

국민행복 Korail

KORAIL Sustainability Report 2013

KORAIL Sustainability Report 2013

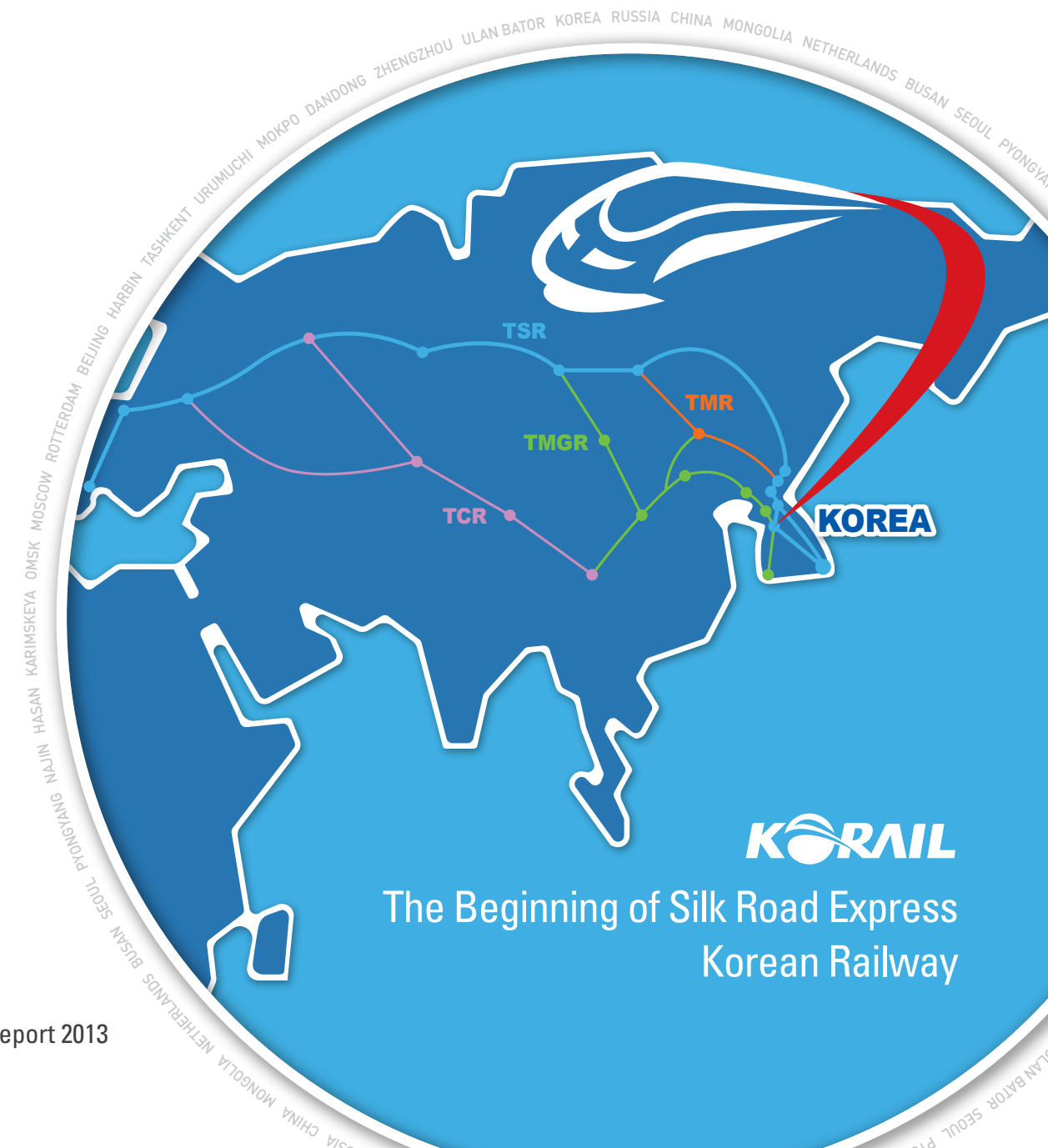


(Postal code: 300-720) 240 Jungang-ro, Dong-gu, Daejeon City, Korea,
Creative Management Department, Management Innovation Office, KORAIL
Telephone: 042-615-3203, E-mail: sustainability@korail.com

www.korail.com



KORAIL Sustainability Report 2013



About This Report

Since 2008, KORAIL has published sustainability reports every year. This is the company's 6th sustainability report for 2013. This report contains the company's activities for sustainability management and performances based on KORAIL's missions, "Korean Railway Devoted to People, the World and the Future," and efforts to go further toward "KORAIL for the Happiness of All."

Reporting Standards

This report is written in accordance with the Core method in the GRI (Global Reporting Initiative) G4 Guideline. Major issues drawn from the materiality assessment are reported, and the Disclosure on Management Approach (DMA) for major issues is reported in detail. The company reports major issues for ISO 26000 and activities for ten major principles of the UN Global Compact (UNGC).

Reporting Period and Boundary

The report deals with sustainability management activities by KORAIL headquarters and regional headquarters from January 1 to December 31, 2013, and it contains a part of activities by some affiliates. In addition, activities for the first half of 2014, which are considered important, are included. In accordance with the methods for identifying the boundary presented in the GRI G4, major issues drawn by the materiality assessment identify the effects on major stakeholders of KORAIL, and relevant information is contained in the report.

Verification

The sustainability report applies the verification standards of GRI G4 and AA1000AS (2008), and with the verification by a third-party, it has been verified that the report meets the core standards for the G4 guidelines.

Additional Information on the Report

After the publication of the last report, some data and performances have been modified, and changed parts are indicated with footnotes. Compared to the period of the last year's report, there is no change in the scope and period in this year's report. The sustainability management activities and report are available in the management notification on the website. The sustainability report is published in both Korean and English versions and can be downloaded as a PDF file from the website. If you have any queries for additional information on this report, then please contact the number below.

Website: <http://www.korail.com>
Address: [Postal code: 300-720] 240 Jungang-ro, Dong-gu, Daejeon City, KOREA,
Creation and Innovation Department, Management Innovation Office, KORAIL
Telephone: 042-615-3203
E-mail: sustainability@korail.com

2013 KORAIL Sustainability Report



Contents

- About This Report
- Contents
- 02 CEO's Message
- 04 10 Major Issues for Sustainability management
- 06 History of Korean Railroads

KORAIL SUSTAINABILITY OVERVIEW

- 10 Company Overview
- 13 Introduction of Business
- 16 Management Value System
- 18 Governance Structure
- 20 Risk Management
- 22 Engagement by Stakeholders
- 24 Interviews with Stakeholders
- 26 Major Issues for Sustainability management

People – We Make Better Lives

- 32 Customer Satisfaction Management
- 38 Executive and Employee Satisfaction
- 45 Ethical Management

World – We Dream of the World with You

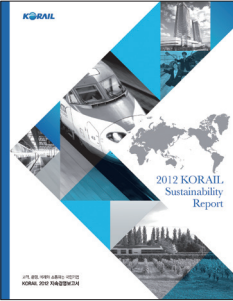
- 50 Safety Management
- 56 Mutual Growth with Partner Companies
- 61 Sharing with the Local Community

Future – We Work toward a Sustainable Future

- 68 Creative Management
- 75 Environmental Management

Appendix

- 83 Performance for Sustainability management
- 86 Current Status of Affiliates
- 89 Registered Committees and Groups / Award Records
- 90 ISO 26000 Compliance Diagnosis Report
- 92 Third-party Assurance Statement
- 94 GRI G4 / ISO 26000 Index
- 99 Reader Feedback Survey



2012 Sustainability Report



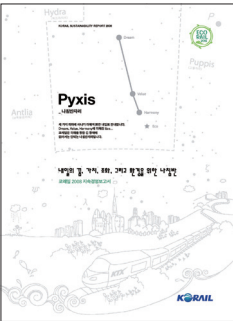
2013 Sustainability Report



2010 Sustainability Report



2011 Sustainability Report



2008 Sustainability Report



2009 Sustainability Report



CEO's Message

Dear Stakeholders,

It is my honor to publish the sustainability report for this year. Since 2008, KORAIL sustainability report has played a role as a place for communication where efforts and performances by KORAIL for a year are shared with various stakeholders. This year, the KORAIL sustainability report contains various social, economic and cultural activities for sustainability management under our new vision, "KORAIL for the Happiness of All."



Establishment of Absolute Safety System

KORAIL has strived to secure confidence from the public by establishing an absolute safety system. We have launched the "Human Safety Center" to analyze and manage human error more systematically and reinforced the authority for safety awareness with the innovation of the safety measures and upgrading the head of department for safety to a permanent director. We have drawn and performed 143 tasks in four major areas by establishing the master plan to maintain the world's best level of safety, and the company will invest KRW 1 trillion 800 billion in the safety sector by 2020.

Company-wide Efforts for the Improvement of Management

All the executives and employees for KORAIL have drawn and conducted tasks in various areas for the reduction of expenses, including energy saving efforts and rationalization of railroad operation. We have reinforced the operation of the YMS (Yield Management System), a system adjusting the amount of seats provided by predicting the time for operating the trains, and operated various theme products to increase the rate of train usage. The company has centralized the logistics, a sector with high-cost and low-efficiency structure, by decreasing the number of small freight stations from 129 to below 75, and we have also changed into a business structure that focuses on major products and reducing expenses aggressively, including the reduction of operating non-profit trains as part of our logistics.

Mutual Growth by a Creative Industry

From the last year, KORAIL has successfully operated tourism trains such as the O-V-Train, S-Train, and DMZ-Train. The central inland region has become Korea's representative tour course, where 400,000 people visited within one year after the launch of the O-V-Train. When the five major railroad tourism belts are completed with the opening of the G-Train and B-Train in the near future, they will become a new model in the tourism industry with mutual growth between railroad and regions. KORAIL "Myeongpum Maru" for SMEs, which were launched in five major stations such as Seoul Station, has satisfied the government-led policy for the vitalization of SMEs and received praise for establishing a new paradigm for the creative economy.

Development of a Corporate Culture with the Labor-Management Harmony

After the railroad strike, KORAIL has reaffirmed the importance of harmony between the labor union and management for the survival and continual development of the company. Thus, we have reinforced on-site communication by focusing on creating a corporate culture, putting emphasis on on-site

business and listening to various opinions. When establishing various policies, we have strived to improve unfair processes by collecting various opinions from employees and enhanced the working process by reinforcing compensation for individual performances and helping them to focus their capabilities on core tasks.

Establishment of the Best-level of Transparent Corporate Culture

KORAIL has put great efforts in innovating awareness by reinforcing integrity education for company members and carrying out the national relay campaign for realizing integrity at 12 stations nationwide. We have established a reporting system by vitalizing an internal reporting system that guarantees anonymity and strived to establish a sound contract culture by integrating the contract process, which used to be dispersed among affiliates, into the KORAIL electronic procurement system.

Establishment of a Bridge to the Continent

KORAIL has launched a department to prepare for the upcoming era of Eurasia Continent railroads and trained 25 professional experts. We will also secure 160 additional personnel in the next four years. We are preparing for the improvement and maintenance project for railroads of 52km between Najin and Khasan for connection between South and North Korea, which is prerequisite for this railroad business. We have also joined in the OSJD (Organisation for Co-operation between Railways) as an affiliated member for the reinforcement of a global network.

As a member of the UN Global Compact, KORAIL expresses its approval for the ten major principles for human rights, labor, environment, and anti-corruption and strives to apply these principles to major management activities.

Sustainability management activities by KORAIL need your support and cooperation to be carried out properly. KORAIL will continue to communicate with stakeholders by listening to your voices and lead the era of national happiness. I hope that you continue your great support and interest in the future of KORAIL as we open this new era of the railroad industry in Korea.

Thank you.

최연혜

Korea Railroad Corporation President and CEO
Choi Yeon-hye

10 Major Issues for Sustainability management

Proclamation of Visions for Korean Railway Devoted to People, the World, and the Future



KORAIL has established a new vision of "KORAIL for the Happiness of All" to respond to rapid changes, such as the introduction of a railroad competition system, and secure sustainable development. This newly proclaimed vision has secured financial soundness by carrying out the

CEO's management policies, including "Management with Surplus," "Absolute Safety," "Creative Management", and "Organization Innovation." This vision is also reflected the company's willingness to contribute to the realization of happiness for the people by fulfilling its social responsibilities as a public company.

Opening the Tourism Trains for Central Inland Regions (O-V-Train) and Southern Coast (S-Train)



KORAIL has established railroad tourism belts in five regions nationwide that offer rich tourism resources but had poor accessibility. With the beginning of the train for tourism in the Central Inland (O-V-Train) in April 2013, the train for tourism in the Southern Ocean began to operate

in September 2013. The company has fostered a new culture for domestic tourism by establishing five major tourism belts and expanding infrastructures.

Establishment of "Human Safety Center" for the First Time as a Railroad Operator



management and healing programs.

KORAIL has newly established the "Human Safety Center" to manage human error more systematically and support the healthy lives of employees. The center provides professional psychological counseling services to help employees relieve their stress from work and develops various health

Launching "Myeongpum Maru" for Small and Mid-sized Companies



KORAIL has operated "Myeongpum Maru," a shop exclusively for small and mid-sized companies to support the best SMEs. Since the Seoul Station branch was launched in May 2013, Deajeon Station branch (in September), Dongdaegu Station branch (in September), and Gwangju

Station branch (in October) were opened as well. Through this program, we have strived to achieve mutual growth with SMEs by expanding the market for best products and offering support for promotion. As a result, sales have topped KRW 3 billion within 5 months after opening the shops.

Introduction of the Reporting System with Anonymity for the Protection of People Reporting Cases for Public Interests



KORAIL has introduced the system for reporting corruption cases, guaranteeing anonymity for people reporting unfair and illegal cases by internal executives and staff members. Their anonymity is 100% protected, even during the process of paying compensation for submitting such reports. This system utilizes the latest information and communication technologies such as the prevention of tracing IP addresses on PCs and smartphones and thoroughly guarantees anonymity by having the entire process, from public reporting to compensation payment, be operated by an independent institution.

Entering into a Super-emergency Management System and Preparation for the Normalization of Railroad Management



For the cancellation of Yongsan International Business District, KORAIL has operated the emergency management system. After the railroad accident at Daegu Station, we have started operating a stricter system for super-emergency management. We have strived to take urgent measures

for the normalization of management. For instance, in November 2013, the company held a seminar attended by the entire management, including the president, vice president, and leaders from headquarters, departments, and teams, to discuss the current situation for dealing with the management crisis.

Response to the Longest Labor Union Strike Based on the Law and Principles



The labor union went on a strike in December 2013 with the aim of rejecting the government-led railroad industry development measures and request for increasing income. KORAIL has strived to run the train in a stable manner by operating the emergency transport response headquarters and

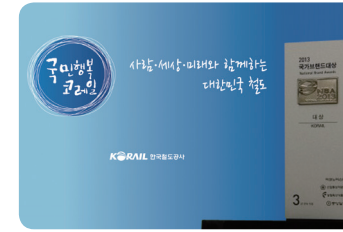
reinforced on-site safety management for day and night. As the company committed many efforts in communicating with employees and securing trust and responded to the strike in accordance with the law and principles, the strikes by the labor union were withdrawn. After the strikes, the company has normalized railroad operation at an early stage by operating the returning program and minimizing vacancies.

Acquiring the Certificate for Consumer Centered Management (CCM)



Since the announcement of the introduction of the CCM (Consumer Centered Management) in 2009, KORAIL has obtained the third certificate for CCM by establishing and operating a company-wide performance system. Certified by the Fair Trade Commission, the CCM certification is a system assessing whether a company operates management activities, such as product development, service, and marketing activities, by focusing on customers. Based on the CCM certificate, KORAIL will provide customers with services and greater values.

Best Awards for Innovative Management in the National Brand Awards for Three Consecutive Years



KORAIL has vitalized the regions with low accessibility by tourists by operating the train in the Central Inland regions (O-V-Train) and strived to stimulate local economies, focusing on railroads connecting the distance between Chuncheon and Seoul with the ITX-Cheongchun train. Thanks to

these efforts, KORAIL has received the best awards for innovative management in the National Brand Awards for three consecutive years.

"Special Awards for Carbon Disclosure Project (CDP)" as the Best Company for Responding to Climate Changes



KORAIL has reduced greenhouse gas emissions by about 8 million tons in the transport sector by operating eco-friendly railroads and expanding the introduction of electric railroad vehicles. The company has stimulated competition for saving energy by operating the mock transaction for carbon emission rights in the company and proactively responded to the introduction of the Carbon Emission Trading System in 2015. For these efforts for eco-friendly carbon management, the company received the "Special Awards for Carbon Disclosure Project (CDP)" in the voluntary participation sector hosted by the CDP Korea Committee.

History of Korean Railroads

- Station: 7 Stations **95.3 times higher** 667 Stations
- Train speed: 20km/hr. **15.3 times faster** 305km/hr.
- Train operation: 4 operations/day **839 times more** 3,354 operations/day

“115 Years of KORAIL History since the First Whistle of Gyeongin Line was Blown”

1800~1900



Gyeongin Line (from Noryangjin to Jemulpo) was launched 1899, Large-scale train: Average speed was 20km/hr.



- a. Groundbreaking ceremony for Gyeongin Line in 1887 (Ugak-ri, Incheon)
- b. First large-scale steam locomotive for Gyeongin Line in 1899
- c. Opening ceremony for Gyeongin Line in 1899 (Noryangjin Station)

Steam Locomotive the Joseon Haebangja in 1945



1900~1960



- a. Opening ceremony for Gyeongbu Line in 1905 (Namdaemun Station)
- b. Running ceremony for Tongil-train in Gyeongbu Line in 1955
- c. Opening ceremony for Yeongam line in 1956

1960~1980



Launched as Korean National Railroad under the Ministry of Transport in 1963



- a. Maengho-ho (from Seoul to Busan) in 1969, Average speed: 77km/hr.
- b. Opening ceremony for Jungang Line (from Cheongryangni to Jecheon) in 1973
- c. Launching metropolitan subway in 1974
- d. Began operation of Korean-produced diesel locomotives in 1979

Running Ceremony for Korean-produced Saemaeul Trains in 1980



1980~2000



- a. Saemaeul train (from Seoul to Busan) in 1985, Average speed: 107km/hr.
- b. 100 Years of Korean Railroad in 1999

2000 ~2010



KTX is Changing Korea



2004
Opening ceremony for the 1st stage of Gyeongbu high-speed line

2005
Launched Korea Railroad Corporation

2007
Launched freight train service between North and South Korea

2008
Held the UIC General Assembly successfully

2010
Launched the 2nd stage of Gyeongbu high-speed line

2010
Operation of KTX-Sancheon



2012
Launched operation of ITX-Cheongchun Exceeding 300 million KTX-users



2013
Launched O-V-S-Train



2013
10th anniversary of KTX opening



2010~2014



Realization of KORAIL-styled Creative Economy from 2010 to 2014

KORAIL SUSTAINABILITY OVERVIEW

KORAIL has carried out management innovation activities based on its system for sustainability management to fulfill its responsibility as the Korean railroad company working for People, World, and Future. We hope to become a global railroad company that promotes happiness of all by developing ourselves step by step as we uphold our responsibilities to the economy, society, and environment.

- 10P Company Overview
- 13P Introduction of Business
- 16P Management Value System
- 18P Governance Structure
- 20P Risk Management
- 22P Engagement by Stakeholders
- 24P Interview with Stakeholders
- 26P Major Issues for Sustainability management



Company Overview

Based on its 115 year history of professionalism in railroad operation and safe transport, which started with the launch of the Gyeongin Line (33.2km between Noryangjin and Jemulpo) in 1899, KORAIL has strived to provide people with better lives and future. We will contribute to the development of the national economy and railroad industry continuously by enhancing our efficiency and transparency with management rationalization.

Introduction of KORAIL

In accordance with the government-led policy for rationalization and normalization of public institutions and the Law on the Operation of Public Institutions, KORAIL has added management rationalization and operation to its objectives of the establishment. Based on these changes, we hope to improve our services to the people by operating business meetings to meet the interests of the nation and people. We aim to develop the railroad industry by enhancing professionalism and efficiency in businesses related to the railroad industry

General Company Information

(As of April 30, 2014)

Company Name	Korea Railroad Corporation (KORAIL)
Establishment Date	September 18, 1899 (Korea Railroad Corporation was launched in January 1, 2005)
Institution in Charge of Management	Ministry of Land, Infrastructure, and Transport
Location of Headquarters	240 Jungang-ro, Dong-gu, Daejeon
Representative	Choi Yeon-hye
Organization	[Headquarters] 7 headquarters, 7 departments, 3 divisions, 60 offices [Institutions] 12 regional headquarters, 15 affiliated institutions
Total Amount of Assets*	KRW 22 trillion and 309.9 billion
Total Amount of Debts	KRW 7 trillion and 583.4 billion
Sales	KRW 5 trillion and 101 billion

* As of the IFRS (International Financial Reporting Standards)

Current Status of Facilities and Operation

(As of April 30, 2014)

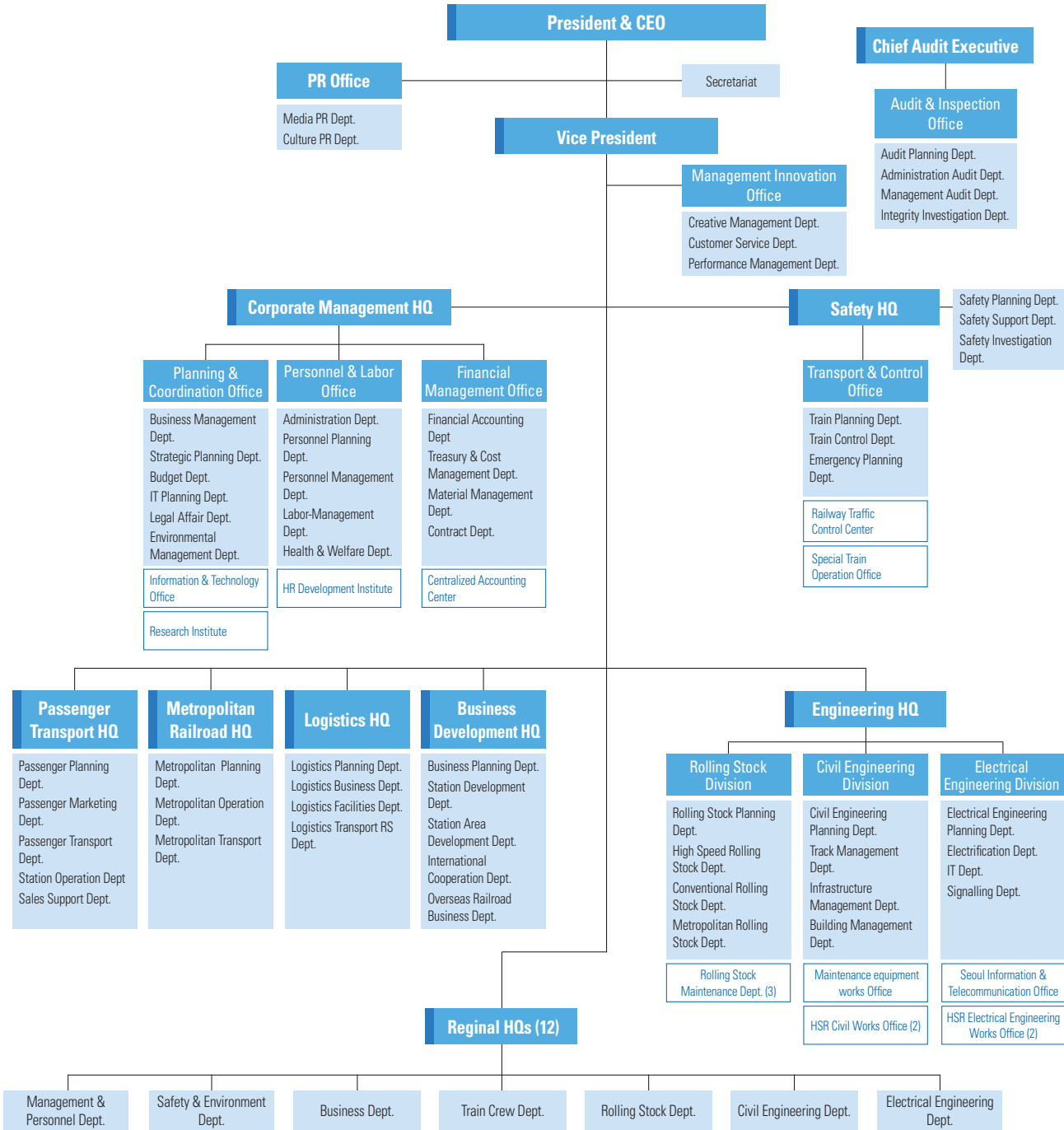
Railroad Distance	3,587.8km [Double track: 2,006.8km (55.9%), Subway distance: 2,453.8km (68.4%)]
Track Distance**	8,456.4km (Main track: 6,423.4km, Side track: 2,033.0km)
Current Status of Vehicles	17,398 vehicles (KTX 1,160 trains)
Station	667 stations (340 general stations, 70 arranged small stations, 218 non-arranged small stations, 2 switchyards, 32 signal stations, 5 signal boxes)
Performance for Transport per day	• Amount of transport: 33.47 million passengers, 95,000 tons in cargo • Profits for transport: KRW 7.69 billion in passengers, KRW 950 million in cargo

** This is the sum of distances for all KORAIL railroads (main track, side track, service wires, etc.). The distance for double track is calculated as twice the distance of a single line, and the distance of a two-double track is considered four times the distance of a single line.

Current Status of the Company

The company is composed of 7 headquarters, 7 departments, 3 divisions, and 60 offices with 12 regional headquarters, and 15 affiliated institutions.

(As of April 30, 2014)



Company Building



Map of Lines for KORAIL

Current Status of Shareholders

KORAIL was established as a public company operating railroads with the aim of managing passenger and freight transport business. All business activities are operated in accordance with the Law on the Operation of Public Institutions and the Commercial Law. As of 2013, capital paid is KRW 9 trillion and 585.1 billion, and the company is 100% owned by the government.

Affiliates



Current Status of Affiliates

KORAIL has six affiliates with specialized businesses to secure professionalism, and the company aims to create a synergy effect for the management of the company by reinforcing competitiveness through business coordination between affiliates. We have promoted sustainability management by strengthening the profit foundation for affiliates and advancing the management system.

Company name	Share rates (%)	Share rates (%)	Sales	Business
KORAIL Retail	100.0	30	3,521	Distributing and retail business
KORAIL Logis	92.1	77	822	Logistics related to railroad business
KORAIL Tourism Development	51.0	40	819	Tourism leisure, services in the train
KORAIL Networks	89.5	72	759	Railroad station management, operation of parking lots
KORAIL Tech	97.3	19	401	Construction and maintenance related to railroads
KORAIL Airport Railroad	88.8	2,700	3,628	Operation of Airport Railroad

Current Status of Overseas Residents and International Cooperation

Address of French Office
14, rue Mademoiselle 75015 PARIS,
FRANCE

KORAIL has operated overseas offices to collect and analyze information on policies and services by advanced overseas railroads. As we have employees residing in Paris, France, we have supported technology exchanges and training negotiations with French National Railroad, SNCF (Societe Nationale des Chemins de fer Francais), and assisted in the efficient procurement of KTX components.

The company has established a network with railroad operation players and relevant institutions by participating in railroad-related international initiatives and reinforced cooperation for the development of the railroad industry. Since 2003, KORAIL has played as a regular member of the UIC (Union Internationale des Chemins de fer) and acted as the host for Asian countries from 2009 to 2012. To brace for the age of the railroad on the continent, the company participated in regular meetings held in North Korea by joining in the OSJD (Organisation for Co-operation between Railways) as an affiliated member in 2014. We have put great efforts in the advancement of railroad technologies by attending the WCRR (World Congress on Railway Research) on a regular basis.



Introduction of Business

KORAIL has created economic values by operating transport businesses such as passenger, metropolitan, and logistics businesses and non-transport businesses such as auxiliary and consignment businesses. Through proactive marketing activities, we have expanded the amount of transports and created greater demand for tourism. We will grow into a global transport company by strengthening our competitiveness and improving management.

Passenger Business

Businesses	Major Performances
<ul style="list-style-type: none">• High-speed train (KTX)• General trains (Saemaeul, Mugunghwa, Nuriro, and Commuter train)• 326 stations (KTX stops at 41 stations)	<ul style="list-style-type: none">• Distance for passenger operation High-speed 368.5km, General 3,219.3km• Running distance of trains (year) KTX 32,191,000km, General trains 35,678,000km• Transport volume (year) KTX 54,744,000, General trains 77,289,000• Sales KTX KRW 1 trillion and 605.4 billion, General trains KRW 505.1 billion

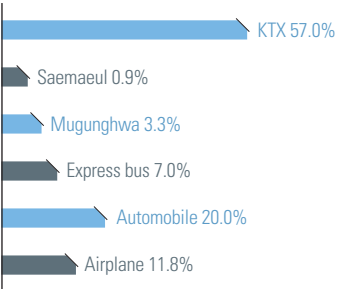
We have created profits by operating main passenger transport and tourism businesses including high-speed and general trains. The KTX, which was launched in 2004, has led to the creation of the one-day life zone, which has increased the number of users: this figure was 72,000 a day at the early stage after the launch, but the number increased to 150,000 a day in 2013, and the accumulated number of passengers topped 400 million people in December.

We have strived to maximize profits by utilizing a long-distance transport facility, which is the strong point of the KTX, and realized KORAIL-styled creative economy by establishing the nation's five major tourism belts.

In particular, the company has expanded profits, now worth KRW 31.8 billion, by reinforcing the transport with data analysis and enhanced transport performances by operating the best-quality trains and expanding the operation of the KTX during major holidays and on Fridays. After analyzing customer travel patterns, we have developed customer-centered tourism products and created KRW one billion in profit by developing a packaged product to attract Chinese tourists.

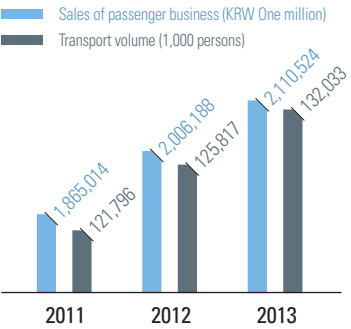
We are focusing on management efficiency, including the reorganization of railroad operation and efficiency of personnel, to create transport demands with the launch of new lines and expand profits. The total number of users for transport in 2013 was 132.03 million, and the amount of sales is KRW 2 trillion and 110.5 billion.

Comparison of Rates between Each Type of Transportation Means *

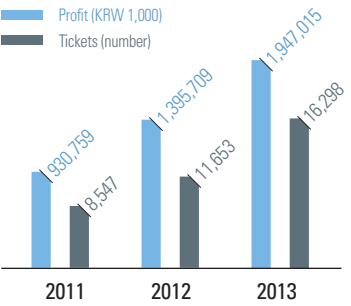


* As of 2012, the rate of occupation is compared among major five lines (Gyeongbu, Honam, Jeolla, Janghang, and Jungang) in terms of long-distance service more than 300km.

Major Performances of Passenger Business



Performances of foreigner-only KR Pass



KTX



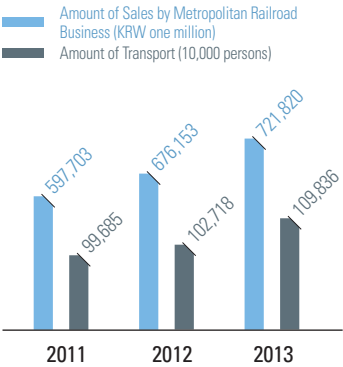
ITX Saemaeul



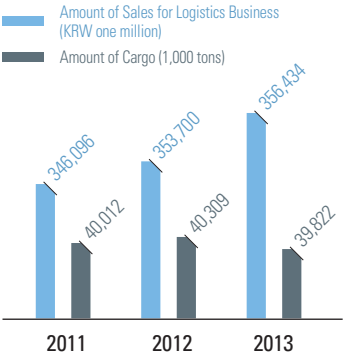
Mugunghwa

Metropolitan Railroad Business

Major Performances by Metropolitan Railroad Business



Major Performance for Logistics Business



Major Freight-Handling Stations



Businesses	Major Performances
<ul style="list-style-type: none">• Metropolitan railroad lines operated by KORAIL• ITX-Cheongchun• 12 lines, 228 stations	<ul style="list-style-type: none">• Operation distance by metropolitan railroads: 523.3km• Number of operations a day: 2,432 (including 44 operations of ITX-Cheongchun Line)• Transport volume: 1 billion and 98.36 million• Amount of sales: KRW 721.8 billion

KORAIL has expanded the amount of railroad transport by differentiating sales strategies, such as the operation of the ITX-Cheongchun, and connecting the metropolitan area to Gangwon-do and Chungcheongnam-do with the metropolitan railroad to enhance transport convenience for the people and improve competitiveness in speed. As the Bundang Line (from Mangpo to Suwon, 6.1km) was launched in November 2013, it has become easier for residents in Gyeonggi-do to access Seoul, and the competitiveness in railroads has been increased by meeting various customer needs through expanding the operation of express trains for each line. We have established the “G+ Star Zone,” a donation zone, where Korean celebrities help youth in underprivileged households, at Apgujeong Rodeo Station and created cultural spaces by remodeling decrepit stations in the metropolitan railroad line. We have also contributed to the vitalization of the local economy, such as the development of a tourism course connecting with major tourist attractions, which stationmasters have recommended to travelers, and traditional markets. The total number of users for transport in 2013 is 1 billion and 98.36 million persons and the amount of sales is KRW 721.8 billion.

Logistics Business

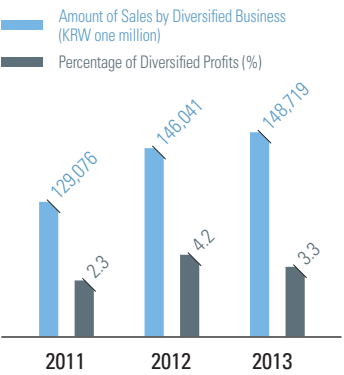
Businesses	Major Performances
<ul style="list-style-type: none">• In addition to railroad transport, providing a complex logistics service, including load and unload service, storage business, KTX express delivery, international logistics business, etc.• 127 stations for dealing with freight• Expansion of 10 complex logistics facilities	<ul style="list-style-type: none">• Operation distance: 3,063.9km• Number of operations a day: 279• Transport volume: 39,822,000 tons (11,853,000 tons by container, 27,969,000 tons by others)• Amount of sales: KRW 356.4 billion

KORAIL has reinforced competitiveness in railroad logistics by restructuring our business portfolio by focusing on major products and managing strategic products intensively. We have secured transport capabilities worth 1.55 million tons by making CY (Container Yard: Yard for acquiring and delivering containers) in strategic points in five regions, putting great emphasis on containers and recovered KRW 1.4 billion by attracting customer investments for making CYs. We have attracted 144,000 tons and KRW 1.09 billion in transport by analyzing distribution routes for each type of metal product and developing niche demands for new routes that differ from the existing roads and railroad transport routes to promote metal products, which are suitable for railroad transport, as new strategic products. In particular, we have strived to improve productivity in transporting freight by establishing mid and long-term plans with making strong points such as repairing for Freight-Handling stations (129 → 80) and temporary transport stations (182 → 20) and non-profitability products (30 → 22) and operated specialized groups to establish the best cargo transport system based on the demand. We have saved KRW 17.9 billion by finding and improving inefficient elements and maximizing business operation. We also cut KRW 6.03 billion with moderating the attendance service due to changes in transport demands for seasons and days. The total for transport in 2013 is 39,822,000 tons, and the amount of sales is KRW 356.4 billion.

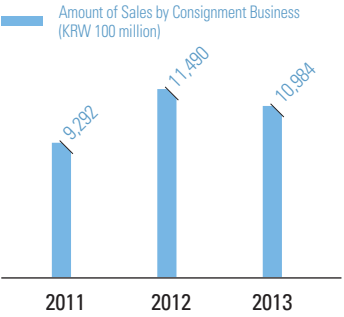


Lunch Box Store at Seoul Station

Major Performance for Diversified Business



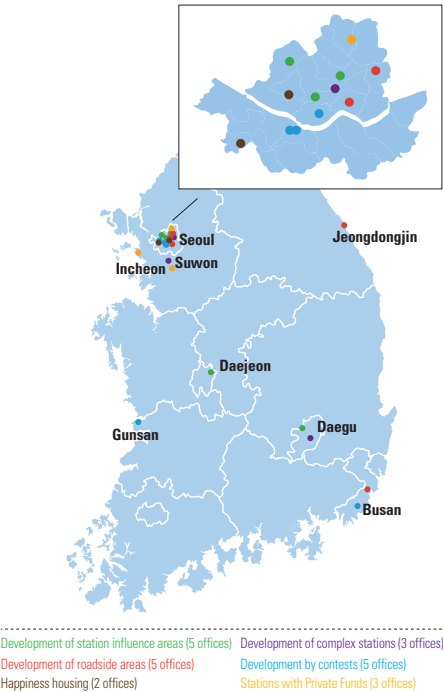
Major Performance for Commissioned Business



Auxiliary Businesses

Businesses	Major Performances
<ul style="list-style-type: none">• Providing various life services in connection with railroads• Property Development Business · Tourism Business · Overseas Business	<ul style="list-style-type: none">• KRW 148.7 billion in sales- Rental business (KRW 46.2 billion), distribution business (KRW 38.9 billion), advertisement business (KRW 21.5 billion), overseas business (KRW 9.4 billion), parking lots (KRW 6.4 billion), others (KRW 26.3 billion)

Current Status of the Development of Regions near Railroad Stations in the Country



Auxiliary business refers to various life service business with a focus on railroad stations, including property development business related to railroads, tourism, and overseas business. We have re-established regulations to reduce risks and vitalize property development. We also held an open contest for selecting private business operators for seven unused railroad sites. We have formed a department in charge of managing the Happiness Houses to contribute to national housing welfare and participated in the pilot business for two railroad sites as a co-operator. We have strived to achieve mutual growth with SMEs and local communities by utilizing unused areas in major stations. We have supported the expansion of the market by launching “Myeongpum Maru” for SMEs, a small department store in stations that combines the creativity of SMEs and KORAIL’s infrastructures, and developed regional stations as representative places for the region by encouraging customers to experience various regional specialties at these stations. We have operated 61 meeting rooms in 20 stations to provide convenience for customers that may need to be in that region to conduct business. We have also entered the overseas market, based on our knowhow and technologies in operating railroads, and strived to enhance the importer’s satisfaction and create profits by carrying out various efforts, such as changing sales methods for used cars and diversification of exported products.

Commissioned Business

Businesses	Major Performances
<ul style="list-style-type: none">• General Commissioned business• Commissioned business for maintenance• Commissioned business for improvement• Commissioned business for railroad transport traffic control	<ul style="list-style-type: none">• Profits from commissioned projects: KRW 1 trillion and 98.4 billion- General commissioned projects (KRW 90.9 billion), commissioned projects for maintenance (KRW 707.1 billion), commissioned projects for improvement (KRW 273.2 billion), commissioned projects for traffic control (KRW 26.1 billion), commissioned projects for protection (KRW 1.1 billion)

Commissioned business refers to all business commissioned to KORAIL by the national or local governments or public institutions in accordance with the Basic Law on Railroad Industry Development and the Law on Korea Railroad Corporation. The business consists of the following types: general commissioned projects for implementing national R&D tasks—inspecting private-line cars and carrying out maintenance for BTL line and facilities for specialized lines, commissioned projects for maintenance and improvement for high-speed and general railroad facilities owned by the nation, commissioned projects for traffic control with operating the railroad transport control tower, and commissioned projects for protection to safeguard special facilities.

Management Value System

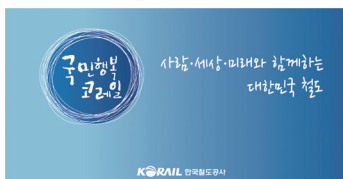
KORAIL has established a new vision, “KORAIL for the Happiness of All,” in order to respond to rapid changes, such as the introduction of competition in the railroad industry, and achieve sustainable development. We have set up core values with the participation of all executives and employees to overcome internal and external crises and shared values with them by holding a workshop or special lecture.

New Vision, “KORAIL for the Happiness of All”

With the new vision of “KORAIL for the Happiness of All,” we will realize creative customer values based on an absolute safety system and become the world’s best railroad company, promoting national happiness by establishing a sustainability management system. We have set up core values regulating the mindsets and behaviors of executives and employees and selected a management value system connecting that reinforces core values by establishing five major strategies and management goals. Our management policies, including “operation in surplus,” “absolute safety,” “creative management”, and “organizational innovation,” have reflected the company’s willingness to contribute to national happiness by securing financial health and fulfilling our social responsibilities as a public company.

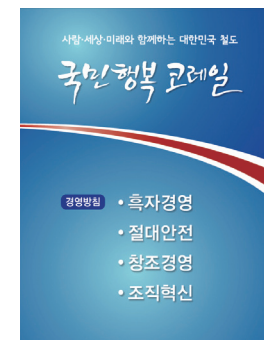
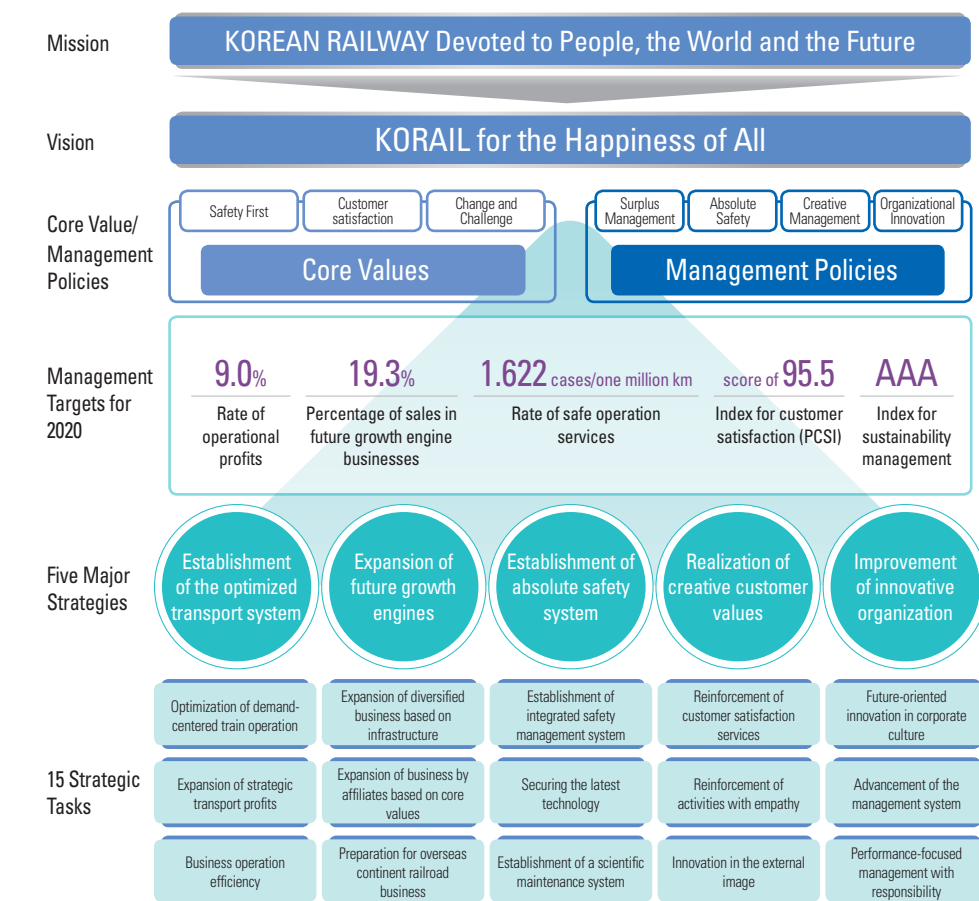


Vision Proclamation Ceremony



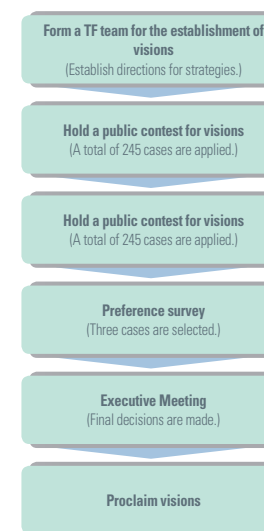
Mission and Vision

Management Strategy System



Management Policy

Process for the Establishment of Visions



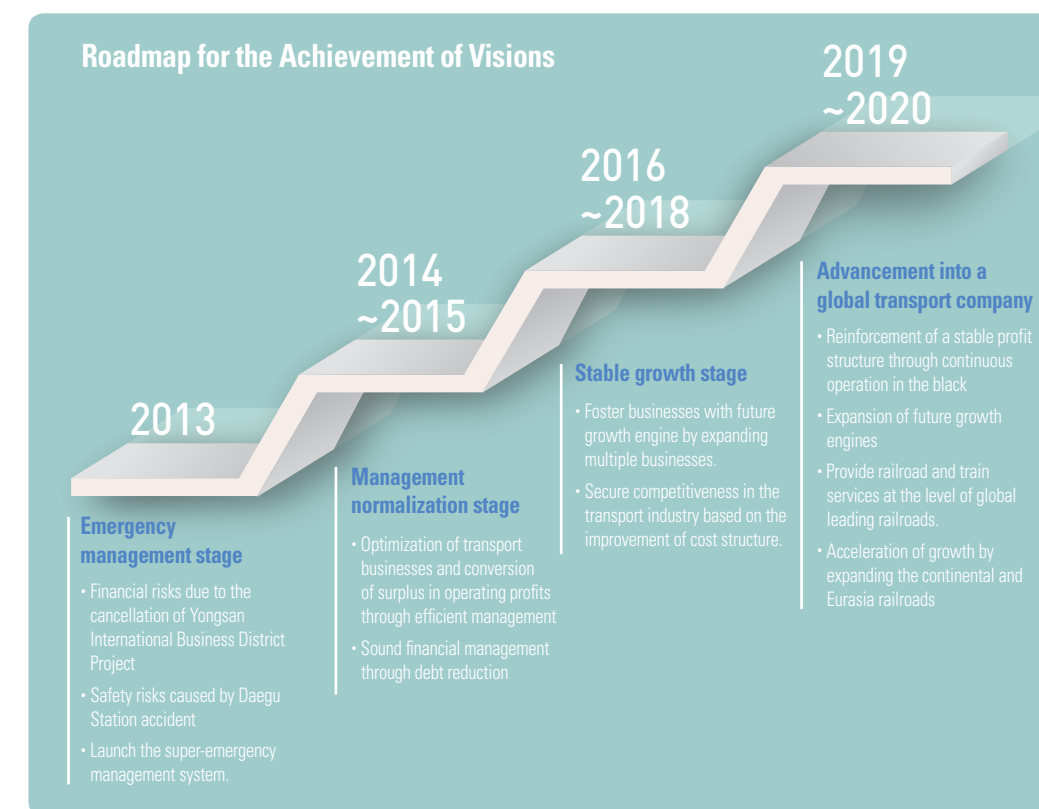
Establishment and Dissemination of the Vision

KORAIL has established the visions and core values with the broad participation of internal and external stakeholders to overcome management crisis and secure confidence from the public. We analyze management environment and establish directions for strategies by operating a TF and independent advisory committee composing of seven internal employees and seven external experts to reestablish management values.

After holding deliberation committee meeting two times for a total of 245 cases of applications for visions by all the executives and employees (including affiliates), we have ten candidates for our vision and finally decided by conducting preference survey for internal and external stakeholders and holding executive meetings. To share and disseminate a new vision internally and externally, we held a vision proclamation ceremony in January 9, 2014, with about 1,000 stakeholders, including executives, staff members, customer representatives and external personnel. KORAIL has strived to establish a new corporate culture in cooperation and mutual growth by carrying out fundamental corporate innovation and realize the world’s best level of safe railroads based on the cutting edge technology. We pledge to make Korean railway devoted to people, the world, and the future by realizing a creative economy.

Roadmap for the Achievement of the Vision

KORAIL has established a system for mid and long-term management strategies and is implementing 15 major strategic tasks and 43 implementation tasks to achieve the company’s visions. We have set up and are carrying out a roadmap for the development stage by stage to play a pivotal role for the Eurasia initiative and establishment of railroads after the Korean unification and to become a global transportation company.



Governance Structure

KORAIL deliberates and decides important economic, social, and environmental issues by establishing a decision-making system and focusing on the Board of Directors. We have vitalized the operation of professional small committees to solve current management issues, operated a supporting system for guaranteeing the independence of non-executive directors, and reinforced their roles. The company has strengthened the function of checks and supervision for management by setting up the Audit Committee.

Members of the Board of Directors

Members of the Board of Directors

Executives (7 people)	
	Choi Yeon-hye, female, President & CEO
	Son Chang-wan, male, Chief Audit Executive
	Kim Yeong-rae, male, Vice President
	Jo No-yeong, male, Head of Safety HQ
	Kim Jong-cheol, male, Head of Passenger Transport HQ
	Eom Seung-ho, male, Head of Engineering HQ
	Gwak No-sang, male, Head of Business Development HQ
Non-executives (8 people)	
Transport	Jeong Su-il (Former) Head of the Transport Policy Department, Ministry of Construction and Transportation
	Yu Jae-heung (Former) Brigade Commander of Republic of Korea Defense Intelligence Command
Management	Choi Yun-cheol (Former) President of Dongil Construction, a complex construction company
	Jo Seok-hong (Current) Professor at the Management School, Ulsan University
Urban Planning	Ha Seong-gyu (Current) Chief of Korea research Institute of Housing Management
Media	Kim Hui-jung (Current) Edition staff, Seoul Economic Daily
Law	Son Bong-gyun (Current) President of Jeil Airport Company
Accounting	Jo Seung-ho (Current) Vice President, Daeju Accounting Firm

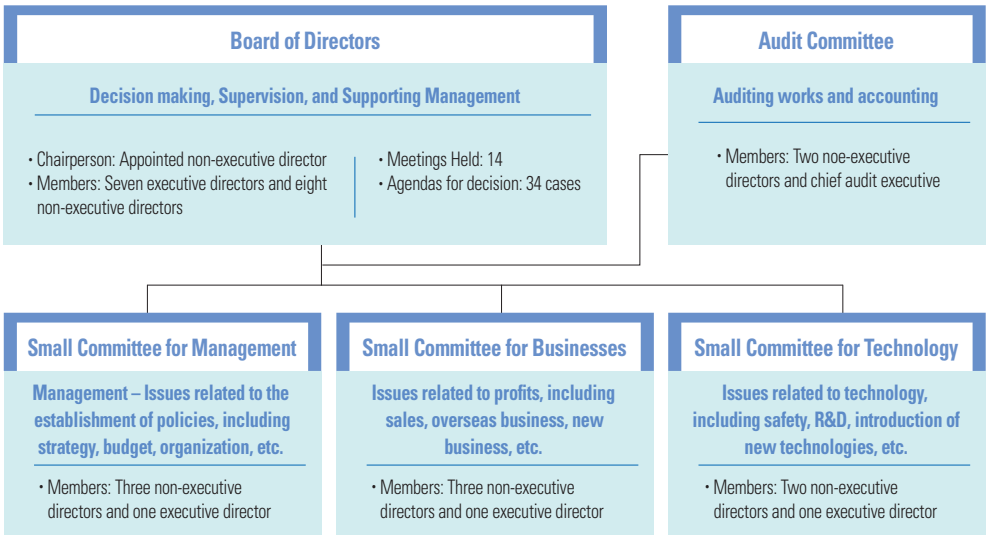
※ The members of the Board of Directors are aged over 50, and all non-executive directors are men.



Special Lecture on Special Sectors for Non-executive Directors

Playing the role in making decisions, supervising, and supporting management, the Board of Directors consists of 15 directors: seven executive director including the president and eight non-executive directors. The company secures the independence of the governance structure as an appointed non-executive director plays the role as the chief person. The Audit Committee, in charge of auditing for tasks and accounting of KORAIL and its affiliates, consists of one permanent auditor and two non-executive directors, and the role of chairperson is taken by a non-executive director. We have organized a small committee within the Board of Director to solve major issues and held meetings six times in 2013. In March, a general committee was launched, in which all non-executive directors participated in deal with urgent current issues regarding the development project for Yongsan International Business District, and measures for the normalization of the business were discussed.

System of the Board of Directors

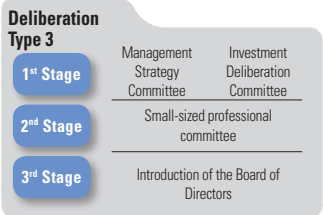
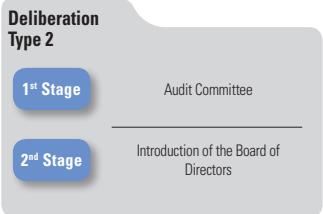
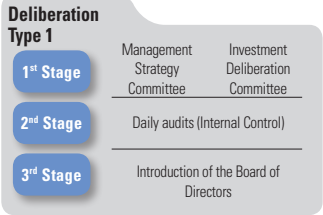


※ Heads of all committees are in charge of non-executive directors.

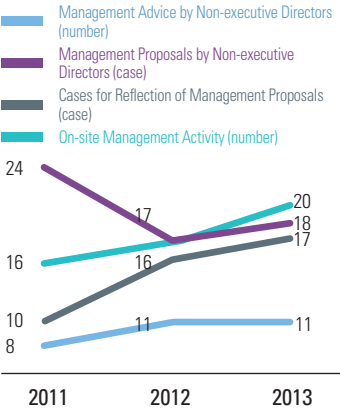
Appointment of Directors and Expertise of Non-executive Directors

KORAIL complies with Article 25 (Appointment of Executives of Public Companies) of the Act on the Operation of Public Institutions and operation regulations of the internal committee for executive recommendation. Recommendations for executive candidates secure transparency and fairness by open recruitment, and we have appointed non-executive directors with expertise in various sectors including transport, management, urban planning, media, law, and accounting. With the aim of expanding the participation rate of female employees in the Executive Recommendation Committee, we have secured 30 female employees (22.6%) among expert members and enhanced the diversity of the committee.

Pre-deliberation System for Each Type

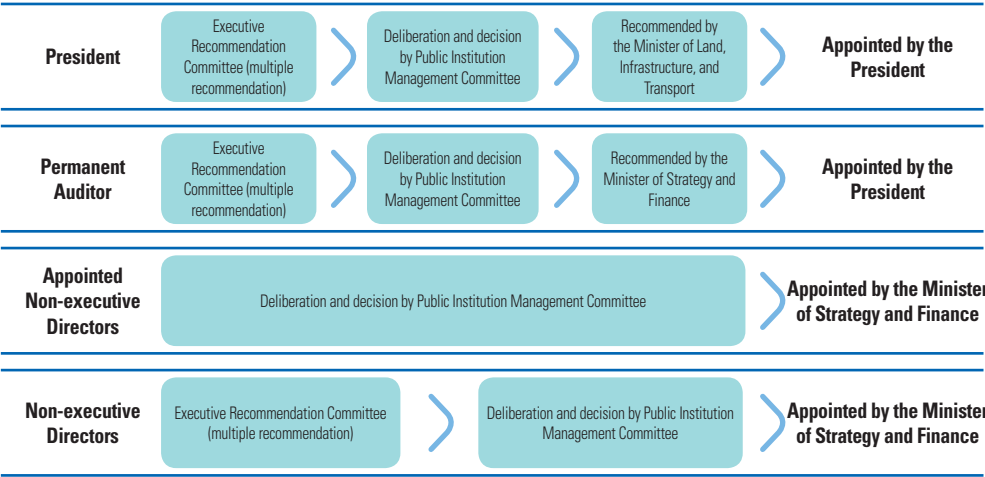


Reinforcement of Roles of Non-executive Directors



Board of Directors meeting

Process for the Appointment of Directors



Operation of the Board of Directors

The Board of Directors participates in the risk management and decision-making process for economic, social, and environmental issues in KORAIL. Meetings are held every month on a regular basis. In 2013, a total of 14 meetings were held with deliberation on 37 agendas, and 34 cases were decided. Directors having special interests in an agenda being deliberated on by the Board of Directors cannot be engaged in making decisions for that agenda and are not included in the number of attended directors. We operate a pre-deliberation system before a meeting to reinforce the deliberation function for agendas and strengthened risk management by introducing a three-step deliberation system in which deliberation by professional small committees for major issues leads to the report and decision by the Board of Directors. In 2013, we implemented a special report for 17 major current issues, such as “Operation Plans for Wongang Line (from Wonju to Gangneung) to Hold Pyeongchang Winter Olympics Successfully,” and carried out an efficient decision-making process. Vitalized professional small committees have reduced the number of agendas, but the remarks by non-executive directors have increased, signaling proactive participation in management by non-executive directors. We guarantee their independence by regularizing meetings of only non-executive directors, excluding executive directors, and reinforcing the checks. We have reflected on-site experiences and advice on management through the expertise of non-executive directors to management activities.

Performance of the Operation of the Board of Directors

Category	2011	2012	2013
Holding the Board of Directors meeting (number)	12	14	14
Determined agenda (case)	45	37	34
Pre-deliberation rate (%)	100	100	100
Revised determined agenda (case, %)	3(6.7)	7(18.9)	3(8.8)*
Board of Directors participation rate (%)	97.1	95.6	97.8
Participation rate of non-executive directors (%)	96.8	97.8	98.2
Percentage of remarks by non-executive directors (%)	55.9	57.4	68.7

* With the reinforcement of pre-deliberation system, revised determined agendas have been reduced.

Risk Management

KORAIL prevents various risks in advance thanks to a company-wide risk management system, ERM (Enterprise Risk Management). We are continuously improving the company by assessing the ERM system and report main issues to management. The company developed an IT-based continual monitoring system and reinforced preventive and auditing activities, focusing on risks by operating an automatic system for checking risks.

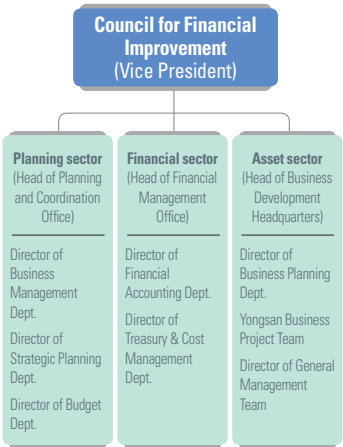
System for Risk Management

KORAIL strives to prevent risk elements in advance by carrying out a company-wide risk management for management/financial risks, accident risks, and communication risks. To establish an efficient response system, we operate departments specialized for each type of risk and perform pre-investigation for various sectors as the Audit & Inspection Office checks the Enterprise Risk Management (ERM) system on a semiannual basis. As serious incidents have happened, such as the failure of the project for Yongsan International Business District and accident at Daegu Station, there is an increasing need for restructuring the company-wide risk management system. Under these circumstances, we have modified the department structure suitable for the characteristics of each job by re-designating departments for each type of risk and improved the response system to risks by restructuring each manual and reinforcing the regular monitoring system. In line with the result of assessment for the system, we have revised the risk management guidelines in various ways, such as reinforcing the function of the deliberation process on investment for overseas projects, attracting foreign capital, and launching a new type of response system for communication crises.

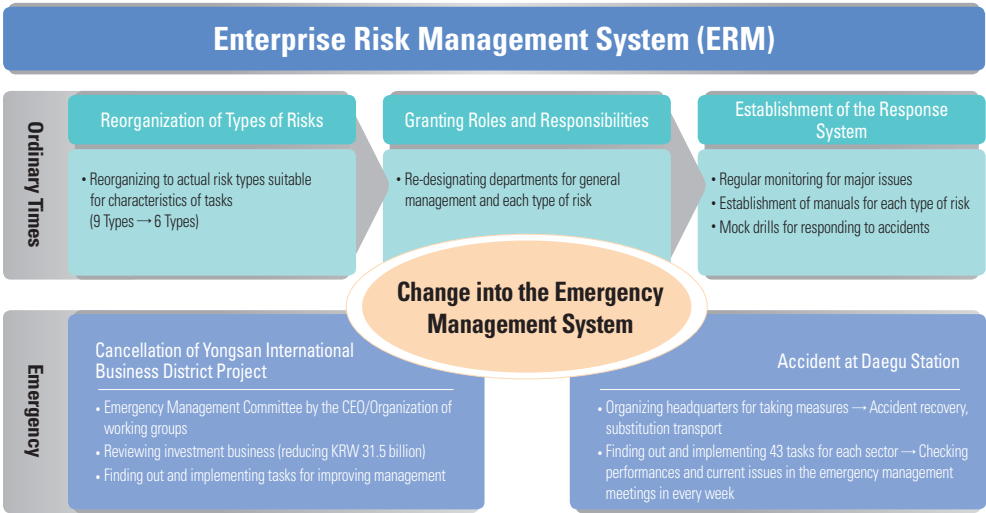


Seminar for the Management to Overcome Management Crisis

Council for Financial Improvement



Reorganization of the Enterprise Risk Management System



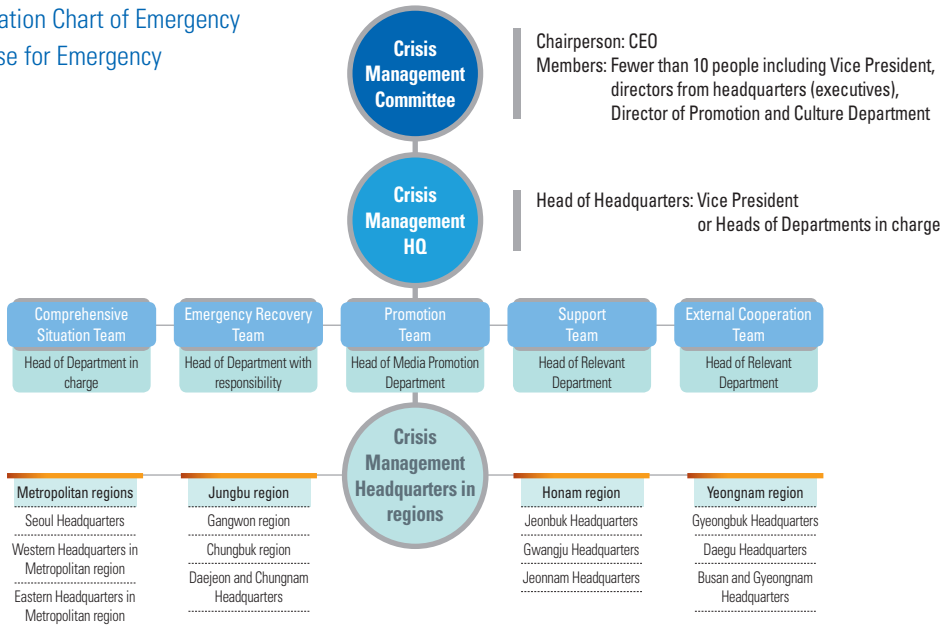
Operation of Organizations for Each Type of Crisis

The Planning and Coordination Office at KORAIL manages overall risks in general based on the manual for each type of risk. We manage each risk by designating departments for different types of risks, including management risks such as investment risks, financial risks, and paralysis of the information system, as well as accident risks such as natural and human disasters and terrorist attacks on railroads. We have reinforced the risk response system for disasters and safety risks and reinforced a risk response system by carrying out education and training programs.

* Departments for Each Type of Risks

Category		Department with responsibility
General management		Planning and Coordination Office (Business Management Dept.)
Management Risks	Investment business risks (New/Overseas investment)	Planning and Coordination Office (Strategic Planning Dept.)
	Financial risks (Exchange rate, interest rate, liquidity)	Financial Management Office (Treasury & Cost Management Dept.)
	Information system paralysis	Planning and Coordination Office (IT Planning Dept.)
Disaster	Natural disaster	Civil Engineering Division (Infrastructure Management Dept.)
	Human disaster	Safety Headquarters (Safety Support Dept.)
	Railroad terrorist attack	Transport & Control Office (Emergency Planning Dept.)

Organization Chart of Emergency Response for Emergency



Risk Prevention Activities

KORAIL strengthens the inspection and management for risky elements by developing a regular monitoring system based on IT. With periodic monitoring activities, we have supplemented and strived to find new scenarios for potential risks by reflecting changes in internal and external environments. Currently, the company operates a total of 145 scenarios for various sectors, including management control, safety management, technology assistance, purchasing contract, profits and costs, personnel, and budget and accounting. Based on these scenarios, we have established a system for autonomous checking. The Audit & Inspection Office has focused on managing high-risk sectors since January 2013, and as for daily and repetitive risks, we have reinforced the responsibilities and authorities of the heads of organizations.

KORAIL has checked risky elements thoroughly by expanding prevention risks activities in advance, such as regular monitoring, autonomous checks, and management activities for responsibilities, and we have taken measures in response to violations (a total of 639 cases have been improved). We have strengthened stability for operating railroad businesses to manage investments more effectively and eradicate various risky elements by managing various committees such as the Management Strategy Committee, Financial Risk Management Committee Business Deliberation Committee, Railroad Safety Deliberation Committee, and Investment Deliberation Committee.

Activities for Inspecting High Risk Tasks and Vulnerable Sectors

Drawing Current Management Issues	Efforts to Solve Problems	Performance (Result)
Contract and procurement tasks Improvement in the process	• Management for the implementation of improvements for contract and procurement - 2 consulting cases, 1 special audit, 1 meeting	• Increase in bidding companies • Preparation for the growth foundation for SMEs
Prevention of human errors	• Audit for railroad accidents and safety management • Annual implementation for on-site inspection	• Decrease in human errors by 21.5% • Decrease in responsibility accidents by 20.7%
KTX components Check for test results	• Audit for the management of major components • Comprehensive audit for high-speed railroad maintenance	• Uncovering the supply of fake products • Preparation for real inspection for stocks and prevention of accidents
Swift response to railroad strikes and support for management normalization	• Operation of the special audit team for responding to strikes (54 workers) • Reinforcement of sharing information with relevant institutions • Encouraging to return to work, including presentation of statement (3 times)	• Investigation for workers engaged in strikes in accordance with legislations • Contribution to organization stabilization and management normalization with focusing on audit capability after strikes



Comprehensive Recovery Drills for Emergency Response

Working Process for Regular Monitoring

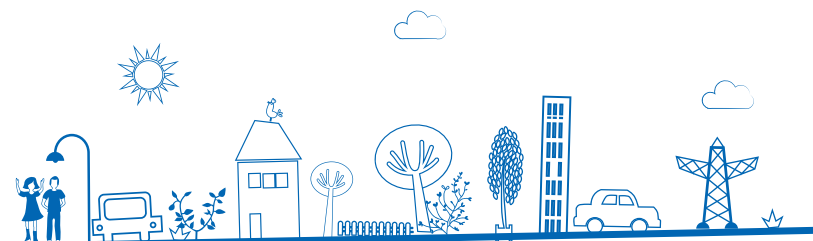


Engagement by Stakeholders

In line with the value trend, stakeholders are now categorized as customers sharing values, conveying values, affecting values, and purchasing values, and we have subdivided the strategy for sharing and expanding values depending on each characteristic. KORAIL has the fact that communication between stakeholders is a core issue for sustainability management, and thus collects various opinions from internal and external stakeholders and reflects them to management activities.



Interview with Stakeholders



KORAIL identifies diversified internal and external stakeholders and continuously communicates with them, establishing communication channels for each type of stakeholder. We then reflect their needs and expectations in overall management. To identify specific issues for sustainability management, we selected major stakeholder groups and conducted interviews with them. We will continuously reinforce communication activities to listen to various opinions from stakeholders.

Customer

Lee Gye-un, Customer Representative at **Seoul Headquarters**



As the major engine for KORAIL is customers, KORAIL should put safety as its top priority. If railroad trains, especially KTX, were involved in an accident, it would be potentially catastrophic, so safety should be always be the first priority. The company needs to consider vulnerable groups, particularly the disabled, more carefully. Places for accommodating more wheelchairs need to be expanded, and people from vulnerable groups need to be accommodated by the interior design of trains, such as the installation of a door-switching button for the disabled. For reservations, it is important to provide service for supporting boarding and getting off the train, even without separate requests. I have recently seen that KORAIL strives to communicate and grow together with customers. I hope that KORAIL puts great efforts in carrying out various social contribution activities and holding international events and contests by using railroads so that many people can consider KORAIL as a public company that works not just for private interests, but also for the people, achieving mutual growth.

Executive and Staff Member

Kim Hyeon-jung, Chief of the **Korean Railroad Industry Trade Union**



The most important thing is that Labor and Management must have trust in each other. As we have recently had conflicts between labor and management due to anxiety caused by instability in government policies, we had to draw an amicable settlement based on mutual trust and respect. The Labor-Management relationship is like a wheel on a cart: if one is bigger than the other, then the cart cannot go anywhere. The Labor Union should respect the Management's own authority, rights to manage the company, and authority over human resources, while the Management should respect the basic labor rights of the Labor Union. Both parties should work together—if both are wheels, they should also not settle for letting one of the wheels become smaller. The introduction of the railroad competition system needs to aim for the goal of strengthening the public characteristics through sound financial management and maintaining employment stability. Based on these efforts, I hope that KORAIL grows into a public company that satisfies both internal and external customers in the future.

Government

Jo Mu-yeong,

Chief Head of **Railroad Policy Department, Railroad Bureau, Ministry of Land, Infrastructure, and Transport**



KORAIL has long suffered a deficit. As the government funded the company to compensate for the loss, this has burdened the national economy. Of course, considering the characteristics of rail transport, massive initial investments will inevitably lead to a deficit, but this current situation should be improved. Countries which launched similar railroad renovations before us have significantly reduced their deficits by their own efforts and vitalized their competitiveness in the industry by improving the quality of services, which led to an increase in the number of users. All executives and staff members of KORAIL have put great efforts in improving management and solving chronic debt problems, including cost reduction, finding new profit sources, and realizing service improvements. With these efforts by the management and all employees, I believe that KORAIL will grow more competitive and the future of Korea's railroad industry will also become brighter.

Partner Company

Sin Se-jin, Representative of **Bisop, Insa-dong**



For a small-scale business like us, our biggest worry is how to enter into the market. Opportunities to promote products to customers is really important. Under these circumstances, we got the opportunity to become a part of the Myeongpum Maru store for SMEs and could succeed through the great promotions and support from KORAIL. I really appreciate KORAIL for supporting mutual growth with SMEs, helping many small companies and providing opportunities for us to promote our products. I hope that KORAIL will continue to develop SMEs as they have up until now. As a company closely connected to KORAIL, we will keep an eye on KORAIL, making sure that it continues in the direction. I really look forward to our store growing together with KORAIL as well.

Local Government

Kim Yeon-sik, Mayor of **the City of Taebeak**



As social overhead capital for which private investment and operation is impossible, the railroad industry needs to focus on providing indirect economic effects for the development of the country and local areas. Through cooperation with local communities, a railroad company needs to find and carry out business to create wealth and income for those local communities. In this regard, KORAIL has implemented a system with a 20% discount in fares for railroad tourism customers in an agreement with the City of Taebeak. KORAIL also formed partnership to provide various convenient services and transportation for the vitalization of tourism in Taebeak, as well as railroad tourism products. I really hope that KORAIL will maintain the relationship with our city and share important values by finding and carrying out various businesses for the development of the local community.

NGO

Lee Jong-hwa, Director of Sharing Marketing Headquarters, **Green Umbrella Child Fund Korea**



With the mission of "Korean Railway Devoted to People, the World and the Future" KORAIL has strived to secure confidence from stakeholders by helping the disadvantaged and fulfilling its social responsibilities to the local community. For example, KORAIL has launched the campaign for searching for missing children, called "Sad Hide-and-Seek" in 2010 by cooperating with Green Umbrella. The campaign has expanded to include "Happy Train," a program to provide memories and hopes for disadvantaged children. I think that KORAIL and our company has similar goals as both companies hope to give children dreams and hopes by utilizing various programs based on trains, which children love. I hope that KORAIL will create value, contributing to society by developing social contribution programs, focusing on regions, and utilizing the unique characteristics of the railroad industry. I look forward to KORAIL developing into a company that realizes a world where not only children, but all people can be happy by achieving the company's vision, "KORAIL for the Happiness of All."

Academic Field

Prof. Park Jong-gil, **Department of Environmental Engineering, Inje University**

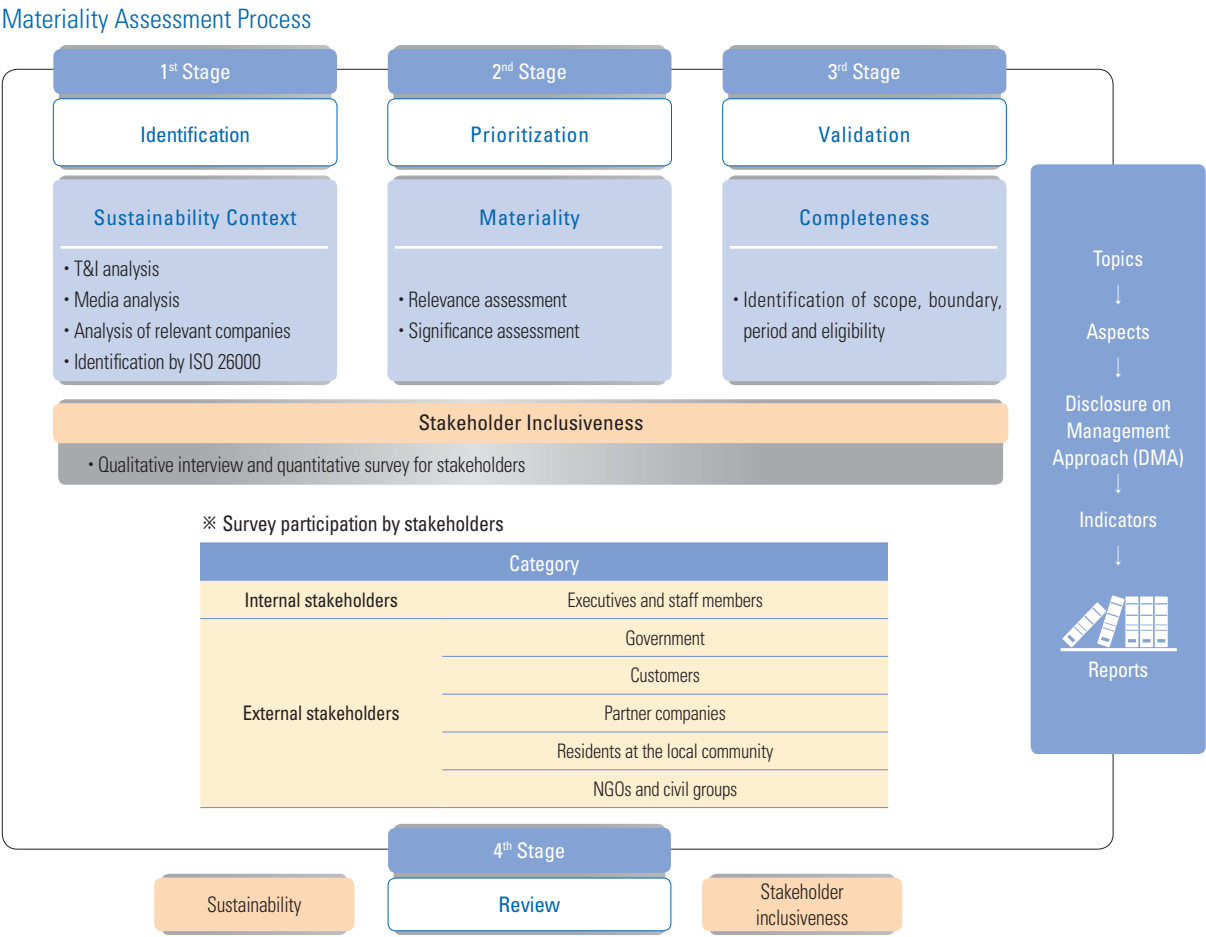


Railroads are social overhead capital that serve social public interests. Climate patterns have recently become more diversified due to the climate and weather changes, such as heavy snow and heavy rain, and the railroad company needs to take appropriate measures for these climate changes. The reduction of greenhouse gas and energy consumption is a current trend, and its importance has grown as the climate change becomes more apparent. If KORAIL has continuously performed technology development for the reduction of energy consumption and response to climate changes in railroad operation, it will have a positive impact not only on management efficiency but also on entering the overseas railroad market.

Major Issues for Sustainability management

Materiality Assessment Process

To draw major issues for sustainability management with significant importance in our management activities, KORAIL has conducted internal and external environment analyses in accordance with the GRI G4 Guideline and the process prescribed in ISO 26000 and selected and reported the most important issues for us and our stakeholders.



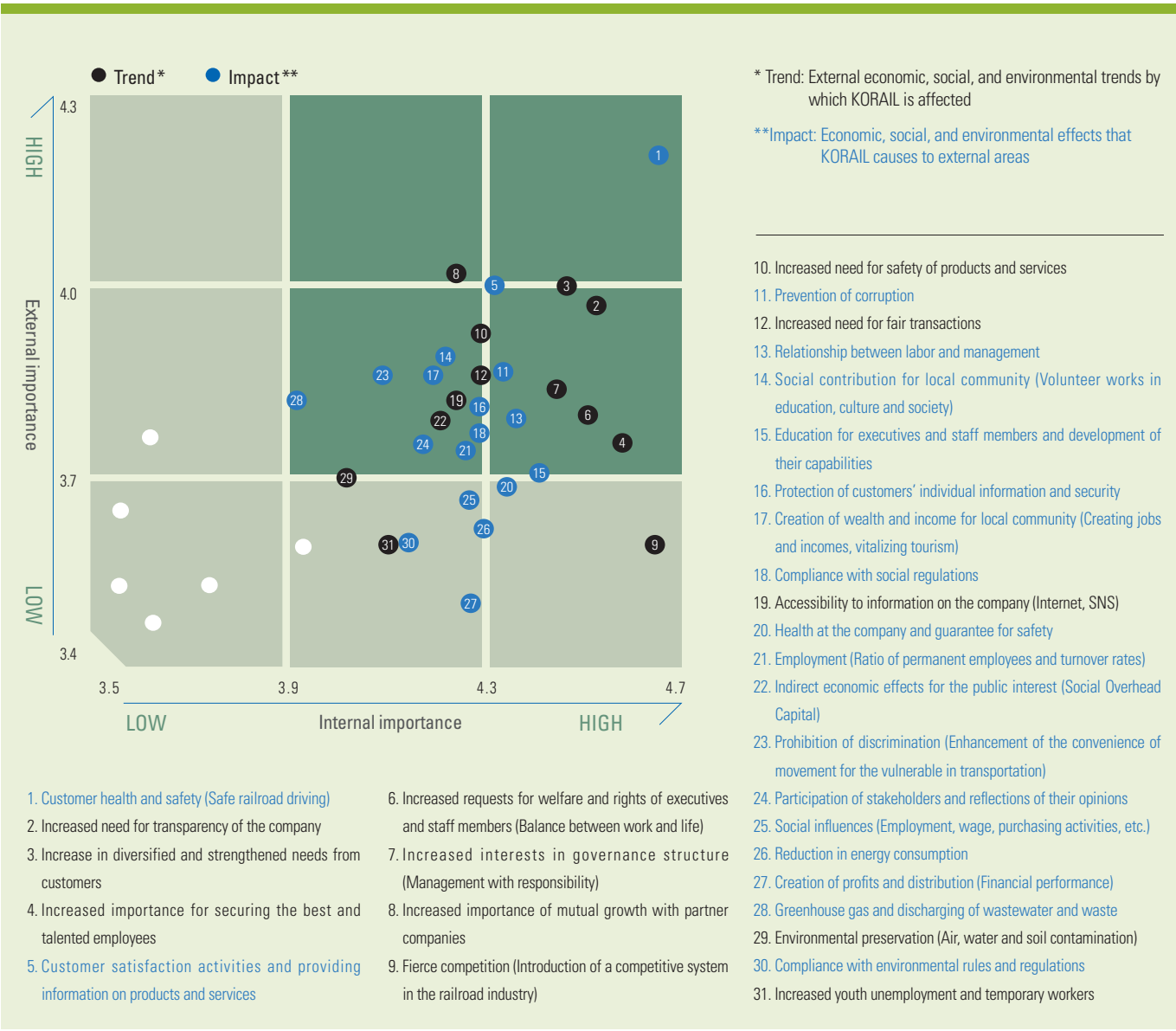
1st Stage – Identification

- **Trend & Impacts analysis** – We have conducted a survey for the executives and staff members to identify major issues for sustainability management in terms of trend, impact, and internal capability. With this survey, we have concluded the issues and internal capability issues in which KORAIL affects other factors or the company is affected.
- **Media analysis** – To identify external awareness for major issues in sustainability management by KORAIL, we have drawn relevant issues by analyzing a total of 24,461 articles from January to December in 2013.
- **Analysis for relevant companies** – We have identified issues related to KORAIL by analyzing sustainability reports by domestic and foreign companies that carry out the railroad business and sustainability management in a remarkable way in accordance with 50 standards in the GRI G4 Guideline.
- **Checking for the implementation of ISO 26000** – In accordance with the ISO 26000 diagnosis tools developed by the host of the Ministry of Trade, Industry, and Energy, we have checked the implementation of social responsibilities by KORAIL and drawn relevant issues by focusing on vulnerable factors.

- **Interviews with experts** – Depending on legal, financial, and managerial responsibilities and influences on the management by KORAIL, we have determined core stakeholder groups and conducted in-depth interviews with seven experts, who represent relevant groups, to identify and discuss detailed issues about sustainability management.
- **Survey** – We have conducted surveys for major stakeholder groups, including executives and employees, customers, partner companies, the government, and local communities, and drawn and reflected issues for sustainability management by KORAIL from the perspective of each stakeholder.

2nd Stage – Prioritization

The materiality test has been conducted through assessments for relevance and importance on 102 initial issues for sustainability management. As a result, 31 trend and impact issues whose materiality average is a score of 3.85 or higher have been determined as final major reporting issues.






3rd Stage – Validation

We have divided major topics, which were drawn in internal external environmental analysis, and identified boundaries for each sector. KORAIL manages core indexes for the performance of sustainability management by BSC (Balanced Score Card) and KOVIS (KORAIL Vision & Innovation System).

Major Issues (Topics)	Major Aspects (Aspects)	Boundary		Opening the Disclosure on Management Approach (DMA)
		Internal	External	
Activities and products/services for customer satisfaction	Marketing communications	●	●	Customer satisfaction management (DMA)
Increase in diversified and reinforced customer needs	Product and service labeling (Customer satisfaction)	●		
Prohibition of discrimination (Enhancing the convenience for the vulnerable, etc.)		●		
Protection of individual information of customer and its security	Protection of customer information	●		
Easy access for the information on the company (Internet, SNS)		●		
Labor-Management relationship	Labor-Management relationship	●		Satisfaction for executives and staff members (DMA)
	System for dealing with complaints on labor practices	●		
Strengthening the importance of securing the best and talented people	Diversity and equal opportunities	●		
Increased requests for welfare and rights from executives and staff members (Balance between work and life)	Employment (gender, new employees, temporary employees)	●		
Employment (Rate of permanent employees and turnovers, etc.)		●		
Education for executives and staff members and development of their capacities	Training and education	●		Ethical management (DMA)
Increased need for transparency in construction	Anti-corruption	●		
Prevention of corruption		●		
Increased interest in governance structure (Management with responsibility)	Social compliance	●		
Compliance with social regulations		●		
Increased requests for safety in products and services	Customer safety and health	●		Safety management (DMA)
Customer health and safety (Safe operation for railroad)		●		
Health in the company and safety guarantee	Industry Safety and Health Laws	●		Mutual growth with partner companies (DMA)
Increased importance on mutual growth with partner companies	Indirect economic effects (Investment in infrastructure, ripple effect to relevant industries)	●	●	
Increased requests for fair transactions		●	●	Sharing with the local community (DMA)
Social contribution for the local community (Education, culture, social volunteer work, etc.)	Local community (Social contribution)	●		
Fierce competition (Introduction of a competitive railroad system, etc.)	Indirect economic effects (Investment in infrastructure, ripple effect to relevant industries)	●		Creative management (DMA)
Creating profits and distribution (Financial performance)		●		
Indirect economic effects for the public interest (Social overhead capital)		●	●	
Creating wealth and income for the local community (Creating employment and income, vitalizing the tourism industry, etc.)		●	●	
Increased youth unemployment and temporary workers		●	●	
Social influence (Recruitment, income level, purchase, etc.)	Energy	●		Environmental management (DMA)
Reduction in energy consumption	Discharge	●		
Greenhouse gas, discharging wastewater and wastes	Wastewater and wastes	●		
Environmental preservation (Air, water, soil pollution)	??	●		
Compliance with environmental regulations	Environmental compliance	●		

4th Stage – Review

KORAIL has reviewed whether the effects of the company and explanations for performances are done in a rational and balanced manner and whether the intention of reporting principles is reflected in the process of selecting the content of the report by the participation of internal and external stakeholders. This process will continue until the publication of the 2014 Sustainability Report, which will reflect feedback received from stakeholders.

Category		Major Index for Performance	2011	2012	2013	Goals for 2014
	Customer satisfaction management	Satisfaction level of dealing with Voices of Customers (VOC) (score)	80.3	80.8	84.5	83.3
		Assessment for service quality (score)	97.8	97.5	97.9	99.0
		Customer satisfaction with public institutions (score)	92.3	88.8	91.5	92.4
	Satisfaction for executives and staff members	Education hours per person (hour)	41	38	28	30
		Index for corporate culture	72.92	-	78.20	79.0
	Ethical management	Comprehensive integrity level (score)	8.56	8.62	7.85	8.72
		KoBEX SM	AAA	AAA	AAA	AAA
	Safety management	Safe operation rate (cases with problems in operation/one million km)	2.691	2.655	2.359	2.252
		Human error reduction rate (incident/one million km)	1.135	0.995	0.781	0.713
		Workplace safety rate (injured employees/all employees)	0.296	0.334	0.304	0.288
	Mutual growth with partner companies	Amount of purchasing SME products (KRW 100 million)	5,682	6,160	6,967	7,943
		Financial support (KRW 100 million)	808	880	861	873
		Support for capacity building (number of companies)	5	16	19	21
	Sharing with local communities	Hours for volunteer work per person (hour)	6.3	6.6	12.6	13.0
		Rate of participation in the donation (%)	79.0	81.5	86.1	88.0
	Creative management	Operating profit rate (%)	-7.9	-4.3	-1.5	-2.3
		Percentage of future growth business (%)	10.4	8.3	8.3	10.0
		Sales (KRW 100 million)	46,318	48,153	51,011	51,843
		Profits from overseas business (KRW 100 million)	1.7	75	94	205
		Amount of reduction in greenhouse gas (tCO2)	-	135,794	112,267	151,963
	Environmental management	Amount of energy reduction (TJ)	1,114	1,115	1,343	1,271
		Investment business for the improvement of environment (KRW one million)	268	506	786	282



People, We Make Better Lives.

KORAIL always thinks about people. We put top priority on the improvement of customer satisfaction in all services so that customers can enjoy safe and convenient railroad transport services. We support the balance between work and family, open recruitment, and a performance-focused corporate culture to realize enriched lives for employees, who are our customers as well. The company has strengthened ethical management to become a public company trusted by all stakeholders. KORAIL will always pursue the creation of value for customers and provide services that can make you happy.



Customer Satisfaction Management _ 32P

Communication-centered operation of services
Improvement of customer-centered services
Reinforcement of public services



Executive and Employee Satisfaction _ 38P

Open recruitment culture
Performance-focused training of human resources
Making family-friendly corporate culture
Labor-Management relations in communication and harmony



Ethical Management _ 45P

Reinforcement of the foundation for ethical management
Carrying out ethical culture

Customer Satisfaction Management

KORAIL has focused on the enhancement of customer convenience and service quality for customers to use railroads in a more safe and convenient way. To provide pleasant and enjoyable tourism services, we have improved the environment for use by focusing on customers and supported convenient use of railroads by reinforcing the public service for vulnerable groups. Every activity by KORAIL aims for customer satisfaction, and we will carefully consider opinions from customers and reflect them in the improvement of our services and development of products.

Disclosure on Management Approach (DMA) for Customer Satisfaction Management



| Importance of Customer Satisfaction Management |

As customer needs for railroad services (safety, speed, healing, business, transport welfare, etc.) have grown more diversified and quality standards have also increased, management activities that focus on customers are urgently needed. As a transportation means for the entire nation, KORAIL strives to offer services so that customers can use railroads more safely and conveniently.



| Management Direction of KORAIL |

KORAIL puts great efforts in enhancing customer satisfaction and realizing creative customer value in all our services. We have developed KORAIL SI (Service Identity) with values and directions for customers and provided services for customer satisfaction by utilizing big data. The company has continuously improved the environment for customers such as the expansion of transfer services and relieved the burden of cost for vulnerable groups by reinforcing the roles of public service. As a company providing the public with railroad services, we have reinforced the protection of personal information to safeguard our customers.



| Major Activities |

- Communication-focused service operation: Expansion of customer-oriented management, reinforcement of communication with customers, vitalization of opening information, and strengthening the system for customer participation
- Improvement of customer-focused services: Expansion of transfer services by connecting other transportation means, enhancing information media, creating more pleasant environments at stations, station-centered culture services, and providing customized tourism services
- Reinforcement of public services: Improvement of convenience for using railroads, expansion of supports for railroad fares, supporting national events, and protection of customer information.



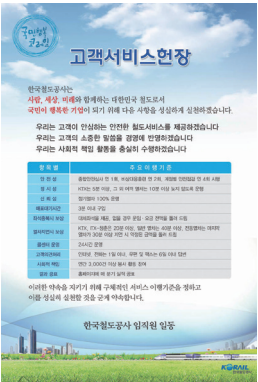
| Assessment and Feedback |

KORAIL carries out monitoring activities through the Voices of Customers (VOC) system, service monitoring, and customer satisfaction survey and improves quality by carrying out service quality assessments twice a year.

Category	2011	2012	2013	Goals for 2014
Satisfaction for VOC (Score)	80.3	80.8	84.5	83.3
Assessment for service quality (Score)	97.8	97.5	97.9	99.0
Public Service Customer Satisfaction Index (PCSI)	92.3	88.8	91.5	92.4



CCM Certificate Logo



Customer Service Charter

Current Status of VOC

Category	2011	2012	2013
Reports/Processing (Case)	72,113	56,943	61,775
Rate of unkindness (%)	3.0 (2,180)	0.9 (518)	0.5 (282)
Rate of processing delays (%) (Case/Hours for dealing with the case on average)	0.13 (95/9.5)	0.47 (228/8.4)	0.20 (124/6.7)

Operation of Communication-focused Services

Expansion of Customer-centered Management

After KORAIL obtained the CCM* certificate for the first time as a public company by announcing customer-centered management in 2009, the company has continuously promoted customer-centered corporate culture and improved related processes. These efforts led to the third certificate being obtained after 2011.

We have established major policies regarding services by reflecting opinions from the representatives of customers and swiftly handled VOCs by holding HOT-VOC improvement meetings. We have also rapidly implemented improvements in services by operating a CS management cooperating committee between the company and its affiliates and carried out on-site inspections and improvement activities by operating an ombudsman program, involving internal and external experts. We have strived to solve customer complaints proactively and improved the system more systematically by carrying out various activates such as holding a public contest for better ideas on providing services and improving the service sector.

For performing more efficient customer-centered management, we established a practical organization based on the Management Innovation Office and put great efforts in satisfying customers by organizing independent committees, which are suitable for the characteristics of headquarters and each regional branch.

* CCM: This system assesses and certifies whether all activities of the companies are designed from the perspective of consumers and explores way to continuously improve management activities. It is supervised by the Fair Trade Commission and operated by Korea Consumer Agency.

System for Customer-centered Management

Objective	Realization of the national happiness by securing the competitiveness in best service		
Strategy	Establishment of customized CCM (Customer-centered Management) system		
Plans	Reinforcement of CS Capabilities <ul style="list-style-type: none">• Vitalization of a system for customer representatives• Operation of the CS Management Council• Establishment of a system for managing CS capabilities• Utilization of the service certificate system	Collection of VOC and expansion of its use <ul style="list-style-type: none">• Operating various VOC channels• Multi-faceted analysis system• Management for improvement and chasing VOC• Operation of the VOC system	Quality management for regular services <ul style="list-style-type: none">• Regular monitoring• Revising the service charter (Achieving the goal for implementation standards)• Managing consumer satisfaction level

Strengthening Communication with Customers

To strengthen communication with customers, KORAIL operates a real-time based counseling center 24 hours a day through SNS and the VOC integrated management system. We have strengthened the standards by setting up the goal to deal with complaints reported to the VOC system within working hours. In 2013, a total of 61,775 cases were reported, and VOCs were handled within 6.7 hours on average. For reported complaints, we inform customers throughout the entire process of managing their complaints by sending them text messages. The company has improved a total of 7,244 cases of reported inconvenience by operating the KORAIL Group for Realizing National Happiness and CS Supporter System and identifying inconvenience from the perspective of customers.

We have regularly carried out monitoring activities with the VOC integrated management system, service monitoring, and survey for customer satisfaction. We have established and implemented various systems for assessment to reinforce the service by communicating with customers, including a monthly satisfaction survey for dealing with the VOC, quarterly satisfaction survey for service quality, and semiannual service quality assessment.

Information Disclosure

Category	2011	2012	2013
Information Disclosure Reports (Case)	441	563	675
Information Disclosure Decisions (Case)	327	488	636
Information Disclosure Percentage (%)	74.1	86.7	94.2
Decision on Disclosure Information Period (Average, Days)	3.9	3.4	3.0
Period for Legal Standards Delay (Case)	0	0	0
Proactive Information Disclosure (Case)	71	79	113

Current Status for Monitoring Activities

Category			2011	2012	2013
Internal Part	VOC Management System	Satisfaction for managing VOCs	80.3	80.8	84.5
	Service Monitoring	Assessment for service qualities (Monitoring stations and trains)	97.8	97.5	97.9
External Part	Customer Satisfaction	Public Service Customer Satisfaction Index (PCSI)	92.3	88.8	91.5
		National Customer Satisfaction Index (NCSI)	73.0	68.0	73.0
		Korean Customer Satisfaction Index (KCSI)	67.1	69.2	73.5
		Railroad Service Quality Assessment (PT-CSI)	-	-	72.1
		Korean Service Quality Index (KSQI)	-	65.7	69.5

Vitalization of Open Information

As the company hopes to guarantee the rights to know for the people through customized and open information, KORAIL has expediently opened this information by connecting the system with the government's departments regarding such tasks. By focusing on customer-focused and open information, the company has fully fulfilled the government's 3.0 policy, reduced the time for handling cases, and enhanced the rate of opening information by improving the information opening process.

In terms of enactment and revision of company regulations, we revise the regulations after announcing on the website and collecting opinions from the public. We then reflect public opinions in the policy by collecting them through a system for customer suggestions.

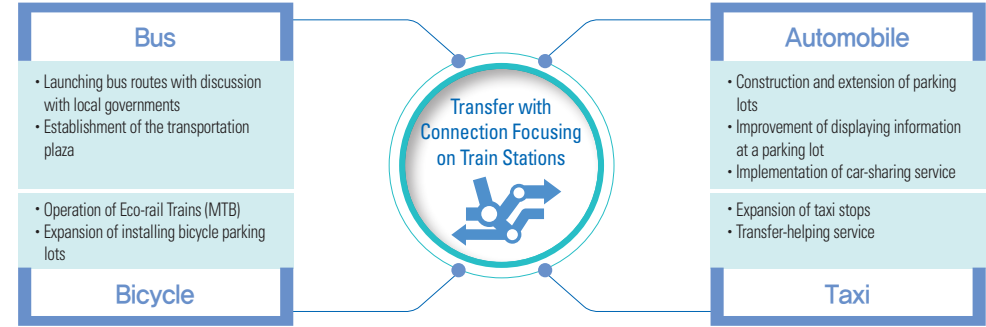
Improvement of Customer-focused Services

Expansion of Transfer services Connecting with Other Transportation Means

KORAIL has reinforced the service connecting with other transportation means to make trains more convenient for customers, and the accessibility to other forms of transportation has been improved by enhancing the movement route for greater convenience. We have been expanding facilities for bicycles at stations and in trains to strengthen the connection between trains and bicycles, which are seen as the best means of green transportation. We also have a plan to increase this figure to 700 by 2017 by launching the car-sharing service (YOUCAR)*. We have enhanced customer convenience through various efforts, such as the expansion of bus routes with regional governments, to reinforce the connection between metropolitan railroads and other transportation means, and relieved economic burdens on customers by expanding the metropolitan railroad routes and areas benefiting from the integrated system through which customers transfer between different means of transportation.

* Service for lending cars on an hourly basis for customer convenience (General car: 29 offices, 89 cars in the country, electric car: 12 offices, 32 cars in the country)

Establishment of Transfer System with Other Transportation Means



Bicycle Parking Lot at Ulsan Station

Current Status of Improving Business for Transfer Routes

Category	Before 2011	2012	2013	Total
Transportation Square	4	7	6	17
Parking Lot for Bicycles	12	2	4	18
Canopy	-	-	9	9



Open Customer Information Booth



Seoul Station KORAIL Membership Lounge



KORAIL Symphony Orchestra



Tourism Theme Station (Buncheon Station)

Improvement of Information Media

KORAIL improves the accessibility to information for customers by enhancing information media to help everyone use railroads. We have strived to convey a core message by strengthening the visibility of information signs and simplifying announcements and provided customized information, such as current station, the number of previous stations and operating trains, and departure time, by indicating the train service situation on the indicating screen.

The company has developed and operated the "KORAIL Talk" app to help customers acquire information whenever and wherever they are and simplified the stages for reservation from the existing 8 steps to 2 steps at minimum, thus enhancing customer convenience. We have launched open information booths and customer help desks so that customers can easily get guidance.

Making Pleasant Station Environment

KORAIL enhances station environments for customers for a more pleasant travel experience. We have improved the working environment and customer amenities at Seoul Station by conducting the "Luxurious Seoul Station Project" to add touches of traditional Korean beauty. We have made concert halls where professional concerts and performances can be held and high quality conference rooms so that stations can be utilized in various ways. Noryangjin Station, a place with a 114 year history that used to be decrepit, has been revamped to become a culture and arts center where historical values and culture can be enjoyed and cultural events can be held on a regular basis.

Station-focused Cultural Service

KORAIL provides station-focused cultural services that can be enjoyed by all people. We have solved the cultural polarity for the culturallyunderprivileged by turning unused places at rural stations into cultural spaces and contributed to the vitalization of local economies by adding tourism themesto regional stations. So that everyone can enjoy these cultural services, the company has provided the "KORAIL Symphony Orchestra" concert 21 times and expanded cultural services such as the KTX mini library, KORAIL open concert, and book giving events in KTX. To share culture and build a sense of community among our customers, we have provided a total of 3,996 cultural events.

Current Status of Theme Stations

Category	Description
Using rural stations as cultural places (Four stations other than Dalcheon Station)	Dalcheon Station: Cultural place for regional residents, such as cultural experience learning place and atelier for making crafts Hwabon Station: 1930s appearance, establishment of a water tower Jeungpyeong Station: Cultural shelter for regional residents Huibangsa Station: Jukryeong Story Place and center for history and culture
Making tourism theme stations (16 stations other than Bucheon Station)	Buncheon Station: Swiss style with ties to Zermatt Station in Swiss Nampyeong Station: Regional cultural heritage experience and tangible and intangible railroad culture Hadong Station: Realization of historical events and green tea experience with the theme of green tea
Experience stations (Four stations other than Yeosan Station)	Yeosan Station: Child stationmaster, operating railroad experience, and learning place Apgujeong Rodeo Station: Korean Wave complex Noryangjin Station: Cultural place for young job seekers Uiwang Station: Promotion center for the railroad industry

Performances of Railroad Tourism Products (Regular) for 2013

Product Name	Number	Cost (KRW one million)
Rail Green	21,531	115
Seoul-ro	26,477	728
KTX-deom	8,505	329
Railtel	13,272	569
Wine Cinema	27,058	286
Eco-rail (MTB)	11,583	175
Package products by travel agencies	572,032	9,564
Special groups (regular groups)	564,075	7,325

Providing Customized Tourism Services

As the population enjoying leisure activities and travel has increased and the country has become a living zone that can be traveled within a half-day, KORAIL is developing various tourism products and reflecting various customer needs. We have developed and operated various tourism products integrating travel, experience, and healing in a creative-economy style: Rail Green that connectsto farming village experience programs by 13 local governments, tourism trains that connect to famous traditional markets in the country, Luxurious Farming Village that offers traditional foods from six regions and KTX Railtelthat connectsto KTX and hotels for people travelling alone. We operate customized tourism products for the healthy growth of the youth by operating KTX-Seoul railroad for visiting major universities and companies in Seoul to help teenagers explore their careers and plan their futures. We provide special discounts for teenagers that finish the college-entrance exam to go travel by using the KTX.

Reinforcement of Public Services

Improvement of Convenience in Using Railroads

KORAIL has improved the service so that all people can use railroads conveniently without any discrimination. To establish a pleasant and convenient environment for seniors, women, and children, we have installed seats for waiting at 42 major stations and operated seats for pregnant women in 98 trains and breastfeeding rooms at 118 stations in the country. The company has installed and operated electronic lifts for the convenience of the disabled and expanded voice guidance systems for the visually impaired. We have launched the telephone reservation service for people who have difficulties in using the website and smartphone applications to purchase tickets more easily.We have operated the customized reservation service system* and exclusive seating (12,000 seats per day) for the senior and infirm who may find the use of trains and purchasing tickets difficult.

*A system helping to purchase tickets at the station with the reservation number after purchasing tickets



Electronic Lift for Wheelchairs

Expansion of Safety and Convenience Facilities

Category	Improvements	Description
Monitoring	Reinforcement of infrastructures for railroad safety	Launch of closed-circuit televisions at major stations (114 sets) Establishment of the Center for Integrated Investigation of Railroad Crimes (one center)
Screen doors	Prevention of falling accident at platforms	Installation of additional screen doors at 11 stations including Cheongryangri Station
Elevators	Exchanging hydrodynamic elevators with frequent breakdowns	Exchanging elevators to rope vibration elevators resisting with temperatures (14 stations)
Voice guidance system	Expansion of voice guidance systems for the visually impaired	Expansion of voice guidance system for metropolitan railroads (200 sets at nine stations)
Wheelchair facilities	Improvement of conveniences in using wheelchairs	Improvement of safe facilities within elevators and trains (Lifts for the disabled at 108 stations, electronic lifts at 205 stations)
Toilets	Improvement of toilets for the disabled	Division of genders at toilets for the disabled (12 stations)
Vehicle facilities	Improvement of decrepit vehicle facilities	Increase the net rated loads for slope equipment for the disabled at Mugunghwa trains (20 cars) Repair internal facilities including installment of breastfeeding rooms and café cars (90 cars) Upgrade passage doors to automatic doors of passenger cars (144 cars)



Seats for Pregnant Women and Young Children

Support for Fares for the Disadvantaged (Children, patriots and veterans, the disabled and senior citizens) in 2013

Category	Funded cost (KRW 100 million)
Reduction in fares	1,079
- Saemaeul and below	675
- KTX	404
Non-compensation for PSO (Public Service Obligation) including reduction in fares, remote branch lines, and loss	632
Total	1,711

Expansion of Support for Fares

KORAIL has expanded public support by protecting the rights to move for vulnerable groups with the system of public discounts and operating trains for non-profit isolated routes. We operate the fare system for children, patriots, and veterans, the disabled, as well as seniors and infirm in accordance with relevant regulations such as the Welfare Laws for Senior Citizens.Although we are not legally obligated to do so, we have voluntarily provided discounts for the KTX and support for fares worth KRW 171.1 billion in 2013.

Support for Railroad Fares for the Vulnerable

Category	KTX	General Trains		
		Saemaeul	Mugunghwa and below	Metropolitan trains
Foundation	Voluntary discounts (no legal regulations)	Welfare Laws for Senior Citizens, Welfare Laws for the Disabled		
Senior Citizen	30% (Monday to Friday)	30% (Monday to Friday)		Free
Disabled	Level 1-3	50%		Free
	Level 4-6	30% (Monday to Friday)	50%	Free
Children	50%	50%		60%

Support for National Events

KORAIL supports major national events by operating railroads. For example, we provided athletes in the Pyeongchang Winter Special Olympics with the benefit of using trains free of charge, supported train passengers to visit the event with discounted prices, and enhanced customer convenience by operating a free shuttle bus from Gangneung Station to Pyeongchang Stadium (five times a day). For the International Garden Expo Suncheon Bay Korea, we operated additionaltrains for the Jeolla routes and provided people with tickets with 30% discounted fares. KORAIL has not only supported the successful opening of events by operating additional trains and offering ticket benefits, but also generated transport profits of KRW 6.2 billion.

Protection of Customer Information

As a company providing railroad services for the people, KORAIL recognizes the importance of security management. In 2013, we achieved zero incidents in terms of information security for two consecutive years by preventing violations for a total of 45 non-authorization accesses, and as for the assessment of information security management conducted by the National Intelligence Service, we have received a score of 83.07, an increase by 2.2% compared to last year.

Reinforcement of Measures for Personal Information Protection

Advancement of a system for personal information protection

- Encryption of personal information and establishment of DB access control system
- Application of technologies to detect personal information leaks and control portable storage media

Inspection of environment for personal information protection

- Inspection and supervision of the department managing personal information and running random inspections
- Education for information security and personal information protection for all executives and staff members
- Establishment of internal response environment for 24 hours (3 shifts) for responding to system failures

Pre-response for the prevention of personal information leaks

- Division of networks for work and the Internet
- Introduction of the safe log-in service for preventing illegal log-ins
- Preparing certificatesfor Personal Information Management Software (PIMS)*

Executive and Employee Satisfaction

KORAIL has carried out bilateral communications to vitalize communication channels and establish trust between Labor and Management. We are operating various regular communication channels, including official communication channels and face-to-face talks between the CEO and representatives of the Labor Union. We are also carrying out activities to improve management for both Labor and Management by listening to various opinions from on-site locations and reflecting them to actual management. KORAIL is improving its systems by forming a consensus through communications to satisfy all executives and employees.

Disclosure on Management Approach (DMA) for Executive and Staff Member Satisfaction



| Importance of Satisfying Executives and Employees |

Communications between Labor and Management and forming a consensus should be guaranteed as stricter policies by the government are connected with working conditions to overcome management crises. KORAIL is starting to form a company-wide consensus by carrying out open communication and adjusting opinions on government policies, such as the introduction of KTX competition system in line with the development measures for the railroad industry.



| Management Direction of KORAIL |

KORAIL strives to create jobs and prohibits any discrimination from recruitment to promotion, compensation, and welfare. We have improved our system and supported various programs to help employees to create a balance between workplace and family. We also establish our own relationship between Labor and Management based on trust and cooperation by reinforcing the connection between the management philosophy of the CEO and company-wide management strategies and spread corporate culture with mutual growth based on rational and legal relationships. In particular, we have strived to ensure executive and staff member satisfaction by operating support programs, not only during employment but also after retirement to help employees carry out self-development and plan their lives.



| Major Activities |

- Open recruitment culture: Fair recruitment and personnel, open recruitment policies
- Fostering the best and talented employees based on performance: Education and training focusing performance and capability, self-motivated career development and training experts, operation of junior boards, and performance-focused personnel management
- Making a family-oriented corporate culture: Expansion of supporting both workplace and family, expansion of flexible-working system, reinforcement of welfare and benefit programs and support for (future) retirees
- Labor-Management relationship based on harmony and communication: Realization of Labor-Management mutual growth, vitalization of communication channels, and dealing with complaints



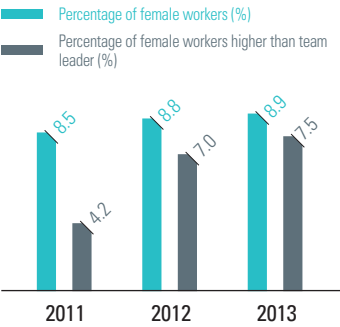
| Assessment and Feedback |

KORAIL identifies and improves the problems by checking strategy tasks, system monitoring, and conducting satisfaction surveys.

Category	2011	2012	2013	Goals for 2014
Training hours per person (Hours)	41	38	28	30
Organization Culture Index (Score)*	72.9	-	78.2	79.0

* This is an index for identifying organization engagement, job satisfaction, leadership and communication in a comprehensive way for all executives and staff members

Current Status of Female Workers



※ The mandatory percentage of employing female workers is 5.67%.

Current Status of New Recruitments

(Unit: Person)			
Category	2011	2012	2013
New employees in total	204	412	166
Female workers	56	97	34
Disabled	0	10	5
Workers with a degree in science and engineering	113	163	61
Regional human resources	120	230	97
Workers with high school diploma	28	140	42

Current Status of Recruitment of the Underprivileged.

Category	Number (Person)	Percentage (%)	Government guideline (%)
Female workers	2,555	8.9	6.2
Disabled	904	3.4	3.0
People receiving support for employment*	1,390	4.8	6.0
Senior citizens (aged 55 or over)	2,623	9.2	6.0

* People that receive support for employment in accordance with the Act on the Honorable Treatment and Support of Persons, etc., of Distinguished Services to the State.

Open Employment Culture

Fair Employment and Personnel Management

As of December 31, 2013, the total number of employees of KORAIL is 27,930. The number of female employees is 2,555, which accounts for 8.9%. To overcome the limit of recruiting female workers due to the characteristics of the rail transport industry, we strengthen the status of female workers in the company by striving to train female managers. As of 2013, the number of female workers above the position of team leader is 193, which equals 7.5% of all managers. The initial salary for new employees is KRW 25.58 million, and the company provides salary and welfare benefits without any gender discrimination.

Current Status of Employees for Ranks and Job Category

Rank	Job Category	Number
Executive (Fixed number)		6
Level 1	Office job, Technology	206
Level 2	Office job, Driving, Vehicles, Civil engineering, Electronics, Construction	410
Level 3	Office job and sales, Driving, Vehicles, Civil engineering, Electronics, Construction	7,784
Level 4	Office job and sales, Driving, Vehicles, Civil engineering, Electronics, Construction	12,221
Level 5	Office job and sales, Driving, Vehicles, Civil engineering, Electronics, Construction	4,922.5
Level 6	Office job and sales, Driving, Vehicles, Civil engineering, Electronics, Construction	1,586
Level 7	Office job and sales, Driving, Vehicles, Civil engineering, Electronics, Construction (Assistance)	704.5
Special position	Office job assistance	90
Total**		27,930

* As of this announcement, the number of short-term workers is estimated at 0.5 person.

** The total of workers has been estimated excluding 295 temporary workers.

Open Recruitment Policy

KORAIL fulfills its social responsibility as a public company by reinforcing fair and open recruitment culture with focusing on capabilities and strengthens its competitiveness by recruiting the best and talented people with core capabilities and professionalism. In terms of the overall recruitment process, we do not discriminate employees by gender, physical condition, appearance, education history, or age. We also maximize employment opportunities for women, the disabled, and people receiving support for employment. Since 2012, the company has introduced the “System with Limited Competition for Candidates with High School Diplomas” and implemented a systematic job training program without discrimination for promotion and remuneration, thus promoting an environment that



Camp for New Employees

offers fair opportunities. As the company has been designated as the institution for operating a pilot program for youth internships by the Ministry of Strategy and Finance, the company has provided various members in society with recruitment opportunities and helped them to get job experience by operating a one-to-one mentoring system. The company has managed an employment-connected internship program, and in 2013, we promoted 159 interns, which accounted for 62.6% of all interns, into permanent employees.

Performance-focused Human Resource Development

Medium-and Long-term HRD Roadmap

- Establishment of performance-focused HRD system (2013-2014)

 - Operation of education and training with focusing on performance/capability
 - Design self-motivated CDP
 - Industry-university cooperation/Life-long education
- Systemization (2015-2016)

 - Introduction and optimization of self-motivated CDP
 - Integrate the education information system
 - Develop self-strategic human resources
- Advancement of HRD System (After 2017)

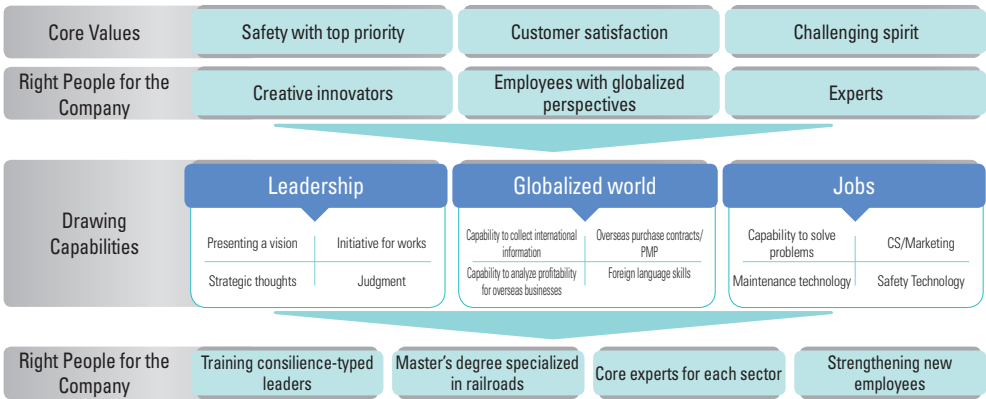
 - Advancement of methods for estimating education performances
 - Advancement of infrastructures for education operation

Performance/Capability-focused Education Training

KORAIL has established the HRD (Human Resources Development) plan, which focuses on performances and capabilities, and enhanced the satisfaction for education by operating training programs. In 2013, we fostered well-rounded leaders by carrying out leadership education for positions at all levels and strived to expand professional personnel needed for the company by launching master's degree programs specialized in the railroad sector. We are supporting new employees to help them enhance their adaptability by operating programs for reinforcing intensive capabilities. In 2013, we developed human resources fostering programs, such as advanced SE-ME*, advanced safety experts, and overseas job education. As the number of courses compared to the budget reduced, the training hours per employee have also accordingly reduced.

* SE(System Engineer): High level expert for overall technologies, ME(Master Engineer): High level expert for technologies in a specific sector

Development Plans for Human Resources



Education Performances for Years

Category	2011	2012	2013
Education budget (KRW one million)	4,513	5,769	7,087
Education cost per person (KRW)	153,092	199,157	253,741
Education time per person (hours)	41	38	28

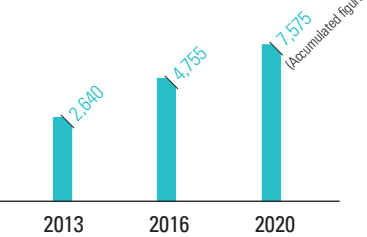
* As for education time, only regular education courses (collective education, cyber education, dispatching education, etc.) are counted, and non-regular education times such as on-site tour education are excluded.

Self-initiated Career Development and Training Experts

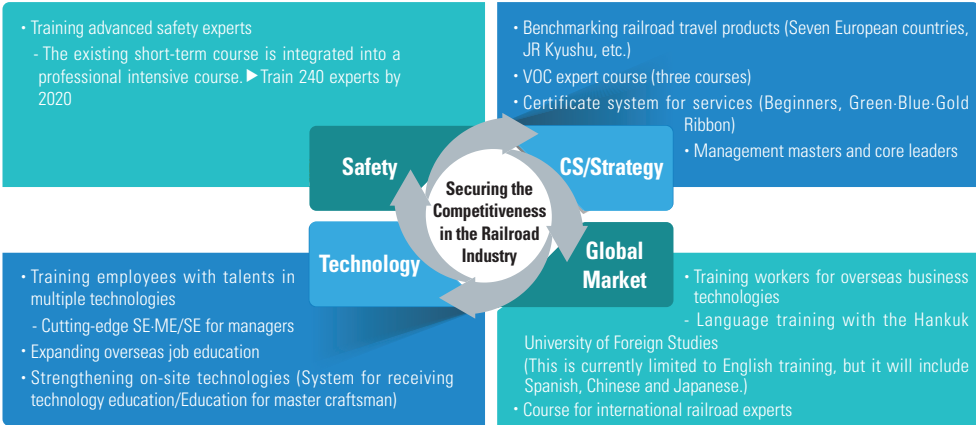
With the establishment of the Career Development Program (CDP), we form a consensus among employees for transference by operating a predictable personnel management with presenting a measure for managing positions from newly employed workers to the management and support employees to realize self-initiated development. KORAIL focuses on training experts by strengthening professional education in safety, technology, CS/Strategy, and global programs. We operate advanced courses to foster cutting-edge safety experts and reinforce capability for customer service by implementing the service certification system. We train integrated technical talents for general technical areas and technical specialists in various areas such as vehicles, facilities, and train planning, while reinforcing support for learning languages such as Spanish, Chinese, and Japanese as we enter the global market.

Plans for Training Core Human Resources for Each Sector

- Advanced engineers: 50 people/year
- Advance safety experts: 30 people/year
- Management masters: 30 people/year
- International railroad experts: 30 people/year
- Core leaders: 565 people/year



Training Experts in Four Major Sectors



Operation of Junior Board

KORAIL has formed junior boards with young and enthusiastic employees and strengthened capabilities to train core leaders in the future by contributing to the improvement of management with their fresh ideas. The company has carried out regular education programs to share the management philosophy of the CEO and core values, such as strategy camps and group training. We have also held junior board meetings for brainstorming on the current issues. Launched in 2006, a total of 1,324 junior boards have been trained, and a total of 241 employees (18.2%) from headquarters (96 workers) and regional headquarters (145 workers) are working for the company.

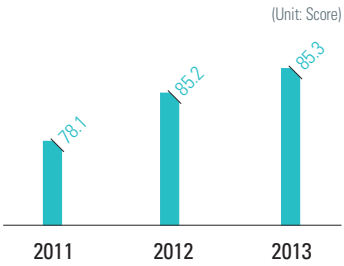


Junior Board Strategy Camp

Performance-based Personnel Management and Compensation

KORAIL has made a performance and capability-focused personnel system to establish a sound corporate culture with fair personnel management. We have internalized the performance-related yearly salary system for employees demonstrating capability and remarkable performances to receive higher compensations. For the assessment index for performance-linked annual salary system for positions above second rank, factors such as contribution level to management, efforts to manage personnel expenses, and vitalization of annual leave are newly added. For positions at the third rank and below, the assessment for differentiated increase in the standard annual salary has been completed, and a practical annual system is being operated.

Satisfaction for Personnel Management

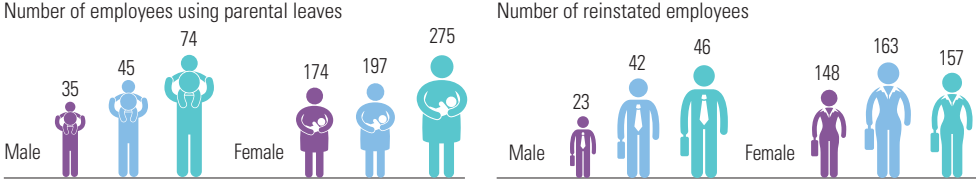


Making Family-friendly Corporate Culture

Expansion of Support for Work-Family Balance

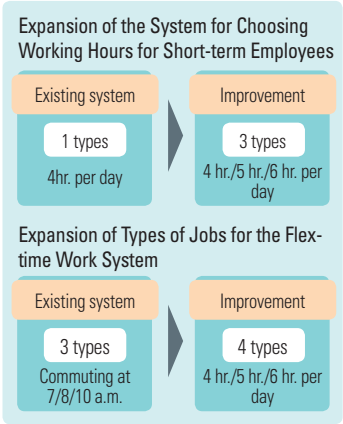
KORAIL has strived to solve the low birth rate by expanding the system for encouraging childbirth and parental leave and protecting maternity. In 2013, we built three additional nursery houses in the company and operated a total of seven daycare centers (for 532 children). We plan to expand the scale of support in stages. With various systems and a corporate culture to encourage childbirth and childcare, not only female employees, but also male employees have increasingly applied for parental leave. With these efforts to create a balance between work and family, KORAIL has obtained the certificate as a family-friendly company from the Ministry of Gender Equality and Family for four consecutive years.

Current Status of Utilizing Parental Leaves

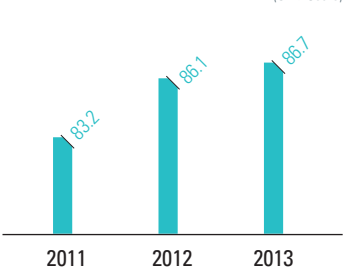


* Period for parental leave is one to three years (three years for female workers and within one year for male workers), and workers can return to the workplace of their own accord

Improvement of the Flexible Working Hour System



Level of Satisfaction for the Welfare and Benefit System



A Course for Certificate of Barista

Expansion of Flexible Working System

KORAIL has expanded the options for short-time employees working for 4 hours a day by three types and enhanced their satisfaction by diversifying the flexible working system. As 63% of all employees are working as a shift, it was not easy to apply a system, but as we have strived to improve the system to vitalize the participation and expand the working types, 0.77% of employees are working flexibly as of 2013.

Current Status of the Operation of Flexible Working System

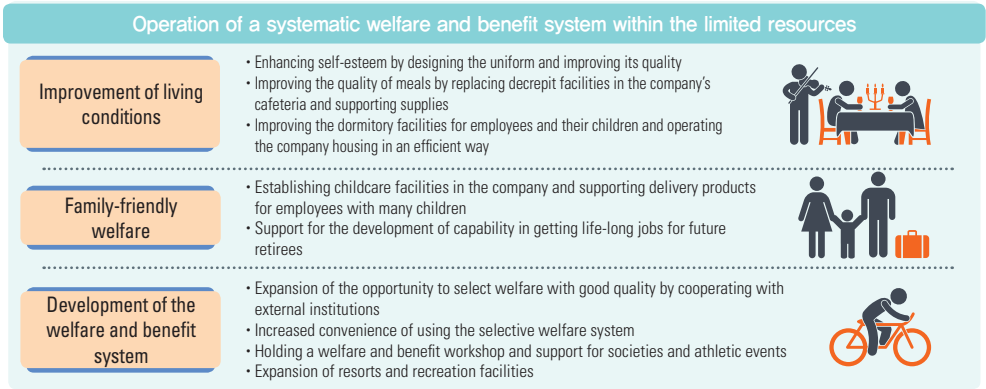
Category		2011			2012			2013		
		Current Employees	Targeted People	Percentage (%)	Current Employees	Targeted People	Percentage (%)	Current Employees	Targeted People	Percentage (%)
Short-time Workers		29,479	33	0.1	28,967	103	0.36	27,930	118	0.42*
Flexible Working System	Free Commuting Time System		-	-		34	0.12		92	0.33
	Intensive Working System		-	-		3	0.01		4	0.01
Total			33	0.1		140	0.48		214	0.77

* The goal has been exceeded by 0.22% compared to the government-recommended goal for short-time workers (0.2% compared to the entire employees)

Welfare and Benefit Program

KORAIL has applied the same wage and welfare and benefit programs to high school graduates and temporary employees. To settle the GWP* with a balance between work and family, we have proactively carried out measures for relieving the burden of childcare and encouraged employees to use annual leave. We have strived to advance welfare service by cooperating with external institutions to accommodate convenience for selective welfare system. The level of satisfaction for welfare and benefit programs has increased by a score of 0.6 compared to last year, thanks to the efforts to realize the customized welfare and benefit system. * Good Workplace

Operation of the Welfare System for 2013



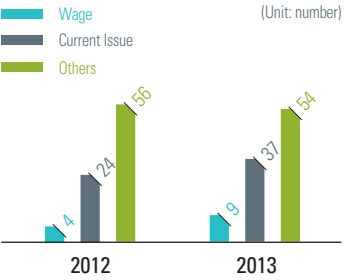
Support for (Future) Retirees

KORAIL has operated the retirement pension system to support stability in life as a future retiree. We have also reinforced job-matching activities and created new jobs to provide jobs meeting various needs, while establishing a portal system for counseling and consulting for planning employees' later years. We have operated various programs to utilize the technological expertise and experiences of retired employees. The company has supported the development of life-long capabilities of (future) retirees by carrying out customized education programs, including the course for certificate of barista (two times, 39 employees acquired the certificate), safety managers for railroad operation (three times, 79 employees acquired the certificate) and on-site education in farming villages (three times, 63 employees participated in the program).



On-site Education in Farming Villages

Performance of Labor-Management Negotiations for Current Issues and Wages

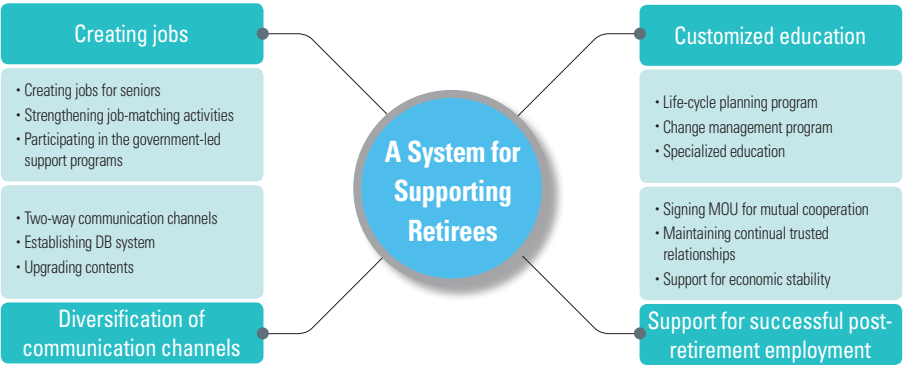


Performances for the Improvement of Management by Labor Union and Management

- Reshuffling of employees for sectors and regions
 - Labor-Management negotiation for alternatives: April 2013
 - Reshuffle: May 2013
 - Reshuffled employees: 89 (Region, jobs)
 - * Labor-Management agreement on dispatching employees to right places
- Solving personnel expenses for excessive current members
 - Members: 1,101
 - Size: KRW 165.9 billion
 - * Engine for freezing wages to overcome financial crisis



Events for Family Members



Labor and Management Relationship in Communication and Harmony

Realization of Mutual Growth between Labor and Management

KORAIL strengthens the Labor-Management partnership for the development of a creative relationship with trust and cooperation. We are conducting cooperating tasks to spread consensus between Labor and Management and broaden the understanding for each other. In July, we applied for cooperating tasks for a creative Labor-Management operation by public companies, and in November, we built the consensus on a collective agreement and negotiation on wages by carrying out workshops for partnership with the aim of mutual growth. . Despite the continuous efforts for harmonious Labor-Management relations, the labor union went on a strike for 23 days from December 9, 2013 with 36.7% of labor union members participating by raising issues such as wage increase and objection to the introduction of a competitive railroad system. KORAIL has strived to resolve the strike at an early stage by operating the emergency measure headquarters and established a new paradigm for Labor-Management relations by focusing on principles and rationality.

Current Status of Labor Unions

Category	Umbrella Labor Union	Scope of Subscription to Labor Unions	Eligible Members	Unionized Members
Korean Railway Workers' Union	Korean Confederation of Trade Unions	Level 3 and below (Establishment date: Nov. 1, 1945)	23,950	20,375(97.0%)
Korean Railroad Industry Trade Union	Federation of Korean Trade Unions	Level 3 and below (Establishment date: Jan. 19, 2004)	23,950	606(2.9%)
Korean Railroad Corporation Labor Union	-	Accordance with the regulations of the labor union (Establishment date: Jul. 4, 2011)	23,950	7(0.02%)
KORAIL Labor Union	-	Accordance with the regulations of the labor union (Establishment date: Dec. 31, 2012)	23,950	15(0.07%)

※ Factors determined by collective negotiations are applied to all employees below the position of executives.

Vitalization of Communication Channels

When major changes in business happen, we notify executives, employees and labor unions in line with collective negotiations in written statements. From 2013, we have operated multi-faceted communication channels and strived to establish trust between labor unions and management with communications in person. With a system for Labor-Management negotiation by stages, a total of 72 cases were handled in 2013, including sharing strategic management plans, support for keeping a balance between work and family, sharing measures for the development of the railroad industry, and stabilization of the company. We have held a total of 54 events for family members with the CEO to facilitate mental focus during work, encouraging employees and creating a balance between life and work. A total of 1,382 attended these events.



On-site Communication with the CEO

KORAIL Communication System and Major Activities

Category	Description	Current Status for 2013
Official Communication	<ul style="list-style-type: none">Operation by regularizing Labor-Management co-organization such as Labor-Management committee, working-level committee, etc.Sharing management values with open communication	<ul style="list-style-type: none">Wage negotiation (9 times), Labor-Management committees (37 times), Labor-Management working-level committees (54 times)Actual Labor-Management committees including regional headquarters (584 times)
Communication by the CEO	<ul style="list-style-type: none">Regular operation of communication channels such as face-to-face talks with representatives from labor unions and managementConversation with the CEOReinforcement of consensus with actual conditions	<ul style="list-style-type: none">Open face-to-face talks with representatives from labor unions and management (16 times)On-site visits (25 times) (In case of visiting on-site locations, including regional headquarters, opinions from talks are collected)
Hotline Communication	<ul style="list-style-type: none">Direct communication through CEO conversation placeRegular operation of a system dealing with complaintsVitalization of suggestions for online bulletin	<ul style="list-style-type: none">CEO conversation place (CEO Hotline communication channel, 411 times)Operation of a system dealing with complaints (300 cases)
On-site Communication	<ul style="list-style-type: none">Communication with chief of headquarters, presentation for current management issuesVisiting on-site location and listening to employees' voicesCompany-wide collective education for strengthening labor issues	<ul style="list-style-type: none">Labor-Management committees with regional headquarters and meetings with chief of headquarters (584 times)On-site exchanging experience (50 times)Reflecting opinions from junior board for improvement (12 cases)Establishment and operation of communication for risk management by utilizing SNS

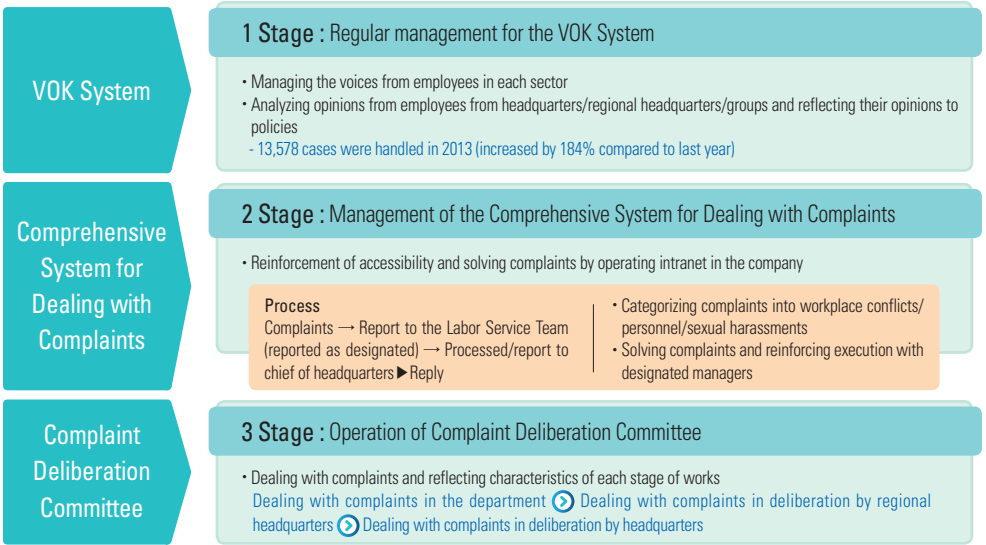
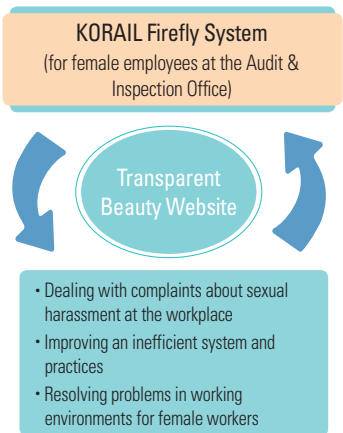
Dealing with Complaints

KORAIL has operated an online and offline system for dealing with complaints by stages. The first stage manages various sectors with the VOK system. The second stage reinforces accessibility by operating a comprehensive system with the company intranet. This system strengthens the execution of solving problems by categorizing complaints into workplace conflicts, personnel problems, and sexual harassment. The third stage carries out the process with the characteristics of each sector by operating the Complaint Deliberation Committee.

In 2013, a total of 65 cases were reported and 100% were resolved. The "Firefly System," a reporting system for female employees, has been launched, and three female auditors have been designated as managers. The company has strived to solve complaints for female workers.

Operation of the Complaint Solving System by Stages

Firefly System for Female Employees



Ethical Management

KORAIL has internalized ethical culture by carrying out company-wide activities and strengthening the foundation for ethical management to establish a transparent corporate culture. We have set up the best-level goals and reinforced our ethical management system. We hope to lead a global sustainable corporate culture by operating differentiated preventive activities and various participation systems.

Disclosure on Management Approach (DMA) for Ethical Management



| Importance of Ethical Management |

Due to lax management by public companies, public distrust has increased and there are more requests for ethical management. Despite preparing for ethical management as a company with the best level of integrity, corruption incidents regarding the components for the KTX happened in 2013. Under these circumstances, KORAIL has strengthened education for enhancing integrity awareness and improved the practice and process with possibility of corruption.



| Management Direction of KORAIL |

The organization for ethical management has been newly structured with the Creative management Department, Integrity Investigation Department, and Taskforce Audit Department, and the engine for realizing initiatives has been reinforced by launching the executive meeting for transparent and ethical management in 2013. We have resolved the practice for ethics and integrity by preparing special measures for the improvement of the level of integrity for securing the public confidence, and strengthened various inspection activities for areas vulnerable to corruption. We have continuously improved the ethical standards by tightening the regulations and implemented various education programs to reinforce the ethical awareness.



| Major Activities |

- Reinforcement of the foundation for ethical management: Establishment of a transparent corporate culture, reinforcement of ethical standards, operation of associate auditor system
- Carrying out ethical culture: Customized ethical education, internalization of ethical culture, reinforcement of monitoring and feedback



| Assessment and Feedback |

We have checked the level of ethical management by identifying the ethical awareness of employees with a system for checking sustainability management and assessing the efforts for anti-corruption and integrity activities. The company has managed the level of ethics by carrying out KoBEX SM, assessment for anti-corruption measures, and implementing an index for the complex level of integrity and the level for managers, and improved transparency by carrying out major efforts to improve major tasks identified in the monitoring activities.

Category	2011	2012	2013	Goals for 2014
Comprehensive integrity level (score)	8.56	8.62	7.85	8.72
KoBEX SM	AAA	AAA	AAA	AAA

Reinforcement of Foundation for Ethical Management

Establishment of a Transparent Corporate Culture

KORAIL strives to establish a transparent corporate culture by setting up the best level of goals for ethical management based on a strong leadership with ethical management. To reinforce the ethical management system, we have conducted an investigation for the current situation of ethical management and reflected the collected opinions to the ethical regulation system, while improving the system through self-checking and assessment. In 2013, the company formed an executive meeting* for transparent and ethical management. Meetings are attended by eight executives including the CEO and permanent auditors and held three times with the aim of minimizing management risks and responding to various problems more proactively.

* Supreme council with the aim of minimizing management risks due to sudden changes in social environments and establishing a sustainability management system (It is composed of eight members, including the CEO and permanent auditors.)

Mid and Long-term Strategy Roadmap for Ethical Management

Management goals	Leading a Global Sustainable Corporate Culture by Establishing Ethical Management		
Mid and long-term goals	Before 2012	2013	After 2014~
	Establishment of infrastructures for ethical management • Establishment of the ethical management system • Establishment of a supporting organization for ethical standards	Establishment of a transparent corporate culture • Elaboration of the ethical management system • Innovation of ethical and transparent awareness • Leading ethical management by public companies	Leading a global ethical management • Leading and implementing global standards • Realization of sustainability management
Goals for performance	(Performance) 8.62 score of comprehensive integrity level (Performance) KoBEX SM "AAA"	(Performance) 7.85 score of comprehensive integrity level (Performance) KoBEX SM "AAA"	9.05 score of comprehensive integrity level for 2017 Continuously maintaining the KoBEX SM "AAA"

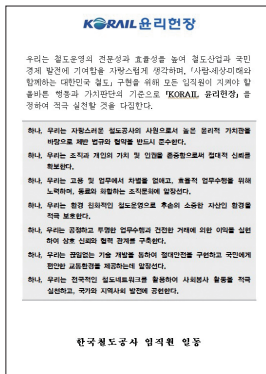
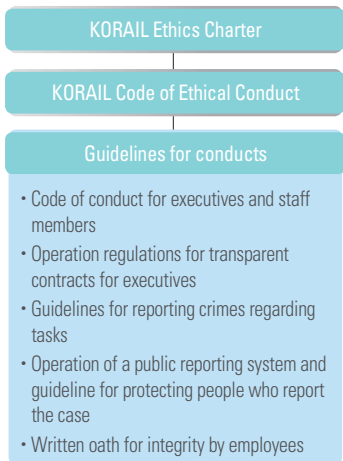
Reinforcement of Ethical Standards

KORAIL has carried out ethical management by preparing the code of conduct regarding ethics charter, ethical code of conduct and ethical management and responded preemptively to changes in internal and external environments by revising ethical regulations. In 2013, we clearly stated standards and principles by reinforcing the deliberation criteria related to overseas business trips by public institutions and stipulating the principles for using corporate cards. We have strengthened penalties for non-ethical behaviors by public servants by revising the code of conduct and rules for operation for executives and staff members and reinforced the control standards by revising guidelines for the management and maintenance of the railroad system. The company has improved the system and institution by tightening the control for employees who go on a business trip to foreign countries and expanding the scope of employees for opening the payment of operating expense from the existing executives (five people) to the entire heads of departments (53 people).

Operation of the Associate Auditor System

KORAIL has operated an associate auditor system to establish an upright corporate culture and perform auditing tasks more efficiently. Associate auditors play roles in implementing auditing tasks for each department, monitoring daily audits, conducting regular monitoring tasks, and preventing recurrence of complaints and problems in advance. We have selected 117 employees in charge of auditing for regional headquarters and connected their roles and duties to their initial tasks to secure the efficiency of the autonomous risk checking system, which used to be inefficient compared to the size. We have expanded the awareness and consensus between on-site employees working at stations and business sites for the fulfillment and performances related to auditing activities and improved the system by carrying out affiliated auditor activities.

Organization System for Ethical Standards

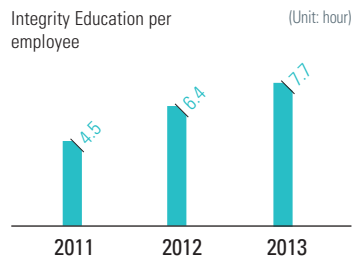


Ethics Charter

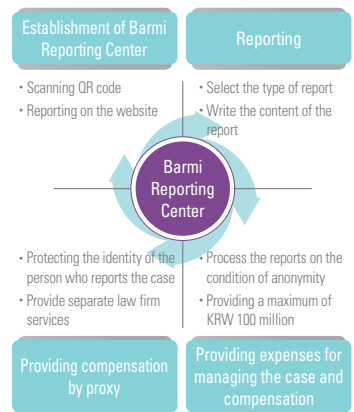


MOU with Transparency International Korea

Current Status of Integrity Education



Operation of the Reporting System



Performances of Ethical Management

Category	2011	2012	2013
Assessment for anti-corruption measures by the Committee for Rights and Interests of the People	Good	Good	Good
Comprehensive integrity level of the Committee for Rights and Interests of the People (Score)	8.56	8.62	7.85
Integrity level by managers (Score)	9.88	9.85	9.89
Clean-call monitoring (Score)	9.59	9.72	9.69*

* The scores have decreased as the item for "accepting bribery," in which the company has continuously received perfect scores, was abolished.

Realization of Ethical Culture

Customized Ethical Education

To internalize the ethical awareness for employees, KORAIL operates customized ethical education programs to enhance the employee's awareness of integrity and ethics. It is required for employees at Level 2 and above to take six hours of training or more; employees at Level 3 and below must take five hours or more. In 2013, each employee received integrity training for 7.7 hours on average. We have launched a prevention of recurrence training program with audit cases to reinforce transparency and anti-corruption education and enhance its efficiency, and a total of 1,328 workers participated in the program.

Current Status of Ethical Education for 2013

Category	Course Name	Description
Customized Type	Course for training upright experts	Education for 42 employees in charge of integrity tasks for their departments
	Consignment education by the Anti-corruption and Civil Rights Commission of Korea	100 employees received education in 36 courses
On-site Type	On-site integrity school	Education for 5,803 employees in actual working sites
	Cyber education for integrity and ethics	30,538 employees received the training in three courses
Common Type	Job education at the KORAIL Human Resources Development Center	2,769 employees received the collective education for five days or more in 149 courses
	Education for preventing the recurrence of auditing examples	1,328 employees in 25 groups received the newly launched education programs

Internalization of Ethical Culture

KORAIL internalizes the ethical awareness by operating various participation programs and spreads ethical culture internally and externally. We strive to find specialized content by holding various events and contests such as UCC or web cartoon screenings and practice ethical awareness by publishing a webzine and quizzes. We also encourage employees to participate in these events by appointing employees with integrity, and we've worked to spread ethical culture within the company by holding a "Golden Bell for Integrity" for six consecutive years and quizzes on anti-corruption and integrity company regulations. The company expands the scope of practicing ethical management by forming an auditing committee with affiliates and carrying out internal checking. We strive to spread a transparent corporate culture by adding the integrity index to our assessment processes. We established the "Barmi Reporting Center," a reporting system that protects anonymity, last August to enhance participation in ethical management. With this new system, we have lifted the burden of exposing individual identities in this real name reporting system and enhanced the efficiency of the internal reporting system. As the reporting system is consigned and managed by an external professional institution, the entire process from reporting a case to providing compensation is totally guaranteed with full confidentiality, and tracing IP addresses on smartphones or websites is prevented. In 2013, seven cases were reported, and as a result, the company took measures such as reduction in salary (one person) and giving a warning (two workers).



Golden Bell for Integrity

World, We Dream of the World with You.

For KORAIL, safety is always the top priority before carrying out any tasks.

KORAIL strives to lead the global railroad industry by being the safest railroad in the world.

To become a global and comprehensive transport company, it is imperative to achieve mutual growth with partner companies and local communities. KORAIL has supported the reinforcement of capabilities in partner companies to help realize a world where local communities can grow with us.



SAFETY

Safety Management _ 50P

Railroad Safety
Safety and Health Management



Mutual Growth with Partner Companies _ 56P

System for Mutual Growth
Reinforcement of Competitiveness for SMEs
Facilitation of Mutual Growth
Making a Fair Mutual Growth Culture



Sharing with Local Community _ 61P

Strategies for Social Contribution and
Preparation System
Specialized Activities for Social Contribution
Performances for Social Contribution
Activities



Safety Management

KORAIL reinforces safety management focusing on efficiency and checks the implementation of safety measures by operating the Railroad Safety Deliberation Committee. We strive to make safe and pleasant working environments, enhance employees’ health conditions, and check major issues through the Industry Safety and Health Committee. The company thoroughly prevents accidents and incidents caused by mistakes by launching the Railroad Safety Experience Center and internalizing safety education. We are also identifying the fundamental causes of human errors and managing them systematically by promoting awareness about human errors and conducting scientific research.



Disclosure on Management Approach (DMA) for Safety Management

| Importance of Safety Management |

As the Railroad Safety Law has been revised to shift its focus from reactive measures to a proactive and regular safety management led by the government, railroad safety management systems are developing to realize a safe society. As accidents caused by human errors have recently happened, such as skipping stops and the railroad accident at Daegu Station, concerns are growing over railroad safety. Although the level of railroad safety and punctuality of the KTX by KORAIL is among the top in the world, the company has managed human errors in a scientific way and improved an overall management system because railroad accidents caused by minor mistakes can lead to serious accidents.



| Management Direction of KORAIL |

KORAIL considers safety its top priority and the CEO of the company has emphasized the importance of safety through various media, saying “Safety is a core and absolute value that cannot be superseded by anything.” Accordingly, we have established the safety management system that is optimized to KORAIL and promoted its safety office to safety headquarters, which supervises company-wide safety management. Each headquarters, department, and office has implemented the improvement of the system and measures for each sector. As of 2013, KORAIL has 269 employees specialized in safety, and it will expand that number to 286 by supplementing the functions of control and quality management by 2017. We have established a company-wide safety management master plan, implemented 143 tasks in four major sectors, and will invest a total of KRW 1 trillion and 800 billion by 2020. KORAIL strives to lead the global railroad industry based on safety by acquiring approval from the government for the railroad safety management system and establish this system to satisfy international standards.



| Major Activities |

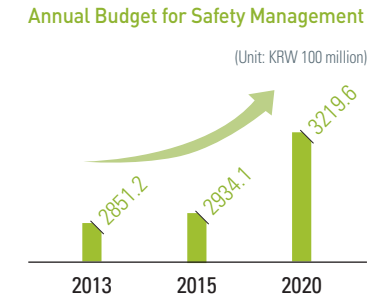
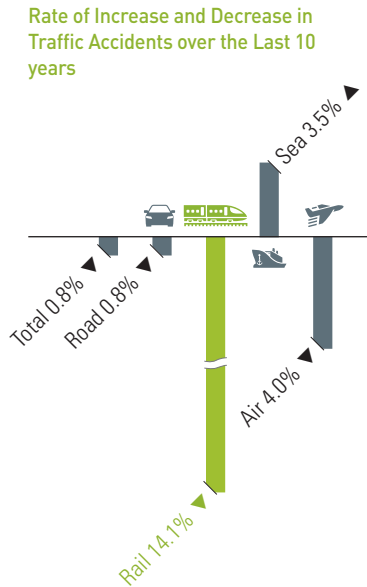
- Railroad Safety: Advancement of safety management system, disaster crisis management system, reinforcement of safety for railroad vehicles, improvement of safety for tracks and electric facilities, safety assessment by an international expert organization (Lloyd’s Register)
- Safety and Health Management: Establishment of safety culture, foundation for managing human errors in a systematic way, making a safe and pleasant workplace



| Assessment and Feedback |

KORAIL has checked the performance on a monthly or quarterly basis by operating an internal assessment system and shared the results with the entire company by posting them onto the KORAIL Safety Forum on the web. With the grades for accidents with responsibility, we have reflected the current status of human errors for each regional headquarters to the assessment and strived to preemptively eliminate risky elements.

Category	2011	2012	2013	Goals for 2014
Safe operation rate (cases with problems in operation/one million km)	2.691	2.655	2.359	2.252
Human error reduction rate (incident/one million km)	1.135	0.995	0.781	0.713
Workplace safety rate (injured employees/all employees)	0.296	0.334	0.304	0.288



Railroad Safety

Advancement of Safety Management System

To be one of the safest rail operator in the world, KORAIL has established the “Master Plan for 2020 Company-wide Safety Management”. It has integrated safety tasks, which each department manages separately, and prepared to carry out 143 tasks in four major areas by reflecting the result of research efforts by the Human Error Committee to establish the safety system meeting international standards. In this way the company has developed its own model for safety management to establish the safety management system suitable for both domestic and global standards. We have formed the SMS program by analyzing the best international model and will establish the company’s own safety management system by 2015 and acquire approval from the government and international certification.

* SMS (Safety Management System): Based on the risk analysis and assessment, this is an advanced safety management method minimizing the number of accidents and damage by establishing a process for various safety activities and identifying and improving risky elements and problems.

Establishment and Implementation of the “Company-wide Master Plan for Safety Management for 2020”

Integration of scattered tasks

- Integrating and managing safety tasks managed by each department

Development of the unique model for safety system

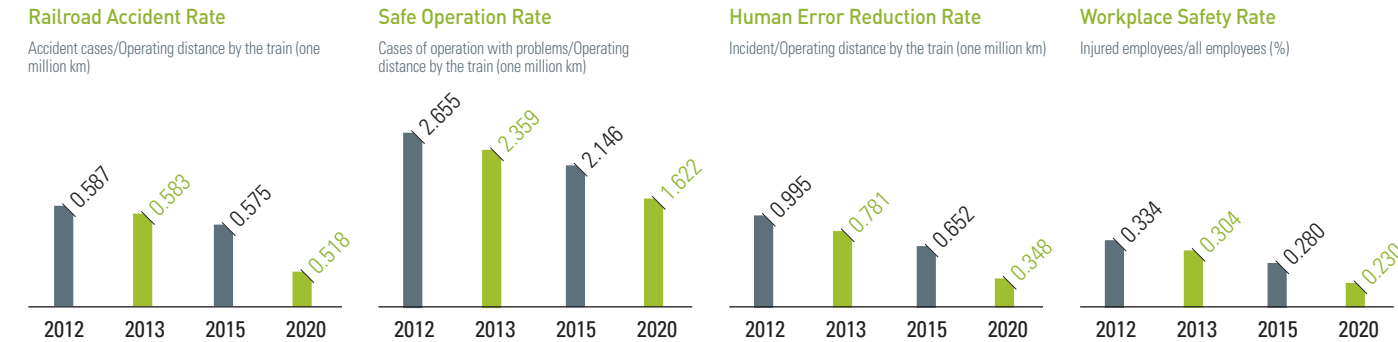
- Preparation for receiving the approval from the government for safety system
- Establishing a safety system corresponding to international standards.

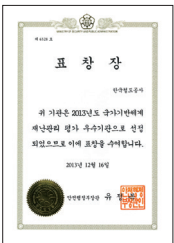
Reflection of the result of research on human error

- Carrying out 25 major measures for improvement by reflecting the result of professional research efforts in 2012

143 Tasks in Four Major Areas, KRW 1 trillion 800 billion to be invested by 2020

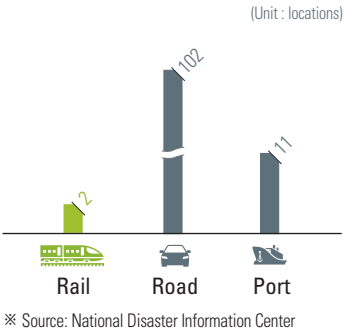
Advancement of the safety management system	Fundamental resolution of human errors	Improvement of vehicle safety	Improvement of facility safety
<ul style="list-style-type: none">• Developing a system with corresponding international standards• Reinforcing a system for responding to crises• Realizing a safe workplace and enhancing the health condition of employees• Training core human resources and establishing a safety culture	<ul style="list-style-type: none">• Implementing scientific research efforts on human error• Launching a professional organization for the management of human errors• Improving the facilities for the prevention of human errors• Improving job capabilities and systems	<ul style="list-style-type: none">• Establishing a preventive repairing system for railroad vehicles• Modernization of examination facilities and equipment• Securing source technologies for railroad vehicles• Establishing credibility-based vehicle repairing system	<ul style="list-style-type: none">• Scientification of maintenance focusing on cutting-edge equipment• Improving aged facilities with tracks and electricity• Expanding safety facilities for the space used by passengers• Reinforcing safety management for the construction neighboring operated railroad
▶ 24 tasks, KRW 30 billion	▶ 35 tasks, KRW 40 billion	▶ 36 tasks, KRW 1 trillion and 500 billion	▶ 48 tasks, KRW 200 billion





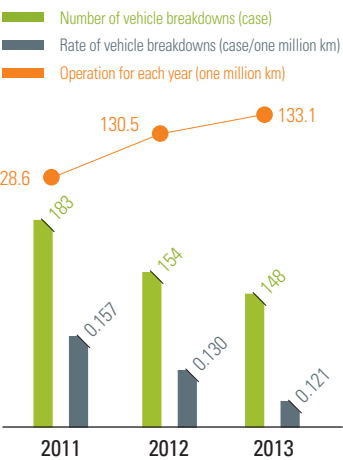
Awards for the Best Company Managing Disasters

Damage to Public-Sector Facilities from Natural Disasters



Emergency Drill for Recovering from Flood Damage

Rolling Stock Breakdowns



Disaster Crisis Management System

To protect the lives and property of the people, KORAIL minimizes potential damage by establishing the Disaster Crisis Management System and a virtuous cycle of prevention – preparation – alarm –response. We are implementing regular safety assessment in detail by designating facilities with high risks of accidents, such as bridges and tunnels, as major targets for management and preparing for disasters by carrying out emergency response drills and preparing crisis response manuals. We have strengthened the disaster management system by focusing on crisis response: for example, the management manual of the controlling system, which controls the train service, has been diversified into 148 manuals for each type of crisis, and for more efficient response in case of accidents related to KTX, manuals for dealing with accidents have been divided into 14 types. The company has established a system for swift response to terrorist attacks in cooperation with relevant institutions such as the National Police Agency and reinforced the checks for facilities in case of natural disasters by operating the Disaster Response Headquarters. For railroad accidents, the headquarters for dealing with accidents are operated so that rapid response and recovery can be achieved. Thanks to these efforts, KORAIL was appointed as the best institution in the “Assessment for Disaster Management with the Nation-based System for 2013” by the Ministry of Security and Public Administration.

KORAIL Disaster Crisis Management System

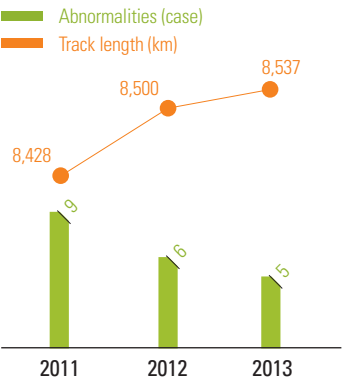


Reinforcing Rolling Stock Safety

As the result of a study analyzing the cause of breakdowns showed that 79% of breakdowns are due to components, KORAIL prevents vehicle breakdowns by improving the system for components and reinforcing safety. Components with the possibility of breakdown have been all replaced, while safe components for railroad vehicles have been re-designated to provide accredited safe components. As for imported goods, we applied the European standards, which have different operation environments, to the component life cycle, but we have newly enacted a Korean-style life cycle for components (TBO*), reflecting the domestic operation environment. This has led to the reduction of vehicle breakdowns caused by components by 28.7% in 2013 compared to last year. The company has established a device for transmitting information about the operation of trains (RTD) for real-time monitoring of the condition of vehicles. Through this system, the company transmits information on major breakdowns during operation on a real-time basis and enables identification of the information in advance by carrying out wireless transmission so that vehicles can be immediately repaired after pinpointing possible problems. We have also launched a professional team to solve problems in procuring components as the expense for repairing electronic controlling devices in the KTX and discontinued components. This enables us to secure technologies for maintenance and provide components in a more stable way. The company has implemented comprehensive management from design to operation to secure the quality for newly introduced vehicles. We have improved the facilities, focusing on services that customers mainly use by reflecting customer opinions. The company has implemented special cleaning to improve the air quality in the train and carried out great efforts, such as improving and repairing the air ventilation system and enhancing the period for cleaning sewage tanks. Thanks to these efforts, the customer satisfaction level has recorded a score of 91.5, an increase by 2.7 compared to last year.

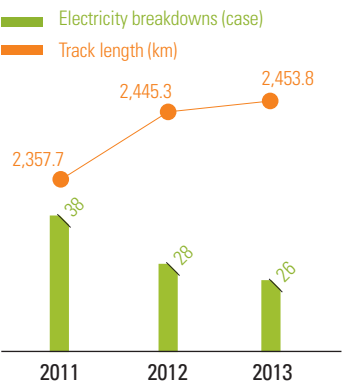
* TBO: Time Between Overhauls

Tack Abnormalities and Track Length



Real-time Auto Monitoring System for Electric Facilities(Integrated Surveillance System for High-speed Railroad)

Abnormalities in the Electrical System



Improvement of Track Safety

For the last three years, KORAIL has established a management system for facilities by reflecting environmental elements such as temperature changes as the number of broken rails is increasing due to the aging of tracks. We have carried out intensive maintenance for tracks in spring and autumn and taken measures for broken rails in summer and winter. These efforts have led to the reduction in track breakdowns by 17% compared to last year. The period of checking the condition of tracks, which used to be carried out on a quarterly basis, has been reinforced to be carried out every two months. Plus, as the period of checks has been extended, there is no breakdown due to heat waves despite the nation experiencing its hottest summer for forty years. Since 2010, KORAIL has eliminated unsafe elements by designating and managing vulnerable offices; the number of vulnerable offices, which was 1,735 in 2010, has reduced to 659 offices in 2013 thanks to continuous efforts. We have analyzed changes in the condition of railroads for data standardization and prepared standards for the management of quality of high-speed railroads. Furthermore, we have strived to offer comfort to customers on trains by enhancing the quality index for rail tracks, such as precise linear construction utilizing a curved laser devise, maintenance work for rail tracks, sprayingballast stabilizer, and grinding and replacing rail tracks.

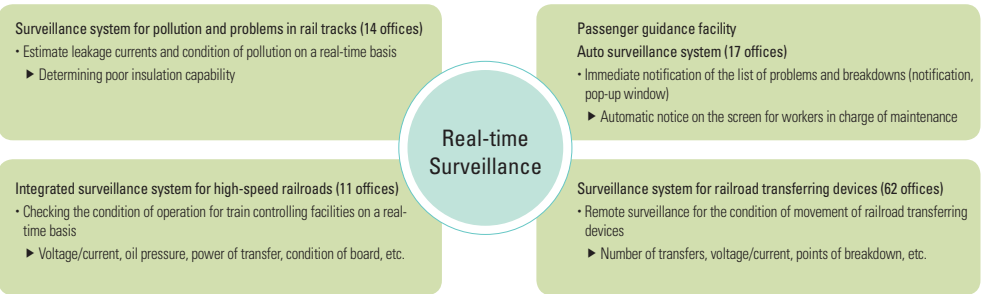
Current Status of Facility Management System that Reflects Environmental Elements

Season	Category	Improvements
Spring/Autumn	Intensive track maintenance	• Intensive management and analysis for each component of rail tracks
Summer	Safety measures against heat waves	• Resolve axial force of rail tracks by reestablishing continuous welded rails (426 offices, 32% ↑) and early implementation • Reinforcement of period for checking the condition of rail tracks (2 months/37.961km, 20% ↑) • Extension of period for intensive surveillance for the condition of rail tracks (from late June to early September, 1 month ↑) • Prevention of human errors by introducing the system for free time
Winter	Measures to prevent broken rail tracks	• Operation of employees specialized for rail exploration • Intensive management and analysis of each part of rail tracks such as welded parts • mprovement after the assessment of priorityby level of aging

Improvement of Safety in Electric Facilities

KORAIL has secured the best level of safety in history by carrying out great efforts in stabilizing electric facilities, such as collecting and analyzing data related to breakdowns of electric facilities. We have made it possible to respond to breakdowns of electric facilities more systematically by establishing surveillance systems at 158 offices, including a system for observing the condition of pollution and problems, auto surveillance system for passenger guidance facilities, integrated surveillance system for high-speed railroads, and a surveillance system for railroad transfers. Since we have enacted the “Manual for Standardization of Maintenance Methods for Electric Facilities” and introduced accurate standards for facilities, it has become possible to secure the same quality for electric facilities anywhere in the country (28 facilities, 178 items). This manual has been made to detail procedures as prescribed by the International Standardization Organization (ISO) and has been registered for intellectual property rights.

Auto Real-time Monitoring System for Electric Facilities

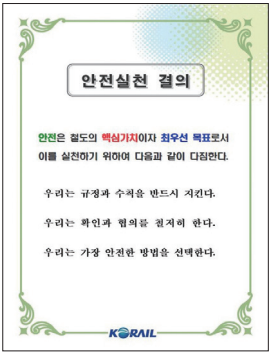


Safety and Health Management

Establishment of Safety Culture

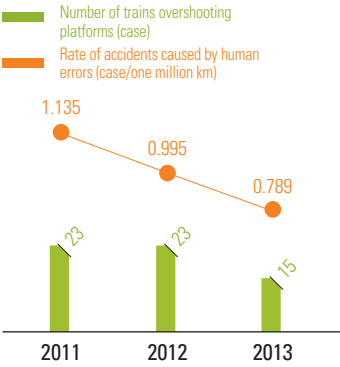
KORAIL is committed to establishing safety culture in all areas of work, and all executives and employees consider safety its first core value. Although we have maintained a high level of safety, a railroad accident occurred on August 31. To restore confidence from the public in railroad safety, KORAIL has reinforced awareness for safety by launching the “One-Strike-Out System”, and its Safety Resolution is recited at every meeting, workshop, or event. We have strengthened responsibility and authority by promoting the department responsible for safety management to level of headquarters and increased the number of on-site safety instructors.

KORAIL has established the Center for Experiencing Railroad Safety to enhance the efficiency for safety education and carried out drills to anticipate risks for potential accidents. This center is composed of various safety experience rooms with seven different themes, such as a room for reporting railroad accidents and for watching videos of accidents. With this system, we are raising people’s safety awareness and enhancing awareness of accidents. In 2013 alone, a total of 7,697 internal employees and external customers such as cooperating partners visited the center.



Safety Resolution

Current Status of Accidents Caused by Human Errors



Establishment of the Foundation for a Systemic Human Error Management

We have formed the second Human Error Committee and performed in-depth research efforts with the aim of verifying the causes of accidents and problems based on personal errors in a scientific way, supplementing psychological and environmental elements from a new perspective and taking necessary measures. We have newly launched the Human Safety Center to establish a systematic management system for human errors.

It has been analyzed that as the major causes of human errors are stress and distracting thoughts, more fundamental measures must be taken, and employees need to maintain psychological stability and health. We have strived to reduce human errors by providing employees with difficulty in dealing with stress caused by accidents, sexual harassment, verbal abuse, and domestic conflicts with professional psychological counseling so that they can recover. After the launch of the Human Safety Center, a total of 116 employees have used the center for six months, and the center has contributed to the improvement of the mental health of employees, such as treating a panic disorder suffered by train drivers .Thanks to these efforts, human error accidents in 2013 were reduced by 21.5% compared to last year, and the problem of skipping a station stop, which was one of the major social issues, reduced by 34.8%.



Activities for the Prevention of Human Errors

Areas	Major Activities
System Improvement	<ul style="list-style-type: none">Preparation of standards for indication of stop positions and locations for trains, supplementation of standards for maintenance of operation placesImprovement of the system for securing the efficiency in response to checks for indication
Education and Training	<ul style="list-style-type: none">Development of manuals for emergency measures by train operators and reinforcement of education and training for the improvement of responseCorrection of operating practice by reinforcing the analysis of operation information and expansion of the installment of operation simulators (3 devices, KRW 1.7 billion)
Facility Improvement	<ul style="list-style-type: none">Improvement the visibility of signal system by shifting the system and installing auxiliary signal systems (409 offices)Establishment of a signal system for preventing skipping of station stops and indication of stop and departure places and signs



Appointment Ceremony and Workshop for Psychological Counseling Experts



Efforts to Enhance Employees' Health Condition



KORAIL Psychology Consultation Network [27 Branches]



Winner of the Best Practice in Industrial Safety and Health Award in 2013

Making a Safe and Pleasant Working Environment

KORAIL has acquired the certificate of safety and health management system (KOSHA 18001, OHSAS 18001) for 22 branches in the country, and among them, six major business locations related to high-speed railroad have obtained international certificates. We have maintained certificates for all business locations through efforts such as revising the management policy on safety and health and fostering leaders and internal juries for risk assessment. In 2013, we found a total of 127 factors for improvement by conducting guidance and inspections for business locations and established a plan for improvement by conducting a survey for musculoskeletal harming elements at all business locations. We have improved working conditions by carrying out technology support activities and education by industry safety and health management for partner companies and supported them to prevent industrial accidents.

In accordance with Industry Safety and Health Laws*, KORAIL conducts regular medical examinations for employees’ physical and mental health and carries out industrial environment estimations twice every year to protect workers from harmful elements such as noise and dust. IN 2013, we signed the “Agreement on the Cooperation for Health Promotion” with Daejeon Woori Hospital, and we are preventing musculoskeletal diseases, such as disease of the spine, for on-site workers that do mostly physical work, including train operation, repair, and railroad maintenance. We have managed the mental health of employees by operating the Mental Health Promotion Committee and the national network for psychological counseling. In 2013, the rate of industrial accidents was 0.304%, reducing by 0.03% compared to last year, and the company received the award for the Best Large Company in the Presentation for Safety and Health Activities in 2013, hosted by the Ministry of Employment and Labor.

* In 2013, a total of KRW 18.82 million was paid for 6 cases of violations on Industry Safety and Health Laws.

Efforts to Make Safe Working Environment

Education and Assessment for Managers	<ul style="list-style-type: none">Reorganization of contents in cyber education for managers and supervisors (September) ▶ Strengthening efficiencyImplementing a test for the understanding of the Industry Safety and Health Laws (November) ▶ Special education for employees with low grades
Guidance and Inspection on Business Locations	<ul style="list-style-type: none">Co-consulting with the Safety and Health Public Institution (3 times) ▶ Drawing and improving risky elements from external perspectiveChecking and inspection of implementation for the Industry Safety and Health Laws (November) ▶ Finding out 127 cases of improvements
Improvement in Working Conditions	<ul style="list-style-type: none">Implementation for risky elements for musculoskeletal diseases in the entire business location (from June to December) ▶ Establishment of 164 cases of improvementsImplementation for environmental inspection for first and second half of year and establishment measures for improving the result

Support for Safety and Health

Group	Category	Description
Executives and staff members	Expanding the group for medical check-ups	<ul style="list-style-type: none">Expanding the target for additional medical check-up, including CT exams, colonoscopy, etc. (Employees aged 37 or over → all employees)
	Activities for enhancing the health condition	<ul style="list-style-type: none">Signing a contract with cooperating hospitals, implementation for oriental medicinal treatments, prevention of eye disorders and operating a clinic for spineDevelopment and distribution stretching methods for executives and employees by analyzing working environments, disasters and consulting with experts
	Mental health management	<ul style="list-style-type: none">Operating the mental health enhancement committee for relieving work stressEstablishing the network for psychological counseling, including contract with Korea Counseling Psychological Association
Partner companies	Establishing a cooperating system for mutual safety	<ul style="list-style-type: none">Operating committees for 644 times and providing information on risks 357 times
	Support for various consulting for the prevention of industrial accidents	<ul style="list-style-type: none">Support for consulting and benchmarking cases 56 timesSupport for education materials and lecturers 475 times

Mutual Growth with Partner Companies

To secure competitiveness in the railroad industry while working with small and mid-sized companies, KORAIL has reinforced cooperation and prepared an institutional foundation for fair transactions and sharing performances. With the Contract Deliberation Committee and KORAIL Research Society for Mutual Growth with SMEs, we have expanded a system for sharing growth and strengthened support for technology cooperation and co-businesses,as well as pioneering a new market. In 2013, we launched the "Myeongpum Maru" store with products by SMEs based on the agreement with relevant institutions and supported the market by developing railroad tourism products.

Disclosure on Management Approach (DMA) for Mutual Management

| Importance of Management for Mutual Growth |

KORAIL has carried out government-led policies, conducting mutual growth policies and fair transactions with partner companies and fulfilled its responsibility as a public company growing with small and mid-sized companies. As the business performance SMEs has deteriorated due to a continuous economic downturn, the company has expanded cooperation, support, and participation opportunities for SMEs, reinforced the competitiveness of the railroad industry by creating a fair business environment and supporting technology development, and ultimately contributed to the development of the national economy.

| Management Direction of KORAIL |

KORAIL has strived to secure the best level of competitiveness in the railroad industry with SMEs by establishing a cooperating structure suitable for the characteristics of each company and prepared to carry out various mutual growth tasks in connection with the national tasks in accordance with the plan for mutual growth, such as technology cooperation, expansion of participation by SMEs, vitalization of co-purchasing products, and expanding a system for sharing growth. The Center for Shared Growth has supported professional counseling, including purchase counseling and technology support, and the Contract Agency has continuously improved the contract systems. The company has supported the prevention of industrial accidents and cooperated for the safety of companies by organizing the committees for safety and health for sharing growth in each business site.

| Major Activities |

- Reinforcement of competitiveness of SMEs: Establishment of a mutual development system with a virtuous cycle, expansion of a sharing-performance system
- Facilitation of mutual cooperation: Supporting the pioneering a new market and stability in management
- Making a fair culture: Improvement of systems, culture for making fair contracts, efforts to root out illegal subcontracting practice, vitalization of communication channels

| Assessment and Feedback |

The company has checked the performance of sharing growth on a semiannual basis through the internal management assessment and managed the performance by analyzing purchasing performances on a monthly basis. We have established a system with a virtuous cycle for mutual development from technology development to purchase and opened the current status of subcontract payment on a real-time basis through the electronic procurement system.

Category	2011	2012	2013	Goals for 2014
Amount of purchasing SME products (KRW one million)	5,682	6,160	6,967	7,943
Financial support (KRW one million)	808	880	861	873
Support for capacity building (number of companies)	5	16	19	21

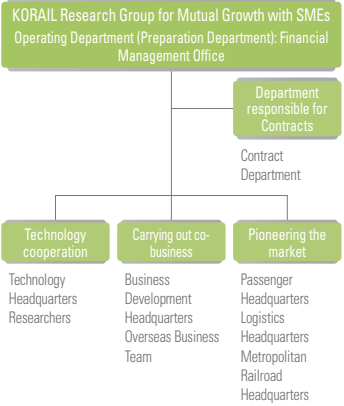


MyeongpumMaru for SMEs



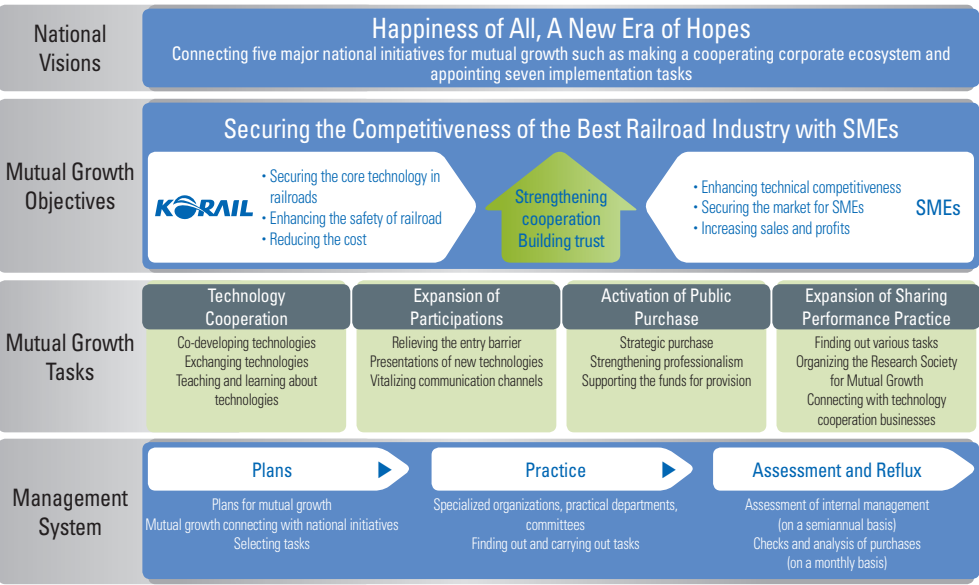
Presentation for Shared Growth System

KORAIL Research Group for Mutual Growth with SMEs



A System for Mutual Growth

KORAIL strives to make a fair and mutual corporate culture and systematic foundation for mutual growth to realize the best railroad industry with small and mid-sized companies.



Strengthening Competitiveness of SMEs

Establishment of a Virtuous Cycle for Mutual Development

KORAIL has strived to reinforce the technology cooperation and acquired the national R&D tasks by operating the Core Technology Development Research Institute with the National Research and Development Planning Team (TF). We have conducted the national R&D tasks for technological innovation of SMEs with 20 companies and vitalized the business for the development of new products on the condition of purchasing those products. The company has put great efforts in enhancing the competitiveness of SMEs by preparing the guidelines for efficient support for the development and establishing a virtuous cycle of mutual development in which technology development leads to purchasing.

Virtuous Cycle for Mutual Development



Expansion of Shared Growth System

KORAIL has made a new model in technology cooperation and co-business development, pioneering the new market by organizing the KORAIL Research Group for Mutual Growth with SMEs to develop various models for sharing performances. We have provided support for the expenses for review and consultation for acquiring certificates for new products, new technologies, and ISO. We also promoted technology exchanges, such as passing down knowhow for safety and environmental jobs.

Facilitation of Mutual Cooperation

Support for the Market

KORAIL has eased qualifications for bidders to lower the entry barrier for SMEs and expanded the businesses in which SMEs can engage by dividing businesses in terms of the type of construction and diversifying the business regions. We have supported expansion of the market and profits for SMEs by operating five “MyeongpumMaru for SMEs” (stores) at the KTX stations and posted KRW 4.65 billion in sales for 2013.

The company has supported specialized railroad technologies by organizing co-committee with 40 public institutions and private companies and reinforced the negotiation and efficiency by forming the consortium to carry out overseas businesses. In 2013, we have achieved KRW 9.4 billion in overseas business profits by entering overseas markets in 12 countries, including countries in Southeast Asia, South America, and Africa, with small and mid-sized companies together.

Current Status of Supporting SMEs

Category		2011	2012	2013
Support for reinforcing capabilities	Purchasing technology development products (KRW one million)	211	408	386
	Purchasing new products on the condition of purchase (KRW one million)	298	336	29
	Companies with passing down safety and environmental technologies (number)	5	16	19
Financial support	Performances for financial support (KRW one million)	808	880	861
Co-research and development	Technology innovation budget for SMEs (KRW one million)	37	63	153
	Cases for co-research and development, Participating companies (case/number)	6/14	17/30	26/37
Support for expanding the market	Participation in construction (case)	1,476	1,472	1,281
	Participation in SW business (case)	34	58	19
Support for SME products and regional specialties	Regional specialty	15	21	22
	SME product shop	0	3	5
Entering into the overseas market together	Cooperating private companies (number)	0	3	12
	Business profits (KRW one million)	1.7	75	94

Support for Management Stability

KORAIL has accommodated the management stability of SMEs by carrying out cash payment and support for capital liquidity and loans. We have stipulated the regulations to prohibit unfair discount practices and increased the payment for supplies by 4.6%, reflecting the increasing rate of price. We have also supported SMEs to operate their businesses smoothly by moderating the rate of advanced payment by 70% and paying it by 100% in cases in which the companies request payment. The company has funded KRW 4.8 billion as a mutual payment loan* to support stable production funds for SMEs. In addition, KORAIL has supported customized purchasing practice for the products that the government has recommended to buy, which led to 63.6% (increased 13.4% compared to last year) of the rate of purchasing SME products among the total amount of purchases.

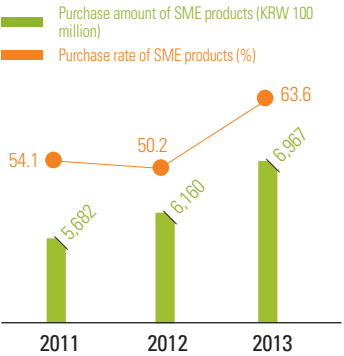
* System to support loans with low interests on security of contract performances

Co-pioneering for the Overseas Market

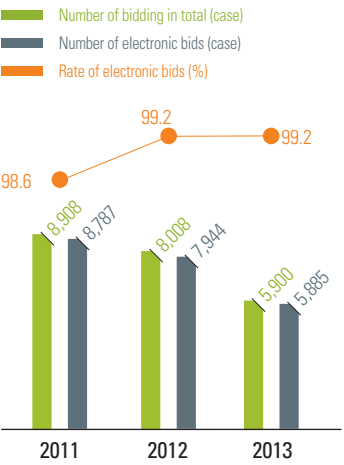


Presentation for New Products Manufactured by SMEs

Performances of Purchasing SME Products



Current Status of the Operation of Electronic Bidding System



System for Technology Assessment Management

Support for Customized Purchase of the Government-recommended Products

Category	Description	
Products by Social companies	• Training a professional company for contracting for cleaning railroads • Expansion of purchasing products by holding a conference	• Implementing limited competition among social companies continuously
Products by Female-headed companies	• Vitalization of using MRO by female companies • Giving additional scores (two points) for taking the eligibility test	• Adding 714 products including products for maintenance, tools, and equipment • Introducing the direct order method for users (stations and business sites)
Products manufactured by severely handicapped people	• Purchase with priority in case of more than 24% of operating budgets • Designating products for purchase with priority in terms of other expense	• Expense for office supplies, uniforms, and printing • Paper for copy, toilet paper, office supplies, etc.

Cultivating Win-win Culture

Improvement of Systems

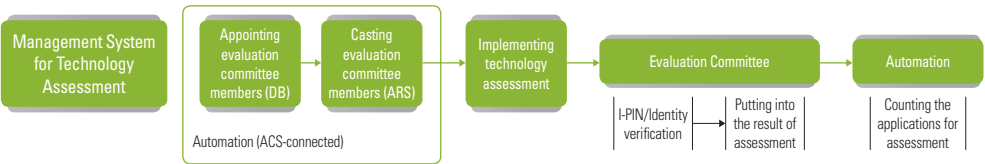
KORAIL is improving its system to make fair business relations with business partners and distribute performances. Activities with business partners comply with the checklist for fair transactions and guidance on purchasing contracts. We set up assessment rating and score limits by standardizing requests for suggestion and proposals. We also secure fairness and objectivity by implementing technology assessment in blind marking as for bidding. For the first time as a public company, we have operated the automatic appointment system* for technology juries. With this method, we have fundamentally prevented doubt in appointment and enhanced fairness and transparency in assessment tasks. As juries directly put the score for assessment into the system and the relevant information is open in the electronic system, the reliability for the result has been enhanced, and objectivity and fairness have also been secured by integrating departments for contracts into one department. With the operation of one-stop place, complaints regarding contracts such as bidding and standards have been rapidly handled.

* Process for appointing technology juries without employees working for the tasks among candidates from negotiation to final appointment.

Making Fair Contracts

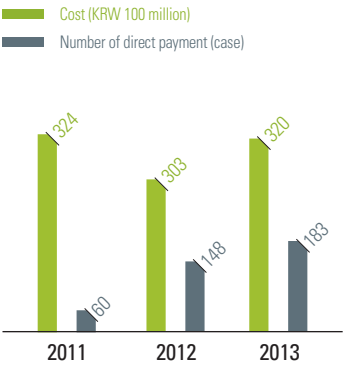
To spread a healthy contract culture, KORAIL has applied its standardized contract process to the affiliates and unified the process of notification on a website for each affiliate to one website to create the E-Procurement System (<http://ebid.korail.com>). Accordingly, we have secured transparency and fairness in bidding by providing information related to all affiliates, from the current status of bidding and contracts to other regulations.

Despite continuous efforts for fair and transparent contracts, there was an incident in which domestic products and stocks were falsely changed into imported and new products in the process of supplying KTX-related parts. Currently, the company eliminates the possibility of corruption with intermediate suppliers and secures genuine parts by strengthening direct cooperation with initial manufacturers of components for high-speed railroads and reduces the purchasing expense.



* ACS (Auto Calling System)

Direct Payment System for Subcontracts



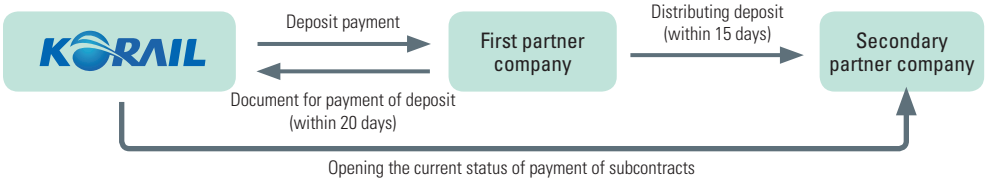
Efforts to Root out Illegal Subcontracting Practice

Since 2009, KORAIL has implemented the verification system for paying for subcontracting construction and contracting services and strived to root out illegal subcontracting practice by expanding the efforts to purchase products. Staff members in charge of making contracts open the current status of subcontracting payment on the KORAIL Electronic Procurement System in accordance with Article 23 of the Guideline for the Process of Construction Service Contracts. With these efforts, we have reinforced the supervision of payment by secondary and tertiary partner companies by carrying out monitoring for monthly payments and improved the working conditions for subcontracting workers by implementing the payment verification system with SNS for paying wages to prevent delayed payment of wages.

We have operated a reporting center to eradicate illegal subcontracting practice for thorough management and supervision and implemented the investigation on subcontracting practices for 45 companies.

In 2013, we carried out the system for direct payment and verification for subcontracting payment by 100%, and we have currently secured transparency and efficiency in subcontracting payment by continuously improving the system.

Verification System for Subcontracting Payment



Conference on purchase for SMEs

Organization and Committee for Mutual Growth

Department	Roles and responsibilities
Bureau for Supplies Management Mutual Growth Department	<ul style="list-style-type: none">• Support for mutual growth in general• Managing implemented tasks
Contracting Agency Accounting Center	<ul style="list-style-type: none">• Support for purchasing contracts centrally• Improving contracting systems
Repairing Group at Regional Headquarters	<ul style="list-style-type: none">• Support for the request of purchase contract for regions• Preparing for communication and self-support businesses
Mutual Growth Center	<ul style="list-style-type: none">• Suggestion and communication channels for cooperating companies• Professional counseling for technology and purchase

Vitalization of Communication Channels

KORAIL has analyzed and reflected the demand by SMEs to mutual growth businesses by vitalizing online andoffline communication channels. We have operated the “Barmi Reporting Center,” a system for reporting unfair transactions, by consigning the operation to an independent professional institution and guaranteed the anonymity of people who report cases by applying a system that prevents tracing of IP addresses on PCs and smartphones throughoutall reporting stages.

With the Center for Mutual Growth, which can collect opinions regularly, we have reorganized the system to check various kinds of information in one place, including SME products, business proposals, suggestions and complaints, and suggestions for tasks for sharing growth. We have solved the complaints from SMEs when professional advice was needed, including technological issues, by visiting the department in charge (or responsible department). The company has also established a cooperating network to realize mutual growth with SMEs and improve railroad technologies and supported various activities, such as businesses for the development of new products on the condition of purchasing the products, cooperation for R&D in technological innovation with SMEs, operation of counseling services with SMEs, and providing information on bidding, to build SMEs with remarkable technologies.

Communication Channels for Mutual Growth



Sharing with Local Communities

KORAIL has fulfilled its social responsibilities by carrying out social contribution activities suitable for the characteristics of its businesses. Focusing on the KORAIL social volunteer group, we have operated specialized social contribution programs with internal and external partnerships and carried out on-site voluntary activities by sharing talents. We aim to carry out sustainable and systematicvoluntary work, and the company has currently reinforced participation by stakeholders.

Disclosure on Management Approach (DMA) for Shared Management



| Importance of Shared Management |

As the needs from stakeholders for the fulfillment of social responsibilities and public roles have increased, social contribution programs and shared management activities have become more important. As a company with a close connection with local communities, KORAIL will strive to continuously expand railroad-focused welfare to meet various needs for the underprivileged.



| Management Direction of KORAIL |

With the aim of becoming a company fulfilling its social responsibilities for the development of local communities, KORAIL has operated specialized social contribution programs by designating three major sectors, including sharing talents, sharing happiness, and contribution to regions. We have carried out customizedsocial contribution activities for the disadvantaged by utilizing various infrastructures related to railroads and encouraged employees to voluntarily participate in social contribution activities with the volunteer group consisting of executives and staff members. We are striving to create a synergy effect by establishing a cooperating system for activities in the each type of program and reinforcing partnerships. The company has provided employees with incentives by reflecting the hours of volunteer work in the internal management assessment and held a special lecture and education programs for the improvement of employees' capabilities.



| Major Activities |

- Sharing talents: Railroad experience and learning center, KORAIL sports team, KORAIL orchestra
- Sharing happiness: Programs supporting the homeless, KORAIL Wedding Station, sharing briquettes, blood donation
- Contribution to regions: Happy Train, KORAIL Village, restoration of decrepit towns neighboring the railroads



| Assessment and Feedback |

KORAIL has developed and operated social contribution programs by analyzing core capabilities and conducting investigations for needs and supplemented the programs by analyzing the needs from stakeholders and holding a contest for their experiences. We have managed the funds from the Donation of Love and Matching Grant in a transparent manner as we operate our social contribution system.

Category	2011	2012	2013	Goals for 2014
Amount of time for volunteer work per person (hour)	6.29	6.62	12.60	13.00
Rate of participation in donations (%)	79.0	81.5	86.1	88.0

Strategy and System for Social Contribution

Strategy and System

KORAIL has contributed to the development of local communities by carrying out social contribution activities based on the railroad industry and fulfilled its social responsibilities. We have set three major issues in our social contribution activities, including sharing talents, sharing happiness, and contribution to the local community. We have also carried out donation activities by utilizing the various capabilities of employees and continued to support the underprivileged in the neighborhood around railroads.

With the KORAIL Social Volunteer Work Group consisting of 44 volunteer groups and 477 volunteer teams nationwide, the company has carried out social voluntary work and expanded social contribution activities by forming strategic partnerships with NGOs. We have stipulated blood donations on a quarterly basis by making an agreement with the Korean Red Cross and reinforced support for children from disadvantaged households by cooperating with the Green Umbrella Child Fund. KORAIL has reinforced actual social contribution activities by forming external partnerships, sharing knowhow in donation activities and operating education donation programs.

Strategies for Social Contribution

Objective	Realization of KORAIL toward national happiness by fulfilling its social responsibility		
Slogan	A Happy World Connected by Railroads		
Core values	Sharing talents	Sharing happiness	Regional contribution
Core programs	<ul style="list-style-type: none">• Experience and learning place for railroads• Sharing talents<ul style="list-style-type: none">- KORAIL Sports Team- KORAIL Orchestra	<ul style="list-style-type: none">• Self-help program for the homeless• KORAIL Wedding Station• Planting green happiness near the railroad• Sharing briquettes	<ul style="list-style-type: none">• Happy Train• KORAIL Village• Restoring decrepit villages near the railroad• Happy Sarangbang at small stations

Raising the Funds

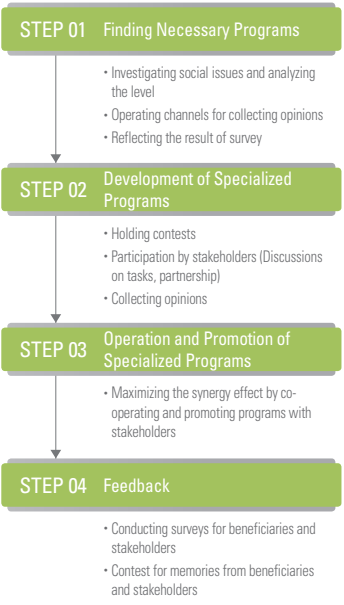
Funds for social contribution activities are raised by the KORAIL Love Fund, a system through funds are automatically deducted from the monthly salary depending on the number of accounts of those who joined the program voluntarily, and the Matching Grant, a system in which KORAIL sponsors the funds.

In 2013, a total of 24,247 employees, which is 86.1% of all employees, participated in the KORAIL Love Fund program. These social contribution funds raised by both programs are used as donation funds for company-wide business and beneficiary institutions in accordance with the guideline for the operation of the KORAIL Social Volunteer Group, and the relevant data is managed in a transparent manner by using the social contribution system.

Current Status of Raising the Funds and Implementation

Category		2011	2012	2013
Raising the fund	Participants of the KORAIL Love Fund (person/%)	23,348 / 79.0	23,985 / 81.5	24,247 / 86.1
	Love Fund (KRW 10,000)	67,000	67,282	69,007
	Matching Grant (KRW 10,000)	52,000	53,000	62,032
Expenses for activities	Happy Train (KRW 10,000)	37,030	50,428	59,074
	KORAIL Village (KRW 10,000)	26,559	10,408	9,387
	Donation (KRW 10,000)	59,900	43,724	39,693
	Others (KRW 10,000)	24,036	29,408	38,825

Process for Operating Social Contribution Activities



Specialized Social Contribution Activities

Development of Customized Social Contribution Programs

KORAIL has developed customized social contribution programs after considering the characteristics of beneficiaries by the process of developing and operating programs suitable for basic ideologies of social contribution activities. For this objective, we have investigated social issues, analyzed needs from stakeholders, and developed specialized programs by enhancing participation by stakeholders by holding contests and maintaining partnerships. We have improved social contribution programs by conducting surveys for stakeholders and beneficiaries to ask about programs.

In particular, KORAIL has participated in the project for recovering neighboring towns with poor condition near railroad facilities to deal with complaints from local communities due to environmental characteristics such as railroad vehicle repair and maintenance base, and we have prepared for this project together with regional NGOs and volunteer groups. We supported house repairs for ten houses in decrepit towns near the railroads in Gaegeum-dong, Jin-gu, Busan. After carrying out the “Happy Train” for elderly people living alone, the level of satisfaction of residents was graded at a score of 93, increased by 10 points compared to before this program took place.

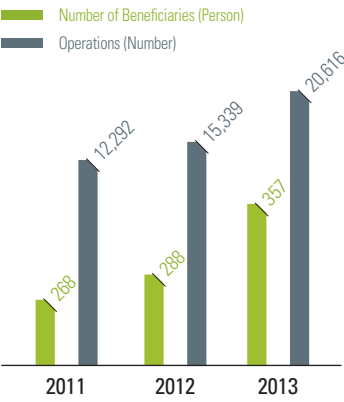
Current Status and Plans for the Development of Customized Social Contribution Programs

Category	2012	2013	Goals for 2014
Major Programs	<ul style="list-style-type: none">• Operating career experience programs focusing on demand• Programs for supporting the independence of the homeless• Presentation of customer-helping models (Volunteer groups for helping customers)	<ul style="list-style-type: none">• Specialized programs for implementing the national initiatives (Happy Train inviting separated families, exhibition for sharing happiness and donating education)• Recovery project for decrepit towns near the railroad	<ul style="list-style-type: none">• Installing a shelter for the happiness at regional stations• Planting green happiness near the railroad (Noise buffer forest)• Donating talents for happiness by the KORAIL Sports Team (soccer, judo, and cycling)

Happy Train

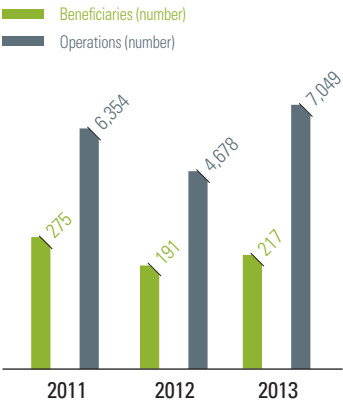
“Happy Train” is one of the most significant social contribution programs by KORAIL to provide the socially underprivileged with the opportunity to go travel by the train and encourage hopes and dreams. In 2013, we provided a total of 20,616 people with the opportunity by carrying out train travel with various themes reflecting the needs of the beneficiaries. In May 7, 2013, we invited 200 people from separated families residing in the metropolitan area and operated “Happy Train with Hopeful Windmill” to heal the pain of separation. This project was carried out with the Ministry of Unification with the aim of taking care of the pain of separated families and curing the suffering in the world’s only separated nation.

Current Status of the Operation of Happy Train



Happy Train Activities

Current Status of the Operation of KORAIL Village



KORAIL Village

KORAIL has performed customized projects for improving living areas by employee's donation of their talents. We are improving the living conditions of the marginalized living near the railroads and carrying out pro bono academic activities such as making study rooms for children from underprivileged households. In 2013, KORAIL Village activities were carried out 217 times: we repaired 100 households and benefitted a total of 7,049 people. Thanks to these efforts and heartfelt activities by executives and staff members, the company received an award by the Minister of Health and Welfare in the "2013 Korea Sharing Awards."



KORAIL Village

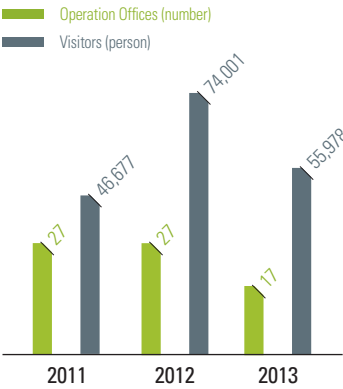
Project for Self-support of the Homeless

To fundamentally solve the homelessproblem, KORAIL has operated the self-support program, providing homeless people with the willingness to stand on their own feet with jobs since August 2012. In 2013, we continuously carried out environmental cleaning activities and education in knowledge and technology and recruited 40 street cleaners and 12 transfer helpers for seven major stations including Seoul Station. KORAIL pledges to keep operating self-support programs and help the homeless to become part of society.



Activities for Helping Transfers

Current Status of the Operation of Railroad Experience and Learning Center



※ As operation offices were reduced from 27 to 17, the total number of visitors decreased, but the number of visitors per operation unit is on the increase.

Railroad Experience and Learning Programs

KORAIL has operated education donation programs utilizing the company's infrastructures to support the healthy growth and capability development of the youth, which is one of the government's initiatives, and provide opportunities for future career and cultural experience, which are insufficient in local communities. In 2013, a total of 55,978 people visited 17 railroad experience and learning centers in the country and experienced various jobs of stationmasters, train engineers, and mechanics. We have operated the KORAIL experience center at the Happiness Education Donation exhibition to meet the needs of teenagers for the railroad industry, an eco-friendly industry for the future; about 8,000 people visited this center.



Promotion Booth at the Education Donation Exhibition

KORAIL Wedding Station

KORAIL supports the disabled and multicultural couples who were unable to hold wedding ceremonies due to economic difficulties to hold a meaningful wedding ceremony free of charge by utilizing the building of the headquarters and stations. In 2013, we supported a total of six couples to hold their wedding ceremonies and gave them the opportunity to go on a honeymoon by using our company's travel products. We will continuously support the socially underprivileged couples who could not hold wedding ceremonies due to economic difficulties.



KORAIL Wedding Station

Support for the Sewol Ferry Sinking Accident

하나의 작은 움직임이 큰 기적을.

- Providing daily necessities and drinking water
- Exemption of train fares and operation of shuttle buses between Mokpo Station to Jindo
- Carrying out voluntary work by executives and staff members



Talent Donation by KORAIL Symphony Orchestra



Talent Donation by KORAIL Soccer Team

Performance of Social Contribution Activities

KORAIL carries out a lecture program by inviting various experts and operates education programs to expand the opportunities for employees to participate in volunteer work and reinforce their capabilities, while reflecting relevant results in the internal management assessment. We carry out various social contribution activities such as disaster restoration efforts and blood donation, with other social contribution programs specialized for the railroad industry. We operated the Soccer Clinic with talent donation from the KORAIL soccer team by inviting young students from low-income households. The KORAIL Symphony Orchestra visited Ganghyeon Middle School in Yangyang-gun, which is a culturally marginalized region, and carried out the Music Clinic. In 2013, 80,383 employees participated in the sharing management activities for a total of 356,319 hours. Thanks to these efforts, the company received the award in October 23, 2013 in the social contribution field for the 12thGlobal Standard Management Award by the Korea Management Association Registration for three consecutive years. We have carried out various supporting activities for family members and volunteers for the Sewol Ferry Sinking Accident that occurred in April 2014.



Award for Global Standard Social Contribution Sector for Three Consecutive Years

Current Status of Operating Major Activities in 2013

Category	Helping farming villages	Volunteer work by visiting	Education and learning	Cultural exchange	Welfare groups and ties with groups	Volunteer work for environment	Disaster recovery	Blood donation
Operation (number)	310	730	897	566	4,342	1,343	3	1,744
Beneficiary (person)	5,665	32,159	37,890	237,244	571,245	244,302	28	29,093
Total hour (hour)	27,060	13,181	11,613	24,970	142,867	62,089	250	14,482
Participants (person)	3,911	3,108	3,378	4,609	33,522	19,287	53	3,658

Current Status of Operation of Social Contribution Activities

Category		2011	2012	2013
	Number of activities	5,376	5,872	11,297
	Number of beneficiaries (person)	394,924	419,907	1,229,016
	Accumulated hours on voluntary work (hour)	188,019	192,932	356,319
	Accumulated number of volunteers (person)	42,627	52,234	80,383
	Volunteer times per person (hour)	6.29	6.62	12.60
	Used funds (KRW one million)	1,496	1,393	1,470

Future, We Work toward a Sustainable Future.

KORAIL aims to constantly improve for the upcoming future. We aim to reinforce competitiveness based on technology, operate the management in surplus, and create a sustainable future with KORAIL-style creative management. We expect the railroad to play a pivotal role in the future generation with its green characteristics. For the next generation to enjoy a better environment, we will lead environmental preservation and minimize environmental impact with tightened standards.



Creative Management _ 68P

Creating Economic Values and
Effects

KORAIL-style Creative
Management

Securing Financial Soundness



Environmental Management _ 75P

Eco-friendly Green Railroad

Minimizing Environmental
Impacts



Creative Management

To overcome crises and become a global transportation company, KORAIL is preparing to carry out established mid and long-term strategies. We have strived to make a foundation for sustainable future growth by reinforcing competitiveness in railroad operation by operating management in the black and carrying out KORAIL-style creative management. Together with various businesses, we have created profits and jobs, contributed to the development of regional economies, and returned these created values to stakeholders.

Disclosure on Management Approach (DMA) for Creative Management



| Importance of Creative Management |

The cancellation of the Yongsan International Business District Project has led to the deterioration of financial soundness, and the amount of delayed transport for passengers and cargoes has caused deficit in the operation. To overcome financial risks at an early stage, we will realize management efficiency and operation in the black by finding new sources of profit.



| Management Direction of KORAIL |

KORAIL aims to operate in the black, focusing on mid and long-term strategies related to the company's visions and implementation tasks. We have implemented an austerity budget as an emergency management system and made the organization slimmer, while operating management efficiency and creating new economic values. In particular, we have strived to ready a self-rescue plan by launching the Committee for the Improvement of Financial Structure (TF) and securing an engine for management normalization and systematic improvement in management. As a public company, KORAIL has not only created profits by carrying out various businesses, but also vitalized the local economy and supported price stability by creating more jobs and reinforcing public functions.



| Major Activities |

- Creating economic values and effects: Distribution of economic values, efforts to stabilize the price
- KORAIL-style creative management: Development of five major tourism belts, creating jobs, integrated management for metropolitan information, training overseas businesses, preparation for the operation of railroads for South and North Korea and the continent.
- Securing financial soundness: Proclamation of super-emergency management system, changing into a low-cost and high-efficiency system, efficiency of management by affiliates

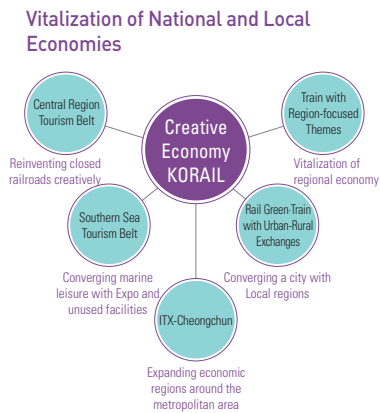


| Assessment and Feedback |

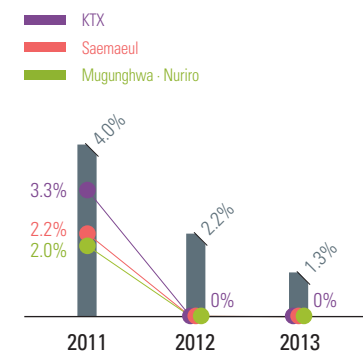
We are monitoring current situations with the sales information system, KOVIS settlement system, and analysis of transportation performances, and relevant results are connected to management assessment, contracts with responsibility, and assessment for institutions.

Category	2011	2012	2013	Goals for 2014
Sales amount (KRW 100 million)	46,318	48,153	51,011	51,843
Percentage for future growth business (%)	10.4	8.5	8.3	10.0
Operating profit rates (%)	-7.9	-4.3	-1.5	-2.3
Profits by overseas business (KRW 100 million)	1.7	75	94	205

* According to the IFRS (separate financial statements) standards, the percentage for future growth business in 2011 is included in profits for selling lands in Yongsan



Rate of Increasing Consumer Prices and Railroad Fares



Economic Value Creation and its Effects

Distributing Economic Values

KORAIL has created economic values by carrying out multiple businesses such as transport and tourism business in transporting passengers and cargo and asset development business. All economic value acquired through management activities is distributed by paying operation expenses, purchasing products, and taxes, and these expenses create direct and indirect effects on society by being redistributed to other companies and local communities.

Distributing Economic Values with Stakeholders

(Unit: KRW 100 million)		
Executives and staff members	Personnel expenses (wage, allowance, retirement benefit and welfare benefit)	18,996
Partner company	Operation cost, purchasing products produced by small and mid-sized companies, etc.)	10,960
Local community	Social contribution funds	15
Government agency	Tax (Tax and public dues and corporate tax)	3,009
Shareholders and investors	dividend (interests and dividend)	Interests: 1,371(Profits) Dividends: 4,850(Expense)
Others	Ordinary operating expense, loan and repayment expense, etc.	13,100

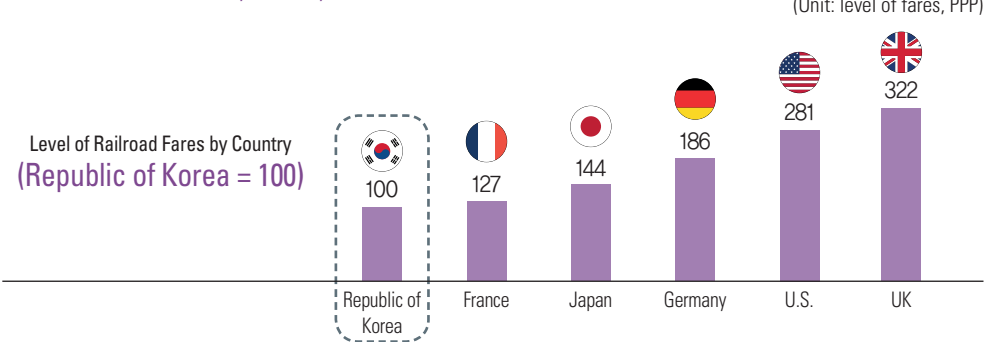
* IFRS (separate financial statements) standards

Efforts for Price Stabilization

In line with the government policy to stabilize prices, KORAIL has relieved the burden on the people by minimizing the increase in fares since 2008. Although factors for increasing costs are on the rise with an increase in global oil prices and electricity costs for industrial use, KORAIL has frozen fares from 2012, considering the fact that increasing train fares can lead to sideeffects such as price hikes and economic stagnation.

We have controlled the increase in fares by carrying out various self-help efforts such as operating the maximum electricity controlling system at six offices including the Seoul branch and participating in the energy-saving movement at 490 business locations in the country. Korea has maintained the lowest level of railroad fares among major advanced countries, and these efforts have contributed to the universal welfare for the people.

Level of Railroad Fares by Country



KORAIL-styled Creative Management

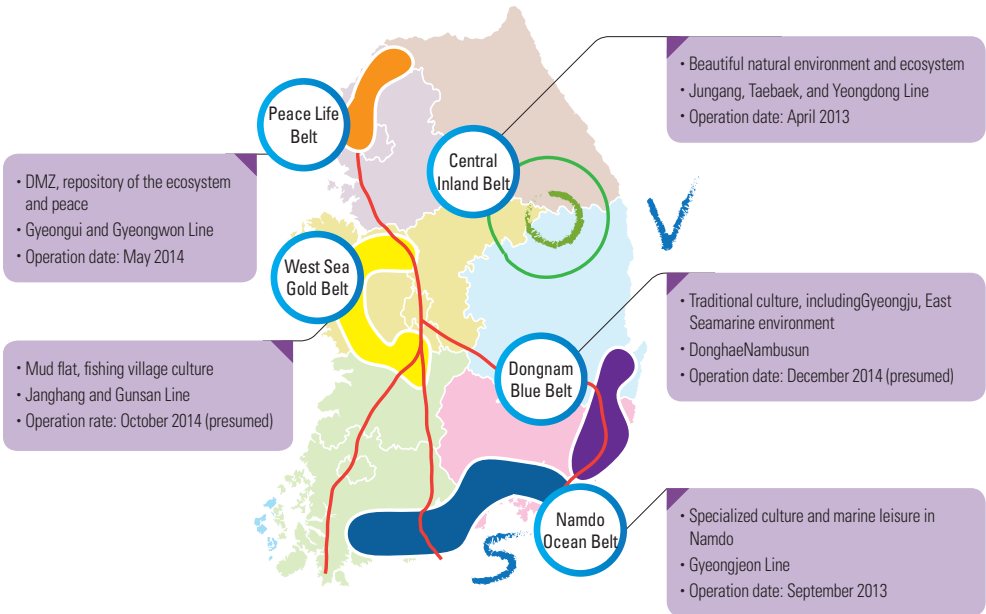
Development of Five Railroad Tourism Belts

KORAIL has identified customer needs by analyzing domestic tourism patterns and changes in social environments to develop customer-centered tourism products. In line with these efforts, we have focused on developing routes meeting customer needs for various experiences, such as sightseeing, cultural experiences, and personal vacations, on the domestic railroad lines. Although the Central Inland regions have a beautiful natural environment, focusing on the coal industry in the past, tourism in those regions could not be vitalized because of low transport accessibility/ KORAIL has connected these regions with the railroad from a new perspective. In particular, we have signed an MOU with relevant institutions, such as the government, local government, and public companies, to stimulate the tourism in the Central Inland regions. After the development of the best tourism course in Korea, this product has been selected as the greatesthit product for the year.

Small stations in the Central Inland regions have been visited by 369 people a day on average, compared to fewer than 10 people a day in the past. Residents whose main job was harvesting agricultural products now work in other jobs such as making camping sites and stops for vehicles and opening restaurants. Theme stations with sightseeing and eating attractions have been made to meet various customer needs. These efforts have contributed to the vitalization of the regional economy, and about 400,000 visitors have come here in one year after the opening. KORAIL has organized the nation with five tourism belts by finding regions which can be developed by railroads and developed a model for a creative tourism industry which can be grown together with the local communities.

We have provided information on regional tourist attractions, restaurants, accommodations, and relevant transportation, focusing on 39 tourism theme stations in the Central Inland regions and 63 in the Southern Coastal region, and will continuously expand the information depending on the establishment of the national five railroad tourism belts. KORAIL has made a new paradigm in domestic tourism by developing the tourism belt and achieved production effects, such as creating 5,264 jobs in the regional economy and KRW 308.4 billion.

Plans for Operating the Five Railroad Tourism Belts



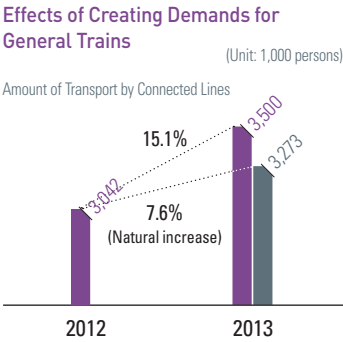
O-Train



V-Train



S-Train

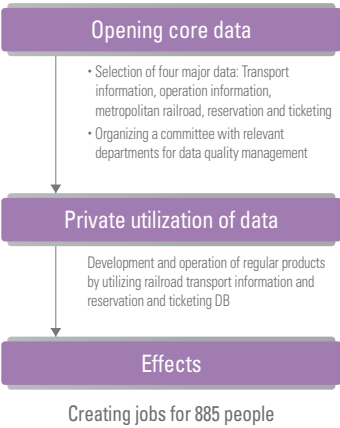


※ The company has contributed to the vitalization of the regional economies and job creation by increasing the demand for general trains (creating additional demands by 7.5% compared to natural increases) in connected lines (Yeongdong and Taebaek Line) in 2013 by operating the Central Inland Tourism Train (O,V-Train).

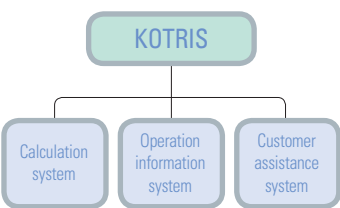


Town Enterprise at Yangwon Station

Creating Jobs by Opening Four Major Data



KORAIL Transport Information Center



Job Creation

KORAIL has led the movement for creating and sharing jobs in the private sector by enhancing efficiency and expertise in the railroad industry. We have created 8,147 jobs by taking care of the railroad-related industry and social companies, implementing professional education for training train operators and programs for helping self-support activities for the homeless at Seoul Station. We have created 27,160 jobs with proactive implementation of investment budgets and created 154 jobs by establishing creative partnerships with SMEs. We expect to create job creation on a massive scale by carrying out the development project for core regions neighboring stations and participating in the project for Najin and Khasan. By finding and carrying out mid and long-term outsourcing tasks, KORAIL will create more jobs, expanding by 2,684 (6.6%) in the private sector by 2018.

Performance of Creating Jobs in the Private Sector

(Unit: person)					
Year	Category	Outsourcing	Investment Business	Partnership	Others
2011	Permanent employees	4,002	17,766	401	-
	Temporary employees	-	9,250	209	-
	Total	4,002	27,016	610	-
2012	Permanent employees	4,035	12,500	10,740	1,536
	Temporary employees	-	6,249	5,398	768
	Total	4,035	18,749	16,138	2,304
2013	Permanent employees	4,009	18,307	104	9,688
	Temporary employees	-	8,853	50	4,608
	Total	4,009	27,160	154	14,296

※ Effects of job creation for budget, operational expense and sales were calculated by the application of the industry-related table in the Bank of Korea (Index for employment for each type of industry)

Integrated Management for Metropolitan Information

KORAIL has found and expanded new sources of profit based on the comprehensive management system for metropolitan information. We have prepared for the launch of the Rail Plus (R+) card, which can be used in a one-stop way for all transportation means in the country. For this goal, we have made a contract with 26 institutions, such as the Ministry of Land, Infrastructure, and Transport and many local governments for compatibility and the calculation service. In the future, we will expand the places for use to allow cardholders to use these rail cards anywhere, including the distribution, culture and tourism sectors.

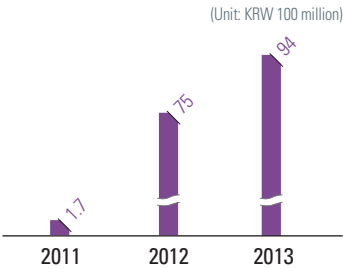
We have established the KORAIL Transit Information System (KOTRIS*), a system managing calculation, income, deliberation, and cards autonomously to operate metropolitan railroads, which enables the efficient operation of railroads by analyzing customer traveling patterns. Based on our own known data in the system, equipment, and technology, we have strived to develop this system as a new profit source for new routes and overseas business.

* KOTRIS: KORAIL Transit Information System



Rail+ Card

Current Status of Profits in Overseas Businesses



※ Performance for 2013: Including KRW8.6 billion in overseas prepaid expenses

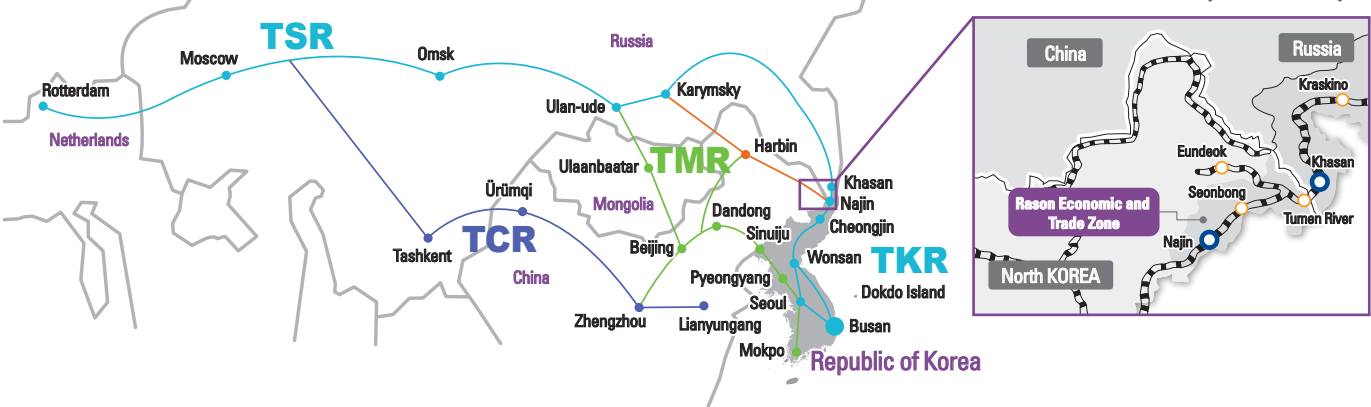


Completion Ceremony for International Railway Training



Presentation by the CEO at OSJD North Korea General Committee

KORAIL, the Beginning of the Continent Railroad



Building Overseas Businesses

The railroad industry in the world is estimated to become a massive industry worth about KRW 250 trillion in 2017, and we have strived to develop overseas businesses to take advantage of this future growth engine. To enhance our competitiveness in winning contracts, we have prepared to carry out projects with domestic and foreign companies. We have won contracts for the Export-Import Bank of Korea projects (KSP*) for the first time with the ODA (Official Development Assistance) project.

In 2013, we carried out a total of 15 projects and created profit worth KRW 9.4 billion, while striving to enter into new markets and discover new targets for business.

* Knowledge Sharing Program: An aid project for the development of overseas markets by sharing our own knowhow for economic development

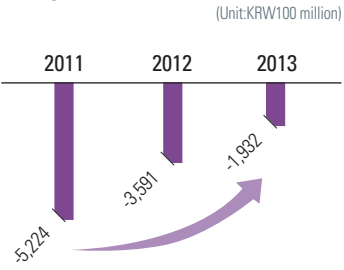
Current Status of Profits from Overseas Businesses for 2013

Nation	Name of Business Project (Number)	Profits (KRW 100 million)
Pakistan	xporting ten used-diesel trains after repairing (1)	86.0
Iran	Sales of repaired major components in used-diesel trains (2)	3.44
Myanmar	Technology investigation and giving advice for the validity inspection of railroad modernization business (1)	0.04
Paraguay	Operation of short-term railroad schools (1)	0.22
InternationalRailway Training	Process for modernization of passenger service in Mongolia (8)	3.60
Profits outside of sales	Interests from Global Infrastructure Funds (Dividends), compensation of deterrent (2)	0.73
Total		94.03

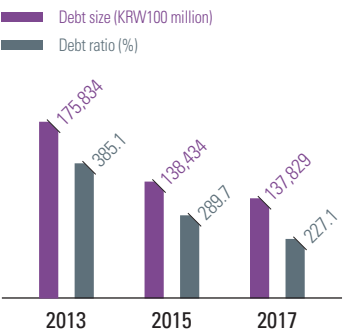
Preparation for Operation of North-and-South Continent Railroads

KORAIL prepares for the realization of North-and-South Railroads and Eurasia Initiatives for the upcoming unification of Korea. We have launched an organization specialized for the Project for North-and-South Continent Railroads, trained 25 experts by preparing a plan for training experts in the field, and will secure 160 experts in the next four years. We have prepared to replace the existing 700 buses with 8 round-trips in the Gaeseong Industrial Complex with train operation. By participating in the Najin-Khazan Project, we have prepared for a modernization business for Najin Port and the improvement of 52km of railroads to secure the bridge for the continent railroads. We have also joined the OSJG as an affiliated member in 2014 and attended regular meetings held in North Korea. We will play a pivotal role in operating the continental railroads by reinforcing a global network.

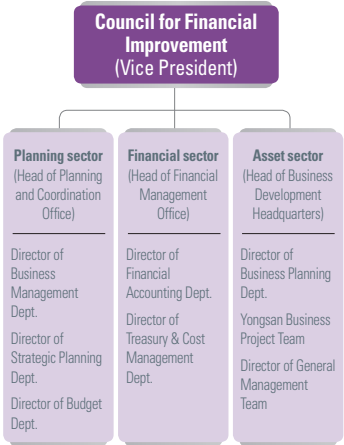
Reduction in Debts by Efficient Management



Plan for Debt Reduction



Council for Financial Improvement



Securing Financial Stability

Declaration of Super-emergency Management System

As concerns over lax management by public companies and increased debts are growing and a competitive system for railroad transportation has been introduced, KORAIL has humbly accepted the national need for the renovation of public companies and improved the total of KRW 165.9 billion in operating profit and loss through major efforts. As the cancellation of the development project for Yongsan International Business District increased the debt ratio and the financial structure has radically deteriorated, we have strived to minimize risks and secured liquidity by declaring a super-emergency management system.

Debt Reduction Plan

Objective	Additional reduction of debts compared to the financial management plan Reducing the debt ratio to 200% in 2017			
Direction	Solving the crisis in financial liquidity caused by the cancellation of the development project for Yongsan International Business District at the early stage Changing the chronic deficit structure with high cost into a low-cost and high-efficiency system			
Plans	Selling assets	<ul style="list-style-type: none">• Sales and rent idle lands• Expanding capitals with recovering values of Yongsan areas• Negotiation for preventing sales with reduction (KAMCO)	Enhancing the profitability in transport businesses	<ul style="list-style-type: none">• Reinforcement of core transport business, development of new business• Improvement of operating railroad lines in deficit• Management efficiency for railroad logistics
	Efficient Management	<ul style="list-style-type: none">• Company-wide cost reduction by sharing pains and sacrifice• Management efficiency for affiliates• Settlement of divided accounting for each business	Government support	<ul style="list-style-type: none">• Investment in vehicle base for KTX from Suseo• Reshaping the fare system with reasonable fees• Support for purchasing vehicles

To secure financial stability, we have launched the Financial Improvement Council with the vice president of the company as the head of the council and carried out measures for improving the company-wide financial structure with the aim of reducing costs worth KRW 300 billion a year. We manage the situation by operating various checking systems*, such as holding an emergency management meeting every week.

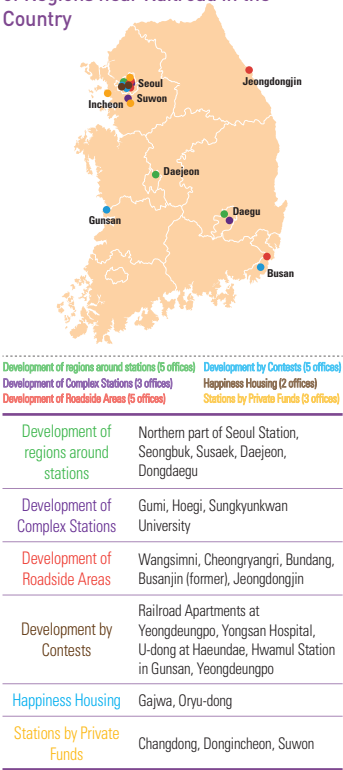
To manage assets more efficiently, KORAIL has carried out sales and rent by finding unused areas and areas neighboring the station and strived to restore asset values in various ways. We have prepared company-wide cost reduction through shared pain and sacrifice and carried out efficient management by introducing a divided accounting system and establishing the management system with responsibilities for each business sector. We have strived to maximize profits by focusing on major businesses. For example, we have reinforced the major transport industries with main roads, created profits by finding new businesses proactively, and reduced costs by improving the operation of railroads in deficit and making logistics business more efficient.

KORAIL will ensure a more stable and healthy financial structure, reflecting changes in the management environment by managing debts more efficiently, reducing costs and expenses, and realizing strong management efficiency.

Checking System for Debt Management

Checking System	Period	Role
Emergency management conference	Weekly	• Check for profits, deficits, debts, and measures for improvement
Meetings for checking normalization of business	Monthly	• Check for profits and deficits in the last month, taking measures, check for changes in funds
Regular opening of debt information	Regularly	• Opening information on debt on the KORAIL website and Alio page
Investment Deliberation Committee	Monthly	• Deliberation of appropriateness of capital investment
Business Deliberation Committee	Monthly	• Deliberation on appropriateness of capital investment, business prospects, and investment methods
Financial Risk Management Committee	Half-yearly	• Financial risk management (exchange, liquidity, interests, etc.)

Current Status of the Development of Regions near Railroad in the Country



Meetings with Presidents of Affiliates

Operation of Committees (KORAIL - Affiliates)

Committee	Major Activities
Business Inspection	Reviewing business prospects/profitability
Contract	Education/counseling for working-level contract
Audit	Auditing methods/sharing examples
Technology	Advice on technology/reviewing business prospects
Information	Counseling/support for information
CS Management	Improvement of service qualities

Change into a System with Low-cost and High-efficiency

KORAIL has reinforced the connection between mid and long-term management strategies and financial plans to solve financial liquidity crises at an early stage. We have improved the debt size by selling assets and shares with the aim of reducing debt through management in the black and management improvement. We have aggressively strived to find additional unused sites and prepared to carry out sales and rental of seven unused sites. The company has made unnecessary investment businesses more efficient by strengthening the system for investment determination and reinforced financial soundness by coordinating businesses. We have implemented mid and long-term business coordination plans to improve the deficit for transport businesses and carried out management efficiency by conducting personnel efficiency and reducing expenses. We would like to reinforce financial transparency and identify causes for creating debts in each business by introducing a segment accounting system. Appointed as a pilot institution for carrying out a segment accounting system, the company has implemented this system. We pledge to allow tomake financial statements for each business by utilizing this system from 2015.

Making the Management by Affiliates More Efficient

As the internalization of the profit structure is needed to secure competitiveness for affiliates, KORAIL has assigned aggressive and challenging management goals with a responsible contracting management system and assigned additional points for the achievement of goals. We have reinforced autonomous and responsible management practices to fulfill our social responsibilities as a public company by estimating the efforts for mutual growth, open recruitment, fair society, and prevention of lax management. We have assessed the efforts for entering the external market for major businesses by launching the index for percentage of external sales. The company has also vitalized the roles of checking management by securing the independence of auditing; we have also prevented excessive investment in external growth by reinforcing the role of self-checking investment. We have internalized management innovation by operating committees for each sector between KORAIL and our affiliates. We have strengthened the foundation for independent management by reinforcing the competitiveness of affiliates and reducing the dependency on the company. The company has relieved redundant investments by integrating and abolishing similar and redundant businesses among affiliates and enhanced competitiveness by improving management with checking customized management for each affiliate. In 2013, a total amount of sales by affiliates was KRW995 billion, which has continuously increased.

Business Innovation Plans for Affiliates

Category	Growth Engine	Checks and improvements	Effects
KORAIL Retail	Wholesale logistics Brand development	• Begin to provide logistics for 51 offices including pop store and nadeul store • Expansion of developing PB products* and types of products (7 → 10 types of products)	• KRW 620 million in sales • KRW 2.2 billion in sales
KORAIL Airport Railroad Corporation	Creating demands Subsidiary business	• Increased number of users for the City Airport Terminal • Establishing the travel center at Incheon Airport Station	• Increased by 124.7% compared to last year • Expecting KRW 300 million in profits
KORAIL Logis	Loading and unloading business CFS business	• Expand infrastructures by securing the operation rights for railroad CY at Hanam Station • Make contracts for CFS** with six consul companies other than Eurasia Line	• Expecting KRW 2.4 billion in sales
KORAIL Tourism Development	Tourism products Competition in service	• Develop 100 types of package products and overseas/domestic tourism products • Launch stores for selling lunch boxes at Seoul Station and MyeongpumMaru for SMEs	• KRW 5.1 billion in sales • KRW 790 million in monthly sales
KORAIL Networks	Car-sharing service Parking business	• Win contract for operation rights for external parking lots including Yeouido Park • Launch car-sharing business → KRW 170 million in sales	• KRW 340 million in sales • Expecting to grow with KRW 2.6 billion in sales
KORAIL Tech	Technology business Theme park	• Win a contract for electricity construction for the complex sports and leisure facilities in Gimhae • Acquire patent for Railbike → Supply (Hawcheon, Jeongdongjin)	• KRW 4 billion in sales • KRW 710 million in sales

Environmental Management

The railroad is a transportation means with remarkable energy efficiency compared to other forms of transportation. KORAIL strives to contribute to the government’s policy to reduce greenhouse gas and fulfill its responsibility to preserve the environment by realizing eco-friendly green railroads. We have greatly invested in the establishment and improvement of facilities preventing environmental contamination to minimize the emission of pollutants from business sites and minimized environmental impact by managing resources at a higher level than existing environmental regulations and standards.

Disclosure on Management Approach (DMA) for Environmental Management



| Importance of Environmental Management |

As part of the worldwide efforts to prevent global warming, various activities for reducing greenhouse gas emissions have been carried out, and the role of railroads, which are the representative eco-friendly transportation, has received great attention as activities for responding to climate change are highlighted.



| Management Direction of KORAIL |

Based on environmental management, KORAIL has established a response process for environmental regulations, shared information and environmental recourses by utilizing the system, and supported a swift decision-making process for environmental investment and facility management. We have minimized environmental impact by complying with domestic and international relevant laws and guidelines and are carrying out a high level of environmental management. As the tasks of managing greenhouse gas and energies have been reinforced, we have expanded the organization for environmental management and fulfilled our role as a leading eco-friendly company with cooperation with external institutions.



| Major Activities |

- Establishment of eco-friendly green railroads: System for carrying out environmental management, greenhouse and energy management, and conducting energy-saving efforts
- Minimization of environmental impacts: Water management, air quality management, waste management, noise and vibration management, management for purchasing green products



| Assessment and Feedback |

In accordance with the Greenhouse Gas and Energy Target Management System, KORAIL has fulfilled its goal for the reduction of greenhouse gas emissions, assigned by the government, and established a higher standard for reducing the emissions. We have strengthened environmental management by establishing environmental infrastructures such as building and restructuring facilities, investing in environmental facilities for responding to environmental regulations, and carrying out a company-wide energy efficiency movement for operating railroad vehicles and reducing daily energy for managing stations.

Category	2011	2012	2013	Goals for 2014
Greenhouse reductions(tCO ₂)	-	135,794	112,267	151,963
Energy reductions(TJ)	1,114	1,115	1,343	1,271
Investment business for the improvement of environment (KRW one million)	268	506	786	282

Establishment of Eco-friendly Green Railroads

System for Environmental Management

KORAIL has established company-wide strategic tasks for environmental management with the aim of achieving low-carbon green growth and strives to lead advanced environmental management at the highest level. With our environmental management information system, we have established a process suitable for environmental regulations. We have analyzed environment-related information systematically, such as environmental investments and facilities management, by integrating KOVIS, our internal ERP system. We also support swift decision-making processes. Based on the environmental management information system, the company has optimized and developed environmental management by continuing efforts in reducing greenhouse gases.

System for Environmental Management Strategies

Environmental vision	Realization of Eco-friendly Green Railroads	
Strategic tasks	Specific tasks	
Reponses to climate changes	1. Reinforcement of carbon-based management 2. Improvement of capabilities to manage greenhouse gas and energy 3. Energy-saving project planned in detail	
Advancement of environmental management system	1. Project for budget for environmental investments 2. Preventive environmental management 3. Enhancement of values of soil environment at railroad areas 4. Enhancement of eco-friendly values of soil environment 5. Vitalization of purchasing green products	
Reinforcement of environmental capabilities and strategic environmental communication	1. Reinforcement of capabilities of environmental human resources 2. Strengthening internal and external promotion of environmental management 3. Environmental networks and environment preservation activities 4. Vitalization of environmental pro bono activities 5. Carrying out contracting for research efforts	

Greenhouse Gas and Energy Management

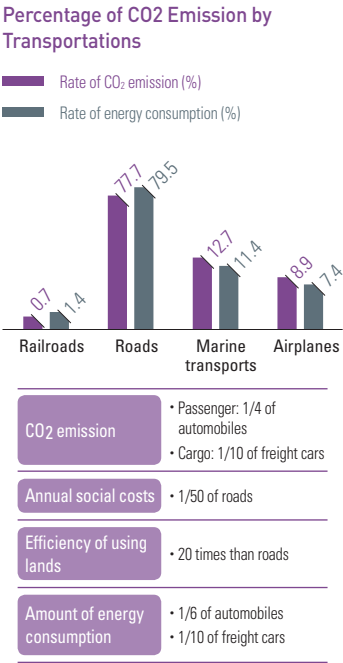
Management of Goals for the Reduction of Greenhouse Gas

KORAIL has implemented greenhouse gas reduction goals in accordance with the management of greenhouse gas and energy and strives to establish and achieve the goals for reducing greenhouse gas and energy at a higher level than the permitted amount assigned by the government. We have operated the greenhouse gas and energy committees in the company and relevant institutions for a more systematic management and controlled a reliable greenhouse gas data by operating a monitoring verification and estimation system for greenhouse gases.

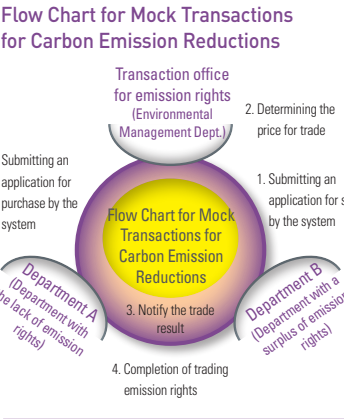
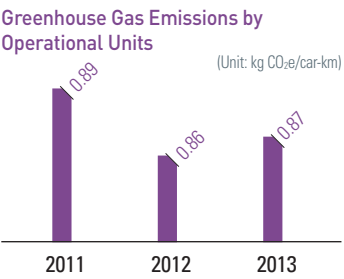
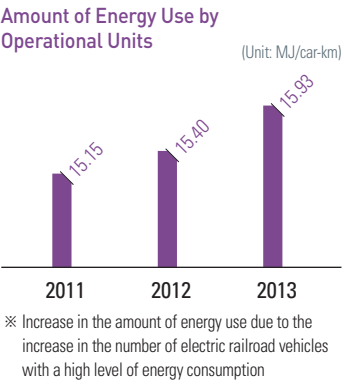
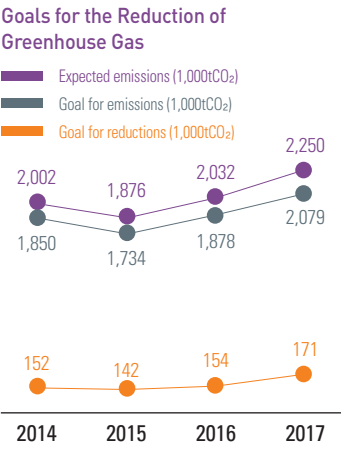
As we have minimized environmental impact in all stages of the process and carried out energy-saving and environment improvement activities, we achieved greenhouse gas emissions recorded at 1.77 million tons in 2013, which is an amount that is about 0.11 million tonsless compared to the permitted amount by the government.

Achievement of Goals for the Reduction of Greenhouse Gas Led by the Government for 2013

Type	Government Standards		Performances by KORAIL		
	Business as usual(BAU)	Permitted amount of emissions	Emissions	Reductions	Rate of reduction (%)
Greenhouse gas emissions(tCO ₂)	1,932,296	1,883,721	1,771,454	112,267	6.0



Climate Change Grand Leaders Awards



Current Status of Energy Consumption and Greenhouse Gas Emissions

Since establishing the inventory for greenhouse gas and estimating the emissions depends on the emission sources, KORAIL has managed energy by classifying different types of energy for driving by railroad transports and energy for daily living to operate facilities. The energy consumption by KORAIL is mainly focused on the energy for driving in railroad transport. Although the expansion of electric railroad areas with high energy efficiency has led to increased amount of electricity consumption, the amount of diesel used, which releases a high level of pollutant emissions in the air, has gradually decreased.

Amount of Energy Use

		(Unit: TJ)				
Type		2009	2010	2011	2012	2013
Railroads	Diesel for driving trains	7,760	7,558	7,256	7,008	6,439
	Electricity for driving trains	17,013	17,794	19,421	20,782	22,288
Daily living	Electricity for daily living	2,463	2,750	2,925	3,272	3,411
	Fuel for air conditioning and heating	428	449	337	348	321
	Automobiles for work	54	58	87	62	58
	Total	27,718	28,609	30,026	31,472	32,517

Greenhouse Gas Emissions

		(Unit: tCO ₂ eq)				
Type		2009	2010	2011	2012	2013
Railroads	Diesel for driving trains	601,306	585,563	562,192	544,968	500,742
	Electricity for driving trains	881,382	921,827	1,006,112	1,009,321	1,082,459
Daily living	Electricity for daily living	127,582	142,483	151,529	158,901	165,675
	Fuel for air conditioning and heating	24,896	25,275	18,760	19,299	18,424
	Automobiles for work	3,474	3,829	5,958	4,322	4,154
	Total	1,638,640	1,678,977	1,744,551	1,736,811	1,771,454

Implementation of Mock Transactions for Certified Emission Reductions

In preparation for the implementation of Certified Emission Reductions in 2015, KORAIL has conducted the mock transaction system for certified emission reductions since 2010. From 2012, we have conducted a company-wide mock transaction system by expanding the target to all business locations, and in 2013 alone, an amount of energy worth KRW 4.7 billion was saved.

Effects of Mock Transactions

Standards	2011	2012	2013
Department	Regional headquarters	Headquarters and affiliates	Headquarters and affiliates
Greenhouse gas emissions (tCO ₂ eq)	20,840	22,616	28,024
Cost reduction (KRW one million)	3,814	5,273	4,703







Carbon Reduction Labeling Certificate for Nuriro

Certificate of Carbon Labeling

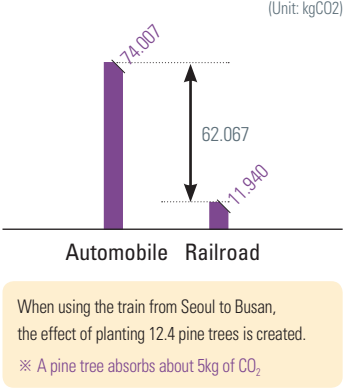
With the certificate of the carbon labeling system by the Ministry of Environment, KORAIL has been officially recognized as a company that has carried out thorough green house and energy management in all processesinvolved in providing services. On April 27, 2011, we acquired the certificate for carbon reduction labeling for the KTX (Seoul-Busan line).We also obtained a certificate for the Gyeongchun Line (Sangbong-Chuncheon Line) and for the logistics sector (1-ton freight, transport for 1km) in December 27.Nuriro obtained the certificate as the fourth certificate in December 2013.

The Nuriro obtained the certificate as the Seoul-Sinchang Line with a distance of 116km had carbon emissions of 2.5kgper passenger, which equals one-eighth of the carbon emission (19.5kg) from automobiles running the same distance. KORAIL has supported the practice of environmental protection by providing customers and logistics companies with accurate information on greenhouse gas emissions and will continuously expand the certificates for carbon labeling.

List for Carbon Reduction Labeling Certificates

Certificate	Relevant vehicles	Total amount of greenhouse gas emissions	Emissions per 1km	Level
KTX(Seoul →Busan) Transport for one person for one-way		9.98kg	24.5g	1/6.9 (compared to the automobile)
Gyeongchun Line (Sangbong →Chuncheon) Transport for one person for one-way		2.09kg	25.7g	1/6.5 (compared to automobiles)
Transport by 1-ton railroad logistics through 1km		45g	45g	1/6.7 (compared to trucks)
Nuriro (Seoul→Sinchang) Transport for one person for one-way		2.5kg	21.5g	1/7.8 (compared to automobiles)

Effect of Planting Pine Trees by Using Trains



Effect of Annual Reduction of Greenhouse Gas Compared to Roads for Carbon Reduction Labeling Certificates

Type		Basic unit for greenhouse gas (CO ₂)	Amount of transport by railroads for each route	Greenhouse gas emissions for transportation means (tCO ₂)	Greenhouse gas reduction effects (tCO ₂)
KTX (Seoul → Busan)	Railroad	24.5g/person km	10,765,698 km	263,760	1,540,033
	Automobile	167.55g/personkm		1,803,793	
Gyeongchun Line (Sangbong → Chuncheon)	Railroad	25.7g/person km	998,500 km	25,661	141,638
	Automobile	167.55g/person km		167,299	
Railroad logistics	Railroad	45g/ton km	10,271,232 km	462,205	3,082,397
	Truck	345.1g/ton km		3,544,602	
Nuriro (Seoul → Sinchang)	Railroad	21.5g/person km	214,000 km	4,601	31,255
	Automobile	167.55g/person km		35,856	

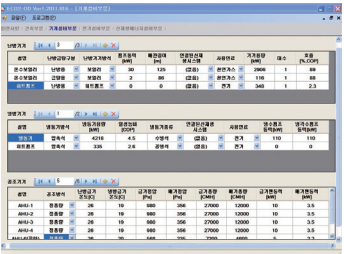
Energy Saving Practice

Realization of Green Railroad by Saving Energy for Operating Vehicles

KORAIL has proactively invested in the reduction of diesel vehicles and introduction of high-efficiency electric vehicles. We have also continuously electrified railroads to expand the operation of electric vehicles. As of 2013, the rate of electrification of railroads is 68.4%. We have replaced the lights in passenger cars with LED lights to minimize waste and reduce the amount of energy consumed by railroad vehicles.

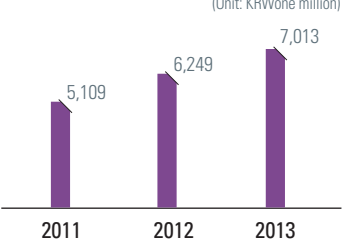


8,500 Electric Locomotives



Operation of the Energy Identification Program

Performance of Reducing Energy for Daily use



Solar Power Generating Facility at Nonhyeon Station in Incheon

Current Status of Railroad Vehicles

(Unit: number)

Category	High-speed vehicle (KTX)	Vehicles			Locomotive	
		Trains for main roads	Electricity	Diesel	Electricity	Diesel
2009	920	32	2,184	500	179	335
2010	1,110	32	2,287	471	179	330
2011	1,110	32	2,360	444	177	321
2012	1,160	32	2,445	397	204	315
2013	1,160	32	2,513	303	209	286

In particular, we have strived to make the energy for operating railroad vehicles more efficient, which account for the majority of energy consumption. The company has developed a measuring device for the consumption amount of fuel by diesel vehicles, improving the patterns for operating vehicles. We have reduced energy by an amount worth about KRW 19.1 billion by putting great efforts in reducing the energy for operating vehicles, such as the expanding efforts to install high-efficiency components.

Performance of the Reduction of Fuel for Operating Vehicles

(Unit: KRW One million)

Category	2011	2012	2013
Motion pause activity	9,559	15,020	17,557
Efficiency by skipping the connection with generator trains	1,276	732	665
Towing by locomotives	389	1,036	842
Total	11,224	16,788	19,064

Company-wide Movement for Saving Daily Energy

KORAIL has checked the implementation of energy-saving practices twice a month by designating employees who check the energy consumption for each department. For the entire company, we have led the saving-oil movement by implementing various programs, including driving a car for specific days, riding a bicycle, and eco-driving a car for working. Energy conservation is an ordinary practice in our daily life: we have installed automatic light-shutoff for unused electronic facilities, maintain the proper temperature inside company facilities, and moderate the right amount of water for basins and toilets to conserve resources.

Utilization of New and Renewable Energy

As KORAIL has carried out reduction of greenhouse gas emissions and made the energy demand system more eco-friendly with the development of the eco-friendly low-carbon energy, the company has contributed not only to the reduction of energy consumption, but also to the improvement of environmental welfare for the people. Since 2009, the company has aggressively introduced new and renewable energy facilities by using solar power and geothermal heat for railroad facilities and operated 16 stations with solar power generators (589kW in total) and 66 geothermal heat facilities (3,185kW in total).

Minimization of Environmental Impact

Water Management



Monitoring Water Pollutants

Current Status of Water Management

(Unit: m³)

Category	2011	2012	2013
Amount of wastewater in passenger cars	30,385	61,007	51,109
Amount of processing wastewater	218,039	204,926	270,654

The total of water intake quantity in 2013 is 4,843,000 tons, and it comes from 57 sources of water, including Paldang Dam. The company has vitalized the reuse of water to protect water resources and proactively expanded facilities using rainwater by reflecting the standards and sizes for establishing rainwater use facilities in line with relevant legislations for the designing of railroad construction businesses. Under these circumstances, rainwater in stations and the roofs on vehicle bases is being utilized for various purposes, such washing toilets, cleaning, gardening, and sprinkling.

In 2013, a total of 119,000 tons of water was reused and recycled, which is 2.47% of the total of the amount of water use. Wastewater and filthy water from various sources, such as the process for cleaning and repairing railroad vehicles, toilets in trains, and various other facilities, are being emitted to the natural water system by consignment and self-processed procedures. We have complied with the legal standards for discharge water quality and managed the inflow amount of wastewater by operating a 24-hour regular monitoring system and carrying out regular monitoring for water quality by operating 146 facilities dealing with wastewater nationwide.

Amount of Water Intake and Reuse

Category	2011	2012	2013
Amount of water intake (ton)	4,632,366	4,465,537	4,843,199
Amount of water reuse (ton)	109,811	114,842	119,457
Rate of water reuse (%)	2.37	2.57	2.47

Air Quality Management



Facility for Preventing Air Pollution

Air pollutants from railroads include dust from the process of repairing railroad vehicles, hydrocarbons from painting the exterior part of vehicles (THC), and exhaust from operating diesel vehicles. We have managed air pollutants by checking ventilation facilities and railroad vehicles and establishing and improving facilities to prevent air contamination, thus improving the interior air quality in stations and trains.

In accordance with the guideline for interior air quality management for mass transportation means, we have legally measured and managed the air quality for all trains and railroad lines, while carrying out major efforts in improving the air quality by reinforcing the period for cleaning air conditioning and heating systems in passenger cars. We have measured the interior air quality in 76 railroad stations as multiple-use facilities (28 stations on the ground, 48 underground stations), managed the quality level below the legal standards, and reported this information to relevant local governments every year.

Interior Air Quality Management

Items for measurement	Standards	Measurement results (Average)					
		2011		2012		2013	
Air quality of railroad stations		Underground	Ground	Underground	Ground	Underground	Ground
Fine dust	150μg/m³ and below	96	75	91	68	79	58
Carbon dioxide	1,000ppm and below	495	479	478	458	534	490
Formaldehyde	100μg/m³ and below	18	14	10	14	18	17
Carbon monoxide	10ppm and below	1	1	1	1	1	1
Air quality of railroad vehicles		Metropolitan train	Train	Metropolitan train	Train	Metropolitan train	Train
CO ₂	3,500/3,000ppm and below	1,568	1,734	1,947	1,486	1,865	1,637
Fine dust	250/200μg/m³ and below	62	32	79	14	80	27



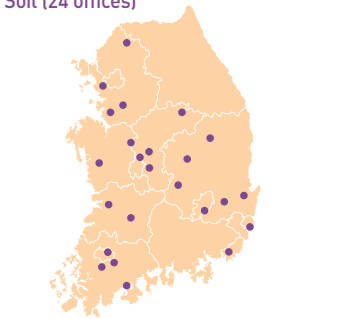
Measuring the Air Quality of Underground Stations

Current Status of Processing Recycled Daily Waste for 2013

(Unit: kg/year)

Category	Recycled trains	Recycled stations
Paper	273,720	821,393
Plastic	71,416	320,563
Can	28,396	286,827
Bottle	32,338	309,634
Others	224	79,746
Total	406,094	1,818,163

Map of Locations for Measuring the Soil (24 offices)



Seoul	0	Chungcheongbuk-do	1	Jeollanam-do	1
Western parts	3	Daejeon	5	Gyeongsangbuk-do	2
Eastern parts	1	Jeollabuk-do	2	Daegu	4
Gangwon-do	0	Gwangju	3	Busan	2



Railroad Vehicles with Low-noise

Annual Rate of Purchasing Green Products

Category	2011	2012	2013
Total amount of purchase (KRW one million)	10,690	10,575	9,581
Expense for purchasing green products (KRW one million)	8,734	9,614	8,728
Rate of purchasing green products (%)	81.7	90.9	91.1

Waste Management

KORAIL has legally stored and processed waste from trains and business sites in accordance with the Waste Management Law and entered the performance in the Albaro System (www.allbaro.or.kr) of the Ministry of Environment. We have implemented a realname system for discharging waste, in which managers with responsibilities are designated, and led the movement to recycle waste resources and reduce the amount of waste. We have contributed to the reduction of waste by reusing and restoring support bearing parts used in drive shafts of electric locomotives and reduced the amount of daily waste from trains, stations, and business sites by recycling waste.

Major Waste Sources for Industrial Types

Sales: Wastes from daily living, products for recycling (cans waste paper, etc.)	Facilities: Waste wooden materials, waste pebbles, waste soil, etc.
Vehicles: Waste oil liquid, waste oil solid, waste synthetic resins, etc.	Electricity: Waste battery, waste oil liquid, waste transformers, etc.

Soil Management

KORAIL has regularly monitored the level of soil contamination by sharing the information on the network, measuring the soil at railroad areas with the Ministry of Environment. We have established a regular monitoring system and set up a total of 24 measurement networks at railroad sites. To prevent soil contamination near railroads caused by oil leaking from vehicles, we have installed oil-absorption materials for railroads and prepared for various activities to alleviate soil pollution by carrying out co-development to replace lubricating oil applied on the movement parts of turnouts with biodegradable lubricating oil.

Noise and Vibration Management

KORAIL has continuously improved noise pollution by preparing appropriate measure for dealing with noise sources. We have developed a device that reduces the noise from exhaust pipes in repairing diesel-electric locomotives and applied for the patent to own intellectual property rights. We have strived to minimize the damage by noise and vibration by introducing low-noise vehicles and carrying out proactive cooperation with the Korea Rail Network Authority for noise-proof and dustproof facilities for the construction and improvement of tracks.

Measures for the Reduction of Each Type of Noises

Noise source	Measures for reduction
Machine noise	• Replacing large and high noise diesel locomotives with low noise electric vehicles (139 locomotives were replaced in 2013, and 246 locomotives will be replaced in 2014.)
Vibration noise	• Among 6,423km of main railroads, 4,848km(75%) of rail tracks will be replaced with continuous welded rails with heavy weight without joints by 2015. (33.7km of rails were improved in 2013, 19.2km of rails will be improved in 2014)
Aerodynamic noise	• For the introduction of vehicles, the ISO-3095 standard is applied to the design and manufacturing of vehicles. (ISO-3095: International standard for measuring noise reflected in railroads)
Other operation noise	• Implementation of special education for crews and research efforts for the reduction of noise and vibration caused by high-speed railroads (11 cases).

Management for Purchasing Green Products

KORAIL has minimized environmental impact by spreading the practice of purchasing green products and facilitating green consumption culture. We have vitalized the practice for purchasing green products by reflecting various regulations in the company regulations, such as regulations for railroad environment management, regulations for the company, and contracts management, guideline for purchasing green products and guideline for the execution of budget. We have improved the system continuously by establishing MRO and ERP systems to establish purchase plans every year and monitor the purchase performances regularly. We have specifically prioritized the use of green products and managed purchasing of green products by designating employees who carry out the purchase for each department and monitoring the practice by the head of departments.

Appendix

- 83 Performance for Sustainability Management
- 86 Current Status of Affiliates
- 89 Registered Committees and Groups / Award Records
- 90 ISO 26000 ComplianceDiagnosis Report
- 92 Third-party Assurance
- 94 GRI G4 / ISO 26000 Index
- 99 Reader Feedback Survey

Performance for Sustainability Management

Economic Performance

Summary Connection Financial Statement (Unit: KRW one million)

Category		2011	2012	2013
Asset	Current assets	1,685,109	1,689,772	2,214,952
	Non-current assets	20,494,140	18,495,457	20,094,939
	Total assets	22,179,249	20,185,229	22,309,891
Liabilities	Current liabilities	2,664,476	2,484,605	4,805,698
	Non-current liabilities	10,791,729	11,836,268	12,777,743
	Total liabilities	13,456,205	14,320,873	17,583,441
Capital	Capital	9,581,417	9,582,661	9,585,149
	Others	-964,173	-3,833,009	-4,991,290
	Capital of the owner of the governing company	8,617,244	5,749,652	4,593,859
	Non-dominated capital	105,800	114,704	132,591
	Total capital	8,723,044	5,864,356	4,729,450

Summary Connection Comprehensive Income Statement (Unit: KRW one million)

Category	2011	2012	2013
Sales	4,531,954	4,815,297	5,101,042
Cost of sales	4,631,963	4,752,644	4,813,956
Expense for sales and management	246,024	268,043	319,521
Operating profit	-364,033	-205,390	-32,435
Other profit	7,984	26,344	11,117
Other expense	72,100	2,738,678	122,720
Other profit	1,318,739	222,543	-4,699,103
Financial profit	486,935	621,183	257,066
Financial cost	593,259	680,025	623,007
Profit related to companies for equity methods	30,256	10,663	23,972
Net profit before deduction of corporate tax	814,522	-2,743,360	-5,185,110
Corporate tax expense	363,858	76,818	-854,118
Current net income	450,664	-2,820,178	-4,330,992
Other comprehensive profit and loss	-23,139	-39,134	3,191,450
Total comprehensive profit and loss	427,525	-2,859,312	-1,139,542
Current net profit to owner of the governing company	439,447	-2,829,557	-4,347,673
Current net profit to non-dominated equities	11,217	9,379	16,681

Social Performance

Category		Unit	2011	2012	2013	
Executives and Staff Members						
Employees	Total number of employees		person	29,479	28,967	27,930
	Number of temporary employees (male/ female)		person	86/18	284/17	280/15
	Number of employees by age	Below 25	person	40	114	90
		25-34	person	4,407	3,918	3,123
		35-44	person	12,120	11,682	11,075
		45-54	person	10,466	10,897	11,261
		55 and over	person	2,446	2,356	2,381
	Employment for the disabled (3.0% of mandatory employment rate)		%	3.1	3.0	3.4
	Employment for the senior (6.0% of mandatory employment rate)		Person (%)	2,491(8.4)	2,600(8.9)	2,623(9.2)
	Working years on average		year	17.6	17.8	18.3
Rate of realization of safe workplace		Damaged employees/ entire employees	0.296	0.334	0.304	
Employment	New employees		Person	204	412	166
Retirement	Retirement rate (%)		%	2.5	3.6	3.3
Female workforce	Number of female employees		Person	2,487	2,545	2,555
	Employees for women (5.67% of mandatory employment rate)		%	8.4	8.8	8.9
	Number of female managers (person, level 2 and over)		Person	20	19	17
	Number of female team leaders and above (percentage)		Person (%)	130(4.2)	178(7.0)	193(7.5)
	Newly employed female workers (percentage)		%	56(27.5)	97(23.5)	34(20.5)
Education	Education budget		KRW one million	8,988	10,119	7,087
	Education cost per person		KRW	194,634	338,591	285,413
	Education hours per person		Hours	41	38	28
Customer						
Customer satisfaction level	Public Service Customer Satisfaction Index (PCSI)		Score	92.3	88.8	91.5
	Satisfaction level for dealing with the VOC		Score	80.2	80.7	84.5
Rate of operation on time	Rate of operation on time by the KTX		%	99.8	99.8	99.6
Partner Company						
Support	Purchasing SME products		KRW one million	5,677	6,160	6,967
	Rate of purchasing SME products		%	54.1	50.2	63.6
	Performance for financial supports		KRW one million	808	880	861
	Rate of electronic bidding		%	98.6	99.2	99.2
Local Community						
Fundraising	Love Fund		KRW 10,000	67,000	67,282	69,007
	Matching Grant		KRW 10,000	52,000	53,000	62,032
Volunteer	Volunteer work hours per person		Hours	6.29	6.62	12.60

Environmental Performance

Category		Unit	2011	2012	2013
Amount of energy consumption	Diesel for operating railroads	TJ	7,256	7,008	6,439
	Electricity for operating railroads	TJ	19,421	20,782	22,288
	Electricity for daily life	TJ	2,925	3,272	3,411
	Fuel for air-conditioning and heating	TJ	337	348	321
	Automobiles for works	TJ	87	62	58
	Total	TJ	30,026	31,472	32,517
Greenhouse gas emissions	Diesel for operating railroads	tCO ₂ eq	562,192	544,968	500,742
	Electricity for operating railroads	tCO ₂ eq	1,006,112	1,009,321	1,082,459
	Electricity for daily life	tCO ₂ eq	151,529	158,901	165,675
	Fuel for air-conditioning and heating	tCO ₂ eq	18,760	19,299	18,424
	Automobiles for works	tCO ₂ eq	5,958	4,322	4,154
	Total	tCO ₂ eq	1,744,551	1,736,811	1,771,454
Investment in environmental facilities	Water quality	KRW one million	239	344	283
	Air	KRW one million	-	108	360
	Soil	KRW one million	29	47	104
	Waste	KRW one million	-	7	39
	Total	KRW one million	268	506	786
Environmental impact management	Amount of water reuse	ton	109,811	114,842	119,457
	Ratio of reuse	%	2.37	2.57	2.47
	Amount of processing wastewater	m ³	218,039	204,926	270,654
	Amount of processing industrial wastes (general)	ton	1,520	1,690	2,127
	Amount of processing designated wastes	ton	1,534	1,933	1,712
	Recycling daily living wastes (Train)	kg	-	485,085	406,094
	Recycling daily living wastes (Station)	kg	-	1,118,850	1,818,163
Purchasing green products	Cost for purchasing green products	KRW one million	8,734	9,614	8,728
	Rate of purchasing green products	%	81.7	90.9	91.1

Current Status of Affiliates



KORAIL Retail aims to become a trusted daily service company, providing customers with valuable products and comfortable services.

The company was founded on December 2, 2004, to maximize profits and meet customer needs through systematic and efficient developed of railroad-related industries.

Website: https://www.korailretail.com			
Major functions and roles	<ul style="list-style-type: none">Distribution business (Convenience store, specialized store and vending machine)Advertisement businessMutual logistics businessResource distribution businessOnline businessShopping center rental business		
Major business	<ul style="list-style-type: none">Distribution business: Operating convenience stores, specialized stores and vending machines in stations and trainsAdvertisement business: Advertising by utilizing various kinds of media, including railroad facilities, vehicles, and stationsResource distribution business: Transport and shipment of minerals, such as limestone and iron ore by using railroads connecting to Mukho Port		
Management goals and strategies	<ul style="list-style-type: none">Vitalization of development and online businesses for securing new growth enginesSecuring the growth engine for specialized shops and reinforcing the competitiveness in convenience storesDevelopment of highvalue added new advertisement media based on digital technology and creativityReinforcement of the CS system for maintaining the best institution for customer satisfactionRealizing the values for mutual growth by sharing and mutual cooperation		
Major activities and performances for sustainability management in 2013	<p>Awards for the 18thKorea Distribution Best Awards by the Ministry of Trade, Industry and Energy in the mutual growth and cooperation sectors (November)</p> <p>Awards for the 2nd Korea Best Sharing Awards by the Ministry of Health and Welfare (October)</p> <p>Campaign for the improvement of corporate culture with employee participation to make a happy workplace (July)</p> <p>Appointed as the best institution with the best level in customer satisfaction by the Ministry of Strategy and Finance for three consecutive years (January)</p>		



KORAIL Logis was founded on December 31, 2003 in preparation for the expansion of the international railroad transport connecting Korea, China, Russia and Europe. The company operates about 30 railroad CYs and business offices in the country and performs logistics transport in a rapid and accurate manner by connecting supply networks with marine and air transport through the country's 233 stations that deal with cargo.

Website: http://www.koraillogis.com	
Major functions and roles	<ul style="list-style-type: none">Expansion of roles for railroad logistics service by establishing a consistent railroad transport systemEstablishment and operation of a system for international railroad cargo transport for preparing the era of South and North Korea railroad and globalizationCreating profits by broadening the capability for railroad transport and attracting more supplies by launching high-speed railroadsResponse to the transport problems due to national logistics crisis
Major business	<ul style="list-style-type: none">Transport business: Operating major central points for logistics nationwide and transporting freight in a swift and safe mannerLoad and unload business: Busanjin Station, SapgyoCY, operation of numbers of railroad invoice for the new Busan PortForwarding business: International complex transport service for imports and experts between countriesCFS business: Acquisition, delivery, and storage of small cargo or input and output service for containers3PL business: Providing the latest logistics system in a swift and accurate manner with the best infrastructures
Management goals and strategies	<ul style="list-style-type: none">Transferring road transport utilizing nationwide railroad logistics infrastructures and networks into a railroad transport-focused systemVitalization of transport business by strategic cooperation with large-scale shippers and ship ownersReduction in logistics with improving logistics process and securing customer satisfaction with JIT servicesCreating high-added values by diversifying businesses such as CFS and forwarding businessExpansion of international complex railroad transport by establishing a global logistics system
Major activities and performances for sustainability management in 2013	<p>Supported students majoring in logistics at the Railroad University for visiting business sites (October)</p> <p>Signed a contract for integrity with employees (September)</p> <p>Signed a contract for industry-university cooperation with Usong University (May)</p> <p>Held a workshop for communication and harmony between executives and staff members (March)</p>



As a specialized railroadconnecting Incheon International Airport with Seoul Station, KORAILAirport Railroad contributes to the enhancement of customer convenience. The first section from Incheon International Airport to Gimpo Airport was opened in March 2007, and afterwards, as the entire section to Seoul Station was launched in December 2010, the railroad is currently operated for a total of 61km from Seoul Station to Incheon International Airport.

Website: http://www.arex.or.kr	
Major functions and roles	<ul style="list-style-type: none">Establishment and operation of railroads connecting Incheon International Airport with downtown Seoul for providing people with convenience in accessing the airportSupplementing transport measures for better accessibility to Incheon International Airport and establishment of two-way system for the airport in the national emergency management
Major business	<ul style="list-style-type: none">Passenger transport business: Providing one-stop service from boarding process to consignment of baggage and going through immigration by operating the City Airport TerminalDiversified business: Rental, development of advertisement business and station parking lots, etc.
Management goals and strategies	<ul style="list-style-type: none">Strong and efficient company management to respond to environmental changesCreating values in core and related businessesRealization of mutual growth culture with forming a social community in harmonyOptimization of safetymanagement, making maintenance more efficientMaximization of management performances by establishing a company-wide innovative cultureRealization of management with customer happiness and giving customers satisfaction and trustSettlement of ethical management by carrying out anti-corruption activities
Major activities and performances for sustainability management in 2013	<p>Made partnership contract with Incheon Seobu Police Station for "Mideumi Service" for women to go home safe (October)</p> <p>Appointed as the best institution for the development of human resources by the Ministry of Employment and Labor (September)</p> <p>Donated 900 books to Yongyu Elementary School, located in the vehicle base (May)</p> <p>Signed a contract for service with affiliates of Airport Railroad (February)</p>



KORAIL Tourism Development was founded in August 2004 with the aim of providing customers with better tourism service by the synergy effect between railroad infrastructure of KORAIL and private management knowhow of Lotte Tourism Corporation. The company aims to grow into the best tourism and leisure company by achieving its vision of luxurious railroad tourism and first-tier railroad service.

Website: http://www.korailtours.com	
Major functions and roles	<ul style="list-style-type: none">Tourism with utilizing railroads and theme park businessEstablishment and operation of tourism infrastructure with connecting local governmentsSales in trains and providing services
Major business	<ul style="list-style-type: none">Tourism business: Domestic and overseas tourism business (Railroad, marine transport, air transport, Railtel, etc.)PCO business: Planning and carrying out various domestic and overseas events including convention business, exhibition and expoTheme park business: Railbike, ocean railroad, café, cafeteria, foods and beverage, lodging in the train, etc.Attendance service (Attendants): Attendance service business for KTX and SaemaetulDistribution and servicebusiness: Sales service in trains (Train cafes for KTX, Saemaetul and Mugunghwa)
Management goals and strategies	<ul style="list-style-type: none">Improvement of the living quality of the people by providing luxurious railroad tourism and services continuouslyContribution to the national economy by conducting railroad-related businesses efficientlyDeveloping luxurious railroad tourism products continuously with the aim of establishing a national image as a tourist attractionExpanding and developing theme park business locations continuously by utilizing waste tracks and resources proactivelyAchieving the goal for the best national railroad by providing services with sincere heartsMaximizing profits by finding and carrying out railroad-related businesses continuously and aggressively
Major activities and performances for sustainability management in 2013	<p>Awards for the Best Example of Cooperation between Private Sector and Government (Train for traveling eight major markets in Korea) for 2013 (December)</p> <p>Awards of the Minister of Industry, Trade and Energy in the Innovative Company Awards by the Korea Chamber of Commerce and Industry for 2013 (November)</p> <p>Launched the KORAIL Tourism Development Volunteer Group (October)</p> <p>Awards of the Prime Minister for the Contribution to Success of Yeosu Expo (January)</p>



KORAIL Tech was founded in December 2004 with the aim of contributing to the development of the railroad technology sector. The company has strived to secure customer safety and convenience with experts and equipment related to railroad facilities, electricity, and vehicles and will lead the railroad technology sector in the future.

Website: http://www.korailtech.kr	
Major functions and roles	<ul style="list-style-type: none">• Managing personnel efficiently as part of measures for innovation for railroad structure and improving management by KORAIL• Stable maintenance of railroad facilities and performing consignment outsourcing tasks such as repairing KTX vehicles
Major business	<ul style="list-style-type: none">• Security business: Security for major facilities and railroad crosswalks• Diversified business: Constructing the railroad tracks and maintenance of the existing high-speed line, diagnosis for facility safety• Electricity business: Subcontracting business for maintenance of railroad electricity facilities, business regarding electricity facilities, design and supervision, information communication technology construction, firefighting-related construction• Vehicle business: Business for repairing the KTX vehicles and chairs on general trains, repairing business for city railroad vehicles and overseas railroads
Management goals and strategies	<ul style="list-style-type: none">• Professional railroad company with advanced technology and growth competitiveness<ul style="list-style-type: none">- Strategic improvement in the business structure – Securing R&D technology- Development and expansion of high-value added business – Fostering human resources and focusing on jobs- Restructuring the system for investment management – Reinforcement of financial health- Improvement of performance-centered remuneration and welfare – Efficient management of organization by communication- Establishment of safety management system with focusing on prevention
Major activities and performances for sustainability management in 2013	<p>“Event for Donating Briquettes in Love” for 2013 (November)</p> <p>Helping the underprivileged for Harvest Holiday for 2013 (September)</p> <p>Listening to complaints from business sites at Siheung Vehicle Base and advising on the prevention of accidents (May)</p> <p>Spring athletic event for 2013 and activities for environment preservation by all employees (May)</p>



KORAIL Networks was founded in September 2004 with the aim of contributing to the development of the railroad industry by creating added values. The company provides customers with the best service by performing various railroad-related businesses based on railroad, road, communications, finance, and IT.

Website: http://www.korailnetworks.com/	
Major functions and roles	<ul style="list-style-type: none">• Metropolitan railroad, passenger railroad, airport railroad, operation of service for Sinbundang Line• Railroad customer center, K-Water customer center• Development of railroad station plaza and outside parking lots• Transport card, VAN, IT solution• Songnae Station, point, special transport, etc.
Major business	<ul style="list-style-type: none">• Parking business: Providing nationwide parking service by developing and operating railroad parking lots• Service business: Metropolitan railroad, passenger railroad, airport railroad, operation of stations for Sinbundang Line, management of the IT-based integrated facilities, providing one-stop self-ticket service• Customer center business: Customer centers for railroads and K-Water, operation of the customer center for Sinbundang Line• IT business: Distribution of IT solution products, office automation solution, integrated maintenance, stable payment service
Management goals and strategies	<ul style="list-style-type: none">• Advancement of the parking business system and improvement of a profit structure for consignment business• Vitalization of car-sharing business and expansion of calculation business for transport card• Securing service competitiveness by acquiring an external certificate for service• Reinforcement of social responsibilities as a public company (Expansion of recruitment of the disadvantaged, etc.)• Reorganization with focusing on performance for the maximization of business performances• Vitalization of the organism of the company by strengthening a sense of responsibility
Major activities and performances for sustainability management in 2013	<p>Visited the senior living alone at the end of year (December)</p> <p>Held an event for sharing love at the railroad customer center (December)</p> <p>Awards by the Mayor of Daejeon City for the railroad customer center (November)</p> <p>Held a proclamation ceremony for the introduction of Consumer-centered Management (CCM) (September)</p>

Registered Committees and Groups / Award Records

Domestic	International
<ul style="list-style-type: none">• Public Innovation Forum• PATA (Pacific Asia Travel Association) Korea Office• Public Organization Audit Innovation Forum• Korea Electric Rail Technology Association• Seoul Administration Academy• Korea Management Association• Audit Association• Korea Transportation Academy• Korea Standard Association• UN Global Compact Korea Council• Korea Administration Academy• Korea Association for Policy Studies• Korea Railroad Academy• Public Enterprise Academy• Railroad Industry Committee• Korea Integrated Logistics Association• Korea Knowledge Management Academy• Korea Productivity Center• The Organization of Consumer Affairs Professionals	<ul style="list-style-type: none">• UN Global Compact• UIC (International Union of Railways)• Affiliated Member of the OSJD (Organisation for Co-Operation between Railways)• WCRR (World Congress of Railway Research)• SGS• 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)

Awards for Sustainability management Performances for 2013

- Best Award in the innovation management sector for 2013 National Brand Best Awards (3 years in a row)
- Best Award in the sustainability report sector for 2013 Spotlight Awards by the LACP (3 years in a row)
- Third place in the innovation sector for 2013 CRRA (Corporate Register Reporting Awards)
- Award for the Best Sustainability Report (KRCA) in 2013 Korea Sustainability Contest by Korea Standards Association (2 years in a row)
- Best Award for Social Contribution in the 12th Global Standard Management Best Awards (3 years in a row)
- Special Award for Opening Carbon Reduction in the voluntary participation sector by the CDP (Carbon Disclosure Project) Korea Committee
- Acquired the certificate for carbon reduction labeling in Seoul-Sinchang Route of the Nuriro
- Award in the institution sector for the 3rd Climate Change Grand Leaders Awards
- Best Award for Opening Environmental Information by the Ministry of Environment
- Gyeongchun ITX-Cheongchun (from Sangbong to Chuncheon) was appointed as the Best Green Product for 2013
- Best Award for the Presentation Contest for the Best Examples of Public Institutions Purchasing Green Products by the Ministry of Environment
- Best Award in the large company sector for the Presentation Contest for the Best Examples in Safety and Health Activities in 2013
- Awards for Best (Myeongpum Maru for SMEs) and Participation Prize (O, V Train) for the BP Contest by the Ministry of Land, Infrastructure, and Transport
- Commendation by the Minister of Science, ICT and Future Planning for the 1st Software Industry Protection Awards
- Award for printing the company's newsletter in the public institution sector by the Minister of Culture, Sports and Tourism for the 23rd Korea Communication Awards
- Best Award in the Internet communication among public institutions for the 6th Korea Internet Communication Awards
- Award by the Ministry of Land, Infrastructure, and Transport for 2013 Contest for Best Examples of the Enhancement of National Sceneries
- Presidential citation for the design management sector in 2013 Korea Design Management Best Awards
- Award for promotion celebrating 2013 by the Ministry of Patriots' and Veterans' Affairs
- Achievement award for public design by Korean Society of Public Design

ISO 26000 Compliance Diagnosis Report



Dear KORAIL Management and Stakeholders,

Diagnosis Standards

The Korean Standards Association has developed the “Checklist for Diagnosis for Implementation of Social Responsibility” in accordance with the ISO 26000 international standards for social responsibility. The ISO 26000 Checklist contains the diagnosis for performance in implementing the process for social responsibilities and seven major issues (Organization governance, human rights, environment, labor practice, fair management practice, consumer issues, participation and development in local communities). The Korean Standards Association has diagnosed the level of implementing social responsibilities by KORAIL in accordance with the ISO 26000 Checklist.

Diagnosis Scope

The Korean Standards Association has conducted checks for internal and external activities and mid and long-term strategies by KORAIL, social responsibility activities, and processes for implementing sustainability management strategies. The result of the diagnosis has been estimated by reviewing internal documents on relevant policies and activities, performance data, and calculation system.

Diagnosis Methods

The Korean Standards Association has performed the first stage of diagnosis with internal stakeholders in each department regarding the publication of the sustainability report. For the second diagnosis, the verification team visited the KORAIL headquarters, checked the internal documents for assessment, and conducted interviews with the staff in charge.

Diagnosis Result

KORAIL has acquired a score of 930 out of 1,000, which qualifies for the IV level of the ISO 26000 social responsibility implementation. This indicates that the level of awareness for implementing social responsibilities amount members of the company is very high and the operational system, policies, and practices are well designed.

KORAIL Management and Stakeholders

Major Issue	Total Score	Diagnosis Score
Process	360	308
Performance	640	595
Total	1000	903

I. Diagnosis for Social Responsibility Process: Score of 308 out of 360 in total

KORAIL has realized the company’s willingness to carry out sustainability management with its vision, “KORAIL for the Happiness of All,” and its mission, “Korean Railway Devoted to People, the World and the Future.” Although the overall level of awareness for social responsibility and communication with stakeholders are good, the establishment of strategies and the system for implementation need to be improved. We suggest that KORAIL should develop a system that integrates sustainability and social responsibility in the management strategy system and establish the performance management system for sustainability management in accordance with the seven major themes of ISO 26000.

Diagnosis for Process

8-stage Process	Achievement (%)
Awareness for Social Responsibility	88.0
Identification of Stakeholders and their Engagement	90.0
Analysis of Major Issues and Themes	93.3
Establishment of Priorities, Strategies, and Plans	80.0
Practice	85.0
Communication	80.0
Verification	86.7
Improvement	85.9

II. Diagnosis for the Seven Major Themes: Score of 595 out of 640

In terms of the level of implementing the seven major themes of ISO 26000, KORAIL indicates a good level of implementation in general. It has been estimated that KORAIL shows great performance in human rights, fair management practice, consumer issues, and participation and development for local communities.

Diagnosis Result for Major Themes

Seven Major Themes	Achievement (%)
Organization Governance	90.0
Human Rights	96.6
Labor Practice	96.9
Environment	91.4
Fair Management Practice	97.4
Consumer Issues	92.9
Participation and Development for Local Communities	93.8

III. Recommendations for the Improvement in Each Theme

Recommendations for the improvement in accordance with the result of a specific diagnosis for each theme are as follows.

① Organization Governance

KORAIL has supported the decision-making process for major current issues by operating professional small committees within the Board of Directors and reinforced professionalism by appointing experts in various sectors as non-executive directors. To enhance the level of sustainability in the company for the future, we recommend that KORAIL establish the sustainability management committee as a small committee within the Board of Directors and support the decision-making process for social responsibility in the supreme decision-making department.

② Human Rights

It has been assessed that KORAIL has stipulated the protection of human rights, equal employment, and prohibition of discrimination in the personnel regulations and ethical code of conduct, and its system for dealing with complaints regarding human rights is systematized. We recommend that KORAIL expand the actual inspection of human rights practices by partner companies and affiliates in the future and gradually reduce the demands for temporary workers.

③ Labor Practice

It has been shown that KORAIL has strived to reduce railroad accidents and supports mental health of employees by establishing the Human Safety Center. However, KORAIL needs to create a corporate culture in harmony by having conversations and communicating between labor unions and the management continuously so as not to cause public inconvenience due to railroad strikes.

④ Environment

KORAIL has put great efforts in reducing greenhouse gas and energy consumption by emphasizing the role of railroad as an eco-friendly transportation means. It has been assessed in a positive way that KORAIL has acquired carbon reduction labels for Nuriro and has been appointed as a best company for CDP climate change response. We recommend that KORAIL should reinforce the management and supervision for soil pollution in railroad sites in the future and performs businesses for improving the environment more aggressively.

⑤ Fair Management Practice

Proactive activities by KORAIL for mutual cooperation, such as the operation of “MyeongpumMaru” for SMEs and entering the overseas market with SMEs, have been estimated as good. Policies and systems regarding anti-corruption are well established and the level of ethical awareness of executives and staff members is relatively high. However, we suggest that KORAIL should carry out supervision

and management more thoroughly and reinforce internal awareness to root out unethical behavior, which has happened intermittently.

⑥ Consumer Issues

KORAIL has strived to achieve customer satisfaction by providing customized services, such as transfer service connecting with other transportation means and creating a pleasant station environment, and committed great efforts in realizing transport welfare for the people by reinforcing public services. We recommend that KORAIL strengthen support for customer safety and health by establishing the railroad system without any faults and improve the railroad service for vulnerable groups, such as the disabled, senior and infirm.

⑦ Participation and Development for Local Communities

KORAIL has contributed to the development of local communities by establishing the five tourism belts and created a new tourism culture. All executives and staff members have proactively participated in social contribution activities, and it has been estimated that the “Happy Train” and the program for self-help by the homeless are the best examples for social contribution. We recommend that KORAIL should diversify channels for securing the funds for social contribution and reinforce the activities in the health sector to enhance the health of local community residents.

Diagnosis Result

After the diagnosis for responding to the ISO 26000, KORAIL has acquired a score of 903 out of 1,000, and it has been assessed that KORAIL is at the SR IV level. KORAIL is promoting social responsibility activities throughout all stages of the company, and the levels of implementation in human rights, fair management practice, consumer issues, participation and development of local communities have been estimated as good. We suggest that KORAIL operate the themes and principles regarding social responsibility by integrating them into the company’s strategies for unique businesses to realize the public objectives as a professional company for railroad operation in accordance with the ISO 26000 Standards.



May 1, 2014

Acting President, , the Korean Standards Association Kim, Moo Hong

Moo Hong Kim

Third Party’s Assurance Statement

To the Readers of KORAIL Sustainability Report 2013:

Foreword

Korea Management Association Registration and Assessments (KMAR) has been requested by Korea Railroad Corporation (KORAIL) to verify the contents of its Sustainability Report 2013 (the Report). KORAIL is responsible for the collection and presentation of information included in the Report. Our responsibility is to carry out assurance engagement on specific information in the assurance scope stipulated below.

Our independence

With the exception of providing third party assurance services, KMAR is not involved in any other KORAIL business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

Scope and standard

KORAIL describes its efforts and achievements of the sustainability activities in the Report. KMAR performed a type 2, moderate level of assurance using AA1000AS (2008) as an assurance standard. That is, the assurance team assessed whether inclusivity, materiality, and responsiveness were observed, and verified the followings to assess the reliability of the assertions and performances specified in the Report.

- Assurance of the economic section:
Reviews whether the financial performance data has been extracted appropriately from KORAIL's 2013 financial statements and public notification data
- Assurance of the environmental and social section:
Reviews whether the environmental and social information included in the Report is presented appropriately

“Appropriately presented” means that the original data and information are reported appropriately in the Report with consistency and reliability.

The team checked whether the Report has been prepared in accordance with the requirements of the ‘Core Option’ of GRI G4 which cover the followings.

- Reporting Principles
- General Standard Disclosures
- Specific Standard Disclosures
 - Generic DMA of each of following material aspects
 - Economic Performance: EC1
 - Market Presence: EC5
 - Indirect Economic Performance: EC7
 - Energy: EN3
 - Water: EN10
 - Emissions: EN15, EN16
 - Effluents and Waste: EN23
 - Compliance: EN29
 - Employment: LA2
 - Labor/Management Relations: LA4
 - Occupational Health and Safety: LA7
 - Training and Education: LA10
 - Diversity and Equal Opportunity: LA12
 - Labor Practices Grievance Mechanisms: LA16
 - Local Communities: SO1
 - Anti-corruption: SO4
 - Compliance: SO8
 - Customer Health and Safety: PR2
 - Product and Service Labeling: PR5
 - Marketing Communication: PR6
 - Customer Privacy: PR8

Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, KMAR's assurance team has carried out an assurance engagement as follows:

- Reviewed data management systems and reporting processes
- Assessed internal documents and materials
- Interviewed people in charge of preparing the Report

Conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with KORAIL on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents related to the compliance with the principles in the Report.

- Inclusivity
Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.
 - KORAIL is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder group left out during this procedure.
- Materiality
Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.
 - KORAIL is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.

- Responsiveness
Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through

decisions, actions, and performance, as well as communication with stakeholders.

- The assurance team could not find any evidence that KORAIL's counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the ‘Core Option’ of GRI G4.

Recommendation for improvement

We hope KORAIL's publication of the Report is actively used as a communication tool with stakeholders and recommend the following for improvements.

- KORAIL is required to improve the currently applied process for defining report content into an original process according to the circumstances and characteristics of KORAIL.
- KORAIL is required to prepare the Report in more balanced manner.



19 May 2014

CEO Ki Ho Park

K. H. Park

GRI G4 / ISO 26000 Index

GENERAL STANDARD DISCLOSURES							
GRI G4		ISO 26000		Page	External Assurance		
Strategy and Analysis							
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	4.7/6.2/7.4.2	Respect for international norms of behaviour/Organizational governance/ Setting the direction of an organization for social responsibility	2-3	92-93		
Organizational Profile							
G4-3	Report the name of the organization	6.3.10/ 6.4.1-6.4.2/ 6.4.3/6.4.4/ 6.4.5/6.8.5/7.8	Fundamental principles and rights at work/Labour practices/Employment and employment relationships/Conditions of work and social protection/Social dialogue/Employment creation and skills development/Voluntary initiatives for social responsibility	10	92-93		
G4-4	Report the primary brands, products, and services.			13-15	92-93		
G4-5	Report the location of the organization's headquarters.			10	92-93		
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.			12	92-93		
G4-7	Report the nature of ownership and legal form.			12	92-93		
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).			13-15	92-93		
G4-9	Report the scale of the organization, including: - Total number of employees - Total number of operations - Net sales (for private sector organizations) or net revenues (for public sector organizations) - Total capitalization broken down in terms of debt and equity (for private sector organizations) - Quantity of products or services provided			10, 39	92-93		
G4-10	a. Report the total number of employees by and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).			39, 84	92-93		
G4-11	Report the percentage of total employees covered by collective bargaining agreements.			43	92-93		
G4-12	Describe the organization's supply chain.			12, 56-60	92-93		
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: - Changes in the location of, or changes in, operations, including facility openings, closings, and expansions - Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) - Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination			No changes	92-93		
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.			20-21	92-93		
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.			89	92-93		
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: - Holds a position on the governance body - Participates in projects or committees - Provides substantive funding beyond routine membership dues - Views membership as strategic			89	92-93		
Identified Material Aspects and Boundaries							
G4-17	*List all entities included in the organization's consolidated financial statements or equivalent documents. *Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.			5.2/7.3.2/ 7.3.3/7.3.4		About This Report	92-93

Identified Material Aspects and Boundaries		ISO 26000		Page	External Assurance
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	5.2/7.3.2/ 7.3.3/7.3.4		26-29	92-93
G4-19	List all the material Aspects identified in the process for defining report content.			28	92-93
G4-20	For each material Aspect, report the Aspect Boundary within the organization, as follows: * Report whether the Aspect is material within the organization * If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: - The list of entities or groups of entities included in G4-17 for which the Aspect is not material or - The list of entities or groups of entities included in G4-17 for which the Aspects is material * Report any specific limitation regarding the Aspect Boundary within the organization	5.2/7.3.2/ 7.3.3/7.3.4	Recognizing social responsibility/ Determining relevance and significance of core subjects and issues to an organization/An organization's sphere of influence/Establishing priorities for addressing issues	28	92-93
G4-21	For each material Aspect, report the Aspect Boundary outside the organization, as follows: - Report whether the Aspect is material outside of the organization - If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified - Report any specific limitation regarding the Aspect Boundary outside the organization			28	92-93
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.			About This Report	92-93
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.			About This Report	92-93
Stakeholder Engagement					
G4-24	Provide a list of stakeholder groups engaged by the organization.	5.3	Stakeholder identification and engagement	22-23	92-93
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.			22-23	92-93
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.			22-23	92-93
G4-27	Report 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. Report the stakeholder groups that raised each of the key topics and concerns.			22-23	92-93
Report Profile					
G4-28	Reporting period (such as fiscal or calendar year) for information provided.			About This Report	92-93
G4-29	Date of most recent previous report (if any).			About This Report	92-93
G4-30	Reporting cycle (such as annual, biennial).			About This Report	92-93
G4-31	Provide the contact point for questions regarding the report or its contents.			About This Report	92-93
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	7.5.3/7.6.2	Types of communication on social responsibility/Enhancing the credibility of reports and claims about social responsibility	About This Report	92-93
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.			About This Report	92-93
Governance					
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	6.2/7.4.3/7.7.5	Organizational governance/ Building social responsibility into an organization's governance, systems and procedures/ Improving performance	18-19	92-93
Ethics and Integrity					
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	4.4/6.6.3	Ethical behaviour/Anti-corruption	46	92-93

SPECIFIC STANDARD DISCLOSURES							
Material Aspects	DMA and Indicators		ISO 26000		Page	Omissions	External Assurance
Category: Economic							
Economic Performance	Generic DMA				68		92-93
	G4-EC1	Direct Economic Value Generated and Distributed	6.8.1-6.8.2/ 6.8.3/ 6.8.7/6.8.9	Community involvement and development/Community involvement/Wealth and income creation/Social investment	69, 83		92-93
	G4-EC2	Financial Implications and other Risks and Opportunities for The Organization's Activities Due to Climate Change	6.5.5	Climate change mitigation and adaptation	75-78		
Indirect Economic Impacts	Generic DMA				68		92-93
	G4-EC7	Development and Impact of Infrastructure Investments and Services Supported	6.3.9/ 6.8.1-6.8.2/ 6.8.7/ 6.8.9	Economic, social and cultural rights/Community involvement and development/Wealth and income creation/Social investment	69-72		92-93
	G4-EC8	Significant Indirect Economic Impacts, Including the Extent of Impacts	6.3.9/6.6.6/ 6.6.7/6.7.8/ 6.8.1-6.8.2/ 6.8.5/6.8.7/ 6.8.9	Economic, social and cultural rights/Promoting social responsibility in the value chain/Respect for property rights/ Access to essential servicesCommunity involvement and development/Employment creation and skills development/ Wealth and income creation/Social investment	69-72		
Category: Environmental							
Energy	Generic DMA				75		92-93
	G4-EN3	Energy Consumption Within the Organization	6.5.4	Sustainable resource use	77		92-93
	G4-EN4	Energy Consumption Outside of the Organization			77		
	G4-EN5	Energy Intensity			77		
	G4-EN6	Reduction of Energy Consumption	6.5.4/6.5.5	Sustainable resource use/Climate change mitigation and adaptation	78-79		
	G4-EN7	Reductions in Energy Requirements of Products and Services			78-79		
Water	Generic DMA				75		92-93
	G4-EN8	Total Water Withdrawal by Source	6.5.4	Sustainable resource use	80		
	G4-EN9	WATER SOURCES SIGNIFICANTLY AFFECTED BY WITHDRAWAL OF WATER			80		
	G4-EN10	PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED			80	92-93	
Emissions	Generic DMA				75		92-93
	G4-EN15	DIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 1)	6.5.4	Climate change mitigation and adaptation	76-77		92-93
	G4-EN16	Energy Indirect Greenhouse GAS(GHG) Emissions(Scope 2)			76-77		92-93
	G4-EN17	Other Indirect Greenhouse GAS(GHG) Emissions(Scope 3)			76-77		
	G4-EN18	Greenhouse GAS(GHG) Emissions Intensity			77		
	G4-EN19	Reduction of Greenhouse GAS(GHG) Emissions			76-78		
	G4-EN20	Emissions of Ozone-Depleting Substances(ODS)	6.5.3/6.5.5	Prevention of pollution/Climate change mitigation and adaptation	-	Not Applicable	
	G4-EN21	NOX, SOX, and Other Significant air Emissions	6.5.3	Prevention of pollution	80		
Effluents and Waste	Generic DMA				75		92-93
	G4-EN22	Total Water Discharge by Quality and Destination	6.5.3/6.5.4	Prevention of pollution/Sustainable resource use	80		
	G4-EN23	Total Weight of Waste by Type and Disposal Method	6.5.3	Prevention of pollution	81	www.allbaro.or.kr	92-93
	G4-EN24	Total Number and Volume of Significant Spills			-	Not occurred	
	G4-EN25	Weight of Transported, Imported, Exported, or Treated Waste Deemed Hazardous Under the Terms of the Basel Convention2 Annex I, II, III, and VIII, and Percentage of Transported Waste Shipped Internationally			-	Not Applicable	

KORAIL SUSTAINABILITY OVERVIEW		People – We Make Better Lives	World – We Dream of the World with You	Future – We Work toward a Sustainable Future	Appendix		
Material Aspects	DMA and Indicators		ISO 26000		Page	Omissions	External Assurance
Effluents and Waste	G4-EN26	Identity, Size, Protected Status, and Biodiversity Value of Water Bodies and Related Habitats Significantly Affected by the Organization's Discharges of Water and Runoff	6.5.3/6.5.4/6.5.6	Prevention of pollution/Sustainable resource use/Protection of the environment, biodiversity and restoration of natural habitats	80		
Compliance	Generic DMA				75		92-93
	G4-EN29	Monetary Value of Significant Fines and Total Number of Non-Monetary Sanctions for Non-Compliance With Environmental Laws and Regulations	4.6	Respect for the rule of law	-	Not occurred	92-93
Category: Social							
Sub-Category: Labor Practice and Decent Work							
Employment	Generic DMA				38		92-93
	G4-LA1	Total Number and Rates of New Employee Hires and Employee Turnover by Age Group, Gender and Region	6.4.3	Employment and employment relationships	39, 84		
	G4-LA2	Benefits Provided to Full-Time Employees that are not Provided to Temporary or Part-Time Employees, by Significant Locations of Operation	6.4.4/6.8.7	Conditions of work and social protection/Wealth and income creation	41-43		92-93
	G4-LA3	Return to Work and Retention Rates After Parental Leave, by Gender	6.4.4	Conditions of work and social protection	41		
Labor/ Management Relations	Generic DMA				38		92-93
	G4-LA4	Minimum Notice Periods Regarding Operational Changes, Including Whether these are Specified in Collective Agreements	6.4.3/6.4.5	Employment and employment relationships/Social dialogue	43		92-93
Occupational Health and Safety	Generic DMA				50		
	G4-LA5	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	Health and safety at work	54		
	G4-LA6	Type of Injury and Rates of Injury, Occupational Diseases, Lost Days, and Absenteeism, and Total Number of Work-Related Fatalities, by Region and by Gender	6.4.6/6.8.8	Health and safety at work/Health	55		
	G4-LA7	Workers with High Incidence or High Risk of Diseases Related to their Occupation			54-55		92-93
	G4-LA8	Health and Safety Topics Covered in Formal Agreements with Trade Unions	6.4.6	Health and safety at work	54-55		
Training and Education	Generic DMA				38		92-93
	G4-LA9	Average Hours of Ttraining per Year per Employee by Gender, and by Employee Category	6.4.7	Human development and training in the workplace	40		
	G4-LA10	Programs for Skills Managent and Lifelong Learning that Support the Continued Employability of Employees and Assist them in Managing Career Endings	6.4.7/6.8.5	Human development and training in the workplace/Employment creation and skills development	42-43		92-93
	G4-LA11	Percentage of Employees Receiving Regular Performance and Career Development Reviews, by Gender and by Employee Category	6.4.7	Human development and training in the workplace	40-41		
Diversity and Equal Opportunity	Generic DMA				38		92-93
	G4-LA12	Composition of Governance Bodies and Breakdown of Employees per Employee Category According to Gender, Age Group, Minority Group Membership, and other Indicators of Diversity	6.2.3/6.3.7/6.3.10/6.4.3	Decision-making processes and structures/Discrimination and vulnerable groups/Fundamental principles and rights at work/Employment and employment relationships	39, 84		92-93
Labor Practices Grievance Mechanisms	Generic DMA				38		92-93
	G4-LA16	Numer of Grievances about Labor Pratices Filed, Addressed, and Resolved Throught Formal Grievance Mechanisms	6.3.6	Resolving grievances	44		92-93
Sub-Category: Society							
Local Communities	Generic DMA				61		92-93
	G4-S01	Percentage of Operations with Implemented Local Community Engagement, Impact Assessments, and Development Programs	6.3.9/6.5.1-6.5.2/6.5.3/6.8	Economic, social and cultural rights/The environment/Prevention of pollution/Community involvement and development	62-65		92-93
	G4-S02	Operations with Significant Actual and Potential Negative Impacts on Local Communities	6.3.9/6.5.3/6.8	Economic, social and cultural rights/Prevention of pollution/Community involvement and development	80-81		

KORAIL Sustainability Report 2013							
Material Aspects	DMA and Indicators		ISO 26000		Page	Omissions	External Assurance
Anti-corruption	Generic DMA				45		92-93
	G4-S03	Total Number and Percentage of Operations Assessed for Risks Related to Corruption and the Significant Risks Identified	6.6.1-6.6.2/6.6.3	Fair operating practices/Anti-corruption	21, 46-47		
	G4-S04	Communication and Training on Anti-Corruption Policies and Procedures			47, 59		92-93
	G4-S05	Confirmed Incidents of Corruption and Actions Taken			47		
Compliance	Generic DMA				45		92-93
	G4-S08	Monetary Value of Significant Fines and Total Number of Non-Monetary Sanctions for Non-Compliance with Laws and Regulations	4.6	Respect for the rule of law	47		92-93
Sub-Category: Product Responsibility							
Customer Health and Safety	Generic DMA				50		92-93
	G4-PR1	Percentage of Significant Product and Service Categories for which Health and Safety Impacts are Assessed for Improvement	6.7.1-6.7.2/ 6.7.4/ 6.7.5/6.8.8	Consumer issues/Protecting consumers' health and safety/ Sustainable consumption/Health	51-53		
	G4-PR2	Total Number of Incidents of Non-Compliance with Regulations and Voluntary Codes Concerning the Health and Safety Impacts of Products and Services During their Life Cycle, by Type of Outcomes	4.6/6.7.1-6.7.2/ 6.7.4/ 6.7.5/6.8.8	Respect for the rule of law/Consumer issues/Protecting consumers' health and safety/Sustainable consumption/ Health	-	Not occurred	92-93
Product and Service Labeling	Generic DMA				32		92-93
	G4-PR3	Type of Product and Service Information Required by the Organization's Procedures for Product and Service Information and Labeling, and Percentage of Significant Product and Service Categories Subject to Such Information Requirements	6.7.1-6.7.2/ 6.7.3/6.7.4/ 6.7.5/6.7.9	Consumer issues/Fair marketing, factual and unbiased information and fair contractual practices/Protecting consumers' health and safety/Sustainable consumption/ Education and awareness	33-37		
	G4-PR4	Total Number of Incidents of Non-Compliance with Regulations and Voluntary Codes Concerning Product and Service Information and Labeling, by Type of Outcomes	4.6/6.7.1-6.7.2/ 6.7.3/6.7.4/ 6.7.5/6.7.9	Respect for the rule of law/Consumer issues/Fair marketing, factual and unbiased information and fair contractual practices/Protecting consumers' health and safety/ Sustainable consumption/Education and awareness	-	Not occurred	
	G4-PR5	Results of Surveys Measuring Customer Satisfaction	6.7.1-6.7.2/ 6.7.6	Consumer issues/Consumer service, support, and complaint and dispute resolution	33-34		92-93
Marketing Communications	Generic DMA				32		92-93
	G4-PR6	Sale of Banned or Disputed Products	-	-	-	Not Applicable	92-93
	G4-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	4.6/6.7.1-6.7.2/6.7.3	Respect for the rule of law/Consumer issues/Fair marketing, factual and unbiased information and fair contractual practices	-	Not occurred	
Customer Privacy	Generic DMA				32		92-93
	G4-PR8	Total Number of Substantiated Complaints Regarding Breaches of Customer Privacy and Losses of Customer Data	6.7.1-6.7.2/6.7.7	Consumer issues/Consumer data protection and privacy	37		92-93

Reader Feedback Survey

Reader Feedback Survey

KORAIL has published the “2013 KORAIL Sustainability Report” by opening the company’s performances for social responsibility in a transparent manner to communicate with stakeholders more smoothly. We want to hear stakeholders’ opinions by this survey and reflect them to the publication of future sustainability report and management activities, so please send us your opinions.

- # Reader Feedback Survey
- KORAIL has published the “2013 KORAIL Sustainability Report” by communicate with stakeholders more smoothly. We want to hear sta report and management activities, so please send us your opinions.
1. Which of the following stakeholder groups do you belong to?
- ☐ Executive or employee ☐ Shareholder ☐ Financial institution
☐ Customer ☐ Partner company ☐ NGO ☐ Local resident
☐ Academia ☐ Government ☐ Media ☐ Research institute
☐ Others ()

- # Reader Feedback Survey
- KORAIL has published the “2013 KORAIL Sustainability Report” by which we want to communicate with stakeholders more smoothly. We want to hear stakeholder opinions on our report and management activities, so please send us your opinions.
- 1. Which of the following stakeholder groups do you belong to?**
- ☐ Executive or employee ☐ Shareholder ☐ Financial institution
☐ Customer ☐ Partner company ☐ NGO ☐ Local resident
☐ Academia ☐ Government ☐ Media ☐ Research institute
☐ Others ()
- 2. How did you come across this report?**
- ☐ KORAIL website ☐ Media such as newspaper, etc. ☐ Web surfing
☐ Executives or employees of the company ☐ Seminar/Lecture
☐ Others ()

- # Reader Feedback Survey
- KORAIL has published the "2013 KORAIL Sustainability Report" by opening up communication channels to better communicate with stakeholders more smoothly. We want to hear stakeholders' views on our report and management activities, so please send us your opinions.
- 1. Which of the following stakeholder groups do you belong to?**
- ☐ Executive or employee ☐ Shareholder ☐ Financial institution
☐ Customer ☐ Partner company ☐ NGO ☐ Local resident
☐ Academia ☐ Government ☐ Media ☐ Research institute
☐ Others ()
- 2. How did you come across this report?**
- ☐ KORAIL website ☐ Media such as newspaper, etc. ☐ Web surfing
☐ Executives or employees of the company ☐ Seminar/Lecture
☐ Others ()
- 3. What is the purpose of this report to you?
(Multiple answers are allowed.)**
- ☐ To obtain information on KORAIL
☐ To understand KORAIL's sustainability management activities
☐ To compare and analyze the characteristics of the industry in which KORAIL participates
☐ For research and education ☐ Others ()

- # Reader Feedback Survey
- KORAIL has published the “2013 KORAIL Sustainability Report” to communicate with stakeholders more smoothly. We want to hear your report and management activities, so please send us your opinions.
1. Which of the following stakeholder groups do you belong to?
☐ Executive or employee ☐ Shareholder ☐ Financial institution
☐ Customer ☐ Partner company ☐ NGO ☐ Local resident
☐ Academia ☐ Government ☐ Media ☐ Research institute
☐ Others ()
 2. How did you come across this report?
☐ KORAIL website ☐ Media such as newspaper, etc. ☐ Web search
☐ Executives or employees of the company ☐ Seminar/Lecture
☐ Others ()
 3. What is the purpose of this report to you?
(Multiple answers are allowed.)
☐ To obtain information on KORAIL
☐ To understand KORAIL's sustainability management activities
☐ To compare and analyze the characteristics of the industry in which the company participates
☐ For research and education ☐ Others ()
 4. What is your area of interest related to corporate social responsibility? (Multiple answers are allowed.)
☐ Communication with stakeholders ☐ Organization governance
☐ Human rights ☐ Labor practice ☐ Environment
☐ Public operation practice ☐ Consumer issue
☐ Participation and development for local communities

- # Reader Feedback Survey
- KORAIL has published the “2013 KORAIL Sustainability Report” to communicate with stakeholders more smoothly. We hope that you will read the report and management activities, so please send us your feedback.
- 1. Which of the following stakeholder groups do you belong to?**
☐ Executive or employee ☐ Shareholder ☐ Financial institution
☐ Customer ☐ Partner company ☐ NGO ☐ Local community
☐ Academia ☐ Government ☐ Media ☐ Research institute
☐ Others ()
 - 2. How did you come across this report?**
☐ KORAIL website ☐ Media such as newspaper, etc.
☐ Executives or employees of the company ☐ Semi-structured interview
☐ Others ()
 - 3. What is the purpose of this report to you? (Multiple answers are allowed.)**
☐ To obtain information on KORAIL
☐ To understand KORAIL's sustainability management
☐ To compare and analyze the characteristics of the company that participates in the survey
☐ For research and education ☐ Others ()
 - 4. What is your area of interest related to corporate social responsibility? (Multiple answers are allowed)**
☐ Communication with stakeholders ☐ Organization
☐ Human rights ☐ Labor practice ☐ Environment
☐ Public operation practice ☐ Consumer issue
☐ Participation and development for local community
 - 5. What part of this report interested you most? (Multiple answers are allowed.)**
☐ 1. KORAIL SUSTAINABILITY OVERVIEW
☐ 2. People – We Make Better Lives
☐ 3. World – We Dream of the World with You
☐ 4. Future – We Work toward a Sustainable Future

- the company's performances for social responsibility in a transparent manner
opinions by this survey and reflect them to the publication of future sustainability
-
- 6. Which part of this report do you think needs supplementation?
(Multiple answers are allowed.)**
- ☐ 1. KORAIL SUSTAINABILITY OVERVIEW
 - ☐ 2. People – We Make Better Lives
 - ☐ 3. World – We Dream of the World with You
 - ☐ 4. Future – We Work toward a Sustainable Future

- the company's performances for social responsibility in a transparent manner to
opinions by this survey and reflect them to the publication of future sustainability
-
- 6. Which part of this report do you think needs supplementation?**
(Multiple answers are allowed.)
- ☐ 1. KORAIL SUSTAINABILITY OVERVIEW
- ☐ 2. People – We Make Better Lives
- ☐ 3. World – We Dream of the World with You
- ☐ 4. Future – We Work toward a Sustainable Future
- 7. Did this report assist you in understanding KORAIL's sustainability management activities?**
- ☐ Very much ☐ Yes ☐ Only a little ☐ Not so much ☐ Didn't help at all

- the company's performances for social responsibility in a transparent manner to opinions by this survey and reflect them to the publication of future sustainability
-
- 6. Which part of this report do you think needs supplementation?
(Multiple answers are allowed.)**
- ☐ 1. KORAIL SUSTAINABILITY OVERVIEW
- ☐ 2. People – We Make Better Lives
- ☐ 3. World – We Dream of the World with You
- ☐ 4. Future – We Work toward a Sustainable Future
- 7. Did this report assist you in understanding KORAIL's sustainability 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

- the company's performances for social responsibility in a transparent manner to
opinions by this survey and reflect them to the publication of future sustainability
-
- 6. Which part of this report do you think needs supplementation?**
(Multiple answers are allowed.)
- ☐ 1. KORAIL SUSTAINABILITY OVERVIEW
- ☐ 2. People – We Make Better Lives
- ☐ 3. World – We Dream of the World with You
- ☐ 4. Future – We Work toward a Sustainable Future
- 7. Did this report assist you in understanding KORAIL's sustainability 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 sustainability management activities or the overall composition and content of this report.**

e company's performances for social responsibility in a transparent manner to
opinions by this survey and reflect them to the publication of future sustainability

**6. Which part of this report do you think needs supplementation?
(Multiple answers are allowed.)**

☐ 1. KORAIL SUSTAINABILITY OVERVIEW

☐ 2. People – We Make Better Lives

☐ 3. World – We Dream of the World with You

☐ 4. Future – We Work toward a Sustainable Future

7. Did this report assist you in understanding KORAIL’s sustainability 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 sustainability management activities or the overall composition and content of this report.

Real-time

KORAIL
communi
report a

1. Which
☐ Exec
☐ Custo
☐ Acad
☐ Other
2. How
☐ KOR
☐ Exec
☐ Other
3. What
 (Multi
☐ To ob
☐ To un
☐ To co
 partic
☐ For re
4. What
 respon
☐ Com
☐ Hum
☐ Publi
☐ Partic
5. What
 (Multi
☐ 1. KC
☐ 2. Pe
☐ 3. W
☐ 4. Fu

Send to

Reader Feedback Survey

KORAIL has published the “2013 KORAIL Sustainability Report” by opening th
communicate with stakeholders more smoothly. We want to hear stakeholders’ o
report and management activities, so please send us your opinions.

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

☐ Executive or employee ☐ Shareholder ☐ Financial institution
☐ Customer ☐ Partner company ☐ NGO ☐ Local resident
☐ Academia ☐ Government ☐ Media ☐ Research institute
☐ Others ()

2. How did you come across this report?

☐ KORAIL website ☐ Media such as newspaper, etc. ☐ Web surfing
☐ Executives or employees of the company ☐ Seminar/Lecture
☐ Others ()

**3. What is the purpose of this report to you?
(Multiple answers are allowed.)**

☐ To obtain information on KORAIL
☐ To understand KORAIL's sustainability management activities
☐ To compare and analyze the characteristics of the industry in which KORAIL participates
☐ For research and education ☐ Others ()

4. What is your area of interest related to corporate social responsibility? (Multiple answers are allowed.)

☐ Communication with stakeholders ☐ Organization governance
☐ Human rights ☐ Labor practice ☐ Environment
☐ Public operation practice ☐ Consumer issue
☐ Participation and development for local communities

**5. What part of this report interested you most?
(Multiple answers are allowed.)**

☐ 1. KORAIL SUSTAINABILITY OVERVIEW
☐ 2. People – We Make Better Lives
☐ 3. World – We Dream of the World with You
☐ 4. Future – We Work toward a Sustainable Future

Send to

Address: (Postal code: 300-720) 240 Jungang-ro, Dong-gu, Daejeon City, KOREA

Stakeholder Feedback Survey

KORAIL has published the "2013 KORAIL Sustainability Report" by opening the communication with stakeholders more smoothly. We want to hear stakeholders' opinions and management activities, so please send us your opinions.

Which of the following stakeholder groups do you belong to?

☐ Customer or employee ☐ Shareholder ☐ Financial institution
☐ Supplier ☐ Partner company ☐ NGO ☐ Local resident
☐ Academia ☐ Government ☐ Media ☐ Research institute
Others ()

How did you come across this report?

☐ KORAIL website ☐ Media such as newspaper, etc. ☐ Web surfing
☐ Through executives or employees of the company ☐ Seminar/Lecture
Others ()

What is the purpose of this report to you?
(Multiple answers are allowed.)

☐ Obtain information on KORAIL
☐ Understand KORAIL's sustainability management activities
☐ Compare and analyze the characteristics of the industry in which KORAIL operates
☐ Research and education ☐ Others ()

What is your area of interest related to corporate social responsibility? (Multiple answers are allowed.)

☐ Communication with stakeholders ☐ Organization governance
☐ Human rights ☐ Labor practice ☐ Environment
☐ Business operation practice ☐ Consumer issue
☐ Participation and development for local communities

What part of this report interested you most?
(Multiple answers are allowed.)

☐ KORAIL SUSTAINABILITY OVERVIEW
☐ People – We Make Better Lives
☐ World – We Dream of the World with You
☐ Future – We Work toward a Sustainable Future

Address: (Postal code: 300-720) 240 Jungang-ro, Dong-gu, Daejeon City, KOREA,
Creation Management Department, Management Innovation Office, KORAIL

Reader Feedback Survey

KORAIL has published the “2013 KORAIL Sustainability Report” by opening the company’s performances for social responsibility. We want to communicate with stakeholders more smoothly. We want to hear stakeholders’ opinions by this survey and reflect them to our sustainability report and management activities, so please send us your opinions.

- Which of the following stakeholder groups do you belong to?**
☐ Executive or employee ☐ Shareholder ☐ Financial institution
☐ Customer ☐ Partner company ☐ NGO ☐ Local resident
☐ Academia ☐ Government ☐ Media ☐ Research institute
☐ Others ()
- How did you come across this report?**
☐ KORAIL website ☐ Media such as newspaper, etc. ☐ Web surfing
☐ Executives or employees of the company ☐ Seminar/Lecture
☐ Others ()
- What is the purpose of this report to you?
(Multiple answers are allowed.)**
☐ To obtain information on KORAIL
☐ To understand KORAIL’s sustainability management activities
☐ To compare and analyze the characteristics of the industry in which KORAIL participates
☐ For research and education ☐ Others ()
- What is your area of interest related to corporate social responsibility? (Multiple answers are allowed.)**
☐ Communication with stakeholders ☐ Organization governance
☐ Human rights ☐ Labor practice ☐ Environment
☐ Public operation practice ☐ Consumer issue
☐ Participation and development for local communities
- What part of this report interested you most?
(Multiple answers are allowed.)**
☐ 1. KORAIL SUSTAINABILITY OVERVIEW
☐ 2. People – We Make Better Lives
☐ 3. World – We Dream of the World with You
☐ 4. Future – We Work toward a Sustainable Future
- Which part of this report do you think is most important?
(Multiple answers are allowed.)**
☐ 1. KORAIL SUSTAINABILITY OVERVIEW
☐ 2. People – We Make Better Lives
☐ 3. World – We Dream of the World with You
☐ 4. Future – We Work toward a Sustainable Future
- Did this report assist you in understanding sustainability management activities?**
☐ Very much ☐ Yes ☐ Only a little ☐ No
- What is your opinion of this report?**
Comprehensiveness of information
☐ Very satisfactory ☐ Satisfactory ☐ Only a little ☐ Not satisfactory
Accuracy of information
☐ Very satisfactory ☐ Satisfactory ☐ Only a little ☐ Not satisfactory
Amount of information
☐ Very satisfactory ☐ Satisfactory ☐ Only a little ☐ Not satisfactory
Design
☐ Very satisfactory ☐ Satisfactory ☐ Only a little ☐ Not satisfactory
- Please let us know if you have any comments about the sustainability management activities or content of this report.**

Send to _____

Address: (Postal code: 300-720) 240 Jungang-ro, Dong-gu, Daejeon City, KOREA,
 Creation Management Department, Management Innovation Office, KORAIL

Telephone: 042-615-3203 **Fax:** 02-361-8278 **Website:** http://www.korail.com **E-mail:** sustainability@korail.com