

# The Light Toward Tomorrow

## About The Report

This report contains information on KEPCO's efforts and achievements in 4 major areas of sustainability management – economy, environment, society and human resources.

Through this report, our stakeholders can learn about how KEPCO continues to grow with hope, life, love and happiness.

**Reporting principles** This report was prepared in accordance with the GRI Guidelines 2006 (G3). The recommended indicators to be used under the Guidelines can be found in "RI Index" section of this report in pages 58–63.

Starting from 2005, KEPCO is publishing a sustainability report every year, disclosing it through Korea Exchange, and submitting it to the UN GRI and the Global Compact. Also, KEPCO makes the report available to the National Assembly, the government, academia, civil society, suppliers and other various stakeholders at home and abroad.

**Reporting scope** This report contains quantitative performance data pertaining to the period starting from January 1, 2007 through December 31, 2007. In addition, some of the non-quantitative descriptions include data on performance leading up to August 2008.

This report covers the sustainability management performance of KEPCO. However, part of the Environment section of this report includes the performance of the six power generation subsidiaries, or GENCOs (Korea Hydro and Nuclear Power, Korea Southeast Power, Korea Midland Power, Korea Western Power, Korea Southern Power and Korea East-West Power), wholly owned by KEPCO.

These GENCOs are already publishing or in preparation for publishing sustainability reports individually. KEPCO plans to include in its future reports the GENCOs' key performance in sustainability management.

**Major changes** This report contains some major changes from previously issued reports. KEPCO fully reflected all indicators of the GRI Guidelines 2006 (G3), and dedicated a page (p.63) to addressing the issues in which our stakeholders and the press take interest. With surveys and interviews, we made best efforts to incorporate matters of interest to our internal and external stakeholders. Also, we ensured that the entire process of report preparation is reviewed and validated by our advisors. In addition, we keep close track of key performance indicators to maintain strong sustainability performance.

**Commitment to reporting credibility** In an attempt to ensure the credibility of the report, KEPCO invited five external experts in the areas of the economy, the environment, society, human resources and overseas operation to review the report over the three stages of report preparation. The details of the review are found in the section entitled "Third Party Review" in pages 52–57.



◀ Sustainability Report 2005



◀ Sustainability Report 2006



◀ Sustainability Report 2007

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KEPCO will strive to become a "Great Company" which is highly competitive and deeply trusted by its stakeholders.



## CEO's Message

→ President & CEO Ssang-Su Kim

Dear our stakeholders from around the world,

KEPCO lit the first electric light in Korea back in 1887. Since then, it has been successfully performing its grave duty of efficient production and reliable supply of electric power in Korea. Meanwhile, KEPCO has achieved the world's highest level in electricity quality through continuous managerial innovation and technology development.

All of us at KEPCO fully understand that not just the growth of our business but also protection of the earth's environment, fulfillment of corporate social responsibilities and practice of human-oriented management are critical elements in obtaining sustainable development of the company. Based on such understanding, we will try to make sustainability management take a firm root by making good on the pledges we made in the areas described below, including the observance of the 10 principles of the UN Global Compact.

**First, in the economic area, KEPCO will eliminate redundancies and create new values for the benefit of all stakeholders.**

We will get rid of inefficient processes and unreasonable practices while reinforcing those elements that can add values. In order to ride out difficult conditions like high oil prices, we will raise management efficiency with rigorous cost cutting and profit enhancement efforts. Also, we will seek quality business opportunities in overseas markets and step up resource development activities, which will contribute to strengthening energy independence of Korea and help us grow in the years to come.

**Second, in the environmental area, KEPCO will respond proactively to climate change and concentrate on producing clean energy.**

In an attempt to respond to various climate change issues significantly affecting the human existence, KEPCO is conducting research and development in the areas of new and renewable energy, such as solar cells and IGCC(integrated gasification combined cycle). Going forward, we will exert relentless efforts for preserving ecosystems, by securing carbon credits by executing CDM projects overseas; reducing greenhouse gas emissions across all parts of our operation, including transportation of electric power; and making business decisions based on environmental impact assessment.

Dear

## Global Partners

**Third, in the social area, KEPCO will rigorously observe business ethics, work toward customer satisfaction and engage in social contribution activities to make a difference for the society.**

Until now, KEPCO has been active in tending the needy in our society by conducting various social contribution programs. We will reinforce our social contribution activities and give back to the community through our business. Also, we will do our best to become a transparent and ethical organization and provide customer satisfaction through a distinguished offering of customer values.

**Fourth, in the human resources area, KEPCO will make more efforts to create an open corporate culture of mutual trust and to protect human rights.**

We will bring up the right people for the company who are creative, passionate and globally competitive with a strong drive for execution. We will nurture mutual trust amongst these people so as to build a competitive corporate culture in which team plays are possible. Also, we will strive to build win-win relationship between management and labor through dialogue and cooperation, while ensuring equity for women and the disabled and trying at all fronts to protect the human rights of non-regular workers and local employees at our overseas offices.

All of us at KEPCO have a sharp sense of social responsibility as members of a company that provides public services directly affecting the lives of the citizens. As such, we aim to achieve sustainable development of KEPCO, and to do so, we will pursue balanced growth between the economic, environmental, social and human resources areas of our business and carry out active stakeholder engagement.

We look forward to your continued interest and support.  
Thank you.

October 2008

Ssang-Su Kim  
CEO



# 01 . Sustainability Management Principles





# KEPCO Sustainability Management Principles

All of us at KEPCO are committed to fulfilling corporate social responsibility as a representative enterprise in the electric power industry in Korea, thereby contributing to sustainable development of the country, society as well as entire mankind. We hereby pledges to make the company into a world-class electric power company growing with customers by practicing sustainability management in economic, environmental, social and human resources areas that highly values all stakeholders.

## [Economy : Sustainable Growth]

KEPCO will secure competitive advantages in the global market and build future growth engines based on challenging, creative and forward-looking thinking, and raise corporate value by maintaining a sound financial structure.

KEPCO will continue to enhance management efficiency to match the global level through self-motivated management innovation on a continual basis.

KEPCO will stay ahead of others in developing core technologies in the electric power industry through continuous technological innovations, and lead the global development of electric power technologies.

## [Environment : Eco-Value Creation]

KEPCO will maximize environmental efficiency by systematically coordinating environment-friendly management practices, and continue to increase energy use efficiency through proactive demand side management.

KEPCO will make efforts for the greening of the entire power supply chain, ranging from generation to transportation and supply.

KEPCO will closely cooperate with other group companies to address climate change issues, thereby contributing to global environmental conservation and creating environmental values for future generations.

## [Society : Building Trust]

KEPCO will handle all matters fairly according to moral and ethical values, and release business performances faithfully to enhance management transparency.

KEPCO will pursue co-growth by ensuring mutual benefits for all stakeholders including customers, partners, group companies, the government, society, shareholders and employees.

KEPCO will become a trustful company that fulfills its social responsibility by engaging all employees in the practice of sharing management.

## [Human Resources: Human-Oriented Management]

KEPCO will continue to raise the quality of life for its employees by pursuing future-oriented labor relations, strengthening activities to ensure health and safety at work, and promoting employee welfare.

KEPCO will strengthen its ability to prepare for the future by establishing the forward-looking and idealistic model for its employees and bringing up globally competitive talents.

KEPCO will protect human rights by respecting diversity through efforts such as ensuring gender equality among its employees, supporting the socially disadvantaged, eliminating discrimination, and complying with the principles of prevention of forced labor and child labor.



## 02. Kepco and Sustainability





# KEPCO and the Electric Power Business

**[ KEPCO at a glance (changes from 2006) ]**

<b>Official name</b>	Korea Electric Power Corporation
<b>Headquarters</b>	411, Youngdongdaero, Samsung-dong, Kangnam-gu, Seoul, Korea
<b>Founded</b>	July 1, 1961
<b>Total assets</b>	65.6 trillion KRW (up 2.1 trillion KRW)
<b>Revenues</b>	29.0 trillion KRW (up 2.0 trillion KRW)
<b>Employees</b>	21,012 (up 616)
<b>Electricity sold</b>	368.6 billion kWh (up 19.9 billion kWh)
<b>Customers</b>	18,039K households (up 466K)
<b>Shareholders</b>	Korea Development Bank 30.0% (-) The Korean government 21.1% (-) Foreigners 27.5% (down 1.8%) Others 21.4% (up 1.8%)
<b>Investment</b>	10 subsidiaries (6 GENCOs, 4 group companies) 24 overseas corporations (in China, the Philippines, Lebanon, etc) 4 equity participations
<b>IPO markets</b>	Korea Exchange [KRX] New York Stock Exchange [NYSE]

### Characteristics of the Electric Power Business

The electric power sector is one of the national backbone industries and is highly capital intensive. Demand for electric power is difficult to control, and electric power has few substitutes. Therefore, electric power creates a naturally monopolistic, network-based industry. Due to the fact that electric power is consumed immediately after generation, there needs to be some reserve facilities against possible contingencies.

Especially for Korea, which relies on imports for 97% of its primary energy demand, energy security is a critical issue because the country's electric power network is isolated due to its geopolitical conditions.

### Industry Structure

The six power generation companies (GENCOs) and independent power producers (IPP) generate electric power and sell it to KEPCO in the Korea Power Exchange (KPX). KEPCO, in turn, sells electric power to general customers over its transmission/distribution network.

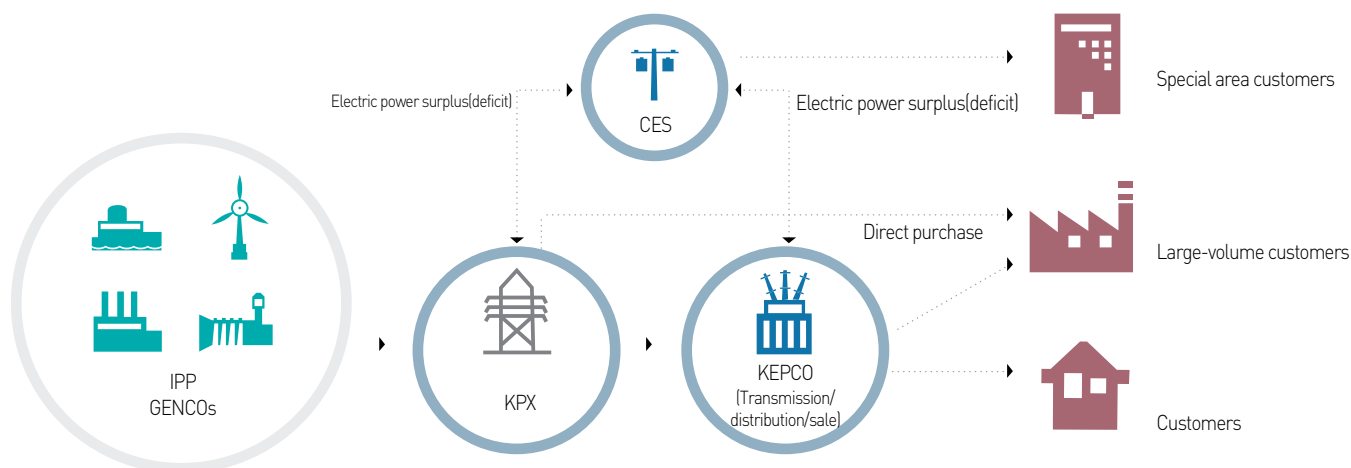
The sales segment of the electric power market is getting open to competition with the introduction of such programs as direct purchase by large-volume customers (30,000kW or more) and community energy suppliers who are allowed to sell to special area customers.

### KEPCO's Role

KEPCO is a special corporation incorporated under the "Korea Electric Power Corporation Act." As the largest public enterprise in Korea, KEPCO bears great responsibility and is taking the lead in the effort to enhance international competitiveness.

KEPCO clearly understands that electric power is the bloodline of national economic development. We will contribute to national economic development by securing high-quality electric power supplies and enhancing international competitiveness. Also, by adopting environment-friendly management practices, we will strive to protect the environment of the earth and advance environmental values for our future generations. As a company serving the general public, we will try hard to win trust and support from our stakeholders and contribute to the betterment of society. KEPCO will pursue continued growth and development in order to become a globally respected company.

**[ Structure of the electric power business ]**

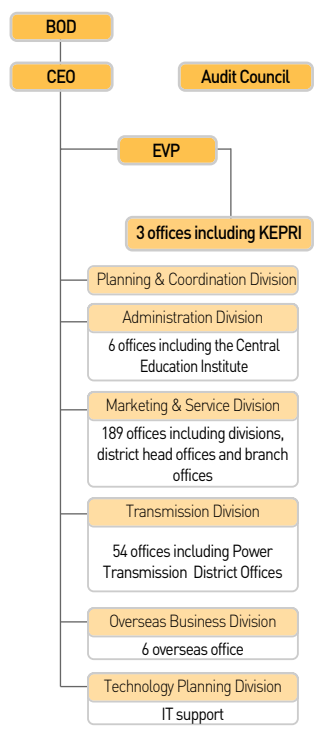


# Governance and Organization

**[ Efforts to strengthen the role of BOD in 2007 ]**

Mode of operation
Paper-based approval eliminated & face-to-face meeting institutionalized
Strengthen management accountability by conducting performance evaluation of non-standing directors
Encourage non-standing directors to actively participate in running the company - Remarks by non-standing directors : 48.2%(06)→62.5%(07)
Specialization
Diversify the specialties of the 8 non-standing director - Administration, media, accounting, economy, law, society and security, respectively
Enhance BOD's understanding of the electric power business through field visits and roundtables
Operate a separate BOD homepage for timely provision of management information
Provide advice and insights on key decisions (6 items)

**[ Organizational chart ]**



## Board of Directors

The Board of Directors, the highest decision-making body at KEPCO, consists of 15 members, including 8 non-standing directors and 1 female director. In a measure to strengthen autonomous and accountable management of the company and to advance specialization of the BOD, standing directors other than the CEO are appointed by the CEO among the nominees referred by the Nomination Committee who are then approved in the general shareholders' meeting. Non-standing directors are appointed by the Minister of Strategy and Finance with the referral of the Nomination Committee and the resolution of the Steering Committee on Public Enterprises. The chair of the BOD is assumed by a non-standing director. To ensure BOD's independence, anyone who has special interest in the company is banned from non-standing directorship. The profiles of directors and BOD minutes are made public on KEPCO homepage (www.kepco.co.kr) under the management information section, which is an attempt to serve the right to know of our stakeholders and enhance independence of BOD operation. In 2007, BOD met 15 times (11 times in 2006) to address a total of 65 agenda items, up by 18 items from 2006. Attendance by BOD members was 94.9% (91.4% in 2006).

## CEO

The CEO of KEPCO is referred by the Nomination Committee, consisting of non-standing directors and members from the private sector, approved by the resolution of the general shareholders' meeting, requested by the Minister of Knowledge Economy and finally, appointed by the President. The tenure of the CEO is 3 years. KEPCO has developed fair evaluation criteria for CEO selection according to the relevant laws and regulations as well as through the deliberation of the BOD. KEPCO discloses all steps of the CEO selection process and the minutes from the Nomination Committee under the management information section of KEPCO's homepage (www.kepco.co.kr), which is the first such attempt by a public enterprise in Korea.

After consulting with the Nomination Committee The CEO signs a pact with the Minister of Knowledge Economy about the management goals to be achieved during his or her tenure. The progress made on the implementation of the pact is reviewed by the Management Evaluation Board for Public Enterprises consisting of experts from various fields, and evaluated by the Minister of Strategy and Finance.

## Audit Council

KEPCO has an audit council tasked with independent audit of its business and accounting practices. In 2007, the council was convened 9 times (6 times in 2006) and deliberated on 15 items, including the report on the operation of the internal accounting management program. Pursuant to the revised "act on the Operation of Public Enterprises" and the "articles of Incorporation," KEPCO is scheduled to form an audit committee which will be tasked with auditing the business and accounting of the public enterprise. The audit committee will be composed of three directors, of which two or more must be non-standing directors and one or more must be an accounting or financial expert who meets the qualifications stipulated in the Securities Exchange Act.

## Head Office & Branches

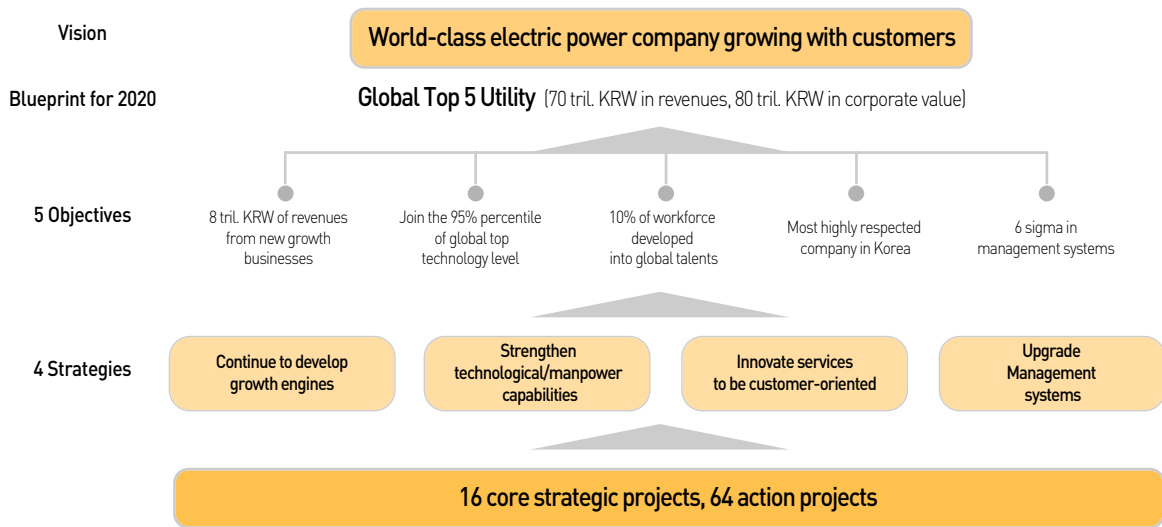
KEPCO has 23 departments under 6 divisions at the head office. Nationwide and globally, there are a total of 259 sites of business: 189 distribution and sales branch offices; 54 transmission district offices; 5 overseas offices; and 11 special sites of business including KEPRI (Korea Electric Power Research Institute). In 2007, the office of the Executive Vice President was transformed from a line office to a staff office, meaning that standing directors at the division head level report directly to the CEO, and that the EVP serves as head of special sites of business. This move has enabled us to make decisions quickly and put in place a stronger accountability mechanism for division heads. Also, we set up Technology Planning Division to put together our core R&D capabilities, which led to the merger of the technology planning function and the new business development function.

# Sustainability Management and Mid- to Long-Term Strategic Business Plan

## 2020 Mid- to Long-Term Strategic Business Plan

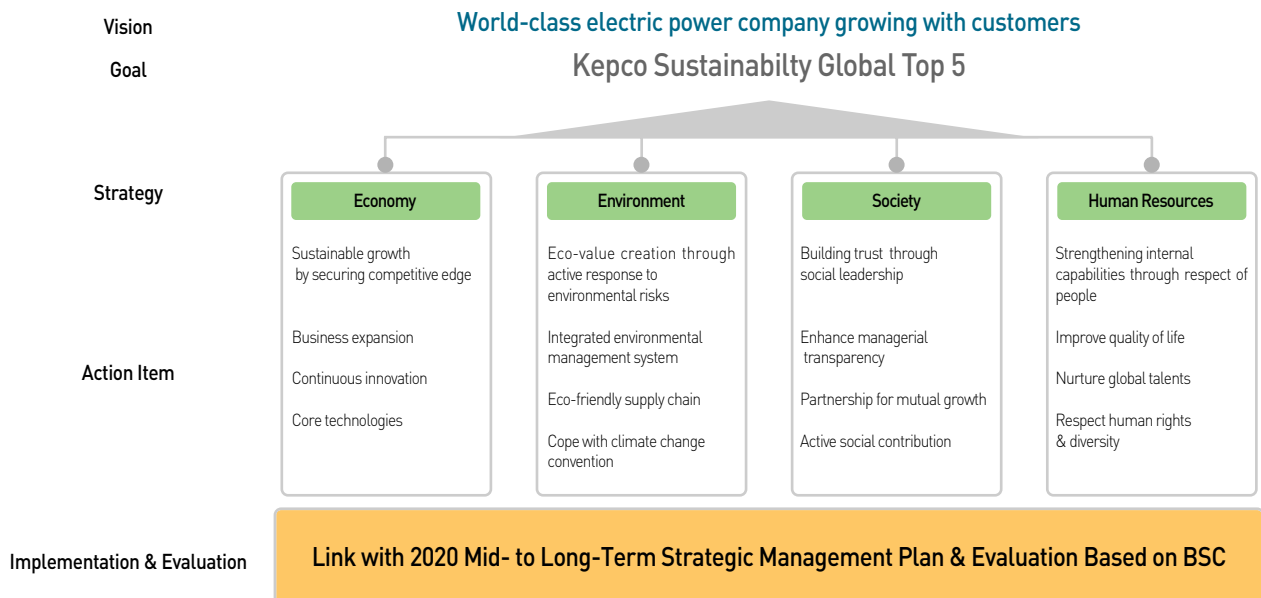
As an implementation strategy and plan for realizing our vision and core values, KEPCO sets up and follows a mid- to long-term strategic business plan. The strategic business plan is the basic framework of KEPCO's business management. The "2020 Mid- to Long-Term Strategic Business Plan" was completed in July 2008 after one year's of preparation.

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## Sustainability Management Framework

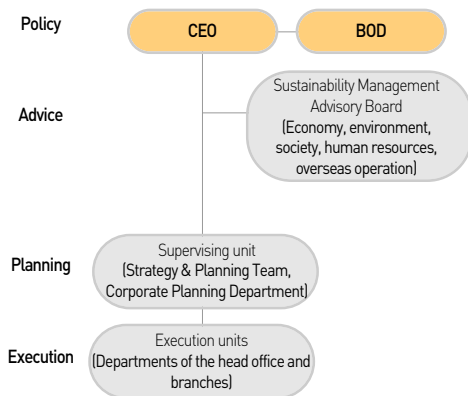
KEPCO has set a sustainability management target called KS-GT5 (KEPCO Sustainability Global Top 5) to achieve the goal of joining the world's top 5 in the energy industry by 2020, and identified and is implementing 12 action items and 43 key performance indicators (KPI) in the four areas of economy, the environment, society and human resources. The 12 action items will be mapped to "2020 Mid- to Long-Term Strategic Business Plan," adding momentum to the achievement of our vision.





# Organization for Implementing Sustainability Management by Stage

**【 조직도 】**



## Organization for Sustainability Management

KEPCO put in place a corporate structure within the company in 2005 for a systematic and integrated implementation of sustainability management, and has since been operating the organization in charge of Corporate Sustainability Management or CSM.

We formed 2008 Sustainability Management Advisory Board in April 2008, consisting of 5 outside specialists in the areas of economy, the environment, society, human resources and overseas operation who provide advice on our implementation of sustainability management, and their input is being incorporated into our policies.

To ensure our sustainability management efforts are in line with our 2020 Mid- to Long-Term Strategic Business Plan for systematic implementation, Strategy & Planning Team of Corporate Planning Department in charge of setting up corporate strategies is also tasked with supervising all aspects of sustainability management at KEPCO. Its main functions include setting up of sustainability management strategies, release of sustainability reports and external cooperation.

Our sustainability management execution units are 23 departments at the head office and 259 branches across the nation.

## Development Stages of Sustainability Management

Under the goal of joining the global top 5 in the energy sector by 2020, KEPCO has set forth the development stages for the four areas of economy, the environment, society and human resources and also for the corporate image, and is actively implementing sustainability management to accomplish the goal.

Goal		KS-GT 15	KS-GT 10	KS-GT 5
Development stage		Laying the ground (2005)	Growing and developing (2006~2010)	Sustainability management (2011~2020)
The 4 areas	Economy	<ul style="list-style-type: none"> <li>Corporate value : 24 tril. KRW</li> <li>Revenues : 25 tril. KRW</li> </ul>	<ul style="list-style-type: none"> <li>Corporate value : 45 tril. KRW</li> <li>Revenues : 43 tril. KRW</li> </ul>	<ul style="list-style-type: none"> <li>Corporate value : 80 tril. KRW</li> <li>Revenues : 70 tril. KRW</li> </ul>
	Environment	<ul style="list-style-type: none"> <li>Partial introduction of environmental management</li> </ul>	<ul style="list-style-type: none"> <li>Integrated environmental management</li> </ul>	<ul style="list-style-type: none"> <li>Environmental values maximized</li> </ul>
	Society	<ul style="list-style-type: none"> <li>Building trust</li> </ul>	<ul style="list-style-type: none"> <li>10th most respected company in Korea</li> </ul>	<ul style="list-style-type: none"> <li>The most highly respected company in Korea</li> </ul>
	Human	<ul style="list-style-type: none"> <li>Global talents: 2%</li> </ul>	<ul style="list-style-type: none"> <li>Global talents: 6%</li> </ul>	<ul style="list-style-type: none"> <li>Global talents: 10%</li> </ul>
Corporate image		<ul style="list-style-type: none"> <li>Global top 10 utilities</li> </ul>	<ul style="list-style-type: none"> <li>Global top 8 utilities</li> <li>10th place in sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Global top 5 utilities</li> <li>5th place in sustainability</li> </ul>

# Sustainability Management KPIs and Performances

KEPCO has set 43 KPIs in 4 major areas of economy, the environment, society and human resources to keep track of our sustainability management performance by linking them with the Balanced Score Card (BSC) system.

Area	KPI	Unit	Results			Target		
			2006	2007	Change	2008	2010	
Economy (14)	Business expansion	Transmission line (cumulative)	C-km	29,276	29,526	Up	30,328	32,921
		Substation capacity (cumulative)	MVA	216,277	228,249	Up	234,109	258,975
		Distribution line (cumulative)	1,000C-km	393	401	Up	403	410
		Power sales	100 mil. kWh	3,487	3,686	Up	3,883	4,187
		Overseas business (as % of revenues)	%	0.67	0.71	Up	1.3	1.6
		CDM business (cumulative)	Each	4	5	Up	6	8
		PLC service (cumulative)	No. of customers	1,500	6,500	Up	62,500	880,000
	Continuous management innovation	Labor productivity	MWh/person	17,160	17,913	Up	18,181	18,620
		Debt-to-equity ratio	%	47.9	49.1	Up	61.9	66.0
		Credit rating (Moody's)	-	A1	A1	-	A1 or higher	A1 or higher
		Return on assets	%	3.3	2.4	Down	△1.0	2.7
	Develop and commercialize core technologies	R&D investment (as % of net sales)	%	3.7	4.0	Up	5.4	5.1
		Industrial property rights	Each	1,123	1,286	Up	1,533	2,400
		Proprietary technology	Each	662	733	Up	838	1,094
Environment (13)	Strengthen the integrated environmental management system	EMS certification	%	N/A	5.2	N/A	100	100
		Energy use (office building, etc)	TOE	75,163	75,418	Up	76,434	77,888
		Water use (office building, etc)	1,000 tons	1,059	1,053	Down	1,143	1,192
		Waste recycling rate	%	76.3	91.2	Up	95.0	95.0
		Purchase of environment-friendly products (as % of total purchase value)	%	42.0	65.5	Up	51.2	53.2
	Environment-friendly power supply chain	Transmission line undergrounding ratio (urban area)	%	96.4	97.4	Up	97.5	98.4
		Distribution line undergrounding ratio (Seoul area)	%	50.8	51.3	Up	52.3	54.4
		T/D loss rate	%	4.00	3.99	Down	4.29	4.28
		Load factor	%	73.8	73.9	Up	75.5	74.8
	Respond to the climate change convention	Peak reduction by DSM	MW	3,878	4,345	Up	4,438	4,950
		Renewable energy generation (KEPCO group)	%	1.0	1.0	-	1.0+	1.0+
		Greenhouse gas emission(SF <sub>6</sub> )	CO <sub>2</sub> -1,000tons	2,126	3,420	Up	3,718	3,976
		Integrity as a public enterprise (rated by KICAC)	Point	9.10	9.56	Up	9.0+	9.0+
Society (10)	Enhance managerial transparency	E-procurement rate	%	90.7	98.7	Up	95.0	95.0
		Information disclosure rate	%	92.6	93.0	Up	92.8	93.0
		BOD attendance rate	%	91.4	94.9	Up	95.0+	95.0+
	Mutual growth through strong partnership	Customer satisfaction as public enterprise (rated by the Ministry of Strategy and Finance)	Point	86.0	AA	Up	AA	AA
		SME support (as % of sales)	%	0.10	0.08	Down	0.10+	0.10+
		Purchase from SMEs	%	77.5	75.0	Down	75.0	75.0+
		Supplier satisfaction	Point	N/A	88.3	N/A	84.0	86.0
	Social contribution activities	Creation of new jobs	Person	404	600	Up	619	630
		Social contribution(as % of current profit)	%	5.2	5.5	Down	5.5	8.0
		Volunteering(per person)	Hour/person	8.5	9.8	Up	10	11
Human (6)	Improve the quality of life	On-the-job injury rate	%	0.029	0.014	Down	0.035	0.030
		Job-quit rate (new employees)	%	1.6	1.7	Up	1.5	1.5
	Develop globally competitive talents	Education/training expense (as % of sales)	%	0.20	0.2	-	0.2+	0.2+
		Education/training hours (per person)	Hour/person	86.7	87.7	Up	87.0	92.0
	Respect human rights and diversity	Female employee ratio	%	22.0	20.7	Down	20.0+	20.0+
		Handicapped employee ratio	%	2.6	2.3	Down	2.0+	2.0+

# Sustainability Management Awards & Recognition

Area	Awards and Recognition	Awarder	Award Month
Overall performance	Grand Prize, 2007 LOHAS Management Awards	Korea Green Foundation	Nov. 2007
	Grand Prize, 2007 Korea Sustainability Management Awards	Korea Economic Daily	Dec. 2007
	2007 KEPCO Sustainability Report chosen as a Notable COP"	UNGC	Jan. 2008
	Highest grade (Grade 6) in 2007 Review of Innovation in Public Enterprises (3 consecutive years)	Ministry of Strategy and Finance	Apr. 2008
	2008 New Quality CSR Award"	New Quality Forum	May 2008
Economy	63rd place in Top 250 Global Energy Companies by Platts	Platts (U.S.)	Sept. 2007
	245th place in 2007 Global 500 (by revenues)	Fortune (U.S.)	Jul. 2008
	203rd place in 2007 Global 2000 (by asset, revenues, net profit and market value)	Forbes (U.S.)	Apr. 2008
Environment	Citation for signing Renewable Portfolio Agreement"	MOCIE	Jul. 2007
	Grand Prize, 2007 Asia Energy Industry Awards	MOCIE	Nov. 2007
	1st prize, the 3rd Korea Civil Engineering & Architecture Technology Awards	Architectural Institute of Korea	Dec. 2007
	2008 Eco-Friendly Management Awards	Korea Economic Daily	Jun. 2008
Society	Grand Prize, 2007 Customer Excitement Management Awards	Horwath-Choongjung Consulting	Jan. 2007
	Grand Prize, Public Enterprise Category, Korea Volunteering Awards	Korea National Council on Social Welfare	Nov. 2007
	Citation for excellent performance in 2007 "lean Wave"	Korea Independent Commission Against Corruption	Dec. 2007
	Top grade in the survey on the integrity of public enterprise (4 consecutive years)	Korea Independent Commission Against Corruption	Jan. 2008
	Grand Prize, 2008 Korea Ethical Management Awards	Korea Association of Business Ethics	Feb. 2008
	Prime Minister's Commendation, 2007 Anti-Corruption Practice Evaluation	Anti-Corruption and Civil Rights Commission	May 2008
	Top grade in the customer satisfaction survey on public enterprises (9 consecutive years)	Ministry of Strategy and Finance	Jun. 2008
Human	Presidential Award for Best Disaster Management in 2007	NEMA	May 2007

## Participation in Key Issues

Agreement	Signed in
Transparent Society Pact between KICAC and the CEOs of 18 public enterprises	June 2005
Renewable Portfolio Agreement with the Ministry of Commerce, Industry and Energy	July 2005
Agreement to comply with the 10 Principles of UN Global Compact	August 2005
Transparent Society Pact in the Electric Power Sector among 11 KEPCO group companies and the representative of major electric power companies	September 2005
Integrity Pact between KEPCO and business partners (1,266 companies / 14,484 persons participated)	January 2006
Agreement with private-sector organizations on business cooperation in the area of the environment (UNEP National Committee for Korea, Korea Green Foundation, Korea Women's Environmental Network)	June 2007





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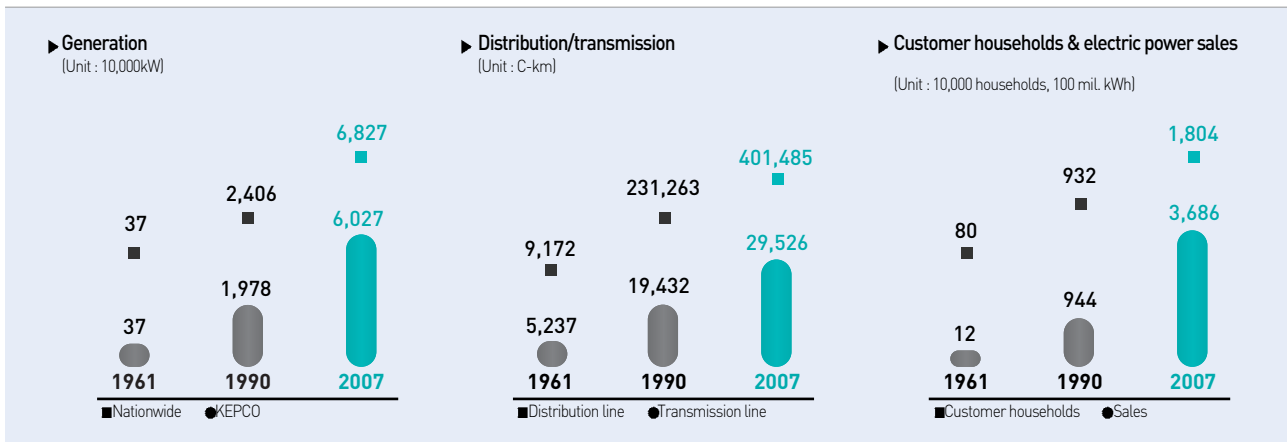
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## 03. Light of Hope : Economy



# Key Economic Performance

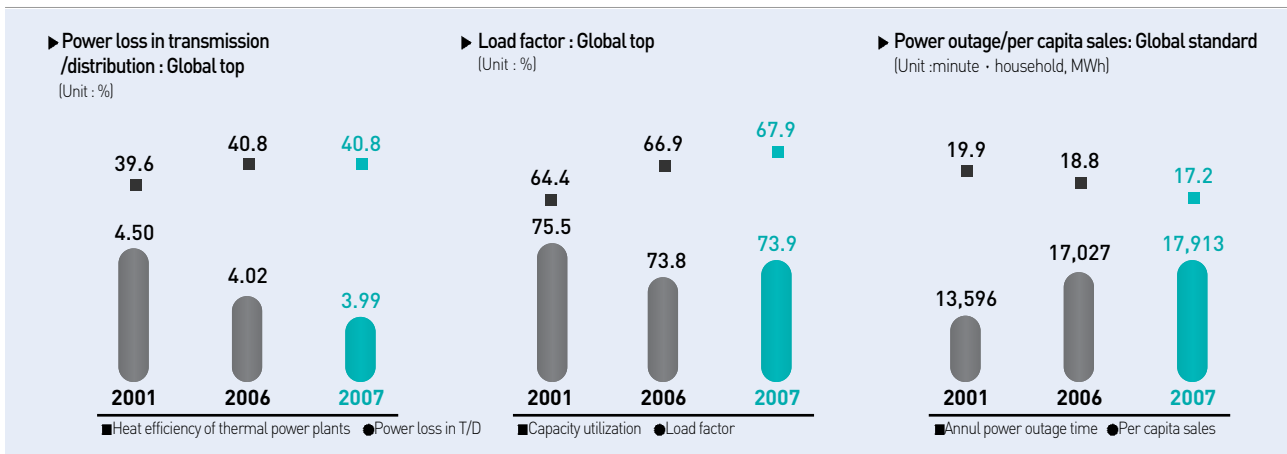
## Business Growth



## Key Financial Performance



## Key Management Efficiency

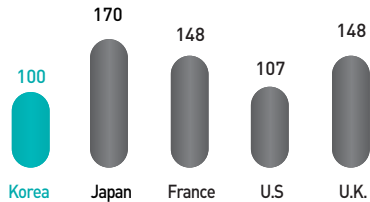




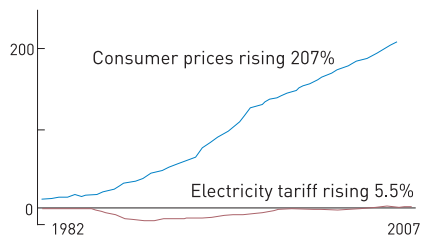
# Business Expansion

## Comparison of electricity tariff

The exchange rates as of Dec. 31, 2007 were applied; Korea(100) is the baseline for comparison.



## Tariff trends



During the period 1982-2007, consumer prices rose 207% while electricity tariff edged up only 5.5% (tariff lowered 11 times, raised 9 times).

## Domestic Business

### Reliable supply of high-quality electric power

In 2007, the peak demand for electric power in Korea stood at 62.29 million kW, up 6% from 2006. During the previous one year period, KEPCO ensured reliable supply of electric power, even during the highest peak hours, with an electricity reserve rate of 7.2%. Such an achievement is attributable to KEPCO's timely expansion and reasonable operation of generation and transmission/distribution facilities.

Also, we drew up and implemented a 100-day plan to counteract possible power outages during summer time. To ensure quality of electric power, we conducted real-time monitoring of electric power facilities with IT systems and operated power quality management (PQM) systems. As a result, KEPCO maintains the global top levels in electricity quality with the average power outage time per household per year standing at 17.2 minutes and the voltage regulation compliance ratio at 99.9%.

In addition, KEPCO helped enhance the global competitiveness of domestic industries and reinforced public's right to access electric power by supplying high quality electric power at one of the lowest tariffs by international standards.

KEPCO will continue to do its best to carry out its fundamental duty, that is, to ensure reliable supply of electric power, through timely expansion and automation of electric power facilities.

## Timely expansion of electric power facilities

	2006	2007	2020	
	<b>Generation</b> Generation capacity (MW)	65,404	68,268	86,338(1.4times)
	<b>Transmission</b> Transmission line(C-km) Voltage mix(%)	29,276	29,526	37,877(1.3times)
		765kV 3 345/154kV 97	765kV 3 345/154kV 97	765kV 3 345/154kV 97
	<b>Substation</b> Substation capacity (MVA) Man-free operation (%)	216,277	228,249	304,319(1.3times)
71.6		74.4	95.0	
<b>Distribution</b> Distribution line (1,000km) Automation (%)	393	401	452(1.1times)	
	52.8	56.1	100% by 2014	
Communication network OPGW (km)	14,560	14,809	25,000(1.7times)	

**[ Phased roadmap for improving customer convenience ]**

Program	Phase 1 (~'10)	Phase 2 ('11~'15)	Phase 3 ('16~'20)
<b>Diversified bill payment methods /electronic payment</b>	<ul style="list-style-type: none"> <li>Unified billing for multiple-account holders</li> <li>Real-time tariff collection system</li> </ul>	<ul style="list-style-type: none"> <li>Allow customers to choose their bill payment date (applied on a limited basis)</li> </ul>	<ul style="list-style-type: none"> <li>Allow customers to choose their bill payment date for a unified payment date for all customers in one region)</li> </ul>
<b>Variable tariff rates by customer</b>		<ul style="list-style-type: none"> <li>Tariff rates negotiated with individual customers</li> <li>Tariff rate with high-risk options</li> </ul>	<ul style="list-style-type: none"> <li>Variable tariff rates by customer loyalty</li> </ul>
<b>Reasonable construction cost</b>	<ul style="list-style-type: none"> <li>Establish a mechanism for sharing cost of building main lines</li> </ul>	<ul style="list-style-type: none"> <li>Simplify the standard construction cost system</li> <li>Construction cost deposit scheme</li> </ul>	
<b>Supply of electric power driven by customer needs</b>	<ul style="list-style-type: none"> <li>Upgrade customer-site facilities</li> <li>Improve the management of customer facilities of 154KV or above</li> </ul>	<ul style="list-style-type: none"> <li>Improve the criteria for determining service voltage and contract demand</li> </ul>	
<b>Utilization of IT in sales and meter reading</b>	<ul style="list-style-type: none"> <li>Promote low-voltage remote meter reading</li> <li>Provide customized consulting services</li> </ul>	<ul style="list-style-type: none"> <li>Delegate more authorities to customer centers</li> <li>Introduce watt-hour meters for up-front payment</li> </ul>	<ul style="list-style-type: none"> <li>Add more functions to customer centers</li> </ul>

**Strengthening sales capabilities**

2007 In 2007, KEPCO posted 368.6 billion kWh in electric power sales, up 5.7% from 2006. The growth rate of electric power sales, which currently stands at around 5 ~ 6%, is expected to fall drastically to 1% level after 2017, and CESs and small-scale CHP generators will increasingly enter the market. As a result, the electric power market is expected to become ever more competitive. Given the situation, we have transformed many of our programs and initiatives to be more customer-oriented in an attempt to strengthen our service competitiveness.

Also, in order to create business-friendly environment, we are exerting effort to make things easier for businesses by revising unreasonable clauses in the customer contract in favor of our corporate customers. Meanwhile, we invite opinion leaders and general customers to participate in our policy making process by running Customer Satisfaction Advisory Panel and collecting public ideas on service improvement. As such, KEPCO is taking the initiative to provide genuine customer services.

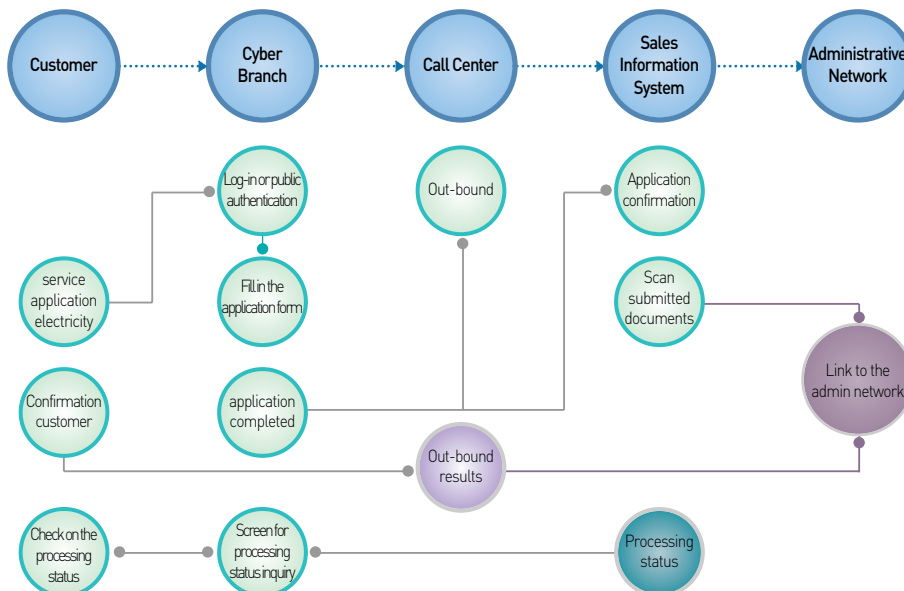
We opened an online electricity service application system (Sept. 2007), which is the first such system introduced in the public service sector in Korea. Thanks to this online application system, up to 2.13 million service applications moved to paperless, leading to a cost saving of 15 billion KRW. This achievement was recognized by the Minister's Prize in the Innovation Best Practice Awards for Public Enterprises hosted by the Ministry of Planning and Budget.

For the convenience of customers, we signed up more financial institutions on our payment collection arrangement that allows online payment via individually designated accounts (Oct. 2007). Also, contract-by-contract billing for large-volume customers, which used to generate multiple bills for one customer, was changed to a unified billing (Dec. 2007). For people with vision disability, we set up a system that issues a bill with voice output (Mar. 2008). These measure earned KEPCO the top position in the Public Enterprise Customer Satisfaction Survey for 9 consecutive years since the survey was launched.

KEPCO is also concentrating on creating new demand for electric power and increasing added value for the country as a whole by replacing all energy sources at homes by electricity. The attempt is proceeding under the name of "Electric Energy House Project" and the feasibility study for the project is now under way.

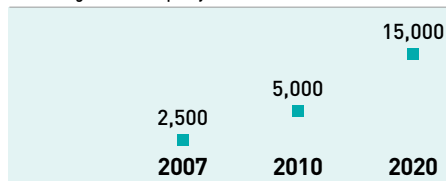
We will continue to transform our sales organization to be more customer-oriented by strengthening our CRM (Customer Relationship Management) system designed to provide tailored services to individual customers. Also, we plan to make our electricity supply process and bill payment scheme more customer friendly in order to maintain and further our distinctive competitiveness.

**[ One-stop service flow for online electricity service application ]**

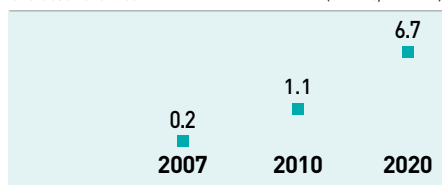


**Mid- to long-term plan for overseas business**

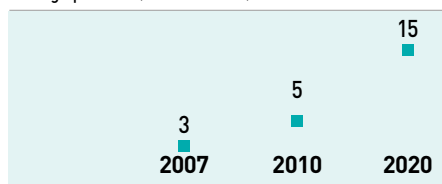
Overseas generation capacity



Overseas revenues (Unit : %, tril. KRW)



Strategic presence (no. of countries)



**New generation projects launched in 2007**

Project	Equity capacity
aShanxi, Chin	937MW
Egbin, Nigeria	202MW
Neimenggu, China (wind power)	92MW
Cebu, the Philippines	120MW
Total	1,351MW

**Key overseas business performance in 2007**

	2006	2007	Note
Region of KEPCO's Overseas	Southeast Asia, Middle East, Africa	Central Asia, Russia, North America, Latin America, Australia added to the existing regions	Diversified regions
No. of Countries	11	35	Diversified countries
No. of Orders Received	10 (thermal:3, T/D: 7)	19 (thermal:4, T/D: 15)	Doubled

**Overseas Business**

To overcome growth constraints imposed by slowdowns of growth in electric power demand at home and abroad and to sustain growth of our business, we are aggressively building presence in overseas markets and thus creating new growth engines for our business.

In 2007, we completed a master plan for our overseas business and rolled out the ERP system for overseas operation, which will provide a set of objective standards in selecting overseas projects. In an attempt to execute performance-oriented business development in overseas markets, we reinforced the strategy function in our organization. Also, we shifted our focus in overseas markets from thermal generation to a more diversified portfolio that includes hydro power, nuclear power, transmission/distribution and telecommunications. Also, moving beyond China and the Philippines where we already have on-going projects, we are adding new locations of our overseas projects in the US, Russia, Central Asia, Africa and Latin America. With these efforts, we are striving to achieve 6.7 trillion KRW in overseas revenues.

At the same time, we are pushing for package deals in overseas locations, which combine electric power generation and resource development to secure fuels indispensable for reliable supply of electric power.

In 2007 alone, we earned 206.5 billion KRW with efficient operations at 7 project sites in the Philippines, China and Lebanon, and posted 12.6 billion KRW in profits for service and management technology consultation. Overall, we saw our profit grow in 2007 by 23% from the previous year (total profit in 2006: 178.1 billion KRW).

In addition, we signed 19 new contracts for projects (thermal generation: 4, T/D: 15) in 2007, which is double the figure posted in 2006. We are targeting over 400 billion KRW in revenues in 2008, which is double the revenues of 2007, by forming strategic alliances with generation companies and domestic EPC (engineering, procurement, construction) providers, strengthening risk management of our overseas projects and developing globally competitive and skilled workforce.

**Hydro and Thermal Electricity Generation**

In the Philippines, KEPCO is operating the Malaya power plant (total capacity of 650MW) and the Ilijan power plant (total capacity of 1,200MW). On top of that, we signed a contract for the Cebu power plant (total capacity of 200MW), consolidating our status as the second largest private-sector power generation company in the country. In China, we won three power plant projects (Wuzhi, Neimenggu and Gansu) in 2006, and won a project combining mining to power generation (12,298MW) in the Shanxi province and another project for capacity expansion (230MW) at a wind farm in Neimenggu. With the signing of contract for the Egbin power plant (1,320MW) in Nigeria, we diversified the locations of our overseas business into Africa.

**Electric Power Transmission and Distribution**

With our technological prowess in maintaining power loss in transmission and distribution at one of the lowest levels in the world, we landed 15 new contracts in the area of transmission and distribution in 2007. Consulting projects, in particular, are expected to serve as a leverage for KEPCO to winning new projects, as is shown by KEPCO's winning of a consulting project in Libya on developing electric power demand and electricity sources and another for the West Africa Power Pool (WAPP) on transmission grid development. KEPCO is taking one step further by considering acquiring equity stakes in foreign transmission and distribution companies to set up an O&M (operation and maintenance) firm.



**Nuclear Power Generation**

As discussions on greenhouse gas reduction to prevent global warming are taking on momentum, nuclear power is coming back into the spotlight. Accordingly, KEPCO is taking a special interest in participating in nuclear power plant projects abroad. Nuclear power plant business has a significantly positive effect on the national economy. For example, 10 nuclear power plants exported would have an effect of raising the GDP by about 3%.

KEPCO has 30 years of experience in commercial operation of nuclear power plants. We also have developed OPR1000, a Korean-standard reactor, and APR1400, a 3rd generation reactor, which are considerably more reliable and economical than the existing nuclear power plants. Against this backdrop, KEPCO is striving to make 2008 the first year of nuclear power plant export. We have executed tailored marketing strategies specific to target markets, and as a result, signed an MOU on nuclear power plant construction (May 2008) with ENKA, a well-established Turkish company. We are also weighing the possibility of exporting nuclear power plants to the US, which is the birthplace of nuclear reactors, as well as Russia, the Philippines, Ukraine and South Africa.

**Resource Development**

KEPCO is aggressively pushing for overseas resource development projects as well in an attempt to secure reliable fuel sources. One of such projects is "Nigeria resource-power generation joint project", which is the first package deal won by a Korean entity that combines upstream with downstream operations in the oil and gas sector. By making equity investments in Cockatoo Coal and the Moolaben mine in Australia, we secured an annualized 4.5 million tons of bituminous coal.

In addition, we bought equities in the exploration projects at Cree East and Waterbury Lake in Canada in order to secure uranium, which is a fuel for nuclear reactors. We plan to seek for more investment opportunities in resource development. At the moment, we are eyeing investment in a uranium mine in Namibia and a coal mine in East Kalimantan, Indonesia.

**Inter-Korean Cooperation**

KEPCO completed construction of a 154kV-grade "Pyeong-hwa" substation, which was designed to accommodate the increasing load in the first stage of the development of the Gaesung Industrial Complex, in May 2007 in such a timely manner that a reliable electric power supply was assured. With our experience with the Gaesung Industrial Complex, KEPCO will play its due role as a leading partner in a range of inter-Korean cooperation projects, thereby contributing to creating a reconciliatory atmosphere between South and North Korea.

**[ Overseas resource development projects ]**

Project	Details
Cockatoo Coal, Australia	10% equity; secured an annualized 2 million tons of bituminous coal
Moolaben mine, Australia	5% equity; secured an annualized 2.5 million tons of bituminous coal
Cree East, Canada	12.5% equity; signed an agreement on uranium exploration
Waterbury Lake, Canada	20% equity; signed an agreement on uranium exploration

**[ Inter-Korean economic cooperation project ]**



Malaya power plant, the Philippines | KEPCO's first overseas project



Agreement on Cree East joint exploration

**Mid- to long-term R&D projects for renewable energy**

<b>Fuel cell</b>	<ul style="list-style-type: none"> <li>Commercialization of 250kW MCFC generation system (12)</li> <li>Development of 100kW distributed SOFC system (14)</li> </ul>
<b>Photovoltaic energy</b>	<ul style="list-style-type: none"> <li>Development of MW-class centrally receiving photovoltaic power generation system (9)</li> </ul>
<b>Hydrogen energy</b>	<ul style="list-style-type: none"> <li>Development of hydrogen production technology based on nuclear power (14)</li> </ul>
<b>Coal gasification power generation</b>	<ul style="list-style-type: none"> <li>Establishment of verification system for 300MW-class demo plant (12)</li> </ul>

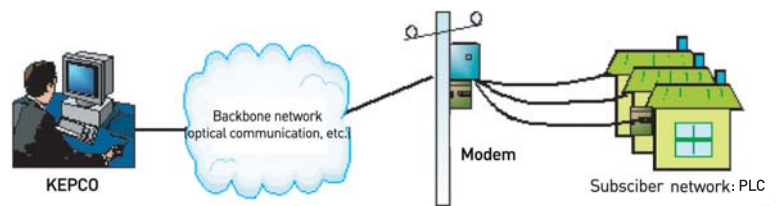
**Fuel cell (SOFC)**



**New Business Opportunities in Electric Power**

KEPCO plans to seek new business opportunities in the fields that are related to electric power in order to be ready for rapid changes taking place in the external environment. In doing so, we will make sure our activities do not interfere with the private sector but bring benefits on the national level.

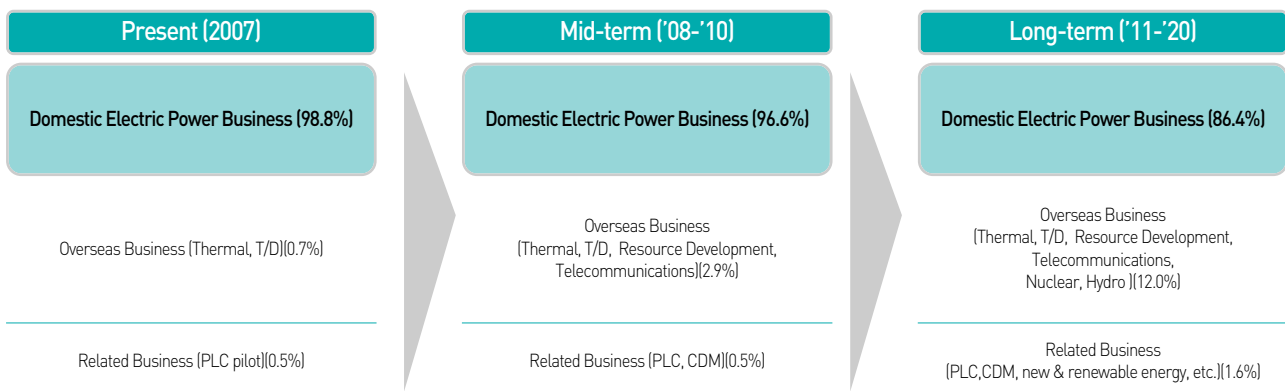
First of all, to lay the foundation for our PLC (power line communication) business, we successfully completed the pilot project for low-voltage remote meter reading on 6,500 households in the years up to 2007, and starting from 2008, we plan to expand the coverage of the remote meter reading to 50,000 households in Pangyo and other satellite cities of Seoul. The pilot project for integrated meter reading, a tripartite effort between KEPCO, the Seoul Metropolitan Government and Seoul City Gas was finished successfully. KEPCO also signed an agreement with the National Emergency Management Agency and the Ministry of Health, Welfare and Family Affairs on the application of PLC technology for their internal safety and welfare programs. We are also pushing for revising the Korea Electric Power Corporation Act to add PLC business to KEPCO's intended business, i.e. the kinds of business that the Act allows the corporation to engage in, in order to prepare an institutional basis for introducing a variety of new services going forward.



In order to turn the challenges posed by climate change into opportunities, KEPCO is pushing ahead with CDM (Clean Development Mechanism) projects in alignment with other overseas projects. As a result, we registered 6 projects, including wind power generation projects in Neimenggu and Gansu in China with an annualized CO<sub>2</sub> reduction of 280,000 tons. Also, we are seeking to engage in CDM business, in which we create carbon credits by dramatically improve the return rate of SF<sub>6</sub> gas at the checking and discardment stages. (SF<sub>6</sub> is used in switches and circuit breakers at transmission/distribution and substation facilities.) If this project achieves its goal, KEPCO will gain an effect of reducing an annualized 2.63 million tons of greenhouse gas and add an estimated 300 billion KRW to its profit base over the next 10 years.

By discovering new sources of renewable energy, KEPCO is not only reducing CO<sub>2</sub> emissions but also lowering its dependence on fossil fuels and creating new business opportunities. In the period from 2006 through 2008, KEPCO and the six GENCOs plan to invest a total of 770.3 billion KRW in developing and promoting new and renewable energy. Also, we will concentrate our capabilities on developing technologies in emerging business areas such as fuel cells, photovoltaic energy and coal gasification.

**New Business Opportunities in Electric Power**



# Continuous Managerial Innovations

## Advancing innovation performance

With the establishment of continuous managerial innovation systems, KEPCO has been successful in achieving high performance even under adverse conditions. In 2007, in particular, although the sudden surge in fuel prices led to significant increase in cost, KEPCO managed to post an estimated 1.6 trillion KRW in net profit without electricity tariff increase. Such an achievement was due to KEPCO's effort for reigning in cost escalation by introducing "Speed Management" practices and executing investments reasonably.

This effort was recognized by KEPCO's garnering Grade 6, the top level in the government's evaluation of innovation practices in public enterprises, for three consecutive years from 2005 through 2007. KEPCO will try to finish the introduction of "lean 6-sigma" as early as possible so as to build an innovation model unique to KEPCO.

## Continuous Upgrade of ERP System

KEPCO's ERP system was rolled out in 2006 as a means to enhance efficiency and transparency of the company's operations as well as to create a basis for continuous managerial innovation. The operation of our ERP system was stabilized earlier than initially scheduled thanks to a series of training in the form of circulating training, collective training and cyber education executed in 2007. The system enabled process innovation, which led to integration of distributed information and real-time sharing of information to assist swift decision making.

## Innovating the Financial System

KEPCO has established a financial innovation system to facilitate sustainable growth. We set up and are operating advanced financial systems such as EVA and ERM in an effort to maximize our corporate value.

We have built an ERM (Enterprise Risk Management) system to be ready for changes in the business environment and systematically manage risks on the enterprise level, and the system has been in operation since 2006. Also, we have taken various risk management measures to take the most advantage of the ERP system, including instituting the enterprise risk management guidelines, developing a risk management framework, and setting up a contingency plan against oil price rises.

To raise the performance of and create more values from our "sub business unit" system, which has now entered a stabilization stage, we are complementing our EVA system and also taking steps to introduce activity-based cost scheme to bring innovation to our cost management.

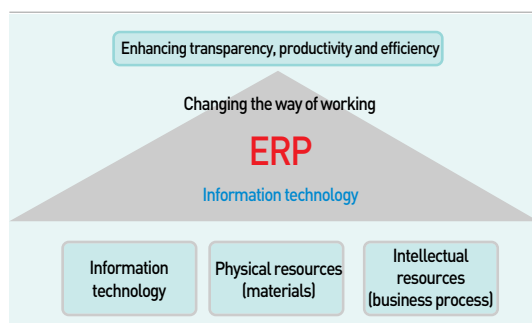
## Competition between Sub Business Units

KEPCO introduced the "sub business unit" system in September 2006 in an effort to raise management efficiency through encouraging internal competition in the distribution business. During 2007, we took various efforts to make the sub business unit system a success by organizing workshops to change the mindset of our employees, monitoring the progress made in the delegation of authorities and fixing problems arising in the process of implementation system.

Also, we laid the foundation for profit-centered performance evaluation with the issuance of independent financial statements for individual sub business units, which was made possible through separation of accounts between transmission and distribution business and application of fair replacement costing. We have made various efforts to enhance profitability of sub business units, such as identifying and disseminating best practices in running sub business units and conducting research into methods for lowering the purchase prices of electric power.

In addition, we are looking for ways to develop the electric power industry in a more efficient manner based on the outcome of a commissioned research project on reasonable development of the domestic electric power industry of Korea.

### [ ERP execution strategy ]



### [ Financial performance indicators ]

Financial objective	Performance indicator
<b>Enhance profitability</b> Prepare against declining demand and intensifying marketing competition	→EVA, ROA
<b>Improve financial structure</b> Enhance corporate value & increase financial security	→Debt ratio
<b>Strengthen crisis response</b> Rapid changes in external environment, such as oil prices and foreign exchange rates	→EaR
<b>Raise shareholder value</b> Advocate shareholder interests & place priority on shareholders	→Share price, creditrating

# Development and Commercialization of Core Technologies

	2007	2020
<b>Researchers</b>	2.2% of total workforce	3.2% of total workforce
<b>R&amp;D Investment</b>	4.0% of net sales	7.3% of net sales
<b>Technology development strategy</b>	Independent development of electric power technology - Network connection, generation turbine, etc.  * KEPCO's energy storage and superconductivity technologies are already world-class.	Develop and commercialize core technologies - in 5 areas including new and renewable energy

In an effort to create future growth engines through technology development, KEPCO plans to increase its R&D investment from 4% of total sales in 2007 to 7% by 2020.

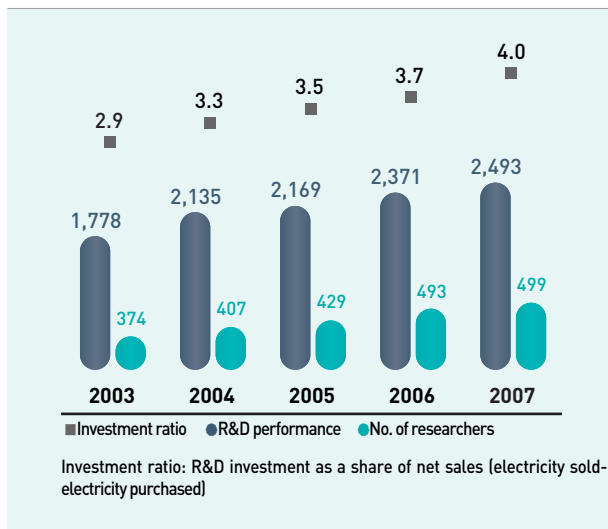
We built a data warehouse to provide integrated R&D information services, which contributed to making our R&D business more efficient. Also, we maximized our technology planning capability by reshuffling our organization around core technologies geared toward profit generation. For example, Technology Planning Division was set up at the head office and Research Strategy Department was established within the Korea Electric Power Research Institute. Through such efforts, KEPCO became the first Korean R&D organization to acquire ISO 9004 certification (July 2007), and provided 2,300 technology assistances, filed 264 patent applications and conducted 41 technology transfers.

In order to secure growth engines based on core technology development capabilities, KEPCO chose six technology projects last year and is concentrating our effort on them.

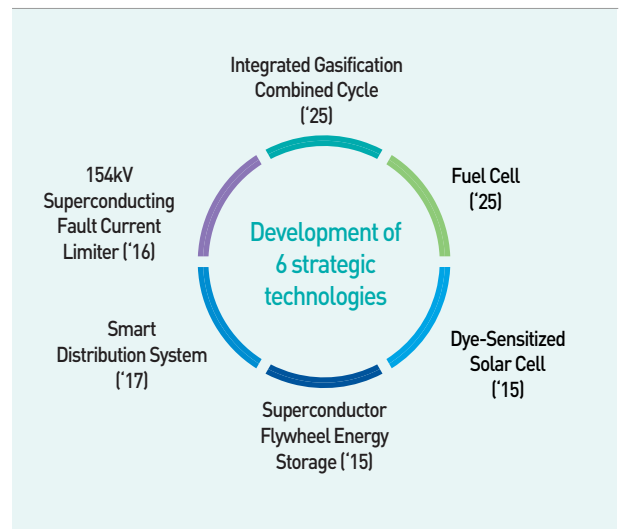
These projects are expected to open new doors to related businesses for KEPCO over the mid- to long-term so that we can enhance our profitability, and also to help us reduce greenhouse gas emissions so that we will be ready for the climate change convention.

In addition, 7 researchers at KEPCO were listed on the top 3 global biographical dictionaries and 20 researchers on Marquis Who's Who. One researcher at KEPCO was named as one of "Korea's 10 Creative Minds" in 2007. As such, KEPCO's outstanding research manpower contributed to raising our brand value.

[ R&D investment & researchers ]

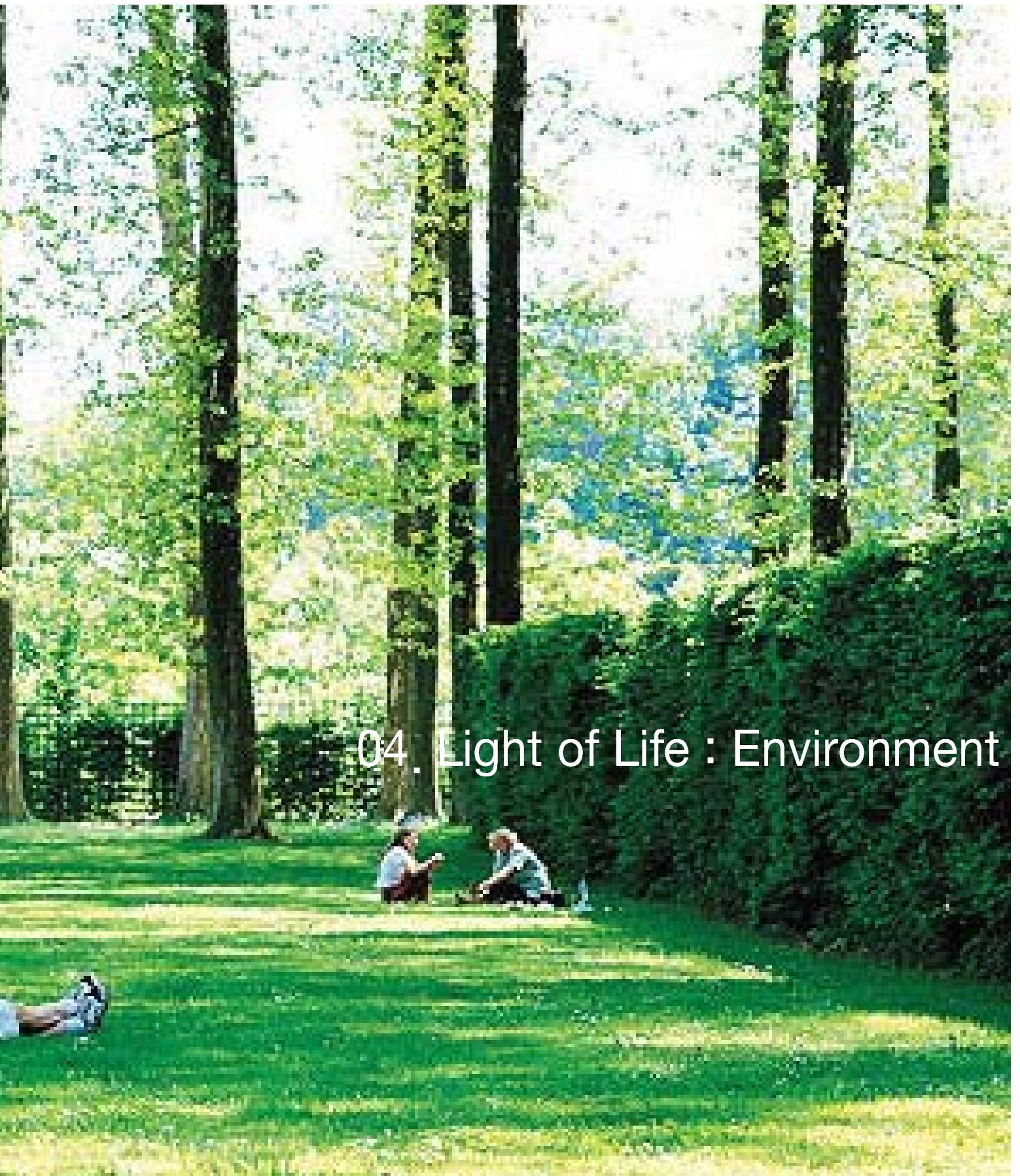


[ 6 strategic technologies & target year for commercialization ]









04. Light of Life : Environment

# Strengthening the Integrated Environmental Management System

## Environmental Policy

KEPCO, as a company that produces and supplies electronic power, the engine of national competitiveness, sets and observes the environmental policy as below in order to fulfill our social responsibilities through environment-friendly management, increase KEPCO's environmental management capabilities to the level of "global top 5 in the energy utility sector by 2020," and achieve our goal of becoming a "world-class electric power company growing with customers."

### Enhance eco-efficiency by implementing environment-friendly management

1. Accomplish environmental management objectives by complying with environment-related laws and regulations and implementing, operating and continuing to enhance the environmental management system that meets the global standards.
2. Conduct training necessary for our employees to take the initiative in implementing environmental management activities and strengthen stakeholder communication.
3. Promote the reuse of materials and the use of environment-friendly products to reduce environmental burden at source and contribute to bringing about an eco-efficient society in which resources are recycled.

### Make best efforts for the greening of the entire power supply chain ranging from production, transportation, sale and consumption of electric power.

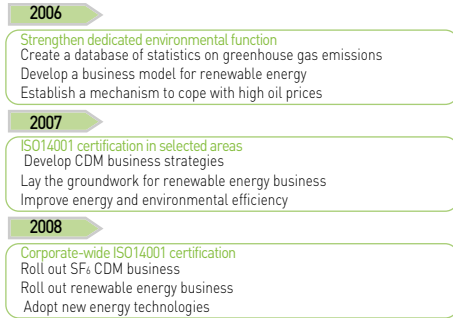
1. Strengthen environment-friendly management of the power supply chain and cooperation under the goal of advancing sustainability of our society through environment-friendly production and supply of electric power.
2. Construct and operate environment-friendly facilities and minimize the power loss through efficient operation and management.
3. Conduct various activities for energy saving, such as load control and efficient use of electric power, to enhance the efficiency of energy use of the nation.

### Understand the seriousness of climate change, the global environmental challenge, and actively cope with it

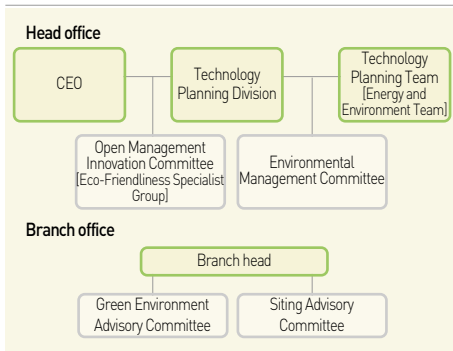
1. Provide leadership for the group-level joint response to climate change issues, the global environmental challenge.
2. Continue to reduce greenhouse gas emissions by developing and promoting environment-friendly energy, conserving energy use and improving facilities.
3. Actively support the activities to reduce indirect greenhouse gas emissions from power use through systematic demand-side management and by boosting efficiency of transmission and distribution.

August 16, 2007

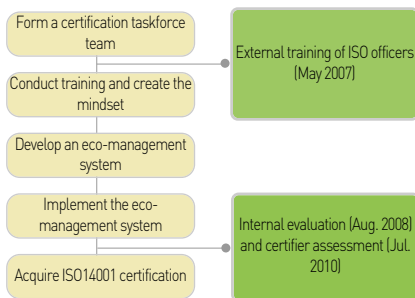
**[ Roadmap for integrated environmental management ]**



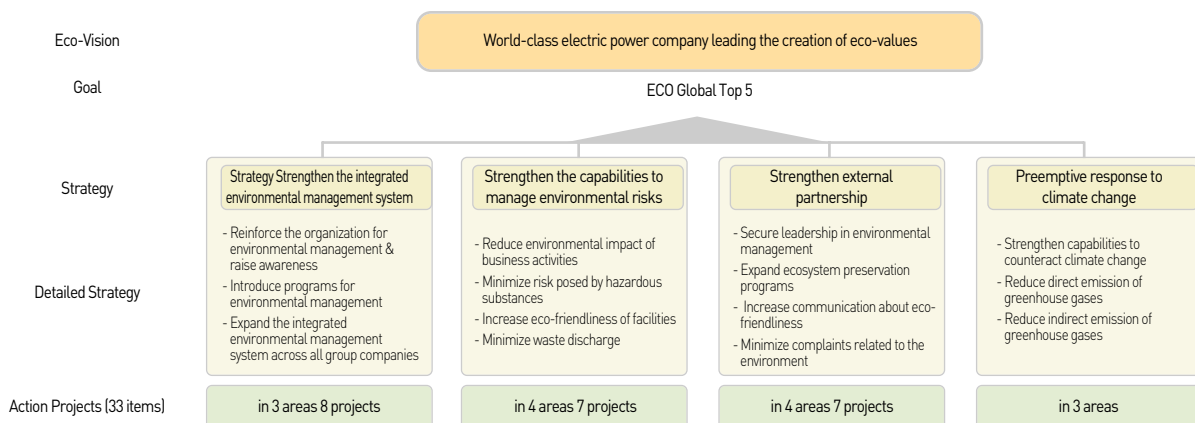
**[ Organizational structure for environmental management ]**



**[ ISO14001 Certification Procedure ]**



**[ Mid-to Long Term Environmental Management Masterplan ]**



**Integrated Environmental Management System**

In October 2007, KEPCO drew up a "Mid- to Long-Term Environmental Management Masterplan," which is aimed at undertaking environmental management more systematically and thereby making sustainable development possible.

**Organization**

In 2004, KEPCO set up "Eco-Friendliness Specialist Group" consisting of external specialists under the "Open Management Innovation Committee," the purpose of which is to assist the decision making by the CEO. In 2006, we beefed up our environment-related function as "Energy Policy Team" was reshuffled and expanded into "Energy and Environment Team." Such organizational change was a move intended to integrate and coordinate environment-related activities that used to be performed separately by individual departments. In 2008, we formed Environmental Management Committee to strengthen environmental management capabilities across the company.

Meanwhile, each branch office at various locations nationwide carries out environmental management activities that suit their specific needs in accordance with the environmental policy and guidelines given by the head office. "Green Environment Advisory Committee" is placed in every transmission/substation facilities nationwide, in which local residents and representatives of environmental groups participate to have their voice heard. Also in operation on the branch office level is "Siting Advisory Committee" with the participation of representatives of local residents and municipalities to ensure objectivity and transparency in site selection process for transmission/substation facilities

**Objective of environmental management**

The mid- to long-term objective of our environmental management is to catapult KEPCO into the ranks of the global top 5 in the energy utility sector. To do this, we have developed and are executing strategies and action items in the four areas according to the Environmental Management Masterplan.

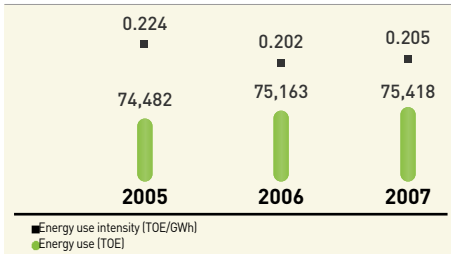
**Certification of environmental management system**

In October 2007, KEPCO earned ISO14001 certification for its environmental management system at 5 transmission/distribution branch offices. Our goal is to have all units of the company certified by the end of 2008.

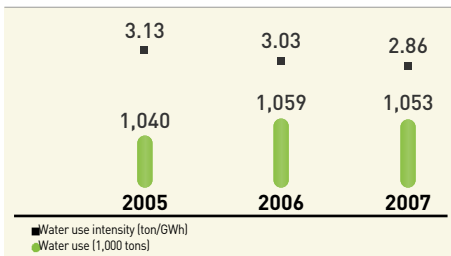
**Promoting the mindset for environment-friendliness**

KEPCO continues to make efforts to transform itself into an environment-friendly company with global standards. We are trying to internalize environmental management capabilities and raise the environmental awareness of our employees. Specifically, we have put together an environmental management manual and enacted standard operation procedures. Also, we provide environmental education and have developed on-line classes for environmental education.

**[ Energy use ]**

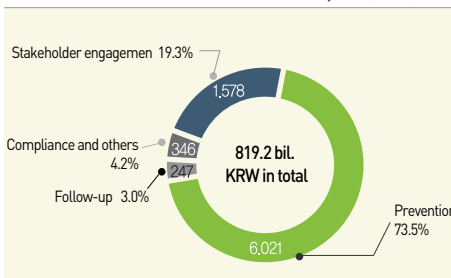


**[ Water use ]**



**[ Environmental Expenses ]**

[unit: 100 million KRW]



**[ Energy and water conservation efforts in 2007 ]**

**Strengthen the energy conservation system**

- Active involvement of the Energy Conservation Committee (chaired by the EVP)
- Intensive control of air conditioning temperatures by designated employees

**Improve energy use efficiency**

- Achieve the energy use reduction target (below target for the previous 2 years) by adopting energy consumption caps
- Install high-efficiency equipment: 130MW
- Install electricity-saving office equipment : 7,561 units

**Raise awareness of energy conservation**

- Conduct energy saving campaigns
- Disseminate best practices and conduct training in energy conservation: all branch offices
- Have energy officers participate in professional trainings

**Improving Environmental Efficiency**

In 2007, we revised our "Energy Conservation Guidelines" in line with the government's energy saving drive in a way that rationalizes our energy use. Also, we made more efficient use of energy by promoting the use of high-efficiency energy equipment and power-saving office appliances, and created an environmental management information system. These measures represent our effort to promote conservation and rational use of energy and strengthen the mindset for energy savings. In addition, we are taking the lead in energy conservation by conducting "C-15 (Cut 15%)", an internal campaign to cut electricity use by 15%, and "BMW (Bicycle or Bus, Metro, Walking)" campaign .

**Calculation of environmental expenses**

We developed eco-accounting guidelines in May 2008, with which we calculated the environmental expenses incurred in 2007. Environmental expenses were broken down into prevention and follow-up activities, stakeholder engagement, compliance and recovery activities. We followed the guideline prepared by the Ministry of Environment in selecting the aforementioned measures for environmental expenses. The environmental expenses incurred in 2007 totaled 819.2 billion KRW, accounting for 3% of the cost of goods sold. Most of the expenses was spent on purchasing renewable energy, build environment-friendly power facilities, and conduct R&D on climate change countermeasures.

**Reducing use of energy and water**

In 2007, KEPCO used 75,418 TOE of energy and 1,053,000 tons of water. Thanks to the use of high-efficiency equipment and improved efficiency of facility use, energy use intensity (energy use divided by electric power sold) was 0.205TOE/Gwh, or 0.001TOE/GWh off of the target (0.206TOE/GWh). Water use intensity (water use divided by electric power sold) was 2.86 tons/GWh, down 0.18 ton/GWh from 2006. There was no use of recycled water.

Also, we plan to boost the recycling rate for resource of all kinds to upward of 95% over the long term by strengthening company-wide waste recycling.

**Environmental impact of company vehicles**

KEPCO is striving to reduce pollution generated by company vehicles. Out of the 149 new vehicles purchased in 2007, approximately 88% are green cars (90 compact cars, 41 hybrid cars). In 2007, the number of vehicles owned by KEPCO for business purposes edged down by 10 units to 3,151 units, including 1,747 passenger cars of which 81.7% or 1,427 units are green cars. In 2007, fuel consumption by the company fleet stood at 7,247,000 l .

**[ Share of green cars in the passenger car fleet for business purposes ]**

Category	2005	2006	2007
Passenger care for business purposes (unit)	1,621	1,740	1,747
Compact car (unit)	1,296	1,380	1,369
Hybrid car (unit)	12	16	58
Total no. of green cars (unit)	1,308	1,396	1,427
Share of green cars (%)	81.1	80.2	81.7



**[ Waste generated and recycled in 2007 by type ]**

Category (ton)	Generated(ton)	Recycled(ton)	Recycleing rate(%)
Concrete	266,170	238,520	89.6
Metal	22,931	22,931	100.0
Ceramics	8,431	7,773	92.2
Cables	21,130	21,130	100.0
Other	2,578	2,459	95.4
Total	321,239	292,814	91.2

**[ Total materials used ]**

Category (ton)	2005	2006	2007
Concrete	484,256	484,206	574,801
Metal	88,763	98,534	90,492
Ceramics	2,823	3,207	4,728
Cables	34,830	42,558	46,267
Other	4,078	4,988	4,831
Total	614,750	633,493	721,119

**Resource Recycling and Control of Hazardous Substances**

**Promoting recycling**

KEPCO intends to be proactive in tackling global environmental challenges, fulfill social responsibilities in the area of environmental preservation and ultimately pursue sustainable development for the county as well as itself. Do to so, we manage the rate of recycled resources used in our facilities within the range that does not hamper the stability of electric power supply. Waste generated from our business is mostly waste concrete poles, old transmission towers, insulators and electric cables. These are highly valuable resources, of which a whopping 91.2% was recycled.

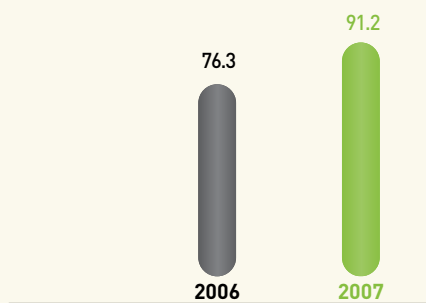
**Green purchasing**

KEPCO is increasing the share of green purchasing. In 2007, the total value of green products purchased amounted to 11.8 billion KRW, rising 4.3 times the figure posted in 2006, and it accounted for 65.5% of the total goods purchased, such as expendables

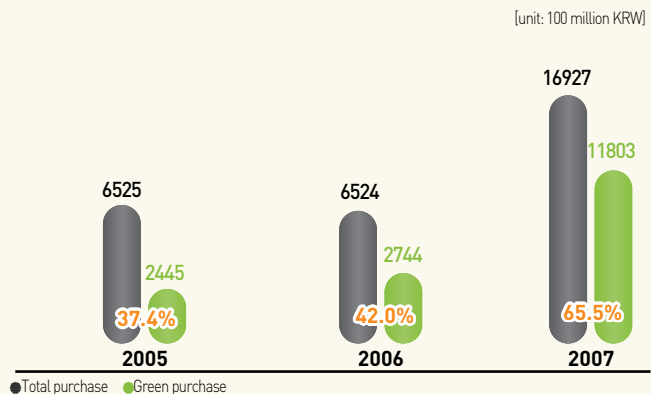
**Management of PCBs**

In accordance with the Stockholm convention (signed on May 17, 2004) and the goal set by the Ministry of Environment to completely phase out polychlorinated biphenyls or PCBs by 2015, KEPCO has formed a PCBs policy consultative panel with the participation of the Ministry of Environment and other external stakeholders to discuss matters related to research funding and treatment technology development. Also, we set up an internal function dedicated to PCB control to study efficient analysis methods, and signed a PCB treatment agreement with waste treatment companies. Going forward, we will continue to strengthen our capabilities for managing PCBs and comply with environmental laws and regulations.

**[ Annual resource recycling rate(%) ]**

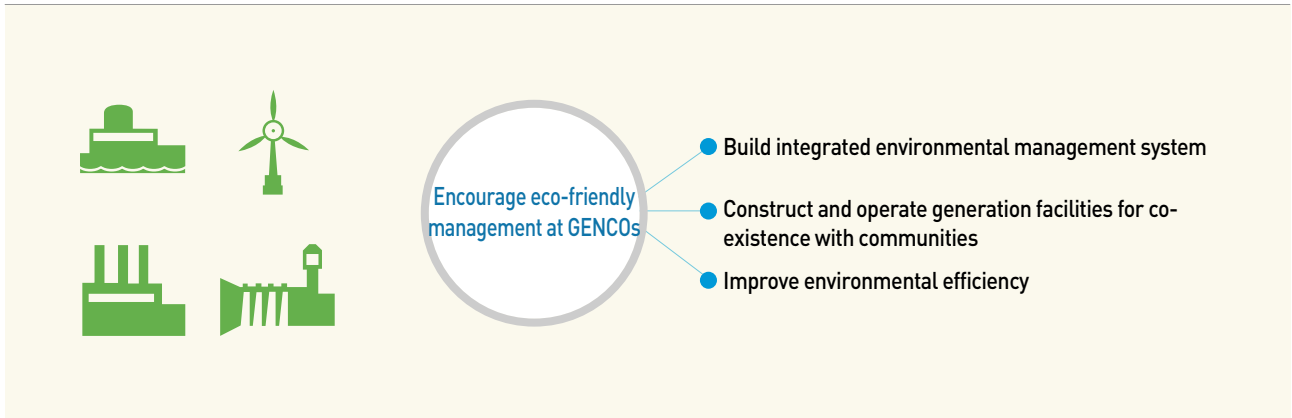


**[ Value and share of green purchasing (million KRW / %) ]**

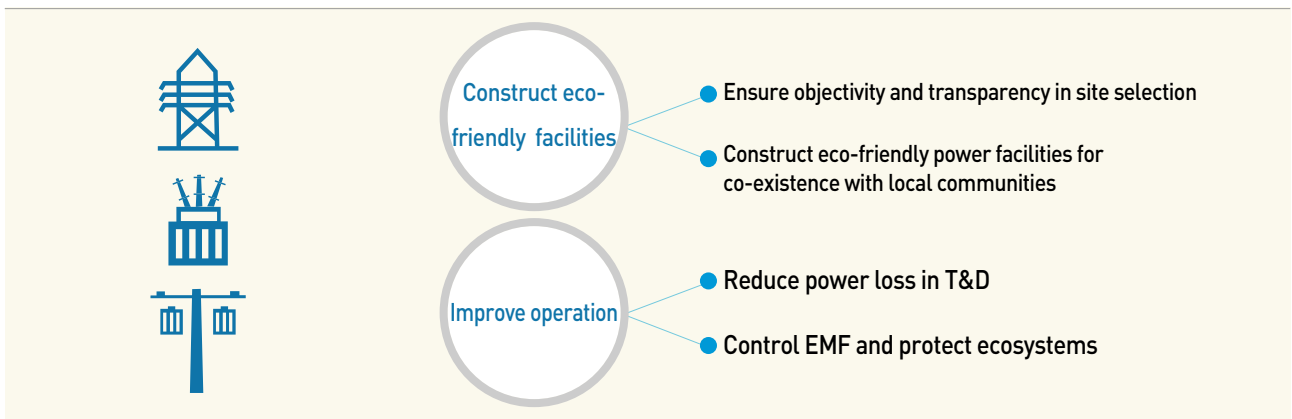


# Environment-friendliness in Power Supply Chain

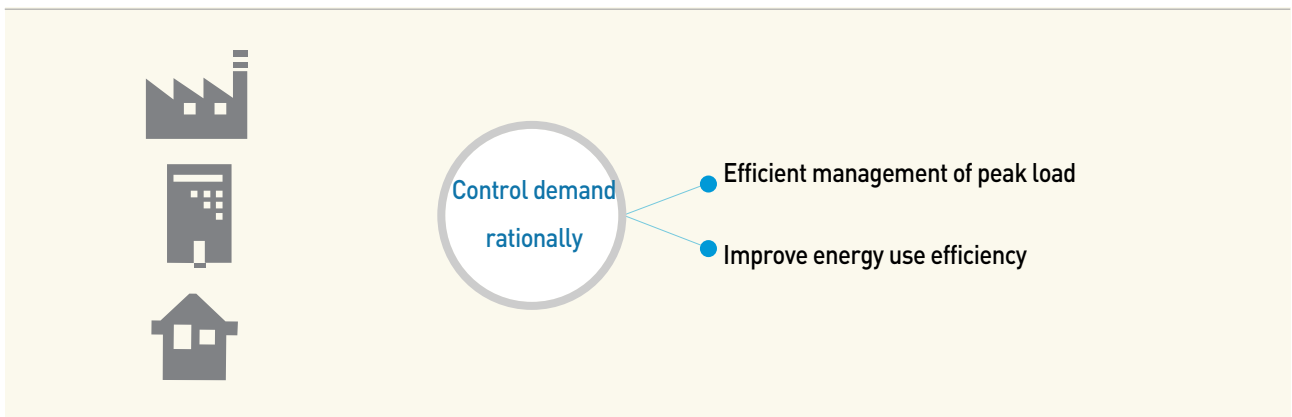
## 【 Production 】



## 【 Transportation 】



## 【 Sales 】

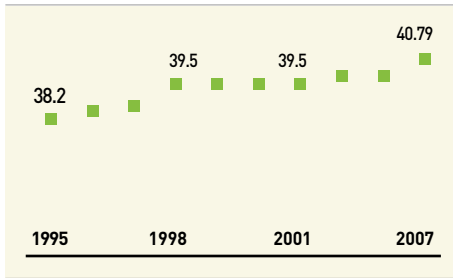


**[ Environment-related spending by GENCOs in 2007 ]**

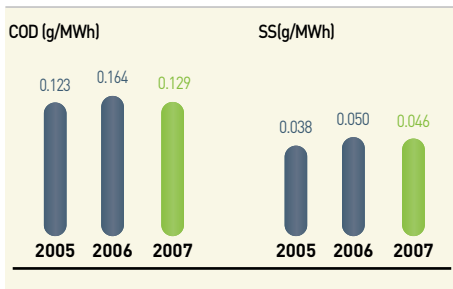
(Value: million KRW)

GENCO Korea Hydro and Nuclear Power	8,427
Korea Southeast Power	43,495
Korea Midland Power	43,891
Korea Western Power	46,500
Korea Southern Power	91,283
Korea East-West Power	163,495

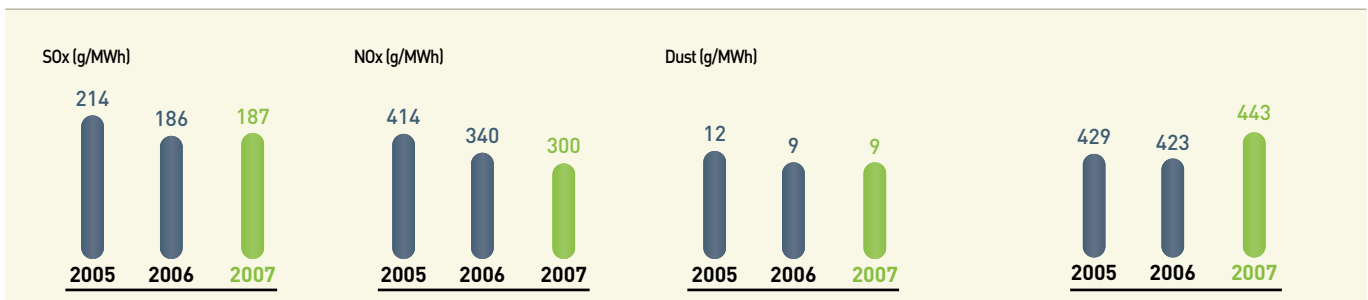
**[ Thermal efficiency at P/P(%) ]**



**[ Discharge of water contaminants ]**



**[ Emission of air pollutants ]**



**[ CO<sub>2</sub> emission (kg/MWh) ]**

**Production Stage**

KEPCO and the management of the GENCOs closely cooperate to coordinate between generation and transmission/distribution through consultative bodies in order to make the electric power supply chain environment-friendly.

Also, the presidents of the GENCOs pledged to promote eco-friendly operations by signing business management contracts with KEPCO, and the progress made by each GENCO is evaluated every year.

**Integrated environmental management system**

In 2007, all branch offices of the GENCOs acquired ISO14001 certification, and the GENCOs spent approximately 397.1 billion KRW in the areas related to the environment.

**Co-existing with local communities**

When constructing or expanding generation facilities, GENCOs conduct environmental impact assessment to identify possible impact on the natural environment and traffic conditions in the nearby areas. Also, they conduct follow-up environmental impact assessment and report the results to the government every year for the first 5 years following the completion of construction.

**Increasing eco-efficiency**

GENCOs have installed and are operating de-sulfurization systems, de-nitrification systems and dust collectors, and are increasingly using clean energy sources to reduce the emission of SOx, NOx and dust during power generation.

Also, all wastewater is collected at the central wastewater treatment facility for physical and chemical treatment, and it is discharged after treatment or reused. Coal fly ashes generated at coal-fired power plants, are 100% reused as a raw material for manufacturing cement. As such, we are making contribution to realizing a resource recycling society.

In 2007, de-sulfurization systems, de-nitrification systems and dust collectors were installed at all generators operated by GENCOs, and as a result, the likelihood of air pollution has been minimized. But, CO<sub>2</sub> emission was up 11% year on year due to the significant increase in the number of thermal power plants. Volume of waste generated edged up slightly from 2006 to 69,892kg/MWh, but waste recycling rate also rose 7.6% year on year to 66.9%.

**[ Measures to secure objectivity and transparency in siting process ]**

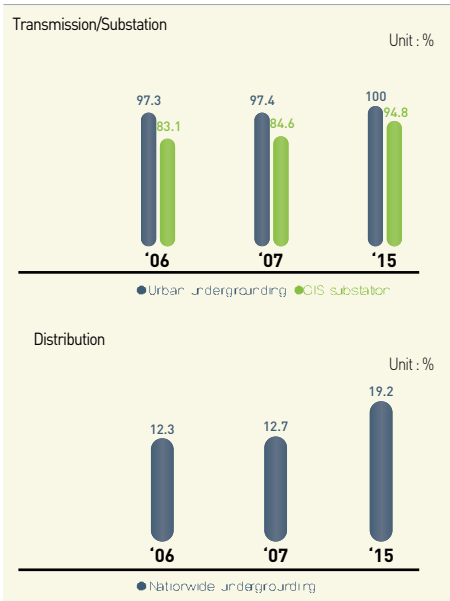
**Increasing the use of scientific tools**

- Minimize damage on forests by applying LiDAR (light detection and ranging) for selecting transmission corridors
- Select ideal sites by using the electricity effect evaluation system (GIS + 3D CAD)

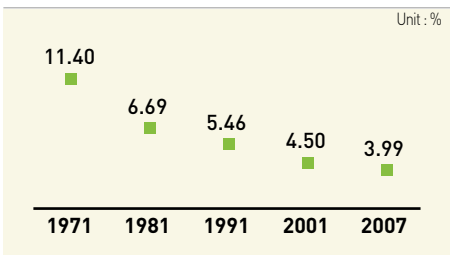
**Engaging stakeholders**

- Enacted implementation standards for electric power impact assessment: Ensure stakeholder engagement in the siting process
- Green Environment Advisory Committee : Disclosure of corporate information & resolution of local community issues (12 sessions)
- Continued execution of the Ombudsman program with the participation of environmental groups and local residents : 9 sessions

**[ Undergrounding of electric power facilities ]**



**[ Power loss during T&D ]**



**Transportation Stage**

Transportation of electric power involves timely construction and efficient operation of power transportation facilities. We are taking measures designed to make transportation eco-friendly, such as securing objectivity and transparency in the site selection process; expanding the construction of environment-friendly facilities that can harmonize with local communities; striving to reduce power loss during T&D; and, protecting ecosystems and controlling EMF radiation.

**Securing objectivity and transparency in siting process**

In order to make the site selection process for T&D facilities more objective and transparent, we are increasingly using cutting-edge scientific tools, and keep communication channels open to incorporate the opinions of local residents, environmental groups and other various stakeholders in the process.

**Coexisting with local communities**

We are increasingly constructing environment-friendly electric power facilities. We use environment-friendly equipment that harmonize with the neighborhood and the nature, apply eco-friendly building methods, and construct environment-friendly substations.

Also, we make sure the environmental considerations, such as environmental impact assessment, are incorporated from the very first stage of transmission/substation site selection, and release information on the progress of the construction schedule and the future environmental impact to be made by facility operation. In particular, we conduct extra EIAs with regard to the possible impact on the natural environment in case transmission/substation facilities are constructed in proximity to natural parks, wetland preserves, and the areas designated for ecosystem and landscape protection. In 2007, we conducted consultation on environmental and social impact of large-scale construction projects, including the construction of 765kV Shingori-Bukgeongnam transmission route.

We formed and have been operating "Underground Installation Committee" since 2003 to expand underground installation of T&D lines. Our objective is to underground 100% of transmission lines in major urban areas by 2015.

**Reducing power loss during T&D**

We are making various efforts, such as upgrading T&D voltages, expanding the capacity of T&D lines, and utilizing highly reliable equipment, to reduce power loss in the T&D stage. As of 2007, we are maintaining the power loss rate at 3.99%, one of the world's lowest levels. As a result, we were able to cut power generation cost (220 billion KRW per 1% point of power loss per annum, as of 2007), minimize the need for constructing additional generation facilities and contribute to reducing greenhouse gas emission.

**Control of EMF and ecosystem protection**

EMF is a kind of electromagnetic energy generated by a flow of electricity or magnetic fields. Electromagnetic waves radiated from electric power facilities are weaker than those generated by home appliances. Also, foreign authorities including the World Health Organization (WHO) and the National Cancer Institute (NCI) of the U.S. report that electromagnetic radiation has minimal impact on humans and animals.

The land area occupied by power facilities within ecosystem reserves totals 9,794km<sup>2</sup>. We are refraining from building new transmission lines in the areas designated as ecosystem reserve while seeking to preserve biodiversity.

**[ Efforts for controlling summer peak load in 2007 ]**

**Strengthen summer peak load management**

- 24% increase in the number of customers participating in the load control program by encouraging them to sign load reduction agreements with KEPCO
- Introduce two-way load management programs over the longer term

**Expand cooling demand management business and develop related technologies**

- Promote the use of ice storage systems and remotely controlled air conditioners : 553MW
- Develop and commercialize control technology for central HVAC refrigerators
- Develop and launch business for thermal storage cooling showcases

**[ Efforts for efficient use of electricity in 2007 ]**

**Resetting the portfolio of subsidized high-efficiency devices**

- New types of high-efficiency devices subsidized  
LED lighting : 80% saving on power consumption  
Metal halide lamp : 30% saving on power consumption  
High-efficiency transformer : magnetic domain refinement transformer

**Strengthen energy efficiency consulting**

- Lotte Mart : 217 units of high-efficiency inverter(2,000kW) installed at 64 outlets nationwide, energy efficiency consulting provided
- S-Oil : 221,950 units of high-efficiency lighting at 1,500 gas stations replaced altogether, 8,008kW/year saved

**Sales Stage**

KEPCO seeks to balance supply and demand of electric power through active and systematic demand-side management (DSM) and improve the efficiency of its facilities. By doing so, we are contributing to the energy conservation policy on the national level.

In 2007, KEPCO cut 4,345MW of electric power demand, which is more than the electricity generated by four 1,000MW-class nuclear power plants combined. This accounts for 73.3% of the national DSM target. Also, the load factor, a measure that indicates the degree of utilization of electric power facilities, stood at 73.9% at KEPCO, recording one of the world's top levels

**Efficient management of peak load**

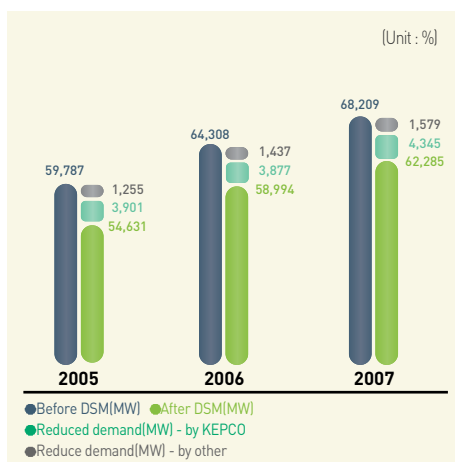
KEPCO is managing peak load efficiently by executing various load control programs, expanding use of ice storage systems, and developing and disseminating technology-intensive demand control techniques. As a result, KEPCO successfully cut down 3,444MW of summer peak load, which is a record high, in 2007.

**Efficient use of electricity**

We have been striving to increase efficiency of energy use on the national level by resetting the portfolio of subsidized high-efficiency devices and stepping up energy efficiency consulting.

In 2007, we added new types of high-efficiency devices to the subsidy program, and provided consulting services to large-volume customers, such as Lotte Mart stores and S-Oil gas stations. As a result, in 2007, high-efficiency devices equivalent to 1,023MW were distributed, up 16% from 2006. Distribution of high-efficiency devices enabled us to save 2,263GWh of energy, equivalent to one year's electricity consumption by a population of 310,000 (per capita electricity consumption in Korea in 2006: 7,191kWh).

**[ DSM performance ]**



**[ Major DSM programs ]**

	Program	Incentive
Load management	Change of vacation/repair periods	650 KRW/kW adjusted
	Voluntary saving	140 KRW/kW adjusted
	Emergency saving	270 KRW/kW saved
	Ice storage cooling system	350,000-480,000 KRW/kW reduced
	Direct load control	Base subsidy (800 KRW/kW) + control subsidy
	Remote-controlled A/C	290,000-1.87 million KRW depending on model
	Demand controller	3 million KRW/unit
Efficiency improvement	High-efficiency lighting device	1,400-3,100 KRW/unit installed
	High-efficiency inverter	130,000-170,000KRW/kW saved
	High-efficiency vending machine	200,000 KRW per unit
	High-efficiency transformer	400,000-5.3 million KRW depending on capacity



# Coping with Climate Change Issues

[ Impact on power industry ]



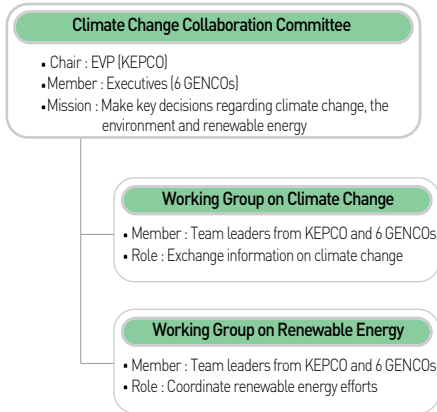
**Impact on power industry**

- Increase in purchase prices due to rising generation costs
- New business opportunities arising from climate change convention
- Rising demand for renewable energy
- Change in generation fuel mix with caps imposed on fossil fuel volumes

**KEPCO group level strategies**

- Deploy response systems at an early stage with climate change convention taking effect
- Establish a system for reducing greenhouse gas emissions and make preparations for utilizing the Kyoto mechanism
- Develop more renewable energy sources and create new business opportunities
- Deploy low-carbon energy systems based on higher energy efficiency

[ Structure of Climate Change Response Committee ]



**Strengthening Group-level Joint Response**

Korea is not required to cut greenhouse gas emissions under the "Kyoto Protocol," which came into force in February 2005. Still, it is highly likely that Korea will have to join the 2nd round of reduction scheme from 2013. If an obligation for reducing greenhouse gas emissions is imposed on Korea some time later, it will have a huge impact on KEPCO's business because the electric power sector accounts for about 26.7% of CO<sub>2</sub> emission in Korea. Under the circumstances, KEPCO and the GENCOs see both challenges and opportunities for their business in climate change issues, and are making efforts to efficiently respond to them.

Back in 2005, KEPCO and the GENCOs set up "Climate Change Collaboration Committee" in an effort to proactively participate in the preservation of the earth's environment and establish a sustainable energy system ready for the shift in energy paradigm. The committee is chaired by the Executive Vice President of KEPCO with executives from the GENCOs participating as members. Under the committee, there are two working groups on climate change and renewable energy.

In July 2005, KEPCO signed an agreement with the government on the supply of renewable energy. Under the agreement, we invested 207.7 billion KRW in 2007 (KEPCO: 23.7 billion KRW, 6 GENCOs: 184 billion KRW) in the development and promotion of renewable energy. For the 3-year period of the agreement extending from 2006 to 2008, we plan to invest a total of 770.3 billion KRW (KEPCO: 80.6 billion KRW, 6 GENCOs: 689.7 billion KRW) in this area.

[ Group-level joint response to climate change ]

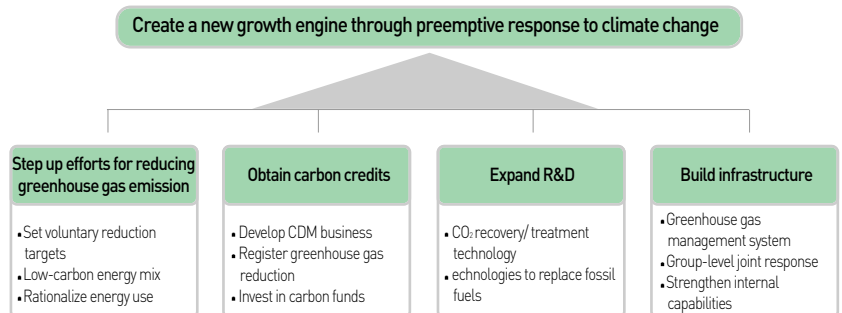
**Response**

- Develop an application for capturing statistics on greenhouse gas emissions by group companies
- Push for third party verification of the greenhouse gas inventory

**Future plan**

- Research project for calculating the reduction potentials in generation and T&D
- Set voluntary greenhouse gas reduction targets for KEPCO and group companies

[ Scheme for countering climate change ]



**Step up efforts for reducing greenhouse gas emission**

- Set voluntary reduction targets
- Low-carbon energy mix
- Rationalize energy use

**Obtain carbon credits**

- Develop CDM business
- Register greenhouse gas reduction
- Invest in carbon funds

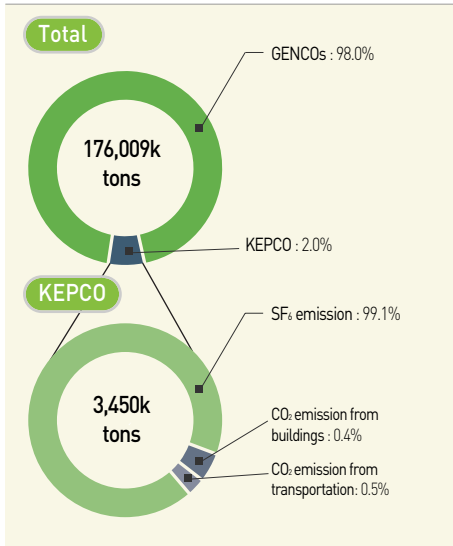
**Expand R&D**

- CO<sub>2</sub> recovery/ treatment technology
- echnologies to replace fossil fuels

**Build infrastructure**

- Greenhouse gas management system
- Group-level joint response
- Strengthen internal capabilities

**[ Greenhouse gas emission by sector (2007) ]**



**[ Greenhouse gas emission statistics system ]**

**Coverage**

- KEPCO and the 6 GENCOs

**Progress**

- Emission statistics program developed and verified : Jan. ~ May '07
- Guidelines set for building a database of greenhouse gas emission statistics : Sept. '07

**[ CDM business strategy ]**

**Strategy I**

- Shift the focus of domestic and international business activities toward CDM business
- Accumulate business development experience and get involved in more projects

**Strategy II**

- Establish CAMS
- Build capabilities for effectively obtaining and selling emission credits

**Sustainable development through creation of new growth engines**

**Reducing Greenhouse Gas Emissions**

The generation of greenhouse gas emissions by KEPCO and the 6 GENCOs can be classified into two forms: direct emissions, such as CO<sub>2</sub> emission caused by fossil fuel burnt at power plants and SF<sub>6</sub> emission from switches in power systems, and indirect emissions resulting from power loss in T&D.

The total direct greenhouse gas emissions from the electric power sector, including the generation segment, increased 21,987 tons from 2006 to reach 176,009,000 tons in 2007. Of the total, 3,450,000 tons came from KEPCO. Emissions by KEPCO consist of emissions from company buildings and transportation, and SF<sub>6</sub> emissions.

In 2007, we developed a greenhouse gas emission management system that meets the international and national standards. In 2008, we plan to secure objectivity and reliability of the system and emission statistics through third party verification.

Meanwhile, KEPCO is pushing for CDM business at home and abroad as a way to actively cope with the climate change convention. We sought for wind power business opportunities in overseas locations like Gansu Province, China, and as a result, acquired greenhouse gas credit of 280,000 tons. Domestically, we acquired an emission credit of 80,000 tons per annum through photovoltaic power generation by Donghae Thermal Power Plant.

**Developing Eco-friendly Technologies**

KEPCO owns a world-class carbon capture and storage technology which helps save 40% or more in CO<sub>2</sub> collection cost. Also, various CO<sub>2</sub> emission reduction technologies are under research and development at KEPCO, such as pulverized coal combustion technology, ultra supercritical power generation technology, circulating fluidized-bed combustion technology, pollution control technologies like de-sulfurization and de-nitrification, and commercialization technology for 300MW-class IGCC.

Also, KEPCO formed a strategic alliance with POSCO to lay the foundation for fuel cell business, and is carrying out a total of 21 projects, including construction of verification plant for 300MW-class Korean-model IGCC.

**[ Core technology development in renewable energies in 2007 ]**

<b>Fuel cell</b>	<ul style="list-style-type: none"> <li>• 250kW-class MCFC system commercialized</li> <li>• 5kW-class SOFC system developed</li> <li>• MOU signed between POSCO and KEPCO for cooperation in fuel cell business</li> </ul>
<b>Wind power</b>	<ul style="list-style-type: none"> <li>• Verification study on network-connection of offshore wind turbines (Northern Jeju)</li> </ul>
<b>IGCC</b>	<ul style="list-style-type: none"> <li>• Verification plant for 300MW-class Korean-model IGCC constructed &amp; operated</li> </ul>
<b>Photovoltaic energy</b>	<ul style="list-style-type: none"> <li>• MW-class centrally receiving photovoltaic generation system developed</li> </ul>
<b>Hydrogen energy</b>	<ul style="list-style-type: none"> <li>• Nuclear power-based hydrogen production technology developed</li> </ul>
<b>Bio-energy</b>	<ul style="list-style-type: none"> <li>• Commercialization technology developed for generation systems using animal waste</li> </ul>



## 05. Light of Love : Society

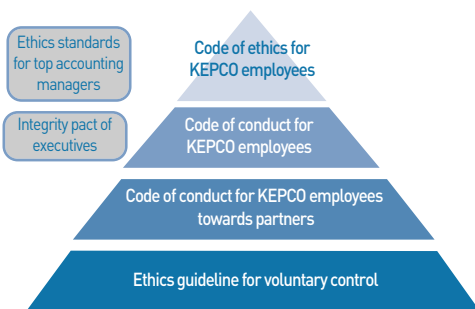


# Leader of Transparent Management

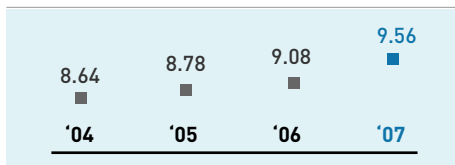
## Development of ethical management

- ~'04 Introduction**
  - Establishment of ethical management system
  - Improvement of weak areas
- '05~'06 Settlement**
  - Consistent rise of ethics index
  - Establishment of internal control system
- '07~ Corporate culture**
  - Ethical management becoming part of corporate culture
  - Leading ethical management in the power industry

## Ethics standard structure



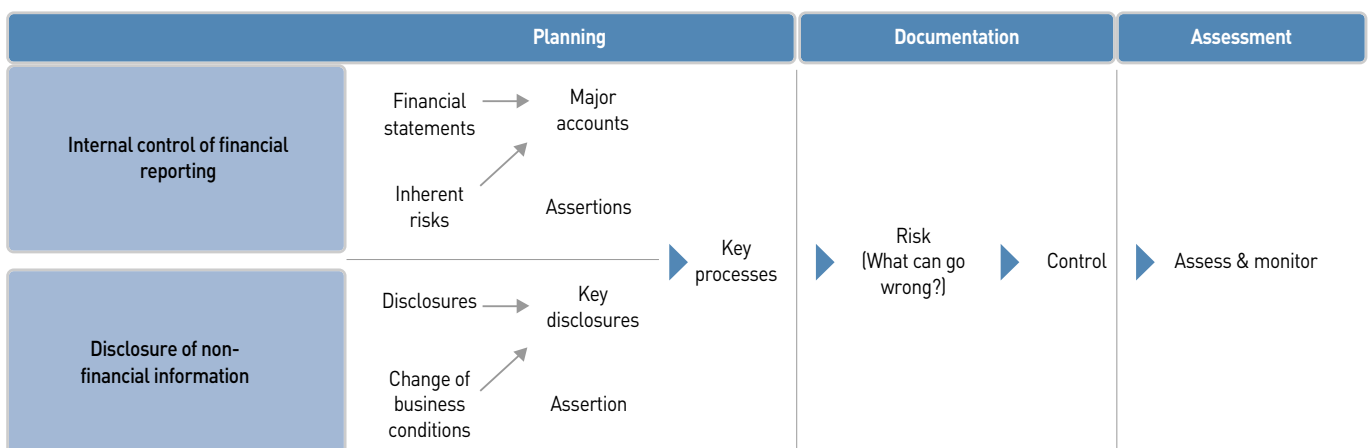
## Enhancing integrity



## Clean Wave campaign

- Introducing self-evaluation system against corruption and ombudsman system for complaints
- Entering into the integrity pact with suppliers
- Holding discussions and providing online training on ethical management
- Running a special care system for 62 low-performing branches

## Global standards for internal control system



## Refined System of Ethical Management

KEPCO has successfully adopted an advanced ethics program for the sustainable ethical management and continues to cultivate ethical corporate culture beneficial to both the company and the stakeholders.

In January 2007, "Operational Guideline for the Executives Integrity Pact" was established to refine the ethics system by the employee grade and business area. Our efforts to successfully implement the advanced ethical management system in the second half of 2007 includes discovering weak areas and reinforcing them through the ethics diagnosis tools such as KEPEX and Power EQ. The Reward System for Whistleblowing, introduced in 2004 for the first time among the public enterprises, resulted in identifying one case of illegal outsourcing and five cases of voluntary reporting in 2007, which was followed by relevant rewarding and correction.

The "Clean Wave" campaign was yet another effort of KEPCO to firmly establish itself as an ethical institution, making the top among 19 public enterprises evaluated by KICAC (Korea Independent Commission Against Corruption) in 2007.

## Improving Accounting Transparency

As a company listed on New York Stock Exchange, KEPCO has implemented a global-standard accounting system for internal control, which exceeds the requirement of the Sarbanes-Oxley Act. We have established control procedures for all possible accounting risks and the findings from the internal control system are reported quarterly to the BOD and the Audit Council.

KEPCO has established an ERP-based "Internal Control Evaluation System" in March 2007 to assure the accounting transparency of the global standard, and set up an "Accounting Center" in the following July to enhance the expertise and efficiency of accounting practices. Our accounting transparency has been further improved by the process innovation through "Corporate Card Issuance Control System" and "Corporate Fund Management System" introduced in April and December 2007, respectively.

As a result, the outside auditors from the US PCAOB (Public Company Accounting Oversight Board) have confirmed the validity of KEPCO's accounting system in 2007, and we also maintained A1(stable), the highest rating in Korea, in the credit rating by Moody's.



### Transparent and Fair Contracting

KEPCO's efforts to enhance transparency in business contracts include "Integrated e-Commerce Platform" launched in 2004, a portal system introduced in 2006 to promote integrity among our suppliers, and MAS (Multiple Award Schedule).

In 2007, our efforts continued in thoroughly disclosing purchase plans and actual purchasing, and introducing a system to receive complaints by tender, which is unprecedented in Korea.

Meanwhile, all contracts for construction, service and purchasing that are worth 3 million KRW or more are subject to electronic tender, which took up 98.7% of the total procurement in 2007 and improved business transparency even further.

The percentage of human rights evaluation for the suppliers stood at 11.49% (541 out of 6,221 cases), and KEPCO is giving extra credit to the complying suppliers hiring the disabled and female workers as they are encouraged. We are also having the suppliers to stipulate parts of the Minimum Wage Act and Labor Standard Act in their employment contract in order to protect the basic human rights of their employees.

### Diverse Communication Channels

KEPCO is actively publishing management information and thus endeavoring to build consensus of stakeholders on major issues. For this purpose, we are operating various committees engaging outside specialists from the government (municipalities), the press, businesses, universities and NGOs.

For effective complaints management and reasonable complaints handling, KEPCO streamlined its complaints receiving channels into the one-stop complaints window on its website. In September 2007, complaints ombudsman system was introduced to objectively monitor the validity of major complaints handling cases.

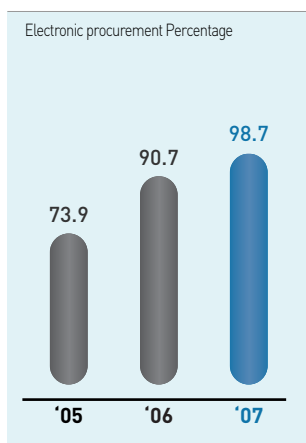
KEPCO will continue to receive feedbacks from our stakeholders, consistently pressing forward to improve our corporate image as a global company.

### Prompt Information Disclosure

We seek to serve the right-to-know of our stakeholders and improve transparency of business management. To do so, we disclose the key management information through various means including disclosure of management information, integrated disclosure, corporate disclosure and information disclosure.

In 2007, the right-to-know of stakeholders was strengthened further by integrated disclosure, of which the number of disclosure items increased from 19 to 22, and the rate of disclosure upon customer requests was also raised from 92.6% to 93.0% in 2007.

#### [ Electronic procurement ]



#### [ Committee operation in 2007 ]

Committee	Convened	Members & Activities
Open Management Innovation Committee	4times	26 members, reflected 61 cases into company policies
Customer Satisfaction Advisory Committee	228times	553 members (district head offices/branch offices nationwide), hearing local community's opinion, etc.
Green Environment Advisory Committee	23times	115 members (power transmission district offices nationwide), information disclosure of power transmission business, etc.

#### [ Information disclosure system ]

Classification	Recipients	Frequency
Management Disclosure	General public	Regular/ On-demand
Integrated Disclosure	General public	Regular/ On-demand
Corporate Disclosure	Investors & Shareholders	Quarterly/ On-demand
Information Disclosure	Person requesting	Within 10 days from the request
Internal Disclosure	Employees & Labor Union	On-demand

# Growing Together Through Strong Partnership

## [ Efforts to improve customer satisfaction ]

### Customer satisfaction management

- Establishment of customer center-exclusive response system and service evaluation system
- Introduction of special customer services including special bills for the blind
- Improvement of "Anytime Anywhere" electricity bill payment system
- Observance of Electricity Service Charter, operation of service indemnity system and Happy Call

### Highest electricity quality

- Expanded application of manufacturer quality rating and improved automation of electricity distribution
- Introduction of IT-base facility diagnosis technology and its improved operation
- Prevention of power outage caused by customers' transformers

### IT-based services

- Online electricity service application: visiting or paperwork not required
- Receiving request to move electricity poles online
- Building a cyber branch of superb customer service

### Customer consultation channels

- Collection of the public's service ideas to engage customers in business management
- Operate "Customer Proposal" channel to collect VOC (Voice of Customer)
- e-CRM activities on the field and to local customers, and service diagnosis

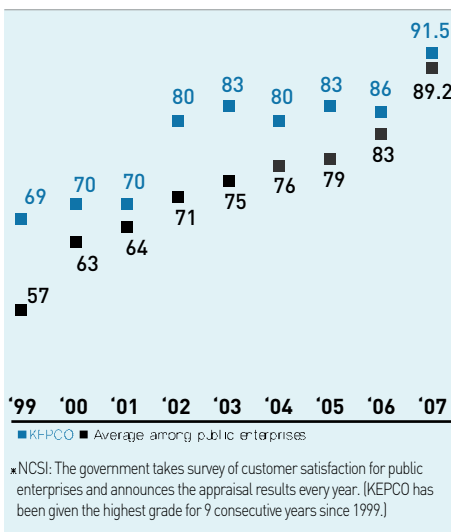
### Safety of electricity use

- Customer facility check
- Replacement of old transformers for apartment complexes : 9.1bil. KRW in 2007

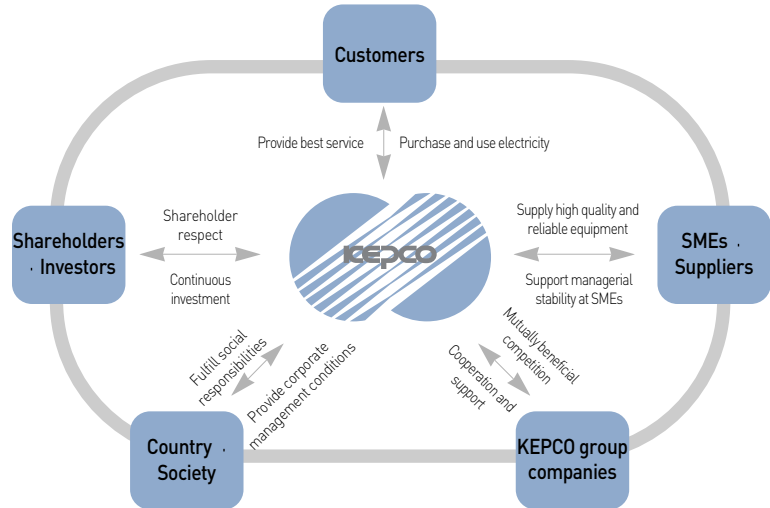
### Customer privacy

- Information protection authentication received for the cyber branch, introduction of official certificate system
- Codification of customer information protection and regular check on areas to improve

## [ Service satisfaction in government survey ]



## Responsibilities Toward Stakeholders



## Customer Friendly Management

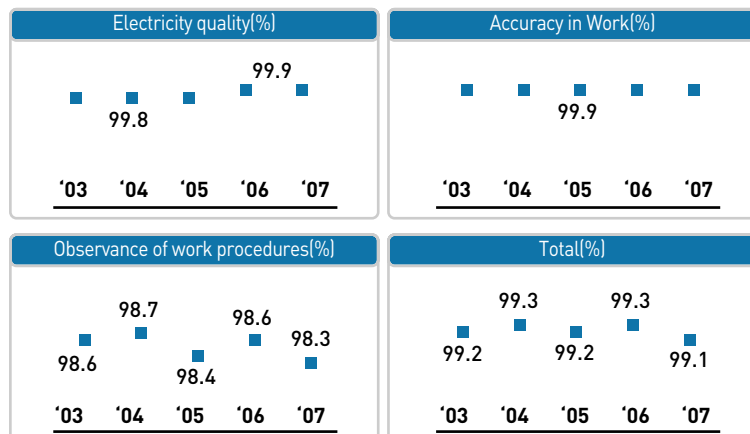
KEPCO prioritizes "Respect of Customers" as one of its core values and is endeavoring to maximize customer value through customer service innovation and system improvement to suit the fast-changing business environment.

Meanwhile, we are maintaining the world's highest level of electricity quality with increased automation of power facilities operation and scientific tools for facility diagnosis, which reduced the annual average power outage time per customer to 17 minutes in 2007.

Furthermore, we regularly conduct customer satisfaction surveys to receive feedback on our service. And we have strengthened our efforts for ensuring safety in customers' use of electricity, while rigorously observing laws and regulations for protection of customer information and privacy, and executing service activities abiding by the relevant regulations.

KEPCO will continue to provide high quality electricity through customer-centered system improvement and innovative electricity quality management such as voltage change and harmonics, and maximize customer value by expanding PLC-based services.

## [ Observance of customer service charter ]



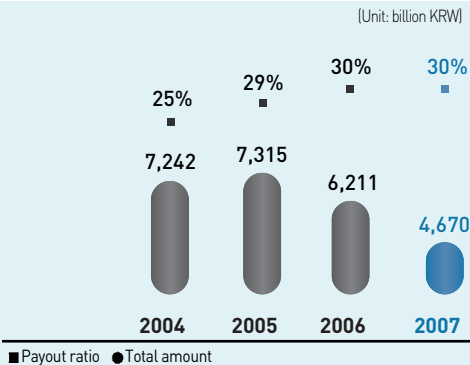
**【 Domestic/overseas IR activities 】**

Activity	Details	Frequency
Company briefing by top management	Discussion with investors and analysts	3 times
Company briefing by financial institutions	One-on-one meeting with foreign and domestic institutional investors	6 times
Conference Call	Presentation of quarterly business results for investors and analysts	10 times a week
Regular meeting with credit rating agencies	Discussion with Moody's and S&P on financial and operational performances	Annually

**【 Supports for SMEs (2007) 】**

Area	Funding (100 mil. KRW)	Details
Electronic machinery technology development	86	Support for technology development
Joint R&D	76	Funding for R&D in product development Purchase of developed products
Development of IT-based management	37	Development of information system IT software support
Overseas marketing	19	Support for export and marketing channels
Strengthening quality competitiveness	12	Support for quality certification of electronic power equipment, etc.
<b>Total</b>	<b>230</b>	

**【 Dividend payout 】**



**Putting Shareholders' Interest First**

KEPCO is committed to maximizing shareholder returns through systematic and consistent IR activities and stable payout of dividends at appropriate levels.

Despite adverse business conditions, such as rising fuel prices, KEPCO posted 1,556.8 bil. KRW in net profit in 2007, and maintained our high dividend rate of 30%, thus paying out 467 bil. KRW to our shareholders. Our IR activities led by the top management at home and abroad have well served the right-to-know of investors and improved corporate credibility.

These efforts have driven KEPCO's average share price upward in 2007 to 40,789 KRW, recording about 5% increase from 38,838 KRW in 2006.

**Win-Win Cooperation with SMEs**

KEPCO supports SMEs who supply over 70% of its electric power equipment. In 2007, we provided 23 bil. KRW worth of assistance, and as a result of our drive for purchasing from SMEs, currently 75% of KEPCO's procurement comes from SMEs.

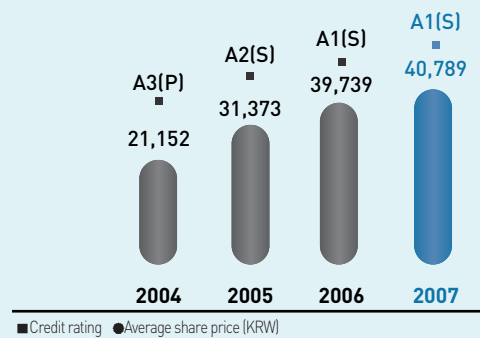
For the first time among public enterprises, KEPCO has introduced various financial support programs such as network loan, joint procurement loan and electronic order loan, in order to provide practical and substantial assistance to SMEs. In 2007, our benefit sharing scheme to share performance results with our SME partners has been expanded from cost reduction to quality improvement and timely supply of equipment.

Meanwhile, KEPCO is utilizing its brand power in assisting SMEs to enter overseas markets. Our activities included 15 rounds of sending market development delegations and holding exhibitions to open new markets, which was participated by 290 SMEs and resulted in providing export consulting tantamount to 5 mil. USD worth of orders.

Also, we have organized a consultative body called "KEPCO Group Council for SME Assistance" in collaboration with the GENCOs. With this Council we have expanded the joint procurement program to include the GENCOs and group companies, and the performance presentation is held every year.

With such efforts, KEPCO ranked first, for two consecutive years, in the government evaluation of 24 public enterprises on win-win cooperation efforts with SMEs. We will keep pressing forward to strengthen the competitiveness of the overall electric power industry by forging a substantial and long-lasting relationship of cooperation with our SME partners.

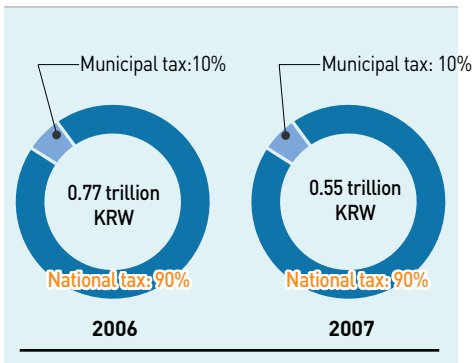
**【 Trends in credit rating & share price 】**



**[ Hiring new employees (number of persons) ]**



**[ Tax payment ]**



**Contributing to the Nation and the Society**

KEPCO makes contribution to the nation and the society by creating jobs and paying taxes.

We are actively supporting government policies by creating new jobs for young adults, hiring more women and disabled people, and expanding employment of those holding degrees in science and engineering. In 2007, KEPCO hired 1,159 new employees and paid 0.55 tril. KRW in taxes. We neither receive donations from political parties or political groups, nor government subsidies.

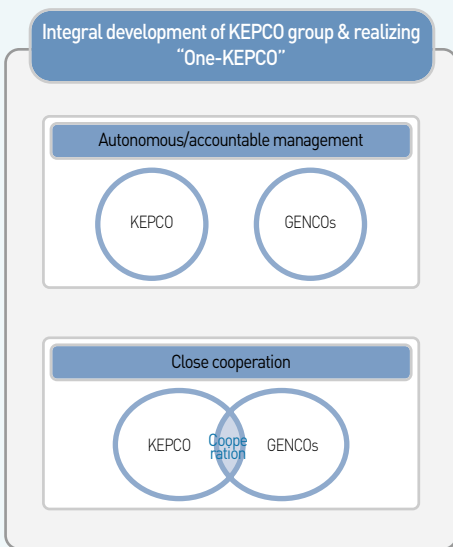
**Co-Growth with Group Companies**

For co-development with group companies, we pursue mutually beneficial, "win-win" competition conducive to operational efficiency and performance enhancement based on autonomous and accountable management practices. On the other hand, for the areas requiring industry-wide development and synergy effects, such as overseas business and government-commissioned projects, we are taking advantage of close cooperation mechanisms, such as operation through consultative bodies for specific matters.

We are operating top management meetings to ensure reliable power supply and enhance group-wide capabilities, and closely cooperating with group companies to jointly respond to various issues like efficient fuel procurement, cooperation in R&D, joint participation in overseas projects and responding to climate change.

In addition, to encourage mutually beneficial competition, we facilitate autonomous and accountable management of group companies and conduct ex-post management performance evaluation. We are also raising our corporate value through ethical management and continuous managerial innovation.

**[ Go-Growth with Group Companies ]**



**[ Group-wide joint efforts for development in 2007 (highlights) ]**

**Cooperation and support**

- Create a sense of unity to realize "One-KEPCO"
  - Regularize top management meetings, hold workshops, implement joint training of new employees, etc.
- Jointly address issues, including revision of municipal tax law regarding levying community development tax on thermal power generation
- Jointly develop two bituminous coal mines in Australia: securing an annualized 4.5million tons
- Create/expand consultative bodies on overseas business and financial policies; signing human resource exchange agreements
- Expand joint procurement by group companies from SMEs : 72.5% → 80.6%(2007)

**Win-win Competition**

- Timely construction and efficient operation of power generation facilities : technical errors in summer time reduced [7 → 1 case]
- Power generation unit cost (excluding fuel cost) reduction due to further cost cut : Δ0.8 KRW/kWh
- Economy of scale through joint negotiation for fuel : saved 10.7bil. KRW
- Participation in new business, including overseas power generation (5 projects) and collective energy (7 projects)
- 10 group companies recording an average of 9 points or higher on the Integrity Index for three consecutive years

# Giving Back to Society

## [ Activities of KEPCO Social Service Team ]

Category	2005	2006	2007
No. of activities	6,453	6,525	6,924
Participants (cumulative)	44,841	45,379	46,338

## [ Social contribution in 2007 ]

### Support for the low-income households

- Ray of Light Fund: assistance to 1,259 disconnected households (310 mil. KRW)
- Free distribution of wireless switches: 5,300 units
- Support for patriots' family in the month of veterans and patriots: 4,200 households

### Finding missing children

- Post photos of missing children on the electricity bills: 302 children
- Give away nametags (320,000 tags) and soft pack tissues with lost children's pictures on (260,000 packets)
- Puppet show 'Kokkogi' to prevent children from missing : 31 times including one in Daejeon

### Support for rural communities

- One service group - one farming village sisterhood: 214 rural communities nationwide
- Send newspapers to elementary schools in isolated areas: 29 schools

### Support for education (supporting science/engineering students)

- After-school classes: 24 sites and 74 children
- Scholarship for college students majoring in electric engineering: 144 recipients (800 mil. KRW)
- Grant scholarship to Mokpo Engineering High School (one company-one high school sisterhood)

### Support for culture and art

- Hope, Love, Sharing concerts: 15 rounds
- Concours for New Musicians, KEPCO Choir, KEPCO Art Center
- Museum Visits for Angels: 5,671 children from deprived families

### Support for the disabled

- Give preferential treatment to the disabled in hiring and expand disability employment (475 people)
- 20% discount in tariffs for the disabled
- Installed wireless switches for the disabled without mobility

### Others

- Company-wide blood donation campaign: 1,844 participants
- Joint volunteering by labor-management, newly promoted employees and prospective retirees

## Giving Back to Society

### Expanding Social Contribution Activities at Home

KEPCO is fulfilling its social responsibilities by carrying out social contribution activities, often dubbed as the "third part of company management." And we are refining the win-win model that allows us to grow together with society as a whole. Social contribution activities are aligned with our business strategies to motivate employees to voluntarily participate in social services, and are taking root as an inherent part of the corporate culture at KEPCO.

### KEPCO Social Service Team

Founded in May 2004, the KEPCO Social Service Team mainly engages in offering the time and energy of its members. Their efforts to "bring light to the world and love to our neighbors" include various social contribution activities in the fields of welfare, culture, the environment and disaster relief, financed by 1.3 bil. KRW in "Love Fund" voluntarily raised by the KEPCO employees and "Matching Grant", a subsidy provided by KEPCO.

### Support for the socially disadvantaged

To protect the basic right to electricity, KEPCO has strengthened its service for socially disadvantaged groups such as low-income households.

We postpone forced electricity disconnection during extremely hot and cold seasons (July? September, December? February) for residential customers, and in 2007, we put off electricity disconnection for 2.01 million households (worth 159 bil. KRW). For those residential customers subjected to forced disconnection due to delinquency, we provide the minimum service by installing "current limiters" on their premises.

In addition, we provide discounted tariff plans for the disabled, veterans, national independence patriots, welfare institutions and national welfare beneficiaries.

### Various programs for social contribution

KEPCO has raised "Ray of Light Fund" for low-income households disconnected from electricity supply, and by the end of 2007, a total of 9,516 households have benefited (1.03billion KRW). Our campaign for finding missing children began in 1999 and 103 missing children were sent home. Other social activities include blood donation (1,844 employees participated in 2007), forging sisterhood between a service group and a farming community and free distribution of wireless switches.

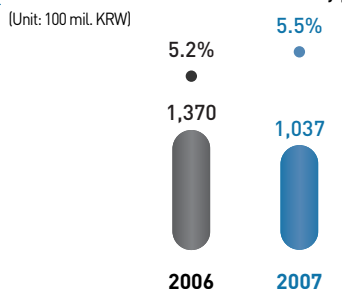
Also, we are helping our community and the disadvantaged people to enjoy cultural events through "Hope, Love, Sharing" concerts, music concours for new musicians, "Museum Visits for Angels" program and operation of KEPCO Art Center.

In 2007, we opened after-school tutoring classes for children, participated in the cleanup project for the oil spill in Taeann and planted trees to create green forests.

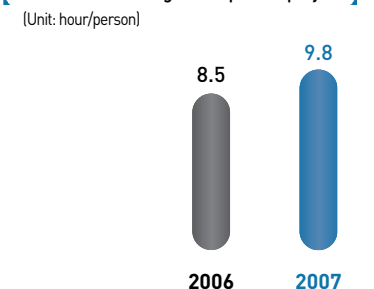
## [ Discount for the disadvantaged ]

Target Group	Eligibility	Discount rate (%)	Discounted value (100 mil. KRW)	
			2006	2007
Disabled	Grade 1-3	20	505	516
Low-income class	national welfare beneficiaries, etc.	20	124	196
Welfare institutions	-	20	-	72

## [ Social contribution as a share of ordinary profit ]



## [ Social volunteering hours per employee ]





**Wage and local manager ratio at overseas sites**

Category	Site	2005	2006	2007
Minimum wage by law/ Wage for newly hired (10,000KRW, monthly)	the Philippines	14/17	15/20	16/27
	Wuzhi, China	5/16	5/18	6/22
Local manager ratio (%)	The Philippines	40.4	50.7	47.2
	Wuzhi, China	68.8	73.7	73.7

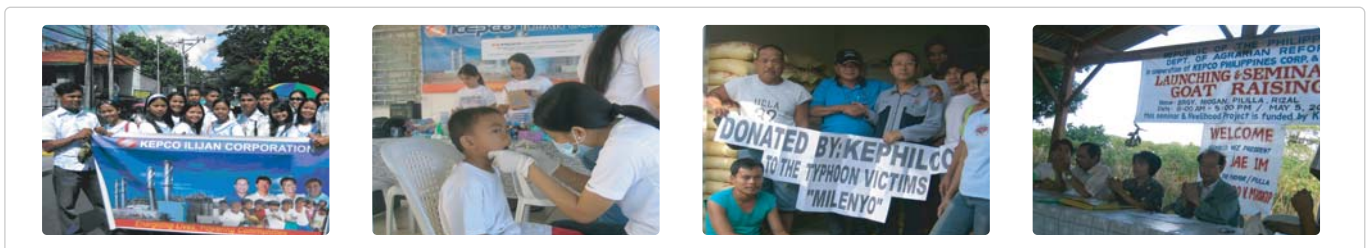
**Overseas subsidiaries workforce (headcount)**

Area	2005	2006	2007
The Philippines	233	246	276
China	69	151	152

**Overseas social contribution highlights (the Philippines)**

Program	Activities
Medical support	Provide medical supplies and health check-ups, "Dental Day" service - 8 rounds so far, served an annualized 8,100 people
Scholarship	Scholarship for 6,170 students, financial assistance to 13 institutions
Support for community near the power plant	Tree planting, restoration of water pipes, construction of access roads, etc. 64 cases, benefited about 7,293 residents
Electrification of rural areas	Electrification 100% completed for 64 areas requested by the Philippines Power Corporation
Support for education of the youth	Financial support for local orphanages, skills training for the youth such as welding classes Donation of books and computers, renovation of bathrooms in local schools

**Social contribution activities in the Philippines**



**Expanding Social Contribution Activities Abroad**

KEPCO is carrying out special activities for the local communities not only in Korea but also in its overseas sites of operation, such as the Philippines, to facilitate successful localization and improve its corporate image. As a global company, we are fulfilling our social responsibilities through our social service programs including medical assistance, scholarships and support for the community around the power plants.

In the Philippines where we have a major overseas operation, our activities range from environment monitoring, protection of natural environment around the power plants through joint local projects, medical assistance, electrification of rural communities, support for local colleges, and sponsoring of art and culture.

Also, we are endeavoring to hire more local talents and ensure equity in wage and promotion. Furthermore, we are faithfully working on relieving power shortage problems in the local areas and providing assistance for the development of the local communities.





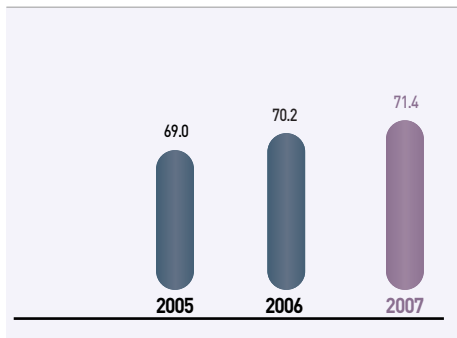
A photograph of a woman and a young boy jumping joyfully in a grassy field. The woman, on the left, is wearing a white long-sleeved top and a light-colored skirt. The boy, on the right, is wearing a blue t-shirt and light-colored shorts. They are both holding hands and jumping in the air. The background is a bright blue sky with scattered white clouds. The text "06. Light of Happiness : Human Resources" is overlaid on the right side of the image.

06. Light of Happiness  
: Human Resources

# Work-Life-Balance

**[ Welfare satisfaction level ]**

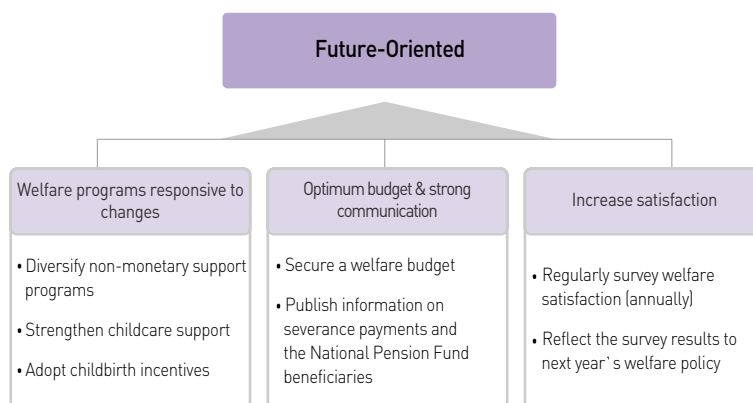
(Satisfaction level: point)



**Promoting Employee Welfare**

KEPCO provides various programs to improve the welfare of its employees. With welfare programs focused on work support, self development, leisure and culture, healthcare, children’s education and housing, we seek a work-life balance for our employees. In 2007, KEPCO spent 240.3 billion KRW on employee welfare, which translates into 11.44 million KRW per employee. In the 2007 survey on employees satisfaction with the company welfare system, the satisfaction level stood at 71.4 points on the scale of 100, up 1.2 points from 2006.

**[ Employee Welfare Improvement Strategy ]**



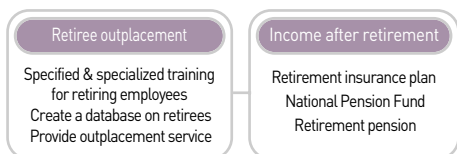
**[ Labor-management joint survey on wage and HR ]**

Category	2006	2007	Change
Workplace satisfaction	92.8%	95.2%	2.4% ↑
Job satisfaction	91.1%	93.3%	2.2% ↑
Wage satisfaction	75.1%	81.2%	6.1% ↑
Overall satisfaction	79.8%	84.4%	4.6% ↑

**Outplacement**

By providing tailored re-employment education and training to its employees, KEPCO is preparing itself against the challenges posed by the aging society and helping retiring employees to open a new chapter in their career. Thanks to KEPCO’s continuous support provided to its employees not just before but after retirement, the number of prospective retirees participating in the outplacement program jumped 52% from 175 in 2006 to 266 in 2007. In addition, KEPCO joined a retirement insurance plan with the consent of both labor and management, guaranteeing the payout of retirement benefits to outgoing employees. Labor and management of KEPCO are working together to convert the current retirement benefit payment scheme, in which the benefit is paid out in lump sum, to a retirement pension scheme by reaching consensus through consultations and information sessions.

**[ Outplacement after retirement ]**



**[ Lifelong Learning System ]**

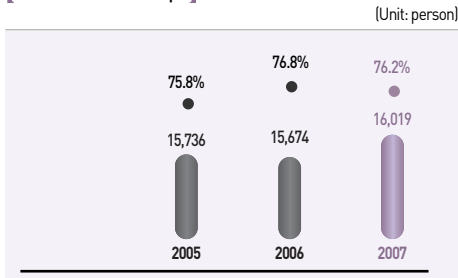


**Lifelong Learning System**

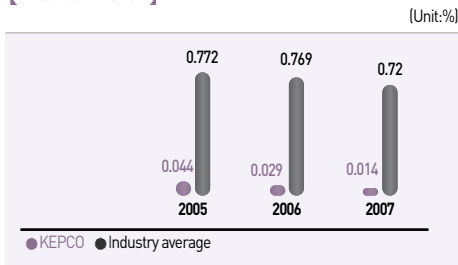
Since declaring itself to be a lifelong learning company, KEPCO attended the board meeting and the general congress of the Lifelong Learning Club held in October and November of 2007, respectively, as part of an effort to create a learning atmosphere across the company and consolidate its corporate image as an innovation leader. Also, during 2007, KEPCO provided training to 89,088 employees on an annualized basis through a total of 622 training courses, including 255 offered by the Central Education Institute and 367 provided by external training organizations



**[ Union membership ]**



**[ Accident rate ]**



**[ Efforts for improving labor relations in 2007 ]**

- Advance labor relations**
  - Strike-free signing of collective agreement for 61 years since the formation of the labor union
  - Staged negotiation : individual negotiation → working-level negotiation → main negotiation
  - Observe the enforcement decree of the Labor Union Act regarding essential services based on labor-management consensus
  - Set aside funds for independent financing of the labor union
- Expand participation and cooperation**
  - Improve the operation of the labor-management council through ex ante consultations
  - Coordinate issues ahead of time through working level meetings (20 times)
  - Labor-management roundtable to discuss pending issues (held 7 times a year)
  - Set up mid- to long-term plans and declare the corporate vision through joint discussion between labor and management
- Build mutual trust**
  - Frequent information sessions to explain key management policies and pending issues
    - 73 times (2006) → 108 times (2007)
  - Labor-management joint campaign to change the way of thinking
    - Labor-management joint workshops & events designed to create a sense of unity between labor and management
    - Promote an innovative mindset for both labor and management
  - Innovation roundtables, special lectures on ethical management
    - Labor-management joint volunteering activities

**Practicing Health and Safety Management Respectful of Human Life**

Pursuant to the Industrial Safety and Health Act, KEPCO has formed "Industrial Safety and Health Committee" consisting of 10 members from labor and management to carry out safety activities based on the requirements of the field. The committee plays an important role in KEPCO's achieving a zero accident rate and promoting health of its employees. KEPCO is also trying its best to ensure reliable operation of electric power facilities so that industrial accidents are prevented in advance, thus minimizing the accident rate and work loss. We have developed a policy concerning health and safety, and established SSM (systematic safety management) system based on the OHSAS 18001 standard for safety management planning, early elimination of potential risk factors, and real-time safety diagnosis and assessment under the PDCA (plan-do-check-act) scheme. Also, near-miss cases are shared across the company.

Furthermore, the BSC system, which is our strategic assessment system, includes criteria concerning "accident prevention efforts" by KEPCO employees and partners. All branch offices are subjected to assessment against such criteria on a regular basis, and the assessment results are reported to the top management. In 2007, 3 employees (6 employees in 2006) were injured in work-related accidents, and there was no occupational disease reported.

**[ Efforts to ensure health and safety of employees ]**

- Health**
  - Good working environment : regularly monitor and improve working conditions (ex: noise level monitoring)
  - Health promotion : general (annual) & special (bi-annual) check-ups
  - Support for the ill : grant sick leaves for medical care
  - Operation of a medical foundation : 40% discount on medical bill, electric burn treatment, etc.
  - Insurance support : statutory health insurance, industrial accident insurance, group insurance
    - \*Improvements made in 2007: cancer benefit raised, medical check-up items expanded
- Safety**
  - 5 safety monitoring campaigns : enhance safety in T&D
  - Develop & provide customized safety gears based on accident type analysis
    - 23kV-grade insulated clothing and insulated seats, live line alarms attached to heavy machinery
  - Real-time on-line management of planning, operation, assessment and improvement of safety management
  - Pay out reasonable compensation : external and internal compensation for industrial accidents, compensation from Electric Power Contribution Fund
  - Awards & recognition from external institutions
    - Recognition of good performance in the national disaster response exercise (hosted by National Emergency Management Agency, Nov. 2007)

**Building Forward-Looking, Mutually Beneficial Labor-Management Relationship**

KEPCO complies with ILO conventions concerning freedom of association, the right to organize and collective bargaining (ILO convention no. 87, 98). Labor and management at KEPCO pursue a forward-looking, mutually beneficial labor relationship through dialogue and cooperation with the recognition that the two parties work as partners in running the company based on mutual trust.



# Bringing Up Globally Competitive Personne

## 【 HR Decisions Driven by Merit and Performance 】

Performance-based compensation	Competence-based HR
BSC-based evaluation	More open recruitment
Performance-based pay	Reflect multi-rater evaluation
Yearly salary by contract	Merit-based promotion
Compensation/promotion linked to performance	Rotation between administrative/technical positions

## 【 Average yearly salary paid out in 2007 】

Rank	Position	Average yearly salary (1,000 KRW)	Share of performance-based pay (%)
Executive level	CEO	256,189	52.4
	Standing director	192,933	
General employees (grades 1~8)		64,429	22.6

## 【 Education and training in 2007 】

Category	Training program	Participation (person)		
		'06	'07	Change(%)
Global talent	• Master's & doctoral programs, MBA	255	259	2
	• Regional expert training			
	• Executive training offered by universities			
Ordinary manpower	• Work skill development	67,023	89,088	33
	• Management skill development			
	• On-the-job (OJT) training			
	• Self development programs			

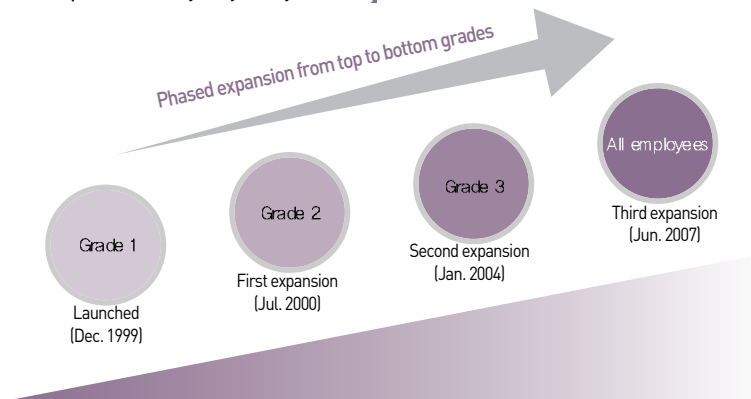
## 【 Statistics on education & training 】

Category	2005	2006	2007
Training expenses (as % of sales)	0.12	0.16	0.18
Per capita training expenses (10,000 KRW/person)	202.2	220.4	242.7
Annual training hours (hours/person)	81.5	86.7	87.7

## HR Decisions Driven by Merit and Performance

KEPCO moved away from a seniority-based wage system to a performance-based yearly salary scheme, which used to be applied to employees of Grade 1 through 3 only. In 2007, the scheme was expanded to cover all employees regardless of their grade. The tiered basic wage system, which is another means with which to ensure performance-based compensation, had been confined to Grade 1 employees, but was expanded to cover Grade 2 employees as well. Meanwhile, in an attempt to be prepared against the challenges posed by demographic changes brought by the aging population and low birth rates, we formed a labor-management joint taskforce team, which is tasked with studying ways to introduce a wage peak scheme in which the retirement age is extended. KEPCO introduced a new evaluation system based on MBO (Management By Objective), and has test-applied the new system to 1,733 employees at two branch offices. Also, we have a program to early identify young and talented employees who are competent with good performance records, and employees are rotated between administrative and technical positions in order to realize "One-KEPCO."

## 【 Phased expansion of the yearly salary scheme 】



## Career Development

KEPCO has laid out a roadmap for nurturing talents for the future, according to which we categorize our employees into global talent and ordinary manpower based on the company's strategic choice and an employee's personal preference. With this roadmap, we plan to develop 10% of the total employment into global talent by 2020. In 2007, we spent 51 billion KRW (0.18% of the revenues) in education and training. Per capita annual training hours totaled 87.7 hours, up 1 hour from 2006.

## 【 Strategic talent training scheme 】

HR pool	Strategic training scheme
Global business specialist (MBA providers)	• Select and concentrate • Rigorous evaluation • Align with reward
Overseas business specialists (Expatriates, regional experts)	Company : Select candidates
Technology experts (Masters, doctors, specialized education institutions)	Reflect business needs
Line managers	Employees : Take training courses
Employees in charge of specific tasks (Training by task)	Strengthen evaluation and reward
	High performers + Training completers
	Promotion + Career development

# Respecting Human Rights and Diversity

## [ Efforts for gender equality in 2007 ]

**Counseling for female workers & training on the prevention of sexual harassment**

- Provide a portal service via the female manpower management system
- Collective training of counselors (387 persons in 2007)
- Counseling training offered by Korea Institute for Gender Equality Promotion and Education (41 persons)
- Education on the prevention of sexual harassment conducted twice a year (91.4% of the total employees completed)

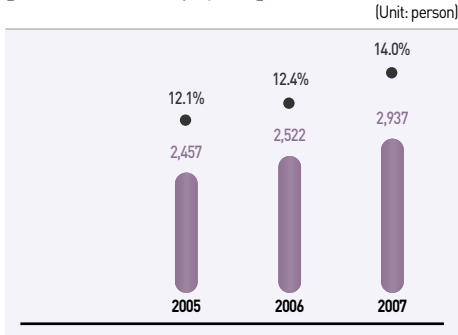
**Strengthening female workers' leadership**

- Female leadership program offered by KEPCO Central Education Institute (72 employees completed the program in 2007)

**Eliminating discrimination in hiring and promotion**

- Overachieved female employment quota (20%) for 5 consecutive years  
※20%('05) →22%('06) →21%('07)
- Continuous increase in the number of female employees promoted to management positions  
※9('05) →43('06) →15('07)

## [ Share of female employees ]



## [ Protecting non-regular employees ]



## Gender Equality

KEPCO promotes gender equality by taking concrete actions to support female employees, such as eliminating discrimination against women in hiring and promotion, providing counseling, and strengthening motherhood protection measures.

In 2007, female employees accounted for 21% (124 persons) of the total number of newly hired employees, overachieving our self-imposed female employment quota of 20% among the newly hired for 6 consecutive years since 2002. Also, the number of female employees who were promoted to middle management levels was continuously increased from 7 as of 2000 to 29 in 2006 and 44 in 2007. And, we are strictly complying with ILO convention no. 100 concerning equal remuneration for men and women workers for work of equal value by paying equal remunerations to male and female employees.

## Employing the Socially Disadvantaged

As of 2007, KEPCO has 475 employees with disability, and the share of the disabled stands at 2.3%, which exceeds the 2% mandatory quota required by the Disabled Persons Employment Promotion and Vocational Training Act. Over the entire course of employment process, persons with disability are given 5% of their total score as bonus points. Also, starting from 2007, we are running a social equity employment program targeting people from low income families.

## Motherhood Protection

To address increasing concerns over low birth rates and aging workers, KEPCO provides various programs to encourage female employees to have children. Female employees are granted maternity leaves around the time of their delivery, which are tallied into the period of their continued employment and career so that women are not discriminated against in the evaluation for promotion. To promote maternity leaves, KEPCO supports the use of replacement workforce and has prepared a separate space for maternity protection and a childcare facility (capacity: 96 children) at the head office in order to support work-life balance.

## Eradication of Discrimination

Chapter 5 of our Code of Ethics titled "employee ethics" stipulates that no person will be discriminated against on the grounds of sex, academic background, religion, age and disability. This represents our compliance with ILO convention no. 111 concerning discrimination in respect of employment and occupation. Also, we are strictly complying with the human rights standards of the 10 Principles of the Global Compact

## Hiring Science and Engineering Majors & Turning Non-Regular Workers into Regular Workers

In order to facilitate the employment of talented people in science and technology, KEPCO provided funds to the electric engineering students' competition (268 participants) and the electric engineering students' scholarship, and hired those who won the competition and were selected as scholarship receivers. As to the issues concerning non-regular workforce, KEPCO changed the status of 475 non-regular workers to regular employment, and reduced practices discriminatory against non-regular workers vis-a-vis regular workers. Also, we set an employment quota for those who come from regions outside Seoul and therefore are relatively disadvantaged in the hiring process. As a result, there was an additional 240 people from outside Seoul who passed the credentials review stage of hiring in the second half of 2007.

## Prevention of Forced Labor and Child Labor

KEPCO is strictly complying with the Labor Standard Act of Korea, ILO convention no. 105 concerning the abolition of forced labor, and the labor standards of the 10 Principles of the Global Compact.



07. Third Party Review

## Third Party Review



### Gwhang Ha Kang

**Economics, Seoul National University**  
**Ph.D, Economics, University of Texas**  
**Head, Institute of Economics Research S.N.U.**  
**Member, National Advisory Committee for International Monetary and Fiscal Policy(current)**  
**Professor, School of Economics, S.N.U.(current)**

It is highly commendable that KEPCO has recognized the importance of sustainability management, and accordingly set up a mid- to long-term strategic business plan and created a dedicated function for coordinating sustainability management. Given the increasing importance of sustainability management and the globalization of the business world, it is very appropriate that KEPCO has set its indicators with reference to the GRI Guidelines 2006(G3), the globally applicable sustainability reporting guidelines.

However, it seems necessary for KEPCO to develop an additional set of indicators that can correctly reflect the characteristics of KEPCO as a public enterprise in the energy sector or the specific situation of Korea, which are difficult to be covered by the GRI Guidelines designed to be applied as internationally common standards for companies and various other types of organizations. KEPCO, as a public enterprise, should be deeply involved in the establishment of national energy policies and take the lead in implementing those policies, thereby enhancing its corporate value, increasing managerial efficiency, securing competitive advantage and creating future growth engines. Also, KEPCO should be able to contribute to making the energy sector more advanced and efficient through restructuring efforts. Therefore, there needs to be a separate set of indicators that can evaluate KEPCO's activities in the aspects described above.

Efforts for enhancing energy use efficiency through proactive demand side management and core technologies secured through continuous technological innovation, which is proclaimed in KEPCO Sustainability Management Principles, clearly demonstrate KEPCO's commitment to growth and the public good. But, KEPCO needs to take one step further and seek ways to increase energy use efficiency and managerial efficiency fundamentally by pushing for innovation on a broader scale, such as restructuring of the electric power industry as a whole.

What is also required is the development of indicators that can encourage KEPCO's participation in renewable energy and CDM projects and evaluate the degrees of such business activities accurately. Expansion into these new areas of energy business is better to be led by the government instead of individual companies. However, if KEPCO executes such business well on behalf of the government, then it will be able to claim a position in history as a company loved and long remembered by the citizens.

KEPCO is expected to face increasing difficulties going forward as it plays its role as a reliable supplier of electric power. Although the economy is growing at a low rate, rising income levels and expanding size of the economy will create more demand for electric power. Given the situation, securing sufficient generation capacity will be crucial in the future. Also, if KEPCO fails to reflect the rising fuel prices, such as international oil prices and bituminous coal prices, it is highly likely to be faced with financial difficulty. Constantly seeking ways to overcome such difficulty is deemed to be the critical strategy for KEPCO's practicing sustainability management.

2008. 8

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## Il Joong Kim

Ph.D, Economics, University of Kansas  
 Dean, Office of International Program and Education, Dong-guk University(current)  
 Co-Representative, Citizen's Movement for Environmental Justice(current)  
 Member, National Energy Committee(current)  
 Professor, Department of International Trade(current)

KEPCO started to publish its sustainability report in 2005, and this year, it is publishing its fourth. As with the previous reports, KEPCO Sustainability Report 2008 was written faithful to the GRI guidelines, and provides an excellent summary of the corporate profile as well as the vision, goal, strategies, execution organization and plans for its sustainability management.

Also, the 2008 report well incorporates KEPCO's efforts and performances in the four areas of economy, environment, society and human resources. The CEO's Message and KEPCO Sustainability Management Principles proclaim KEPCO's commitment to sustainability management. I was deeply impressed by the fact that the contents of the report include the review opinions and advice of various stakeholders as they are, and that they are made public to all stakeholders.

### **Drive national energy policy toward cleaner energy sources**

According to the National Energy Masterplan, which was passed in last August, the percentage of fossil fuels in the national energy mix will be cut from the current 46% as of 2007 to 33% by 2030 while that of new and renewable energy will be raised from 2.4% to 11% and nuclear power from 35% to 59%. KEPCO and the GENCOs will be playing a central role in this process. Increasing the number of nuclear power plants requires construction of additional nuclear waste dump sites, and as was seen in the past, will incur considerable social cost related to building necessary facilities. To make the situation better, KEPCO needs to invest more in developing new and renewable energy and other clean energy sources in order to ensure "safe supply of electric power based on clean energy".

### **Strengthen DSM policy with reasonable pricing**

Electricity tariff rates are relatively low in Korea due to the fact that KEPCO supplies high quality electric power at a low cost. However, low tariff rates may lead to over-consumption of energy over the long term. In addition, at a time when we need to cut down the use of fossil fuels in the face of high oil prices and the effects of climate change, keeping tariff rates excessively low will only reinforce our dependence on economical energy sources, such as fossil fuels and nuclear power. Therefore, KEPCO needs to raise electricity tariffs to a reasonable level so that market is no longer twisted and energy is saved.

### **Significantly raise performance and targets in the environmental area**

In order to practice sustainability management in the rightful way, KEPCO needs to express its commitment to environmental preservation more clearly in its mid- to long-term strategic business plan. It should intensify activities aimed at increasing the share of renewable energy in the total generation and reducing greenhouse gas emissions, both of which are incorporated into the sustainability management KPIs, and it should also focus on developing eco-friendly technologies to do so.

### **Expand engagement of energy and environmental NGOs and other external stakeholders**

strengthen the integrated environmental management system, KEPCO should reinforce its internal functions dedicated to the environment while increasingly engaging stakeholders like energy and environmental NGOs to keep communication channels open. As new nuclear power plants are being built, such channels for engaging a variety of stakeholders is crucial in ensuring objectivity and transparency in the site selection process.

2008. 8

*Ilchung Kim*





## Byung Doo Lee

Ph.D, Political Economy, Northwestern University

Director, National Research Council for Humanities and social Science under the Prime Minister's office

Specialist member, Presidential Committee on Government Innovation & Decentralization

Head, Sustainability Consulting Center, Deloitte Anjin LLC

Vice Chairman, Horwath Choongjung Consulting(current)

### Sustainability management system stabilized

Over the last four years, KEPCO has made persistent efforts in the area of sustainability management by setting up execution strategies and selecting and managing projects for sustainability management in alignment with the enterprise-wide mid- to long-term strategic business plan. As a result, KEPCO has made a great stride to the extent that its sustainability management system has reached a stabilized stage. As KEPCO made consistent efforts to make its sustainability management system firmly established and raise its performance in specific areas of sustainability management, most of the KPIs show improvements from the previous year. High ratings given by sustainability management rating agencies at home and abroad testify to such efforts.

### Report contents and its organization reliable and easy to understand

KEPCO Sustainability Report well explains key issues in the four areas of economy, environment, society and human resources. Those issues cover most of the indicators of the GRI guidelines, and year-on-year comparison data clearly show how much progress was made by KEPCO. More specifically, the economic section of the report includes indicators on management efficiency as well as financial performance; the environmental section provides explanation about various environmental indicators and the environmental management system of KEPCO, making those indicators much more reliable; in the section on society, KEPCO has moved away from traditional classification and divided the contents between social and human resources matters. This distinction is indicative of KEPCO's special interest in improving the quality of life for its own employees on top of what it does for outside stakeholders.

### Strengthened support for the socially underprivileged and local communities

As an electric power supplier for the entire population in Korea, KEPCO has set the boundary of its stakeholders quite broadly to include customers, shareholders, employees, the country, the citizens, suppliers and local communities. This report provides detailed information about the issues of interest to these stakeholders. Based on the understanding of its stakeholders, KEPCO puts its priority on supplying high quality electric power and maximizing shareholder values while exerting various efforts aimed at protecting the basic right to energy for the socially underprivileged. Also, to improve the soundness of the national economy, KEPCO is expanding the share of SME products in its procurement every year and actively supporting the SMEs to expand into overseas markets. KEPCO's employees are engaging themselves in community volunteering by raising funds spontaneously and running a matching grant scheme. Such volunteering activities are also very active in the local communities in overseas markets where KEPCO has presence.

### Efforts needed to refine sustainability management system

KEPCO should now embark on a new round of efforts for advancing its sustainability management system. To do so, it must draw up and execute a communication strategy for its stakeholders so that they have a deeper understanding of what KEPCO does. It is also necessary that the report include detailed analysis of the voice of stakeholders. In addition, KEPCO is advised to consider creating a sustainability management accounting system that can bring the level of KEPCO's sustainability performance management one step higher. Such accounting system will enable KEPCO to systematically manage the cost incurred in the process of achieving the targets set by the indicators and to channel resources to the wanted areas. In closing, I recommend that KEPCO, as a company listed on both domestic and foreign stockmarkets, consider having its report validated by a certified organization so that it can meet both domestic and international standards.

2008. 8

*Byung Doo Lee*



## Moo Ik Park

Ph.B, Seoul National University

MBA,S.N.U.

President, Korea Society for Opinion & Marketing Research

President, World Association for Public Opinion Research(current)

President, Gallup Korea(current)

The most important asset in business administration is people. After all, efficiency of all the other business resources like products, finance, information and knowledge is determined by people. Prosperity of a business entity is not determined by its size but by its people, i.e. the strength or weakness of its internal members. So, whether or not the management philosophy that "a company equals its people and vice versa" is put into practice will make or break a company.

Sustainability management by businesses, which is drawing a lot of attention in the 21st century, also recognizes people, or internal members of an organization, as one of the core axis of company growth. This report clearly shows that KEPCO, too, firmly believes that its employees are the platform for development of the company, and that based on such belief, it is trying to improve their welfare. The report also well demonstrates the measures KEPCO is taking to provide continuous opportunities for education and self development for its employees, thereby helping them have a strong sense of achievement through their work.

I believe KEPCO sets a good example for other companies in having a win-win relationship of cooperation with the labor union and running programs for maternity protection and childcare to fully utilize the female workforce, which is gaining increasing importance. In order for KEPCO to further enhance the quality of life for its employees and serve their ever diversifying needs, it will need to change its corporate culture fundamentally. For example, flexible working hours or telecommuting may be good alternatives to the present working system, which is viewed inefficient and uniform with frequent overtime and weekend working.

But, KEPCO also should keep in mind that human-centered management can not be perfected only by improving employee welfare or enhancing satisfaction levels at the workplace. What global companies regard as human-centered management is "to let those who do not fit in with our company have a new chance." What respecting humans means in the corporate environment is not equal treatment for all; rather, it is about creating a virtuous cycle in which employees receive compensations for what they achieve and the company generate profits based on such achievements, which again leads to the benefit for the employees. Only when this virtuous cycle continues to happen will both the company and its employees be able to achieve their goals. In this sense, I think that the performance-based compensation and HR systems of KEPCO embody the respect of people in both the traditional and contemporary senses, and is worthy of being refined further.

Going beyond the respect of its internal members, KEPCO also needs to pay attention to and care about those who are outside the company, including customers and partners who affect and are affected by KEPCO's operation both directly and indirectly, and local employees and communities at KEPCO's overseas sites of operation. As one of KEPCO's stakeholders, I hope to see more of KEPCO's efforts geared toward consolidating its status as a global company.

2008. 8

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Mr. Urs Schön

Kepeco states to pursue a "··-balanced growth between the economic, environmental, social and human resources areas." I strongly believe that a long term sustainable development is a maximization of growth in these four areas. Economic growth can be maximized by increasing the environmental, social and human resources performance.

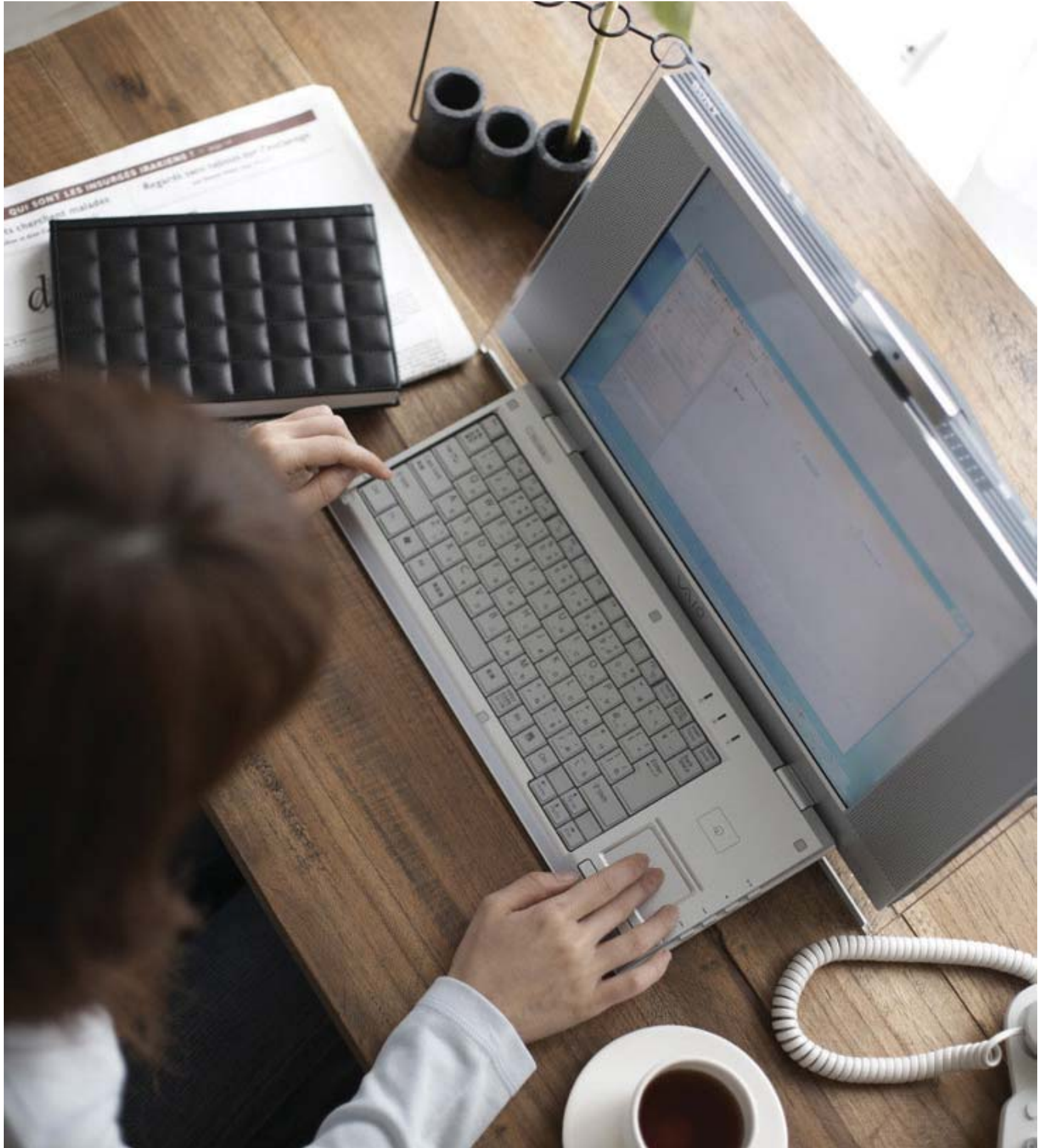
On the one hand, Kepeco has identified critical operational issues such as high oil price, energy independency and inefficient processes. On the other hand, the impact of the liberalization of its core market is not very well discussed, although measures against declining demand and intensifying competition have been taken. Thereby, Kepeco still has to prove that it is the competence centre for energy questions and that it sets the benchmark for competing IPPs.

Kepeco is making large strategic efforts in its managerial sphere to establish the foundation for a future increase of new and renewable energies in Korea. Renewable energies like wind power generation or small scale power generation units at customers' sites increase volatility and imbalances in the networks. The increased automatation of power facilities allows efficient power transportation and distribution with increased availability of such renewable power in Korea. Direct support for renewable power at Kepeco is difficult to find and is limited to research and development. A thorough strategy with defined targets regarding Climate Change issues is needed, seeing that the 6 Gencos' CO<sub>2</sub>-emissions account for approximately 30% of Korea's emissions. The involvement of Kepeco in the nuclear power sphere still requires greater emphasis on stakeholder engagement and requires the discussion of solutions for pending questions like safety and waste treatment.

Despite its relative small size, Kepeco's oversea business bears much greater reputation risks than the home market activities. The activities of oil corporations in Nigeria for example are accompanied by difficult community issues, which certainly don't shed a positive light on the involved companies. The strict application of Kepeco's Sustainability policies and full transparencies must be upheld in such an environment. The publication of "wage of newly hired employees overseas", for example, is an encouraging start for increased transparency.

*Urs Schön*

## 08. GRI Index



# GRI Index

## Profile

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	4.4	Mechanism for shareholders and employees to provide recommendations or directions to the BOD	9
	4.5	Linkage between compensation of executives and the organization's performance	50
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	<b>EC2</b>	Financial implications and other risks and opportunities for the organization's activities due to climate change	34
	<b>EC3</b>	Coverage of the organization's defined benefit plan obligations	48
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	EN5	Energy saved due to efficiency improvements	31
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	33
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	28
Water	EN8	Total water withdrawal by source	28
	EN9	Water sources significantly affected by withdrawal of water	28
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	EN12	Significant impacts of activities, products, and services on biodiversity in protected areas and areas of high diversity value	32
	EN13	Habitats protected or restored	32
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	31, 32
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	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	29
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Overall	EN30	Total environmental protection expenditures and investments by type environmental protection expenditures and investments by type	28, 31

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	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	49
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Freedom of Association and Collective Bargaining	HR5	Right to exercise freedom of association and collective bargaining	49
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	Indicator number	Content	Page
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	PR4	Type of product and service information required by procedures	39(none)
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Marketing Communications	PR6	Policies and programs related to marketing communications, including advertising, promotion and sponsorship	39, 40
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Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy	40
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# 09. Appendix



# Code of Ethics

KEPCO is proud that it has contributed to the development of national economy and society by providing the best service and the quality electric power to all customers.

Based on the pride and self-confidence, we will make KEPCO a global power company that grows and develops with all stakeholders of the company by pursuing the core values, the "Management based on Customer Respect" which gives priority to customers, the "Changes Oriented Management" which pursues innovations, and the "Profit Centered Management" which represents the wholesome profits.

In order to realize our goals, we recognize that the establishment of fair and transparent culture of ethics is essential, and we establish the Code of Ethics based on the standards of upright actions and evaluation that all employees of the company shall abide by and pledge to practice the codes.

1. We will share the core values and visions of the company, accomplish our mission with challenging and progressive minds, abide by concerned regulations while maintaining high ethical values, and carry out given jobs fairly and sincerely.
1. We will provide the best quality electricity and service, practice customer respect, and pursue mutual prosperity with customers.
1. We will realize wholesome profit making through innovative management activities and take the lead for sustainable growth and development.
1. We will respect the personalities of employees, give the equal opportunities, create safe and pleasant work environment, and make efforts so that employees can feel the pride of their company.
1. We will abide by related laws and regulations and international conventions concerned, protect the environment, and participate in activities for public interests in full scale to make contributions to the development of the nation and the society.

## Chapter 1 General rules

This Code of Ethics gives the standard for evaluation and wholesome activities that employees of KEPCO shall abide by in order to create fair and transparent culture of ethics. All employees of KEPCO shall fully understand and observe the Code of Ethics.

## Chapter 2 Basic ethics for KEPCO people

1. Share the core values and visions of the company, fulfill given jobs, pursue the development of the individuals and the company through continuous self-development.
2. Process given jobs fairly and sincerely by observing related laws and regulations based on high ethical values, do not take excessive profits, and try to maintain individual dignity and the company's honor.
3. Realize the fact that both labor and management are the owners of the company and take the lead for the coexistence and shared prosperity of labor and management based on trust and cooperation.

## Chapter 3 Ethics for customers and suppliers

1. With the spirit of customer respect, take all customer's values as the primary standards of all activities to provide the highest quality electric power and service to customer's satisfaction to secure trust from the customer.
2. Respect the order of market economy referring to the principle of free competition and stately pursue well-intended competition with competitors based on mutual respect.
3. Give equal opportunities to the suppliers, process the job fairly in the equal position, and pursue common development with suppliers through various supports.

## Chapter 4 Ethics for shareholders and investors

1. Gain wholesome profits through efficient management activities and transparent work process to protect the investment profit of the shareholders and investors.
2. Uplift corporate value based on continuous changes and innovations to pursue wholesome growth and development of the company in a long term.
3. Disclose and provide corporate information transparently, expand the opportunities for shareholders and investors to participate in management decision making process including the corporate policies to support them in executing their rights as shareholders and investors.

## Chapter 5 Ethics for employees

1. Treat each and every employee as dignified personalities, provide the equal opportunities according to the individual's competence and disposition, and do not discriminate or give preferential treatment due to gender / level of education / religion / age / physical handicaps.
2. Support the development of each individual in full scale to cultivate them into the competitive talent that company needs and create the environment to promote creative autonomous thoughts and actions
3. Create pleasant and safe work environment and make continuous efforts so that employees can develop the pride for the company based on mutual trust and understanding

## Chapter 6 Ethics for nation and society

1. Contribute to the national and social development based on continuous growth and development through rational and responsible management, and fulfill social responsibilities as a member of local community.
2. Establish safety culture that gives priority to the safety of customers and employees based on the concept of respecting human life and dignity, observe domestic and international related laws and regulations by recognizing the importance of environmental issue, and make efforts to protect the environment and prevent contamination.
3. Observe domestic and international laws and regulations as well as international conventions in management activities, respect the culture of the country where the overseas business was operated, and contribute to the economic development of the corresponding countries.

# Balance Sheet

The 47th period As of Dec. 31, 2007

The 46th period As of Dec. 31, 2006

(Unit : KRW)

Description	Current(47 <sup>th</sup> period)	Previoud(46 <sup>th</sup> period)
1. Current assets	3,689,652,487,939	3,668,714,994,814
2. Non-current assets	61,952,938,088,006	59,867,486,463,045
<b>Total assets</b>	<b>65,642,590,575,945</b>	<b>65,536,201,457,859</b>
1. Current liabilities	6,983,872,768,297	6,857,137,608,497
2. Non-current liabilities	14,627,986,095,597	13,717,039,694,707
<b>Total liabilities</b>	<b>21,611,858,863,894</b>	<b>20,574,177,303,204</b>
1. Capital stock	3,207,838,560,000	3,207,838,560,000
2. Capital surplus	14,513,010,951,893	14,518,842,724,773
3. Capital adjustments	△741,824,589,304	△796,980,279,455
4. Accumulated other comprehensive income(loss)	122,542,537,209	38,892,287,992
5. Retained earnings	26,929,164,252,253	25,993,430,861,345
<b>Total shareholders' equity</b>	<b>44,030,731,712,051</b>	<b>42,962,024,154,655</b>
<b>Total shareholders' equity and liabilities</b>	<b>65,642,590,575,945</b>	<b>63,536,201,457,859</b>

# Income Statement

The 47th period Jan. 1 ~ Dec. 31, 2007

The 46th period Jan. 1 ~ Dec. 31, 2006

(Unit : KRW)

Description	Current(47 <sup>th</sup> period)	Previoud(46 <sup>th</sup> period)
1. Revenues	28,983,884,897,543	26,979,032,528,366
2. Cost of sales	27,377,478,796,461	24,545,666,496,355
3. Gross profit	1,606,406,101,082	2,433,366,032,011
4. SG&A	1,224,705,858,994	1,201,774,915,299
5. Operating income	381,700,242,088	1,231,591,116,712
6. Non-operating income	2,356,166,981,181	2,178,757,161,850
7. Non-operating expenses	840,128,489,176	786,410,162,743
8. Income before income taxes	1,897,738,734,093	2,623,938,115,819
9. Income tax expenses	340,923,597,185	553,394,925,602
10. Current net income	1,556,815,136,908	2,070,543,190,217



# Cash Flow Statement

The 46th period Jan. 1 ~ Dec. 31, 2007

The 45th period Jan. 1 ~ Dec. 31, 2006

(Unit : KRW)

Description	Current(47 <sup>th</sup> period)	Previoud(46 <sup>th</sup> period)
I. Cash flow from operating activities	2,548,927,118,168	3,042,817,921,215
1. Net income	1,556,815,136,908	2,070,543,190,217
2. Addition of expenses not involving cash outflows	2,550,470,249,241	2,383,313,273,582
3. Deduction of revenues not involving cash inflows	△1,258,653,041,894	△1,093,827,931,852
4. Changes in operating assets and liabilities	△299,705,226,087	△317,210,610,732
II. Cash flow from investing activities	△2,669,837,107,050	△2,975,683,225,731
1. Cash inflow from investing activities	1,846,591,971,135	1,010,223,249,641
2. Cash outflow from investing activities	△4,516,429,078,185	△3,985,906,475,372
III. Cash flow from financial activities	181,031,758,866	△146,422,727,806
1. Cash inflow from financial activities	4,171,656,636,086	3,854,919,434,850
2. Cash outflow from financial activities	△3,990,624,877,220	△4,001,342,162,656
IV. Net increase (decrease) in cash [ I + II + III ]	60,121,769,984	△79,288,032,322
V. Cash at beginning of the year	129,224,669,214	208,512,701,536
VI. Cash at end of the year	189,346,439,198	129,224,669,214

# Statement of Appropriation of Retained Earnings

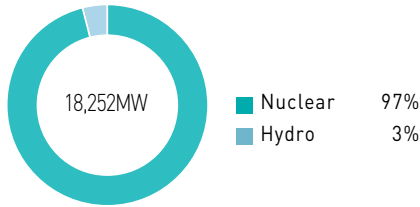
The 47th period Jan. 1 ~ Dec. 31, 2007 (Date of appropriation : Feb. 29, 2008)

The 46th period Jan. 1 ~ Dec. 31, 2006 (Date of appropriation : Mar. 26, 2007)

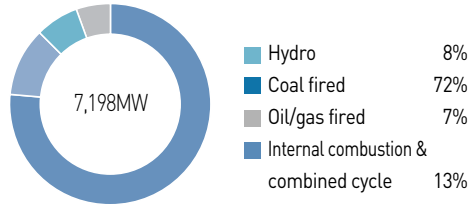
(Unit : KRW)

Description	Current(47 <sup>th</sup> period)	Previoud(46 <sup>th</sup> period)
I. Unappropriated retained earnings	1,556,815,136,908	2,071,223,295,939
1. Change in retained earnings of affiliated companies due to cumulative effect of accounting changes	-	680,105,722
2. Change in retained earnings due to cumulative effect of accounting changes	-	-
3. Net income	1,556,815,136,908	2,070,543,190,217
II. Appropriation of retained earnings	1,556,815,136,908	2,071,223,295,939
1. Legal reserve	-	-
2. Dividends	466,964,313,750	621,081,746,000
3. Other legal reserve	-	120,000,000,000
4. Voluntary reserve	1,089,850,823,158	1,330,141,549,939
III. Unappropriated retained earnings to be carried over to subsequent year	-	-

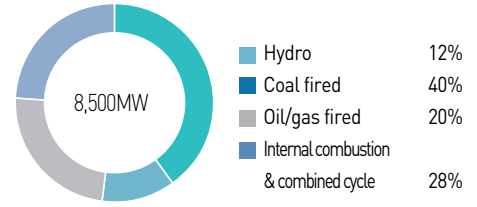
# Environmental Data of 6 GENCOs



Capacity : 18,252MW Production : 144,274GWh  
Sales : 55,083 Employees : 7,767



Capacity : 7,198MW Production : 45,034GWh  
Sales : 22,303 Employees : 2,036



Capacity : 8,500MW Production : 41,648GWh  
Sales : 28,267 Employees : 2,199

## Korea Hydro and Nuclear Power

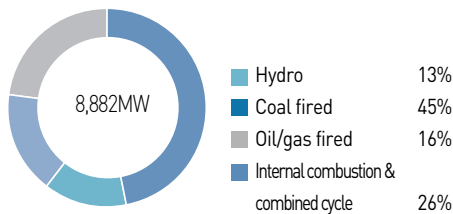
Performance	2005	2006	2007
Water use (1,000t)	5,897	3,090	3,209
Green housegas emission (CO2 1,000t)	-	-	-
SOx(t)	-	-	-
Air pollutants NOx(t)	-	-	-
Dust(t)	-	-	-
Discharged water COD(kg)	24,944	39,400	28,040
SS(kg)	4,807	9,400	4,546
Coal ash Generated(1,000t)	-	-	-
Recycled(%)	-	-	-

## Korea Southeast Power

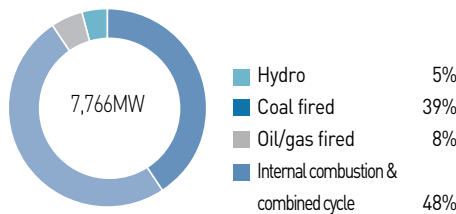
Performance	2005	2006	2007
Water use (1,000t)	6,229	6,647	6,388
Green housegas emission (CO2 1,000t)	35,694	35,731	37,058
SOx(t)	15,116	17,301	14,765
Air pollutants NOx(t)	42,284	38,086	36,666
Dust(t)	950	821	838
Discharged water COD(kg)	2,108	2,708	1,879
SS(kg)	1,167	2,240	1,073
Coal ash Generated(1,000t)	1,528	1,999	2,032
Recycled(%)	55	73	85

## Korea Midland Power

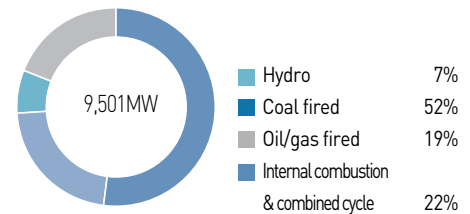
Performance	2005	2006	2007
Water use (1,000t)	3,532	4,793	5,287
Green housegas emission (CO2 1,000t)	28,248	26,658	27,893
SOx(t)	18,173	17,194	16,784
Air pollutants NOx(t)	29,858	24,497	24,433
Dust(t)	642	638	757
Discharged water COD(kg)	600	872	889
SS(kg)	403	453	452
Coal ash Generated(1,000t)	1,143	1,117	1,029
Recycled(%)	44	56	65



Capacity : 8,882MW Production : 48,728GWh  
Sales : 30,691 Employees : 1,877



Capacity : 7,766MW Production : 52,343GWh  
Sales : 37,273 Employees : 1,914



Capacity : 9,501MW Production : 48,021GWh  
Sales : 28,922 Employees : 2,152

## Korea Western Power

Performance	2005	2006	2007
Water use (1,000t)	5,280	5,838	6,002
Green housegas emission (CO2 1,000t)	27,180	27,353	34,334
SOx(t)	11,749	10,877	15,431
Air pollutants NOx(t)	25,352	25,673	14,401
Dust(t)	1,055	1,052	976
Discharged water COD(kg)	1,892	1,992	1,928
SS(kg)	1,154	1,430	1,473
Coal ash Generated(1,000t)	879	904	1,059
Recycled(%)	75	69	67

## Korea Southern Power

Performance	2005	2006	2007
Water use (1,000t)	4,826	4,862	5,096
Green housegas emission (CO2 1,000t)	30,125	30,646	32,891
SOx(t)	6,237	5,968	6,959
Air pollutants NOx(t)	20,123	16,238	12,023
Dust(t)	249	249	455
Discharged water COD(kg)	1,299	2,166	1,681
SS(kg)	552	940	885
Coal ash Generated(1,000t)	1,033	892	831
Recycled(%)	52	64	57

## Korea East-West Power

Performance	2005	2006	2007
Water use (1,000t)	6,347	8,217	9,688
Green housegas emission (CO2 1,000t)	28,578	31,779	35,575
SOx(t)	18,009	15,976	17,215
Air pollutants NOx(t)	30,888	27,585	26,483
Dust(t)	589	667	569
Discharged water COD(kg)	12,641	14,222	10,755
SS(kg)	4,979	5,432	6,488
Coal ash Generated(1,000t)	1,325	1,486	1,654
Recycled(%)	55	68	71

# Glossary

## Global Compact

UN Secretary-General Kofi Annan presented the ten universal principles in the areas of human rights, labor, the environment and anti-corruption, calling for business leaders to join an initiative called the Global Compact aimed at promoting business transparency and corporate social responsibility. The operational phase of the initiative was launched at UN Headquarters in July 2000.

## GRI (Global Reporting Initiative)

'A UNEP (United National Environmental Programme) body in charge of developing globally applicable guidelines for sustainability reporting.

## Kyoto Protocol

This is the substantial implementation plan of the Convention on Climate Change, the international convention established to prevent and regulate global warming, and it specified the target of greenhouse gas reduction in advanced nations. This protocol was adopted at the 3rd General Meeting of concerned countries held in Kyoto, Japan, in December 1997. Currently, Korea is excluded from the countries required to reduce greenhouse gas emissions.

## CES (Community Energy System Supplier)

A type of power business that generates electricity based on the demand below 35,000kW in special supply area and supplies electricity to users within the designated district directly without going through the power exchange market.

## Supercritical boiler

Operates at pressures higher than critical pressures. Highly heat-efficient and economical due to the use of dry vapor instead of wet vapor.

## COD (Chemical Oxygen Demand)

An indicator showing the quality of contaminated water. Expressed in the amount of oxygen consumed by a contaminant in oxidizing organic matters in mg/L or ppm.

## SS (Suspended Solid)

Particles floating in water whose diameter is 0.1  $\mu\text{m}$  or larger, causes turbidity.

## TOE (Ton of Equivalent)

Ton of equivalent for oil. Converted on the basis of the caloric value of 1 ton of oil.

## C-km (Circuit Kilometer)

Length of one cable made up of three lines. One of the most generally used units for the length of transmission line.

## Capacity reserve

Reserves are generating capacity dispatched to ensure reliable supply of electric power. Capacity reserve refers to the total energy generating capacity of power facilities, and operating reserve refers to the capacity available for operation at a given time.

## ETs (Emissions Trading)

The system that sets the total quantity of greenhouse gas emissions of all advanced nations and imposes certain amount of emission quotas. Countries exceeding the quota can purchase emission rights and those under the quota can sell emissions.

## Load factor

Refers to the ratio of average power as compared with the peak power during a given period. Used as the indicator representing the efficiency of power facilities. Load factor improvements lead to significant cost savings.

## Electricity reserve rate

Electric power in reserve against contingencies or to meet sudden surges in electricity demand.

## Ice storage cooling facility

An advanced cooling system that stores ice or cold water by using off-peak electricity during the night and uses it for cooling during the day. Distributes the increasing cooling load to the night time zone and helps improve load imbalance between day and night.

## Greenhouse gases

Elements of air generated either naturally or artificially, which may contribute to global warming when there is an excessive increase of their proportion in the atmosphere. Refers to gases like carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), chlorofluorocarbon (CFC), nitrous oxide (N<sub>2</sub>O), and sulfur hexafluoride (SF<sub>6</sub>).

## GIS (Gas Insulated Switch Gear)

Refers to a SF<sub>6</sub>-gas insulated metal box containing substation equipments, such as a main bus and circuit breakers. Increasingly being used because it requires less space for installation and is highly reliable.

## Electricity effect evaluation system

A technique to select ideal sites for constructing transmission and substation facilities. Quantifies the effect of electricity on the natural, social and technology environment by using GIS and CAD and analyzes the weighted importance of the effect. Results are rendered in 3D images.

## Direct purchase system

If a consumer uses more than 50,000kW of electricity, the consumer is allowed to directly purchase electricity at the real-time price determined in the power exchange market.

## CDM (Clean Development Mechanism)

A system where an advanced nation with an obligation to reduce greenhouse gas emission in compliance with the Convention on Climate Change fulfills her duties by implementing greenhouse gas reduction projects in underdeveloped countries through investing capital and technology. One of the emission trading methods that received the largest support at the Kyoto Protocol meeting in 1997.

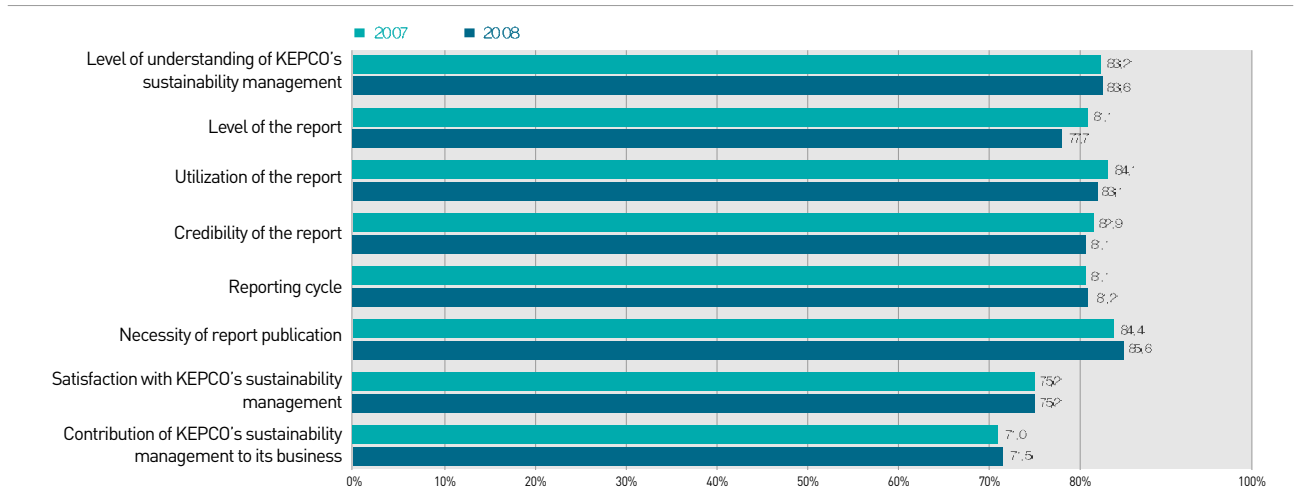
## Frequency

The measurement of the number of times that a repeated event occurs per second. The grid frequency in Korea is 60Hz.

# Listening to Our Stakeholders

KEPCO's 2008 sustainability report was prepared in compliance with the GRI 2006 Guidelines (G3). From planning to final publication, we tried our best to collect and reflect opinions of our internal and external stakeholders and build a consensus over its contents to ensure objectivity and credibility of the report.

## Survey for internal stakeholders



### Which issue is the most important in the economic area?

- Create now growth engines (34%)
- Overseas business & resource development (28%)
- Reliable supply of electric power & quality improvement (19%)
- Business diversification, e.g. IT business (11%)
- Accelerate managerial innovation (4%)
- Successful implementation of sub business unit system (4%)



### Which issue is the most important in the environmental area?

- Promote renewable energy (27%)
- Environment-friendliness in facility construction (25%)
- Group-level integrated environmental systems (18%)
- Response to the climate change convention (14%)
- Strengthen environment preservation activities (12%)
- Strengthen DSM (4%)



### Which issue is the most important in the social area?

- Customer satisfaction management (32%)
- Expand social contribution (22%)
- Win-win cooperation with group companies (16%)
- Lead ethical management (13%)
- Respect of human rights and diversity (12%)
- Improve governance (5%)



### Which issue is the most important in the human resources area?

- Improve welfare benefits (46%)
- Increase global talents (17%)
- Expand life long learning (12%)
- Advance labor-management relations (10%)
- Promote "Fun Magament" (9%)
- Performance-based compensation (6%)



# Interviews with Outside Stakeholders

## ■ Government

Woong Hwan Cho  
(CSR Official, Ministry of Knowledge  
Economy)

A sustainability report is a useful tool to inform the international community in an objective manner of the progress made by a company in fulfilling its corporate social responsibilities. This is why I believe that in such report, incorporating objective perspectives matters more than just showcasing statistics. I wish KEPCO, as a flagship public enterprise in Korea, to continue to create strong performance in sustainability management and make it more transparent and objective, so as to meet the expectations of the general public.



## ■ R&D

Gwang Lim Choi (Team Leader,  
Sustainability Management Center,  
KORCHAM)

Sustainability management is not just about strong stakeholder engagement aimed at publicizing performance of a company. It should be about creating channels of communication. Also, as KEPCO, an energy company, has a stake in solving climate change issues, it is critical for it to be fully ready for climate change challenges through efforts like power generation using clean energy. In addition, KEPCO is well advised to consider verification of its report by an authorized entity to enhance its credibility and impact.



## ■ Supplier

Chul Man Woo (Head of Sales Team,  
Cheryong Industrial Co.)

Financial and technical assistance provided by KEPCO is critical in the business of SMEs, which take up an important place in enhancing national competitiveness and keeping the economy running stably. As such, KEPCO is a model company in practicing win-win management. I hope that KEPCO will continue to share with its suppliers advanced electric power technologies and information on overseas markets, and that it will lead us to the right direction with an upgraded set of programs.



## ■ Consultancy

Man Pyo Lee (Team Leader, Korea  
Standards Association))

This report clearly shows to KEPCO's stakeholders how well the concept of sustainability is incorporated in its management strategies, as can be seen in KEPCO Sustainability Management Principles, KPIs and performances and disclosure of DMA. I ask KEPCO to be more explicit in future reports about the test process that it undertakes to make sure issues of stakeholders' interest are linked to sustainability KPIs. Also, KEPCO's sustained endorsement of the UN Global Compact needs to appear more clearly in CEO's Message.



## ■ NPO

Jong Oh Lee (Team Leader, KOSIF)

Sustainability management has become the very minimum required for the survival of a company. Also, investors around the world take an increasing interest in sustainability management as they base their investment decisions on ESG performance of a company. In order for KEPCO to become a global energy company, it should take a leading role in various global initiatives and be more proactive in responding to requests for information. KEPCO also needs to delve on ways to identify the right stakeholders and expand communication with them and to ensure sincerity in disclosing performance results.



## ■ GENCO

Joong Chang Choi (Head, Planning Team,  
KOMIPO)

Environmental issues not just affect the operation of individual companies but are a critical factor defining the lives of generations to come. The electric power sector, which includes power generation that account for about 27% of Korea's greenhouse gas emissions, is exerting a lot of efforts to make its business operation more eco-friendly by focusing on renewable energy and emission reduction. I hope that the sustainability report of KEPCO, a company that represents the electric power industry of Korea, will contribute to improving the earth's environment and provide an impetus to redoubling its commitment to sustainable growth.



# Report Preparation Process & Access to Additional Information

We drew up the basic plan for issuing the sustainability report in April 2008, collected sustainability performance data from sustainability management execution units at the head office, and formed a task force team made up of members from Strategy & Planning Team, Corporate Planning Department, which is in charge of supervising sustainability management practices at KEPCO, and working-level members from departments of the head office and the 6 GENCOs. The task force team analyzed the data and wrote the report, and the report was subjected to review by all members of top management. Starting from next year, we will do our best to improve the timeliness of the report by publishing it in the first half of the year.

## Access to Additional Information

In addition to sustainability reports, you can find more about KEPCO's key management information at the sites below.

Info on KEPCO	Website title	Website address
Business Report	Financial Supervisory Service's DART (data analysis, retrieval and transfer system)/company overview	dart.fss.or.kr
Form-20-F	US Securities and Exchange Commission	www.sec.gov
Annual Report	KEPCO homepage/company profile/KEPCO profile	www.kepcoco.kr
KEPCO Statistics	KEPCO homepage/customer service/electric power data	www.kepcoco.kr
Management information of public institutions	Public Institution Information Management System, the Ministry of Strategy and Finance	www.alio.go.kr

## Contact Information

For more information or inquiries, please contact us at:

Strategy & Planning Team, Corporate Planning Department KEPCO  
 411, Youngdongdaero, Samsung-dong, Kangnam-gu, Seoul, Korea (zip code: 135-791)  
 Tel: 82-2-3456-3512 Fax: 82-2-3456-3599

### WRITER

Key-Shik HAN  
 Ill-Kweon KIM  
 Joung-Ho Lee  
 Chang-Ryul Park  
 Tae-Keun KIM  
 Eo-Jean KIM  
 Goeng-Soo SHIN  
 Sun-Mi AHN

### DESIGNER

Sang-Min NAM  
 Sun-Yung LEE





# Voice of Readers

KEPCO looks forward to your valuable feedback on this reports.

We are ready to accept your opinions and suggestions and will use them to prepare a better report next time.

To submit your option, please visit the sustainability section of our company website.

homepage\_ <http://sustainability.kepco.co.kr>

e-mail\_ [sustainability@kepco.co.kr](mailto:sustainability@kepco.co.kr)

## 1. What your occupation?

- ① Investor/shareholder ② Business partner ③ KEPCO employee Local resident  
④ NGOs ⑤ Industry ⑥ Academia ⑦ Government ⑧ Press ⑨ Other (            )

## 2. How did you get to know about KEPCO's sustainability report?

- ① KEPCO website ② Seminar/lecture/exhibition ③ Newspaper/magazine  
④ Other website ⑤ KEPCO employee ⑥ Other (            )

## 3. Which is the most interesting part of this report?

- ① KEPCO and Sustainability ② Economy ③ Environment ④ Society ⑤ Human Resources

## 4. Which part of this report do you think needs to be supplemented?

- ① KEPCO and Sustainability ② Economy ③ Environment ④ Society ⑤ Human Resources

## 5. Please give us your free opinions about KEPCO's sustainability report.