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# STEPPINGSTONES TOWARDS OUR SHARED FUTURE

Korea Resources Corporation 2014 Sustainability Report















#### **ABOUT THIS REPORT**



This report is Korea Resources Corporation's Seventh Sustainability report. KORES intends to contribute to Korea's economic development by stably supplying mineral resources through both domestic and global mineral resource development and support to the mineral resource industry. KORES also considers corporate social responsibility and sustainability when conducting business activities to manage our economic, social, and environmental impact. KORES has been publishing its sustainability reports since March, 2009, in which we transparently disclose our sustainability data. The last report was published in December, 2014.

This report is in accordance with the GRI G4 Core Option and Mining and Mineral Sector Disclosures. We report our sustainability performance data including our head office along with partial data for our Boleo Mexico and Ambatovy Madagascar projects from 1st of January, 2014 to 31st of December 2014. We have also included our mid-long term business strategy, our human rights framework, and other data for 2015. Information included in this report has been assured by the Korean Standards Association.

For more information about this report, please contact our Management Innovation Team.

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# **CEO MESSAGE**







"Constantly embracing changes for a global resource corporation, begins in Korea with the Wonju Innovation City"

Dear Stakeholders of Korea Resources Corporation,



New Headquarters in Wonju

I first would like to take this opportunity to express my deepest thanks for your unwavering support. KORES operates under our mission of 'Contribution to national economic development by stably supplying mineral resources' and also contributes Korea's manufacturing competiveness by leading the national industry's future. Also, as Korea's sole state-owned mining company, we fulfill our social responsibility as we aim to become one of the world's top 20 mining companies by 2020s.

First, we place utmost efforts on securing the profitability of all our projects and the stabilization of our overseas projects. Price declines in global mineral markets and an increase in our debt ratio has resulted in higher financial risk. As a result, we have established Risk Management Team to secure the profitability of KORES's operations by enhancing our core business management practices. We are studying the feasibility of various highly economic projects that are aligned with our business strategy which is in turn based on quality growth.

**Second**, as Korea's sole state-owned mining company, we take responsibility for win-win growth, with one of our most important roles being to ensure mining SMEs can secure stable mineral supply. Furthermore, in order to create a sustainable domestic mineral and energy ecosystem, we are improving our scope for social responsibility by expanding our 'Benefit Sharing' to include our second and third tier suppliers. We are also actively supporting Korean SMEs' overseas expansion through our Resource Development Model.

**Third**, as a global mining company, we are strengthening our human rights and environmental policies. KORES has been a supporter of the UN Global Compact's 10 Principles since 2007. While developing its human rights framework in 2015, KORES extended its scope for social responsibility to that of our suppliers and local communities overseas. We also introduced an Environmental Technology Team to strictly manage the environmental impact of all our operational sites. In particular, enhancing ecofriendly mineral resource development technology to enable SMEs to adopt environmentally friendly technology throughout the entire mining development cycle.

Since the relocation of our headquarters on 1st of July, 2015, we have begun our new future in Wonju Innovation City. We plan to build close relationships with the local community through the introduction of long-term focused social contribution programs which reflect our stakeholders' expectations.

We hope to lead mineral market stability and the sustainability of Korea's economic development through a high level of transparency and social responsibility. I sincerely thank all our stakeholders - our employees, the government and other related institutions, partners, suppliers, and local communities for accompanying Korea Resources Corporation's long journey and ask for their ongoing support. Thank you.

December, 2015

Korea Resources Corporation Acting CEO

Seong-Ha Park, Executive Vice President, Strategic Management Division

# KORES, Beginning of New Era in Wonju





#### Construction of Eco-friendly Headquarters

When building KORES's new headquarters in Wonju, eco-friendly systems such as natural lighting, natural ventilation and a geothermal system were installed. Other eco-friendly products and materials were also used in the building such as LED light bulbs, to minimize the environmental impact.

#### 2 1 Company 1 Village

KORES has established a sisterhood relationship with Gyohang-1ri, Socho-myeon, Wonju, and bases ts social contribution on its '1 Company 1 Village' program. Local residents and our employees grow produce together and are building a close fellowship. Moreover, these produces were used in making Kimchi and shared with locally disadvantaged mine workers and other disadvantaged individuals.

#### 3 Local Talent Management Program

With the relocation of our headquaters to Wonju, we are providing customized mentoring in such areas as career aptitude and competency development to Wonju based universities such as Sangji, Hanra, Wonju, and Yeonsei. Furthermore, to foster mining expters, we provide scholarships to students who are majoring in resource development fields.

#### 4 Local Talent Employment

In order to employ local talent, we have held recruitment fairs for local universities including a joint recruitment fair in September. Of our new recruits, 37.8% were local talents, exceeding our target of 30%.

#### Welcoming relocation of KORES to Wonju, Expect to contribute to Wonju's economic development



I expect that KORES's relocation to Wonju Innovation City will make a substantial contribution to the balanced development of Gangwon province and Korea more generally. This will be done

through the hiring of local talents and our engagement in various local social contribution activities, in fulfillment of our social responsibilities. Wonju City is also giving its utmost support to KORES's settlement in the city to create a close relationship for open communication so that KORES can play a fundamental role in Wonju's economic development.

Taek-Nam Kim, Project Director Wonju Creation City Project Team

# Expect interest of local community and trust based Mutual growth with Wonju



I was very impressed KORES's interest in Wonju and its efforts to create a close relationship with the city as it prepared to relocate here. In particular, I believe that KORES will have many

opportunities to communicate with local residents through their active involvement in various local social contribution activities. Indeed, KORES's various local support programs show an exemplary attitude towards social contribution and support for local economic growth. I expect KORES will continue to play an active role in Korea's economic development and the protection of its environment for future generations. I believe that KORES will grow with Wonju City based on mutual trust.

**Tae-Hwa Ha,** Team Leader Myung-loun Community Welfare Center, Wonju

# **2014 Highlights**

# **Business Performance**

**Ambatovy Project Production** 

Core Technology Acquisition

**Support for Domestic Mining** Companies

Boleo project Amount of SME Accumulated Added Value

Completion of Boleo plant

Mineral Purchase Goal Overachieved

**Support for 6 Promising Projects** Discoveries

Improvement of Domestic Mine Accident Rate

# **Ethical Management**

**Daily Audit** 

Sustainability Management Index (KoBEX\_SM) 5 consecutive years

### **Employees**

First Female Auditor of State-owned Company (2014.02)

**First** 

Expansion of Female Employee's **Maternity Leave** 

(Implementation in 2016) 1 Year ⇒ Year

> Welfare cost for each non-regular employee

**Employee Satisfaction with** Family-friendly System 2%p From Previous Year

# **Win-win Growth**

**Happy CEO Support for Companies Doubled from Previous Year** 

2 Companies ⇒

Mining Neighborhood **Domestic Company Support Goal** 

Companies

Result of The government's **Win-win Growth Evaluation** 

# 1 Level Increased

Support for Creation of **Employment Opportunities within Private Sector** 

### **Social Contribution**

Social Contribution Participation per **Employee** 33% against Previous Year

### The Environment

**Ambatovy Biodiversity Management Award** in Resources and Non-Renewable Energy Category By Nedbank Sustainable **Business Award** 

**Awarded** 

# **Corporate Overview**

#### Profile

KORES is Korea's sole state-owned mining company and has led the domestic energy and resource industry over the past 48 years. We contribute to Korea's economic development through both domestic and overseas development of and support for mineral resources, managing rare mineral reserves for Korea in the event of an emergency, technological development and distribution, and other measures. Furthermore, our utmost priority is to make Korea a resource-rich nation while becoming a top 20 global company in mining industry.



#### General Information



Capital

KRW 5.82 Trillion







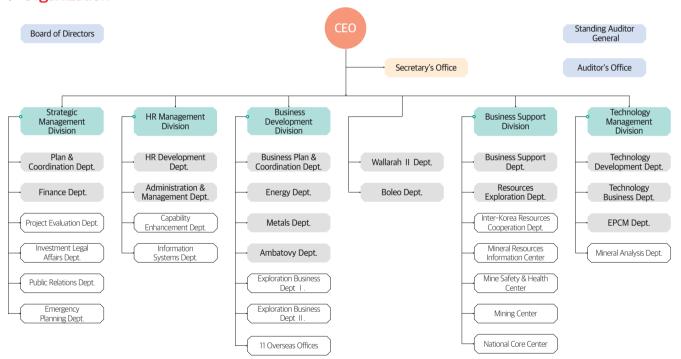








#### Organization



- KORES Australia Pty. Ltd.
- KORES CANADA Corp.
- Minera Corocobre S.A.
- KORES CHILE SPA • SARISBURY LIMITED
- Stonebridge Trading 36
- Prime Asia Resources
- Kores Lux S.a.r.l
- Ermani Ltd.

#### Overseas Office

- China Office • Canada Office
- Mongolia Office

· Kazakhstan Office

- Indonesia Office
  - Peru Office • South Africa Office

Chile Office

- DR Congo Office
- United Kingdom Office
- Australia Office

# Does KORES observe global guidelines?





KORES supports mining industry related global corporate social responsibility initiatives including the UN Global Compact, ICMM, the World Bank General Environment Guidelines, ISO 26000 and others. We actively engage in social responsibility with a transparent approach to minimize our environmental impact and protect the human rights of local residents where we operate.



KORES has been a member of the UN Global Compact since October 2007. We support its ten principles in the Human Rights, Labor, Environment and Anti-corruption, and report our performance in these four areas annually. Our new Human Rights Committee seeks to systematically conduct human rights development and training to protect and promote our stakeholders.

#### ICMM(International Council on Mining & Metals)



ICMM acts as a catalyst for performance improvement in the mining and metals industry and suggests ten principles for sustainable development.

KORES practices ethical management, human rights management, and environmental management along with other social contributions in both its domestic and overseas operation sites. As a result, KORES has received the 2014 Excellence in Corporate Responsibility (ECR) Award in the Social Enterprise Creation category. The ceremony took place at the annual Canadian Business for Social Responsibility Summit in Toronto.



Guidelines

We practice World Bank General Environment Guidelines, UNEP Guidelines and Berlin Guidelines. We support eco-friendly mining development and have introduced a monitoring system to manage waste and noise at our operation sites.

As a result, in 2014, Ambatovy's Biodiversity Management Program earned the company the Nedbank Capital Sustainable Business Award in the Resources and Non-Renewable Energy Category.

#### World Bank Operational Directive - Involuntary Resettlement



KORES is conducting a resettlement process for Ambatovy residents in accordance with World Bank Operational Directives.

Towards this end an elementary school and health care center for residents is being constructed as well as other infrastructure for the local residents of Ambatovy. We have also introduced an Ambatovy Committee to ensure there is no negative impact on residents from our operations in and around our Ambatovy site.

#### ISO 26000



KORES practices ISO (International Standard Organization) 26000 Guidelines for a sustainable future.

We will appoint a dedicated human rights team based on the guidelines' seven core areas of business function including governance, human rights, labor practice and fair operation. In addition, we conduct various social contribution programs for developing local communities and ensuring environmental protection. We monitor and manage our performance in these areas and communicate them transparently to our stakeholders.



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ICMM International Council on Mining & Metals Guidelines

4-6	G4-8

*Currently 34 projec	ts in 18 countries a	are being operated	worldwide. (As of 2014	Explorati	on: 12 F/S	• Development:	8 Production	on: 14
Classification	Boleo	Ambatovy	Capstone Santo Domingo	Bobre Panama	Wyong	Other	Total	
Accumulated Investment	KRW 1.21565Trillion	KRW 1.46473 Trillion	KRW 450.71Billion	KRW 369.05Billion	KRW 58.82Biliion	KRW 546.04Billion	KRW 4.105Trillion	
Ratio (%)	29.1	37	11.4	8.7	1.5	12.2	100	



# **Africa**

Country	Туре	Project
Niger	Uranium ⊶——	Teguidda
Tanzania ⊶—⊸	Uranium ⊶—⊸	Mukuz
South Africa ──	Flaming Coal ⊶	Vlakplaats
South Africa ──	Rare Earth Metals ⊶	Zandkopsdrif
Madagascar⊶	Nickel •——•	Ambatovy

### Oceania

Country	Туре	Project
Australia ←——	Flaming Coal ←	Athena
Australia ←——	Flaming Coal ←	Cockatoo
Australia	Flaming Coal ←	Narrabri
Australia ←——	Flaming Coal ←	Minerva
Australia ←——	Flaming Coal ←	Togara North
Australia ←——	Flaming Coal ←	Springvale
Australia	Flaming Coal ←	Angus Place
Australia	Flaming Coal ←	Mulavin
Australia ←——	Flaming Coal ←	Wyong
Australia ⊶—	Uranium ←	Mary

### America

Country	Type	Pro	ject
Canada ⊶——	Uranium	•	Cree East
Canada ⊶—⊸	Copper	•——•	Shakespeare
Canada ⊶—⊸	Copper	•——•	apstone
America ←——	Copper	•	Rosemont
Mexico	Copper	•——•	Boleo
Panama ⊶—⊸	Copper	•——•	Cobre Panama
Peru ←——	Copper	•——•	Marcona
Bolivia ⊶——	Copper	•	Corocoro
Chile ⊶——	Copper	•——•	Santo Domingo
Chile ←	Lithium	•——•	NX Uno
Argentina ←—⊸	Lithium	•——•	Sal de Vida

#### History

1967.06	Established as a general mining agency	2007.11	Established a branch office in Peru
1977.11	Completed the construction of a	2008.12	Changed the company name to
	technology research institute		Korea Resources Corporation
1978.03	Initiated Overseas Resource Development	2009.10	Established a branch office in Mongolia
	Support Business	2010.06	Established a branch office in Indonesi
1988.12	Supported the stone and aggregate	2011.02	Established a branch office in DRCong
	business/Established Labor Union	2011.04	Acquired a Canadian Mining Company
1990.04	Began to invest overseas resources		Capstone Mining Corp.
	development business	2011.12	Completed the construction of
1994.04	Carried out resources development in		Storage facilities in Gunsan /
	North Korea		Established a branch office in Chile
2001.03	Launched the KOMIS	2012.08	Acquired the operational rights for
2001.07	Established a branch office in Canada		Boleo Copper Project, Mexico
2004.12	Signed a project financing contact for the	2012.09	Began production in Ambatovy
	first time in the history of KORES		Nickel Project, Madagascar
2005.11	Established a branch office in Kazakhstan	2012.11	Began construction of head office
2006.10	Signed a joint venture agreement to		building in Wonju
	develop the Ambatovy Nickel Mine	2015.01	Reorganized corporate business
2006.12	Established a branch office in South Africa		Structure (5 Divisions, 13
2007.05	Completed construction of the		Departments, 56 Teams,
	Molybdenum refinery of Gwangyang		11 Overseas Branch Offices,
	Ferroalloy		3 Branch Offices in Korea)
2007.06	Proclaimed a new vision "W.I.T.H.	2015.07	Relocated its headquarter to Wonju
	KORES 2020" on 40th anniversary		
2007.10	Stored mineral products		

#### Main Business



KORES conducts domestic and overseas resource development, along with supporting projects, reserves management, technological development and minerals distribution. As a mining operation company, we supply mineral resources through win-win growth with other Korean resource companies to fulfill our social responsibility.



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We engage in value creation processes for win-win growth, not only domestic mining related companies but also companies in other industries. To date, the amount of accumulated value added for SMEs from the Boleo project amounts USD 20 Million. Human rights, the environment and our social impact are taken into account during KORES's decision making process. We have embarked upon achieving a sustainable future as a key partner for the mining industry.









# GO!KORES 2020

Cooperation with Domestic Consulting Firms



Duration: 5 Years

Remote Sensing/ Geophysical Exploration, Geologic Survey



Drilling, Geologic Modeling, Reserve Evaluation



Devising Development Plan, Economic Feasibility Analysis Formulating Plan for Korea's Resource Development Cooperation



Win-win Growth

Management of Ethics and Human Rights

Governance

**Eco-friendly Mining Development** over Entire Cycle



- Cooperation with General Trading Company
- Duration: More than 20 Years





Drift and Surface Mining



Mineral Dressing



Refining • Smelting Leaching, SX-EW

Securing 115 Resource Development Experts by 2020



- Cooperation with General Trading Company
- Duration: more than 20 years























The Ambatovy Project Production **Test Completed** 





# We seek sustainable development through the social resource of communication.

Korea Resources Corporation is growing with Korea's energy and mineral industries.

KORES's utmost efforts are going toward becoming the most innovative and responsible global mining company for Korea's continued growth.

Fulfilling our social responsibility through communication with stakeholders to provide strong assistance toward Korea's economic development

- 16\_Mid-to Long-term Business Strategy
- **18**\_Corporate Governance
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# Mid- to long term Business Strategy

# Where is directing point of the mid- to long-term business strategy?



We have reformed our business strategy considering both the internal and external environments. We have four strategic goals to ensure KORES achieves its mission of "stably supplying necessary mineral resources in economic development" as ordered by the government. And we have a clearly expressed vision of becoming a top 20 global mining company by 2020s.

#### Core Values

Achieving KORES's vision will be done through the three core values that guide our employees' behavior norms and standards of value; public contribution, professionalism, and partnership.

#### Strategic Business Plan

We have reformed our business strategy considering both the internal and external environments. Necessary strategic goals and strategic assignments to achieve our vision and mission were established based on our business environment. We clearly sated our willingness to complete our mission of "contributing to economic development by securing mineral resources" through our '4Es (Enhanced)' strategic goals.

Mission Stably supplying necessary mineral resources for Korea's economic development >>> Global Operator Vision JO!KORES 2020

Core Values

Goals

**Public Contribution** 

Professionalism

Partnership

Enhanced Public Role Strategic









Production and Marketing System for Mineral Resource Stockniling

 Enhancement of Investment Capital Productivity Enhancement of Mid-

Enhanced

Efficiency

to Long-term Financial Soundness Advancement of Management System & Expansion of Information Security System

Optimization of Investment Portfolio for Business Internal Stability Securing Experts through Recruiting and Fostering

Enhanced

Competitiveness

Best Talents Acquisition of Core Onsite Technologies for Rising as World-class Resource Development Company

via Private Company Involvement in KORES Investment Creation of Win-Win Growth Ecosystem and Maximization of Custome

Boosting of Partnership

Enhanced

Cooperation

Enhancement of Safety Management in Domestic

Core Values Encourage Best Technology Based on Creativity and Professionalism Innovation And Self-innovation Social and National Values Ultimately Achieving Public Public Security and Stable Supply Contribution via Resource Developmer Harmony, Mutual Trust and Communication-Partnership based Approach toward Balanced Development and

#### Strategic Goal Roadmap

We have actualized a strategic goal roadmap to truly become a global resource developer by securing the required competency and three more projects other than in Boleo and Wyong.

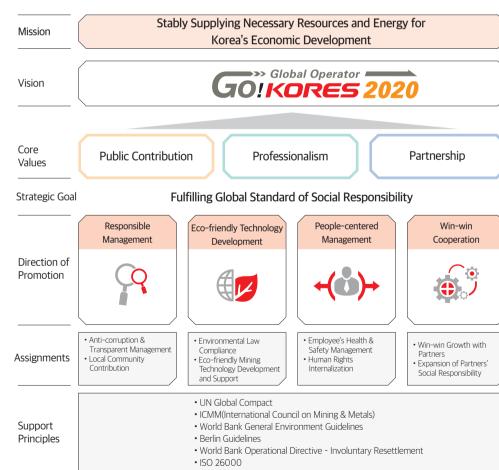
#### Sustainability Management

Our approach to sustainability management is transparency. We identify the interests of stakeholders and then integrate these into our annual sustainability report. Our sustainability management system is aligned with our business strategy to achieve KORES's vision and also includes activities for economic, environmental, and social responsibility as required.

#### Sustainability Management Promotion Organization

KORES's sustainability management activities are conducted by the Management Innovation Team, and the Sustainability Management Subcommittee oversees KORES's social contribution activities, customercentered management, ethical management, environmental management and other duties. The committee sets sustainability management promotion strategies and supervises performance. The formation of the Environmental Technology Team stemmed from a desire to strengthen environmental impact management of overseas resource development.

#### [ Organization of Sustainability Management Strategy and Promotion ]





Mid to Long-term Roadmap

Project Operator

Multi-Project Operator

Major Corporation

2016~17

(1st Phase:

Short Term

2018~20

Mid Term

2021~25

(3rd Phase:

Long Term)

SUSTAINABILITY

APPROACH

# **Corporate Governance**

# Does the decision-making body consider social responsibility?



As a global resource developer, KORES considers the UN Global Compact's 10 Principles in such areas as anti-corruption, human rights, labor and the environment in its decision-making process. Our board of directors is working closely with each division to identify related business issues and suggest solutions.

#### ♥ Board of Directors' Vision Aligned with Business Strategy

The board of directors pursues the three core values of substantial management, responsible management and results-oriented management to make KORES a trusted partner and achieve the corporation's vision. KORES' expertise is centered on the board, and always considers social responsibility and sustainability when making business decisions.

Board of Directors' Vision

Board of Directors' Core Values





(Autonomy)











G4-14 G4-15 G4-34 G4-46

#### Promotion Strategy

### Operational System

Reestablishment of Vision and Strategy

Systemization of

- Improvement of Board of Directors' Operating System
- Establishment of Evaluation and Feedback System

#### Boosting of Deliberation and Decision Function

- Enhancement of Investment **Business Deliberation Function**
- Improvement of Special Subcommittee Operation
- Provision of Discussioncentered Meeting System

#### Enhancement of Nonexecutive Director's Role

- · Boosting of Non-executive Director's Competency
- Expansion of Practical
- Business Involvement Diversification of Nonexecutive Director's Communication Channels

Key Performances Attendance Rate of **Board Meetings** 

More than 90

Adjusted Decision Rate

More than 10

Comment Ratio

More than 80

#### Composition of Board for Rational Decision Making

KORES's Board of Directors consists of four executive directors-including the CEO and standing auditor general-and five non-executive directors. The chairmanship is given to a senior non-executive director as appointed by the Ministry of Strategy and Finance. In particular, three executive vice presidents take part in the process of making in-depth decisions. Directors visit domestic and international operating sites to identify difficulties and gain onsite experience reflected in the decision-making process for better efficiency.



Onsite Visit by Board



- 1. Seong-Ha Park, Executive Director (Acting CEO)
- 2. Pyo-Geun Hong, Standing Auditor General
- 3. Dae-Jin Park. Non-executive Director 4. Dong-In Kim, Non-executive Director
- (Chairman)
- 5. Tong-Soo Chung. Non-executive Director
- 6. Kyung-Kyoo Park, Executive Director
- 7. Jung-Ki Lee. Executive Vice Present. HR Management Division
- 8. Moo-Young Lee, Executive Vice President, Business Support Division
- 9. Byung-Man Choi, Non-executive Director
- 10. Myung-Kyung Han, Non-executive Director
- 11. Kee-Heum Shin, Executive Vice President, Business Development Division

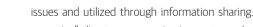
#### [ Deliberations Process ]

Operating Committee

Special Deliberation Committee

Subcommittee

**Board Meeting** 





#### Enhancement of Deliberation Function via Non-executive Director's Expertise



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The experience and opinions of KORES's non-executive directors are used for improving decision making Moreover, items passed by the Operation Committee are discussed by the Special Deliberation Council in which the participation of our non-executive directors is central. Furthermore, issues submitted to board meetings are previously reviewed by subcommittees. In 2014, 14 report items and 60 decision items were processed in the above manner. In particular, progress in investment projects worth more than USD 100 million are all reported on a monthly basis to the board.

#### Support to Demonstrate Professionalism



KORES provides an orientation for newly appointed non-executive directors on a general understanding of KORES's business, including information on the company's business status, domestic and international investment projects and board-related materials. Also, online and off-line training opportunities are provided so that non-executive directors can gain the necessary competency in areas outside of their particular expertise.

#### Open Communication-based Business Involvement



The expertise of our non-executive directors is demonstrated by their in-depth understanding of pending issues and utilized through information sharing. A classic example of this is our "one division, one nonexecutive" director communication system whereby non-executive directors are closely involved in one division to share pending issues and resource trends. Furthermore, non-executive directors take leading roles in our social contribution activities.

Attendance Rate Managerial Advice NO. of Managerial Proposal

**Board of Directors** 

Meeting

5 Meetings 93.9% 12 Meetings

Managerial Proposals





[ Report Content-decision Process ]

Core Issues Identification

Prioritization

Validity Verification

Evaluation

# **Stakeholder Engagement & Materiality Test**





Identifying the interests of our stakeholders and engaging with them are most important to our sustainability management activities. Our stakeholders include Koreans and we reflect our stakeholder's expectation on our strategy. Also, when publishing our sustainability report, we apply transparency of performance disclosure to report both improvements and positive outcomes in a balanced manner.



Trebotes Countries Supple Parise Local Confundity Repetition Metallico

#### Stakeholder Identification

G4-24 G4-25

KORES' stakeholder can be identified as employees, customers, suppliers/partners, local communities, the government/related institutions, the media, and NGOs. We organize our core values around our stakeholders and operate various communication channels in this regard. We place our utmost effort to gain the opinions and expectations of our stakeholders, so that they can be reflected in our business activities.

Core Values Professionalism



Employees

Domestic and Internationa Resource Workers Suppliers · Partners

Partnership



External Stakeholders

The Government, National

**Public Contribution** 

Assembly, Related Institutions Local Communities, the Media, NGOs

Communication Channels

Stakeholder

Identification

Stakeholders

Expectation

Efforts of

Outcome

Engagement and

- Strategic Management Meeting Dialogue with CEO · Labor-Management Council
  - · Internal Online Communities
- SME Suggestion Channel
  - Working-Level Council for
  - Workshop for the CEOs of Korean Mining Companies
  - . CEO Meeting for Win-win Growth
- Local Community Meetings MOTIE Monthly Meeting Business Disclosure
- Sustainability Management Committee

- Improvement of Employee Satisfaction Improvement of Employee's
  - Mutual Cooperation and Profit Sustainable Mining Industry Eco-system
- Mutual Cooperation and Profit
- Achieving KORES's Establishment Purpose

# Competency

Employees • Reward Top 20 KORES Employees

- in Organizational Performance · Introduction of "Work and Life Balance" Bulletin Board For Employees to Share
- · Host Mine Safety Experience for Employees' Families
- Operation of Junior Board for Fostering Opinion Leaders

#### Global Resource Cooperation

- Utilizing employees' returned funds to establish 'Boleo
- scholarship program' · Conduct CSR Activities in Four Countries with KORES Offices and Investment Projects
- Customized Technology Support by Identifying Essential Technologies via Onsite Visits to

#### The Government/National Assembly

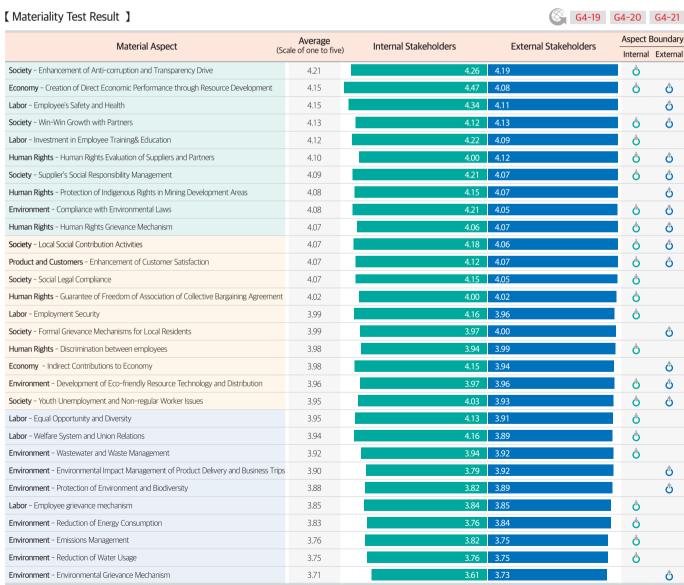
- · Strive for Early Approval of Allocated Funds via Frequent Meetings with Government Budget Committee and Lawmakers
- Secured KRW 184.9 Billion in 2014
- via Early Approval of Budget Plan Explained the government the
- need for additional employees
- 11 Employees Added to Raise Productivity via Explanation of

#### Materiality Test Process

The materiality test was conducted with the specialized sustainability management institute, `THE CSR'. The materiality test was based on GRI G4 and designed to decide issues which stakeholders consider important in regards to KORES's general management. Various issues were identified through interviews with stakeholders and KORES employees, as well as through quantitative analysis and the use of an external specialist advisor. These were reviewed at the reporting confirmation phase to enhance reliability

#### Analysis and Evaluation Period

The sustainability materiality test was conducted separately with issues such as sustainability trends and operational impacts being assessed via in depth interviews with stakeholders and surveys of them. The survey of materiality issues were conducted from 21st of September to 30th of September with 104 stakeholders responding out of a total of 450. Sustainability management specialists and other stakeholders were included in survey groups.





# Stakeholder Engagement & **Materiality Test**



eco-system.

#### Stakeholder Interview

In order to reflect the interests of stakeholders in our business activities. we conduct group interviews with stakeholder representatives.

#### The Government Interview

#### Expectation of KORES's **Public Role**



**Expansion of Overseas** Resource Development

National Assembly Interview



Becoming a leading

a sustainable future.



Mineral prices and the condition of the global I believe that one of Korea Resources Corporation's mineral markets in general have worsened since most important social responsibilities is in regards KORES initially began its overseas resource develto conducting overseas resource development. opment businesses. KORES therefore received an Considering Korea's lack of resources, overseas inclement financial evaluation from the governresource development closely correlates with ment, but I expect this will improve when global Korea's industrial and economic development. mineral prices recover. Due to influence of the Therefore, I believe KORES should overcome global mineral markets, KORES shall equip itself its debt issues and expand overseas for Korea's with a solid financial structure as well as estabindustrial and economic development. KORES lish mid-to-long term strategies for overcoming should advance its management system to difficult situations. I also believe that KORES, as recover public trust and enhance the transparency a public state-owned mining company, will lead of its business operations to create profitability. Korea's resource industry in the need to consider KORES's social responsibility in regards to local what the ripple effects on Koreans are. I believe development is also important. KORES's effort one of the most important social responsibiliat invigorating local development and recruiting ty aspects of KORES is to partner with private local talent is required. Based on these efforts, I companies in creating a healthy mining industry expect KORES will be a company which co-exists well with Korea's local communities.

#### • International Organization Interview

# sustainability company

I believe it means a lot that KORES, as a member of the UN Global Compact, is striving to comply with global guidelines, and it actively considers human rights and the environment when conducting domestic and overseas resource developments. Also, I was very impressed by KORES's long-term social contribution operations which regularly engage local communities. I hope KORES will actively respond to environmental issues and establish an advanced human rights management. Also, I hope that KORES will become one of the 20 mining companies in the world by 2020s through win-win growth with its suppliers, to not only create economic performance but also consider society and the environment in building

#### • Resource Development Expert Interview

#### Strengthening Status of Global Operator via Securing **Resource Experts**

One characteristic of the resource development industry is that it is a key indicator for predicting future economic conditions. Therefore, there is a need for long-term business feasibility perspective. When the economy is strong, we should be actively securing mineral resources, and during economic downturns, mineral resource should be sold. This purchasing and sale must be constantly executed. KORES's purpose of establishment is not to make profits from energy trades, but to secure the necessary energy resources for Korea. Considering this, I believe gaining project operation experience and establishing a network of suppliers is more important than selling projects only for the purposes of short-term profitability. I hope that KORES will strengthen its resource development competency to gain global status in its resource development capabilities.

#### Supplier/Partner Interview

#### **Securing Business Opportunities** with Private Companies

KORES has a strong record of supporting the mineral resource industry through its supervisory role in funds for mineral resource development. I hope KORES will cooperate with private companies more when a business opportunity arises. One of KORES's most important social responsibilities is to lead Korea's resource development business to secure resources in competitive way and support and strengthen the competency of private enterprise through the use of resource development funds. KORES needs to exercise caution in selecting projects, as a key characteristic of resource development is the high investment needed by large-scale projects, implying higher risk. Also, I believe that to resolve inevitable social issues that arise in resource development, social contribution activities are concurrently needed.

#### Supplier/ Partner Interview

#### Support Business Opportunities to **Prepare for Reunification**

Most limestone mining companies are vulnerable to a lack of boring and mining technology, safety and finance. I believe KORES plays a significant role in supporting these companies. I believe KORES's social responsibility is supporting the domestic mining industry to grow in long-term. Considering the gradual exhaustion of domestic resources and an increase in competition. Libelieve securing overseas resources and achieving global competitiveness is very important. Also, KORES should seek ways to invest directly and indirectly in North Korean mining projects to prepare for unification. I hope that KORES involves itself in helping Korean mining companies to gain business competitiveness by providing mineral potential mapping and other related information.



Jae-Tak Park, Deputy Director Ministry of Trade, Industry and Energy



Ki-Up Park, Aide Office of Rep. Gan-hu Lee (Wonju Eul-gu, Saenuri Party)



Hong-Jae Im. Representative UN Global Compact Network Korea



Jae-Dong Kim, Professor Kangwon National University, Energy and ResourcesEngineering



Sang-Cheon Kim, Senior Manager LG International

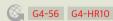


Hee-Chul Moon, CEO Baek-Kwang Mineral Products

# SPECIAL ISSUE (1) Human Rights Management Framework

KORES supports the UN Global Compact, and as a global resource developer, acknowledges the importance of preventing risk factors in human rights. Therefore, we are enhancing our company-wide management system for human rights to include not only our organizations, but also those of our suppliers and overseas operation sites.

#### System for Promotion of Human Rights Management



KORES's Human Rights Committee is comprised of eight individuals who review issues on the promotion and protection of human rights for our stakeholders. The committee is responsible for establishing a plan to promote human rights as well as policy enforcement and recommending improvements. KORES appoints a human rights team to systematically promote development of human rights and related training.

#### □ Implementation of Human Rights Management



Human rights management will be embedded in our entire decision-making processes, including those of recruitment, labor, industrial safety, health, supply chains and the environment for the protection and promotion of human rights of all stakeholders. A clause will be included for human rights protection in our supply contracts to promote human rights management throughout the entire supply chain.



#### Human Rights Management Proclamation Ceremony

In order to become a socially responsible global resource developer, KORES held a `Human Rights Management Proclamation Ceremony' on October, 2015. The Human Rights Charter and work standards comprising nine areas of human rights were also included our existing EHS work standard. Through the Proclamation Ceremony, our employees have been reminded of the importance of human dignity, value, freedom, and rights.

#### Areas of Human Rights Management

- Support global guidelines and standards of human rights, labor, environment, and anti-corruption
- Freedom of collective bargaining
- Industrial safety promotion effort
- Respect and protection of local resident's human rights
- Personal information protection

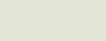
- Opposition to forced labor and child labor
- Support supplier's human rights management
- Utmost efforts toward environmental protection
- Ban discrimination based on race, religion and other factors



**Human Rights Management Process** G4-12 Sustainability Report Human Rights Committee Prioritization Identification of Risk Perception and Monitoring and Reporting (KORES 인권경영 선언식 및 인권교육

#### Future Plan

Starting with our Human Rights Management Proclamation Ceremony, KORES has shown a strong will to protect and promote the human rights of our stakeholders. Regular sessions of internal human rights training will help the company internalize human rights awareness. Also, we will practice and expand the scope of human rights to our overseas project sites to achieve our vision of becoming a global operator. Through these efforts, we guarantee universal freedom and rights in the pursuit of sustainable development.



# **Ethical Management**





KORES's ethical management means that, as a state-owned company, it will not only proactively fulfill economic and legal responsibilities, but also social and environmental responsibilities through business activities. Under KORES's ethical vision`Global Clean KORES', we are fulfilling our social responsibility in a broad scope and transparent manner.

#### Creation of Sustainable Global Ethical Management System

#### Mid- to Long-term Promotion Strategy

#### Provision of Ethical Training Infrastructure

- · Life-cycled Ethical Training Task-customized Education

#### Culture Integrity Culture

• Integrity Content Contest • The Integrity Golden Bell Challenge!



#### Communication Social

- · Resource Integrity Committee (Anti-corruption Council)
- Door-to-Door Integrity Information

#### **Ethical Guidelines** and System

Ethics Charter Code of Ethics Employee Code of Conduct Integrity Regulations for Work Standard

#### **Ethical Management** Conduct Organization

#### Management Innovation Team (Integrity Training & Culture Creation)

Establishment of Ethical Training Plan and Ethical &Integrity Content

Code of Behavior Monitoring Ethical Culture Creation &

& Internal Control) Internal Check & Regular

Auditor's Office

Integrity Measurement Task Reporting System

### **G4-58**

#### Anti-corruption Report System

Smart Whistle E-Sinmungo (Online

Complaint Forum for Request Registration

Center for Reporting Rudget Waste

#### Performance Evaluation of Ethical Management Activities

Integrity performance evaluations are conducted every year on both employees and teams. And to promote ethical management, KORES has an integrity "mileage program" to reward individuals for exemplary integrity activities. The program is also used as a key performance indicator for ethical activity at the departmental level. 2014 saw 13 winners of the integrity golden bell challenge.

#### Enhancement of the Dedicated Ethical and Integrity Team's Expertise

For the ethical management system to operate smoothly, KORES has separated the system into two teams - the Ethical Management Team and Integrity Management Team - to strengthen their expertise. The former team is responsible for integrity training and tasks for creating an integrity culture, while the latter handles anti-corruption and internal control affairs.



#### Ethical Education Program Operation

In order to share the integrity culture across the company, we operate a customized integrity training course by task and position. In the case of life cycle integrity training, we conduct customized training by task and we conduct one and one integrity training for new recruits as well as for new top management positions. We further conduct integrity training for enhancing the morality of contract, HR and budget officers.

#### G4-S04 【Customized Integrity Training】 Integrity Training for Officers Life-cycle Integrity Training Vulnerable to Corruption . . . Conduct Customized Training for New • Enhancing Morality of Contracts, HR and Recruits, Newly Promoted Personal, **Budget Officers** Top-Management By Task By Conduct 1:1 Integrity Training by Visitation Training for Integrity Blind **Position ■→■→■** Spots (Regional Office) Position

• Visitation Training for New Appointees and New Top Managers



. . .

SUSTAINABILITY

APPROACH

Integrity Golden Bell Challenge! Event



Anti-corruption Integrity Event



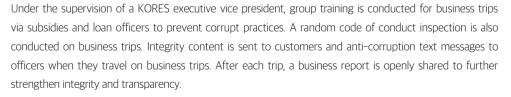
#### Opening of 2nd Integrity Week

KORES held its 2nd integrity week with its employees for strengthening its ethical management system. The 'Integrity Golden Bell Challenge!' saw 93 employees from each department for strengthening employees' code of conduct. Also, the promotion of integrity activities was encouraged through a catch phrase contest. As a result, the number of integrity contents cases was increased from 67 to 120 cases which accounted for a 180% increase on the previous year.

#### ◆ Social Promotion of KORES-style Culture of Ethics

Integrity content was created to promote integrity culture through an open integrity contest for social promotion activities and stakeholders. Also, Mining Integrity Membership was introduced to promote integrity norms by issuing integrity cards, and resulted in 21 mines and 110 members joining. The State Subsidy Committee is operated through cooperation with members from the private sector, government and academia.

#### 



#### • Establishment of Behavior Norms through Timely Reform of Ethical Management

KORES has strengthened its conflict of interest criteria through ethical management reform. The standard for corrupt behavior reporting was also strengthened by lowering the standard for bribery acceptance to KRW 2 Million from KRW 3 Million. To prevent a conflict of interest in fighting corruption, detailed rules on personnel policy were also strengthened to allow employee dismissal in any disciplinary period.

**Ethical Management** 

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# Enhancement of Internal Compliance System

Internal compliance was bolstered to reflect the unique characteristics of the public corporation. We consider it imperative to raise our transparency by strengthening ethical management under a detailed internal control system.

#### ♠ Inherent Risk Reflected in Internal Control Operation



The Audit Committee was formed to raise the independence of auditors. And to strengthen the auditor's expertise, related work guidelines were published. Employees must obtain professional licenses when assigned to the auditor's office. Certified public accountants have been named to the Audit Review Committee and the Financial and Performance Audit, and in 2014, KORES also held an auditor's workshop. Efforts are also going toward strengthening internal control competency through training of external specialists.

#### **Regular Monitoring**

#### Self-Diagnose Internal Control: 349 Items (7 added)

Internal Control Evaluation

- Verification of General Review
- External Evaluation of Internal Accounting Management 362 Items (33 Added)

Standing Auditor General

Internal Whistleblower System

- Establishment and Operation of Bribery
- and Unfair Direction Reporting System
- 148 External Training Cases, Bribery and 2 Other Reported
- Investigation and Management of Reported Cases via Internal External Reporting Channel
- 1 Case of Reprimand in Civil Complaint

- Operation of Regular Monitoring System
- 8 Areas, Operation of 46 Scenarios
- Procedure: Early Warning → Request for Summons of Current Department → Confirm Summons
- 1,074 Early Warning Cases, Summons and 3 Onsite Disciplinary Action Cases Completed

#### **Daily Audit**

- Operation of Dedicated Auditor System by Division
- Conduct of Daily Audits: 940 Cases Annually - Reflected Oninions: 296 Cases (77 More From Previous Year)
- \* 125 Cases reviewed and Approved by Standing Auditor

#### Cases of Administrative Actions Taken

38 Cases

Annual Daily Audit

Combined

(Up 7 Cases From Previous Year)

Individuals who received Penalty

(Up 15 From Previous Year)

Adjusted Amount in Accounting **KRW** 

685

(Correction of Mistakes in Interest Fees and Subsidy Accounting)

#### ♠ Enhancement of Internal Check Performance via Audit Activities

#### G4-58

#### Comprehensive Audit

### ♦ Areas of Audit: General Duty/

- Internal Control • Resolve Audit Blind Zone in
- General Duty → Intensive Audit for Overseas Office Operation

#### Performance Audit

#### ♦ Areas of Audit: Investment Business/ Internal Control

- Enhancement of Internal Check Performance via Audit Activities
- → Case Analysis and Action of Underperformance vs. Plan

#### Discipline Audit

#### ♦ Areas of Audit: Public Office Discipline/ Lax Management

• Public Office Discipline Audit during Vulnerable Period such as a National Holiday

# **Financial Audit**

♦ Areas of Audit:

Funds/ Internal Control

 Audit of All Areas in Accounting and Settlement Operations

#### Specific Audit

♦ Areas of Audit: Lax Management/ Management Guidelines/ Core Business/ Internal Control

- Operating Conditions of Resource Analysis Business → Consumables Management and Audits Centered on Contract and Customer Satisfaction
- Legal Affairs on Investment and Status of Loan Business Operations → Audit Focused on Consultation Contract and Loan Managemen

#### **Charter of Ethics**

Korea Resources Corporation is a national company that has contributed to Korea's economic development by efficiently providing a stable supply of industrial materials and energy mineral resources to meet the needs of the nation.

By moving our corporate vision and philosophy forward with concomitant pride and selfconfidence, we aspire to be a world-class public company that specializes in resource development with trust and support from the public.

To this end, we realize that it is essential to maintain a transparent and fair ethical culture. Consistent with that target platform, we intend to provide the following charter of ethics which is integrated into all our resolutions, in order to uphold the highest standards and values to which our employees shall abide.

We will share core values, accomplish our missions with creativity and excellence, and conduct our businesses in an honest and fair manner, while observing all of the relevant laws and regulations, based on high ethical values.

We will seek co-prosperity with our customers by providing the finest products and services, with an emphasis on respect.

We will strive for continuous improvement of our corporate values and sustain growth and development through fair competition and innovative activities.

We will respect the personality and creativity of our individual employees, treat them fairly according to their ability and achievements and endeavor to enhance their quality of life.

We will contribute to the development of the nation and society, by complying with all relevant laws and regulations at home and overseas, protecting and preserving the environment, and positively participating in public service activities as a responsible member of society.





# We pursue common interest through social resource of cooperation.

We pursue common interest through cooperation.

Korea Resources Corporation is moving forward toward

a better future for people through cooperation.

A future in which resources, nature and people coexist and co-develop.

This is what KORES wants to share with our stakeholders.

KORES is cooperating with our stakeholders to achieve a shared future.

Stepping Stone I
Business
Performance

- **33**\_How does KORES create business performance?
- **38**\_What efforts are going toward recovering financial soundness?

40\_ SPECIAL ISSUE ②
Progress in Boleo/ Ambatovy Projects



# **Business Performance**

#### Background

KORES was renamed Korea Resources Corporation. (from Korea Mining Promotion Corporation) through the KORES Act of 2008. Also, the corporation's function was shifted from a supporting role to that of a direct investor in resource development. KORES now conducts resource development abroad and aims to truly become a global company for resource development through quality growth.

#### Progress

For stable supply of industrial materials and energy mineral resources for Korea's economic development, KORES must truly become a global company for resource development. So we have acquired eight core technologies and applied them at our project sites. We have also improved the evaluation criteria of our investment business and related policies to internalize investment business management. Our priority is to stabilize the Boleo project and have set up a business for mineral product stockpiling for stable supply of rare metals. We continue to place utmost efforts on improving exploration support, mining productivity, mine safety and the fostering of mining experts.

#### • Future Plan

As Korea's only state-owned resource development company, KORES is focusing on directing resource development, profitability and efficient management of metal stockpiles to fulfill our duties, as well as promote a stable mining ecosystem in Korea through win-win growth with other domestic resource companies.



#### Key Performances

Core Technology Acquisition and **Application** 



Stockpiling of Rare Earth



Support for Domestic Mining Companies

KRW Billion Improvement of Accident Rate at Domestic Mines





# How does KORES create business performance?

STEPPINGSTONE TOWARDS SUSTAINABLE

**ECONOMY** 

As a resource development company, KORES places utmost efforts on acquiring advanced core technologies in pursuit of resource development and in order to become a global mine operator, Also, we strategically store rare metals to stably supply minerals in the event of a national emergency and support resource development exploration and technological development to foster the domestic mining industry.

#### ♥ Internalization of Resource Development Investment Operations

#### ♠ Investment Portfolio Adjustment

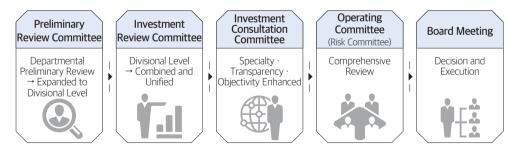


In order to optimize our investment portfolio, five poorly performing projects are being sold following an investment performance analysis. We plan to systematically sell projects which are difficult to pursue further or are poorly performing based on our portfolio restructuring policy. Our new system for investment history management seeks to streamline standardized business information, and we have strengthened our followup management of and responsibility for business execution through the investment history program.

#### ♠ Re-organization of Investment Policy

In order to enhance the success rate of projects and the effectiveness of business execution, KORES's investment policy has been re-organized. The newly formed Preliminary Review Committee performs an initial review of new projects to verify feasibility. The Investment Consultation Committee comprises a pool of some 51 external advisory members, each of whom is a specialist in a certain area. As a result, the specialization, transparency and objectivity of investment reviews have been enhanced.

#### [ Investment Review Process ]



#### ♠ Improvement of Discount Rate Criteria

Poorly performing projects risk weakens KORES's financial position. As such, guidelines for the discount rate have been established, with internal and external changes as well as market trends being reflected on the discount rate. A related feedback system has also been established. The current discount rate is divided into rates of minimum profit and project. Furthermore, the calculation standard has been changed from the CIM to the CAPM method.

Stockpiling of

Rare Earth Metals

**Preparation for National** 

Emergency,

43.6 Days' Worth

**Exceeded Mineral** 

**Purchasing Goal** 

# **Business Performance**

#### ♥ Efforts toward Resource Development Business



#### ♠ Push to Normalize Brand Project Early

KORES also boosted budget control and onsite management through management from the Ambatovy project. And our new technological competency and risk management system has reached the commercial production phase. We have been thoroughly preparing for approval to develop the Wyong project in Australia.

#### Establishment and Execution of Korean-style Strategy for Expansion of Resource Development

The Korean Resource Development Expansion Plan is designed to share Korea's industrialization experience with other countries and aims for win-win growth with Korean SMEs in the light industry for offshore operations. KORES and state-owned mining companies in other countries are jointly developing business opportunities and conducting joint research to raise competitiveness. In 2014, KORES signed a memorandum of understanding with ERDENES and ANTAM, and are doing joint research projects with both. KORES will further expand joint research efforts to Africa and Latin America.

#### Soosting of Competency in Resource Development Technology

Business feasibility was strengthened to raise F/S competency. In-house consulting is being conducted in core business areas, and a newly formed advanced operation system seeks to set up the F/S technology system. We have also strengthened our technological competency for normalization of the Boleo project. We have a three-year plan for core technology acquisition to rise as a global operator. Eight core technologies have been acquired and applied to our operation sites.



#### [ 8 Core Technologies Acquisition and onsite Application ]

Related Project	Type of Research	(Area of Technology) Acquired Technology	Result of Onsite Application	
	Own-Research	(Development) Unconsolidated Argillaceous Weak Rocks Mining Plan	Boleo Ground-Support Plan	
Boleo Project	In-House	(Smelting) Solid/Liquid Separating Process Plan and Operation		
Boleo Project	Own-Research	(Smelting) Zinc, Cobalt Co-extracted	Hydrometallurgical Pilot Plant Process Establishment/ Boleo Onsite Back-end Data Provided	
	Outsourced Research	(Smelting) High Purity Cobalt Metal Recovery		
Santo Domingo Project	In-House	(Dressing) Arsenic reduction when flotation of complex metallic ore	Happy CEO Project Support	
	Outsourced Research	(Exploration) Time-domain electromagnetic survey and interpretation	Exploration material interpretation software evelopment	
General	In-House	(Analysis) Non-biodegradable sample preprocessing	Non-biodegradable Sample Analysis	
	Outsourced Research	(Equipment) ICT based Mining Equipment Management	Domestic Mine Safety System Establishment	

#### Securing Advanced Technology for Preparing Mine Operations

KORES has acquired pressure leaching and autoclave of copper sulfids operational techniques. A copper leach rate of 97 percent has enhanced business competitiveness as well as the pursuit of a mid- to long-term plan for securing microbial leaching. Efforts are also going toward establishing our own mineral dressing and review process through acquiring knowledge for the basic design of a flotation plant.

#### Operation of In-House Startup Strategic Exploration Team

In order to become a global operator, KORES has formed two Strategic Exploration Teams for exploration design, exploration and management. These teams are working on the copper exploration project Lucky Mike and a copper exploration project in Chile.

Strategic Exploration Team
Establishment

#### Stockpiling of Rare Earth Metals and Management Efficiency

#### ♦ Strategic Stockpiling of Rare Earth Metals



G4-4

35

In order to secure a stable supply of rare earth metals in Korea in a national emergency, KORES has conducted strategic stockpiling of rare earth metals since 2007. This venture aims to store two months' supply to meet domestic demand for ten rare metals spanning 79,300 tons by 2016. KORES has reserves of 57,614 tons, or 43.6 days' worth of domestic consumption.

#### 【 Mid to Long-term Roadmap for Stockpiling of Mineral Resources 】

Vision	Provide Stable Supply of Rare Earth Metals in Korea in National Emergency				
	Chromium (70,911 tons)	Molybdenum (2,910 tons)	Antimony (1,650 tons)		
	• Ferro-chrome (HC) • Ferro-chrome (LC)	Molybdenum Oxide	Antimony Oxide		
	Titanium (1,610 tons)	Tungsten (90 tons)	Niobium (1,040 tons)		
	Ferro-titanium	Ferro-tungsten	Ferro-niobium		
Stockpile Goal • Zircon	Zirconium (255 tons)	Rare Earth Metals (830 tons)	Selenium (2 tons)		
	Zirconium Oxide	Cerium Compound	Selenium Granule		
		Yttrium Oxide	Gallium (2tons)		
Goal		Other Compounds	Gallium Metal		
	Securing Base Material Mineral of New Growth Power	Securing 2 Months' Worth of Domestic demand	Securing Independent Supply Capacity Integrated with Overseas Resource Development		
	Chromium, Molybdenum, Antimony, Titanium, Tungsten and 10 Other Minerals Stockpile Goal: Stockpile 2 Months' (79,300 tons) Worth of Domestic Demand from 2007 to 2016 Stockpile Target Days (60 Days): Lead Time of Mineral Purchasing to Delivery				
	* Differential Stockpile Considering Industrial Requirements and Strategic Importance (50 and 100 Days)				

#### Operation of Optimized Purchasing Process



In order to efficiently conduct our stockpile business, we have an arrangement with our suppliers to purchase resources on a flexible and low-cost basis. We have also optimized the purchasing process by quickly responding to delivery delays in case of natural disaster, and improved delivery accuracy by outsourcing resource inspection. As a result, 17,203 tons were stored in 2014, which exceeded the target by 9,281 tons. Ultimately, we expect to save KRW 86.5 billion more than planned at the time of completion in 2016.

#### ♠ Efficient Management of Stocked Resources

A newly adopted warehouse management system monitors product management, greatly raising efficiency in management of stocked resources. And to strengthen warehouse and facility management, an independent distribution system is being established.

#### Cooperation for Efficient Stockpiling Business

In order to fulfill the Government 3.0 Policy, we have extended our cooperation and interchange of business with the Public Procurement Service. We also share information with Japan Oil, Gas and Metals National Corp., State Reserve Bureau and others to determine trends in technology and global market prices.

#### ◆ Effort to Strengthen Stockpile Business Competency

The survey of distribution structure was conducted from 650 companies for the release of five of our ten reserve resources. Based on these inquire, an accurate domestic consumption trend has been identified. A release system is being established for the efficient release of reserved resources.

**Promising Project Discoveries Support** 

Total Cases

The Arctic Ocean resource 3D modeling

# **Business Performance**

#### ♥ Support for Resource Development



#### ◆ Devising of New 2015~19 Mining Basic Plan



As a result of conducting the first mining basic plan and that of mining advancement, improvement was needed given the mining industry's conditions. So a second basic plan and an annual implementation plan were formed.





- Ore Recycle and New Demand Creation
- Fostering Mineral Resource Material Business, Advancement of Mineral Product Distribution Structure
- Development of Underground Use Model, Installment of Outside Facilities, which may cause environmental risk inside of mine



- ► Exploration Technology and ICT
- ▶ Development Technology and ICT ► Resource Processing Technology
- and ICT Fusion ► Environment Management Technology and ICT Fusion

Management Establishment

of Foundation, Enhancement

Capability During Supply and

Development with North Korea in

of Emergency Risk Response

Demand Emergency

Mineral Resource Co.

North Korea

#### ③ Mineral Resource National Security Conduct Mine Safety Management Strengthen

Re-establishment of Safety act and Mine Safety Guidelines. Enrichment of Facility Inspection Safety Management Technology and ICT Fusion, Safety Management Support System

Improvement

# ⑤ Enhancement of Support System

- Technology Open Platform Establishment, Customized Support in Each Development
- Fostering Onsite oriented Talent & Test Mine operation. Co-use of nationally funded facility

#### ♦ Strengthen Transparency of Support Business

In order to conduct KORES's support business transparently and properly, our National Subsidy Selection Committee utilizes the talents of one government officer, five external specialists and two internal members. The government officer and specialists are given authority over criteria to secure transparency.

#### Introduction of Advanced Equipment and Mining Cost Support for Improving Mining Productivity

Opinions from industry on our support business were identified through a support business presentation and CEO meetings. After reflecting on the opinions, unnecessary regulations and support directions were abolished or improved. The focus of our support is on small mines, which have high potential to become medium sized. As a result, productivity per person increased 2.1% from the previous year

#### • Efforts to Enhance Mine Safety and Foster Talent

We found room for improvement in onsite mining accidents in Korea based on an analysis of the accident rates in developed countries. A policy of mine safety training and self-regulation of mine safety guidelines has since been introduced and a Mine Safety Committee established. A new system also jointly uses the best safety equipment for small and medium-size mines to reduce domestic accidents. A combined 3,886 individuals received safety training at our mine safety center.

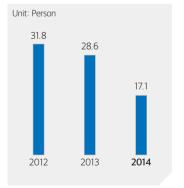
#### Support for Securing Ore Resources

Based on domestic consumption of mineral products, we devised a strategy to secure resources. We secured 2.7 million tons of silica stone to meet the fast-growing demand of silica stone powder. Also, domestic redeveloped mines are in the early production phase through our technological support. Furthermore, the national subsidy support system was improved to reduce the budget for and enhance drilling efficiency.

#### [ Mining Productivity and Drilling Efficiency]



#### [ Domestic Mine Accident Rate]



37

#### Support for Overseas Resource Development via Providing Resource Information

KOMIS offers domestic and global information on supply and demand of mineral resources and their associated prices. KORES has identified user preference to prioritize KOMIS information content. We extended the publishing of daily resource news to improve the quality of content and make it more useful. As result of these efforts, the number of annual visitors to KOMIS reached 37,430, up 6.7 percent from the previous year. The number of production cases rose 87.5 percent from the previous year to 1.470.

#### Systematic Exploration Support for Promising Projects

Customized supports were provided in each phase of projects including for exploration, and transparency of the national subsidy system was strengthened.





- Conditions (Geological Survey) Basic Exploration (Drilling & Geophysical Exploration)
- Study on Feasibility of Share

#### **Business Analysis** and Integration

modeling

- Ore Resource Evaluation via 3-D
- Matching Service for SMEs-Major Companies
- Support for Strategic Policy

#### ◆ Effort to Enhance Expertise in Exploration Support

Our new Exploration Index System raises the competency of exploration techniques and improves the efficiency of exploration data management and usage. Furthermore, the efficiency of the exploration business was additionally improved by standardizing systematic exploration techniques and through greater proficiency in 3-D modeling techniques. Finally, external experts are assigned to improve exploration techniques. As a result, 58 percent of members' competencies of the exploration support team were raised.

#### ♦ Efforts and Outcomes of Promising Project Discoveries



Better support for basic exploration resulted in the discovery of promising projects, including six secured in the private sector out of 52 cases of surveys of resource development projects abroad. KORES has invested USD 71.5 million in technical support. Ore resources of 2.3 million tons were secured through support for resource development in the Arctic Ocean.

#### [ Exploration Support for New and Promising Project Discoveries by Private Sector ]













Based on the Ministry of Trade, Industry and Energy's financial improvement plan for public corporations, KORES formed its Financial Improvement and Competency Strengthen Task Force comprising nine experts. We also conducted an emergency management workshop with all employees to share organizational risk awareness and prepare a response plan. After five meetings, assignments for financial structure improvement were designated. From 2013, restructuring of investment portfolio

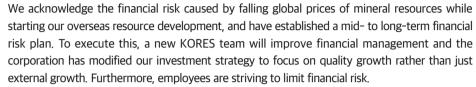
was selected as a core assignment to pursue financial improvement. KORES now has seven overseas

projects, and our staff is working hard toward achieving financial normalization.

# **Business Performance**

# What efforts are going toward recovering financial soundness?







#### Cause of Rise in Debt Ratio

The debt ratio was 85 percent in 2008, when we changed our name and began to focus on overseas resource development. An increase in investments due to more activity in overseas resource development caused external borrowing to rise, resulting in the worsening of our debt ratio and financial soundness. In particular, the increase in investment funds was also caused by production delays at select medium and large-scale projects.

#### Strategy for Financial Soundness Recovery

KORES acknowledges the importance of debt reduction and its Risk Management Team seeks to implement a mid- to long-term financial management plan aimed at raising financial soundness and stabilizing our financial structure. As a result, the debt ratio reached 214 % in 2014.

Mid- to Long-term Plan for Financial Management

#### Strengthen Financial Soundness via Bolstering Overseas Investment Activity

of major project

- Value added creation plan establishment and business competitiveness for improving profitability
- Operation Business focused Business Restructure through Improvement of Human Power and Fund Management Efficiency

Seek Discovering Exploration **Operation Business for Securing** Mid-long Term Growth Power

- Development Phased Project Entered Early
- Operations-oriented Portfolio and Strengthening **Business Competency**

#### Stabilization of Financial Structure, through Increase of Capital



- project portfolio and disposal of shares
- Securing stable seed money through increase of capital and expansion of paid-in capital

#### Strengthen Financial Risk Management



- Financial Risk Limit Setting
- Regular Inspection through Market Fluctuation Response Capability Enhancement
- Initially Identify Business Risk and Respond



Risk Management Team

#### **Establishment**



**Invest Strategy Change** 

External Growth





**Quality Growth** 



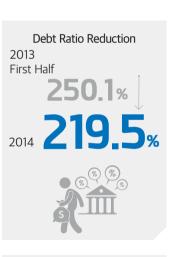
# Effort to Reduce Debt

First, the Boleo project's locally incorporated company MMB conducted a debt-equity swap to increase its capital. As a result, MMB's financial structure dramatically improved with its debt ratio declining from 250 percent in June 2013 to 207.6 percent by the end of that year. Also, the Seoul headquarters building of KORES was sold for KRW 65.9 billion in kicking off our asset selloff plan. Furthermore, projects slated for downsizing were chosen based on our debt reduction plan. Our efforts are going toward improving our financial structure and our sale strategy seeks to respond to a variety of economic factors.

#### Future Plan

KORES has organized our business portfolio and looking for exploration opportunities to spur growth momentum. Also, we will reduce financial risk and improve financial restructuring through a number of methods. We have diversified fund procurement by joining a Global Medium Term Note program for issuing foreign bonds down the road. Because the long-term fall in mineral product prices have damaged the mining industry, KORES's debt ratio inevitably increased. We are diligently executing our debt reduction plan to improve our fiscal health.

We plan to invite private Korean companies and investors when selling our assets and all of our employees acknowledge the importance of debt reduction through improvement of long-term profit structure. The corporation set up the Investment Advisory Committee and Initial Review Committee to enhance expertise, objectivity and transparency in our investment decision-making processes. All of our employees place the utmost priority on raising competency and maximizing creation of added value.





Long-term Profit Structure

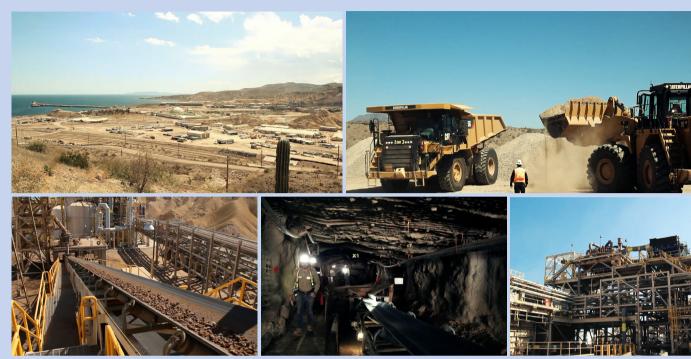
Investment Advisory Committee

**Establishment** 





# SPECIAL ISSUE @ Progress in Boleo and Ambatovy Projects



#### **Boleo Project**

#### What is the Boleo project

The Boleo Project is our first overseas project for the operation of a packaged mine and plant that spans the entire process from mining to production. The volume of mineral resource reserves is an estimated 145 million tons, and the plan is to produce 64 million tons in ore reserves over 22 years. KORES seeks annual average output of 5,100 tons of copper and 2,000 tons of cobalt, and we expect annual sales to rise to KRW 500 billion, double our current figure.

# So how did KORES decide on the Boleo project?

The Boleo project was not our operation in the beginning. KORES in 2008 established a Korean consortium with LS-Nikko Copper, Hyundai Hysco, SK Network and Ilgin Materials that had initially purchased a 10-percent stake in the project, but the joint venture suffered financial problems. We eventually bought out the operation in 2012. Admittedly, our takeover of the Boleo project was a major challenge but we gained an opportunity to not only earn a return through additional investment but also raise our project operational competency. We also sought a breakthrough by shifting our business operations from simple share investment to resource development.

#### What is the progress of the Boleo project?

When we became the operator, we had overcome many obstacles over

the previous 30 months. Plant construction was restarted the moment we gained operational rights. The plant completion rate of 50 percent quickly shot up to 93.8 percent in a year after a specialist was recruited in 2013. Our technology research lab was moved to the Technology Management Division to provide technical support and a dedicated project team was established for a 24-hour onsite cooperation system.

Also, KORES set up an Engineering Procurement and Construction Management Team to enhance technological competency. Experienced employees were used to secure expertise in certain areas. To prepare for the production ramp-up period, a hydrometallurgy pilot plant was installed and process operation know-how was secured. The construction period was cut by employing an experienced onsite plant specialist as well as deploying specialists in external test operations and general mining operations. Conducting test operations will eventually help the company normalize production.

# What are the efforts for win-win growth and operational cost reductions?

We are creating win-win growth opportunities with Korean companies through reviewing supply contracts for lower operational cost as well as diversifying our supply network through a contract bidding system. In particular, Korean consumer goods were adopted in cooperation with our Technology Management Division. Through such efforts, an estimated USD 3 million was saved as of the end of 2014, and we created added value of USD 20 million with 17 Korean companies.



#### **Ambatovy Project**

#### Why is the Ambatovy project so important?

Korea is the world's fifth-largest consumer of nickel, and reliant on imports while taking part in no nickel projects. So KORES decided to invest in the Ambatovy project and gained the rights to buy half of the operation's nickel output. The initial round of production, however, was delayed for two years to 2012.

KORES has contributed to the early production stabilization of Ambatovy project by taking a leading role in resolving difficulties. In particular, we are aggressively involved in management by assuming the chairmanship.

#### What is the progress of the project? G4-ECI G4-ECI

The Ambtovy project conducted a production test on March 21, 2015, meaning final nickel production reached 90 percent of the planned volume over 90 days. So the production goal of 60,000 tons was reached. After initial production began in 2012, we imported 700 tons

out of the combined output of 5,954 tons. Afterwards, 6,081 tons were imported in 2013 and 7,200 tons in 2014 to stabilize domestic nickel consumption. KORES has also sought to gradually increase the volume of Ambatovy nickel for public procurement services through tender. The project reached financial completion on September 21, 2015, and a completion guarantee of USD 2.1 billion in financing was lifted, thus KORES entered the normalization phase.

# How does KORES engage with an local community?



KORES has helped improve ageing infrastructure in Madagascar and developed new infrastructure through the Ambatovy project. We have also improved ports, a nearby plant facility, railways and roads. KORES has not only helped residents by providing employment opportunities, but also contributed to the area's industrial development by outsourcing and procuring from Madagascar-based companies which accounts USD 1 million. In employment, 19,000 residents were employed over the construction period; approximately 9,000 remain employed including 3,000 full-time workers.



#### Korea Resources Corporation places trust and sincerity in our heart.

We are a company beloved by our stakeholders and deliver trust and sincerity.

We give a warm presence within society through social contribution activities.

We also seek a more equal society by providing equal opportunities to our suppliers and employees.

Stepping Stone III

**Win-win Growth** 

# Stepping Stone II **Employees**

- 45\_How is KORES seeking to create a better working environment?
- 48\_As an Operator, how does KORES Stepping Stone IV: **Social Contributions** ensure expertise and social responsibility?
- 51\_What are KORES's efforts for winwin growth with Korean SMEs?
- **57** What are the main activities being conducted for local communities?

# STEPPINGSTONE TOWARDS SUSTAINABLE **SOCIETY**



# **Employees**

#### Background

A need arose to enhance operational competency and productivity efficiency as KORES' investment strategy shifted from small-size investments to more on project operations. And as the company shifts toward a more project-centered purpose, we are pursuing a more rational system for performance management, particularly considering our massive debt incurred by overseas projects. We will earn public trust through a good performance based on high expertise as well as create a great workplace where employees can demonstrate their full potential.

#### Progress

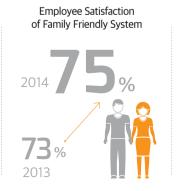
In order to create a great workplace, we have set up a symbiotic labor culture and work-life balance. Our peaceful work environment is thanks to good labor relations with a system including flexible work hours and maternity leave, enabling employees to devote more time to their families. Also, KORES is achieving higher performance as a global operator by adopting a performance-based salary system as well as fostering talent to secure expertise.

#### Future Plans

We wish to diffuse a performance-based management culture by operating an incentive-based salary system as well as through talent fostering programs, including an internal technical MBA.



#### Key Performances



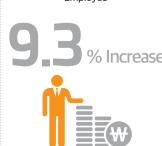
1st Female Auditor Appointed by State-Owned Company (Feb. 2014)



Expansion of Female Employee's Childcare Leave (Implementation in 2016)



Welfare Cost for Each Non-regular Employee





# How is KORES seeking to create a better working environment?



I believe employees are demoralized and stressed due to the poor performance of our overseas investment business as caused by global mineral prices falling 50 percent. But our ultimate competiveness will overcome these obstacles. I am sure that when this is done, KORES will truly be a global resource developer. Once mineral prices recover, I believe we will recover our losses and grow. As an executive vice president of the HR Management Division, I will ensure an

atmosphere in which employees are energetic and achieve great performance.

Executive Vice President, HR Management Division

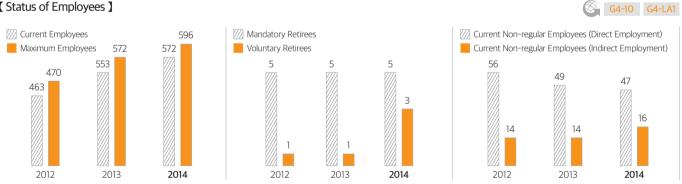
#### ♥ Salary and Welfare Benefits

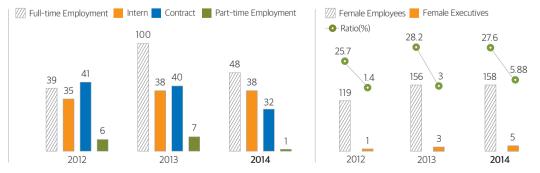
#### ♦ Efforts to Enhance Rationality of Performance-based Pay

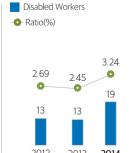


We are placing utmost efforts on enhancing the acceptance of and satisfaction with our new performance based salary system. To do this, we have conducted private one-on-one meetings and counseling sessions with staff, as well as surveyed them for feedback that shows improving satisfaction. Notably, a five-phase salary decision process has been established along with a grievance mechanism to strengthen the fairness of and trust in the salary decision process. We will continue to seek feedback and monitor the acceptance of and satisfaction with the new salary system.

#### [ Status of Employees ]









# **Employees**



#### ♦ Flexible Organizational Culture and Quality of Life for Employees

To improve quality of life for our employees, a survey on satisfaction with flexible work hours helped resolve a number of issues. 30 employees used the system in 2014 and KORES has other programs to enable work-life balance for its employees. This led the Ministry of Gender Equality and Family to name KORES "Best Family-friendly Company (2013~16)."



#### Operation of Employee Health Programs

- and an attack of Martal Harble Day and
- Implementation of Mental Health Program
- Quit Smoking Clinic
- Metabolic Syndrome Management Program
- Group Accident Insurance for Staff

#### Support for Working Moms & Dads



- Status of Family-friendly System Use and Information
- Childcare Leave: 9 Employees (4 Returned to Work)
- Maternity Leave: 10 EmployeesFamily Support Leave 1 Employee
- Childcare Leave Period Extended (1 Child per 1-2 years)

# Creating a Great Working Environment



- Promotion Opportunities for Administrative Personnel • Preferential Treatment for Employees in Remote
- Areas Overseas
- History of Disciplinary Erasure System, Protection Guidelines for Those on Probation
- Transfer of International SOS System

#### Family Friendly Social Contribution Activities



- Kimchi Making Event of Wonju "1 Company, 1 Village Happiness Mix"
- Voluntary Work by Employees for Socially Disadvantaged
- Scholarships for Wonju-based Universities
   Two-day Mine Safety Interactive Program with Employees



Satisfaction with

Family-friendly System

Up 2%p from Previous Year

#### Labor Management

#### Good Labor Relation

**27** Years



#### Childcare Leave Expanded

Year **Year** 



#### ♠ Formation of Rational Labor Relations

KORES guarantees union activities under the Labor Relations Act. We rationally restrict a range of union activities during work hours and accept the union's opinions discussed through special collective bargaining. Moreover, the union and KORES have visited overseas project sites to strengthen labor ties on a more global basis. KORES relocated its headquarters and conducted management normalization in cooperation with the union.

#### 【 Acceptance of Sound Opinions 】

Stronger Guarantee for Union
Activities

(Amendment to Collective Agreement)

• Rise in number of union members reflected (335 →449) Exemption of Working Hours Extended (4,500→5,000 Hours)

Female Employee Child Care Period
Expanded

( Amendment to Collective Agreement )

• Female Employee Childcare Period: From 1 Year to 2

Non-financial Welfare for Long-term Employee Person Expanded Integrated Program for Mental Health Counseling at In-house Clinic
Employee Metabolic Syndrome Program (46 Employees)

Club Support Expanded

Hobby Club Support Expanded
 (Replaced Self-development Promotion Event)





G4-LA16 G4-HR3 G4-HR1

#### Sympathy Bond Formed Between Union and Top Management

In order to create a bond of sympathy between the union and top management, a communication hotline was established. A management pending issues briefing and employee survey were conducted for open communication between top management and labor. Three grievance cases were adjusted through the Grievance Committee. Moreover, social events held included Jokgu (foot volleyball) and KORES Hof Day to create a unified atmosphere between top management and labor.

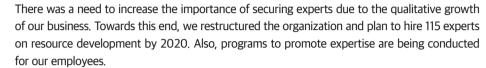
#### ♦ Strengthen Competency of Labor Relations Management

Union and top management have visited work sites abroad to assess labor-management relations there. We found a need to establish more rational guidelines for employees in overseas operations, and also gained insight through sharing opinions for the success of projects abroad. Improvement in pay and welfare benefits for overseas employees came in November.

# **Employees**

# As an operator, how does KORES ensure expertise and social responsibility?







#### Organization, Talent and Performance Management

#### • Implementation of organizational Restructuring for Strategic Execution Ability

We have sought to strengthen organizational efficiency through external consulting, and based on this, the organization has been aligned with our core projects. Six employees were added to our Wyong team under the CEO's direct control, and a Business Support Team and a Business Development Team for Wyong were formed. A more stringent preparation process for development is also helping to reduce initial investment and other risks. And to carefully manage major projects, we have reorganized our share investment processes and split the San Domingo business team into two teams, while simultaneously shutting down the strategic metal team. In Ambatovy, due to management consolidation reasons, the Business Development Team and Business Management Teams were merged into the Ambatovy Business Team.

#### Fulfillment of Social Responsibility via Diversified Employment

As a state-owned company, we acknowledge our social responsibility in employment policy. Since 2006, we have made employment opportunities available to our non-regular employees twice a year. Also, we stress stronger support for competency development among our high school graduates as well as enabling them to make adjustments in their initial period with the organization.

# Implementation Consolidation of **Business** Management

For Improving Strategic

#### [ Equal Employment for Socially Disadvantaged Individuals ]



#### ♦ Fruitful Educational Operations via Specialized Organization

The HR Development Department and Capability Enhancement Department are tasked with strengthening professional education and training areas. Each department is responsible for internal training and education and generally strengthening staff competency. Our education system is supposed to reflect our business nature through training courses run by both internal and external lecturers. Employee participation is further augmented by study groups and online courses. Our teams place their utmost efforts on strengthening our company-wide competency.



#### Competency-based Talent Management System

In accordance with our mid- to long-term talent management plan, 15 employees are taking training courses abroad to learn mining methods and planning technology, and another 14 have been selected to participate in expert courses at both domestic and overseas academies. KORES aims to secure 115 experts and 61 core onsite technologies by 2020 through its total talent management system

#### [ Secure Core Talent by 2020 ]



#### Support for Customized Training in Core Competency

For employees to contribute to our goal of becoming a global resource operator, we operate training courses to develop our three core competencies. Moreover, we have identified positional demands and accordingly provide an in-house technical MBA course and business e-learning programs to our managers. Long-term courses for officers are available both domestically and overseas. New employees can also take a three-level program in boosting competency, and the company offers a female talent academy and courses in English, Spanish and Russian to staff.

#### [ Types of Training to Boost Leadership Competency ]



#### ◆ Future Growth Power via Securing Technology

We have strengthened our overall competencies through cooperation with an overseas consulting firm. Through this, we have secured F/S competency to evaluate our business base. Also, we host the 2014 COREA Competition twice a year to foster university students' understanding of the mining industry as well as identify future talent.

#### Performance-based System of Fair Personnel Management

We have created a performance-based organizational culture to motivate employees to achieve high performance. At the same time, our "individual position" evaluation system is designed to achieve a fair promotional outcome. This, in turn, is supported by a Fair Work Committee designed to ensure fair outcomes. We are also striving to instill a fair human resource culture to ensure trust in our personnel management system.



KORES HCI Personnel/

**Evaluation System** 

Satisfaction

2013 **3 29** Points



DISCLOSURES ON MANAGEMENT APPROACH

# Win-win Growth

#### Background

We practice one of our management goals, "Enhanced Cooperation," by supporting SMEs. Through this, we aim to fulfill our social responsibility by providing stepping stones for Korean SMEs to achieve win-win growth.

#### Progress

We have helped create 1,137 employment opportunities through efforts including outsourcing and partnerships. And through our customized win-win growth program "Happy CEO" project as well as "Mining Neighborhood" project, we have set a foundation for win-win growth. We support Korean SMEs' participation in our overseas projects, as well as aid their competitiveness by purchasing their products.

#### Future Plan

We continue to support Korean SMEs' in both our domestic and overseas resource development projects through customized win-win growth programs. We will contribute to improving SMEs' competitiveness through a win-win growth environment. We will further embark on win-win growth with Korean SMEs by expanding our purchasing from them.



#### Key Performances



No. of companies benefit from Happy CEO Support

Market Suppor



Mining Neighborhood Company Support Goal



SMEs Product Purchase Amount

10.174
Billion





# What are KORES's efforts for win-win growth with Korean SMEs?

66

We have introduced the programs Happy CEO and Mining Neighborhood to provide technical support and finance to mining SMEs. Also, our Domestic Mining Technology Conference is held with the Korean mining industry, which is responsible for identifying and developing essential technologies and distributing them to operating sites. We support high value-added facilities and expansion of our advance-payment ratio. Moreover, we contribute to the creation of a win-win growth environment by buying products from SMEs for strengthening their competiveness.

#### Customized Industrial Innovation Campaign 3.0

#### Happy CEO Project

The Happy CEO project is designed to help SMEs' productivity through innovation aimed at increasing sales and reducing costs. The Win-win Growth Team supervises the project and supports selected companies for up to two years. On July 2, 2014, our Happy CEO workshop evaluated progress and recommended improvements for the program's future direction.



Shinyemi Mine Mineshaft Construction Support Annual Conveyance Cost

Reduction

#### · Shinyemi Mine Case

A good example of results from the Happy CEO program is from the Shinyemi mine, the only mine in Korea to produce commercial iron ore. Here, a loss was expected in 2018 due to excessive conveyance costs. KORES, however, supported construction of a mineshaft for ore conveyance, resulting in a 77 % reduction in annual conveyance costs and higher productivity.

#### 【Customized Technical Support by Obstructing Factor】

Company Name	Obstructing Fac	tor Support Plan
Chungmoo Chemical	Low Quality of Quick Lime Overs Competitiveness	Product Competitiveness Improved After Change o     High Value-added Facilities and Financial Support
Seongkyung Development	Ventilation Needed Due to Worse Conditions	ening Working  • Technical Support to Improve Ventilation System
Kyungdong Lime	Detailed Survey Technical Suppor Securing High Quality Ore Reserv	O—O • Technical Support for Detailed General Survey
Korea Alumina	Uncertainty in Long-term Purcha Import Raw Ore after 2015	Overseas Mine Development Technical Support for Direct Development of Raw Mineral
Sung-an Resource	Low Grade Caused by Mixing of I	mpurities • Technical Support for Grade Improvement
Handeok Iron Mine	Higher Conveyance Cost and Exc Volume	ess in Shaft  • Technical Support for New Shaft Construction  • Financial Support for Shaft Facility

[ Developed Products ]

Underground Receiver

BIG POWER

Signal Transmitter

Monitoring Equipment for Situation Room

# Win-win Growth

#### Mining Neighborhood Project

The Mining Neighborhood Project encourages SMEs to innovate through talent donations from KORES. The program supports 15 SMEs from 2013 to 2017. In 2014, mine safety diagnosis, reflection of customer needs, technology for exploration floor plan and software support went to Nam-Myung Development, Keumsan and Taeyoung EMC.

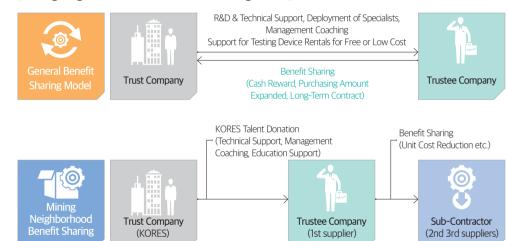
#### • Progress and Outcome

We identified our win-win growth partners' needs in December 2013 and subsequently accepted application forms for the Mining Neighborhood Program in 2014. Support went in the form of digitalization of a 3-D floor plan for Taeyoung EMC, improvement of the conveyance system at Nam-myung and safety evaluations at Keumsan. As of December 2014, these three assignments had been completed.

#### · Spread of Benefit Sharing Model

A benefit sharing model was adopted and spread, with supporting duty standards and infrastructure being established and implemented. Our existing benefit sharing model was initially implemented with first-tier suppliers, and we now plan to do the same with our second- and third-tier suppliers. Through this, we are promoting industrial reform.

#### [ Mining Neighborhood Diffused Benefit Sharing Model ]



#### • Efforts to Resolve Pending Issues

Studies show that most resource companies prefer financial support over active support. And with support sometimes seen as interference rather than help, the project initially saw a low level of participation. So KORES held its 2014 Mineral Resource Support Business Meeting to inform our suppliers of the benefit sharing model. Moreover, we reviewed policies of support and found a few practical solutions to induce willingness to accept our technical support.

We have modified our policy toward talent donation, with the previous 11 support areas being reorganized into seven areas. An additional policy stipulated that "talent donations should be in accordance with customer needs." As a result, the number of applicants and selected cases rose to three in 2014 from none in 2013.



Onsite Exploration in Mining Neighborhood



Meeting on Resource Development Support (January 2014)

#### Cooperation for Mutual Growth through Technological Cooperation between KORFS and SMFs

#### ♦ Technology Cooperation and Information Sharing with Domestic Mining Industry

KORES operates a Domestic Mining Technology Council as a channel of exchange with domestic SME mining companies. Comprising nine mining companies and the Mining Association of Korea, the council conducts planning, study and development of ICT (information and communication technologies).

# • Development of ICT-based Real-time Locating System Suitable for Domestic Mining

Domestic ICT technology was adopted for raising productivity and safe operation of mines. Because a number of domestic mines had narrow passages to their pits, onsite inspections were conducted to jointly develop solutions with domestic ICT companies. A number of developed products will be distributed to and applied at KORES mines after commercialization.

#### Localization of Optical Sorting Machine

The optical sorting machine needed replacement following a technological assessment in the mining industry. Eight mines have used the machine including GMC and Choongmoo Chemical to sort minerals. Optical sorting machines are mostly German or Norwegian made and cost an average of KRW 600 Million. The new machine is being localized in cooperation with domestic mining companies and Daewon GSI.

#### Support for Domestic Industry Development and SME Financing

#### ♦ Financial Support for High Value-added Facilities to Raise Sector's Competitiveness

Demand for iron ore in Korea is rising but supply is growing at less than 1 percent per year. High costs of production and transportation are contributing factors. KORES gave Handuk Iron KRW 19.6 billion to build a new mine shaft. As a result, transportation costs fell 62 % and domestic iron production rose from 1.2 million tons to 1.7 million. Korea also suffers from an oversupply of low value-added limestone. So KORES gave Daesung MDI KRW 8 Billion. Through this, greater value was added with some 15 jobs being created. Unit costs were reduced by a third for savings of KRW 660 million per year.

#### SME Financing Support

In order to reduce the financing burden of SMEs, KORES has improved its overall processes and policies and now provides a prime rate of financing to SMEs. It has also reduced the requirement for joint sureties and shortened the finance waiting period to 28 days. Through these improvements, mine equipment purchasing and facility adaptation for safer operations by SMEs are more achievable. Moreover, financial consulting services went to seven SMEs to bolster their financial soundness.







# Win-win Growth

#### Support for SMEs Overseas Resource Development

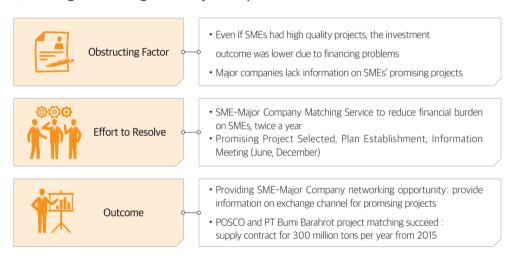
#### ♠ Improvement of Policy for Support of Overseas Survey Business

Our policies toward Investment Condition Survey and Basic Exploration and Investment Feasibility Study were improved to help SMEs' overseas expansion. The policy toward Investment Feasibility Study was changed to support not only SMEs but also a consortium that includes SMEs. As a result, the support ratio rose 1.4 %p over the previous year to 82.7 %. And to encourage advanced payment, the support ratio was adjusted to 70 %. As a result, the amount of advanced payments rose 91 % from the previous year to KRW 2.8 Billion.

#### ♦ Identification of Obstructing Factors and Resolution via Monitoring

In order to identify and resolve obstructing factors to SMEs' overseas expansion, a Meeting on Information on Matching SMEs-Major Companies was held twice in 2014. Representatives from the public and private sectors met seven times to discuss flaming coal and gold mine development abroad.

#### Meeting on Matching SMEs-Major Companies

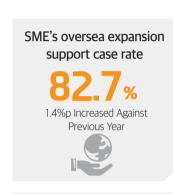


#### Win-win Growth with Korean SMEs via Joint Overseas Exploration Project

After conducting an onsite study of the Lucky Mike exploration business in Canada, we agreed to participate with the Canadian company Nexgeo in doing further exploration. In September 2014, we signed a joint exploration contract with them with Nexgeo taking a 20 % stake but our joint stake will reach 70 % by 2016.

#### Customer Satisfaction for Win-win Growth

A customer satisfaction survey sought to learn customer experiences with KORES services, including in financial and technical support, R&D and education. From November to December 2014, 282 customers responded with a satisfaction result of 91.7 points, the fifth consecutive year the average exceeded 90. Nevertheless, customer satisfaction appears to have declined since 2011 due to a lower number of customers using our services and newly established departments. So KORES plans to evaluate customer satisfaction activities through greater monitoring and customer satisfaction training. Departments will also establish their own plans for boosting customer satisfaction and conduct mentoring programs.

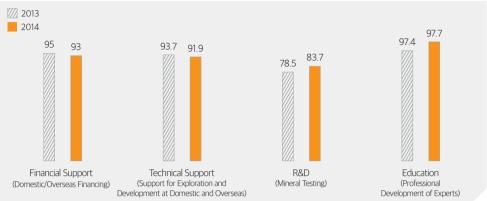






#### 【 Customer Satisfaction Survey 】

(Unit: Points)





I have supplied various office products since 2010. Most of my employees have disabilities which cause difficultly when delivering products, but whenever we deliver to KORES, they help us. Moreover, through our business relationship with KORES, we have been able to employ more people.

Yang-lak Ma Social Company

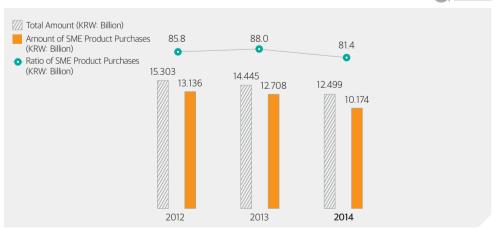
#### Expansion of SME Product Purchase

#### ◆ SME's Product Purchase Goal

KORES has goals for buying SME products to strengthen their competitiveness. However, we have had difficulties in achieving our goals because of the government's debt reduction policy and the exclusion of an amount for drilling construction in 2014. So we have achieved qualitative growth in SME product purchases by reducing the number of SMEs and increasing our purchase volume from them. Through these efforts, the share of our purchases from SMEs reached 81.4 percent.

#### [ Status of SME Product Purchasing ]







DISCLOSURES ON MANAGEMENT APPROACH

# Social Contribution

#### Background

We are realizing our strategic goal of Enhanced Cooperation through social contribution activities aligned with the nature of our industry as well as our establishment purpose. Another aim is to help the development of communities where mining operation sites are located.

#### Progress

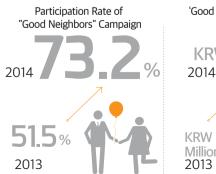
We conduct both domestic and overseas local social contribution activities concurrently. In Korea, our social contribution activities include the "Happiness Mix" kimchi making event with residents of Wonju, a mentoring program for university students there and the sponsorship program "Good Neighbors Hope Tree." Overseas, "CO-BOLEO" project was funded by employees and managers' performance-based bonuses, and will be implemented in 2015. Educational materials have gone to four overseas offices 14 times to support education there.

#### Future Plan

We plan to introduce a regional social contribution program integrated with Wonju Innovation City. The plan is to develop programs for building a trusting relationship with residents in resource development areas abroad. We will continue to fulfill our social responsibilities.



#### Key Performances



'Good Neighbors' Campaign Fundraising

KRW 9 Million

CO-BOLEO Project Employee's fundraising

KRW 3 24

Million

Social Contribution Participation per Employee

2014

Hours

17.4 Hours

2013



# What are the main activities being conducted for local communities?

6

Our social contribution activities include the "1 Company 1 Village" program and university mentoring program, allowing active interaction with communities. And to promote social contribution activities, employees at headquarters and at our Boleo work site raised funds to launch the "CO-BOLEO" project. Educational materials also go to schools in areas where our overseas offices are located.



Our "1 Company 1 Village" program is a continuous interaction-based program. KORES employees and residents in project areas jointly produced crops last year to promote a sense of fellowship. KORES staff also purchase and promote produce from the area, which also helps the economy there.

Nam-Kyu Kim, Foreman of Gyohang-1 ri, Socho-myeon in Wonju

#### Local Community Contribution Activities

#### Leading CSR Program in Korea "Happiest Mix"

The "Happiness Mix" is designed to produce agricultural products and make kimchi with residents in a KORES project area. We built a fellowship with residents through the program, which ran from March to October 2014 and included various crops. Meanwhile, 97 employees and 20 residents used 2,000 heads of cabbage over three days to make kimchi, which went to 13 charity organizations and 85 homes of disadvantaged mining workers and socially disadvantaged individuals.





#### Mentoring Program in Wonju-area Universities

Following the relocation of our headquarters to Wonju, we signed memorandums of understanding with Halla, Wonju and Yonsei universities to operate a customized mentoring program. The plan is to continue fostering and securing talents this way.

#### ♦ Voluntary Employee Support for "Hope Tree" Campaign

The Hope Tree campaign offers support for children in poverty under the supervision of Good Neighbor. KORES used Resource Love Sharing Funds to support the campaign to provide education, meals and medical services to poor children both in domestic and overseas. Entry fees have gone up and employees who have not yet joined have been encouraged to do so. As a result, collection increased to KRW 9 Million from KRW 4 Million.

# **Social Contribution**

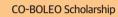
#### ◆ Use of Corporate Card Mileage

Mileage points were put toward funds of our social contribution activities. In 2014, 15 million accumulated miles were used to purchase traditional market vouchers for donation to a local welfare center. We stayed active in boosting of the local economy and provided social contributions through transparent budget execution.

#### Overseas Social Contribution Activities

#### ◆ "CO-BOLEO" Project

This project is funded by employees at headquarters and our Boleo site, and designed to support community growth. Existing social contribution activities tend to be seen as a stunt, and to overcome such prejudice, we have created a community by providing educational support and contributing to economic development. A combined 89 senior managers at headquarters and 17 Korean employees in Boleo contributed KRW 324 Million to conduct programs in scholarships, sanitation, safety, professional skill development and cultural exchanges.



- Recipients: 84 Individuals (2015 ~2024)
- Eligibility: Home Environment (Single Parent), Academic Record
- Support: Scholarship, Circle Activity Support Parents' Event, Employee Mentoring



#### Professional Skill Development, Sanitation, Safety, and Cultural Exchange

- Professional Skill Development:
- Copper Craftsmanship to Develop Tourism Product
- Sanitation · Safety: Sanitation and Safety Classes, Campaign Cultural Exchange: Korean-language Class in Elementary
- School, Home Visit & Council



# 【 CO-BOLEO Project Fundraising 】 17 Employees in Boleo (21.000USD) 89 Senior Managers at HQ

#### Engaging Residents via Global CSR

#### Social Contribution Activities around Overseas Offices

We identified difficulties residents have and provide continuous support. We donated exercise equipment to schools to improve the educational environment in Ulaanbaatar, Mongolia, while computers, textbooks, tools and other materials went to schools in Lima, Peru. Furthermore, we sent home appliances, winter clothes and other items to orphanages in Kazakhstan.

#### [ Social Contribution Activities by Overseas Offices ]

Country (Region)	Support Period	Opinion Gathering and Support Details
Mongolia (Ulaanbaatar)	31, Oct. 2014	Vulnerable Educational Environment -> Exercise Equipment and Other Support (KRW 8 Millon)
Peru(Lima)	7-14 Nov. 2014	Vulnerable Educational Environment-> Computers, Textbooks, Tools and Materials (KRW 8 Million)
Kazakhstan (Almaty and other 3 areas)	28 Oct 19 Dec. 2014	Visit to Orphanages -> Home Appliances, Winter Clothing and Other Support (KRW 7 Million)

Education on Livelihood Support at Ambatovy **Project Site** 



Free Health Checkups at Ambatovy Project Site





#### • Social Contribution Activities around Overseas Project Sites

After identifying the needs of the Houa Phan community in Laos, we donated KRW 5.5 million worth of computers, printers and other educational materials to improve the education system there. Furthermore, we provided other schools with supplies on 14 occasions in the mining areas of Houa Phan, Agusan, Kalimantan and Guizhou.

#### Ambatovy Social Contributions



Along with our investment partners, we conduct social contribution activities for communities in Ambatovy. Medical assistance, education and means of living go to communities there and we engage residents, the private sectors and media in the area. KORES has also raised social investment funds to develop roads and the Ambatovy area market. In particular, a joint fact finding identified social contribution activities meeting the needs of residents, enabling more meaningful social contribution activities to be conducted.

#### Building of Various Social Infrastructure

KORES built eight bridges and medical clinics and elementary schools with stable supplies of water in 2014. The schools and clinics were contributed to residents', enabling greater independency and improvement of life quality. KORES is committed to improving the health and safety of residents in project areas.

#### • Education on Living Support

Training was provided to Ambatovy area residents to continue their livelihoods. Sustainable farming technologies, training in livestock husbandry and seeds were provided to over 3,000 residents in 2014.

#### • Resident Health and Sanitization

Residents lacked medical support despite their exposure to disease. So KORES sought to raise residents' quality of life by providing a mobile medical clinic for health consultations, vaccinations and other treatments. Approximately 700 residents received medical checkups from the mobile clinic in 2014.

#### Cultural Heritage Preservation

In order to respect and preserve the history and tradition of an area, we conducted an archaeology program in cooperation with universities in the host country. As a result, 260 historic sites and 500 arts and crafts were safely preserved. KORES also set up a Heritage Interpretation Center and handed this over to the Ministry of Culture of Madagascar. Through these efforts, we expect more efficient preservation of cultural heritage.



DISCLOSURES ON MANAGEMENT APPROACH

# The Environment

#### Background

We acknowledge that mine development can negatively impact the environment and eco-system. We take full responsibility for setting procedures to mitigate such an impact. Beginning with soil and water quality analyses in 1994, a variety of R&D has been conducted to manage environmental risk. In particular, we, as a global resource developer, plan to strengthen the eco-friendly nature of our resource development overseas.

#### Progress

In order to prepare for and minimize environmental risk and pollution across the cycle of mine and post-mine development, we have subdivided environmental risks to better manage them. At our Ambatovy site, a biodiversityoffset program oversees all waste and noise.

#### Future Plans

The prevention and management of environmental risk factors are done throughout the entire cycle of mine development. We, as a global operator, place priority on managing our environmental performance, while simultaneously fostering core talent in environmental areas to strengthen competencies through training courses. In particular, we continue to fulfill our responsibility through our biodiversity offset program and proper management of mine.



#### Key Performances

Purchase Amount of **Green Products** 

**Doubled From Previous Year** 



**LED Distribution Rate** at New Wonju HQ



Devising of Plan to Improve **Environmental Management** 

**Operation Sites** 





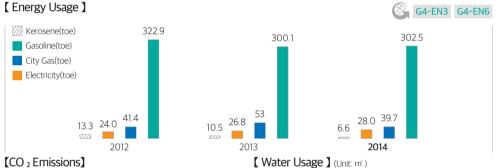
Solar System in Wonju HQ

# How does KORES manage its environmental impact?

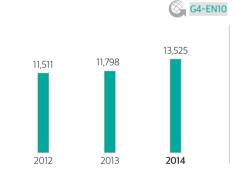
Our new headquarter is designed to minimize environmental impact by maximizing the use of natural energy as well as optimizing electricity and energy consumption to reduce greenhouse gas emissions. Also, we will continue to increase our purchases of green products.

#### ♥ New Eco-friendly HQ

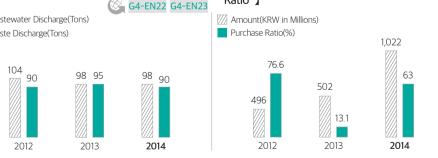




G4-EN15 G4-EN16 G4-EN19 /// Direct GHG Emissions(tCO₂eq) Indirect GHG Emissions(tCO₂eq) 596.3 231.9 205.1 192.7



[ Wastewater and Waste Discharge ] 【 Green Product Procurement and Procurement Ratio ] **G4-EN22 G4-EN23** 



Wastewater Discharge(Tons) Waste Discharge(Tons)









KORES Sustainability Report 2014

### **Environment**

# Does KORES actively respond to the environmental issues of its operation sites?









Environmental issues are connected with soil, water quality and air. When developing mines, preparing solutions and preventative measures for environmental issues is crucial. KORES has set up an environmental risk management system spanning the entire process of mine development.



#### Environmental Risk Management

[ Environmental Management Plan Covering All of Mine Development Process ]

Establishment of Environmental Risk Management System over Entire Process of Mine Development

#### Phase of Environmental Impact Evaluation

Preventative Technology Development via Environmental Risk Prediction & Analysis of Mine Development

# Mine Development Completion & Closure of Mine Phase

Plan for Mine Damage Prevention Considering Next 100 Years & Follow-up Management



# Mine Development & Operation Phase

Environmental Risk Monitoring & Prior Management Technology in Each Phase of Mine Lifecycle

#### Development of Guide on Application of Dead Mines

Profit Creation through Suggested Economic Use of Dead Mine

Profit Maximization via Early Development of Investment Projects and Stable Mine Development

#### • Securing Software for Environmental Issues of Mine Prediction and Analysis

We have secured software to prevent and analyze environmental risks appearing in the mine development process. Stronger expertise came through cooperation with professional organizations, and verified competencies in environmental risk management were done through trial performance. Through our environmental management of investment projects, we are pushing ahead with sustainable mine development.

F:-IJ	Dalated Coffeens	Cooperation with	Mina	
Field	Related Software	Specialized Agencies	Mine	
Land Subsidence	SDPS, CISPM	Australia CSIRO     Nexgeo, Seoul National University		. , ,
Ground Water Movement	MODFLOW		Dongsung Copper Mine  • (Overseas)Springvale, Angus Place	
Stability of Slope	SLOPE/w			(Domestic) Gagok mine, Geopung Mine
Mine Leachate	SEEP/w	Byucksan Engineering	• (Overseas) Boleo, Rapu Rapu	
Ventsim	Ventsim	Korea Institute of Geoscience and Mineral Resources	• (Domestic) Handuk Iron Mine CO.,Ltd, (Overseas) Wyong	

SUSTAINABILITY APPROACH STEPPINGSTONE
TOWARDS SUSTAINABL
FCONOMY

STEPPINGSTONE TOWARDS SUSTAINABL SOCIETY STEPPINGSTONE TOWARDS SUSTAINABLE ENVIRONMENT

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#### Handbook on Environmental Issues Management over Entire Cycle of Mine Development

In order to support eco-friendly mine development in investment projects, the "Handbook on Environmental Issues Management over the Entire Cycle of Mine Development" was published. The guide has information on environmental risks. Through such systematic environmental risk management, KORES is enhancing the value of our investment projects.



#### EIA Management and Environment CSR for Environmental Management of Investment Projects

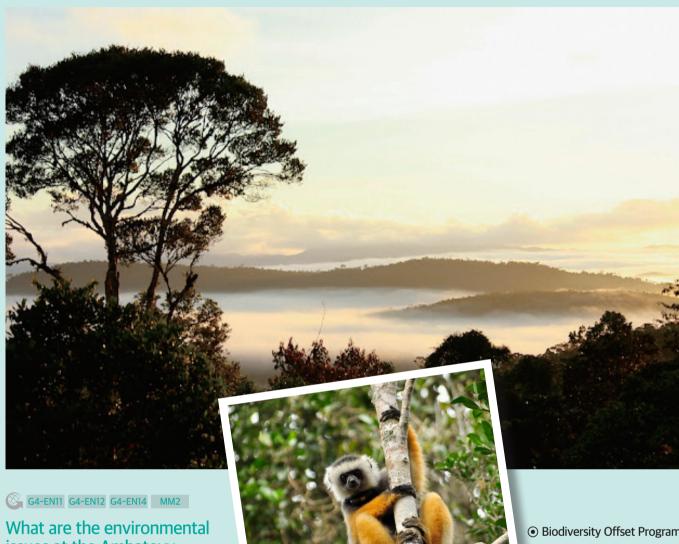
The Rosemont copper mine project in the U.S. conducted an environmental impact assessment (EIA) and risk analysis, and published an EIA system guide. Also, KORES established an organic network with corporate social responsibility (CSR) institutions and is developing customized environmental CSR plans for our Boleo and Ambatovy projects. KORES exercises corporate social responsibility in environmental protection by adapting appropriate technologies for eco-friendly resource development.

#### Mining Technical Support via KORES' Technical Skills

#### Mining Technical Support via KORES's Technical Skills

Major environmental risks have been monitored to enable the development of environmental risk reduction plans at our investment projects. In the Seah M&S case, arsenic content in waste water exceeded acceptable levels and improvements were provided. During the Gakok mine development process, arsenic, lead and manganese polluted soil and a river, and improvements were also provided. We will secure customized environmental risk management competencies and plan to strengthen our technical support to reduce environmental risks.

# SPECIAL ISSUE 3 Ambatovy Environmental Issues



issues at the Ambatovy project site?

Ambatovy is a home to 92 kinds of amphibians, 69 kinds of reptiles, 119 kinds of birds and 35 kinds

of mammals, including certain endangered species. To preserve the area's it if damaged. The program's design was completed in 2014, and biodiversity, reducing our environmental impact is a priority task.

G4-EN12 MM2 MM3 G4-EN29 G4-SO4

#### What is KORES doing to overcome environmental issues?

We strictly comply with global environmental guidelines and environmental laws of the host country. We allocate considerable resources to resolving environmental issues and seek to minimize pollution. Moreover, environmental activities are included in our KPIs and periodically evaluated. Environmental experts provide consultations to develop suitable environmental activities.

Biodiversity Offset Program

We have done our best to preserve the Ambatovy

environment by designing a biodiversity

offset program. The purpose is to protect biodiversity and repair implementation and monitoring are next.

#### Prevention of Environmental Pollution

Efforts have gone toward preventing air, water and noise pollution. The goals of each environmental issue have been set and are being managed and reviewed under a monitoring system. In particular, water quality management is operated to minimize damage to water quality at the surface, underground, and seawater levels. All of our factories are inspected every six months to ensure compliance with laws of the host country and the World Bank's general environmental guidelines.



#### Stronger Waste Management

Waste management at Ambatovy is one of our major efforts. Improving our recycling program and minimizing waste throughout the entire process of collection, delivery, storage and disuse are our core focus. We have supported the setup of a plastic recycling company as a channel for the safe disposal and recycling of our waste.

#### What are the company's environmental achievements?



Ambatovy's Biodiversity Management Program earned the Nedbank Capital Sustainable Business Award in the Resource and Non-Renewable Energy Category. This recognized our sincere efforts to consider the host community and the surrounding environment. The results have been recycling 44,800ℓ of waste oil and 1,169 m<sub>3</sub> of plastic.





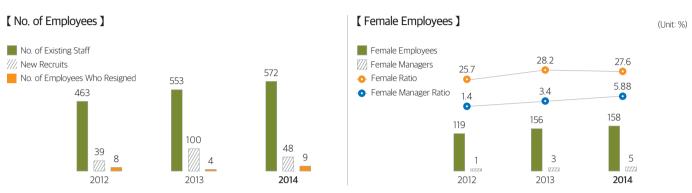
#### **♦** Economic Performance

**Data Center** 

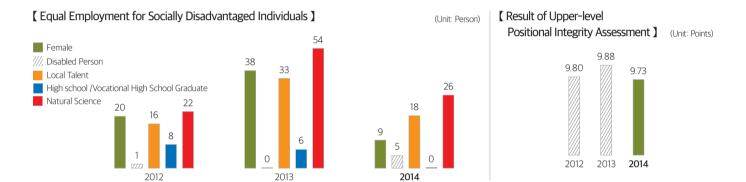
G4-17	
· · · · ·	

(Unit: Won)		ormance: From 1stJanuary, 2014 to 31st December, 2014 ormance: From 1stJanuary, 2013 to 31st December, 2013
Item	2014	2013
Assets	5,851,969,438,301	5,220,622,896,514
1. Liquid Assets	486,026,034,274	376,388,226,186
1) Cash and/or Cashable Assets	155,560,758,478	26,459,692,153
2) Liquid Financial Assets	136,719,327,938	259,964,044,705
3) Trade Receivables and Other Bonds	84,533,318,357	53,292,858,345
4) Inventories	91,294,522,692	11,759,183,388
5) Short-term Taxable Assets	408,217,040	0
6) Liquid Non-financial Assets	17,509,889,769	24,912,447,595
7) Held for Sale or Distribution of Assets to Owners	0	0
2. Non-liquid assets	5,365,943,404,027	4,844,234,670,328
1) Non-liquid financial assets	1,284,401,567,930	1,072,203,916,958
2) Long-term Account Receivable and Other Bonds	1,668,555,104	1,190,338,666
3) Tangible Assets	2,091,599,206,777	1,720,206,429,693
4) Investment Property	2,320,452,390	2,425,933,364
5) Trade Rights	2,701,609,950	12,617,691,009
6) Other Intangible Assets	106,846,847,637	97,586,170,130
7) Affiliate and Joint Investment Share	1,692,383,395,141	1,809,654,259,553
8) Defined Benefit Assets	0	0
9) Deferred Taxable Assets	0	0
10) Non-current Non-financial Assets	184,021,769,098	128,349,930,955
[Liabilities]	4,020,223,056,568	3,523,486,611,356
1. Current Liabilities	1,508,500,279,116	585,811,148,572
1) Purchase Debt and Others	111,644,285,914	77,135,997,703
2) Current Financial Liabilities	1,380,635,320,602	498,228,717,106
3) Current Short-term Tax Liabilities	0	1,182,340,407
4) Current Non-financial Liabilities	9,990,318,800	3,273,859,620
5) Current Provision	6,230,353,800	5,990,233,736
6) Liabilities including Held for sales	0	0
2. Non-current Liabilities	2,511,722,777,452	2,937,675,462,784
1) Long-term Trade Payable and other Liability	0	0
2) Non-current Financial Liabilities	2,379,954,319,684	2,833,525,194,010
3) Current Short-term Tax Liabilities	52,076,179,550	57,682,905,894
4) Employees Salary Debt	1,062,941,926	3,303,266,170
5) Current Provisions	6,721,261,900	12,537,354,234
6) Non-current Provisions	71,908,074,392	30,626,742,476
7) Non-controlling Interest Liabilities	0	0
[Capital]	1,831,746,381,733	1,697,136,285,158
1. Contributed Capital	1,708,169,678,638	1,483,079,057,956
2. Accumulated Profit(Loss)	(116,963,290,772)	149,231,407,015
3. Other Assets	32,606,988,825	(106,941,005,890)
4. Equity Revertible to Owners of Parent Company	1,623,813,376,691	1,525,369,459,081
Total Liabilities and Equity	5,851,969,438,301	5,220,622,896,514

# ◆ Social Performance (Report Boundary: HQ)



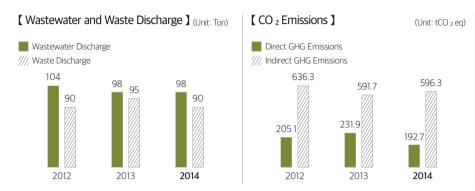
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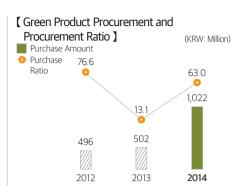






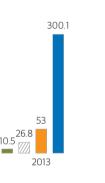
#### **♦ Environmental Performance** (Report Boundary: HQ)

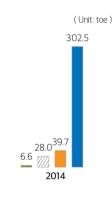


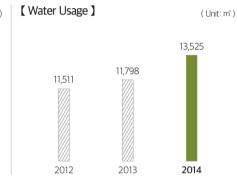


Due to construction of our headquarters in Wonju, the volume of green product purchases increased, though the ratio of green product purchases declined.

# 【Energy Usage 】 322.9 ■ Kerosene ///, Gasoline ■ City Gas ■ Electricity 41.4 13.3 24.0 2012







#### Awards

Year	Award	Organizer
2000	Forbes Quality Management Award	Korea Society for Quality Management
2009	Named Excellent Sustainability Report	UN Global Compact
2010	Named Excellent COP Reporting Company	UN Global Compact Korea Network
2011	Named Company with Excellent Labor Culture	Ministry of Employment and Labor
	Honored as Public Corporation with Excellent Labor-Management Relationship Excellent Labor-Management Relationship	Ministry of Employment and Labor
2013	KORES CEO won Iljin Award	The National Academy of Engineering of Korea Engineering of Korea
	Selected as a Company with Excellent Labor-Management Cooperation	Ministry of Trade, Industry and Energy, Ministry of Employment and Labor
	Certified as a Family-friendly Enterprise	Ministry of Gender Equality & Family

# Status of Membership in Major Associations



Gangwon-do Public Organization Relocation Council Geological Society of Korea Government-invested Institution Council Korea International Trade Association Korean Society of Economic and Environmental Geology
Korean Association for Deep Ocean Minerals Development
Institute of Internal Auditors
Korea Society for Energy Engineering

Korean Red Cross

UN Global Compact Network Korea

Mining Association of Korea

Korean Resource Economics Association

Korean Association for Public Administration

Korean Society of Mineral and Energy Resource Engineers

Korean Society for Quality Management

Korean Accounting Association

Korean Council on Latin America & the Caribbean

**Human Rights Charter** 

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# **Human Rights Charter**

We are committed to our mission of "stably supplying necessary mineral resources for Korea's economic development." We fulfill the Universal Declaration of Human Rights and not only respect our rights but those of others to ensure protection of human rights and ultimately promote human rights across the entire mining industry. We want to be a global mining company that prioritizes the dignity and value of human beings.

In order to protect the dignity and value of human beings in all of our business activities, the Korea Resources Corporation Human Rights Charter guides the behavioral standards of KORES employees to ensure fulfillment of our human rights obligations.

We respect and support international standards and principles that support human rights, labor practices, the environment and anti-corruption efforts.

We prohibit discrimination of stakeholders and employees based on race, religion, disability, sex, place of birth or political views.

We guarantee freedom of association and collective bargaining for the protection of employees' rights and interests.

We allow no form of forced or child labor.

We guarantee industrial safety and a safe and clean working environment.

We support and cooperate with all our suppliers to fulfill human right obligations.

We respect and protect the human rights of residents where we operate.

We prioritize protecting the environment for today's people and the next generation.

We strive to protect the safety of people and their personal information in conducting business.

To keep these promises, we seek to protect all of our stakeholders' universal freedoms, rights and personal dignity and conduct sustainable development.



All KORES's Employees

#### $\divideontimes$ $\blacksquare$ Indicator is Mining & Metal Sector Disclosure

General Stand	ard Disclosures						
	Strategy and Analysis		Descrip	otion		Page	External Assurance
G4-1	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for sustainability		the UN Global Compact and IC Isiness model focused on short			2-3, 18	V
G4-2	A description of key impacts, risks, and opportunities	caused our debt i	Falling prices for mineral resources and our development of mineral resources abroad have caused our debt ratio and financial risk to rise. KORES, however, has gained experience from its overseas mining operations, which have opened the opportunity for KORES to become a global mining operator			2-3	V
G4-3	The name of the organization	Korea Resources	Corporation			1	V
G4-4	The primary brands, products, and services		ic and international mineral restechnology development, and			8-13, 33-37	V
G4-5	The location of the organization's headquarters	199 Hyeoksin-ro,	Wonju-si, Gangwong-do, 264	64, Korea		8	V
G4-6	Report the markets served		s we run in 18 countries, poter pact, indigenous rights and res		sues exist including	10-11	V
G4-7	The nature of ownership and legal form	100% Public Corporation per Special Act on Government Funds  The Korean Government  Korea Development Bank  99.8%  0.2%			nent Bank	8	V
G4-8	Report the markets served	Push for Resource	e Exploration, Development an	ıd Productionin Kor	rea and 18 Countries	10-11	
G4-9	The scale of the organization	607 Employees ( Debt KRW 4.02 1	As of 2015), 34 Projects (Produ Trillion	uction 14, Developn	nent 8, Exploration 12)	8	V
G4-10	A the total number of employees by employment type and gender B. the total number of permanent employees by employment type and gender C. the total workforce by employees and supervised workers and by gender D. the total workforce by region and gender E. whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed F. report any significant variations in employment numbers			2013 553 / 572 5 / 1 49 14 100 38 40 / 7 156(28.2%) 3(3.4%) 2.6%	(Unit: Person, %)  2014  572 / 596  5 / 3  47  16  48  38  32 / 1  158(27.6%)  5(5.88%)  3.24%	45	V
G4-11	The percentage of total employees covered by collective bargaining agreement	Collective bargaini	ng agreement applies to all mer	mbers including non	-members of labor union	74	٧
G4-12	The organization's supply chain	Promote social responsibility through resource development partners and domestic mine development, support for SMEs' overseas expansion support and eco-friendly technology support  All our suppliers consider social responsibility per our integrity guidelines on ethical, social and environmental standards			12-13, 24-29, 64-65, 74	V	
G4-13	Any significant changes during the reporting period	• As of 1st July 2 • 2013 and 2014	015, relocation of head office to , 45 suppliers	o Wonju was comp	pleted	4-5	V
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	KORES's business decision making and operations are based on transparency and the Board of Directors approaches and manages economic, social and environmental impacts in a sustainable manner			18	V	
G4-15	List of externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	UN Global Compact, ICMM, World Bank General Environment Guidelines, Berlin Guidelines, World Bank Operational Directive-Involuntary Resettlement, ISO 26000				9	V
G4-16	List of memberships of associations and national or international advocacy organizations in which the organization belongs	Environmental Ge for Deep Ocean N	olic Organization Relocation Co eology , Korean Red Cross, Gec Minerals Development, UN Glol on Council, Mining Association	ological Society of K bal Compact Netwo	Corea, Korean Association	72	٧

	Strategy and Analysis		Page	External Assurance
Identified Ma	terial Aspects and Boundaries			ASSURANC
G4-17	List of all entities included in the organization's consolidated financial statements or equivalent documents	Refer to financial statement	70	V
G4-18	The process for defining the report content and the aspect boundaries	The process for defining the report's content followed GRI G4 guidelines, and materiality issues were deduced by a specialized sustainability management consulting firm, "THE CSR"	1, 21	V
G4-19	List all the material aspects identified in the process for defining the report's content	Refer to the materiality assessment result and the third-party assurance of the Korea Standards Association	21, 82	V
G4-20	For each material aspect, report the aspect boundary within the organization	Material aspects are reported in each chapter of DMA page	21	V
G4-21	For each material aspect, report the aspect boundary outside the organization	Refer to each aspect boundary including the environment, social contributions, business performance, and overseas operations	21	V
G4-22	The effect of any restatements of information provided in previous reports and the reasons	The green product purchase rate was 80.7 percent in the sustainability report, but the data did not include construction of KORES' new headquarters. The adjusted rate of green product purchases is 13.1 percent, which reflects a higher amount of total purchases for construction of the new headquarter	75	٧
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant changes in reporting periods	75	V
Stakeholder E	ngagement			
G4-24	A list of stakeholder groups engaged by the organization	Employees, domestic and overseas resource developers, suppliers and partners, central government, National Assembly, related institutions, communities, media and NGOs	20	V
G4-25	The basis for identification and selection of stakeholders with whom we engage	Major stakeholders identified based on their economic, social and environmental influence over long-term perspective	20	V
Report Profile				
G4-28	Reporting period for information provided	From 1st Jan. 2014 to 31st Dec. 2014     Partial information of 2015 is reported for proper timing     In particular, the management framework for human rights is reported as a special issue considering policy promotion	1, 24-25	V
G4-29	Date of most recent previous report	December, 2014	1	V
G4-30	Reporting cycle	This is the seventh report, observing the principle of annual publishing	1	
G4-31	The contact point for questions regarding the report or its contents	KORES Management Innovation Team Phone: +82-33-736-5201	1	
G4-32	Report the 'in accordance' option the organization has chosen	This report is in accordance with the core option of GRI G4, general standard disclosures and at least one indicator was reported in each specific standard disclosures aspect	1	V
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	We seek external assurance for trust of information disclosure, Korea Standards Association conducted the assurance	1, 82-83	V
Governance				
G4-34	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	When making business decisions considering economic, social environmental impacts through KORES's BOD as the highest decision making body: Strategic Management Committee, Investment Consultation Committee Investment Consultation Committee, Sustainability Management Committee, Business Management Committee, Audit Committee and Board Member Recommendation Committee	18-19	V
G4-38	The composition of the highest governance body and its committees	To create an environment for good decision making by the board, KORES enhanced its decision-making processes by maximizing the expertise of non-executive board members, and through the inclusion of two executive vice presidents in board meetings	18-19	V
G4-45	A. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes  B. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	The board of directors, as the highest governance body, identifies KORES's economic, environmental and social impacts, risk and opportunities through onsite management and communication-based business involvement. Twenty-nine of 75 managerial proposals were reflected  The board identifies economic, social and environmental risks and opportunities through special deliberation committees and subcommittees. The Environmental Technology Team and Risk Management Team were set up to strengthen KORES's financial and environmental risk management	18-19	V
G4-46	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	The board manages the organization's risk through economic, environment, social managerial proposals	18-19	V

General Stanc	dard Disclosures						
	Strategy and Analysis		Description	on		Page	External Assurance
G4-49	The process for communicating critical concerns to the highest governance body	Major issues are reported to BC deliberation and a subcommitte	_	mittees for ope	erations and special	19	V
G4-50	The process for communicating critical concerns to the highest governance body	Progress in investment projects worth more than 100 million USD are all reported monthly to the Board of Directors, and major issues are reviewed at board meetings			19	V	
Ethics and Inte	grity						
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	KORES has a charter of ethics for advancing the implementation of transparency, and introduced a human rights framework based on the UN Global Compact's human rights principles, ISO 26000 and others			24-25	V	
G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistle blowing mechanisms or hotlines	Budget Waste are operated in Evaluation, Regular Monitorin • Comprehensive Audit, Perfor	Smart Whistle, E-Sinmungo, Request Registration System and Reporting Center for Budget Waste are operated internally to control integrity through Internal Control Evaluation, Regular Monitoring, Internal Whistleblower System and Daily Audit Comprehensive Audit, Performance Audit, Discipline Audit and Financial Audit and othersrelated to management are conducted			26-27	V
Category: Ecor	nomic						_
Economic Performance	Disclosures on Management Approach(DMA)	Investment Business Operation Base Establishment, Strategic R Resource Development Suppor performance	are Metal Stock	pile and Manag	ement Efficiency,	32-37, 40-41	V
		Direct economic value genera	ted and distrib	uted			
		Classification		2014	1		
	Direct economic value generated and distributed	Net Sale		K	RW 274.5 Billion		
		Salary			KRW 32.5 Billion		
		Severance Pay			KRW 3.4 Billion		
		Welfare Fees			KRW 6.0 Billion	36-37.	
G4-EC1		Education and Training Fees	; 		KRW 600 Million	40-41,	V
		Tax and Utility Bills	KRW 600 Million			50-55	
		Stored 57,614 tons of rare metal in the event of a national emergency In order to protect mining SMEs, KRW 19.5 Million of national subsidies and KRW 80 Million of our own budget were provided USD 71.5 Million was invested in 6 promising projects of the private sector Technology Management Division and 17 domestic companies were entered Boleo project and created value added of USD 20 Million 7,200 tons of Nickel was imported through the Ambatovy project in 2014			al subsidies and KRW private sector es were entered Boleo		
		Financial assistance received fi	om governmer	t	(KRW: Billion)		
G4-EC4	Financial assistance received from government	2012	2013		2014	76	V
		260	225		224.9		
Indirect Economic Impacts	Disclosures on Management Approach(DMA)	To become an operator, various created to enhance efficiency a win-win growth and employme	s well as create			32-37, 40-41, 50-55	V
G4-EC8	Significant indirect economic impacts including the extent of impacts  * future impacts are reported	Through the establishment of expected to save KRW 86.5 for Advancement of equipment increase of productivity per possible. The production Began, Currical regular employees  SME Product Purchase Ratio  SME Purchase Amount  Classification  Total Purchase Amount  SME purchase Amount	Million against p for mining prod person by 2.1% Inities were crea	an and when it uctivity improv ited through th	is completed in 2016 ement resulted in e Ambatovy project.	35-36, 41, 55, 76	V

	Stratogy and Analysis					Dame	Externa
	Strategy and Analysis					Page	Assuranc
Category: En	vironmental						
Energy	Disclosures on Management Approach(DMA)	KORES has an annual goal fe energy use and conservatio geothermic and photovoltai enhance energy conservation	n. When building our ecc ic systems were installed	-friendly head	quarters in Wonju,	62-63	V
		Classification	2012	2013	2014		
		Kerosene (toe)		10.5	6.6		
G4-EN3	Energy consumption within the organization	Gasoline (toe)		26.8	28.0	63	V
		City Gas (toe)	41.4	53.0	39.7		
		Electricity (toe)	322.9	300.1	302.5		
					*HQ Level		
		Consumption of kerosene d	leclined from 10.5 toe to	6.6 and that of	city gas fell from		-
G4-EN6	Reductions in energy requirements of products and services	53 toe to 39.7 toe	icelinea from 10.5 toc to	0.0 0110 11101 01		63	V
		_			*HQ Level		
Water	Disclosures on Management Approach(DMA)	Water efficiency facilities ma	anage water use, but an i	ncrease in emp	oloyees resulted in	62-63	V
vvatei	Disclosures of Management Approach(DMA)	a rise in water use. KORES is	s striving to reduce water	usage		02 03	V
		Total Water Usage		(1	Jnit: m³)		
		2012	2013	201			
G4-EN10	Percentage and total volume of water recycled and reused	11,511	11,798	13,52	25	63	V
					*HQ Level		
		_					
Biodiversity	Disclosures on Management Approach(DMA)	To preserve Ambatovy's en- will be implemented with the monitored		-	-	66-67	٧
G4-EN11	Operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Ambatovy is a home to 92 l and 35 kinds of mammals, in area's biodiversity, reducing	ncluding certain endanger	red species. To	preserve the	66	V
G4-EN12	Significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	To preserve Ambatovy's enwill be implemented with the monitored				66-67	V
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	The biodiversity offset prog our Ambatovy site were imp host country and the Word	plemented in accordance	with environm	ental laws of the	66	٧
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Six species of amphibians ar specific mitigation efforts du endangered and four endan	ue to their IUCN status; tv			66	V
Emission	Disclosures on Management Approach(DMA)	KORES seeks to directly red of video conferences and a policy of rational energy use	no-driving day once a we			62-63	V
		2010	2042		nit : tCO₂eq)		
G4-EN15	Direct greenhouse gas (GHG) emissions	2012	2013	201		63	V
	(SCOPE 1) 205.1 231.9 192.7						

General Standa	ard Disclosures			
	Strategy and Analysis		Page	External Assurance
Category: Envir	ronmental			
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	(Unit:tCO₂eq)  2012 2013 2014 636.3 591.7 596.3 *HQ Level	63	V
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Direct greenhouse gas emissions reduced 231.9 tCO <sub>2</sub> eq to 192.7 tCO <sub>2</sub> eq *HQ Level	63	V
Waste Water and Waste	Disclosures on Management Approach(DMA)	Discharge is restricted in accordance with the Waste Management Act	62	V
G4-EN22	Total water discharge by quality and destination	Discharged Waste Water         (Unit : tCO₂eq)           2012         2013         2014           104         98         98           *Headquarters	63	V
G4-EN23	Total weight of waste by type and disposal method	Discharged Waste         (Unit : ton)           2012         2013         2014           90         95         90           *Headquarters	63	V
MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks	We reserve a legal limit for tailing per laws of the host country and World Bank guidelines for the Ambatovy project	66	V
Product and Service	Disclosures on Management Approach(DMA)	Environmental management is conducted in each phase of mine development so that environmental risks are identified. Improvements in the environmental management of domestic investment and major environmental risk monitoring and reduction plans are provided for each project	64-65	V
G4-EN27	Extent of mitigation of environmental impacts of products and services	<ul> <li>Air, noise and vibration have been added to the environmental risk list and are managed as improvement to environmental management of domestic investment projects</li> <li>Suggestion of improvement of waste discharge method, actions to prevent damage to water quality prepared to minimize environmental impact</li> <li>Mine Management Handbook published to manage environmental issues of projects</li> </ul>	64-65	V
Compliance	Disclosures on Management Approach(DMA)	We strictly observe the environmental laws of the host country as well as global guidelines for the mining and metal sector while doing business. In particular, we fulfill all environmental criteria in the process of mine development approval	9, 64	V
G4-EN29	Monetary value of significant fines and total number of non- monetary sanctions for non-compliance with environmental laws and regulations	KORES committed no violation of environmental laws or regulations	66	V
Environmental Grievances Mechanism	Disclosures on Management Approach (DMA)	The committee was established for area residents to submit grievances about the environmental impact at the Ambatovy site	78	V
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	The committee was established for residents to submit grievances and engage the community, and joint fact finding was introduced to conduct an air pollution study at the Ambatovy site	78	V

	Social					Page	External Assurance
Sub-Category:	Labor Practice and Decent Work						
Employment	Disclosures on Management Approach(DMA)	As a change of business strategy, or used for competency areas to be st opportunities				44, 48-49	V
		New Hires & Turnover		(Ur	nit: Person, %)		
		Classification	2012	2013	2014		
	Total number and rates of new employee hires and employee	New Employment	39	100	48		
G4-LA1	turnover by age group, gender and region	Number of turnover	8	4	9	45	V
		Total Employees	470	572	596		
		Turnover rate	1.7%	0.7%	1.5%		
					(Unit: Person)		
		Classification	2012	2013	2014		
		Maternity Leave	2	2	10		
G4-LA3	Return to work and retention rates after parental leave, by gender	Childcare Leave	2	4	6	46, 79	V
		Return to Work	2	1	4		
		Returnee who worked more than 1 year	2	1	1		
Union Relations	Disclosures on Management Approach(DMA)	18 strategic assignments of 6 major	labor union str	ategies' KPI ev	aluation	44, 47	V
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Minimum notice period of 50 days given for any operational changes; union appoints one individual to attend management meetings to share information when important matters are discussed			79	V	
MM4	Number of strikes and lock-outs exceeding one week's duration, by country	KORES has had no strikes and lock-outs exceeding a week's duration			79	V	
Industrial Safety and Health	Disclosures on Management Approach(DMA)	Improvement of 40.2 percent from 2013 thanks to the Mandatory Mine Safety Training System, formation of the Mine Safety Committee and the introduction of self-regulating guidelines Employee Safety and Health Matters Realized via Agreement with Union			36, 47	V	
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	2014 industrial hazard rate 0.48%				79	V
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Labor Agreement, Section 79, KORES will provide special medical checks to employees who work in hazard environments and provide medical checks for other employees annually. If there is an issue as a result of the medical check, employees either take leave of absence and/or work shorter working hours Section 80, 81 and 82; the working environment must be measured and based on result of those measurements, KORES must take any actions necessary to protect the health of employees. KORES may purchase accident insurance			79	V	
Training and Education	Disclosures on Management Approach(DMA)	For employees to contribute to our KORES operates training courses to	-			48-49	V
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Average Training Hours  Classification  Hours	<b>2012</b> 58.3	2013 101.3	nit: Hours)  2014  102  rent Employee	49	V
Diversity and Equal Opportunity	Disclosures on Management Approach(DMA)	KORES in 2014 appointed its first for diversity and reflect social considerations.				44-45	V

General Standa	ard Disclosures			External
	Strategy and analysis		Page	Assuranc
Sub-Category:	Labor			
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	<ul> <li>KORES appointed a female auditor in February 2014 and one woman to the Board of Directors</li> <li>The company's 158 female workers among KORES's 572 employees and age group and number of employees are shown below         <ul> <li>(Age Group)</li> <li>Teenage</li> <li>20s</li> <li>30s</li> <li>40s</li> <li>50s</li> <li>60s</li> </ul> </li> <li>People</li> <li>126</li> <li>202</li> <li>137</li> <li>101</li> <li>1</li> </ul>	80	V
Equal Payment	Disclosures on Management Approach(DMA)	A performance-based payment system determines salaries according to performance without discrimination	45-46	V
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, and by significant locations of operation (By Employee, By operation)	Salary paid based on performance without discrimination	45	V
Labor Practice	Disclosures on Management Approach(DMA)	Grievances are resolved and addressed through the Grievance Committee	47	V
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	3 grievances resolved through Grievance Committee	47	V
Sub-Category: F	luman Rights			
Discrimination Prevention	Disclosures on Management Approach(DMA)	Our Human Rights Charter seeks to protect the human rights of stakeholders and prohibits discrimination	24-25	V
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Incidents of discrimination are resolved thorough the union's grievance resolution committee and a human rights council was established in 2015 to resolve these matters  No violations or incidents reported	24	٧
Freedom of association and collective bargaining	Disclosures on Management Approach(DMA)	KORES guarantees the right to conduct union activities, freedom of association and collective bargaining	47	V
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	By 2015, KORES's human right charter and associated standards will be implemented; collective bargaining and freedom of association are stipulated in the human rights charter	24	V
Indigenous Rights	Disclosures on Management Approach(DMA)	We have enhanced our social contribution activities to local communities where we operate	4-5, 56-59	V
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	None	80	V
Supplier Human Rights	Disclosures on Management Approach(DMA)	KORES will promote social responsibility within its influence. KORES provides its support and cooperation to suppliers to implement human rights as outlined in its human rights charter	24, 80	V
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Charter of human rights and implementation standards to be implemented by 2015 All of our suppliers consider social responsibility in accordance with the following integrity guidelines on ethical, social and environmental standards.	24, 75	V
Formal Grievance Mechanism	Disclosures on Management Approach(DMA)	Grievances discussed and resolved via Grievance Committee	47	٧
G4-HR12	Number of grievances about human rights filed, addressed, and resolved through formal grievance mechanisms	Three grievances resolved through Grievance Committee	47	V

General Standa	ard Disclosures			
	Strategy and Analysis		Page	External Assurance =
Sub-Category:	Society			
Local Community	Disclosures on Management Approach(DMA)	Economic, social and environmental impacts of domestic and overseas operations reflected in decision making	62-65, 81	V
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Potential negative environmental impact is expected in the process of overseas resource development. We stress minimizing such negative impact through our environmental and health management	59, 66-67	V
Anticorruption	Disclosures on Management Approach(DMA)	An Ethical Management System has been established and anti-corruption training and internal control system have been strengthened for more transparent operation	26-29	٧
G4-SO4	Communication and training on anti-corruption policies and procedures	Customized courses in integrity training are provided by position and task. One-on-one integrity training for new employees and newly appointed managers are also available, as well as for officers vulnerable to corruption	27	V
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples	Joint fact finding was introduced to conduct transparent operations without violating the rights of indigenous people	59	V
MM7	The extent to which the grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes	The grievance mechanism established in 2012 receives reports of misconduct and the opinions of residents in project areas. KORES guarantees anonymity	81	V
anti- competitive behavior	Disclosures on Management Approach(DMA)	KORES reserves anti-competitive behavior and anti-trust laws	81	V
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	N/A	81	V
Compliance	Disclosures on Management Approach(DMA)	KORES observes Korean government guidelines to fulfill social responsibility	66	V
G4-S08	Monetary value of significant fines and total number of non- monetary sanctions for non-compliance with laws and regulations	KORES has observed all social rules and regulations and had no violations in this area	81	V
Supplier's Social Impact Assessment	Disclosures on Management Approach(DMA)		81	V
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	We use government guidelines to purchase products and services from SMEs and socially responsible companies     All our suppliers consider social responsibility in accordance with our integrity guidelines on ethical, social and environmental standards	81	V
grievance mechanisms	Disclosures on Management Approach(DMA)	The newly formed Relocation Committee backs the autonomy of residents at the Ambatovy site	59	V
G4-S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	A committee established in 2006 seeks to receive grievances from residents around the Ambatovy area A relocation process assessment conducted in 2014 sought to support disadvantaged residents of the Ambatovy region	81	V
Emergency Preparedness	Disclosures on Management Approach(DMA)	Joint fact finding engages stakeholders in a project area and manage onsite risks; it notifies the progress of studies and gathered information	59	V
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process	Due to the setup of the sites of the Ambatovy project and mine waste treatment, 261 households were relocated to the Marovato and Vohitrambato areas. Programs for health, sanitation and education seek to prevent discomfort and inconvenience. The Relocation Committee receives opinions on preventing discomfort afterwards	81	V
Planning for Mine Closure	Disclosures on Management Approach(DMA)	We respect laws and regulations related to social and environmental risks in the event of a mine's closure. We manage such risks and communicate with residents	64-66	V
MM10	Number and percentage of operations with closure plans	N/A	81	V

# **Third Party Assurance Report**



# To the Management and Stakeholders of Korea Resources Corporation

The Korean Standards Association (KSA) was commissioned by the Korea Resources Corporation (hereafter, "KORES") to provide independent third party assurance of the KORES Sustainability Report 2014 (hereafter, "the Report"). KSA reviewed the evidence of the data and achievements contained in this Report to present the independent assurance report. KORES is responsible for the collection and presentation of all claims and accomplishments within the Report.

#### ■ Independence

As an independent assurance institution, KSA provides independent assurance service. Other than the third-party assurance engagement, we do not have any business ties with KORES across the whole business spectrum of KORES, have no conflict of interest and have no connections with KORES that could compromise the independence or make profits.

#### ■ Assurance Standards and Credibility

The assurance engagement was performed in accordance with the AccountAbility 1000 Assurance Standards 2008 (AA1000AS 2008) principles - Inclusivity, Materiality, Responsiveness of Reliability of performance data and processes defined in the Report - at a moderate level of assurance. The assurance procedure also uses GRI G4 Guidelines, Ming and Metals Sector Disclosure, and ISO 26000 as well.

#### ■ Assurance Type and Scope

The assurance engagement is a Type 2 assurance as defined in the AA1000AS 2008. It means that we verified the accuracy with respect to the sustainability management achievements described in the statements of KORES and the Report. KSA's assurance covers the entire content of this Report including activities carried out to create this Report between January 1, 2014 and December 31, 2014. In the reporting period, we conducted our engagement focusing on the related system and its activities, including KORES's sustainability management policy, goals, businesses, standards, and accomplishments. In addition, we assured not only the environmental and social information but also the financial information on economic accomplishments in a broad sense. With regard to the stakeholders' participation, the assurance procedures were limited to the review of materiality assessment process.

#### Assurance Method

KSA used the following methods to collect the necessary information, materials and evidence with regard to the assurance scope.

- ☐ Reviewing the improvements of sustainability management performance and the management systems and processes used for presented in this Report
- ☐ Reviewing KORES's financial performance data, the audited financial statements and the consistency of KORES's public announcement date
- ☐ Interviewing KORES employees in charge of sustainability management and managers responsible for respective issues
- ☐ Reviewing follow-up details of the internal documents and basic data

# Conclusions and Opinion[Assurance Principle/ Process Aspect]

KSA reviewed the contents presented in the Report to provide opinions, based on which the corrections of the Report were made. In addition, we are not aware of any material errors or biases in the content of the Report. With respect to KORES's sustainability management, we present the following opinions.

#### □ Inclusivity

- Does KORES include stakeholders in making strategic responses with regard to sustainability?

KORES is dedicated to the stakeholder engagement process in an attempt to promote the sustainability management, and operates various communication channels. KSA is not aware of any key stakeholder group which has been excluded from this process. However, we recommend that KORES set up process where internal/external stakeholders can be actively engaged, and that KORES develop sustainability issues regularly by reflecting the specific demands of the stakeholders.

#### □ Materiality

 Does KORES include material information in the Report to enable stakeholders to make informed judgment and decision?

KSA confirmed that KORES does not omit nor exclude any material information to stakeholders. In addition, KSA assured that KORES conducted material assessment by means of the related issues deriving from the internal/external environmental analysis, and based on the results, KORES reported the material issues. We recommend that KORES specifically report the content that contains the stakeholders' opinions in making material decision in the future, and that KORES consistently apply this process to the entire organization, rather than a one-off process.

#### □ Responsiveness

 Does KORES properly respond to demands and concerns of stakeholders?

KSA confirmed that KORES incorporates major concerns of stakeholders into its report and also responds to demands and concerns of stakeholders. In addition, we are not aware of any evidence that KORES does not properly respond to material issues of stakeholders. However, our recommendation is that KORES establish a strategy for sustainability management to actively respond to the demands of stakeholders in the future, and that to this end, KORES set a strategic task and select core indicators.

#### ■ Review of GRI G4 Application Standards

KSA confirmed that this Report is prepared in accordance with the Core Option of the GRI G4. Based on the data provided by KORES, we confirmed that the content regarding the following General Standard Disclosures and Specific Standard Disclosures is correct.

#### ☐ General Standard Disclosures

KSA verified that this Report is in conformity with the requirements of General Standard Disclosures under the core option. The review of the following indexes was made.

G4-1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 56

#### □ Specific Standard Disclosures

The assurance engagement was performed to identify DMA with regard to material aspects through the decision process of reporting items. The review of the below aspects and indicators was conducted.

Category	Aspect (Indicators)
Economy	Economic performance (EC1, EC4)     Indirect economic impacts (EC8)
Environment	Energy (EN3, EN6)     Water (EN10)     Biodiversity (EN11, EN12, MM2, EN14)     Emissions (EN15, EN16, EN19)     Effluents and waste (EN22, EN23, MM3)     Products and services (EN27)     Compliance (EN29)     Transportation (EN30)     Environmental grievance mechanisms (EN34)
Society	Employment (LA1, LA3) Labor/management relations (LA4, MM4) Occupational health and safety (LA6, LA8) Training and education (LA9) Diversity and equal opportunity (LA12)) Labor practice grievance mechanisms (LA16) Non-discrimination (HR3, HR4) ndigenous rights (HR8) Supplier human rights assessment (HR10) Human rights grievance mechanisms (HR12) Local communities (SO2) Anti-corruption (SO4, MM6, MM7) Anti-competitive behavior (SO7) Compliance (SO8) Suppliers assessment for impacts on society (SO9) Grievance mechanisms for impacts on society (SO11) Resettlement (MM9) Closure planning (MM10)

# ■ Sector-specific Opinion and Recommendations [Implementation Performance/ Issue Aspect]

KSA presents the following recommendations for KORES to build companywide sustainability management strategies and lay the basis to respond to relevant issues continuously.

#### □ Economy

KORES, as a state owned enterprise to promote a stable supple of industrial materials, energy and resources for the country's economic growth, departs from the traditional business structure of quantitative-oriented growth and is dedicated to the recovery of financial soundness based the company's qualitative enhancement through the expansion of operating businesses. However, considering there are growing concerns on rising debt and the public awareness on such matter is not yet fully improved, we recommend that KORES keep a stable and effective management to ensure that KORES will produce the desired results.

#### □ Environment

KORES operates life-cycle environmental risk management system in order to manage environmental risks that continuously occur from the early stage of mine development to abandoned mines. Furthermore, KORES carries out businesses that meet the global environmental standards in terms of overseas mining development and its operation. However, we recommend that KORES establish environmental performance management system in which the company could set a mid and long term quantitative goal for environmental performance in domestic & overseas business operations and manage its goal to keep up with global rivals.

#### □ Society

With regard to resource development, sensitive issues of human rights tend to occur. In this respect, KORES is dedicated to supporting global CSR initiative related to the mineral industry, including UN Global Compact, ISO 26000, ICMM and the World Bank's Migration Guidelines, and to enacting human rights. It is noted that KORES is needed to organize the related system and strengthen the management level of industrial safety and health to avoid a mere declaration.

October, 201

Baek Soo-hyun Chairman of Korean Standards Association しり デュラ





The Korean Standards Association (KSA), as a special corporation found in 1962 under the Industrial Standardization Act, is a knowledge service entity that provides and disseminates industrial standardization, quality management, sustainability management, KS and ISO certifications that are necessary for companies. In particular, serving as ISO 26000 national secretary entity, GRI-designated education entity, AA1000 Assurance provider, Korean Sustainability Index (KSI) management entity, UN CDM operation institution and the assurance provider of Korea's Greenhouse Gas Target Management System, KSA contributes to society's sustainable development.

# **UN Global Compact & ICMM**



### UN Global Compact 10 Principles

Category	Principle
Human Rights	Businesses should support and respect the protection of international standards of human rights; and
	2. make sure to prevent complicity in human rights abuses
Labor	Businesses should uphold the right to freedom of association and effective recognition of the right to collective bargaining;
	4. Elimination of all forms of forced and compulsory labor
	5. Effective abolition of child labor; and
	6. Eradication of discrimination in employment and occupation
Environment	7. Support a precautionary approach to environmental challenges;
	8. Take initiatives to promote greater environmental responsibility; and
	9. Encourage the development and diffusion of eco-friendly technologies.
Anti-Corruption	10. Fight corruption in all its forms, including extortion and bribery



# 10 Principles of ICMM

- 1. Implement and maintain ethical business practices and sound system of corporate governance
- 2. Integrate sustainable development considerations within corporate decision-making process
- 3. Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others affected by our activities
- 4. Implement risk management strategies based on valid data and sound science
- 5. Seek continuous improvement of our health and safety performance
- 6. Seek continuous improvement of our environmental performance
- 7. Contribute to conservation of biodiversity and integrated approaches to land use planning
- 8. Facilitate and encourage responsible product design, use, reuse, recycling and disposal of our products
- Contribute to the social, economic and institutional development of communities in which we operate
- 10. Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders

#### **KORES 2014 SUSTAINABILITY REPORT**

Korea Resources Corporation places its utmost efforts toward contributing to Korea's economic development via securing a stable supply of mineral resources for national industrial development.

Under the KORES vision of becoming one of the world's top 20 companies for global mining

We promise a higher standard of fulfilling social responsibility
We will listen more carefully to our stakeholders at close distance
We also promise to strive for a brighter and better shared future

**Publisher** Sung-ha Park

Publishing office Korea Resources Corporation

**Date of Publication** December, 2015



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