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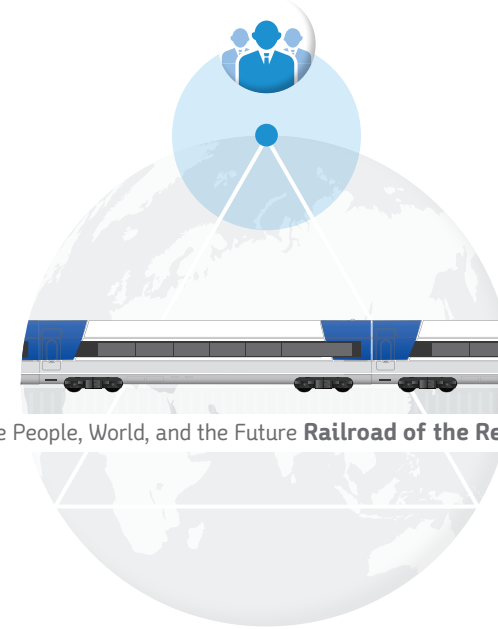
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2018-19 KORAIL  
Sustainability Report

2018-19 KORAIL Sustainability Report

# Connecting the People, World, and the Future Railroad of the Republic of Korea

CONNECTING  
THE PEOPLE, WORLD,  
AND THE FUTURE  
**KORAIL**



Connecting the People, World, and the Future Railroad of the Republic of Korea



the People  
•  
the World  
•  
the Future

Connecting



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KORAIL



## About This Report

KORAIL is dedicated to fulfilling its mission to become the 'Railroad of the Republic of Korea that Connects the People, the World, and the Future,' and is generating various economic, environmental and social values while working toward achieving that mission. Since 2008, KORAIL has been transparently disclosing all of its activities and performance to its stakeholders through its annual sustainability reports. This is the 11th sustainability report that KORAIL has published.

### ● Standard

This report has been prepared in accordance with the Core Option of the GRI (Global Reporting Initiative) Standards and ISO 26000 Guidance on Social Responsibility. It reports primarily on material issues drawn from a materiality assessment and includes the management approach to those issues.

### ● Period, Scope and Boundaries

This report reveals sustainability activities conducted by KORAIL headquarters and its regional divisions and includes activities carried out by some of its affiliates from January 2018 to December 2018. The qualitative performance data from the past three years (2016-2018) have been included to allow readers to see the improvements and changes made over the years, and it also contains some data considered important in terms of the timeliness, generated from the first half of 2019. In addition, we have identified and covered the impact of core issues drawn from a materiality assessment on our key stakeholders.

There have been no significant changes related to the scope, structure, reference year and ownerships from the previous year, but footnotes have been added on some changes in calculating data and stating contents. Some of the performance data and information that have not changed since last year has been restated to help readers better understand the content of this Report.

### ● Assurance

An independent third-party assurance review has been carried out to ensure the objectivity and reliability of this report. The third-party assurance provider has verified that this report complies with the GRI Standards (Core Option)

### ● Additional Information

Sustainability reports are published in Korean and English versions and can be downloaded as PDF files from our website. If you have any inquiries about this report, please contact us via the following details.



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**KORAIL** is  
accompanied by happiness!

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# Message from the CEO



**KORAIL** will open the **new era of railway** with ceaseless **change** and a **challenging spirit**.

To all who cherish KORAIL, as always,

The Korean railway has been with us as an indispensable means of public transportation. It has for many years been operated to promote Korea's economic growth and people's more affluent lives. Thanks to the Korean railroad, the nation's economy and culture have blossomed in regions and cities along the railroad tracks.

The year 2018 was marked as the year of preparations for a journey to actively usher in the Railroad Renaissance era. It was a fruitful year indeed. By recruiting over 2,100 new employees, the largest number among the nation's public institutions, we have contributed to creating jobs which is one of the most important issues facing our society. We have achieved a zero level of contract workers thanks to meaningful endeavors of labor/management for mutual growth. KORAIL became an official member of the Organization for Cooperation between Railways (OSJD), also known as the UN of the continental railways, laying the foundation for continental railroads. In 2019, we successfully completed the Conference of General Directors of OSJD Railways in Seoul, Korea.

# Message from the CEO

We will put safety matters as our top priority.

We will provide universal welfare services through the railway to enhance the public good.

We will create decent jobs.

We will work hard to carry out our mission to open up the inter-Korean & continental railways.

Railway is a future-oriented industry and eco-friendly transportation. By using trains that is energy efficient with low carbon emission, resources can be saved and the environment can be protected. KORAIL will continue to strive to win love and trust of the people for the railway-centered sustainable future. We will make sure the Korean railway stays with the people, the world and the future and fulfill our field-oriented commitment.

We will innovate railway safety for the people. Securing the safety of passengers and hard-working people in the field is the most important issue. We will change our safety management paradigms from post-restoration processes to proactive prevention processes. To this end, we will spare no efforts and investments. We will invest 8.7 trillion KRW in renovating facilities and equipment by 2023. By actively utilizing the 4<sup>th</sup> industrial revolution technology, we will introduce cutting-edge maintenance systems. We will ensure safety, which is the lifeblood of the railway.

We will make sure everyone can conveniently use the railway regardless of their regions and circumstances. We will expand facilities for the underprivileged including the elderly and the disabled. We will further establish lines to remote areas and transportation means connected to the railway. We will also apply cutting-edge IT including AI and IoT to the railway public service. We will further expand the public concessionary fare policy that benefits over 600,000 users annually. We will become the railway that is accessible to everyone.

We will achieve social values by creating jobs. We will increase jobs through new recruitments, temp-to-perm conversions and others. We will help the underprivileged to start their own businesses by utilizing idle properties including stations nationwide. We will revive the regional economy by developing railway stations into spaces for social values to support direct marketing channels. Through fair agreements, we will grow together with SMEs. We will create job opportunities for the increased public value.

We will lead the new era of railway that expands to the continent beyond the two Koreas. We will live up to the people's expectations on the continental railway by signing agreements needed to run international railways, such as the contracts on international freight transport and passenger transport. As an official member of the continental railway, we will expand exchanges with related members. We will lay the groundwork for peace on the Korean Peninsula and cooperation and co-prosperity among Eurasian nations. We will steadily prepare for the future of the Korean railway.

The Korean railway can move forward only through promoting stakeholders' interests and cooperation. KORAIL opens up communication channels and carefully listens to valuable opinions. We will actively back up the railway industry to advance into overseas markets and to develop technologies, while closely working together with related organizations. We will nurture sound railway communities. We ask for your unwavering encouragement and support for our efforts toward sustainable management.

August 2019  
Son Byung-seok, President of KORAIL

Let's KORAIL #1

Holding a Conference of General Directors of OSJD Railways UN equivalent in Continental Railway

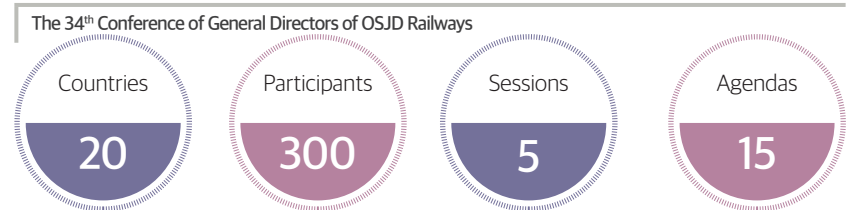


“Global Railway Leaders to Find Ways of Developing Continental Railways” at a Conference of General Directors of OSJD Railways Successfully Held in Seoul

The 34<sup>th</sup> Conference of General Directors of OSJD Railways (April 8~11, 2019), a so-called “Continental Railway UN General Assembly,” was held in Seoul. Over 300 involved in the railway industry at home and abroad including 140 foreign representatives from around 20 countries worldwide participated in the meeting to discuss how to realize cooperation and exchanges among nations regarding the continental railway.

The conference slogan, ‘Toward a Future of Peace and Prosperity’, conveys a meaning of creating a prosperous future for all by keeping peace on the Korean Peninsula, establishing peaceful and cooperative communities among Eurasian nations, reducing logistics costs through the envisaged Eurasian railway, and strengthening economic cooperation.

In particular, ‘the 34<sup>th</sup> Conference of General Directors of OSJD Railways’ was the first international railway conference held and attended by Korea as an official member since it became an official member of OSJD in 2018. The conference was a venue to strengthen cooperation among members and to confirm their unwavering support for the inter-Korean and continental railway connection. At the same time, KORAIL could show its capability and technology to OSJD members through the outstanding preparation and process of the high-class conference.



What is OSJD?

(Organization for Cooperation between Railways)

OSJD is a railway cooperation organization formed in June 1956 by socialist states under the former Soviet Union system including Russia (then Soviet Union), China, Kazakhstan, North Korea and others and Eastern European countries for coordinating railway transportation among Eastern European and Asian countries.

HQs	Poland Warsaw
Establishment Year	1956
Official Members	29 Countries
Affiliated Members	45 Companies
Observers	7 Organizations

KORAIL's Journey to Becoming a Member of OSJD



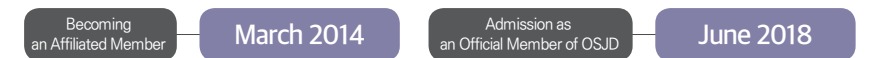
The 33rd Conference of General Directors of OSJD Railways held in Vietnam, in April 2018

<b>In September, 2005</b> KORAIL indicated its intention to join the Trans Asia Railway (TAR) at a government-led meeting (the Ministry of Land, Transport and Maritime Affairs)	<b>In March, 2013</b> KORAIL applied to become an affiliated member -> in March, 2014, KORAIL became an affiliated member (approved by more than two-thirds of the members)	<b>In April, 2013</b> KORAIL has participated in Ministerial Meetings (three times), Conferences of General Directors (five times) and ITRT General Assemblies (five times) since April 2014. <small>*ITRT: International Through Railway Traffic, a general meeting on the international railway traffic convention</small>
<b>In June, 2018</b> KORAIL became an official member with the unanimous approval at the 46 <sup>th</sup> OSJD Ministerial Meeting.	<b>In May, 2015</b> KORAIL held the Conference of General Directors of OSJD Railways in Seoul and the 10 <sup>th</sup> Subcommittee Meeting on Logistics.	

After the Ministry of Land (then the Ministry of Land, Transport and Maritime Affairs) stressed the necessity of joining OSJD at a government-led meeting on the TAR convention in September, 2005, we became an affiliated member with the approval of more than two-thirds of the members in March 2014.

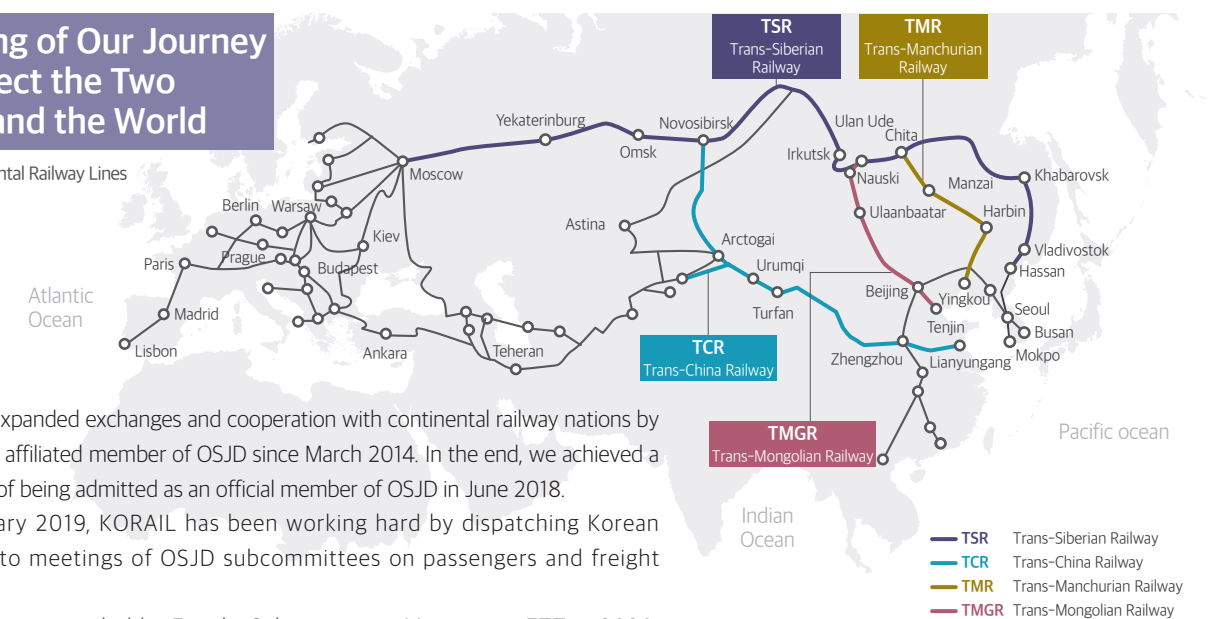
The Conference of General Directors of OSJD Railways and the 10<sup>th</sup> Subcommittee Meeting on Logistics held in April 2015 served as an opportunity for those involved in the railway industry to agree on the need for connecting the inter-Korean railways.

At ‘the 33rd Conference of General Directors of OSJD Railways’ held in Da Nang, Vietnam in April 2018, KORAIL stressed that South Korea’s membership of OSJD would be the last piece in the puzzle to complete the ‘Iron Silk Road’, and asserted the need for its becoming an official member. As a result, OSJD members unanimously decided to accept South Korea as an official member at an OSJD Ministerial Meeting held in Kyrgyzstan in June 2018.



Beginning of Our Journey to Connect the Two Koreas and the World

Eurasian Continental Railway Lines



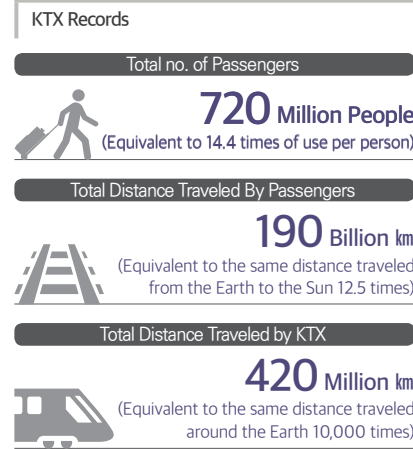
KORAIL had expanded exchanges and cooperation with continental railway nations by working as an affiliated member of OSJD since March 2014. In the end, we achieved a fruitful result of being admitted as an official member of OSJD in June 2018. Since February 2019, KORAIL has been working hard by dispatching Korean delegations to meetings of OSJD subcommittees on passengers and freight respectively.

KORAIL is planning to hold a Freight Subcommittee Meeting on ETT in 2020. Moreover, we supported the Ministry of Land, Infrastructure and Transport at the OSJD Ministerial Meeting in June 2019 to help the Ministry organize and hold the 51st OSJD Ministerial Meeting in 2023. KORAIL will do its best to build railways that start from Korea, the Far East Asian country to Europe.

Let's KORAIL #2

# The 15<sup>th</sup> Anniversary of Launching KTX

Marking its 15<sup>th</sup> Anniversary, KTX Has Run around the Earth 10,000 Times for the Past 15 Years.

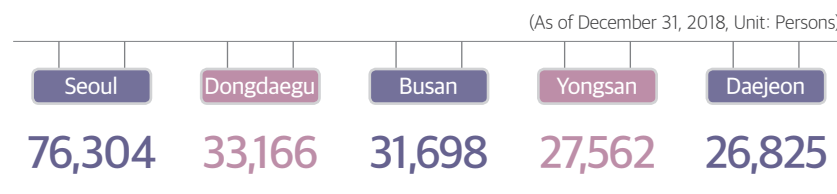


## Shrinking the Entire Nation into a Half-Day Distance



## Transporting 180,000 Passengers per Day to Change 'the Concept of Commuting'

The number of KTX services per day has more than doubled from 132 times at the beginning to 316 times on weekends. The daily number of passengers has increased by 2.5 times from around 72,000 at the beginning to over 180,000, and the number of stops has tripled or more. As the gateway to Korea, Seoul station has the largest number of users. 76,000 passengers arrive and depart through this gateway on a daily basis.



April 1, 2019 marked the 15<sup>th</sup> anniversary of KTX (Korea Train eXpress), Korea's leading rail transportation that was launched in April 2004. KTX has run 420 million km through its six lines over the past 15 years, equivalent to 10,000 laps around the Earth (40,000 km). While running on the rails one million times, KTX has transported 720 million passengers, equivalent to the 50 million people of Korea having used it 14 times. The sum of the total distances traveled by all passengers stands at 190 billion km.

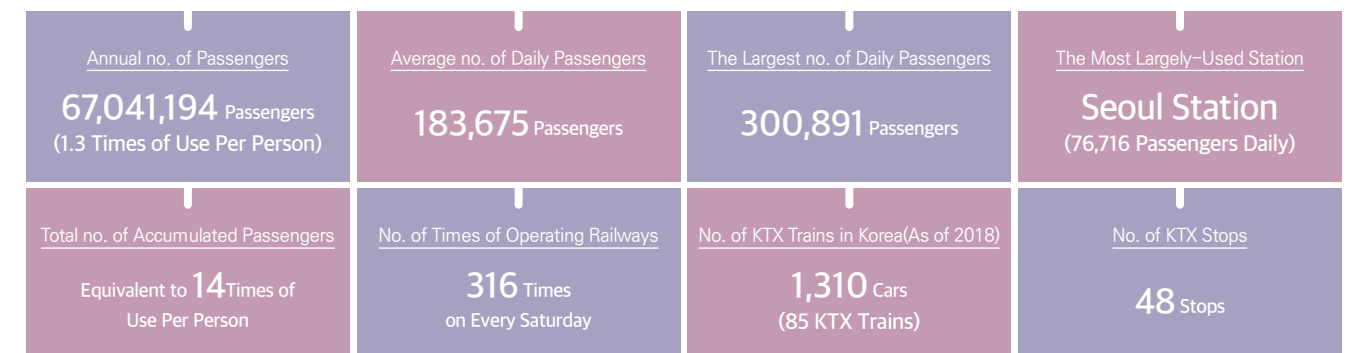
## Various IT-Based and Convenient Services

In addition to KTX's high-speed quality, KTX is also offering various and convenient optional services. With the rate of purchasing tickets by using 'KorailTalk', a smartphone app., standing at 71%, searching and buying tickets has been made possible anywhere and anytime. An increasing number of people are purchasing their tickets through the app. We are providing information on real-time train services, TSS (Time-Saving Service) and a ticket-refunding service after the train has departed. By installing the Wi-Fi service, power outlets to the electronic devices, and USB ports in KTX trains, we are steadily improving facilities in KTX trains to meet the growing needs of passengers with smartphones, laptop computers, tablet PCs and other electronic devices.

## 15 Years of KTX in Numbers

Thanks to KTX, Korea has become the 5<sup>th</sup> nation that operates high-speed railways. Except for Jeju-do, KTX is most rapidly linking 48 stations in 15 cities and provinces. KORAIL will work harder to make Korea's leading railway brand of KTX to become your best partner for a safer and more convenient journey.

(As of March 13, 2019)



## The Largest Employer Among Korea's Public Institutions though Fair Recruitment Policies

KORAIL is taking the lead in creating decent jobs by recruiting approximately 2,000 in 2018 and 1,448 in the first half of 2019, which is the largest recruitment in 13 years since its founding. When recruiting people, we provide equal opportunities for all applicants through blind evaluations based on their job competence, excluding any of their personal information. And, it was proven to be zero out of 108,846 applicants in 2018 raised objections or made complaints regarding the recruitment fairness.



## KTX Gangneung Line was Vital to the Success of the 2018 Winter Olympics in Pyeongchang

KTX Gangneung line was chosen as the transportation network that made possible the successful 2018 Winter Olympics in Pyeongchang. Behind the passionate cheering during the Winter Olympics and Paralympics in Pyeongchang, there were the unseen endeavors of all the employees of KORAIL to safely transport over one million athletes and visitors. Through this, KORAIL was able to show the superiority of the Korean high-speed railway to athletes and visitors coming from around the world.



## 'KorailTalk' Provides Complete Travel Services

'KorailTalk', a universal smartphone app, has made customer-friendly improvements in its core function, the ticket-purchasing UI, to provide more convenient and pleasant railway services for customers in line with changes in travel trends. The app has become a total travel service platform through which you can purchase all items needed for your travel at once, such as booking tickets for holidays (for the first time), reserving car-sharing services/rent-a-car/locally-connected transportation services, ordering affiliated products and reserving accommodation.



## Declaring a New Vision and Service Slogan Based on Public Opinion

KORAIL has declared its new vision and service slogan to renew its commitment to providing better services for the public and winning their hearts. While taking the initiative in guiding the future of the Korean railways, KORAIL will strengthen its public services to realize a happier future for the nation and the people. At the same time, it will ensure considerate, reliable, intimate and convenient services together with the people.



## ITX-Saemaeul to Receive a Low Carbon Product Certificate

KORAIL has received 'Low Carbon Product Certification' for its ITX-Saemaeul Seoul-Busan section in the 'Carbon Footprint' certification evaluation organized by the Korea Environmental Industry and Technology Institute under the Ministry of Environment. As KTX's Seoul-Busan section became the first to receive the low carbon certificate in the industry last year, KORAIL proved once again that the railway is an eco-friendly transportation means that reduces greenhouse gas emissions.

\*Low Carbon Product Certification: This is a system through which a product that has already passed the first step of 'Carbon Footprint Certification' is further certified by the government when it is added with low-carbon technology to reduce greenhouse gas emissions by more than 4.24%.



## KTX Carried Over 700 Million Passengers in Accumulated Totals

Since its launch in 2004, the cumulative number of passengers topped 700 million as of December 13, 2018. The figure shows that the equivalent of every person in the entire population of Korea has used KTX 14 times on average. KTX, which operated 132 times and carried 72,000 passengers per day at the beginning, has become an irreplaceable transportation that runs 316 times and carries 182,000 passengers on a daily basis.



## Expanding a 'Win-Win Railway Platform' for Shared-Growth with SMEs

'Win-Win Railway Platform (a portal site to provide technical support for SMEs)' for the shared-growth with SMEs has been expanded and reformed not only to suggest technical development but also to provide information on KORAIL's various shared-growth strategies. SMEs with outstanding technologies can suggest tasks such as new technologies, new products, new processes and others through the platform and make contract with KORAIL in the event that they can successfully develop selected tasks. In addition, trainings to enhance capabilities of SMEs, financial supports and consulting services could be provided for SMEs.



## Supporting the Areas Affected by a Forest Fire in Gangneung to Assist their Economic Recovery

To help the Gangwon region suffering from a large fire disaster recover its economy, we have given a 30% discount on KTX Gangneung line and let volunteers use all trains nationwide for free. In addition, we have given full support for the locals that lost their living grounds due to the recent forest fire to overcome their physical and mental hardships by utilizing our available resources including our Naksan training institute as a shelter for the affected locals.

# COMPANY OVERVIEW



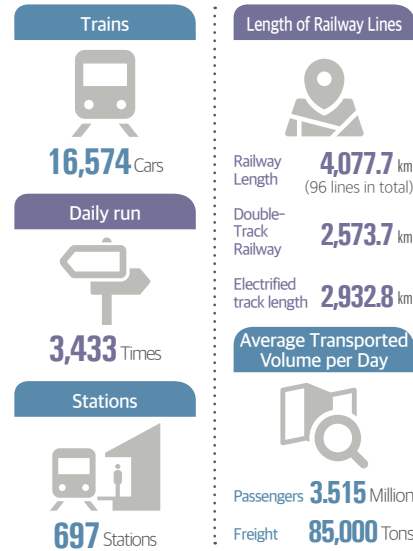
KORAIL Profile

Business Portfolio

Vision & Strategy

## Overview

### Facilities & Transportation Performance (As of December 31, 2018)



Starting from the founding of the Railway Bureau in 1894 and the launch of Gyeongin Line (33.2km from Noryangjin to Jemulpo) in 1899, KORAIL is a key driver of economic growth in Korea by connecting people and transporting goods along the railway tracks nationwide over the past 100 years. We will continue to prepare for the future where People and supplies in Koera advance into the world through the railway that will be connected to the continent. And, we will strive to provide the people with better lives and a valuable future by offering efficient and safe transportation services.

<b>Company Name</b>	Korea Railroad Corporation (KORAIL)	<b>Competent Authority</b>	Ministry of Land, Infrastructure and Transport
<b>President</b>	Son Byung-seok	<b>Shareholders</b>	Ministry of Economy and Finance 90.1% / Ministry of Land, Infrastructure and Transport 9.9%
<b>Date of Establishment</b>	June 28, 1894 (KORAIL: January 1, 2005)	<b>Total Assets</b>	KRW 22.1168 trillion
<b>Head Quarters</b>	240, Jungang-ro, Dong-gu, Daejeon, Republic of Korea	<b>Organizational Structure</b>	(HQs) 7 headquarter, 5 office, 6 division (65 department) (Region) 12 Regional headquarter, 14 Affiliated Organizations
<b>Legal Basis</b>	Korea Railroad Corporation Act (Act No. 7052, December 31, 2003)	<b>No. of Employees</b>	26,983

### Subsidiaries

KORAIL has its subsidiaries in order to secure expertise in specific business areas. By coordinating businesses among the subsidiaries, KORAIL is strengthening its competitiveness and creating synergies managing the group. By stabilizing the revenue base of its subsidiaries, KORAIL is supporting mutual sustainable growth.

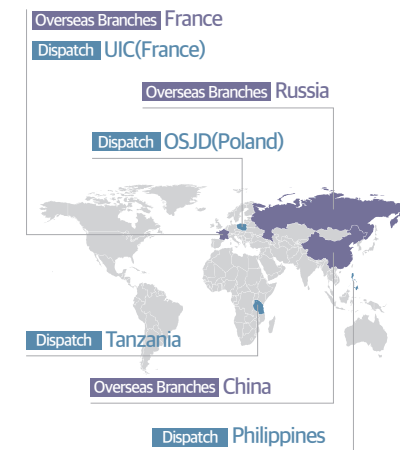
(As of March 31, 2019)

Company Name	CEO	Business	No. of Employees	Capital (KRW 100 million)	Sales in 2017 (KRW 100 million)	Shares (%)
KORAIL Retail	Park Jong-bin	Commercial Facility Operation, Advertizing Media Operation	477	80	5,347	100.0
KORAIL Logis	Park Kee-hong	Railway-Connected Logistics Business	134	77	550	92.1
KORAIL Tourism Development	Kim Soon-chul	Tourism & Leisure, In-Train Retail/Crew Business	1,065	40	602	51.0
KORAIL Networks	Kang Kwi-seop	Labor Management and Customer Center Consignment, Parking Lot Operation	1,886	72	917	89.5
KORAIL Tech	Ban Keug-dong	Management of Tracks and Electrical Facilities, Maintenance of Trains, Keeping Stations Clean	4,782	19	781	97.3

### Overview of Overseas offices

KORAIL opened overseas branches in France, China and Russia and strengthen the networks and cooperation systems with those nations along the continental railway tracks to prepare for the inter-Korean railway connection by dispatching its employees to International Union of Railways (UIC) and OSJD as part of its endeavors to follow the government's new Northern policy and form East Asian railway communities.

Branch in France is conducting exchanges & cooperation with advanced European nations in terms of the railways and utilizing various networks to back up the procurement of components for rolling stock. Meanwhile, our China-based branch is carrying out to promote exchanges & cooperation with those nations along the continental railroad tracks to prepare for the connection to Eurasian continental railways, working hard to attract Chinese tourists, and implementing a project of directly purchasing components for rolling stock. In addition, we also established our branch in Russia in August, 2018 to proactively conduct exchanges with Russia including various joint researches and studies for the railway cooperation project among the two Koreas and Russia and the connected operation between TKR and TSR. we are pursuing profitable businesses including railway operation consulting services and so forth by dispatching our employees to the Philippines and Tanzania to explore overseas railway markets with KORAIL's outstanding railway technologies and operation-related experience.



## The history of Korea's railway is the history of KORAIL

# 1894

<b>1894</b> Established the Railway Bureau by a central government office during the Joseon Dynasty period	<b>1899</b> Opened Gyeongin Railway Line (33.2km between Noryangjin and Jemulpo)	<b>1905</b> Opened Gyeongbu Railway Line	<b>1974</b> Opened Seoul Metropolitan Subway Lines (Seoul-Suwon, Guro-Incheon, Yongsan-Seongsu)
<b>2004</b> Opened Gyeongbu High-Speed Railway Phase 1	<b>2005</b> Launched the Korea Railroad Corporation	<b>2004</b> 경부고속철도 1단계 개통식	<b>2005</b> 한국철도공사 창립기념식

# 2018

<b>2010</b> Opened Gyeongbu High-Speed Railway Phase 2 Opened KTX Gyeongjeon Line	<b>2011</b> Opened KTX Jeolla Line	<b>2015</b> Opened Honam High-Speed Railway Opened KTX Donghae (Pohang) Line	<b>2016</b> Opened Suin Metropolitan Line Phase 2 Opened Gyeonggang Metropolitan Line Opened Donghae Metropolitan Line
<b>2017</b> Opened KTX Gangneung Line	<b>2018</b> Became an Official Member of OSJD	<b>2019</b> Held a Conference of General Directors of OSJD Railways in Seoul	



## Six Main Businesses



Key Achievements in Passenger Transport Business  
(As of December 31, 2018)

No. of Passengers	<b>134.818</b> Million Passengers
Daily Operation (Tuesdays to Thursdays)	<b>639</b> Times
Average Daily Transported Volume	<b>369,000</b> Passengers
Average Daily Sales	KRW <b>6.639</b> Billion
Train Punctuality	High-Speed <b>99.79%</b> General <b>99.30%</b>

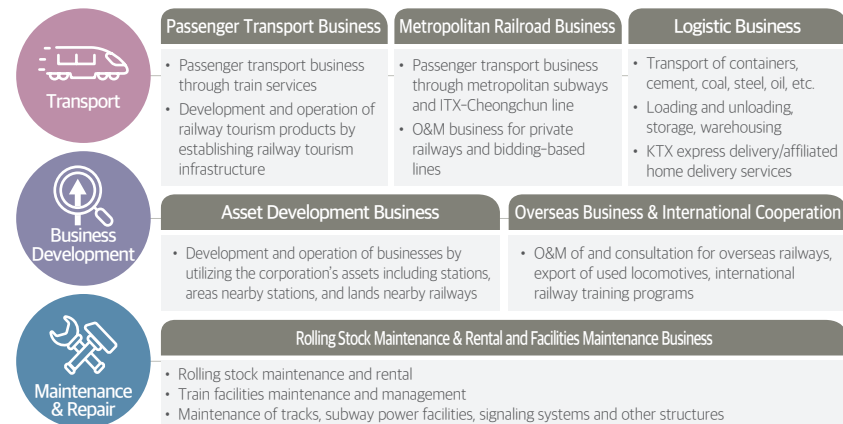
\* Applicable only to high-speed trains (KTX) and general trains



Key Achievements in Metropolitan Railroad Business  
(As of December 31, 2018)

No. of Passengers	<b>1.167063</b> Billion Passengers
Daily Operation (Tuesdays to Thursdays)	<b>2,571</b> Times
Average Daily Transported Volume	<b>31,970,000</b> Passengers
Average Daily Sales	KRW <b>2.422</b> Billion
Reduction in Commuting Hours	General Trains <b>60</b> Minutes Express Trains <b>40</b> Minutes

KORAIL is doing its best to ensure safe and convenient railway operations to achieve its foundation purpose: contributing to the development of the railway industry and the national economy. We are also working hard to make the nation better in the future and improve KORAIL for the people by diversifying businesses and providing enhanced services. To this end, we are achieving our goals in various business areas.



### ● Passenger Transport Business

KORAIL is generating revenues by providing transportation services including high-speed trains (KTX), general trains (ITX-Saemaoul, Saemaoul, etc.), metropolitan railways and other main passenger trains, operating trains, transporting passengers, establishing infrastructures related with railway tourism and developing relevant products. By providing safe, precise and universal railway transport services, we are contributing to the development of the national economy and promoting welfare services through railway transportation. Furthermore, we are concentrating on the improvement of the transport convenience for the public and on the enhancement of public good by increasing the operation of trains and establishing efficient connection & transfer systems.

### ● Metro Business

Starting with 29 stations in 1974, KORAIL's metropolitan railways have now become indispensable for citizens in the capital area, transporting approximately 3.15 million users daily at 261 stations as of 2019. In 2018, we improved our customers' time value by increasing the operation of express subway trains to 34 times, stably launching Seohae Line that provides links between the south-west and north-south of the capital area and reducing transfer time thanks to the extended operation of Bundang Line. In addition, we are working hard to contribute to the development of local communities by beefing up the safety management, improving convenient facilities for users and developing tourism facilities around stations.

### ● Logistic Business

KORAIL operates a comprehensive logistics business that includes transporting, loading, unloading, storage, and warehousing mainly containers, cement, coal, steel and other core items. KORAIL's logistics business aims for the long-distance, large-scale and eco-friendly transport and for driving the development of the nation's industries. We are endeavoring to create social value out of our logistics business with the purpose of securing our own competitiveness and strengthening our public value in order to lead the continental railway era.



Key Achievements in Overseas Business  
(As of December 31, 2018)

Revenues from Overseas Businesses	<b>KRW 7.5</b> Billion
New Business Orders	<b>2</b> Orders

Overseas Business Orders (Accumulated)  
(As of June 30, 2019)

No. of Countries	<b>13</b>
No. of Projects	<b>49</b>
Amount of Business Orders (Accumulated)	<b>KRW 80.6</b> Billion



Key Achievements in Logistics Business  
(As of December 31, 2018)

Freight Transport	Daily Operation (Tuesdays to Thursdays)	Average Daily Transported Volume	Average Daily Sales	Sales Amount	
				Freight Transport	Comprehensive Logistics
<b>30.915</b> Million Tons	<b>217</b> Times	<b>85,000</b> Tons(Freight)	KRW <b>1.090</b> Million	KRW <b>361.2</b> Billion	KRW <b>36.8</b> Billion

### ● Asset Development Business

KORAIL is contributing to boosting local business and culture and enhancing the value of the people's lives through various services around its stations. KORAIL's new growth businesses are significant in securing its sustainability by nurturing and stabilizing future businesses and creating new growth engines. KORAIL is focusing on achieving new value by expanding and diversifying businesses for its sustainable growth.

Key Achievements in Asset Development Business  
(As of December 31, 2018)

Revenues from Assets Development	Revenues from Assets Utilization	Effect of Recovering the Ownership of Lands Around Yongsan Station			
		Capital Increase		Liability Rate Reduction	
KRW <b>7.4</b> Billion	KRW <b>375.1</b> Billion	Before KRW <b>0.5</b> Trillion	After KRW <b>2.8</b> Trillion	Before <b>327%</b>	After <b>218%</b>

### ● Overseas Business & International Cooperation

KORAIL is securing new growth engines by carrying out overseas businesses based on railway operation know-how and technologies it has acquired over the past 120 years. We are promoting the outstanding technology of the Korean railroads throughout the world by developing and implementing various overseas railway projects and exchanging and cooperating with foreign railways and international railway organizations. Starting from a vision proclamation ceremony for the inter-Korean and continental railways future growth in 2018, we have built trust between the two Koreas by creating a task force team for the inter-Korean railway operation to conduct a joint research on the inter-Korean railway, find out exact situations and collect relevant data. In addition, we were able to gain a foothold in 28 continental railways after becoming an official member of OSJD. Furthermore, we are continuously discovering new businesses by gradually advancing into overseas markets and carving out niche markets based on current projects.

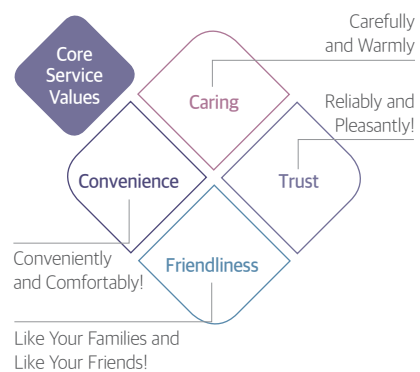
### ● Rolling Stock Maintenance & Rental and Facility Maintenance Business

KORAIL has established a scientific system for maintaining rolling stock and managing facilities in order to guarantee safe train operations and keep them in the best condition. By doing so, we could swiftly respond to emergency situations and prevent train errors and accidents. We are working hard to realize a reliable railway that the people trust by securing rolling stock safety, strengthening the railway's public value and minimizing rolling stock failure rates and facility error rates.

Key Achievements in Facilities Maintenance Business  
(As of December 31, 2018)

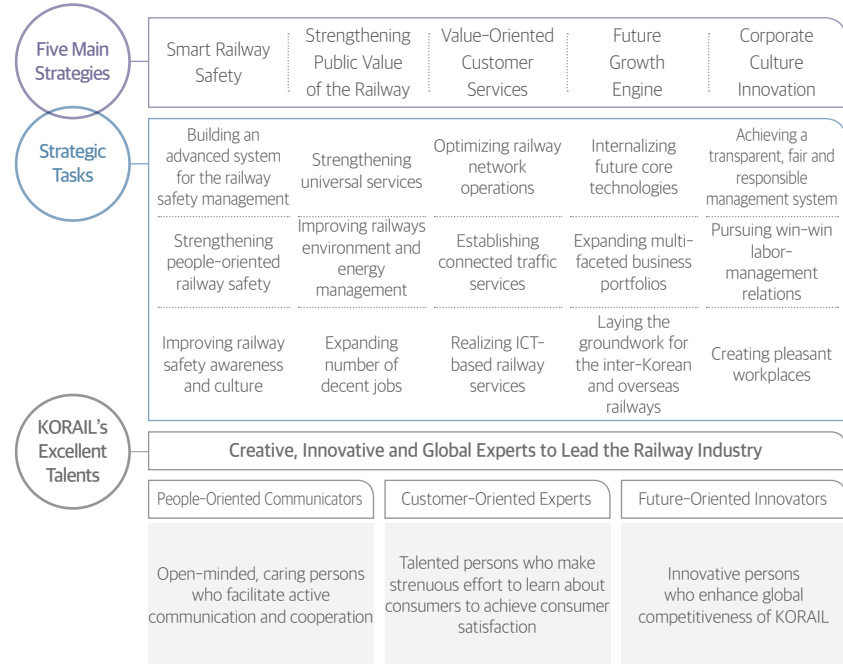
Rolling Stock Failure Rate	Facility Error Rate	KTX Failure Rate
<b>0.054</b> Case/One Million km (Decreased by 29% compared with that of 2017)	<b>1.012</b> Case/1,000km (Decreased by 11% compared with that of 2017)	<b>0.077 → 0.044</b> (Decreased by 43% compared with that of 2017)

## Management Value System



### Korea's Future, People's KORAIL

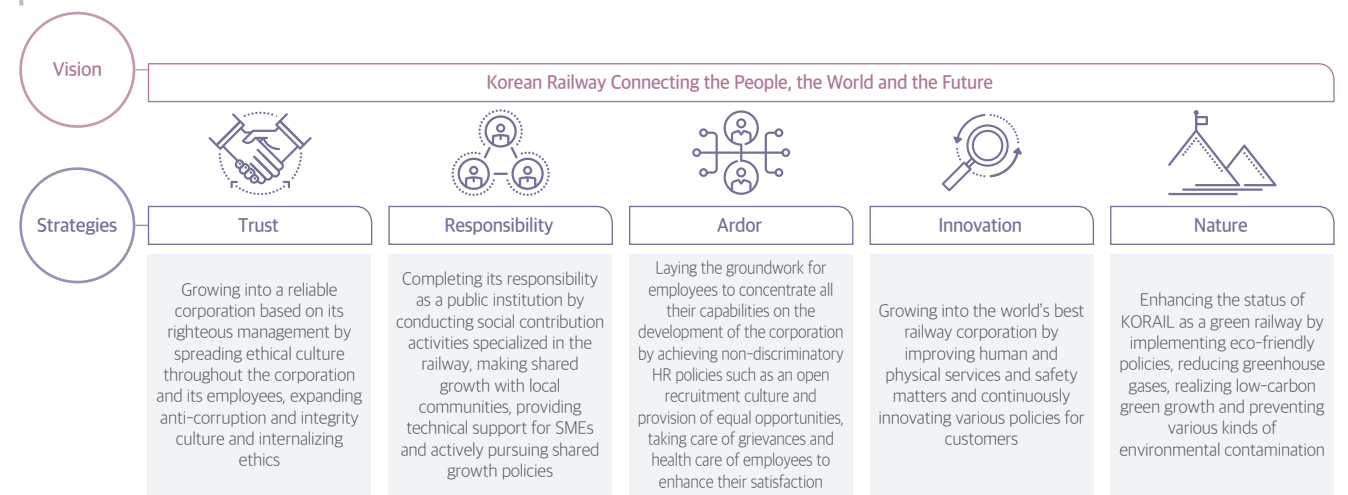
KORAIL's new vision contains its resolution to realize a better future for the nation and the people by leading the future of the Korean railway and strengthening its public value.



### Sustainability Value System

KORAIL is pursuing continuous growth by conducting its own specified social responsibility activities in order to carry out its mission as a public institution, develop itself, and improve social values. KORAIL's sustainability activities are carried out after dividing five strategies of Trust, Responsibility, Ardor, Innovation and Nature into 10 categories. Each of the categories has a committee consisting of internal and external experts to discover and implement practical tasks for KORAIL's sustainability. We are creating future values for the railway industry by proactively responding to the rapidly-changing external environment and risks, internalizing sustainability through the corporation and considering 'the protection of people's safety and lives' as the mission of KORAIL as a public railway.

### Sustainability Vision and Strategy



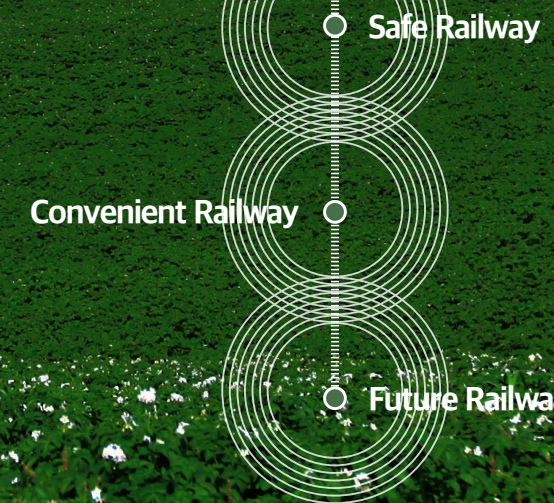
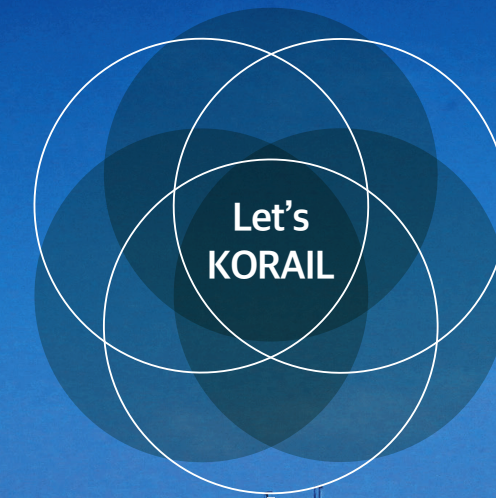
### Sustainability Implementation Process



### Divisions implementing Sustainability and Their roles

Strategies	Main Subcommittees	Roles and Tasks	Implementing Bodies
Reliable Corporation	Sustainability Subcommittee	Conducting overall management of sustainability and handling external affairs / Inspecting and consulting about progress and performance of each area / Increasing awareness-levels and strengthening promotions	Cultural Affairs Department
	Integrity Subcommittee	Implementing policies and institutions on anti-corruption and integrity / Internalizing employee ethics (conducting training and improving institutions) / Supporting integrity and strengthening incentives	Integrity Inspection Department
Fulfilling Social Responsibilities	Social Contribution Subcommittee	Social Value Realization Subcommittee / Conducting overall management of social value realization activities throughout the corporation / Strengthening the public nature of the railway work-Producing results on social values that the people can benefit from	Shared Value Creation Department
	Shared Growth Subcommittee	Establishing and implementing shared growth policies / Supporting SMEs by encouraging them to develop new products under the condition of purchasing them	Materials Management Department
Realizing a Passionate Organization	Personnel Subcommittee	Complying with the Labor Standards Act and conducting overall management of government policies / Making non-discriminatory and fair recruitments (employment, appointment and others) / Implementing programs to develop employees' capabilities / Operating welfare policies to achieve GWP	Human Resource Management Department Welfare Management Department
	Health Subcommittee	Implementing policies and institutions on anti-corruption and integrity / Internalizing employee ethics (conducting training and improving institutions) / Supporting integrity and strengthening incentives	Integrity Inspection Department
Innovative Corporation Satisfying Customers	Customer Subcommittee	Establishing and implementing policies on improving customer services / Facilitating communication channels with customers and collecting their feedback / Handling VOC and operating information protection system	Service Innovation Department
	Safety Subcommittee	Establishing and implementing policies on railway safety / Implementing customer safety management system	Safety Planning Department
Eco-Friendly and Green Railway	Environment Subcommittee	Establishing and managing policies on environment-related jobs / Establishing and implementing waste management system / Introducing and utilizing eco-friendly technologies	Environment Management Department
	Energy Subcommittee	Establishing and managing policies on saving energy/Implementing energy efficiency programs / Developing and utilizing new renewable energy / Implementing policies on reducing greenhouse gas emissions	

# KORAIL CORE VALUES



## Background



Safety management is growing in importance as the environment threatening the railway safety has been diversified due to the occurrence of abnormal climate including fine dust, heat waves and others and the increase in natural disasters. In order to create a safe railway environment for all people, innovation in safety awareness, establishment of proactive system for safety management and other safety-related activities are key matters that should be continuously and effectively dealt with.

## Strategies and Management Directions



### Expanding Capabilities for Safety Management

- Strengthening safety management for people's lives
- Supplying safe rolling stock

### Strengthening Proactive Safety Management

- Realizing systems to handle public relief and emergency situations
- Placing top priority on rolling stock maintenance quality

### Strengthening Safety-First Policies and Institutions

- Innovating the safety awareness throughout the corporation
- Creating safe railway spaces

### Intensive Management of Risk Factors

- Securing workers' safety
- Strengthening the safety of rolling stock and facilities

## Key Achievements in 2018/19



**Safety Management Rate\***  
**1,215**  
\*Customer Damage Cases/Distance Traveled per Train (One Million km)

**Human Error Rate\***  
**0.342**  
\*Mishandling Fault Cases/Distance Traveled per Train (One Million km)

**Privacy Infringement**  
**ZERO**

**Cyber Infringement**  
**ZERO**

## Monitoring



Achievement Index	Inspection Period	Assessment Methods	Evaluation and Feedback
<b>Safety Management Rate</b>	Daily	Safety Management System, Railway Operation Information System	Inspection of Safety Management Rate, Human Error Rate, Rolling Stock Failure Rate and Facility Error Rate
<b>Human Error Rate</b>	Weekly	Corporate-wide Management Conference	Inspection of Main Issues
<b>Rolling Stock Failure Rate</b>	Monthly	Achievement Analysis Conference	Inspection of Each Achievement Index
<b>Facility Error Rate</b>	Yearly	Internal Management Information System	Reflection of Internal Management Evaluation

## Future Plans

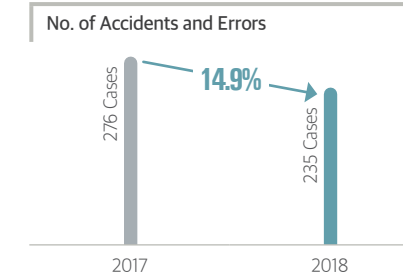
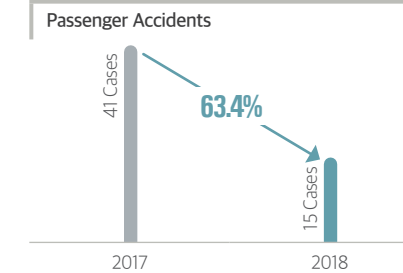
- Establishing a Smart Safety Management System
- Establishing a Smart Rolling Stock Repair and Maintenance System

## Link to UN SDGs

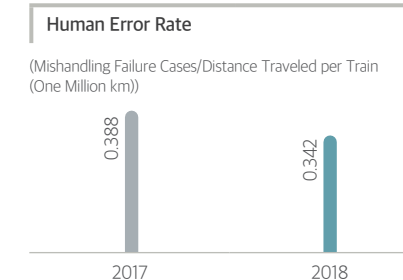


Establishing Infrastructure and Expanding Commercialization

## Safety Management



Winning the Prize from the Minister of Health and Welfare for 'Suicide Prevention'



## ● Safety Management for People to Protect Their Lives Life-Centered Safety Project

We have installed platform safety doors at 240 stations and safety chains at 44 stations to prevent life-threatening risks. We have also added 2,090 CCTVs to monitor dangers, installed bars to prevent safety door accidents at 16 stations to enhance facilities for customers and completed the installation of 60 devices that prevent reverse operation of an escalator. In addition, we've carried out safety campaigns with relevant organizations and produced and promoted public service advertisements for suicide prevention. Thanks to such endeavors, the rate of passenger accidents dropped by 63.4 % to 15 cases in 2018 and the number of those claiming their own lives in railways decreased by 45.2% compared to the previous year.

## Building a common ground for Safety Awareness

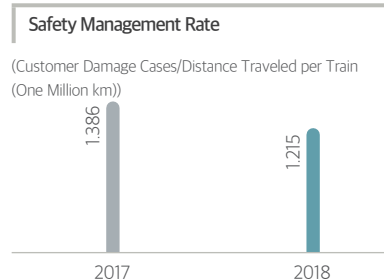
We have set up a field-based safety culture by holding safety forums in each region based on the management's field-based close-up communications. Moreover, we have improved safety blind spots by implementing a safety diagnosis throughout the corporation to review unstable factors for the public safety from the beginning. At safety workshops together with the management, we have had discussions on how to enhance the railway safety reflecting on-site feedback. As a result of forming the corporate-wide consensus, we could achieve the best level of safety operation service at 1.215 (customer damage cases/one million km).

## Establishing Systems to Proactively Prevent Accidents

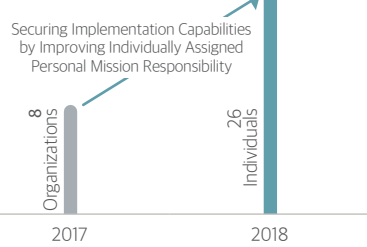
To secure the foundation to scientifically manage safety matters in line with the acceleration of the 4<sup>th</sup> Industrial Revolution; we have implemented science-based railway safety systems. To enhance a Big-data-based system that analyzes risk management, we have integrated data related with safety management and improved risk assessment processes. And, we have also digitalized risk factors by utilizing a reporting system on safety matters and minimized the chances of incurring accidents through proactive improvements.

## ● Promoting the Innovation of Safety Awareness throughout the Corporation

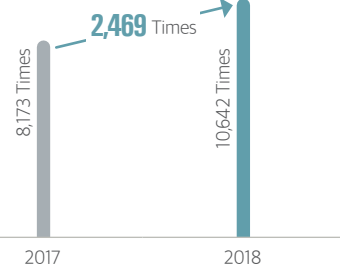
In order to create a safety culture atmosphere by beefing up the corporate-wide safety capabilities, we are carrying out KORAIL-Way safety culture campaigns with reward program for preventing accidents to encourage our employees. As a result, we prevented 480 accidents, award 149 employees, and improve 75 issues. In addition, we've conducted safety-related contests including UCC, posters, pictures, slogans during an intensive safety activity period, as well as activities for improving facilities, fixing rolling stock defects and discovering and eliminating any danger on sites. Thanks to the corporate-wide activities of improving the safety awareness, the human error rate dropped by 11.9% to 0.342 compared with the previous year.



### Detailizing main Dividing Organizations Responding to Accidents and Errors



### Intensifying Emergency Response Drills



### Selected as an Outstanding Agency company

for Disaster Control Evaluation and Disaster Status Management (by the Ministry of Public Administration and Security)



Field Inspection at Gangneung Station

### Establishing a Crisis-Response System Emergency Response System for the Public Safety

To increase the level of safety in practical sense, we have established an emergency response system applicable to real-time and actual emergency situations from the public viewpoint. When an accident occurs, people are first saved and protected before restoring the accident in accordance with our revised Code of Conduct, with specified details depending on And, we have specified what we should do in the manual, depending on the type of the accident and when and where the accident occurred. In addition, we have enhanced our capabilities in responding to and handling crises by fully taking follow-up measures and actively conducting emergency-response drills.

### Establishing a System for Management of Information Security Establishing New Security Infrastructure

To address issues arising from blind areas related to information security, we have segregated the hybrid Internet network, enhanced out network in line with the innovatively expedited network speed and established a ransomware-blocking system and other new security infrastructure to handle new types of cyber threats. As a result, we have had no information breach incidents and no ransomware cases, and doubled the Internet speed.

### Enhancing Countermeasures against Cyber Infringement Accidents

In order to thoroughly respond to cyber violation accidents happening to the nation and individuals, we have heightened our cyber infringement response system. By conducting evaluations on the basic infrastructure of EMP\* due to the request for protecting such infrastructures, we have come up with protection measures and established an integrated controlling system based on big-data. to swiftly respond to hacking attacks. In addition, we have set up personal information control systems between internal and external networks and personal information diagnosis systems inside servers in order to protect privacy.

\* EMP (Electro-Magnetic Pulse Shelter)

Ministry of Land, Infrastructure and Transport  
Respond to Cyber Attacks

7 Consecutive Years  
**Excellent**

Cyber-Infringement Accidents

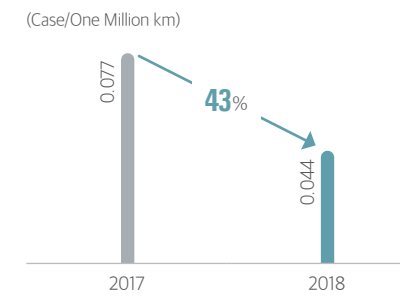
**ZERO**  
4 Consecutive Years

Personal-Information Leakage Accidents

**ZERO**  
4 Consecutive Years

## Rolling Stock Maintenance

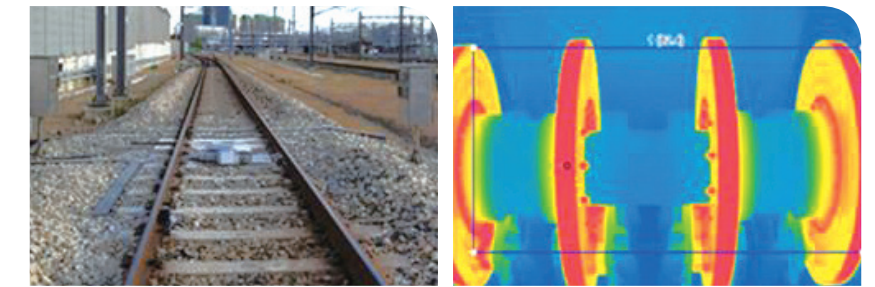
### Failure Rate of High-Speed Trains



### Safe Operation of Rolling Stock

We have established a proactive failure prevention system by adopting a smart maintenance program to take care of rolling stock defects in advance. A scanning system has been set up to check up defects in the driving device on the underbody of a high-speed train at the high-speed railway section (at Daejeon Station) on the Gyeongbu Line and improved the positioning system of KTX-Sancheon high-speed trains to take swift action when facing abnormal situations. Furthermore, we could drop the failure rate of high-speed trains by 43% compared with the previous year after replacing and improving outdated components and repairing defects in new trains.

### High-Speed Train Scanning System\*



Hardware Result of Analyzing the Thermal Imaging Camera

\* Capturing an image of the underbody with a high-speed camera to analyze the image patterns and monitor distorted status

### Putting the Top Priority on Maintenance Quality Securing the Quality of Rolling Stock Components

In order to secure the quality of rolling stock components, we have improved a component procurement system to guarantee quality assurance. By sharing mid/long-term plans on purchasing supplies with our partners, we have improved our supply system so as to anticipate the amount of supplies for them to produce. By introducing a qualification evaluation system when purchasing supplies and intensively inspecting suppliers' manufacturing capabilities, we have made it possible to procure high-quality components. In addition, we could resolve our difficulties in procuring spare parts by stipulating suppliers' obligations to provide spare parts when making a contract on purchasing new trains. Meanwhile, we have secured the competitiveness of the domestic railway components industry by localizing foreign parts and brought about 201 recruits by purchasing domestic products.

### Strengthening Mechanics' Capabilities

We have enhanced mechanics' capabilities by fostering outstanding technical experts holding railway-related qualifications. Job competence has been improved thanks to training programs to nurture rolling stock mechanics, rolling stock maintenance mater mechanics, cutting-edge engineers, etc. In particular, 43% of the rolling stock mechanics belong to KORAIL.

Rolling Stock Engineers

**13**  
(13 in cumulative numbers)

Rolling Stock Maintenance Master Craftsman

**44**  
(124 in cumulative numbers)

High Tech Engineers

**28**  
(163 in cumulative numbers)

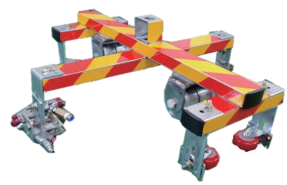
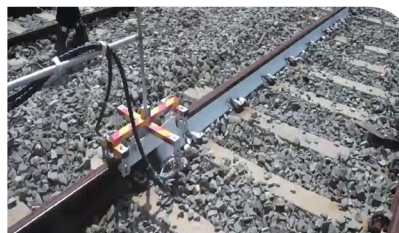
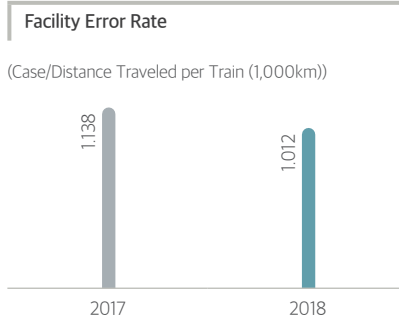
## Facility Maintenance

### ● Enhancing ICT-based Railway Facility Maintenance

For data-based and cutting-edge maintenance, we have expanded automatic inspections and remote surveillance of facilities. We have installed video devices that automatically detect birds' nests on railway tracks as part of automatic inspection of facilities. A system of automatically detecting the quality of radio waves of wireless and disaster broadcasting devices installed in trains has been developed and established. In addition, we have expanded drone inspection activities to remotely monitor dangerous areas and established an information system that provides 3-D images inside and outside stations along the tracks of Gyeongbu Line to rapidly inform us of the site. Meanwhile, we have strengthened the verification and practical utilization of new technologies by expanding the industry-university of cooperation to practically utilize ICT-based cutting-edge maintenance technologies.



Inspecting Railway Facilities by Utilizing Drones



Heat-shielding paint spraying devices

### ● Establishing Safe Infrastructures

We are working hard to prevent operation errors and safety related accidents by greatly improving outdated tracks and facilities in order to proactively prevent safety-threatening factors of railway facilities. We are also conducting activities related with scientific facility safety management in order to secure safety in response to abnormal climate changes. We were able to drop the temperature of rails by 5~6°C after developing and installing heat-shielding paint spraying devices in 101 areas in order to respond to catastrophic level of record-breaking

heatwaves. We have also established IoT-based real-time rail temperature checking systems at 37 areas and detection systems equipped with ultrasonic-wave sensors to monitor any changes in the tension of traction lines at 20 areas. In order to prevent rail ruptures, freezing bursts and others due to cold periods in the winter, covers preventing snowdrifts from piling on rail switches and heating devices have been installed in 246 locations.

### ● Creating Safe Railway Spaces

To create railway spaces that anyone including the underprivileged can safely use, various safety and convenience facilities have been installed. We have also conducted jobs to replace and improve elevator components, to install and expand laser radars that improve ground-detecting functions at railroad crossings and to improve safety doors at platforms in order to eliminate safety hazards when using railways. At the same time, we have built waiting rooms equipped with cooling and heating devices at nine stations in order to expand convenience facilities inside railway stations. And, we have newly constructed the Gyeongui Line at Seoul Station and the south entrance at Hoeryong Station, installed additional platforms, conducted jobs to improve the audio guiding devices for the visually impaired and expanded free Wi-Fi in all stations and in all trains to provide universal services.

2018 Smart Construction Technology Safety Contest

**The Grand Prize**  
(Heat-Shielding Paint Spraying Device for Rail Temperature Reduction)

# Convenient Railway

### Background



Our customers' needs have been diversified due to direct and indirect changes in the railway environment including the 4<sup>th</sup> Industrial Revolution, expansion of overseas railway markets, low birthrate, aging population, abnormal climate changes and others. It has become a critical issue to create a railway environment for all the people to conveniently use as the expectations have grown for KORAIL, the nation's backbone transport network, to carry out its public roles.

### Strategies and Management Directions



#### Strengthening Business Capabilities

- Strengthening KTX transport capabilities for international events
- Expanding transport services for remote and isolated areas

#### Expanding ICT-based Services

- Establishing smart transport platforms
- Expanding Increasing the Convenience of Using IT tools for for underprivileged
- Establishing mobile apps for passengers to purchase tickets

#### Establishing Comprehensive Transport Platforms

- Establishing comprehensively-connected transport systems
- Improving KTX operation systems

#### Responding to Customers' Needs

- Vitalizing city airport terminals
- Strengthening railway tourism partnership systems
- Providing customized services

### Key Achievements in 2018/19



- The Size of Public Concessionary Fares**  
KRW **121.6** Billion Annually
- Customer Satisfaction as a Public Institution**  
Grade **A** (91.7 Points)
- The A Share of Railway Transport during the Winter Olympics**  
**33%** (1.06 Million People)  
The Rate of KTX Punctuality **99.79%**
- Winner of the Presidential Award**  
in the Government Innovation for Public Taxi-Railway Connection Services

### Monitoring



Achievement Index	Inspection Period	Evaluation Method	Evaluation and Feedback
No. of High-Speed Railway Passengers	Monthly, Quarterly, Half-Yearly, Yearly	<ul style="list-style-type: none"> <li>• Identifying service trends by monitoring stations and trains all the time and analyzing PCSI and VOC</li> <li>• Analyzing transport performance monthly, quarterly and yearly</li> <li>• Making responsible management agreements with division heads, conducting MBO evaluations and internal management evaluations for HQs and divisions</li> <li>• Holding regular and constant executive management meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Figuring out real-time customers' needs by analyzing monthly VOC and reflecting them in policies</li> <li>• Identifying issues of each index by continuously inspecting management goals and making relevant improvements</li> <li>• Securing motivations to create systemic achievements by reflecting performance evaluations</li> </ul>
No. of General Railway Passengers			
No. of Metropolitan Railway Passengers			

### Future Plans

- Preparing for the launch of new KTX lines (bound for Suwon and Incheon) and completing one-stop platforms
- Establishing ICT-based services and connecting high-speed trains to all sections
- Operating metropolitan express/general/shuttle trains and establishing smart stations and train environment

### Link to UN SDGs

- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**  
Constructing Restorable Infrastructure and Facilitating Industrialization
- 11 SUSTAINABLE CITIES AND COMMUNITIES**  
Creating Sustainable Cities and Residences
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS**  
Promoting Peaceful Societies, Securing Accessibility to Justice and Establishing Institutions

# Convenient Railway

## Innovating Customer Services

An Official Railway Transport Company for Pyeongchang Winter Olympics



OFFICIAL SUPPLIER  
공식 철도 수송 기업

KTX NCard (As of June, 2019)

Recorded the Sales of 61,000 in Number



Launching New Commutation Tickets by Improving Existing Commuting Tickets

### Limits of Existing Commuting Tickets

- Impossible to use on weekends
- Purchasable only for 10, 20 and 30 days
- No seats available when traveling long distance
- Using standing room due to the lack of free seats

### Launching 'New Commuting Ticket' Products

- Launching 'free-period type commutation tickets' usable on weekends as well
- Launching 'NCard' deducting the number of times used from the pre-designated number of times
- Establishing a 'seat-designating' system available when needed by customers
- Increasing the no. of free seat by 10.55 (179 cars)

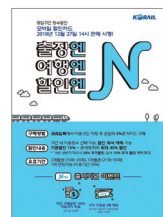
### Best Practice

#### Launching 'KTX NCard', a Mobile-based Discount Card Deducting No. of Times Used

KORAIL launched 'KTX NCard', a mobile-based discount card ticket that takes the number of times traveled out of the number of times pre-defined when purchasing it in order to improve inconveniences of the existing commutation ticket as of the end of December, 2018. KTX NCard is a ticket that gives a discount of up to 40% based on the pre-designated sections and number of times used and has features of giving discounts when needed unlike the existing commutation ticket for which a passenger pays a monthly fare in advance. KTX NCard has made a big hit, recording sales of over 10,000 within only nine days after its launch. In particular, the facts that it has enhanced the convenience of those passengers who occasionally use KTX and where a discount of up to 40% is given when buying up to 40% is given when buying the ticket are believed to be behind such a big success. We will continue to provide better services by actively collecting feedback from train users.

#### Types of NCards

Types (Possible to Select No. of Times)	10~20 Times	21~30 Times
Validity Period	Two Months	Three Months
Card Price	5% of the Normal Fare	
Ticket Discount Rate	15~40%	



NCard Launching Poster

### Improving Public Services

#### Successful Holding of 2018 Pyeongchang Winter Olympics and Paralympics

KORAIL has successfully supported the Pyeongchang Winter Olympics & Paralympics by exerting its capabilities. By designating 56 days during the Olympics as a special transport period, we have expanded the operation of trains, and by establishing 'Pyeongchang Olympics Transport HQs', we ensured 24-hour emergency response systems. In addition, we have expanded additional temporary trains and come up with measures on special transport at the opening and closing ceremonies to actively back up the Olympics. Furthermore, we have also added the number of wheelchair seats, installed additional wheelchair lifts at main stations, provided ticket-booking services for the disabled and carried out helper services to get on and off and move inside the train in order to enhance the travel convenience for the disabled. Meanwhile, we have also expanded services to respond to the increasing number of foreign visitors by preparing information signs and announcement in foreign languages and allocating staffs speaking foreign languages in railway customer centers.

#### Major performance of Pyeongchang Winter Olympics and Paralympics

Train Operation	Transported Passengers	Seats Supported for the Disabled	No. of Accidents during the Whole Olympics Period
4,135 Times	106 Million People	3,825 Seats on Daily Average	ZERO

### Pursuing Various Fare-Saving Programs

We are Improve service satisfactions Levels by providing various fare discounts to ease financial burdens for the public. We have enhanced the convenience of Commuter rail pass by launching 'new commutation products' that would relax limits of the existing commutation tickets after listening to opinions of commuters and external experts. In addition, we have launched new KTX cut-price fares such as 'KRW 50,000 for 4 (a 50% discount given to a group of four passengers using Gangneung Line), KRW 100,000 for 4 (up to a 60% discount given to a group of four passengers using any lines)' for a small group of travelers. In particular, the sales of 'KTX NCard', a mobile-based discount card

# Convenient Railway

### Improving KorailTalk Functions



### Best Practice

#### Expanding customer convenience by being the first to introduce Zero Pay among the public Enterprise corporation

KORAIL introduced 'Zero Pay', a mobile-based simple payment system, for small businesses and customers in June 2019 for the first time as a public Enterprise corporation. Through 'Zero Pay' which can be conveniently used in 975 railway shops nationwide, small business owners can lower burdens arising from commission rates and customers can get income tax deductions. As such, KORAIL is actively engaging with the government policy to facilitate mutual growth of small businesses and customers. We will do our best to grow together with all members of the public.



Zero Pay

ticket for pre-determined time and routes with in set number of travel of customer's choice reached over 10,000 within only nine days after the launch.

### Strengthening ICT-based Services with enhanced Computer Networks

By linking our computer networks to government bodies and external organizations, we have improved the convenience of purchasing railway tickets. In order to handle inconveniences of directly visiting ticket counters at stations for public concessionary fares, we have made it possible to validate eligibilities by connecting to the 'Social Security System' under the Ministry of Health and Welfare on a real-time basis, and to use such services through our website or KorailTalk by linking to the 'Public Information Sharing Service' under Ministry of the Interior and Safety. In addition, we have expanded such services as the simple sign in with Kakao accounts and the simple payment and simple credit transfer associated with Kakao Pay in order to minimize payment processes. At the same time, we have also improved ticket-booking services by allowing passengers to book and purchase tickets for Korean Thanksgiving Day using their smartphones. We will continue striving to provide more convenient railway services for the public.

### Establishing Highly Accessible Railway Transport Networks

KORAIL has implemented a master plan for the establishment of 'The Comprehensive Transport Platform', a railway-centered connected-transport service outperforming a simple provider-centered transport service. In order to provide a door-to-door service that would connect all trips from the house to the destination, we have cooperated with local governments to introduce a public taxi-railway connecting service, van rent-a-car sharing O2O pilot service, KorailTalk-based rent-a-car and car-sharing integrated reservation system and other connected transport services. And, the result of conducting a survey\* on the satisfaction level of using railway-connected transport service has shown that more than 96% of the respondents answered positively. In addition, we have unified the first and last stops of KTX trains bound for Busan, Pohang and Masan passing through Yongsan Station into one at Seoul Station so as to increase the chances of using KTX. And, we have also expanded the number of trains and seats for highly-used lines and sections and improved train operation systems. At the same time, we have improved the convenience of accessing Incheon Airport in line with the increasing number of overseas trips and vitalized the use of Gwangmyeong Station by having 21 additional calls there, increasing the number of airport bus operation times and improving convenience facilities and customer information services and so on to facilitate the use of city airport terminals. KORAIL will continue to work hard to further develop railways into the hub of transport by establishing easily accessible railway networks.

\* A Survey of Passengers Using the Railway-Connected Transport System (Surveyed 1,248 Passengers from 80 railway stations nationwide in November, 2018)

### Three Main Directions in Introducing a New Connected-Transport System

	Introducing Public Transport Means	Introducing Transport Means Responding to Demands	Expanding Sharing Transport Means
Directions	Public Taxi-Railway Connecting Services through Cooperation with Local Governments	Van Rent-a-Car Sharing O2O Pilot Services	KorailTalk-Based Integrated Reservation Services for Shared Public Transportation Means
Targets	Disadvantaged Regions in Terms of Public Transport	Innovative City Areas	Metropolitan Areas
Activities Conducted	Public Taxi-Railway Connecting Services for Locals in Mountainous Areas Nationwide	Van Rent-a-Car Sharing O2O Services in Innovative City Areas from Manjong Station to Wonju City	KorailTalk-Based Integrated Reservation Services for Rental Cars and Car sharing

# Convenient Railway



Project to Renovate Outdated Stations  
(Namyong Station)



Project to Improve Convenient Facilities  
(Air Curtains for Electric Trains)

## Improving User-Centered Convenience Facilities

We are constantly conducting activities directed toward improving user-oriented facilities for passengers to conveniently and pleasantly use railway facilities. In order for our customers to have better services, we have implemented projects of renovating outdated Gwanak and Namyong stations and replaced 336 outdated trains. We have also installed large-sized fans and ventilators at 27 stations to prepare for heat- and cold-waves, waiting rooms equipped with cooling and heating devices on platforms of eight stations along the Gyeongui-jungang Line and air curtains inside electric trains of Gyeongin Line. In addition, new entrances at four stations have been established to improve access to stations and information signs have been enhanced for convenient transfers. Meanwhile, we have also carried out activities to handle fine dust and create pleasant indoor environments by replacing filters of air-conditioning facilities at 15 stations, removing acoustic boards found to be the source of fine dust from Ilsan and Bundang Lines, increasing the number of cleanings from two to four per month and installing air-purifying devices in new trains.

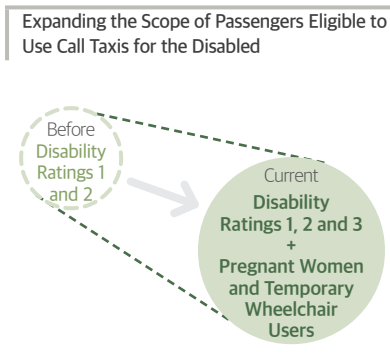
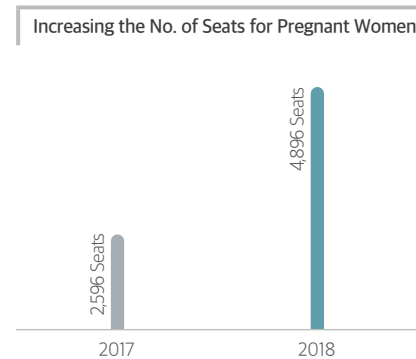
## ● Social Integration in Railway Services

### Enhancing Convenience for underprivileged

In order to guarantee the right to travel for underprivileged, we have expanded convenience facilities and improved the convenience of using trains. We have also increased the number of seats for pregnant women and added English signs in order to enhance the convenience for the pregnant women when using subways. In addition, we have further installed elevators and other convenience facilities, and improved services for the disabled to help them book tickets and get on and off the train by operating each local government's call taxis for the handicapped, which are associated with stations. In particular, the range of eligible passengers for the handicapped call taxis has increased from those with disability rating 1 and 2 to those with disability rating 1, 2 and 3. And, the pregnant women and temporary wheelchair users are able to use such taxis from now on. In the future, we are planning to make our trains more convenient for all the people to use by introducing a new voice-recognizing ticket reservation system for the visually disabled, increasing designated seats for those with guide dogs, installing a voice-recognition system in automatic ticket-issuing machines and strengthening various services for underprivileged.



Seats for Pregnant Women



# Convenient Railway

## Status of Concessionary Fare Services for the Public

<b>Mom-Comfortable KTX</b>	A 40%-off concessionary fare for an VIP room for a pregnant woman and one for her guardian
<b>Multi-Child Happiness</b>	A 30%-off concessionary fare for an adult ticket when more than two members of a verified multi-child family travel
<b>Basic Living Discount</b>	A 30%-off concessionary fare for validated recipients of basic living guarantees

## Providing Concessionary Fare Services for the Public

We have expanded the scope of beneficiaries eligible for concessionary fare services in order to reduce transport fees for ordinary people and encourage childbirth for the public purposes. To this end, we have increased the age cap of children eligible for free rides and relaxed the qualifications for multi-child families to get discounted tickets. In addition, we have made it possible for passengers to purchase public discount products such as Mom-Comfortable KTX, Multi-Child Happiness and other Basic Living discounts not only through our website and KorailTalk, but also at ticket counters of stations. While the discounted tickets for Multi-Child Happiness and Basic Living were available till one day before being purchased one day before their train departures, we have now extended the discounted ticket-selling time up to 20 minutes before the departure.

## Expanding Concessional Fare Services for the Public

Increasing the Age Cap of Children Eligible for Free Rides	Under the Age of 4	Under the Age of 6
Loosening the Qualification for Multi-Child Families to Get Discounted Tickets	More than 3 Children Aged under 25	More than 2 Children Aged under 25
Extending the Discounted Ticket-Selling Time	1 Day before the Departure	20 Minutes before the Departure
Expanding the Range of Pregnancy Eligible for Discounted Tickets	Only Herself	Including 1 Guardian
Extending the Eligible Period for Pregnant Women to Get Concessionary Fares	Due Date + 1 Month	Due Date + 1 Year

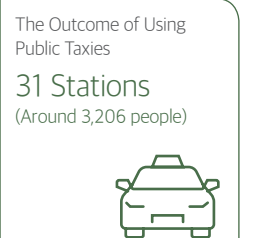
## Best Practice

### Creating Social Values through Public Taxi-Railway Connecting Services

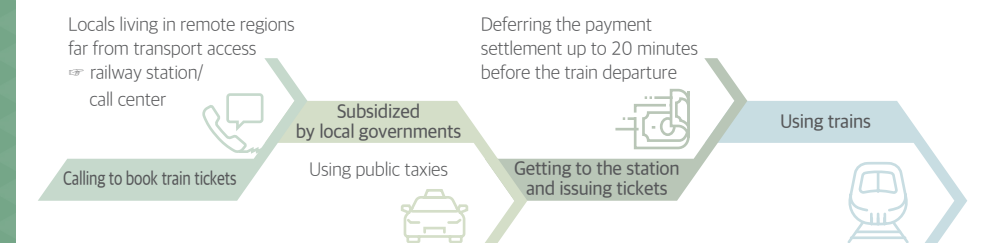
In order to enhance the railway's own public nature, we started public taxi-railway connecting services in July 2018. As there are not many buses going to mountainous and remote regions and it is far to get to a railway station, people living around such regions are facing hardships in using railways. In order to improve the traveling convenience for such local people who have so far suffered from insufficient connected-transport services, KORAIL has taxi service for passengers in remote region to nearby stations by utilizing local governments' public taxis. Considering the fact that most of the users are senior citizens, all they need to do is just make a single call to get taxi and book a railway ticket at the same time. And, we have also enhanced their convenience by developing a system that enables them to postpone the payment of their booked tickets until 20 minutes before the departure.

KORAIL is honored to have won 'The Presidential Prize in the Government Innovation Outstanding Cases in 2018' for its innovative achievements in creating social values. We are planning to create a virtuous circle for the service of connecting railway with public taxis to take firm root by forming a regional consultative body that local communities would join later on. We will continue to improve the railway's public nature by improving the railway-connected transportation service for the disadvantaged.

\* Public Taxi Service: This is a project to subsidize taxi fares for locals living in mountainous and remote regions and areas where there are less than three times of bus services in a day.



### How to Use Public Taxis





# Convenient Railway



Passengers Using Lines to the Boondocks

## Improving the Convenience of Lines to Remote Rural Areas

KORAIL is operating in remote and rural routes despite the high cost with low profit margin, as to expand travel convenience for the people who are residing in those areas. As of December 2018, we are operating seven lines connected to such areas: Gyeongbuk Line (Gimcheon~Yeongju), Gyeongjeon Line (Jinju~Gwangju Songjeong), Daegu Line (Gacheon~Yeongcheon), Yeongdong Line (Yeongju~Anin), Jeongseon Line (Auraji~Mindoongsan) and Taebaek Line (Jecheon~Baeksan). And, the average weekly number of trains running via such sections stood at 140. In order to increase the convenience of such lines connected to the remote rural areas, we are planning to develop unique railway tour services, create railway theme parks, establish railway-centered comprehensively-connected transport networks and develop low-cost and high-efficiency light trains customized for mountainous and remote regions in the future. To this end, we will continue to carefully listen to complaints about using railways, communicate with locals, and further strengthen organic cooperation with local governments.

### ● Increasing KTX Punctuality rate

We are doing all we can to improve our customers' time value by achieving the world's best punctuality. In order to proactively find and improve factors delaying trains, we have raised 'The Committee on Punctual Train Operation' of the HQs to a higher level to enhance the punctuality of train operations. And, we have managed and improved 13 habitually postponed trains by conducting 'The Period of Intensively Managing Punctual Operation' in the field. In addition, we have carried out activities of adjusting operation hours and stops and intensively monitoring delayed trains and bottleneck sections. moreover, we have resolved biggest causes for train delays in advance by actively taking care of serial delays of nearby lines and following trains when a proceeding train is in trouble. As a result of such endeavors, we could achieve the world's highest punctuality rate of KTX at 99.79%.

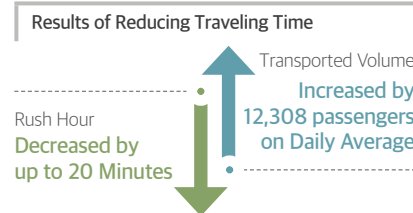
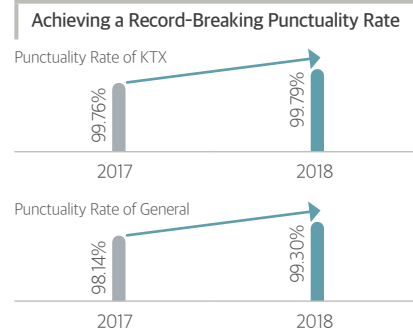
### ● Increasing Punctuality rate of General Trains

We've achieved an all-time high of 99.30% in the punctuality rate of general trains by intensively handling four main delay factors of general trains. To save dwelling time in the station, 39 wheelchair lifts were installed in 28 stations as well as adjusting the dwelling time depending on the passenger number. In addition, we've changed operating hours and stops for 152 habitually delayed trains. Furthermore, we've carried out activities of intensively managing 55 bottleneck sections around the capital city areas and increased the cycle of detecting the gravitational attraction of attractions of rail expansion and contraction joints. At the same time, we've carried out preventive maintenance for rolling stock and intense management of decrepit trains to proactively.

### ● Reducing Traveling Time by Expanding the Operation of Express Trains

By optimizing resources and expanded the train operation services by running limited express trains on the Gyeongin Line eight times during rush hours, adding four times of express train\* operations, newly running express trains between Kwangwoon University Station to Dongducheon Station for 10 times and extending express-running sections\*\* to 12 times. As a result, we reduced 20 minutes of traveling time the average number of daily passengers has been increased by 12,308. By establishing railway infrastructures through improving facilities and procurement of trains later on, we will continue to enhance the convenience of the public transport for the people.

# Improving Customers' Time Value



\* Bundang Line (Wangsimni Station~Suwon Station) and Gyeongui Line (Seoul Station~Moonsan Station)  
\*\* Section between Seoul Station~Ilsan Station → Section between Seoul Station~Moonsan Station (adding 10 times of operations)/ Section between Yongsan Station~Cheonan Station → Section between Yongsan Station~Shinchang Station (adding two times of operations)

# Future Railway

## Background



Market demands for securing future growth engines have rapidly changed due to such reasons as limitations of freight transport businesses, increased demands for the public nature of the railway assets, and railway market expansions to foreign nations through the inter-Korean railway connections. For KORAIL's sustainable future, we believe it is time for us to find new growth engines by the utilizing unique assets and competitiveness of the Korean railway.

## Strategies and Management Directions



Strengthening Business Capabilities	Responding to Customers' Demands	Securing New Growth Engines	Strengthening Win-Win Cooperation
<ul style="list-style-type: none"> <li>Establishing high-speed and large-sized transport systems</li> <li>Activating comprehensive logistics businesses</li> <li>Strengthening international competitiveness regarding continental railways</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening win-win management and public functions</li> <li>Developing stations and expanding connecting and transfer facilities</li> <li>Increasing the public use of railway assets</li> </ul>	<ul style="list-style-type: none"> <li>Pursuing new projects of utilizing railway assets</li> <li>Expanding overseas markets in preparation for the inter-Korean railway era</li> </ul>	<ul style="list-style-type: none"> <li>Regenerating cities and developing unused railway lands</li> <li>Leading private companies to advance into overseas markets</li> </ul>

## Key Achievements in 2018/19



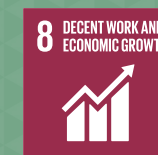
## Monitoring

Achievement Index	Inspection Period	Evaluation Method	Evaluation and Feedback
Transported Volume per Person		Strategic Meetings on Logistics Innovation (Bimonthly), Strategic Meetings on Logistics Marketing (Monthly), Weekly Meetings (Weekly), Marketing Analysis (Daily)	Coming up with measures and joint responses through daily marketing analyses and weekly meetings
Transported Volume per Freight Train	Weekly and Monthly	Making responsible management agreements with division heads, conducting MBO and internal management evaluations	Establishing fair management systems and measures for retrieving through monthly index-based performance evaluations
Proportion of the Sales made from Comprehensive Logistics Businesses		XROIS (Korea Railroad Operating Information System), KOVIS	Securing driving forces to create systemic performances by reflecting performance evaluations
Operating Revenues from Asset Development Businesses		KOVIS, Open Innovation Meetings (Led by CEO)	Establishing fare management systems and measures for improvements through monthly and quarterly performance evaluations
Operating Revenues from Asset Utilization Businesses	Frequently	Making responsible management agreements with division heads, conducting MBO and internal management evaluations	Promoting performances by providing performance-based remuneration
Operating Revenues from Overseas Businesses			

## Future Plans

- Expanding the application of cutting-edge technologies to logistics businesses and establishing transport systems for large-sized footholds
- Approving and starting the construction of core railway station spheres and expanding rental development businesses
- Discovering new growth engines to increase social values
- Going for large-scale overseas investment businesses, inter-Korean & continental railway businesses and international freight transport businesses

## Link to UN SDGs



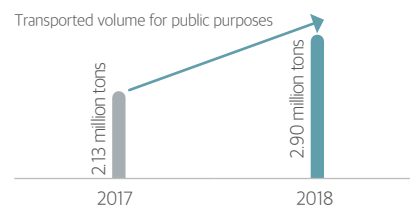
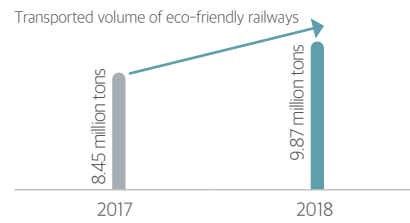
Growing Sustainable Economies and Creating Decent Jobs



Constructing Restorable Infrastructures and Facilitating Industrialization

## Logistics Business

### Key Achievements



\* Remotely controlled shunting system: A system that enables shunting handlers to remotely control trains externally for shunting jobs including connecting, disconnecting, replacing and moving trains



A KORAIL Employee Demonstrating Remotely Controlled Shunting

### ● Enhancing the Eco-Friendliness and Public Value of Freight Transport

In order to vitalize safe and eco-friendly railway logistics, we are carrying out activities to increase eco-friendly railway transported volume, and providing supplies for public purposes. As eco-friendly railway transported volume is increasing, we are working hard to bring in new supplies utilizing transportation containers to deliver large-scale export & import supplies in time. As for general supplies, we are trying to bring in them by flexibly operating trains to respond to changes in relevant demands. At the same time, we have made transport structures that back up large-scale export industries in order to support transportation of goods for public purposes. And, we are also actively helping transportation of heavy, long & large-sized and special goods that are not transported on roads.

\* Energy Consumption (consumed energy per person/km) When Using the Railway: 1/8 of a Passenger Vehicle and 1/14 of a Truck / CO<sub>2</sub> Emissions: 1/6 of a Passenger Vehicle and 1/13 of a Truck

### ● Optimizing Business Structures and Transport Systems

Through the improvement of business structures and enhancement of transport competitiveness, we have laid the foundations for sustainable growth for logistics businesses. By responding to decreased demands for small-quantity, frequently-used and bulk freights and to changes in logistics environment and by optimizing stations, organizations and operation systems of trains and freight trains, we have saved costs of KRW 15.18 billion. And, we have adopted two units of a remotely-controlled shunting system\* in order to increase job efficiency and improve safety. At the same time, we have increased the number of operations of high-speed freight trains from 12 to 18 to enhance the transportation competitiveness. Moreover, we were able to increase the transported volume by 180,000 tons and the sales by KRW 1.2 billion after adding another four long trains to improve the productivity of train operations. In addition, we are pushing forward 'the project of expanding Anin Station for large-scale transportation of new & renewable power generation fuels' aimed to be completed in 2019.

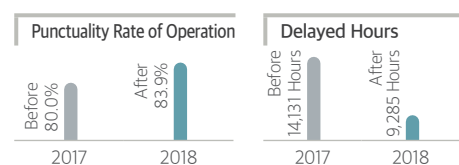
### ● Railway Logistics Close to Customers

We continue to improve customer value by coming up with various measures for growing together with our customers. In order to increase attention to the punctual operation of freight trains and to reduce costs for repeated delay compensations, we have implemented 'a system of compensating for delays of freight trains.' We are making compensations only for exclusive trains delayed more than three hours because of the corporation's fault, resulting in the increase of the punctuality rate by 3.9%p and the decrease of train delays by 4,846 hours. In addition, we have introduced and are implementing a green rail certification system to grant various incentives for companies with outstanding performances in practicing low carbon and green logistics railway transportation. We will continue to actively reflect agendas proposed through lively communications with our stakeholders to make KORAIL grow together with its customers.

### Best Practice

#### Improving Time Value and Satisfaction for Customers by Implementing a System of Compensating for Delays of Freight Trains

KORAIL is implementing 'a system of compensating for delays of freight trains' as it does for delays of passenger trains. When any of the 147 freight trains that have made exclusive contracts with KORAIL is delayed more than three hours due to the corporation's fault, 10% of the fare is compensated. In this way, we are improving customer value by providing monetary compensation for our customer's lost time value.



A Corporation-Wide Workshop to Establish Safety System

### Key Achievements

Expanding Walking-Shunting

59 Stations

Installing Safety Handrails

1,081 Cars

Installing Remotely-Controlled Shunting Systems

2 Units

No. of Overloads of Bulk Freights

243 Cases → 51 Case  
(Dropped by 79.0%)



KTX Express



On-Site Survey on the Inter-Korean Railway (December 2018)

### Coming up with Measures to Associate with Information systems and to Prepare for Transportation Methods for the Operation of International Freight Trains

#### Short Term (2018)

- Forming and operating a task force team for the inter-Korean and continental railway
- Reviewing the association with the information on freights transported through international railways
- Reviewing logistics infrastructure and transportation methods

#### Medium Term (2019~2021)

- Establishing international transport institutions for the inter-Korean and continental railway
- Conducting researches in association with the information on freights transported by international trains (national R&D)
- Conducting pilot operations of international freight trains

#### Long Term (after 2022)

- Constructing a logistics hub in the capital city area
- Running comprehensive logistics businesses based on international railways
- Regular operation in international freight trains

### ● Establishing Safe Transport Systems

Regarding logistics businesses, the most important value is the safety of customer and employees. KORAIL is coming up with absolutely safe transport systems for safety management of workers' industrial accidents and hazardous materials. In order to fundamentally eliminate industrial accidents that would arise when conducting shunting jobs, we have improved the overall work processes, facilities and institutions through communications with our stakeholders. In addition, we have carried out 'institution-improving activities' by lowering the minimum tons to be transported and internalizing inspection methods for each of the stations, 'activities for improving tying methods for steel products' by marking balance lines to prevent uneven loadings and strengthening train maintenance and linking criteria and 'complementary activities for loading-inspection processes' by installing CCTVs to monitor uneven loadings and making a plan to install scale tables so as to improve the process of loading freight.

### ● Expanding Logistics Business through Win-Win Cooperation

KORAIL is continuously expanding comprehensive logistics businesses by making cooperation with other companies. In order to respond to the sharp increase in the transported volume of home delivery service goods, we have made cooperation among private companies, government bodies and public organizations by utilizing sales network of KTX express delivery. Thanks to such endeavors, the number of deliveries transported by KTX has increased by 15.5% or to 550,000 compared with the previous year. And, nine workers have been hired by private companies for two newly-established KTX express deliver sales offices. Meanwhile, we have pushed forward a project of developing and directly operating new warehouses through win-win cooperation with private companies in order to expand warehouse businesses, resulting in creating 185 jobs for private companies.

### ● Preparing for Transportation through the Inter-Korean and Continental Railways

We are working hard to prepare for transportation and to expand infrastructure for systemic operation of international freight trains when launching the inter-Korean and continental railway. To have access to international freight information systems and prepare for transportation methods, we are carrying out activities such as the operation of a task force team for the inter-Korean and continental railway, the association with the information on freight transported through international railways and the preparation of our own transportation methods and asked expert organizations to conduct researches based on mid/long-term road maps. And, we are also trying to develop multi-containers for transportation between the two Koreas to provide efficient transport services. Meanwhile, we've reviewed the efficiency and feasibility of the project of constructing a logistics hub in the capital city area by checking how to guide transportation methods, how to cooperate with private companies and how to handle complaints in response to trade increases when vitalizing the international freight railway.

## Creating Values from Railway Assets



Developing Areas nearby Stations



Before the development of Sungkyunkwan University Station      After the development of Sungkyunkwan University Station into a Complex Building

### Best Practice

#### Vitalizing Local Economies through Urban Regeneration New Deal Projects

KORAIL is carrying out 'urban regeneration new deal projects' in order to vitalize local economies together with local communities. Under the concept of developing railway station spheres to create diversions, cultural spaces, youth startups and other we are jointly carrying out urban regeneration new deal projects based on the cooperation with local governments to develop Cheonan Station and Jochiwon Station into 'a central urban type complex', Jecheon station into 'a my-town-vitalizing complex' and Gwangju Station into 'a economy-based complex'. KORAIL will play its social role, as a catalyst, in vitalizing local economies by conducting value-creating activities based on the utilization of railway assets.

<b>Cheonan Station</b>	Smart City, Public Rental Shops and Houses, Transfer and Industrial Complex
<b>Jochiwon Station</b>	Smart City, Startup Center, Rental Housing, BRT* Transfer Center
<b>Jecheon Station</b>	Town Café, Creative House for the Young, Jecheon History Museum
<b>Gwangju Station</b>	Creating and Supporting Startups related with Cultural Contents, Urban Regeneration Startup Bank, Dream Innovation Center for the Young, Asian Culture Hall

\* BRT (Bus Rapid Transit): an express bus system for main roads

### ● Laying the Foundation for Future Growth by Developing Core Station Spheres Continuing to develop the Yongsan Station Area

KORAIL is pushing forward the development of the Yongsan Station area and other core station spheres in order to lay the groundwork for future growth. Even as the project of developing the Yongsan Station area was on the brink of being founded due to a dispute over the land ownership and other issues after the global financial crisis in 2008, we could regain the land ownership in June, 2018, leading us to restart the project. And, we could increase KORAIL's capital by KRW 2.3 trillion and reduce the debt ratio by 109%p. For now, we are discussing with the Seoul municipal government on how to develop lands around Yongsan Station and are implementing a project of purifying polluted soils. In the long run, we are going to develop the area into "a new hub of future Seoul" that would work as a foothold of our global competitiveness.

### Accelerating Development Projects for Main Station Areas

KORAIL is carrying out development in Seoul and Daejeon. As for the Kwangwoon University Station area development project contract, we are discussing with the Seoul municipal government on the urban planning change. Regarding the project of developing lands around the northern part of Seoul Station and former Yongsan Hospital, we are planning to enter into an agreement with and grant approval to the implementer. As for the 1st Susaek Station area development project (DMC Station), we are going to set up the urban design planning for the 2nd development area (integrating shunting yards and Susaek Station) and draw up guidelines before calling for bids on the project implementation. In the case of the Daejeon Station area development project, we are having discussions with the Daejeon municipal government on how to make improvements before requesting for proposals.

### Developing Outdated Stations into Complexes

We have carried out a project of developing decrepit stations into complex stations to meet the demands of railway users for facility improvements. We have completed the project of developing 41-year-old Sungkyunkwan University Station into a complex building with one basement and six stories. We have also installed entrances, elevators, escalators and other convenient mobility facilities to contribute to the improvement of the convenience for customers. In addition, we have changed urban designs to enhance development conditions for Donong Station and Incheon Station and requested for proposals to improve development conditions. At the same time, we entered into a business agreement with Geumcheon-gu Office and LH in November, 2018 to upgrade Geumcheon-gu Office Station and supply houses for young people by developing the Station into a complex building.

### Improving Connection and Transfer Convenience

As customers' demands for parking increase, we are adding parking facilities for the convenience through car-train connections. In Mangwoo Station, a parking facility with 186 vehicle parking capacity was constructed in September 2018, and a 24-hour unmanned settlement system. We have called for bids to find private investors for the development of a parking lot at Gwangmyeong Station. Parking facility project in Gwangju Songjeong Station and Jeonju Station is currently under way. We will continue to enhance the parking convenience.

### ● Strengthening the Public Value of Railway Assets

#### Improving Institutions Regarding Shops at Stations and Railway Asset Rental Programs and Unfair Terms

We have improved unfair institutions and terms in order to protect tenants when renting railway assets. By abolishing the monthly minimum sales system, expanding information

### Status of Improving Asset Rental Institutions and Unfair Terms

Classification	Improvements	
Improving Institutions and Protecting the Underprivileged	A monthly minimum sales system	Abolished
	Expanding information disclosure	Disclosing expected prices, items to be evaluated, evaluated details and others
	Introducing a right to claim for price reduction	Stating a right to claim for reduction of commissions and prices when facing sluggish sales
Improving Unfair Terms	Cooperating with convenience store owners	Increasing the payments to convenience store owners within railway stations (KRW 1.8 billion as of January 2019)
	Taking care of the underprivileged	Giving additional points when participating in a tender
	Offering special options: Leaser → Mutual Agreement	Stating a leaser's liability for damages
Improving Unfair Terms	Expanding the scope of compensation for damages	5 year+3 year → 5 year+5 year
	Expanding the contractual period	Deleting "unilateral decision made by a leaser"
	Changing the interpretation of contracts	

## Diversifying Overseas and Inter-Korean Businesses



Jointly Inspecting Connecting Sections between Donghae Line and Gyeongui Line

### Key Achievements

#### Operating Revenues from Overseas Markets

2017 KRW **7.1** Billion → 2018 KRW **7.5** Billion

#### Jointly Participating in Overseas Businesses

Obtaining Orders Worth KRW **19.3** Billion by Private Companies at Home

disclosure, introducing a right to claim for price reduction and finding ways to grow together with convenience store owners, we have modified our asset rental programs. Furthermore, we will improve unfair agreements by giving additional points to the underprivileged when they participate in tenders, offering special options, expanding the contractual period and the scope of compensation for damages and changing the interpretation of contracts. We will continue to grow with small business owners by strengthening the public value of railway assets.

### Utilizing the Corporate Assets for Social Enterprises

We are carrying out a project for helping social enterprises to locate their businesses in our property assets in order to create social values. We have expanded and relocated it in order to expand the sales network of SMEs and local products. We have increased the number of goods produced by social enterprises. As a result, 22.4% of 214 stores located in our premises have products made by social enterprises for sales. With rental supports for social enterprises in June, 2018, they could have rental discounts up to 75%. And, we could achieve 21 cases of reducing rental fees and 31 cases of supporting direct marketing channels for social enterprises. KORAIL will create 'social value hubs' in its premises maximizing our great accessibility.

### ● Strengthening the International Competitiveness of Continental Railways Participating in the Modernization of Railways in North Korea

In order to lay the groundwork for the operation of the inter-Korean and continental railways, we are carrying out activities of strengthening the competitiveness of continental railways and establishing international cooperation networks. We have been conducting trainings to nurture experts of the inter-Korean and continental railways twice a year since 2014 and studies on international transport treaties of OSJD twice a month since October, 2018. In addition, we could enter into agreements with 28 official member countries after becoming an official member of OSJD in June, 2018 and successfully hold a Conference of General Directors of OSJD Railways in April, 2019. Meanwhile, we have enhanced the foundation for advancing into overseas railway markets by signing an MOU with the Russian Railway Corporation on the railway cooperation and signing a business agreement with the Polish Railway Corporation.

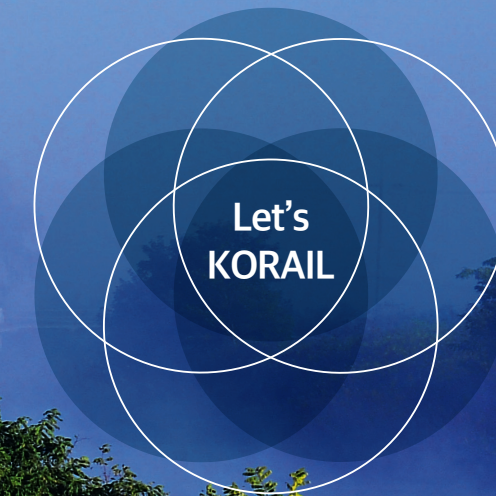
### Preparation for Inter-Korean and Continental Railway Operation

We are improving the competitiveness of continental railways and establishing international cooperation networks for inter-Korean and continental railways. We have been training experts of the inter-Korean and continental railways twice a year since 2014 and studies on international transport treaties of OSJD twice a month since October 2018. We settled agreements with 28 official member in OSJD after becoming the member in June 2018 and successfully hold a Conference of General Directors of OSJD Railways in April 2019. Meanwhile, we have signed an MOU with the Russian Railway Corporation on railway cooperation, business agreement with the Polish Railway Corporation.

### ● Advancing into Overseas Railway Markets

We are implementing a technical consultation project for MRT-7 line in Manila, the Philippines, and trying to get a business chance of operating the same line. We are also carrying out projects of constructing a railway training center and providing O&M (operation & maintenance) consultation services in addition to the Tanzanian central railway technical advice project. Furthermore, we have put idle properties for sales as a strategy for moving into niche markets, creating revenues of KRW 2.5 billion. In addition, we have supplied about 2.34 million Rail+ transport cards for 15 years by exporting the Rail+ transport card system to Kazakhstan.

# KORAIL SOCIAL VALUES



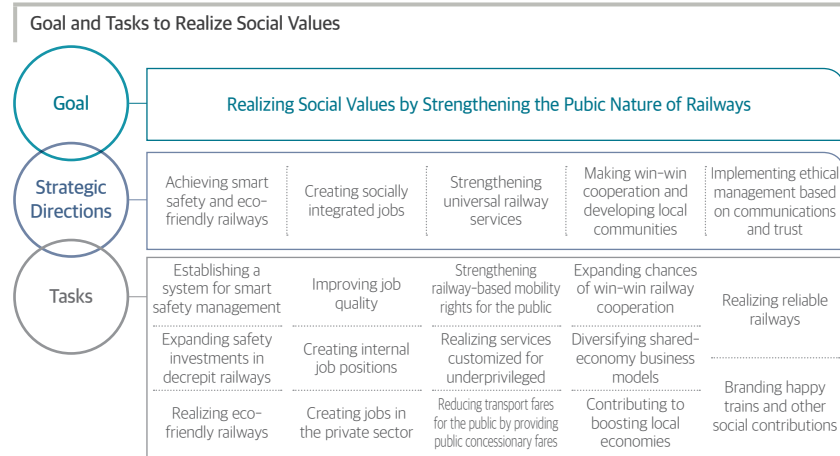
- Realizing Social Values
- Creating Jobs
- Growing Together with Partners
- Sharing with Local Communities
- Creating People-Oriented Workplaces
- Developing Eco-Friendly Railways for Future Generations

# Realizing Social Values

## Strategies for Realizing Social Values

### ● Strategic Systems for Realizing Social Values

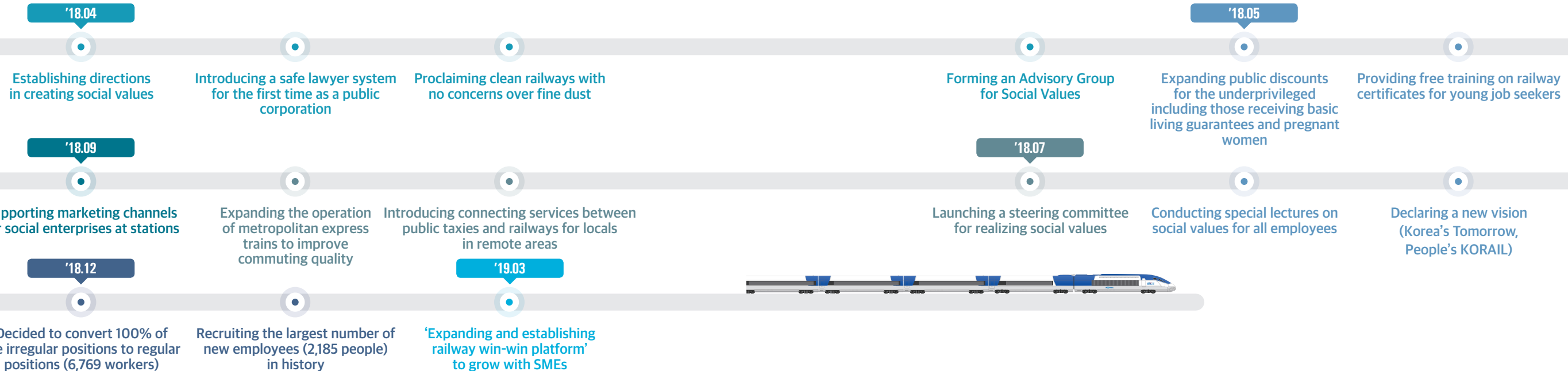
KORAIL is working hard to create social values by setting up five major strategic directions and 14 tasks with the aim of 'realizing social values through the strengthened public nature of railways.'



### ● Progress

In order to achieve social values aligned with the governmental philosophy, we established 'The Future Innovation Office' under the president in March 2018. And, we have defined the concept of KORAIL's unique social values and set up directions in advancing relevant projects. Having the new vision proclamation ceremony, we placed the realization of social values on top of the management goals so as to restore and improve the public value of railways. Furthermore, we completed the establishment of 'mid/long-term social value systems' in June 2018.

#### Progress in Realizing Social Values



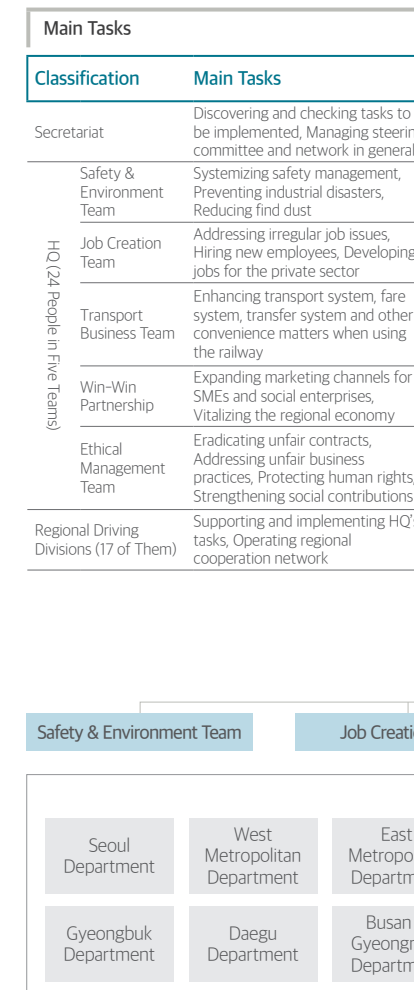
# Realizing Social Values

### ● Forming a Steering Committee Organization and Internal & External Network

#### Steering Committee

We have established 'The Steering Bureau for Realizing Social Values' headed by the vice-president in order to achieve social values. The Bureau is made up of nine teams including 'The Future Innovation Office' that controls the overall operation of the Bureau and 17 regional steering committees. The nine teams of the Bureau are implementing tasks in responding to the government's evaluations of our business management, to quantitative objectives and to other specialized evaluations, while 17 regional steering committees are supporting the projects carried out by the Bureau and working to establish and develop regional cooperation networks. KORAIL will do its best to create its own social values mainly led by 'The Steering Committee for Realizing Social Values.'

#### Org. Chart of 'The Steering Committee for Realizing Social Values'



## Directions for Managing Key Achievements

The necessity and importance of social values are becoming more emphasized in the current society that is represented by complexity and uncertainty, and the government's policies for guiding the nation are also focusing on social values. In particular, job creation is the main priority of the government and the major issue that the public sector should address.

KORAIL has redefined the concept of its own social values in order to set up the railway's unique social value systems. Contributing to the enhancement of the quality of lives for the people by strengthening the public value of all railway-related businesses has been defined as our social values. In line with this effort, we have built a roadmap associated with mid/long-term strategic management plans in order to realize social values. At the same time, we are systematically implementing our activities of creating decent jobs by establishing a comprehensive job creation plan associated with a mid/long-term job creation roadmap.



## Key Achievements in 2018/19

Temp-to-Perm  
Conversion Rate  
**100%**

Introducing  
**job-based  
Wage System**  
for the First time  
as a Public  
corporation

Winning  
the Prize of  
the Minister of  
Employment  
and Labor  
for Rationalizing Labor  
& Management  
Relations as a Public  
Organization.

Creating Jobs for  
**10,552**  
People



## Link to UN SDGs



Growing Sustainable Economies and  
Creating Decent Jobs



Constructing Restorable Infrastructures and  
Facilitating Industrialization



Creating Sustainable Cities and  
Residences

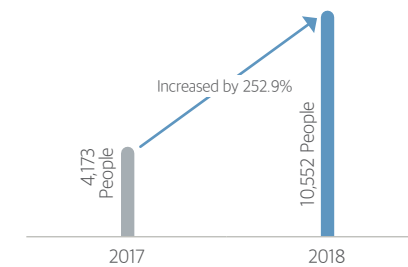


Promoting Peaceful Societies and Establishing  
Institutions



## Creating Jobs

Status of Job Creation



Life & Safety Position

**21.8%**  
(1,466 People)



**78.2%**  
(5,327 People)

Customer service and  
non-safety work

### Comprehensive Plan for Creating Jobs

KORAIL is coming up with 'comprehensive plans for creating jobs', which are associated with a mid/long-term job creation roadmap, in order to systematically create jobs. With the aim of 'strengthening the public nature of the railway by creating decent jobs', we have set up two main strategies: 'creating jobs in the public sector by converting irregular positions into regular ones' and 'creating jobs in the private sector by utilizing railway infrastructures'; and established four implementation tasks: 'increasing new recruits to 1,600'; 'improving workplaces for 4,631 workers'; 'creating 3,508 jobs in the private sector'; and 'improving relevant institutions.'

### Converting Jobs to Regular Positions based on Discussions

Based on active communications between labor and management, we are converting irregular positions into regular ones. In order to secure procedural legitimacy based on sufficient discussions between labor and management, we have come up with ways of shifting into regular positions by forming 'a labor & management and expert consultative committee.' Through such discussions, we have decided to directly hire employees that would be involved with jobs related with life and safety matters of the public and to convert those workers taking care of customer services and non-safety matters into regular workers of our subsidiaries. Through such endeavors, we believe that we could achieve railway safety and service innovation and our subsidiaries could enhance their expertise. As of August 2018, 34.4% or 2,329 people out of those whose positions were to be converted to full-time ones became regular workers, and the remaining 4,440 people are planned to be gradually hired by 2021 when their service contracts expire.

### Introducing KORAIL's Own Position-Based Wage System

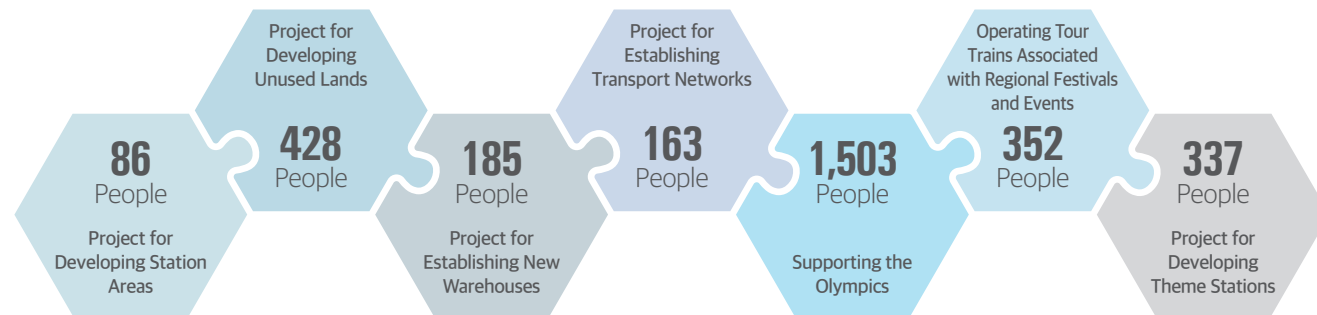
KORAIL, as a public corporation, was the first to introduce a position-based wage system to raise actual wages for those converted to regular positions and to improve their employment stabilities and conditions in accordance with the principle of equal pay for work of equal value. In order to introduce 'KORAIL's own position-based wage system', we have created consensus between labor and management and narrowed down differences arising from conflicts among labors by having one-on-one talks with individual representatives. We have simplified our wage system from the existing seven classes of duty to five classes of duty. And, we have set 90% of the prevailing wage as a basic pay for those with simple laboring jobs, exceeding the minimum wage level as it is on a par with 102.9% of the minimum wage. In addition, we have upwardly revised the wage system to six levels based on the length of service and performance evaluations. Meanwhile, we have clearly stated the retirement age at 65 and decided to guarantee the employment up to the age of 70 on a yearly basis for those with jobs of taking care of crew dormitories if they want.

### Creating Customized Jobs

#### Utilizing Railway Assets and Creating Customized Jobs

We have taken the lead in creating jobs in the private sector by utilizing railway assets and discovering customized projects. We have created jobs through projects of developing station areas and unused lands and of establishing new warehouses. We have also created jobs in the private sector through projects of constructing parking buildings, expanding urban delivery services provided by KTX express and establishing transport networks. In addition, we have contributed to the creation of jobs by supporting the Olympics, operating tour trains associated with regional festivals and events and developing themed stations as part of conducting customized tourist attraction projects.

## Status of Creating Jobs in the Private Sector



### Creating Jobs for the Underprivileged

We have conducted activities of creating jobs by utilizing our assets such as stations in order to help the underprivileged including homeless people and the social minorities to be more independent. In order to offer jobs for homeless people, we have expanded the cleaning project at Seoul Station to Busan, Daejeon and other main stations to create 60 jobs for them. And, we have test-operated call-out car wash services at regional self-support centers within parking lots of stations to create six jobs. In addition, we have hired 852 senior citizens willing to work as railway-station ushers and order-maintaining helpers in cooperation with seniors' welfare centers. Meanwhile, we have created 10 jobs for single mothers by providing rights to operate commercial shops on the 1st floor of Busan Station to assist their economic independence and 24 jobs for young people who have brilliant business items by supporting the opening of their shops (7 of them). KORAIL will continue to work hard to realize social values by creating more jobs relevant for the underprivileged.

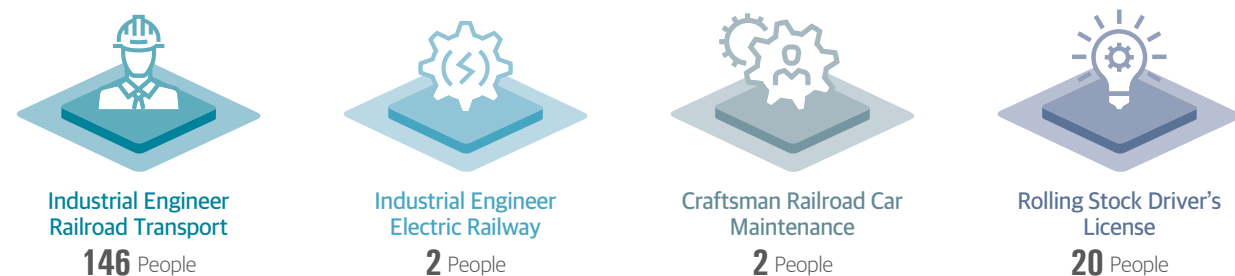
## Best Practice

### Conducting Free Training on Railway certification to Enhance job Competency

After deliberating on what we could do to enhance the job competency of the young, we have conducted 'railway certification training for free.' The free training is aimed to support young people for their employment by utilizing KORAIL's railway-related infrastructure including station, operation, rolling stock, electricity and other training devices and internal experts and are conducted on eight different certificates such as Industrial Engineer Railroad Transport, Industrial Engineer Electric Railway, Craftsman Railroad Car Maintenance, Class 2 Electric Rolling Stock Driver's License, Railroad Traffic Controller Qualification, Diesel Railway Car Driver's License, Engineer Plant Maintenance and Engineer Electric Railway. KORAIL will continue to take the lead in realizing social values as a public corporation by creating differentiate jobs.



Free Field Training on Railway certification



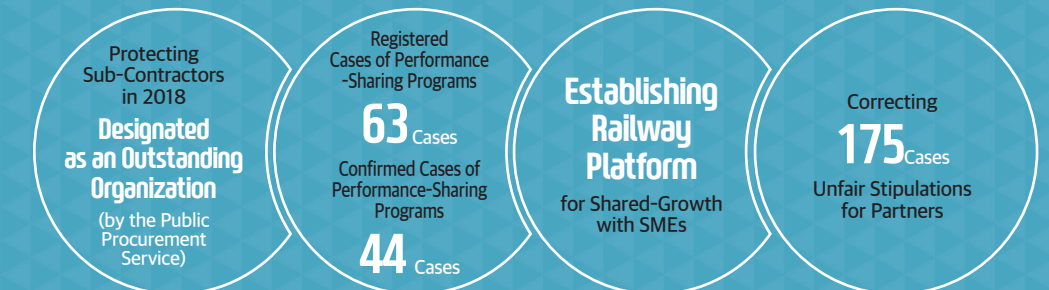
## Directions for Managing Key Achievements



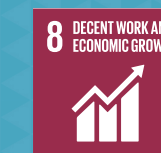
As there are increasing demands for shared growth and mutual prosperity with the public sector, it has become important for a public organization, there are increasing demands for shared growth and mutual prosperity with the public sector. Thus, it has become important for a public corporation to play a role in creating a trust-based business environment for mutual growth.

In order to create a sound ecosystem for the railway industry, KORAIL is supporting SMEs for their competitiveness enhancement through technology development for public purposes, management support, localization of core railway components and others. Moreover, we are leading sustainable growth of our partners by improving payment processes, expanding and introducing systems of performance sharing and cooperative profit sharing, correcting unfair regulations and utilizing a number of institutions in order to lay the foundation for a just society.

## Key Achievements in 2018/19



## Link to UN SDGs



Growing Sustainable Economies and Creating Decent Jobs



Promoting Sustainable Consumption and Production

## Shared Growth with Partners

### ● Strategies for Shared Growth

In order to develop the railway industry and create a sound industrial ecosystem, KORAIL has set up strategies for shared growth with the aim of 'becoming KORAIL that takes the lead in growing SMEs and developing local communities.' At the same time, we have newly established the corporate-wide operation system for 'KORAIL Companion Club' in order to enhance our implementation competence in expanding shared growth. KORAIL Companion Club is an organization whose workforce that was mainly from the HQs in the past is now expanded to 24 regional divisions and offices nationwide in order to lead shared growth with SMEs throughout the nation. We will continue to improve our implementation competence and expertise for win-win growth by expanding internal and external networks for shared growth.

#### Strategies for Shared Growth



#### Key Achievements

Implementing Support Projects of Commercializing Railway Technologies

11 Cases

Holding Purchase Meetings for Regions Facing Employment and Industrial Crises

11 Times

Discovering New Partners

29 Cases

Conducting Campaigns for Saving Traditional Markets

22 Times

Opening Market Places at Stations for Small Businesses

20 Times

Providing Rewards for Those Working for Partners in the Railway Service for a Long Time

30 Partners

### ● Joint Technology Development and Supporting Management

In order to boost the competitiveness of SMEs and small businesses, we are actively pushing forward projects for developing technologies and supporting management. For technical development with SMEs, we have made visits to SMEs for technical supports and for purchase meetings. For management supports for partners, we have launched the 'Rail+Win-Win Funding System' to support loan interest and implemented a support project for commercializing railway technologies. As part of a project for helping SMEs to find markets by utilizing railway networks, we have carried out purchase meetings for regions facing employment and industrial crises, discovered new partners, conducted campaigns for saving traditional markets and opened market places at stations to support small businesses. In addition, as part of projects for supporting management, we have held a job fair for the young, provided rewards for those in the railway service for a long time, lowered commissions for logistics partners and conducted training on the environment for partners to prevent environmental accidents.

### ● Localizing Core Railway Components

We have achieved the localization of core railway components through shared growth based on cooperation with SMEs. We have jointly developed railway technologies by participating in 15 national R&D projects with SMEs for the localization of railway technologies. And, we have spent KRW 19.7 billion and KRW 1.6 billion to purchase localized railway products and new technologies respectively in order to lead SMEs' initial market for railway components. By doing so, we could create 201 jobs in SMEs and newly establish and expand markets for the railway components industry. We will continue to take the initiative in nurturing SMEs and implementing win-win management of the railway industry based on the localization of railway components.

## Laying the Groundwork for a Fair Society

### ● Establishment of Fair Trade Order

KORAIL is improving payment processes and establishing a fair trade order. For healthy management activities for secondary and lower partners, we have shortened the payment period from 40 days to five days to 50 partners. We have also shortened the period of making deposits from 14 days to five days and increased the size of the down payment from 70% to 80% to expand initial funding supports. At the same time, we have increased the range of constructions for which we make direct payments (protecting sub-contractors) in full swing from the existing facility constructions to all constructions and investigated all arrears by making field inspections for four times. As a result, we were designated as an outstanding organization for protecting sub-contractors in 2018.

### ● Performance and Cooperative Profit Sharing

KORAIL is sharing profit and performance in collaboration of SMEs. Companion Club is actively involved with the headquarters, regional divisions and partners, conducting trainings for working-level people. In addition, we've carried out academies on a performance sharing system with partner foundations and itinerant education programs customized for each of the regions. We settled an agreement with the Korea Foundation for Cooperation of Large & Small Business, Rural Affairs on introducing a system of cooperative profit-sharing. As a result, the number of cases for performance-sharing system has increased by 394%, 63 cases from the previous year, and the number of confirmed cases of a performance sharing system has grown by 880% or to 44 compared with the previous year.

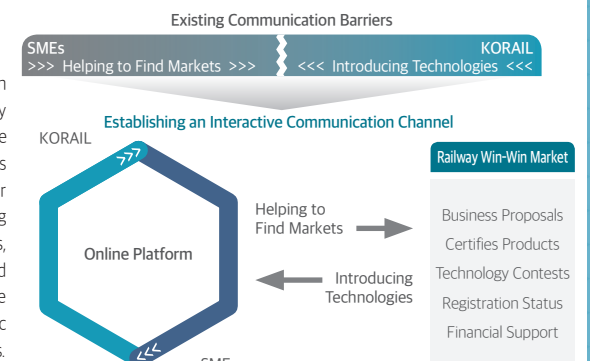
### ● Improving Unfair Culture

We've conducted inspections to find case of power trips towards partners, providing legal advice and consulting to find and correct unfair provisions. During the inspection, 175 unfair stipulations (unfair terms, abuse of power and unlimited liabilities) were found and corrected. We have abolished 'a term on monthly minimum sales,' which is an unfair provision stated in the rental contract of the commercial space in a railway stations, equivalent to the financial support worth KRW 5.4 billion to 49 companies. Through the new version of an incentive system as an aid to higher performances of partner companies, we've granted incentives worth KRW 39 million to 70 outstanding businesses. KORAIL has increased the contract transparency point and the contract responsibility point by 0.34 and 0.06.

#### Best Practice

##### Establishing a 'Railway Win-Win Platform' Working as an Interactive Communication Channel for Purchasing New Technologies Developed by the Private Sector

KORAIL has launched the 'Railway Win-Win Platform', a technical support portal for SMEs, in order for SMEs equipped with excellent new technologies to each have access to the railway technology market. Thanks to the opening of 'Railway Win-Win Platform', it has become possible for SMEs with outstanding technologies to visit the portal site and propose new technologies and products and other tasks. We have recently revised the portal site for them to suggest their ideas and information on how to achieve shared growth. Through the portal site, we are providing services including 'suggestion & public proposals of technologies, promotion of technical products, application for purchase meetings, introduction of & application for railway safety products and information on financial & management supports and on consultations.' KORAIL will continue to take the initiative in enhancing the competitiveness of the railway industry through organic cooperation with SMEs and pursuing innovative growth through joint development of technologies.





# Sharing with Local Communities

## Directions for Managing Key Achievements

A company, as an entity that constitutes a society, must carry out its socially responsible activities. A company can establish differentiated competitiveness and lay the foundation for sustainable growth by actively making social contributions beyond its business activities.

Under the social contribution slogan of 'A Happy World Connected by Railways', KORAIL is systemically making social contributions based on three main strategies of 'Sharing Talent' by utilizing railway infrastructures, 'Sharing Happiness' specialized for the industry, and 'Regional Contributions' customized for each of the regions. Headed by the CEO, KORAIL's volunteer team is implementing social contributions and is actively vitalizing KORAIL-led local economies by utilizing railway networks covering the entire nation.



## Key Achievements in 2018/19



Per-Capita Hours Spent for Social Contributions  
**15 Hours**

**Successfully Incubating**  
the 1<sup>st</sup> Social Enterprise  
(A Single Mother's Startup of 'Sodam Hangeureut')

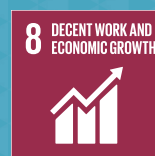
Cumulative No. of Happy Train Beneficiaries  
Breaking  
**the Record of 100,000**  
people

Effect of Inducing Production for Local Communities  
**KRW 360 Billion\***

## Link to UN SDGs



Guaranteeing Quality Education and Promoting Life-Long Learning Opportunity



Growing Sustainable Economies and Creating Decent Jobs



Creating Sustainable Cities and Residences



Promoting Peaceful Societies, Securing Accessibility to Justice and Establishing Institutions



# Sharing with Local Communities

## Vitalizing Local Economies

### Key Achievements

Boosting the Regional Economies

KRW **360** Billion

Creating Jobs for Regional Economies

**2,192** People

### \* Calculation Data

- Production Inducement (amount):  
tourist expenditures (No. of tourists x KRW 103,719) x production inducement coefficients (2.0862) / Social & Economic Value Research (Social Science Research Center at Chungbuk University)
- Employment Inducement (people):  
tourist expenditures (No. of tourists x KRW 103,719) x employment inducement coefficients (12.7 people/KRW 1 billion) / Social & Economic Value Research (Social Science Research Center at Chungbuk University)
- Regional Tourism:  
1,663,922 passengers (7,112 free tourists, 1,141,163 Olympic visitors and 515,647 visitors for regional tourism)

### ● Creating New Demands by Strengthening a Cooperative System with Railway Tourism

We are operating tourist trains reflecting regional features in cooperation with the government, local autonomous governments and public organizations and developing affordable travel packages and theme travel packages to meet various demands of customers. In cooperation with the Ministry of SMEs and Startups. We have renovated trains and developed travel packages linked with traditional markets. In cooperation with the Korea Tourism Organization, we have launched railway-connected city tour packages, a travel-week product of 'Happiness of 10,000 Won', and a product associated with the Olympics at a special price of 50,000 won. In addition, we have also shown in the market travel packages associated with four biennale events, an art-week railway pass of 'Mirorang' and other unique packages in cooperation with the Korea Arts Management Service. 'KORAIL-linked Complete Travel Platform' is working with travel agencies to increase their margins by lowering sales commissions for win-win cooperation with local SMEs. We have also raised incentives, provided rewards for excellent employees and holding regular meetings.

### ● Developing Cultural Contents around Stations

For the purpose of invigorate local festivals, we are operating trains connected to traditional markets in all eight provinces of Korea and other tourist trains associated with local events and traditional markets. In addition, we have contributed to the vitalization of local tourism businesses by developing theme stations such as Buncheon Station and Jeongdongjin Station into the Santa Town Festival and the Sunrise Platform respectively and by operating such stations converted into places to enjoy local cultures and leisure activities. We are planning to find new theme stations and renovate existing theme stations. At the same time, we have launched 'trains for humanities' by inviting renowned lecturers and 'trains heading toward forests' for teenagers to build up their characters while experiencing the nature. Through the operation of various tourism products associated with local communities, customers nationwide have enjoyed unique local cultures.



Buncheon Station 'Santa Town Platform' (150,000 Visitors Annually)



Deungyang Station '7080 Trip Down Memory Lane' (40,000 Visitors Annually)



Jeongdongjin Station 'Sunrise Platform' (350,000 Visitors Annually)



Samtan Station 'Healing Woods', 'Witchcraft School' (10,000 Visitors Annually)

### ● Social Contribution Activities for Healing the Sufferings of Local Communities

KORAIL has conducted a number of activities to help the Gangneung region suffering from a forest fire to recover its economy. To prevent additional damages arising from the decrease in the number of tourists and support the local economic recovery, we lowered the fare of KTX for Gangneung Line by 30% and let volunteers going to the region to help restore damage, from April to May of 2018. In addition, we've opened our training institute in Naksan as a shelter to the suffering locals, and donated KRW 100 million for a disaster relief fund. At the same time, we've discounted the price of train travel packages heading toward Gangwon-do and conducted the 'Again, Go East' campaign to invigorate the local tourism industry. We will continue to conduct social contribution activities and share in the sufferings of local communities.

# Sharing with Local Communities

## Social Contributions

### ● Carrying Out Activities

Under the social contribution slogan of 'A Happy World Connected by Railways', KORAIL is systemically making social contributions based on three main strategies of 'Sharing Talent' by utilizing railway infrastructures and its employees' talents, 'Sharing Happiness' specialized for the industry and 'Regional Contributions' customized for each of the regions. In order to enhance our implementation competence for social contributions, we are operating 'KORAIL's volunteer team' that consist of our employees and managing employees' volunteer activity performances by operating a social contribution portal site.



### Best Practice

#### Operating Startup Programs to Help the Youth and Single Mothers\* Independence

KORAIL is implementing programs for supporting startups by utilizing railway assets for the young, disadvantaged, and single mothers to stand on their feet. We are also running 'Station Cheongchun Café' as a program to support startups of young people and develop food items to be enjoyed at railway stations. For those young people elected through contests, we are supporting shop interior costs, guaranteeing no deposits and providing indoor shop marketing consulting services. The first Cheongchun Café of 'Damda' was launched at Daejeon Station in December 2018, and another 25 Station Cheongchun Cafes are to be opened by 2022. In addition, we opened the first shop of 'Sodang Hangeureut' at Busan Station in cooperating with relevant organizations to help single mothers who have taken care of their lives and kids on their own to be financially independent. We are supporting them to be financially independent while jointly running such shops that are KORAIL's first successful cases of incubating social enterprises. We will continue to support the disadvantaged to open such startups and expand the project of incubating social enterprises to contribute to the creation of sustainable long-term jobs.



Opening the First Cheongchun Café of 'Damda' in December 2018



Opening the First 'Sodang Hangeureut' in November 2018

# Sharing with Local Communities



KORAIL Symphony Orchestra's Performance at a Station



Happy Train to Give Hope



Sharing Briquettes

# Creating People-Oriented Workplaces

## Directions for Managing Key Achievements

The competence, competitiveness and happiness of each and every one of our employees are the driving force for KORAIL's growth. In order to create people-oriented workplaces where everyone can work safely and happily, we spare no efforts to creating fair and transparent personnel systems and conduct proper training for our employees. We are actively supporting our employees to make successful achievements at work based on the enhancement of job concentration and at home as well. To this end, we are creating an organization culture where work and family life are well balanced.



## Key Achievements in 2018/19



## Link to UN SDGs



Promoting Health



Guaranteeing Quality Education and Promoting Life-Long Learning Opportunities



Growing Sustainable Economies and Creating Decent Jobs



Addressing Inequalities Home and Abroad

# Creating People-Oriented Workplaces

## Fair HR

### ● Implementing Fair and Transparent Recruitment Processes

KORAIL is striving to secure fairness when hiring people by designing fair and transparent recruitment processes that emphasize job competence. We have excluded any information that would cause examiners to make biased decisions and personal information that is not related to job competence from the beginning in order to enhance NCS-based blind recruitment, and have realized fair employment by expanding blind processes when reviewing each of the applications. In addition, we have revised our company policies to enhance transparency when hiring people and punish for recruitment irregularities, and have clearly stated the revisions in the HR regulations. Furthermore, we have more strictly improved the existing blind recruitment with the presence of auditors and rigidly selected internal & external inspectors, and introducing a process of preventing interviewers from receiving illegal solicitations and manipulating interview scores so as to strengthen management and supervision of each of the recruitment processes.

### Introducing Expanded Blind Recruitment Processes for Each of the Applications

	Before	After
Transparent Employment Notice	<ul style="list-style-type: none"> <li>Including the job description in the notice</li> <li>Disclosing the number to be hired for each open job</li> </ul>	<ul style="list-style-type: none"> <li>Making and posting videos on practical skills</li> <li>Disclosing the number to be hired for each open job and in each region</li> <li>Banning illegal solicitations for employment and notifying corruption-reporting centers</li> </ul>
Applicants' Scores	<ul style="list-style-type: none"> <li>Submitting copies of job-related certificates through the system</li> </ul>	<ul style="list-style-type: none"> <li>Submitting types of certificates and registered numbers only (preventing personal information leakage)</li> <li>Deleting unnecessary qualification requests from the system</li> </ul>
Screening Test in Writing	<ul style="list-style-type: none"> <li>Providing no learning materials in advance</li> <li>Including a photo in an examinee's ID slip</li> </ul>	<ul style="list-style-type: none"> <li>Disclosing sample questions for each area in advance</li> <li>Excluding a photo from an examinee's ID slip (including only the name and birthday)</li> </ul>
Interviewing	<ul style="list-style-type: none"> <li>Interviewing by internal interviewers</li> <li>Keeping the examinee's initial slate number</li> </ul>	<ul style="list-style-type: none"> <li>Consisting of more than 50% of external experts</li> <li>Giving new examinee's slate number after getting in the waiting room for the interview</li> </ul>

### Key Achievements

<b>High-school Graduate Employment</b>
2017 293 People → 2018 556 People (89.7%↑)
<b>Local Employment</b>
2017 529 People → 2018 1,131.5 People (113.9%↑)
<b>Disabled Employment</b>
2017 11 People → 2018 106 People (863.6%↑)
<b>Veteran Employment</b>
2017 72 People → 2018 154 People (113.8%↑)

### ● Equal Recruitment

KORAIL has come up with preferential policies customized for the socially vulnerable and the underprivileged in terms of employment in order to expand socially equal recruitment. We have expanded the recruitment of talented people from each of the regions nationwide, increased the number of jobs for the employment of high-school graduates, operated a mentor & mentee program to help newcomers to adapt to the organization, offered five additional scores for the disabled, identified jobs from each of the positions, created positions with restricted competition for patriots & veterans and injured men of national merit, and introduced preferential measures customized for each of the job applications, resulting in hiring the largest number of high-school graduates and talented people in local area in the history of a public organization in Korea.

### ● Strategies for Developing Human Resources

Under the HRD vision of 'Nurturing Talented People for Realizing Core Values in the Future', KORAIL has set itself three main tasks, namely, 'managing the organizational commitment and changes, fostering job experts and improving the expertise and public nature of training. Through the operation of systemic HRD based on training needs and performance feedback, we will help our employees to enhance their job expertise and organizational commitment.

# Creating People-Oriented Workplaces

## Systemically Nurturing Talented People

### ● Nurturing Talented People to Lead the Railway Industry

In order to nurture job experts who will lead the railway industry, we have expanded and strengthened capability-developing programs in the directions of 'enhancing competence for core projects, securing new growth engines and nurturing persons for the inter-Korean railway.' In order to improve the expertise of railway training, we have enhanced the training quality by strengthening the strategic competence of those in charge of the headquarters' HRD, expanding training and seminars conducted by internal lecturers and external special lectures and increasing the pool of external lecturers in each training category. Gaining trust and public value, of railway training, we have been designate as the only training organization for railway transport controls in Korea and received an honor of winning the grand prize for developing human resources by the Human Resources Development Association of Korea.

#### Training Programs for Enhancing Capabilities

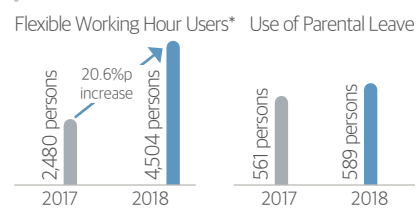
Classification	Directions	Achievements
Enhancing Capabilities of Core Projects	Anticipating transport demands and developing capabilities for profit management	<ul style="list-style-type: none"> <li>Conducting training for overseas operators (five persons)</li> <li>Opening a course on demand analysis (40 persons)</li> </ul>
	Nurturing rolling stock mechanic masters for zero-failure rate of trains	<ul style="list-style-type: none"> <li>Running a class for the master craftsman certification (41 people)</li> <li>Running study clubs (89 persons)</li> <li>Conducting commissioned training for producers (37 persons overseas, 70 persons at home)</li> </ul>
Securing New Growth Engines	Securing core technologies on each of the areas for the future railway industry	<ul style="list-style-type: none"> <li>Conducting commissioned training on specialized areas including Big Data and information security (336 persons)</li> <li>Opening expert courses on rolling stock, facilities and electro-fusion (76 persons)</li> </ul>
	Establishing and enhancing an organizational culture where involved people learn by themselves	<ul style="list-style-type: none"> <li>Implementing a system of proposing innovative ideas (once per quarter)</li> <li>Selecting the largest number of college (graduate school) trainees in history (93 persons)</li> </ul>
Nurturing Talented People for the Inter-Korean Railway	Enhancing international management capabilities of core talented people and relevant networks at an early stage	<ul style="list-style-type: none"> <li>Opening a course to send those willing to study for master's and/or doctor's degrees abroad</li> </ul>
	Enhancing capabilities of managers above grade 2 in order to deal with the future opening of the inter-Korean railway	<ul style="list-style-type: none"> <li>Providing education services through special training institutions and conducting overseas training (seven persons)</li> </ul>
	Increasing understanding of North Korea and Eurasia for those in charge of overseas projects	<ul style="list-style-type: none"> <li>Opening an expert course on the inter-Korean and Eurasian railways (48 persons)</li> </ul>

## Improving Employees' Quality of Life

#### Activities for Improving the Environment of Workplace

Detecting Unsafe Factors	5,455 Cases
Repairing Signs	2,214 Cases
Improving Moving Lines and Facilities for the Disabled Workers	30 Cases

#### Key Achievements



\*Based on the daily workers of 10,031 persons

### ● Improving the Working Environment by Creating a Safety Culture

We are implementing measures on the management of the corporation-wide industrial safety and health. Based on the survey of current conditions of the work environment, we have conducted activities for demonstrating safe practice that is relevant to the field. In addition, we've updated medical checkup criteria and networks for psychological counseling services with increased fund to support health management. Meanwhile, we have improved moving lines and facilities for the disabled workers. Our policy on guaranteeing medical-checkup leave and working only during days for those pregnant workers is firmly kept. We have also stipulated to ban discrimination against the socially disadvantaged and their protection in the collective agreement in 2018. At the same time, we strengthened the safety cooperation system, provided safety-related training materials, supported consulting services on the prevention of industrial accidents, and expanded safety facilities through a mutual safety consultative group to support our partners that are relatively vulnerable to safety matters.

### ● Forming an Organizational Culture of Work-Family Balance

To support the balance between work and family life, we introduced flexible work programs, improved parental leave systems and address issues arising from working long hours. We have reflected employees' opinions via survey and adding 'types of staggered working hours and types of short term working hours' to come up with plans on how to implement flexible work programs. We also improved parental leave programs including setting detailed policies parental leave for both males and females.

# Creating People-Oriented Workplaces

## A Harmonious Labor-Management Culture

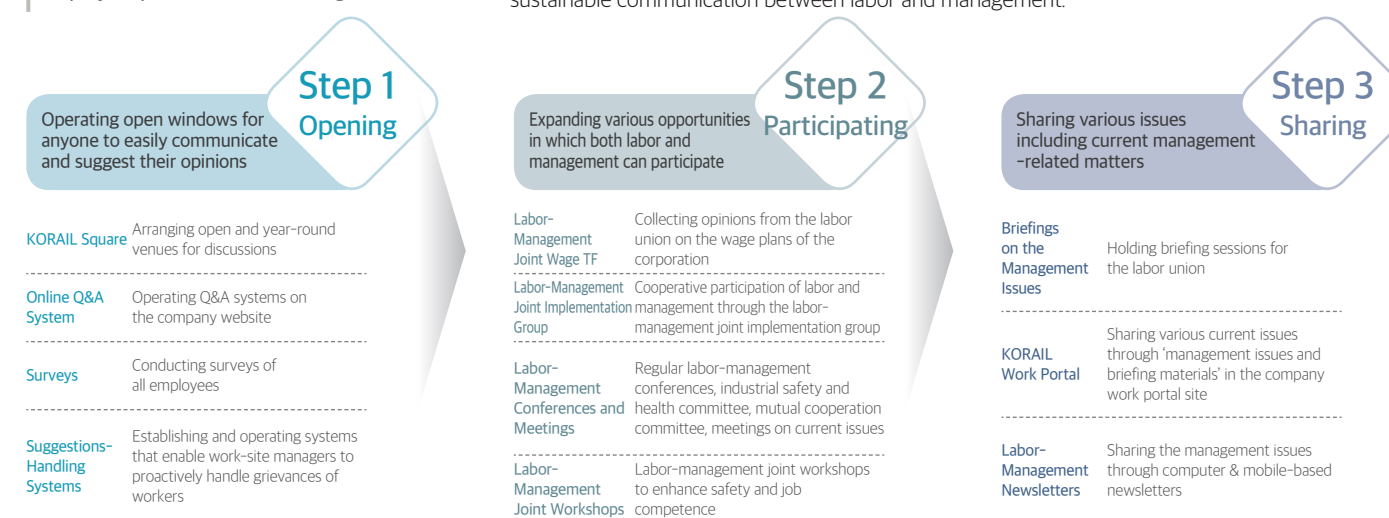
### ● Establishing a Labor-Management Consultative System

In order to create a harmonious and cooperative labor-management culture, KORAIL is operating 'The Labor-Management Joint Realization Committee' co-chaired by the CEO and the labor union head. The Committee is an organization for communication and cooperation between labor and the management, playing a role in discussing how to address main issues and achieve win-win growth. At the same time, we have recovered mutual trust between labor and management by establishing the Labor-Management Joint Committee in which external experts are participating in order to address internal and external issues of the corporation, expanding talks and meetings with the CEO and operating short-term consultative groups for each of the current issues.

### ● Labor-Management Communications

We are carrying out step-by-step communication channels of open participation and share in order to establish smooth communication systems for every involved person to join. We will create a labor-management culture for mutual prosperity through smooth and sustainable communication between labor and management.

#### Step-by-Step Communication Strategies



#### Best Practice

##### Introducing Recruitment Policies that Care for and Empathize with Others

Establishing fair recruitment processes an obvious task for KORAIL. Therefore, KORAIL has endeavored to improve its recruitment processes from the perspectives of job applicants. After checking complaints raised by applicants during recruitment processes, we have introduced some programs for them such as providing two KTX tickets with 50% off to reduce financial burdens when traveling for job interviews, conducting interviews and personality tests on the same day, letting the applicants submit their evidence materials after getting the final notice of their success, and signing an employment contract online. In addition, we have produced video education materials for applicants to prepare for their practical skill evaluations for the first time as a public organization and provided some time for each of them to rehearse individual skills before evaluation processes to help them to adjust to such unfamiliar circumstances arising from practical skill evaluations. At the same time, we have transparently disclosed the recruitment results and thus increased the rate of accepting the results. By individually disclosing written test results of each applicant online, improving the system of raising objections at each of the recruitment stages, opening an online Q&A and transparently disclosing results, we are striving to address complaints and inquiries from the viewpoint of applicants. We, as a public corporation representing Korea, will continue to communicate and empathize with applicants and lay the foundation for a fair society.

Raising Objections and Complaints  
**ZERO**  
(Out of 108,846 Applicants)

Reporting Recruitment Irregularities  
**ZERO**

Designated as an Exemplary Innovative HR Case  
Regarding Caring for Job Applicants

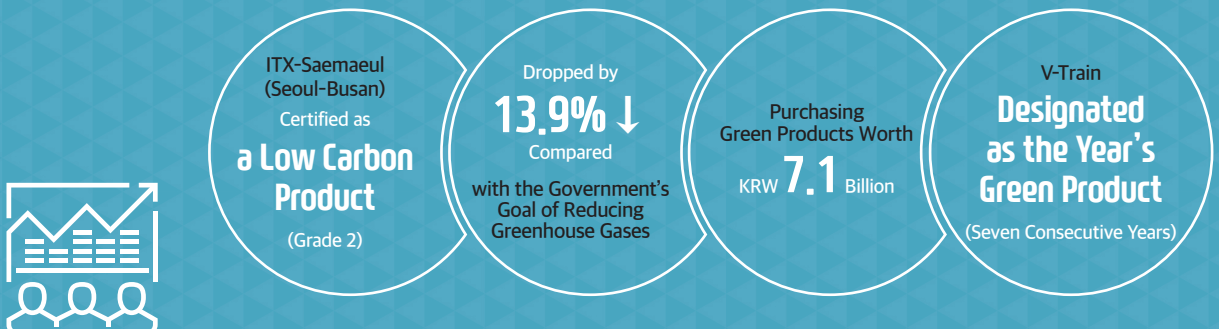
# Developing Eco-Friendly Railways for Future Generations

## Directions for Managing Key Achievements

As the awareness on the environmental issue grow world-wide after the Paris Agreement on Climate, a new climate-regulating system for reducing greenhouse gases has emerged. Our government is also implementing 'renewable energy 3020 policies' and other energy-conversion policies are in full swing, requesting companies to follow strict environmental criteria. Therefore, KORAIL, as a public corporation that runs eco-friendly transport means, is pursuing environmental preservation to pass a sustainable environment onto future generations, and to minimize environmental impacts by reducing greenhouse gases, setting up a system of implementing resource recirculation, coming up with comprehensive measures for reducing fine dust and managing them all more strictly than regulatory criteria require us to do.



## Key Achievements in 2018/19



## Link to UN SDGs



Strengthening Accessibility to and Management of Clean Water and Sanitary Facilities



Responding to Climate Change



Preserving Land Ecosystems, Preventing Desertification and Preventing the Decrease of Biodiversity

## Publishing Environment Report

KORAIL, as a public corporation that runs eco-friendly transport means, is actively participating in environmental preservation and carrying out various activities for improving the environment in order to contribute to the global preservation of the environment. In order to transparently disclose such activities to our stakeholders, we are publishing the 'Environment Report' separate from the 'Sustainability Report' on a yearly basis. As for the environmental performance related to 'eco-friendly railways', more detailed information is available via the 'Environmental Management Report' posted on KORAIL's website.

# Developing Eco-Friendly Railways for Future Generations

## Eco-Friendly Management Systems

### Environmental Visions and Strategies

KORAIL is aiming for 'stable implementation of new climate systems and enhancement of environmental operation and management' to achieve eco-friendly railways. And, we pursuing sustainable environment via 12 tasks based on three main strategies of 'establishing the stable implementation of new climate systems, building the basis for integration and management of environmental infrastructures and stabilizing railway's eco-friendly culture.' In addition, our goal by 2025 on GHG reduction is being implemented with mid/long-term road-maps via ethical and environmental management.

### Strategic Organizations

In order to smoothly advance the environmental management and enhance implementation competence, KORAIL has an office dedicated to handling environmental issues within the headquarters' Safety Administration HQ and is establishing organic and cooperative networks with 12 regional divisions involved with current projects, four rolling stock maintenance teams, eight affiliates, stations, 952 offices, and so forth. By establishing closely cooperating systems based on the networks throughout the nation, we will take the lead in preserving the environment.

### Reducing Greenhouse Gas(GHG) Emissions

To respond to climate change, KORAIL has formed a greenhouse gas & energy committee, taking the initiative and set our own goals higher than government-set standards. In addition, our own 'GHG managing system' to control the usage of greenhouse gases and monitor verification systems. GHG emissions in KORAIL's mainly comes from operating trains and operating railway facilities. In order to control GHG emissions from our workplaces nationwide, we are taking 'GHG inventories'. As a result of of the effort of we reduced GHG emissions by 260,000 tons; beyond government target.

### Actions for Circulating Resources and Reducing Railway Noise

We are determined to 'reduce the use of disposable items,' and established a system of recycling policies. To reduce disposable items within convenience stores at railway stations and encourage using multi-use items during the meetings, and purchasing green products with priority. As a result, green products worth KRW 7.1 billion were purchased, changing to paper packages, reducing plastic bags, introducing paper straws. To reduce complaints on railway noise, we have revised manuals on handling VOC matters to improve institutions related to complaints about noise, distributed guidelines on the management of low frequency noise and intensively managed managed stations. Moreover, we have adjusted the operation time, replaced aged rails. We will continue striving to ensure a cleaner future.

### Improving the System for Managing and Handling Fine Dust

KORAIL is taking 'comprehensive measures on managing indoor air quality' including and formed a corporation-wide organization dedicated to managing fine dust. We have replaced filters of a/c within underground stations, appointed six stations in controlling fine dust, removing acoustic boards generating fine dust in underground tunnels and installing devices that improve air quality in new trains. KORAIL aims to reduce the fine dust pollution level within stations by 13% and the level within underground stations by 10% by 2022.

## Minimizing Environmental Impact

### Comprehensive Measures to Manage Indoor Air Quality

#### Repairing Environmental Systems

Establishing a system of designating people in charge of managing fine dust and installing systems of measuring fine dust level on a regular basis (four of them)

#### Improving Air Quality within Stations

Cleaning air-conditioning facilities, securing and improving functionality and strengthening criteria on cleaning stations (five of them)

#### Improving Air Quality within Tunnels

Improving the ventilation operation hours within tunnels and introducing special cleaning equipment (five of them)

#### Managing Rolling Stock

Installing devices to improve air quality within trains and strengthening criteria on cleaning trains (four of them)

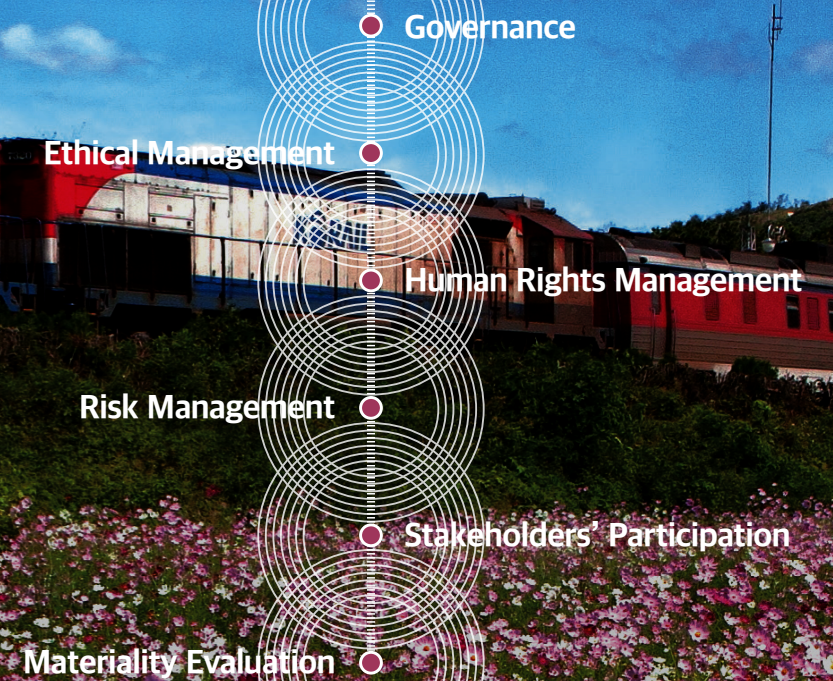
#### Controlling Emergency Reduction of Emissions

Adjusting the operation hours of facilities that produce air pollutants



Replacing Filters of Air-Conditioning Systems

# OUR APPROACH TO SUSTAINABILITY



## Board Members

### ● Status of the Board of Directors

KORAIL's BOD, as the highest decision-making body, is playing roles in making major decisions and supervising and supporting the business management for the corporation. The BOD consists of seven executive directors including the CEO and eight non-executive directors and secures the independence of its governance as a senior non-executive director serves as the chairperson. In particular, three female non-executive directors to increase the representativeness of women, comprising 20% of the BOD.

Status of the BOD Members (As of July 2019)

Executive Directors

Name	Gender	Job Position	Job Title
Son, Byeong Seok	Male	President and CEO	Head of the Organization
Kang, Sung soo	Male	Executive Auditor	Auditor
Jeong, Wang-guk	Male	Senior Vice President	Executive Director
Vacant	-	Vice President (Safety Administration)	Executive Director
Yang, woon-hak	Male	Vice President (Passenger Transport)	Executive Director
Joung, Hyun-woo	Male	Vice President (Metro)	Executive Director
Cho, Dae-sig	Male	Vice President (Engineering)	Executive Director

Non-Executive Directors

Name	Gender	Main Careers	Job Title
Kim Jeong-seon	Female	CEO of Neo Cross Structural Engineering	Senior Non-Executive Director Chairperson of the BOD
Kim Jeong-geun	Male	Chairperson of the World Labor Movement History Initiative	Non-Executive Director
Lee Jong-kook	Male	President of Busan Transportation Corporation	Non-Executive Director
Oh Geon-ho	Male	Head of Global Political Economy Institute	Non-Executive Director
Lee Chung-nam	Male	CEO of NEW ENERTECH	Non-Executive Director
Park Gong-woo	Male	CEO of SeeWoo, a legal firm	Non-Executive Director
Kim Hyun-min	Female	CPO of Anse Accounting Firm	Non-Executive Director
Kang Joo-eon	Female	Researcher of Communication Consulting & Clinic	Non-Executive Director

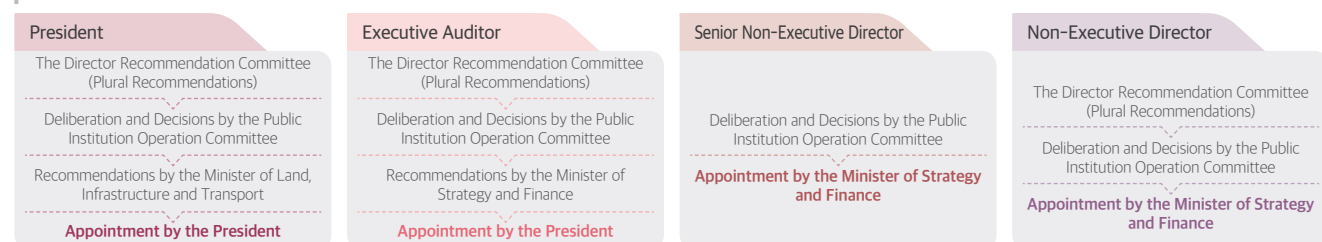
### ● Calling the BOD and Making Decisions

In order to discuss major issues, we hold regular board meetings on a monthly basis and temporary board meetings when requested by more than a third of the registered board members. For a fair operation of the BOD, we pass decisions made by a majority of the registered BOD members. And, we have stated the prohibition of directors with special stakes and interests related to agendas of the BOD from participating in the relevant decision-making process in the articles of association.

### ● Procedures for Appointing Directors

We are fairly appointing directors in accordance with Article 25 (Appointment of Directors of Public Institutions) of the Act on the Management of Public Institutions and internal regulations set by the Director Recommendation Committee. In particular, we have a pool of external candidates from such fields as transportation, business management, media, law, accounting, etc., in order to enhance the expertise and representativeness of non-executive directors. In principle, 100% of the director candidates are transparently and publically recommended, candidates recommended by any of the stakeholders are excluded and meeting minutes are disclosed in order to secure the fairness and reliability of the director position.

#### Procedures of Appointing Directors



## Operating the Board of Directors

### ● Operating the Board of Directors

The BOD is making major decisions and managing risks on KORAIL's business management, government's policies and environmental issues. In order to enhance the efficiency and roles of the BOD, we are keeping the business management in check, coming up with practical policies and encouraging the BOD members to actively participate in meetings and express their opinions under the goal of 'supporting decision-making processes for vitalizing the BOD and realizing social values.'

Goals for Operating the BOD and Tasks of Performing Goals and Tasks of the Board of Directors



#### Committees within the BOD

Classification	Roles	Members
Strategy and Finance Sub-Committee	Discussing Issues on Business Goals, Organizations, Budgets and Other Policies	Three Non-Executive Directors and One Executive Director
Project Sub-Committee	Discussing Issues on New Projects, Sales & Transport Policies, Safety and Other Project Operations	Five Non-Executive Directors and One Executive Director
Audit Sub-Committee	Auditing Businesses and Accounting Issues	Two Non-Executive Directors and One Executive Auditor

### ● Committees within the BOD

By activating sub-committees within the BOD, we are carrying out professional and in-depth discussions on agendas and minimizing business risks. By holding 15 sub-committee meetings and presenting 38 agendas, we have so far revised the wage system, conducted practical discussions to create consensus between labor and management, improved blind evaluation criteria when bidding for technologies and inspected disaster prevention facilities in tunnels for safe operation of trains. We will continue to work hard to support the BOD to make rational decisions and back up the business management by invigorating the operation of sub-committees.

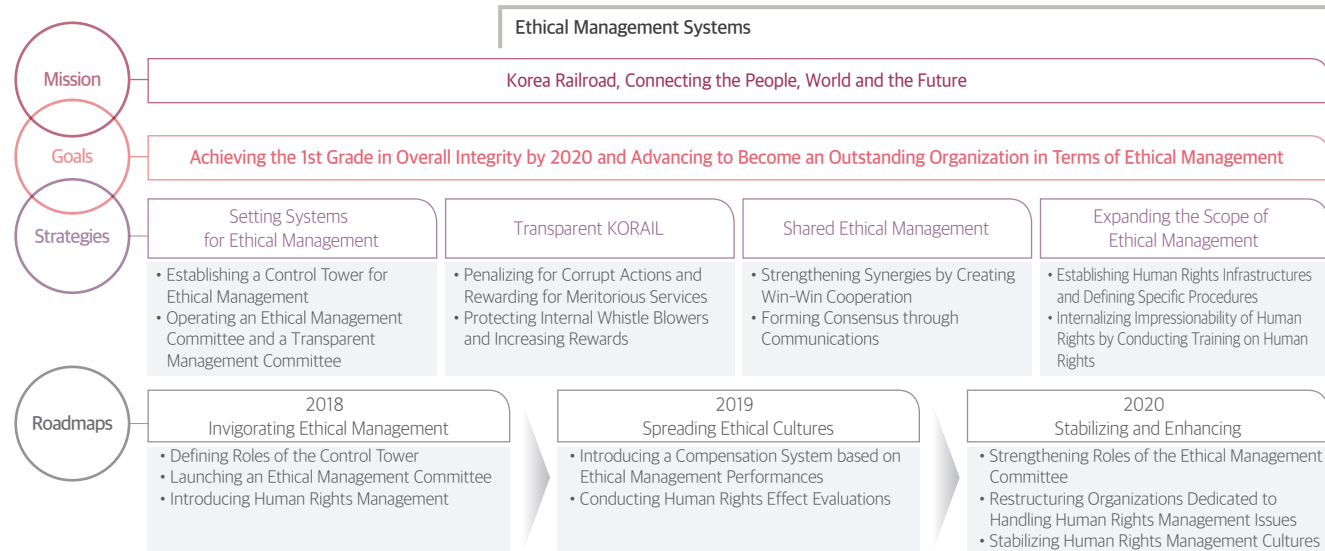
### ● Strengthening Roles and Utilizing Expertise of Non-Executive Directors

To strengthen the roles of non-executive directors, we have enhanced their understanding of current business issues and participation in the business management by conducting reporting sessions, meetings and on-site briefing sessions on core current issues. To strengthen the functionality of non-executive directors in monitoring and checking the business management, we've carried out preliminary briefing sessions and separate reporting sessions on major issues and matters of interest. At the same time, by implementing a business consultant system utilizing each professional field of the nonexecutive directors and exclusively appointing directors to each of the consultant groups, we've come up with specifically-designed polices and customized business support plans. Furthermore, we've activated communications between non-executive directors and our employees by carrying out special lectures conducted by those non-executive directors for our employees.

## Systems for Advancing Ethical Management

### ● Strategies and Roadmaps

In order to create an incorrupt and ethical organizational culture, KORAIL has set up an enhanced system of pursuing ethical management under the goal of 'achieving the 1st grade in overall integrity by 2020 and advancing to become an outstanding organization in terms of ethical management.' We are presenting an ethics charter, a code of ethics, a code of conduct for employees and other rules to induce strict and voluntary ethical behaviors. We are working hard to realize ethical management by concentrating the corporation-wide capabilities on the creation of an anti-corruption and integrity culture.



### ● Organizations Implementing Ethical Management

In order to enhance the implementation competence on ethical management, we are operating an ethical management implementation organization that is led by the Office of Future Planning and Innovative Strategy as a control tower and consists of others such as the Audit & Inspection Office, Office of Financial Management, Office of Human Resources Management and Safety Administration HQs. At the same time, we are striving to strengthen the expertise of ethical management by establishing the Ethical Management Committee and the Transparent Management Committee so as to expand ethical management throughout our businesses, improve internal check systems, and focus on incorrupt work. In particular, the Ethical Management Committee is planned to be further developed into a committee where civic groups and external experts are included.



## Activities and Achievements

### ● Internalizing Ethical Management through Training

#### Setting up an Ethical Culture through Training on Ethics

We are conducting training on integrity by inviting external professional lecturers, integrity training for newly hired employees and other collective training to increase the understanding of anti-corruption institutions for those that have been directly hired. In order to expand training on ethics, we have improved cyber integrity education courses by expanding relevant courses and strengthening qualifications of selecting related tutors. In addition, we have provided CEO's special lectures on integrity and executive auditors' lectures on integrity for those in high-ranking positions and special lectures on integrity for employees at HQs by inviting the chairperson of the Anti-Corruption and Civil Rights Commission in order to activate integrity training by utilizing internal and external officials.

#### Realizing Win-Win Integrity with Partners

We are striving to take care of and monitor difficulties faced by our partners in order to build trust with them. And, we have published pamphlets on the corporation's anti-corruption institutions and integrity policies and distributed 217 of them to partners. In addition, we have conducted training on the Improper Solicitation and Graft Act and KORAIL's corruption-reporting systems for those SMEs with insufficient education-related conditions. By granting incentives for partners' endeavors to improve integrity, we are encouraging them to voluntarily carry out anti-corruption and integrity activities. Meanwhile, we are pursuing integrity activities customized for each of the regions by establishing an integrity consultative body that is mainly led by regional divisions working together with NGOs, civic groups and other external organizations.

### ● Creating an Integrity Culture by Activating Reporting Systems

#### Protecting Internal Whistleblowers

To set up infrastructures through which anyone could feel free to make a report, KORAIL has become the first as a public corporation to introduce 'Safe Report Attorney System'. Thanks to the new system, we could enhance anonymity by blocking the information of a reporter from the beginning as an external attorney makes a report by proxy, achieving eight cases of consultations and two cases of reports made by proxy. In addition, we have carried out mock experiences for newcomers to make reports on corruptions to establish a reporting culture and implemented on-site integrity schools to actively promote the reporting systems. As a result, the rate of concerns over ID exposures arising from making internal reports has dropped by 7.1%p compared with the previous year, while the rate of willingness to make reports on corruptions has increased by 1.3%p.

#### Endeavoring to Activate Reports

For organic ethical culture to grow, KORAIL encourage employees to report on internal and external issues. We've produced promotional booklets, videos, blogs and other online materials for our employees, policy customers, and partners. We have unified various reporting process on 'corruption and breaches of the code of conduct' into a simplified system. To encourage participation, 'system for a corruption report', consolatory compensation funds are provided to those who submitted in regards to stress and other disadvantages due to the corruption. 'Center for improperly-used power' is installed to abolish various improper and unfair behaviors, abusing power at work. Thanks to such endeavors to encouraging reports, the number of cases of employees' breaching the code of conduct has dropped by 28% to 38 cases compared with the previous year.

#### Introducing Safe Attorney System

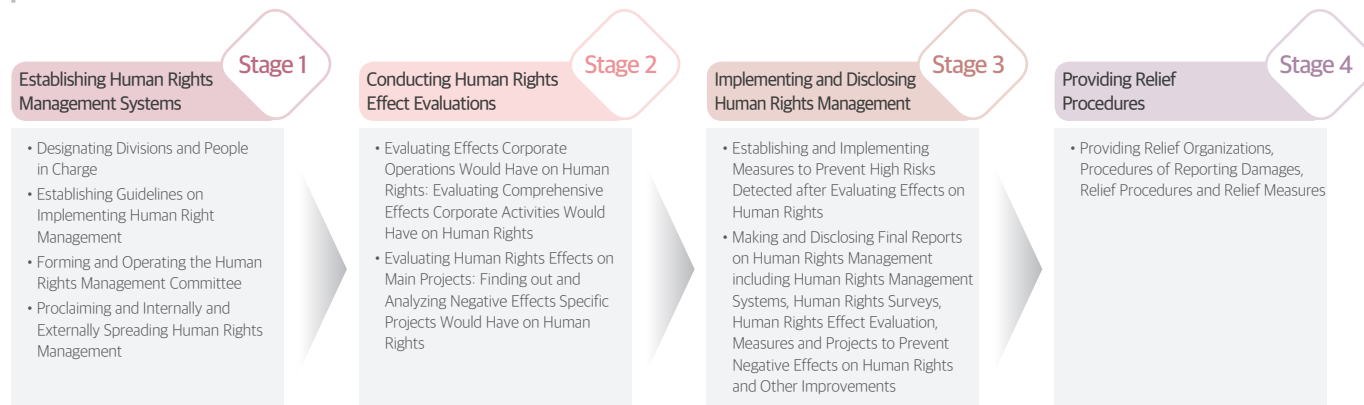




# Human Rights Management

## Respecting Employees' Human Rights

### Four Stages of Pursuing Human Rights Management



### Forming the Human Rights Management Committee

#### Classification Members

Internal Members	CEO, Head of the Future Innovation Office, Head of the Audit Office, Head of the HR Management Office and Head of the Financial Management Office
External Members	The Labor Union* (1), Human Rights Experts (2), Customer (1), Partner (1), One Representing the Disadvantaged** (1)

\* Considering the interests of the labor union, it is included in the external members

\*\* A child human rights expert has been invited.

## Blind Recruitment



### Pursuing Human Rights Management

In order to prevent human rights violations that could be caused by a company and implement human-right-friendly business activities. We have established a four-stage roadmap to realize human rights management. By forming the human rights management committee, establishing guidelines on human rights management, enacting the charter of human rights, conducting human rights effect evaluations, providing relief procedures, and carrying out other human rights activities, we have laid the organizational, legal and institutional foundation for human rights management.

### Forming and Operating the Human Rights Management Committee

By forming the human rights management committee chaired by the CEO, we have strengthened our capabilities for making decisions on implementing overall policies on human rights management. The committee consist of a wide range of stakeholders including the CEO, the labor union, human rights experts, customers and partners. As recommended by the National Human Rights Commission, external members form the majority of the committee. And, we are holding regular committee meeting on a yearly basis and temporary committee meeting when necessary to have in-depth discussions on various issues regarding human rights management.

### Prohibiting Discrimination

KORAIL is prohibiting any discrimination based on gender, education background, disability, age, career, social status, marriage, etc. In accordance with employment rules and personnel regulations, we are ensuring fair evaluations and equal opportunities for all employees and are preventing them from receiving any unfair or irrational treatment in terms of recruitment, wages and welfare. In addition, we are fairly and transparently hiring people through a blind recruitment system and applying fair rules to any types of recruitments. At the same time, we have secured equality and fairness by providing irregular workers with the same level of wages paid to regular workers doing similar jobs in similar industries. Meanwhile, we are enhancing the status of female workers within the organization by nurturing female managers to overcome the 'glass ceiling' of hiring women due to the characteristics of the railway transport industry. In order to create a corporate culture of gender equality, we are supporting the establishment of an external female leaders' network, implementing programs to enhance the capability of female leadership and striving to increase the number of female managers.

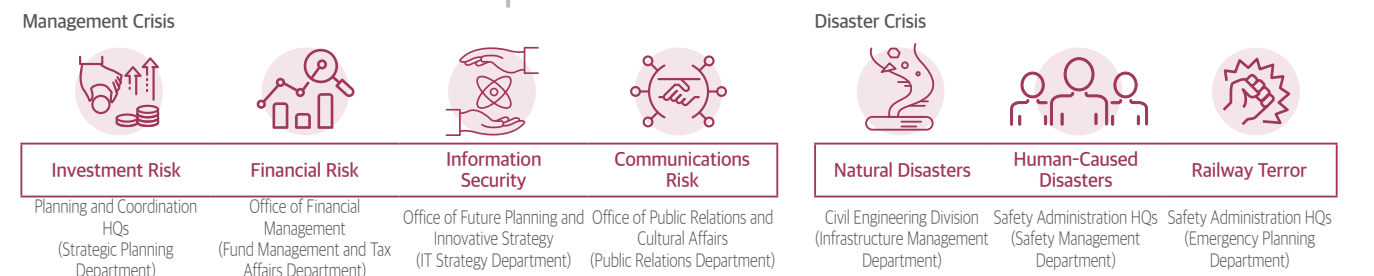
# Risk Management

## Risk Management Systems

### Risk Types and Divisions in Charge

In order to systemically manage various risk factors that could arise from unexpected circumstances, KORAIL has sorted out each type of risk, and placed divisions in charge to respond to each risk type. Considering features of railway-operating projects, we have sorted risks into management crisis and disaster crisis and are trying to minimize any damages by managing risk factors in advance, and promptly responding to any risks afterward.

#### Divisions in Charge of Handling Each Risk Type



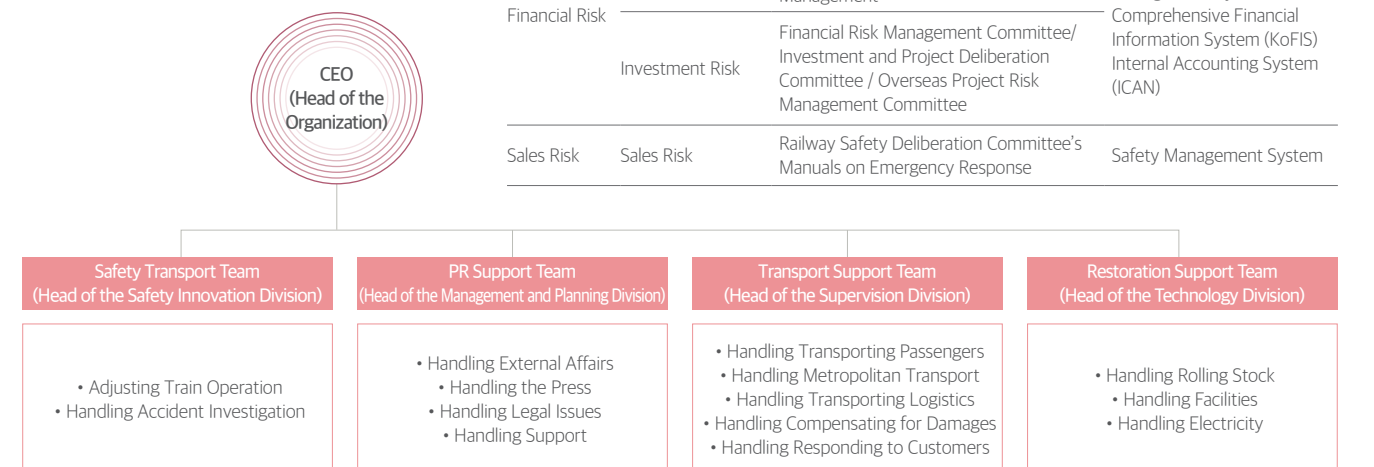
### Risk Management Systems and Emergency Response Organizations

We have been operating institutions, regulations and systems to implement efficient investment management by proactively identifying financial and non-financial risk factors regarding the railway operation. In addition, we are striving to enhance the stability of the railway operations by operating various committees such as the management strategy committee, the financial risk management committee, the investment and project deliberation committee, the overseas project risk management committee, and the railway safety deliberation committee. And, we have formed an emergency response organization headed by the president in order to deal with disaster crises.

#### Management/Financial Crisis Control Systems

Risks	Targets	Institutions and Regulations	Controlling Systems
Financial Risk	Market Risk	Regulations on Financial Risk Management/ Manuals on Response to Crisis / Regulations on Internal Accounting Management	Sales Information System (BS) Corporation-Wide Resource Management System (KOVIS)
	Liquidity Risk		Comprehensive Financial Information System (KoFIS)
	Investment Risk	Financial Risk Management Committee/ Investment and Project Deliberation Committee / Overseas Project Risk Management Committee	Internal Accounting System (ICAN)
Sales Risk	Sales Risk	Railway Safety Deliberation Committee's Manuals on Emergency Response	Safety Management System

#### Emergency Response Organization When Facing Disaster Crises



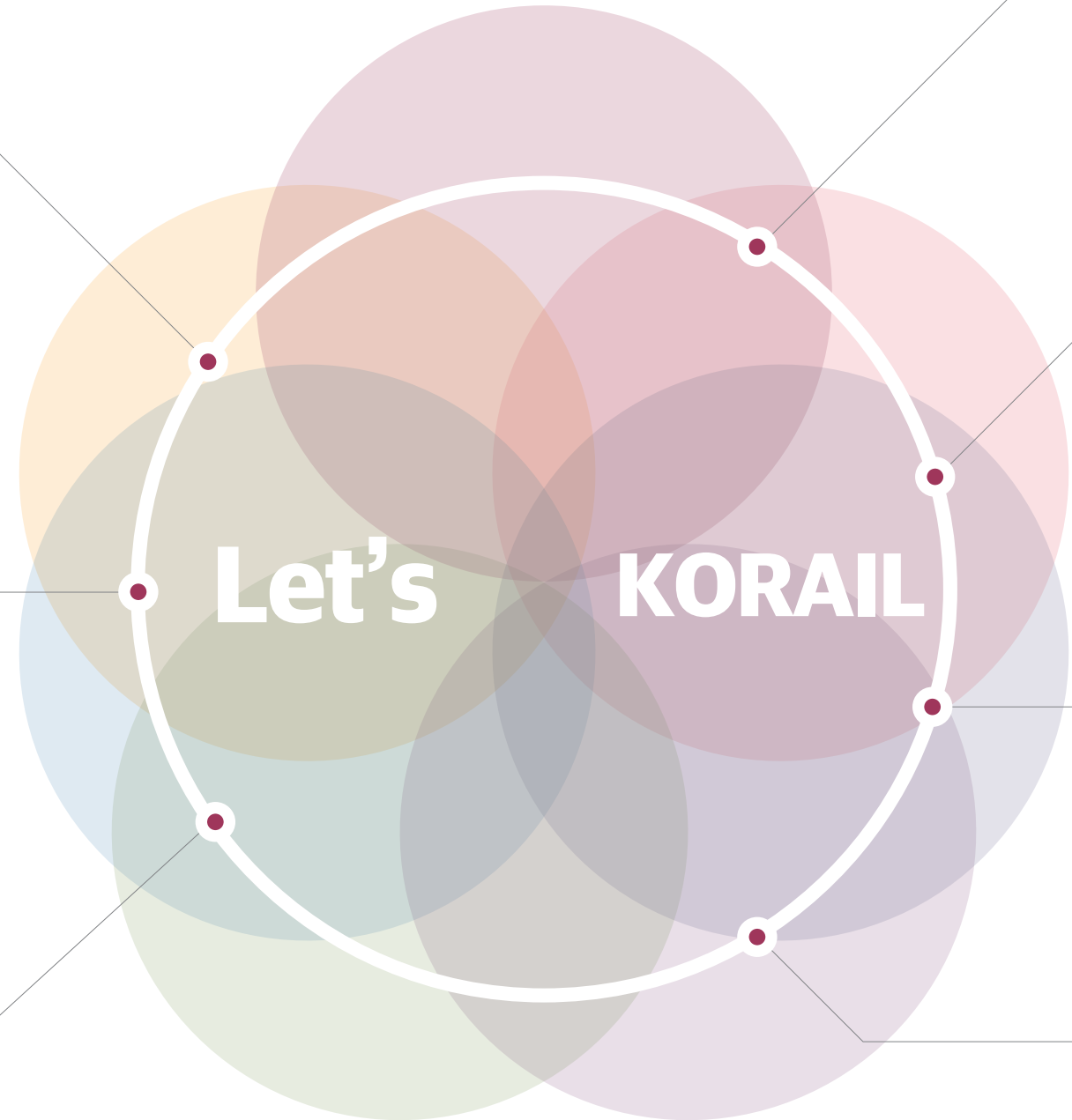
# Stakeholders' Inclusiveness

# Stakeholders' Inclusiveness

## Communications with Stakeholders

We have divided our stakeholders into four groups based on the level of their interests and influences: employees/labor union, partners/passengers, the public/local communities and the government & the national assembly/media. And, we are collecting opinions from each stakeholder group by establishing communication directions and channels suitable for each group's features. KORAIL is actively reflecting valuable opinions on its management by expanding communication channels after restructuring the stakeholder groups in 2018 and by strengthening innovative communication activities customized to each of the stakeholder group.

The Public		
<b>Matters of Interest</b>	<ul style="list-style-type: none"> <li>Sharing Information and Infrastructure</li> <li>Expanding the Public Participation</li> </ul>	<b>Reflecting Opinions</b> <ul style="list-style-type: none"> <li>Actively Reflecting Public Opinions on Line Names and New Projects</li> <li>Establishing KorailTalk Total Travel Services</li> <li>Launching Cheongchun Café and Coffee Shops for Single Mothers to Stand on Their Feet</li> <li>Expanding Railways Connectivity with Public Taxis and Increasing Express Train Operation</li> </ul>
<b>Communication Directions</b>	<ul style="list-style-type: none"> <li>Strengthening Promotional Channels and Expanding Proposals and Contests</li> </ul>	
<b>Main Communication Channels</b>	<ul style="list-style-type: none"> <li>Public Happiness KORAIL Team/Volunteers</li> <li>Airing KORAIL News in KTX Trains</li> <li>Civic Group for Participatory Innovation</li> </ul>	<b>Realizing Social Values</b> <ul style="list-style-type: none"> <li>Realizing Public Participation</li> </ul>
NGO Local Communities' NGOs		
<b>Matters of Interest</b>	<ul style="list-style-type: none"> <li>Contributing to Regional Development</li> <li>Supporting the Underprivileged to Start Their Businesses</li> </ul>	<b>Reflecting Opinions</b> <ul style="list-style-type: none"> <li>Actively Reflecting Public Opinions on Line Names and New Projects</li> <li>Establishing KorailTalk Total Travel Services</li> <li>Launching Cheongchun Café and Coffee Shops for Single Mothers to Stand on Their Feet</li> <li>Expanding Railways Connected with Public Taxis and Increasing Express Train Operation</li> </ul>
<b>Communication Directions</b>	<ul style="list-style-type: none"> <li>Strengthening Promotional Channels and Expanding Proposals and Contests</li> </ul>	
<b>Main Communication Channels</b>	<ul style="list-style-type: none"> <li>Local Management Council</li> <li>KORAIL Volunteer Group</li> <li>Meetings with Customers and Civic Groups</li> </ul>	<b>Realizing Social Values</b> <ul style="list-style-type: none"> <li>Equal Opportunities &amp; Social Integration, Creating Jobs, Win-Win Cooperation and Invigoration Local Communities</li> </ul>
Government, The National Assembly, The Media		
<b>Matters of Interest</b>	<ul style="list-style-type: none"> <li>Implementing the Government's Policies</li> <li>Securing Railway Safety</li> <li>Strengthening the Public Value of the Railway</li> <li>Supporting National Events</li> </ul>	<b>Reflecting Opinions</b> <ul style="list-style-type: none"> <li>Successfully Supporting Transportation through Emergency Systems during the Olympics</li> <li>Holding Job Fairs for the Young and Running Dream Trains for Soldiers</li> <li>Constructing Railways and Improving Relevant Facilities</li> </ul>
<b>Communication Directions</b>	<ul style="list-style-type: none"> <li>Increasing the No. of On-Site Briefing Sessions to Draw Attention</li> </ul>	
<b>Main Communication Channels</b>	<ul style="list-style-type: none"> <li>Consultative Body under the Ministry of Land, Infrastructure and Transport</li> <li>Meetings with the Media</li> <li>Railway Development &amp; Cooperation Body</li> <li>Railway On-Site briefing Sessions</li> <li>Meetings with Transport Reporters</li> </ul>	<b>Realizing Social Values</b> <ul style="list-style-type: none"> <li>Creating Jobs, Win-Win Cooperation and Boosting Local Communities</li> </ul>



Employees		
<b>Matters of Interest</b>	<ul style="list-style-type: none"> <li>Realizing Work &amp; Life Balance</li> <li>Recovering Public Trust through Safe Railway Operations</li> </ul>	<b>Reflecting Opinions</b> <ul style="list-style-type: none"> <li>Expanding Staggered Office Hour Systems, Family Days and Flexible Working Hours Systems</li> <li>Improving Infrastructures Blocking Access to Tracks</li> <li>Specially Employing Former KTX Crews and Reinstating Dismissed Workers</li> <li>Peacefully Signing of Wage and Collective Agreements without Strikes</li> </ul>
<b>Communication Directions</b>	<ul style="list-style-type: none"> <li>Continuing to Share Current Issues</li> <li>Forming Cooperative and Consultative Bodies</li> </ul>	
<b>Main Communication Channels</b>	<ul style="list-style-type: none"> <li>KORAIL Square</li> <li>KORAIL Group Portal Site</li> <li>Junior Board</li> <li>Labor-Management Joint Committee</li> <li>CEO's Innovative Communications</li> <li>Railway Development Committee</li> <li>Labor-Management Joint Implementation Organization</li> <li>Labor-Management-Expert Consultative Organization</li> </ul>	<b>Realizing Social Values</b> <ul style="list-style-type: none"> <li>Ensuring Basic Rights and Safe Environment Rights</li> </ul>
Labor Union		
<b>Matters of Interest</b>	<ul style="list-style-type: none"> <li>Addressing Labor- Management Disputes</li> <li>Reinstating Dismissed Workers and Addressing Other Pending Issues</li> </ul>	<b>Reflecting Opinions</b> <ul style="list-style-type: none"> <li>Expanding Staggered Office Hour Systems, Family Days and Flexible Working Hours Systems</li> <li>Improving Infrastructures Blocking Access to Tracks</li> <li>Specially Employing Former KTX Crews and Reinstating Dismissed Workers</li> <li>Peacefully Signing of Wage and Collective Agreements without Strikes</li> </ul>
<b>Communication Directions</b>	<ul style="list-style-type: none"> <li>Continuing to Share Current Issues</li> <li>Forming Cooperative and Consultative Bodies</li> </ul>	
<b>Main Communication Channels</b>	<ul style="list-style-type: none"> <li>Employees' online communication space</li> <li>KORAIL Group Portal Site</li> <li>Junior Board</li> <li>Labor-Management Joint Committee</li> <li>CEO's Innovative Communications</li> <li>Railway Development Committee</li> <li>Labor-Management Joint Implementation Organization</li> <li>Labor-Management-Expert Consultative Organization</li> </ul>	<b>Realizing Social Values</b> <ul style="list-style-type: none"> <li>Win-Win Labor-Management Relations</li> </ul>
Partners		
<b>Matters of Interest</b>	<ul style="list-style-type: none"> <li>Jointly Developing Technologies</li> <li>Advancing into Overseas Markets Together</li> <li>Growing Together with Partners</li> <li>Eradicating the Practice of Abusing Power</li> </ul>	<b>Reflecting Opinions</b> <ul style="list-style-type: none"> <li>Improving Commutation Tickets and Introducing Mobile-based Booking Systems for Holiday Tickets</li> <li>Expanding Concessionary Fares for Pregnant Women and Multiple-Child Families</li> <li>Revising Unfair Provisions Stipulated in Internal Regulations and Contracts</li> <li>Advancing into Overseas Markets with SMEs for 'Transport Card Projects'</li> </ul>
<b>Communication Directions</b>	<ul style="list-style-type: none"> <li>Establishing Institutional Channels to Reflect Opinions</li> </ul>	
<b>Main Communication Channels</b>	<ul style="list-style-type: none"> <li>E-Procurement System</li> <li>Win-Win Cooperation Academy</li> <li>Meetings with Partners</li> <li>Railway Win-Win Platform</li> <li>Achievement-Sharing Academy</li> </ul>	<b>Realizing Social Values</b> <ul style="list-style-type: none"> <li>Ethical Management, Equal Opportunities and Social Integration</li> </ul>
Passengers		
<b>Matters of Interest</b>	<ul style="list-style-type: none"> <li>Providing Customized Services</li> <li>Enhancing IT-Based Conveniences</li> </ul>	<b>Reflecting Opinions</b> <ul style="list-style-type: none"> <li>Improving Commutation Tickets and Introducing Mobile-based Booking Systems for Holiday Tickets</li> <li>Expanding Concessionary Fares for Pregnant Women and Multiple-Child Families</li> <li>Revising Unfair Provisions Stipulated in Internal Regulations and Contracts</li> <li>Advancing into Overseas Markets with SMEs for 'Transport Card Projects'</li> </ul>
<b>Communication Directions</b>	<ul style="list-style-type: none"> <li>Establishing Institutional Channels to Reflect Opinions</li> </ul>	
<b>Main Communication Channels</b>	<ul style="list-style-type: none"> <li>Customer Service Evaluation Group</li> <li>Call Center (Phone)</li> <li>CEO's Open Talks</li> </ul>	<b>Realizing Social Values</b> <ul style="list-style-type: none"> <li>Ensuring Basic Rights</li> </ul>

## Interviews with Stakeholders

### “Growing Logistics Business through Eco-Friendly Railway”

**Geum Dong-hun,**  
Chief of the HQs of Samik Logistic Co., Ltd.

In order to enhance the competitiveness of the railway logistics business, the future growth engines should be secured by expanding investment in logistics facilities, making cooperation with and establishing friendly relations with related organizations and utilizing other strategies. Although as issues related to public safety and environment are regarded important on the national level, eco-friendly policies on the railway logistics business have not yet been fully prepared. In such circumstances, when KORAIL's role as an eco-friendly transportation means is strengthened by establishing specific and long-term roadmaps to increase the modal split of freight transport environmental risks will be efficiently managed and sustainable growth will be also possible in the sector. I hope that KORAIL will carry out eco-friendly logistics businesses and contribute to sustainable environment, beyond its business logics related with profitability and efficiency.



### “Increasing Investment in Safety by Introducing New Rolling Stocks”

**Hong Joon-ki,**  
Reporter from Chosun Daily Newspaper

The most important issue that KORAIL, which conducts transport tasks, should manage is “safety.” All employees throughout the corporation need to work hard to systemically manage entire railway-related areas ranging from train maintenance to punctual operation. To this end, a plan to introduce trains equipped with new technology needs to be established. Through such a plan, safety issues could be addressed and other railway issues including train noise, in-train environment management, various services, flexible fare systems and others could be widely handled as well. As the public may be aware, multiple power trains have been recently introduced and there are plans to introduce advanced trains based on new technology such as a hydrail train and a hyperloop train which is a supersonic maglev train running at the speed of 1,200km per hour. If such trains equipped with new technology are to be introduced in order to actively respond to such environmental changes, both profitability and service improvement could be achieved. I hope that KORAIL will further grow beyond public corporations exceeding what private companies can provide.



### “Organizational Adaptation to Digital Environment Changes in the 4<sup>th</sup> Industrial Era”

**Kim Hyeong-joon,**  
Professor of School of Business Administration at Chungnam University

In the era when drastic environmental changes and, particularly, technical environment changes bring about changes in managing railway infrastructure and marketing methods, the direction of such changes should be taken to expect and prepare for the railway environment ten years from now. In order to respond to changes in the digital environment led by the 4<sup>th</sup> Industrial Revolution technology, business structures should be changed, internal systems should be enhanced and internal capabilities should be nurtured to stably manage enhanced systems. Moreover, infrastructure and institutions should be improved to usher in the era of the inter-Korean exchanges. And, marketing strategies should be upgraded to meet experience-based consumption patterns. At the same time, internal studies on countermeasures against risks arising from the technical progress of the 4<sup>th</sup> Industrial Revolution should be conducted in advance, and internal consensus should be formed for sustainable growth.



### “Providing Innovative Services by Utilizing Network”

**Ahn Min-ho,** Professor of Media Department  
at Sookmyung Women's University

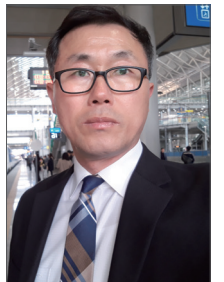
KORAIL is a public corporation that holds physical network assets of railway networks and stations nationwide. Therefore, KORAIL should pursue sustainable growth by creating a business model based on its own core assets. It could develop customer services by converging tangible and intangible networks and provide other services by utilizing trains, stations and other spaces. For instance, it could develop services for passengers to experience various things around stations at affordable prices while traveling by train in cooperation with regional businesses. And installation of powder rooms for female passengers could also be considered. By keeping in mind that KORAIL is a business platform with network infrastructure and by strategically utilizing such properties, it could be a more outstanding and sustainable corporation. I hope that KORAIL will continue to provide more innovative services for its customers through customer-centered thoughts.



### “Creating Social Values through Balanced Regional Development”

**Kim Myeong-sin,**  
Chief of Tourism Division of Jeollanam-do Municipal Government

KORAIL should take social responsibilities and practice sustainable management by improving railway accessibility for the transport disadvantaged living in remote areas, continuously expanding railway networks and actively responding to indirect economic effect issues. Even as policies have been continuously updated to handle the population issues that directly affect the future of a country, our society is drastically changing as the birthrate is dropping and extinction of local communities is becoming reality. Therefore, it is expected that regional boundaries could collapse and the railway industry could be at a critical turning point in the near future. Even if KORAIL is active in responding to related issues, there remain some elements that hamper the regional development due to local transport inconvenience. I think it is time for KORAIL to look at the bigger picture for improving the quality of life for locals and vitalizing the regional economy. By precisely analyzing regional populations, industrial development levels, transportation capacities, trends of visitors to Korea and so forth, policies should be devised for boosting the regional economy. Moreover, future-oriented policies should be implemented even if they seem to have low social value in the short term. I hope that KORAIL will grow together with local communities through various projects affiliated with local governments.



### “Addressing Social Issues by Participating in Local Communities”

**Park Mi-ae,**  
Director of Green Umbrella Children's Foundation

KORAIL continues to work hard to deliver social value as a public corporation by conducting social contribution activities ranging from railway experience learning zones, such as KORAIL villages, the KORAIL symphony orchestra to Happy Train. Out of all these activities, however, I believe the social contribution activity that only KORAIL is able to conduct is the Happy Train. At this moment when corporate social contributions are guided toward 'social impact businesses' that can address issues of local communities and create profits at the same time, KORAIL also needs to reconsider the direction of its social contribution activities. For instance, KORAIL's closed stations could be developed into kids' playgrounds to address the social issue of 'low fertility rate and lack of play areas for children, or a project could be carried out by supporting the underprivileged and their kids to obtain train-driving licenses or train-related mechanic certificates and then hiring them to work for KORAIL. If KORAIL takes the lead in addressing social issues by participating in local community-based projects, our society will further move forward.

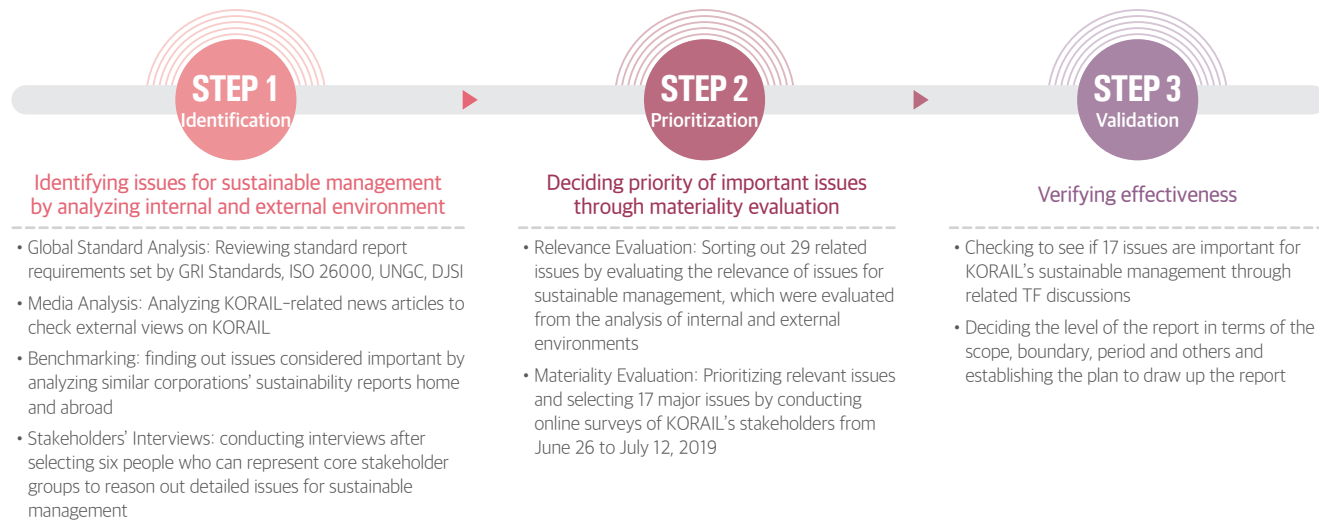


# Materiality Evaluation

## Materiality Evaluation Process

KORAIL has investigated important issues for its sustainability management by conducting materiality evaluation based on the principles of sustainability context, materiality, completeness and stakeholder inclusiveness all of which are recommended by ISO 26000 and GRI Standards. The table and contents of this report have been structured based on important issues for KORAIL's sustainability, and we have also worked hard to faithfully contain relevant data in this report.

### Materiality Evaluation Process



## Top-10 Major Issues Selected by Stakeholders

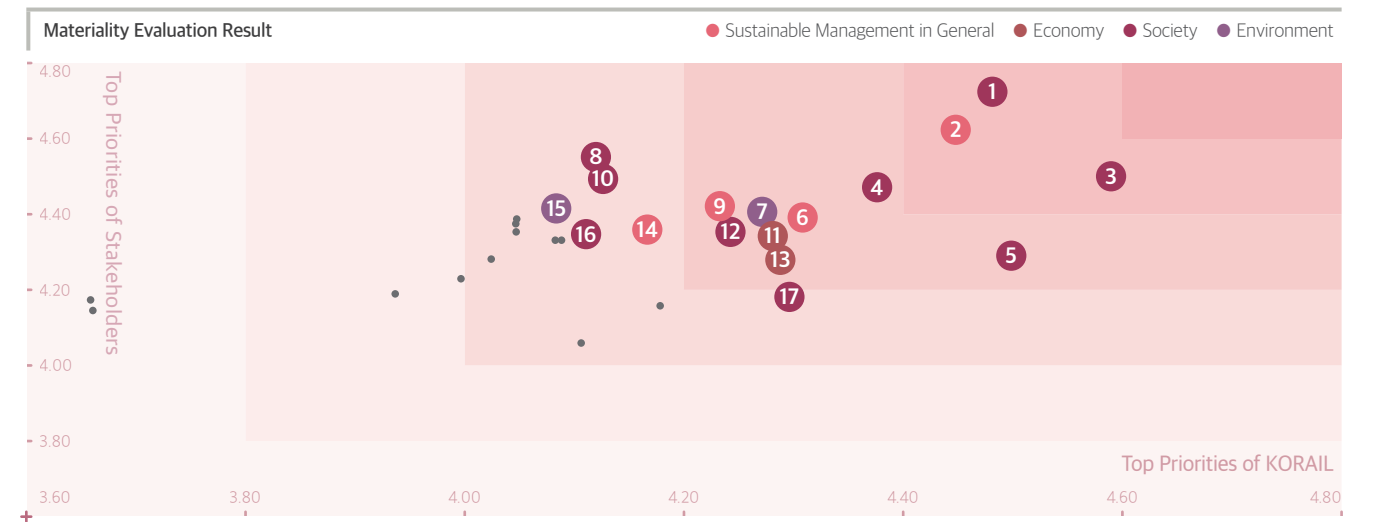
We have analyzed the issues considered important by our internal and external stakeholders for KORAIL's sustainable management through surveys. As 'customer safety and health' and 'workplace health and safety' selected by external stakeholders and internal stakeholders respectively, we believe the issue of 'safety', as selected by both internal and external stakeholders, is the most important for KORAIL's sustainable management.



# Materiality Evaluation

## Materiality Evaluation Result

KORAIL's stakeholders have evaluated the materiality of various issues for KORAIL's sustainable management and selected 17 of them as important issues for KORAIL's sustainable management. Such issues closely related to safety and human rights as 'customer safety and health', 'ethics and law compliance', 'occupational health and safety', 'respecting human rights and prohibiting discriminations' and 'balancing work and life', are considered important by KORAIL's employees and stakeholders for KORAIL's sustainable management in 2019. In particular, the issues related to respecting human rights and corporate governance have ranked in the top and have sharply increased from the previous year. And, issues of managing indoor air quality and managing risks have first ranked in the top-10 places.



### Major Issues and Report TOC Structure

No.	Major Issues	Report TOC	Report Boundary	Priority in 2018
1	Securing safety and health for customers (safely operating railways, securing the safety of trains and facilities)	Safe Railroad	Internal	1
2	Complying with ethics and laws	Ethical Management	Internal	5
3	Securing safety and health at workplace	Creating People-Oriented Workplaces	Internal	8
4	Respecting human rights and prohibiting discriminations	Creating People-Oriented Workplaces	Internal	21
5	Work-life balance	Creating People-Oriented Workplaces	Internal	7
6	Securing governance transparency and expertise	Governance	Internal	19
7	Managing indoor air quality	Developing Eco-Friendly Railways for Future Generations	Internal	New
8	Improving customer satisfaction (including smart services, universal services, convenient services, etc.)	Convenient Railroad	External	2
9	Managing economic/social/environmental risks	Risk Management	Internal	New
10	Securing information security and protecting personal information	Safe Railroad	Internal	14
11	Making fair contracts and procurement agreements (prohibiting price collusions and other unfair trades, making fair-pricing biddings and others)	Growing Together with Partners	Internal	11
12	Respecting employees' diversity and providing equal opportunities	Creating People-Oriented Workplaces	Internal	17
13	Expanding future new growth engines (internalizing future core technology, carrying out overseas and inter-Korean railway projects and implementing multiple projects)	Future Railroad	Internal	9
14	Communicating with stakeholders (expanding communication channels and responding to their interests)	Stakeholders' Participation	Internal/External	10
15	Strengthening environment management (pushing forward eco-friendly management and complying with environmental laws)	Developing Eco-Friendly Railways for Future Generations	Internal	12
16	Educating and training employees	Creating People-Oriented Workplaces	Internal	신규
17	Pursuing win-win labor-management relations	Creating People-Oriented Workplaces	Internal	20

# APPENDIX

○ Sustainability Performance

○ Third Party's Verification Statement

○ GRI & ISO 26000 Index

○ UN SDGs & UNGC

○ Key Awards and Memberships

○ Sustainability Reporting Bodies

## Sustainability Performance

### Economic Performance

#### Summary of Consolidated Financial Statement

Classification	Unit	2016	2017	2018	
Assets	Current Assets	KRW 100 Million	10,961	17,134	16,267
	Non-Current Assets	KRW 100 Million	174,168	181,649	204,901
	Total Assets	KRW 100 Million	185,129	198,783	221,168
Liabilities	Current Liabilities	KRW 100 Million	29,086	28,545	38,558
	Non-Current Liabilities	KRW 100 Million	108,355	120,262	116,974
	Total Liabilities	KRW 100 Million	137,441	148,807	155,532
Capital	Paid-in Capital	KRW 100 Million	101,039	102,463	103,168
	Loss	KRW 100 Million	(83,877)	(92,279)	(93,479)
	Other Capital Components	KRW 100 Million	29,305	38,394	54,335
	Non-Controlling Shareholders' Equity	KRW 100 Million	1,221	1,397	1,611
	Total Capital	KRW 100 Million	47,688	49,976	65,636

#### Summary of Consolidated All-Inclusive Income Statement

Classification	Unit	2016	2017	2018
Sales	KRW 100 Million	56,936	57,867	63,268
Cost of Sales	KRW 100 Million	52,324	59,177	60,101
Gross Profit	KRW 100 Million	4,612	(1,310)	3,167
Sales and Administrative Expenses	KRW 100 Million	3,396	3,389	3,506
Operating Profit	KRW 100 Million	1,216	(4,699)	(339)
Other Profit	KRW 100 Million	340	146	233
Other Expenses	KRW 100 Million	529	901	709
Other Profit (Loss)	KRW 100 Million	563	(1,402)	1,140
Financial Revenue	KRW 100 Million	455	1,324	645
Financial Cost	KRW 100 Million	4,543	5,285	4,530
Profit from Associates and Joint Ventures	KRW 100 Million	178	(811)	205
Net (Loss) on Continuing Operations before Income Tax	KRW 100 Million	(2,320)	(11,628)	(3,355)
Income Tax Expenses	KRW 100 Million	(55)	(3,073)	(2,305)
Profit (Loss) from Continuing Operations	KRW 100 Million	(2,265)	(8,555)	(1,050)
Profit (Loss) from Discontinued Operations	KRW 100 Million	-	-	-
Net Income (Loss)	KRW 100 Million	(2,265)	(8,555)	(1,050)
Net Income (Loss) Attributable to Owners of the Parent Company	KRW 100 Million	(2,058)	(8,744)	(1,267)
Net Income Attributable to Non-Controlling Shareholders' Equity	KRW 100 Million	(207)	189	218
Other Comprehensive Income (After Tax)	KRW 100 Million	1,324	9,453	16,007
Total Comprehensive Income (Loss)	KRW 100 Million	(941)	898	18,899
Capital Attributable to Owners of the Parent Company	KRW 100 Million	(734)	716	14,735
Non-Controlling Shareholders' Equity	KRW 100 Million	(207)	182	221

## Creating and Distributing Economic Values

Classification	Unit	2016	2017	2018	Notes
Creating Economic Value (A)	KRW 100 Million	55,587	52,853	58,690	-
Sales	KRW 100 Million	53,651	50,572	55,545	-
Financial Income and Profit on Assets Sold and Others	KRW 100 Million	1,936	2,281	3,145	-
Distributed Economic Value (B)	KRW 100 Million	52,583	52,535	53,732	-
Employees	KRW 100 Million	22,327	26,499	24,824	Wages, Benefits, Welfare Expenses, Severance Payments, etc.
Partners	KRW 100 Million	24,868	24,219	26,352	Facility Utilization Expenses, Consignment Fees, etc.
Investors	KRW 100 Million	4,174	3,880	3,714	Interest Expenses
Government Bodies	KRW 100 Million	203	(2,914)	(2,069)	National Taxes, Income Taxes, Local Taxes, etc.
Customers/Local Communities	KRW 100 Million	1,011	851	911	Social Contributions, KTX Public Discounts, etc.
Surplus Economic Value (A-B)	KRW 100 Million	3,004	318	4,958	-

## Social Performance

Classification	Unit	2016	2017	2018
Employees				
No. of Total Employees	People	26,394	26,352	26,983
No. of Fixed-Term Workers (Male/Female)	People	186(27)	70(2)	55(1)
No. of Employees in Each Age Bracket				
Under 25	People	33	186	309
25~34	People	2,163	2,604	3,824
35~44	People	7,645	6,677	6,040
45~54	People	12,296	12,619	12,634
55 or above	People	4,257	4,266	4,176
Employment of the Disabled (Mandatory Employment Rate of 3.2%)	People(%)	847(3.1)	858(3.1)	920(3.2)
Employment of the Elderly (Mandatory Employment Rate of 6.0%)	People(%)	4,955(18.0)	5,521(19.7)	4,191(14.5)
Average Years of Service	Years	19.2	18.6	17.8
No. of Newly Employed Workers	People	599	1,059	2,185
New Recruitment in Each Age Bracket				
Under 20	People	0	106	91
21~25	People	187	416	648
26~30	People	310	436	976
31~35	People	75	75	210
36~40	People	16	18	138.5
41 or above	People	11	8	121.5
New Recruitment by Region				
Metropolitan Area (Seoul, Incheon, Gyeonggi)	People	265	531	1,053.5
Non-Metropolitan Area	People	334	528	1,131.5
Retirement	Retirement Rate (%)	1.8	2.0	2.6

Classification	Unit	2016	2017	2018	
Female Employees	No. of Operations	People	2,815	2,974	3,230
	Employment of Females (Mandatory Employment Rate of 7.67%)	%	10.46	10.64	11.16
	No. of Female Managers (Rate)	People(%)	274(8.10)	288(8.58)	322(9.37)
	No. of Newly-Employed Females (Rate)	People(%)	98(16.4)	218(20.6)	402.5(18.4)
Flexible Work System	Staggered Office Hours System (Conversion)	People	150	183	271
	Flexible Work System (Staggered Hours System + Intensive Work System)	People	689	2,297	4,326
Parental Leave System	Status of Maternity Leave	People	398	414	399
	Status of Paternity Leave	People	126	147	190
Education	Education Budget	KRW 1 Million	8,451	8,051	8,373
	Per-Capita Training Costs	KRW 1,000	320	306	303
	No. of Regular Trainees	People	75,957	78,094	53,686
	Curriculum	Numbers	508	507	530
<b>BOD</b>					
Operation Performance	No. of Times of Holding Meetings	No. of Times	18	12	13
	Agendas to be Voted	Cases	33	22	37
	Attendance	%	93.7	90.2	93.2
	Preliminary Deliberations	%	100	100	100
	Agendas to be Revised (Rate)	Cases(%)	3(9.1)	1(4.5)	3(6.3)
	Agendas to be Reported	Cases	15	9	11
Sub-Committee	No. of Times of Holding Meetings	No. of Times	1	13	15
	No. of Agendas to be Presented	Cases	2	29	38
Non-Executive Directors	Speeches Made by Non-Executive Directors	%	69.6	57.0	65.0
<b>Labor-Management Relations</b>					
Cooperation	Level of Labor-Management Cooperation	Scores	3.19	3.35	3.52
<b>Ethics and Human Rights</b>					
Anti-Corruption	Evaluating Measures to Prevent Anti-Corruption	Grade	2	1	2
Human Rights	Internal Reports	Cases	15	30	51
Integrity	Comprehensive Integrity Level	Scores	7.68	8.18	8.24
<b>Customers</b>					
Customer Satisfaction	Public-service Customers Satisfaction Index (PCSI)	Grade	A	S	A
Communitations	Status of Collecting Complaints from VOC	Cases(%)	15,468(35.9)	13,373(28.7)	11,941(29.8)
Punctual Operation Rate	Punctuality Rate of High-Speed Train Operations	%	99.87	99.76	99.79
	Punctuality Rate of Regular Train Operations	%	99.03	98.14	99.30
<b>Partners</b>					
Supports	Purchasing Products made by SMEs	KRW 100 Million	6,310	8,014	7,269
	Rate of Purchasing Products made by SMEs	%	76.2	76.0	80.8
	Performance-Sharing Project Outcome	Cases	13	16	64
	Cooperative-Profit-Sharing Project (Implemented from 2018)	Cases	-	-	1
<b>Local Communities</b>					
Raising Funds	Social Contribution Fund	KRW 1 Million	639	603	588
	Matching Grants	KRW 1 Million	630	589	639.7
Volunteer Hours	Local Volunteers' Service Hours	1,000 Hours	227,997	246,964	194,878
	Per-Capita Volunteer Hours	Hours	11.5	12	15
Social Contributions	No. of KORAIL Village Beneficiaries	People	2,444	4,202	1,818
	No. of People Experiencing Railway Experiencing & Learning Zones	People	29,156	42,591	36,685
	No. of Times of KORAIL Orchestra Performances	No. of Times	9	11	8

# Sustainability Performance

Classification		Unit	2016	2017	2018	
Social Contributions	Happy Train	No. of Times of Operations Happy Train	No. of Times	109	193	236
		No. of Beneficiaries	People	10,950	11,765	12,547
	Hope Project for the Homeless	Participated	People	20	40	40
		Employed	People	9	13	11
Pubic Discount Services	The Elderly	No. of Persons	1,000 People	7,815	7,375	7,858
		Discounted Amount	KRW 100 Million	372	331	361
	Children	No. of Persons	1,000 People	4,172	3,728	3,792
		Discounted Amount	KRW 100 Million	536	464	476
	The Disabled	No. of Persons	1,000 People	4,445	3,927	3,946
		Discounted Amount	KRW 100 Million	364	307	309
	Men of National Merit	No. of Persons	1,000 People	406	341	348
		Discounted Amount	KRW 100 Million	90	71	70
<b>Safety</b>						
Safety Management	Safety Management Rate		Case/1 Million Km	1.567	1.386	1.215
	Human Error Rate		Case/1 Million Km	0.540	0.388	0.342
Investment	Safety Investment		KRW 100 Million	6,424	7,291	8,343
Education	Training on Job Competence	Compulsory Training on Disaster Safety Management	People	40	62	47
		Integrated Training on Initial Responses	People	40	61	90
		CDP Training for Those in Charge of Safety Matters	People	51	88	160
		Training on Safety Jobs	People	114	161	198
		Mental Health and psychological Counseling Services	Individual Psychological Counseling Services	People	194	324
		Visit-Based Psychological Counseling Services	People	174	253	70
		Personality-Finding Family Program	People	107	153	143
		Aptitude Test on Railway Safety	Initial Test	People	2,332	2,718
		Regular Test	People	17,469	1,904	1,058
Safety Culture	Safety Culture Level Evaluation*		Scores	85.1(2015)	79.6	80.4
Accidents	Passenger and Non-Passenger Casualty Accidents		People	90	66	58
	Personal Information Leakage Accidents		Cases	0	0	0
	Cyber Infringement Accidents		Cases	0	0	0

\* The evaluation of safety culture level was conducted every second biennially, but it has been now conducted annually since 2018.

## Environmental Performance

Classification		Unit	2016	2017	2018	
<b>Investment</b>						
Investments in Environmental Facilities	Water	Cases (Newly Established)	Cases	26(1)	23	23
		Amount	KRW 1 Million	430	278	270
Investments in Environmental Facilities	Air	Cases (Newly Established)	Cases	3	7	15
		Amount	KRW 1 Million	150	23	114
Investments in Environmental Facilities	Land	Cases (Newly Established)	Cases	5	7	9
		Amount	KRW 1 Million	134	330	966

# Sustainability Performance

Classification		Unit	2016	2017	2018		
Investments in Environmental Facilities	Waste	Cases (Newly Established)	Cases	4(1)	5	9	
		Amount	KRW 1 Million	99	180	412	
Purchasing Green Products	Amount of Purchasing Green Products		KRW 1 Million	2,868	2,589	7,126	
	Rate of Purchasing Green Products		%	98.29	93.74	89.15	
<b>Education</b>							
Education	Internal Education		No. of Times (People)	4(107)	3(90)	3(105)	
	External Education		No. of Times (People)	15(123)	15(78)	17(135)	
<b>Environmental Effect Management</b>							
Energy Usage	Diesel for Railway Operation		TJ	4,351	4,223	4,207	
	Electricity for Railway Operation		TJ	22,187	21,908	22,780	
	Electricity for Other Ordinary Purposes		TJ	3,796	4,012	4,439	
	Cooling and Heating Fuels		TJ	284	278	324	
	Business Vehicles		TJ	68	72	73	
	Total		TJ	30,686	30,493	31,823	
Greenhouse Gas Emissions	Emissions	From Diesel for Railway Operation	tCO <sub>2</sub> eq	338,353	328,384	327,131	
		From Electricity for Railway Operation	tCO <sub>2</sub> eq	1,077,553	1,064,013	1,106,380	
		From Electricity for Other Ordinary Purposes	tCO <sub>2</sub> eq	184,363	194,870	215,583	
		From Cooling and Heating Fuels	tCO <sub>2</sub> eq	15,137	14,859	17,197	
		From Business Vehicles	tCO <sub>2</sub> eq	4,901	5,054	5,164	
	Total		tCO <sub>2</sub> eq	1,620,307	1,607,180	1,671,455	
Emission Reduction	Emission Allowances		tCO <sub>2</sub> eq	1,900,962	2,000,571	1,941,126	
	Emissions		tCO <sub>2</sub> eq	1,620,307	1,607,180	1,671,454	
Rate of Reduction		%	14.76	19.66	13.90		
Handling Waste Water	Amount of Waste Water disposal		m <sup>3</sup>	281,911	189,041	232,935	
	Amount of Waste Water from Passenger Cars		m <sup>3</sup>	79,171	82,058	71,879	
Handling Waste	General Waste		Tons	1,255	1,496	29,187	
	Designated Waste		Tons	1,487	1,179	1,532	
Noise	Ground	Day	Leq dB(A)	57	56	58	
		Night	Leq dB(A)	54	54	53	
	Expected Maximum Level	Day	Leq dB(A)	59	59	59.5	
		Night	Leq dB(A)	57	57	58.5	
<b>Indoor Air Quality</b>							
Railway Stations	Fine Dust	Underground	µg/m <sup>3</sup>	68	69	78	
		Ground	µg/m <sup>3</sup>	56	61	69	
	Carbon Dioxide	Underground	ppm	507	523	527	
		Ground	ppm	493	488	571	
Rolling Stock	Formaldehyde	Underground	µg/m <sup>3</sup>	11	9	24	
		Ground	µg/m <sup>3</sup>	10	12	18	
	Carbon Monoxide	Underground	ppm	1	1	1	
		Ground	ppm	1	1	1	
Rolling Stock	Fine Dust	Metropolitan Railways	µg/m <sup>3</sup>	56	66	77	
		General Trains	µg/m <sup>3</sup>	66	55	60	
	Carbon Dioxide	Metropolitan Railways	Crowded	ppm	989	1,048	1,241
			Normal	ppm	1,260	1,263	1,394
		General Trains	Crowded	ppm	1,243	1,225	1,163
			Normal	ppm	1,455	1,351	1,365

# Third Party's Verification Statement

## To the Management of Korea Railroad Corporation

The Institute for Industrial Policy Studies (hereinafter "Auditor"), as a licensed sustainability assurance provider. Hereby presents the following statement of assurance, upon the request for auditing the 2018-19 Sustainability Report (hereinafter "Report") of Korea Railroad Corporation (hereinafter "KORAIL").

### ● Responsibility & Objective

KORAIL is responsible for sustainability management performances and all statements contained in this report. The objective of the assurance is to offer professional counsel for improving the quality of the report by; checking whether there were any errors or bias stated in the Report; by assessing whether the data collection system is in appropriate working order; and by examining the process of identifying issues of material importance to sustainability management.

### ● Assurance Type & Level

The Auditor referred to AA1000AP (2018), ISAE3000, and GRI Standards for the assurance of the Report.

Assurance Scope	Performances and goals in the aspects of economy, environment, and society contained in the Report
Assurance Type & Level	Type II - Moderate level
Assurance Criteria	<ul style="list-style-type: none"> <li>• IPS Assurance Manual™ to verify the compliance with the four core principles of AA1000AP (2018)</li> <li>• "IPS Performance Indicators Assurance Criteria™" to assess the reliability of performance indicators based on ISAE3000</li> <li>• "Core Option" criteria of the GRI Standards</li> </ul>

### ● Assurance Process and Activities

The Auditor confirmed ① the inclusivity, materiality, responsiveness, and impact of the reported content; ② the reliability of the reported performance data; and ③ the GRI Standards' "in accordance" criteria.

- Review of KORAIL's identification process of material issues and following results
- Review of the stakeholder engagement process
- Review of data samples, excluding financial statements, used as sources for quantitative performances in the aspects of economy, environment, and society
- Verification of source data used for qualitative performances in the aspects of economy, environment, and society

1) AA1000 - Accountability Principles 2018: One of the sustainability report assurance standard series established by the non-profit organization AccountAbility based in the UK, in order to audit corporate social responsibility and sustainability development, thus explaining a set of auditing principles. It was revised with the addition of the "Impact" principle to the existing AA1000APS (2008) in 2018

2) International Standard on Assurance Engagements 3000: "Assurance Engagement Principle other than Audits or Reviews of Historical Financial Information" established by the International Federation of Accountants (IFAC)

3) The Global Reporting Initiative (GRI) is a non-profit organization established in 1997, by the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP), releasing a sustainability reporting framework in 2000 for multinational enterprises. Following the revised G4 version focused on supply chain, governance, ethics & integrity, anti-corruption, GHG emissions & energy disclosures, the GRI released the GRI Standards in 2016, a new guideline with modular structure to ensure more systematic reporting process

- Verification of the Report's compliance with GRI Standards

The Auditor conducted written correspondence and in-person interviews with the staff of KORAIL responsible for the Report in the process of assurance measures. The staff reflected the Auditor's modification requests and opinions in an appropriate manner.

### ● Assurance Findings

The Auditor discussed about the Report's editing with KORAIL through written correspondence and in-person interviews and reviewed the final draft of the Report to confirm whether our requests and recommendations for revision were reflected. As a result, the Auditor could not find any contents violating the following assurance principles, or any evidence showing major errors or bias in the performance information or claims stated within the assurance scope.

#### [Inclusivity] Were KORAIL's stakeholder engagement plans and processes appropriate?

It is the Auditor's view that KORAIL has put in place a process for stakeholder engagement to better reflect stakeholder views in its actual management activities, in recognition of the importance of communication and cooperation with stakeholders for pursuing sustainability management. It has been confirmed that KORAIL classifies stakeholders into four groups, listens to their opinions through communication channels customized for each group, and reflect the results in sustainability management activities. The Auditor has not found any important stakeholders left out from this process.

#### [Materiality] Does the Report offer the most important information in the aspects of economy, environment, and society to stakeholders?

The Auditor confirmed that KORAIL identified material issues affecting both stakeholders and management activities of the Corporation and appropriately disclosed the management status of those issues. In particular, and stakeholder interview in the process of preparing this report every year and the identification of new sustainability issues through the "Diagnosis of the ISO26000 Execution Level" and stakeholder interview and prioritization of the issues through surveys are considered as KORAIL's standardized "materiality assessment process." No omissions were discovered by the Auditor in terms of sustainability management information important to stakeholders through the process.

# Third Party's Verification Statement

#### [Responsiveness] Does the Report provide adequate responses to stakeholder demands and interests?

The Auditor confirmed that KORAIL operates diverse engagement channels appropriate for each key stakeholder and identifies material reporting issues through those opinions collected in the process. In particular, the introduced themes of "Let's KORAIL", 'KORAIL Core Values', 'KORAIL Social Values' were found to be areas of high stakeholder interest. It has been found in this process that KORAIL has appropriately responded to stakeholder demands and interests.

#### [Impact] Does KORAIL identify and measure economic, social, and environmental impacts on stakeholders and disclose the results through the Report?

It is the Auditor's opinion that KORAIL is appropriately disclosing economic, environmental, and social impacts by presenting the results of "brand value assessment," "evaluation on the level of safety culture," "analysis of ripple effects on job creation from the localization of parts," and "analysis of local economy vitalization effects" through the Report.

#### [GRI "In Accordance" Criteria]

The Auditor has recognized that the Report is in accordance with the "Core Option" criteria of the GRI Standards (GRI No. 102 in the aspect of Universal Standards).

#### [Reliability of Performance Indicators]

The Auditor confirmed that the performance indicators presented in the Report are free from bias or error that would affect stakeholders' judgement of KORAIL. Followings are the key performance indicators the Auditor has recognized.

### ● Recommendations

The Auditor highly values the Report's endeavor to ① reflect core issues in connection with "management value framework," "sustainability management value framework," and "social value realization strategy system"; ② appropriately reflect the key interests of every stakeholder through the stakeholder engagement process; ③

transparently disclose KORAIL's economic, environmental, and social performances and plans based on internal and external sustainability agendas including social value realization, human rights management, the UN SDGs, and the Ten Principles of UNGC Recommended in future reports with better quality are the followings:

- Clarity: Explaining calculation basis and methods or used factors with regard to impacts and effects from the outcomes of management activities
- Accuracy: Securing a system to manage basic data including the number of employees which are subject to change due to gathering criteria and disclosure condition

### ● Independence of the Auditor

The Auditor does not have any for-profit or commercial affiliation with KORAIL and did not involve in any of the preparations of the Report, with the exception of this third party assurance statement.

### ● Qualifications of the Auditor

The Institute for Industrial Policy Studies is a "Third Party Assurance Provider" engaging in sustainability report assurance for corporations and public organizations nationwide. The auditing team participating in the assurance of this report consists of experts specialized in disciplines of business administration, accounting, environment, and sociology and also with many years of accumulated experience and professional training in the fields of ethical management, social responsibility management, and sustainability management.

August 2019

Tae Hyun Kim

Chairman

The Institute for Industrial Policy Studies




AA1000  
Licensed Assurance Provider  
000-24



Category	Issue	Performance Indicator
Safe railroad	Customer safety and health	Safe transport service indicators in 2018: 1.215 case (No. of damages to customer/million Km)
		Human error rate in 2018: 0.342 (No. of mishandlings/million Km) Safety management rate: 1.215 (No. of damages to customer/million Km) Evaluation of safety culture level: 80.4 points
Convenient railroad	Improving customer satisfaction	Customer survey on railroad-linked transportation service: Satisfaction (57.1%), moderate level (39.3%)
Future railroad	Expanding new growth businesses	Operating revenue from asset utilization in 2018: Around KRW 365.1 billion
Shared growth with suppliers	Fair contract and procurement	Improvement of contract transparency in 2017 and 2018: 0.34 point
		Improvement of contract responsibility in 2017 and 2018: 0.06 point
Eco-friendly railroad for the next generations	Indoor air quality control	Establishment of comprehensive plans for control indoor air quality and formation of a dedicated organization
Ethical management	Compliance with ethics and regulations	Management of the Transparent Management Committee regulation in 2018

\* 34 qualitative and 13 quantitative performance indicators with regard to 17 material issues were reviewed, but only a few are presented in this assurance report.



# GRI & ISO 26000 Index

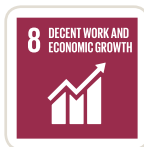
Universal Standards				
GRI 102: General Disclosures				
Disclosures	ISO 26000	page	external assurance	
<b>Organizational profile</b>				
102-1	Name of the organization	14	●	
102-2	Activities, brands, products, and services	14	●	
102-3	Location of headquarters	14	●	
102-4	Location of operations	14	●	
102-5	Ownership and legal form	14	●	
102-6	Markets served	15~17	●	
102-7	Scale of the organization	6.3.10/6.4.1-6.4.2/6.4.3/6.4.4/6.4.5/6.8.5/7.8	14~15	●
102-8	Information on employees and other workers	54, 74~75	●	
102-9	Supply chain	46~47	●	
102-10	Significant changes to the organization and its supply chain	46~47	●	
102-11	Precautionary Principle or approach	65	●	
102-12	External initiatives	82~83	●	
102-13	Membership of associations	84	●	
<b>Strategy</b>				
102-14	Statement from senior decision-maker	4.7/6.2/7.4.2	4~5	●
<b>Ethics and integrity</b>				
102-16	Values, principles, standards, and norms of behavior	4.4/6.6.3	62~63	●
102-17	Mechanisms for advice and concerns about ethics		63	●
<b>Governance</b>				
102-18	Governance structure	6.2/7.4.3/7.7.5	60~61	●
<b>Stakeholder engagement</b>				
102-40	List of stakeholder groups		66~69	●
102-41	Collective bargaining agreements		55	●
102-42	Identifying and selecting stakeholders	5.3	66~67	●
102-43	Approach to stakeholder engagement		66~67	●
102-44	Key topics and concerns raised		70~71	●
<b>Reporting practice</b>				
102-45	Entities included in the consolidated financial statements		14~15	●
102-46	Defining report content and topic Boundaries		71	●
102-47	List of material topics		71	●
102-48	Restatements of information		About This Report	●
102-49	Changes in reporting		Related chapter	●
102-50	Changes in reporting	7.5.3/7.6.2	About This Report	●
102-51	Date of most recent report		About This Report	●
102-52	Reporting cycle		About This Report	●
102-53	Contact point for questions regarding the report		About This Report	●
102-54	Claims of reporting in accordance with the GRI Standards		About This Report	●
102-55	GRI content index		80~81	●
102-56	External assurance		78~79	●

# GRI & ISO 26000 Index

Topic-specific Standards					
	Disclosures		ISO 26000	page	external assurance
<b>GRI200 Economic topics</b>					
Economic Performance	201-1	Direct economic value generated and distributed Anti-competitive Behavior	6.8.1-6.8.2/6.8.3/6.8.7/6.8.9	74	●
Anti-competitive Behavior	103	Management Approach		62~63	●
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	6.6.1-6.6.2/6.6.5/6.6.7	63, 75	●
<b>GRI300 Environmental topics</b>					
Water	103	Management Approach		56	●
	303-3	Water recycled and reused	6.5.4	77	●
Emissions	103	Management Approach		56	●
	305-1	Direct (Scope 1) GHG emissions		57, 77	●
	305-2	Energy indirect (Scope 2) GHG emissions	6.5.5	57, 77	●
	305-5	Reduction of GHG emissions		57, 77	●
Effluents and Waste	103	Management Approach		56	●
	306-1	Water discharge by quality and destination	6.5.3/6.5.4	77	●
	306-2	Waste by type and disposal method	6.5.3	77	●
<b>GRI400 Social topics</b>					
Employment	103	Management Approach		52	●
	401-1	New employee hires and employee turnover	6.4.3	53, 74	●
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4.4/6.8.7	54	●
	401-3	Parental leave	6.4.4	54, 75	●
Labor/ Management Relations	103	Management Approach		52	●
	402-1	Minimum notice periods regarding operational changes	6.4.3/6.4.5	55	●
Occupational Health and Safety	103	Management Approach		22	●
	403-1	Workers representation in formal joint management-worker health and safety committees	6.4.6	23~26	●
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	6.4.6/6.8.8	23~26, 76	●
	403-4	Health and safety topics covered in formal agreements with trade unions	6.4.6	23~26, 55	●
Training and Education	103	Management Approach		52	●
	404-1	Average hours of training per year per employee	6.4.7	53~54, 75	●
	404-2	Programs for upgrading employee skills and transition assistance programs	6.4.7/6.8.5	53~54	●
Diversity and Equal Opportunity	103	Management Approach		52	●
	405-1	Diversity of governance bodies and employees	6.2.3/6.3.7/6.3.10/6.4.3	60~61, 64	●
Local Communities	103	Management Approach		48	●
	413-1	Operations with local community engagement, impact assessments, and development programs	6.3.9/6.5.1-6.5.2/6.5.3/6.8	49-50	●
Customer Health and Safety	103	Management Approach		22	●
	416-1	Assessment of the health and safety impacts of product and service categories	6.7.1-6.7.2/6.7.4/6.7.5/6.8.8	23~26	●
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	4.6/6.7.1-6.7.2/6.7.4/6.7.5/6.8.8	N/A	●
Customer Privacy	103	Management Approach		22	●
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.7.1-6.7.2/6.7.7	24	●

## Status of Implementing UN SDGs

Sustainable Development Goals (SDGs), as agendas for comprehensive actions and global cooperation in order to alleviate or eradicate factors that could threaten sustainable development from 2016 to 2030, are mainly about eradicating economic and social bipolarization, various intensified social inequality and global environment destruction. SDGs are made up of 17 goals and 169 sub-goals to be achieved by the international society by 2030. KORAIL strongly advocates UN SDGs for sustainable development and is working hard to secure sustainability while operating its businesses.



### Growing Sustainable Economies and Creating Decent Jobs

#### Creating the Largest No. of Jobs as a Public Corporation

In order to overcome the limitation of employment size, we have taken the lead in realizing social values by expanding flexible work systems, improving office hour systems and creating decent jobs. For healthy economic growth, one of the most important roles of a company is to constantly create decent jobs. KORAIL has created the largest number of decent jobs as a public corporation by expanding new projects, discovering jobs subjected to staggered hour systems, improving rank structures and supporting private companies to create jobs.

Creating the Largest Jobs for  
10,552 People  
as a Public Corporation  
(Increased by 252.9%)

Recruiting the Largest Number of  
2,185 People  
Newcomers as  
a Public Corporation



### Constructing Restorable Infrastructure and Facilitating Sustainable Industrialization

#### Laying the Foundation for a Safe Society through the Corporation-Wide Safety Diagnosis

In order to create a sustainable and safe society, we have rechecked unsafe factors that could threaten the safety of the people from the beginning. Through CEO-led on-site talks on safety issues and grand diagnosis on safety matters, we have detected and improved 1,863 risk factors that could harm the safety of the public. At the same time, we are checking railway facilities (621 places) by utilizing drones as part of regular safety-checking activities. And, we have installed and inspected IoT-based devices to measure rail temperatures (37 places) and sprayed heat-shielding paints on rails (101 places) in order to improve safety management.

Detecting  
1,863  
Cases of Safety  
-threatening Factors

Reducing Human Error by  
51%  
over the Past Five Years  
(Standing at 0.342 Cases in 2018)



### Creating Sustainable Cities and Residences

#### Creating Sustainable Local Communities by Strengthening the Public Value of Railways

KORAIL is working hard to create sustainable local communities by utilizing its own railway businesses. In order for the public to comfortably use railways without financial burdens, we are providing concessionary fares for the elderly, the disabled, men of national merit, and others. And, we have introduced shuttle trains and increased the operation of commuter trains for those living in remote areas to easily travel anywhere throughout the nation. At the same time, we have introduced the service of connecting railways with public taxis to enhance accessibility to railways.

KRW 17,214 Billion  
of Concessionary Fares  
for the Public

Passengers Using Concessionary  
Fares  
126,336 people

Operating 7 Lines  
for the Remote  
Rural Areas

3,206 Passengers from  
174 Villages Using Public  
Tax Services Connected to  
31 Stations



### Realizing Peace and Justice

#### Realizing a Fair and Honest Society

We have actively improved relevant institutions to prevent any organizations from facing disadvantages and discrimination while running their businesses. In order to establish fair trade with our partners, we have conducted multi-faceted surveys, and improved unfair institutions by revising regulations and stipulations that would cause power abuse. For shared growth and win-win growth, we have actively upgraded our policies for partners and consignees by paying down payments in advance for partners to make their payments in time and expanding the scope of protecting sub-contractors.

Revising  
175 Cases of Unfair Terms and Provisions  
that could Induce Power Abuse

Making Down Payments Worth  
KRW 186.2 Billion for Partners and Consignees  
(Increased by KRW 43.8 Billion)



- Goal 1 Eradicating Poverty
- Goal 2 Eradicating Hunger, Achieving Food Security and Strengthening Sustainable Agriculture
- Goal 3 Promoting Health
- Goal 4 Guaranteeing Quality Education and Promoting Life-Long Learning Opportunity
- Goal 5 Achieving Gender Equality and Enhancing Capabilities of Women and Girls
- Goal 6 Strengthening Accessibility to and Management of Clean Water and Sanitary Facilities
- Goal 7 Enhancing Accessibility to Sustainable Energy
- Goal 8 Growing Sustainable Economies and Creating Decent Jobs
- Goal 9 Constructing Restorable Infrastructures and Facilitating Sustainable Industrialization
- Goal 10 Addressing Inequalities Home and Abroad
- Goal 11 Creating Sustainable Cities and Residences
- Goal 12 Promoting Sustainable Consumption and Production
- Goal 13 Responding to Climate Changes
- Goal 14 Protecting and Sustainably Using Oceanic, Maritime and Marine Resources
- Goal 15 Preserving Land Ecosystems, Preventing Desertification and Preventing the Decrease of Biodiversity
- Goal 16 Promoting Peaceful Societies, Securing Accessibility to Justice and Establishing Institutions
- Goal 17 Strengthening Implementation Means and Global Partnerships

## UN Global Compact

KORAIL has been complying with 10 principles in four main areas of UNGC after joining UN Global Compact in mmyy. UNGC's 10 principles regarding human rights, labor, environment and anti-corruption stem from the Universal Declaration of Human Rights (1948), the United Nations Convention against Corruption (2003), and other declarations and treaties. The UN is recommending companies comply with the 10 universal principles. KORAIL actively advocates the UNGC's 10 principles and is systemically managing various issues related with human rights, labor, the environment and anti-corruption.

	Principles	Report Page
Human Rights	1. Companies should advocate and respect internationally declared human rights protection. 2. Companies should do all they can not to be involved with human rights violations	64
Labour Standards	3. Companies should advocate the practical acknowledgment of freedom of association and collective bargaining rights, 4. should exclude all types of forced labor, 5. should efficiently root out child labor 6. and should prohibit discrimination over employment and duties	53, 55
Environment	7. Companies should advocate preventive approaches to environmental issues, 8. should take measures to improve environmental responsibilities, 9. should promote the development and spread of eco-friendly technologies.	56, 57
Anti-Corruption	10. Companies should oppose any types of corrupt acts including illegal gains and bribes.	62, 63

# Awards and Memberships

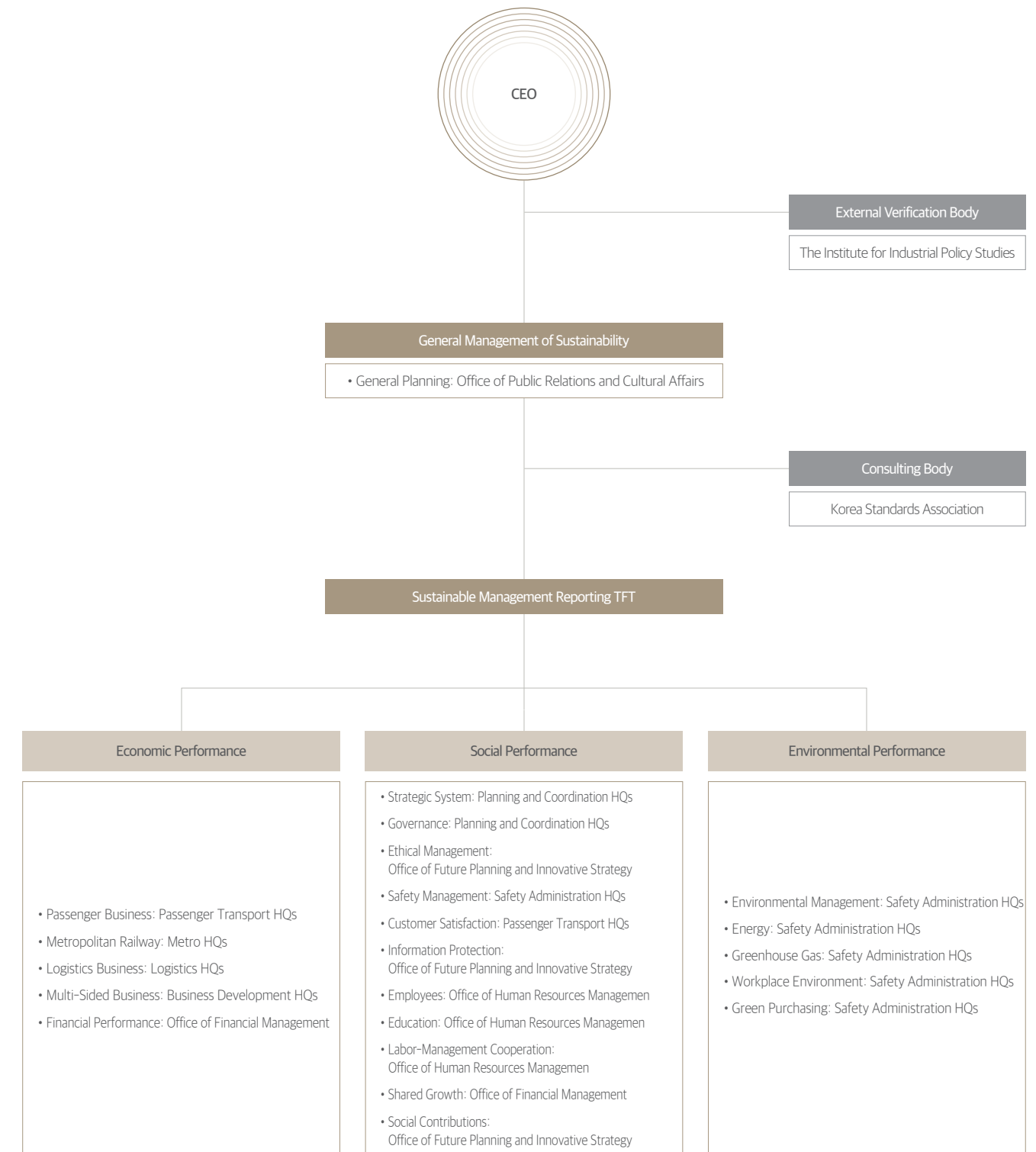
## Status of Awards

Year	Details	Organized by
2018	Green Product of the Year (V-Train)_for Seven Consecutive Years	Green Purchasing Network
	2018 Safety & Health UCC Grand Prize	Korea Occupational Safety and Health Agency
	Presidential Award for the Best Example in the Government's Contest of Excellent Cases for Innovation 2018	Ministry of Interior and Safety
	Prize of the Minister of Health and Welfare in the Part of 'Suicide Prevention & Love Life' at the Ceremony of 2018 Suicide Prevention Day	Ministry of Health and Welfare
	Gold Medal at 2018 International Business Awards (KORAIL's Internal Newsletter)_for Two Consecutive Years	International Business Awards
	Grand Prize and Special Award at UCC Contest of 2018 Safety & Health Examples	Ministry of Employment and Labor, CBS
	Best Prize in Facility Safety Part at 2018 Smart Construction Technology & Safety Contest	Ministry of Land, Infrastructure and Transport
	Minister Prize Awarded by the Government to a Company Respected by the Public	Ministry of Trade, Industry and Energy
	Award in the Sustainability Part at 2018 'CEO Hall of Fame'	The Institute for Industrial Policy Studies
	Award Certificate from the Ministry of Employment and Labor for 'Rationalizing Labor-Management Relations as a Public Corporation'	Ministry of Employment and Labor
Presidential Award Certificate for Supporting 2018 Pyeongchang Winter Olympics and Paralympics	Ministry of Culture, Sports and Tourism	
Appreciation plaque from the Head of Korea Social Enterprise Promotion Agency	Korea Social Enterprise Promotion Agency	

## Status of Memberships

Home
<ul style="list-style-type: none"> <li>• Korean Standards Association</li> <li>• Korea Railway Electrification Technical Association</li> <li>• Korea Integrated Logistics Association</li> <li>• UN Global Compact Korea</li> <li>• The Institute of Internal Auditors</li> <li>• Korean Productivity Center</li> <li>• The Korean Society for Railway</li> <li>• Korea Management Association</li> <li>• Railway Industry Committee</li> </ul>
Abroad
<ul style="list-style-type: none"> <li>• OSJD(International Railway Convention)</li> <li>• UNGC(UN Global Compact)</li> <li>• EURAIL SPEED(International Conference on High-Speed Railway)</li> <li>• UIC (International Railway Federation)</li> <li>• CCTT (Siberia Transit Coordination Council)</li> </ul>

# Sustainability Reporting Bodies



We extend our thanks to all of you for assisting us in the compilation of this Sustainability Report.

