

UNLIMITED Earth

KORES Sustainability Value Report 2013



About This Report

Significance

This is KORES' sixth Sustainability Value Report. It contains our continuous efforts and performances in the aspects of economy, society, and environment, in which stakeholders' interest in our sustainability management activities collected through surveys were also reflected. We will continue to communicate with our stakeholders through publishing the annual sustainability value report.

Reporting Period and Scope

This report covers KORES' performances and activities for sustainability management from January 1 through December 31, 2013, and to provide time-series trends, the data of the three most recent fiscal years were utilized. The scope of this report includes our headquarters and domestic offices in principle, but in some performances reporting, overseas project sites have been included.

Reporting Principles and Guidelines

The report was prepared in accordance with the ten key principles of the UN Global Compact

Additional Information

Additional information is available on our homepage (www.kores.or.kr). For further questions or comments on the report, feel free to contact us via the following :

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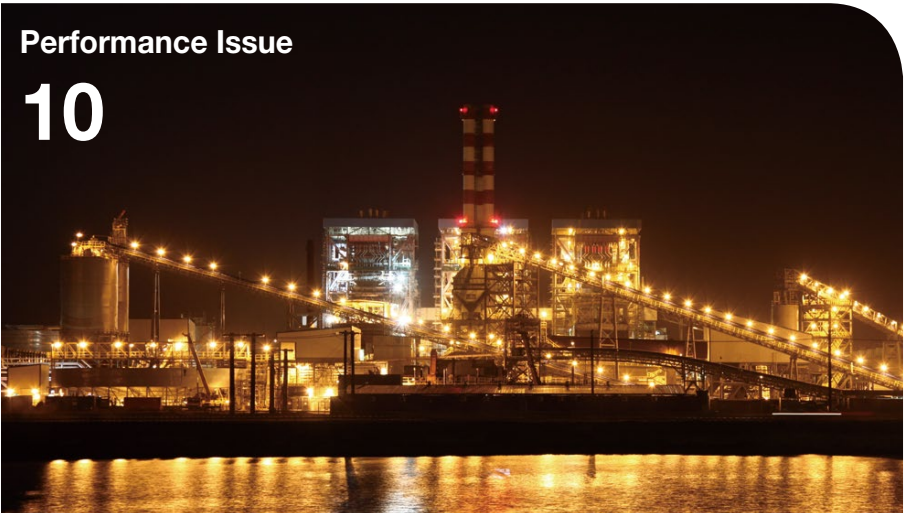
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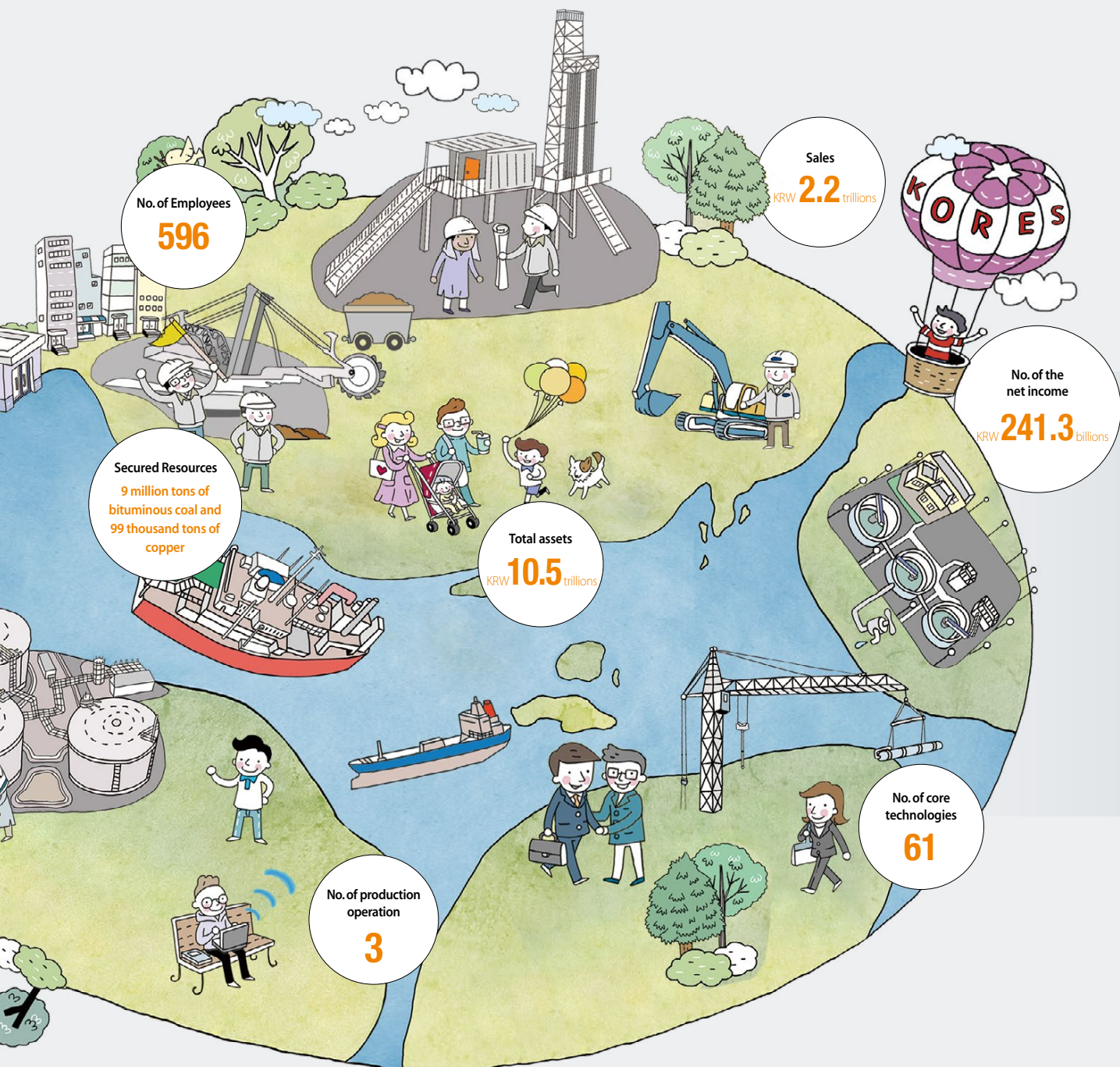
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KORES aims to quantum leap into a global resource development company through achieving success in the operation business by 2020.



At KORES, we have reset our corporate vision to 'Go! KORES 2020.' It reveals our fundamental commitment. Here, 'GO' is the abbreviation for 'Global Operator.' KORES aims to be at the forefront in expanding overseas development and wishes to establish a stable and active global operation over the next few years. The '2020' implies to our promise to grow as one of the world's top 20 players in resource development in the global market and make Korea rich in resources.

2013 Highlights

① Completed 99.4% of the plant construction for the Boleo project

The Boleo project has been 99.4% (as of Oct. 2014) completed in the plant construction in two years after the acquisition of operation rights. It has been faced various challenges in the initial stage such as funding failure, lack of experience, and construction delay. Upon the completion, we plan to supply ore through underground and strip mines.

② Acheived commercial production at the Ambatovy project site

The Ambatovy project site has achieved commercial production with sharply increasing local production volume and imports to the domestic market. In 2013, nickel production volume increased 361% from the previous year to 25,069 tons. The amount of nickel brought into the domestic market will steadily rise backed by stabilizing the production system.

③ Turned a profit through management stabilization

Our net profit turned into a surplus with KRW 18.9 billion in 2013 compared to a loss of KRW 21.2 billion in 2012 backed by reducing debt-to-equity, operating cost cut, and other significant efforts.

④ Leading the Industry Innovation Movement 3.0 for win-win growth

As part of the Industry Innovation Movement 3.0, KORES is participating in the Happy CEO Project and Mining Neighborhood Project. To thrive for win-win growth within the industry, we actively support the domestic small and medium mining companies in the aspects of technology, innovation and performance sharing.

⑤ CSR activities with the largest Korean NGO, Good Neighbors

In collaboration with Good Neighbors, we started a global CSR project to train local communities with appropriate technologies that will help them to financially self-support and earn more money. To implement this project, we donated 100 regenerators in 5 cities in Mongolia including Ulaanbaatar.



① Completed 99.4% of the plant construction for the Boleo project



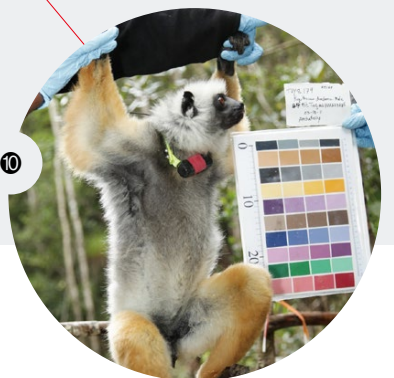
④ Leading the Industry Innovation Movement 3.0 for win-win growth



⑧ Certified as "Family-friendly Enterprise"



② Began commercial production at the Ambatovy project site



⑩ Accumulated USD 75 million for environmental protection in Madagascar

⑥ AAA rating in KoBEX SM for four consecutive years

We gained 91.3 points, equivalent to AAA rating, in KoBEX SM* in 2013 which was jointly organized by the Ministry of Trade, Industry & Energy and the Institute for Industrial Policy Studies. We have achieved this rating for four consecutive years.

* KoBEX SM(Korea Business Ethics Index-Sustainability Management)

⑦ New salary system for all employees

At KORES, we established a new salary system for all employees within the company. We are also motivating our employees in various ways and make sure that there are no employees getting free rides.

⑧ Certified as "Family-friendly Enterprise"

KORES is building a work-life balance culture where we encourage flexible use of vacations, child-care policy, maternity period, and working hours. In recognition of these efforts, we were certified with the "Family-friendly Enterprise" by the Ministry of Gender Equality and Family of Korea.

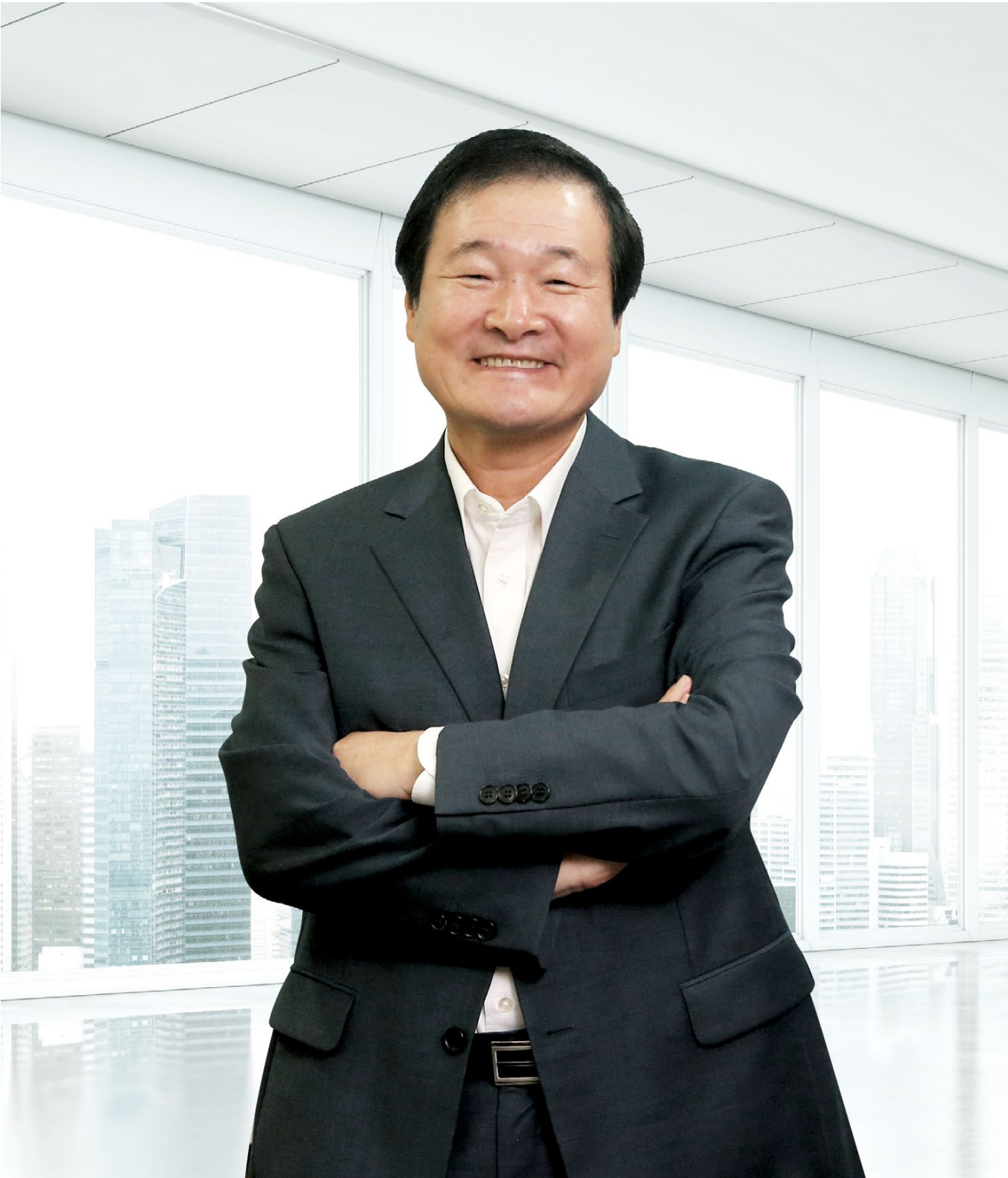
⑨ Transfer of airborne magnetic exploration technology to private companies

We succeeded in developing independent 3D investigation data processing technology. We delivered the relevant software and technology for exploration management, 3D modeling inverse analysis and visualization to four small enterprise that signed MOUs on performance sharing with us at a 1/10 price of what foreign companies offer.

⑩ Accumulated USD 75 million for environmental protection in Madagascar

We opened an L/C for environmental protection to ensure eco-friendly implementation of the Ambatovy project. As of the end of 2013, USD 75 million was accumulated. This money and allowances for environmental restoration will be used for the environmental protection activities in Madagascar.

CEO Message



We will continue to strengthen our capability to ensure sustainability.

Dear Stakeholders of Korea Resources Corporation (KORES),

I take this opportunity to express our deepest appreciation for your continued support and interests towards KORES. At KORES, we recently created a new vision 'GO! KORES 2020' to show our commitment towards reaching the global top 20 mining company by 2020's. Today, global corporations are not solely evaluated by financial factors, such as revenue and market share but also by on how sustainability activities are implemented while taking a win-win approach with the local communities. Our views are very clear on this issue.

For that reason, we have decided that winning the hearts of the local communities is the most important success factor for sustainable management. With 'People are everything' perspective, we revised our code of conduct with four principles in order to cultivate corporate culture and desirable behavior of employees to be a global mining company: Pursuing Essential Values, Fostering Mutual Prosperity, Taking a Practical Approach, Keeping an Agile Mindset.

In addition, we aim to actively implement the core values of sustainability management through "communication and symbiotic relationship." Mineral resources have become assets that are only securable by winning the trust and support of owner countries. They are no longer the targets of unilateral exploitation. Rather than providing simple monetary supports, KORES is making efforts to providing appropriate technologies that can lead to increase of income and to developing contents for local communities' independence through Corporate Social Responsibility and Creating Shared Values activities.

To 'Go far' and 'Go together' with various stakeholders, including the local communities, all KORES's employees in the HQ, 34 global operating zones in 18 countries and in 7 domestic sites, will work together for qualitative enhancement in economic, social and environmental aspects of our business. By doing so, we promise that we will grow as one of the exceptional global mining companies in the near future.

Thank you.

President and CEO
Jung-Sik Koh

Company Overview



Profile

Established in 1967 as a public corporation specialized in resource development, KORES (Korea Resources Corporation) has proactively engaged in developing resources at domestic and abroad for the past 47 years. We have been committed to enhancing our own capabilities for recent 2 years in order to grow into a leading global player who conducts operational projects. We will lay the foundation for national economic development by becoming a global operator to manage exploration, development, and production of resources.

General Information

(As of the end of December 2013)

Purpose of establishment
Contribution to national economic development by stably supplying mineral resources through the development of mineral resources at home and abroad and promotion of the mineral resources industry

Company name
Korea Resources Corporation (KORES)

Date of establishment
June 5, 1967

Established by
• Korea Mining Promotion Act No.1935
• KORES Act No.9182

Organization
5 Divisions, 13 Departments, 55 Teams, 11 Overseas Offices, 3 Offices in Korea (As of the end of January 2014)

Headquarters
606 Siheung-daero, Dongjak-gu 156-706, Seoul, South Korea

President
Jung-Sik Koh

Total assets
KRW **5.2** trillion

Sales
KRW **326.8** billion

No. of employees
490

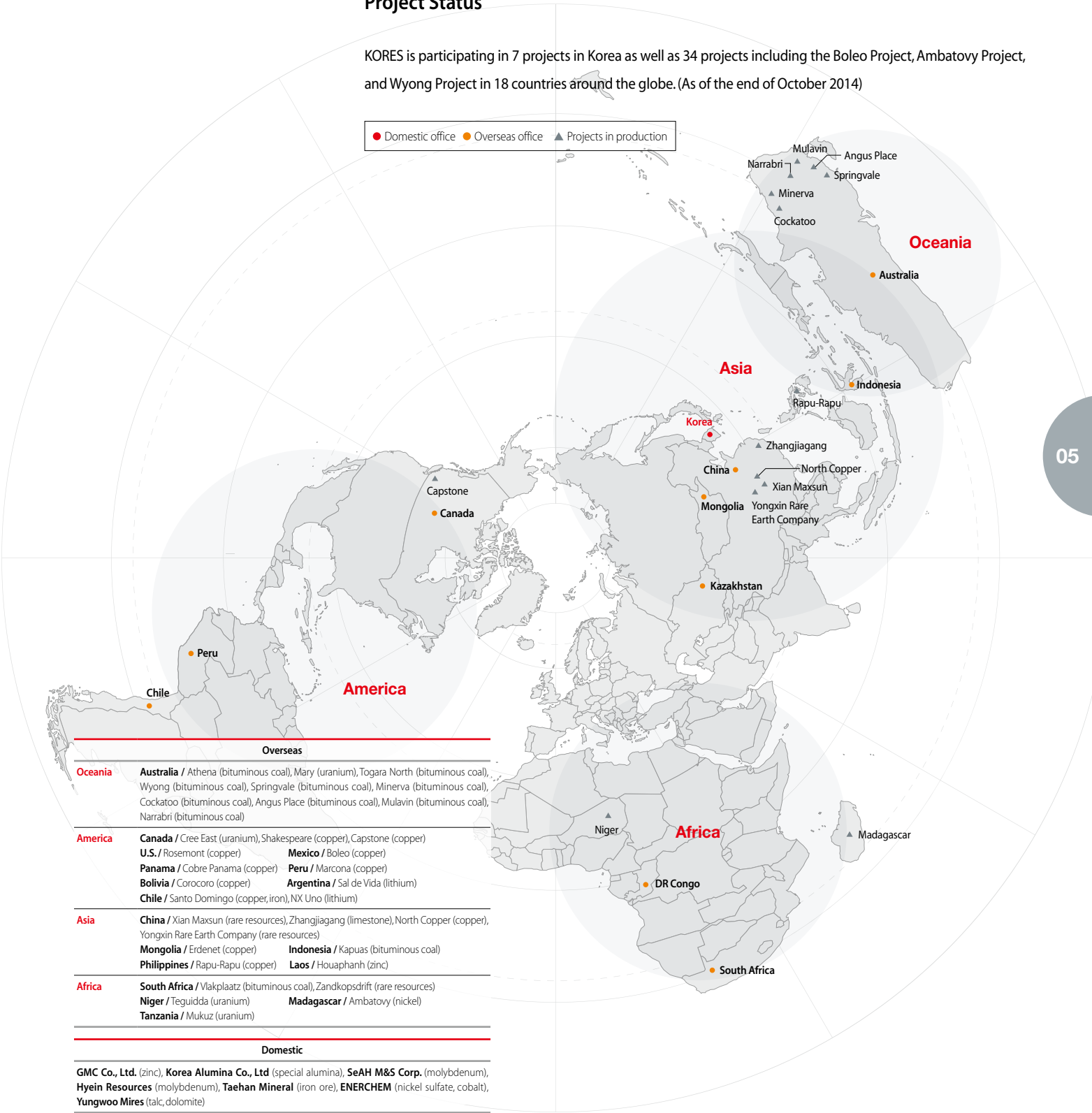
Main Businesses



Business Overview

Project Status

KORES is participating in 7 projects in Korea as well as 34 projects including the Boleo Project, Ambatovy Project, and Wyong Project in 18 countries around the globe. (As of the end of October 2014)

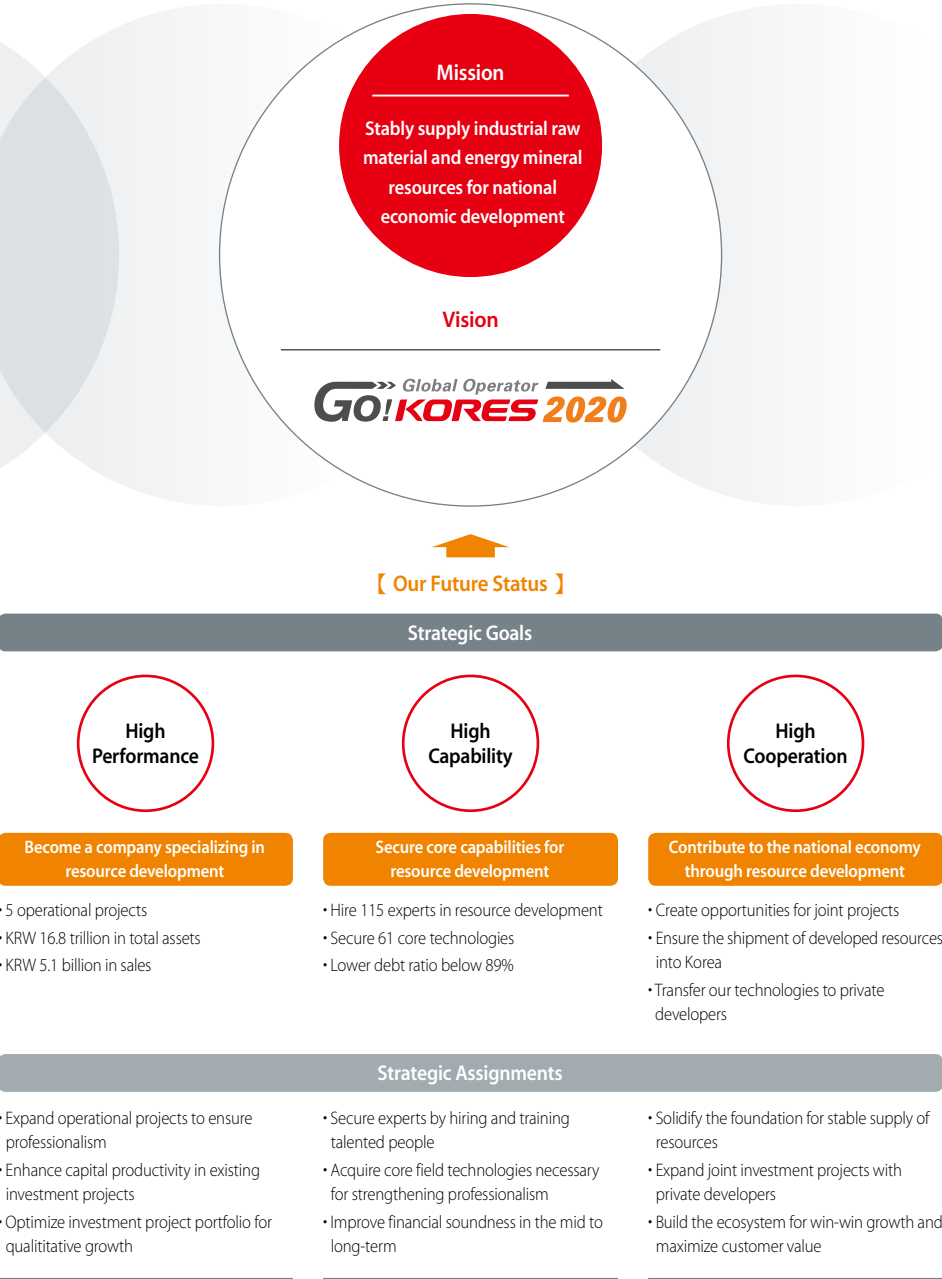


Vision & Strategy



Mid to Long-term Management Strategy

KORES restructured its management strategy system to thrive for the better future for Korea's resource abundance. This new strategy focuses on enhancing our corporate DNA to overcome barriers and risks and implementing core values. To achieve this, we are developing our capacity to respond actively to various external and internal changes at the company level. We will make a concerted effort to stably supply industrial resources needed for national economic growth as well as quantum leap into a global operator.



Core Values

Professionalism

Creative & innovation, pursuit of the best technology, self-innovation, and top talents

Partnership

Harmony with partners, mutual trust, communication, balanced growth and co-prosperity

Public Contribution

Realization of resource security and public welfare through resource development

Combination of Business Value and the Code of Conduct



Best Practice



KORES Employees' Code of Conduct

At KORES, we have set four principles of highest standards into our code of conduct for clear and effective work processing of all employees. Those principles include pursuing essential values, taking a practical approach to find the best solutions, fostering mutual prosperity with partners, and keeping an agile mindset. By complying with these principles, we will grow into a national company that is loved by all people and contribute to the national economy.

We pursue essential values

We must always think about what our task is and whether it is going the right direction. Our mission is to contribute to Korea's national economy by securing the stable supply of resources.

We provide the best solution through a practical approach

A practical approach to our tasks and continuous efforts for enhancing capability will lead to a better foundation for our progress toward becoming a global resource development company.

We promote mutual prosperity with partner

Resource development goes beyond simply exploiting resources. It significantly requires win-win partnerships with business partners and local communities today.

We keep an agile mindset for conducting works

Easy-going and apathetic attitudes which have negative influences on the entire organization should be eliminated. We are committed to conducting works clearly and precisely with responsibility.

Solving Problems by Understanding Essential Values

The basement training room of the Mine Safety and Health Administration of the Taebaek-si always suffered from water leakage when flooding occurred. The molds steadily filled the room which carrying bad odor at all times. Although the room was always temporarily restored, the real problem still remained unsolved. Our CEO visited the site and recommended whether building impermeable walls near the building would be a solution. The administration chief applied this solution straight away, and the result was positive. The room no longer suffers from water permeating. Likewise, our company always tries to understand what the key problems are and provide the best solutions possible that can be put into practice immediately.



Corporate Governance

Organization and Role of the BOD

The Board of Directors (BOD) consists of 9 members who are the CEO, executive directors, and non-standing directors. The BOD meeting is regularly held every month and extraordinarily if necessary. One of non-standing directors chairs the BOD to ensure efficient decision-making and establish a sound surveillance system on management. KORES organized three subcommittees under the BOD : Strategic Management Committee, Sustainability Management Committee, and Investment Advisory Committee. The BOD held the meeting 16 times in 2013 and their attendance rate was 90.5%, the same as last year.

Enhance the Role of Non-standing Directors

KORES makes full use of non-standing directors’ experiences and expertise to activate the function of the BOD. They offered 61 managerial advices, up 7 ones from the previous year, through special lectures, onsite inspections, and consultation. The attendance rate was 94.1%, a slight increase year-on-year. The subcommittee guided by non-standing directors was held 25 times, more than doubled year-on-year. To enhance their role, we plan to develop the index and system to evaluate the contribution of their managerial advices to our management activities.

Key Managerial Advices of Non-standing Directors

Agendas	Managerial advice	Applied to our management
Australia Angus Place P/J	Dispatch personnel to accumulate experience in mine development and enhance capability	Posted and dispatched personnel
Madagascar Ambatovy P/J	Conduct inspection on work process	Inspected expenditure process, inventory management, etc.
Mexico Boleo P/J	Mine at an optimum level by comparing the costs between underground mining and open-pit mining	Identified an optimum mining plan by consulting an external specialty company
Evaluation of operating results	Continuously improve work process for financial management	Lowered debt ratio through debt-for-equity swap on the Boleo project

KORES Board of Directors



Jung-Sik Koh ▶
President of KORES



Pyo-Geun Hong ▶
Standing Auditor



Sung-Ha Park ▶
Head of Strategic Management Division



Kyung-Kyu Park ▶
Head of Business Development Division



Bong-Sung Gong ▶
Head of Business Support Division



Jung-Ki Lee ▶
Head of HR Management Division



Hang-Do Choi ▶
Non-standing Director



Byung-Man Choi ▶
Non-standing Director



Dae-Jin Park ▶
Non-standing Director



Tong-Soo Chung ▶
Non-standing Director









Dong-In Kim ▶
Non-standing Director

Stakeholder Engagement

Our Stakeholders

KORES defines employees, customers, business partners, local communities, government and subsidiary organizations, media, and NGOs as its major stakeholders. Our sustainability issues and plans are shared with them through diverse tailored communication channels. Their opinions are also reflected in our business activities to create shared value and foster mutual prosperity.

Stakeholder	Major Issues	Communication Channel
 Employees Executives and employees in the headquarters and domestic and overseas offices	Capability development and expert cultivation, fair performance evaluation and compensation, work-life balance, healthy labor-management relationship	Strategic management meeting, dialogue with the management, Junior Board, Labor-Management Council, Grievance Handling Committee, internal online communities
 Customers People who are working at resource development companies	Effective execution of state subsidies, customer satisfaction management, mine accident prevention activities	Integrated customer management system, customer satisfaction survey, Clean Happy-Call, presentation on the supported business
 Business partners Suppliers, SMEs, project partners, and foreign resource development companies	Establishment of win-win partnership, fair trade practice, technology research and technical supports, joint investments, development of new businesses	Workshop for the CEOs of Korean mining companies, CEO meeting for win-win growth, working-level council for investment, whistle-blowing system, seminar and conference, presentations for promoting overseas joint projects between large companies and SMEs, State Subsidy Targeting Committee
 Local Communities Local people and governments at home and abroad	Minimization of environmental effect from resource development, support for local community development, trust consolidation with local communities	Community meetings, social contribution activities at home and abroad, One Company for One Village
 Government/Subsidiary Organizations Government, National Assembly, various regulatory agencies, related associations and research institutes	Policy implementation without problems, compliance and transparent information disclosure, development and dissemination of mining technologies	Monthly meeting with MOTIE, disclosure on management activities, Resource Cooperation Committee, Resource Development Academy
 Media/NGO Media, NGO	Business practice fulfilling the purpose of establishment, conduct of environmental and social responsibilities, ethical management, transparent information disclosure	Press conference, Sustainability Management Committee, company magazine

Identify and Classify Issues



Best Practice



Commercialization and Transfer of Airborne magnetic exploration Surveys SW Technology

We developed 3D sensing data processing software and provided this individual technology to small and medium enterprises at a very low price. In 2013, we signed MOUs with four Korean SMEs, Nexgeo, Geotech, Geogeny and Heesong, in sharing our R&D outcomes. To these companies, we transferred relevant software and techniques for investigation technology system management, 3D modeling inverse analysis and visualization at a 1/10 price of foreign products. KORES is also providing information on domestic and foreign natural resources trends to our stakeholders to help their investment decision making. Detailed information on natural resource current price and price fluctuation is also provided and notified in our webpage or smart phone application.

PERFORMANCE ISSUE

National welfare is the first priority at KORES.
We are committed to making a contribution to national economic growth through stable supply of resources.
By pursuing the balanced growth in economic, social, and environmental aspects, we will fulfill our responsibility and become a sustainable company that receives trust and love from the nation.

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Completion rate of plant construction for the Boleo Project
99.4 %

Nickel production volume at the Ambatovy Project
25,069 tons

Total number of Volunteers
1,151 persons

Energy use
390.4 toe

Supports for creating new jobs in the private sector
1,111 persons

Nickel production at the Ambatovy Project site in Madagascar

Plan to start
commercial production

Tae-uk Ha, Senior Manager of Development Technology Team

Ambatovy Project (in production)

Location : Moramanga (mine) and Toamasina (plant) in Madagascar
Ownership : Korea 27.5% (KORES 22.5%), Sherritt 40%, Sumitomo 27.5%, and SNC-Lavalin 5%
Production : 60 thousand tons of nickel and 5.6 thousand tons of cobalt per year
Significance : KORES's first resource development project in Africa



Inspection of the ore slurry concentrator

Commercial Production achived

The Ambatovy project is being conducted by a consortium consisting of three Korean companies, KORES, Daewoo International and STX and the project is now in the stage of commercial production. In 2013, nickel production volume was 25,069 tons, 361% higher than the previous year, out of which 6,081 tons, up 769% year-on-year, were brought into Korea. The Public Procurement Service has been stockpiling this resource since 2013. Commercial production at the Ambatovy project site ensures stable supply of nickel to the domestic market.

Efforts for Stabilization of the Project in Early Stage

KORES succeeded in shortening the ramp-up period by recruiting more plant operation specialists and relevant personnel needed for the organization. The ramp-up period is the key for the stabilization of the business. We have overcome various problems stage by stage in the areas of process, power plant and sulfuric acid factory. By doing so, we secured plant operation safety and minimized any cessation of operation. In addition, to ensure stable project operation, we enhanced the level of supervision on investment costs by the Operation Committee.

Win-Win Partnership

KORES is implementing win-win growth with local communities. We delivered relief funds to Madagascar government, where suffering from natural disaster, and regularly donate educational supplies to four eco-schools nearby project sites. In addition, our Mining Safety Center provided safety trainings to project site workers and we opened an L/C for environmental protection to ensure eco-friendly implementation of the project.

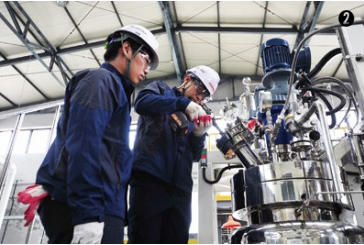


EMPOWERMENT

Issue 02



COREA 3D Exploration Competition



Hydrometallurgy Pilot Plant

Promote Qualitative Growth

We promote qualitative growth via implementing various strategies such as publishing the white paper for overseas resource development, establishing action plans for future investment success and taking appropriate expansion plans. KORES plans to expand its operational projects for copper and coal considering the profitability and domestic demand. Our plans also include regularizing commercial production of existing 7 exploration and development projects including the Boleo project and securing 3 new projects by 2020. Under the master plan for qualitative growth, we are focusing on securing professionals, enhancing special trainings and R&D, participating in project sites, and utilizing external advisory groups.

Secure Global Standard Technology Skills

KORES aims to establish its own foundation for feasibility study capability by securing advanced relevant technologies. To achieve this, we have been fostering CPs, conducting overseas short-term practical training, holding the COREA contest, and training technologies throughout the company. These efforts were reflected in the establishment and operation of the hydrometallurgy pilot plant for the commissioning of the Boleo project.

Secure and Foster Talents

We are devoting out efforts to secure and foster talents for boosting operational projects. We are expanding our manpower in the fields of exploration, development, refinery, distribution, finance, and legal affairs in preparation of full-scale production and development of medium to large resource development projects. We also provide training programs for core talents to help them be multi project operators in the near future.

Enhance Policy Assistance

In line with the 5th Overseas Resource Development Basic Plan, KORES is supporting the policy direction to switch from quantitative growth to qualitative growth focusing on the areas where long term investment is needed and risks are high. By following the policy assistance strategies such as internalization, capacity enhancement, private investment vitalization, and strategic partnership, we will achieve self-sufficiency rate up to 43% in 6 strategic resources such as copper and coal by 2022.



Economic Performance

Major Operating Performance

Financial Status

Key Economic Performance

(Unit : KRW in billions)

Classification	2011	2012	2013
Sales	225.3	283.5	326.8
Operating profit	37.9	(31.7)	(5.5)
Net profit	32.7	(21.2)	18.9

* Based on consolidated financial statement

Key Financial Ratio

(Unit : %)

Classification	2011	2012	2013
Sales growth	6.7	25.83	15.29
Net profit growth	40.24	(164.72)	(189.23)
Return on assets	1.11	(0.65)	0.43
Return on equity	2.8	(1.68)	1.24
Current ratio	150.29	52.51	64.25
Debt-to-equity	150.82	170.06	207.61
Equity-to-assets	39.87	37.03	32.51
Productivity of capital	2.49	0.49	1.89

Summarized Balance sheet

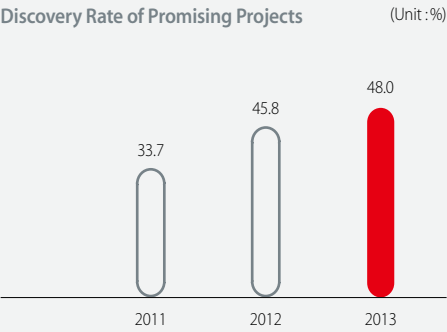
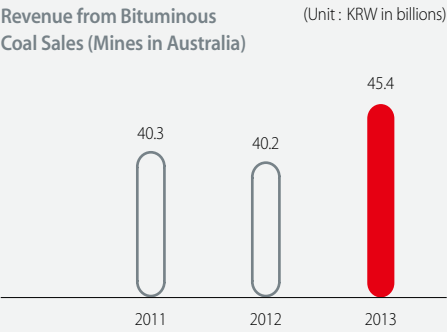
(Unit : KRW in billions)

Classification	2011	2012	2013
Current assets	376.1	284.0	376.4
Non-current assets	2,565.7	3,340.7	4,844.2
Total assets	2,941.8	3,624.7	5,220.6
Current liabilities	250.2	540.9	585.8
Non-current liabilities	1,518.7	1,741.6	2,937.7
Total liabilities	1,769.0	2,282.5	3,523.5
Capital stock	1,000.3	1,260.3	1,485.3
Others	172.5	81.9	211.8
Total equity	1,172.8	1,342.2	1,697.1

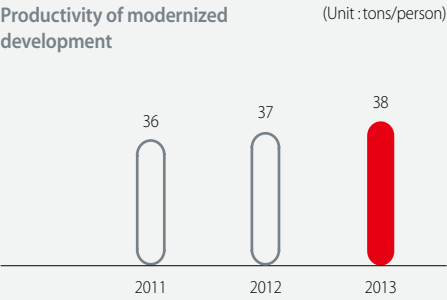
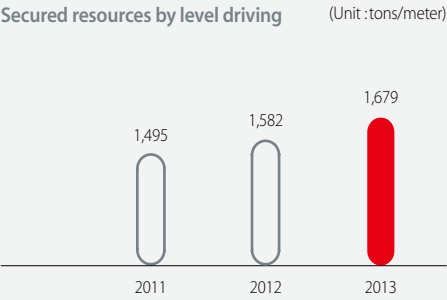
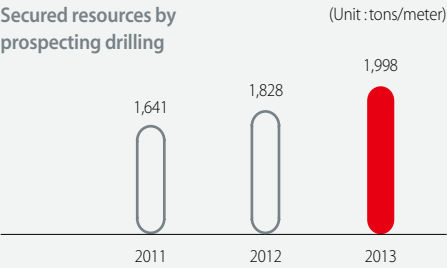
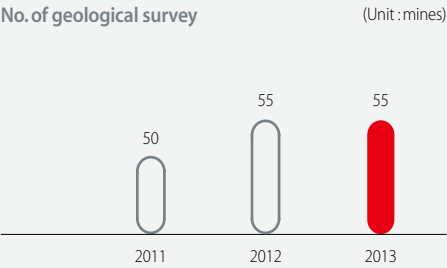
Overseas Resource Development

(Unit : KRW in billions)

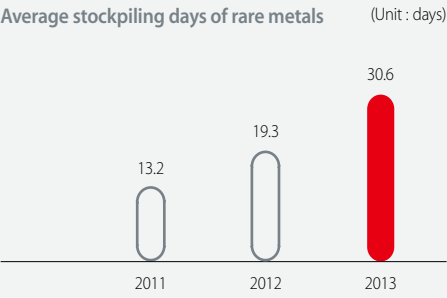
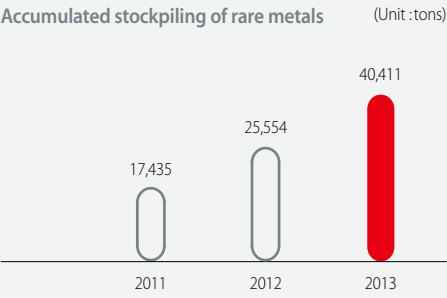
Classification	2011	2012	2013
Direct overseas investment	779.5	836.8	773.4
Revenue from direct overseas investment	74.6	(19.8)	(33.3)



Overseas Resource Development



Stockpiling of Mineral Resources





SOCIAL RESPONSIBILITY

Issue 03

Average Time Spent on Voluntary Service per Employee



No. of Volunteers



Responsible resource development is our ultimate goal for our social contribution activities. Thus, we implement social contribution activities that meet our founding principles and essential values. Local communities and business partners are close companion of ours. We will put extra efforts in helping the overseas local communities to be financially independent and contribute in developing the economy of the mining sites through 4 major strategies such as CSR activities at overseas mines.

Vision	Share hope and love with people through stable supply and development of mineral resources			
4 Strategies	CSR activities at overseas mines	Global CSR partnership	Vitalization of local economy	Support for neglected class around domestic mines
Directions	1.Cultivate employees' mind on social contribution and jointly develop programs by the labor and management 2.Promoting global CSR activities through partnership with NGOs 3.Vitalize local economy and strengthen CSR around domestic mines 4.Improve internal index to evaluate companywide social contribution activities and encourage volunteer services			

Joint Social Contribution between the Labor and Management

KORES and Good Neighbors launched the Share Lunch Concert to give meals to the poor children nearby overseas sites. We also donate regularly to the Good Neighbors to support overseas aid projects and to elevate children from the poverty line. Our executive staff offered their bonuses to the corporation for global CSR activities. In case of Philippines typhoon (Haiyan), we delivered KRW 4.5 million for aid. We also donated KRW 5 million to local welfare facilities around the domestic offices.

Vitalization of Local Economy

Wonju, where our new headquarters locates, is a new home for KORES. Here, we are increasing social contribution activities in the form of one company-one village support campaign. We made Kimchi with 1000 cabbages and delivered to the underprivileged neighborhoods. We also made a partnership with a traditional market of Wonju as part of the vitalization of local economy. In addition, we are regularly donating to social welfare facilities including the elderly care facilities.



Customized Support to the Underprivileged

Our 14 volunteer groups in which all employees involve conduct various regular volunteering services for the underprivileged. As one mine-one village program, we are regularly visiting and giving donations to Jangchi mi village (Daesung Mine in Jaechon, Chungbuk) and Wolha village (Dukyong Mine in Kangjun, Jeonnam). We also donated KRW 17 million worth of computers and printers to 4 facilities including the Samyook Child Center in Taebaek-si, Gangwon-do. Other financial supports were KRW 13 million to the underprivileged mine employees and the victims of pneumoconiosis and KRW 18 million to 22 university and high school students in Gangwon-do.

Global CSR Programs

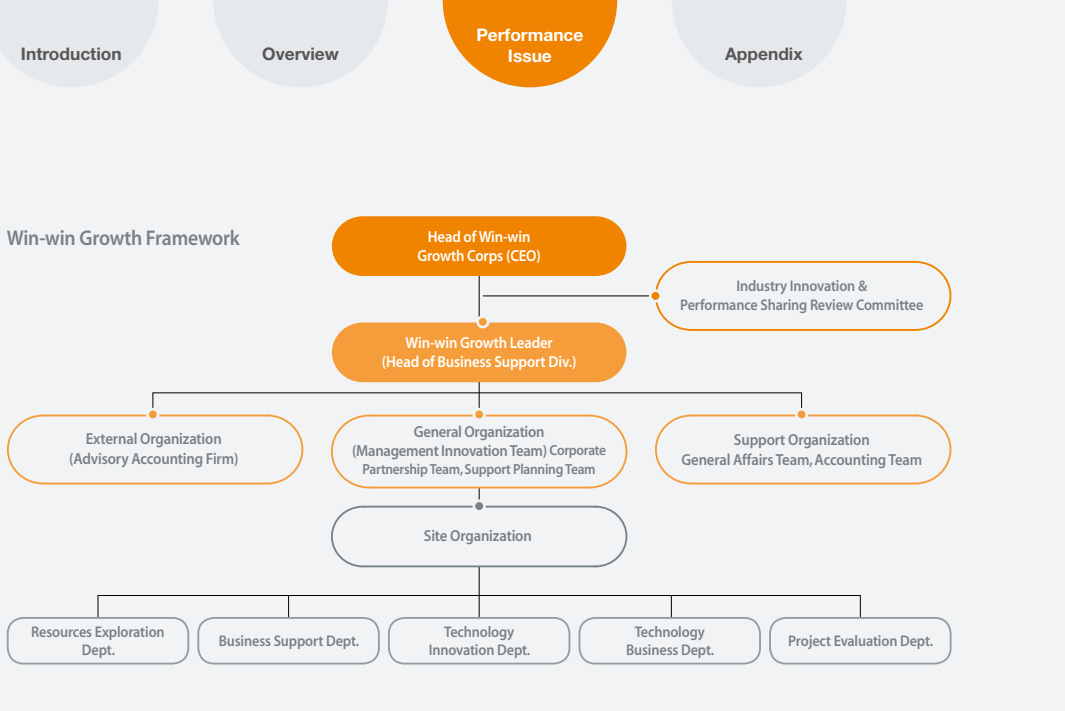
KORES is participating in various overseas volunteering programs focused on enhancing poor infrastructure, education facilities and environmental condition. To deliver the positive impact to local communities through these programs, we first deeply analyzed where their needs are. The most representative program is the Supporting Appropriate Technology. As part of this, we provided G-savers to low-income families in 5 cities such as Ulaanbaatar in Mongolia in association with Good Neighbors.

* Supporting Appropriate Technology : A social contribution activity to deliver technologies needed for underdeveloped countries with the purpose of helping local communities to stand on their own feet and increase income.

Global CSR Activities

Boleo Project Sites in Mexico	Ambatovy Project Site in Madagascar	Rosemont Project Site in the US	Cobre Panama Project Site in Panama
<ul style="list-style-type: none">Expand employment of local people and female workers in Santa RosaliaEstablish and sponsor the 'Hagamos Mas Por Santa Rosalia'Conduct environmental protection activities around mines and enhance safety training	<ul style="list-style-type: none">Support 4 Eco-schools around mines and plantsConduct onsite safety training by the staff of the Mine Safety Center	<ul style="list-style-type: none">Take part in the Central Arizona Project to solve a drinking water shortage (construction of pipeline to get underground water)	<ul style="list-style-type: none">Create jobs for the natives and offer food, education, and healthcare servicesRestore vegetation and move rare animals and plants
Marcona Project Site in Peru	Corocoro Project Site in Bolivia	Houaphanh Project Site in Laos	
<ul style="list-style-type: none">Run job creation programs and listen to opinions of local communitiesComply with social responsibility guided by the EIA and ELAsd, and conduct training about business ethics	<ul style="list-style-type: none">Donate desks, blackboards, and stationary to Ismael Montes Elementary School in the project site	<ul style="list-style-type: none">Support workforce and farm machinery for trial cropping for a year	





Issue 04

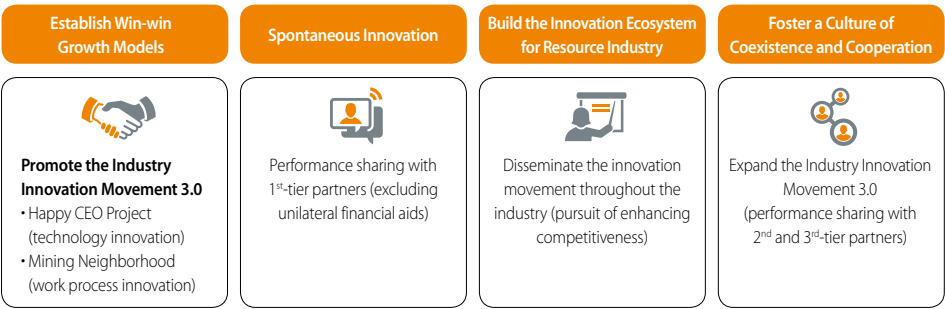
No. of joint investments in overseas resource development with SMEs



6 cases

Win-win growth with SMEs is necessary for stable resource supply and demand ecosystem. KORES is fully supporting global business of SMEs and capacity enhancement of the domestic resource industry. To do so, we expanded our win-win growth framework and built a system for organic supports. In particular, the framework was sub-divided into five organizations that handle general, review, support, site, and external matters to strengthen executive ability. The CEO's commitment has also been reflected in our business plan, which increases the driving force to implement the win-win partnership internally and externally.

Build the Win-win Growth Ecosystem



Agreements on Fair Trade and Win-win Growth

Signing agreements on fair trade and win-win growth with 45 SMEs specializing in mining business, KORES has provided them with diverse support programs with respect to technology, exploration, development, and financing. Presentation on those programs is held in every January or February, through which we also strive to figure out their difficulties. In addition, our CEO visits these companies to directly listen to their opinions. Gathered opinions and field survey results are reflected in improving relevant policies and setting next year's governmental aid programs in order to directly and indirectly support SMEs in the industry.

Communication Channels and Major Achievements

Classification	Date	Major Achievements
CEO talkfest for win-win growth agreement	Mar. 08	• Signed an agreement on win-win growth • 3D reserve evaluation (Seongshin Minefield) • Priority offering of the Advancement Fund (Choongmoo Chemical)
Site inspection through the Happy CEO Project	Oct. 11	• Visit to mines of Handeok Iron Ore and Choongmoo Chemical • Technical support expansion and development equipment support
	Oct. 21	• Visit to mines of Sungkyung Development, Daesung MDI, and Ssangyong Development • Improvement of joint warranty system and support for 3D reserve evaluation
Workshop for CEOs of domestic mining companies	Nov. 18	• Sharing of the progress of Happy CEO Project • Reduction of mining equipment operation costs • Discussion on development directions in the domestic mining industry

Transparent and Fair Trade

At KORES, we strengthened the fairness principles for private contract conditions. For example, we established a new regulation to check the status of our subcontractors and started requiring bidding quotation for all projects over KRW 10 million. The detailed standards for bidding contracts and current status are transparently uploaded on our website. Our electronic bidding rate in 2013 was 95.9%, an increase of 3.7% point from the previous year, due to the fair management system to protect and support the 2nd-tier and 3rd-tier subcontractors.

Expand the Scope of and Benefits from Financial Support

We made it easier for SMEs to receive financial support from us by changing the loan determination method from the existing quarterly basis to ad hoc basis. Particularly, for small loans under KRW 300 million, we promptly and immediately role out our decision as soon as we receive the application. Since 2013, we have provided prime rates of 0.3 points and 0.8 points to SMEs and small ventures.

Increase Support for Independence of SMEs

Governmental aid programs aim to help SMEs establish independent foundation. We have lowered the standard for governmental aids to support the modernization of small and medium mines. They are also treated considerably in receiving governmental aids for tunnel boring. We provided some selected small mine developers including Samsung Lime with financial consulting 6 times, and several SMEs with 3D aeromagnetic investigation and reverse software and relevant technologies at a low price. Other activities for win-win growth include holding conferences to promote joint overseas resource development between large companies and SMEs, jointly conducting national R&D tasks, and operating the Mining Technology Council.

Best Practice



Strengthening SMEs' Competitiveness via Industry Innovation Movement 3.0

As a win-win growth ecosystem builder, we are driving the Industry Innovation Movement 3.0 that aims to support voluntary innovation of SMEs instead of merely directed due to financial support. KORES will select SMEs with high innovation commitment in the resource industry as the 1st-tier partners to boost their innovation and extend the support targets to partners in the 2~3 tiers after creating performances. To this end, we are promoting various supports such as Happy CEO Project, Mining Neighborhood Project as well as technology and financial consulting to enhance their productivity.

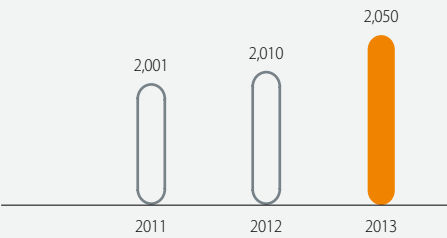


Social Performance

Social Contribution Activities

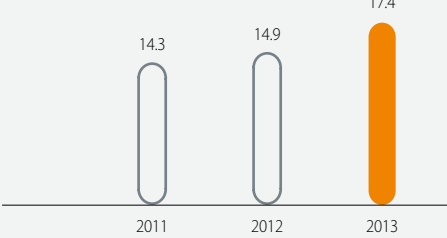
Time spent on social contribution

(Unit : hours)



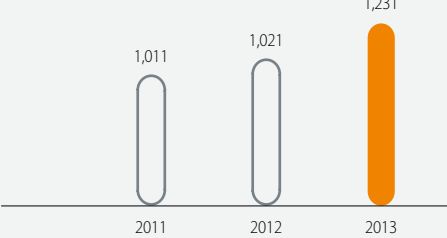
Average volunteering hour per employee

(Unit : hours)



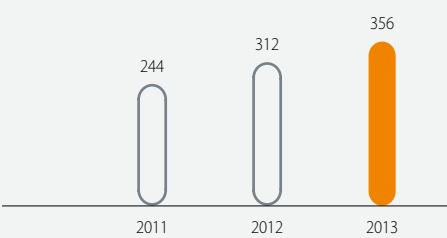
No. of participants (accumulated)

(Unit : persons)



Total social contribution costs

(Unit : KRW in millions)



Socially Equitable Employment

(Unit : persons)

Classification	2011	2012	2013
Female	33	20	38
Disabled	1	1	0
Local talents	43	16	33
High school graduates	4	8	6
Specialized high school graduates	4	8	6
Engineering graduates	44	22	54

Indirect Contribution to Economy

Job Creation in the Private Sector

(Unit : persons)

Classification	2011	2012	2013
Outsourcing	259	442	796
Investment projects	71	116	110
Private partnerships	1	47	58
Others (foster technical manpower specializing in mining)	21	39	147
Total	352	644	1,111

* Including regular and contract-based employees

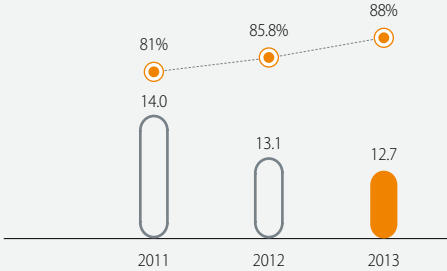
Rate of Electronic Competitive Bidding

Classification	Unit	2011	2012	2013
Total number of competitive biddings	Cases	96	133	150
Number of electronic competitive biddings	Cases	96	133	150
Rate of electronic competitive bidding	%	100	100	100

Performance in Win-win Growth with SMEs

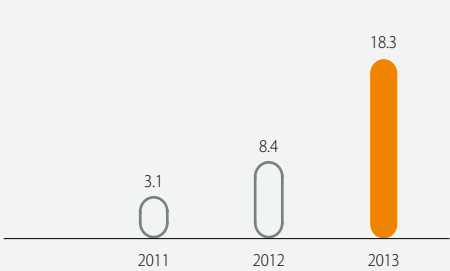
Amount and rate of procurement of SME's products

(Unit : KRW in billions)



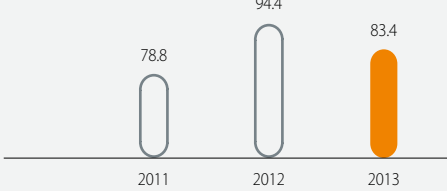
Joint R&D budget

(Unit : KRW in billions)



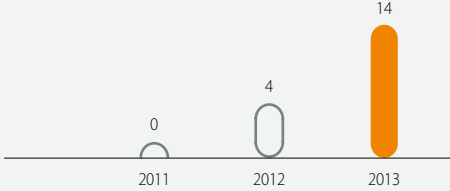
Loan for SME's

(Unit : KRW in billions)



Consulting support for capability enhancement

(Unit : cases)





ENVIRONMENTAL RESPONSIBILITY

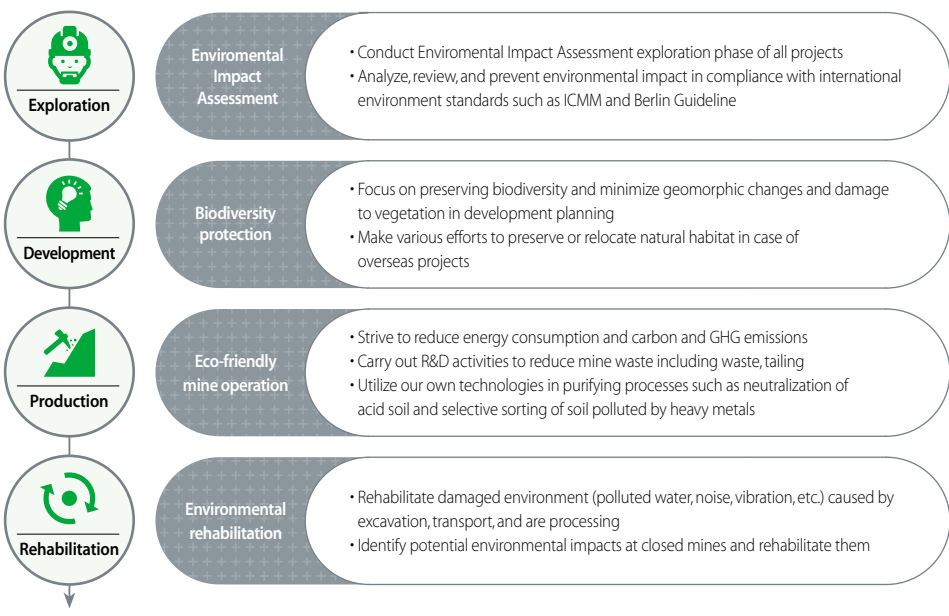
Issue 05



Completion of stabilization project of closed mine debris slopes

Eco-friendly Resource Development

KORES operates the environmental management system to proactively respond to environment risks. When detecting special risks, the Sustainability Management Committee under the BOD reviews them, decides solutions, and verifies results. We are always making a concerted effort to enhance safety and environment at mining areas that we are operating at home and abroad. As part of this, we raised the status of existing Taebaek Office to the Mining Safety Center.



Integrated Environment Health Safety (EHS) Management

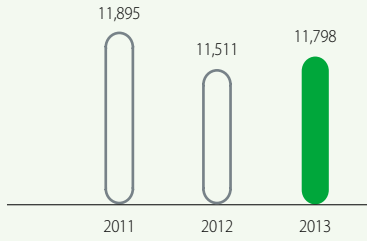
All business sites at KORES strive to prevent any potential risk in line with the integrated EHS management system. Management Innovation Team manages overall EHS issues. In detail, environment, health, and safety issues are controlled by Operation Support Team, Labor & Welfare Team, and Corporate Partnership Team respectively. Currently, four major project sites – Springvale (bituminous coal), Ambatovy (nickel), Boleo (copper) and Sea M&S – are objects of priority EHS management, and we plan to expand the number of sites to be managed in the future.



Environmental Performance

Water Consumption

(Unit : m³)



Energy Consumption

(Unit : toe)

Classification	2011	2012	2013
Kerosene	12.7	13.3	10.5
Gasoline	23.0	24.0	26.8
City gas	36.6	41.3	53.0
Electricity	308.5	322.9	300.1
Total	380.8	401.5	390.4

GHG(Greenhouse gas) Emission

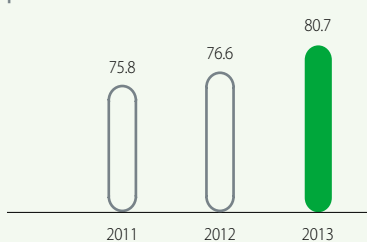
(Unit : tCO₂eq)

Classification	2011	2012	2013
Direct GHG	200.3	205.1	231.9
Indirect GHG	613.7	636.6	591.7
Total	814	841.7	823.6

Green Investment

Rate of green product procurement

(Unit : %)



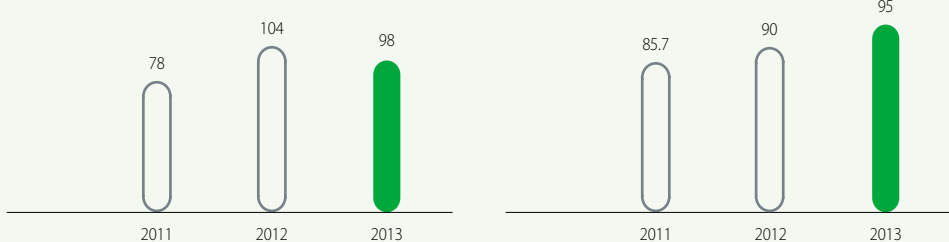
Waste Water and Waste Discharge

Waste water discharge

Waste discharge

(Unit : tons)

(Unit : tons)



Best Practice

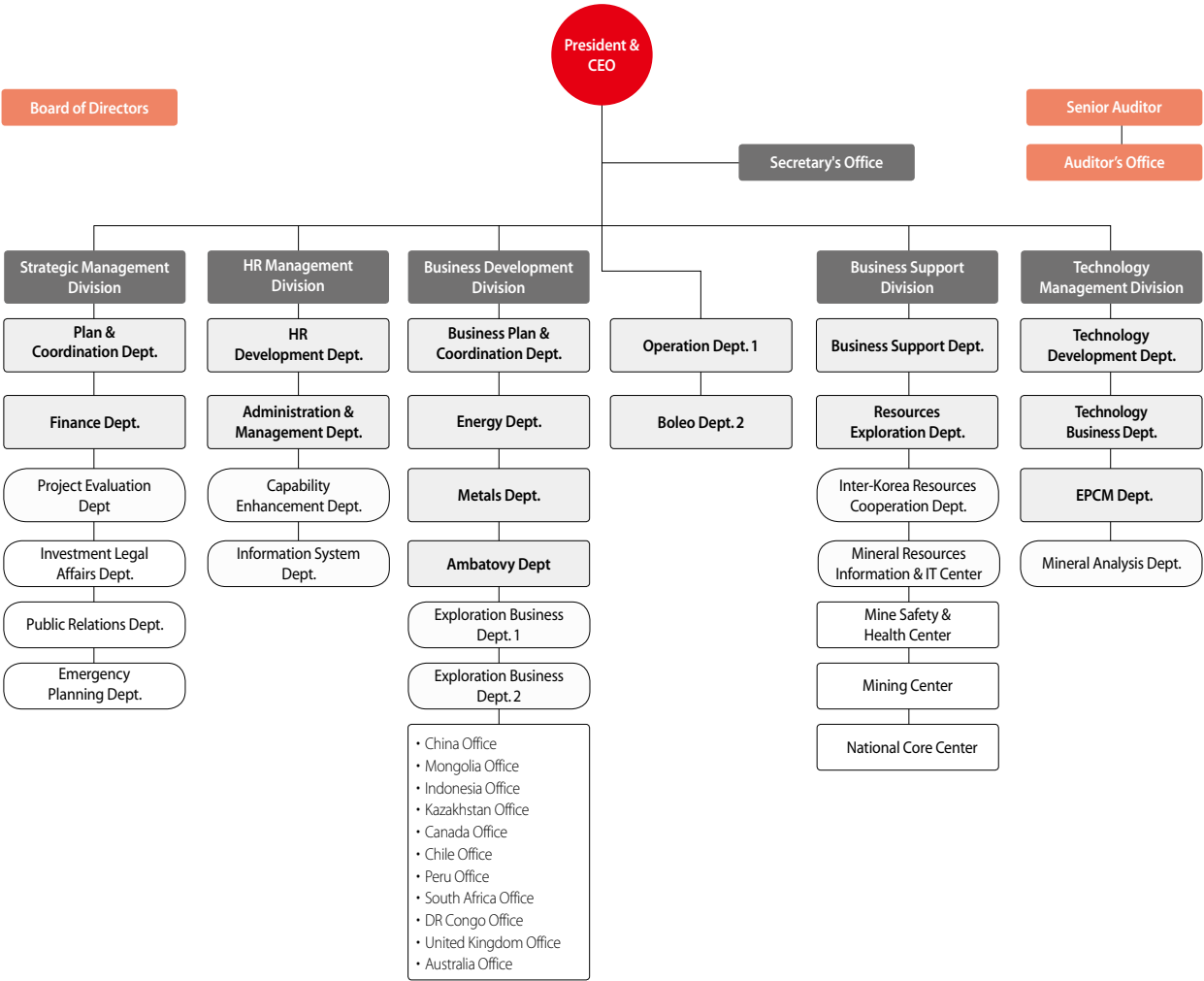


Eco-friendly Resource Development to Care the Environment and Local Communities

We are receiving great responses from the local communities over our program that connects both social contribution and environmental protection activities in the Boleo project. We raise money through selling the industrial waste produced from our mining operation and it is used for helping local communities in the areas of education, public safety and cultural protection. In case of the Ambatovy project, we first opened the L/C for environmental protection so that local residents can voluntarily participate in mining development. As of the end of 2013, about USD 75 million has been accumulated, and this fund will be used in environmental conservation programs with the environmental restoration fund.

Organization / Membership Association / Awards

(As of the end of January 2014)



Appendix

Organization / Membership Association / Awards	27
Sustainability Initiatives	28

Membership Association

Gangwon-do Public Organization Relocation Council	Korea International Trade Association
The Korean Society of Economic and Environmental Geology	The Korea Society for Energy Engineering
Korean Red Cross	Korean Resource Economics Association
The Geological Society of Korea	The Korean Society of Mineral and Energy Resource Engineers
Korean association for Deep Ocean Minerals Development	The Korean Society for Quality Management
UN Global Compact Network Korea	The Korean Association for Public Administration
Government-invested institution Council	Korean Accounting Association
The Institute of Internal Auditors	Korean Council on Latin America & the Caribbean
Mining Association of Korea	

Awards

year	Award	Organized by
2009	Forbes' Quality Management Award Selected as an Excellent Sustainability Report	Korea Society for Quality Management UN Global Compact
2010	Selected as an Excellent COP Reporting Company	UN Global Compact, Korea Network
2011	Selected as a Company with Excellent Labor Culture	Ministry of Employment and Labor
2013	Selected as a Public Corporation with Excellent Labor-Management Relationship KORES CEO won the Iljin Award Selected as a Company with Excellent Labor-Management Cooperation Won the Family-friendly Enterprise Certification	Ministry of Employment and Labor The National Academy of Engineering of Korea Ministry of Trade, Industry and Energy, Ministry of Employment and Labor Ministry of Gender Equality & Family Certification

Sustainability Initiatives

UNGC 10 Principle Guidelines

KORES joined the UN Global Compact, a voluntary initiative to encourage corporations to fulfill their responsibilities, and complies with the 10 principle guidelines with regard to human rights, labor, environment, and anticorruption. Our commitment to implementing corporate social responsibility is reflected in management activities in general. We respect fundamental human and labor rights, devote ourselves to developing eco-friendly technologies to respond to global environmental issues, and endeavor to eliminate corruptions through stringent supervision.

Category	UNGC Advanced Level	Related Activities	GRI 3.1	Page
Human Rights	1. We support and respect internationally declared human rights.	Local infrastructure improvement around overseas mines and educational supports for local people	HR1, HR2, HR3, HR4, HR5, HR6, HR7, HR8, HR9	19
	2. We do not engage in infringement of human rights.	Operation of the Grievance Handling Committee	HR1, HR2, HR8	9
Labor	3. We acknowledge rights to freedom of association and collective bargaining.	Operation of the Labor-Management Council	HR5, LA4, LA5	9
	4. We abolish all kinds of forced labors.	Compliance with laws related to employment and labor at home and abroad	HR7	-
	5. We effectively abolish children's labor.	Exclusion of hiring workers who are under age at all sites at home and abroad	HR6	-
	6. We abolish discrimination both on employment and at work.	Family-friendly Enterprise Certification from the Ministry of Gender Equality & Family	HR4, LA2, LA10, LA13, LA14	2013 Highlights
Environment	7. We support preventative approach to environmental issues.	Management of all processes through the environmental management system		3, 24
	8. We take the lead in taking bigger environmental responsibilities.	Activities to protect mine damage after the completion of development	EN5, EN6, EN7, EN10, EN14, EN18, EN21, EN22, EN26, EN27, EN30	3, 9
		Operation of programs to link environmental protection and social contribution activities		14, 25
Anticorruption	9. We support environmentally-friendly technology development and its diffusion.	Minimization of environmental impact by applying eco-friendly technologies	EN2, EN5, EN6, EN7, EN10, EN18, EN26, EN27, EN30	3
	10. We strive to eradicate all kinds of corruption including unjust enrichment and bribe.	Top rating in the KoBEX SM for 4 consecutive years	SO2, SO3, SO4	2013 Highlights
		Agreement on fair trade and win-win growth, and establishment of fair subcontract management system		20



UN Global Compact

The UN Global Compact was established in 2000 by the UN to ensure that corporations fulfill their social responsibilities based on the principle of voluntary participation. In the four major areas of human rights, labor, environment, and anticorruption, the UN Global Compact presents ten principal guidelines and promotes the continuous balanced development of the global economy. KORES joined the UN Global Compact in October 2007 and has incorporated ethical management into its corporate strategies. It has also tightened supervision to prevent human rights violations and corruption.



ICMM(International Council on Mining & Metals)

The ICMM is an alliance of mining industry corporations, aligned to improve their member's management strategies and performances. The council has presented ten principal guidelines to achieve sustainable growth. Its principles are composed of details relating to corporate ethical management, stakeholder engagement, environmental protection, and social contribution. KORES conducts businesses based on these guidelines as part of its commitment to sustainability management.



ISO 26000

ISO 26000 is an international standard aimed at supporting all types of organizations regardless of their size and location to achieve sustainable development by offering the following guidelines: the concept, terminology, background and trends, characteristics, principles and practices, core themes and disputes with regard to social responsibility, integration, implementation, and promotion of social responsibility by forming organizations, identification and engagement of stakeholders, and communication on obligations and performances of responsible organizations.



Berlin Guidelines

The Berlin Guidelines are a collection of environment related guidelines for sustainable growth of the mining industry and presents principles pertaining to environmental management systems and environmental laws and regulations. It presents the basic guidelines for the mining industry to protect the environment. In order to fully comply with them, KORES has established an environmental management system, through which its environment strategies are established and environmental risks are managed.



World Bank General Environment Guideline
World Bank Operational Directive - Involuntary Resettlement

These guidelines are established and presented by the World Bank to minimize environmental damage caused during the development process and to stabilize the relocation of residents in the event of an involuntary resettlement. KORES carries out resource development at its overseas project sites in full compliance with this environmental guideline. In Ambatovy, the Corporation has implemented relocation procedures in accordance with the World Bank Operational Directive Involuntary Resettlement. As such, it is in full compliance with the World Bank guidelines in all of its overseas resource development processes.



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