



KOREA ELECTRIC POWER CORPORATION
2006 SUSTAINABILITY REPORT

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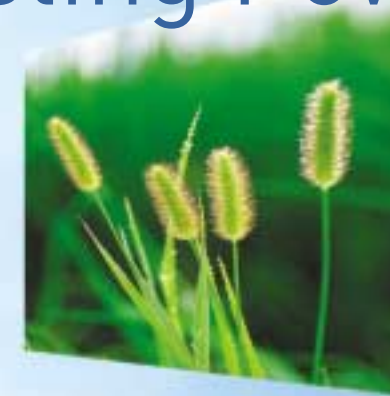
KEPCO. SUSTAINABILITY REPORT 2006.



KEPCO
SUSTAINABILITY REPORT
2006



Everlasting Power



About the report

Significance

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

Though this report, all stakeholders can take a look at how KEPCO is undertaking its economic, environmental, social and human responsibilities and thereby growing in a sustainable way.

Principle

Followed by its first issuance last year, KEPCO published this 'KEPCO's 2006 Sustainability Report' as the second edition. This report was prepared in accordance with the 2006(G3)

Draft Guidelines of the Global Reporting Initiative(GRI). Items recommended by the GRI Guidelines 2006 are found in "GRI Index" section(p 68-72) of this report.

Period and scope

Contents of this report pertains to the period starting from Jan. 1 through Dec.31 in 2005. However, a part of non-quantitative performances up to June 2006 are included.

This report mainly covers the sustainability management performances of KEPCO. But, in the Environment section of this report, activities of KEPCO's wholly-owned six power generation subsidiaries (Korea Hydro and Nuclear Power, Korea Southeast Power, Korea Midland Power, Korea Western Power, Korea Southern Power, and Korea East-West Power) are mentioned.

Each of the GENCOs separately publishes or plans to publish environmental report and sustainability report.

We plan to release major sustainability management performances of those companies in the future.

All monetary data in this report is expressed in Korean won (KRW) terms. The value of the Korean won against the US dollar is 1010.0 KRW/USD based on the buying rate in New York as of the end of December 2005.

Major changes

KEPCO sets and manages a set of Key Performance Indicators (KPIs) to make continuous progress in its sustainability management performances.

Compared with the 2005 report, this report contains 10 additional KPIs (quantitative). As a result, there are a total of 45 KPIs in this report, as appears in "Sustainability Management KPIs and Achievements" on page 16.

Third party review

To ensure the credibility of the report, we have had the report reviewed by third parties during the preparation of the report. Five independent specialists in sustainability management reviewed the overall composition and contents of the report with their respective expertise in the areas of economy, environment, society, human beings and overseas business. Third party review opinions are shown in "Third Party Review" section(p 61-67).



 Everlasting
Growth



 Everlasting
Pleasant



 Everlasting
Trust



 Everlasting
Improvement



Contents

01	CEO's Message	6
02	Corporate Profile	9
03	Sustainability Management Framework and Key Performances	15
04	Economic Performances : Superior Competitiveness & Sustainable Growth	23
	- Key economic performances	25
	- Business-scale expansion	26
	- Continuous managerial innovations	30
	- Development and commercialization of core technologies	32
05	Environmental Performances : Eco-Value Creation	33
	- Strengthening integrated environmental management system	35
	- Environment-friendliness in power supply chain	38
	- Coping with climate change issues	43
06	Social Performances : Trust from Stakeholders	45
	- Enhancing managerial transparency	47
	- Growing together through strong partnership	49
	- Social contribution activities	53
07	Human Resource Performances : Increased Internal Capabilities	55
	- Improving quality of life	57
	- Bringing up globally competitive personnel	59
	- Respecting human rights and diversity	60
08	Third Party Review	61
09	GRI Index	68
10	Appendix	73

01. CEO's Message

Dear Stakeholders Around The World,

First of all, I would like to express my deepest gratitude to all of you for your unwavering support and interest in KEPCO's efforts for sustainability management.

Looking back, 2005 was a year in which all of us at KEPCO put all our efforts together for achieving "Clean Company, Dynamic KEPCO" regarding ethics and morality as the most important values.

And, it was a year that saw the establishment of our "2015 Mid-to-Long Term Strategic Business Plan" marking our first step toward realizing our blueprint for the future to become a "World-renowned Global Energy Group."

We also set up a master plan for sustainability management covering 4 fields - economy, environment, society, and human resources - as a part of our efforts to level up KEPCO to one of the world's top 5 energy groups. We demonstrated global leadership in fulfilling social responsibility by becoming the first signatory to the Global Compact among Korean companies.

Along with this, we have strived in various ways to accomplish a balanced growth in the areas of economy, environment, and society, through efficient construction and operation of electric power facilities, creation of environmental values with aggressive demand-side management, continuous management innovation and active social contribution activities.

Such efforts have earned us positive assessment and recognition both at home and abroad. We won the Edison Award, which is often dubbed as the Nobel Prize in the power industry; in Korea, KEPCO remained in the first place in the government's National Customer Satisfaction Survey for 7 consecutive years since it began in 1999, and won the 1st Sustainability Management Award.

Not being satisfied with achievements we made up to now, we will continue to push for further advancement of sustainability management system which we introduced last year.

We will strengthen our drive for tangible results by linking the 2015 Mid-to-Long Term Strategic Business Plan, which is our basic framework for sustainability management, to the BSC-based evaluation system. Also, we will take the lead in promoting sustainability management across the entire power industry by encouraging other power companies to join our endeavor.

At the same time, we will try to fulfill social responsibility as a leading power company in Korea by strictly implementing the 10 Principles of the Global Compact, the universal principles for all human beings.

With the recognition that stakeholder engagement and balanced management of economy, environment, society and human aspect of the operation constitutes a new business paradigm critical to the survival of the company, all of us at KEPCO will undertake drastic changes and innovations to achieve our blueprint for becoming a "World-renowned Global Energy Group" and contribute to sustainable development of our society and the entire human beings.

KEPCO is committed to accomplishing the objectives in the 4 major areas economy, environment, society and human resources to make the electric power business more sustainable.



First, in the area of economy, we will expand power facilities in a timely manner to ensure reliable supply of electricity. We will actively seek new business opportunities overseas, such as in Southeast Asia, China, and the Middle East. Particularly, we will focus on overseas energy resource development linking power plant construction with energy resource development to secure future growth engines in our business.

Also, we will take full advantage of the ERM system to systematically manage non-financial and financial risks. It will keep us focused on profitability, adding to the corporate value of the company.

In addition, we will upgrade the level of business management by introducing the so-called "Sub Business Unit(SBU) System" aimed at promoting internal competition between KEPCO's business units and by successfully deploying the ERP system for optimal resource allocation. These efforts will further accelerate changes and innovations in our organization.



Second, in the area of environment, we will work to bring transparency and efficiency to our environmental policies by strengthening the environment-oriented management system in an attempt to transform the power industry into an environment-friendly one. We will continue to enhance efficiency of energy use by managing power demand systematically and operating advanced load management programs.

We take a proactive stance in addressing climate change challenges at the KEPCO group level. We will further promote the development and application of renewable energy technologies, and speed up the development of CO₂ emission reduction technology and other environment-friendly technologies to help reduce greenhouse gas emissions.



Third, in the area of society, we will continue to implement corporate social responsibility as a leading public enterprise in Korea by further strengthening ethical management, customer satisfaction management, and sharing management.

To do so, we will upgrade our ethical management system, and enhance accounting transparency by establishing and advancing accounting practices that meet the global standards. Also, we will work to bring excitement into customers' experience with higher quality in service by offering a variety of differentiated services that meet the needs of individual customers and by listening to customers' voice and reflecting their opinions on our sales activities.

We will also work hard to make social volunteering an integral part of our corporate culture. We will expand the work of the KEPCO Volunteer Group to reach out to the socially disadvantaged and encourage voluntary participation of all employees in social contribution activities.

Support for SMEs (small and mid-sized enterprises) is another area of our focus, in which we are striving to develop and implement the best practice. We will improve our SME assistance programs so that they can give practical help for SMEs, and expand the operation of such programs by all KEPCO-group companies.



Lastly, in the area of human resources, we will make efforts to bring excitement and motivation to our corporate culture and improve the life quality of our employees through human-oriented management and respect of diversity in human resources.

We will nurture an HR culture emphasizing merits and performances by introducing a HR evaluation system based on MBO in connection with ERP. And, by promoting democratic corporate atmosphere, we will try to bring all employees together under 'One KEPCO' campaign.

Our global talent nurturing program will be further expanded to develop talented workforce systematically. We will remove all discrimination in hiring, promotion and other various HR policies. We will strengthen the implementation of gender equality to create a workplace that is fun and diverse.

KEPCO is the flagship public corporation in Korea. Everyone at KEPCO fully understands this, and is ready to make every effort to fulfill our social responsibility by pursuing a balanced growth of economy, environment and society, and by implementing transparent communications with our stakeholders.

We believe that sustainability management is the key to the survival of a business. We will take sustainability management as our growth engine, and based on that, we will work toward higher corporate credibility and values. Ultimately, we will strive to grow into a 'world-renowned global energy group' and thus contribute to sustainable development of our country and all human beings.

Thank you.

Chairman&CEO
JOON-HO, HAN

Dear
Stakeholders Around
The World...

Ambition to Become a
World-renowned
Comprehensive Energy Provider.

KEPCO will be strong power to achieve growth and development of the energy industry and to protect nature, the world and human beings.

Overview of The Electric Power Business

Characteristics

Electricity is difficult to be replaced with other energies, and is essential for our life and industrial development. Also, it is difficult to control demand and requires a huge capital and a long time to secure sufficient supply capacity. Power supply disruptions cause considerable amount of social costs. The level of tariff and quality of electric power are important determinants of national competitiveness.

Because electricity consumption and production are happening at the same time, it is difficult to be stored in an economically viable way. Inevitably, there have to be certain reserve facilities maintained to ensure timely supply and networks are required for transportation of electric power. Often, the electric power business is operated as a monopoly.

Korea imports 97% of its primary energy resources. Because its power system is isolated due to geo-political reasons, Korea cannot trade electricity with neighboring countries. Also, long-distance transmission facilities are required, for the majority of power generators are located in the Southern regions while loads are concentrated in the Seoul metropolitan area.

Business structure

The electric power generation sector of Korea allows for competition among six subsidiaries of KEPCO (Korea Hydro and Nuclear Power, Korea Southeast Power, Korea Midland Power, Korea Western power, Korea Southern Power, and Korea East-West Power, hereafter referred to as "GENCOs"), independent power producers (IPPs) and community energy suppliers (CESs). The electric power marketplace in Korea has been opened up, permitting foreign ownership up to 30% of the nation's entire power generation capacity.

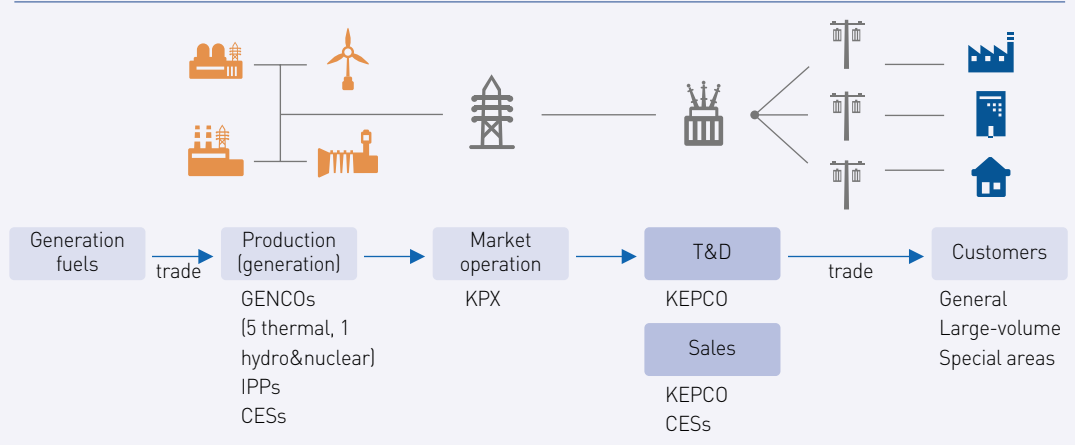
In 2005, 391,536GWh of electricity was generated in Korea, for which 89.3% was accounted by the GENCOs and KEPCO (only in islets), and the remaining 10.7% by IPPs and CESs. KEPCO is solely responsible for transporting electricity, and purchases electricity produced by generators from Korea Power Exchange (KPX) and sells it to customers.

The retail sector has been partially liberalized to allow for competition, in which large-volume customers (over 50,000kW) can bypass KEPCO and make direct purchases from the KPX and CESs (over 35,000kW) are allowed to sell the electric power they generated. As of December of 2005, there are 9 companies permitted to operate as CES, and they are going to build 318,000kW of generation facilities.

Characteristics of the electric power business

General	Demand/Supply	Inelastic in demand Long time for capacity addition	► Difficult to control demand ► Difficulty in respond to demand change
	Investing	Infrastructure biz (90% in fixed assets)	► 15-30 year recovery of investment
	Industry	National backbone industry	► Important for national competitiveness
Techno-logical	Product	Impossible to store	► Need to maintain surplus capacity
	Transport	Networks needed	► Un-economy of investment overlap
Korea-specific	Energy security	Import 97% resources, No import or export	► Need to consider energy security
	Networks	Distance of production & consumption areas	► Need for long-distance grids

Structure of the electric power business



KEPCO's Role

KEPCO is specially incorporated under the "Korea Electric Power Corporation Act" with the mandate of developing electricity resources and rationally managing electricity business in order to provide stable supply of electricity and contribute to the nation's economy.

The role of KEPCO is to provide comprehensive, top-quality electric power services through the balancing of public interest and business profitability. In doing so, it commits itself to fulfilling social responsibilities while respecting stakeholders' interest, contribute to the development of the nation and the society, and drive the growth and development of the energy sector by securing future growth engines and globally competitive edge.

Contributing to the national economy with stable supply of quality electricity and enhanced global competitiveness

Through electricity, a key driver of the national economy, KEPCO is contributing to the national economy by constructing reliable power facilities in a timely manner, enhancing operational efficiency, maintaining sound financial structure, and providing stable supply of electricity at low prices and with world's highest quality achieved by innovations in electricity technology.

Based on the stabilized status of the electric power business, KEPCO seeks to enhance efficiency of the sector as a whole through competition and cooperation with its group companies and partners, and pursues co-prosperity with them.

KEPCO has been very active in expanding overseas business and participating in resource development projects. As a result, reliable supply of fuel for power generation and stabilization of electric power prices have been made possible, adding to the competitiveness of domestic industries and realizing reliable energy supply on the national level. Also, KEPCO is contributing to reconciliation between South and North Korea in part through its participation in inter-Korean cooperation projects including power supply to the Gaeseong Industrial Complex located in the North. We will strive to emerge as a leader in the power sector in the era of Northeast Asia.

Contributing to environment protection and creating environmental values for future generations through environment-oriented management

We are faced with increasingly challenging environmental problems and ever stricter requirements from stakeholders for symbiosis between human beings and the nature. Against this backdrop, KEPCO is doing its best to reduce environmental impact of its operation, and developing and supplying environment-friendly clean energy resources. KEPCO is contributing to environment protection and creating environmental values for future generations by greening the entire power supply ranging from production to consumption by end users, and by improving energy use efficiency.

Seeking mutual prosperity with stakeholders and contributing to social development through fulfillment of social responsibilities

Corporate social responsibilities is being firmly established as a new business paradigm that dictates the survival of businesses under infinite global competition. As global standards for corporate social responsibilities are prepared, businesses are faced with a stronger demand from stakeholders for fulfilling corporate social responsibilities.

KEPCO is a company working for the benefit of all citizens. And, an electric power business needs to balance the public interest and profitability.

Therefore, through continuous changes and innovations, KEPCO is firmly establishing employee ethics and morality, and applying global standards to its programs and work procedures to enhance management transparency.

Also, through appropriate profit return to society, we are realizing win-win business management in which we grow together with the general public, customers, shareholders, employees and those in need. Internally, we are working to promote a self-motivating and democratic corporate culture while cherishing talented workforce and supporting diversity among our human resources.

Based on these efforts, we will make every effort to win trust and support from our stakeholders, and to become an internationally respected company and continue our growth and development to be sustainable.

KEPCO at a glance (change from 2004)

Company name	Korea Electric Power Corporation
Foundation Date	July 1, 1961
Equity capital	3.2 trillion won (up by 4.096 bil. won)
Total assets	61.6 trillion won (up by 2.7 tril. won)
Revenues	25.1 trillion won (up by 1.5 tril. won)
Employees	20,362 (up by 153)
Electricity sold	332.4 billion kWh (up by 20.3 bil. kWh)
Customers	17,329K customers (up by 267K)
Shareholders composition	Korea Development Bank 29.95% (down by 0.04%) The Korean government 24.07% (up by 0.1%) Foreigners 29.59% (down by 0.51%) Others 16.39% (down by 0.45%)
Invested companies	10 subsidiaries (GENCOs, 4 group affiliates) 3 overseas corporations 4 equity participations
IPO markets	Korea Exchange (KRX) New York Stock Exchange (NYSE)

Vision and 2015 Mid-to-Long Term Strategic Business Plan

A World-renowned Utility Company Growing Together with Customers

"Growing Together with Customers" represents our commitment to gaining trust and support from stakeholders by providing the best products and comprehensive services to every customer.

"A World-renowned Utility Company" expresses our will to grow into a leader in the energy sector that contributes to the development of the nation and local communities with strengthened core competencies and higher global competitiveness.

Respecting Customers, Embracing Changes, Focusing on Profitability

These are the basics of operational activities and decision making at KEPCO.

"Respecting Customers" - Placing highest priority on customer satisfaction, we work to enhance customer values with the human-oriented mindset.

"Embracing Changes" - We continue to undertake innovations to respond to changing business environment. This brings us better business performances and higher corporate value.

"Focusing on Profitability" - All of our decision making is based on profitability considerations. This enables us to allocate resources efficiently and generate more profits, meeting shareholder expectations.

A World-renowned Comprehensive Energy Provider

KEPCO has come up with a blueprint for the future - to emerge as a world-renowned comprehensive energy provider by 2015. To accomplish this, we proclaimed 2015 Mid-to-Long Term Strategic Business Plan which covers 5 major areas - business scope, management system, marketing, finance, and human resources.

"Business scope" is aimed at transforming KEPCO into a truly comprehensive energy provider by building on its stable business in electricity power and expanding its business portfolio into other new business areas related to electric power.

"Management system" is aimed at establishing a sub business unit system in which internal competition is encouraged and more discretion is given to lower level units.

"Marketing" is aimed at concentrating business resources on future growth engines in order to expand our power capacity and sales to match the level of the world's top 10 companies and to develop core technologies ahead of others, turning KEPCO into a world-class electric power technology exporter.

"Finance" is aimed at ranking KEPCO among the global 100 companies and reaching 50 tril. won in corporate market value through strengthening our financial policy.

"Human resources" is aimed at gaining competitiveness worldwide through a HR policy focusing on merits and performances as well as a systematic development of globally competitive personnel.

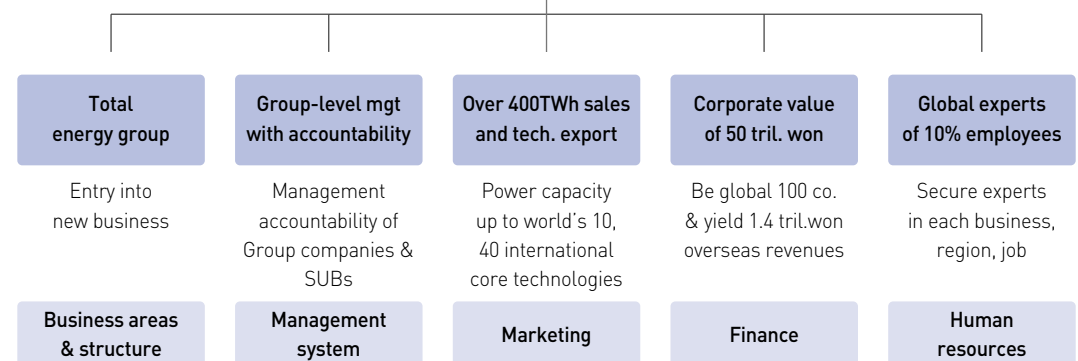
Vision (core values)

A World-renowned Electric Company Growing with Customers
(Respecting customers, Embracing changes, Focusing on profitability)

Blueprint for 2015

A World-renowned Comprehensive Energy Provider

Mid-to-Long Term Strategy



Corporate Governance and Organizational Structure

Board of Directors

The Board of Directors, as the highest decision-making body at KEPCO, is being given more autonomy to facilitate the more autonomous and accountable business management at KEPCO. At the same time, the BOD's expertise is being advanced so that it can effectively play a watchdog role based on the principle of check and balance.

Also, in order to fulfill the right-to-know of stakeholders and to make activities of the BOD more transparent, BOD member bios and meeting minutes are released under management information section of KEPCO website (www.kepco.co.kr).

As of 2005, there are 7 standing directors and 8 non-standing directors at KEPCO, including one female director. CEO assumes the chair of the BOD. In 2005, we held 11 BOD meetings and addressed 44 agenda items, doubled from the previous year. Attendance by BOD members was 95.1% in 2005, 0.6% higher than in 2004.

Efforts made to strengthen roles of BOD in 2005

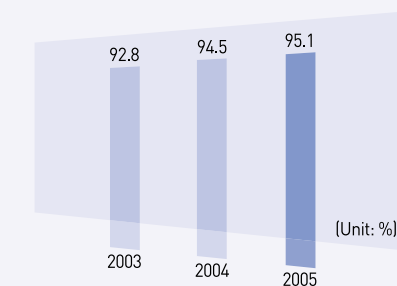
Autonomy

- More major management information reported to BOD
 - No. of items reported to BOD : 7 items('04) → 8 items('05)
- Encourage non-standing directors to actively participate in company management
 - Meeting attendance rates of non-standing directors : 91.9%('04) → 93.2%('05)

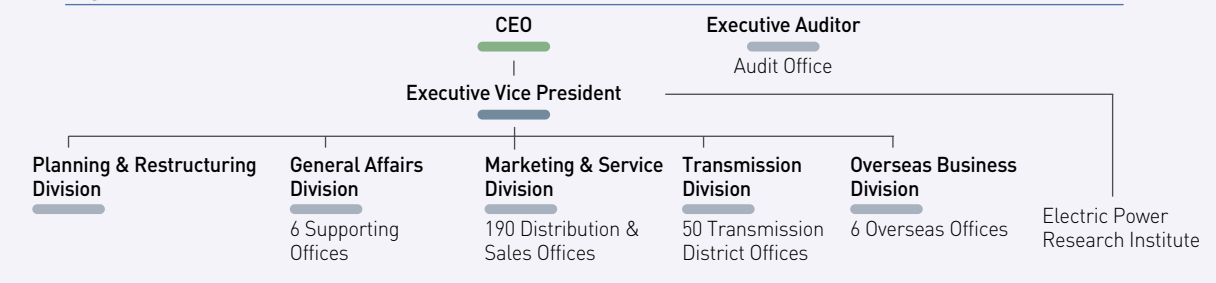
Expertise

- Diversified specialties of the 8 non-standing directors
 - One specialist for administration, media, accounting, economy, law, society, and security, respectively
- Enhance BOD's understanding of the electric power business through field visits and discussions
- Built a separate BOD homepage for timely provision of management information
- Advisory consulting and reflection on major issues (7 items)

Non-standing directors' meeting attendance(%)



Organizational chart



CEO

CEO of KEPCO is appointed by the President of the Republic of Korea for a 3-year tenure after the approval of KEPCO's "CEO Nomination Committee" comprised of non-standing directors and members from the private sector. Since 2004, we have enhanced transparency of the CEO appointment process by developing fair evaluation standards based on the advice from professional advisory firms. And, KEPCO discloses all steps of the CEO appointment process and the minutes from CEO Nomination Committee under management information section of KEPCO website (www.kepco.co.kr), which is the first time for a public corporation in Korea to do so.

CEO must sign a business management pact with the representative of non-standing directors with regard to the management goals to be achieved for the year, and submit it to the government. KEPCO's implementation of the pact is reviewed by the Management Evaluation Board for Public Enterprises consisting of specialists from various fields, and by the Minister of Planning and Budget.

Audit Council

Pursuant to the Basic Act on the Management of Government-Invested Institutions, KEPCO appoints auditors for independent audit of its business and accounting practices. We have one standing auditor and two non-standing auditors. The two non-standing auditors include one accounting specialist qualified under the Sarbanes-Oxley Act of the U.S.

Starting from 2005, we have been running the Audit Council in which all auditors participate as members. The council is responsible for managing our internal accounting control system. There were 4 council meetings in 2005, in which 9 agenda items were deliberated including approval of getting audit services from outside audit agencies.

Organizational structure

KEPCO has 25 departments under 5 divisions at the head office. Nationwide, 190 distribution and sales branch offices, 50 regional transmission offices, 6 supporting offices and 1 electric power research institute are in operation. Globally, KEPCO has 6 overseas offices.

KEPCO is taking steps to relocate its head office in line with the government's initiative for balanced regional development. In 2005, a taskforce was formed at the head office to take up the work related to moving the head office to a regional location. Also, our Energy Policy Team was expanded into Energy and Environment Policy Team in order for coordinated implementation of responses to the climate change convention and environmental management. And, we increased the number of employees at PCB management, overseas operations and support for SMEs.

03. Sustainability Management Framework and Key Performances



Economy



Environment



Society



Human

Innovative Changes for Sustainability Management

We will leap forward as the “World-renowned Comprehensive Energy Provider” through management where economy, environment, society and human beings are balanced.

Sustainability Management Framework

In 2005, KEPCO introduced sustainability management framework that focuses on the balanced consideration in 4 key areas; economy, environment, society and human resources. Accordingly, we set 'KS-GT5' as our goal of sustainability management until 2015. KS(KEPCO Sustainability) stands for KEPCO's becoming the best institute of sustainability management in Korea, and GT5(Global Top 5) for elevating the level of KEPCO's sustainability management to the that of the global top 5 energy companies.

And, we have developed implementation strategies and identified 12 action items in 4 major areas of sustainability management to achieve the goal by 2015.

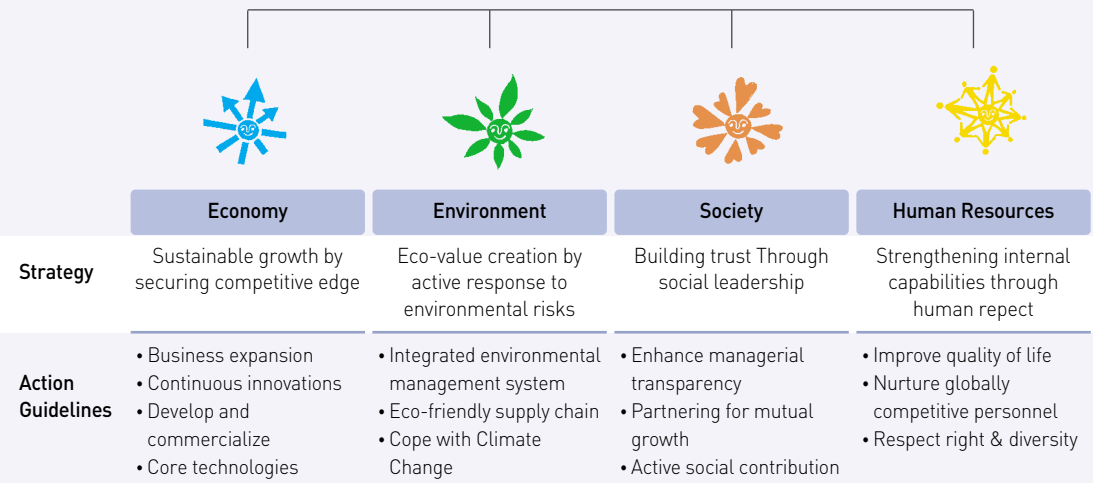
The 12 action guidelines have been aligned with the 2015 Mid-to-Long Term Strategic Business Plan, our overarching business management roadmap, for effective implementation. To find out more about the 12 action guidelines linked with our business plan, please refer to Sustainability Report 2005 (p 21).

Strategies of sustainability management in the 4 major areas

Economy	By strengthening corporate competitiveness and enhancing growth potential, we will seek sustainable growth in the economic perspective.
Environment	We will create environmental values by identifying and managing environmental concerns in every phase of the power supply chain ranging from power generation to transmission and distribution.
Society	Enhancing management transparency and leading socially responsible activities will be focused to earn and build trust from all stakeholders including shareholders, local communities, suppliers, the government and the mass media.
Human Resources	We will implement human-oriented management, in which our employees are centered, by enhancing the quality of life for them, developing their competencies, and respecting diversity.

Vision **(A World-renowned Electric company Growing with Customers)**

Goal **KEPCO Sustainability Global Top 5**



Evaluation **Link with 2015 Mid-to-Long Term Strategic Management Plan and Evaluation based on BSC**

Organization for Implementing Sustainability Management by Stage

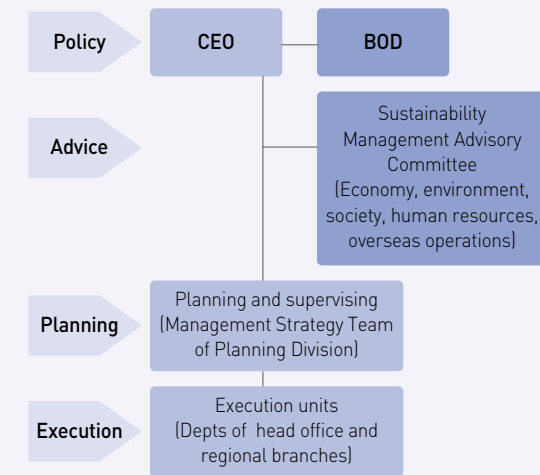
Organization for sustainability management

In 2005, KEPCO set up an organizational unit exclusively responsible for the systematic and integrated implementation of Corporate Sustainability Management (CSM).

We formed Sustainability Management Advisory Committee in March 2006, consisting of 5 outside specialists in the areas of economy, environment, society, human resources and overseas operations who provide advice on our implementation of sustainability management, and their input is being incorporated into our policies. More details about the 5 outside specialists are described in Third Party Review of this report (p 61-67).

To ensure our sustainability management efforts are in line with our 2015 Mid-to-Long Term Strategic Business Plan for a systematic implementation, Management Strategy Team of Planning Division 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 execution units are 25 departments of the head office and 253 branches across the nation.



Development Stages of Sustainability Management

Under the goal of joining the global top 5 in the energy sector by 2015, KEPCO has set forth the development stages for each of the 7 areas of economy, environment, society, human resources, employee mindset, corporate value and corporate image, and is actively implementing sustainability management to accomplish the goal.

Goal	KS-GT 15	KS-GT 10	KS-GT 5	
Development Stage	Creating foundations (2005)	Maturing (2006-2010)	Sustainable management (2011-2015)	
4 major areas	Economy	· Revenues: 25 tril. won · Net profit: 2.4 tril. Won	· Revenues : 31 tril. won · Net profit : 2-3 tril. won	· Revenues : 36 tril. won · Net profit : 3-4 tril. won
	Environment	· Environmental mgt by each business unit	· Integrated environmental management	· Maximize environmental values
	Society	· Build trust	· Most respected company in Korea	· Most respected company in the world
	HR	· High compensation in Korea	· Highest compensation in Korea	· Highest compensation globally
Employee mindset	· Develop the mindset	· Establish the mindset	· Voluntary mindset	
Corporate value	· 24 tril. won	· 35 tril. won	· 50 tril. Won	
Corporate image	· Global 300	· Global 200	· Global 100	
	· Join Global Compact · Register report with GRI	· Top 10 in sustainability (Innovest, DJSI)	· Top 5 in sustainability (Innovest, DJSI)	

Sustainability Management Efforts (2005~June. 2006)

03. Sustainability Management Framework and Key Performances



▶ KEPCO Sustainability Report 2005

Release of Sustainability Report 2005

In order to meet the increasingly high expectations for corporate social responsibilities in the international community and the global standards, and also to fulfill social responsibilities as a prominent public enterprise in Korea, KEPCO published its first sustainability report in September 2005 both in English and Korean. The report covers KEPCO's efforts and achievements in the 4 major areas of sustainability management; economy, environment, society and human resources, in accordance with the UN's GRI 2002 Guidelines. The report was released to Korea Stock Exchange (KRX) and was also submitted to the GRI and the Global Compact of the UN. It was also made available to our domestic and international stakeholders, including the National Assembly, the Government, academic institutes, NGOs and our business partners.

First Korean Company to Join UN Global Compact

KEPCO became the first Korean company to become a signatory to the Global Compact in August 2005. While trying to comply with the 10 principles of the Global Compact covering 4 areas of human rights, labor standards, the environment and anti-corruption. KEPCO is also encouraging its subsidiaries and other Korean companies to follow suit. KEPCO Sustainability Report 2005, which contains our progress related to the compliance with the 10 principles, was registered at the Global Compact website (www.unglobalcompact.org/CommunicatigProgress). Also, KEPCO took part in the Global Compact Summit China held in Shanghai, China in December 2005, as the Korean representative, and delivered a presentation on KEPCO's efforts and achievements with regard to its sustainability management.

10 principles of the Global Compact

• Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and
	2. make sure that they are not complicit in human rights abuses.
• Labor Standards	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	4. the elimination of all forms of forced and compulsive labor;
	5. the effective abolition of child labor; and
	6. the elimination of discrimination in respect of employment and occupation.
• Environment	7. Businesses should support a precautionary approach to environmental challenges;
	8. undertake initiatives to promote greater environmental responsibility; and
	9. encourage the development and diffusion of environmentally friendly technologies.
• Anti-Corruption	10. Businesses should work against all forms of corruption, including extortion and bribery.

Communication Channels with Stakeholders

KEPCO included sustainability management activities on its website (www.kepcoco.kr) to share information related to sustainability management with stakeholders and to listen to what stakeholders say about its sustainability reporting.

On the website, one can find information on the progress made in 2005 on KEPCO's sustainability management activities, and submit their opinions about the report.

Winning Grand Prize in the 1st Sustainability Management Award

In June 2006, KEPCO was put in the first place in the 1st Sustainability Management Assessment hosted by Seoul School of Integrated Sciences and Technologies, sponsored by Dong-A Daily and others, and organized by Korea Research Institute for Management and Assessment, a government-invested assessment/research institute under the Ministry of Planning and Budget, in recognition of its excellent performance in its efforts for balanced development of economy, environment and society, and fulfillment of corporate social responsibility.

GRI Head Ernst Ligteringen visited KEPCO

In June 2006, Mr. Ernst Ligteringen, head of GRI which develops and disseminates sustainability reporting guidelines, paid a visit to KEPCO to applaud its leading role in promoting sustainability management in Korea. He met with CEO Joon-ho Han to discuss mutual concerns with regard to sustainability management. The visit by the head of GRI clearly demonstrated the support and encouragement of the international community for KEPCO's efforts to advance its sustainability management to the global level.

Sustainability Management KPIs and Performances

KEPCO has set 45 KPIs(key performance indicators) in 4 major areas of economy, environment, society and human resources to keep track of its sustainability management performances linked with the Balanced Score Card(BSC) system.

Area	KPI	Unit	Results			Target		
			2004	2005	Comparison with 2004	2006	2010	
Economy (15)	Business expansion	Transmission line length	C-km	28,409	28,642	Up	29,939	33,526
		Substation capacity	MVA	193,700	208,504	Up	218,800	252,992
		Distribution line length	1,000C-km	380	385	Up	396	428
		Power sales	100 mil. kWh	3,121	3,324	Up	3,520	3,745
		Overseas business (as % of sales rev.)	%	1.0	1.0	Maintenance	1.0	2.0
		CDM business	Each	N/A	1	Up	2	8
		PLC service	No. of Customers	190	1,690	Up	5,000	1,000,000
	Continuous innovation	Labor productivity	MWh/person	15,779	16,330	Up	16,844	17,044
		Debt-to-equity ratio	%	46.3	46.0	Down	Below 50.0	Below 50.0
		EVA	100 mil. Won	503	-2,659	Down	-3,204	In the black
		Credit rating (Moody's)	-	A3	A2	Up	A2 or higher	A2 or higher
		Return on assets	%	4.9	4.0	Down	4.6	4.8
	Develop and commercialize core technologies	R&D investment (as % of net sales)	%	3.3	3.5	Up	4.4	5.5
		Industrial property rights	Each	1,219	927	Down	1,000	2,400
		Proprietary technology	Each	384	594	Up	694	1,094
Environment (12)	Integrated environmental management system	EMS certification	%	N/A	N/A	In progress	N/A	50.0
		Energy use (office building, etc)	TOE	58,709	74,482	Up	80,184	105,000
		Water use (office building, etc)	1,000 ton	1,106	1,040	Down	1,100	1,400
		Waste recycling rate	%	N/A	N/A	N/A	95.0	95.0
		Purchase of environment-friendly products(as % of total purchase value)	%	29.7	37.5	Up	39.2	50.0
	Eco-friendly supply chain	Transmission line under-grounding ratio (urban area)	%	88.0	91.2	Up	91.5	97.0
		Distribution line under-grounding ratio (Seoul area)	%	47.4	50.2	Up	50.8	52.7
		T/D loss rate	%	4.46	4.51	Up	4.63	4.43
		Load factor	%	76.2	76.2	Maintenance	76.0	75.0
		Peak reduction by DSM	MW	3,165	3,901	Up	3,331	4,465
	Cope with climate change	Renewable energy generation (KEPCO group)	%	1.0	1.0	Maintenance	1.0+	1.0+
		Greenhouse gas emission (direct emission)	CO2-ton	178	652	Up	1,000	1,500



▶ KEPCO Sustainability Management Website



▶ Winning the 1st Sustainability Management Award



▶ GRI Head meets with KEPCO CEO

Sustainability Management KPIs and Performances

Area	KPI	Unit	Results			Target		
			2004	2005	Comparison with 2004	2006	2010	
Society (11)	Enhance managerial transparency	Integrity as public enterprise(rated by KICAC)	Point	8.64	8.78	Up	9.0+	9.0+
		e-procurement rate	%	71.4	73.9	Up	73.7	80.0
		Information disclosure rate	%	92.3	92.3	Maintenance	92.5	93.0
		BOD attendance rate	%	94.5	95.1	Up	95.0+	95.0+
	Partnering for mutual growth	Customer satisfaction as public enterprise (survey sponsored by the Ministry of Planning and Budget)	Point	80.0	83.0	Up	85.0	85.0
		SME support(as % of sales)	%	0.07	0.08	Up	0.10	0.10
		Purchase from SMEs	%	74.8	70.9	Down	73.8	77.0
		Supplier satisfaction	Point	77.4	87.3	Up	89.0	90.0
		Creation of new jobs	Person	1,105	437	Down	846	1,000
	Active social contribution	Social contribution (as % of sales)	%	0.47	0.52	Up	0.55	0.6
		Volunteering(per person)	Hour/person	10.9	11.8	Up	15.0	17.0
Human resources (7)	Improve quality of life	On-the-job injury rate	%	0.021	0.024	Up	0.02	0.02
		Welfare satisfaction level	Point	68.0	69.0	Up	70.0	77.0
	Nurture globally competitive personnel	Job-quit rate(new employees)	%	1.7	1.3	Down	1.5	1.0
		Education/training expense (as % of sales)	%	0.12	0.16	Up	0.17	0.18+
		Education/training hours (per person)	Hour/person	78.6	81.5	Up	83.5	100.0
	Respect right & diversity	Female employee ratio	%	23	20.1	Down	20.0+	20.0+
		Handicapped employees ratio	%	2.5	2.8	Up	2.8+	2.8+

Sustainability Management Awards and Recognition

Area	Award & Recognition	Awarder	Award Date
Overall Performance	High ranks in corporate performances of government-invested institutions (1st place in '04; 2nd place in '05)	Ministry of Planning and Budget (MPB)	Jun. '06
	Grand Prize in 1st Sustainability Management Award	aSSIST	Jun. '06
	The 29th National Productivity Award (Presidential Honor)	Korea Productivity Center	Sept. '05.
Economy	Credit rating raised by one notch (A1 Stable, 2 grades higher than the Government)	Moody's	May, '06
	Included in 2005 Global 2000 (151st in asset, sales, net profit, and market value)	Forbes (U.S.)	Mar. '06
	2005 Global 500 (240th in terms of sales)	Fortune (U.S.)	Jul. '06
	2006 Edison Award (received for the second time; first won in '97)	Edison Electric Institute	Jun. '06
	Highest grade in 2005 Review of Innovation for 210 public enterprises	MPB	Jul. '06
Environment	Energy Industry Grand Prize awarded to CEO (for his contribution to energy policy development)	Korea Resource Economic Association	Dec. '04
	2005 PLMA Demand Response Annual Award (as the first foreign electric company)	PLMA	Mar. '06
Society	1st place in 2005 Customer satisfaction Survey among public enterprises (top place for 7 consecutive years : '99-'05)	MPB	Jan. '06
	1st place in category of "preference and awareness" in the public survey on the corporate image of public enterprises	Korea Press Foundation	Mar. '06
Human	Designated as 'Best HRD(Human Resources Development)' Institute	Ministry of Education and Human Resources Development	Oct. '05
	Grand prize in '2006 Industrial Safety Management Award'	Korea Economic Daily	Mar. '06

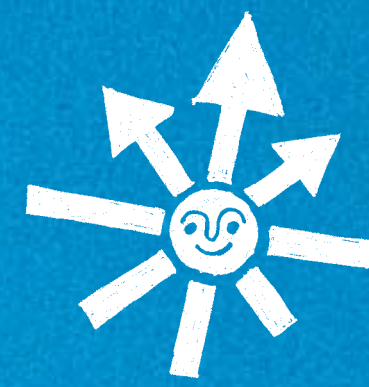
Participation in Key Issues

Agreement	Signed Month
Transparent Society Pact between KICAC and CEOs of 18 public enterprises	Jun. '05
Renewable Portfolio Agreement with the Korean Ministry of Commerce, Industry and Energy	Jul. '05
Agreement to comply with the 10 Principles of UN Global Compact	Aug. '05
Transparent Society Pact in the Electric Power Sector among 11 KEPCO group companies and representatives of major electric businesses	Sep. '05
Integrity Pact between KEPCO and 801 business partners	Jan. '06

04. Economic Performances:
Superior Competitiveness and Sustainable Growth



Sustainable growth through
Global Competitiveness



Everlasting Growth

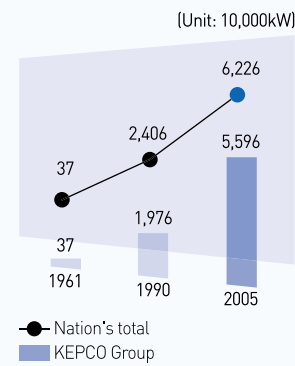
Through expansion of future growth engines and management innovations, we will secure an edge in competitions and grow steadily.



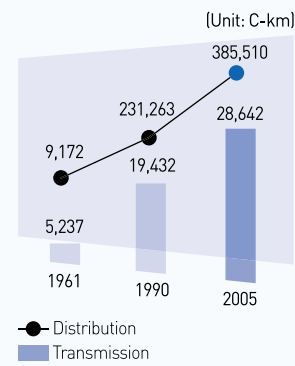
Key economic performances

Business Growth

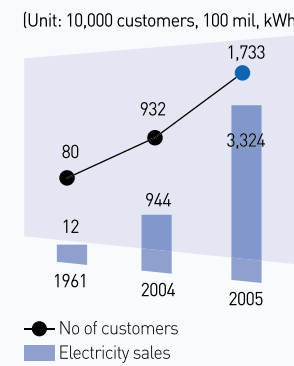
Generating capacity : ↑ 151 times



Distribution lines : ↑ 42 times

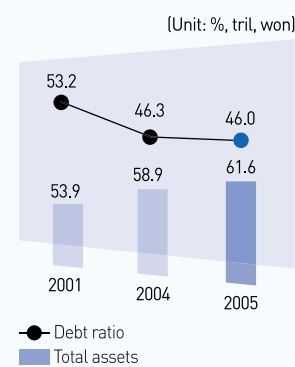


Electricity sales : ↑ 277 times

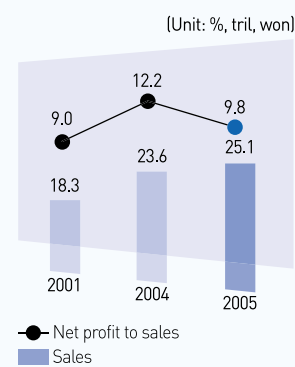


Key Financial Results (as appeared in Fortune magazine)

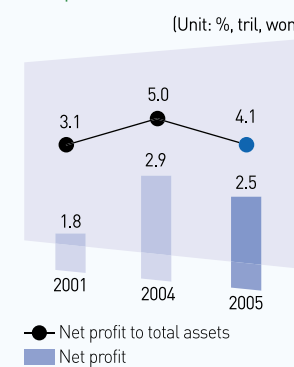
Total assets : 221st in the world



Sales : 276th in the world

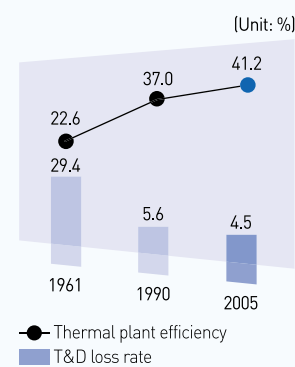


Net profit : 157th in the world

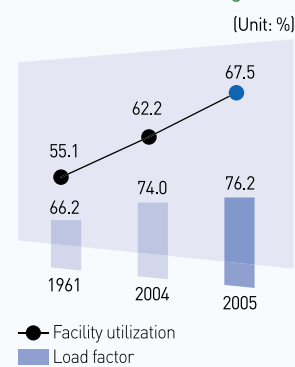


Management Efficiency

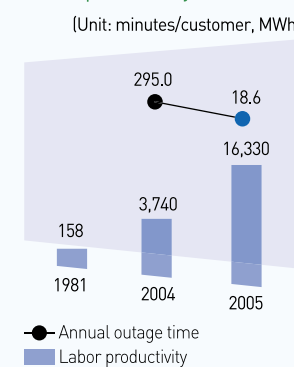
T&D loss : world's lowest



Load factor : world's highest



Labor productivity : world-class



Business-scale Expansion

Domestic Business

Timely addition of electric power facilities

		2004	2005	2015
Generation	Generation capacity (MW)	59,961	62,258	86,338 (1.4times)
	Transmission	Transmission line (C-km)	28,409	28,642
Substation	Voltage and route (%)	765kV 2	765kV 2	765kV 3
	Substation capacity (MVA)	345/154kV 98	345/154kV 98	345/154kV 97
Distribution	Automation (%)	193,700	208,505	283,374(1.5times)
	Distribution line (1,000km)	67.0	69.4	95.0
Communication Network	Automation (%)	380	385	470 (1.2times)
	OPGW (km)	46.2	49.3	100
		12,627	13,135	34,012

In 2005, the peak demand for electric power in Korea increased to 54,631MW, up by 6.6% from 2004. Accordingly, KEPCO added facilities for transmission and distribution to ensure reliable supply of electric power. For instance, the construction of 765kV Uljin-Shintaebaek transmission route and 765kV Shintaebaek substation were successfully completed. As a result, transmission line length was increased by 233C-km to 28,642C-km while substation capacity was increased by 14,805MVA to 208,505MVA from the previous year. Also, domestic generation facilities increased to 62,258MW, recording 11.3% in capacity reserve ratio during highest peak period in 2005.

Notably, substation capacity topped 200 GVA in October 2005. It marks a whopping 173 times increase over 1.2 GVA in 1961 when the company was founded, enabling large-volume transmission, compliance of voltage regulations, and reduction in power outage time. It has made a significant contribution to our ability of providing quality electric power.

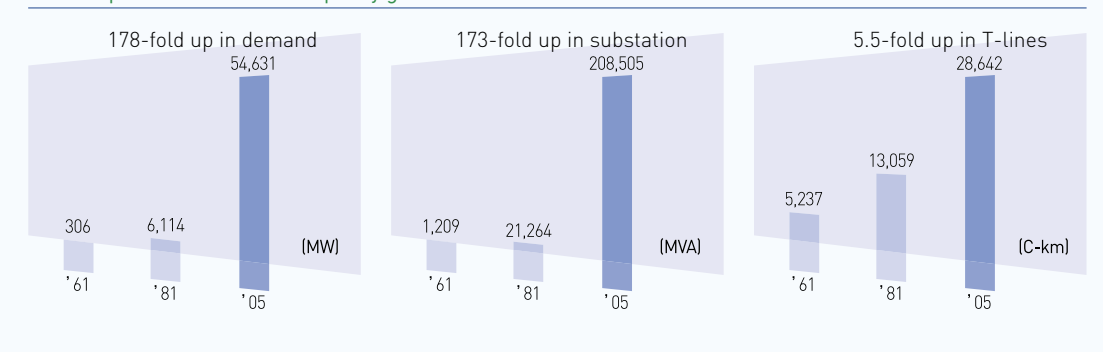
In parallel with the addition of distribution lines, we have successfully completed the distribution voltage upgrade project, a 33-year long endeavor commissioned by the government. As a result of stepping up the voltage from 110V to 220V, 4 bil. kWh in power loss can be prevented on an annual basis, and therefore we will save up to 170 bil. won in energy cost every year.

Also, as the industrial structure and consumer demand are being increasingly sophisticated, we are making efforts to improve the quality of electricity consistently.

We have expanded unmanned and automated operation of our substations, and introduced new technologies, such as live-line maintenance work. As a result, the annual outage time stands at 18.6 minutes per customer in Korea, which is one of the lowest in the world. Also, the quality of electricity is maintained very high as shown in the frequency regulation compliance ratio (4th in rank world-wide) and the voltage regulation compliance ratio (3rd in the world), which also correspond to the world's top levels. Also, we have built an electricity quality monitoring system by applying cutting-edge IT technology. And, facilities that are vulnerable to natural disasters have been reinforced while an advanced DAMS was put in place.

Meanwhile, with the support of all KEPCO group companies, we have successfully designated Gyeongju City as a candidate for building a radioactive waste disposal site, finally putting an end to the long-awaited decision. We will do our best to meet the target of starting facility operation in January 2009, and will faithfully reflect the opinions of our stakeholders in the process.

Electric power demand and capacity growth

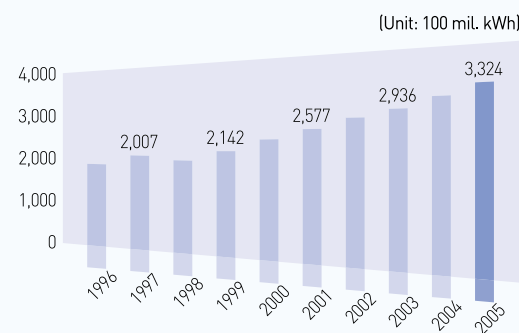


Strengthening sales competitiveness

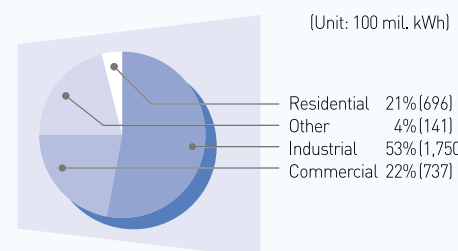
In 2005, KEPCO posted 332.4 billion kWh in electric power sales, up 6.5% from 2004, of which 53% was consumed by the industrial customers, 22% by commercial, 21% by residential and 4% by other customers. This rate of growth in sales is significantly lower than what was seen in the past (an annual average growth rate of 10.2% in 1990-2000). As the industrial structure becomes more sophisticated and Korea joins the ranks of the developed countries, the growth in sales is expected to further slow down. At the same time, the business environment is rapidly changing; for example, as more competition is introduced to the electric power market, new players such as CESs and small-scale combined cycle power generators are entering the electric power marketplace.

Against this backdrop, KEPCO will step up its effort to improve productivity and make full use of its know-how and competitiveness to provide differentiated electric power services and thereby minimize losing customers in competition. At the same time, we plan to create new demand for electric power by maximizing benefits of electricity such as convenience and safety.

Electricity sales trend(1996-2005)



Electricity sales by sector(2005)



To do so, we have further strengthened our service competitiveness by expanding our customer centers in 2005 to cover all parts of the country. We have also introduced a scheme to supply back-up power to high-rise apartments in order to provide a service specialized for apartment residents. Another example of our differentiated services is infrared imaging diagnosis of customer-owned facilities. In order to bring innovation to our marketing organization and make it more customer-oriented, our branch office in the Northern Chungcheong province has been designated as a pilot site for innovative operation. To effectively respond to the CESs which were given business licenses in 9 communities as of the end of 2005, we have commissioned a research project for developing a comprehensive strategy for competing with them.

In addition, to create a fair competition environment and promote the development of the entire electric power industry, we have developed the electric power trading standards for CESs. Standard business procedures were prepared for the direct trading with KEPCO of 200kW or lower electric power generated with renewable energy sources. This will help promote the use of renewable energy and provide cost saving benefits to other power generation companies.

Going forward, we plan to maintain and advance our competitive edge in sales and marketing by transforming our sales force into a more customer-oriented one based on our CRM system which provides customized service to each customer, and by improving the electricity supply processes for customers of new or demand-increasing services and rationalizing tariff schedules in a way that promotes customer convenience. At the same time, we will play a leading role in creating a level playing field in the increasingly competitive power market.

Marketing strategy to cope with mid-to-long term changes in the electric power market

Differentiated marketing in competitive market

- Introduce customized tariff schedules (Discount for long-term contracts, mitigation of progressive rates, etc.)
- Improve billing and collection services for apartment customers

Customer-oriented policies and services

- IT-based billing upon metering
- Customers' choice of payment dates
- Expansion of advanced metering
- Reducing customers' burden of facility construction, etc.

Value-added services

- Developing services for electricity saving, energy management, other consulting (eg: web-based real-time information)
- Value-added service by utilizing PLC-based integrated metering networks

Overseas business

Today, growth of electric power business in the domestic market is slowing down while competition is being intensified. This creates a necessity for KEPCO to seek new growth engines for the future, and to take the lead in overseas business expansion of the domestic energy industry. To do so, KEPCO is taking full advantage of its long experience in the power sector as well as its excellent technologies, thereby making inroads into overseas markets and gaining geographical diversity in its overseas business.

As for our generation business, we have been operating facilities with a total capacity of 1,950MW at various locations in the Philippines and China, including a thermal plant in Malaya, since 1995. In 2005, particularly, we received new orders amounting to 1,330MW in total capacity, including operating license of a power plant in Lebanon and construction of a power plant in Cebu of the Philippines. In Nigeria, KEPCO defeated global majors and won exploration license for two offshore blocks in a highly promising area in connection with a gas combined-cycle power plant construction project. It was a remarkable achievement for KEPCO in that we discovered a new resource development model for Korea which connects resource development linked with plant export.

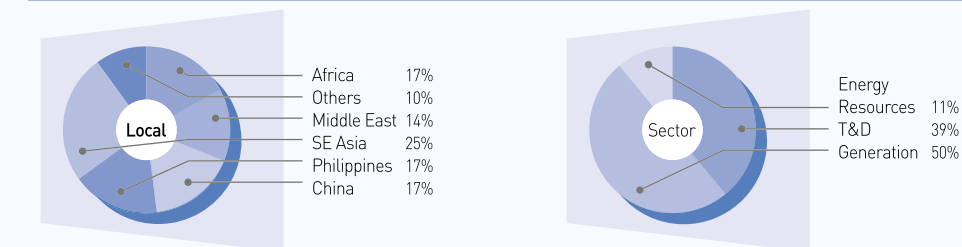
In transmission and distribution, we won a high value-added consulting project in Libya for the improvement of the country's distribution facilities, thus continuing to

expand our global business. To survive in the international competition for securing resources started by high oil prices and to strengthen Korea's energy independence and secure a stable supply of fuel for generation, KEPCO is actively participating in resource development projects in several foreign countries including Australia.

Backed by these efforts, KEPCO aims to grow into a world-class electric power exporter with 10,000MW in generation capacity by 2015. At the same time, by alleviating electric power shortage and creating new jobs in the local communities where our overseas operations are based, we will faithfully fulfill our social responsibilities as a global corporation.

Meanwhile, KEPCO has been an active partner in the Government's inter-Korean economic cooperation projects. For the first time in 57 years since the division of the Korean peninsula, KEPCO successfully completed a project to supply electric power to a 28,000-pyeong Gaeseong Industrial Complex in North Korea. We are currently pursuing the construction of large-capacity transmission and substation facilities to meet the expected rise in demand. Unfortunately, however, the KEDO project, which was kicked off in 1997 and since then had contributed to promoting peace on the Korean peninsula and South-North exchanges, was discontinued due to the concerns regarding nuclear programs of North Korea. KEPCO will take all necessary follow-up measures for the terminated project.

Overseas business portfolio by region and field('05)



Major overseas projects in progress

Field	Project	Capacity
Generation	Construction and operation of a CFBC cogeneration power plant, Wuzhi, China ('04-'27)	100MW
	Rehabilitation and operation of a thermal plant, Malaya, the Philippines ('95-'10)	650MW
	Construction and operation of a gas combined cycle power plant, Ilijan, the Philippines ('99-'22)	1,200MW
T&D	Improvement of distribution facilities, Libya ('04-'05)	-
	Feasibility study on the improvement of distribution facilities, Ukraine ('05-'06)	-
	Consulting on transmission, Cambodia ('05-'06)	-



Operation of gas combined-cycle power plants in Lebanon

In late 2005, KEPCO participated in an international bidding for the operation of two gas combined-cycle power plants in Lebanon and won the bid. In Feb. 2006, the operational takeover process was completed and operation began.

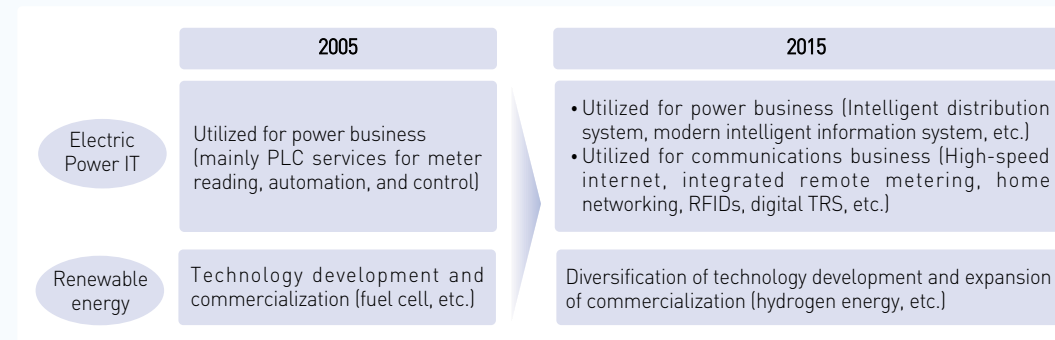
After defeating fierce bidding competitors, KEPCO won the right to operate two power plants which account for 47% of the country's power supply. This showcased KEPCO's strong technological prowess to the world. Going forward, KEPCO plans to use its Lebanon operation as a base for its full-fledged expansion into the Middle East electric power markets.



Electric power supply to Gaeseong Industrial Complex

As part of the Government's inter-Korean economic cooperation projects, KEPCO completed the construction of 22.9kV distribution lines in March 2005, connecting a substation in Munsan to the Gaeseong Industrial Complex in North Korea, and began power supply to the North for the first time in 57 years. The power lines will provide a reliable supply of electric power to customers of the industrial complex to support their manufacturing activities and also serve as a foundation for cooperation and reconciliation between the two Koreas. As of 2005, 33 customers signed up for 18,515kW of electric power demand in total, which translates into approximately 600 mil. won in revenues for KEPCO. To meet the expected rise in demand, we are pushing for the construction of a circuit of 154kV transmission lines and a substation additionally.

New Business Opportunities in Electric Power



KEPCO is seeking new business opportunities by applying rapidly advancing IT to the electric power business. Currently, we are developing services using power line communication (PLC) technology. PLC is expected to provide a variety of communications services utilizing existing power lines. Globally, studies are under way for the commercialization of the technology.

In 2005, KEPCO successfully carried out a pilot project on a PLC-based integrated remote metering service for both electricity and gas as well as monitoring and controlling of power facilities by using PLC. Also, we have developed and are seeking export opportunities for next-generation PLC technologies utilizing the digital TRS networks and the central management system of metering devices with RFID technology. To meet the needs in the ubiquitous era, we plan to continue to come up with new services, such as PLC-based digital home services.

Furthermore, to create new growth engines based on convergence of electric power and communications, and also to bring about the realization of a digital society, KEPCO is actively participating in the government-led national strategic projects combining electric power with IT. We plan to invest 25 bil. won in 16 projects, including the development of intelligent power distribution system and the development of ubiquitous PLC technology.

Mid-to-long term R&D projects of renewable energy

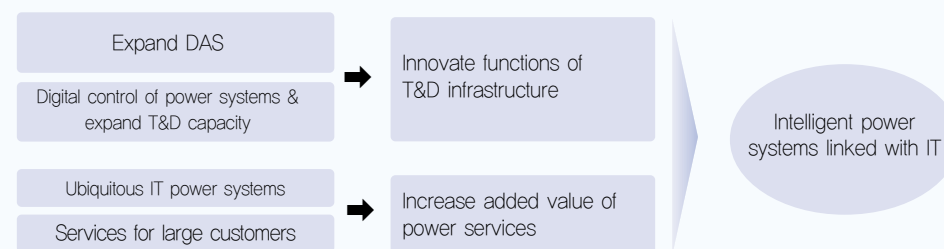
Fuel cell	<ul style="list-style-type: none"> Commercialization of 250kW MCFC generation system ('10) Development of 100kW distributed SOFC system ('14)
Photovoltaic	<ul style="list-style-type: none"> Development of 1 MW-class centrally receiving photovoltaic generation system ('09)
Hydrogen	<ul style="list-style-type: none"> Development of hydrogen production technology using nuclear power ('14)
Coal-gasification	<ul style="list-style-type: none"> Establishment of verification system for 300MW-class demo plant ('12)

Due to dwindling fossil fuels and rising environmental challenges, the development of renewable energy resources is increasingly important. KEPCO is making effort on its part to develop and commercialize renewable energy technology.

KEPCO signed an agreement for the supply of renewable energy with the government, and plans to concentrate on the development of 3 major renewable energies; hydrogen fuel cell, photovoltaic and wind energy.

In 2005, we succeeded in developing a world-class superconducting flywheel energy storage system (5kWh class) and superconducting fault current limiter, and developed and verified grid-connectable 100kW-class molten carbonate fuel cell (MCFC).

National strategic projects of electric IT



Facilities for photovoltaic generation



▶120kW photovoltaic generation



▶New solar energy module panels

Continuous managerial innovations

Advancement of innovations

In 2004, KEPCO focused on building the foundations for managerial innovations. Consequently, in 2005, we completed the managerial innovation master plan for executing innovations on an autonomous and continual basis; all general managers of departments at the head office and branch offices signed an innovation execution pact; various rules were revised to better serve our customers; and, our innovation organization was strengthened.

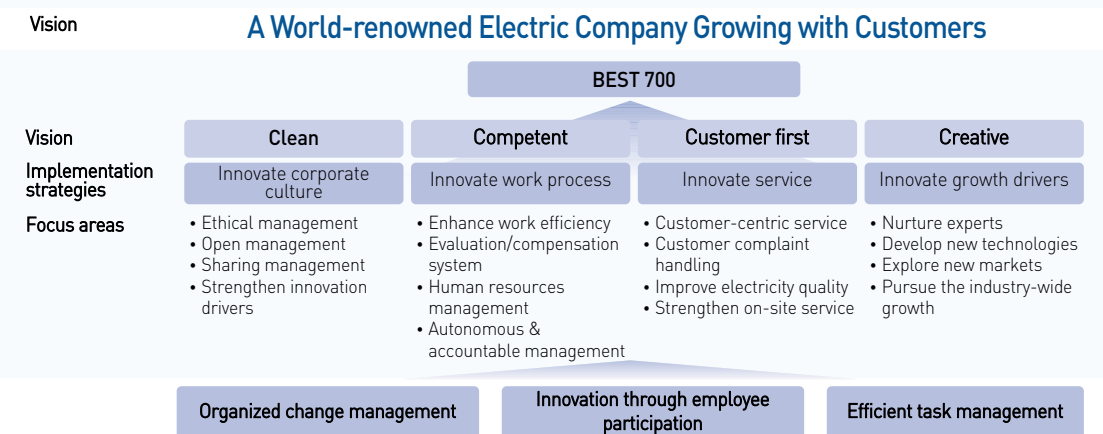
In recognition of these efforts, KEPCO was awarded a presidential honor in the 29th National Productivity Award organized by the Ministry of Commerce, Industry and

Energy in September 2005. Also, in July 2006, KEPCO received a high evaluation (6th-grade innovation) in the review of innovations in public enterprises conducted by the Ministry of Planning and Budget. In the future, we will seek to grow into a global company by executing continuous innovations in all areas.

KEPCO's managerial innovation stages

2003	2004	2005	2006
Grade 3	Grade 4	Grade 5	Grade 6
Decentralized	Low innovation	Constant	Best results of

Masterplan for Management Innovation

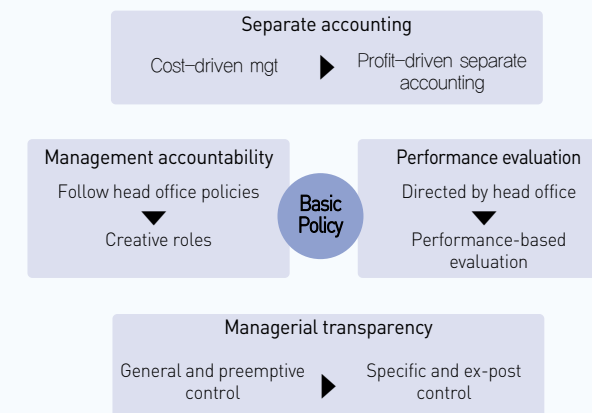


Innovations of Management System

KEPCO is pursuing the introduction of a so-called "Sub Business Unit System." It is an attempt to encourage internal competition for higher operational efficiency, and to transform KEPCO into a flexible and swift organization in which an autonomous and accountable management practices take root at each business unit level. To do so, since January 2005, we have designed the details of the system with the advice of outside consultants and the company-wide participation in the process. Based on the outcomes, we are working on identifying ideal implementation measures through broad discussion with the government, the labor union and other stakeholders.

The sub business unit system, scheduled to become effective in September 2006, will allow for an efficient delegation of decision-making rights and thus help establish an autonomous and accountable management mechanism at all of our business units. The system will also allow us to establish an profit-oriented independent accounting system and an objective-driven performance evaluation system for each business unit.

Basic idea for Sub Business Unit system



Accountable management system

- Each business unit sets its own management objectives by considering company-wide goals and business environment, and also sets up detailed strategies for such objectives.
- Each business unit applies budgeting guidelines of head office; however, budgets required for achieving unit's objectives is set by the unit at its own discretion.

Independent accounting system

- Set up financial structures for head office, T&D, and sales units through account separation of assets, liabilities and equity and allocation of head office overhead
- Set standard prices for internal trading in generation, T&D and replacement costing in sales; establish fair standards for operation of replacement costs

Performance evaluation system

- Induce higher efficiency both in business unit & others affecting them by encouraging competition through accounting separation.
- Introduce evaluation criteria across various perspectives such as finance and customer; apply non-quantitative indicators properly to avoid excessive focus on short-term achievements

Innovation of Financial System

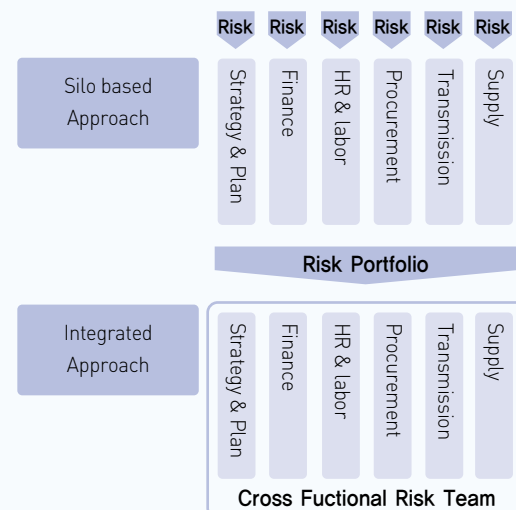
KEPCO is committed to continual innovation and establishing a financial foundation that supports sustainable growth of the company in order to maximize its corporate value. Accordingly, we have set up and are operating advanced financial systems, including EVA, ABC and ERM.

We have completed an ERM (Enterprise Risk Management) system, which helps us respond to the changing business environment appropriately based on a range of scenarios and gives us integrated and systematic risk management capabilities, and we have also strengthened risk management organization and related rules. The system, scheduled to be operated from 2006, is designed to provide early warnings against both financial and non-financial risks. It will enable us to protect our corporate value by providing comprehensive tools for responding to risks that may occur in the course of our profit-driven business activities.

Also, we are preparing to introduce ABC (Activity Based Costing) which allows lower-level units of an organization to cut costs on their own with improved processes. In 2005, we completed test implementation of the ABC system for the fields of sales, distribution and transmission, and the system is now ready. Once the system begins operation at the head office, it will help instill the cost-saving mindset across all lower-level units. And, more focus on the team-level performance evaluation will further contribute to reducing costs based on improved processes.

Along with ERM and ABC, we have EVA (Economic Value Added) system which is in full operation now. Based on the combination of these three systems, we will develop an integrated value management model for continuous improvement of corporate value going forward.

Concept of the ERM system



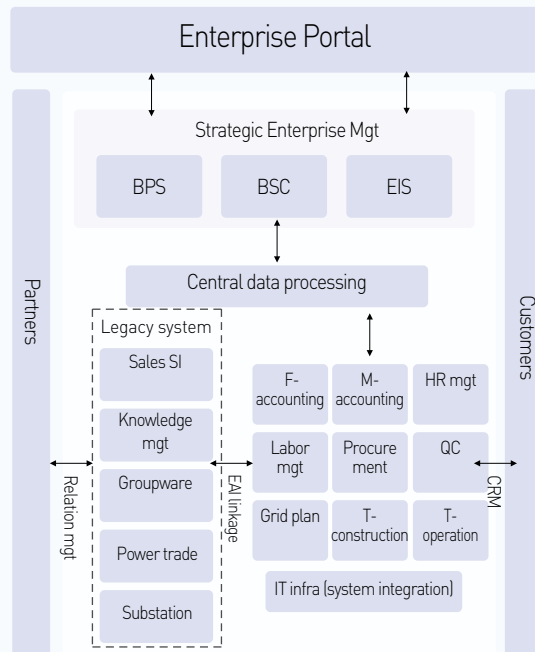
Innovation of Operational System

KEPCO is currently building an ERP (Enterprise Resource Planning) system, aimed at innovating business processes and enhancing transparency, and enabling swift business management with real-time utilization of enterprise resources. We signed a contract in June 2005 for the 1st phase implementation, and have identified "As-is" and "To-be" for each field to come up with ways for innovation. The system is currently under development with target roll-out in October 2006.

This system will allow us to integrate individual operational systems that were separately used by function, such as finance, purchasing, HR and transmission, and to manage all human, financial and intellectual resources within the company in real time with a single view. It is expected to bring about significant improvement in transparency, productivity and efficiency.

For innovation of our sales capability, we have been implementing "Sales SI (System Integration)" in the sales and distribution fields since 1997, and its enterprise-wide implementation was completed in April 2005. In conjunction with our nationwide customer center networks, the sales SI system will create a paperless operational environment and allow for an integrated handling of customer information. These benefits have led to a drastic improvement in our service quality and a cost saving of 130 bil. won per annum.

ERP development outline

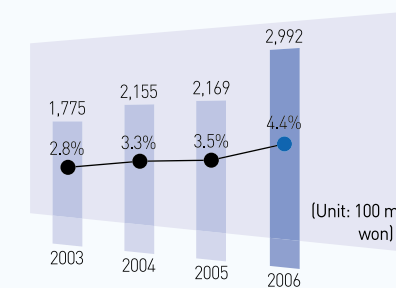


Development and Commercialization of Core Technologies

	2005	2015
Research manpower	2.7% of total manpower	3.2% of total manpower
R&D investment	4% of net sales	6% of net sales
Technology development strategy	Power tech. independence - networks, turbines, etc. ※ Our enegy storage and superconductivity expertise is world-level.	Ahead of others, commetcialize core technologies - in 5 fields, including renewable enegy and up-topdate facility operation

KEPCO is pursuing strategic technology development linked with the company's business management strategy. We are focusing our resources on strategic areas of future growth engines, such as renewable energy, environment-friendly technology and operation of the electric power systems. And we plan to increase our R&D spending continuously, from 4% of net sales in 2005 to 6% by 2015.

R&D investment



Investment ratio: R&D investment over net sales (electricity sales less costs of electricity purchase)

Furthermore, we have prepared a master plan for electric power technology innovation in an attempt to make our R&D more efficient. According to the master plan, we will strengthen our cooperation with group companies for technology development. Also, we will carry out technology cooperation with other organizations, strengthen responsible management of our electric power research institute, and rationalize our performance evaluation and compensation structure. Through these efforts, we will meet the needs of our R&D clients and accelerate the path to becoming a global company.

Based on the R&D capabilities mentioned above, KEPCO has successfully developed world-class technologies, including CO₂ capture by dry solvents, the world's first control rod worth measurement technology for nuclear power plants, and 100kW Molten Carbonate Fuel Cell (MCFC) (including verification), and we also have localized the production of high-efficiency sea water electrolysis facility. Also, many of these cutting-edge technologies have been exported to foreign markets, including Myanmar and Brazil.

10 proprietary technologies to be developed

- Production, storage and transportation of hydrogen energy/superconducting flywheel energy storage technology
- High-temperature gas-cooled reactor technology/ coal-gasification generation technology
- System-integrated modular advanced reactor technology (SMART) for desalination/ environment-friendly distributed generation system
- Flexible AC transmission system (FACT)/ superconducting power transportation technology
- Greenhouse gas reduction/ Eco-friendly, highly efficient new materials

In addition, some of our researchers have been listed in Marquis Who's Who of the International Biographical Center (IBC) - 2 in the world's top 100 scientists and 2 in the world's top 100 engineers. As such, KEPCO is producing the world-class R&D workforce and thereby adding to our corporate brand value.

100kW MCFC pilot plant



05. Environmental Performances:
Eco-Value Creation

Creation of a cleaner and
Healthier World



Everlasting
Pleasant

We will maximize environmental value in power supply
chains through environment-oriented management.

Strengthening Integrated Environmental Management system

Environmental Policy

KEPCO is a leading company in Korea's electric power sector that produces and supplies electric power, an essential resource for achieving national competitiveness. KEPCO does its best to fulfill its social responsibilities through environment-friendly management in transporting and supplying electric power.

To this end, we have set an environmental policy in August 2005 for 3 areas of the establishment and operation of an integrated environmental management system, greening of the power supply chain, and responses to climate change. The policy is being implemented in all areas of our operation.

Enhance eco-efficiency by implementing environment-friendly management

1. Develop an environment-friendly management system in compliance with international environmental standards, and establish a monitoring system to evaluate and analyze objectives, improvement plans, and performances on a regular basis.
2. Conduct education and training necessary for keeping abreast of environmental issues and utilize a variety of means to communicate with key stakeholders.
3. Promote recycling of materials and use of environment-friendly products to contribute to brining about an eco-efficient society.

Make best efforts for making the entire power supply chain, ranging from generation to transmission and distribution, environment-friendly

1. Manage the supply chain in an environment-friendly manner, and strengthen cooperative system in order to enhance the sustainability of our society by producing electricity with low environmental burden.
2. Construct and operate environment-friendly facilities and minimize power loss through efficient operation and management.
3. Conduct various activities for energy savings to enhance the efficiency of energy use of the nation. Load management and efficient use of electricity programs are the examples of our energy saving efforts.

Cope with climate change, the global environmental issue

1. Reduce greenhouse gas emissions through cooperation with KEPCO group companies by increasing facility efficiency and extensive use of renewable energy.
2. Work together with KEPCO group companies to protect the global environment by coping with the climate change issues. Continuous technological development in the areas of climate change and renewable energy will help us contribute to environment protection.

All KEPCO staff, including the CEO, recognize the importance of our environment. We are devoted to enhance environmental sustainability for the better future.

August 5, 2005

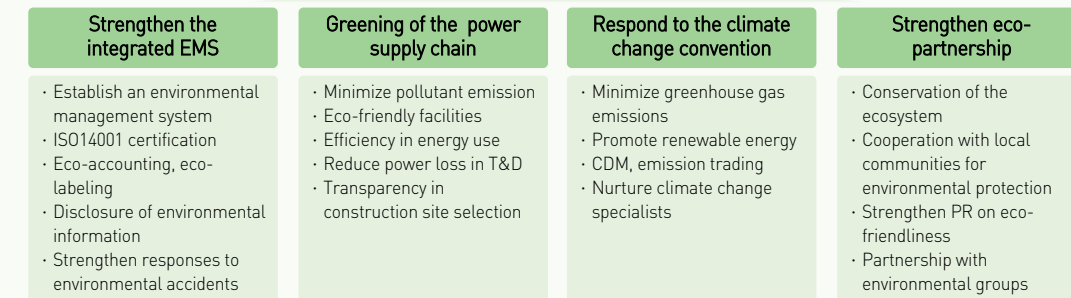
Integrated Environmental Management System

Today, the international community, the government, local communities and other various stakeholders expect us to meet increasingly strict requirements for responding to emerging environmental issues. Against this backdrop, KEPCO has set up a "Basic Plan for Integrated Environmental Management" in an attempt to implement our environmental policy consistently and coordinate our environmental management activities.

Objective

Our mid-to-long term objective is to join the global top 5 in the utility sector in terms of the level of environmental management by maximizing environmental values with proactive response to environmental risks. To achieve this objective, we have developed strategies and action items in 4 areas.

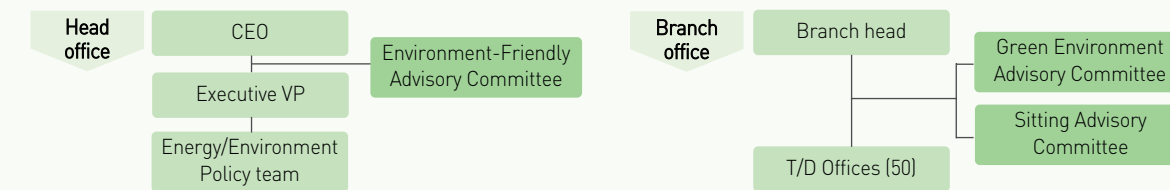
Join 'ECO Global Top 5' by Environmental Value Maximization



Organization

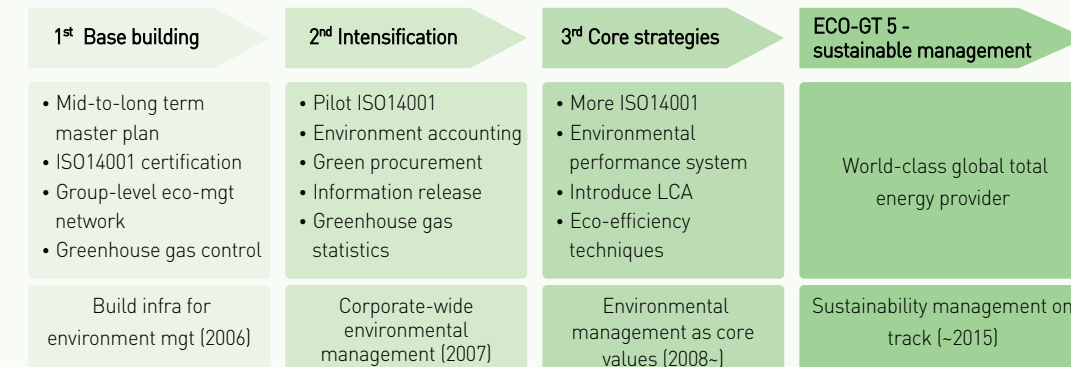
KEPCO has set up 'Environment-Friendly Advisory Committee' under its 'Open Management Innovation Committee' as part of its environmental organization since 2004. The advisory committee assists the CEO in making decisions over environmental issues. In March 2006, our environmental organization has been expanded with the existing 'Energy Policy Team' under the Executive Vice President changed into 'Energy and Environment Policy Team.' Such organizational change was intended for a more integrated and systematic implementation of environmental activities that used to be carried out separately by each department. The Energy and Environment Policy Team is mandated to supervise and coordinate all environmental activities within the company. More specifically, it is responsible for operating KEPCO's environmental management system, managing

environmental data on the enterprise level, and setting up mid-to-long term environmental management strategies. By fulfilling these responsibilities, the team coordinates environment-friendly operations of departments and branch offices, and reports to the top management. On the branch office level, the head of each branch office carries out environmental management activities that suit the specific needs of the branch office in accordance with the environmental policy and guidelines given by the head office. 'Green Environment Advisory Committee' is placed in every transmission district office 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 facilities.



Roadmap

KEPCO's environmental management will evolve in 4 stages foundation forming, intensification, incorporation into core strategies, and full-fledged sustainable management. In the final stage, our goal is to fully incorporate environmental management into our core values, maximize environmental values, and thereby join the global top 5 in the utility sector.



Environment-friendliness in Power Supply Chain

Improving Environmental Efficiency

Reducing use of energy and water

We are making continuous efforts to reduce energy and water used in business facilities such as in office buildings.

In 2005, we have strengthened our energy saving system as showcased by establishing the energy portal system. We are trying to increase energy efficiency by promoting the use of high-efficiency energy equipment and raising awareness for energy conservation within the company by carrying out energy saving campaigns for our employees.

Energy and water conservation efforts in 2005

Strengthen energy saving system

- Active involvement of the Energy Conservation Committee (chaired by Executive Vice President)
- Systematic energy management with the 'Energy Portal System'
- Intensive control of air conditioning temperatures by designated employees Improve efficiency in energy use

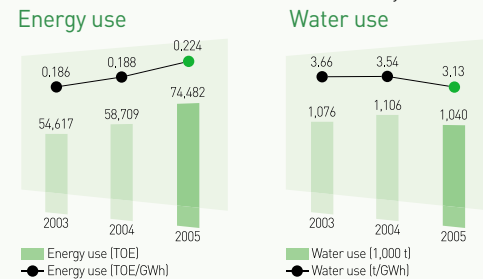
Improve efficiency in energy use

- Achieve energy consumption reduction goal (1% per year) by capping total energy consumption
- Install high-efficiency equipment : 23 electric motors, 4,679 lighting devices
- Install water & electricity saving office equipment : 7,637 units
- Install photovoltaic generator at a new office building : capacity of 1.75kW

Raise awareness of energy conservation

- Conduct energy saving campaigns
- Disseminate best practices and conduct training in energy conservation at all branch offices

In 2005, we used 74,482TOE of energy and 1,040,000 tons of water in total. Due to the increase in office space, employees and IT equipment for computerization, our energy use versus electric power sales increased to 0.224TOE/GWh, up by 0.036TOE/GWh compared with 2004 while water use fell to 3.13 ton/GWh, down by 0.41 ton/Gwh.



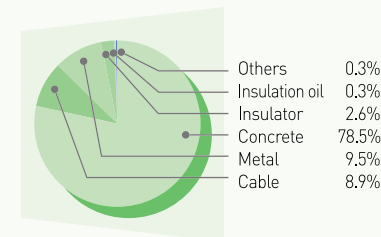
Green purchasing

KEPCO is increasing the purchase of environment-friendly products. In 2005, the purchase of environment-friendly products amounted to 2.45 bil. won, accounting for 37.5% of the total goods purchased. It marked a 7.8% increase from 2004. We plan to continuously increase the proportion of environment-friendly products to over 90% by 2015.

Waste recycling

In 2005, we recycled 266,321 tons of wastes generated from construction of electric power facilities for various purposes such as road filling and steel production. Of the recycled wastes, concrete accounted for 78.5%, cables 8.9%, and metals 9.5%. The reuse rate of concrete wastes, which represent 78.5% of the total recycled wastes, was 100%. We will improve our recycling mechanism by creating a database for enterprise-wide waste generation statistics. In the long run, we plan to raise the reuse rate of all of our recycled wastes up to 95% or higher.

Wastes recycling proportions (2005)



Control of PCBs

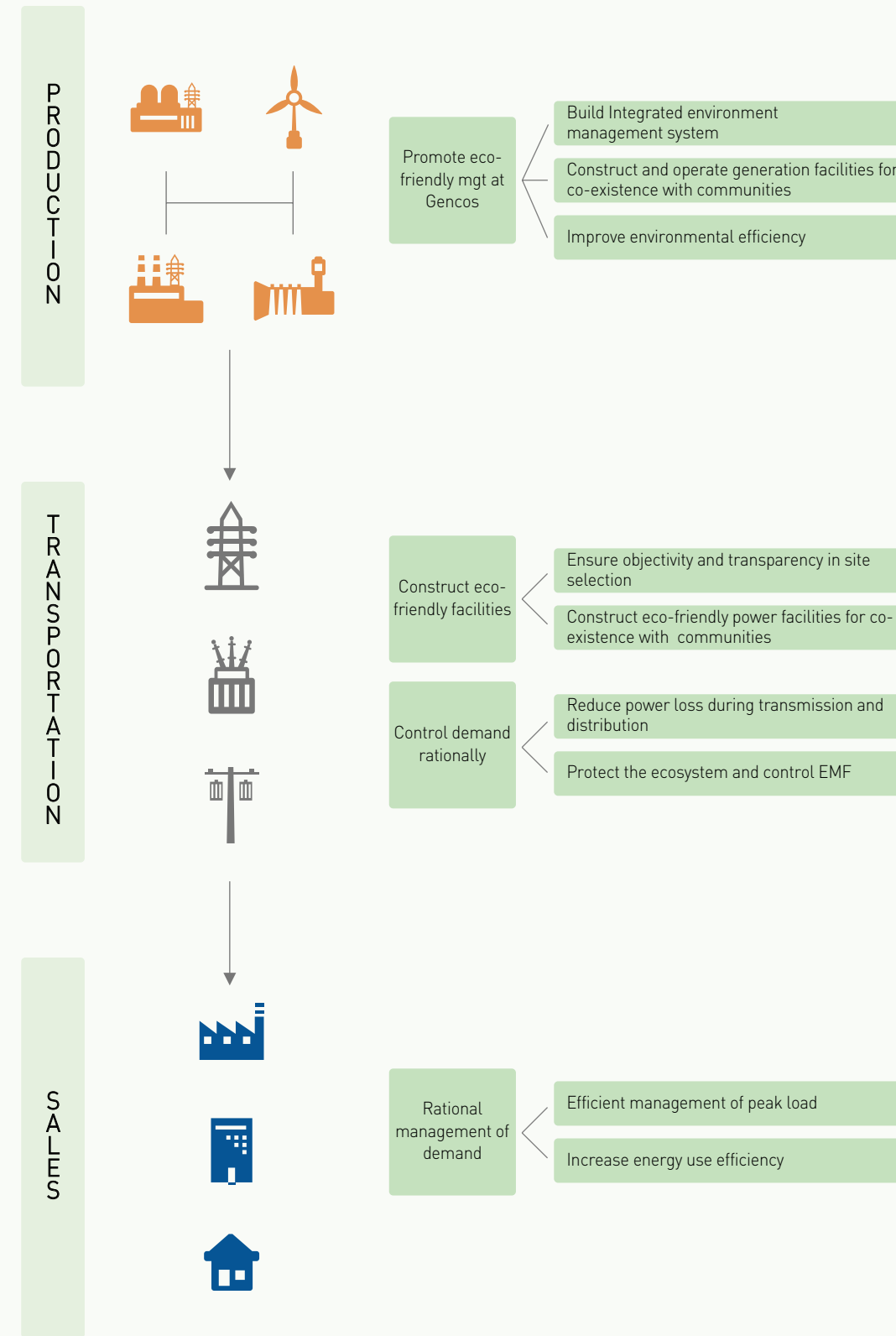
PCBs(Polychlorinated Biphenyls) are a toxic substance contained in insulation oil inside transformers. In 2004, KEPCO signed an agreement with the Minister of Environment and representatives of environmental groups to not to use PCBs. Following the agreement, KEPCO is currently conducting an analysis of the composition of insulation oil samples taken from 1,300 transformers selected by the Ministry of Environment. Based on the outcome of the analysis, we will develop standard operating procedures for collecting insulation oil waste from PCB transformers and also develop treatment technology. As such, we will continue to step up our effort to eliminate PCBs.

Environmental impact of company vehicles

KEPCO is trying to minimize environmental impact of company vehicles. As of 2005, KEPCO owns 3,120 vehicles for business purpose, up 77 units from 2004. In order to minimize emissions from the company vehicles and to increase fuel efficiency of the vehicles, we are increasingly purchasing small-size vehicles. In 2005, as a result, about 85% of the newly purchased company vehicles were small cars. As of December 2005, light-weight vehicles accounted for 41.9% of the total company vehicles, or 1,308 units. In 2005, we decided to include special-purpose vehicles that are less frequently used in our vehicle checklist so that we can track fuel consumption and average fuel efficiency of the company vehicles more accurately. This was the reason why fuel consumption and fuel efficiency of our company vehicles rather increased in 2005 compared with 2004.

Fuel use and average fuel efficiency of company vehicles

Category	2003	2004	2005
Fuel consumption(1,000ℓ)	3,035	4,167	6,940
Fuel efficiency (km/ℓ)	7.83	7.86	6.11



Production Stage

KEPCO and the management of the 6 GENCOs closely cooperate in the generation, transmission and distribution areas in order to make the electric power supply chain environment-friendly.

Also, the presidents of the 6 GENCOs signed an agreement with the CEO of KEPCO for promoting environment-friendly management in their own operations concurrently at the signing of business management contracts with KEPCO, and the outcome made by each GENCO is evaluated every year.

Integrated environmental management system

The 6 GENCOs put EMS(environmental management system) in place, and are practicing environment-oriented management with a range of advanced environmental techniques, including environmental reporting, environmental performance evaluation, environmental accounting, environmental accident response system, and ISO14001 certification,.

In 2005, 76% of the 6 GENCOs were certified for their EMS, up by 3% from 2004. In other words, 28 out of a total of the 37 site offices gained ISO 14001 certification. In addition, the 6 GENCOs spent approximately 331.6 bil. won in the areas related to the environment.

Environment-related spending by 6 GENCOs in 2005 (mil. won)

GENCO	Korea Hydro and Nuclear	Korea Southeast	Korea Midland	Korea Western	Korea Southern	Korea East-West
Expenditure	5,864	63,313	76,548	107,484	42,671	35,722

Co-existing with local communities

When constructing or expanding generation facilities, the 6 GENCOs conduct environmental impact assessment to identify potential impacts 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 facility construction. They also undertake a variety of activities to serve the local communities in which they operate, such as projects for increasing income level of local residents, construction of public facilities, scholarship programs, and various social contribution activities.

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

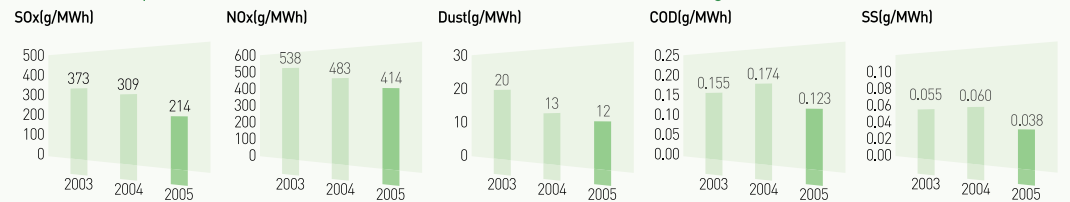
Thanks to these efforts, emissions of SOx, NOx and dusts fell by 95g/MWh, 69g/MWh, and 1g/MWh, respectively, from 2004.

Furthermore, both COD (Chemical Oxygen Demand), and SS (Suspended Substance), which are indications of discharged water impact, improved compared with 2004 levels. Waste recycling rate rose by 8%, and heat efficiency at thermal power plants of 5 GENCOs increased by 0.1%.

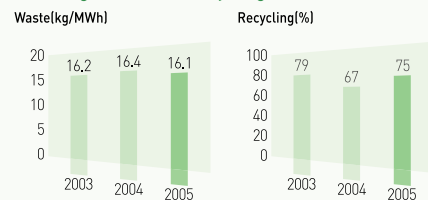
Increasing eco-efficiency

The 6 GENCOs have installed and operate de-sulferization systems, de-nitrification systems and dust collectors, and are increasingly using clean energy sources to reduce the emission of SOx, NOx and dusts in power generation.

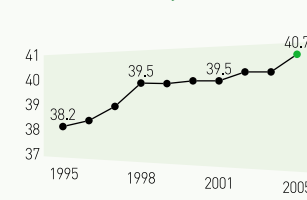
Emission of air pollutants



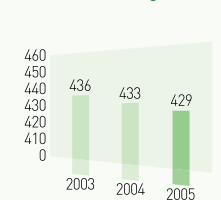
Wastes generation & recycling rate



Thermal efficiency at P/P(%)



CO2 emission(kg/MWh)



Transportation stage

The transportation stage of the power business involves the timely construction and efficient operation of power T&D facilities. It involves securing objectivity and transparency in the site selection process, expanding the construction of environment-friendly facilities that can coexist with local communities, controlling the amount of electricity generated through reducing power loss during T&D, strengthening activities for eco-system protection and, controlling EMF. Through these efforts, we are making the electric power supply chain more environment-friendly.

Securing objectivity and transparency in siting process

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

Increased use of scientific methods

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

Reflection of stakeholders' opinions

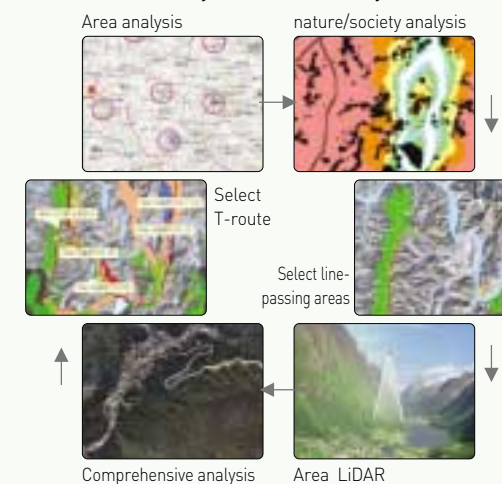
- Reflect the advice of Green Environment Advisory Committee in 41 out of 46 projects; for remaining 5 long-term projects will be reflected later.
- Operate Site Selection Advisory Committee for construction of 154kV substation in Yesan
- Run ombudsman program with participation of environmental groups and local residents: checking construction sites once a quarter

Eco-impact evaluation system changed siting methods

[Before electricity effect evaluation system]



[After with electricity effect evaluation system]



Co-existing with local communities

We are increasingly constructing environment-friendly electric power systems; we use environment-friendly equipment that harmonize with the neighborhood and the nature, and construct environment-friendly substations.

Also, we have incorporated environmental impact assessment into the site selection stage of the construction of T&D facilities. We make sure to release the progress of the construction schedules and the information on environmental impacts of our construction activities and future impacts after operation of facilities. In addition, we are taking steps to minimize environmental impacts: for example, we conduct extra EIA with regard to the possible impacts on the natural environment in case T&D facilities are constructed in proximity to natural parks, wetland preserves, and the areas designated for ecosystem and landscape protection. In 2005, we conducted environmental and social impact assessment for 13 projects, including the construction of 765kV Shinansung-Shingapyeong transmission lines.

Using environment-friendly equipment

- Improve outlook by using cable heads for harmony
- Apply low-noise transformers (below 60dB)
- Install environment-friendly supports; eco-friendly painting, steel towers, low-lustered towers, etc.
- Make distribution equipment (ex: pole transformers) smaller

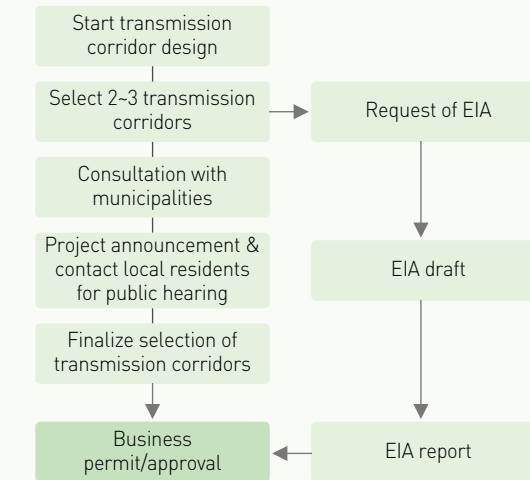
Applying environment-friendly techniques

- Expand use of cableway transportation of materials to minimize forest damage: applied in 2 projects, including the construction of 765kV Uljin-Shintaebaek transmission lines ('05)

Constructing environment-friendly substations

- Construction of multi-purpose substations ('05) : substations in Western Anyang and Yeokgok
- Indooring 154kV outdoor substation facilities - 95% installed indoors by 2015
- Create recreation facilities for local residents (ex: badminton court) on unused space in substations

EIA flow



Transportation Stage

We formed and have been operating "Power Lines Undergrounding Committee" since 2003 to expand underground installation of T&D lines.

Our objective is to install 100% of transmission lines underground in major urban areas by 2015. As of 2005, 91.2% of the transmission lines in urban areas are undergrounded. It marks a 3.2% rise from 2004.

Furthermore, we are working to create conditions conducive to underground installation of distribution facilities as well, such as legislation that requires underground installation of distribution lines when developing large residential areas and planned cities. As of 2005, 50.2% of distribution lines are installed underground in Seoul, up by 2.8% from the previous year.

Under-grounding rate of power lines

	Year	2004	2005	2010
Transmission	Urban area (%)	88.0	91.2	97.0
	Substation GIS (%)	79.8	81.6	88.7
Distribution	Seoul (%)	47.4	50.2	52.7
	Nationwide (%)	10.3	11.7	12.0

Reducing power loss in T&D

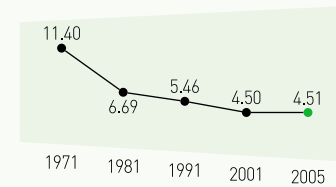
We are making various efforts - upgrading T&D voltages, expanding the capacity of T&D lines, using high-efficiency devices, installing power factor compensation equipment, and utilizing highly reliable equipment - to reduce power loss in the T&D. As a result, we are effectively minimizing the need for constructing additional generation facilities and indirectly contributing to reducing greenhouse gas emissions. It is noteworthy that in October 2005, we successfully upgraded low voltage from 110V to 220V for about 17 mil. customers, reducing power loss by 75%. This translates into approximately 4 bil. kWh of power loss saving, or is equivalent to 1.5 times the total amount of electricity used in Jeju island for a year.

As of 2005, we are maintaining the power loss rate at 4.51%, one of the world's lowest levels.

Voltage upgrade to 220V

Period	1973-2005(32 years)
Investment	1.4 tril. won (3.4 tril. won when adjusted to the won's value as of the end of '04)
Effect	<ul style="list-style-type: none"> • 2-fold increase in capacity; 75% reduction in loss • Saving in construction/maintenance cost : 170 bil. won per year • Reduction in power loss : 4 bil. kWh per year (1.5 times of electricity consumption in Jeju Island)

Power loss in T&D (unit : %)



Eco-system protection

In conducting an EIA, we develop and execute measures to prevent damages to the ecosystem based on estimations and evaluations with regard to bio-diversity. Also, as part of our effort to minimize the impact of power facilities on the ecosystem, we work together with local residents and environmental groups to monitor the habitation of plants and animals. As of 2005, the total area of power facility premises located within ecosystem sanctuaries stands at 9,794km².

Eco-impact survey	Minimize impact on the ecosystem through protection of endangered species and wildlife
Protection of the ecosystem	<ul style="list-style-type: none"> • Install T&D not to across wildlife habitats • Monitor habitation of plants and animals [ex: antelopes] after construction of T&D lines • Conduct campaigns to feed wild animals together with the Ministry of Environment and animal advocacies

Control of EMF

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 WHO and the National Cancer Institute (NCI) of U.S.A. are saying that electric and magnetic fields have minimal impact on human beings and animals.

However, KEPCO applies the construction requirements for its T&D facilities which are far stronger than those required by the national technical standards for facility construction in an effort to protect the health and safety of the general public from the possible harm of electromagnetic fields created by power facilities. Also, we are conducting studies in collaboration with electromagnetic field specialists to find out more about the impacts of EMF radiation on human bodies.

EMF radiation comparison

Source	T/L	Hair dryer	PC	Vacuum cleaner
Electromagnetic fields (mG)	26.0	50.6	29.0	27.0

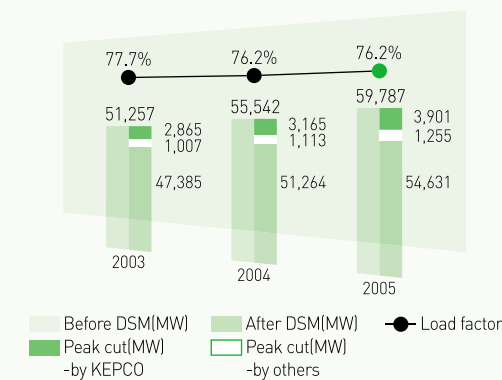
Sales Stage

KEPCO seeks to balance supply and demand through active and systematic electricity demand-side management (DSM) programs. Also, we help conserve energy on the national level by improving the efficiency of our electric power facilities, and contribute to reducing greenhouse gas emissions by avoiding construction of excessive power plants.

Due to effective peak demand control and expanded use of high-efficiency devices, KEPCO was able to cut 3,901MW of electric peak demand, up 736MW from 2004. This performance accounts for 75.7% of the nation's total DSM results. Also, the load factor, a measure that indicates the degree of utilizing electric power facilities, stood at 76.2% at KEPCO, recording one of the world's top levels.

In March 2006, KEPCO won '2005 DSM Annual Award' from the Peak Load Management Alliance (PLMA). It is an award presented in honor of the best performance in demand-side management, such as peak demand control and load factor management, and KEPCO became the first foreign company to win the award. It marks a tremendous achievement in that KEPCO's capability and performance in DSM is recognized internationally.

DSM performance



Major DSM programs

Category	Program	Incentive
Load management	Change of vacation/repair periods	650 won/kW adjusted
	Voluntary saving	140 won/kW saved
	Emergency saving	270 won/kW saved
	Ice storage cooling	350,000-480,000 won/kW
	Direct load control	Varies by emergency level
	Remote-controlled A/C	140,000 won/kW
Efficiency improvement	Demand controller	3 mil. won/unit
	High-efficiency lighting	1,400-6,300 won/unit
	Inverter	190,000 won/kW saved
	High-efficiency motor	240,000 won/kW saved
	High-efficiency transformer	250,000-2.19 mil. won/unit

Efficient management of peak load

KEPCO is managing peak demand 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 2,971MW of summer peak demand in 2005.

Efforts for reducing summer peak in 2005

Promotion of load control programs

- Expanded voluntary demand reduction in peak periods : Over 500kW → over 300kW in contract demand
- Incentives for long-term contracts (3 years) : Provide additional credits

Ice storage systems & new technologies

- More peak reduction by ice storage systems : 509MW ('04) → 573MW('05)
- Disseminate new heating/cooling systems equipped with heat pumps

Efficient use of electricity

We have been striving to increase efficiency of energy use on the national level by carrying out extensive marketing for high-efficiency devices and promoting use of such devices.

Notably, in March 2005, KEPCO signed an agreement with "Hanaro Mart," the nationwide retail-store network of the National Agricultural Cooperative Federation (NACF), for the promotion of high-efficiency devices. Accordingly, KEPCO has conducted aggressive marketing for high-efficiency devices in rural communities. As a result, a total of 1,347MW demand-reduction effect of high-efficiency devices was put in place in 2005, up by 29% from 2004.

Efforts for improving electricity use efficiency in 2005

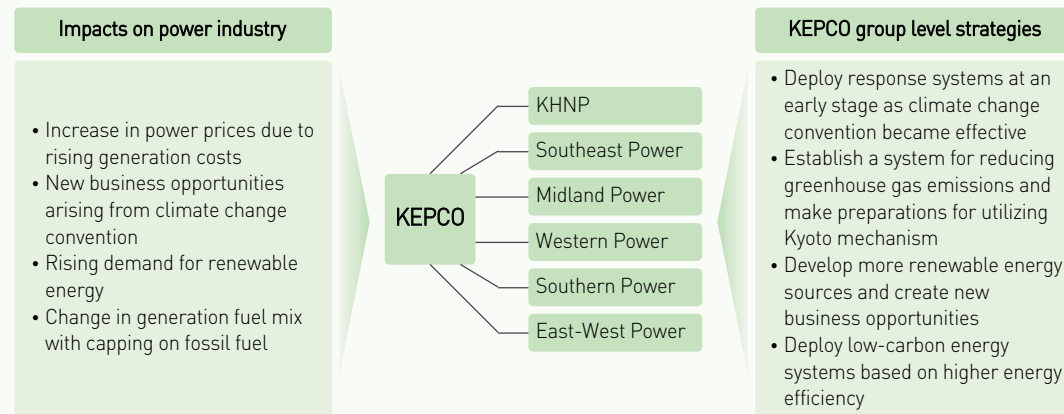
Strengthen marketing

- Strengthened marketing activities targeting rural communities: signed an agreement with the NACF for sales promotion of high-efficiency devices (Feb. 05)
- Conducted target marketing for high-efficiency lighting devices : 2,936 GS Caltex gas stations
- Focused PR of high-efficiency devices through e-Customer center

Promotion of high-efficient devices

- High-efficiency lighting devices : 915MW ('04) → 1,034MW('05)
- High-efficiency inverter : 125MW ('04)→291MW ('05)
- High-efficiency vending machines : 6.2MW('04)→7.6MW ('05)
- * figures: demand reduction effect

Coping with Climate Change Issues



Strengthening Group-level Response

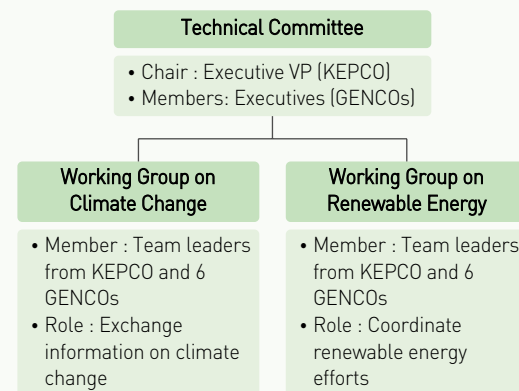
KEPCO and the 6 GENCOs are actively participating in global efforts for environmental conservation, and striving to build sustainable energy systems to respond to changes in the new energy paradigm.

Korea is not required to cut greenhouse gas emissions under the "Kyoto Protocol" which came into force in Feb. 2005. Still, if an obligation for reducing greenhouse gas emission is imposed on Korea some time later, it will give a huge impact on KEPCO's business because the electric power sector accounts for about 25% of CO₂ emission in Korea. Under the circumstances, KEPCO and the 6 generation subsidiaries see both challenges and opportunities for their business as the climate change convention went into effect, and are making efforts to efficiently respond to them.

In April 2005, KEPCO and the 6 GENCOs set up "Climate Change Response Committee" in which executives in charge of the matter are participating as members. The committee's organization was reinforced in June 2006 and changed into "Electric Power Group Technical Cooperation Committee" through which KEPCO group companies are exerting efforts to jointly respond to the climate change issues. Also, 4 key strategies associated with the climate

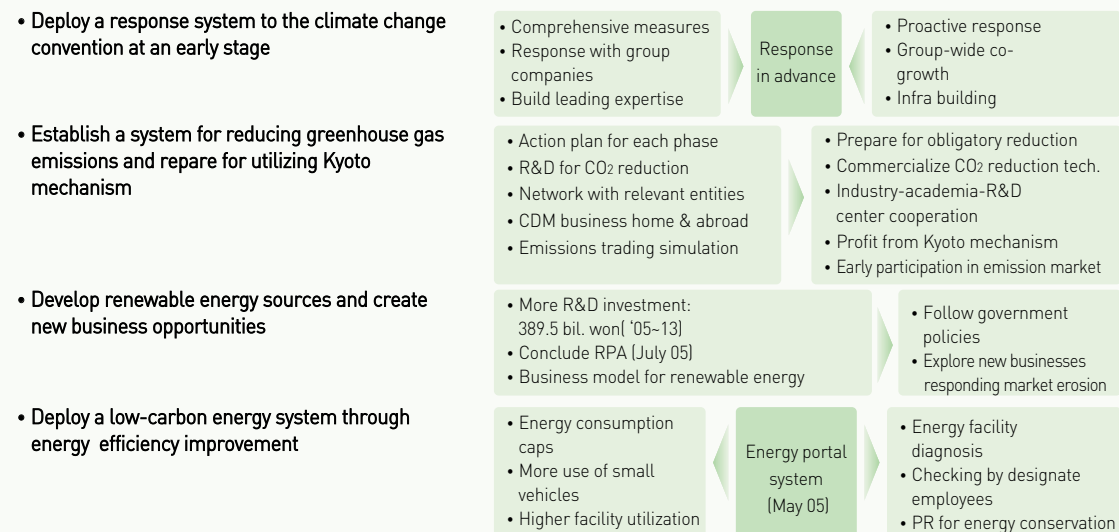
change convention are under development at KEPCO, and we conducted a round of emissions trading simulation to prepare for the launch of greenhouse gas emissions trading.

Climate Change Response Committee



It should be noted that KEPCO signed an agreement with the government in July 2005 on the supply of renewable energies. Accordingly, we plan to invest 1,065.1 bil. won (KEPCO: 97.4 bil. won; 6 GENCOs: 967.7 bil. Won) in developing renewable energy sources over a 3-year period from 2006 to 2008.

Actions to be taken under 4 key strategies



Reducing Greenhouse Gas Emissions

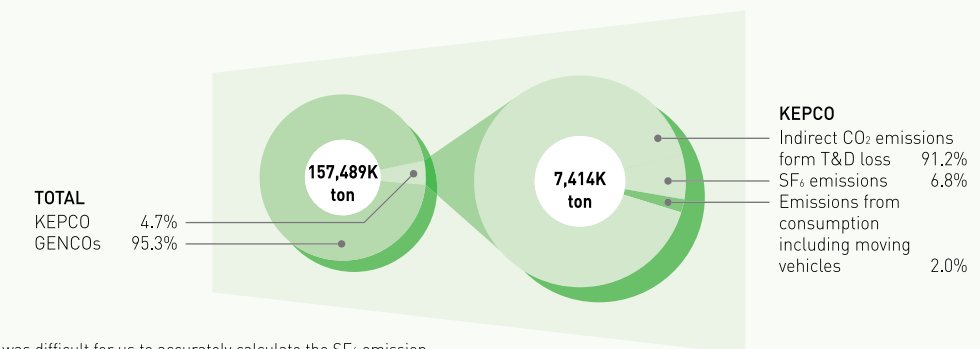
The generation of greenhouse gas emissions by KEPCO and the 6 GENCOs can be classified into two forms: direct emissions, such as CO₂ emission caused by fossil fuel burning at power plants and SF₆ emission from switches in power systems, and indirect emissions resulting from power loss during the delivery of electricity.

The total greenhouse gas emissions from the electric power sector, including power generation sector, increased by 9,242 tons from 2004 to reach 157,489,000 tons in 2005. Of the total, 7,414,000 tons came from

KEPCO: specifically, indirect emissions resulting from inevitable power loss during power T&D accounted for the majority, or 91.2%, of the emission by KEPCO while direct emissions, including the SF₆ emissions and those from internal energy consumption, accounted for 8.8%.

To improve accuracy of greenhouse gas emission statistics, KEPCO is currently developing a greenhouse gas emission management system that meets the international and national standards, which is set to begin operation in 2006. The system is scheduled to be linked with those of KEPCO group companies by 2007.

Greenhouse gas emission by sector (2005)



* It was difficult for us to accurately calculate the SF₆ emission. So, we made an estimation based on the statistics of generation companies in other countries. We will release the accurate figures when the data for greenhouse gas emissions in 2006 are available.

Developing environment-friendly technologies

KEPCO is focusing on developing environment-friendly technologies, including CO₂ reduction technology, clean coal technology and renewable energy technology.

KEPCO owns a world-class CO₂ absorption technology which helps save 50% or more in CO₂ collection cost. Also, various CO₂ 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 of 300MW-class IGCC.

In the area of renewable energy development, in particular, we invested 95.9 bil. won in 20 projects in 2005 for technology development in 3 focus areas photovoltaic energy, wind energy and fuel cells. As a result, we have made some tangible results, as shown in the completion of SOFC stack design.

R&D in renewable energy resources (2005)

Fuel cell

- Developed a unique Korean model in fuel cell for power generation
- Development and test-operation of 100kW-class molten carbonate generation system
- Ready for commercialization of 250kW-class molten carbonate generation system
- First localized cell production for SOFC in Korea

Photovoltaic energy

- Commercialized small-scale residential photovoltaic power generation system
- Network-connected operation and evaluation of 120kW-class photovoltaic power generation system

Wind energy

- 6MW-class Hankyung wind power complex in operation by Korea Southern Power
- Research on network connection standards for wind power generators

Coalgasification

- Applied for patents on coal-gasification generation facility : registered 7 patents
- Performance and economic feasibility test for coal-gasification generation

06. Social Performances:
Trust from Stakeholders



Building a Caring Society



Everlasting
Trust



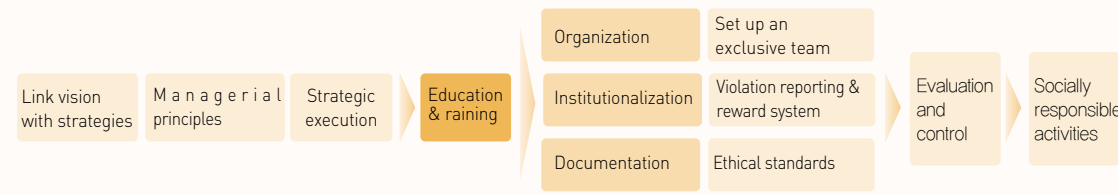
Through social responsibility management,
we will build trust with stakeholders.

Enhancing Managerial Transparency

Establishing Ethical Management

KEPCO developed a unique, 10-element ethical management system, the first of its kind in Korea. Building on the system, KEPCO is taking systematic steps toward firmly establishing and expanding ethical management practices in the company.

Ethical management system



In February 2005, the post in charge of ethical management within KEPCO was elevated from the division head level to the Executive Vice President level, and Management Innovation Department was set up as a unit dedicated to overseeing ethical management practices at KEPCO. Also, a total of 273 employees have been selected from our offices across the nation as ethical management leaders through competition, and they are taking the initiatives for strengthening ethical management at KEPCO.

In addition, we provide education programs aimed at nurturing ethical mindset, which is tailored to each of the three class types; general employees, ethical management leaders and executives. Under the programs, an employee was given 4.0 hours of education in 2004. However, the education hours increased fourfold to 14.4 hours in 2005.

In order to strengthen integrity of high-level managers, we

conducted a multi-facet feedback on integrity for the managers of grade 1 and 2 in September 2005. We have also developed a roadmap for enhancing integrity to keep us focused on integrity improvement on the longer term.

In an attempt to support KEPCO's drive for ethical management across the entire electric power industry, KEPCO signed 'Transparent Society Pact' with group companies and organizations representing the electric power sector (Korea Electrical Contractors Association, etc.) in September 2005, and strongly urged 819 companies in the sector to join the pact.

KEPCO is strictly following fair trade principles when making contracts, including construction, service and purchasing contracts. Since 2004, there has not been a single case of unfair trade at KEPCO observed by the regulating agency (the Fair Trade Commission).

Roadmap for enhancing integrity (Feb. '05)

Short term ('05)	Mid-term ('06-'07)	Long term ('08)
Voluntary efforts for change	Improve in susceptible areas	Sustainable and transparent system
9.0 points on Integrity Indicator(Highest among public enterprises)	9.2 points on Integrity Indicator(Highest in the public sector)	9.5 points on Integrity Indicator(Highest integrity level in Korea)

Advancing Open Management

KEPCO actively publishes management information, and openly receives opinions of its stakeholders to reflect them on key policy decisions. Also, in order to enhance managerial transparency, there are various committees operating at KEPCO with the participation of outside specialists.

To practice open management, we are operating 'Open Management Innovation Committee' at the head office as well as 'Green Environment Advisory Committee' and 'Siting Advisory Committee'. At the branch office level, we are operating 'Customer Satisfaction Advisory Committee'.

Open Management Innovation Committee has met every quarter since 2004, and we received a total of 135 opinions, most of which have been accepted or are being positively considered. Also, the number of Customer Satisfaction Advisory Committee at branch offices was increased significantly from 15 in 2004 to 56 in 2005. Customer

Committee activities in 2005

Committee	No. of meetings		Key achievements in 2005
	2004	2005	
Open Management Innovation Committee	3	4	52 opinions reflected on company policies
Customer Satisfaction Advisory Committee (at 56 offices)	Quarterly		Reflection of recommendations on company policies
Green Environment Advisory Committee (at 14 offices)			

Satisfaction Advisory Committee has been an effective tool for enhancing public understanding of the electric power business and a communication channel for taking in various opinions to ensure customer satisfaction.

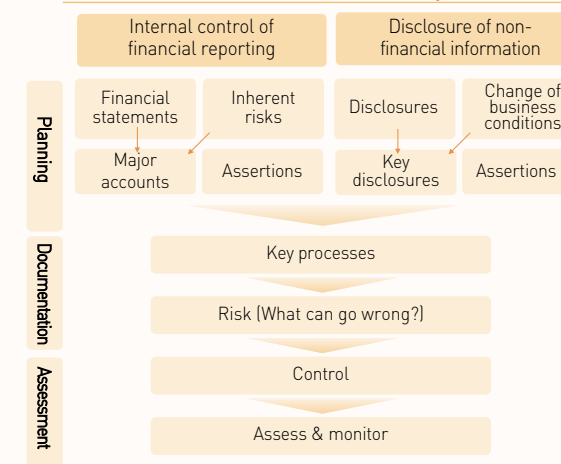
Starting from 2005, we release HR(human resource)-related information, such as the list of the promotion evaluators and the results from multi-facet feedback and key schedules of the management on the company Intranet for viewing by all employees as part of an effort of open management. Also, the CEO paid visit to our branch offices nationwide 75 times in 2005 to have face-to-face conversations with site employees.

Going forward, we will continue to make efforts to enhance our corporate image as a global company through an open-minded consultation with both internal and external stakeholders as well as through information release.

Complying with Global Accounting Standards

KEPCO seeks to gain investor's trust based on transparent accounting practices. To this end, we deployed a global-standard internal control system in March 2005 in compliance with the Sarbanes-Oxley Act and the External Audit Act of Korea. With this, we have established 1,051 control procedures for all possible risks. The control procedures have allowed us to prevent any accounting errors or frauds in advance.

Global standards for internal control system



The evaluation results of the internal control system are reported to the BOD and the Audit Council. Starting from the financial year 2006, we plan to have these results incorporated in our annual report with the approval of external auditors, and filed with the Securities and Exchange Commission of the U.S.

As part of an effort to ensure accounting transparency, employees are required to use electronic banking when withdrawing money from or making payments to company accounts. Also, a 'clean card scheme' has been introduced to prohibit the use of corporate credit cards at excessively luxurious entertainment places.

We will continue to enhance transparency of our accounting system to match the global level, thereby earning more trust from our stakeholders.

Enhancing Transparency in Handling Contracts and Service Requests

To enhance transparency in contract-related work, KEPCO built an 'Integrated e-Commerce Platform' (emp.kepco.net) in 2004, and has since been applying its own EDI rules for all contract-related work. Also, integrated bidding schedules for construction, service and purchasing contracts are regularly announced over the e-commerce platform.

Furthermore, we signed the 'Transparent Society Pact' in the electric power industry with our partners to fulfill our social responsibilities such as prevention of corruption, support for the socially disadvantaged and environmental protection. Starting from 2006, we are running a portal system to promote integrity among our suppliers (kepco.co.kr/clean). With the portal system, we receive reports on illegal sub-contracting and provide various forms needed for applying for construction projects.

By doing so, we are enhancing transparency in our contract-related job, and, at the same time, minimizing inconveniences experienced by our business partners.

Meanwhile, all contracts for construction, service and purchasing that are worth 3 mil. won or more are subject to electronic bidding. Starting from 2005, we have been handling international bidding electronically as well. As a result, 73.9% of all procurements was

processed electronically in 2005, up by 2.5% from 2004.

To enhance transparency in handling service requests, such as applications for new electric service, we let customers know names of our employees who have taken care of specific service requests, and send SMS messages to customers to notify them of the proceeding status of their service requests. Also, we have our customers regularly evaluate how applications for new electric service are processed at KEPCO.

Contract

- Expanded e-procurement : international e-bidding (Jun. '05)
- Procedure improvement : received tenders electronically for small-value contracts (Feb. '06)
- e-commerce promotion: established the integrated platform for EDI and e-commerce
- Anti-corruption effort : integrity pact with partners (Apr. '03)

Service request

- Deployed an integrated service request handling system to better serve those filing requests (Sept. '05)
- Provide processing status for new electric services over Internet and with SMS messages (May '05)
- Provide electronic forms for service requests (over 60 forms available over Internet)

Electronic procurement amount

Year	2003	2004	2005
Total value of procurement (100 mil. won)	35,457	34,826	38,645
Total value of e-procurement (100 mil. won)	21,353	24,872	28,573
E-procurement ratio (%)	60.2	71.4	73.9

Information Disclosure

We seek to fulfill the right-to-know of our stakeholders and practice open management. To do so, we remain active in publishing key management information, such as the company's management goals, budgets and operation plans and financial performances, through various means including disclosure of management information, corporate disclosure and information disclosure. In 2005, the rate of disclosure upon customer requests was as high as 95%, up by 2% from 2004. If we find that there are any additional materials to be disclosed, we make sure to post them on our company's website (www.kepco.co.kr).

Managerial information

- Closing of accounts, financial statements, budget and operation plans, BOD minutes, assessments by outside organizations, etc.

Corporate activities

- Upon occurrence : post daily major management activities as they occur
- Fairness: disclose information affecting investors

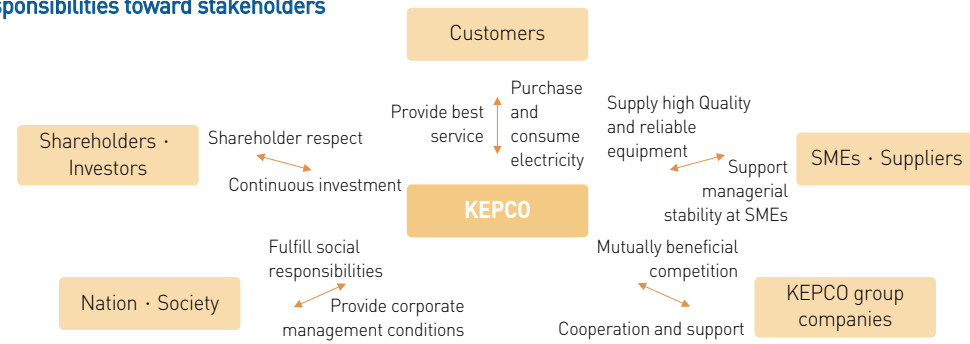
Requested information

- Disclose information within 10 days after requests in accordance with Freedom of Information Act

Growing together Through Strong Partnership

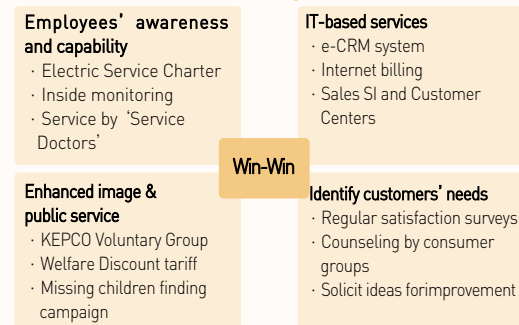
06. Social Performances:
Trust from Stakeholders

Responsibilities toward stakeholders



Customer-oriented Management

Customer Satisfaction Management



KEPCO prioritizes 'Respect of Customers' as one of its core values. Every member of the company - from senior managers to employees at customer contact points - is strongly committed to customer satisfaction.

In response to the changing business environment, such as rising consumerism and diversified customer needs, we made some improvements to our sales policies and programs in 2005. We increased automated operations of power facilities, introduced scientific tools for facility diagnosis, and provided round-the-clock repair services for customer-owned facility failures. As a result, the annual average power outage time per customer fell to 18.6 minutes, down 0.3 minute from 2004, maintaining the world's highest level of electricity quality.

We are making full use of our 'Sales SI', a one-stop real-time service system, and our 'Customer Service Centers'. Both have been made available enterprise-wide to provide customer service 24 hours a day. Also, we introduced an improved VOC (Voice Of Customer) program, a service request handling mechanism that guarantees a response to be delivered within an hour after receiving request, which has accelerated the response time from 825 to 22 minutes. We were also very active in providing customized information to meet specific needs of customers, such as making power outage announcements and providing electricity conservation tips via our e-CRM system which combines IT with the benefits of the Internet.

Furthermore, we regularly conduct customer satisfaction surveys to feedback our service. And, we have strengthened our efforts for ensuring safety in customers' use of electricity and protecting customer privacy.

Thanks to these efforts, KEPCO earned 83 points on the national customer satisfaction index (NCSI) resulted from a survey organized by the government in 2005, adding 3 more points on top of its 2004 performance. Since the launch of a survey for NCSI in 1999, KEPCO has remained in the 1st place in the survey results for 7 consecutive years.

Focus on customer convenience

- Application for service : designated branch → all branches
- Fee payment : designated banks → all banks
- Bill settlement for movers : document → phone, Internet
- Overdue charge calculation : for only delayed days

Highest electricity quality

- Facility automation and reliable operation of networks
- Prevention of : check customer facilities, modern diagnosis
- Deployment of natural disaster recovery system

IT-based services

- Sales SI and call centers (Apr. '05) : 'One-Call One-Stop' service, simplified or paperless job
- Deployment of Internet-based e-CRM system : Customized service (6.5 mil. customers in '05)
- Internet payment of bills (Jul. '05)
- Remote metering for all high-voltage customers (pilot service for low-voltage customers)

Customer consultation channels

- Hearing customers' opinions : Customer Satisfaction Committee (held 224 times)
- Operation of VOC : service within 1 hour : dramatic reduction in response (825 min. → 22 min.)
- Collect ideas over Internet (407 ideas submitted in '05)

Management of customer satisfaction

- Regular survey of satisfaction and feedback : In-house (2 times/year), government (1 time/year)
- Monitoring by calls(93.5 points in '05 → 94.4 points in '05)
- Operate and comply with the Customer Service Charter

Safety in electricity use

- Customer facility check (11K customers, 300 mil. won, '05)
- Old transformer replacement for apartment complexes (148 with 2.5 bil. won in '05)

Customer privacy

- Privacy protection mechanism in place in Internet
- Citizen ID number checking mechanism

Going forward, we will continue to improve our sales schemes and services for the convenience of customers. We will strive to provide high quality electricity service by introducing cutting-edge electricity quality control techniques such as voltage fluctuation and harmonics control, while providing a range of added-value services based on PLC technology. By doing so, we will continue to provide quality services to maximize customer satisfaction.

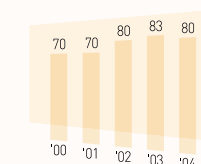
Information sharing systems



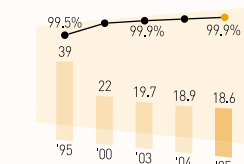
Customer facility check systems



Service satisfaction(%)



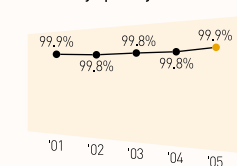
Electricity quality trend



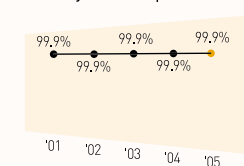
* NCSI: The government takes survey of customer satisfaction for public enterprises and announces the appraisal results every year.

Observance of Customer Service Charter

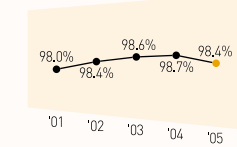
Electricity quality level (%)



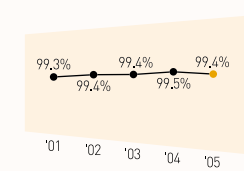
Accuracy in work process (%)



Observance of work procedures (%)



Total (%)



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-led projects, we are taking advantage of close cooperation mechanisms, such as operation of consultative bodies for specific concerns.

For example, we are running various cooperative bodies, such as the council of CEOs of group companies and the working-level council to facilitate cooperation and support within the electric power group. Also, group companies engage in active exchange of human resources and information in order to ensure stable supply of electricity and to enhance group-wide capabilities. We are closely collaborating with group companies to jointly respond to various issues like efficient procurement of fuels, cooperation in R&D, joint participation in overseas projects and other matters of common interest.

To encourage win-win situation, we have created an environment that allows group companies to practice an autonomous and accountable management and strengthened follow-up measures based on the evaluation against the business management contracts. Also, by creating a level playing field in the electric power sector, we are rationalizing the electricity pricing structure while improving management efficiency and productivity.

Group-wide joint efforts in 2005 (highlights)

Cooperation and support

- CEO council (held 10 times), Climate Change Committee
- Enhance group-wide capabilities
 - Expanded co-participating in overseas projects
 - Rationalized fuel procurement : a collective negotiation
 - Strengthened R&D cooperation (renewable energy, etc)
 - Operation of a group-wide disaster response team
- Joint response to issues: nuclear waste site (Nov. '05)

Win-win competition

- Established accountable management
- Created fair competition : improved electricity trading (differentiated pricing according to volume, etc.)
- Improved management efficiency and productivity
 - Increased capacity utilization : up 0.52% at 6 GENCOs
 - Improved finance: down 0.3% in debt ratio at Gencos

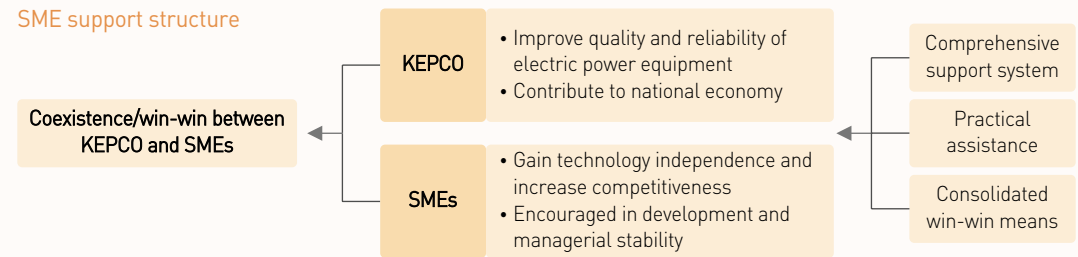
Support for SMEs

Under the firm belief of the CEO that SMEs (small and medium-sized enterprises) are the main driver of national economy, KEPCO is providing active support to SMEs. Indeed, over 70% of electric power equipment used by KEPCO comes from SMEs. KEPCO seeks to improve reliability of its electric power equipment by supporting SMEs. Since 1993, KEPCO has been providing an estimated 300 bil. won worth of assistance to SMEs in the areas of joint R&D, development of IT-based management, quality certification expenses, expansion into overseas markets and nurturing promising venture companies in the electric power sector.

Particularly, as a result of its drive for purchasing SME products, about 70% of KEPCO's equipment is bought from SMEs. In 2005, the ratio edged up to 71%.

Besides, in 2005, we formed a new consultative body between KEPCO and its 6 GENCOs to discuss means for providing more assistance to SMEs. Also, we held a "win-win campaign" between the electric power group and SMEs with the participation of CEOs of SMEs and the heads of their associations.

SME support structure



Details of KEPCO's support for SMEs ('04-'05)

Area	Funding (100 mil. won)	Details
Joint R&D	112	• Funding for R&D in product development • Purchase of developed products
Development of IT-based management	58	• Deployment of information system • IT software support
Strengthening competitiveness	199	• Support for quality certification of electric power equipment (ISO, UL, etc.) • Single PPM quality innovation support
Overseas marketing	4	• Support for export and marketing channels
Electric machinery technology development	27	• Support for technology development
Total	400	

Funding for SMEs

Year	'05 (actual)	'06 (budget)
Amount (100 mil. won)	208	280
% of R&D spending	8	10

In September 2005, we opened 'SME Technology Assistance Center' to help SMEs overcome difficulties. And, in November 2005, we introduced profit sharing scheme for the first time among public enterprises to share performances with SMEs in proportion to contributions. The scheme is being applied to 5 product items, and the coverage is scheduled to be expanded in the future. Meanwhile, we have been active in assisting SMEs in securing marketing channels overseas, raising 8 mil. dollars from foreign buyers. With these efforts, the level of satisfaction of our partners for KEPCO reached 87%, up 10% from 2004. In 2006, KEPCO plans to further expand its assistance to SMEs. Accordingly, KEPCO has set aside 28 bil. won for SME assistance in 2006, up 7.2 bil. won from 2005. And, together with other group companies, KEPCO will organize SME performance presentations to share

best practices in utilizing SMEs in an effort to create practical foundation for SME assistance. We also plan to carry out 3 major promotion programs - purchasing, marketing and partnership promotion - and to step up PR activities to showcase the benefits of working with SMEs with the implementation of SME assistance database.

Focus of SME assistance for 2006

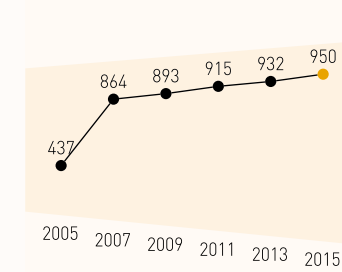
Build foundations for	• SME performance briefings
practical assistance in KEPCO group level	• Performance competition among group companies
Carry out 3 major promotion programs	• Purchasing • Marketing • Partnership
Utilization and PR	• Set up SME assistance database

Contributing to The Nation and The Society

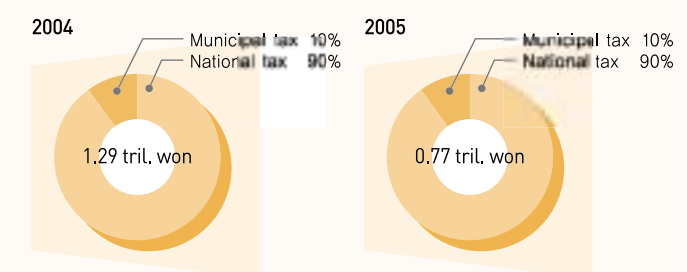
KEPCO makes contribution to the nation and the society by creating jobs and paying tax.

We are actively supporting the government policy by creating new jobs for youngsters, hiring more women and disabled people, and expanding employment of those holding degrees in science and engineering. In 2005, KEPCO hired 437 new employees and paid 0.77tril. won in tax.

Job creation forecast (persons)



Tax payment



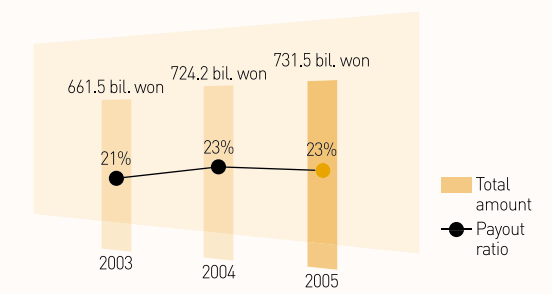
Prioritizing Shareholders' Interest

KEPCO is committed to maximizing shareholder returns by paying out dividends at appropriate levels and carrying out IR activities aggressively.

These efforts for achieving higher corporate value have driven KEPCO's share price upward: as of the end of 2005, the share price rose to 37,800 won, or 1.4 times compared with that at the 2004 year-end (26,850 won).

Despite adverse business conditions, such as rising fuel prices, KEPCO posted 2,448.6 bil. won in net profit in 2005, thus further raising its corporate value. Also, we maximized shareholder value by paying out dividends at 23% of the face value of common stocks. The CEO and other members of top management participated in IR events held at home and abroad more frequently to fulfill the right-to-know of investors and work toward raising the corporate value. For these efforts, KEPCO received an honor for "Best IR in the utility industry in Asia" from Institutional Investor magazine in 2005.

Dividend payout ratio



IR activities at home and abroad

Activity	Details	Remark
Company briefing by CEO	• Discussion with investors and analysts	2 times (Seoul, London)
Company briefing by financial institutions	• One-on-one meeting with foreign and domestic institutional investors	8 times
Conference Call	• Presentation of quarterly results for investors and analysts	4 times
Meeting with credit institutional investors	• Discussion with Moody's and S&P on financial & operational performances	annual
Two-way communication	• Real-time Q&A using Internet	Dec. '05

IR for domestic investors hosted by CEO



Social Contribution Activities

06. Social Performances: Trust from Stakeholders

Expanding Voluntary Activities at Home

KEPCO recognizes that social contribution activities are an integral part of its business management. As a leading public enterprise, KEPCO is striving to fulfill its social responsibility and thereby to establish itself as a trustful company. 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 Voluntary Group

Founded in May 2004, the KEPCO Social Service Teams have the membership of about 8,100 employees, or 40% of the total employees of KEPCO as of Dec. 2005. The team raises money for its social contribution activities in the so-called "Love Fund," to which over 90% of the total employees are donating. The 4 bil. won thus far raised for the fund is spent in various social contribution programs, such as 'caring for neighbors in need' and 'cultivating culture,' helping us realize our corporate motto of 'Light to the World, Love for the Neighbors.'

Activities of KEPCO Voluntary Group in 2005

Classification	Results		
	Caring for neighbors	Cultivating culture	Total
No. of events	2004	3,630	4,099
	2005	5,496	6,453
Participated persons	2004	26,310	29,902
	2005	38,159	44,841

Support of electricity supply for overdue customers

To protect the basic right of using electricity, KEPCO provides electricity service to those who are unable to make bill payment until final due dates in order to guarantee at least the minimum level of living standards for them.

We postpone forced electricity cut-off during extremely hot or cold seasons (July - September, December - February) for residential overdue customers. For those residential customers subject to forced disconnection due to delinquency, we provide the minimum service by installing 'current limiters for residential customers' at their premises. In addition, we provide discounted tariff plans for the disabled, veterans and low-income households.

Program	Key activities
Support for the disabled	<ul style="list-style-type: none"> Installed 5,000 remote-controlled electric switches Hire disabled people as call center employees Provide 20% discount to severely disabled people
Support for the needy/low income households	<ul style="list-style-type: none"> 'Light-sharing' campaign (for 6,000 households) Delay forced disconnection for overdue customers Provide lighting devices to neighbors in need Safety checking for elderly, children household, etc
Finding lost children	<ul style="list-style-type: none"> Give out nametags and lost children's pictures Put posters and distributed Guidelines on Preventing Lost Children: So far, 95 have been found
Support for culture, art, sports	<ul style="list-style-type: none"> Sponsor 'Seoul Concours for New Musicians' [2/yr] Operate KEPCO Art Center, Plaza and Museum Organize performances with orchestra
Promoting science and engineering	<ul style="list-style-type: none"> Provide scholarships to electric engineering departments at 19 universities nationwide
Support for rural communities	<ul style="list-style-type: none"> 'One Branch-One Rural Village Sisterhood' [189] Provide electricity to rural communities and islets
Others	<ul style="list-style-type: none"> Voluntary service by new and promoted employees Free elec. checking for apartments(300M won/yr) Operate 'Home Service' team to provide service to customers susceptible to power outages

Discount for low-income households and the disabled

Target group	Eligibility	Discount rate (%)	Discounted amount(100M won)	
			2004	2005
Disabled	Grade 1-3	20	224	370
National merit(disabled)	Grade 1-3	20	4	8
Low-income household	Less than 100kWh/mo.	15-35	158	216

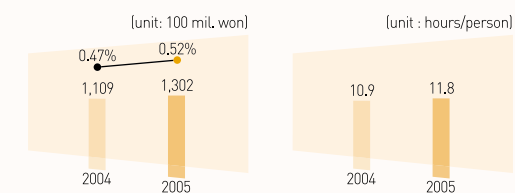
Various programs for social contribution

KEPCO engages in various activities to support art and culture. For example, we sponsor 'Seoul Concours for New Musicians' every year to provide a debut venue for talented young musicians, and 'Hope, Love, Sharing' concert with Korean Symphony Orchestra. Also, we operate KEPCO Art Center to contribute to the popularization of art and culture.

We organize an annual charity bazaar jointly with 'Beautiful Store.' In 2005, we made 90 mil. won in proceeds from the bazaar, a record high amount made in a single day, and donated the entire proceeds to the Beautiful Store.

Furthermore, the branch chapters of the KEPCO Voluntary Group launched a campaign entitled 'One Branch, One Farming Community Sisterhood' to form sisterhood relations with rural villages. As a result, the group formed sisterhood relations with a total of 189 rural communities as of Dec. 2005. And, the team earned an honor of the best program for business-community sisterhood by the National Agricultural Cooperative Federation in March 2006.

Social contribution as % of sales Employee's voluntary service



Expanding Social Contribution Activities Abroad

KEPCO is fulfilling its social responsibilities overseas as well as at home. We are executing a range of social contribution programs to support local communities in which our overseas operations are based, such as the Philippines where KEPCO accounts for 12% of the total electricity output in the country.

We are actively carrying out activities to protect the environment near our power plants, such as environmental

monitoring, joint local projects and strengthening of relationship with local organizations. Overseas social contribution activities by KEPCO range from medical assistance, installing telephones in rural communities, support for local universities and support for art and culture. Also, there is no discrimination against local people in hiring. KEPCO is helping local communities ease electricity shortages and creating jobs in local communities. In doing so, KEPCO will continue to fulfill its social responsibilities as a global company.

Overseas social contribution highlights (the Philippines)

Program	Key activities
Environment conservation	<ul style="list-style-type: none"> Emission control and monitoring Checking local water and water discharged by plants Noise level monitoring near power plants & districts Monitoring of coral reef habitats near power plants
Joint local projects (64 projects)	<ul style="list-style-type: none"> Supply municipal water to nearby areas Renovate public facilities for community amenities Provide science tools and computers to schools
Support for art & culture	<ul style="list-style-type: none"> Construct gyms Provide Taekwondo training for free
Medical support	<ul style="list-style-type: none"> Provide free medical service to local communities (5 rounds so far, served 5,000 people per annum)
Rural electrification	<ul style="list-style-type: none"> 150 villages in 5 regions (completed in 86 villages, underway in 68 villages)
Support for local universities	<ul style="list-style-type: none"> Cooperation with the University of Philippines (Hire talented students, etc.)
Others	<ul style="list-style-type: none"> Power plant tours and technical training for local university students (16 students)

Local manager proportion	Classification	Location	2003	2004	2005
	Local manager proportion (%)	Philippines	13	14	15
		Wuzhi, China	-	-	11

KEPCO Philippines

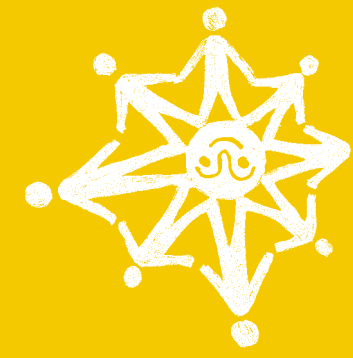


Taekwondo training & medical service in the Philippines



07. Human Resource Performances:
Increased Internal Capabilities

Developing employees'
Capabilities



Everlasting Improvement

Through humanity-oriented management,
we will form active organizational structure
while raising the quality of life of employees.

Improving Quality of Life

07. Human Resources Performance: Increased Internal Capabilities

Building Forward-looking, Mutually Beneficial Labor-management Relationship

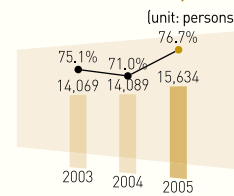
Upgrade union relation
<ul style="list-style-type: none"> Develop expertise in labor management Lay out a roadmap
More cooperation
<ul style="list-style-type: none"> More union's participation in management Diversify dialogue channels
Mutual trust
<ul style="list-style-type: none"> Actively handle requests Transparent information Explain key policies to union leaders Solidify unity

KEPCO complies with ILO conventions concerning freedom of association and the right to organize and bargain collectively (ILO convention No. 87, 98). Workers and management at KEPCO pursue a forward-looking, mutually beneficial labor relationship through dialogue and cooperation under the recognition that the two parties work as partners in running the company based on mutual trust. We continue to upgrade our labor relations, engage labor union members in the company's decision making process and strengthen trust between labor and management.

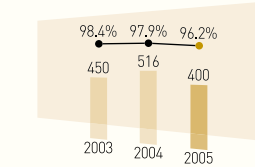
Efforts for improving labor relations in 2005

- Upgrade union relations**
 - Develop expertise in labor relations management - 20 experts (outside: 4, in-office: 16)
 - Lay out modern roadmap : multiple unions, etc.
- Expand participation and cooperation**
 - More union's participation in management
 - Labor union engagement programs : suggestion system, knowledge management system
 - Diversify productive communication channels
 - Operate continual communication channels: discussions and meetings with union managers
 - Increase the number of the labor management council (1 at head office → 42 primary site offices)
- Build mutual trust**
 - Actively seek to resolve employee complaints
 - Listen to the employees : CEO Hot-line, "HR Shinmungo" (a grievances filing system)
 - ※ Confidentiality guaranteed for employee complaints: article 19 of the labor management council rule
 - Ensure transparency in releasing management information
 - Provide open access to the decision making process: release of management meeting minutes
 - Explain key policies to labor union managers: 60 times('04)→73 times ('05)
 - Solidify cohesion between labor and management : employee engagement events, etc.

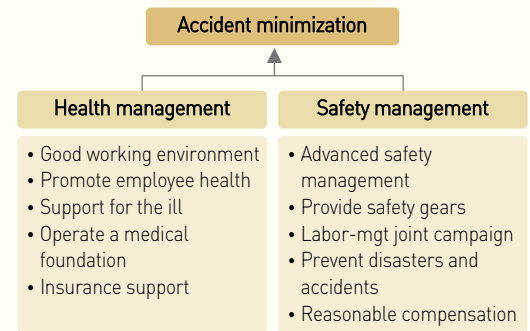
Union membership



Help for personal problems



Practicing Health and Safety Management Respectful of Human Life



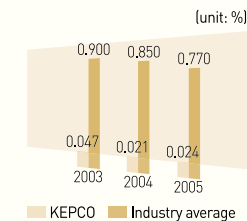
In respecting human life, KEPCO promotes health of its employees and strives to minimize accident rate and labor loss by preventing industrial accidents with safe and stable operations of electric power facilities. We have developed a policy concerning health and safety, and established SSM (systematic safety management) system based on the OHSAS 18001 standards for safety 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 branches and site offices are subjected to assessment against such criteria on a regular basis, and the assessment results are reported to the top management. In 2005, 9 employees of KEPCO and 23 employees of our partners were injured or dead.

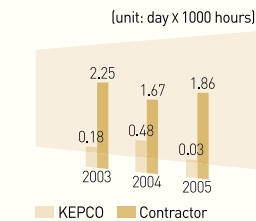
Efforts for health and safety of employees

- Health**
 - Good work environment : improve conditions (eg:noise)
 - Health promotion : annual & special (biennial) check-up, employee relaxation facilities, daily stretching
 - Support for the ill : grant sick leaves for medical care
 - A medical foundation : 40% discount
 - Insurance support : statutory heal insurance, industrial accident insurance, group insurance
- Safety**
 - Real-time on-line management of safety management planning, operation, assessment and improvement
 - Disseminate safety gears : fire-resistant clothes, insulating rubber gloves, etc.
 - Labor-management joint actions for safety and health
 - Provide training on accident prevention: in-house for 1,000 employees, outside for 48 employees
 - Manage natural disasters and electric shock accidents : IT-based real-time response to natural disasters
 - Reasonable compensation : outside and inside compensation for industrial accidents, compensation from Contribution Fund

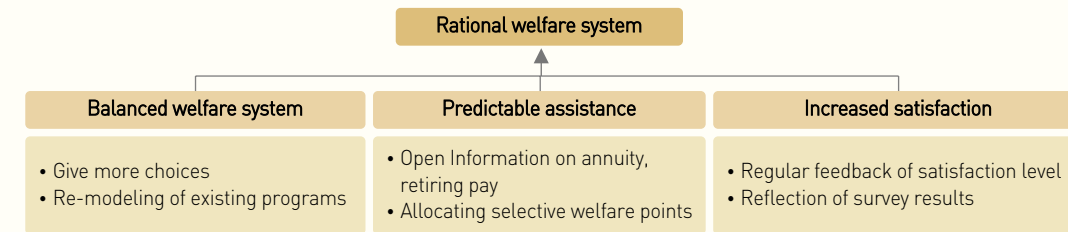
Accident rate



Labor (Man-hour) loss



Promoting Employee Welfare



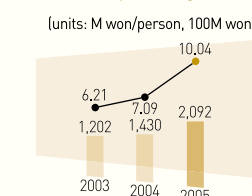
By working toward building a rational welfare system through removing inconsistency in the welfare system, facilitating predictable welfare benefit planning and raising employee satisfaction with the welfare system, KEPCO is boosting employee morale and confidence in the company. At KEPCO, various welfare programs are available for employees, ranging from children's pre-school education to support at job, self development, leisure and culture, healthcare, and housing. Not only the employees themselves but also their family members are increasingly getting benefits from these programs.

Major welfare programs

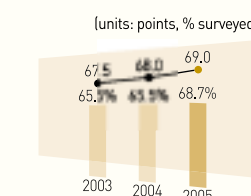
- Children's education**
 - Dormitory for college students studying in Seoul, subsidy for pre-school education
- Work support**
 - Disaster relief fund, company cafeteria
- Self-development**
 - Support for learning foreign languages and acquiring licenses
- Leisure and culture**
 - Leisure expenses, club activity support, recreation facilities and resorts
- Healthcare**
 - Medical check-ups, KEPCO's medical foundation (Hanil Hospital)
- Housing**
 - Housing loan, employee dormitory

In 2005, KEPCO spent 209.2 bil. won on employee welfare programs, or 10.04 mil. won per employee. Of the total welfare spending, statutory costs (industrial accident insurance, employment insurance, health insurance, the National Pension Fund, etc.) account for 46%, and non-statutory costs (children's pre-school education, self development, etc.) account for 54%. In the August 2005 survey on employees' satisfaction with the company welfare system, the satisfaction level stood at 69.0 points out of a full 100, which is an increase by 1 point from 2004.

Welfare spending



Welfare satisfaction level



Outplacement after retirement

Retiree Outplacement	Income after retirement
<ul style="list-style-type: none"> Specified & specialized training Database on retirees Outplacement information 	<ul style="list-style-type: none"> Retirement insurance plan National Pension Fund Annuity of retirement payment

In the era of aging society, KEPCO is actively assisting its employees to open a new chapter in their career after retiring from KEPCO.

In 2005, KEPCO opened an electronic bulletin board for its retirees (www.nextjob.or.kr) at the homepage of Korea Employers Federation (KEF), an organization specializing in outplacement service for retirees. The bulletin board provides KEPCO retirees information on re-employment opportunities at about 3,500 KEF member companies. We have also placed designated employees in charge of providing support for outgoing employees seeking new jobs. Backed by these efforts, the outplacement rate of KEPCO retirees recorded a marked increase from 18% in 2004 to 33% in 2005. In addition, KEPCO joined a retirement insurance plan in August 2005 with the consent of both labor and management in an attempt to guarantee the payout of retirement benefits for outgoing employees. Labor and management are currently working together to convert the existing retirement benefit payment scheme, in which the benefit is paid in lump sum, to a retirement pension scheme.

Lifelong learning system

In February 2005, KEPCO declared itself to be a lifelong learning company. The declaration was aimed at transforming the workplace into a place for learning for self-realization. Employees have voluntarily formed study groups, and there are 71 of them at the moment. The company is actively financing those study groups that run well. Also, we opened an on-line learning portal named 'e-KEPCO' that provides courses on over 80 subjects, including culture and language, for our employees and their families. Another learning portal, 'Integrated Learning on Transmission and Substations', was opened to provide work knowledge, such as information on new technologies, to rotating employees at site offices nationwide.



Bringing up Globally Competitive Personnel

07. Human Resources Performance: Increased Internal Capabilities

HR Decisions Driven by Merit and Performance

Performance-based compensation

- BSC-based evaluation
- Bonus pay by performance
- Yearly salary by contracts
- Personnel mgt linked by performance

Capability-based positioning

- More open recruitment
- Reflect multi-facet evaluation
- More merit-based promotion
- Positioning managers in different fields

KEPCO is increasingly looking to merit and performance as key criteria in its compensation and other HR policies. Every year, the CEO's performance is appraised by the government while performance of employees of KEPCO is appraised under KEPCO's internal performance evaluation system. Their bonus earnings differ depending on the appraisal results, ranging from 0% to 220% of the monthly salary base. In 2005, out of the total compensation paid to an employee, differences in performance-related incentive payment are 54.7% for senior managers, 22.8% for middle managers, and 18.0% for non-managerial employees. We plan to execute MBO (management by objective) program starting from 2008 to reflect an employee's performance in determining their compensation and promotion. Also, we selected 8 competent grade-4 managers and promoted them to grade-3 managers based on their merits and performances, which was an unprecedented attempt made by public enterprises in Korea. In addition, 11.4% of all posts within KEPCO, or 118 grade 1-3 managers are positioned in different fields as part of our effort to realize 'One KEPCO' by removing invisible wall among units.

Reflection of capability & performance in HR management

- Reward**
- Link with business strategy by BSC based on strategy map
 - Expand performance-related pay : tiered bonus (0%~200%) depending on unit & individual performances
 - Expand yearly salary : grade 1-3('04) → grade1-4 ('06) → all employees ('08)
 - Improve individual evaluation : adopt MBO from 2008 and reflect performances & multi-facet evaluation in reward,etc.

- Human Resource Management**
- Open positioning for major head office managerial posts ※ 149 managers placed through competition in '05
 - Expand multi-facet evaluation for all employees; those in lower half bracket are excluded from promotion.
 - Merit-based promotion to grade 3 (first as public companies: 8 persons, plan to expanded to grade 2 in 2006
 - Positioning managers(grade1-3) in different fields (118 out of 1,037 posts) a flexible workforce deployment for realizing 'One KEPCO'

Average salary in 2005

Grade	Position	Average yearly salary(1,000won)	Bonus deviation(%)
Senior management	CEO	253,000	54.7
	Standing director	173,560	
Middle manager (grade 1-3)		84,416	22.8
Working level (grade 4-6)		47,945	18.0

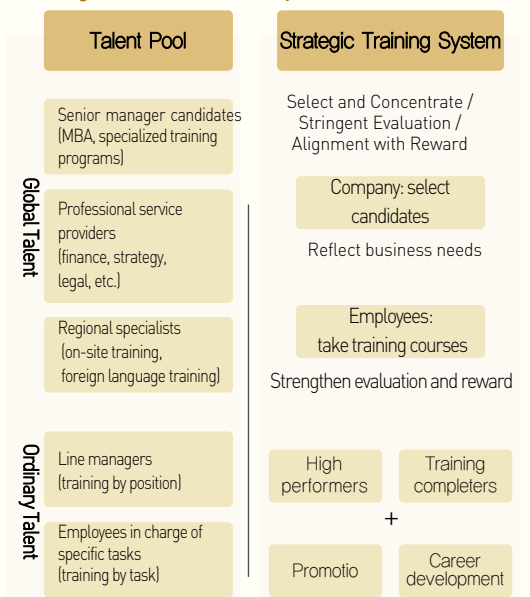
Career development

We have established a roadmap for nurturing talents for the future, according to which we categorize our employees into global talents and general manpower based on the company's strategic choice and an employee's personal preference. It is aimed at educating 10% of the total employees to be globally competitive talents. In 2005, 58,303 employees of KEPCO received education or training, up 45% from 2004.

Education and training in 2005

Category	Training program	Participation (person)		
		'04	'05	Change (%)
Global talent	<ul style="list-style-type: none"> Master's & doctoral programs, MBA Regional expert training Executive courses 	195	229	17
Ordinary manpower	<ul style="list-style-type: none"> Job-related Management On-the-job training Self-development 	40,144	58,074	45

Strategic talent education system



Training expenses as a percentage of sales stood at 0.16%, and per capita training hours were 81.5 hours, up by 0.04% and 2.9 hours, respectively, from 2004.

Status of education and training

Classification	2003	2004	2005
Expenditure (as % of sales)	0.08	0.12	0.16
Per employee expenses (10,000 won/person)	86.2	136.6	202.2
Annual hours (hours/person)	65.4	78.6	81.5

Respecting of Human Right and Diversity

Gender Equality

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

In 2005, female employees accounted for 20.1% (88 persons) of the total number of newly hired employees. With that, we have overachieved our planned female employment quota of 20% among new hires for 4 straight years since 2002. Also, 9 female employees were promoted to middle managers, a whopping 9-fold increase compared with 2005. Furthermore, a female employee was promoted to a department head (grade 2 post) for the first time in the history of KEPCO. And, we are strictly complying with ILO convention article No.100 concerning 'equal remuneration for male and female workers for equal job'.

Efforts for gender equality in 2005

Counseling for female workers & education on preventing sexual harassment

- A portal service for female employees
- Provide counseling for female employees experiencing difficulties at work by head of Female Workforce Team
- Train sexual harassment prevention specialists : 11 persons
- Train counselors for female employees : 515 persons

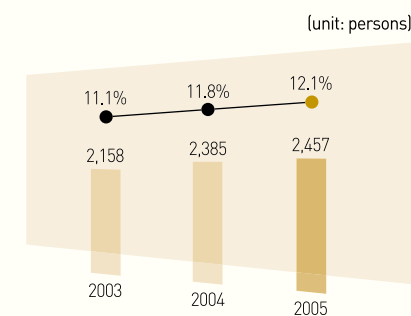
Strengthening female workers' leadership

- Provide women's leadership course at the Central Education Center for 111 women

Eliminating discrimination in hiring and promotion

- Overachieved female employment quota (20%) for 4 consecutive years
 ※ 21% ('03) → 23% ('04) → 20% ('05)
- 9-fold increase from 2004 in the number of female employees promoted to managers
 ※ 1 person ('04) → 9 persons ('05)

Proportion of female employees



Motherhood Protection

To address increasing concerns over low birth rate and the trend of workers' aging, we provide various programs to support mothers giving birth to children. Female employees are granted maternity leave (90 days) around the time of their delivery, which are tallied into the period of their continued employment and career so that women are not discriminated in the evaluation for promotion. At the head office, we have prepared separate space for child care and motherhood protection. In 2006, we plan to open an in-house child care facility with quality amenities and child care professionals in place. It will help create a working environment in which all employees can concentrate on their jobs without having to worry about their children.

Employing The Disabled

We are consistently increasing the number of disabled employees by providing preferential treatment to people with physical disabilities.

As of 2005, KEPCO was hiring 434 disabled people, up by 60 from 374 disabled employees in 2004. The ratio of the disabled to the total workforce at KEPCO stands at 2.8%, which surpasses the 2% mandatory quota required by the Disabled Persons Employment Promotion and Vocational Training Act.

Eradication of Discrimination

Chapter 5 "Ethics for employees" of our Code of Ethics stipulates that no person will be un-favored due to 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.

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.

Promoting Input of External Experts

The world claps for our tomorrow.
The world trusts our future.





Prof. Jee-In Jang

- Ph. D, Business Administration, State University of New York, U.S.A
- Assistant Professor, College of Business Administration, Syracuse University, U.S.A.
- Dean, College of Business Administration, Chung-Ang University
- Dean, Graduate School of International Management, Chung-Ang University
- Head, Government Innovation Management Evaluation Board
- Head, Government-Owned Enterprise Evaluation Board
- Professor of Accounting, Chung-Ang University

Sustainability reporting is one of the most basic tools for stakeholder engagement in this era of global business management. KEPCO has made a big step forward by incorporating the philosophy of sustainability management in its mid-to-long term strategies and complying with most of the GRI Guidelines in developing the sustainability report. The ultimate goal of sustainability management is to boost corporate value. Therefore, the social and environmental performance of a company should lead to its economic performance, and should help raise the value of the company in the capital market. Because KEPCO is still at an early stage of sustainability reporting, there are some areas in the report that have not been fully quantified or analyzed in depth. However, I believe the publication of this report is significant for the following reasons.

First, KEPCO is a global company in that it is listed on foreign capital markets and its foreign ownership is very high. This puts KEPCO in a position that it has to care about stakeholders in overseas markets. The publication of a sustainability report, therefore, is more significant for KEPCO than for other government-owned corporations because it allows the company to swiftly respond to changes in the global capital market and it is a useful material to employ at IR activities in foreign markets.

Second, in addition to examining the so-called "Triple Bottom-line" according to the GRI Guidelines, which is widely used as a global standard, KEPCO also looked at its performance from the perspective of human resources management in this report. It is a commendable attempt that well demonstrates the CEO's focus on human assets and the characteristics of KEPCO as a technology-driven business.

Third, the report presents to stakeholders a comprehensive view of KEPCO's various social contribution activities, ethical and transparent management practices, and other achievements such as the no.1 ranking in the survey of customer satisfaction with public corporations for the last 7 consecutive years and positive outside assessment of the company as a government-owned enterprise. This will add more value to the company in the capital market.

This report contains a number of diagrams and tables as well as detailed explanation about KEPCO to help the understanding of stakeholders. Still, it is only a second sustainability report by KEPCO and there is room for further improvement. For example, in order to present KEPCO's sustainability management performance more clearly, more quantified data is required and the sustainability performance of gencos needs to be incorporated in the report. Also, it is necessary to include data on tariff changes, share price trends and efforts for risk management. Particularly, there needs to be comparison with global competitors as a measure of KEPCO's own performance.

August 2006



Prof. Chul-Hwan Koh

- Ph. D, Marine Biology, University of Kiel, Germany
- Professor of Marine Ecology, Seoul National University
- Chair, Presidential Commission on Sustainable Development (PCSD), Korea
- Chair, Association of Professors for Democratic Society, Korea
- Director, Citizens Institute for Environmental Studies, Korean Federation for Environmental Movement

Congratulations on the KEPCO's progress in sustainability management

In order to reach the level of advanced countries, we have to try to harmonize our economic growth, which has been progressed in a compressed way, with the social equity and environmental protection. The central government set an agenda of balancing the economic growth with social development and ecological sustainability in that sense already. Since President Rho Moo-Hyun set forth a vision of sustainable development for Korea on the Day of the Environment in June 2005, government branches have been formulating strategies on sustainable development to implement it in governmental bodies from later this year. Large companies have also adapted the concept of sustainable development and are actively implementing it to their business sectors. KEPCO, among others, established a framework for sustainability management in 2005, and is approaching to the rapid growing phase of sustainability management this year. It would be a good example of achieving a balance of economic growth with social development and environmental protection also in business sector.

Priority has to be set to an enhancement of business value

There is no doubt that the ultimate goal of KEPCO's sustainability management is an enhancement of the company's value. By setting strategies and action plans in four areas economy, society, the environment plus human resources and implementing them, KEPCO is trying to balance the operation in various sectors of management. The strategic goals described in the present report of sustainability management achieving a competitive superiority, challenging to environmental changes, empowering social leadership and human-oriented management and the execution of key issues are purposed to an enhancement of business value through capacity building in the company. It is clear that KEPCO is committed to its goal of joining the global top 5 by 2015 and maximizing the value of corporation by strengthening internal capabilities from the perspective of sustainable development.

Further efforts have to be made in sectors of society and environment

KEPCO is on the right track toward to strengthening his capacity in internal processes. However, it is also important for KEPCO to become a respected company externally. To do so, putting more efforts in the areas of society and the environment is critical. Dialogue between stakeholders, good governance and extending activities over the scope of social contribution are important, and achieving sustainability in the energy mix and in development of renewable energy are also necessary. Given that energy service is one of the critical missions of KEPCO, I hope that KEPCO will be able to enhance its business image by achieving social consensus on the sustainability of its energy service.

August 2006

고철환



President & Attorney. Won-Soon Park

- Standing Director, Beautiful Foundation
- Standing Director, Hope Institute
- Advisory Member, Solidarity Network
- Member, Human Rights Committee, Korean Bar Association
- Director, Korean Human Rights Foundation
- Co-representative, Korea Labor & Society Institute
- Placed among Asian Star 50 by BusinessWeek ('00)

The KEPCO Sustainability Report 2006 well summarizes the company's efforts during the last one year period to further the implementation of sustainability management. It is a significant achievement in a number of respects. Notably, the development and sophistication of the performance indicators in this report allows for measurability and comparability of performance results. This represents the company's strong willingness to take concrete actions to improve, instead of providing abstract descriptions of, what is being done for sustainability management. Also, it is quite impressive that the activities of the KEPCO Social Service Team, launched last year, and other social contribution activities by KEPCO have been strengthened.

Still, there is room for improvement. **First** of all, I hope that KEPCO will organize an ombudsman team made up of ordinary citizens to monitor the implementation of integrity pacts signed to ensure transparency in awarding construction or service contracts. A similar mechanism is being operated successfully by the Seoul Metropolitan Government, and I believe that the introduction of this type of mechanism is essential for KEPCO to ensure further transparency in contract-related works.

Second, another area that needs to be strengthened is the strategy for developing and promoting renewable energy which appears in the Eco-Value Creation part of this report. More concrete measures need to be presented to support the production and promote the use of renewable energy sources such as solar energy and wind energy. Also, actions need to be taken to boost the demand for such kinds of energy. One more item that requires further consideration is nuclear power development. At present, the beneficial aspects of nuclear energy are being increasingly emphasized. However, it is problematic to depend too much on nuclear power plants as is often witnessed in Northern European countries. Although Korea Hydro and Nuclear Power is in charge of the construction and operation of nuclear power plants, KEPCO, which is the flagship company in Korea's electric power industry, should have included in the report the indicators or policies relating to nuclear power development

Last but not least, it seems necessary to devote a section of the report to the areas that have been planned but are not in progress. Being honest is nothing to be ashamed of. Rather, it is a way to earn trust from stakeholders and the general public. Furthermore, it will help KEPCO to plan concrete steps towards accomplishing its goal for sustainability management.

August 2006



President & PH.D. Yong-Koo Kim

- Ph.D, Business Administration, Yonsei University
- President, Mirae Management Development Institute
- Member, Presidential Committee on Policy Planning ('04)
- Vice President, Korea Industrial Relations Association ('05)
- Advisor, Office of the Senior Secretary to the President for Personnel Affairs ('05)
- Senior Director, Economy, Humanities and Social Science Society under the Office of Prime Minister
- Civil Member, National Patriots&Veterans Committee

KEPCO's sustainability report embodies the company's belief in the world. Business management activities take place not on the level of perception but on the level of belief. Interaction between theory and data is made possible only when one believes in it. KEPCO's sustainability report clearly demonstrates the standards and forms of how the company is making results and acquiring knowledge while at the same time communicating its performance and acquired knowledge to the world outside.

KEPCO's sustainability report was developed against the latest set of performance indicators of a UN organization. Furthermore, it has a separate section devoted to human resources, thus manifesting that human resources not only constitutes one part of social performance, but is the core element of the company's intellectual capital.

"GRI Index 2006," the latest version of the GRI guidelines, presents reporting guidelines in four categories of governance and management system, economic performance, environmental performance and social performance (human rights, social performance, product liability). While complying with the guidelines, KEPCO divided up the social performance section to create a separate "human" section which reports on the performance with respect to human rights. It is an attempt representing KEPCO's commitment to better human resources management as well as its creative view of human resources as not just people who work for the company but "individuals who invest their dream and talent in the company."

Quality of life, global talents, human rights, and diversity are the values that KEPCO upholds in pursuing human-centered business management. This shows that KEPCO runs its business on the basis of "communication and mutual benefit."

The latest report reports on the company's objectives in terms of human resources on three levels. Themes like quality of life, talent cultivation, diversity and human rights, and motherhood protection are powerful and meaningful subjects consistent with the direction the world is headed today. Quantified data itself is less important. What really matters is the company's decision to show business performance in quantified terms because it represents the commitment to communication and mutual benefit and marks the first step toward achieving the goal set by the company.

KEPCO's sustainability management, coupled with the focus on intellectual capital, will be on the leading edge of global business management practices.

A company is more than just an entity organized to make money. It is the most sophisticated form of organization that proves the true value of human beings in times when human existence on earth is seriously challenged. This is the fundamental thinking behind sustainability management. By practicing intellectual capital management to measure and assess human capital, structural capital and relationship capital with quantitative and qualitative indicators, KEPCO will take the lead in raising the bar of sustainability management in the world. And, the journey has already begun.

August 2006



Mr. Hewson Baltzell


- President and Co-Founder, Innovest Strategic Value Advisors, Inc.
- Oversight of research and developer of Innovest's databases and rating models
- Prior to Innovest, 15 years of experience in finance at Lehman Brothers, JPMorganChase, Mellon Bank and private investment companies
- MBA from the Wharton School of the University of Pennsylvania

Development of CSR in Korea - Innovest evaluates and rates over 2000 publicly-held global companies based on environmental, social, governance and sustainability issues, on behalf of its clients, which are mostly institutional investors, pension funds, banks, insurance companies and governments. Over the last several years, we have seen the efforts of our colleagues at Eco-Frontier and ASrIA (Association for Sustainable & Responsible Investment in Asia), to help generate Korean interest in these areas through conferences and other projects. During this time, we have been encouraged to see the release of a number of CSR or sustainability reports by large Korean companies, and more recently the development of sustainability-focused investment funds, some of which use research from our colleagues at Eco-Frontier.

KEPCO's Report - The release of KEPCO's 2006 Sustainability Report is an excellent step in this same direction. In general, the report does a good job of telling KEPCO's story, explaining its strategy, and supplying data. In particular, it provides good identification of key performance indicators, with enough historical data for trend analysis; it has a useful Global Reporting Initiative index; and it has good detail on the environmental performance of the electric generating companies. More importantly, KEPCO's stated strategy as described in the report shows that management is committed to really integrating the principals of sustainability into the core of the company, not just paying lip service. Part of our job at Innovest is to read and evaluate company sustainability reports but also to look beyond what companies say and determine what they are actually doing. Two items of particular note in this regard are 1) the fact that KEPCO is a signatory of the United Nations Global Compact, which shows a willingness to be held accountable to third parties, and 2) the fact that KEPCO has now submitted a full response to the Carbon Disclosure Project. CDP is a UK-based effort on behalf of institutional investors to promote corporate disclosure of responses to the challenges of climate change, and now represents over \$30 trillion in institutional assets under management (for full disclosure, Innovest has been the research partner of CDP and author of its report for the past 4 years). In the past, KEPCO either did not respond or submitted incomplete information, perhaps because internal monitoring systems were not yet in place. Both the Sustainability report and this year's CDP response indicate that this information is now analyzed at KEPCO.

Next Steps - As an electric utility, KEPCO is at the center of many sustainability issues. With a large part of its electric generation coming from coal and nuclear, it will continue to face environmental health and safety issues. Though Korea will not need to reduce emissions under the first stage of the Kyoto Protocol, KEPCO would be wise to pursue its stated goal of reducing greenhouse gas emissions so it can be prepared for potential future regulations, and it may also find business opportunities in trading emission reductions or in clean coal technologies. Additionally, initial efforts in wind and solar will need to be enhanced beyond their current small percentage of generating assets.

To conclude, this report is a good step along the path toward sustainability that KEPCO must pursue, and the next steps must be towards constantly improving performance.

September 2006


GRI Index

09. GRI Index

	Indicator number	Content	Page	Note
Vision and Strategy				
	1.1	Vision and strategy for sustainability management	6, 17-21	
	1.2	Key risks and opportunities	31	
Profile				
Organizational profile	2.1	Name of the reporting organization	12	
	2.2	Major brands, products and/or services	11	
	2.3	Major divisions, operating companies, subsidiaries, and joint ventures	12, 14	
	2.4	Countries in which the organization's operations are located	12, 14, 28	
	2.5	Nature of ownership and legal form	12	
	2.6	Markets served	12, 26-28	
	2.7	Scale of the reporting organization	12, 14	
	2.8	Location of, or changes in operations, including facility openings, closings, and expansions	26-28	
Report scope	3.1	Contact point for questions regarding the report or its contents	82	
	3.2	Reporting period	1	
	3.3	Date of most recent previous report	1	
	3.4	Significant changes from previous reports	1	
	3.5	Plans for future reporting	1	
	3.6	Date of the release of the most recent report	19	
	Explanation of processes	3.7	Definition of report content	1
3.8		Scope of the report	1	
3.9		Information measurement techniques and the bases of calculations	20, 81	
3.10		Approaches to stakeholder engagement activities undertaken for the report	81	
3.11		Type of information used for the purposes of report preparation	81	
3.12		Basis for reporting on joint ventures and subsidiaries	1	
GRI content index	3.13	Explanation of the nature and effect of any re-statements of information provided in earlier reports and the reasons for such re-statement	1, 21	
	3.14	Table identifying the location of the standard disclosures in the report	68-72	
Assurance	3.15	Independent assurance of the report	61-67	

	Indicator number	Content	Page	Note	
Management system					
Governance	4.1	Governance structure of the organization	14		
	4.2	Indicate if the chair of the board of directors is also the CEO	14		
	4.3	The number of non-standing directors on the board of directors	14		
	4.4	Mechanisms to provide recommendations or direction to the highest governance body	14		
	4.5	Linkage between compensation and the organization's performance	14, 59		
	4.6	Process of the board of directors to guide the strategy of the organization, including on issues related to economic, environmental, and social performance	18		
	4.7	Processes of the board of directors to ensure conflicts of interest are avoided	14, 18		
	4.8	Mission and principles of the board of directors, and its policy on economic, environmental and social issues	14, 18		
	4.9	Processes of the highest governance body, including the identification and management of risks and opportunities relevant to sustainability management	14, 18		
	4.10	Processes for evaluating the performance of the highest governance body with respect to economic, environmental, and social performance	14, 18		
Commitments to external initiatives	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	74		
	4.12	Voluntary economic, environmental, and social charters and sets of principles to which the organization subscribes or which it endorses	21, 74		
	4.13	Memberships in national/ international industry and/ or business associations	74		
Stakeholder engagement	4.14	List of stakeholder groups engaged by the organization	49		
	4.15	Basis for identification and selection of stakeholders to engage	49		
	4.16	Approaches to stakeholder engagement	49-54		
	4.17	How the organization has responded to key issues and concerns through stakeholder engagement	49-54		
Economic performance					
Economic performance	EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and payments to capital providers and to governments	12, 59		
	EC2	Financial implications of climate change	43		
	EC3	Coverage of the organization's defined benefit plan obligations	58		
	EC4	Financial assistance received from government	-	N/A	
	Market presence	EC5	Entry level wage compared to local minimum wage for significant locations of operation	54	
		EC6	Practices and proportion of spending on locally-based suppliers at significant locations of operation	54	
		EC7	Procedures for local hiring, and proportion of senior management in locations of significant operation from the local community	54	
	EC8	Description of infrastructure investments and services supported that provide public benefit	49-54		
Indirect economic impacts	EC9	Impacts on the sustainability of local economies	49-54		

	Indicator number	Content	Page	Note
Environmental performance				
Materials	EN1	Weight of materials used by type	37	
	EN2	Percentage of materials used that are recycled	37	
Energy	EN3	Direct energy consumption	37	
	EN4	Indirect energy consumption	37	
	EN5	Percentage of total energy consumption met by renewable resources	37	
	EN6	Total energy saved due to conservation and efficiency improvements	42	
	EN7	Initiatives to provide energy-efficient products and services	42	
	EN8	Initiatives to reduce indirect energy consumption	37	
Water	EN9	Total water withdrawal and consumption	37	
	EN10	Water sources and related habitats significantly affected by withdrawal of water	-	N/A
Biodiversity	EN11	Percentage and total volume of water recycled and reused	37	
	EN12	Location and size of land managed in protected areas	41	
	EN13	Description of significant impacts of activities on biodiversity	41	
	EN14	Area of habitats protected or restored	41	
	EN15	Programs for managing impacts on biodiversity	41	
	EN16	Number of endangered species affected by the activities of the organization	41	
Emissions, effluents, and waste	EN17	Greenhouse gas emissions	44	
	EN18	Emissions of ozone depleting substances	-	N/A
	EN19	NOx, SOx and other significant air emissions by weight	-	N/A
	EN20	Total amount of waste by type and destination	37	
	EN21	Total water discharge and quality	39	
	EN22	Total number and volume of significant spills, including chemicals, oil, and fuel	37	
	EN23	Other relevant indirect greenhouse gas emissions	39	
	EN24	Weight of transported, imported, or exported waste deemed hazardous under the terms of the Basel Convention Annex	37	
Products and services	EN25	Water sources and related habitats significantly affected by discharges of water and runoff	-	N/A
	EN26	Initiatives to manage the environmental impacts of products and services and extent of impact reduction	-	N/A
Compliance	EN27	Percentage of products sold that is reclaimed at the end of the products' useful life	-	N/A
	EN28	Incidents of, and fines or non-monetary sanctions for non-compliance with applicable environmental regulations	-	N/A
Transport	EN29	Significant environmental impacts of transportation used for logistical purposes	37	
Overall	EN30	Total environmental protection expenditures	39, 43	
Social performance: human rights				
Employment	LA1	Breakdown of total workforce	12	
	LA2	Net job creation and turnover rate by region/country	20, 52	
	LA3	Benefits provided to employees which exceed statutory requirements	58	

	Indicator number	Content	Page	Note
Social performance: human rights				
Labor/management relations	LA4	Percentage of employees represented by independent trade union organizations	57	
	LA5	Minimum notice period(s) and consultation practices with employees regarding operational changes	57	
Occupational health and safety	LA6	Joint management-worker health and safety committees	57	
	LA7	Rates of injury, occupational disease, lost days and absenteeism	57	
	LA8	Policies and programs regarding HIV/AIDS	57	
	LA9	Occupational health and safety management approach	57	
	LA10	Health and safety topics covered in formal agreements with trade unions	57	
	LA11	Average hours of training per year per employee broken down by employee category	59	
Training and education	LA12	Programs for employee career management and learning	59	
	LA13	Percentage of employees receiving regular performance and career development review	59	
	LA14	Breakdown of employees per category according to gender, age group, and responsibility	60	
Diversity and opportunity	LA15	Ratio of average remuneration of men and women broken down by employee category	60	
	HR1	Percentage of significant investment agreements that include human rights clauses or that underwent human rights screening	-	
Management practices	HR2	Percentage of major suppliers and contractors that underwent screening on human rights	-	
	HR3	Type of employee training on policies and procedures concerning aspects of human rights, including number of employees trained	60	
Non-discrimination	HR4	Comprehensive policy for preventing discriminatory practices	60	
Freedom of association	HR5	Incidents of violations of freedom of association and collective bargaining	57	
Child labor	HR6	Prevention of child labor	60	
Forced and compulsory labor	HR7	Prevention of forced or compulsory labor	60	
Disciplinary practices	HR8	Procedures for complaints and grievances filed by customers, employees, and communities concerning human rights	60	
Security practices	HR9	Percentage of security personnel trained in organization's policies or procedures regarding human rights	60	
Indigenous rights	HR10	Incidents involving rights of indigenous people	54	
Social performance: society				
Community	S01	Policies, programs and monitoring systems for assessing and managing the impacts of operations on communities	49-54	
Bribery and corruption	S02	Policies concerning bribery and corruption, and relevant corruption procedures and management systems	43	
	S03	Actions taken in response to instances of corruption	43	
Public policy	S04	Participation in public policy development and lobbying	44	
	S05	Total value of contributions to political parties broken down by country	-	N/A
Anti-competitive	S06	Instances of legal actions for anti-competitive behavior	47	
Social performance: product responsibility				
Customer health and safety	PR1	Policies for improving customer health and safety	49-50	
	PR2	Number of instance of non-compliance with regulations concerning health and safety effects of products and services	49-50	
Products and services	PR3	Policies, procedures and management systems for product and service information and labeling	49-50	
	PR4	Number and type of instances of non-compliance with regulations concerning product and service information and labeling	49-50	
	PR5	Policies and procedures related to customer satisfaction	49-50	
Marketing communications	PR6	Procedures and programs related to marketing communications including advertising and sponsorship	-	N/A
	PR7	Type of instances of non-compliance with regulations concerning marketing communications including advertising and sponsorship	-	N/A
Customer privacy	PR8	Percentage of customer data covered by the data protection procedures	49-50	
	PR9	Number of substantiated complaints regarding breaches of customer privacy	49-50	

KEPCO Sustainability Management Principles

All of us at KEPCO are committed to implementing corporate social responsibilities as a representative enterprise in the electric power industry in Korea, thereby contributing to sustainable development of the country, society as well as human resources. We hereby pledge to make the company into a world-class total energy provider by practicing sustainable management in economic, environmental, social and human resource 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 innovations 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 in 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 responsibilities by engaging all employees in the practice of sharing management.

[Human Resources: Human-Oriented Management]

KEPCO will continue to enhance 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.

August 5, 2005

Code of Ethics

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

Based on the pride and self-confidence, we will make KEPCO a global energy company that grows with all stakeholders of the company by pursuing the core values, the 'Management based on Customer Respect' which puts priority on customers, the 'Change-oriented Management' which pursues innovations, and the 'Profit-pursuing 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.

- We will share the core values and visions of the company, accomplish our missions with challenging and progressive minds, abide by concerned regulations while maintaining high ethical values, and carry out given jobs fairly and sincerely.
- We will provide the best quality electricity and related services, practice customer respect, and pursue mutual prosperity with customers.
- We will realize wholesome profit making through innovative managerial activities and take the lead for sustainable growth and development.
- 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 pride of the company.
- We will abide by related laws and regulations and relevant international conventions, 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

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 betterment 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 union and management are the owners of the company and take the lead for the coexistence and shared prosperity of union and management based on trust and cooperation.

Chapter 3 Ethics for customers and partners

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 business partners, process the job fairly in the equal position, and pursue common development with them through various supports.

Chapter 4 Ethics for shareholders and investors

1. Gain wholesome profits through efficient management activities and transparent work processes 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 top management and employees

1. Treat all 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, and 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 national and social development based on continuous growth and development through rational and responsible management, and fulfill social responsibilities as a member of the society.
2. Establish safety culture that puts priority on the safety of customers and employees based on the concept of respecting human life and dignity, observe domestic and related international laws and regulations by recognizing the importance of environmental issues, 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.

Ethics Standards for High-Ranking Accounting Managers

Chapter 1 General

KEPCO (hereinafter, "company") establishes and executes the Ethics Standards for High-Ranking Accounting Managers (hereinafter, "ethics standards") to observe domestic and international laws and regulations relating to securities by retaining transparency and objectivity in the accounting related document preparation procedure and preventing insider trading among employees and the conflict of interest and to secure the management transparency and the trust of investors toward the company.

Chapter 2 Observing the ethics standards

01 Responsibility

- ① The high ranking accounting managers of the company shall observe the rules specified in the ethics standards, report any issues which is violating or may violate the ethics standards, and educate and promote other employees who are not under direct application of the ethics standards to observe the standards.
- ② All high ranking accounting managers shall carefully read and fully understand the standards, and the high ranking accounting managers who violated the standards can be punished by the company rule.
- ③ "High ranking accounting managers" refers to CEO, director in charge of finance, heads of all divisions, departments, and stations.

02 Report of violation and protection of secrecy

- ① In case there is the violation of the standards or related laws and regulations or in case of being reported of such violations from other employees, the high ranking accounting manager shall report such issues to the Auditor's Office or Korea National Commission Against Corruption
- ② Secrecy is protected for all reports, questions, and handling.
- ③ All employees of the company shall not have disadvantages for the conduct of reporting other employees for the suspicion of illegal activities.

03 Confirmation of observation

Before submitting the annual report (Form 20F) to the Securities & Exchange Commission of the United States every year, the company has the CEO and CFO to confirm that the company has well understood and is implementing the standards and the annual report and the attached documents describes the financial status and the business performance of the company fairly."

04 Exceptions

If necessary, the company can make exceptions when applying the standards to high ranking accounting managers, however, it would need the approval from the board of directors, and such exceptions shall be announced promptly.

Chapter 3 Accounting related documents preparation

01 General

The high ranking accounting managers shall make sure all accounting recordings are maintained in compliance with the conditions specified by related laws and contracts as well as wholesome commercial practices and also make sure all transactions are reflected in the recordings fairly and accurately.

02 Detailed

- ① The high ranking accounting managers shall make sure all principles listed below are established inside the company.
- ② In preparing the accounting documents, employees shall consistently apply the Generally Accepted Accounting Practices (GAAP) as well as wholesome accounting practices and standards so that the accounting documents can reflect the company's financial status and the transaction particulars accurately without missing any information. There must be no critical errors in the accounting documents and related disclosure data. Especially, concerning the accounting audit and the submission of reports to the domestic and international government or regulation organizations, the employees shall not give or consult a third party person to give incomplete or false information to outside persons including the auditor on purpose.

- ③ Employee shall not miss or hide any account, fund, asset or transactions in order to falsify the accounting documents or shall not add any data purposely to hide or falsify the essence of transaction. In case the employee judges that such principles are not observed in recording the ledgers and documents of the company, she or he shall immediately report to the superior, auditor, or Korea National Commission Against Corruption. And if there has been illegal conduct or there is enough basis to judge that the situation requires government's criminal investigation or the supervisor's inspection, all employees shall keep the entire records that is judged to be required for such investigation.

- ④ The high ranking accounting managers shall respond to the questions of employees inquiring substantial information related to the management of the accounting recording and make sure they can consult the division in charge of finance if necessary.

Chapter 4 Conflict of interests

01 Meaning of the conflict of interests

- ① The "conflict of Interests" means the conflict of the personal interest with the interest of the company or the situation that seems as so.
- ② The "conflict of interest" takes place when the employee has the interests that hinders objective and efficient performance of the given jobs or when the employees or their family take unjust profit using the position of the employees in the company.

02 Handling the conflict of interests

- ① The high ranking accounting manager shall report to the auditors when there are external interests that conflict or expected conflict with the best interest of the company.
- ② The high ranking accounting managers shall act only on behalf of the company's interest and shall not be influenced by other personal or business concerns. And the high ranking accounting managers shall encourage other employees to also act on behalf of the company's best interest.

Chapter 5 Observance of law and prohibition of insider trading

01 Responsibility for observation of law

- ① The high ranking accounting managers shall be fully aware of and abide by related laws.
- ② The high ranking accounting managers shall make sure employees understand the regulations, respond to their inquiries, and let them have expert opinions if necessary.

02 Prohibition of insider trading

- ① The company prohibits insider trading to protect itself and the representatives of the company from the responsibilities and penalties that may occur from violating the laws related to securities.

- ② The high ranking accounting managers shall make sure the employee understand that the insider trading is illegal and unethical and make sure they abide by the followings.

1. The act of trading securities using important and undisclosed information is prohibited by the company policy. Employees who have access to the important and undisclosed information of the company and related information shall not use such information either directly or indirectly in trading securities related to the businesses of the company. The important and undisclosed information shall not be disclosed to outside persons until it is disclosed to the public through legitimate procedures.
2. The short-term investment (i.e. options trading, short term trading for marginal profits, or day trading) for the company's share by employees including high ranking accounting managers is prohibited. Employees including high ranking accounting managers shall not short position company's share.
3. The "important information" herein refers to a series of information that a rational investor judges as important when deciding to retain, purchase, or sell the securities.

- ③ The high ranking accounting managers shall control the leakage of undisclosed information and make sure the request for information made by the media can only be handled by the division previously designated depending on the job.

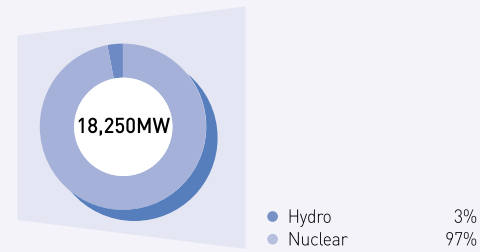
Environmental Data of 6 GENCOs

10. Appendix



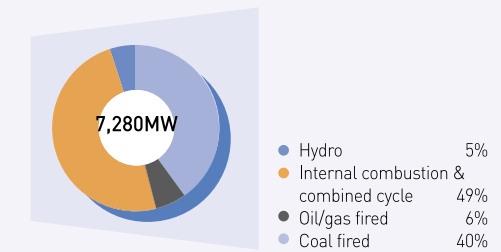
Korea Hydro and Nuclear Power

Capacity: 18,250MW
 Production: 148,124GWh
 Sales: 5,628.7 bil. won
 Employees: 7,181



Performance	2003	2004	2005
Water use (1,000t)	5,042	4,624	5,897
Greenhouse gas emissions (CO ₂ , 1,000t)	-	-	-
Air pollutants			
SOx (t)	-	-	-
NOx (t)	-	-	-
Dust (t)	-	-	-
Discharged water			
COD (kg)	22,453	33,145	24,944
SS (kg)	8,779	10,515	4,807
Coal ash			
Generated (1,000t)	-	-	-
Recycled (%)	-	-	-

Performance	2003	2004	2005
Water use (1,000t)	4,522	4,994	5,189
Greenhouse gas emissions (CO ₂ , 1,000t)	28,006	27,373	27,430
Air pollutants			
SOx (t)	14,656	15,543	11,734
NOx (t)	31,677	35,729	35,540
Dust (t)	1,390	1,185	1,056
Discharged water			
COD (kg)	717	1,110	1,574
SS (kg)	654	822	959
Coal ash			
Generated (1,000t)	798	823	880
Recycled (%)	81	76	73



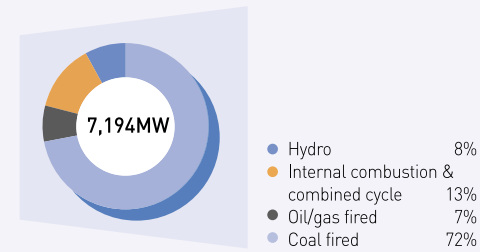
Korea Western Power

Capacity : 7,280MW
 Generation: 37,729GWh
 Sales: 2,227.0 bil. won
 Employees: 1,677



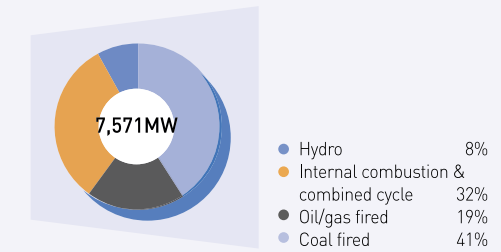
Korea Southeast Power

Capacity: 7,194MW
 Generation: 43,041GWh
 Sales: 2,095.4 bil. won
 Employees: 1,845



Performance	2003	2004	2005
Water use (1,000t)	2,661	4,583	6,228
Greenhouse gas emissions (CO ₂ , 1,000t)	25,762	28,123	35,694
Air pollutants			
SOx (t)	46,822	32,976	15,116
NOx (t)	42,812	29,333	29,047
Dust (t)	1,079	796	950
Discharged water			
COD (kg)	2,585	2,790	2,108
SS (kg)	1,681	1,854	1,167
Coal ash			
Generated (1,000t)	808	984	1,517
Recycled (%)	78	75	58

Performance	2003	2004	2005
Water use (1,000t)	4,891	4,625	4,826
Greenhouse gas emissions (CO ₂ , 1,000t)	27,208	30,943	30,125
Air pollutants			
SOx (t)	11,722	12,559	11,693
NOx (t)	20,679	24,106	19,297
Dust (t)	1,020	1,020	957
Discharged water			
COD (kg)	3,295	1,877	1,299
SS (kg)	1,458	701	552
Coal ash			
Generated (1,000t)	905	984	1,033
Recycled (%)	82	61	52



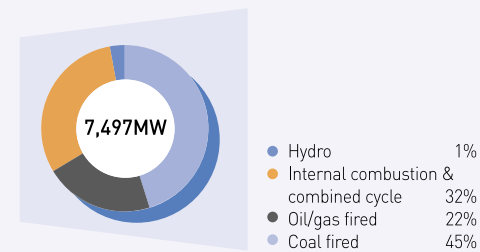
Korea Southern Power

Capacity : 7,571MW
 Generation: 46,482GWh
 Sales: 2,884.2 bil. won
 Employees: 1,807



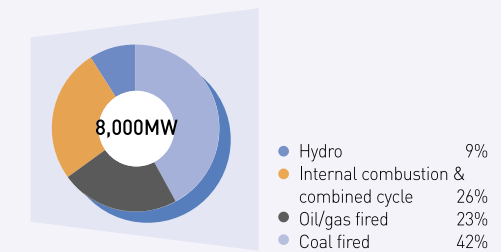
Korea Midland Power

Capacity: 7,497MW
 Generation: 37,905GWh
 Sales: 2,244.5 bil. won
 Employee: 2,027



Performance	2003	2004	2005
Water use (1,000t)	4,047	3,325	3,532
Greenhouse gas emissions (CO ₂ , 1,000t)	26,313	27,895	28,248
Air pollutants			
SOx (t)	19,221	20,238	18,173
NOx (t)	34,145	33,980	29,858
Dust (t)	1,772	696	642
Discharged water			
COD (kg)	653	471	600
SS (kg)	415	377	403
Coal ash			
Generated (1,000t)	1,046	1,224	1,143
Recycled (%)	71	59	44

Performance	2003	2004	2005
Water use (1,000t)	4,079	8,494	6,347
Greenhouse gas emissions (CO ₂ , 1,000t)	26,421	27,455	28,578
Air pollutants			
SOx (t)	22,008	19,631	18,009
NOx (t)	35,819	35,003	30,888
Dust (t)	791	590	589
Discharged water			
COD (kg)	18,714	19,146	12,641
SS (kg)	4,404	6,512	4,979
Coal ash			
Generated (1,000t)	1,401	1,365	1,325
Recycled (%)	82	67	55



Korea East-West Power

Capacity: 8,000MW
 Generation: 36,344GWh
 Sales: 2,231.2 bil. won
 Employees: 1,984

Glossary

10. Appendix

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 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 Nations Environmental Programme) body in charge of developing globally applicable guidelines for sustainability reporting. The secretariat was set up in Amsterdam, the Netherlands, in 1997. Following the 2002 Guidelines, an updated Draft G3 was created. Today, many businesses around the world publish sustainability reports in compliance with the GRI Guidelines.

Innovest

Headquartered in New York, Innovest is an investment research and advisory firm specializing in analyzing and assessing companies' sustainability performance. Innovest provides companies' sustainability ratings by using its assessment models, i.e. Eco Value 21 for environmental performance rating and Intangible Value Assessment for social performance rating.

DJSI (Dow Jones Sustainability Index)

Sustainability index co-developed by Dow Jones of the U.S. and SAM of the Switzerland. Provides asset managers worldwide with benchmarks to manage sustainability portfolios by selecting top 10 sustainability-driven companies among Global 2500 and incorporating them in the index.

Power loss rate in transmission lines and substations

Electricity generated at a power plant is partially lost during transmission due to conductor resistance as it travels through transmission lines, substations and distribution lines to get to the end-user point. Electricity lost in transmission lines and substations is called "power loss in transmission lines and substations", and the degree of power loss expressed in percentage terms is called "power loss rate."

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 specifies 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.

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.

ETs (Emissions Trading)

The system that sets the total quantity of greenhouse gas emissions of all advanced nations and impose 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.

Demand side management

Defined as overall activities of the power company to satisfy the electric energy demand with the least cost by changing customers' pattern of electricity use. Includes load management and energy efficiency improvement.

Renewable energy

Refers to new energy sources (hydrogen, fuel cell, liquefied coal gas, etc.) and renewable energy sources (wind power, sun light, tidal power, geothermal energy, small hydropower energy, energy from waste, etc.) that are not generated with conventional fossil fuels.

Electricity reserve rate

Electric power in reserve to meet sudden surges in electricity demand. If the electricity reserve rate is too high, reliable supply is guaranteed but it may drive up cost due to the requirement of huge capital investment. On the contrary, if the reserve rate is too low, one can save capital spending and enhance capacity utilization, but it may cause disruptions in electricity supply.

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. Night time electricity tariff is charged on the system.

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 (CO₂), methane (CH₄), chlorofluorocarbon (CFC), nitrous oxide (N₂O), and sulfur hexafluoride (SF₆).

Electric power IT

Technology to provide additional information or services, such as electricity quality, load management, the Internet, and home automation, by developing a platform system with the convergence of data transmission technology and information technology.

PLC (Power Line Communication)

An electric power IT technology. Uses power cables for data transmission to deliver voice and data as well as high-speed Internet service.

GIS (Gas Insulated Switch Gear)

Refers to a SF₆ gas-insulated metal box containing substation equipments, such as a main bus and a circuit breaker. 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 person is allowed to directly purchase electricity at the real-time price determined in the power exchange market.

Ombudsman

Refers to a group of civil society experts who offer free-of-charge service to ensure fair handling of civil complaints. Engages third-party civil society experts who are not public servants.

Power outage hours per household

An indicator of electricity quality. Indicates annual average outage hours per customer household. Calculated by dividing total annual outage hours by total number of customer households.

Voltage upgrade to 220V

An effort to save energy. Upgrades residential voltage from 110V to 220V to increase supply capacity and reduce power loss.

CDM (Clean Development Mechanism)

A system where an advanced nation with the responsibility to reduce greenhouse gas emission in compliance with the Climate Change Convention 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.

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.

Frequency

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

Capacity reserve

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

IPP (Independent Power Producer)

An privately-owned entity that operates an wholesale generation facility and sells generated electricity.

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.

CRM (Customer Relationship Management)

A process of analyzing internal and external data related to customers. Integrates results, plans marketing activities based on the characteristics of customers, supports the marketing and evaluates a marketing campaign.

ERM (Enterprise Risk Management)

Continuous process to identify various risks on the enterprise level, appropriately control them within certain limits, establishes and implements effective measures for the achievement of ultimate goal of the company.

ERP (Enterprise Resource Planning)

Integrated information system that enhances a company's competitive strength by effectively managing all human and material resources within the company used for enterprise activities.

OPGW (Composite Overhead Ground Wire with Optical Fiber)

Developed to not only play the role of existing composite overhead ground wire preventing the power facilities from being struck by lightning, but also transmit large and high quality information at high speed to protect the systems of power facilities and cope with facilities automation.

Sarbanes-Oxley Act

An Act recently introduced in America to uplift the transparency in corporate accounting and management. Becoming the systematic basis for the innovation of American financial system.

SS (Suspended Solid)

Particles floating in water whose diameter is 0.1 μ 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.

Report preparation process

10. Appendix

KEPCO's 2006 Sustainability Report was prepared in accordance with 2006 GRI Guidelines Draft (G3), the global framework for sustainability reporting.

We tried to reflect the opinions of our internal and external stakeholders throughout the entire process of report preparation in an effort to ensure objectivity and reliability of the contents.

In March 2006, the plan for publishing the Sustainability Report 2006 was drawn up according to the direction given by the CEO; then, the heads of the departments at the head office which are in charge of executing sustainability management submitted data on their sustainability performance for 2005; and, the Management Strategy Team joined working level officials of the head office departments and the 6 GENCOs to form a task force for the compilation of the report. The contents of the report have been reviewed by all members of top management.

Also, we appointed outside specialists in the five areas of economy, environment, society, human resources and overseas business who provided advice on the overall status of sustainability management at KEPCO and reviewed the contents of this report.



Cpoy

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Access to Additional Information

Information Sources Available Other Than Sustainability Reports

Below is the list of links that provide access to sources of key management information released by KEPCO other than sustainability reports.

Information on KEPCO	Website name	Website address
Business Report	Financial supervisory service's DART (Data analysis, Retrieval, and Transfer system)/ company overview	dart.fss.or.kr
Form-20F	US Securities and Exchange Commission	www.sec.gov
Annual Report	KEPCO homepage/company profile/KEPCO profile	www.kepco.co.kr
Statistics	KEPCO homepage/customer service/electric power data	www.kepco.co.kr
Management information of public institutions	Public Institution Management Information System, the Ministry of Planning and Budget	pubmis.mpb.go.kr/clean

Department in Charge of Sustainability Reporting

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Voice of Readers

KEPCO appreciates your valuable feedback on this report.

We will take your opinions and suggestions to prepare a better report next time.

To submit your opinion, please visit the feedback section at our company's website [company profile/sustainability management/feedback].

Website : <http://sustainability.kepco.co.kr>

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1. What is your occupation?

- ① Investor/shareholder ② Business partner ③ KEPCO employee ④ Local resident
⑤ NGO ⑥ Industrial circle ⑦ Academic circle ⑧ Public servant ⑨ Media ⑩ 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 websites ⑤ KEPCO employee ⑥ Other []

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

- ① Corporate profile ② Vision and objectives ③ Economy ④ Environment ⑤ Society
⑥ Human resources

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

- ① Corporate profile ② Vision and objectives ③ Economy ④ Environment ⑤ Society
⑥ Human resources

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