

# KANGWON LAND

SUSTAINABILITY REPORT 2016

2016 강원랜드 지속가능경영 보고서



This report is printed on eco-friendly paper with soybean ink.

# ABOUT THIS REPORT

Kangwon Land has been publishing sustainability reports since 2010 to disclose transparently our sustainability activities and major performances to stakeholders. This report is our seventh sustainability report and contains our economic, environmental, and social performances under the theme of 'Highland Healing Resort' which is our vision.

## Reporting Standards

This report is written in accordance with Core Option of the GRI G4 Guidelines, and referred the International Integrated Reporting Council (IIRC) Framework.

## Reporting Period

This report discloses the business performances of Kangwon Land from January 1st, 2016 to December 31st, 2016. Quantitative performances of the last three years are disclosed to share the trends. Depending on the significance of issues, some performances up to April 2017 are included.

## Reporting Scope

This report covers the business status and performances of Kangwon Land Headquarters and operating worksites in Gangwon Province and contains some projects that we are promoting. The cases which differ from the reporting boundary and scope are explained with separate annotations. Performances of subsidiaries and affiliates are reported within the section of company introduction and only local community-related projects are partially reported. Core issues are selected through materiality assessment. Suppliers and the local community related to activities and performances, which are determined as one of the core issues, are described under revitalization of the local economy and win-win activities with suppliers, respectively, depending on the influential level of Kangwon Land.

## Report Assurance

This report is assured by DNV, a third party assurance organization, to enhance accuracy and reliability of the outcome of the report. Complements and improvement areas suggested by the assurer are reflected in this report.

## Cover Concept



The cover of this report represents the commitment of Kangwon Land towards 'Highland Healing Resort' through symbolic color and design.

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## CEO's Message



### Dear Respectable Stakeholders,

I am very pleased to have this opportunity of greeting our stakeholders through our seventh sustainability report.

Since Kangwon Land was founded in June 1998 based on the Special Act on the Assistance to the Development of Abandoned Mine-neighboring Areas, we have been striving to revitalize the abandoned mine areas. We are contributing to the economic growth of the abandoned mine areas through the payment of the Abandoned Mine Areas Development Fund and direct and indirect investments. We are also dedicating to the improvement of the quality of life for both local residents and public citizens based on various social contribution activities. In addition, we are leading activities to solve the addiction problem of various forms including gambling addiction and their side effects while operating the only domestic casino in Korea.

2016 was the year that Kangwon Land renewed our integrity and transparency based on new organizational culture by eliminating the cronyism culture which was the source of corrupt practices in the organization. In particular, as the result of proactive building anti-corruption and integrity ecosystem and promoting our integrity policy across the organization, Kangwon Land has been selected as the Excellent Organization for the two consecutive years in the Anti-Corruption Initiative Assessment, hosted by the Korea Anti-Corruption & Civil Rights Commission. In addition, we are continuing our position as a sustainable global company by being included in the Dow Jones Sustainability Index (DJSI) World Index, ranked by S&P Dow Jones, the world's leading financial information company, for the fourth consecutive years. Kangwon Land will continue to be revitalized as a model public corporation that earns the public trust through strengthening compliance and responsible management and implementing sound management activities.

### To become a sustainable enterprise, we are making a distinctive 'Highland Healing Resort'.

Kangwon Land is strengthening our corporate capabilities to prepare the foundation of sustainability upon the expiration of the Special Act on the Assistance to the Development of Abandoned Mine-neighboring Areas in 2025. With the goal of creating the best 'Highland Healing Resort', we are strengthening our competitiveness as a global resort complex by developing unique resort contents and improving our services. In particular, we are striving to differentiate our resort from other resort complexes by focusing on improving the facilities that are best suited to the natural environment which is the primary advantage of Kangwon Land. The Water Park facilities designed in accordance with the natural and climatic conditions of Gangwon Province are currently under construction, and the resort is transforming into a place where leisure and relaxation coexist by providing cultural and artistic spaces where exhibitions and performances are held throughout the resort. Along with this, we are providing various kinds of sightseeing and entertainment to our customers by strengthening healing contents that are harmonized with the nature such as Book Café, trekking with forest road, and healing spaces.

### We will concentrate our efforts on building global competitiveness by using 'Kangwon Land where I want to visit again' as our management slogan.

Kangwon Land has been concentrating all our efforts to create a 'resort where I want to visit again' in order to prepare for the intensified competition in the resort complex industry among Asian countries. Kangwon Land's new management slogan, 'Kangwon Land where I want to visit again', means that we secure our core competitiveness by creating distinctive resort complex by ourselves. To this end, we are developing killer contents and focusing on making unique things to see, eat, and enjoy. In addition, we are interested in expanding our network of similar industries, such as personal exchange with global resorts, in order to improve the customer service mindset and the service quality. We are also paying close attention to the changes in future leisure trends and not to fall behind the trends. This is so that we can learn from past lessons when famous resorts that had been spotlighted failed to anticipate the future and became 'a place not to visit again'. Along with this, in conjunction with the 'Creating Good Villages' project that has been promoted so far, we are striving to expand the external network to develop things to see, eat, and enjoy when customers visit Kangwon Land. The 'Creating Good Villages' project, which utilizes the culture and history of the region, is an indispensable part of creating a 'Kangwon Land where I want to visit again'. We will make our best efforts to become a leading resort complex that attracts domestic and international visitors by establishing tourism cluster that connects Kangwon Land to the surrounding areas.

### We will build safe and eco-friendly workplaces.

Kangwon Land, with a priority on 'building safe and clean workplaces', endeavors to enhance our employees' safety awareness and to form advanced safety-oriented corporate culture. In 2016, we acquired KOSHA 18001, the first case in the resort industry, by increasing the level of occupational safety and health activities and improving the safety and health management system. We are also practicing eco-friendly activities and continuously promoting environmental management. We have conducted various environmental activities including waste recycling, an increase of renewable energies, and building high-energy efficient facilities.

### We will firmly establish our position as a social enterprise by revitalizing the abandoned mine areas and contributing to the national public interest.

Kangwon Land has never forgotten its original purpose of the organizational foundation, which is to reinvigorate the local economy of abandoned mine areas. Community-oriented social contribution activities focusing on the recovery of local communities and mutual growth in abandoned mine areas have been promoted intensively. Also, our win-win cooperation with local suppliers has strengthened self-sustainability of the abandoned mine areas. Furthermore, Kangwon Land is promoting sustainability activities while we aim to increase both profitability as a public company and as a public institute. We will continue to raise CSV (Creating Shared Value) by promoting fair and transparent public-interest management and demonstrating synergy to generate profits as a company. We will do our best to enhance the national status of Korea and revitalize the local economy as we proactively support the Pyeongchang 2018 Winter Olympics to be held in Gangwon Province. I look forward to the continued interest and encouragement from all our stakeholders.

Thank you very much.

CEO, Kangwon Land  
Ham Seung-Huie

함승희



## 2016 CSR Highlights

### Assessed as Excellent Institute (Level 2) in the 'Anti-Corruption Initiative Assessment 2016'

Kangwon Land was assessed as Excellent Institute (Level 2) in the Anti-Corruption Initiative Assessment both in 2015 and 2016. In particular, we demonstrated our excellence in anti-corruption practices as we were assessed Level 1 in four sectors out of a total of six sectors.

### Participated in the 'UN Global Compact' membership

In order to improve the corporate transparency through continuous anti-corruption activities and to practice corporate social responsibility including environment protection, human rights protection, and compliance with labor standards, we have officially participated in the UN Global Compact.



### 2016 Kangwon Land's Fund Transferring Ceremony for Project of Public Ideas for School

The '2016 Kangwon Land's Fund Transferring Ceremony for School's Autonomously Contested Project' was held with 50 representatives, including Ham Seung-Huie, Kangwon Land CEO, and four heads of municipal and county education districts, school principals, and teachers in charge from abandoned mine areas. In April 2016, Kangwon Land delivered the fund KRW440 million to 21 schools, including one model school and 20 general schools selected through the project competition.

### Signed a business agreement between Kangwon Land and the Korean Small & Medium-sized Enterprises Managers Association

In October 2016, Kangwon Land signed a business agreement with the Korean Small & Medium-sized Enterprises Managers Association. These two organizations will work together to foster SMEs and create more jobs, especially, for youth in the abandoned mine areas through this agreement.

### Establishment of 'Emergency Operation Center', Enterprise Disaster and Safety Accident Control Tower

The Kangwon Land Emergency Operation Center was opened in February 2017 to protect the safety and lives of our customers. The Center monitors the whole areas of the resort, intensively inspects for vulnerable factors, and supports early response to incidents. The Center also acts as a control tower to supervise disaster response works that can preemptively prepare for disasters such as typhoon, heavy rain, and heavy snow.

### Attracting Global Large-sized Convention Events

Kangwon Land demonstrated our competitiveness in MICE\* industry by attracting various global events, including a incentive event of Zhulian(Thailand) Ltd., in February 2016, successful hosting of the World Meditation Congress, and a incentive event of Indonesian 'Herbal Life', in which 900 related people participated.

\*A concept that is made with each first letter of Meeting, Incentives, Conventions, and Events & Exhibition. It means a complex industry including conventions, which means international conferences, rewarding tourism, exhibitions, and fairs.

### Establishment of Foundation for City Restoration Project led by Private Sectors and Local Residents

We are planning to continuously promote residents' participatory city restoration project even after the expiration of the Special Act in order to continue development of local economy and enhancement of the residents' lives. Through the Creating Good Villages Forum and building of the City Restoration Support Center, we are exploring alternatives to help the local communities to rely less on Kangwon Land and build their own self-sustainability.

### The first meeting of the National Gaming Control Public Institute Integrity Cluster

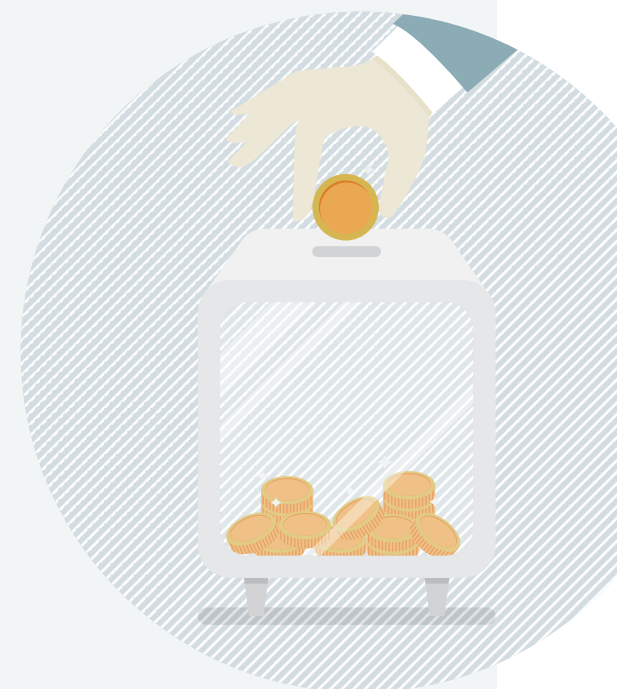
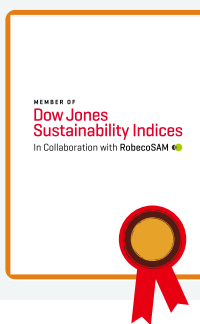
To diffuse integrity culture, Kangwon Land established Integrity Cluster together with four National Gaming Control Public Institutes, including the Korea Racing Authority (KRA), Grand Korea Leisure, and Korea Sports Promotion Foundation. And we discussed how to expand integrity culture across the organization effectively at the 1st meeting in June 2016.

### 2017 Korea HRD Winner for Human Resources Development

Despite the adverse education environments such as geographic location and shift work schedule, Kangwon Land has invested continuously in education and established a 24/7 education system for shift work employees. This original education operation was evaluated as a best practice for employee education system, so we were named the winner of 2017 Korea Human Resources Development Award.

### Listed in DJSI World Index for four consecutive years

As the first case among public institutions in Korea, Kangwon Land has been listed in the World Index, DJSI, developed jointly by S&P Dow Jones Index and RobecoSAM, for four consecutive years. This achievement demonstrates our performance on implementing social responsibilities and our world-class level of sustainable management.





# Kangwon Land Overview

## Introduction of Kangwon Land

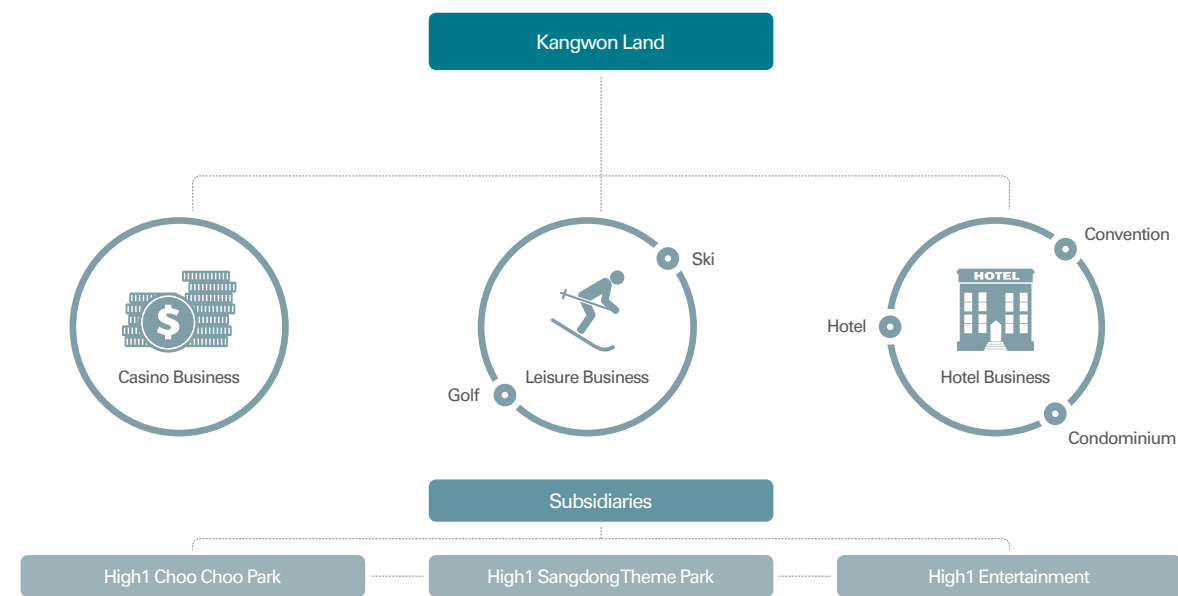
**'The Representative Eco-friendly Resort Complex Leading Happy Leisure and Culture in Korea'**

Kangwon Land was established in June 1998 on the basis of the Special Act on the Assistance to the Development of Abandoned Mine-neighboring Areas. We aim to develop the balanced development among regions and enhance the local communities' livelihood by reinvigorating the economy of the abandoned mine areas due to the decline of the coal industry. We are creating a healthy gaming culture as we operate the only casino where domestic people are allowed access, and building sightseeing attractions which everyone wants to visit, through developing leisure products coupled with beautiful natural surroundings and cultures fully equipped with hotels, condominiums, ski resort, and golf course among others.

## Kangwon Land in General

<b>Company name</b>	Kangwon Land Co., Ltd.
<b>CEO</b>	Ham Seung-Huie
<b>Industry</b>	Casino and Resort
<b>Established in</b>	June 29, 1998
<b>Type of organization</b>	Public institute
<b>Establishment basis</b>	The Special Act on the Assistance to the Development of Abandoned Mine-neighboring Areas (June 12, 1995)
<b>Total asset</b>	KRW 3,978,988 million
<b>Revenue</b>	KRW 1,696,533 million
<b>Operating profit</b>	KRW 618,616 million
<b>Net profit</b>	KRW 454,534 million
<b>Number of employees</b>	3,512 persons
<b>Headquarters address</b>	265 High1-gil, Jeongsun-kun, Gangwon-province, Korea

## Business Overview



## Brand Portfolio

Kangwon Land brands have the motif of 'Terrain' and 'Petals' describing high mountain peaks and lowland connected naturally under the sky. Our brand portfolio consists of High1 Resort, as the main brand and the symbol of the eco-friendly mountain resort, Kangwon Land Convention Hotel, Kangwon Land Casino, Kangwon Land Hotel, High1 CC, High1 Hotel, High1 Ski, Valley Condominium, Hill Condominium, and Mountain Condominium.

C.I.



### Operating Facility Status

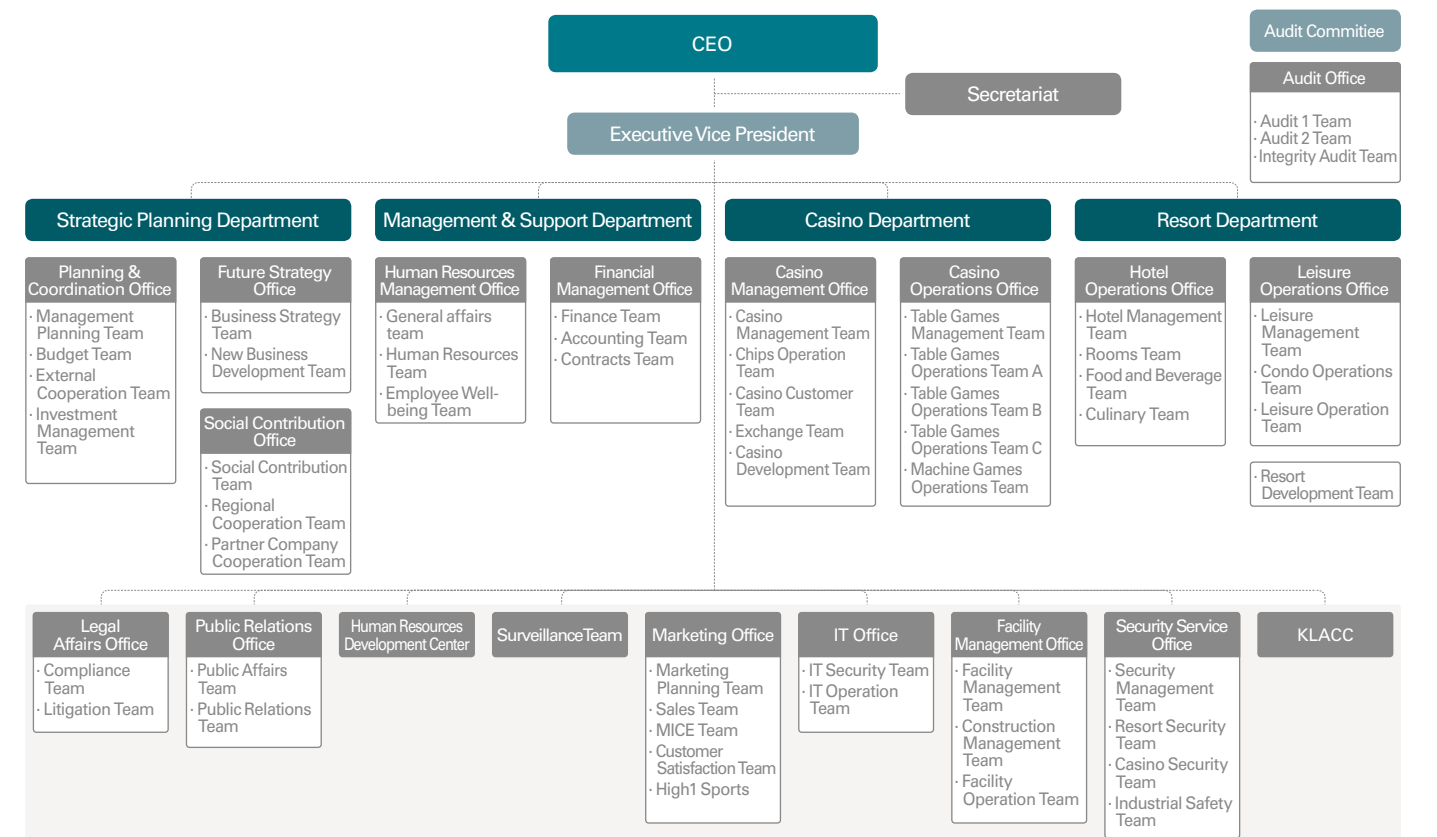
<b>Hotel</b>	Kangwon Land Hotel 477 rooms, Kangwon Land Convention Hotel 250 rooms, High1 Hotel 197 rooms, High1 Condominium 903 rooms
<b>Casino</b>	200 Game tables, 1,360 Slot machines
<b>Golf</b>	High1CC 18Holes (Par 72, extending over 6,592m)
<b>Ski</b>	High1 Ski (3 gondolas, 6 lifts, 773 snowplows, 2 ski houses)

C.I. B.I.



## Organizational Structure

Kangwon Land reorganized the company into four headquarters, 17 departments, 54 teams, two centers and one group by aligning them with business strategic directions so we can respond proactively to external environmental changes and secure our future growth drivers. This organizational change would clarify teams' roles and responsibilities and respond timely to changing environments by empowering ownership in each team. Functional adjustments of departments would further improve our strategy execution.

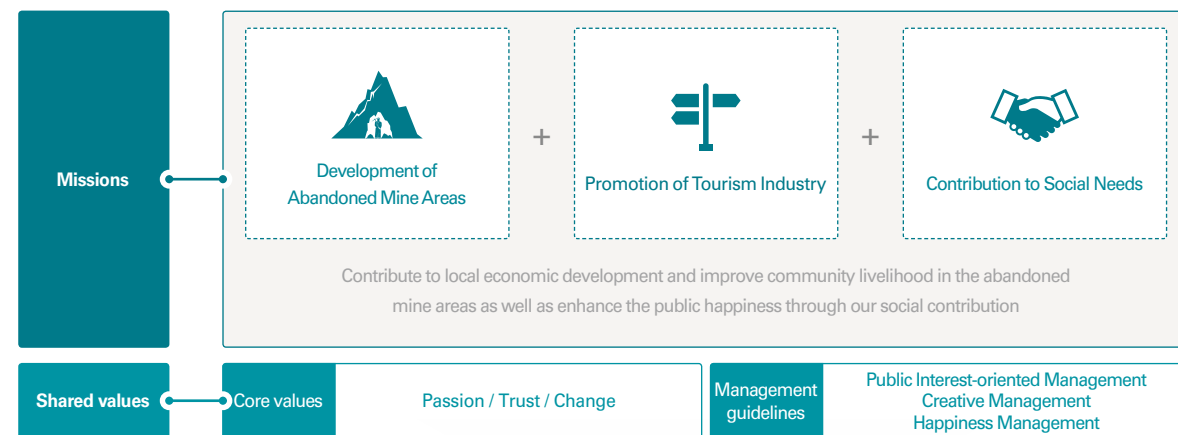


# Vision and Strategy

## Business Strategy and KPI Management System

As the representative eco-friendly resort complex in Korea, Kangwon Land has established business vision and strategic goals, and promoted the tasks derived from the vision and goals in order to contribute to regional economic development and community livelihood improvement in the abandoned mine areas. We also defined three management guidelines, which are 'Fair and Transparent Public Management', 'Creative Management for the Future', and, 'Happy Management that Satisfies Everyone' and core values, which are 'Passion', 'Trust', and 'Change'. As we share our management guidelines and core values with our stakeholders, we will grow as Korea's representative sustainable resort complex that leads development of the abandoned mine areas and leisure culture.

### Vision 2025



<b>Vision</b>	The Representative Eco-friendly Resort Complex Leading Happy Leisure and Culture in Korea			
<b>Business goals</b>	Revenue KRW 3.2 trillion	Visitors 13.08 million	Sustainability Index (maintain listing in the DJSI World)	Anti-Corruption Initiative Assessment (Level 1)
<b>Strategic directions</b>	Advancing competitiveness of the existing businesses	Fostering engines for the future growth	Contributing to regional development and enhancing social contribution	Renewing the business fundamentals to achieve public good
<b>Strategic tasks (14 tasks)</b>	<ol style="list-style-type: none"> <li>Increase the competitiveness of existing businesses</li> <li>Establish an outstanding service system</li> <li>Develop a comprehensive cross-linked marketing</li> </ol>	<ol style="list-style-type: none"> <li>Create unique contents for resort complex</li> <li>Expand to new markets to overcome local limitations</li> <li>Establish new business promotion system</li> </ol>	<ol style="list-style-type: none"> <li>Stimulate a cooperative local economy</li> <li>Strengthen the social contribution system</li> <li>Renew brand value with regard to public interest</li> <li>Establish eco-friendly management system</li> </ol>	<ol style="list-style-type: none"> <li>Establish new corporate culture</li> <li>Establish strategic management promotion system</li> <li>Build performance-oriented organization operation system</li> <li>strengthen business infrastructure</li> </ol>
<b>Action plans (37 tasks)</b>	9 tasks including attract new customers and upgrade customer management system	6 tasks including develop of new attractions for customers	9 tasks including create self-sustaining foundation for local economies	13 tasks including deploy a future-oriented organizational culture

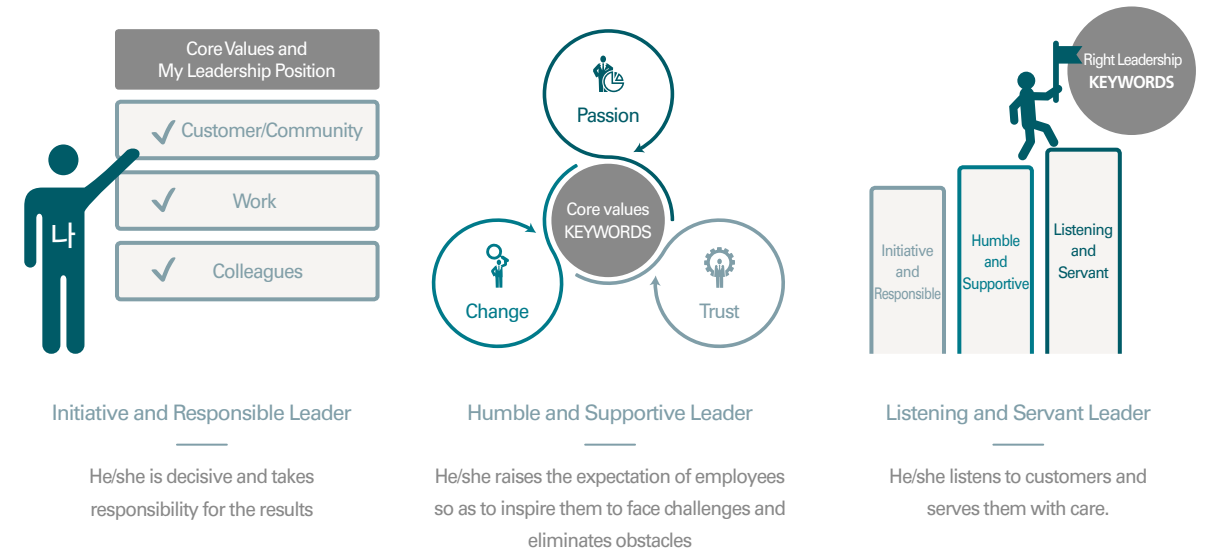
## Core Values

Kangwon Land practices our established code of conduct and ethics, which every employee must follow, as our shared values in order to accomplish our organizational vision. Further, we provide guidance to all employees to develop themselves by defining good leader's attitudes with leading by example, initiative and response, humble and support, and listening and volunteering. Under our shared goals and directions, Kangwon Land is striving to realize our vision, the Korea's representative eco-friendly resort complex.

### Core values

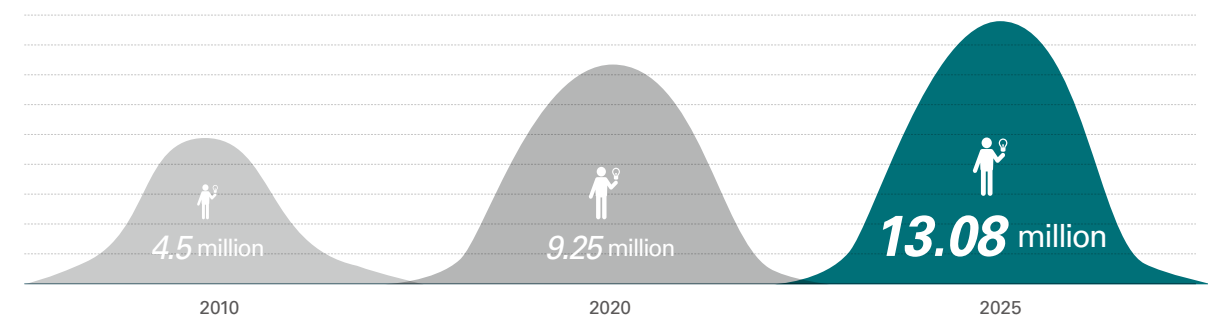


## Establishment of the Right Leadership



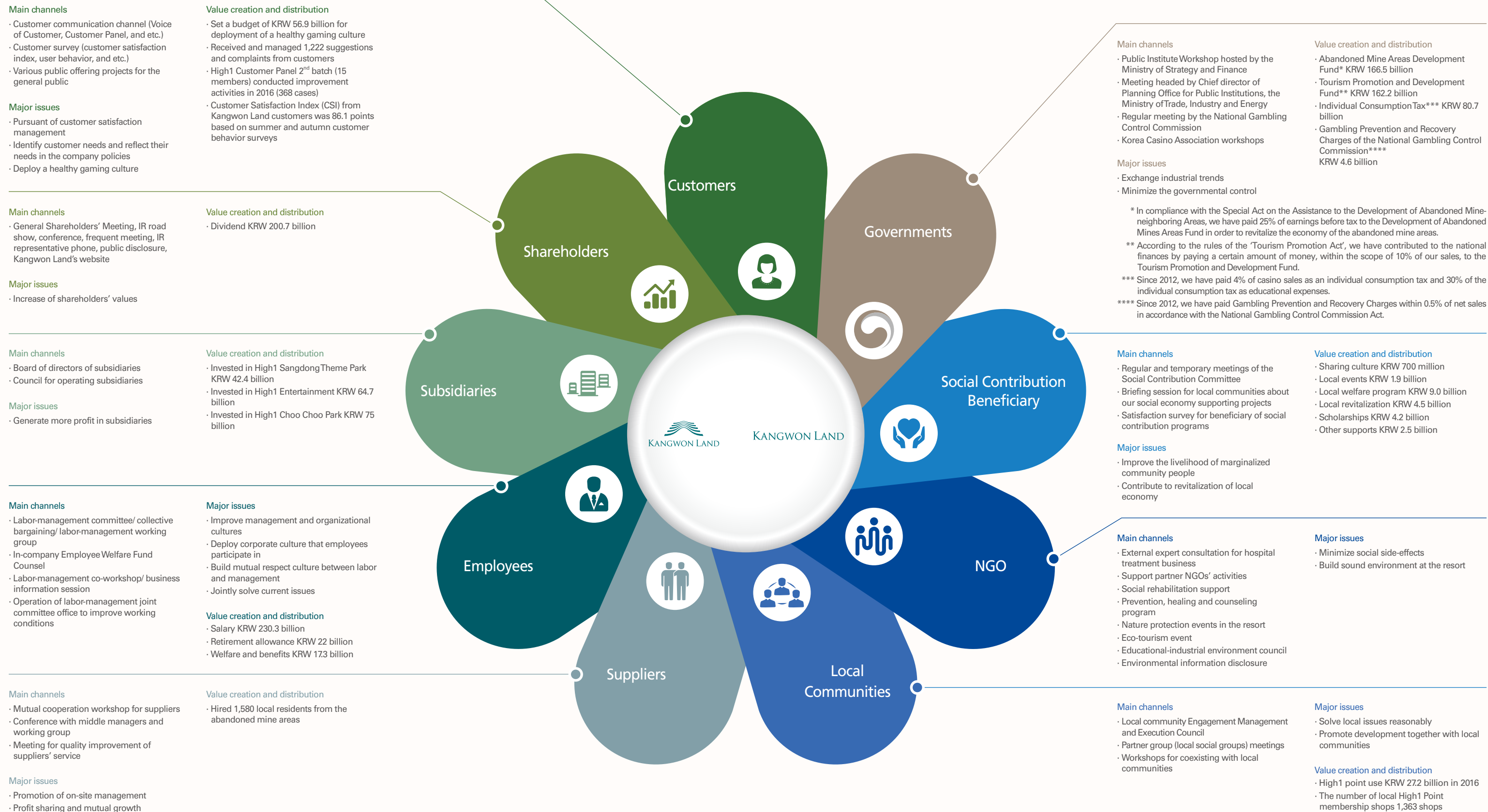
## Future Vision Indicators

Kangwon Land as the representative four season eco-friendly resort complex in Korea has continuously grown and has set a goal to attract 10 million customers by 2025. All of our employees are striving to achieve this goal.





# Stakeholder Engagement



**Main channels**

- Customer communication channel (Voice of Customer, Customer Panel, and etc.)
- Customer survey (customer satisfaction index, user behavior, and etc.)
- Various public offering projects for the general public

**Major issues**

- Pursuant of customer satisfaction management
- Identify customer needs and reflect their needs in the company policies
- Deploy a healthy gaming culture

**Value creation and distribution**

- Set a budget of KRW 56.9 billion for deployment of a healthy gaming culture
- Received and managed 1,222 suggestions and complaints from customers
- High1 Customer Panel 2<sup>nd</sup> batch (15 members) conducted improvement activities in 2016 (368 cases)
- Customer Satisfaction Index (CSI) from Kangwon Land customers was 86.1 points based on summer and autumn customer behavior surveys

**Main channels**

- General Shareholders' Meeting, IR road show, conference, frequent meeting, IR representative phone, public disclosure, Kangwon Land's website

**Value creation and distribution**

- Dividend KRW 200.7 billion

**Major issues**

- Increase of shareholders' values

**Main channels**

- Board of directors of subsidiaries
- Council for operating subsidiaries

**Major issues**

- Generate more profit in subsidiaries

**Value creation and distribution**

- Invested in High1 Sangdong Theme Park KRW 42.4 billion
- Invested in High1 Entertainment KRW 64.7 billion
- Invested in High1 Choo Choo Park KRW 75 billion

**Main channels**

- Labor-management committee/ collective bargaining/ labor-management working group
- In-company Employee Welfare Fund Counsel
- Labor-management co-workshop/ business information session
- Operation of labor-management joint committee office to improve working conditions

**Major issues**

- Improve management and organizational cultures
- Deploy corporate culture that employees participate in
- Build mutual respect culture between labor and management
- Jointly solve current issues

**Value creation and distribution**

- Salary KRW 230.3 billion
- Retirement allowance KRW 22 billion
- Welfare and benefits KRW 17.3 billion

**Main channels**

- Mutual cooperation workshop for suppliers
- Conference with middle managers and working group
- Meeting for quality improvement of suppliers' service

**Major issues**

- Promotion of on-site management
- Profit sharing and mutual growth

**Value creation and distribution**

- Hired 1,580 local residents from the abandoned mine areas

**Main channels**

- Public Institute Workshop hosted by the Ministry of Strategy and Finance
- Meeting headed by Chief director of Planning Office for Public Institutions, the Ministry of Trade, Industry and Energy
- Regular meeting by the National Gambling Control Commission
- Korea Casino Association workshops

**Value creation and distribution**

- Abandoned Mine Areas Development Fund\* KRW 166.5 billion
- Tourism Promotion and Development Fund\*\* KRW 162.2 billion
- Individual Consumption Tax\*\*\* KRW 80.7 billion
- Gambling Prevention and Recovery Charges of the National Gambling Control Commission\*\*\*\* KRW 4.6 billion

**Major issues**

- Exchange industrial trends
- Minimize the governmental control

\* In compliance with the Special Act on the Assistance to the Development of Abandoned Mine-neighboring Areas, we have paid 25% of earnings before tax to the Development of Abandoned Mines Areas Fund in order to revitalize the economy of the abandoned mine areas.

\*\* According to the rules of the 'Tourism Promotion Act', we have contributed to the national finances by paying a certain amount of money, within the scope of 10% of our sales, to the Tourism Promotion and Development Fund.

\*\*\* Since 2012, we have paid 4% of casino sales as an individual consumption tax and 30% of the individual consumption tax as educational expenses.

\*\*\*\* Since 2012, we have paid Gambling Prevention and Recovery Charges within 0.5% of net sales in accordance with the National Gambling Control Commission Act.

**Main channels**

- Regular and temporary meetings of the Social Contribution Committee
- Briefing session for local communities about our social economy supporting projects
- Satisfaction survey for beneficiary of social contribution programs

**Value creation and distribution**

- Sharing culture KRW 700 million
- Local events KRW 1.9 billion
- Local welfare program KRW 9.0 billion
- Local revitalization KRW 4.5 billion
- Scholarships KRW 4.2 billion
- Other supports KRW 2.5 billion

**Major issues**

- Improve the livelihood of marginalized community people
- Contribute to revitalization of local economy

**Main channels**

- External expert consultation for hospital treatment business
- Support partner NGOs' activities
- Social rehabilitation support
- Prevention, healing and counseling program
- Nature protection events in the resort
- Eco-tourism event
- Educational-industrial environment council
- Environmental information disclosure

**Major issues**

- Minimize social side-effects
- Build sound environment at the resort

**Main channels**

- Local community Engagement Management and Execution Council
- Partner group (local social groups) meetings
- Workshops for coexisting with local communities

**Major issues**

- Solve local issues reasonably
- Promote development together with local communities

**Value creation and distribution**

- High1 point use KRW 27.2 billion in 2016
- The number of local High1 Point membership shops 1,363 shops

## Advisory Meeting with Stakeholder

**“We are sharing Kangwon Land’s sustainability issues with our stakeholders”**

Kangwon Land is the only casino allowing access to domestic people in Korea. As it is a public institute established to revitalize the local economy of the abandoned mine areas, we carry out our roles not only by promoting balanced growth with the local communities but also implementing the public institute’s social responsibilities. To enhance Kangwon Land’s sustainability activities, we held an advisory panel meeting with stakeholders from different expertise background.

### Summary of Stakeholders’ Meeting

Category	Contents
Topic	Suggestions to Kangwon Land sustainability activities
Purpose	2015 Kangwon Land Sustainability Report review Listening to the stakeholders’ opinion on our sustainable management system and activities, and development directions
Date	April 07, 2017



### Participants of the Stakeholder Advisory Panel Meeting

No	Name	Position	Organization
1	Lee Jeong-Hee	Professor	School of Economics, Chung-Ang University
2	Lee Eun-Gyeong	Team Leader	UN Global Compact Network Korea
3	Kim Soo-Wook	Professor	Seoul National University Business School
4	Park Jeong-Eun	Director	The Institute for Industrial Policy Studies
5	Yoon Jin-Soo	Team Leader	Korea Corporate Governance Service
6	Kim Gyeong-Shin	Professor	Sungshin Women’s University

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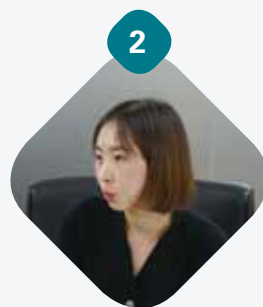
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**Q.**

Which parts do you think Kangwon Land should focus on in order to enhance sustainability reporting level and to develop overall sustainable management?

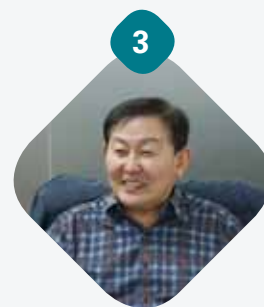
Lee Jeong-Hee, Professor



“Kangwon Land’s own unique issues should be dealt deeply”

To improve its sustainable competitiveness, Kangwon Land reports its efforts on economic, environmental and social activities as well balanced. Also, the core issues derived from the materiality assessment are reported intensively well. However, I suggest Kangwon Land emphasize issues that are connected to its business industry, such as human rights, labor, environment, anti-corruption, and local community development in its report. And I also recommend Kangwon Land to share and communicate its annual improvement on these issues with its stakeholders. Lastly, I suggest Kangwon Land include its activities on Sustainable Development Goals (SDG), the latest sustainable management trend, together with its major sustainability issues.

Lee Eun-Kyung, Team Leader



“Connect Kangwon Land businesses to SDGs and report its performances deeply”

Kangwon Land is required to constantly improve its corporate image to the public due to the nature of its casino business. In addition to expanding a corporate role to solve social and environmental problems, Kangwon Land needs to strive for creating values even from the process of solving problems. I suggest Kangwon Land to disclose its business performances that contributed to resolving the global social and environmental issues such as UN SDGs. For example, to achieve the 15th goal of SDGs, utilizing its location in the mountainous area, Kangwon Land can report its various efforts to protect forest resources and contribute to ecosystem recovery.

Kim Soo-Wook, Professor



“Include long-term perspectives, plans and specific performance indicators in the sustainability report”

Kangwon Land operates a business that offers an opportunity to enjoy relaxing lives such as casino, resort, and leisure programs. On the flipside of the positive aspect, this business has inherited risks. This leisure industry may be affected by population changes and eco-friendly issues, therefore, it is important to respond to the new social and environmental trends. Also Kangwon Land needs to respond to sustainable management from mid-to-long term perspectives by identifying industrial trends and reviewing opportunity and risk factors. When Kangwon Land continues to manage sustainability KPIs and issues raised by its stakeholders together, I think Kangwon Land would promote even more trusted sustainable management.

Park Jeong-Eun, Head of Research



“Report its efforts to demonstrate sustainable vision and responsible business management”

Kangwon Land has reported its activities for the development of abandoned mine areas along with other business and sustainability issues. In addition to it, it would be a great sustainability report when Kangwon Land adds its communication efforts with its stakeholders regarding the abandoned mine areas in its report. Furthermore, as the demand for responsible investment is forecasted to grow due to the recent introduction of the stewardship code in Korea, Kangwon Land needs to communicate with domestic and foreign institutional investors. When Kangwon Land includes its own unique sustainability vision and efforts to do responsible business management, its stakeholders would have more trust in Kangwon Land’s sustainable management.

Yoon Jin-Soo, Team Leader



“Efforts providing fair opportunities to female employees and listening to its stakeholders are needed”

Global leading companies have increased female employees’ ratio at the management and board level for fair opportunity and diversity perspectives. As the female employees of Kangwon Land consist of 38% of total employees, and the hiring rate of female candidates for entry level is increasing, Kangwon Land needs to listen to the opinions on fostering and promoting women leaders. I suggest Kangwon Land includes the stories in its report, on its performances on women rights’ improvement such as the promotion of welfare programs for women, the operation of the Women’s Committee, and realization of a great workplace culture. Lastly, I propose Kangwon Land listens to its stakeholders’ opinions actively and manages the raised issues systematically with stakeholders’ feedback on progress.

Kim Gyeong-shin, Professor





# ***BUSINESS COMPETITION***

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# Introduction of Kangwon Land Business

## Business of Kangwon Land



Kangwon Land, based on casino gaming, owns three hotels and three condominiums in the Kangwon Land resort complex and operates golf courses and a ski resort. Our sales in 2016 reached KRW 1.6965 trillion. Casino business, hotel business, and leisure business recorded KRW 1.619 trillion, KRW 25.1 billion, and KRW 52.4 billion, respectively. In particular, we are trying to increase non-casino sales through the introduction of leisure activities. The total number of visitors to Kangwon Land in 2016 was 5.12 million, which consists of 4.97 million domestic people and 150,000 foreigners. As we implement a focused marketing campaign on major customers while the CEO gathers interest in sales road show, the number of foreign visitors increased 18% compared to the previous year.

Kangwon Land is engaged in a variety of social contribution activities for the local community in order to achieve our goal of the economic revitalization in the abandoned mine area. We are making efforts to solve problems in the local community and to build a virtuous cycle structure by doing practical contributions to beneficiaries through fostering future talents, creating jobs, and eliminating welfare grey areas. In addition, we are pursuing mutual growth activities that reflect the needs of our suppliers by promoting communication processes and win-win cooperation programs for the suppliers. Furthermore, as a public corporation that operates a casino, we are promoting various policies with the Kangwon Land Addiction Care Center to minimize social side effects and establish a healthy game culture.


### 1. Revenue(Net sales)

		2016	2017 Goals	2025 Strategic Goals
Casino business		KRW <b>1.619</b> trillion	KRW <b>1.6002</b> trillion	
Hotel business		KRW <b>25.1</b> billion	KRW <b>25.1</b> billion	KRW <b>3.2</b> trillion
Leisure business		KRW <b>52.4</b> billion	KRW <b>53</b> billion	

### 2. Visitors

		2016	2017 Goals	2025 Strategic Goals
Domestic visitors		<b>4.97</b> million persons	<b>5.21</b> million persons	<b>13.08</b> million persons
Foreign visitors		<b>150,000</b> persons	<b>170,000</b> persons	

### 3. Revitalization of local economy

		2016	2017 Goals	2025 Strategic Goals
Contribution rate to mutual growth of abandoned mine areas		<b>26.19</b> %	<b>27.2</b> %	<b>37</b> %

### 4. Social contribution

		2016	2017 Goals	2025 Strategic Goals
Investment in social contribution		KRW <b>22.8</b> billion	KRW <b>27</b> billion	KRW <b>41.6</b> billion

### 5. Prevention of gaming addiction

		2016	2017 Goals	2025 Strategic Goals
Number of customers in gambling immersion		<b>2,157</b> persons	<b>1,760</b> persons	<b>1,000</b> persons





# Four Season Eco-friendly Healing Resort Development

## Four Season Always Pleasant Resort

Kangwon Land explores to make differentiation at the 'Four Season Always Pleasant Resort' eco-friendly healing resort through seasonal themed contents that combine healing, cultural and entertainment resources with highland tourism resources. The Four Seasons Theme Festivals include <Spring, Flower Festival> under the theme of wild spring flowers, <Summer, Music Festival> under the theme of music, <Autumn, Mountain Sports Festival>, the time various highland leisure sports are available alongside Haneul Forest Path, and <Winter, Magic Festival> under the theme of magic. During the Four Seasons Festival, various multi-products with contents such as performances, exhibitions, experiences, food, and trekking are provided.



### Flower Festival

- Walk in the Haneul Forest Path
- Shasta Daisy Flower Event
- Local Restaurants Contest
- Acoustic Performance



### Music Festival

- Cool Summer Concert
- Top of the Mountain Concert
- DJ Festival
- Fringe performance



### Mountain Sports Festival

- Trekking
- Nordic Walking
- Light Trekking Event
- Trail Running



### Magic Festival

- Magic performance
- Food Festival



#### Creating Haneul Forest Path

The Haneul Forest Path means a trekking route in the plateau forest extending 264km that connects high mountains in Southern Gangwon Province. Kangwon Land has signed a work agreement on development and creation of Haneul Forest Path with the Korea Forest Service, four cities and counties, and Mt. Taebaek National Park Office. After the creation, we plan to introduce healing courses amidst the beautiful nature in the southern part of Gangwon Province through joint promotion and marketing.



#### Flower Festival

In spring, High1 is covered with white wildflowers called Shasta Daisy. The Flower Festival is held under the theme of Shasta Daisy that blooms around skiing slopes and resorts, and various events such as <Shasta Daisy Flower Event>, <Wildflower Cart Tour>, and <Walk in the Haneul Forest Path> are held.



#### Music Festival

High1 is filled with a variety of music concerts and events in every summer holiday season. In the open air, where cool breeze blows during the midsummer night, large concerts such as K-pop, classical, rock, and hip-hop are held several times, and big and small events and fringe performances are held across the resort. In particular, the 'Top of the Mountain Concert', held on the first Saturday of August every year, has established itself as the High1's original cultural brand with the participation of thousands of customers.



春·夏  
秋·冬



#### Mountain Sports Festival

Located in beautiful natural surroundings, High1 Resort created Haneul-gil, a beautiful and pristine forest path, around the resort. This Haneul-gil has been loved by customers who are tired of city lives. In particular, Untangodo, which used to be a 'high way to transport coal' in the past, is a flat road located on a plateau that is hard to find in other parts of Korea. It is used for trekking as well as mountain sports such as MTB and mountain marathon. In the autumn season, we will hold a mountain sports festival to enjoy these various mountain and leisure activities.



#### Magic Festival

For family members visiting Kangwon Land during the holiday season, a magical performance is held at Casa Cinema on the third floor of the Kangwon Land Hotel. In particular, in 2016, the 'Asian Magic Association Championship' was held so world-class magic performances may be enjoyed in one place. The trick art exhibition, which combines magic and exhibition was held to provide a myriad of spectacular displays.



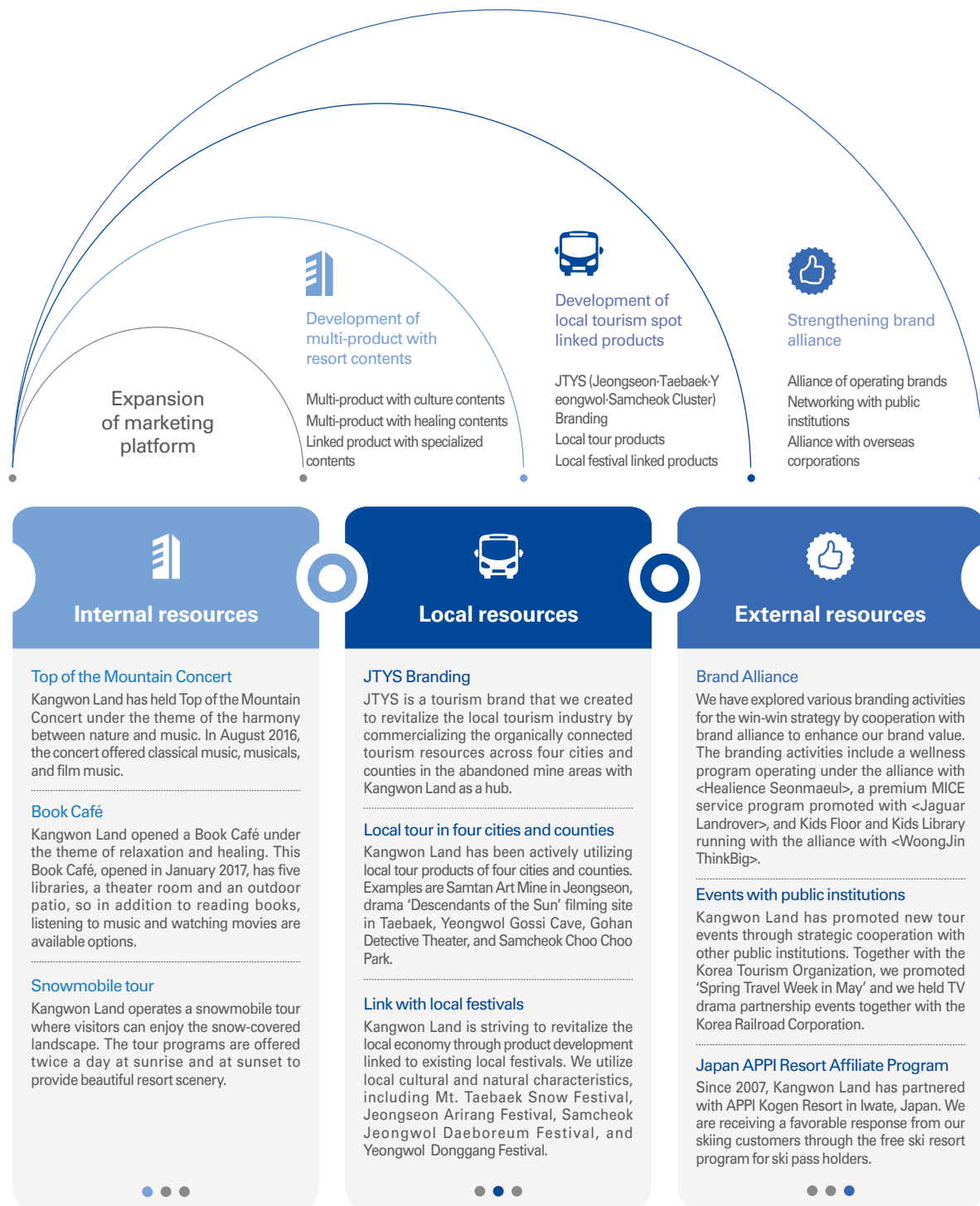
#### Kangwon Land Local Restaurant Contest

Kangwon Land strives to revitalize the local economy and enhance effects by finding local representative restaurants in four cities and counties in response to the latest trend. We held a local restaurant competition over the year by visiting Jeongseon, Taebaek, Yeongwol, and Samcheok, and in December, each local winner gathered to decide the final winner. Customers, food experts, and broadcasting companies attended this event and expressed their strong interests. We will hold more upgraded local restaurant competitions with various themes in 2017.

## Building Stayover Base for Tourists

### One-Stop Tourism Platform

A new tourism platform would be established when the marketing resources of Kangwon Land and external marketing resources meet. First of all, Kangwon Land has been developing multiple products by enhancing our own resort contents and local tourism spot linked products. In this way, Kangwon Land will be utilized as a hub for local tourism. We have also established a long-term plan to develop tour products that are created through cooperation with famous brands, public institutions, and overseas corporations. Through this plan, Kangwon Land will establish a tourism platform where our customers can enjoy a brand-new experience.



## Strengthening MICE and Inbound Business Competitiveness

### Strategic Selection and Focus for the Future

Kangwon Land aims to lower the proportion of casino in our business portfolio for the future. We have continuously expanded MICE business as hosting large events strengthens our MICE competitiveness. We are also trying to improve the perception that this is the resort for Koreans only, by attracting more foreigners through overseas networks. In particular, we plan to expand marketing activities related to the PyeongChang Winter Olympic Games held in 2018, thereby attracting international events and expanding MICE business and attracting foreigners based on Olympic sales.

#### Development of New MICE Markets

The resort complex surrounded by nature is the point that Kangwon Land differentiates our MICE venue (from the others located in a city), where it has a convenient infrastructure for transportation and shopping. Our resort complex is surrounded by magnificent natural surrounding which is how Kangwon Land differentiates our MICE venue from our urban competitors who have convenient transportation infrastructure and access to shopping. We strive to develop our own advantages for MICE venue and attract various MICE projects by utilization of marketing networks. In particular, we emphasize our strength by focusing on environmental sectors, such as the Korean Society of Climate Change Research, the Korea Society for Energy Engineering, and the World Forestry Congress.

#### Major Achievements

- February 2016: Held the World Meditation Congress (WMC) 2016 (4,000 participants)
- August 2016: Held the East Asian Chess Championship and the World Youth Mind Sports Fair (1,800 participants)
- October 2016: Held the World-OKTA Convention (2,500 participants)
- February 2017: Held the Korea International MICE Congress 2017 (1,500 participants)
- February 2017: Held HCI Korea 2016 (2,000 participants)



#### Expanding Programs to Attract Foreigners

In order to break the public prejudice that Kangwon Land is the resort for Korean people, we have utilized our surrounding tourism resources to attract foreigners. First of all, we have attracted foreign customers stably by focusing on the foreign countries with higher records of visitors. In addition to Hong Kong, we have been targeting Southeast Asian countries such as Singapore, Malaysia, Indonesia, and Thailand as our key customers. And then we have linked Korean (Hallyu) drama contents to our resorts. As individual Chinese tourists are increasing, we strive to meet these customers' needs by introducing new contents such as music and medical services. During the winter season, we design various programs and promotion activities and advertise Kangwon Land to foreigners who have a preference for High1 Ski Resort.

#### Major Achievements

- February 2017: China Activation
- February to March 2017: Indonesia Indosat
- March 2017: Indonesia Philips

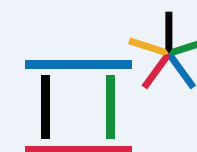


#### Strengthening Marketing for PyeongChang 2018

Targeting various global companies that will sponsor the Olympic Winter Games Pyeongchang 2018, Kangwon Land is promoting proactive marketing. In addition, we try to build an image as the Olympic Winter Games Pyeongchang 2018 representative resort through image marketing based on the national sports team. Furthermore, we will grow as the most beloved resort among foreigners by attracting a variety of international events during the Olympic period.

#### Major Achievements

- September 2016 ~ January 2017: Publicity campaign for PyeongChang 2018 (sculpture installation and events)
- December 2016: Invited designated schools of PyeongChang 2018 publicity



PyeongChang 2018







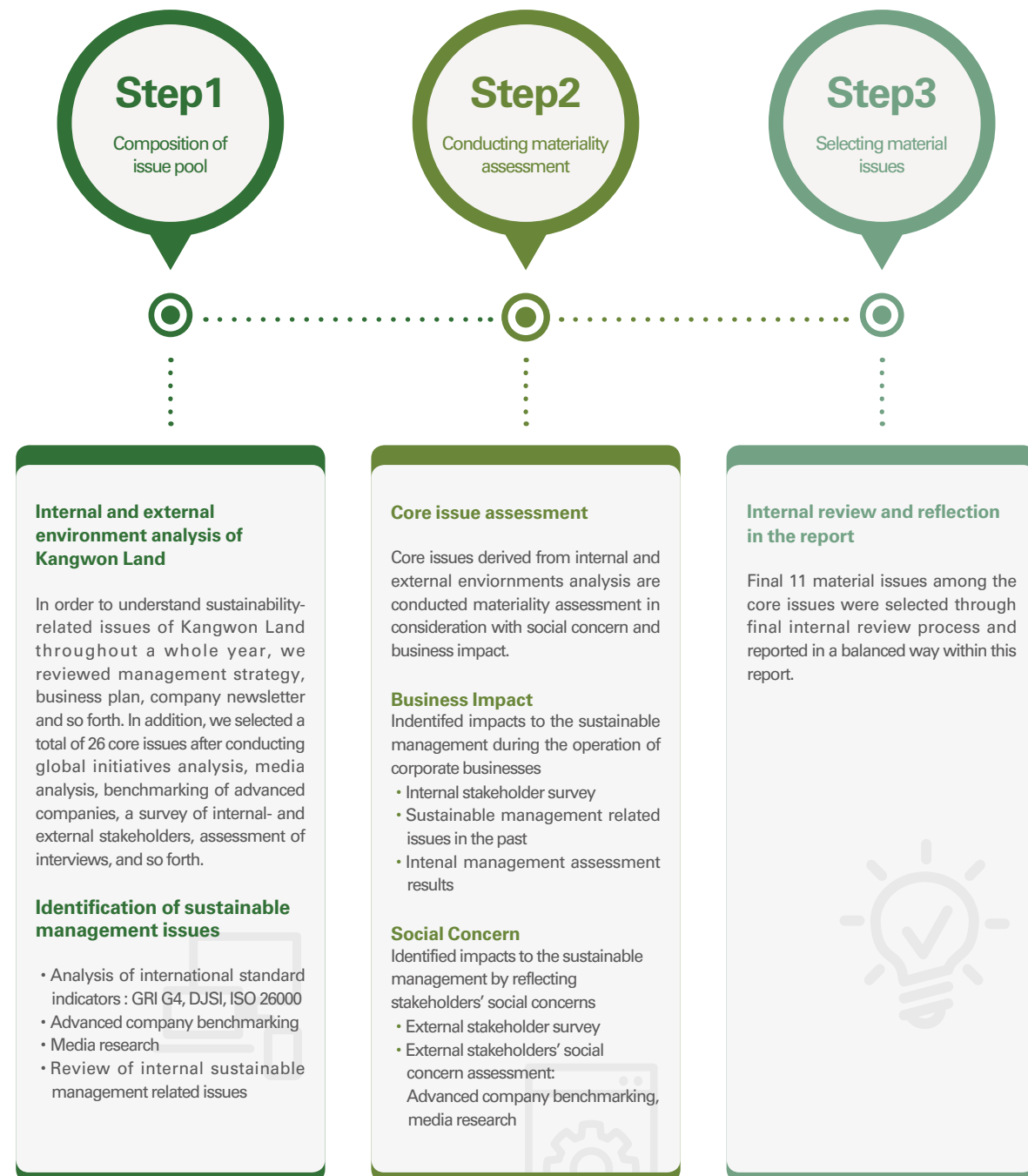
# ***CORE VALUES & ISSUES***

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# Materiality Assessment

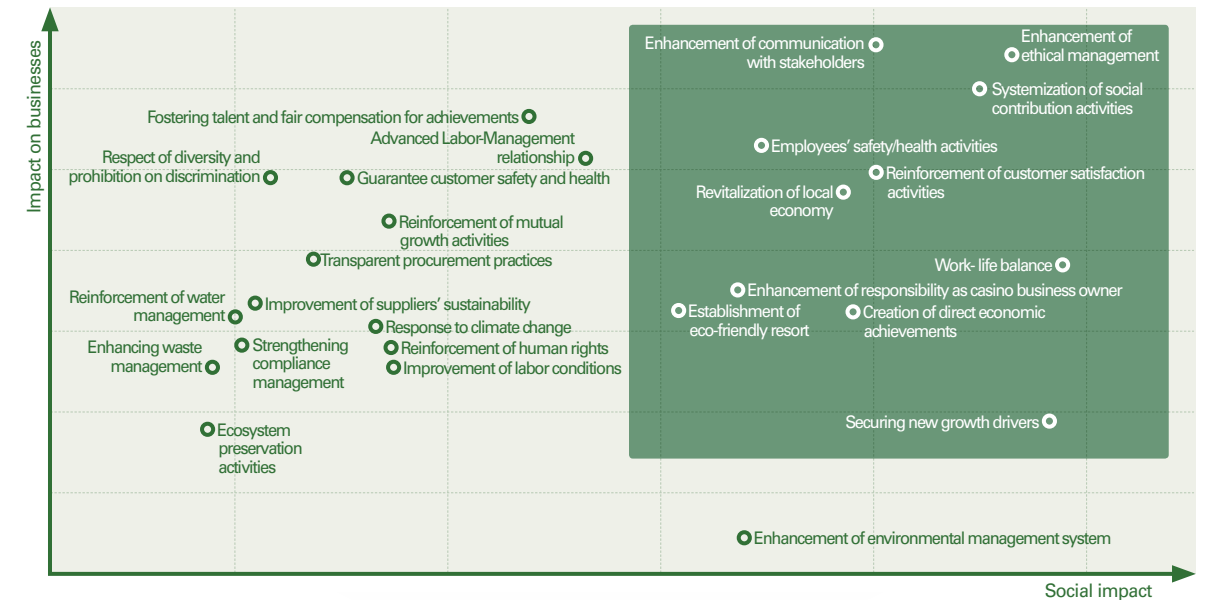
Kangwon Land complied with the four principles offered in GRI (Global Reporting Initiative) that are 'sustainability context, materiality, stakeholder inclusiveness, and completeness' and sufficiently reflected them in this report. In order to continue identifying issues that may arise in the course of business, we are listening to various stakeholders and selected 26 core issues through global standards analysis, media research, benchmarking of advanced corporates, and survey while drafting this report. Among these core issues, we derived 11 material issues upon the assessment on the extent of stakeholder interests and business impacts.

## Materiality Assessment Process



## Results and Reporting of Materiality Assessment

As a result of materiality assessment, we selected 11 material issues of the economic, environmental and social aspects to be reflected in this report.



## Core Issues

No	GRI Aspects	Core issues	Reporting Boundary					Reflecting reporting contents
			Shareholders & Investors	Employees	Customers	Suppliers	Local Communities	
1	Anti-Corruption	Enhancement of ethical management	●	●		●		Establish responsible management via ethical management
2	Local Communities	Systemization of social contribution activities					●	Realization of win-win value with local community
3	Added Aspect	Enhancement of communication with stakeholders	●	●	●	●	●	Stakeholders' participation and advisory meetings
4	Added Aspect	Reinforcement of customer satisfaction activities		●	●			Realization of customer values
5	Occupational Health and Safety	Employee Safety/health activities		●	●	●		Realization of safe and eco-friendly workplace
6	Indirect Economic Impacts	Revitalization of local economy					●	Realization of win-win value with local community
7	Employment	Work-life balance		●				Realization of values for employees
8	Added Aspect	Enhancement of responsibility as casino business owner		●	●		●	Deployment of a healthy gaming culture
9	Economic Performance	Creation of direct economic achievements	●					Introduction of Kangwon Land business (sales) and financial statements (consolidated balance sheet, consolidated statements of comprehensive income and etc.)
10	Energy	Establishment of eco-friendly resort		●			●	Establishing eco-friendly infrastructure
11	Economic Performance	Securing new growth drivers	●					Fostering engines for the future growth



# 01

## Creative Management for the Future Fostering Engines for the Future Growth

### Our Strategy

- Establishment of Mid-to-long Term Resort Master Plan
- Contents Development and Enhancement
- Development of Business Model for Regional Development

### 2016 Highlight

- Launching of High1 888 Brand
- Opening of Book Café and High1 Science Museum
- Maturity of JTYS (Jeongseon-Taebaek-Yeongwol-Samcheok Cluster) Branding

### 2017 Focus

- Implementing Short-term Projects of the Resort Master Plan
- Specification of Creative Agri-Science Project and City Restoration Project
- Promotion of Yeongwol's New Regional Projects

### Performance

	(unit: KRW million)
 • Sales of Casino Business	<b>1,619,016</b>
 • Sales of Hotel Business	<b>25,125</b>
 • Sales of Leisure Business	<b>52,391</b>

## Fostering Engines for the Future Growth

### Establishment of Resort Master Plan

Kangwon Land established a new master plan for the resort in 2016. We carried out a comprehensive examination from the perspective of space, time, and contents, in order to seek ways to secure our self-sustainability after the expiration of the Special Act on the Assistance to the Development of Abandoned Mines Areas ("Special Act") in 2025., the scope of space we set includes the resort of 3.44 million pyeong and areas in Gohan and Sabuk. The plan time period starts from 2017 and ends in 2025 when the Special Act expires. And we divided the period into short-, mid- and long-term in three year segments. At last, for the purpose of "re-arrangement of resort facilities," "development of main contents" and "zoning the resort and local community areas," we are planning to make detailed project plans and complete them.

Designing Resort Master Plan



### Creating Guidelines for the Master Plan

Kangwon Land seeks to improve the functionality and convenience of the resort through the master plan and to respond to the future business environments and changes of customer needs by developing new and creative attractions. For these, we have analyzed internal and external conditions and established goals of the master plan guidelines from a long-term perspective. We set the guidelines by a longitudinal axis that connects areas of the summit of Mt. Baekun and Coal Mine Culture Village and latitudinal axis that connects areas of High 1 Hotel and Kangwon Land Hotel. These areas will be divided into five regions and developed as two leisure-sports zones, healing zone, entertainment zone and culture zone.

### Reviewing Short-term Business Projects

We identified the projects that should be urgently reviewed in terms of customer convenience and set short-term tasks that aim to be completed by 2019 in the master plan.

### Review of Previous Theme Park Remodeling Plan

The reopening of the existing Theme Park after remodeling it in order to increase external brand awareness on Kangwon Land has been planned. However, we decided to postpone the review of remodeling until after examining customer needs after the opening of the Water Park in 2018.

### Why is it important?

Sustainable growth can be achieved when we respond to rapid changes in external environments and adopt new businesses to such changes. Kangwon Land recognizes the expiration of the Special Act in 2025 as a crisis as well as a new opportunity. We will strive to secure new growth drivers for the future and enhance the value of Kangwon Land.

### Our Approach

Kangwon Land aims to be a Eco-friendly Resort Complex and seeks to realize the mid-to-long term resort master plan. Moreover, we have established a basis for sustainable growth based on the non-casino businesses, while enhancing our resort operational competitiveness that we have built already.



### Designing Concept of Central Garden

As the customers' interests in flora increase, we are planning to transform the existing Lake Park into a Central Garden interwoven with flowers and trees. In 2017, we will also review the construction of underground parking lots as a way to connect the existing Theme Park to the Water World.

Aerial View of Central Garden



### Review of Introduction of New Transportation

One of the main complaints of our customers has been the inconvenient transportation. Thus, we examined various means of transportation for the roads connecting to the hotels, condominiums, and attractions, and sought to increase the convenience and accessibility to visitors. Moreover, we will make everyone move freely and easily inside Kangwon Land by removing any physical obstruction.

Obstruction Removed Road (illustration)



Monorail (illustration)



### Establishing a Solid Business Foundation

While it is important to develop new businesses, making existing businesses more robust is also very important in terms of business continuity. Therefore, Kangwon Land is striving to reinforce new contents to provide richer attractions to see and enjoy.

### New Contents

#### Preparing for the Successful Opening of the Water Park

Kangwon Land has reflected expected requirements that would incur during the operation of the Water Park in the design of the Water Park Project to prevent problems such as waste of budget and delays. In addition, we have established a basic operation plan for computerized systems and business parts. In these ways, we are preparing for the opening of Season Water Park in 2018.

Aerial view of Water Park



## Fostering Engines for the Future Growth

### Coal Mine Culture and Tourism Village Project

Kangwon Land plans to create a 'Coal Mine Culture and Tourism Village' utilizing the local heritages in Sabuk region. Actual coal mine facilities will be restored, coal mine exhibition halls, mine tunnels, and mine tubs will be prepared, and the values of the coal industry heritage will be preserved.

In 2016, the 550-meter-long of the 650 Tunnel was completed its repair and rehabilitation construction and is ready to allow tourists to experience the tunnel used for the past coal production. In addition, we are promoting reinforcement work of underground waterway culverts near the Coal Mine Culture and Tourism Village for a safer development of the Village.

In the future, once the reinforcement work of the waterway culvert and the repair work of the main facilities such as the main building and the winding room are completed, this place will be created as a facility for experiencing modern history and introducing the local coal mining culture through the exhibition coal artifacts and various experience facilities.

### Operation of High1 Science Museum

In order to offer an attraction at nighttime within the resort, we created High1 Science Museum on the rooftop of Mountain Plaza. High1 Science Museum, as the first scientific facility in the resort, will operate experiential-based learning programs.

High1 Science Museum



### High1 888

We selected eight instances each of attractions to see, eat and enjoy in Kangwon Land Resort. And then branded them as "High1 888". High1 888 consists of 8 kyeong, which means eight sites, 8 mi for eight dishes and 8 lak for eight activities. The brand of High1 888 assists the resort customers to find relevant information easily.

8 Sites	Fireworks, Unamjeong, Mountain Top, Meditation Shelter, Do-rong-yi pond, Untangodo, Wild flowers, High1 Hotel Trail
8 Dishes	[Unamjeong] Gomchwi (ragwort) cold noodle [World Fusion] Buffet, [OV] Gomchwi walnut bread, [The Grill] Roasted octopus pasta, [Pansy] Wild vegetable and mushroom bulgogi, [Orien] Omakase course menu, [La Vista] Tomahawk steak and 1340 wine
8 Activities	Ski, Golf, Music Festival, Haneul-gil Trekking, Casa Cinema, Book Café, gondolas, Alpine Coaster (summer season) and snow activities (winter season)

### Diverse Contents for Exhibition and Performances

Kangwon Land provides various performances, including magic shows, musicals, and puppet shows at our auditorium called Casa Cinema throughout the year. We hold the arts and photographic exhibitions at our lobby (5F of Convention Hotel) on a regular basis in order to offer things to see to our customers. In 2016, we displayed colorful cultural contents by holding seven exhibitions, five regular performances, and 14 cultural performances.

Music Festival



Exhibition of Korean Film 100Year Posters



### Healing Contents

#### Opening Book Café

We opened a Book Café in response to the needs of customers who want to relax with their family and use it as a form of healing. Customers can choose to read or watch from among 2,000 books and 100 videos. We are planning to host various events, including a conversation with authors, mini-concerts, commemorative publication gatherings held at the library, theater, and outside patio, so that customers can enjoy a wide variety of content.

Book Café



#### Creation of Meditation Resting Place and Meditation Walkway

Kangwon Land has developed unique and serene highland healing elements that offer peace and tranquility to busy urbanites. In particular, the Meditation Forest Path and the Meditation Shelter in Haneul-gil, where hand printings from famous meditation gurus around the world are displayed, are loved by customers for their unique healing spots.

The World Meditation Congress



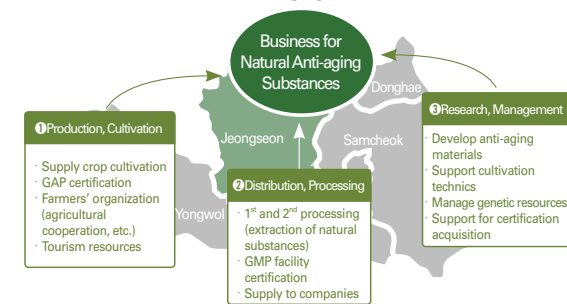
### Business for Regional Development

We believe that we have reached the limits of supporting local communities through independent tourism business in tandem with resort development. Thus, we will identify suitable business models with consideration for local characteristics that can substantially improve the quality of life of the community residents.

#### Creating Foothold of 'Creative Agri-science'

We have been promoting 'Creative Agri-science' business to produce native plants suitable for abandoned mine regions in southern Kangwon province, to extract and process high-value-added natural anti-aging substances from the plants and to build a platform to commercialize these substances. The interest in anti-aging substances has greatly increased as Korea's population shifts to an aging society. Moreover, Kangwon province has been evaluated as the most appropriate place for the production of natural anti-aging substances due to its high elevation. Thus, Kangwon Land reviewed the feasibility of Creative Agri-science business, made efforts to discover botanical species and invited other companies to participate in the business in 2016. As a result, we have developed a business model for natural anti-aging substances and secured six botanical species for commercialization and three participating companies.

Business Model for Natural Anti-aging Substances



#### Laying the Foundation for City Restoration Project

We have started planning ahead for the City Restoration Project in order to create mid-to-long term development plans for the abandoned mine regions and to improve the life quality in these communities after the expiration of the Special Act. The City Restoration Project is aimed at upgrading and revitalizing the overall functions of the communities, including economy, society, and culture in addition to physical environment, led by the local residents. To this end, Kangwon Land composed an external advisory panel and hosted a forum 'Creating Good Villages'. Approximately 600 people from local governments and local residents attended this forum and were encouraged to share empathy, support, and cooperation for the City Restoration Project. To operate the city restoration project further and promote detailed projects, City Restoration Supporting Center was established in April 2017.

Creating Good Villages Forum



### Revitalization Project of the Tourism Cluster in Abandoned Mine Areas

We are marketing the brand of 'JTYS' to attract customers to four cities and counties (Jeongseon, Taebaek, Yeongwol, and Samcheok) in southern Gangwon province. JTYS is one of our major tourism projects that builds a basis for 'Stayover Base for Tourists centering' around High1 Resort. This is the business model that clustering stagnant abandoned mine areas into one tourism group and Kangwon Land supports this business model to be commercialized. We have raised the brand awareness of JTYS by opening permanent promotion booths, as well as advertising by connecting various local festivals, events and fairs. Moreover, we formed a regular council with tourism board representatives from those four cities and counties and representatives of the respective local attraction sites, in an effort to discuss and improve diverse matters, including product development and concerns. In 2017, we ventured into more aggressive JTYS business by creating an online platform for product development and sales and appointing a professional operating agency.

JTYS Promotional Booths

Promotion at Major Local Festivals



### Economic Revitalization Projects in Abandoned Mine Areas

Kangwon Land has been running the local community projects for the revival of the abandoned mine areas in southern Gangwon province. Though we explored various projects since 2009, we have to admit that the effect of the projects on local economic revitalization was weak, and the failure was repeated due to deteriorated profitability. To avoid any similar mistakes we made earlier, we are planning to promote local community projects. But this time we will prioritize sustainability and profitability and clearly separate projects for public interests and for profits. For the successful promotion of new business in Sangdong region of Yeongwol, we have reviewed the business feasibility and received internal and external opinions in 2016. Based on the feasibility review and opinions, our board of directors will make a final decision.

#### Stakeholder's Interview

"Realization of sustainable management through continuous generation of growth engines for the future"

Kangwon Land is a company striving continuously for the sustainable growth so it is the company expected with a bright future. Particularly, with the opening of the Water Park in 2018, Kangwon Land will be able to further advance to become one of the best resorts in Korea with the growth engine of the four-season resort complex. High1 Choo Choo Park is also striving to grow with the Kangwon Land. After the inauguration of the new CEO in 2016, the management and sales structure has been stabilized by improving profit structure and strengthening of marketing through improvement of management structure.

I hope that both companies will continue to be growth-oriented companies that are not satisfied with present accomplishment, and hope to be the best resort in the country that contribute to the mutual growth and community development through continuous cooperation.

Jeong Han-II, Corporate Planning Team Lead, High1 Choo Choo Park



# 02

## Creative Management for the Future Realization of a Safe and Eco-friendly Workplaces

### Our Strategy

- Establishment of Disaster Response System
- Enforce Health and Safety Preventative Measures/Practices
- Acceleration of Green Management




### 2016 Highlight

- Zero Occurrence of Serious Disaster in the past Three Consecutive Years
- Received Level A for Health & Safety Symbiotic Program
- Selected as Excellent Corporate in Emotional Labor Project
- Expanded Activities for Ecological Environment Preservation
- Variety of Energy Saving Measures (including Installation of LED Lights)

### 2017 Focus

- Reduction of Occupational Accident Rate and Zero Occurrence of Serious Disaster
- Implementation of Corrective Actions to Enhance the Results of Industrial Safety Risk Assessment
- Reinforcement of Basis for Eco-friendly MICE Infrastructure
- Enhancement of Eco-friendly Energy Management

### Performance

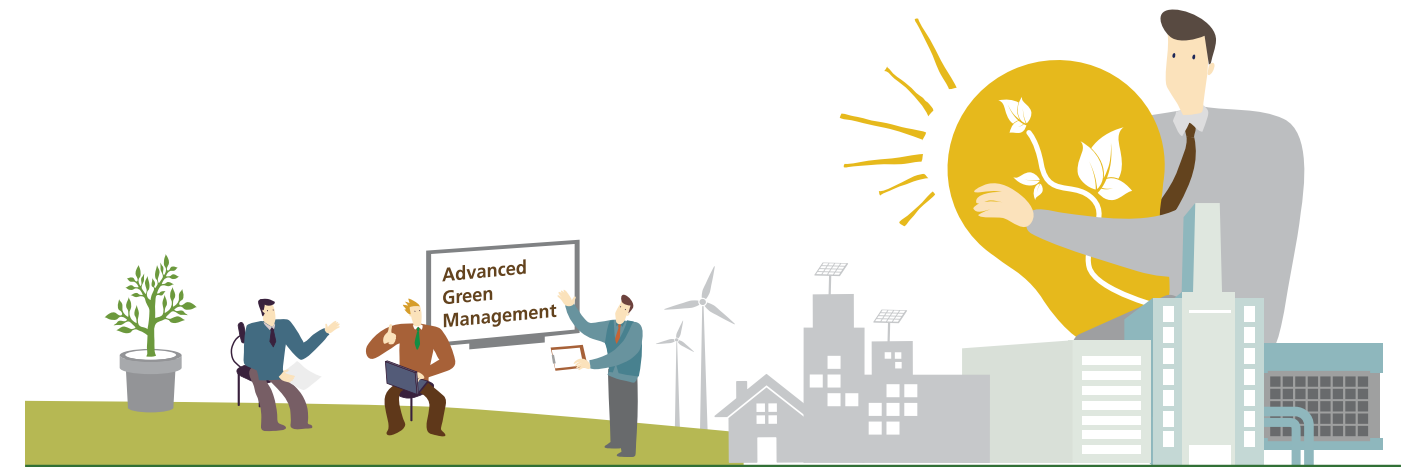
	• Number of Improvement Cases from Disaster Prevention Inspection (unit: case)	<b>55</b>
	• Occupational Accident Rate (unit: %)	<b>0.37</b>
	• Greenhouse Gas Emissions (unit: tCO <sub>2</sub> -eq)	<b>71,449</b>

### Why is it important?

Kangwon Land, a proprietor of multi-use facilities, has to conduct systematic disaster management for the safety of customers and employees. We are also keen on local environmental issues and respond to priorities such as biodiversity and climate change.

### Our Approach

Our CEO expresses his strong commitment for a safe and pleasant workplace and tries to create an enterprise-wide safety awareness and an advanced safety culture. Moreover, we aim to be an eco-friendly resort complex and consistently advance green management activities in accordance with our environment management strategy.



## Establishing an Advanced Safety and Health System

We can quickly monitor any disastrous event at our Emergency Operation Center by monitoring all data taken from various mediums including 2,000 CCTVs installed all over the resort, mobile phones and drones. Moreover, we are equipped to minimize damages for any disaster by real-time fire detection system that is connected to fire detectors and early weather warning system connected to weather sensors that monitor temperature, humidity and wind speed.



### Establishment of Disaster Safety System

Kangwon Land created the Occupational Safety Team, which incorporates and controls enterprise-wide occupational safety management, and at the same time, we appointed each department head as a management supervisor who is responsible for taking safety measures to prevent any occupational accident. The management supervisors can determine the best approach to complete the work based on their experience, knowledge and risk factors. They also manage and advise safety and health related matters including safety inspection on all sorts of facilities, reporting occupational accidents, and safety and health training.

## Endeavor in Establishment of Disaster Response System

As the largest multi-purpose property in Kangwon province with five million annual visitors and five thousand employees, it is crucial for Kangwon Land to operate the business safely in its business operation since it is likely there may be huge loss of life in case of occurrence of a disaster.

Therefore, we are equipped with state-of-the-art instruments and facilities and we have enhanced safety competencies through training and education of employees and by building cross-functional cooperation system with relevant organizations.

### Establishing Enterprise-wide Emergency Operation Center

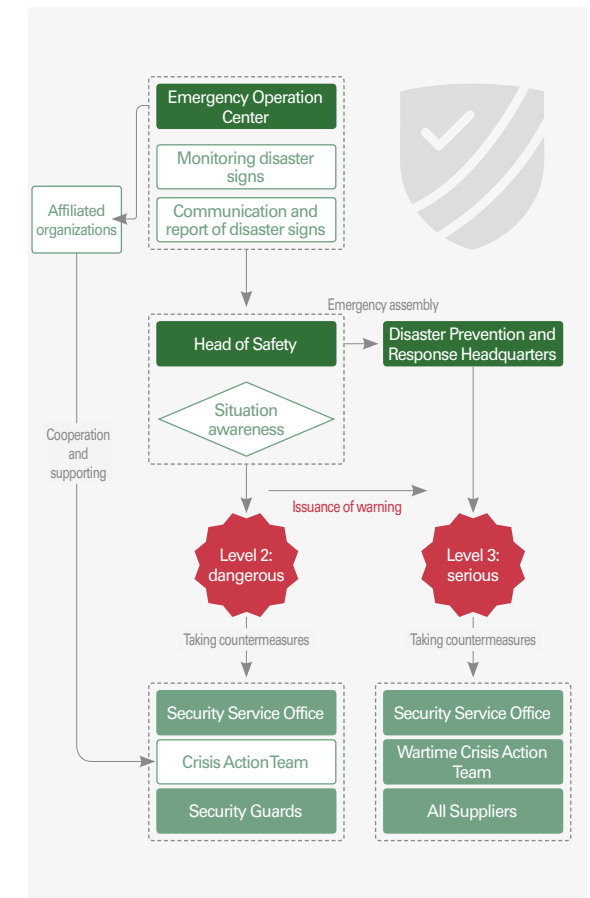
In order to effectively manage disasters at the enterprise level, we established an Emergency Operation Center. In this Center, we operate a real-time monitoring system to assess vulnerable elements within the resort complex and support the initial on-site responses to any incidents.

This Center also plays a role as a control tower which can proactively react to disasters such as typhoon, flood, and heavy snowfall.

We developed disaster safety regulations as a foundation and created disaster prevention guidelines, disaster review, and monitoring system. We have published and distributed disaster and safety incident response manual which is classified into nine types such as fire, gas poisoning, epidemic, terrorist attack, storm, and flood. In addition, we have prepared relative equipment and supplies in a proactive way by procuring thirty-one kinds of medicines, obtaining additional automated external defibrillators (AEDs) and acquiring forest fire extinguishing equipment.

### Enhancing Inspection for Disaster Prevention

In order to prepare for natural disasters such as typhoon and landslide and man-made disasters including fire, we enhanced safety inspection measures especially for the regions vulnerable to natural disasters. During summer time, we checked the predicted risk regions in preparation for typhoon, flood, and landslide and in the winter, we intensely inspected snow removal equipment, icy roads, and emergency evacuation lights. Especially, in the thawing season, we are proactively responding to the occurrence of negligent accidents by examining any hazard regions vulnerable to cracks and collapse and frequent accident areas of street furniture, tunnels, condominium and hotels within the resort. We established an alarm system for critical situations in case of occurrence of natural disasters and tightened up the disaster response procedures by the introduction of the state-of-the-art disaster management system, solidification of the emergency contacts, reviews and expansion of on-site connected disaster training.



# Establishment of an Advanced Safety and Health System

## Enhancement of Safety and Health Related Risks Prevention Activities

### Acquired the First Safety Health Management System Certificate in the Resort Industry

Kangwon Land acquired the first Safety Health Management System (KOSHA 18001) certificate from the Korea Occupational Safety and Health Agency (KOSHA) in the resort industry. We believe this confirms our effort towards safety assurance. We, together with 29 subcontractors, participated in the Health and Safety Symbiotic Program operated by KOSHA and performed activities to improve subcontractors' safety and health and occupational accident prevention measures. In 2016, we were evaluated as a Level A performer which is only given to the top 10% of all companies.



### Reinforced Safety and Health Inspection at the Workplaces

In response to the inherent risks in the workplace, we have been administering regular internal and external safety inspections. In 2016, we received a two-month safety audit from an external safety inspection institute. Based on that audit result, we repeatedly checked the same section to check for gray areas that could be overlooked. All hazardous and risky findings discovered in the inspection report were corrected. Moreover, we conducted comprehensive safety and health inspections at our workplaces to eliminate hazardous and risky issues and to improve their level of safety and health. Through quarterly safety inspections, we provided field guidance and remedial actions and made various efforts to reduce occupational accidents such as modifying dangerous facilities, supplementing protective equipment and broadening safety education. In particular, we promote safety culture by providing various safety information such as regulations and enhancing safety related communications through holding monthly health and safety council meetings.

Conducted a Total of 148 Safety Checks at Facilities

No. of industrial safety inspection	No. of on-site immediate correction	No. of exemplary inspection	No. of joint labor management inspection	No. of inspection on subcontracts
<b>70</b>	<b>11</b>	<b>17</b>	<b>10</b>	<b>40</b>

### "Zero" Occurrence of Resort Accident

We reinforced incident prevention activities in order to secure safety and prevent harm to customers such as threats by unruly customers and illegal soliciting. First of all, we improved standard patrol courses and enlarged intensive or occasional patrols in order to have effective preventive patrols. In 2016, we had 366 cases of joint investigation of illegal activities and 1,028 cases of plain clothes stint and surprise investigation on employees, which led to the discovery of 18 cases of illegalities and appropriate legal actions were taken. In addition, we secured capability for customer safety services by setting up the corresponding process for each critical situation, performing emergency response training and acquiring new equipment. We try to ensure a safe resort environment by conducting regular inspection of facilities and deter the occurrence due to criminal elements.

Inspection on Safety Facilities in the Resort



### Enhanced Preemptive Safety Management of Casino

We have been continually modifying the safety management system to prevent incidents and eliminate illegalities which may occur in the course of casino operation. We enhanced safety management systems such as personal information protection and entry control and reinforced operational responsive infrastructure by securing relevant equipment in case of emergencies. To protect our customers from exposure to epidemics and terrorist acts we have revamped our preemptive response system by strengthening entry screening procedure and taking preemptive measures on suspected infectious disease carriers. We are making every effort to ensure the safety of customers by performing hazard detection activities using gas detectors and by operating a hazard surveillance team to monitor new types of illegal activities. We raised incident response capacities and safety awareness of the employees by repeated emergency training, enhancing measures to prevent employee sexual harassment during patrol and posting of safety-related promotional videos and notices.



## Operation of Healthy Workplaces

About 70% of employees of Kangwon Land work in shifts and at nighttime. These work patterns may expose the workers to loss of appetite and exhaustion due to their irregular lifestyles. We created an organization dedicated to promoting health and safety in March 2016. We have been performing an enterprise-level health promotion program as part of our 'Happy Management that Satisfies Everyone'.

### Implementation of Outreach Health Service

For the physical and psychological health of our employees, we have been exerting our efforts in the creation of a healthy working environment by running a psychic counseling room and providing physical therapy services. The psychological counseling clinic (called Employee Happiness Healing Center) was opened in November 2016 and operates the same hours as the Health Promotion Center. In addition, we are operating an outreach health program in parallel for those employees who have difficulties to access our counseling room or Health Promotion Center.

#### Operation of Outreach Health Service

In February 2017, we started performing 'Outreaching Mental Counseling Service' for the employees of headquarters for the purpose of managing work stress. We are planning to provide this service on a monthly basis. Especially, Taebaek Welfare Center offers the mental counseling services to the families of the employees including a children aptitude test, juvenile consultation, and family conversation program. We, in addition, we have been visiting each workplace and office and opening 'Musculoskeletal Disorder Prevention School' for relieving musculoskeletal disorder symptoms.

Operation	2014-2015	2016
Operation period	'14.12 ~ '15.3	'16.11 ~ '17.3
Target for use	Female employees (1,100 person)	All employees
No. of stress test participants	211	728
Operation of stress relief program	-	Twice a month



## Operation of Health Improvement Project

We solely invited 'Health Improvement Project' in use of ICT technology among public institutions so that we could support employees to improve their life style and dietary formula and encourage them in health improvement. We secured a foothold for voluntary health management of our employees, with the provision of wearable devices, as we measured the body vitality index such as body fat and sleep pattern and enabled personal history management by installation of stress kiosks.

Moreover, for the cultivation of mental consultation ability of middle managers at the workplace, we offered the curriculum of qualification for the post of industrial psychological counselor and 18 people obtained the certificates. We conducted online stress evaluation tests targeting all employees and estimated the extent of their work stress and emotional labor. Based on the test results, we supported various mental treatments for stress management such as mind coaching, art therapy, and meditation techniques. We will continue to support our employees to relieve their psychological disorders generated from emotional labor and make efforts to improve.

#### Work Stress and Emotional Labor Level Test

- Period: November 29 to December 10, 2016
- Test content: Level of Emotional Labor and Extent of the Anger Index, and the Depression Inventory.
- Result: Estimated 43.5 points in average which is higher than those of other ordinary workers.

#### Stakeholder's Interview

##### "Securing workforce competitiveness by strengthening employee health activities"

I participated in the 'Employee Health and Wellness Program' after I was diagnosed as 'a person who has metabolic syndrome risk factors' in a 2016 health exam. Even though I was overweight at over 100 kg due to irregular eating habit and lack of exercise since I started working, I was able to get down to my normal weight of 75 kg after I participated in the program by improving my lifestyle and monitoring my health condition. I had failed my diet attempts several times, but I was able to regain my health without giving up because the program's comprehensive nature, such as checking my health status using a wearable band and 12-week care service. I think employee health and occupational health and safety are crucial factors for the company's competitiveness. If Kangwon Land continues to actively manage employee health and preventive care programs, a stable workforce will be realized and it will be a great foundation to our sustainable management.

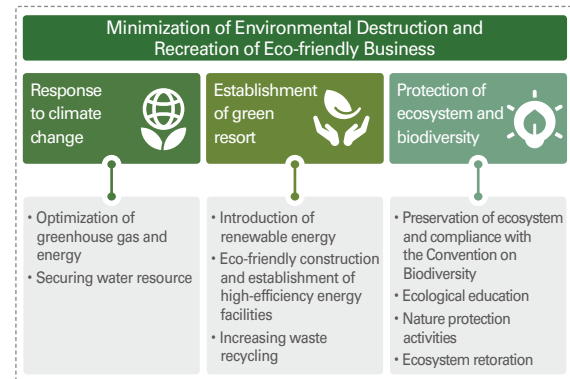
Han Chang-Soo, Management Planning Team Manager, Kangwon Land



# Establishing Eco-friendly Infrastructure

## Establishing Eco-friendly Management System

To realize our environment management targets of 'Minimization of Environmental Destruction and Recreation of Eco-friendly Business,' Kangwon Land selected core tasks, which are: the establishment of a green resort, response to climate change, protection of ecosystem and biodiversity. We have been striving to put in our best efforts to build an eco-friendly resort complex.



## Response to Climate Change

### Optimization of Greenhouse Gas and Energy Management

To promote systematic environmental management and energy control, we sustained the Energy Management System (EMS) an international standard and this helped us systematically reach environmental targets. We will introduce and maintain the EMS in accordance with a business agreement signed with the Korea Energy Agency in 2016. Regarding the greenhouse gases (GHG) Emission Trading Scheme, we have been taking preemptive action, such as the approval of early reduction amounting to 50,098 tons.

Projects	Main Achievements	Future Plans
Presentation of GHG Emission Trading Scheme (2015)	Presented borrowing of GHG Emission Trading Scheme (decrease in purchasing expense, implementation of GHG Emission Trading Scheme)	Deficit in allowances for 2016 to 2017 → Application for additional allowances of early reduction (January 2017)
Compliance with the Regulation (2016)	Submission of Specification and Monitoring Plan → Utilization of Certification from Authorized Institutes Securing Early Reduction in GHG Emission Trading Scheme	Enlarging Use of Specification-related Index of 2015 → Provision of Sustainability Report (DJSI evaluation), Green Company Certification, Environmental Information Disclosure, and Management Announcement (Green Management)
Acceleration of Management	Continuing reduction of energy intensity and renewal of ISO 50001 Selection of energy intensity consumption cost as a performance evaluation criteria Business agreement with the Korea Energy Agency (December 2016)	Introduction to Energy Management System Based on Achievement Evaluation

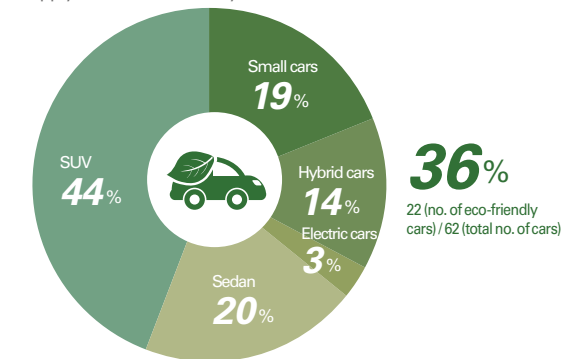
Category	Expense for Energy Consumption	Gross Sales of Kangwon Land	Consumption Ratio
2014	26,945,327	1,492,291,000	1.81
2015	23,963,865	1,630,977,000	1.47
2016	22,104,362	1,694,575,000	1.30

(unit: KRW 1,000)

## Compliance with the Government's Environment Guidelines

Kangwon Land has complied with the guidelines on the rationalization of energy implementation for public institutions and submitted to the government agency our annual energy consumption target and future plans. To encourage energy reduction activities, we established the Energy Saving Promotion Committee and the Energy Hunter programs. In 2016, we strived for an enterprise level energy saving by expanded installation of LED lights, the introduction of eco-friendly automobiles, equipment repairing and machinery cleaning. Throughout these efforts, we saved energy consumption expenses amounting to KRW 1.9 billion.

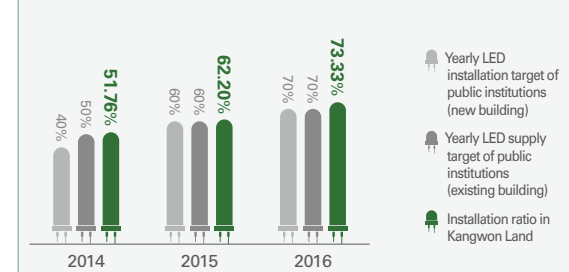
Supply Ratio of Eco-friendly Automobiles



### Installation of high efficiency LED lights

In relation to the government's installation business of LED lights of public institutions, we are in the course of replacing with LED lights in every workplace. We reached 73.33% of the LED installation rate by surpassing the target of the government, that is, 70% as of 2016 and we are aiming to reach 80% in 2017. We will introduce an automatic energy monitoring system for effective demand analysis for the operation and we are updating them with high-energy efficiency components to improve low-energy efficiency equipment.

Kangwon Land's LED Installation Status Compared to Targets of Public Institutions



Installation of High Efficiency LED Lights



## Establishment of Green Resort

### Indoor Air Quality Management

To create a pleasant indoor work environment, we conducted an outsourced environment examination to understand what needs to be improved. From the examination results, we have taken corresponding measures over the matters requiring environmental modification and have been offering the more pleasant indoor environment to our customers and employees. We manage the indoor air quality in accordance with the 'Indoor Air Quality Control in Public Use Facilities, Etc. Act' and periodically measure the air quality and actively manage it. The result of an investigation of 10 pollutants in 2016 revealed that the level of pollutants is within the tolerance range. The result of each such investigation has been disclosed to the local government in a transparent manner. To ensure stringent management, we test the air quality twice a year.

### Water Resources Management

Kangwon Land has started various water saving activities to tackle the global water shortage issue and proactively respond to water scarcity risk stemming from our geographical characteristics. We formulated water resources management measurements for efficient water management, and two reservoirs (total capacity of 240,000 tons) have been autonomously supplying the necessary water. In particular, in 2016, we improved the existing sewage treatment facilities to improve the utilization of gray water, and we have been using gray water for various purposes including cleaning, not limited to landscaping only. In 2017, we plan to increase our daily treatment capacity from 500 to 690 tons to efficiently handle the increased wastewater after cleaning, and to enhance the quality of water quality management by building a water quality analysis system.

### Environmental KPI

	2014	2015	2016	2017 Goals
GHG emissions (unit: ton)	72,347	71,204	71,449	72,000
Collecting rate of recyclable resources (unit: %)	23.5	24.3	23.9	23.8
Own production of water (unit: ton)	354,412	347,474	400,209	380,000



## Waste Management

Kangwon Land has been maximizing resource management via separation of recyclable materials at the Integrated Selection Center. Further, we are encouraging recycling with regular in-house promotions targeting employees who are informed of how to separate wastes. In 2016, 2,348 tons of household waste were recycled and a number of recycled materials after separation process was about 542.4 tons, which was 23.1%. By separating household waste more specifically in the future, we plan to minimize waste while simultaneously increasing waste recycling.

**Let's Reduce Food Waste!!**

Due to the increasing number of visitors, we forecast that food waste will increase. Therefore, Kangwon Land has been continually reducing food waste by a campaign of reducing leftover food, enforcing separate garbage collection for restaurants and hotels, and building a cold storage facility. In 2016, 810 tons of a total of 1,349 tons of food waste were composted, while the rest of the 539 tons were used as livestock fodder for local farmers.

## Restoration of Ecosystem and Endangered Species

To minimize the negative effect on the ecosystem from our business operation and to restore the ecosystem that was damaged by the mining industry, we have been conducting ecosystem conservation activities. In 2017, for the purpose of restoring the natural environment damaged by the resort construction, we held a tree planting event and planted 1,000 Nut Pine Trees with the Jeongseon National Forest Office of Eastern Local Korea Forestry Service. In the winter of 2016, for protecting wildlife habitats near High1 Ski Resort, we held a 'Wild Animal Feeding Campaign' with the Wonju Regional Environmental Office and the Federation of Wild Animal and placed 200 kg of hay and 50 kg of mineral blocks at 10 feeding sites around Mt. Baekun.

Since June 2015, Kangwon Land has been participating in the restoration of endangered species (the Manchurian Trout and Red-dotted Butterfly) for the three consecutive years together with four institutions, the Ministry of Environment, Jeongseon County, Fishes Research Center of Kangwon National University, and Holoce Ecological Conservation Laboratory and will continue the project. We are in the process of discharging 1,000 Manchurian trout (and 3,000 Chinese minnows which are prey fish) and 20 Red-dot Butterfly and creating survival/living environment via planting Kamchatka stonecrops, which are food plants. We are accumulating a database through monitoring surveys and reporting, which are done three times a year.

Feeding Activity for Wildlife



# 03

## Happy Management that Satisfies Everyone Realization of Customer Values

### Our Strategy

- Enhancement of Service Competitiveness
- Reinforcement of Customer Communication
- Improvement of Responsible Gambling System
- Proliferation of a Healthy Gaming Culture
- Gambling Rehabilitation, Treatment, and Recovery Project




### 2016 Highlight

- Defined Core Service Characteristics and Conducted Service Education
- Conducted Customer Usage Pattern Research in Order to Grasp Customer Needs
- Introduced Cooling-Off System for Casino Customers with Excessive Entries
- Expanded Advertisement of Non-Drug Addictions

### 2017 Focus

- Re-establishment and Fulfillment of Customer Satisfaction Management System on An Enterprise Level
- Strengthening the ability to implement restructuring policies
- Enhancing Effectiveness of Program based on Data

### Performance

	• Customer Satisfaction Index (unit: point)	<b>86.1</b>
	• Number of received Voice of Customer (VOC) (unit: number of cases)	<b>186</b>
	• Number of Applicants for Voluntary Entry Restriction (unit: persons)	<b>2,138</b>

## Improvement of Customer Satisfaction

### Upgrade of Customer Satisfaction System

Kangwon Land is upgrading its customer satisfaction system to improve the quality of customer service. We operate a customer satisfaction team to survey customers' feedback and identify their needs and quickly reflect them throughout the service site and management activities. We are also striving to enhance service competitiveness through monitoring of service quality, improvement of service environment and operation of Customer Satisfaction Leader.

### Operation of Customer Satisfaction Committee

We operate the Customer Satisfaction Committee which is the main body to resolve any threats to customer satisfaction. The committee is composed of the chairperson (taken by the Vice President), members (by executive directors) and assistant administrator (by the manager of the Customer Satisfaction Team). Any dissatisfaction of customers revealed from customer complaints or monitoring of service field will be reviewed by the committee, which aims to facilitate a quick and appropriate response.

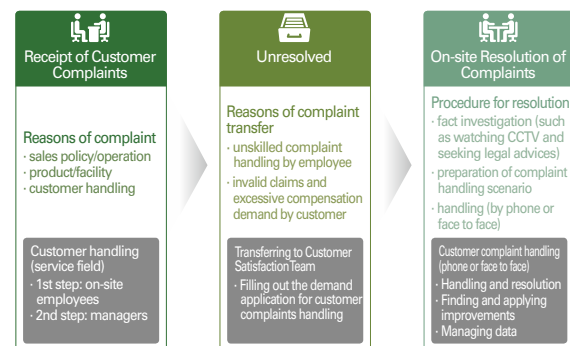
### Implementation of Customer Compensation Standards

We will continue to improve our relationship with customers. As part of the program, we implemented a plan for 'Enterprise Customer Compensation Guidelines' that provided a systematic compensation for the customer in the event of a dispute with the customer. We strive to resolve any secondary dissatisfaction caused by delays in resolving

the original case by our employees who are empowered depending on their positions and proactively address customer dissatisfactions based on the standardized compensation guidelines.

### Implementation of Measurement to Address the Grievance Raised by Customer

In order to proactively resolve any complaints from our customers, we established the 'Process for Addressing the Complaints Raised from the Service Field'. In the case of any dissatisfaction despite adequate on-site response, Customer Satisfaction Team intervenes/mediates in the situation and provides solutions so as to restore the active customer service and increase the concentration on sales by on-site employees. Further, in order to prevent the repeat complaints, we identify and improve the cause of the complaints by sharing how to handle and resolve the complaints through case development.



Year	2014	2015	2016
Score	83.1	85.0	86.1

(unit: point)

### Why is it important?

Customer satisfaction is the fundamental element for strengthening competitiveness and sustainable growth of a company. It is vital to foster active communication and customer service capabilities in order to meet the needs of customers that are increasingly diverse and dynamic. In addition, as a sole domestic casino operator in Korea, Kangwon Land is responsible for the deployment of a healthy gaming culture and responsible gambling practices, and for its contribution to the eradication of gambling addiction.

### Our Approach

Through diverse channels, Kangwon Land is actively gathering customers' opinions and is striving to provide customers with quality services and satisfaction by standardizing customer services. In addition, as a public corporation that operates a casino, Kangwon Land is promoting various policies with the Kangwon Land Addiction Care Center to minimize social side effects and deploy a healthy gaming culture.



### Establishment of Bad Consumer Response System

As the number of bad consumers who maliciously raise complaints and demand excessive compensation increases in recent years, the physical and mental damage to our employees increases. Accordingly, we have established a bad consumer response system including setting up a response procedure and are preparing the support system for employee protection. Also we are striving to improve our employees' responsiveness in similar situations in the future by providing situational response script and holding a seminar.

### Strengthening Customer Service Capacity

#### Operation of Customer Satisfaction Leader

Customer Satisfaction Leader ("CS Leader") is a leader who connects the customer satisfaction policies with field offices, communicates smoothly through seamless communication, and ultimately solves the service problems and helps the customer's satisfaction. Through the monthly workshops, we collect and improve customer complaints and actively listen to customer voices in various ways to solve customer inconveniences by developing a response manual by a point of contact and analyze and actively reflect them in the development of new services. In 2016, we proactively responded to customer complaints and contributed to the improvement of service quality of customer contact through various activities such as revision of Service Quality Index, finding application cases of benchmarking of advanced service sites, the creation of service UCC (User Created Contents) and holding customer satisfaction events.

### Customer Service 1:1 Coaching

We operate 'Customer Service 1:1 Coaching' to objectively diagnose and improve service levels for employees who communicate directly with customers. Starting last year, the CS specialist advised employees working at the ski resort's customer service center and in 2016 the specialist provided 1:1 and group consulting based on his/her observation of basic service attitudes and customer handling of 21 pit bosses who manage the business of the casino. After service coaching, employees' habitual acts were improved and the program was evaluated as an effective service competency reinforcement program since 70% or more of the employees responded positively in the program satisfaction survey.

Satisfaction Level for Customer Service 1:1 Coaching in 2016





### Service Competency Strengthening Training

We conducted ongoing service education to improve employee service levels and raise customer handling skills. First of all, we have developed video clips related to the service mind and had our employees watch them before an enterprise level training such as special lessons from prominent figures. The video clips consisted of 12 episodes and about 300 employees watched them and were educated. In addition, in order to strengthen the handling competence toward dissatisfied customers, we trained 104 on-site service managers in relation to the restoration of service between customers and employees, customer compensation standards and transfer procedures, based on the actual complaints raised by the customers in the past. In addition, in order to resolve the complaints and prevent the recurrence, we conducted training for 944 employees in the departments with poor services revealed by internal and external CS surveys and telephone monitoring with tailored training materials.

Performances of High1 Partners



### Reinforcing Customer Communication Channels

To listen to the various voices of customers, we have enlarged and reinforced our communication channels. Especially, in 2016, to prevent repeated complaints during peak seasons, we implemented the Early Forecast of Customer Complaint to analyze customer complaints raised in the previous year and share the results with the respective departments. As a result, complaints raised during peak season decreased by 62% from 186 in 2015 to 70 in 2016 and compliments increased from 25 to 41.

Moreover, in order to collect opinions from customers who do not use internet, we run an offline channel called Voice of Customer 'VOC' and register any on-site complaints in the integrated VOC system and systematically manage them.

Registration Status of VOC in 2016

	Registered numbers	Main Content
Complaints	464	Customer handling, operation of workplace, facility/environment of workplace
Inquiries	514	Reservation of rooms (hotel/condominium), event information
Suggestions	110	Operation of workplace, facility/environment of workplace
Compliments	134	Customer handling, facility/environment of workplace

In addition, we regularly conduct Focused Group Interview (FGI) and proceed with follow-up measures with regard to on-site monitoring and suggestions from customers. In 2016, 40 out of 50 tasks to be improved were completed. We communicate with our customers through other various media such as our homepage, SNS pages and Kangwon Land Story (monthly newsletter).

High1 Partners' Monitoring Cases regarding Facilities and Services  
(unit: number of cases)

	Total	Review	In-progress	Completed	Not applicable
2015	203	47	8	127	21
2016	368	33	171	146	18

## CASE

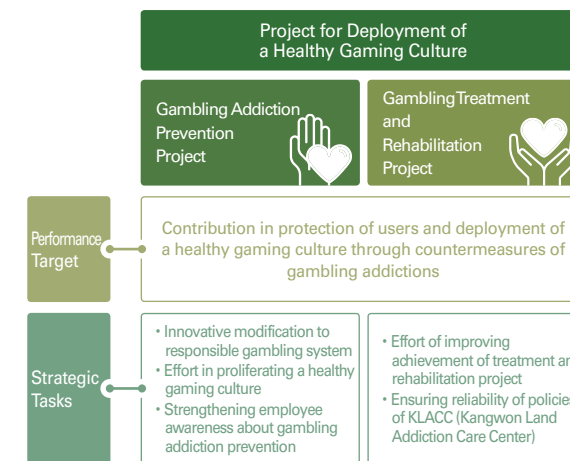
### Development of Core Service Characteristics and Definition

The characteristics of service and level of customer needs of each business in Kangwon Land are different. They are also distinct from each point of contact with customers. As a result, a standardized service training cannot cover the entire spectrum of the different service characteristics and customer needs. Kangwon Land created the definition book for core service characteristics and service teaching plan in order to provide satisfactory services to meet the customer needs by developing differentiated service characteristics based on the characteristics of each department and establishing an effective service training system. First of all, from the analysis of VOC and customer survey results, we derived our core service characteristics of expertise, agility, cleanliness, kindness, and responsiveness. Subsequently, we defined such attributes in accordance with our service environment, established the definition book of the core service characteristics comprising of key point analysis and behavior indicators and produced service teaching plans for each point of contact. Based on those, we conducted online training, and corporate education for CS Leaders and in-house service instructors and we strive to achieve a much higher level of customer satisfaction by way of deployment training for the departments with the point of customer contacts.

## Establishing a Healthy Gaming culture

### Establishment of Strategy for Deployment of a Healthy Gaming Culture

In order to contribute to 'protection of users and deployment of a healthy gaming culture through countermeasures of gambling addictions', Kangwon Land is actively proceeding with gambling addiction prevention project and treatment and rehabilitation projects and executing strategic projects by each business. We have established a three-tier roadmap to ensure our ability to systematically achieve a healthy gaming culture.



Mid-to-Long Term Roadmap for Establishment of a Healthy Gaming culture

Project	Short-term ('16~'17)	Mid-term ('18~'20)	Long-term ('21~'22)
Gambling Addiction Prevention Project	<ul style="list-style-type: none"> <li>Improvement in strong Entry Restriction System</li> <li>Proliferating a healthy gaming culture through promotion activities</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening expertise in gambling addiction management</li> <li>Improvement in responsible gambling practices</li> </ul>	<ul style="list-style-type: none"> <li>Increase in global exchange</li> <li>Acceleration in responsible gambling environment</li> </ul>
Gambling Addiction Treatment and Rehabilitation Project	<ul style="list-style-type: none"> <li>Increase in policy reliability via reinforcement of research and study</li> <li>Improvement in treatment and rehabilitation project</li> </ul>	<ul style="list-style-type: none"> <li>Participation in certified international conference and presentation of examples of Kangwon Land</li> <li>continuous development of differentiated programs</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of international competitiveness on addiction prevention</li> <li>Advancement of data-based program</li> </ul>

### Improvement in Responsible Gambling System

For the responsible operation of the casino businesses, Kangwon Land has established and reinforced various institutional devices to prevent the customers from excessive immersion and addiction in games.

#### Cooling-Off System for Casino Customers with Excessive Entries

In particular, in 2016, we introduced the entry limit (cooling-off) system for the first time in the world to enhance the effectiveness of regulation of casino customers with excessive entries. Basically, we decreased the permitted days of casino entry from 180 to 148. To improve the previous policy which offers only a compulsory education to the customers with excessive entries, we introduced an accumulation system for entry restriction.

Contents of Compulsory Entry Restriction System

Category	Previous policy	Improved Policy
Upon entry for 15 days in two consecutive months	Entry allowed after taking 2 hours education	Accumulation system of entry restriction* + previous policy
Upon Entry for more than 30 days in two consecutive quarters	Entry restricted for 14 days of the second half of following month	Accumulation system of entry restriction* + entry allowed after taking 30 minutes education

\* Accumulation system of entry restriction is applied by imposing an entry limit of 1 month for the first time, which then increases to 2 months period for the second and to 3 months for the third and so forth.

#### Enhancing Self-Control System

We equipped ourselves with systems that help customers to control themselves when they are concerned about their gambling immersion. First of all, we have the system for self-control of game amount, in which customers put their cash and credit cards at the deposit box and enter the casino with a specific amount of game money in order to take control of their game money. In particular, in 2016, we enhanced the enforcement ability by reinforcing the incentives for self-control system of casino entry days by which customer voluntarily limits their entry into the casino. To effectively enforce the responsible gambling system, we have been modifying our policies including 1) providing financial incentives to the customers who voluntarily reduce the maximum days of entry from 15 days a month to any number of days smaller than the aforementioned and 2) increasing the supporting fund for returning home which have been given to voluntary entry restriction applicants.

## CASE

### We have come to Kangwon Land to learn about gambling addiction prevention activities.

In March 2017, the respective officers of the Establishment Preparation Office of Resort Complex Area Alignment Promoting Headquarters, Cabinet Secretariat who are in charge of policies for approval of casino business in Japan visited us in order to benchmark our gambling addiction prevention activities. Six delegates including Mr. Toshiya Morishige, Head of the Establishment Preparation Office, deputy ministerial level, paid keen attention to various operation know-hows and prevention measures of side effects, which may arise out of gambling addiction, of KLACC (Kangwon Land Addiction Care Center) that is the only organization run by a gambling operator in the world. Mr. Toshiya Morishige showed appreciation and said that they learned a lot about Kangwon Land including operation of KLACC, its development progress as a resort complex and its coexistence policy.

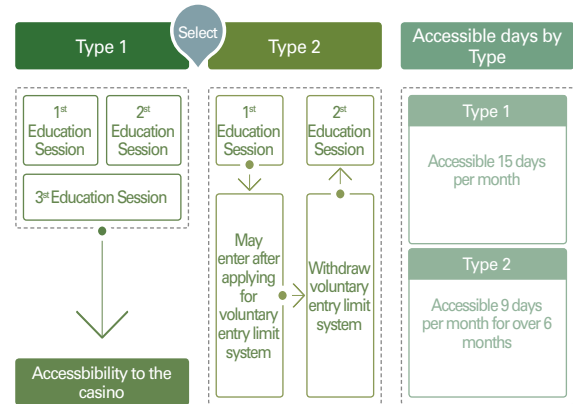


## Establishing a Healthy Gaming culture

	2014	2015	2016
Number of Applicants for Voluntary Entry Restriction	1,703 People	2,086 People	2,138 People

In addition, if a voluntary entry restriction applicant wishes to withdraw his/her application after application period expires, such applicant is required to take compulsory education on overindulgence prevention (2 hours) after selecting between type 1 and type 2.

Compulsory education on overindulgence prevention



## Proliferating a Healthy Gaming culture

### Promotion of Responsible Gambling and Exercise of Campaign

During the time casino operates, we expanded the operation of the on-site monitoring activities from 3 a.m. to 7 a.m. during which long-term visitors and excessive visitors frequently enter the casino. The members consisted of the rehabilitators from gambling addict are supporting promotional activities and on-site counseling for Responsible Gambling System. Additionally, we are expanding promotional activities by using joint campaign with the Korea Center On Gambling Problems and the over indulgence prevention campaign which encourages high-risk addicts to have on-site counseling, and by attracting the participation of CPGI self-diagnosis campaigns.

## CASE

### Increased Promotion of Non-drug Addictions (Behavioral Addiction)

Kangwon Land, as a public institute, is actively expanding its social responsibility and creating social value by actively participating in non-drug addiction such as gaming and mobile phone addiction not limited to gambling addiction. In 2016, our CEO, as a keynote speaker, emphasized the need to raise awareness of the seriousness of non-drug addictions and expressed our will to help to solve such addiction at the Conference for Seeking Solution for the Non-drug Addiction Treatment which was supported by us. In addition, we organized the International Mind Sports Forum and explored possibilities of addiction treatment by use of mind sports such as chess, and the game of Go to seek a way to use mind sport for the purpose of eliminating the adverse effects of non-drug addictions. We are trying our best to contribute to solving all kinds of addiction problems by operating various non-drug addiction rehab programs, such as non-drug addiction prevention healing camp and a program of living without smartphones and games.

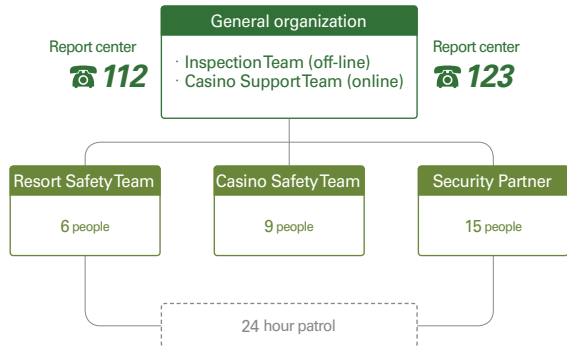


Main activities	Contents	Results
Joint campaign with Korea Center On Gambling Problems	Supporting KLACC counsel member. 4 runs of field counseling campaign	Self-diagnosis test and other participants: 635 people
Overindulgence prevention campaign	Encouraging high risk addicts (8 points or higher CPGI) to field counseling	3,186 participants and 703 people received field counseling
Promoting and visiting related organization	Visiting and promoting the Korea Casino Association, Cycle & Motorboat Racing Business Division and Catholic Priests' Association for Addiction	19 visits, 1,093 persons

### Countermeasures against Illegal Activities around the Casino

We are conducting campaigns to minimize customer damages and negative impact on the local communities caused by illegal private lending around the casino. We operate the reporting center and 24-hour supervision team and have established a joint monitoring system with The National Gambling Control Commission, Financial Supervisory Service, Gangwon Provincial Office, Yeongwol Branch Office, Jeongseon County, Jeongseon and Taebaek Police Station. In addition, we conducted campaigns through various media outlets such as video clips, High1 websites, and other campaigns resulting in exposure of 51 illegal loan solicitations during the year 2016.

Illegal Private Loan Report Center and 24-hour Regulation Team



## Expanding Gambling Addiction Prevention Training for Employees

Employees working in the Casino are required to have a strong awareness of gambling addiction and social responsibility. Kangwon Land provides a field-based systematic prevention of gambling addiction education for its employees to improve their awareness of gambling addictions and to proactively identify customers who may become addicted to gambling. In 2016, the number of educated employees increased by 21% from the previous year to a total of 9,711 by extending various online and off-line education courses, including onsite visits and lecture sessions by KLACC specialists.

	2014	2015	2016
Number of employees in gambling addiction prevention education	6,604 persons	8,047 persons	9,711 persons

In addition, employees are participating in TFM (Trained Field Mediator) programs, which invites the employees to directly participate in prevention of gambling addiction, to prevent the adverse effects of the casino and minimize gray areas. In 2016, we have strengthened the meetings, gatherings, and training to promote TFM, and performed campaigns to prevent addiction and searching possible addicted customers at local areas such as the local bus terminal.

## Enhancing Gambling Rehabilitation, Treatment, and Recovery Project

Kangwon Land aims to fulfill our social responsibility to help customers who are addicted to gambling to return to normal life by implementing various gambling rehabilitation, treatment, and recovery projects. Various programs such as music, art, healing, meditation, mountain climbing, performances, and exhibitions are being operated.

Major Rehabilitation Programs

Program name	Program contents	2016 Results
(Healing-meditation-forest/ Long term stay) 'Finding Seeds of Hope', 'Motive Strengthening Camp'	Simple meeting such as meditation, trekking, self-control, lecture by recovered gambling addict, etc	Finding Seeds of Hope: 174 people Strengthening motive: 70 people
(Music therapy/Long term stay) 'Music Therapy and Hope Band'	Two sessions of class per week and participating in cultural activities, such as regional festivals	110 times
(Female only/ Visual art therapy/ Maintaining recovery from gambling addict) 'Traveling Meeting', 'Danbi Gathering'	Member's choice of opening exhibition, Kimchi Making service	47 times
(Long term stay/ Volunteer service) 'Volunteer Service Team' consisting of casino customers	Local welfare facilities and organizations once a month	11 times
(Maintaining recovery from gambling addict) KLACC 'Family Camp'	Supporting bond with family members to maintain recovery from gambling addiction	163 people



## Preparation of Various Gambling Rehabilitation Programs

Kangwon Land offers a variety of support measures to help those who are addicted to gambling to return to a healthy and successful life. We have been supporting the gambling addicts to recover their mental health by assisting in their hospitalization or out-patient treatment and by assisting with the addict's vocational rehabilitation training and paying a certain amount of money as life stability fund for six months to foster their financial independence. In addition, Kangwon Land provides practical help to the addicts by offering financial and legal assistance during the recovery process.

Rehabilitation Support Program Process



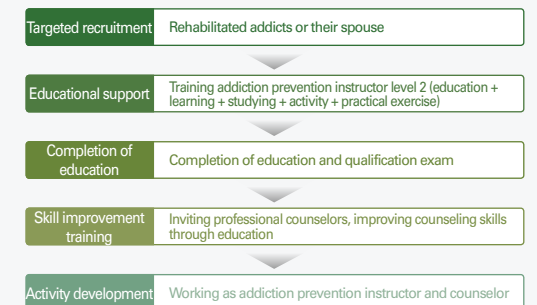
In addition, Kangwon Land supports and works with specialized hospitals and professional rehabilitation centers for alcoholic addictions and patients with mental disorders, such as the Vision Training Center, around the nation.

## CASE

### Assisting in Recovered Addict's Return to Society by Supporting and Fostering Gambling Addiction Prevention Experts

Through gambling rehabilitation programs, Kangwon Land supports rehabilitation and economic revival for addicted gamblers, and support programs for rehabilitated addicts to become preventive instructors for gambling addiction. Kangwon land fully supports all of the tuition, practical exercise fees, academic activity fees and membership fees for rehabilitated addicts or their spouses to become a preventive partner for gambling addiction. Through these efforts, we expect not only past gambling addicts to use their experience to help others in rehabilitation, but also for them to become financially independent in their profession. In 2016, two people passed the qualification exam for addiction prevention instructors.

Training and Supporting Gambling Addiction Prevention Experts Process





# 04

## Happy Management that Satisfies Everyone Realization of Employees' Values

### Our Strategy

- Competency-based Fair Recruitment
- Human Resource Development and Fair Evaluation
- Best Working Place
- Cooperative and Communicative Labor-management Culture




### 2016 Highlight

- Development and Operation of Competency Assessment Program
- Establishment of Healing Center for Employees' Happiness
- Establishment of Joint Labor-Management Committee

### 2017 Focus

- Improving Employee Satisfaction on Working Environment
- Establishing a New Personnel Management System which is Fair and Transparent
- Establishment of a Competency-based New Education System
- Creating Collaborative Labor-Management Culture Based on Principles

### Performance

 • Training Expenses per Employee (unit: Thousand Won)	<b>910</b>
 • Female Manager (above Level 3) (unit: Persons)	<b>105</b>
 • Employees Who Opted for A Flexible Working Hours Scheme (unit: Persons)	<b>396</b>

### Why is it important?

Companies are expanding their investment in time and resources to secure competent people who are the source of long-term corporate competitiveness. In addition, as a desire for self-realization increases in society, a corporate culture that guarantees the work-life balance and self-improvement is becoming an important factor for competent people when choosing a desirable company to work with.

### Our Approach

Kangwon Land recruits fairly, based on the competency of the candidates and contributes to revitalize the local economy by job creation. Furthermore, we keep on improving our working environment for everyone's satisfaction through fair evaluation of job performance, building a communicative corporate culture and opening Healing Center for the health of our employees.



## Creating a Happy Workplace

### Competency-based Fair Recruitment

Kangwon Land classified the necessary competencies according to the attributes of the jobs based on the National Competency Standards (NCS) and conducted fair and competency-based recruitment process. We also achieved fairness in recruitment and selection process by excluding candidates' personal information such as photo, gender, hometown, name of attended schools and any certificates irrelevant to the applied job position when receiving job applications, and by executing blind application examination and interview in order to prevent interviewers from learning such personal information of the candidates. Furthermore, to promote social equity in employment and contribute to revitalizing the local economy of Gangwon province, we are giving 50% of the employment quota to the local talent during recruitments, and we have no discrimination against the candidates on the ground of handicaps, non-college degree, and gender.

	New Hires of Regular Employees (unit : Persons)		
	2014	2015	2016
Total	133	442	90
Female	46	116	27
Disabled	-	4	-
Local Talent (Non-capital Region)	116	381	70
High School Graduates	35	145	13
Science and Engineering Majors	10	112	19

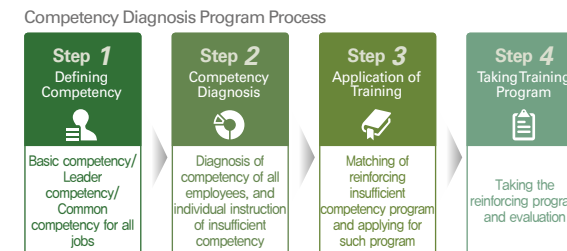
### Reinforcement of Competency of Employees

We established a mid-to-long term strategy for human resource development based on our management strategies and ideal talent type, and built a training system by competency (basic/leadership/job related/global). In particular, to achieve our business strategy and overcome our geographical limitations, we have been enhancing competencies of our employees by opening and expanding support regarding new global education courses. In addition, we completed strategic human resource development by updating the education system each year connecting to business strategies and reflecting the needs of our employees. To enhance the career development and special expertise of our employees, we established and operated the leading education program and system such as Human Resource Development Center opened in 2017. In recognition of these efforts and achievements, we were honored with the award of "2017 Korea HRD Winner for Human Resources Development."



### Establishment of a Customized Competency Diagnosis System

Based on Kangwon Land Competency Dictionary, we developed competency diagnostic questions and established a customized reinforcing competency program that would match the training courses for insufficient competency [by job position]. Through this, we diagnosed the competency of all of our employees and established the operating foundation for the personally customized competency training system by strengthening the connection between competency and career development path.



Besides, in 2016, we officially conducted a qualification test for casino employees that completed our internal verification in 2015 and a total of 275 people were granted the qualification scaling over five levels, dealer 1 to 3 level, casino manager, and casino master. In the future, this qualification system will be operated as a private registration qualification from 2017 and a private certification from 2019.

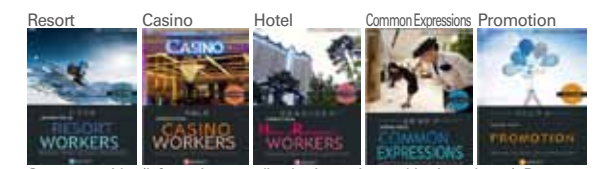
### Strengthening Job Professionalism

We selected 61 job specialists for setting up a systematic job training system based on various types of jobs and duties, and established our training system based on the NCS and job descriptions, and also built a road map and profile after dividing 122 units of job duties into five levels. Through these, we are in the process of developing our

teaching plan and, in 2017, we are working on a specialized in-house job training of our own. Kangwon Land selected 61 job experts to establish the education system for each of 6 job positions and 122 jobs, and constructed a 1-5 level roadmap and profile based on the national competency standards (NCS) and job descriptions. Through this, we have completed the development of on-site instructional drafts. We have also trained experts in the company as instructors to conduct specialized job training.

### Enhancing Global Competencies

In the past, the overseas job training was limited to experience extension or benchmarking. We changed the contents and composition of such training into a new systematic one by conducting internal contests among employees with the themes of the development of new businesses or improvement of pending issues, selecting trainees and sharing the outputs from the training. As a result, we improved the purpose and contents of the overseas training that is practically connected to our business, resulting in 28 cases of creating new menus and improvement in services, sharing of the training results in the case of promotion of new projects, and supporting advisory panel. In addition, to respond effectively to growing foreign customers, we develop and offer customized language courses based on the fields and actual works and operate full-time language courses considering the needs, the working hours and environment of the learners such as regular language courses and courses over the telephone. By such active personalized study management and feedback, there were significant improvements in academic achievement performances in foreign language course from 43 points, prior to learning to 71.6 points after learning.



Customer guides (information regarding business sites and business hours), Response (manual based, safety regulation), Common Information (bus operation, introduction of business sites)

# Creating a Happy Working Environment

## Strengthening Leadership Competency

Kangwon Land actively supports our management and executives to develop their management ability and leadership competency by establishing a mini-MBA course for executives and managing staff (level of head of department/team leader) in 2016. For this, we executed leadership competency diagnosis for 93 persons who are senior managers or higher and opened a leadership competence improvement course based on the result of such diagnosis. In addition, capacity building education consisting of 15 sessions covered marketing, finance/accounting, human resource organization/leadership and strategic management was conducted for a total of 71 executives and managing staff.

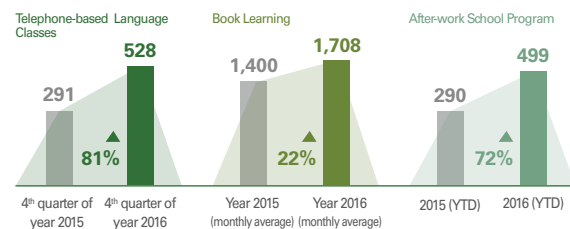


## Supporting Self-directed Learning

We enhance the individual competencies of our employees and satisfy their desire for self-improvement by providing self-directed learning system and strengthening the system which reflects their needs. In particular, we have expanded our mobile and online learning infrastructure by actively reflecting the needs of our employees. We furnished individually customized training programs which operate through self-diagnosis in Kangwon Land e-Campus system, and expanded the mobile accessible training courses from 1,324 to 1,680 resulting in 53% increase in the number of average visitors per day from 387 to 591, compared to the previous year. In addition, we have implemented diverse learning channels such as telephone-based foreign language classes, after-work school, and online courses to reflect shift work schedule, and enhanced employee satisfaction and participation by expanding selective education courses by time.



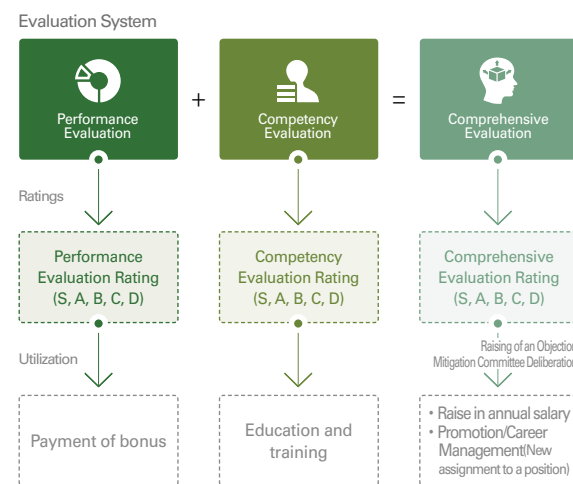
In addition, to vitalize the self-directed learning system, we select high achievers of training scores and excellent departments and grant them CEO awards and gifts, and motivate our employees to participate in the learning program by strengthening our incentive system including expansion of education courses with credit recognition.



## Fair Performance Evaluation

To achieve our corporate goals and strategies, we have been concentrating on and strengthening the competence of the organization and our employees. We strive to establish a performance-based organizational culture in which the employees receive just compensation through fair and transparent performance evaluation.

To achieve this, in 2016, we made a performance-based annual salary system applicable to employees working in the back office, continued to carry out improvement activities to ensure fairness and rationality of the competency and job performance evaluation system. Further we have strived to build consensus from all employees through communications such as public hearings and workshops.



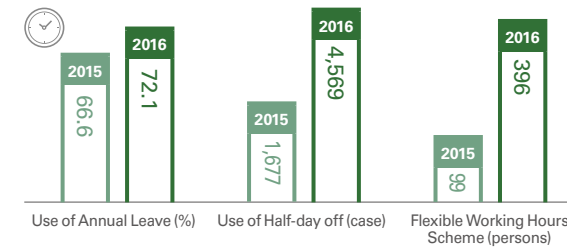
## Best Working Place

### Supporting Compatibility between Work and Family

We implement diverse employee welfare and benefits program to encourage employees to boost their morale and support the compatibility between work and family. We designated every Wednesdays as Family Loving Day and urge the employees to leave work on time and refrain from having company get-togethers. Furthermore, we support our employees to have a happy time with their family by providing various family activities programs such as camping, making chocolates, experiencing High1 Science Museum, and so on.

We also operate a flexible working hours scheme to modify the long work hours culture, resulting in increased number of employees who used the flexible commuting hours scheme\* from 99 in 2015 to 396 in 2016. Furthermore, we are trying to lessen our employees' child care burden by furnishing day care centers in the workplace and providing parental leave up to three years.

\* Flexible commuting hours scheme: allowing employees to alter the start of working time as long as they work 8 hours per day.



## Communicational Corporate Culture

To establish a corporate culture of the best working place through improvement of employees' communications and encouraging activities, we organized an Employee Happiness Task Force and are developing and/or offering programs for field-centered communication and employee satisfaction. We build positive communicational culture by conducting casual meetings with our CEO and receiving anonymous mails and voices of employees ("VOE") and holding in-house communicator meetings and workshops; which contributes to the establishment of the positive communicational environment and prompt resolution of various VOEs. Furthermore, by operating programs for encouragement and harmony of employees such as employee encouragement events, sports events, and Family Love Trip, we inspire employees to harmonize together and build a sense of belonging and pride.

## Communicating and Cooperating Culture of Labor-Management

The labor and management of Kangwon Land together have been putting in efforts to create an advanced labor-management culture by establishing a win-win relationship through productive consultation, joint efforts of labor-management for solving any pending managerial issues, and substantial cooperation program. In 2016, we conducted various cooperation activities with the goal of the creation of a new labor-management culture.



## CASE

### Mental Clinic for Employees: 'Healing Center for Employees' Happiness' and 'Healing Camp'

In 2016, Kangwon Land paid attention to employees suffering from emotional stress and depression, and established a mental counseling center called 'Healing Center for Employees' Happiness' within the company. The counseling center is staffed with professional counselors specialized in clinical experience with more than 10 years of clinic experience and it provides the best counseling and healing to individuals after diagnosing the employee's level of anger, depression, and so on with a test. In addition to counseling, the center provides various collective treatment programs on a monthly basis, including psychological coaching, visual art therapy and meditation study method for relieving emotional stress for employees engaged in the department, working closely with the customers. Furthermore, we contributed in relieving our employees' work stress by jointly operating an experience-based camp called 'Healing Camp' with our labor-management for relieving work stress of sales personnel.



## Operating Various Labor-Management Communication Channels

We operate various communication channels for the labor and management to build an advanced labor-management relationship and improve employees' working conditions. In particular, we established the Labor-Management Committee in 2016 as a representative consultative body for improvement of working conditions. We conduct activities for improving organizational culture and arranging a mutual agreement (or draft) between labor and management by operating the committee with a Secretary General taking on the central role and constructed the hot-line between the head of the Union and the CEO. During the year 2016, we held 43 employees' meetings. Through the meetings, we discussed various contents including mutually agreeable measures for adoption of performance-based annual salary system and conducted improvement activities for problems and difficulties raised by our employees. In addition, we are protecting the rights of our employees and improving the working conditions through various communication channels between labor and management, and establishing an advanced win-win labor-management relationship with the labor union which understands our managerial pending issue and cooperates with us.

### Operating Performances of Joint Labor-Management Committee



### Status of Operating Major Labor-Management Communication Channels

Channels	Description	Performances
• Labor-Management Committee	Quarterly regular labor-management consultation committee	Quarterly
• Labor-Management Committee for Pending Issues at Working Levels	Consultation on pending issues among the respective working-level people representing the labor and the management	14 times
• Human Resource Affairs Committee	Screening consultations on human resource affairs	2 cases
• Women Committee	Sharing women's care policy regarding female employees	11 times
• Labor-Management Harmony Hanmadang Festival	Trust building through harmony of labor and management	9 times
• Consultation on Human Resource Affairs	Resolving employees' HR-related Matters	71 times



# 05

## Fair and Transparent Public Management Realization of Win-Win Value with Local Community

### Our Strategy

- Elevation of Social Contribution System
- Supporting Community-based Social Welfare
- Supporting Local Economy Vitalization

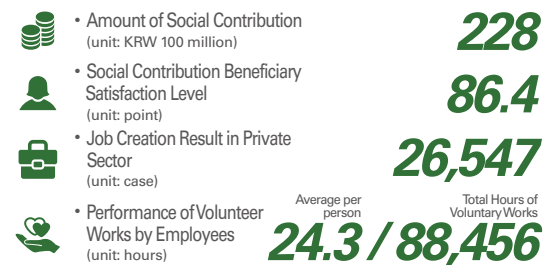
### 2016 Highlight

- Identifying and Promoting Representative Social Contribution Projects
- Supporting the Patient with Pneumoconiosis to Narrow the Gray Areas from Government's Support
- Sharing through Volunteer Work and Talent Donation of Employees
- Fulfilling Social Responsibilities Using the Institutional Characteristics
- Tailored Support for Schools / Fostering the Creative Talented / Supporting Activities for the Socially Neglected and Disadvantaged Classes

### 2017 Focus

- Extension of Social Contribution Activities in a Form of Investment in Local Community
- Building Social Credibility through Reinforcement of Social Responsibility
- Undertaking Cross-national Social Contribution Activities

### Performance



### Why is it important?

Public corporations are demanded to fulfill social responsibilities to contribute not only to the local community but also to the nation. Recently, public corporations focus not only on giving donations but also on making achievement in the creation of shared values which satisfies both corporate's interest for profits and social values while reflecting the characteristic of the business.

### Our Approach

Kangwon Land is moving to the next step from merely making donations, to actively making a social contribution in the community to help the community and recover the economic distress of the abandoned mine area. Particularly, Kangwon Land promotes genuine social contribution activities that can contribute to creating community shared values by actively reflecting the needs of local community.

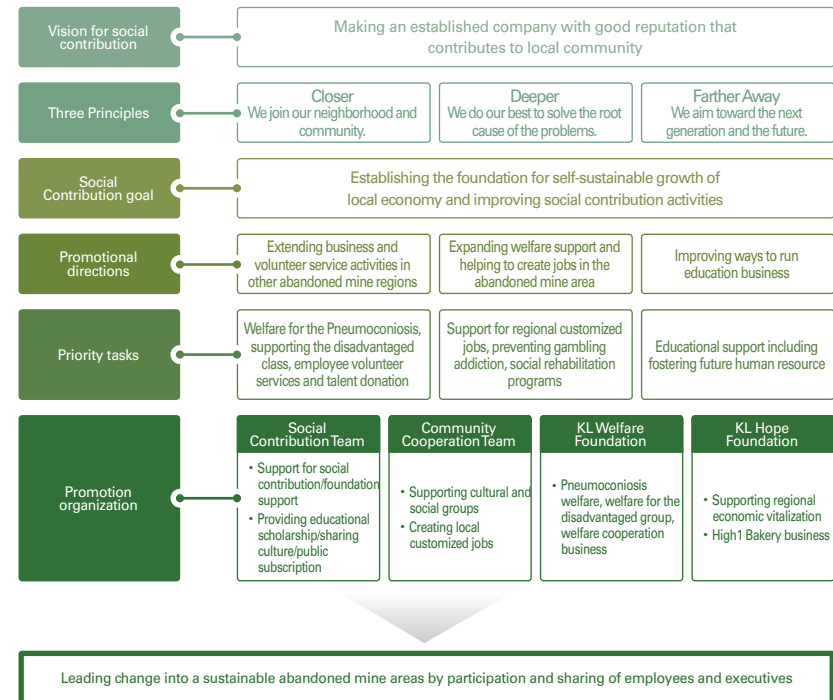


## Realization of Win-Win Value with Local Community

### Elevating Social Contribution System

#### Strategic System to Boost Social Contribution

To be recognized as a company with a good reputation that contributes to the local community, Kangwon Land set three principles of 'Closer', 'Deeper' and 'Farther Away' and is striving to achieve them.



#### Roadmap for Social Contribution Activity System



### Identifying and Promoting Representative Social Contribution Projects

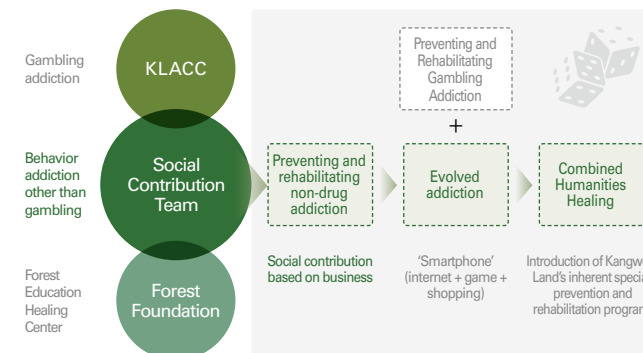
Kangwon Land is promoting social contribution activities and forming a national consensus by actively developing and promoting broad rehabilitation business as our representative social contribution project to deal with not only gambling addiction, which inevitably appears in casino business but also smartphone addiction and other kinds of behavioral addictions. In 2016, the company implemented a combined humanities healing program aiming at preventing and rehabilitating children and juveniles from smartphone immersion which was considered as a serious social problem in recent years. Such project has led juveniles, who were addicted to internet games, to art, leisure sports and other hobbies, which also contributed in solving the employment problems of young people as it utilized these respective majors. We are planning to promote a combined humanities healing pilot program for children and juveniles in the future, and gradually expand diverse businesses through general public participation.

[Smart Utilization of Smartphone] Program



### Improving the Effectiveness of Social Contribution Projects

Kangwon Land continues to strive to improve the effectiveness of promoting social contribution projects by modifying the way to undertake such projects. We made a qualitative improvement to the social contribution project by modifying the way to run 8 social contribution programs, including school programs by inviting public participation, scholarship programs, and Boat School for the Creative Talented, and by improving the efficiency of each program.



# Realization of Win-Win Value with Local Community

## Supporting Community-based Social Welfare

### Supporting the Patient with Pneumoconiosis to Narrow the Gray Areas from Government's Support

Kangwon Land strives to spread the warm-hearted sharing culture by improving living conditions and supporting the healthy lives of the patients suffering from pneumoconiosis, who sacrificed themselves in the industrial funding for the sake of economic development. To this end, we are providing practical support to the patients with pneumoconiosis, including support for patients' medical expenses and for winter preparation and operation of vacation program and inpatient rehabilitation programs. We are supporting pneumoconiosis patients at home with supplemental assistance, hospitalization costs and winter preparation as well as recreational programs and oxygen treatment programs. We are helping such patients to receive various kinds of support through funding the programs of the pneumoconiosis-related organization. In the case of inpatients suffering from pneumoconiosis, we are supporting them by providing individual comfort packages and relaxation and cultural performance programs, while also actively supporting the patients with pneumoconiosis in Mungyeong, Boryeong, Hwasun and other abandoned mine areas.

2016 Results of Pneumoconiosis Support

	Support for Patients Suffering from Pneumoconiosis (treated at home)	Support for Patients Suffering from Pneumoconiosis (convalescence)	Support for Other Abandoned Mine Areas
Persons	7,845	964	2,789
Amount (KRW million)	2,801	172	620

### Sharing through Volunteer Work and Talent Donations of Employees

Employees of Kangwon Land have organized 27 thematic volunteer groups and 40 teams volunteer groups to make talent donations to the socially disadvantaged people such as community child care centers and senior citizens who live alone, aiming to improve their living and educational environment. Kangwon Land is striving to provide secure and stable welfare services to residents who are legally and systemically neglected and those who reside in the welfare gray areas. In addition, Kangwon Land participates in and supports various activities for local communities such as main local festivals and events.

2016 Results of Volunteer Work and Talent Donation of Employees

	Thematic Volunteer Group	Team Volunteer Group	Supporting Local Festivals and Events
Number of volunteers	6,483	9,127	4,113
Hours spent volunteering	22,775	35,595	30,062

### Fulfilling Social Responsibilities Using the Institutional Characteristics

Kangwon Land strives to do our social responsibilities at best including job creation and treatment of gambling addictions in the abandoned mine areas, using our institutional characteristics. Particularly, we create jobs for socially disadvantaged such as senior and disabled citizens living in abandoned mine areas, and contribute to resolve problems in the hollowed communities through revitalizing the local economy by promoting new venture businesses and supporting the growth of the existing businesses in the community. Further, Kangwon Land supports the successful return of the rehabilitated gambling addicts to society by providing educational support for rehabilitated gambling addicts, creating job opportunities, and supporting self-employment.

Results of Fulfilling Social Responsibilities Using the Institutional Characteristics

Category	Main Activities and Results
Supporting customized "Happiness Job" for the disadvantaged	<ul style="list-style-type: none"> <li>Created jobs for senior and disabled citizens: 12 sites (KRW 348 million)</li> <li>Supporting jobs of 134 people in abandoned mining area</li> <li>Supporting cafes, sales of regional products, farming business</li> </ul>
Creating jobs for socially vulnerable group	<ul style="list-style-type: none"> <li>Hope Job business for the socially vulnerable group in community (senior citizens): 58 people employed</li> </ul>
Establishing and developing business by support	<ul style="list-style-type: none"> <li>Supporting new self-employed businesses: 2 sites, KRW 30 million</li> <li>Supporting the existing businesses to grow: 15 sites, KRW 449 million (distributed locally)</li> </ul>
Supporting gambling addict's return to society	<ul style="list-style-type: none"> <li>High1 Bakery offering employment at bread factory (13 people)</li> <li>High1 Bakery support by purchasing manufactured goods (KRW 570 million)</li> <li>Rehabilitation program: "Hope-dream" (Self-settling, support self-employed business)</li> </ul>
Preventing casino customers from gambling addiction	<ul style="list-style-type: none"> <li>Issuing quarterly magazine for preventing and healing gambling addiction Again, dream (8,000 magazines)</li> <li>Newly printing comic book preventing gambling addiction "DoshinX": 1,000 books</li> <li>Over indulgence prevention campaign for casino customers: 22 times</li> <li>Practicing free basic health examination and gambling addiction interview: 4,121 cases</li> </ul>

## Improving the Educational Environment for Future Human Resources

Kangwon Land is making efforts to improve the educational environment which fits its business characteristics for the purpose of improving such environment and fostering the local talented persons through student support in the abandoned mining area.

### Tailored Support for Schools

In 2016, Kangwon Land supported the development of 21 schools, 106 sports teams (18 districts in Kangwon Province) from elementary school to high school, including 4 schools in abandoned mine area, and eight student-athletes. Additionally, Kangwon Land has sent social workers to schools to help children manage their mental health through counseling.

### Fostering the Creative Talented

Through operation of the 'High1 Expedition', Kangwon Land has provided overseas trips and open topic research projects to middle and high school students in abandoned mine areas, to give them an incentive and opportunity to study and help them establish their dreams and goals. In 2016, 40 students of the third 'High1 Expedition' visited Ivy League schools with the topic of 'Finding My Dreams in the Global Education Center'. The expedition gave opportunities to the students living in abandoned mine area to experience the outside world by visiting Harvard, Yale, and University of Pennsylvania and conducting cultural exploration tours at major institutions such as the U.S. Capitol for 9 days. In addition, Kangwon Land provided opportunities to 30 students to experience East Asian history and the environment through the Boat School for the Creative Talented.

### Supporting Local Talents and Multi-cultural Families

Kangwon Land actively supports the socially neglected and disadvantaged classes in abandoned mine areas, to train talented individuals by giving scholarships and opening a library. In 2016, Kangwon Land gave scholarships to 477 middle and high school students, supported 24 children libraries in the abandoned mine areas, opened a toy library in Samcheok city and supported NIE(Newspaper In Education) Program and event of inviting parents from home country for multi-cultural families.

## Supporting Local Economy Vitalization

Kangwon Land has set three major goals by 2022 and has been pursuing a local economic vitalization strategy to establish a customized support system for local producers, such as small and mid-sized businesses in abandoned mine areas.

Strategies for Local Economy Vitalization

Vision	Build customized support system for local producers and small and mid-sized businesses		
Goals (2022)	To spend KRW 500 million per annum for using local merchants and zero occurrence of wrongful use.	To expand use of local food products and spend KRW 5 billion per annum to purchase	To expand items of companies in our business sites and achieve annual sales of KRW 10 billion
Strategic tasks	To accelerate the local use of High1 Point	To expand purchase of regional direct products	To vitalize store operation of regional product
Promotional tasks	<ul style="list-style-type: none"> <li>To expand associated business to foster local franchise</li> <li>To create standard measurement to calculate ripple effect in regional community</li> <li>To establish institutional systematic sound use</li> </ul>	<ul style="list-style-type: none"> <li>To operate the preferential purchasing system for local products</li> <li>To build cooperative relation and distribution system</li> <li>To develop environment for local delivery (ex. mass production)</li> </ul>	<ul style="list-style-type: none"> <li>To expand space for regional specialties sales</li> <li>To foster social economy-connected companies in our business sites</li> <li>To establish fair selection process for companies in our business sites</li> </ul>

### Operation of Local Use of High1 Point

The High1 Point system is a regional economic vitalization system that was introduced in the year 2004 which allows points to be used not only in our own resort business facilities but also in the local shopping district. For 12 years, we have supported a total of KRW 140 billion for regional economic vitalization, and in 2016, the opportunity to register for small and medium sized businesses has expanded by easing the membership registration standards. In addition, to prevent wrongful use of High1 points, we are developing fraud prevention system using internal and external collaboration, including technical consultation, legal review, and analyzing effectiveness. Also, the regional management committee was formed to organize the management. Reflecting the local demand, the number of regional stores in 2016 increased by 20% from the previous year totaling 1,363 stores, while local usage increased by

14% from the previous year amounting KRW 27.2 billion. Kangwon Land works to vitalize local economy not only by improving the system but also by supporting the promotional activities and services for local partners.

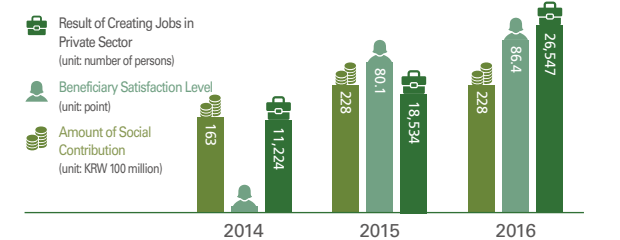
## Realization of Win-Win Values with Local Community

### Result of Contribution to Local Community

In 2016, the hours of social contribution activity of Kangwon Land averaged at 24 hours per capita, which is longer by 26% than the overall average (19 hours) of all companies in South Korea. This reflects the determination of our employees' willingness to communicate with the local community and to fulfill the culture of sharing. Furthermore, Kangwon Land built a consensus of values of social contribution activities and increase voluntary engagement by advertising introduction and results of the volunteering programs through HighNuri system. Kangwon Land has escaped from nominal volunteer celebrations and created a sense of unity with the local community by the participation of the company, suppliers, employees and families and the residents in the culture of sharing. Even though in 2017, we excluded required volunteer work from the organizational evaluation, we will plan to actively support the volunteer works of our employees who are willing to participate with a passion for sharing.

Volunteering Performance of Employees (unit: hours)

	2014	2015	2016
Average per person	20.0	23.7	24.3
Total volunteering hour	71,989	86,198	88,456



\* Conducting beneficiary satisfaction survey since 2015

## SPECIAL CASE

### Local Restaurant Contest

Kangwon Land organized a 'Kangwon Land Local Restaurants Contest' in response to the latest trend in celebrity cooking shows, as part of the local economic revitalization of four cities in abandoned mine areas through integration and promotion of tourism infrastructures. The contest started from 2015 and restaurants from Jeongseon, Taebaek, Yeongwol, and Samcheok participated in this contest and showed a variety of menus including local foods. The contest is held by each region on a quarterly basis and each local winner gathered at the banquet hall of Convention Hotel in December 2016 to decide the winner. In the final round, professional entertainers, the customer panels appointed through SNS of the resort, participants, judges and customers all joined and enjoyed the contest for making and eating the dishes. The contest was showcased and promoted by the resort home page, SNS, newspaper and broadcast ads, and especially the final round was joined in by celebrities like Big Mama, Hye-jeong Lee and Young-gu Jo, with the production of the program being broadcasted locally. These efforts provided the opportunity to promote small and medium-sized businesses in four cities in abandoned mine areas, benefitting and giving vitality to the local economy.





# 06

## Fair and Transparent Public Management Establish Win-Win Partnership with Suppliers

### Our Strategy

- Enhancement of Win-Win Corporation System
- Proliferating Win-Win Corporation Culture
- Establishment and Operation of Contract System for Suppliers


### 2016 Highlight

- Improving Unfair Services, Practices, and Systems
- Establishing Communication Process and Feedback System with Suppliers
- Service Evaluation to Improve Customer Satisfaction
- Preparing Standards for Private Contracts, and Creating a Contract Condition to Prevent from Transferring Business Location

### 2017 Focus

- Expansion of Establishing an Ethics Code for Suppliers
- Encouraging Employment of Residents through Stricter Standards of Private Contracts

### Performance

	• Customer Satisfaction Score of Suppliers (unit: point)	<b>82.9</b>
	• Purchasement from the Abandoned Mine Areas (unit: KRW 100 million)	<b>1,107</b>
	• SME Purchasing Performance (unit: KRW 100 million)	<b>1,982</b>
	• Female Business Purchasing Performance (unit: KRW 100 million)	<b>182</b>

### Why is it important?

Our advanced mutual growth activities not only improve our public image but also support our suppliers to respond to various risks. Through mutual growth for our suppliers, Kangwon Land implements its social responsibilities and contributes to the revitalization of the local economy. And these dedications would become a foundation for realizing a fair society which leads each other's growth.

### Our Approach

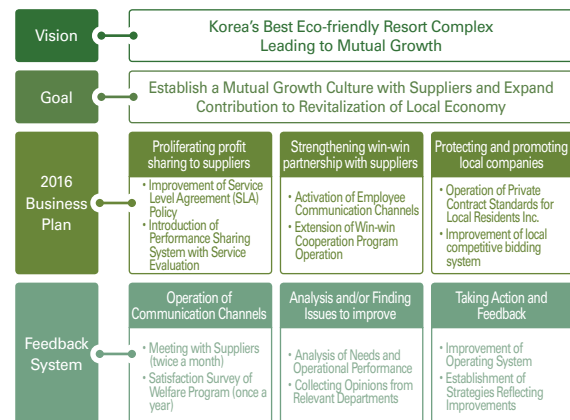
Kangwon Land pursues sustainable mutual growth with suppliers with an advanced win-win cooperation system and constructed partnership by reflecting suppliers' needs through building a feedback communication within the win-win program. In addition, for the purpose of mutual growth and development of our company and suppliers, we provide our suppliers with financial support and additional capacity building training.



## Establishing Win-Win Partnership with Suppliers

### Enhancement of Win-Win Corporation Program

Kangwon Land seeks to be the Korea's best eco-friendly resort complex and establishes a mutual growth culture with suppliers and revitalizes the local economy. In 2016, Kangwon Land founded a contract system for suppliers, based on the establishment of a win-win cooperation system that reflects the needs of the suppliers' employees. We are practicing win-win cooperation by expanding benefit sharing, strengthening win-win cooperation and protecting and promoting local companies.



\*SLA: Service Level Agreement

### Improving Unfair Service, Practice, and Relevant Policies

Kangwon Land has strengthened its partnership with suppliers by finding unfair services, practices, and systems, and taking corrective action. First, we have disclosed information on orders and bidding in advance. In this way, we have successfully introduced the fair competition system. In addition, we have enhanced transparency by mandating the real-name system for a private contract. And we could increase the external reliability of our contracting system with an increase of the advanced payment rate and standardization of the penalty procedure against unfair contract partners.

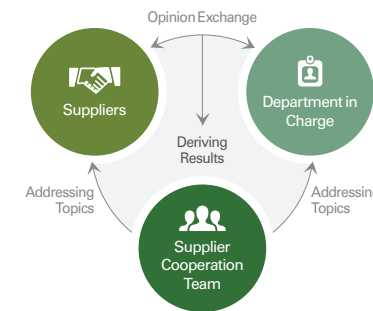
In addition to these institutional improvements, we revamped the operational practices by enhancing the budget execution more appropriately and inspecting outsourced service cost planning, and disguised outsourcing and illegal dispatch of workers. We also contributed to increase work reliability and secured fairness between suppliers and us by maintaining fair contracting and upgrading assessment of contract by negotiation.

2016 Inspection and Improvement Performances on disguised outsourcing and Illegal Dispatch

Increased training on the rules and regulations of outsourcing for related departments <b>1</b> time in <b>2015</b> <b>2</b> time in <b>2016</b>	Expanded inspection targets of outsourcing practices <b>21</b> outsourcing companies in <b>2015</b> <b>24</b> outsourcing companies in <b>2016</b>
Revision of Outsourcing Manual (included practitioners' inquiries and the latest legal cases)	Risk factor inspection <b>10</b> cases Legal counselling on contracts <b>20</b> cases

### Establishment of Communication Process with Suppliers

In order to facilitate effective communication with suppliers, Kangwon Land holds working group meetings and workshops and operates daily field support channels. In 2016, we listened to the difficulties from our suppliers' employees and proceeded to improve the communication process to resolve the difficulties. Our respective department in charge of the related work has been joining the working-level conferences which were originally held between our general managing department and suppliers only, the communication has become broader and the working conference which was mainly operated for simple complaints and requests has been changed to have in-depth discussion about specific topics by sharing advanced notice of the conference agenda.



In addition, through finding improvement tasks, works to be carried on as follow-up, and feedback on the management (once a half year), we created an effective communication channel for improving our work. In 2016, we found 62 improvement tasks through working group meetings. We completed 24 improvement tasks and will continue to work on the remaining 38 tasks, which were converted

into mid-to long-term work plans. We enhanced the satisfaction of the suppliers' employees on work process by reflecting their demands including improvement of work efficiency and better working conditions and treatment in the identified improvement tasks.

Mutual Communication Performances in 2016

Category	Improvements
Working group meeting with suppliers	Expansion of working group meeting with each supplier tier (2015: 19 times → 2016: 35 times)
Identify and resolve difficulties at work sites	Identified 62 tasks (24 tasks completed, 14 tasks in progress as mid-term tasks, 24 tasks assigned as long-term tasks)
Encourage suppliers' employees at work sites	Supporting Suppliers' Employees at their Work Site and Providing Refreshment

### Performance Measurement and Establishment of Feedback System for Win-win Cooperation Program

In 2014, we established a system to measure the current win-win cooperation program for our suppliers, and we incorporated the feedback from the supplier satisfaction survey in the program. The satisfaction survey on the win-win cooperation program shows that the program scored average 3.21 points (out of 5) which is moderate, and the respondents mainly requested for expansion of welfare program, including raise of an amount for holiday gifts. In response, in the short-term, we increased the amount for holiday gifts and expanded the support of providing rooms in resting places on weekends. In the long-term, we are planning to provide housing fund, scholarship, and childcare expenses through establishing a joint employee welfare fund for suppliers. In this way, Kangwon Land is pursuing sustainable mutual growth with suppliers by measuring the performance of win-win cooperation program and establishing an objective feedback system.

# Establishment of Win-win Partnership with Suppliers

## Proliferation of Win-win Cooperative Culture

### Improving Welfare Programs for Suppliers' Employees

In order to establish a continuous win-win cooperation system with suppliers and strengthen mutual companionship with its suppliers, Kangwon Land is supporting welfare benefits to suppliers' employees. As we support medical check-up expenses, the suppliers' employees may have the medical check-up at discounted to 80% of original price. And we send funeral flower arrangements to suppliers' employees and their immediate family members in case of their death. In addition, we are making efforts to enhance the employees' morale and increase their awareness on companionship by providing discount coupons for season ticket and accommodation discounts of Kangwon Land Ski Resort.

Implementation Year	Welfare Program	Benefits
2015	Holiday gifts (New Year, Thanksgiving)	KRW 60,000 per person (each KRW 30,000 for New Year and Thanksgiving)
	Summer rest places	Operating total 1,000 rooms, KRW 120,000 per room
2016	Holiday gifts (New Year, Thanksgiving)	KRW 100,000 per person (each KRW 50,000 for New Year and Thanksgiving)
	Summer rest places	Operating total 1,000 rooms, KRW 140,000 per room (Expanded the number of rooms assigned in weekends)
	Send funeral flower arrangements	Sent in case of death of the employee and immediate family members
	Overseas training program	30 selected exemplary service staff from suppliers

### Supporting Suppliers' Capacity Building

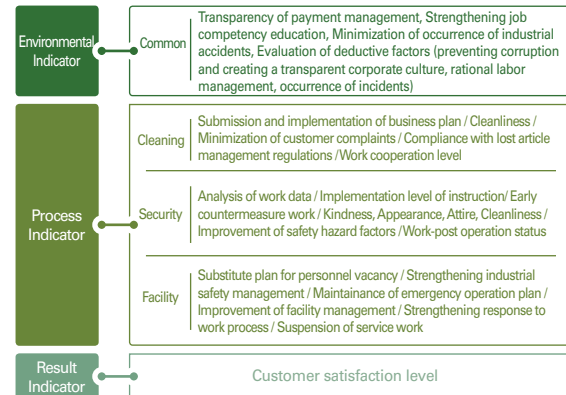
To grow together and cooperate with its suppliers, Kangwon Land is providing suppliers' employees with opportunities to participate in workshops and overseas training. In 2016, Kangwon Land presented topical lectures on communication, team building, and customer service training to build competencies of suppliers' employees by holding a two-day win-win cooperation workshop. We also invited them to the Alpensia Resort to enrich their experiences. In addition, in 2016, Kangwon Land introduced an overseas training program for exemplary service staff. We selected 29 suppliers' employees and provided them an opportunity to experience and learn from best practices of Creating Good Villages in Nagoya, Japan (Nagahama village and Takayama village) and to benchmark excellent companies (Nagashima Resort and Trust Resort) for four days.

### Implementing Performance Sharing System with Service Evaluation

In order to enhance customer satisfaction level through improving our suppliers' customer service, Kangwon Land has promoted a Sharing System with Service Evaluation for 28 service suppliers, such as cleaning, security, and facilities. Above all, we are evaluating the level of service implementation with the established Service Level Agreement (SLA) system, which is to manage the ESG risks and improve the service quality of suppliers. Any suppliers received less than 85 points, the baseline, as a result of the evaluation, are imposed penalty.

Also, we are going to contribute to the enhancement of our suppliers' service quality by examining the customer satisfaction level of suppliers through external expert group and by implementing Sharing System with Service Evaluation that provides incentives to the suppliers based on the survey results. In 2016, we awarded incentives totaling KRW 174,432,000 to 824 of six suppliers' employees who received high customer satisfaction level.

#### SLA Evaluation Indicators



Survey Result of the Suppliers' Customer Satisfaction Level (Unit: Point)

Category	2014	2015	2016
Suppliers' customer satisfaction level	71.0	78.3	82.9

### Expanding Small and Medium-sized Enterprises (SMEs) and Women-owned Businesses

To encourage the development of local community and revitalize SMEs, Kangwon Land continues to expand its purchases from SMEs. In 2016, our purchase amount from SMEs was KRW 198.2 billion which was an increase of 10.5% over the previous year and comprised 80.12% of the total purchase amount in the same year. In addition, our purchase amount from women-owned businesses was KRW 18.2 billion in 2016, which was an increase of 26.9% over the previous year. By continuously increasing our purchases from SMEs and women-owned businesses, we are contributing to the mutual growth, and further, to revitalizing the local economy.

Purchasement from SMEs and Women-owned Businesses (unit: KRW million)

Category	2014	2015	2016	Year on year increase rate	
SME Purchasing Performance	Purchasing amount from SME (A)	174,471	179,382	198,169	10.5%
	Total purchasing amount (B)	203,400	206,173	247,339	20.0%
	Purchasing rate (A/B)	85.78%	87.01%	80.12%	-6.89%
Women-owned business purchasing performance	Women-owned business purchasing amount(A)	10,310	14,331	18,180	26.9%
	Total purchasing amount (B)	203,400	206,173	247,339	20.0%
	Purchasing rate (A/B)	5.07%	6.95%	7.35%	0.4%

## Establishment and Operation of Suppliers Contract System

### Establishing Private Contract Standards

To enhance the effectiveness of private contracts, Kangwon Land prepared detailed guidelines and management criteria for Private Contract Standard drafted in 2015. Such detailed guidelines (Private Contract Standards) were based on specific contract requirements in order to encourage suppliers to increase their local contributions. The reinforced standards have seven requirements and five eligibility requirements, including minimum employment rate of 70% local residents from abandoned mine areas and limit the shareholding rate to 3% of shares with voting rights.

Suppliers Private Contract Standards

Foundation for establishment	Eligibilities	Main contents
Details of the contract Article 26 Paragraph 1 of Point 1 (Private Contract)	Creating jobs	Minimum employment rate of 70% local residents from abandoned mine areas
	Public interest	Include the purpose of public interest in the articles of association, and verify actual execution details of the public interest
	Regional based	70% or more of the shareholder must be residents in abandoned mine areas 100 people or more of the shareholder must be residents in abandoned mine areas
	Autonomy of residents	limit the shareholding rate to 3% of shares with voting rights
	Transparency	Submit external audit report at the time of signing contract One-third or more of external stakeholders and employee representatives attend in the Board of Directors meetings.

To inspect suppliers pursuant to the Private Contract Standards, Kangwon Land advised the suppliers by conducting three sessions of legal consultation, three sessions of meeting and frequent interviews and completed the compliance of the Private Contract Standards. Despite the implementation of fairly new standards, Kangwon Land employed 97 percent of its employees from local residents and spent extra KRW 400 million in projects return profits to local communities in 2016.

Inspection Results of Suppliers' Private Contract Standards

Suppliers	Inspection Results	Eligibility to Contract Renewal in 2016
South Gangwon Local Residents Inc.	Completion of Implementing Private Contract Standards	Eligible for signing of private contracts
Woori Local Residents Inc.		
Youth Local Residents Inc.		
Seok Kwang Corp.		

Implementation Performances of Private Contract Standards



### Creation of Contract Provision to Prevent Relocation

Kangwon Land created a special contract provision of local bidding system to protect and foster local suppliers in the abandoned mine areas and to prevent paper company problems which mean that a non-resident company transfers its business location within the abandoned mine areas right before bidding and transfers out from such location after winning the bid. Kangwon Land included a contract provision that forces the suppliers to specify the location of the main office during the contract term and to submit documents for evidence and, in a case of any violation such as false representation, we would impose the sanction on such partners by revoking the contract and designating it as unfair contract parties. This is the only special contract provision in Korea to block non-resident companies from participation in bidding and, in the case of selecting local companies, to contribute to local tax revenues. Kangwon Land has made efforts to protect and foster local companies by creating a special contract provision of the local competition bidding system, which resulted in zero paper companies in 2016.

#### Stakeholder's Interview

##### "Mutual growth through cooperation and communication"

South Gangwon Local Residents Inc., provides personal services mainly cleaning and security services to Kangwon Land and maintains a stable employment and creates local jobs by prioritizing hire of unemployed people in the mining industry, their family members, and local residents. Kangwon Land has contributed to the welfare improvement of suppliers such as providing incentives for performance sharing, overseas training, the operation of resort facilities, and employee health checkups for the mutual growth with its suppliers. Also, Kangwon Land has improved suppliers' difficulties by listening to suppliers' opinions through diversified communication channels such as mutual growth workshops.

I hope Kangwonland to continue its sustainable development and become a resort where everyone can enjoy through sustainable investment and R&D as well as providing stable jobs, implementing labor welfare and contributing to the local community through mutual cooperation and active communication.

Song Tae-ho, General Manager, South Gangwon Local Residents Inc.





# ***SUSTAINABILITY MANAGEMENT***

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# Advancing Sustainable Management System

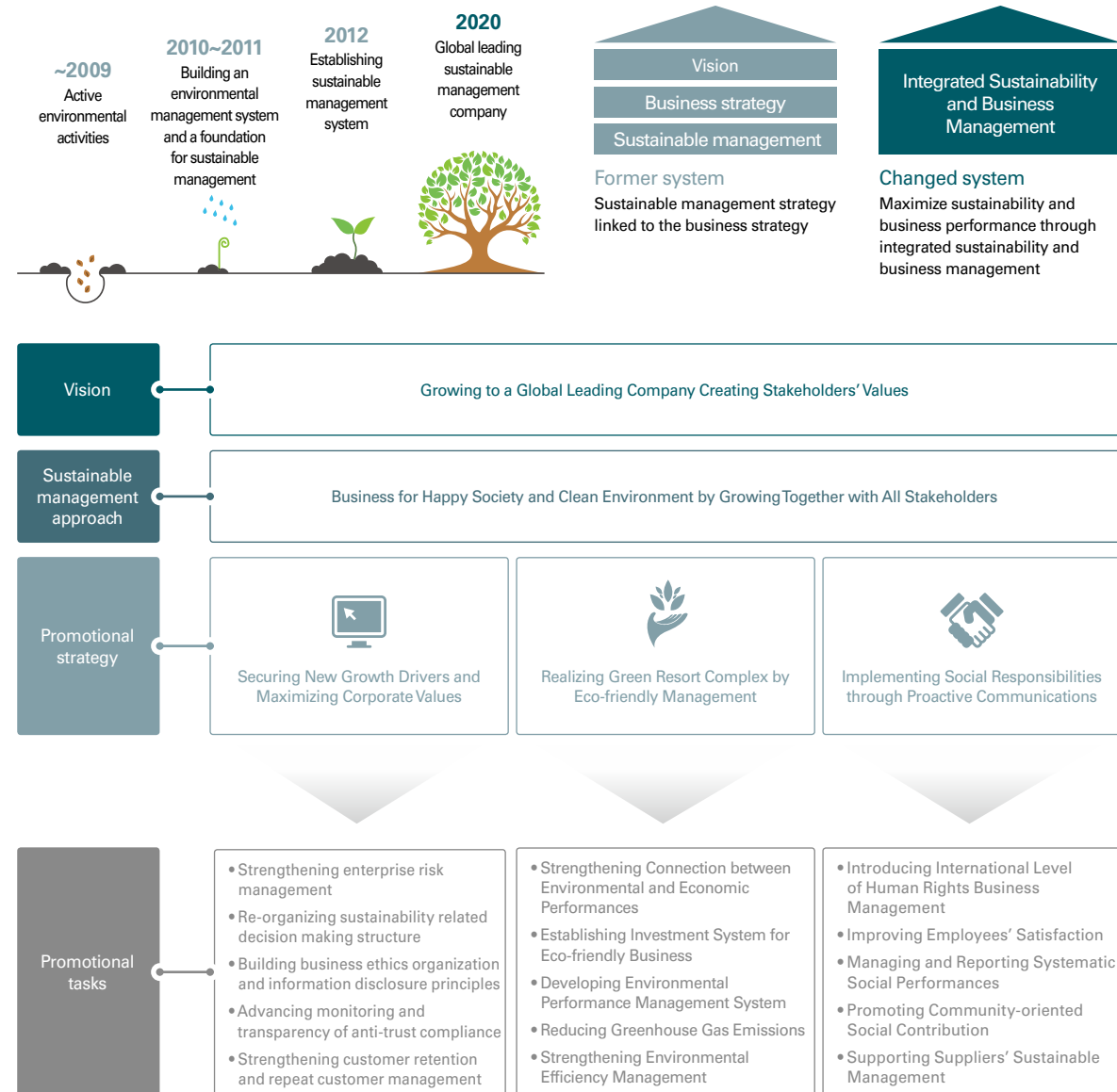
## Sustainable Management Strategic System

### Sustainable Management Strategy

Kangwon Land established sustainable management strategic directions and three promotional strategies aligned with our business guidelines and sustainable management vision in order to accomplish our strategic vision and mission. Particularly, we aim to create values and drive the balanced development of our various stakeholders by implementing 15 sub-tasks according to our promotional strategies. Furthermore, we will complete sustainable management systems to actively integrate sustainability trends in our system to maximize value creation. We will maximize the values that we provide to our stakeholders by undertaking our social responsibilities through diverse sustainability activities and deriving various sustainability performances from our business strategies.

### Advancing Strategic System

The ultimate goal(ideal) of Kangwon Land is to grow into a sustainable corporation to boost the local economy and change the local communities to a level of self-sustainability. Therefore, we are working on to establish a 'Sustainable Management Strategy System' which is integrated with mid- to long-term management strategies, and then applying them to management. Once the strategy system is completed, the meaning of the current stand-alone sustainable management strategic framework will naturally be faded. Kangwon Land will continue to strengthen our strategies and organizational structure to internalize sustainable management until 2020 when Kangwon Land becomes a global leading sustainable company.



## Value Creation of Sustainable Management

### Creating Values in the Value Chain

Kangwon Land continues to prioritize balanced local economic development and promoting the improvement of lives of local community residents through reinvigorating the stagnant economy of abandoned mine areas. For this goal, we have proactively promoted win-win growth projects in those areas and conducted social contribution activities that provide practical support to the beneficiaries. Furthermore, Kangwon Land has responded to climate change by introducing energy management to become the representative eco-friendly resort complex in Korea. We will grow as the best representative resort in Korea through continuing to play transparent and responsible management and lead sustainable management as a public institute.

### Listed in DJSI World Index

The active sustainable management activities of Kangwon Land has resulted in being listed in the Dow Jones Sustainability Index (DJSI), the globally renowned sustainability index, for four consecutive years. This performance is not only the first case both in Korean resort industry and the public sector but also demonstrating the sustainability excellence of Kangwon Land to the world.

MEMBER OF  
**Dow Jones Sustainability Indices**  
 In Collaboration with RobecoSAM

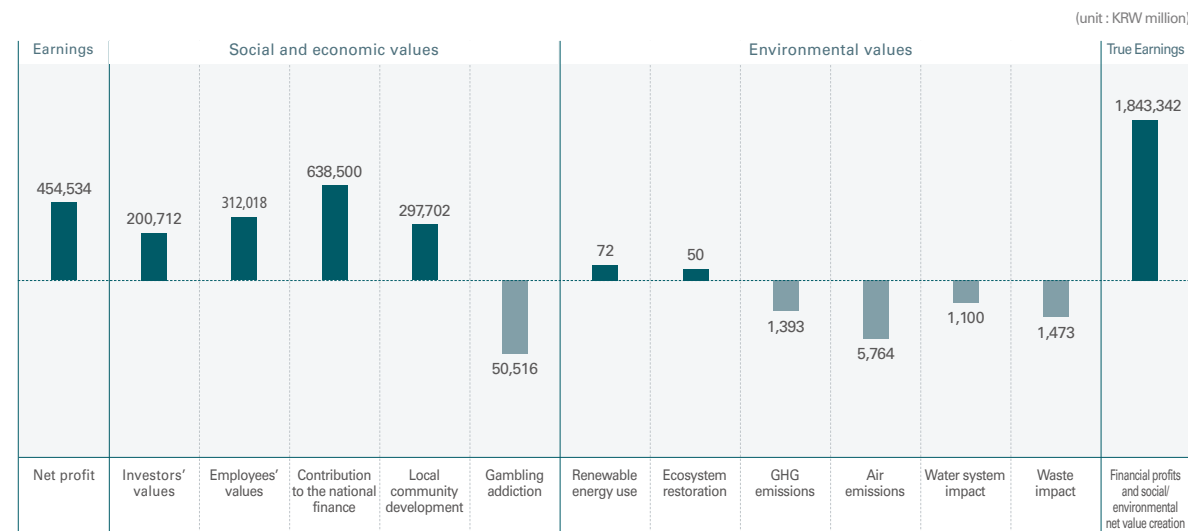
Main Tasks	Major Achievements	KPI(Key Performance Indicator)
<b>Invigorating Local Economy in Mutually-benefited and Cooperative Ways</b>	<ul style="list-style-type: none"> <li>Usage of Onnuri gift certificate for traditional markets</li> <li>Expansion of support to High1 Point registered shops</li> <li>Introduction of prior purchase program of agricultural products from abandoned mine areas</li> <li>Preparation of City Restoration projects promotion for abandoned mine areas</li> </ul>	<ul style="list-style-type: none"> <li>Contribution rate of Win-win Growth for abandoned mine areas 26.19% (1% ↑ from previous year)</li> <li>Contribution to mutual development of abandoned mine areas</li> </ul>
<b>Advancement of Social Contribution Activity System</b>	<ul style="list-style-type: none"> <li>Development of representative social contribution projects (prevention of non-drug addiction)</li> <li>Extension of beneficiary targets (Four cities and counties in abandoned mine areas → Kangwon Province, Other abandoned mine areas)</li> <li>Improvement of social contribution ownership (outsourcing → direct management)</li> </ul>	<ul style="list-style-type: none"> <li>Decide Kangwon Land's Representative Social Contribution Projects</li> <li>Improvement of Social Contribution Beneficiaries' Satisfaction (80.1 points in 2015 → 86.4 points in 2016)</li> </ul>
<b>Enhancement of Public-oriented Brand Value</b>	<ul style="list-style-type: none"> <li>Sustainability report publication and DJSI response</li> <li>Participated in the UN Global Compact</li> <li>Established National Gaming Control Public Institute Integrity Cluster</li> </ul>	<ul style="list-style-type: none"> <li>Selected as Excellent Institute (Level 2) in the 'Anti-Corruption Initiative Assessment'</li> <li>Four Consecutive Years Listed on the DJSI World Index</li> </ul>
<b>Forming Eco-friendly Management System</b>	<ul style="list-style-type: none"> <li>Verification of Energy Management System</li> <li>Comply with GHG Emission Trading Scheme</li> </ul>	<ul style="list-style-type: none"> <li>Saved KRW 1.9 billion of energy cost (7.6% reduction compared to previous year)</li> </ul>



### Sustainable Value Creation

(unit: KRW million)

Category	Profit/Loss	Values in amount
Earnings	Fianncial values	Net profit 454,534
	Investors' values	Dividend + 200,712
	Employees' values	Salary/welfare/talent development + 312,018
	Contribution to the national finance	National tax/local tax/fund + 638,500
Social and economic values		Purchasement and support suppliers + 274,563
		Local community development Social contribution (including cash donation) + 18,639
		Local community investment + 4,500
		Gambling Prevention and Recovery Charges + 8,144
		Social cost - 58,660
		Renewable energy use Energy reduction (pallet/solar PV) + 72
Environmental values		Ecosystem restoration Released endangered species (Red-dotted Butterfly, Manchurian Trout) + 50
		GHG emissions GHG emissions - 1,393
		Air emissions PM/Sox/Nox - 5,764
		Water system impact Wastewater treatment - 1,100
		Waste impact Waste treatment - 1,473
	True Earnings	Financial profits and social/environmental net value creation 1,843,342



### Promoting Systemic Risk Management

#### Strengthen Risk Response

Kangwon Land operates a monitoring and evaluation system to cope with the risks that may arise as the business environment changes rapidly. In addition, we are actively managing risks from prevention perspectives by strengthening follow-up management through audit activities and continuously improving internal control system.

#### Core Risk Classification

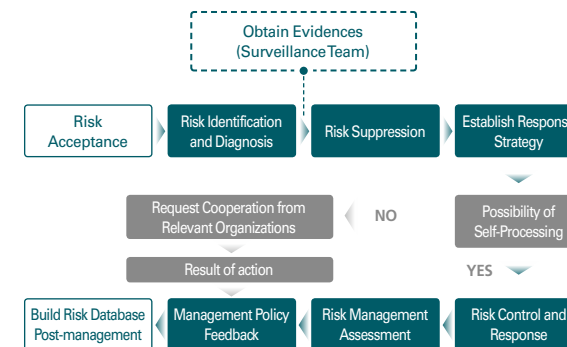
Kangwon Land manages financial risks at the Strategic Planning Division and Management & Support Division. Non-financial risks are managed in a comprehensive manner by the Comprehensive Control center in response to social and environmental changes such as climate change and cyber terrorism. Financial risks are classified into liquidity risk, profitability risk, investment risk, and operational risk, and are managed systematically. Non-financial risks are classified into information security, environment, disaster response, and corruption and are managed through various activities including emergency protection system, resource saving activities and facility safety inspections.

Financial Risks	Liquidity	Profitability	Investment	Operation
	Responding to risks through maintenance of no-arbitrage condition and investment execution	Improving resort's revenue through revenue structure improvement and cost reduction	Improving revenue by reflecting the opinions of external experts and diversifying investment assets	Precautionary audit, prevention of accounting fraud, and improvement of transparency
Non-financial Risks	Information - Security	Environment	Disaster - Safety	Corruption
	Strengthening the ability to prevent personal information infringement through self-simulation training	Establishing environmental management guidelines to become an eco-friendly resort (energy and resource reduction)	Complying with the occupational safety and health act by performing safety facilities inspections and completing safety checklists	Reinforcing inspection for implementation of the code of conduct and laxity of discipline special service

#### Strengthen Risk Management

Kangwon Land has strengthened its risk management by operating an internal control system. In 2016, we enhanced the early warning system by utilizing the e-audit system, strengthened the internal monitoring system through introducing anonymous reporting system, and established solicit registration system. In addition, we have improved the contract structure for purchasing contracts and revised the audit regulations, such as appointing external professional auditors and visiting auditors at important business site inspections. Moreover, we strengthened our own safety and health inspections to ensure customer safety as we have multi-use facilities, and conducted preliminary risk management activities by establishing rigorous workplace disciplines such as conducting service inspections at disaster vulnerable times (national holidays).

#### Risk Management Process



#### Strengthening Information Security Management System

Kangwon Land has established an information security strategy in conjunction with our corporate vision in order to implement the national information security policy for cyber safety. Through this, Kangwon Land is striving to protect customer information and secure the stability of the operation system.

#### Strengthening Administrative Security

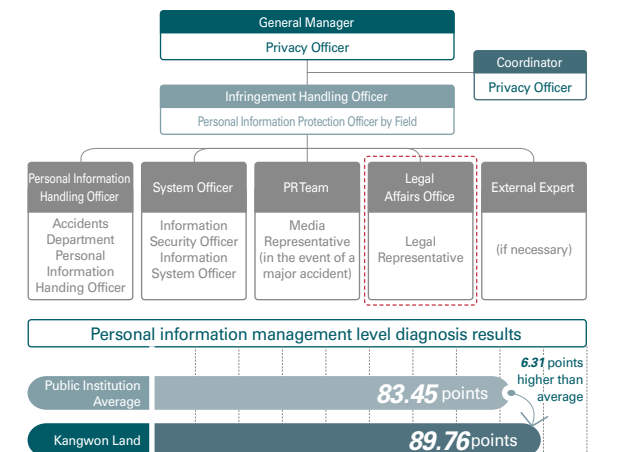
We strengthened the information security evaluation by reinforcing security education, e-mail simulation training, security checks, and establishing PC security level and received 'Excellent' rating from malicious e-mail simulation of the National Intelligence Service. In addition, we will strengthen information security management control from 2017 to 2019 by establishing a master plan for enhancing information security, improving security regulations and guidelines, and expanding IT security team and security budgets.

#### Enhancing Technical Security

In order to improve the technical aspects of information security, unregistered USB inspection space has been added and IT Room access control has been reinforced. Security vulnerable areas are systematically managed through quantification of Cyber Security Index, automated inspection of IT infrastructure vulnerability, and automation of PC security level check. As a result, the score of Cyber Security Index increased 8 points (62 points to 70 points) over the previous year. We have operated APT attack response system, firewall using VPN technology, and malware distribution defense system to achieve ZERO security incident including external hacking and cyber penetration.

#### Strengthening Response Capacity to Personal Information Infringement

In order to improve the response system against personal information infringement, the Legal Team was added to the Responding Team, and incident response simulation training was strengthened from twice in 2015 to three times in 2016. As a result, we received 6.31 points superior to the public institution average in the personal information management level diagnosis of public institutions category. In addition, we have improved the level of security consciousness of employees by conducting comprehensive education on personal information protection, such as online training for all employees, and external professional training for personal information protection officers and persons in charge.

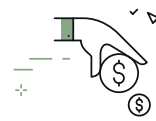




# Tax Strategy of Kangwon Land

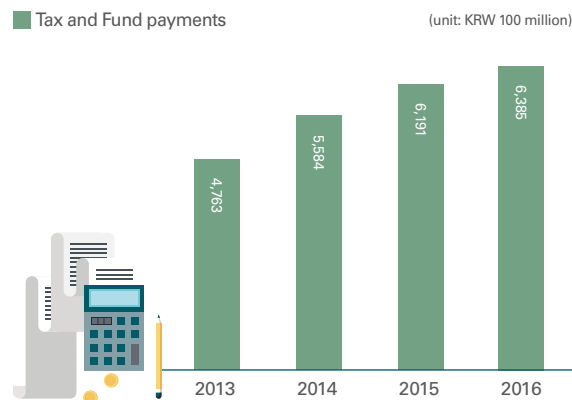
Kangwon Land is a comprehensive tourism/leisure center with the nation's only inbound casino and fulfills its legal obligations to meet the purpose of establishment. We operate a casino business with the aim of public interest and return a large portion of our profits to society in various ways. In particular, we strive to dedicate ourselves to the public interest by faithfully fulfilling a taxpayer's obligations to the local government and the Gangwon provincial government. In 2016, we paid a total of KRW 638.5 billion in taxes and other funds, including national and local taxes and other funds. This amounts to 38% of total sales, and Kangwon Land is striving to grow together with Korea.

## Contribution to Public Finances



Kangwon Land's profit contributes to the economic revitalization of the abandoned mine area and promotion of domestic tourism industry. As the tax paid by Kangwon Land is recognized as important, we are actively working to fulfill our tax obligations faithfully. First of all, we review and reflect the enactment and amendment of the tax law every year, and strive to pay the correct amount at the correct time. In addition, in the case of new amendments related to the convenience of Kangwon Land users, we notify them promptly so that there will be no disruption to the facilities.

In addition to national taxes and local taxes, we contribute to various other funds. In order to develop the abandoned mine area, we pay 25% of the annual pretax profit to the Abandoned Mine Areas Development Fund. Also, to activate the national tourism industry, we pay 10% of casino sales to the Tourism Promotion and Development Fund based on the Tourism Promotion Act. In addition, as Kangwon Land operates the gambling industry under the public interest purpose, we are working to minimize gambling addiction in various ways with our awareness and responsibilities. To contribute to solving the gambling industry addiction problem not only in the casino but also from a national aspect, we pay around amount of 0.5% of casino sales as Gambling Prevention and Recovery Charges in accordance with the 'National Gambling Control Commission Act'.



## Tax Reporting



Kangwon Land is seeking to communicate with various stakeholders by disclosing publicly the taxes paid through an audit report. If there is a difference between the expected tax rate and the actual tax rate in the process of paying corporation tax, the details of the difference are recorded in the audit report and we regularly disclose this information to the public to enhance the transparency and accuracy of the tax payment.

In addition, the assets and liabilities recorded in Statements of Financial Position, as well as the revenues and expenses, are reasonable for each item and fulfill the duty of a sincere taxpayer without taking any tax reduction measures.

## Tax Risk Management



We anticipate the effects of the enactment and amendment of the accounting standard every year and make efforts to help stakeholders and shareholders make decisions. Through the internal accounting management system, we are improving reliability and accuracy of the tax reconciliation process and accounting process. By setting controlling items in the system, we manage unreviewed or undeclared amounts in advance. In addition, we manage tax reporting data to be kept and maintained for a certain period of time.

Kangwon Land works diligently on regular tax investigations and actively responds to the unfair tax imposing cases. For example, unreasonable taxation, such as denial of tax exemption benefits regarding an additional tax-free allowance of reduced acquisition tax, was resolved through tax appeal process. In addition, we actively respond in consultation with related organizations to prevent an excessive increase in tax burden.

# Sound and Transparent Corporate Governance

## Board Composition and Roles

The board of directors (BOD), the highest decision-making body, determines strategies and policies for major issues across the economy, society, and the environment sectors, and roles of control and supervision of management activities. The BOD consists of ten people including two executive directors, two non-executive directors, and six non-executive independent directors.

Composition of Directors As of March 30, 2017

Classification	Title	Name	Career
Executive Director	CEO	Ham Seung-Huie	Representative lawyer at Daeryook & Aju Law Firm (Former) Member of the 16th National Assembly (Former)
	Vice President	Kim Gyeong-Jung	MBC Deputy Director (Former) Executive Vice President of BR Korea (Former)
Non-executive Director		Oh Won-Jong	Tourism and Marketing Director, Culture Tourism and Sports Division, Gangwon Province (Former) Head of Economy Promotion Bureau, Gangwon Province (Present)
		Shin Joo-Ho	Global Investment and Trade Division, Gangwon Province Director of Support at Lego Land (Former) Vice County Governor of Jeongseon County (Present)
Independent Director (Audit Committee)		Han In-Goo	Chairman of Korean Academic Society of Business Administration (Present) Professor at KAIST Business School (Present)
		Kim Sang-Il	Head of Strategic Industry Division, Economy Promotion Department, Gangwon Province Office (Former) Vice County Governor of Yeongwol County (Former)
		Choi Don-Yong	Office of Planning and Coordination, Tongil Group Planning and Audit Team Lead (Assistant Executive Director) (Former) Head of Management Planning Division (Executive Director), Boryung Media Co., Ltd. (Present)
Independent Director		Han Seung-Ho	Head of Maritime and Port Division, Gangwon Province East Sea Rim Headquarters (Former) Vice Mayor of Samcheok City (Former)
		Cha Dong-Rae	Deputy Director of Network Co., Ltd. (Former) Korea Reclamation Corporation Head of Coal Mine Region Promotion Headquarters (Former)
		Choi Gyeong-Sik	Vice President of Sabuk Prosperity Corp. (Former) Chairman of Gohan-Sabuk Nam-myeon Shin-dong Revitalization Joint Committee (Former)

## Appointment of Board Member and Independence of the BOD

Kangwon Land appoints directors in a transparent and fair manner at the general shareholders' meeting. The executive directors are appointed among candidates nominated by the Executive Director Nomination Committee. Independent directors are appointed in a fair manner by the Independent Director Nomination Committee, which consists of more than half of independent directors. The Audit Committee consists of three or more members. More than two-thirds of the Audit Committee members are appointed among independent directors. The rest non-independent directors are appointed in accordance with Article 542 Paragraph 10-2 of the Commercial Act. At the time of appointing the Audit Committee member, shareholders who hold more than 3/100 of the total number of issued voting shares are not allowed to exercise their voting rights to maintain independence.



## Activation of Board of Directors and Strengthening Competencies

In response to the internal and external business environments, Kangwon Land has established operational plans including activating the BOD and strengthening their roles, operating sub-committees, non-executive directors' management participation and of active utilization of non-executive directors' expertise and expanding support to them. Through operating sub-committees and supporting non-executive directors, we activate the function of management support and Audit Committee and Executive Nomination Committee role the function of internal control.

## Independence of BOD

In order to control and maintain balance of management, the BOD of Kangwon Land is composed of professors, accountants, and government officials who are qualified with independence and expertise. The BOD appoints directors in pursuant to the Article 542, Paragraph 8-4 of the Commercial Act and secure the directors' independence. The independence of BOD operating procedures is specified in the BOD provisions and the articles of incorporation. The appointment procedure of directors is also proceeded objectively and fairly by the Independent Director and Executive Director Nomination Committee.

### Article 382-3, Commercial Act

Outside directors are directors who are not engaged in the regular business of the relevant company, and do not correspond to any of the following subparagraphs. Where any outside director falls under any of the following subparagraphs, he/she shall be removed from office.

- Directors, executive directors and employees who are engaged in the regular business of the relevant company, or directors, auditors, executive directors and employees who have engaged in the regular business of the relevant company within the latest two years;
- The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a natural person;
- Directors, auditors, executive directors and employees of the corporation, in cases where the largest shareholder is a corporation;
- The spouses, lineal ascendants, and lineal descendants of directors, auditors and executive directors;
- The directors, auditors, executive directors and employees of a parent company or a subsidiary company of the relevant company;
- Directors, auditors, executive directors and employees of a corporation which has a significant interest in the relevant company, such as business relations with the company;
- Directors, auditors, executive directors and employees of another company for which directors, executive directors and employees of the relevant company serve as directors and executive directors.

## Expertise and Diversity of Board of Directors

Kangwon Land, in principle, does not have any restrictions on gender, race, nationality, or age when appointing directors. We are strengthening our management expertise by appointing non-executive directors with expertise in five sub-areas under the four corporate strategy directions.

Strategic direction	Expertise	No. of Non-executive Director
Increasing Competitiveness of Current Businesses	Tourism Marketing	1 Person
Securing Growth Engines for the Future	Press and PR	1 Person
Contributing to Regional Development and Enhancing Social Contribution	Regional Development Policy	4 Persons
Renewing the business fundamentals for enhancement of the public interests	Financial Management	1 Person
	Strategy Establishment and General Management	1 Person



### Support System for Activating Board of Directors

To activate the BOD, we actively support new directors to enhance their understanding of management activities through site visits and sub-committee and explain their main duties and BOD operation at the orientation. In addition, we also actively support management activities of non-executive directors by providing individually customized briefing sessions for meeting agenda in advance to BOD meetings, particularly regarding unfamiliar topics so that they can propose valuable business suggestions and raise more opinions.

New Director Orientation	Providing Business Information	Supporting Management Activities	Feedback Professionalism
<ul style="list-style-type: none"> <li>General Status</li> <li>Major Business</li> <li>Method for Operating the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>CEO Management</li> <li>Key Management Data</li> <li>On-site Visit</li> </ul>	<ul style="list-style-type: none"> <li>Operating Sub-committee</li> <li>Conducting agenda briefing session</li> </ul>	<ul style="list-style-type: none"> <li>Management Suggestions from Non-executive Directors</li> <li>Review by Department in Charge and Integrate the Reviews into Business Management</li> </ul>

Comprehensive Support for Improvement of Job Performance of Non-executive

Main Content	Improvement
Orientation	Introducing overview of the company to new directors
Support with human services and materials	Dedicated personnel and in-house information network accessibility support
Support to identify and understand management issues	Major and management issue report
Review and support for agenda	Provision of agenda and supplementary materials in advance
Field visit support	Field communication and inspection

Operating Performance of Board of Directors

	2014	2015	2016
Number of Board Meetings (Number)	12	7	5
Resolution * (Case)	22	18	17
Ratio of Amendment Resolution (%)	24	18	12
Board Meeting Attendance Rate (%)	71	73	78
Non-executive Director Attendance Rate (%)	75	70	73

\*The preliminary deliberation rate for the BOD agenda is 100% for the three consecutive years

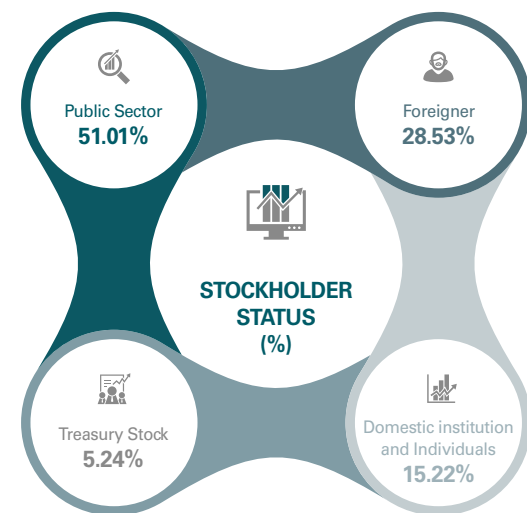
### Evaluation and Remuneration of Board of Directors

The remuneration for the directors is approved during the general shareholders' meeting for the appropriateness and motivation in compensation for their contribution to business performance. Among the independent directors, public officials are not paid their salary in accordance with the relevant laws. The bonuses for the executive directors are determined based on comprehensive management performance and are approved by the BOD. For reference, the total amount of remuneration for the directors in 2016 was the same as last year to meet the government's policy.

### Ownership Structure and Legal Form

For the publicness and efficiency of casino business and as per the Article 11 Paragraph 2 of 'Special Act on the Assistance to the Development of Abandoned Mine-neighboring Areas', Mine Reclamation Corp. (36.27%), Gangwondo Development Corporation (5.86%) and four municipalities (Jungsun, Taebaek, Yeongwol, and Samcheok, 8.88%) are accounted for more than 51% of public shareholders of Kangwon Land. In addition, foreigners (28.53%), domestic institutions and individuals (15.22%), and treasury stock (5.24%) own the stakes.

Stockholder Distribution (As of December 2016)



### Major Subsidiaries

Together with the Mine Reclamation Corp., the largest shareholder, Kangwon Land operates seven subsidiaries and owns shares for eight affiliates including, Mun Gyeong Leisure Town Co., Ltd., High1 Entertainment Co., Ltd., High1 Sangdong Theme Park, and High1 Choo Choo Park.

(As of December 31, 2016)

Classification	Ownership (%)
Mungyeong Leisure Town Co., Ltd.	27.3
Donggang Cista Co., Ltd.	24.1
Daechon Resort Co., Ltd.	28.6
Vario Hwasun Co., Ltd.	30.5
High1 Entertainment Co., Ltd.	100
High1 Sangdong Theme Park Co., Ltd.	100
High1 Choo Choo Park Co., Ltd.	99.6

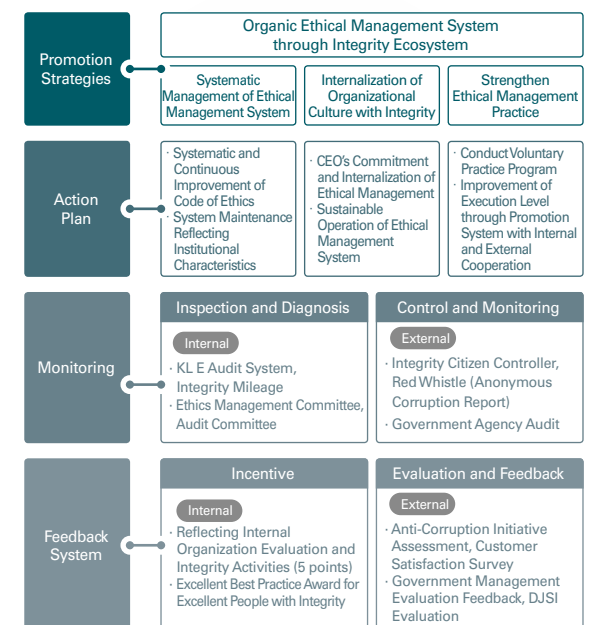
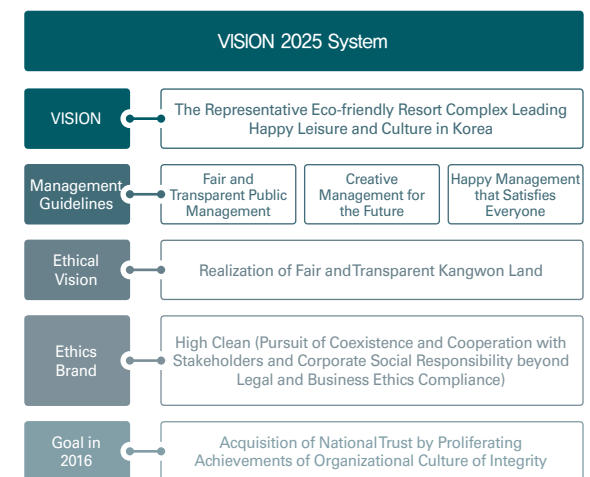
\* Black Valley CC Co., Ltd., is not legally affiliated so is not listed

## Establishing Responsible Management through Ethical Management

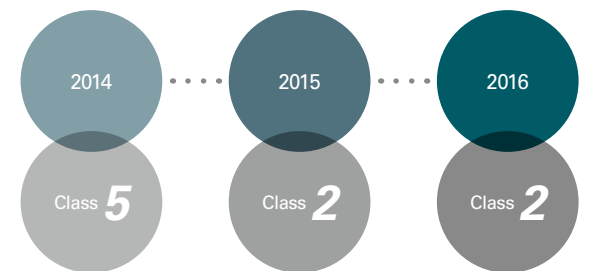
### Ethical Management Promotion System

Kangwon Land has established an ethical management system to realize fair, transparent, and ethically clean Kangwon Land as the leading representative eco-friendly resort complex for happy leisure and culture in Korea. In particular, we have established a strategy for ethical management aligned with our VISION 2025 and then selected follow-up action plans. For this, we have established a monitoring and feedback system. In 2016, under the ethical brand 'High Clean,' we pursued ethical management with the aim of acquiring the trust of people through sharing the corporate culture with integrity. As a result, we achieved the highest grade of anti-corruption policy evaluation for the two consecutive years and became the first Korean public company to be included in the DJSI World Index for the four consecutive years.

Ethical Management System



Result of Anti-Corruption Initiative Assessment by the Anti-Corruption & Civil Rights Commission



### Ethics Management Committee and Dedicated Organization

Kangwon Land operates the Ethics Management Committee as the highest decision-making body on anti-corruption integrity ethics policy. The committee consists of the chairman, the audit office (advisory consultant), four general managers, an integrity auditor, and five employee representatives known as Hi Clean leaders. In 2016, a total of four ethical management committee meeting were held to establish an anti-corruption promotion plan. The committee selected Integrity Mileage, integrity model prize, and voluntary ethics management practice task project to operate in Kangwon Land. In addition, we have strengthened our dedicated organization by transforming permanently the Integrity culture TF as an Integrity Audit Team. We have also increased the Hi Clean Promotion Team from existing 52 to 83 government officials. Moreover, we have operated the integrity citizen auditor program four times, striving to implement ethical management by executing regulations on personal information, supplementing detailed standards for Integrity Mileage, and conducting integrity lectures.

Ethical Management Organization Chart



### Creating Clean Organization Culture

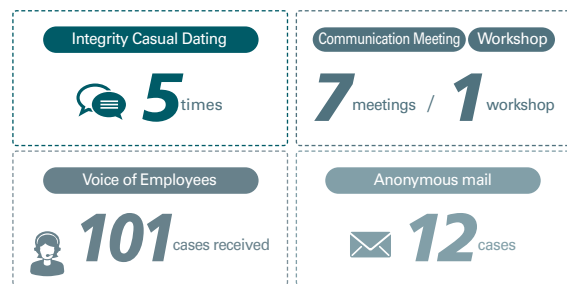
Kangwon Land strives to create a clean corporate culture through various ethical training contents and organizational systems. We have strived to enhance our employees' ethical awareness by adding more integrity education contents of Kangwon Land eCampus, and mandating ethical education for employees. We also held Ethics Day and Week and expert invitation lectures, and Kangwon Land executives' pledge on integrity. Further, we are giving motivation to the employees to build a voluntary integrity culture through operating Integrity Mileage and incentive programs.

## Internalization of Ethical Management Awareness

### Sharing Commitment toward Anti-corruption and Integrity Culture

Kangwon Land's anti-corruption initiative plan is being strengthened by the direct participation of the CEO. In 2016, a strong commitment to the CEO's integrity policy, including the enhancement of the anti-money laundering system and the elimination of privileges for specific groups, was reflected in the plan. We also listened to the voices of our employees by strengthening communication channels between employees and the CEO, such as Integrity Casual Date, an integrity talk with CEO, communicator meetings, and the voice of employees. The CEO and executives are taking the initiative to create a culture of anti-corruption and integrity in Kangwon Land.

2016 Communication Channel Performance between CEO and Employees



### Operation of Customized Ethics Education System

Through various contents including integrated education system (e-campus) and offline education, all employees of Kangwon Land take customized ethics classes. In 2016, we conducted basic and professional courses for the training of the 4th Integrity ethics instructors. We also trained high-clean leaders through education on the illegal appeal and anti-money laundering campaigns, and self-education for the protection of whistleblowers. In addition, we improved ethical awareness among our employees through enhancing learning infrastructure, orientation for new employees, integrity education curriculum recommended by the Anti-Corruption and Civil Rights Commission, compulsory education for employees with misbehavior, and integrity education for leaders.

2016 Customized Ethics Education Performances

Classification	Performances
Training for Integrity Ethics Instructor	• Completing basic and specialized courses, 1 person
Training for High Clean Leaders	• Education and deployment of preventing illegal request and money laundering, 3 times • Self-education and deployment of protecting whistleblowers, 2 times
Customized Integrity Education for All Employees	• Improvement of learning infrastructure • Introductory training for new employees (4 hours) • All employees' integrity education course recommended by Anti-Corruption and Civil Rights Commission • Compulsory Integrity Education for employees with misbehaviors (10 hours) • Integrity education for leaders (6 hours)

## Strengthening Roles through Fruitful Management of Promotion System for Ethical Management

Kangwon Land promotes fruitful internal and external ethical management. In 2016, we tried to improve the level of ethical awareness through effective management of each organization including ethics management committee, High Clean promotion team, citizen integrity controller, Korean Network on Anti-Corruption and Transparency and Public Institute Integrity Cluster.

Classification	Member	Role	Number of Events	Result
Ethics Management Committee	Six executives including chairperson (vice president), six employees	Top Decision-making Body	4 times / Year	(Reported Matter) Anti-corruption Promotion Plan Report, Improper Solicitation and Graft Act, Response Report Etc. Monitoring such as Inspecting Ethical Management Policy Promotion Contents (Deliberation) Revision of the Code of Conduct, Improvement of the Integrity Mileage System, and Reward for Best Integrity
High Clean Promotion Team	Expanded Government Operation of All Departments (52 → 83 persons)	Field-based Practice Organization	5 times / Year	(Meeting) Anti-corruption Promotion Plan Establishment Meeting, Subcommittee Meeting etc. (Education) Propagation Education on Improper Solicitation and Graft Act and Public Whistleblower, Experience Training about Confucian Integrity Cultural
Citizen Integrity Controller	Civil Society Experts (3 persons)	Surveillance, Observation, Recommendation and Consultation of External Experts	4 times / Year	(Reported Matters) Policy Check, including Revision of the Code of Conduct and Selection of Outstanding Project (Deliberation) 1Q: Reflection of Three Opinions, including Review of Action Plan Revision (Draft) and Strengthening of Personal Information Protection 2Q: Reflecting Two Opinions on the Standards of Clean Mileage 3Q: Reflecting Three Opinions, including Opinion on Executive and Employee Training before Enactment of Improper Solicitation and Graft Act
Korean Network on Anti-Corruption and Transparency	A Total of 40 organizations including Public /regional / professional organizations	Information Sharing and Cooperation	Twice / Year	Two Attendances in Meetings of the Steering Committee and Joint Campaign Events Etc. Participation in the Gangwon Transparency Social Network and Meeting
Four Public Agencies' Integrity Cluster	Gambling Industry Public Institution (KL / Korea Racing Authority (KRA) / GKLU Korea Sports Promotion Foundation)	Policy-sharing and Cooperation among Public Institutions	Twice / Year	1st (Jun. 23): Hosted by Kangwon Land, sharing anti-corruption policies and corruption cases 2nd (Sep. 23): Hosted by the Korea Racing Authority (KRA), sharing preparation and response directions for Improper Solicitation and Graft Act

## Strengthening Ethical Management Practice

Ethical management should be supported not only by raising awareness through various programs and education but also by efforts to practice it. Kangwon Land enables employees to voluntarily practice ethical management through ethics day, ethics week, clean mileage, Improper Solicitation and Graft Act response programs, and etc. We are also strengthening our practice of ethical management by strengthening the internal and external cooperation system. In 2016, through three inspections and consulting, we drew recommended projects to improve ethical management system and promoted the improvement of the autonomous system. We are also trying to spread ethical management through various support programs, such as encouraging the ethical weekly operation of suppliers and subsidiaries and supporting integrity education. Meanwhile, Kangwon Land operates and promotes public whistleblower system on the corruption through an outsourcing agreement with 'Red Whistle'.

## Preventing Corruption Sources through Institutional Improvement

### Improving Norms based on Legal Environment Changes

As the legal environment changes, institutional internal norms and institutional improvement must be continuously pursued. Therefore, Kangwon Land reviewed and improved the irrational and corruption-inducing factors through external professional organizations, and as a result, a total of 122 regulations and 99 rules were reviewed in 2016 including the articles of association, rules and regulations, detailed rules, guidelines etc. In the case of the system for fair integrity contracts, we operate Contact Review Committee, expand the e-bidding system to 100%, and disclose bidding information in advance to prevent corruption preemptively. We have also revised guidelines and manuals on the Improper Solicitation and Graft Act, which was an issue of 2016, and promoted the recruitment system and personnel evaluation system for transparent personnel management.

### Efforts to Prevent Vulnerable Areas

Kangwon Land is striving to prevent vulnerable areas such as money laundering and various casino accidents. In 2016, we revised the management guidelines in accordance with the Korea Financial Intelligence Unit (KoFIU) security standards, expanded the suspicion of money laundering surveillance to four levels, and conducted external fostering education to prevent illegal money laundering. Based on these efforts, Kangwon Land achieved the "Excellent" rating of the anti-money laundering system in government's comprehensive evaluation 2016.

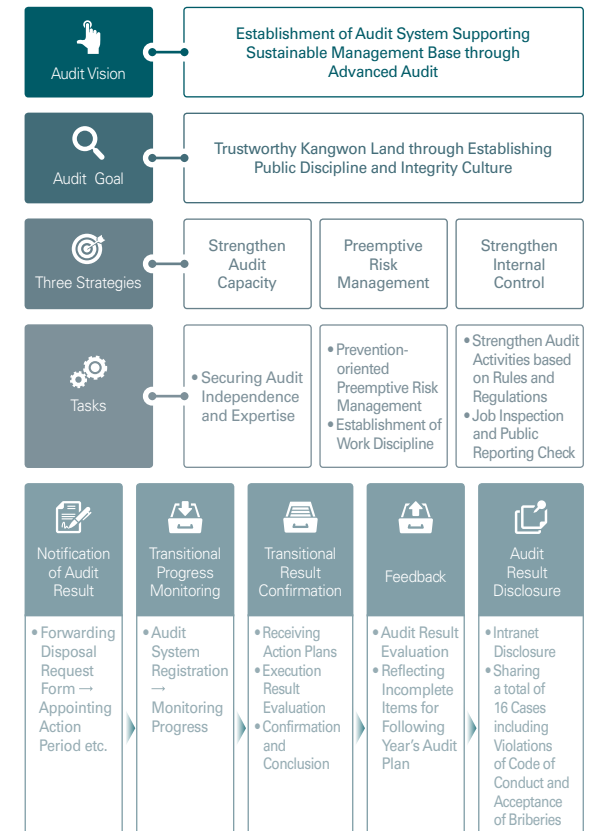
In addition, for the prevention of fraud accidents in the casino, we published and distributed fraud casebooks, conducted simulation exercises to prevent accidents such as counterfeit chips, and cooperated with relevant agencies such as police to crack down on illegal private loans, and operation of whistleblower reward program, all of which were efforts to restore the gambling industry. In addition, we are striving to create a healthy casino industry by blocking the need for illegal favors in the region, such as the establishment of a taskforce team for procurement system and improvement of the process of the direct purchasing process.

## Auditing Strategies and Systems for Sustainable Growth

### Audit Strategy System and Internal Control System Operation

Kangwon Land has established an effective audit strategy system based on PDCA and operates a PDCA-based internal control system. According to the vision of 'Establishment of Audit System Supporting Sustainable Management Base through Advanced Audit', we have set three strategies of strengthening audit capacity, preemptive risk management, and strengthening internal control. We implemented projects based on the strategies so that we can establish public disciplines and integrity culture. As for the results of audits, we monitor the results after they are reported, check the results of the implementation, collect feedback, and finally disclose the improved results on the intranet.

PDCA-based Audit Strategy System



### Securing Independence and Expertise of Audit Organization

The audit body should ensure professionalism based on transparency and independence in its role. Kangwon Land has established an independent auditing system by eliminating external factors that interrupt the independence in fields, such as personnel, evaluation, budget, and management, and strengthened the expertise of the audit body by securing professional manpower and participating in auditor training programs.

### Preemptive Risk Management through Audit System

Kangwon Land manages key audit related risks through the strong operation of the internal control system. We enhanced the early warning system by utilizing the e-audit system and strengthened the internal surveillance system by activating public whistleblower reporting, including the stable operation of Red Whistle, an anonymous reporting system. In addition, we have created a standard manual for each audit to improve the quality of internal audits and have established Financial Asset Management Committee that includes outside stakeholders to overcome the limitations of internal expertise. In addition, we conduct preemptive risk management activities through preventive audit system through evaluating the operation of internal accounting management system, improving contract system related to a procurement contract, expanding the scope of contract review, and revising audit regulations. Kangwon Land will continue to pursue advanced audits through efficient audit activities based on rules and regulations and will lead the way in establishing a sustainable integrity culture.



# Human Rights Management Pursuing Employees' Value

## Human Rights Management

### Human Rights Management Promotion Status

Human rights management is becoming an integral part of sustainable companies, such as spreading awareness of corporate social responsibility and global human rights initiatives, including ISO 26000 and UN SDGs. Kangwon Land makes efforts to build a culture of respect for diversity without discrimination on sex, education, and age. In particular, along with the introduction of human rights management, we have joined the UN Global Compact in 2016, an international convention on corporate social responsibility, and have adhered to the ten principles of 4 sectors such as human rights, labor, environment, and anti-corruption.

### Practice of Human Rights Respect Culture

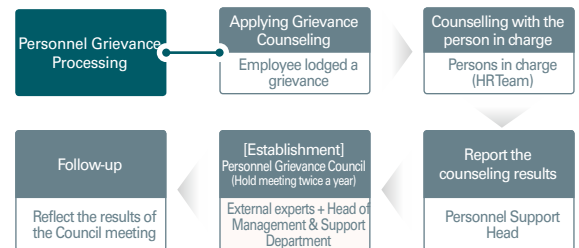
Kangwon Land is committed to promoting the interests of various stakeholders of our employees and local communities. We support job creation for socially marginalized groups such as disabled people in abandoned mine areas, and we support socially-disadvantaged groups by improving the poor educational environment in abandoned mine areas. Through the Women's Committee, we operate an integrity mileage and incentive system that honors employees with excellent ethics. We are also striving to establish a culture of ethics through education programs to improve employees' ethical awareness. In addition, we provide support for violation cases of human rights through a dedicated grievance channel, and we conduct management activities and performance measures that take into account the human rights impact of our business.

### Handling Grievance through Activating Communication Culture

Kangwon Land evaluates its communication channels through environmental analysis and promotes communication culture through operation of four major communication channels. In particular, we have revised the rules of the grievance handling system to improve sexual harassment handling process and established a Grievance Compensation Committee to deal with employee complaints. Sexual harassment issues are handled by the sexual harassment grievance counselor assigned in each department and, among the received issues, the ones with high severity are handled by the Grievance Compensation Committee after being reported to a department head.

Establishment of Personnel Grievance Council for Securing Expertise on Personnel Grievance Management

Issues	More than 90% of grievance applicants are willing to transfer to other department due to illness, Lack of expertise among grievance handling persons in regards with the illness
Improvement	Ensuring objectivity and reliability of the grievance processing through establishment of a council that HR Team executives and external experts (medical personnel) are attending



## Realization of Employment and Personnel without Discrimination

Kangwon Land strives to prevent grievances caused by discrimination in employment and personnel decision based on our diversity and human rights respect organizational culture. We do not limit applicants' academic background at the time of recruitment and we do not post separate recruitment post to discriminate against high school graduates. We are continuously increasing the number of female managers according to the government's policy to increase the number of female managers. In 2016, the number of female managers above Grade 3 was 105, an increase of 9.5% over the previous year. In addition, Kangwon Land has made reasonable efforts to ensure that high school graduates, contractors, and irregular workers are not treated differently from regular employees in terms of remuneration and welfare benefits. As a result, the remuneration and welfare programs for these groups in 2016 were maintained at the same level without discrimination from regular employees.

### Strengthening Policies for Supporting Female Employees

Kangwon Land has held the Women's Committee meeting 11 times. The operational performances of the meetings were analyzed and improvements raised in the meetings were made in 13 categories, including a system for raising female employees' rights and fostering talents. In addition, we provided lectures on women leadership, employee briefings, women's conferences, and mentoring programs to continuously improve the work environments for female employees. Furthermore we resolve the maternity leave issue that employees on their maternity leave period were at a disadvantage while being evaluated although they did not work during the evaluation period. We changed the HR system to categorize maternity leave period the same as parent leave period so that female employees would be excluded from the individual evaluation during their leave.

### Kangwon Land Ethics Charter

Kangwon Land supports UN Global Compact 10 Principles and UN SDGs. To comply with these international standards, we established Kangwon Land Ethics Charter that comprehensively includes human rights respect, fairness, integrity, and environmental protection. Furthermore, we have expressed our commitment of Jeong-Do Management through activities like holding 'High Clean Day' on Kangwon Land Ethics Day in June 2016.

Kangwon Land Ethics Charter



# Risk and Opportunities of Kangwon Land

Risk	Nature of Risk	Potential Impact	Kangwon Land's Countermeasure
Entering into a monopolistic competition market	<ul style="list-style-type: none"> <li>Kangwon Land, a sole domestic casino operator in Korea that was established pursuant to Special Act on the Assistance to the Development of Abandoned Mine-neighboring Areas, is facing the expiration of the act in 2025.</li> <li>Factors for a decrease in profit raise such as increased demand for domestic casinos in other regions and increased competition among large multiplex resorts</li> </ul>	<ul style="list-style-type: none"> <li>We shall create a new driving force to generate profits through various businesses in preparation for the expiration of the special act.</li> <li>There exists a risk of the decrease in profits if Kangwon Land fails to secure differentiated competitiveness in a case of a transition to real competitions.</li> </ul>	<ul style="list-style-type: none"> <li>We will nurture new value-added businesses in anticipation of the expiration of the special act. To this end, we will improve the sales structure which is focused on the casino business and will actively undertake new businesses with the use of our existing facilities such as MICE business.</li> <li>We aim to be a 'Highland Healing Resort' and procure competitiveness according to our master plan. Especially, we will diversify and maximize the activities and amusements of the resort so as to increase the factors for inducing customers throughout the year.</li> </ul>
Increased accidents	<ul style="list-style-type: none"> <li>As the natural disasters such as strong wind, forest fires, earthquakes, etc. increase, there exists a risk of large-scale accidents due to the attributes of our business.</li> <li>Considering the attributes of the casino and resort business, a thorough safety inspection and management of the facilities is required and customer risks exist.</li> </ul>	<ul style="list-style-type: none"> <li>Due to the business attributes, special management is required as a variety of factors can put in danger our employees, executives, business partners and customers in physical and psychological forms.</li> </ul>	<ul style="list-style-type: none"> <li>We established 'Emergency Operation Center' to monitor the company-wide crisis situations and enhanced our responses thereto by integrating industrial safety management functions which were separately performed.</li> <li>We conducted comprehensive health and safety assessment by a third party to find potential hazards and risks in our workplaces and acquired the KOSHA 18001 certification for safety and health of our employees.</li> <li>We inspected the overall safety management process in terms of hardware and software and improved the aspects in need.</li> </ul>
Increased need of environmental risks management	<ul style="list-style-type: none"> <li>Preservation of natural environment is particularly of importance as we established facilities and infrastructure and run the business in the place blessed with the natural beauty of the Gangwon Province.</li> <li>Global consensus on the decrease in GHG emission was made after the Paris Climate Change Agreement. In case corporates fail to take active measures to reduce GHG, they will face economic loss as well as damage to reputation.</li> </ul>	<ul style="list-style-type: none"> <li>As we built various facilities through the use of natural environment of Gangwon Province and run tourism and casino businesses, any environmental destruction occurring in the course of business may have negative impacts on our image and reputation.</li> <li>As GHG emission trading system comes into force, corporates will face financial burdens such as penalties if they fail to meet the requirements regarding GHG emission.</li> </ul>	<ul style="list-style-type: none"> <li>We provide high quality content that combines natural environments and cultural factors and are striving to minimize any environmental impacts arising during the course of business. To this end, we undertook various environment preservation activities such as forest and river preservation, planting trees and feeding wildlife.</li> <li>In order to run eco-friendly business, we renewed qualifications for the energy management system and comply with GHG emission allocation through energy efficiency strategy and reducing efforts.</li> </ul>
Enhanced need for Information protection	<ul style="list-style-type: none"> <li>Cyber security threats including Ransomware and APT attacks continue to increase.</li> <li>Increased need for utilizing customer information for the purpose of target marketing and a need for new technology such as cloud computer and smart working.</li> </ul>	<ul style="list-style-type: none"> <li>Thorough protection of customers' personal information becomes a prerequisite to casino business as social issues regarding the leak of personal information are raised due to hacking and virus infection.</li> <li>There needs to be a measure against cyber-attack or hacking as corporates face inside information leak accidents in recent years.</li> </ul>	<ul style="list-style-type: none"> <li>We established an effective information protection management system and secured safety of personal information and business system (such as improvement in malicious email response system and in cybersecurity index and building automated inspection system)</li> <li>Going through our own drills, we enhanced a response ability regarding personal information infringement accident and managerial and technological security.</li> </ul>
Increased accountability of casino business	<ul style="list-style-type: none"> <li>Faced business crisis due to gambling addicts' lack of will to rehab.</li> <li>Gambling addiction risks exist for employees who work in the frontline of the gambling business and deal with cash, chips, and credits.</li> <li>Risks for accidents occurrence due to its inherent attributes in the course of casino business such as money laundering and casino accidents.</li> </ul>	<ul style="list-style-type: none"> <li>A preventive measure is required with regard to illegal activities inducing casino users as serious second damages may occur.</li> <li>In case any event or accident caused by gambling addiction occurs within the place of the casino business, a negative impact may be generated against our purpose of establishment for the public interest.</li> </ul>	<ul style="list-style-type: none"> <li>We enhanced the activities to eradicate the illegalities through enlarging the reporting center and strengthening the supervising team.</li> <li>We also strive to minimize the risks of gambling addiction to people working in casino industry by providing them a regular gambling addiction prevention education.</li> <li>In order to minimize any adverse effects caused by the use of casino, we will enhance effective supports for a successful return to society through enhancement of the gambling addiction prevention program and undertaking treatment and rehab program for gambling addicts.</li> </ul>
Overcoming global economic recession	<ul style="list-style-type: none"> <li>The world economy has stagnated due to the worldwide growth slowdown in recent years and the expansion of isolated trade system in 2016.</li> <li>Visits of Chinese customers were stagnant due to domestic and foreign instability.</li> </ul>	<ul style="list-style-type: none"> <li>There are concerns about the decrease in casino performances, which can lead to a stagnant economy in the local community such as lodging and restaurants.</li> <li>The average number of foreign tourists, including casinos, has stayed at about 110 thousand people a year, and we need to increase positive perceptions by creating a favorable environment for foreigners.</li> </ul>	<ul style="list-style-type: none"> <li>We will activate business in the off season, establish the foundation of stayover base for tourists and expand the internal and external marketing platform by undertaking a consistent customer persuasion policy through systemization of four season marketing strategy.</li> <li>We will reinforce overseas network by setting up an overseas sales office and enlarge the attraction of global customers through marketing activities connected to Pyeongchang Winter Olympics in 2018.</li> </ul>

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## Consolidated Statements of Financial Position

2016: As of December 31, 2016

2015: As of December 31, 2015

2014: As of December 31, 2014

(unit: KRW million)

Kangwon Land, Co., Ltd., and Subsidiaries

Category	2016	2015	2014
<b>Assets</b>			
I. Current assets	1,809,513	1,750,420	1,371,826
Cash and cash equivalents	92,998	105,718	101,995
Trade and other receivables	4,334	4,941	5,359
Inventories	1,310	1,622	1,205
Other current financial assets	1,696,041	1,622,461	1,252,743
Other current assets	14,830	15,678	10,524
II. Non-current assets	2,169,474	1,940,372	2,003,302
Investments in equity-accounted investees	53,101	53,072	52,803
Property, plant and equipment	1,315,716	1,353,561	1,387,585
Intangible assets	1,855	2,535	3,214
Deferred tax assets	169,474	159,379	161,757
Other non-current financial assets	617,233	358,138	382,689
Other non-current assets	12,095	13,687	15,254
<b>Total assets</b>	<b>3,978,988</b>	<b>3,690,792</b>	<b>3,375,127</b>
<b>Liabilities</b>			
I. Current liabilities	718,893	664,600	624,517
Trade and other payables	111,863	100,038	104,328
Accrued expenses	443,183	421,357	376,217
Income tax payable	83,506	83,165	82,071
Other current financial liabilities	6,432	715	6,450
Other current liabilities	73,909	59,326	55,450
II. Non-current liabilities	7,367	28,437	45,253
Trade and other payables	204	249	373
Liabilities for defined benefit plan	5,253	21,224	44,308
Other non-current financial liabilities	864	6,551	537
Other non-current liabilities	106	412	36
<b>Total liabilities</b>	<b>726,260</b>	<b>693,037</b>	<b>669,770</b>
<b>Equity</b>			
I. Equity attributable to owners Company	3,252,522	2,997,494	2,705,081
Share capital	106,970	106,970	106,970
Share premium	127,784	127,784	127,784
Retained earnings	3,190,265	2,935,281	2,641,994
Other capital	(172,498)	(172,542)	(171,668)
II. Non-controlling interests	205	261	2772
<b>Total equity</b>	<b>3,252,727</b>	<b>2,997,755</b>	<b>2,705,357</b>
<b>Total equity and liabilities</b>	<b>3,978,988</b>	<b>3,690,792</b>	<b>3,375,127</b>



## Consolidated Statements of Comprehensive Income

2016: From January 01, 2016 to December 31, 2016  
 2015: From January 01, 2015 to December 31, 2015  
 2014: From January 01, 2014 to December 31, 2014

Kangwon Land, Co., Ltd., and Subsidiaries

(unit: KRW million)

Category	2016	2015	2014
I. Revenue	1,696,533	1,633,717	1,496,541
II. Cost of sales	785,177	759,646	722,298
III. Gross profit	911,355	874,071	774,244
IV. General and administrative expenses	126,216	116,967	117,711
V. Contribution to Closed Coal Mine Areas Development Fund	166,523	161,704	143,360
VI. Operating profit	618,616	595,400	513,172
VII. Non-operating income	3,619	3,738	5,917
VIII. Non-operating expenses	65,955	48,022	48,156
IX. Finance income	41,271	42,751	45,237
X. Finance costs	741	254	252
XI. Share of loss of equity-accounted investees, net	50	269	(19,983)
XII. Profit before income tax	596,861	593,883	495,935
XIII. Profit for the year	454,534	441,629	359,349
Profit attributable to owners of the Company	454,590	441,645	359,364
Profit attributable to non-controlling interests	(56)	(16)	(15)
XIV. Other comprehensive income	(877)	23,097	(23,688)
Items that will not be reclassified to profit or loss	(877)	23,969	(25,493)
Share of other comprehensive loss of equity-accounted investees		(0.6)	(4)
Defined benefit plan actuarial gain (loss)	(1,181)	31,635	(33,601)
Related income tax	325	(7,665)	8,112
Items that are or may be reclassified subsequently to profit or loss		(873)	1,805
Loss on valuation of available-for-sale financial assets		(1,151)	2,381
Related income tax		279	(576)
XV. Total comprehensive income for the year	453,656	464,726	335,660
Total comprehensive income attributable to owners of the Company	453,712	464,742	335,676
Total comprehensive income attributable to non-controlling interests	(55)	(16)	(15)
XVI. Earnings per share (KRW)	0		
Basic and diluted earnings per share	0.002	0.002	0.002

## Consolidated Statements of Changes in Equity

2016: From January 01, 2016 to December 31, 2016  
 2015: From January 01, 2015 to December 31, 2015  
 2014: From January 01, 2014 to December 31, 2014

Kangwon Land, Co., Ltd., and Subsidiaries

(unit: KRW million)

Category	Share capital	Share premium	Retained earnings	Other capital	Non-controlling interests	Total equity
Balance at January 1, 2014	106,970	127,784	2,456,118	(173,474)	297	2,517,696
Total comprehensive income for the period						
Profit for the year	-	-	359,364	-	(15)	359,349
Other comprehensive income for the year						
Defined benefit plan actuarial losses	-	-	(25,488)	-	(0.3)	(25,489)
Share of other comprehensive loss of equity accounted investees	-	-	-	(4)	-	(4)
Loss on valuation of available-for-sale financial assets	-	-	-	1,805	-	1,805
Total comprehensive income for the year	-	-	333,876	1,800	(15)	335,660
Transactions with owners of the Company, recognized directly in equity						
Variation of equity ownership of subsidiary				5	(5)	-
Dividends to owners of the Company	-	-	(147,999)	-	-	(147,999)
Balance at December 31, 2014	106,970	127,784	2,641,994	(171,668)	277	2,705,357
Balance at January 1, 2015	106,970	127,784	2,641,994	(171,668)	277	2,705,357
Total comprehensive income for the period						
Profit for the year	-	-	441,645	-	(16)	441,629
Other comprehensive income for the year						
Defined benefit plan actuarial losses	-	-	23,970	-	(0.03)	23,970
Share of other comprehensive loss of equity accounted investees	-	-	-	(0.6)	-	(0.6)
Loss on valuation of available-for-sale financial assets	-	-	-	(873)	-	(873)
Total comprehensive income for the year	-	-	465,615	(873)	(16)	464,726
Transactions with owners of the Company, recognized directly in equity						
Variation of equity ownership of subsidiary						-
Dividends to owners of the Company	-	-	(172,328)	-	-	(172,328)
Balance at December 31, 2015	106,970	127,784	2,935,281	(172,542)	261	2,997,755
Balance at January 1, 2016	106,970	127,784	2,935,281	(172,542)	261	2,997,755
Total comprehensive income for the period						
Profit for the year	-	-	454,590	-	(56)	454,534
Other comprehensive income for the year						
Defined benefit plan actuarial losses	-	-	(857)	-	0.4	(856)
Share of other comprehensive loss of equity accounted investees	-	-	-	44	-	44
Share of other comprehensive loss of retained earnings accounted investees	-	-	(65)	-	-	(65)
Total comprehensive income for the year	-	-	453,668	44	-55	453,656
Transactions with owners of the Company, recognized directly in equity						
Dividends to owners of the Company	-	-	(198,684)	-	-	(198,684)
Balance at December 31, 2016	106,970	127,784	3,190,265	(172,498)	205	3,252,727

## Consolidated Statements of Cash Flows

2016: From January 01, 2016 to December 31, 2016  
 2015: From January 01, 2015 to December 31, 2015  
 2014: From January 01, 2014 to December 31, 2014

Kangwon Land, Co., Ltd., and Subsidiaries			
(unit: KRW million)			
Category	2016	2015	2014
<b>I. Cash flows from operating activities</b>	<b>596,487</b>	<b>574,982</b>	<b>510,413</b>
1. Net cash provided from operating activities	707,382	686,036	622,459
(1) Profit for the year	454,534	441,629	359,349
(2) Adjustment	242,554	222,577	237,360
(3) Changes in assets and liabilities	10,295	21,830	25,750
2. Interest received	40,854	45,056	31,489
3. Income taxes paid	(151,741)	(156,110)	(143,535)
<b>II. Cash flows from investing activities</b>	<b>(411,462)</b>	<b>(398,949)</b>	<b>(427,373)</b>
1. Net cash provided in investing activities	2,102,656	1,703,276	923,301
Decrease in other current financial assets	1,913,921	1,693,286	885,595
Decrease in other non-current financial assets	187,929	9,883	37,165
Decrease in other non-current assets	205	58	272
Proceeds from disposal of property, plant and equipment	601	45	209
Proceeds from disposal of intangible assets	-	3	60
2. Net cash used in investing activities	(2,514,118)	(2,102,225)	(1,350,674)
Increase in other current financial assets	1,462,545	1,703,105	695,497
Increase in other non-current financial assets	976,730	358,710	574,701
Acquisition of property, plant and equipment	74,610	40,394	80,191
Acquisition of intangible assets	10	16	284
Increase of other non-current assets	-	-	-
<b>III. Cash flows from financing activities</b>	<b>(197,744)</b>	<b>(172,328)</b>	<b>(147,999)</b>
1. Net cash provided in financing activities	940	-	-
Increase in borrowings	940	-	-
2. Net cash used in financing activities	(198,684)	(172,328)	(147,999)
Dividends paid	198,684	172,328	147,999
<b>IV. Net increase in cash and cash equivalents</b>	<b>(12,720)</b>	<b>3,704</b>	<b>(64,959)</b>
<b>V. Cash and cash equivalents at beginning of year</b>	<b>105,718</b>	<b>101,995</b>	<b>166,943</b>
<b>VI. Effect of exchange rate fluctuations on cash held</b>	<b>-</b>	<b>19</b>	<b>11</b>
<b>VII. Cash and cash equivalents at end of year</b>	<b>92,998</b>	<b>105,718</b>	<b>101,995</b>

## Statements of Financial Position

2016: As of December 31, 2016  
 2015: As of December 31, 2015  
 2014: As of December 31, 2014

Kangwon Land, Co., Ltd.			
(unit: KRW million)			
Category	2016	2015	2014
<b>Assets</b>			
<b>I. Current assets</b>	<b>1,799,027</b>	<b>1,736,168</b>	<b>1,349,602</b>
Cash and cash equivalents	91,359	103,417	93,386
Trade and other receivables	4,247	4,831	5,133
Inventories	1,310	1,622	1,205
Other current financial assets	1,687,490	1,610,901	1,240,396
Other current assets	14,621	15,397	9,482
<b>II. Non-current assets</b>	<b>2,176,953</b>	<b>1,951,892</b>	<b>2,030,860</b>
Investments in equity-accounted investees	124,262	167,751	187,077
Property, plant and equipment	1,254,129	1,253,601	1,284,799
Intangible assets	24	31	42
Deferred tax assets	169,474	159,379	161,757
Other non-current financial assets	617,038	357,637	382,184
Other non-current assets	12,027	13,491	15,000
<b>Total assets</b>	<b>3,975,980</b>	<b>3,688,060</b>	<b>3,380,462</b>
<b>Liabilities</b>			
<b>I. Current liabilities</b>	<b>717,426</b>	<b>662,837</b>	<b>619,817</b>
Trade and other payables	110,772	98,751	100,059
Accrued expenses	443,134	421,308	376,180
Income tax payable	83,506	83,165	82,071
Other current financial liabilities	6,262	545	6,450
Other current liabilities	73,753	59,069	55,057
<b>II. Non-current liabilities</b>	<b>5,816</b>	<b>27,781</b>	<b>44,469</b>
Trade and other payables	204	249	373
Liabilities for defined benefit plan	4,642	20,568	43,524
Other non-current financial liabilities	864	6,551	537
Other non-current liabilities	106	412	36
<b>Total liabilities</b>	<b>723,242</b>	<b>690,618</b>	<b>664,287</b>
<b>Equity</b>			
Share capital	106,970	106,970	106,970
Share premium	127,784	127,784	127,784
Retained earnings	3,190,486	2,935,190	2,653,051
Other capital	(172,503)	(172,503)	(171,630)
<b>Total equity</b>	<b>3,252,738</b>	<b>2,997,442</b>	<b>2,716,175</b>
<b>Total equity and liabilities</b>	<b>3,975,980</b>	<b>3,688,060</b>	<b>3,380,462</b>



## Statements of Comprehensive Income

2016: From January 01, 2016 to December 31, 2016  
 2015: From January 01, 2015 to December 31, 2015  
 2014: From January 01, 2014 to December 31, 2014

Kangwon Land, Co., Ltd.			
(unit: KRW million)			
Category	2016	2015	2014
I. Revenue	1,694,575	1,630,977	1,492,291
II. Cost of sales	782,104	754,752	713,324
III. Gross profit	912,471	876,225	778,968
IV. General and administrative expenses	121,063	110,637	109,290
V. Contribution to Closed Coal Mine Areas Development Fund	166,523	161,704	143,360
VI. Operating profit	624,885	603,885	526,318
VII. Non-operating income	2,972	3,528	5,712
VIII. Non-operating expenses	70,888	66,881	75,858
IX. Finance income	41,087	42,410	44,478
X. Finance costs	731	227	247
XI. Profit before income tax	597,325	582,714	500,402
XII. Income tax	142,327	152,254	136,586
XIII. Profit for the year	454,999	363,816	293,129
XV. Other comprehensive income	(1,019)	23,136	(23,604)
Items that will not be reclassified to profit or loss	(1,019)	24,009	(25,409)
Defined benefit plan actuarial gain (loss)	(1,344)	31,674	(33,521)
Related income tax	325	(7,665)	8,112
Items that are or may be reclassified subsequently to profit or loss	(873)	(873)	1,805
Loss on valuation of available-for-sale financial assets	(1,151)	(1,151)	2,381
Related income tax	279	279	(576)
XVI. Total comprehensive income for the year	453,980	453,595	340,212
XVII. Earnings per share (KRW 1)			
Basic and diluted earnings per share	0.002	0.002	0.002

## Statements of Changes in Equity

2016: From January 01, 2016 to December 31, 2016  
 2015: From January 01, 2015 to December 31, 2015  
 2014: From January 01, 2014 to December 31, 2014

Kangwon Land, Co., Ltd.					
(unit: KRW million)					
Category	Share capital	Share premium	Retained earnings	Other capital	Total equity
Balance at January 1, 2014	106,970	127,784	2,462,643	(173,435)	2,523,963
Total comprehensive income for the period					
Profit for the year	-	-	363,816	-	363,816
Other comprehensive income for the year					
Defined benefit plan actuarial losses	-	-	(25,409)	-	(25,409)
Loss on valuation of available-for-sale financial assets	-	-	-	1,805	1,805
Total comprehensive income for the year	-	-	338,407	1,805	340,212
Transactions with owners of the Company, recognized directly in equity					
Dividends to owners of the Company	-	-	(147,999)	-	(147,999)
Balance at December 31, 2014	106,970	127,784	2,653,051	(171,630)	2,716,175
Balance at January 1, 2015	106,970	127,784	2,653,051	(171,630)	2,716,175
Total comprehensive income for the period					
Profit for the year	-	-	430,460	-	430,460
Other comprehensive income for the year					
Defined benefit plan actuarial losses	-	-	24,009	-	24,009
Loss on valuation of available-for-sale financial assets	-	-	-	(873)	(873)
Total comprehensive income for the year	-	-	454,468	(873)	453,595
Transactions with owners of the Company, recognized directly in equity					
Dividends to owners of the Company	-	-	(172,328)	-	(172,328)
Balance at December 31, 2015	106,970	127,784	2,935,190	(172,503)	2,997,442
Balance at January 1, 2016	106,970	127,784	2,935,190	(172,503)	2,997,442
Total comprehensive income for the period					
Profit for the year			454,999		454,999
Other comprehensive income for the year					
Defined benefit plan actuarial losses			(1,019)		(1,019)
Loss on valuation of available-for-sale financial assets					
Total comprehensive income for the year			453,980		453,980
Transactions with owners of the Company, recognized directly in equity					
Dividends to owners of the Company			(198,684)		(198,684)
Balance at December 31, 2016	106,970	127,784	3,190,486	(172,503)	3,252,738

## Statements of Cash Flows

2016: From January 01, 2016 to December 31, 2016

2015: From January 01, 2015 to December 31, 2015

2014: From January 01, 2014 to December 31, 2014

Kangwon Land, Co., Ltd.

(unit: KRW million)

Category	2016	2015	2014
<b>I. Cash flows from operating activities</b>	<b>600,687</b>	<b>574,982</b>	<b>510,413</b>
1. Net cash provided from operating activities	711,765	686,036	622,459
(1) Profit for the year	454,999	441,629	359,349
(2) Adjustment	245,815	222,577	237,360
(3) Changes in assets and liabilities	10,951	21,830	25,750
2. Interest received	40,676	45,056	31,489
3. Income taxes paid	(151,755)	(156,110)	(143,535)
<b>II. Cash flows from investing activities</b>	<b>(414,060)</b>	<b>(398,949)</b>	<b>(427,373)</b>
1. Net cash provided in investing activities	2,085,024	1,703,276	923,301
Decrease in other current financial assets	1,897,006	1,693,286	885,595
Decrease in other non-current financial assets	187,689	9,883	37,165
Proceeds from disposal of property, plant and equipment	329	45	209
2. Net cash used in investing activities	(2,499,084)	(2,102,225)	(1,350,674)
Increase in other current financial assets	1,448,695	1,703,105	695,497
Increase in other non-current financial assets	976,730	358,710	574,701
Increase in investment equity securities	-	-	-
Acquisition of property, plant and equipment	73,426	40,394	80,191
Acquisition of intangible assets	10	16	284
<b>III. Cash flows from financing activities</b>	<b>(198,684)</b>	<b>(172,328)</b>	<b>(147,999)</b>
1. Net cash provided in financing activities	-	-	-
2. Net cash used in financing activities	(198,684)	(172,328)	(147,999)
Dividends paid	198,684	172,328	147,999
<b>IV. Net increase in cash and cash equivalents</b>	<b>(12,058)</b>	<b>3,704</b>	<b>(64,959)</b>
<b>V. Cash and cash equivalents at beginning of year</b>	<b>103,417</b>	<b>101,995</b>	<b>166,943</b>
<b>VI. Cash and cash equivalents at end of year</b>	<b>91,359</b>	<b>105,718</b>	<b>101,995</b>

## Social Sustainability Performances

Employee Status

(unit: person, %)

Category	2014	2015	2016
Total number of employees	3,227	3,482	3,576
Existing employees	3,048	3,467	3,512
Regular retirements	12	10	-
Voluntary resignations	-	-	7
Undefined contractors	8	8	13
(Direct employment) Non-regular employees	535	155	115
Indirect employment (outsourcing, dispatched, and etc.)	1,687	1,702	1,683
Female employees	46	116	27
Disabled employees	-	4	-
Local talent (non-capital region)	117	381	70
High school graduates	36	145	13
Vocational high school graduates	-	-	-
Engineering graduates	21	112	19
Total	220	758	129
Internship	-	-	48
Contractors	1	7	9
Part-timers	4	9	4
Undefined contractors	21	14	13
Total	26	30	74
No. of female employees/ ratio	1,124 (31.3%)	1,099 (31.2%)	1,108 (31.7%)
No. of female employees above senior managers/ ratio	1 (0.03%)	2 (0.06%)	4 (0.11%)
No. of disabled employees/ ratio	68 (1.9%)	79 (2.2%)	70 (2.0%)

Employee Status

(unit: person, %)

Category	Gangwon Province			Other regions	Total	Employment rate of Gangwon Province residents	
	Abandoned mine areas	Others	Sub-total				
Kangwon Land	Regular employees	1,798	526	2,324	1,188	3,512	66.2%
	Non-regular employees	22	12	34	81	115	29.6%
Suppliers		1,580	37	1,617	66	1,683	96.08%

Procurement Status by Regions

(unit: KRW million, %)

Category	2014	2015	2016	
Gangwon Province	Abandoned mine areas	73,456 (27.6%)	100,130 (56.2%)	116,932 (47.7%)
	Except abandoned mine areas	6,172 (2.3%)	9,929 (5.6%)	69,350 (28.3%)
	Sub-total	79,628 (29.9%)	110,059 (61.8%)	186,282 (76.0%)
Other regions	187,082 (70.1%)	67,962 (38.2%)	58,936 (24.0%)	
Total	266,710 (100%)	178,021 (100%)	245,218 (100%)	



# Environmental Sustainability Performances

Environmental Performance Data

Category		2014	2015	2016	
Indicator	Sub-category	Unit			
<b>Waste generation and disposal status</b>					
General waste	Waste synthetic resin, and etc.	ton	4,820	4,838	4,270
Designated waste	Waste acid	ton	196	132	116
<b>Total</b>		ton	<b>5,016</b>	<b>4,970</b>	<b>4,387</b>
<b>Waste recycling</b>					
Domestic waste		ton	2,512	2,606.2	2,347.5
Waste segregation		ton	593.0	632.5	543.2
Waste segregation rate		ton	23.6%	24.3%	23.1%
<b>Water use</b>					
Tap water		ton	1,626,140	1,764,903	1,536,947
Recycled water		ton	22,014	27,939	45,290
Groundwater		ton	46,730	47,985	51,350
Mine purified water		ton	716,685.0	610,124	607,880
<b>Total</b>		ton	<b>2,411,569</b>	<b>2,450,951</b>	<b>2,241,467</b>
<b>Chemical usage</b>		<b>Type</b>			
Water treatment chemicals	Liquid	kg	494,520	479,140	337,080
	Solid	kg	44,060	45,650	42,050
Laundry detergent	Liquid	ℓ	72,323	95,102	82,485
	Solid	kg	5,100	4,491	6,006
Pesticide usage	Actual usage	kg	611	631	747
	Pesticides efficacy		201	212	221
<b>Greenhouse gas emissions</b>					
Scope 1 (Direct)		tCO <sub>2</sub> -eq	27,976	26,234	25,084
Scope 2 (Indirect)		tCO <sub>2</sub> -eq	44,370	44,970	46,365
<b>Sub-total</b>		tCO <sub>2</sub> -eq	<b>72,347</b>	<b>71,204</b>	<b>71,449</b>
<b>Energy use</b>					
Electricity use		kw	95,165	96,450	99,443
LPG (propane)		ton	8,968	8,305	7,496
Vehicle LPG		ton	2.5	3.8	2.6
Diesel		kℓ	425	425	336
Gasoline		kℓ	157	168	104
Kerosene		kℓ	46	41	36
LNG		1,000 m <sup>3</sup>	14	4	753
Wooden pallet		ton		1,460	1,306
<b>Expense and investment in environmental protection</b>					
Total environmental investment		KRW million	1,094	917	3,600
Investment in environmental facilities		KRW million	353	369	3,600
Green procurement		KRW million	741	455	363
<b>Discharged pollutants in 2016</b>			<b>BOD</b>	<b>SS</b>	<b>TN</b>
Industrial wastewater	Laundry factory	ton	0.17	0.12	0.46
	Hotel & Casino	ton	0.81	1.56	3.41
Domestic wastewater	High1 Ski	ton	0.13	0.28	0.93
	High1 Hotel	ton	0.04	0.08	0.20

# GRI G4 Index

General Standards Disclosure

Aspect	G4	Indicators	Assurance	Page	비고	
Strategy and Analysis	G4-1	Statement from the most senior decision-maker	•	2~3		
	G4-2	Provide a description of key impacts, risks, and opportunities	•	67		
Organizational Profile	G4-3	Report the name of the organization	•	6~7		
	G4-4	Report the primary brands, products, and services	•			
	G4-5	Report the location of the organization's headquarters	•			
	G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	•			
	G4-7	Report the nature of ownership and legal form	•			
	G4-8	Report the markets served and types of customers	•			
	G4-9	Report the scale of the organization	•			
	G4-10	Report the total number of employees	•			
	G4-11	Report the percentage of total employees covered by collective bargaining agreements	•			As of the end of 2016, the number of labor union membership 2,756 (the union membership rate: 75%)
	G4-12	Describe the organization's supply chain	•			50~53
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	•	6, 52~53			
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	•	39~41, 59, 63~67			
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	•	87			
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations of which the organization is a member	•				
Identified Material Aspects and Boundaries	G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	•	24~25		
	G4-18	Explain the process for defining the report content and the Aspect Boundaries and how the organization has implemented the Reporting Principles for Defining Report Content	•			
	G4-19	List all the material Aspects identified in the process for defining report content	•			
	G4-20	For each material Aspect, report the Aspect Boundary within the organization	•			
	G4-21	For each material Aspect, report the Aspect Boundary outside the organization	•			
	G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	N/A			No significant change No significant leak of hazardous substances
Stakeholder Engagement	G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	N/A	10~11		
	G4-24	Provide a list of stakeholder groups engaged by the organization	•			
	G4-25	Report the basis for identification and selection of stakeholders with whom to engage	•			
	G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	•			
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	•	24~25			
Report Profile	G4-28	Reporting period (such as fiscal or calendar year) for information provided	•	0		
	G4-29	Date of most recent previous report (if any)	•			
	G4-30	reporting cycle (such as annual, biennial)	•			
	G4-31	Provide the contact point for questions regarding the report or its contents	•			
	G4-32	Report the 'in accordance' option of the GRI Index the organization has chosen	•			0, 79~81
Governance	G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report	•	0, 84~85		
	G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	•	61~62		
Ethics and Integrity	G4-38	Report the composition of the highest governance body and its committees	•	63~65		
	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	•			
	G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	•			
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity (escalation through line management, whistleblowing mechanisms or hotlines)	•				

## GRI G4 Index

### SPECIFIC STANDARD DISCLOSURE

#### Economic

Aspect	G4	Indicators	Assurance	Page	비고
Economic Performance	DMA	Report the evaluation of the management approach	•	26-27	
	EC1	Direct economic value generated and distributed	•	10-11, 16-21, 26-29	
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	•	10-11, 34	
Indirect Economic Performance	DMA	Report the evaluation of the management approach	•	46-47	
	EC8	Significant indirect economic impacts, including the extent of impacts	•	10-11, 46-49	

#### Environment

Aspect	G4	Indicators	Assurance	Page	비고
Energy	DMA	Report the evaluation of the management approach	•	30-31, 35	
	EN3	Energy consumption within the organization	•	34, 78	
	EN6	Reduction of energy consumption	•	34, 78	

#### Society

Aspect	G4	Indicators	Assurance	Page	비고
Labor Practices and Employment					
Occupational Health and Safety	DMA	Report the evaluation of the management approach	•	30-31	
	LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	•	30, 33	
	LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	•	30	
Employment	DMA	Report the evaluation of the management approach	•	42-42	
	LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	•	42, 77	
	LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	•	44-45	

#### Society

Local Communities	DMA	Report the evaluation of the management approach	•	46-47	
	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	•	46-49	
	SO2	Operations with significant actual or potential negative impacts on local communities	•	46-49	
Anti-corruption	DMA	Report the evaluation of the management approach	•	63-65	
	SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	•	63-65	
	SO4	Communication and training on anti-corruption policies and procedures	•	63-65	

#### Other Indicators

##### Economy

Aspect	G4	Indicators	Assurance	Page	비고
Procurement Practices	EC9	Proportion of spending on local suppliers at significant locations of operation	•	50-53	

#### Environment

Aspect	G4	Indicators	Assurance	Page	비고
Water	EN8	Total water withdrawal by source	•	78	
	EN9	Water sources significantly affected by withdrawal of water	•	35, 78	
	EN10	Percentage and total volume of water recycled and reused	•	35	
Biodiversity	EN13	Habitats protected or restored	•	35	
Emissions	EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	•	78	
	EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	•	78	
Effluent and Waste	EN22	Total water discharge by quality and destination	•	78	
	EN23	Total weight of waste by type and disposal method	•	78	
	EN24	Total number and volume of significant spills	•		No significant leak of hazardous substances
Products and Services	EN27	Extent of impact mitigation of environmental impacts of products and services	•	34-35	
Compliance	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	•		No violation of environmental issues
Transport	EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	•	34	
Overall	EN31	Total environmental protection expenditures and investments by type	•	78	
Supplier Environmental Assessment	EN32	Percentage of new suppliers that were screened using environmental criteria	•	52	
	EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	•	52	

#### Society

Aspect	G4	Indicators	Assurance	Page	비고
Labor Practices and Employment					
Training and Education	LA9	Average hours of training per year per employee by gender, and by employee category	•	42	
	LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	•	42-44	
Diversity and Equal Opportunity	LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	•	61	
Supplier Assessment for Labor Practices	LA14	Percentage of new suppliers that were screened using labor practices criteria	•	52	
	LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	•	52	
Labor Practices Grievance Mechanisms	LA16	Number of grievances about labor practices field, addressed, and resolved through formal grievance mechanisms	•	66	

#### Human Rights

Investment	HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	•	66	
Non-discrimination	HR3	Total number of incidents of discrimination and corrective actions taken	•	66	
Child Labor	HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	•	N/A	
Forced or Compulsory Labor	HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	•	N/A	
Human Rights Grievance Mechanisms	HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	•	66	

#### Society

Supplier Assessment for Impacts on Society	SO9	Percentage of new suppliers that were screened using criteria for impacts on society	•	52	
	SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	•	52	

#### Product Responsibility

Product and Service Labelling	PR5	Results of surveys measuring customer satisfaction	•	10, 36	
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	•	59	



## Independent Audit Report

### To the Shareholders and Board of Directors of Kangwon Land, Inc.

We have audited the accompanying consolidated financial statements of Kangwon Land, Inc., and its subsidiaries. The consolidated financial statements include the consolidated statement of financial position as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### Management Responsibilities for the Consolidated Financial Statements

The management is responsible for preparing and describing fairly the consolidated financial statements in accordance with the Korean International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and 2015 and its consolidated financial performance and its cash flows for the year then ended in accordance with the Korean International Financial Reporting Standards.

2913, Nambusunhwan-ro, Gangnam-gu, Seoul  
February 21, 2017  
BDO Daejeon LLC

CEO    
Kim Jin-Ho

This audit report is effective as of February 21, 2017, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

## Greenhouse Gas and Energy Verification Statements

As Kangwon Land Inc., was designated as a subject of the Greenhouse Gas · Energy Target Management Scheme, the Korean Standards Association (KSA), which is the verification body designated by the Ministry of Environment, has verified the statement provided by Kangwon Land.

#### Reasonable Level of Assurance

The verification of the Greenhouse Gas-Energy Target Management Scheme has applied a mean deviation of  $\pm 5.0\%$ , the Materiality Assessment standards as specified in the guidelines, to ensure the reasonableness of the verification result.

#### Subject of Verification

KSA proceeded with verification of the statements, internal data, and documents provided by Kangwon Land and found that KSA and Kangwon Land are maintaining their fairness.

#### Verification Standards

We carried out the verification based on the guidelines for the Emission Trading Verification, Greenhouse Gas · Energy Target Management Operation (announced by the Ministry of Environment), and etc. For items other than those defined in the guidelines, KSA performed the verification based on KS Q ISO14064-1 and -3.

#### Materiality Assessment

As Kangwon Land has completed all the corrective measures recommended by the verification team, the Materiality Assessment is applied as less than 5%.

#### Limitations of Verification

The verification team has performed the verification of the statements and relevant documents presented by Kangwon Land using sampling and complete enumeration methods. As the greenhouse gas emission information has numerous limitations, it may contain reasonable judgments because of the different views of interpretation of the guidelines. Therefore, the verification report might contain errors, omissions, or false statements that were not detected during the verification.

#### Verification Results and Overall Opinion

Kangwon Land has carried out corrective measures on the main issues identified by the verification team through documentary review and on-site inspection, and the team has confirmed those measures. (Refer to 3. Findings in the Verification Report)

As no cases of non-conformance were found in the statements presented by Kangwon Land, and the required level of the guidelines has been satisfied, the verification team presents opinion as 'appropriate'.



March 6, 2017

Verification Body: Korean Standards Association  
Chairman and CEO: Baek, Soo-Hyun

# INDEPENDENT ASSURANCE STATEMENT

## Introduction

Kangwon Land, Inc. ("Kangwon Land") commissioned DNV GL Business Assurance Korea Ltd. ("DNV GL"), part of DNV GL Group, to undertake independent assurance of the Sustainability Report 2016 (the "Report"). The directors of Kangwon Land have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of Kangwon Land in accordance with the terms of reference. DNV GL's assurance engagements are based on the assumptions that the data and information provided by the client to us as part of our review have been provided in good faith.

## Scope of assurance

The scope of assurance included a review of sustainability activities and performance data over the reporting period 1st January to 31st December 2016. This also included:

- Evaluation of the principles for defining the sustainability report content in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 4.0
- Evaluation of the process for determining material aspects for reporting and the management approach to material issues and the process for generating, gathering and managing the quantitative and qualitative data in the Report.

## Basis of our opinion

We performed our work using DNV GL's assurance methodology VeriSustainTM1, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We applied the limited level of assurance. The audit was carried out in April and May 2017. The site visits were made to Kangwon Land head office. We undertook the following activities as part of the assurance process:

- Challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- Interviewed representatives from the various departments;
- Conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system and associated reporting systems as they relate to selected content and performance data;
- Reviewed the outcomes of stakeholder consultation report and the materiality assessment report;

## Limitations

The engagement excludes the sustainability management, performance and reporting practices of Kangwon Land's associated companies, subsidiaries, suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as Kangwon Land's website ([kangwonland.high1.com](http://kangwonland.high1.com)). These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

## Opinion and Observation

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly describe information and data in the Report and the adherence to the Principles for defining report content in GRI G4 nor is prepared 'in accordance' with GRI G4 Core option. The verification team has observed that there is general awareness of sustainability context across all different levels of the organization. Further opinions with regards to the adherence to the following Principles are made below;

### ● Stakeholder Inclusiveness

Kangwon Land has identified internal and external stakeholder groups such as Customers, Shareholders, Employees, Suppliers, Local Communities, NGO (Non-governmental organization), Social Contribution, Governments. Kangwon Land engages with the stakeholders at the company and business unit levels through various channels. The examples of approaches to engagement with selected stakeholders are described in the Report. In the future, Kangwon Land could present the reasonable expectations and interests of stakeholders and report corresponding actions taken in the Report.

### ● Sustainability Context

The Report covers the performance of the key issues under the context of sustainability. Kangwon Land addresses how material issues grouped into 11 material issues are managed and what was achieved in 2016, which would help the stakeholder understand the management approaches toward the material aspects. Especially, the report covers Kangwon Land's impact and contribution at the aspects of economic, environmental and social, depending on the geographical context of the closed mine area in Gangwon Province.

### ● Materiality

Kangwon Land has conducted materiality assessment to prepare the Report. The relevant issue pool is formed by analysing the key issues from the global sustainability initiatives and standards, the topics which industry peer group considers material and the subjects covered by mass media. The issues in the pool are rated by stakeholders via survey in terms of the impact for the prioritization. Kangwon Land has grouped the material issues into 11 material issues and presented its management approaches in the Report. The audit team has reviewed the materiality assessment process.

### ● Completeness

The Report covers sustainability aspects of economic, environmental and social impacts. Kangwon Land discloses information on its activities and decisions on the key sustainability issues for the reporting period. Nothing comes to our attention to believe that the Report does not cover material issues derived from materiality assessment.

### ● Report quality: Accuracy and Reliability

The audit team has sampled data and tested accuracy. Based on the test, the intentional error or misstatement is not noted from the data and information disclosed in the Report. Data owners were able to demonstrate the origin and interpretation of the data in a reliable manner. The data was identifiable and traceable.

## Competence and Independence

DNV GL Business Assurance is part of DNV GL Group and a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. Our environmental and social assurance specialists are present in over 100 countries. The assurance work was performed by independent team which meets DNV GL's competence requirements. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. The audit team has complied with DNV GL Code of Ethics during the assurance engagement.

May 2017 Seoul, Korea  
In Kyoon Ahn  
Country Representative  
DNV GL Business Assurance Korea Ltd





# UN Global Compact



Kangwon Land announced its compliance with the UN Global Compact 10 Principles, which cover the areas of human rights, labor, environment, and anti-corruption, by participating in the UNGC in 2016. And our compliance performances of each area are disclosed in this 2016 Kangwon Land Sustainability Report. Kangwon Land promises to proliferate the UNGC Principles to the society as expanding the related activities to diverse stakeholders as well as complying with the Principles.

Category	Principles	Related activities	Page
Human Rights	1 Businesses should support and respect the protection of internationally proclaimed human rights; and	· Human Rights Management Pursuing Employees' Values	66
	2 Businesses should make sure that they are not complicit in human rights abuses.	· Human Rights Management Pursuing Employees' Values	66
Labour	3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	· Human Rights Management Pursuing Employees' Values	66
	4 Businesses should uphold the elimination of all forms of forced and compulsory labour.	· Human Rights Management Pursuing Employees' Values	66
	5 Businesses should uphold the effective abolition of child labour.	· Human Rights Management Pursuing Employees' Values	66
	6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.	· Human Rights Management Pursuing Employees' Values	66
Environment	7 Businesses should support a precautionary approach to environmental challenges.	· Establishing Eco-friendly Infrastructure	34-35
	8 Businesses should undertake initiatives to promote greater environmental responsibility.	· Establishing Eco-friendly Infrastructure	34-35
	9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	· Establishing Eco-friendly Infrastructure	34-35
Anti-corruption	10 Businesses should work against corruption in all its forms, including extortion and bribery.	· Establishing Responsible Management through Ethical Management	63-65

Social Contribution KPI Connected to the UN SDGs

UN SDGs	Business KPI	Social KPI	2016 Achievement
No Poverty	Brand awareness	Improving the quality of life for the underprivileged and satisfaction level of the social contribution beneficiaries	Satisfaction level of the social contribution beneficiaries 86.4 points (Increased 6.3 points from the previous year)
Quality Education	Hiring rate of local talents	Increase rate of the number of applicants	Applicants 1,001 persons (Increased 492 persons from the previous year)
Decent Work and Economic Growth	Increase rate of the resort visitors	Sales and employee number of social enterprises	Sales KRW 4,185 million (Increased 10% from the previous year) (Increased 10% from the previous year) (Increased 35 persons from the previous year)

# List of Membership of Associations/ Award Performances

(unit: KRW thousand)

Status of Membership of Associations		Status of Membership of Associations	
Association	Membership Fee 2016	Association	Membership Fee 2016
Korea Employers Federation	21,060	Korea Judo Association	3,000
Gangwon Employers Federation	2,400	UN Global Compact	5,000
Samchok CCI	192,000	Ski Resort Business Association of Korea	41,567
Korea Listed Companies Association	13,510	Korea Golf Course Business Association	4,078
Korea Exchange	14,853	Gangwon Association	5,000
Gangwondo Tourism Association	30,000	The Institute of Internal Auditors	1,200
PATA(Pacific Asia Travel Association) Korean Branch	200	Korean Network on Anti-Corruption and Transparency	2,500
Korea Casino Association	300,000	Gangwon Environmental Engineer Federation	2,000
National Council on Problem Gambling	2,940	Green Companies Association of Wonju Region	2,000
Korea MICE Association	1,000	2030 Eco Forum	1,000

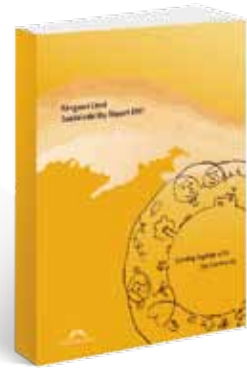
Award Performances

Award institution	Award name	Year
Korea HRD Association	2017 Korea HRD Winner for Human Resources Development	March, 2017
Anti-Corruption & Civil Rights Commission	Assessed as Level 2 (Excellent) in the Anti-Corruption Initiative Assessment 2016	February, 2017
Dow Jones Sustainability Index	DJSI World Index 2016	October 2014 (4 consecutive years)

# Kangwon Land Sustainability Report Publications



2010



2011



2012



2013



2014



2015