

# Global Compact Communication on Progress

Presented by KOSEP(Korea South East Power Co.)

December 2009



## Part I : COMMITMENT TO GLOBAL COMPACT

KOSEP makes public its commitment to the Global Compact's ten principles in the areas of human rights, labour standards, the environment and anti-corruption.

We will internalize the ten principles within our company's strategies, policies and operations, and undertake projects to advance the United Nations' goals, 'international cooperation, peace and development'.

This report is devoted to represent our commitment to Global Compact and efforts to implement its ten principles.

Do-Soo Jang  
President & CEO

## Part II : The 10 Principle of GLOBAL COMPACT

### ■ Human rights

#### 1- Business should support and respect the protection of internationally proclaimed human rights.

With a corporate philosophy that emphasizes respecting people, caring for Nature, and contributing to society, KOSEP aims to shape a future in which all people will be able to lead better lives. "Respect for human beings" means that we recognize protecting human lives and human rights as one of the core values of the company and human rights policies are incorporated into our code of business conduct. We seek to satisfy our customers through a stable supply of low-cost, quality electricity and are also making our utmost efforts to improve the quality of life for our employees by paying due salaries and offering opportunities for their self-development or self-realization.



#### We treat people with respect.

We produce a highly stable supply of electricity and provide it at the lowest possible price to promote a more enjoyable, bountiful life for all people.



#### We take care of nature.

We fully understand the importance of the environment, and build and operate power plants that minimize environmental impact. Various environmental preservation activities are carried out as well, as part of our commitment to producing clean energy.



#### We contribute to society.

We carry out our responsibilities as a cornerstone of industry by constantly upgrading our technology and maintaining a managerial policy based on sharing.

## 2 - Business should make sure that they are not complicit in human rights abuses.

We established the Ethics Charter which specifies that the company respects the individual rights and dignity of all people, and are making various efforts to maximize customer satisfaction and eliminate any customer inconveniences. For this, we ensure that all our processes of the business are free from human right abuses.

The "Sharing Service Corps" has been launched in conjunction with a new community service spirit campaign called "A World Together, a Caring Society." Employees can volunteer to visit nursing homes for the elders, institutions for the disabled and other social welfare facilities. They also take part in cleanup drives, lend a helping hand to farming communities, provide disaster relief, and help to protect wildlife. Furthermore, the company matches all funds donated by employees to help the needy in the local community.

### 〈Community support projects〉

(million won)

Classification		Details	Supported fund(2009)
Basic Supporting Business	Increasing Income	Business to boost the increase of residents' income and local development such as installation of tourist attractions and agricultural and industrial facilities.	2,565
	Public Facilities	Construction and operation of medical facilities, roads, harbors, water supply facilities, environmental facilities, radioactive facilities, and entertainment and communication facilities.	3,214
	Educational	Supporting residents' education by providing materials for education, providing scholarships, and constructing educational centers.	2,929
	Social Welfare	Enlargement of community centers and operation of related programs	847
	Residents' Well-being	Support necessary funds for stability and improvement of living conditions	-
	Support for corporations	Businesses helped to create more jobs and income by providing funds for companies that apply for grants.	-
	Subsidiaries for price of electricity	Giving subsidies for businesses mentioned in Clause 16 of "Electrical Usage Law"	300
	Sub-total		9,857
Specially supported business		Supporting business in areas near the planned site for power plant construction	-
Other supporting business		Necessary business for stimulating the development of the adjacent area and environmental and safety management	-
Total			9,857

▼ Local cultural festivals



▼ Talks with Environmental Org.



▲ Volunteer activities for the disabled

▲ Assistance for rural communities.

## ■ Labour Standards

### 3 - The freedom of association and the effective recognition of the right to collective bargaining

Our employees have rights to organize a union or bargain collectively and currently approximately 1,340 employees (67% of all employees) are members of a labour union.

An ongoing dialogue is maintained between labour and management to allow employees to be voluntarily involved in decisions and to foster cooperation. Our Company has various programs to improve the welfare of employees, such as the Selective Welfare System. Compensation has been improved for shift workers at the power plants, and employees are now provided with an open channel to report problems or make suggestions. These measures have helped to raised satisfaction and benefits as part of a new style of win-win labour relations.



## 4 - The elimination of all forms of forced and compulsory labour

No compulsory labour is done within our company. Our employees have freely chosen their employment and are free to leave the company upon due notice.

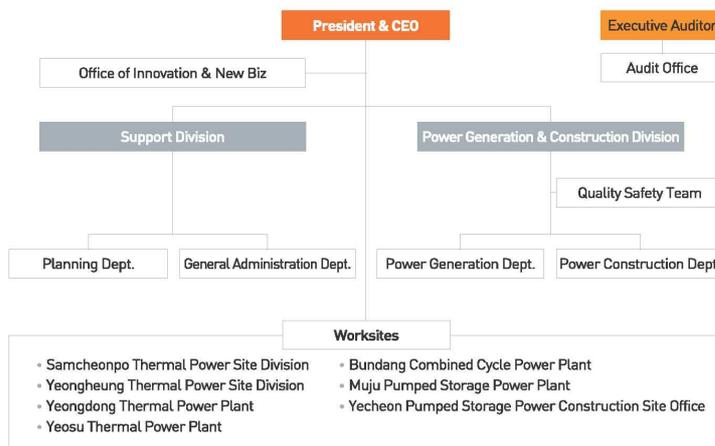
Procedures governing employment, occupation and retirement are fair and transparent, and our employees receive due rewards based on competence and performance.



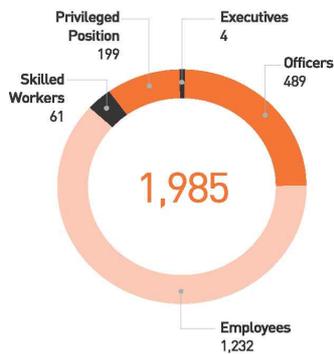
### Organizational Chart

Head Office : 2 Divisions, 6 Departments

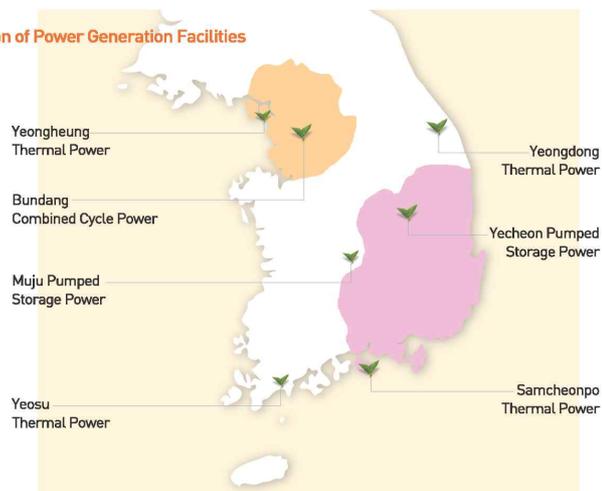
Offices : 7 Offices(2 Divisions, 4 Thermal Power Generation Departments,  
1 Power Construction Department)



### Employees



### Location of Power Generation Facilities



5 - The effective abolition of child labour

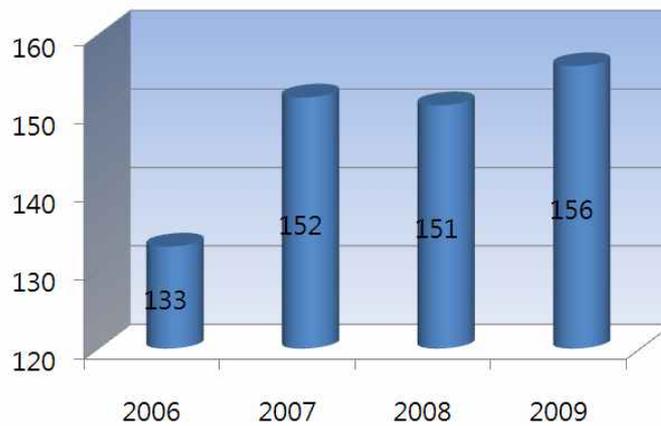
Our company does not use child labour and abides by the regulations pertaining to child labour prescribed in the ILO rules. In order to promote child welfare, we are engaged in various community support programs such as offering scholarships, supporting child breadwinners, and so forth.



## 6 - The elimination of the discrimination in respect of employment and occupation

In relation to recruitment or conditions of employment, KOSEP does not engage in or support discrimination based on race, gender, nationality, religion, physical handicaps, union membership, or political affiliation.

Especially, we has a gender equality policy for our employees, thereby complying with the national policy on equal employment and maintaining diversity among employees. we are hiring more women by implementing the quota recruiting system for female employees and also help our female employees to resolve the trouble they may experience through support programs.



<Recruiting ratio of female employees>



▲ A one-day cafe fund-raiser of female workers

## ■ Environment:

### 7 – Business should support a precautionary approach to environmental challenges.

KOSEP has established an environment vision for the twenty-first century, 'A Global Power Leader that leads the way in environment conservation'. For this, we pursue our environmental policy in many areas: implementing 4 environmental goals such as establishment of an advanced environmental managerial system, setting up environmental indexes of CO<sub>2</sub> emission and so forth, and introducing the ISO 14001 standard throughout our power plants in order to allow scientific and systematic management of the environment and to provide scientific and objective reference. We also lead the protection of a clean environment for the people through minimization of waste production, recycling byproducts into resources, and with stable treatment. For example, ash, the outcome of combustion of coal in coal plants, is reused after undergoing a refining process at a refining facility. And we have set up a mid and long-term environment preservation plan to cope with ever toughening domestic and international environmental regulations and standards including the global climate change issue.



## 8 – Business should undertake initiatives to promote greater environmental responsibility

KOSEP, a company contributing to national development by supplying electric power, is aware that preserving the environment is an important factor of the company's strategies in the construction and operation of power plants. In this context, we has set up and shall observe the following environmental policies to pursue an environmentally sound and sustainable development and cooperate with regional communities involved.

### KOSEP's Environmental Policy

1. What we should do to minimize the effects of our activities on the environment is to develop advanced environmental protection activities.
2. To enable our power plants to work in harmony with the environment, environmental care and protection are needed. This will allow us to apply new technology from advanced countries to create a better environment.
3. We take part in all kinds of environmental policy programs and activities under the government's plans for environmental conservation and try to make use of newly regenerated energy to cut costs.
4. We take the company's social responsibility seriously by setting environmental goals, from which we can formulate a win-win strategy which both benefits the corporation and enhances environmental conservation.
5. We try to prevent environmental damage and to behave socially responsibly by recycling resources to minimize disposal and maximize recycling.
6. We try hard to do our best to achieve coexistence and co-prosperity and to strengthen our relationship with nearby residents of the power plant through supporting cultural activities and income-generating businesses.
7. We collect feedback from the public so that we can make practical use of it and make environmental information freely available to the community and public bodies. We will raise our image through transparent management



## 9 – Business should encourage the development and diffusion of environmentally friendly technologies.

KOSEP invests heavily in developing environmental technologies and installing environmental protection equipment.

To cope with climate change conventions which deal with global warming and other environmental matters, we actively participate in the emission trading pilot project and tries to CO<sub>2</sub> emission by improving power plant thermal efficiency and saving in-house electricity consumption. We are also increasing our share of power generation from small hydro power plants and other renewable sources like solar energy.

Investments have recently made in environmental equipment and development of new technologies as below.

### ■ The Investment for environmental protection equipment

Field	Installation Costs (million won)					
	Samchonpo	Youngdong	Yeosu	Bundang	Younghung	SUM
Air pollution	175,354	49,980	66,297	28,784	1,024,555	1,344,970
Water pollution	3,041	3,420	652	2,160	41,572	50,845
Industrial wastes	49,688	5,404	145	134	84,243	139,614
Noise & Vibration	3,339	163	782	245	3,600	8,129
Measuring and so on	1,885	2,311	2,783	3,048	17,563	27,590
TOTAL	233,307	61,278	70,659	34,371	1,171,533	1,571,148

### ■ The Investment for Development of environmental technologies

(million won)

Subject	costs of research	Period
Development of a dry sorbent fluidized process for CO <sub>2</sub> capture from flue gas streams	2,150	2005.08-2008.03
Development of dry regenerable sorbents for CO <sub>2</sub> capture at mid temperate	1,425	2007.03-2010.02
R&D for the improement of power plant environment by microalgae based carbon fixation technology	1,600	2007.11-2010.10
Development of fluidized-bed process capture CO <sub>2</sub> from coal-fired flue gas using dry regenerable sorbents	4,650	2008.04-2012.03
Optimization of dry regenerable sorbent for CO <sub>2</sub> capture from power plant	2,330	2008.04-2012.03

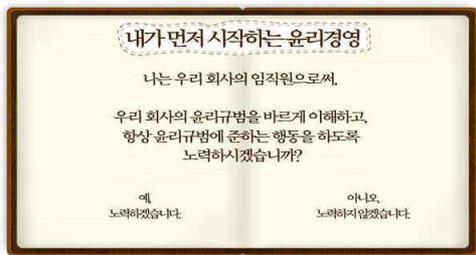
## ■ Anti-Corruption

### 10 - Business should work against all forms of corruption, including extortion and bribery.

We have established and are developing ethical management through the “KOSEP's Roadmap for Ethical Management”, with the purpose to raise our corporate image as a company of fairness and integrity.

We have inaugurated an Ethics Charter and corresponding Employee Behavioral Guidelines and have formed Ethics Committees at the Head Office and at regional offices. A system of compliance auditors and ethical behavior officers has been established as well to monitor the way all employees do business. Equity and transparency are ensured through a fair contract system, a fairness monitoring system, an online system for reporting ethics violations, a management notification system and competition law compliance programs.

We undertake to prevent all forms of corruption, including extortion and bribery, and support the anti-corruption initiatives through an internal code of business conduct.



▲ On-line campaign for Staff's commitment to ethical management



▲ The ethical behavior officer's oath



▲ On-line 'guide to ethical management' system



▲ Ethics Committees



▲ Posters of ethical management

## Part III

"The UN Global Compact is an international initiative that brings together companies, UN agencies and labour and civil society organizations in support of ten principles covering human rights, labour and environment. The ten principles are based on the Universal Declaration of Human Rights; the International Labour Organization's Declaration of the Fundamental Principles and rights at work; and the Rio Declaration on Environment and Development."

As a member of the Global Compact, We believe that our business policies incorporate the ten principles since we participate in the Global Compact meetings and workshops.