of invention
Patent registration (2 cases)	<ul style="list-style-type: none">• Track location recognition and location information system• Communication interface system and operation method
Patent application (2 cases)	<ul style="list-style-type: none">• Cooling water collection inlet device for high-speed trains• Track fault test system
Design registration (2 cases)	<ul style="list-style-type: none">• Train brake relay valve• Train brake intercept valve
New technology certification(1 case)	<ul style="list-style-type: none">• Hybrid type tilting control system

National R&D tasks (case)



2012 Cho Hae Hyeong Management Science Application Prize

Development of cutting-edge railroad technology

KORAIL developed the world’s best level Train Operation Planning System (TOPS), securing competitiveness in railroad technology. We also introduced futuristic use environment and design technology adapted with cutting-edge IT and realized system automation to reduce the time required to carry out the train operation plan by more than 3 months. Our Train Operation Planning System (TOPS) has earned recognition, and we were awarded with the “2012 Cho Hae Hyeong Management Science Application Prize”.

Establishing a foundation for technological independence

KORAIL is the fifth in the world to open a high-speed train, and has secured the world’s best level of stability and on-time running for nine years since its opening. We are now drafting our blueprint for the future by establishing the 2020 mid and long-term technology development roadmap; our goal is to rank beside the world’s advanced railroad countries and achieve technological independence. We established the Technology Academy Center in 2012 and built our framework for cultivating core technology manpower and cutting-edge engineers (system engineers and master engineers). We focused on training talents for technological independence, and have expanded overseas technology training.

Suggesting blueprint for technology development

We established our foundation of technology improvement in 2012 to be counted among the Top 4 (France, Germany, Japan, and Korea) advanced countries in the railroad field by 2020. Our current plan for the future is to lead the domestic railroad industry by using core technology manpower by 2015 and secure original core technologies with cutting-edge technology systems by 2020. In order to accomplish this, we operate the Technology Improvement Committee (managed by the Vice President) and reinforce practical capability for progress strategies (52 cases).

Raising core technology manpower

We opened the Technology Academy to train core technology manpower. The Technology Academy educated 58 core technology cutting-edge engineers (system engineers and master engineers) in 2012, and the goal is to educate 540 such engineers by 2020. These cutting-edge engineers are classified as SE (System Engineer) that manage car, facility, electricity, and train plan, and ME (Master Engineer). They are assigned to the Engineer Department, Research Center, and Technology Support at headquarters to secure core technology power. Along with this, we have acquired original technology through 99 employees’ overseas technology training in 2012 and introduced technology education requirements for 3 subjects with 16 curriculums to reinforce training for the maintenance staff’s technical work.

New growth business

Due to the problems in the real-estate market and global economic stagnation, which have resulted in the feasibility decline of asset development, we are focusing on securing competitiveness to lead new growth business and the global railroad market. Therefore, we are reinforcing our abilities for overseas advancement and expanding small and midsize development projects. We realize mutual prosperity by reinforcing internal control to secure management self-reliance and feasibility.

Activation of development business

KORAIL has established an asset development unit and business adjustment unit to make progress in the stable development business. We modified our business development organization and reinforced manpower. We also mandated the review procedure of the business review committee and established agenda meetings for business development to prevent risks. We consider problems from existing businesses and standardize the progress system and procedures for effective and rational progress.

Blueprint for technology development

Establishing foundation for technology improvement	2012
• Establishing technology academy	
• Introducing technology education requirement	
Advancing railroad industry	2013 ~ 2015
• Cultivate cutting-edge engineers	
• Reinforcing maintenance abilities and professionalism	
World technology level	2016 ~ 2020
• Possessing core original technology	
• Establishing cutting-edge technology system	



Opening ceremony of KORAIL Technology Academy

Efforts to normalize Yongsan Development Project, and limitations

1 Efforts for normalization

- Supported normalization by revising the project agreement three times when the project faced difficulties (2009~2011)
- Increased capital through PFV-authorized capital stock (1.43 trillion won) and proposed revision of AMC project structure (Sep-Nov, 2012) to resolve funding problems and induce new investors.

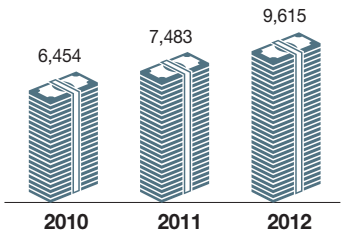
2 Limitations in normalization

- Private investors that were responsible for supplying funding had little to no will for investments KORAIL paid 3.1 trillion won (78.4%) of the gross financing of 4 trillion won.
- Normalization of the project was impossible for a public corporation to carry forward alone as private investors had no resolution to carry the project forward Private investors refused KORAIL's offer to maintain vested interests including management rights, even when the project went down to default.



Yeosu Expo Korea Specialties Exhibit

Revenue of affiliates
(Unit : 100 million won)



Reinforcing internal review procedure of business development



KORAIL has developed the Jeongdongjin rail hand bike and rail theme projects with local communities and affiliates in 2012 as part of the efforts to create new profits with rail connected products. The Yongsan Development Project's previous business method lost validity due to the depressed real estate market, and so we cooperated with a new managing company to normalize the project by establishing improvement plans for each key scenario, including changing the business plan to a comprehensive and gradual development project. Regardless of these efforts, we decided to cancel the real estate purchase and project agreement in April 2013. We decided that the project was no longer feasible due to several reasons including the weak business structure.

Business optimization through self-reliance management of affiliates

We grant management responsibility by business to the main offices of affiliates and systematized management of affiliates with supervision by the Planning and Control Office. In order to secure the transparency of affiliates, we improved the articles of the company, regulations, and institutions and reinforced support for affiliates. In particular, we restructured our business organization, adjusted similar businesses between affiliates, and made advances into overseas markets through our strategy of pursuing co-prosperity with affiliates. In 2012, we achieved external advancements, including Yeosu Expo shops and local festival shops, and generated 961.5 billion won of revenue, which is an increase of 28.5% from the previous year.

Activation performance of external advancement

Company name	Barriers	Performance
KORAIL Retail Co., Ltd.	Reduction of stable and fixed profit due to removal of business priority	• External shops such as Yeosu Expo or local festivals
KORAIL Airport Railroad Co., Ltd.	Stagnation of users due to lack of awareness of airport railroad	• Reinforce Public Relations of direct train and implement discount of fares
KORAIL Logis Co., Ltd.	Stagnation of freight transportation business due to economic downturn	• Forming infrastructure for new logistics, etc.
KORAIL Tourism Development Co., Ltd.	Stagnation of tourism demand and increase of related costs	• Reinforcing marketing with overseas tour business or theme park, etc.
KORAIL Networks Co., Ltd.	Environment change such as the change of railroad member management policy	• External new commission station (New Bundang line), parking lot business
KORAIL Tech Co., Ltd.	Cost increase such as labor, etc.	• Expand electricity safety management business

Special Page #3



Investment in railroads is expanding globally, and developing countries are especially expected to invest more in the development of national basic industries. Therefore, KORAIL is advancing overseas by focusing on establishing infrastructures for overseas businesses.

Securing competitiveness

KORAIL doesn't have extensive experience in overseas business or a collection system for overseas information. Hence, it was important to secure competitiveness in response to advanced railroad companies and professionalize the organization and manpower. Therefore, we established our Overseas Business Unit and reestablished the International Training Center as a business unit. We manage overseas business risks through the Risk Department, and the TF Team works together with the private sector and experts in each area to reduce the period for obtaining projects and secure safe overseas profit

sources. We cultivate manpower for diverse overseas businesses through training and education and are strengthening our organization for more active advancement into overseas businesses. KORAIL has expanded international exchange and reinforced our cooperation with the private sector. We share overseas market information through regular exchange and established a joint work system with overseas businesses.

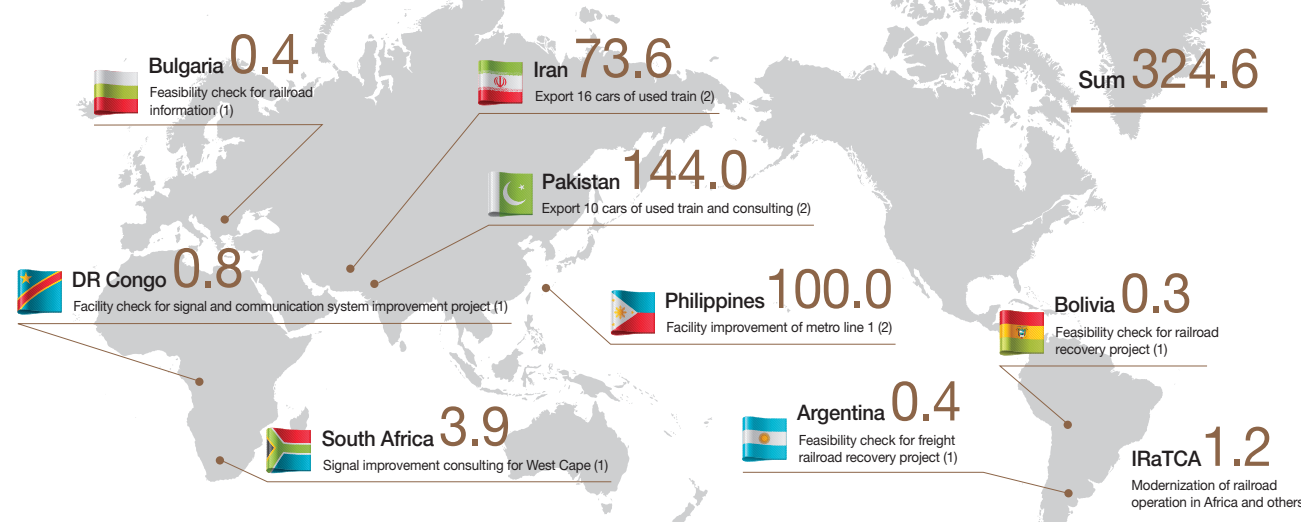
Cultivation of manpower for overseas business

Classification	2010	2011	2012
Manpower for overseas business (no. of persons)	11	50	60

Entry into overseas market

2012 was our year of preparation for overseas business, and we obtained 1 project (170 million won). Through our efforts to secure overseas business competitiveness, we obtained 32.5 billion won in 15 projects in 2012. We obtained the improvement project of metro line 1 in Manila, Philippines, which was KORAIL's first success in international bidding. We strengthened our recognition in the overseas railroad market and obtained the expansion project of Line 1 in Manila. KORAIL is now participating in about 40 overseas projects in 20 countries. We are finding new projects by reinforcing connections with competitive domestic and overseas private and publicly owned organizations.

2012 Overseas projects (Unit : 100 million won)





Communication: *A Good Listener, KORAIL*

KORAIL is striving to raise the national value with enforced co-prosperity with partners and local communities in the global railroad industry. We establish reliance on each other with opened management through active communication. We strive for the stability and development of stakeholders as we work to realize economic values.

Disclosure on Management Approach in Human Rights and Labor Areas

Strategies and direction of process

KORAIL is striving to reinforce the competitiveness of employees, partners, and local communities based on a relationship of fairness. We guarantee employees' rights and welfare, and lead economic growth together with our partners and local communities. In particular, KORAIL implements policies that consider the employment relationship and socially disadvantaged people in the contract, especially when providing service to customers.

Monitoring

We enact official and unofficial communication with consulting bodes or in meetings for communication with stakeholders to resolve difficulties and claims. Furthermore, we provide regulations and institutions to provide fair opportunities and allocation of outcomes.

Department

Personnel & Labor Office-Administration Department, Personnel Planning Department, Personnel Management Department, Health & Welfare Department, Labor-Management Department, Financial Management Office-Material Management Department

Major Performances

Performance index	(Employee) <ul style="list-style-type: none">Labor-Management co-prosperity index : 82.5 points, welfare satisfaction rate : 86.1 points, 3 years in a row of no disputes in achieving group agreement, 3 years in a row of being recognized as a Family Friendly Company certified by the Ministry of Gender Equality and Family
	(Partner) <ul style="list-style-type: none">Purchases from small and midsize company : 61.6 billion won
Human rights	(Local community) <ul style="list-style-type: none">Participation in "Love Donation" : 81.5%, Volunteer hours per 1 employee: 6.62 hours
	<ul style="list-style-type: none">Resolved difficulties and claims: 83 casesSupport online ethical management education of partner companiesHuman rights issues are included in all contracts and wage and working conditions are reflected in partner's contract.Strengthened supervision on payment to partners twice and three times through contract payment system and payment confirmation system.
Labor	<ul style="list-style-type: none">Activation of flexible work hour: 140 participatedExpand period and beneficiary of maternity leave (up to 1 year for 6-year-old or children or younger → up to 3 years, 8-year-old or under)Expand fraternity leave: 3 days → 5 days

Employee Satisfaction

KORAIL respects the diversity and dignity of our employees. We observe internal and external regulations related to human rights and employment terms. We expand socially equal recruitment without discrimination based on educational background, sex, or physical conditions. We also actively manage employees’ difficulties or conflicts, treating all staff members like the respect they deserve as fellow humans.



Interviews for internships

Opened hiring and manpower cultivation

Hiring policy and status of recruitment

KORAIL does not discriminate against people based on their sex, physical condition, appearance, educational background, or age in overall human resources management including recruitment, promotion, and compensation. We are increasing the hiring of women, handicapped, and job seekers with government support. In particular, we provide the same wage and welfare to high school graduates and non-regular employees as full-time employees.

In 2012, we improved our human resources system to expand recruitment of high school graduates and introduced the “Limited competition for high school graduates” and surpassed the hiring goal recommended by the government to expand socially equal recruitment. In particular, we form an equal competition culture with college graduates through systematic job training without discrimination in regard to promotion and wage. We hired 410 regular employees including 140 high school graduates and 827 interns in 2012. We thus improved the generation balance of employment through continuous hiring of new employees.

The wage for new employees is 25,240,000 won per year. We provide equal wage and welfare regardless of sex and strive for fair treatment in terms of promotion and compensation. Moreover, we conduct sexual abuse prevention education to protect the human rights of employees. Difficulties regarding human rights are handled through our Difficulty Process System.

Status of employees

(Unit : no. of person)

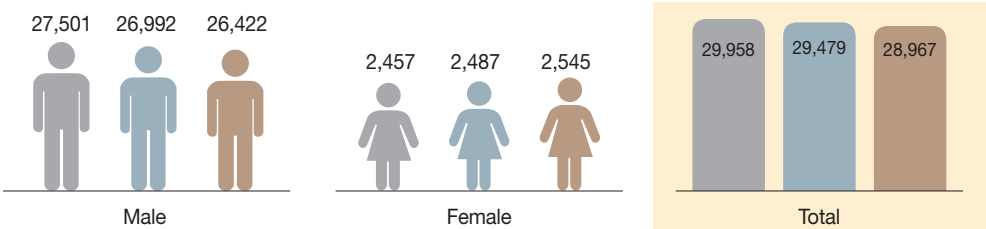
Classification		2010	2011	2012
Hiring	Full-time	29,958	29,479	28,967
	Contract	196	104	301
	No. of female managers(Level 2 or higher)	16	20	19
	Average year of service (year)	17.0	17.2	19.0
	Total number of employees	30,154	29,583	29,268
Leave	Rate of leave (%)	2.6	2.5	3.6



Field training for internships

Status of employees by gender

■ 2010 ■ 2011 ■ 2012 (Unit : no. of person)



Status of employees by age

(Unit : no. of person)

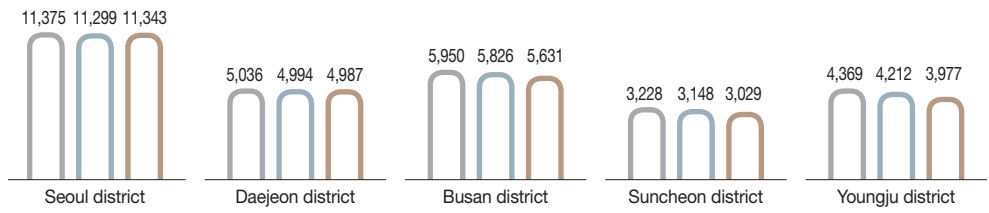
Classification	2010	2011	2012
Younger than 25	27	40	114
25~34	4,989	4,407	3,918
35~44	12,610	12,120	11,682
45~54	10,088	10,466	10,897
55 or older	2,244	2,446	2,356
Total	29,958	29,479	28,967



Appointment ceremony for new recruits

Status of employees by region

■ 2010 ■ 2011 ■ 2012 (Unit : no. of person)



* Dispatched employees are included in ‘Seoul district’

Socially equal hiring

Classification	2010	2011	2012
Hiring	103	204	410
Female	25	56	96
Handicapped	-	-	10
Regional talents	63	120	230
Special high school graduates	7	23	140
Science and engineering majored	58	113	263
Youth intern	500	600	827
Hiring rate of female applicant (obligatory hiring rate 5.67%)	8.2	8.5	8.8
Handicapped (obligatory hiring rate of 3.0%)	3.1	3.1	3.0
Elderly (obligatory hiring rate of 6.0%)	7.4	8.4	8.8

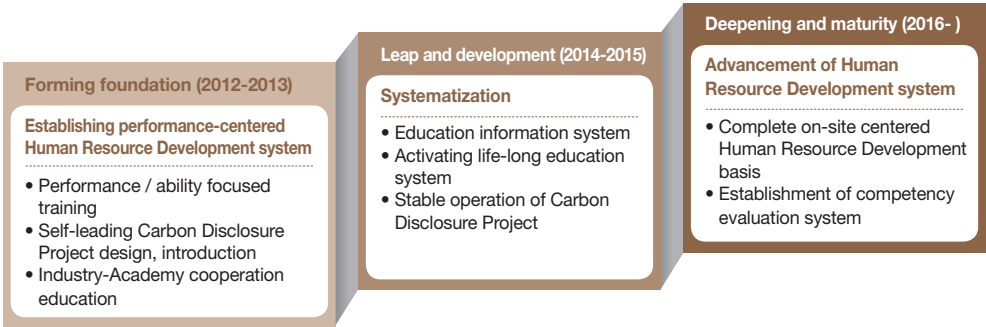
Human Resource Development

KORAIL aims at operating an education system that is linked with CDP and at establishing and systemizing a performance-based Human Resource Development (HRD) system. In 2012, we processed strategic training to cultivate core talents with professional manpower and integrated technology with global abilities. We would like to cultivate global manpower to expand our overseas business and introduce overseas advanced technology. We also want to develop core talents equipped with integrated technology, core technology by area, and professional cutting-edge technology. We focused on advancing our education infrastructure by raising educational quality. In 2012, we cultivated 58 core talents with integrated technology, and we will secure 540 integrated technology type System Engineers (SE) and Master Engineers (ME) with core technology by area. We are increasing our education satisfaction rate through continuous improvement of education quality with customized education by work level. KORAIL provides a life-long education system and tries to systematically manage employees’ abilities.



Junior Board Strategy Camp

Roadmap of mid and long-term Human Resource Development progress



Staff education

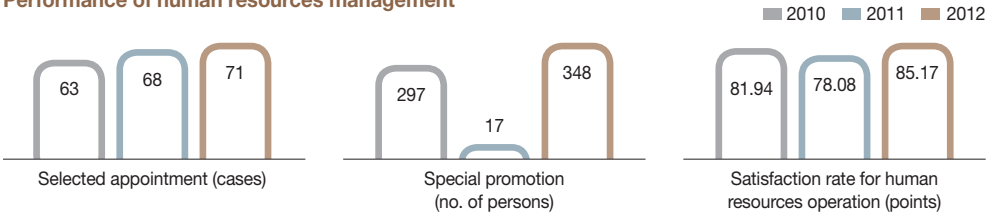
Education performance by year

Classification	2010	2011	2012
No. of trainees (completion basis)	90,796	113,087	110,496
Training hours per person	22	93	97
(Total no. of trainees that completed education / average trainee x 4 days x 7 hours)	85	10	107
Training cost per person (Unit : thousand won)	250	307	350

Performance and compensation

We reinforced our organizational competitiveness through performance-centered fair human resources operation and increased the satisfaction rate for human resources operation. We manage our systematic assessment system from working evaluation, mid-supervisor evaluation, to organization and individual (MBO) evaluation and these evaluations as the basic data for overall human resources management including promotion and compensation. We process fair and innovative human resources operation such as immediate special promotion for special contribution and selected appointment based on ability and performance. We improved unfair elements in 2012 for special promotion due to the seniority system or other factors. In addition, we strengthened professionalism by removing job circulation.

Performance of human resources management



Special promotion



Awards for extraordinary performance

Advanced welfare

Compatibility of work and family

Expansion of flexible work hour system

KORAIL operates flexible a working system including short hour work, time, staggered work hours, and intensive working to promote time for leisure and self-improvement. In particular, we introduced short work hours for childcare, concentrated on providing weekend work hours, and established flexible work hours and an intensive work hour system. We are collecting opinions from employees in the process of improving our flexible work hour system to increase its effectiveness. We also introduced a system intended to be suitable for different fields: this system allows adjustment of the starting and finishing time of work in consideration of working conditions and work type by department through agreement between labor and management.

Flexible work hour system

(Unit : no. of person)

Classification	Contents	2011	2012
Short work hours	Employees who work 15-35 hours per week	33	103
Flexible work hour	Staggered work hours	-	34
	Intensive work hours	-	3
	Employees who work 8 hours a day with different starting and finishing times	-	3
Total		33	140



Railroad Day Care Center

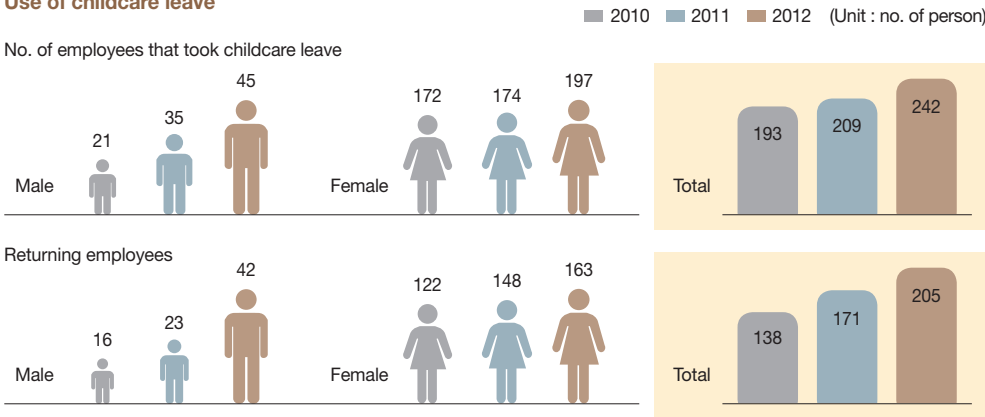


Certification of family-friendly company

Female-friendly corporation

KORAIL is expanding systems for promoting childbirth and maternity protection to help resolve the nation's low birthrate, which is a social problem. We extended maternity leave to 3 years for employees with children aged 8 years or younger (maternity leave used to only be up to one year for employees with children up to 6 years old). We also extended fraternity leave to 5 days from 3 days. We guarantee breastfeeding hours and fetus medical examination leave to support childbirth and childcare. We operated four company childcare centers in 2012, and we will build three more company childcare centers in 2013. Based on our culture and various systems that promote childbirth and childcare, working parents can enjoy the benefit of maternity and fraternity leaves. We have formed workplaces where female employees can work well, and have been certified as family friendly company by the Ministry of Gender Equality and Family three years in a row since 2010.

Use of childcare leave



Portal website for retirees



Naksan Training Institute



Staff wedding service



Retiree support MOU

Welfare program

KORAIL is operating an advanced welfare system to help employees balance their work and family lives. In 2012, we established an assistance program for both active and retired employees for systematic human resource management. Our Employee Assistance Program (EAP) supports the personal problems of employees through counseling and consulting on finance, credit, and legal matters. We conducted 12 finance education programs in 2012, supported financial consulting to 400 employees, and implemented 47 legal consultations. We are expanding selected welfare items and offer the use of our headquarters building for weddings and movie screenings. We grant 12 days of annual paid holiday for executives at Level 2 or higher and 4.5 days or longer for Level 3 or lower: vacations are obligatory so that employees can refresh and reinvigorate themselves, preventing them from suffering burnout at work. The employees may utilize annual paid holiday freely. As such, we support stability at work through various programs. The welfare satisfaction rating of employees was 86.1 points, which is 2.8 points higher than the previous year.

Retiree support

	Balance between work and family	<ul style="list-style-type: none">• Additional building of childcare facilities at work and improve operation• Improve educational fund system (expand the quantity of loan)• Employee assistance program (financial consulting, credit recovery, legal consultation)
	Improved working environment for employees	<ul style="list-style-type: none">• Reconstruction of old employee apartment and improve employee housing• Support facilities at company cafeteria and establish management system
	Feedback for employees' needs	<ul style="list-style-type: none">• Diversify selective welfare system• Expand rest facility for employees• Support congratulations and condolences expenses, club activities, and sports events

Retiree support

KORAIL offers a systematic customized assistance program for retired employees including pension and rehiring of retired. In 2012, we conducted a workshop for employees and their spouses that expect retirement and offered education on business start-up and post-retirement employment. 144 participated in the workshop. We concluded a memorandum of understanding (MOU) with Labor and Management Development Foundation to assist retired people and arrange professional consultants.

Assistance for retired

Create jobs and expand post-retirement employment <ul style="list-style-type: none">• Establish cooperative relationship with external companies and organizations• Networking of hiring companies and issue demands of hiring• Joint holding of job fair	Provide customized education program <ul style="list-style-type: none">• Implement responsible education from 3 years before to after retirement• Career design using on and offline workshop• Diverse education such as change management and retirement design
Post-employee support <ul style="list-style-type: none">• 1:1 counseling with former employee and consulting• Aptitude test and resume marketing• Provide information such as post-retirement employment and job opening	Successful post-retirement employment <ul style="list-style-type: none">• Support economic stability• Keep continuous trust relationship with retired• Call center for follow up support

Assistance program for retired

A Good Listener,
KORAIL

Safety and Health Management

KORAIL tries to promote employees' health by forming safe and comfortable working environments. We decide major issues through the Industry Safety and Health Committee. All our departments maintain certification under the Safety and Health Management System (KOSHA 18001, OHSAS 18001) of 2012. In order to prevent industrial disasters, we provide one on one safety and health management by experts on weak or newly built workplaces and intensive anti-disaster training for managers. In particular, we revised the special conditions for service contracts including the Safety and Health Management Council and provide consulting and educational data for safety and health management. We also enforced our safety culture by establishing a system for win-win management with affiliates or partners. In 2012, the industrial disaster rate was 0.334% at KORAIL; there have been no major disasters.

Mental and physical health management program

(Unit : no. of times)

Standards	Win-win Safety Cooperation System		Industrial Disaster Prevention Consulting	
Established special conditions on construction contracts	Form consultative body	Provide risk information	Consulting, benchmarking	Education data, lecturer assistance
	462 cases	161 cases	100 cases	173 cases

KORAIL is observing the Law of Industrial Safety and Health and other relevant laws. We conduct regular health examinations and carry out major workplace environment measures twice a year to prevent harmful elements such as noise or dust. We introduced the self-health management program which employees can use to check their health status online and continuously manage their health through professional counseling. Employees aged 37 or older also have additional examination items to prevent illnesses in the early stages. In particular, we hold the Central Industrial Safety and Health Committee regularly to form comfortable working environments, support physical and mental health, and manage major matters on safety and health.

Mental and physical health management program

	Expanding consolation break	<ul style="list-style-type: none">• Longer comfort breaks for employees that experienced accidents during driving or handled dead bodies (3 days → 5 days)• Psychological counselor for work stress was hired in 2013, and follow up management is expected.
	In-depth interview and psychology counseling	<ul style="list-style-type: none">• Support employees that need mental stability and healing until full recovery- In-depth interview : 28,013 employees- Psychology counseling : 13 employees
	Work exchange and agreement with relevant organizations	<ul style="list-style-type: none">• Cooperation to promote mental health and research trend of human errors (Jaseng Oriental Medicine Hospital, Japan Labor Science Research Center, Samsung Seoul Hospital)
	Operate health management program	<ul style="list-style-type: none">• Accurate physical strength test, autonomic nerve balance, artery hardening test, etc.- Twice, 570 employees



Gudang Acupuncture Clinic, 4th Floor of Seoul Station



Health Care Center



Smoking Cessation Clinic

Labor-Management Relationship Based on Communication and Harmony

Advancing Labor-Management relations

KORAIL works to promote legal compliance the company by handing out interpretations and descriptions of labor related laws to establish rational and healthy Labor-Management relations. We reinforced observance of the law by labor union staff and exemption from work hours. We also improved required maintenance work and fair management on double labor unions to settle our rational labor management system. In particular, we apply the same convenience and labor conditions on double labor unions and rationally allocated work hour exemptions to remove causes of conflict. We actively implement the government’s policy on public companies, particularly through our wage and human resources system, and are continuously making improvements based on the government’s recommendations.

KORAIL Family Tracking

Aims at developing positive relationships and promoting wellness among workers, families and the management

- Assessment : Family satisfaction (85.9 points)
- Subscription : 26,028 persons (6,664 family members)
→ Increase by 4,632 (43%) compared to 2011



Spring Hanmaeum Sports Competition



Labor-Management Volunteer Activities

Advancement Strategy for Labor-Management Relations

Goal	Establishment of productive labor-management relations based on understanding, sympathy and trust			
Strategic tasks	Advancement of strategies for labor-management relations	Establishment of healthy labor-management relations	Mutual understanding and field-oriented labor-management relations	Rational collective agreement
	<ul style="list-style-type: none">Re-establishment of strategy and tasksSelection of advancement strategy for labor-management relations	<ul style="list-style-type: none">Enhancement of consciousness of law and orderAdvancement of systems related to labor-management relationsCreation of outcomes for conflict management	<ul style="list-style-type: none">Establishment of multidimensional system for mutual understandingMutual understanding and sympathy between workers, families and unionStrengthening of customized labor	<ul style="list-style-type: none">Re-establishment of systems for package negotiationsImprovement of efficiency for package negotiationsEstablishment of no-conflict negotiation culture
Performance indicator	Labor productivity	Legality of systems	Index for labor-management understanding and communication	Rationality of package agreements

Status of labor union

KORAIL has four labor unions including the National Railroad Labor Union (belongs to Korean Confederation of Trade Unions), Korea Railroad Industry Labor Union (belongs to Federation of Korean Trade Unions), Korea Railroad Corporation Labor Union, and KORAIL Labor Union. The total number of union members is 21,650 (Dec. 2012) with 20,899 from the National Railroad Labor Union (96.5%), 716 from the Korea Railroad Industry Labor Union (3.3%), 20 from the Korea Railroad Corporation Labor Union (0.1%), and 15 from the KORAIL Labor Union (0.1%).

Win-win communication

KORAIL announces important changes of the business according to the agreement of the union and uses a system that uses various media for communication between labor and management as well as with family. We reinforced our cooperation system with headquarters and operate this communication system to overcome the difficulties of communicating with workplaces that are scattered nationwide. According to the characteristics of workplaces, we hold a management presentation on earnings and expenses, human resources operation plan, recruiting, organization reform, and institution improvement using video, e-mail, or publications. Besides the official channels, we improved unofficial communication such as on-site communication, town meetings, and Labor-Management meetings. Through these efforts, we solved current issues and prevented conflicts.

In particular, there was an increase in conflict factors due to the reorganization of the railroad industry, but we improved trust between labor and management through sincere conversations. KORAIL formed a common understanding between labor and management through enterprise-wide communication driven by the active will of the president to achieve a win-win scenario for all involved parties. As a result, we improved the terms of the collective agreement and concluded it without any labor disputes for three years in a row.

Win-win communication



Unofficial channel

CEO's Communications

- CEO-Head of labor union meeting (6 times)
- Opened direct channel between CEO and head of labor union (phone)
- Real-time broadcasting of weekly management meetings and monthly morning greetings

Town meeting and Labor-Management meeting, etc.

- Expand communication through town meetings and gatherings of labor and management staff (24 times)
- Adjust different opinions and search solutions with usual operation of consultation channel (12 times)



Labor-Management Workshop



Sisterhood activities

Expedient resolution of problems

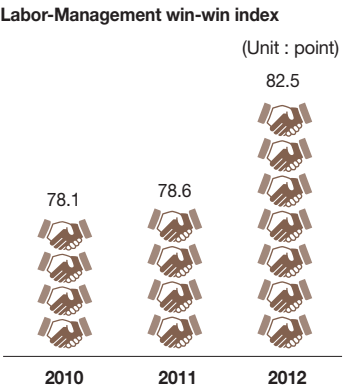
KORAIL identifies difficulties of employees through communication management and the self-responsibility system of heads of department and managers and handles the problems quickly. The issues of employees received through VOK (Voice of KORAIL) are handled by states from on-site review, local review council, and headquarters co-prosperity council. We received and handled 81 personal issues in 2012.

Stages of resolving issues



Satisfaction rate of employees

KORAIL’s management policy forms common understandings through communication management and realizes a stable Labor-Management culture that benefits all involved parties. Field management activities actively carried out by the head of organization, sisterhood activities between field departments, and exchange experiences enable active communication between each other, creating mutual success as shown in the win-win index for Labor-Management.



Co-prosperity with Partners

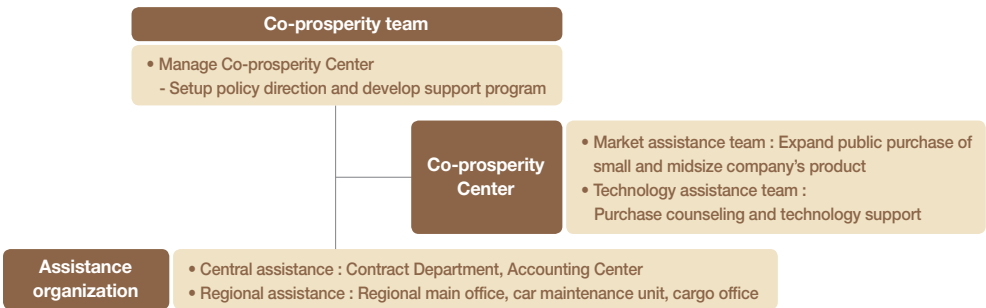
We try to strengthen the cooperation network of the railroad industry for co-prosperity with partners, lead the improvement of railroad technology, and reinforce the competitiveness of the railroad industry. Through mutual prosperity with partners such as small and midsize companies or organizations, we would like to become a people-centered company that guides society with fairness. We strive to realize a fair society by improving unfair customs or institutions and guarantee equal opportunities and fair competition.

Co-prosperity

Expanding the basis to process co-prosperity

KORAIL tries to expand the basis of processing co-prosperity, support technology and education for management stability, and reinforce the competitiveness of affiliates. We expanded the assistant organization and evaluation system, which one of the bases for co-prosperity and strengthened practical ability. In order to strengthen the professionalism of the department that handles co-prosperity, we support purchasing counseling or technology support at the Co-prosperity Center, which consists of market assistance team and technology assistance team. We assign responsible management contracts as one of the core tasks of the executive in charge. We have also expanded the evaluation criteria from the contract department to the working division in the internal management evaluation to reinforce co-prosperity.

Co-prosperity organizations

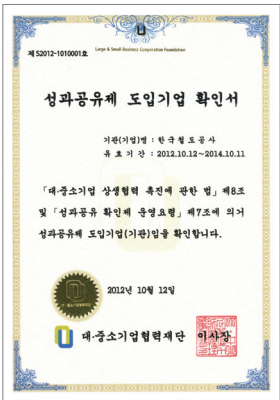


Technology and education assistance

KORAIL reinforced the cooperation network of the railroad industry with academies, government organization, and partners, established core technology development organization, and led technology improvement. Through technical cooperation with small and midsize companies, we create domestic core technologies and enter domestic and overseas railroad markets. Our partners then receive our support in developing strong technological power: this is how we strengthen the competitiveness of small and midsize companies with a virtuous circle of co-prosperity, from the joint development of a new product to stable purchase guarantees. We were awarded with Excellent Technology Cooperation Prize by the “2012 Co-prosperity with Small and Midsize Company Fair”. KORAIL expanded the “Co-prosperity and fair trade agreement” to maintain sustainable co-prosperity with small and midsize companies, introduced the cost saving performance sharing system, and processed actual cooperation business to support small and midsize companies with help such as quality certification support. In 2012, we selected a performance sharing system as the core practical tasks of co-prosperity and established continuous practical basis. We were recognized as a public organization with



Mutual Growth and Small and Midsize Business (SMB) Workshop



Certificate of Introduction of Benefit Sharing System

an effective performance sharing system for two years since October 2012 by Small and Medium Company Cooperation Foundation. We activate technical exchange such as sharing our expertise on safety and environment and supporting education for reinforcing the abilities of partners. We enact ethical management education, cultivation of cutting-edge engineers, and productivity improvement to lead the sustainability of cooperative companies.

Support market expansion

KORAIL reinforced purchasing of small and midsize companies' products, expanded markets, and supported the stability of those companies. We expanded participation opportunities for small and midsize companies through standardization of technology bidding, relief participation qualification on biddings, and inferior limit to large companies for participation. We also give additional points to small and midsize companies when participating in bidding according to the support system. As a result, our purchasing from small and midsize companies improved by 8%. Moreover, we hold online and offline professional counseling and purchasing counseling by area through the Co-prosperity Center and expand the chance to enter the railroad market. We operate the exhibition of products by small and midsize companies at major stations nationwide to support their marketing, and concluded work agreements with Small and Medium Sized Company to expand exhibition and selling shops inside KTX stations with large floating populations. We will put more efforts in expanding the market for small and midsize companies' products and growing the local economy through the gradual expansion of shops for those companies and local specialties. In addition, we established a consortium with small and midsize companies to advance into overseas markets in 2012 and obtained 12.8 billion won through joint overseas projects with three such companies.

Assistance to small and medium sized companies

(unit : no. of shop)

Category		2010	2011	2012
Purchasing products by small and midsize companies	Overall purchasing budget (100 million won)	14,173	10,488	12,272
	Purchasing small and midsize companies' products (100 million won)	7,387	5,677	6,160
	Purchasing technology development products (100 million won)	188	211	408
	Purchasing new products with conditions or purchasing (100 million won)	204	298	336
	Ratio of purchasing from small and midsize company (%)	52.1	54.1	50.2
Support ability strengthening	Instruct safety and environment technology (no. of companies)	-	5	9
Joint research and development	Small and midsize company technology innovation budget (100 million won)	42	37	63
	No. of joint research and development, participating company (case / no. of companies)	5/10	6/14	17/30
Expand market expansion	Construction participation (case)	-	1,651	1,847
	SW project participation (case)	-	51	110

Assistance for management stability

KORAIL helps achieve management stability for small and midsize companies through stable funding such as cash payment, fund fluidity support, and loan support. We complete 100% of cash payments within 5 days after suppliers bill us, and the rate of pay in advance was the maximum of 70% as we paid 100% of the demanded amount. In particular, we supported 6.7 billion won through public purchase loan which supports loan with low interest and takes contract as security. As a result, we were classified as the best public organization of support performance and awarded with the Commendation by the Prime Minister for contribution to public purchase in 2012.



MOU for mutual growth and cooperation



Small and Midsize Business (SMB) Myeongpum Maru, Seoul Station

Small and midsize business (SMB) stores

(Unit : no. of shop)

Stores	2011	2012
Small and midsize business (SMB)	0	3
Local specialties	15	21
Recommended products	1	4

Sharing with the Local Community

Under the slogan, “Building a Happy World Linked through Rails”, KORAIL is carrying out specialized and systematic Corporate Social Responsibility (CSR) activities aimed at building a warm and happy community. In particular, KORAIL’s Corporate Social Responsibility (CSR) activities utilize the unique characteristics of the railroad system, allowing KORAIL to strengthen communication and contribute to the development of the local community.



Logo of KORAIL Social Volunteer Group



Memorandum of understanding (MOU) and donation to Korean Red Cross



Social contribution portal system

Corporate Social Responsibility (CSR) promotion system and organization

KORAIL established a Corporate Social Responsibility (CSR) promotion strategy and is actively carrying it forward in order to become a corporation that is worthy of the trust and love of the public. In order to implement effective social contributions, we established a mid and long-term strategy, established strategic partnerships with cooperative organizations such as non-profit organization, media, local government, and green rail volunteer groups, and expanded existing social contribution activities. Especially, KORAIL launched a new type of Corporate Social Responsibility (CSR) activities in 2012, focusing on participation and utilizing its railroad infrastructure. This allows KORAIL to overcome the limitations of conventional volunteer activities and to carry out community-oriented Corporate Social Responsibility (CSR) activities, becoming closely engaged in the key issues of the local community. There are 477 volunteer organizations in KORAIL, and our corporate culture strongly encourages all staff members to participate in Corporate Social Responsibility (CSR) activities in their everyday lives. The KORAIL Social Volunteer Group aims at more than providing temporary support and one-time participation, and seeks to practice sharing through consistent and active participation.

Strategy process of social contribution

Goal	Realizing a respected people-centered company KORAIL by practicing social responsibility		
Core value	Talent sharing	Sustainability	Local contribution
Mid and long-term strategy	System establishment (~2010) <ul style="list-style-type: none">Establish KORAIL Social Volunteer GroupForm Matching Grant fundIntroduce strategic social contributionEstablish social contribution portal	Practice social responsibility (2011~2014) <ul style="list-style-type: none">Establish strategic partnershipReinforce Public Relations of social contributionParticipatory social contribution	Accomplish respected company (2015) <ul style="list-style-type: none">Establish participatory social contributionReinforce participation by stakeholdersExpand social contribution activities
Main tasks in 2012	Customized program <ul style="list-style-type: none">Self-support project for homelessSuggest KORAIL social contribution modelOperate specialized program development	People company which communicates with the people <ul style="list-style-type: none">Self-support project for homelessSuggest KORAIL social contribution modelOperate specialized program development	

Securing financial resources

All KORAIL staff members can voluntarily choose to subscribe for the “KORAIL Love Fund”, which automatically deducts a certain amount of money from their salary month for a good cause. Currently, 23,985 of our staff members (81.5%) are participating in this program. We have also the Matching Grant program whereby KORAIL grants support proportional to the KORAIL Love Fund. The social contribution financial resources from Love Fund and Matching Grant are used for enterprise-wide aid projects and donations for beneficiary organizations, and the data is transparently opened through the social contribution portal system.

Social contribution fund raising and implementation

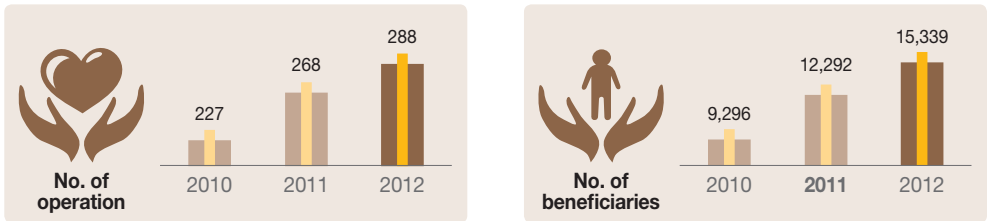
	Classification	2010	2011	2012
Fund raising	Love Donation (no. of persons)	20,653 (68.9%)	23,348 (79.0%)	23,985 (81.5%)
	Love Fund (Unit : thousand won)	680,000	670,000	672,820
	Matching Grant (Unit : thousand won)	420,000	520,000	530,000
Activity cost	Happy Train (Unit : thousand won)	226,640	370,300	504,280
	KORAIL Village (Unit : thousand won)	93,300	265,590	104,080
	Welfare organization (Unit : thousand won)	562,780	599,000	437,240
	Aid for farming regions, cultural exchange, other (Unit : thousand won)	158,980	240,360	294,080

Specialized social contribution program

Happy Train

Happy Train offers the underprivileged the chance to take train trips. Each voluntary group sets a theme with the program that reflects the needs of beneficiaries each month. In 2012, we provided the chance to 15,339 people including handicapped, multicultural families, returned Koreans from Sakhalin, and victims and aggressors of school violence. KORAIL continuously operates specialized programs based on the railroad industry, and we were awarded with the 2012 Korea Voluntary Award by the Prime Minister and the Minister of Public Administration and Security. Also, we offered the beneficiaries an opportunity to visit the international exposition and hosted the Happy Train event 10 times (beneficiaries: 1,291 persons) in link with the Expo 2012 Yeosu Korea in order to actively support the national event.

Operation of Happy Train



KORAIL Village

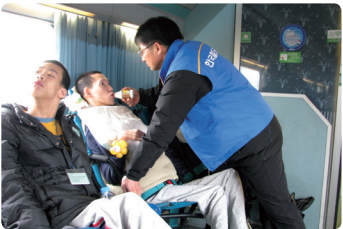
We are actively promoting the KORAIL Village program which aims at improving the living standards for people living near railroads nationwide and support educational materials and pro bono learning programs. The KORAIL Village program is our representative Corporate Social Responsibility (CSR) program that utilizes KORAIL’s various and abundant human resources, and is being carried out with the warm affection and care of our staff. In 2012, we held 191 KORAIL Villages through which we were able to offer 4,678 persons, including disabled persons and teenagers of low-income families, the chance to cultivate their dreams and aspirations.

Operation of KORAIL Village

Classification	2010	2011	2012
No. of operations	284	275	191
No. of beneficiaries	4,242	6,354	4,678



Ocean cleaning activity



Happy Train for persons with severe disabilities



KORAIL Village activity



Yeosu Expo Volunteer Group



Rail Green Travel Package



Education Donation Certification Mark

Reinforce the public function

We expanded public support through public discount and train operation to remote places, froze train fare except for general trains, and minimized the burden on the people. In order to relieve the price burden on the train, we are continuously improving our discount system. KORAIL contributed in the successful management of the 2012 Expo Yeosu Korea. KORAIL established the KORAIL Expo Volunteer Group in May 2012, which carried out volunteer works for 93 days during the expo, and KORAIL also operated the Happy Train 10 times in link with the expo through which we were able to offer an opportunity to visit the exposition for 1,291 disadvantaged children. We also contributed in reducing social cost and stimulating tourism as well as improving convenience for people visiting Yeosu for the expo by operating special trains and providing free shuttle trains between Suncheon and Yeosu. As a part of our efforts to support the national event, we offered a 30~50% discount for those who bought tickets to the expo in order to reduce the financial burden of people using the train during the event. We also signed an MOU (memorandum of understanding) with eight local governments in July 2012 and developed the “Rail Green” travel package. The “Rail Green” travel package offers train trip guides on cultural heritages of each area and an experience program for agricultural and fishing regions. This is a part of KORAIL's efforts to seek a win-win strategy between the urban and rural areas and to stimulate local economies.

Educational Rail Experience Program

We are currently operating an educational rail experience program that utilizes our railroad infrastructure and offers various opportunities to experience the railroad and explore Korea. We also operate participation-type career experience programs through 27 affiliates, and 74,001 persons used our rail experience program in 2012 alone. Our program received recognition for its outstanding educational benefits and was awarded the “1st Korea Education Donation Award” from the Ministry of Education, Science and Technology, and received the Education Donation Certification Mark.

Experience Rail Program



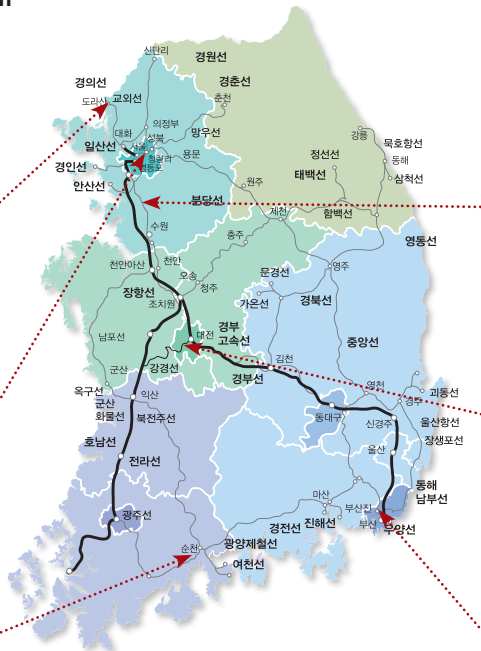
Dorasan Station National Security Experience Program



Seoul Station DREAM Experience Program



Suncheon Station Green Railroad Experience Program



KORAIL Human Resources Development Institute Railroad Safety Experience Center



Yeonsan Station Railroad Culture Experience Program



Busan Rolling Stock Workshop Railroad Career Experience Program

Performance of Social Contribution Activities

Along with the Corporate Social Responsibility (CSR) programs based on our railroad infrastructure, KORAIL is also carrying out various Corporate Social Responsibility (CSR) activities such as volunteer works in areas hit by typhoons, blood donation drives, and farmhouse assistance programs. We raised our effectiveness in offering assistance through partnership with diverse non-profit organizations and implemented social contribution programs to cure social problems. Also, in order to contribute to preventing school violence which is becoming a social problem, we included a prevention program among our railroad experience programs and improved the living and educational conditions of victims of school violence. We are also currently offering the “Pro Bono Environment” through which KORAIL provides specialized technology and education on the environment to social enterprises, schools, welfare facilities and affiliates. In 2012, 52,234 volunteers participated in sharing management activities for 192,932 hours, and we were awarded with the best prize in the social responsibility area, the “Global Standard Management Award”, for two years in a row.

2012 major social contribution activities and operations

Classification	Helping farm house	Voluntary visit	Education	Cultural exchange	Sisterhood with welfare groups	Voluntary work for environment	Disaster recovery	Blood donation
No. of operation	124	371	198	82	2,546	579	24	835
No. of beneficiaries	1,653	11,612	6,415	11,820	257,218	169,194	1,283	4,440
Total hours	7,793	12,461	2,944	3,933	79,400	25,669	2,164	7,394
No. of participants	4,235	2,790	769	812	20,031	11,202	309	1,927

Classification	2010	2011	2012
No. of activities	8,375	5,376	5,872
No. of beneficiaries	343,467	394,924	419,907
Hours of voluntary work	379,812	188,019	192,932
Used financial resources (million won)	1,041	1,496	1,393
No. of participants	111,071	42,627	52,234



2012 Global Standard Management Awards,
Social Responsibility Management Award

Special Page #4

Self-support
Program for the
Homeless...
Providing Hope from
Seoul Station

The number of homeless people near Seoul Station increased after the IMF currency crisis. These homeless people threatened the safety of our customers because they were frequently drunk or violent and begged for money, preventing people from enjoying pleasant train trips. In order to produce a fundamental solution for this problem and guarantee our customers a safe and pleasant experience, KORAIL signed an MOU (memorandum of understanding) in August 2012 with the Seoul Metropolitan Policy Division and Kkottongnae. We at KORAIL now support the homeless to support themselves. KORAIL helps the homeless to return to society through self-support programs by providing jobs. Through such efforts, the civil claims related to homeless have been decreased. KORAIL has a self-support team of formerly homeless people at Seoul Station. We provide cleaning jobs for them, and those who are strongly motivated to support themselves can be hired as transport transfer helpers. We recruited 20 cleaners in 2012, and nine among them were hired as transfer helpers. They work eight hours a day and receive 1,800,000 won in monthly wages. We manage this service for the homeless through on-site inspection and survey, and 97% said that recruiting the homeless has had a positive effect. KORAIL's successful model of returning to society for homeless was selected as an excellent case of an advanced public organization by the Ministry of Strategy and Finance.



Hope Project, offering jobs to the homeless

Step 1

Seoul station sanitary
workers

Self-support Team for the homeless of Seoul Station
- Subject : Homeless persons who have the will to support themselves

Seoul Station Square cleaning
- Primary pilot project and secondary extended project

→ à Provided 20 jobs to homeless persons of Seoul Station

Step 2

Seoul and Yongsan
Station transfer guide

Preferential recruitment for sanitary workers
- Resolution to self-support, and service mind

Carrying luggage for weak persons, offering guides, etc.

Provide on-site service

→ à Provided 9 jobs to homeless persons who wished to support themselves

Rehabilitaion
of homeless
people

Appendix

Affiliates

ISO 26000 Compliance Diagnosis Report

3rd party Verification Statement

GRI G3.1 / ISO 26000 Index

Status of Registered Committee and Groups / Award Records

GRI Application Level Check Statement

Affiliates



Website: <https://www.korailretail.com>

KORAIL Retail



KORAIL Distribution was established in December 2004 with the purpose of providing quality products and convenient services to railroad customers. We are boosting performance of existing shops, expanding advancement into external markets, and reinforcing the foundation of self-support through realizing the independence of

professional shops and strengthened competitiveness of convenience shops.

Major businesses

- Distribution: Operating convenience stores, professional shops, vending machines in stations
- Advertisement business: Ad agency using media such as railroad facilities, cars, stations, etc.
- Resource distribution: Delivery and shipping of minerals such as limestone and iron ore using railroads connected to Mukho port

KORAIL Logis



Website: <http://www.koraillogis.com>



KORAIL Logis was established in December 2003 to prepare for construction of international railroad transportation which connects Korea, China, Russia, and Europe. We have railroad CY and offices at 30 posts nationwide, and we have 233 railroad freight stations for logistics transportation.

Major businesses

- Transportation: Fast and safe delivery of freight with major strongholds of logistics nationwide
- Loading and unloading business: Busanjin station, Sabgyo CY, and Busan New Port rail invoice
- Forwarding: International multi-delivery of freight for import and export
- CFS business: Undertaking, delivery, storage, or container entry of small quantity freight
- 3PL business: Fast and accurate logistics system through excellent infrastructure

KORAIL Tourism Development



Website: <http://www.korailtours.com>



KORAIL Tourism Development was established in August 2004 to provide better traveling services to customers. We are growing as the best tourism and leisure company with our tour and theme park business, using railroads and operating tourism infrastructures in connection with local governments.

Major businesses

- Tourism and travel: Domestic and overseas traveling (train, ship, plane, railtel, etc.)
- PCO business: Exhibition/convention, global training to other countries
- Theme park: Jeongseon rail bike, Samcheok sea train, train pension, etc.
- Attendance service: KTX, Saemaeul train
- Distribution service: Good service at special cabin of KTX, selling service in cabin, 'Train cafe' at Saemaeul and Mugunghwa trains



Website: <http://www.korailnetworks.com>

KORAIL Networks



KORAIL Networks was established in September 2004 with the purpose of contributing to the development of the railroad industry by creating value added products. In 2012, we launched "Green Square" to provide the best quality comfort to customers traveling on trains.

Major businesses

- Parking lot business: Nationwide parking lot service through development and operation of parking lot around the station
- Plural business: Railcar sharing, rest place, communication place, and service place at the parking lot to provide multiplex services around parking lot areas
- Station business: Integrated facility management based on IT technology with operation of stations for passenger trains, wide-area trains, airport trains, and New Bundang line and provide one-stop self-ticket service.
- Customer center business: Railroad customer center, K-Water customer center, and New Bundang line customer center

KORAIL Tech



KORAIL Tech was established in December 2004 for the maintenance of railroad facilities, electricity, and railcars as the core parts of railroad technology and to contribute to technological development. We diligently strive to realize a safe, accurate, and eco-friendly railroad industry.

Major businesses

- Security business: Security of railroad crossing and major facilities
- Plural business: Track construction and maintenance, safety inspection of facilities
- Electricity business: Maintenance service for electricity facilities, electricity construction, design, supervision, etc.
- Railcar business: Commissioned maintenance of rolling stock (including railcars of urban railway) and manufacturing and supply of parts

KORAIL Airport Railroad



KORAIL Airport Railways connects between Incheon International Airport and Seoul Station, promoting the convenience of customers who use Incheon International Airport. It opened the service area between Incheon Airport and Gimpo Airport in March 2007. Its entire service area was opened in December 2010 from Seoul

Station to Incheon Airport, covering a total distance of 61 km.

Major businesses

- Passenger transport: Urban airport terminal provides ticketing, luggage shipping, and departure examination as a one-stop departure service
- Business diversification: Leasing, ad business, parking lots at stations, etc.



Website: <http://www.arex.or.kr>

ISO 26000 Compliance Diagnosis Report

Criteria

The Korean Standards Association developed the “Social Responsibility Application Level Checklist” based on ISO 26000. The ISO 26000 Checklist includes the process for carrying out social responsibilities as well as the seven key topics (organizational governance, human rights, environment, labor practices, fair operational practices, consumer issues and participation and development of local society). The Korean Standards Association (KSA) checked KORAIL’s Corporate Social Responsibility (CSR) practice level based on the ISO 26000 Checklist.

Scope

The Korean Standards Association (KSA) evaluated KORAIL’s overall internal and external activities, mid and long term strategies, Corporate Social Responsibility (CSR) activities and practice of sustainable management strategies. The results were evaluated by reviewing internal documents, performance data and computation systems on related policies and activities.

Method

The Korean Standards Association (KSA) carried out primary assessments through internal stakeholders of each department related to the publication of the sustainability report. The secondary assessment was carried out by a verification team visiting the KORAIL headquarters to carry out on-site evaluations on internal documents and interviews.

Results

KORAIL received 905 points out of 1000, showing that its CSR level is IV according to ISO 26000. This indicates that KORAIL has a high staff understanding of social responsibilities and has a well-organized operating system, policies and customs related to CSR.

Key topic	Total score	Received score
Process	360	300
Performance	640	605
Total	1000	905

I. Corporate Social Responsibility (CSR)

Process: 300 points/360 points

Based on the management’s determination towards sustainability, KORAIL announced its social responsibility to customers,

environment, and the future, and KORAIL’s overall level of compliance is satisfactory. In particular, KORAIL’s efforts to listen to the opinions of its stakeholders through the publication of the sustainability report, performance management through sustainability index, and the operation of a permanent organization received positive assessment.



Results of process diagnosis

8-step process	Level of achievement (%)
Understanding on social responsibility	84.0
Identification and participation of stakeholders	90.0
Analysis on key topics and issues	86.7
Setting priorities and execution strategies, establishment of plans	80.0
Execution	80.0
Communication	75.0
Verification	86.7
Improvements	84.0

II. 7 Key Topics: 605 points/640 points

KORAIL’s level of fulfillment for the seven key topics is overall excellent. In particular, we assessed that KORAIL’s level of fulfillment for labor practices and fair operations were excellent.

Diagnosis results for key topics

7 key topics	Level of achievement(%)
Organizational governance	90.0
Human rights	96.6
Labor practice	96.9
Environment	91.4
Fair operations	97.4
Consumer issues	92.9
Participation and development of local community	93.8

ISO 26000 Compliance Diagnosis Report

III. Recommendations for each area

Recommendations for each area based on our assessment are as follows.

① Organizational governance

KORAIL is identifying issues related to ‘social responsibility’ which is one of its four management policies through its top decision-making body including its board of directors and the Management Strategy Council. In addition, we recommend KORAIL to consider sustainability issues and key topics (fair operations, environment, human rights, etc.) as well as social responsibilities in key decision-making process of the board of directors and executives.

② Human rights

KORAIL stipulated respect for human rights, equal employment and non-discrimination in its personnel regulation and ethics code, and KORAIL’s employees have a high level of satisfaction as KORAIL has systems for dealing with affairs related to human rights including identifying workplace harassment, preventive measures and ex post facto processing. We recommend KORAIL expand human rights practices of partners and affiliates and establish a system that can collect and solve related problems.

③ Labor practice

KORAIL’s efforts stand out in trying to manage the physical and mental health of its workers through the introduction and operation of an EAP. We recommend KORAIL establish a goal for reducing safety risks that include partners and affiliates, and manage the outcomes.

④ Environment

KORAIL has established a dedicated organization for dealing with environmental issues and an environment management information system through which KORAIL is managing environmental outcomes. In particular, we gave high scores for KORAIL’s efforts to improve internal understanding of climate change by operating an in-house simulated carbon emission trading system. We recommend KORAIL strengthen activities such as the use of sustainable resources such as recycled resources, soil purification and restoration of natural habitats.

⑤ Fair operations

KORAIL’s fair operations practice is considered to be generally excellent. KORAIL was selected by the Anti-corruption and Civil Rights Commission as an excellent organization, and the company established systems such as company regulations and code of

conduct aimed at anti-corruption and integrity, and KORAIL is also working in education and promotion. We recommend KORAIL further systematize this in the aspect of ISO 26000 and develop support programs for Corporate Social Responsibility (CSR) activities.

⑥ Consumer issues

KORAIL received positive evaluation for collecting customers’ opinions through various channels such as the VOC (Voice of Customer), customer representation system, CS supporters, and seeking customer-oriented services such as transfer services and building comfortable environments for railroad stations. We recommend KORAIL strengthen support for passenger safety and health, and improve services for neglected persons including persons with disabilities and the elderly.

⑦ Participation and development of local community

KORAIL received a positive evaluation for forming development councils for each area through which the company is listening to the opinions of the local community, and for outstanding Corporate Social Responsibility (CSR) activities that reflect the characteristics of its business such as the rehabilitation programs for homeless people and the Happy Train project. We recommend KORAIL make efforts to extend Corporate Social Responsibility (CSR) activities which have been stagnant since 2010 and encourage its staff to participate in Corporate Social Responsibility (CSR) activities.

Conclusion

KORAIL is in the stage where its Corporate Social Responsibility (CSR) activities are spreading to its entire organization, and the company’s level of fulfillment for the ISO 26000 is considered to be excellent. For KORAIL to reach a high level of fulfillment the company will need to manage the opinions of various stakeholders such as the government, customer and partners collected through a regular channel in a comprehensive manner, and establish a clearer line of communication regarding expectations. In particular, we recommend KORAIL improve its level of fulfillment for social responsibilities by reflecting the expectations of ISO 26000 in staff performance evaluations.



August 1, 2013
Kim Changryong, President of
Korean Standards Association

김창룡

3rd Party Verification Statement

To: KORAIL Management

The Institute for Industrial Policy Studies (hereafter “verifier”) has received a request for third-party verification of the “KORAIL 2012 Sustainability Report” (hereafter “report”), and we hereby present our verification opinion as follows.

Responsibility and purpose

KORAIL is fully responsible for the information and opinions including sustainable management target and performance management described in this report. The verifier is responsible for providing the results of the verification process carried out by the verifier. This verification report intends to identify the existence of any serious errors or prejudices, whether the information collection system operates correctly, and the process and outcomes of sustainability issues, and present opinions that can assist in improving the quality of this report.

Verification standards

The verification of this report was carried out based on the following standards.

- 1) AA1000 Assurance Standard(2008)¹ assurance standards
- 2) GRI G3.1 Sustainable Management Report Guideline²
- 3) BEST Guideline³

Type and level of verification

The verification of this report was carried out based on Type 1 and Moderate Level of AA1000AS (2008).

- The verifier reviewed the appropriateness of the data presented in the “KORAIL 2012 Sustainability Report” in order to verify the report as Type 1, and evaluated the report system for public information and performance management based on the three principles of AA1000AS (2008) (Inclusivity, Materiality, Responsiveness). However, the review of the credibility of the provided data is not included in this verification report. Also, the verifier secured evidence that can reduce the error of this report and carried out the verification on a Moderate Level by carrying out limited interviews for persons in charge of each area.

Scope and methodology

Through the following process, the verifier carried out: 1) Evaluation of the report’s inclusivity, materiality and responsiveness, 2) Compliance with GRI/BEST Sustainable Management Report Guidelines.

- Review of source of released data and managing department
- Review of suitability of performance data collection system and

reporting process of each area

- Review of the concurrence of financial information presented in the report and audit report
- Media analysis and review of documents related to the period of this report
- Verification of whether key issues were reflected based on materiality evaluation
- Response system for key issues
- Report’s compliance to GRI/BEST Guideline

Restrictions

- Review of the suitability of the data was carried out.
- Verification of information available on the period of this report was carried out, and this information was released to the public.
- Credibility evaluation of performance data was not carried out

Opinion

Based on the above scope, methodology and standards, the verifier confirms that the report does not contain any serious errors or prejudices. Key verification results are presented through this report and verification details and recommendations were submitted to KORAIL.

[Inclusivity]

Does KORAIL have an appropriate strategy and participation process for stakeholders?

The verifier confirmed that KORAIL understands the importance of stakeholder participation channels to allow sustainable management, and is establishing a process to allow participation of stakeholders. Also, the verifier considers that the opinions collected through the participation of stakeholders are affecting KORAIL’s management activities and that the company is working to utilize the opinions of its stakeholders. In particular, the verifier highly regards the following.

- KORAIL defines various stakeholder groups such as partners, affiliates, government and related organizations, customers, foreign railroad institutions, local community, academic societies and advisory groups, and established a participation channel which allows various stakeholders to communicate with KORAIL.
- KORAIL re-defined stakeholder groups and carried out interviews to diversify the participation channels aimed at collecting the opinions of stakeholders.

1. AA1000AS (Assurance Standard): A sustainable management report assurance standard developed by AccountAbility, a UK-based nonprofit corporate social responsibility organization, in 1999 to enhance the overall performance and responsibility of organizations by improving the quality of ethical accounting, auditing and reporting. The revision of 2008 was applied since 2010.

2. GRI G3.1 Guideline: A sustainable management report guideline established in 1997 by CERES and UNEP. The G3.1 which expands and supplements G3 released in October 2006 for human rights, gender and local community was released in March 2011, and the fourth revision G4 was released in May 2013.

3. BEST Sustainable Management Guideline: A guideline on composition and assurance of sustainable management reports established in 2006 by Business Ethics and Sustainability Management for Top Performance with the Ministry of Knowledge Economy, IPS and the Korea Chamber of Commerce and Industry. The guideline offers a 5-level system for sustainability reports.

3rd party Verification Statement

However, we recommend KORAIL establish a system that can report the status of collected opinions and reflect the opinions in its management activities so that KORAIL can build a foundation that will allow the company to practice sustainable management with its stakeholders and create actual outcomes.

[Materiality]

Does this report include the most important information for stakeholders regarding the economy, society and environment?

The verifier considers that KORAIL is providing information that can have important effects on stakeholders in making decisions. KORAIL is carrying out materiality evaluation and producing key issues based on its sense of social responsibility and the participation of stakeholders. In particular, the verifier highly regards the following.

- KORAIL was able to produce key issues by strengthening materiality evaluation such as media analysis, analysis of related corporations, trend and impact analysis, evaluation of level of social responsibility management, interview with experts and surveys.
- KORAIL tried to compose a report focusing on key issues after selecting 25 key report issues by carrying out relevance evaluation and materiality evaluation of 102 issues related to sustainability.

However, we recommend KORAIL to strengthen the link between key issues and report contents, and report the changes and management status so that stakeholders can comprehend the changes in key issues.

[Responsiveness]

Does this report properly address the demands and interests of stakeholders?

The verifier confirmed that KORAIL reflected opinions collected from stakeholders in its report and reported the outcomes of its response, showing that KORAIL is working to address the demands and interests of stakeholders. In particular, the verifier highly regards the following.

- Customer participation program, services for handicapped persons. KORAIL reported its response status for each stakeholder such as the labor-management negotiation channel and problem-solving system.
- KORAIL worked to disclose its responsiveness by reporting the outcomes of key issues.

However, we recommend KORAIL strengthen its level of responsiveness for new issues produced in the materiality evaluation and present a clearer plan and target for each stakeholder.

[GRI Application Level]

This report’s application level for GRI G3.1 is “A+”.



[BEST Satisfaction Level]

Based on our evaluation on this report’s reporting rate and credibility of the information, this report satisfies 91.2% of the Level 4/5 of the BEST Guideline.

Recommendations

The verifier regards “KORAIL 2012 Sustainability Report” highly, the fifth released by KORAIL that: 1) the report strengthened management of performance information on key issues, 2) provided a comprehensive report of the accomplishments for each area by utilizing special pages, 3) strengthened the level of reporting in DMA for items such as strategies and promotion directions for each reporting area, monitoring, managing department and key accomplishments.

We recommend the following be given consideration in the next report.

- Establishment and reporting of sustainable management system linked with corporate vision and key values.
- Strengthened definition of stakeholders through the categorization and definition of value chain.
- Strengthening of reporting on negative issues and unsatisfactory outcomes.
- Sustainable management activities and performance data with strengthened accessibility through the use of website and other media.

Independence

The verifier does not have any interest in KORAIL, and the verification was carried out independently. The verifier was not involved in the composition of the report, other than presenting the verifier’s opinion of the report.

Qualification of verifying body

The Institute for Industrial Policy Studies which received a request from KORAIL to verify its sustainability report is a Korea-based third-party verification organization established in 1993. The Institute for Industrial Policy Studies is a specialized organization that has been accumulating expertise in areas such as ethical management, social responsibility management and sustainable management since 2002. The verification team is composed of experts in business administration, accounting, and environmental areas, including professors of Korean universities and experts who are formally trained in sustainability.

August 8, 2013
Director of Institute for Industrial Policy Studies

Kim Jaeeun

GRI G3.1 / ISO 26000 Index

● Reported ● Partially Reported ○ Not Reported N/A Not Applicable

GRI Index	Profile	G3.1 Content Index	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Reporting Level	Page
Stakeholder Inclusiveness Principle			6.8.2	Community involvement	●	26~27
Boundary Protocol			6.6.5	Promoting social responsibility in the value chain	●	About This Report
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization.	6.2	Organizational Governance	●	8~9
	1.2	Description of key impacts, risks, and opportunities.			●	8~9, 24~25
Organizational Profile	2.1	Name of the organization.			●	14
	2.2	Primary brands, products, and/or services.			●	14
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	6.2	Organizational Governance	●	14~16
	2.4	Location of organization's headquarters.			●	14
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.			●	14, 16
	2.6	Nature of ownership and legal form.			●	14, 16
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).			●	14, 16, 82~83
	2.8	Scale of the reporting organization.			●	14~16
	2.9	Significant changes during the reporting period regarding size, structure, or ownership.			●	14~16
	2.10	Awards received in the reporting period.			●	93
Report Parameters	3.1	Reporting period (e.g., fiscal/calendar year) for information provided.			●	About This Report
	3.2	Date of most recent previous report (if any).			●	About This Report
	3.3	Reporting cycle (annual, biennial, etc.)			●	About This Report
	3.4	Contact point for questions regarding the report or its contents.			●	About This Report
	3.5	Process for defining report content.			●	30~31
	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.			●	About This Report
	3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).			●	About This Report
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.			●	16, 82~83
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.			●	About This Report, 31
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).			●	About This Report
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.			●	About This Report, 31
	3.12	Table identifying the location of the Standard Disclosures in the report.			●	88~92
	3.13	Policy and current practice with regard to seeking external assurance for the report.	7.5.3	Verification	●	86~87

● Reported ● Partially Reported ○ Not Reported N/A Not Applicable

GRI Index	Profile	G3.1 Content Index	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Reporting Level	Page
Governance, Commitments, and Engagement	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	6.2	Organizational Governance	●	19
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	6.2		●	19
	4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	6.2		●	19~20
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	6.2		●	21, 26~27
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	6.2		●	21
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	6.2		●	19~20
	4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	6.2		●	20
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	6.2		●	18
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	6.2		●	19~21
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	6.2		●	21
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	6.2		●	24~25
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	6.2		●	93
	4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	6.2		●	93
	4.14	List of stakeholder groups engaged by the organization.	6.2		●	26~27
	4.15	Basis for identification and selection of stakeholders with whom to engage.	6.2		●	26~27
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	6.2		●	26~29
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	6.2		●	30~31
Economic (Disclosure on Management Approach)	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	6.8/6.8.3/ 6.8.7/6.8.9	*Community involvement and development / Community involvement / Wealth and income creation / Social investment*	●	54
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	6.5.5	Climate change mitigation and action	●	40~43
	EC3	Coverage of the organization's defined benefit plan obligations.	6.4.4/6.8	Conditions of work and social protection / Community involvement and development	●	68
	EC4	Significant financial assistance received from government.			●	53
	EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	6.4.4/6.8	Conditions of work and social protection Community involvement and development	●	64
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	6.6.6/6.8 /6.8.5/6.8.7	Promoting social responsibility in the value chain / Community involvement and development / Employment creation and skills development / Wealth and income creation	●	73~74
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	6.8/6.8.5 /6.8.7	*Community involvement and development / Employment creation and skills development / Wealth and income creation*	●	53, 64~65
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	6.3.9/6.8/ 6.8.3/6.8.4/6.8.5/6 .8.6/6.8.7/6.8.9	Economic, social and cultural rights / Community involvement and development / Community involvement / Education and culture / Technology development and access / Wealth and income creation / Social investment	●	55
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	6.3.9/6.6.6/ 6.6.7/6.7.8/6.8/ 6.8.5/6.8.6/6.8.7 /6.8.9	Economic, social and cultural rights / Community involvement and development / Community involvement / Education and culture / Employment creation and skills development / Technology development and access / Wealth and income creation / Social investment	●	54~55

● Reported ● Partially Reported ○ Not Reported N/A Not Applicable

GRI Index	Profile	G3.1 Content Index	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Reporting Level	Page
Environmental (Disclosure on Management Approach)	EN1	Materials used by weight or volume.	6.5/6.5.4	The Environment / Sustainable resource use	N/A	–
	EN2	Percentage of materials used that are recycled input materials.			●	46~47
	EN3	Direct energy consumption by primary energy source.			●	44
	EN4	Indirect energy consumption by primary source.			●	44
	EN5	Energy saved due to conservation and efficiency improvements.			●	41
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.			●	43~47
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.			●	43
	EN8	Total water withdrawal by source.			●	44~45
	EN9	Water sources significantly affected by withdrawal of water.			●	44~45
	EN10	Percentage and total volume of water recycled and reused.			●	44~45
	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	6.5/6.5.6	The Environment / Protection of the environment & biodiversity, and restoration of natural habitat	●	39
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.			N/A	–
	EN13	Habitats protected or restored.			●	39
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.			●	39
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.			N/A	–
	EN16	Total direct and indirect greenhouse gas emissions by weight.	6.5/6.5.5	The Environment / Climate change mitigation and action	●	41
	EN17	Other relevant indirect greenhouse gas emissions by weight.			●	41
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.			●	40~43
	EN19	Emissions of ozone-depleting substances by weight.	6.5/6.5.3	The Environment / Prevention of pollution	N/A	–
	EN20	NOx, SOx, and other significant air emissions by type and weight.			●	45
	EN21	Total water discharge by quality and destination.			●	45
	EN22	Total weight of waste by type and disposal method.			●	46~47
	EN23	Total number and volume of significant spills.			●	39
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.			N/A	–
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	6.5/6.5.4/6.5.6	"The Environment / Sustainable resource use / Protection of the environment & biodiversity, and restoration of natural habitat"	●	44~45
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	6.5/6.5.4/ 6.6.6/6.7.5	The Environment / Sustainable resource use / Promoting social responsibility in the value chain / Sustainable consumption	●	41~44
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	6.5/6.5.4/6.7.5	The Environment / Sustainable resource use / Sustainable consumption	N/A	–
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	6.5	The Environment	●	39
	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	6.5/6.5.4/6.6.6	The Environment / Sustainable resource use / Promoting social responsibility in the value chain	●	40~47
	EN30	Total environmental protection expenditures and investments by type.	6.5	The Environment	●	43~47

● Reported ● Partially Reported ○ Not Reported N/A Not Applicable

GRI Index	Profile	G3.1 Content Index	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Reporting Level	Page
Social: Labor Practices and Decent Work (Disclosure on Management Approach)	LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	6.4/6.4.3	Labour Practices / Employment and employment relationships	●	64~65
	LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.			●	64~65
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	6.4/6.4.3/6.4.4	Labour Practices / Employment and employment relationships / Conditions of work and social protection	●	66~68
	LA4	Percentage of employees covered by collective bargaining agreements.	6.4/6.4.3/6.4.4 /6.4.5/6.3.10	Labour Practices / Employment and employment relationships / Conditions of work and social protection / Social dialogue / Fundamental principles and rights at work	●	70
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	6.4/6.4.3/ 6.4.4/6.4.5	Labour Practices / Employment and employment relationships / Conditions of work and social protection / Social dialogue	●	70
	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	6.4/6.4.6	Labour Practices / Health and safety at work	●	69
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.			●	69
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	6.4/6.4.6/6.8/ 6.8.3/6.8.4/6.8.8	Labour Practices / Health and safety at work / Community involvement and development / Community involvement / Education and culture / Health	●	69
	LA9	Health and safety topics covered in formal agreements with trade unions.	6.4/6.4.6	Labour Practices / Health and safety at work	●	69
	LA10	Average hours of training per year per employee by gender, and by employee category.	6.4/6.4.7	Labour Practices / Human development and training in the workplace	●	31, 59, 66
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	6.4/6.4.7/6.8.5	Labour Practices / Human development and training in the workplace / Employment creation and skills development	●	65~66
	LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	6.4/6.4.7	Labour Practices / Human development and training in the workplace	●	65~66
	LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	6.3.7/6.3.10 /6.4/6.4.3	Discrimination and vulnerable groups / Fundamental principles and rights at work / Labour Practices / Employment and employment / relationships	●	20, 64~65
	LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	6.3.7/6.3.10/ 6.4/6.4.3/6.4.4	Discrimination and vulnerable groups / Fundamental principles and rights at work / Labour Practices / Employment and employment relationships / Conditions of work and social protection	●	64
	LA15	Return to work and retention rates after parental leave, by gender.		Discrimination and vulnerable groups / Economic, social and cultural rights	●	67
Social: Human Rights (Disclosure on Management Approach)	HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	6.3/6.33/ 6.3.5/6.6.6	Human Rights / Due diligence / Avoidance of complicity / Promoting social responsibility in the value chain	●	63
	HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	6.3/6.3.3/6.3.5 /6.4.3/6.6.6	Human Rights / Due diligence / Avoidance of complicity / Employment and employment relationships / Promoting social responsibility in the value chain	●	63, 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.	6.3/6.3.5	Human Rights / Avoidance of complicity	●	22~23
	HR4	Total number of incidents of discrimination and corrective actions taken.	6.3/6.3.6/6.3.7 /6.3.10/6.4.3	Human Rights / Resolving grievances / Discrimination and vulnerable groups / Fundamental principles and rights at work / Employment and employment relationships	●	63, 71
	HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	6.3/6.3.3/6.3.4/ 6.3.5/6.3.8/6.3.10 /6.4.3/6.4.5	Human Rights / Due diligence / Human rights risk situations / Avoidance of complicity / Civil and political rights / Fundamental principles and rights at work / Employment and employment relationships / Social dialogue	●	70~71
	HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	6.3/6.3.3/6.3.4 /6.3.5/6.3.7 /6.3.10	Human Rights / Due diligence / Human rights risk situations / Avoidance of complicity / Discrimination and vulnerable groups / Fundamental principles and rights at work	●	It is fully protected by Korean Labour Law
	HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.		Human Rights / Due diligence / Human rights risk situations / Avoidance of complicity / Discrimination and vulnerable groups / Fundamental principles and rights at work	●	It is fully protected by Korean Labour Law
	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	6.3/6.3.5/ 6.4.3/6.6.6	Human Rights / Avoidance of complicity / Employment and employment relationships / Promoting social responsibility in the value chain	N/A	–
	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	6.3/6.3.6/6.3.7 /6.3.8/6.6.7	Human Rights / Resolving grievances / Discrimination and vulnerable groups / Civil and political rights / Respect for property rights	N/A	–
	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		Due diligence / Human rights risk situations	●	19~20, 63
	HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms."		Resolving grievances	●	63, 71

● Reported ● Partially Reported ○ Not Reported N/A Not Applicable

GRI Index	Profile	G3.1 Content Index	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Reporting Level	Page
Social: Society (Disclosure on Management Approach)	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	6.3.9/6.8 /6.8.5/6.8.7 /6.6.7	Economic, social and cultural rights / Community involvement and development / Employment creation and skills development / Wealth and income creation / Respect for property rights	●	77
	SO2	Percentage and total number of business units analyzed for risks related to corruption.	6.6/6.6.3	Fair Operating Practices / Anti-corruption	●	22
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.			●	22~23
	SO4	Actions taken in response to incidents of corruption.			●	22~23
	SO5	Public policy positions and participation in public policy development and lobbying.	6.6/6.6.4 /6.8.3	Fair Operating Practices / Responsible political involvement / Community involvement	●	26~27
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.			N/A	-
	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	6.6/6.6.5/6.6.7	Fair Operating Practices / Fair competition / Respect for property rights	●	74~75
	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	6.6/6.6.7/6.8.7	Fair Operating Practices / Respect for property rights / Wealth and income creation	●	32
	SO9	Operations with significant potential or actual negative impacts on local communities.		Community involvement and development	●	80
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		Community involvement and development	●	80
Social: Product Responsibility (Disclosure on Management Approach)	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.	6.3.9/6.6.6 /6.7/6.7.4 /6.7.5	Economic, social and cultural rights / Promoting social responsibility in the value chain / Consumer Issues / Protecting consumers' health & safety / Sustainable consumption	●	36
	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.			●	32, 36
	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	6.7/6.7.3/ 6.7.4/6.7.5 /6.7.6/6.7.9	Consumer Issues / Fair marketing, factual and unbiased information and fair contractual practices / Protecting consumers' health & safety / Sustainable consumption / Consumer service, support and complaint and dispute resolution / Education and awareness	●	36
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.			N/A	-
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	6.7/6.7.4/ 6.7.5/6.7.6 /6.7.8/6.7.9	Consumer Issues / Protecting consumers' health & safety / Sustainable consumption / Consumer service, support and complaint and dispute resolution / Access to essential services / Education and awareness	●	34~35
	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	6.7/6.7.3/ 6.7.6/6.7.9	Consumer Issues / Fair marketing, factual and unbiased information and fair contractual practices / Consumer service, support and complaint and dispute resolution / Education and awareness	●	34~36
	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.			●	32
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	6.7/6.7.7	Consumer Issues / Consumer data protection and privacy	●	32, 35
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	6.7/6.7.6	Consumer Issues / Consumer service, support and complaint and dispute resolution	●	32, 35

Status of Registered Committee and Groups / Award Records

Status of registered committee and groups

Domestic

- UN Global Compact Korea Council
- Korea Railroad Academy
- Korea Knowledge Management Academy
- Korea Productivity Center
- The Organization of Consumer Affairs Professionals
- Public Innovation Forum
- Korea Administration Academy
- PATA (Pacific Asia Travel Association) Korea Office
- Public Organization Audit Innovation Forum
- Korea Electric Rail Technology Association
- Public Enterprise Academy
- Seoul Administration Academy
- Korea Management Association
- Audit Association
- Korea Transportation Academy
- Railroad Industry Committee
- Korea Standard Association
- Korea Integrated Logistics Association

International

- UN Global Compact
- WCRR (World Congress of Railway Research)
- SGS
- UIC (International Union of Railways)
- EURAIL SPEED (International Conference of High-speed Railroads)
- Railroads Exchange and Cooperation of Korea, China, and Mongolia
- CCTST (TSR International Coordinating Council on Trans-Siberian Transportation)
- Korea-Russia Railroads Exchange and Cooperation
- Korea-Japan Railroads Exchange and Cooperation (Ministry of Land, Infrastructure, Transport and Tourism, JR Kyushu, JR East Japan)

2012 Awards in the Area of Sustainability

- Korea Sustainability Contest Excellent Sustainability Report Award (KRCA) (Korea Standards Association)
- LACP Spotlight Award Sustainability Report: Gold Prize and top 43 in total category (amount 1,500 entries worldwide)
- 2012 CRRA(Corporate Register Reporting Awards) top 3 in the category of innovation
- 2012 Global Standard Management Prize: “2-year Sustainability Prize in the category of social responsibility management (KORAIL Social Volunteer Group)
- The 1st Korea Education Donation Prize (Ministry of Education, Science and Technology) (KORAIL)
- 2012 Education Donation Certificate (mark) in the second half year (KORAIL)
- Commendation by Yongsangu Office (Seoul main office Seoul electricity office, Hanaro Voluntary Group)
- National Welfare for Elderly: Commendation for contribution by the Minister of Health and Welfare (Daejeon Chungnam headquarters office, Daejeon Railcar Office)
- The 19th National Volunteer Festival: Excellent prize in special category (Daejeon Chungnam headquarters Osong station, Love Voluntary Group)
- Hope 2012 Sharing Campaign: Daejeon Social Welfare Joint Fundraising Award (Daejeon Chungnam headquarters, Daejeon Engine Locomotive Attendance Office)
- The 19th National Volunteer Festival: Excellent prize in special category (Gwangju headquarters, Gwangju Construction Office, Nest Voluntary Group)
- 2012 Korea Voluntary Award: the Prime Minister Prize (Gwangju headquarters, Gwangju Social Voluntary Group)
- The Best Ground for Youth Volunteer: Minister of Gender Equality and Family Prize (Jeonnam headquarters, Jeonnam headquarter social voluntary group)
- The 9th Namwon Social Welfare Day: Commendation by the Mayor of Namwon (Jeonbuk headquarters, Namwon Facility Office, Chunhyang Village Voluntary Group)
- Iksan Volunteers’ Festival: Commendation by Mayor of Iksan (Jeonbuk headquarters, Iksan station, Thread Voluntary Group)
- Gyeongju Voluntary Festival: Gold prize (Daegu headquarters, Gyeongju Engine Locomotive Office, Sinabro Voluntary Group)
- The 13th Social Welfare Day: Commendation by the Minister of Health and Welfare (Busan Gyeongnam headquarters, Masan Engine Locomotive Attendance Office)
- The 2nd Happy Sharing Volunteer: Commendation by the Minister of Health and Welfare in the category of handicapped (Busan Train Railcar Maintenance Unit, General car maintenance center)
- 2012 Korea Volunteer Festival: Minister of Public Administration and Security Prize (Osong high-speed electricity office, Byeonjeon Voluntary Group)
- National Brand Award: in the category of “Innovative Management” two years in a row (Jungang Ilbo Economist)
- National Quality Contest: the President’s Prize 13 years in a row

GRI Application Level Check Statement



Statement GRI Application Level Check

GRI hereby states that **KORAIL** has presented its report “KORAIL Sustainability Report 2012” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level A-.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

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

Amsterdam, 4 October 2013

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



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

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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 24 September 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

Readers' Survey on KORAIL Sustainability Report 2012

KORAIL published the “KORAIL 2012 Sustainability Report” in order to establish a smoother channel of communications with stakeholders by disclosing its achievements in social responsibility affairs. We appreciate your opinions and will reflect them in our management activities and our next sustainability report.

- 1. Which of the following stakeholder groups do you belong to?**
- ☐ KORAIL staff ☐ shareholder ☐ financial institution ☐ customer
- ☐ partner ☐ NGO ☐ local resident ☐ academia ☐ government
- ☐ press ☐ research institute ☐ other ()

- 2. How did you come across this report?**
- ☐ KORAIL website ☐ media including newspaper ☐ web-surfing
- ☐ KORAIL staff ☐ seminar/lecture ☐ other ()

3. What is the purpose of this report to you? (Multiple answers are allowed.)
- ☐ To obtain information on KORAIL
 - ☐ To understand KORAIL's sustainable management activities
 - ☐ To compare and analyze the characteristics of the industry in which KORAIL participates
 - ☐ For research and education
 - ☐ Other ()

4. What is your area of interest related to corporate social responsibility? (Multiple answers are allowed.)
- ☐ Stakeholder engagement ☐ organizational governance
- ☐ human rights ☐ labor practice ☐ Environment ☐ fair operations
- ☐ consumer issues ☐ participation and development of local community

5. What part of this report interested you most? (Multiple answers are allowed.)
- ☐ 1. KORAIL SUSTAINABILITY OVERVIEW
 - ☐ 2. Customer: Customer-centered KORAIL
 - ☐ 3. Environment: Environment-friendly KORAIL
 - ☐ 4. Future: Sustainable Future of KORAIL
 - ☐ 5. Communication: a Good Listener, KORAIL

6. Which part of this report do you think needs supplementation?
(Multiple answers are allowed.)
- ☐ 1. KORAIL SUSTAINABILITY OVERVIEW
 - ☐ 2. Customer: Customer-centered KORAIL
 - ☐ 3. Environment: Environment-friendly KORAIL
 - ☐ 4. Future: Sustainable Future for KORAIL
 - ☐ 5. Communication: a Good Listener, KORAIL

7. Did this report assist you in understanding KORAIL's sustainable management activities?
- ☐ Very much ☐ Yes ☐ Only a little ☐ Not so much ☐ Didn't help at all

8. What is your opinion of this report?
- Comprehensiveness of information**
- ☐ Very satisfactory ☐ Satisfactory ☐ Only a little ☐ Unsatisfactory
- ☐ Very unsatisfactory
- Accuracy of information**
- ☐ Very satisfactory ☐ Satisfactory ☐ Only a little ☐ Unsatisfactory
- ☐ Very unsatisfactory
- Amount of information**
- ☐ Very satisfactory ☐ Satisfactory ☐ Only a little ☐ Unsatisfactory
- ☐ Very unsatisfactory
- Design**
- ☐ Very satisfactory ☐ Satisfactory ☐ Only a little ☐ Unsatisfactory
- ☐ Very unsatisfactory

9. Please let us know if you have any opinions about KORAIL's sustainable management activities or of the overall composition and contents of this report.

Send to:

Address : Creative Innovation Department, Management Innovation Office, KORAIL, 240 Jungangno, Dong-gu, Daejeon, Republic of Korea 300-720

Telephone : 82-42-615-3203 Fax : 82-2-361-8278 Website : <http://www.korail.com> E-mail : sustainability@korail.com

