

2006

Sustainability Report **KOSEP**

A Bright and Prosperous Future



Korea South-East Power Co.

Report Summary



Basic Information on Report

Korea South-East Power Co. (KOSEP) was established on April 2nd, 2001 after being seceded from Korea Electric Power Corporation (KEPCO) through structural reorganization of the power industry, as a professional power company. This report, being the first Sustainability Report based on the corporate philosophy, respect for human beings, preservation of the natural environment and contribution to the community, incorporates KOSEP's assiduous efforts to provide the best and finest power services.

Preparation Principles of Report

This report was prepared in reference to GRI's (Global Reporting Initiative) '2002 Sustainability Reporting Guidelines' and 'Environmental Reporting Guidelines 2004' set by the Ministry of Environment.

Term and Range of Report

The majority of this report is prepared on the basis of fiscal year 2005 (Jan. 1, 2005 – Dec. 31, 2005) database, and particular segments include the activities of fiscal year 2006. Also, this report illustrates the activities of the headquarters and six other power plants (Samchunpo Thermal Power Plant, Younghung Thermal Power Plant, Youngdong Thermal Power Plant, Yuhsoo Thermal Power Plant, Bundang Multi Power Plant, and Moojoo Water Pump Power Plant), as well as Yeichun Water Pump Power Plant and No. 3 and No. 4 sets in Younghung complex which are currently under construction.

This report employs Korean Won as standard monetary unit, and 1 U.S. Dollar is equivalent to 1,010 Korean Won fixed by the transactions on Dec. 30, 2005. (Basis of purchasing exchange rate of the U.S. Federal Reserve Bank at noon)

Third Party Review

To enhance the authenticity of this report, we conferred with outside consultors and checked with the examination process of the 3rd BSI ; detailed contents are presented on pages 100 and 101.



Better Light Better Life



We will cultivate
a bright and prosperous future.



An enterprise existing for you, by you, KOSEP

We most value the spirit of respect for human beings.
We promote an equal and non-discriminating society.
We make efforts to develop the capacities and welfares of constituent members.



Growing happiness with togetherness, KOSEP is with you

We incessantly make efforts for our clients' conveniences and satisfaction.
We share the pains and happiness of our neighbors.
We grow together with our partners.

**Better Light
Better Life**

Vivid dream by KOSEP, it is hope for the next generation

We construct advanced environmental managerial systems.
We minimize influences on the environment.
We lead global environmental preservation activies for a better future.



A Bright and Prosperous Future



KOSEP is in the forefront of innovation, at the center of the world, and on the basis of growth

We boost the value of enterprise by continuous transformation and revolution.
We are the driving force of economical growth.
We promote future competitive power with the progression of new renewable energy and core technologies.



Sustainability Report

KOSEP



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President & CEO of KOSEP
Hee-Gab Park

For a ‘Bright and Prosperous Future’

Greetings, to domestic and foreign stakeholders of KOSEP.

We deeply thank for your interest and support, and take a great pleasure in meeting you through this Sustainability Report.

Korea South-East Power Co. was established on April 2nd, 2001 after being seceded from Korea Electric Power Corporation through structural reorganization of the power industry, and has made contributions to improve national economy and to enhance the quality of life of our citizens by generating and supplying safe and sound, and yet inexpensive electricity.

Based on corporate philosophy, respect for human beings, preservation of the natural environment, and contribution to the community, KOSEP, with a concentrated mind on ‘providing mankind with better values’, practices pro-environmental management in favor of preserving the nature and environment. In recognition of communities as our civic partners, we will respect regional cultures and values, and fulfill social responsibilities through public services to regional communities and sponsoring of small and medium-sized enterprises in various ways. In addition, by joining the UN Global Compact, KOSEP has globally restructured itself as an enterprise that is socially responsible with transparent management.

The yet-not-satisfied members of KOSEP, in pursuit of being a global leader in the power industry, are coming together as one and advancing forward for the realization of their visions. Moreover, for a better facility of the sustainability management that pursues economic growth, social responsibilities, and preservation of the natural environment simultaneously, we guarantee to carry out the following particulars.

First, we will promote the corporate values through the security of core technologies, and maintaining a dominant position in rivalry with constant changes and innovations.

We will continuously promote the corporate values by maintaining a dominant position in rivalry through advancement of plant management and maintenance skills, in addition with development of new and renewable energy, education of technical experts, and full installation of advanced management systems. Furthermore, we will apply our decades of accumulated expertise and experiences on facility management and construction as an opportunity of business

diversification like our advance to overseas electricity industry to lead the global energy industry.

Second, as a corporate citizen, we will create the enterprise cherished and respected by all stakeholders through fulfilling social responsibilities.

We will improve economical efficiency and stability for our customers' use by ensuring a stable supply of low-cost quality electricity, contribute to social cultures and arts by community services throughout Nanum Service Group and Mecenat activities, and become a foundation to strengthen our economic basis and healthy communities by volunteer activities about the power plant and sponsoring of small and medium-sized enterprises.

Third, we will endeavor to enhance the quality of life and potential development of our workforce through humanity-centered management.

We will make KOSEP a practicable environment by developing and applying various educational programs for supporting to cultivate personal potential of our personnel from joining to retiring, and developing and administering safety, health and welfare programs to enhance quality of lives.

Fourth, we will become an environmentally friendly company creating environmental values.

The environment of the earth is not only meant for our use and purposes, but is also the dreams and hopes of the future generation. In order to conserve their dreams and hopes, we will create environmental values via presentation of environmental vision and goals, installment of advanced equipments for first-class environment management, and environment-friendly management such as progressive environment protection activities.

The publication of this report served as an opportunity for all personnel to understand sustainability management. Hence, we pledge to pay more attention to our stakeholders and reflect it on our management, and lead to create a ‘bright and prospective future’.

We ask for your constant affection and encouragement.
Thank you.

President & CEO of KOSEP

A handwritten signature in black ink, appearing to read "Hee-Gab Park".

Power Generation – To the Birth of Light

Electricity Production Process (Younghung Thermal Power Plant)

Crude coal materials transported by container vessels are finely grinded and sent to boilers where they are mixed with air and burned.

The heat generated during the process boils the water in the boiler to produce high-temperature (569°C) and high-pressure (255kg/cm²) steam. This steam rotates a turbine connected to a generator, which creates electricity. The electricity is then supplied to factories and households via transmission network and distribution network.

Coal ashes, dusts from combustibles, and NOx and SOx are removed by electric dust collectors, and Denitrification and desulfurization facilities, and the waste water produced in the process of operating the power plant is purified in comprehensive waste water treatment facilities and reused through waste water reclamation and reusing systems.

1. Fuel loading and unloading pier

Pier Facilities : 150,000ton class

Total Length : 226m

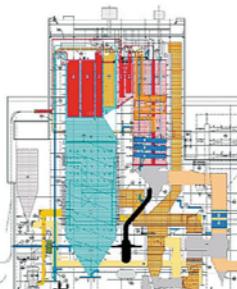
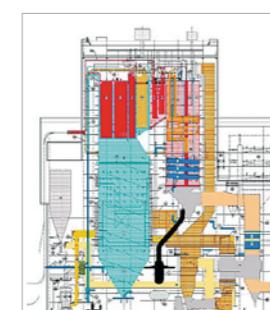


2. Coal yard

Area : 117,000 pyeong

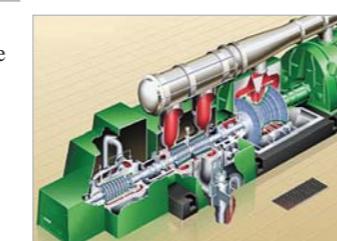
Storage Capacity : 700,000 tons

Function : Sprays water on incoming coals to prevent spontaneous combustion and to trap fly dusts.



4. Turbine/ Generator

Capacity : 800,000KW x 2
Coal Usage : 6,500tons per day per turbine



3. Boiler

Capacity : 2,415tons/hr x 2
Steam Temperature : 569°C
Steam Pressure : 255 kg/cm²

5. Transformer

Transforms the voltage of newly produced electricity to 345kV.



7. Electric dust collecting equipment

Dusts and fly ashes generated during the combustion of coals are removed by a high-efficiency electric dust collector and a hydro desulfurization absorption tower to discharge below the allowed density through a 200m-high chimney.



8. Desulfurization equipment

The sulfur contained in coal combines with O₂ during combustion and produces SO_x. This matter is processed through a flue gas desulfurization(FGD) ultimately discharging below 45ppm, much less than the allowed 150ppm. The gypsum produced in this process is completely recycled as a material in cement and gypsum boards.



9. Comprehensive waste water disposal plant

We have chosen non-discharging systems where all incurred waste water is collected, purified through physical and chemical processes, and reused as desulfurization water and other industrial water.



6. Denitration equipment

In order to suppress NOx (nitrogen oxides) production, a low NOx burner and a selective catalytic reduction(SCR) equipment were installed to maintain emission concentrations below 55ppm which is lower than 100ppm allowed.



10. Coal ash refinery facility

The ash accumulated by the dust collector is recycled as a material for cement, or concrete mixtures. The ash left on the bottom of the boiler is reused as a material for cement or fertilizer for flowers.



Sustainability @ KOSEP

**KOSEP is preparing for a better future
on a solid foundation**

Can you imagine a world without electricity?

Electricity is the driving force behind maintaining fruitful lives for the entire members of a community. KOSEP has been generating electricity for the last half century, and as a developing and ambitious company specializing in power generation, we will cultivate a bright and prosperous future. Composed of those in pursuit of a better future, KOSEP advances forward to achieve that dream.

[History of Sustainability Management](#)

[Company Overview](#)

[Philosophy & Vision](#)

[The KOSEP Way](#)

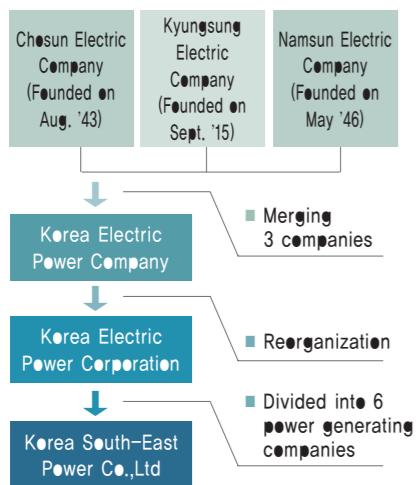
[Corporate Governance and Structure](#)

[Corporate Ethics](#)

[Risk Management System](#)

History of Sustainability Management

History of Inauguration



Year 2001

The year of 2001 began with the newly established KOSEP. With the proclamation of corporate philosophy and vision, KOSEP set its first step to start its future.

- 4. 2 Establishment of KOSEP
- 4. 6 Inauguration of the first President, Haeng-Soo Yoon
- 4.25 Meeting of the first board of directors
- 5.24 Proclamation of corporate philosophy and vision
- 5.30 Exceeded one million spectators that visited Moojoo Public Relations Center
- 7. 10 Establishment of corporate regulations
- 8. 10 Launch of corporate newspaper (Hannamjeon)
- 11.15 Completion of Youngheung Bridge
- 12.12 Establishment of ethical charter and code of conduct
- 1. 6 Issuance of corporate bonds of ₩130,000,000,000
- 2. 25 Power industry labor union strike
- 7. 5 Foundation of Neo-BOD
- 7. 15 Selected as a preferential for privatization
- 8. 31 Damages caused at Youngdong Plant by Typhoon Rusa and its restoration.
- 10. 1 Completion of scenic illumination construction at Youngheung Bridge
- 10.22 Starting of Samchunpo desulfurization equipment installation
- 12.23 Acquisition of public authentication on safety and health management system (KOSHA 18001) for all power plants



韓電-發電會社 / 電力未來



Year 2002

We intelligently subdued labor union strikes, restored damages caused by Typhoon Rusa at Youngdong plant, and were ready for take-off through establishment of communities with the company and management innovation. It was also a commencing year of environmental-friendly management at KOSEP by starting the desulfurization equipment installation for environmental conservation.

- 1. 6 Issuance of corporate bonds of ₩130,000,000,000
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Year 2003

We issued the first Eurobonds, were joined by the first new members of staff, and established Yeichun construction office. KOSEP built the cornerstone of becoming a world-class company through various technology and management awards.

- 1. 21 Establishment of Yeichun Water Pump Power Plant construction office
- 5. 15 Completion of Moojoo Small Hydro Power Plant construction (400kW)
- 6. 18 Issuance of Eurobonds for the amount of US \$150 million
- 8. 25 Joining of the first members of staff
- 9. 3 Won the Presidential Award in the Kyung Hyang Electric Energy Award
- 9. 5 Won the grand prize in productivity innovation field of the National Productivity Award
- 10.30 Achieved importing 100 million tons of coals at the Samchunpo Thermal Power Plant Division.
- 11. 14 Won the silver prize of Presidential Award in the National Quality Competition
- 12. 12 Bundang Multi Power Plant won the grand prize in the Safety Management Award



Year 2004

Began the second managerial term with inauguration of the second President, Hee-Gab Park, and by organizing Nanum Service Group, found a systematic community service program. KOSEP opened the first national high-capacity (800,000 kW) thermal power generation era with the completion of Youngheung Thermal Power Plant.

- 3. 26 Completed the construction of life prolongation of No.2 set at Yuhsoo Thermal Power Plant
- 4. 6 Inauguration of the second President Hee-Gab Park
- 4. 26 Joining of the second members of staff
- 5. 28 Starting of the base excavation construction of No.3 and No.4 sets' main building
- 7. 19 Joining of the third members of staff
- 9. 15 Organization of Nanum service group
- 9. 18 Youngdong Thermal Power Plant won the bronze prize of Presidential Award in the National Quality Management Contest
- 10.29 Held the feast for KOSEP's family with one in mind
- 11. 23 Samchunpo Thermal Power Plant won the Prime Minister Award in the Kyung Hyang Electricity Energy Award
- 12. 23 Completion of No.1 and No.2 sets of Youngheung Thermal Power Plant



Year 2005

Our efforts to be an environment-friendly company have come to fruition, winning the grand prize in the National Environmental Management Award and more. With the fruition of being a pro-environmental company, KOSEP heightened its stance as a global power leader along with winning the Prime Minister Award in innovation field of the National Productivity Award.

- 1.10 Joining of the fourth members of staff
- 4.22 Began Yeichun Water Power Plant construction
- 6.10 Won the Prime Minister Award in the National Environmental Management Award
- 7. 6 Conclusion of contracts about main equipments of Yeichun Water Pump Power Plant
- 8. 1 Joining of the fifth members of staff
- 9.29 Won the Prime Minister Award in innovation field of the National Productivity Award
- 10.13 Completion of Samchunpo Thermal Power Plant's desulfurization and denitrification facilities construction
- 11.29 Completion of Samchunpo Thermal Power Plant's solar energy power plant
- 12.20 Yuhsoo Thermal Power Plant won the Mae-Kyung Safety Management Award



Company Overview

KOSEP was established on April 2nd, 2001 as a professional power company after being seceded from KEPCO through the government's structural reorganization of the electric power industry. KOSEP is composed of six power plants (Samchunpo Thermal Power Plant in Gosung district of Gyeongnam province as well as Bundang Multi Power Plant in Sungnam district of Gyeonggi province, Youngdong Thermal Power Plant in Gangreung district of Gangwon province, Yuhsoo Thermal Power Plant in Yuhsoo district of Jeonnam province, Moojoo Water Pump Power Plant in Moojoo district of Jeonbuk province, and No.1 and No.2 power facilities in Youngheung Thermal Power Plant in Ongjin district of Incheon City) maintaining a 7,190,000kW capacity and occupying 12% of the nation's 60 million kW facilities' capacity. Also, No.3 and No.4 power facilities in Youngheung Thermal Power Plant and the 400,000kW-capacity water pump power plant in Yeichun district of Gyeongbuk province are currently under construction, which will enable the company to reach a total capacity of 9,730,000kW.

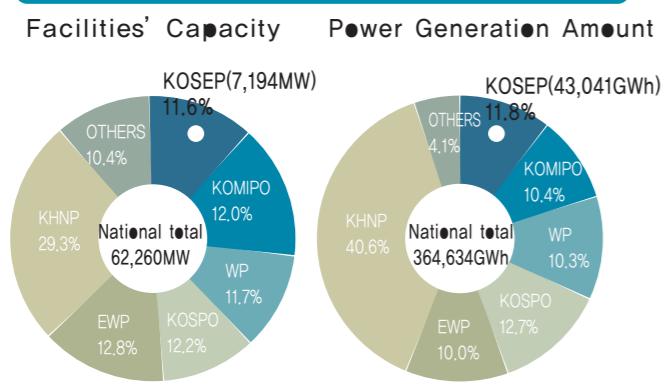
Company Profile

Company Name	Korea South-East Power Co.,Ltd
Location of Headquarters	167, Samseong-dong, Gangnam-gu, Seoul, Korea
President	Hee-Gab Park
Number of Employees	1,845
Date Established	April 2, 2001
Major Businesses	Development of electric power resources, power generation and incidental business
Main Production Item	Electric power

2005 Business Overview

Facilities' Capacity	7,194MW
Power Generation Amount	43,041GWh
Sales	2 trillion 954 billion won
Assets	3 trillion 546.6 billion won
Liabilities	1 trillion 562.4 billion won
Capital	1 trillion 984.1 billion won
Net Income	105.8 billion won
Debt Ratio	78.7%
Credit Rating	A2 (Moody's) / AAA (Korea Investors Service, Inc.)

Company Status in the Power Electric Industry



Facility Introduction

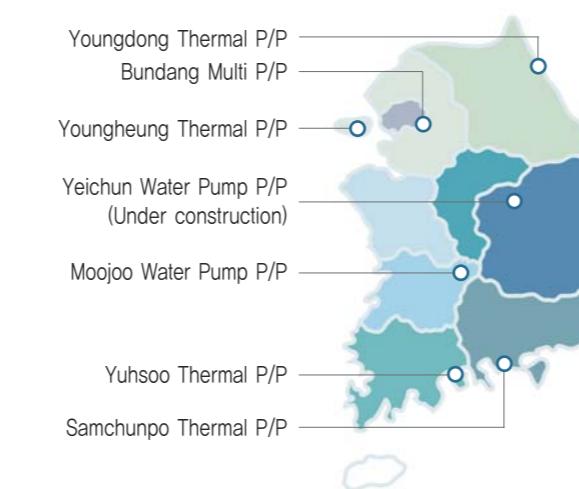
Under Operation

Load	Plant Name	Fuel Used	Facility Capacity	Location
Base	Samchunpo Thermal Power Plant	Bituminous Coal (imported)	3,240MW	Gosung-gun, Gyeongnam
	Younghheung Thermal Power Plant, No.1&2	Bituminous Coal (imported)	1,600MW	Ongjin-gun, Incheon City
Middle	Youngdong Thermal Power Plant	Anthracite Coal (domestic)	325MW	Gangreung-Si, Gangwon
	Yuhsoo Thermal Power Plant	Heavy Oil	528.6MW	Yuhsoo-Si, Jeonnam
Peak	Bundang Multi Power Plant	LNG	900MW	Sungnam-Si, Gyeonggi
	Moojoo Water Pump Power Plant	-	600.4MW	Moojoo-gu, Jeonbuk
Total			7,194MW	-

Under Construction

Load	Plant Name	Fuel Used	Facility Capacity	Location
Base	Younghheung Thermal Power Plant	Bituminous Coal (imported)	1,740MW	Ongjin-gun, Incheon City
Peak	Yeichun Water Pump Power Plant	-	800MW	Yeichun-gu, Gyeongbuk
	Total		2,540MW	

Locations



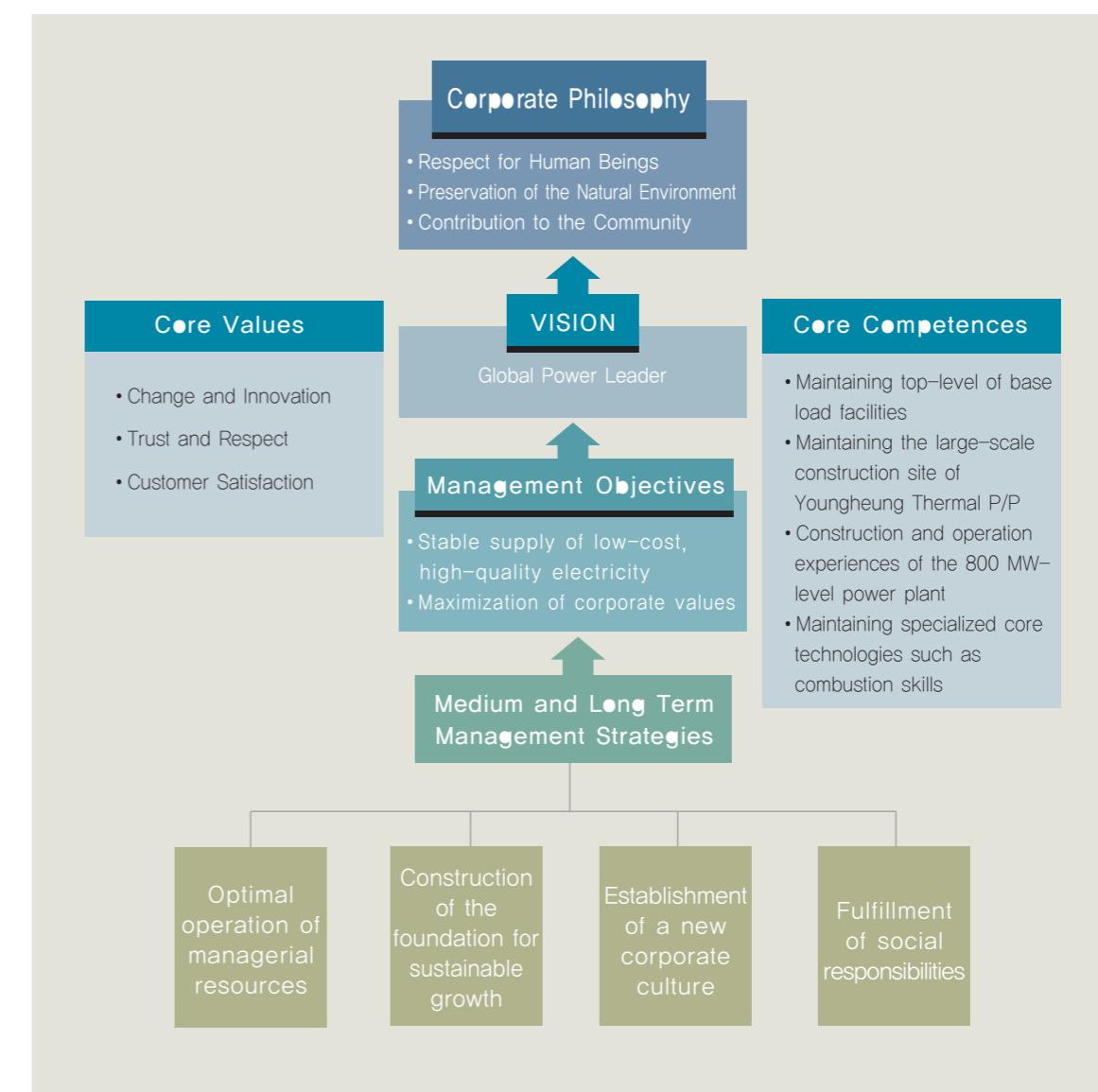
Philosophy & Vision

Ever since the inauguration, KOSEP has aimed to achieve the grand vision of being the "Global Power Leader" based on its corporate philosophy "respect for human beings, preservation of the natural environment, and contribution to the community".

Management System

KOSEP's management system consists of the following: 1. 'corporate vision' which is the desired conditions that a company pursues, and moral supports of corporate management, 2. 'a vision' which coheres every member of the company to move in one direction in an attempt to realize the

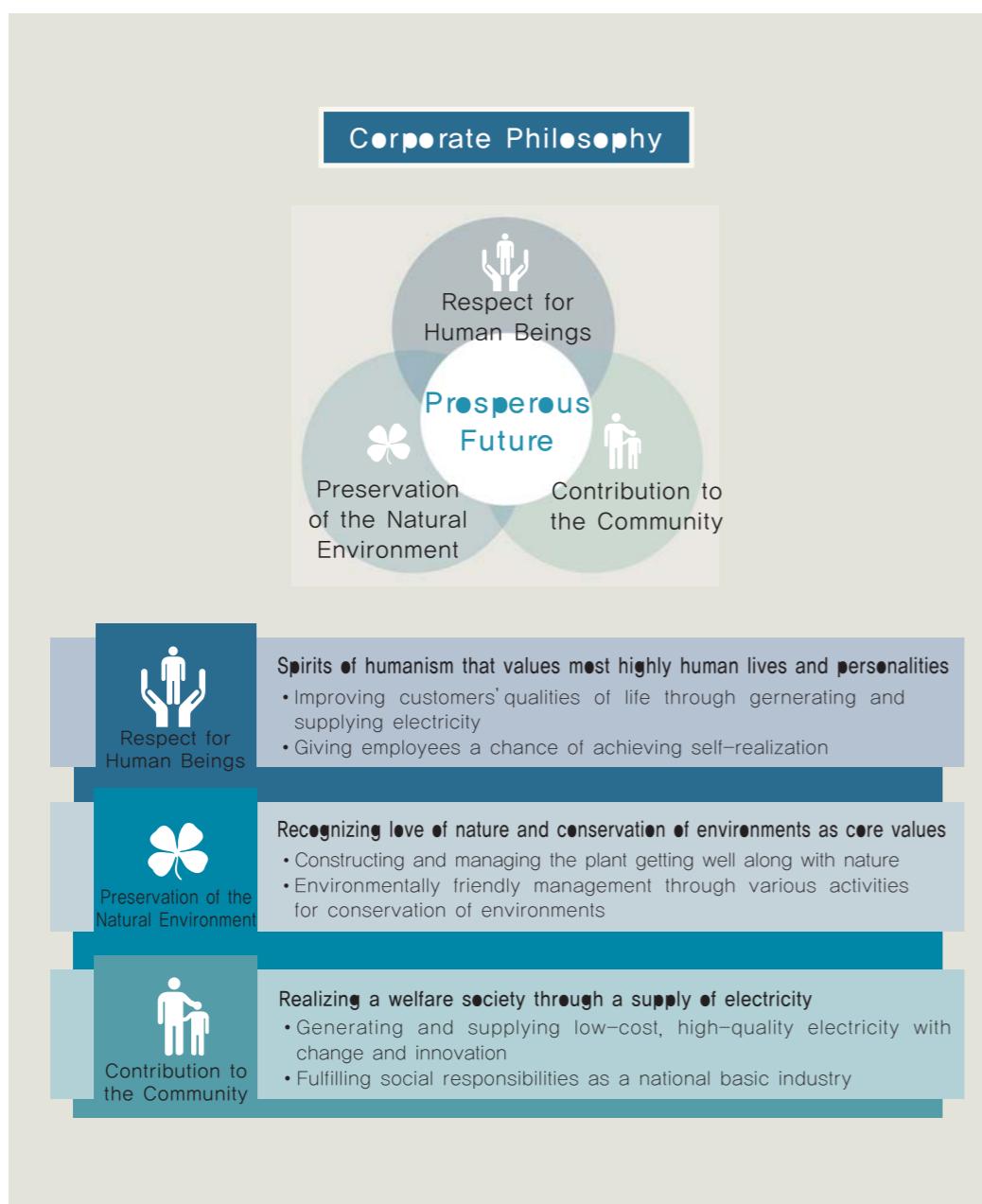
corporate philosophy, 3. 'core values' meaning values and beliefs that the entire workforce share 4. 'core competences' which are outstanding resources and abilities that KOSEP possesses, and 5. 'medium and long term management objectives' and 'management strategies' to achieve the vision.



Corporate Philosophy

Corporate philosophy is the desired conditions that a company pursue to improve the quality of human lives, and moral supports of corporate management. Since the establishment, our company worked on achieving our corporate philosophy, ‘respect for human beings, preservation of the natural environment, and contribution to the community.’ ‘Respect for human beings’ refers to the spirits of humanism which most highly values human lives and personalities, ‘preservation of the natural environment’ depicts KOSEP’s

willingness to love nature and conserve environments, and ‘contribution to the community’ incorporates KOSEP’s desire to fulfill its social responsibilities as a corporate citizen and construct a welfare society. Through assiduous efforts of all employees to realize the corporate philosophy, we aim to maximize customer satisfaction, conserve environments, fulfill corporate social responsibilities, and realize a welfare society to achieve the ultimate objective, ‘a better quality of life, a prosperous future.’

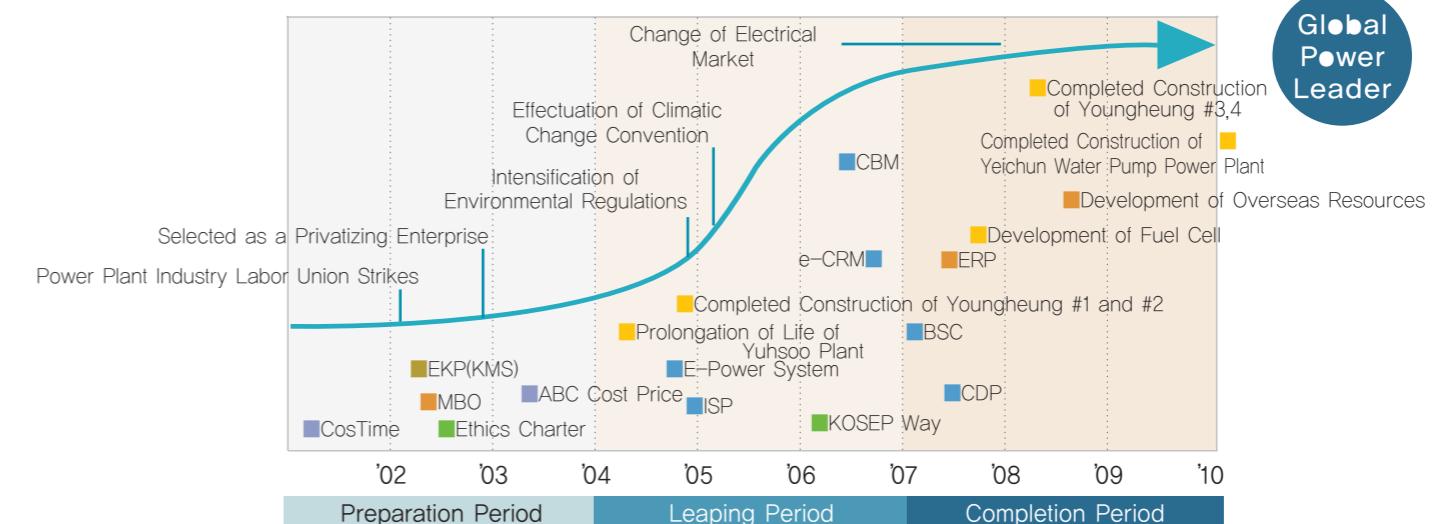


Vision : Global Power Leader

To cope with the 21st century’s deepening rivalry and uncertain business environment, on the basis of the corporate philosophy ‘respect for human beings, preservation of the natural environment, and contribution to the community’,

KOSEP exhibits its corporate image of the future as the global energy leader of the 21st century with a strong will to make real prosperous and favorable future communities for everyone through a stable supply of low-cost quality electricity.

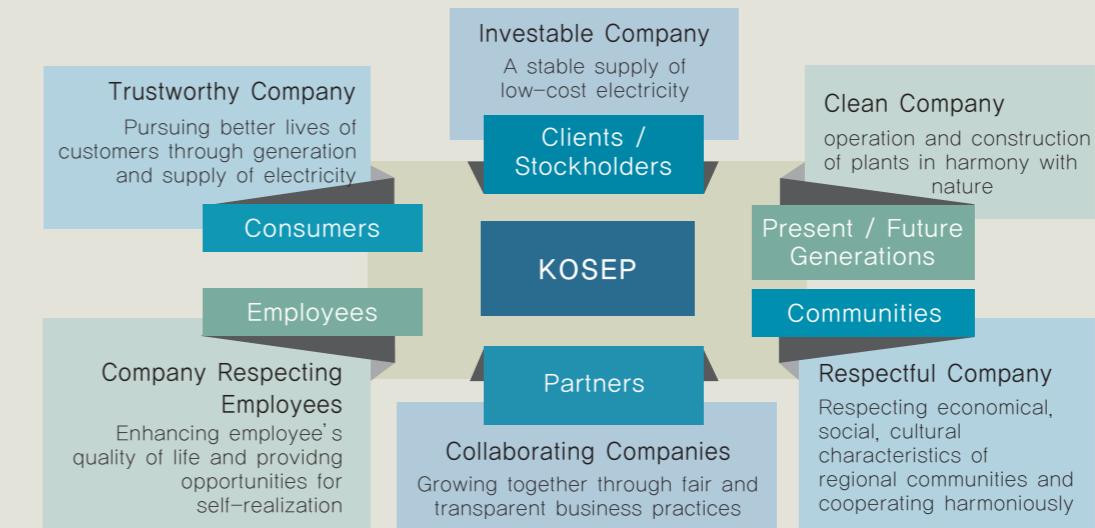
Vision Achievement Roadmap



Global Power Leader

Stakeholders' Vision

The corporate vision of becoming a Global Power Leader cannot be achieved by only the capacity of the company itself. This can be achieved only when it fulfill its role as a corporate citizen and is trusted by various stakeholders. We will pay attention to our stakeholders and reflect their opinions throughout our management to cultivate a bright and prospective future.



Core Values & Core Competences

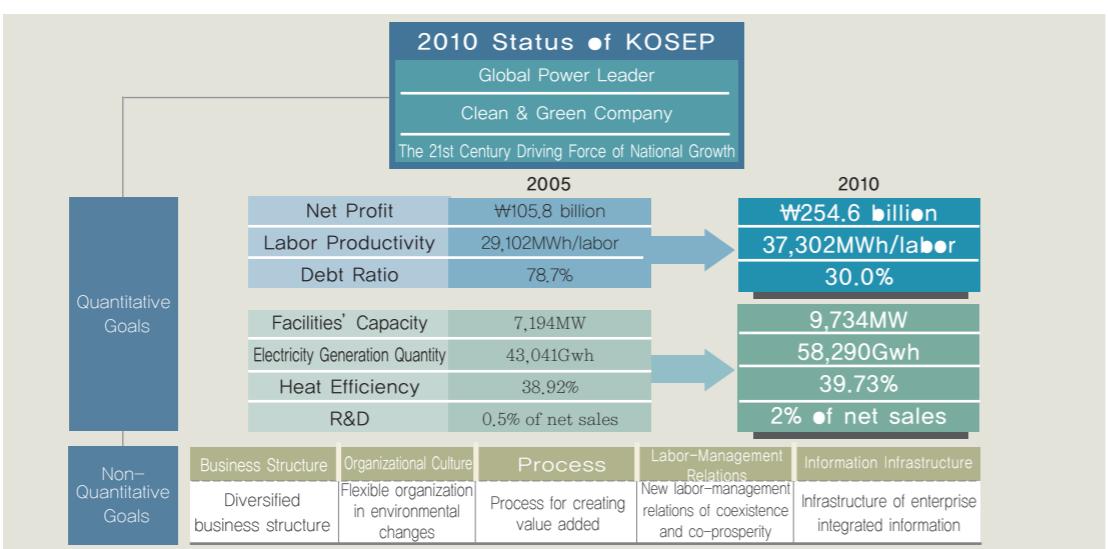
We have defined "Change & Innovation, Trust & Respect, and Customer Satisfaction" as core values, and "Top-Level Base Load Facilities, Maintaining the Large-Scale Construction Site of Younghheung Thermal P/P, Construction and Operation

Core Values	Core Competences
<ul style="list-style-type: none"> Fundamental norms presenting preferable conducts for an organization Values and beliefs shared by members of staff 	<ul style="list-style-type: none"> Essential competences for increasing competitiveness and enhancing corporate values KOSEP's distinctive competences
Change <ul style="list-style-type: none"> With continuous self-reflection and change, and ceaseless innovations, create corporate values and enhance managerial performances. 	Maintaining Top-Level Base Load Facilities <ul style="list-style-type: none"> The occupancy rate of base load facilities, 67% is the biggest among power generating companies, which enables KOSEP to maintain the highest competitiveness at the future two-way electricity trade.
Confidence <ul style="list-style-type: none"> By clarifying all corporate management processes and procedures, build an image of ethical corporation and by carrying out positive activities for environmental preservation, stand as an environment-friendly company producing clean energy. 	Maintaining the Large-Scale Construction Site of Younghheung Thermal P/P <ul style="list-style-type: none"> Possessing a large-scale construction site in Younghheung near the Capital area, big enough for a power plant with 12 units Able to utilize means for business diversification such as new renewable energy
Customer Satisfaction <ul style="list-style-type: none"> Through giving customer satisfaction the highest priority and harmonizing public interest with profitability, maximize satisfaction of all stakeholders by fulfilling various needs demanded by stockholders, creditors, customers, local residents, and internal customers. 	Experiences on Operating and Constructing the 800 MW-Level Power Plant <ul style="list-style-type: none"> Possessing the only expertise about an 800 MW-level thermal power plant in the nation Planning business diversification utilizing the expertise.
	Maintaining Specialized Core Technologies such as Combustion Skills <ul style="list-style-type: none"> By selecting specialized core technologies of each power plant and centrally training, the prior occupation of a dominant position in core technologies such as combustion skills is possible.

Medium and Long Term Management Objectives: 2010 KOSEP Growth Images

Growing continuously through change and innovation, based on 'respect for human beings, preservation of the natural environment, and contribution to the community' as the

Experiences of 800 MW-level Power Plant, and Maintaining Specialized Core Technologies such as Combustion Skills" as core competences and are incessantly making efforts for the sustainable growth and achievement of our vision



Medium and Long Term Management Strategies

The recent business environment surrounding companies can be described as uncertain or unpredictable. Changes of economical and social conditions such as the drastic advancement of technologies and development of information and communications, market opening and restructuring, and the deepening of competition are making it even more difficult for companies to survive and grow. Also, quick and dynamic characteristics of these changes more often have an immense influence on management performances. Consequently, by foreseeing these changes and finding their countermeasures, we can utilize them to the advantage of the company or minimize negative impacts. We, in fact, have established and are carrying out medium and long term management strategies as countermeasures against these changes. The contents include the ways and future standing of our company along with 4 strategies of "optimal operation of managerial resources, establishment of foundations for sustainable growth, creation of new corporate culture, and fulfillment of social responsibilities" and following 85 strategic tasks.

Optimal Operation of Managerial Resources
We are maintaining an optimal financial structure through managing the best select liability portfolio and lowering financial expenses by means of fund raising activities for selection and concentration of the limited managerial resources depending on the formation and deepening of competition in the power generation industry. We are advancing our materials supply system by building up efficient material supplying processes, realization of e-Commerce, and low-cost supplies of fuels through development of overseas resources and multilateral analysis of market conditions. We are acquiring key maintenance technologies, and outsourcing usual maintenance technologies, optimizing electricity generation facilities by integrating advanced technologies for diagnosis and prediction with maintenance technologies, and constructing performance-oriented cost and budget management systems.

Strategies	Strategic Tasks	Emphasized Strategic Tasks
Optimal Operation of Managerial Resources	<ul style="list-style-type: none"> Maintaining an optimal financial structure Advancement of fuels and materials supply systems Optimization of operation and maintenance systems of electricity generation facilities Construction of performance-oriented budget and cost management systems 	15 tasks including acquiring key maintenance technologies

Establishment of Foundations of Sustainable Growth
Management innovation systems are being operated through the introduction and customizing of up-to-date innovative techniques based on the Change Management System and the fortified driving force of innovation. We are fully equipped with the enterprise information integration system by means of information integration by information road-map, construction of web service portals, and creation of a ubiquitous computing environment. Through organization design and job analysis, establishment of flexible organizational structure, and efficient manpower operation and introduction of advanced welfare systems, we are preparing

for the future organization and manpower. At the same time, we are laying the foundations of sustainable growth by improving core technologies of constructing and operating generating facilities through systematic developments of technologies, and advancing systems for operating generating facilities and capacities to construct power plants.

Strategy	Strategic Tasks	Emphasized Strategic Tasks
Establishment of Foundations of Sustainable Growth	<ul style="list-style-type: none"> Construction of management innovation systems Construction of enterprise information integration systems Securing capacities to cope with the future organization and manpower Securing core generating technologies through systematic developments of technologies Establishment of new systems for operating generating facilities Innovation of technologies for constructing power plants Enhancement of capacities to operate the electricity market Development of a new profit model through business diversification 	40 tasks including the medium and long term development of the model for operating generating facilities

Establishment of a New Corporate Culture
By establishing and implementing the KOSEP Way which portrays standards of our thinking and behavior, we are setting up a desirable image of corporate culture. We are settling down new labor and management relations of coexistence and co-prosperity through advancements in awareness and practices, strengthening a labor-management partnership and activating communication channels between the two parties. We will establish objective evaluation and compensation systems, to create competency - and performance-centered atmospheres, and promote improvements of health, safety and welfare of employees.

Strategy	Strategic Tasks	Emphasized Strategic Tasks
Establishment of a New Corporate Culture	<ul style="list-style-type: none"> Establishment of a desirable new image of corporate culture Settlement of new labor-management relations of coexistence and co-prosperity Creation of competency-and performance centered corporate atmospheres Improvement of the corporate image through strategic PR Settlement of safety culture 	17 tasks including advancing awareness and practices

Fulfillment of Social Responsibilities
As a power generating company, we will produce high-quality electricity, and promote our corporate image as a clean company producing clean energy through advanced environmental management. Also, to establish an image as a company contributing to developments of communities, we will lead to strengthen the foundations for supports from regional communities by leading in building and developing communities and promoting various activities for supporting communities. We will analyze and systematize our results of ethical management since the foundation of the company, re-establish our ethical management systems, and pursue strategic activities for raising integrity.

Strategy	Strategic Tasks	Emphasized Strategic Tasks
Fulfillment of Social Responsibilities	<ul style="list-style-type: none"> Improving reliability in the quality of electricity Advanced environmental management Activities of ethical management and social contributions Construction of customer satisfaction management systems 	13 tasks including strategic activities for raising integrity

The KOSEP Way

By establishing the KOSEP Way which portrays the standards of thinking and behavior of the KOSEP people, we have enabled the realization of corporate philosophy and vision along with core values of KOSEP in actual management, and pushed on the company and employees to advance forward to achieve common objectives.

Introduction

Basing on our corporate philosophy of 'respect for human beings, preservation of the natural environment, contribution to the community', we are to be a Global Power Leader to contribute to national economy and welfare by providing the best quality electricity service. For this, we set 'change and innovation, trust and respect, and customer satisfaction' as our values, and encouragingly establish and practice the KOSEP way which portrays standards of thinking and behavior of the KOSEP people.



KOSEP Way Proclamation Ceremony

The Structure of the KOSEP Way



Management Principles and Codes of Conduct (4 principles and 12 codes of conduct)

Principle 1 Abide by the law and ethics codes as a corporate citizen, and fulfill social responsibilities

- 1-1. Abide by the law and ethics codes, and faithfully practice granted duties.
- 1-2. Respect the economical, social, cultural characteristics of regional communities, and seek coexistence.
- 1-3. Make efforts to preserve the natural environment through environment-friendly management.

Principle 3 Respect and consider customers and members of organization

- 3-1. Set customer satisfaction as the key value of managerial operations.
- 3-2. Make efforts in improving the qualities of lives of members of organization and training for developing best people.
- 3-3. Value the safety and health of members of organization.

Principle 2 Maximize business performance through high-efficient process

- 2-1. Eliminate a waste of time and resources.
- 2-2. Keep in mind that proper process brings proper outcomes.
- 2-3. Voluntarily participate in process improvement activities.

Principle 4 Improve the competency to solve problems and practice through change and innovation

- 4-1. Make change and innovation a part of life.
- 4-2. Be careful in decision making, but swift in its practice.
- 4-3. Periodically conduct evaluation, compensation and feedback.

Corporate Governance and Structure

KOSEP is one of the six independently-run power generating companies divided from the power sector of Korea Electric Power Corporation (KEPCO) in April 2nd, 2001. Shares of KOSEP are 100% owned by KEPCO and KOSEP bears the characteristics of the reinvested institution of a government-invested institution.

Composition of Stockholders

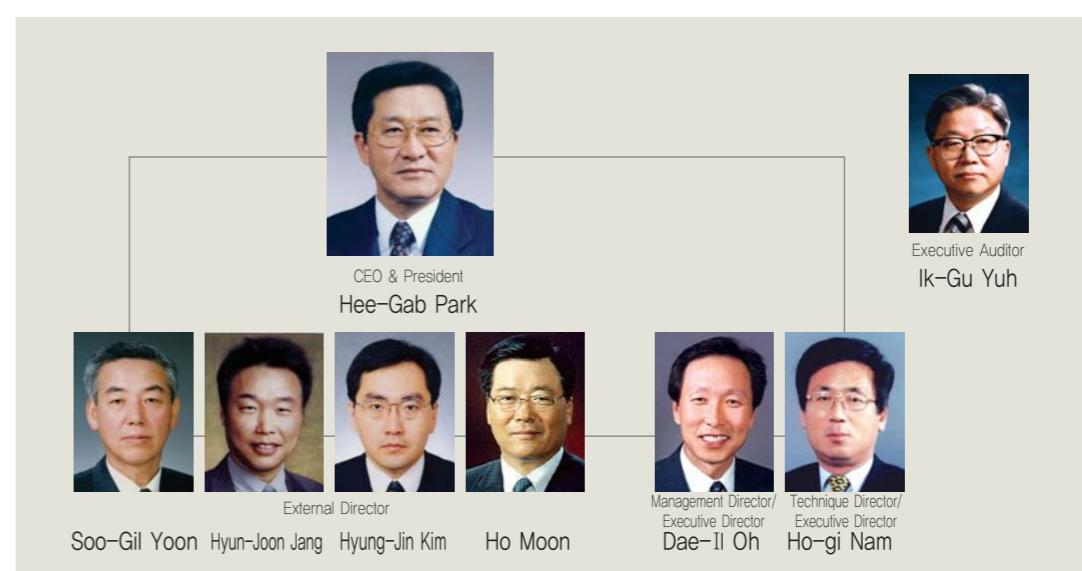
As of December 31, 2005, the current paid-in capital is ₩332.7 billion with 66.54 million shares, which are 100% owned by KEPCO.

The Board of Directors

The board of directors is composed of seven members, three executive directors, including the president, and four non-executive directors from outside the company, and represents the interests of stockholders (Ratio of external directors, 57%). The executive auditor may take part in the board of directors and make comments.

The board of directors resolves matters regulated by laws or in the certificate of incorporation or entrusted by the general stockholders' meeting, and important issues regarding basic policies of corporate management and business operation. In general, these include long and short management plans and goals, yearly business plans, budget, settlement of accounts and financial plans, establishment, amendment and abolition of office regulations, and basic plans for constructing generating plants.

The president is elected in the general meeting of stockholders among the candidates nominated by the Recommendation Committee for the President composed of non-executive directors and nonofficial members who are designated by the board of directors. Executive directors are elected in the general stockholders' meeting among the candidates nominated by the Recommendation Committee for Executive Directors, which consists of executive directors, non-executive directors, and three or less outside personnel designated by the president.



Activities of the Board of Directors

A periodical board meeting is held on the fourth Wednesday of each month, and an extraordinary meeting is held occasionally under presidential authority or when requested by over 1/4 of the registered directors.

Year	Participation Rate of External Directors	Deliberation Rate	Documentary Resolution Rate
2005	95%	100%	0%
2004	100%	100%	0%
2003	97%	100%	0%

All matters are processed in advance through deliberation procedures of outside directors, and during this process, the opinions of external directors are strongly reflected in decision making. The introduction of the Fair Trade Compliance Program and joining with the UN Global Compact are the results of reflecting the opinions of external directors.

Compensation of Directors and Executives

The compensations of executives including executive directors are, based on Executives Yearly Salary Provisions, composed of basic yearly salaries and incentives; as for basic yearly salaries, the President's salary is set in the management contract concluded with KEPCO, and the other salaries are issued according to the Executives Yearly Salary Provisions resolved in the general stockholders' meeting. Incentives effectively reflect the creative and constructive management activities and performance of the executives, and KOSEP issues differentiated compensations depending on business performances in accordance with evaluation results of business administration indexes granted by its mother company, KEPCO. The business administration indexes are composed of four quantitative indexes and eight non-quantitative indexes, and to improve business performances through competitiveness among power generating companies, management goals set in consideration of given conditions of each company are operated, the management performance report is presented to KEPCO at the end of March of next year, and incentives are decided by evaluation results. The compensations of outside executives are determined by the Board of Directors Provisions and paid monthly.



Board of Directors' Meeting

Present State of Personnel and Organization

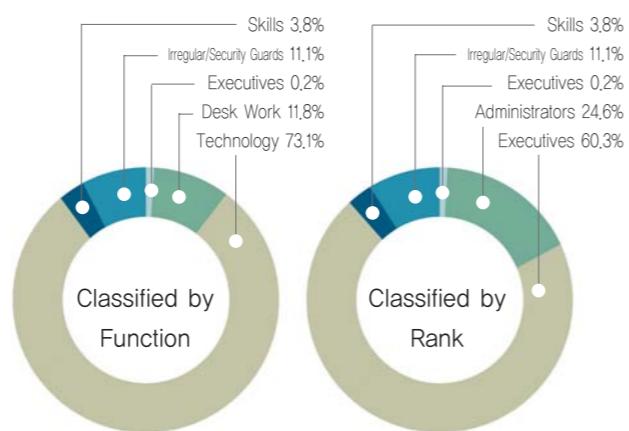
Personnel Information (As of Dec. 31, 2005)

Classified by Function

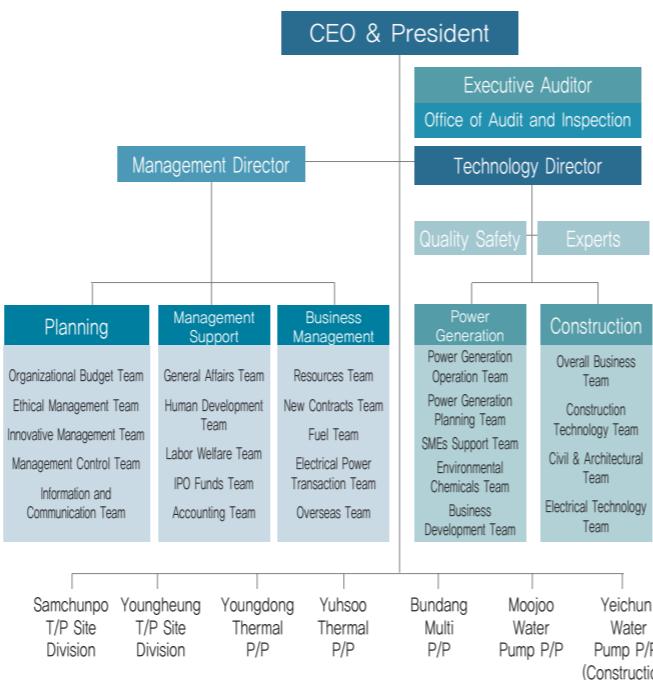
Category	Executives	Staff				Total
		Desk Work	Technology	Skills	Irregular / Security Guards	
No. of persons	4	218	1,349	70	204	1,845

Classified by Rank

Category	Executives	Administrators	Staff	Skills	Irregular / Security Guards	Total
No. of persons	4	454	1,113	70	204	1,845



Organization



Corporate Ethics

For ethics and transparent management, KOSEP has established medium and long-term promotion systems grounded on ethics management road maps across the entire fields of operations and introduced regulations, systems, and operation processes to construct infrastructure to ensure successive transparent management. Furthermore, we are making efforts to improve the system by surveying and monitoring the performances of each promotion system and periodically assessing and analyzing strong and weak points and conflicting issues and problems.

More to the point, we are sincerely carrying out our duties as a corporate citizen by self-establishing an ethical charter, codes of conduct and general principles of moral behavior that are voluntarily followed by all staff members.

Establishment of Ethics Regulations and Active Education Activities

The ethics regulations of KOSEP is composed of an ethical charter, codes of conduct and general principles of moral behavior. The ethical charter appoints the base principles of ethics management and has characteristics of a declaration, and the codes of conduct are lower-rank criterions of the ethical charter, which provide guidance for practicing ethical charter. The general principles of moral behavior explicitly state the standards of ethical value judgments and behaviors. The company sets yearly education objectives and enforces TEEP (Total Ethics Education Program) on all members of staff. TEEP consists of four phases ; a fundamental ethics education process (4 hrs), group education process (4 hrs), ethics management on-line process (20 hrs), and expert training process (44 hrs).



On-Line Education of Ethical Management Special Ethical Management Lectures with Invited Speakers



Ethical Management Consultative Committee of Headquarters

Responsible Organizations for Ethics Management

Ethics Management Team

The team in charge of ethics management formed in March 2005 carries out the responsibilities of establishing propulsion plans for ethics management, operating ethics management education programs, measuring the level of ethics awareness, inspecting conditions of ethics management implementation, and running the ethics management on-line website.

Ethics Committee

The Ethics Committee - established in November 2003 - is a decision-making institution for ethics management in every power plant, and carries out responsibilities such as establishing and revising ethics regulations, making authoritative interpretations and ethics judgments, and reviewing and deciding on important issues regarding various ethics management-related policies and system formations. In particular, the distinctiveness of our ethics management consultative committee is that it consists of the CEO, executive auditor and executive directors including outside directors.

Ethics Officer

The assigned Law Abiding Observer (LAO*) and Moral Act Officers (MAO*) at the Headquarters as well as other power plants are in charge of education, consultation about uncertain cases, and filing and handling of violations.

* LAO : Law Abiding Observer

* MAO : Moral Act Officer

Employee Ethics Surveys

In order to self-diagnose the levels and problems of awareness reformation of our staff, we practice periodical ethics surveys on all staff members at the Headquarters and seven other power plants. The results of the 2005 survey on 993 staff members (participation rate : 56.3%) are as follows.

Resisting Elements of Ethics Management

To discover the resisting elements of ethics management we examined nine items, e.g. "Do not feel the necessity", "It complicates works", "It is not effective", "Cannot trust the head of ethics management", and the resulting score of 3.5 (out of 10) showed that the level of resisting elements was relatively low.

RAW (Ready, Ability, and Willing) of Ethics Management

To learn the level of awareness about the necessity of ethics management, Ready, Ability and Willing, we carried out a survey based on nine items and discovered the average response to be 7.6 (out of 10), which was normal. In particular, the high score on the item "Ethics management is for every member of staff from the President to the lowest personnel" revealed that most people consented to the need for all members' participation in ethics management.

Ethics Management Leadership

Ethics management leaderships of directors and chief managers were surveyed based on 6 items including assistance, control, education, system settlement, and expansion efforts, and the average response was found to be 7.7 (out of 10), which was relatively normal. At headquarters, the rather low score on the item "Our directors and chief managers positively make efforts to improve matters together in the case of problems arising from ethics-related complications" revealed the necessity for settling troubles through communications with members of staff.

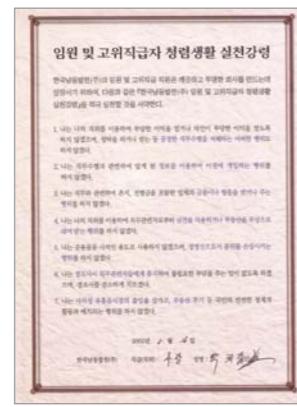
Reporting System

To sustain practical effects, prevent corruption, and establish a transparent corporate culture, we set up a hotline and other mediums as well as a web-based 'total helpline'. The helpline site is made up of the Ethics Reporting Center, Clean Reporting Center, and Ethics Counseling Corner, and each menu implements the following functions:

Menu	Functions and Roles
Ethics Reporting Center	A place where internal reports of illegality and corruption, immoral behavior, or other violations contrary to the ethics regulations are received and handled.
Clean Reporting Center	One of the self-purification methods for KOSEP personnel to become transparent and protect themselves from outer temptations: a window where one can turn him or herself in willingly for receiving money and other articles.
Ethics Counseling Corner	A place where questions regarding the ethics management of the company can be answered and consulted, and suggestions can be made to modify various ethics management-related systems: Divided into FAQ and Q&A sections.

Promotion of Clean Minds of the Staff

Because it is important for the members of staff to form chaste minds and willingly practice transparent management, KOSEP has self-established 'essential points in exercising chaste lifestyles for officials' and had all high-ranking officials pledge to carry out transparent management and incited them to participate in various trainings and events that could bolster it. In addition, to expand the staff's chaste minds, we are continuously organizing 'fair and just movements' and related ethics management campaigns, such as 'No Giving and Receiving Presents' at the end and beginning of the year, and inspiring ethics awareness through fixed columns in 'Hannamjeon', the company newspaper.



Main Principles of Practice of Clean-Living for Officers and Ranking Officials



CEO's Pledge of Ethical Management

Anti-corruption

As the first step to successfully introduce ethics management, we have dared to lose our old customs. We have banned all money transactions or other articles related to business, and for a healthy and sound congratulatory and condolent culture and its settlement, we have proscribed all notifications regarding congratulatory and condolent events and forbid any transactions that have a value of over ₩50,000. We also strictly prohibit any behavior outside the accepted boundaries of society, formation of private groups within the company, sexual harassment, and other deeds that affect the healthy and sound corporate atmosphere.

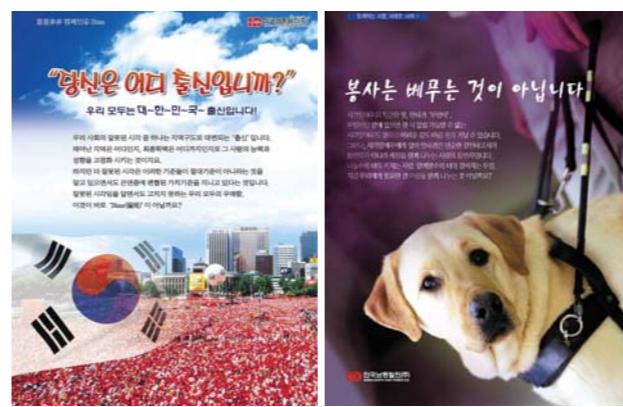
We also do not accept any forms of money, gifts, or banquets associated with business. By the ethics regulations, we proscribe unjust interventions for interests, business using work-related information, private use of corporate property, giving and receiving bribes, borrowing money from relevant officials, etc. and obligate a clean-handed contract and its execution.

Providing money or other articles for the benefit of the company to government officials or politicians is prohibited. We also do not donate or provide illegal political funds to political parties or politicians.

We proscribe doing property related business or making investments by using classified information regarding corporate operations, or providing that information to a third party for any beneficial motives.

Reporting of Improper Accounts, Inspection Practices, etc.

One must report any accounts or inspection practices and internal control that are deemed unethical according to the ethics regulations and related regulations. Reporting may be conducted anonymously, and causes no disadvantage to that person. If the measures taken by the company are not satisfactory, the person may directly report to the LAO. All inspection results are reported to executive auditor.



Ethical Management Campaign

Clean Contract System

To practice a transparent contract business, since May 8th, 2001, KOSEP has introduced a clean contract system, which prevents the possibilities of illegality or corruption from occurring among the contracting parties by submitting letters of confirmation of a clean contract at the moment of tender.

Building Integrity Systems for Construction Works & Contracting Parties

KOSEP, by introducing Integrity systems regarding construction works costing over ₩300,000,000, enables itself to transparently and fairly proceed with construction works through establishing Integrity plans, instituting Integrity manuals and conducting assessments.

In addition, we established 'buyers' general ethics principles' in October 2005 and extensively proclaimed the execution of a clean contract system and transparent business operations to the members in charge of contract affairs; KOSEP is seeking an advanced procurement enterprise by periodically inviting managers from the Public Procurement Service and holding business innovation workshops.

Making Prompt payment for Contracts

According to the stipulations and guidebooks of the company, KOSEP makes payment for contracts by 100% cash settlement and nothing else. In the case of SMEs, contracts loans are delivered the day after the request date, and in the case of large enterprises, the loans are delivered according to the agreed terms and conditions of the transaction : within 14 days for the purchase of goods and completion of construction, and within 7 days for construction commencement.

Penalty Count System for Enterprises Violating Ethics Management

By applying disadvantages to enterprises that receive a written warning for providing money or other articles or banquets to members of our staff during business transactions with our company, we proclaim our determination concerning ethics management and employ systematic preventive measures. The details of the disadvantages are: 1. deduction of 5 points from the pre-qualification and qualification inspection for a period of one year in the case of public tenders, and 2. exclusion of the subject enterprise from private contracts for a period of one year.



Workshop for Persons in Charge of Contracts

Joining the UN Global Compact

KOSEP, fulfilling its social responsibilities with transparent management, signed the agreement with the UN Global Compact as the fourth among domestic enterprises and the first power generating company in order to globally make clear its sustainable development.(Feb. 27, 2006)



What is the Global Compact?

The Global Compact is a voluntary international corporate citizenship network initiated by UN Secretary-General Kofi A. Annan at the World Economic Forum in Davos in 1999, presenting principles regarding corporate transparency and social responsibilities and inducing the participation of world business leaders.

The Global Compact currently consists of 10 principles stipulating important responsibilities of enterprises regarding areas of protection of human rights, labor standards, the environment, and anti-corruption, but hereafter, regulations on issues such as environmental performance evalution, energy savings, and prevention of climate change will be supplemented, and are expected to promote greater corporate social responsibilities by dealing with more issues related to information disclosure, consumer protection, fair competition, hierarchy, taxation, etc.

The Global Compact offices and six UN agencies, OHCHR, ILO, UNEP, UNDP, UNIDO and UNODC, are at the core of the Global Compact. Currently, nearly 3,000 world's leading companies including DuPont, EDF, RWE, Shell and ABB are participating in the Global Compact and actively working together through networks in order to address contemporary globalization challenges.

The Significance of Joining the Global Compact

First, KOSEP as an enterprise that fulfills its social responsibilities with transparent management internationally declared its sustainable development.

Due to fast surfacing of the Ethics Round(ER), corporate social responsibilities have been globally standardized, regulated and accelerated. Progressively, the CSR will surface as a new trade round, and enterprises failing to fulfill their social responsibilities will fall behind in the global competition.

At this moment by joining the international institution, Global Compact, which possesses a global network, our company can secure a dominant position in this internationally competitive society and find opportunities to develop into one of the finest power generating companies in the world.

Second, we have contributed to globally standardizing our ethics management, and exercised exemplary leadership to other domestic enterprises.

According to the present state of the enlisted members of the Global Compact in Asia (as of the end of February 2006), it consists of 42 Japanese enterprises including Nissan Automobiles, 58 Chinese enterprises including Beijing Capital Group, and four Korean enterprises including KOSEP and KEPCO, which reveals the relatively low participation rate of domestic companies.

KOSEP is leading the active participation of other enterprises by voluntarily joining the Global Compact and exercising exemplary leadership as a company complying with corporate social responsibilities.

Third, various beneficial effects on corporate management may be expected from joining the Global Compact.

By joining the UN Global Compact, we can utilize the Global Compact's stature and logo to facilitate enterprise PR activities inside and outside of the company, and by acquiring the title to partake in international forums and global networks, we have been given an opportunity to expand our business globally through the Global Compact's trust and networks.

Through internationally promoting our image as a transparent and socially responsible company, we are expected to enhance our credit rating, expedite the globalization of management, and acquire favorable settings to launch overseas business in the future.

Future Promotion Scheme

The UN Global Compact requires its members to wholly implement its 10 principles and also to disclose progress in implementing the 10 principles through annual reports, sustainability reports, or other official documents (the GC defines these documents as COP, Communications on Progress).

Our company plans to encourage the participation of domestic enterprises by propagating and expanding our efforts of abiding by the 10 principles, securing corporate transparency and fulfilling multilateral CSRs.

In support of the plan, we will newly organize a ‘Global Compact’ section on our website in the first half of 2006 and have disclosed the resolution of the CEO regarding implementing the 10 principles and our performances. Please refer to the company website, <http://www.kosep.co.kr/ethics> for more detailed information.

Written Acknowledgement of Admission to the Global Compact



the "Global Compact" Section in the Internet Home Page



Risk Management System

Administration risks arising from sudden environmental changes in the course of business are one of the key elements in determining the survival of a company. KOSEP minimizes risk-causing factors with integrated systematic countermeasures and regularly inspects their performance and enforces advancement.

Stable Supply and Demand of Electricity

One of the particular duties of KOSEP is to supply high-quality electricity in a safe mode. The frequency of electricity is especially important, because it has a direct relationship with the lifespan of household electronics and the quality of products produced using electricity. Complying with the electricity demand during summer, when it is maximized, is also an important matter influencing the entire power supplying system around the country. Thus, in order to complete our duties to safely supply electricity, we carry out the following activities:

Stable Supply and Demand of Fuel

To prevent any difficulties in power generation, we maintain a stable stock level by contracting the best possible fuel supply for long and short terms, improving coal storage methods, diversifying transportation vessels, and cooperating with international power companies.

Secure Operation of Facilities

We are making efforts to secure the operation of facilities by enforcing a LTTF (long-term trouble free) award system inducing the reduction of unexpected breakdowns, operating an office for forecast and diagnosis, starting early stabilization of the relatively new Youngheung TPP facilities, etc.

Optimal Quality Management

Through a bad mark quality system, and supplementary quality improvements such as inspection and diagnosis of qualities, we are improving the quality of our instruments and operations, and establishing a quality management system by holding quality-related presentations and quality improvement conferences, as well as constructing a quality management computing system.

Internal Control System

Domestic and foreign account systems such as the Act on External Audit of Stock Companies, the Sarbanes-Oxley Law and Securities Transactions Law obligate the confirmation and authentication of the efficiency of internal controls when submitting business reports and 20-Fs to the management in support of acquiring reliability and transparency of the production process and financial reports. Outside supervisors are required to share their inspection suggestions regarding internal account management systems such as internal controls.

As a consequence, KOSEP has established and operates internal account management regulations reporting to the board of directors and supervisors on management conditions, and officially announces the management conditions in other reports relating to Securities Transactions Law. In addition, we plan to construct an internal control management system to more effectively execute internal controls by the end of 2006. During the first half of 2006, we planned to assess the validity of the design and operation of our internal control system by selecting 124 activities from the 326 main processes.

Management Policy Review Committee

For important issues requiring policy decisions, it is necessary to collect the opinions of members of the associated department for possible risks and variables and derive the most suitable plan. For this, we operate a 'Management Policy Review Committee'. As a management policy reviewing organization supporting the decisions of the CEO, this committee consists of five to ten personnel appointed by the president (if necessary, outside personnel will be included). The committee supports the president's rational decisions by reporting the results of important business operations that require policy decisions, particulars that necessitate supplementary opinions other than those of the associate department, and more.

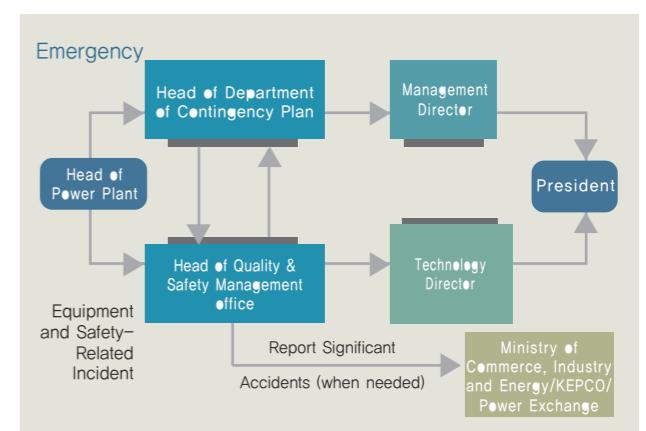
Internal Audit System

Through orderly and comprehensive diagnosis and assessment of the main policies, business and practices, we are not satisfied with simply pointing out problems but thoroughly analyze the source and present basic solutions, and by utilizing three audit management fundamentals 'a strategic audit founded on selection and centralization', 'a performance-oriented audit based on economic efficiency, efficiency, and effectiveness', and 'an active audit for creating a dynamic and unique culture', we minimize business risks by preventing them in advance.

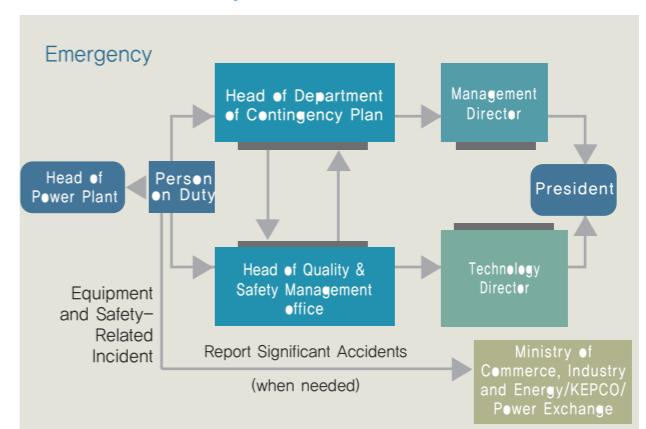
In 2005, we built an audit information system to start fulltime monitoring and supervision of corporate card usage, accident prevention of facilities, an audit of the construction field and an exclusive audit of the IT system, and executed preventive measures against many hazards impeding company operations (natural disasters, hacking, disclosure, and civil appeals), to protect company property (facilities, information, human resources, and budget).

We anticipate that the introduction of this new audit technique will improve business procedures and maximize management efficiency.

Emergency Response System During Business Hours



Emergency Response System During Non-Business Hours and Holidays



Establishment of Emergency Response System

Because KOSEP is in charge of supplying an essential necessity of life, for safe and sound distribution it has various training programs and emergency response programs in case of war, terrorism, or large-scale disasters.

We have established a Day of Safety Inspection every month, enforcing emergency drills in the case of equipment failure and various accidents such as fire and oil leakage. We also enforce close examinations and complementary measures for vulnerable areas and equipment during summer and winter every year.

Depending on the emergency situation, in the case of serious disasters influencing the whole city or company facilities we announce a security warning; in the case of accidents effecting electricity delivery or national events we announce an equipment warning; and in the case of a natural disaster or a high number of accidents are anticipated we announce a disaster warning, and take adequate countermeasures following specific manuals.

Exchange Risk Management System

For a systematic management of exchange risks, we have established and operated a 'medium and long-term exchange risk management road-map'.

We have installed and utilized an exchange risk management system, FX Core Solution, and proceeded to utilize "Usance" * strategically during the period of a fall in exchange rate, directly dealing foreign settlement funds, and hedging long-term exchange risk of capital transactions through currency swap of foreign currency liabilities.

We also set up an 'Exchange Risk Management Committee' which includes outside experts, to minimize exchange risk by discussing and resolving issues related to exchange risk management plan.

*Usance: the time allowed for the payment of bills of exchange, especially foreign ones.



Respect for Human Beings

An Enterprise Existing For You, By You, KOSEP

The meaning of 'respect for human beings' is the spirit of humanism most highly valuing the lives and rights of mankind, and on behalf of this philosophy, by safely and economically producing high-quality electricity, KOSEP pursues customer satisfaction while reasonably compensating for the labor provided by employees and providing opportunities of self-development and self-realization, consequently contributing to the creation of a 'better quality of life'.

Human Rights and Equal Employment Opportunities

Safety, Health and Welfare

Learning and Growth

Communication

Human Rights and Equal Employment Opportunities

We are assiduously making efforts to maximize the satisfaction and accommodation of customers by most highly valuing and prioritizing the spirit of 'respect for human beings' in all aspects of business operations. Thus, all members of staff are treated equally regardless of sex, age, region, religion or disabilities, and offered equal opportunities as a result of their individual capabilities.

Protection of Human Rights for the Members of the Staff

A personnel affairs system is being executed by thoroughly abiding by the Labor Standard Law and International Labor Standards. The entire course of employment, service, and retirement are accomplished based on fair and transparent standards and are justly compensated, conditional on their abilities and performances.

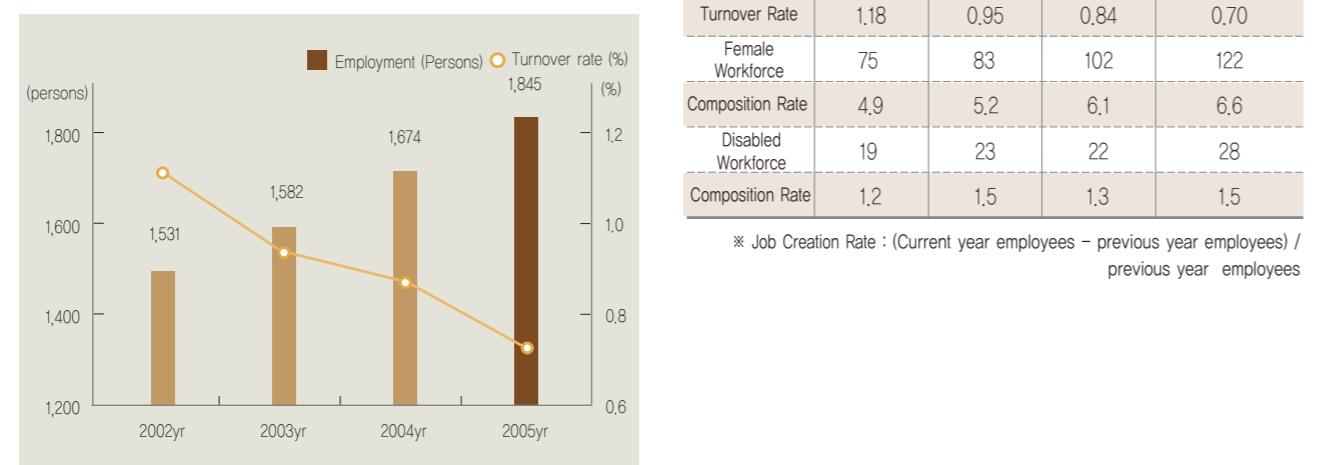
Accordingly, no forced labor is imposed on members of staff, and each individual may work and retire by his free will.

We also voluntarily follow the Prohibition of Child Labor Agreement adapted by the ILO at an annual meeting on June 17th, 1999 in Geneva.

Employment Status

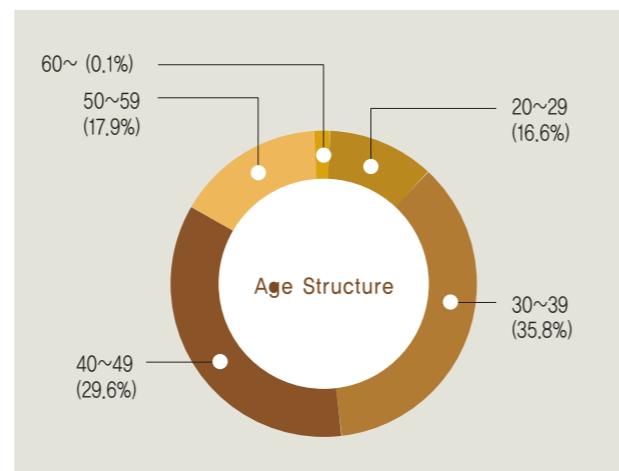
As of the end of 2005, 1,845 people were employed at KOSEP. This figure includes all personnel in Samchunpo, Younghueung, Yuhsoo, Bundang, and Yeichun as well as the Headquarters located in Seoul. The total number of employees has increased from 1,531 people in 2002 to 1,845 people in 2005, and the average continuance in the office is 14 years 11 months, exceeding the national average of 5.9 years and the separation rate has dropped continuously over the last three years.

Employment and Turnover Rate



Setting December 2005 as the base line, the age composition ratio is 20s (16.6%), 30s (35.8%), 40s (29.6%), 50s (17.9%), and 60s (0.1%), and the age of the youngest staff member is 22.

Age Structure



Current Employment Status

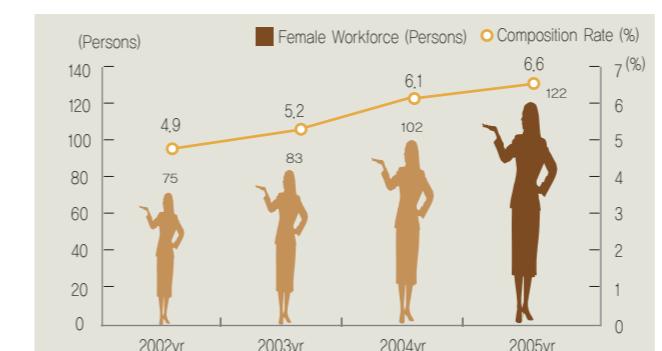
Category	2002	2003	2004	2005
Number of Employees	1,531	1,582	1,673	1,845
Job Creation Rate	-	3.33	5.75	10.28
Average Continuous Services in Year	15yrs 8mo	15yrs 10mo	15yrs 8mo	14yrs 11mo
Turnover Rate	1.18	0.95	0.84	0.70
Female Workforce	75	83	102	122
Composition Rate	4.9	5.2	6.1	6.6
Disabled Workforce	19	23	22	28
Composition Rate	1.2	1.5	1.3	1.5

Open Employment and Solution for Youth Unemployment

By implementing open employment, we have abolished educational background, major, and age restrictions and secured outstanding human resources. In particular, after the separation of the companies in April 2001, by employing 21% (314 people) at the Younghueung TPP construction site and extensions of equipment, we have contributed largely to the crucial social problem of youth unemployment.

Unprejudiced Culture for Both Genders

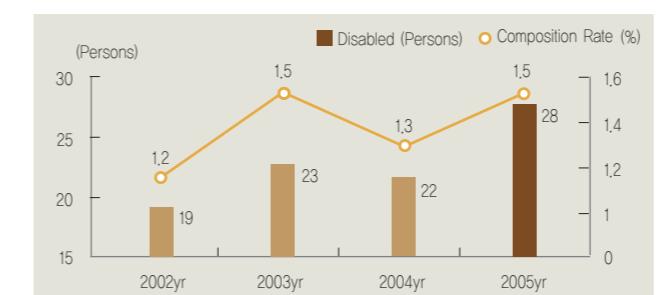
KOSEP pursues unprejudiced employment for both genders. By utilizing a female employment mark system to increase the number of female staff members, the current occupancies for female members are over 40% in the offices and 10% in the technical department. Thus, at the end of 2005, the component ratio of female members reached 6.6%, highlighting the recent growth in female employment.



In addition, to create a wholesome workplace and equal gender cultures, we have instituted a sexual harassment prevention guide, enforcing 1 hour of education per year, set up sexual harassment distress management procedures, and established an ombudsman and sexual harassment council.

Status of Employment for the Disabled

As of the end of 2005, the employment rate of the disabled was 1.5%, still short of the obligate employment rate of 2%. To increase the employment rate of the disabled, we will cooperate with employment promotion agencies for the disabled.



Interview

"Passion, catch me if you can~"

Headquarters, Information & Communication Team
Assistant Manager ■ Seung-Hee Shin



The fact that Assistant Manager Seung-Hee Shin became the company's first woman supervisor surely is the fruit of her 12-year-long efforts and definitely an astonishing performance in such a male-dominant area of the company. And yet she says she is not used to people addressing her as 'Assistant Manager'.

Saying "For the three months I was preparing for the test, I completely ignored the housework. Because the test is so hard, the staff call it 'the higher civil service examination', and without my parents, husband and parents-in-law, I wouldn't have made it," Assistant Manager Shin said, thanking her family for all their help.

Assistant Manager Shin, who wanted to do her best in every aspect and be an example to the junior staff members, showed her resolution saying, "I want to make the best information & communication team that can utter 'catch me, if you can'."

Safety, Health and Welfare

The corporate philosophy, respect for human beings, is the source of all management and happiness, which starts from the safety that safeguards the tranquility of one's body and peace in one's home. In addition, the health and well-being of employees are responsibilities of the company and can serve as essential elements in improving our competitiveness.

SAFETY

Establishment of the Namdong OHSM (Occupational Health and Safety Management) Model

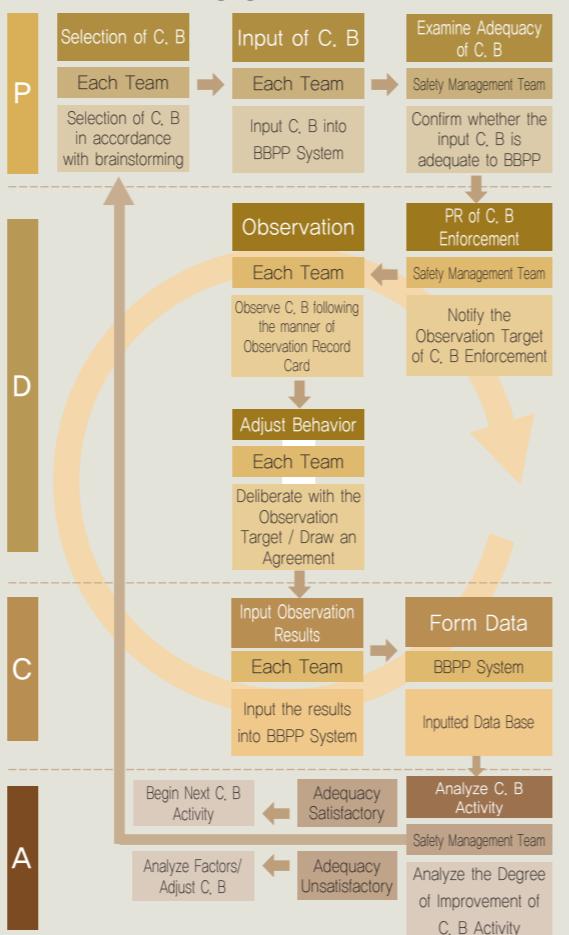
By establishing the Namdong OHSM model for the realization of a safety culture within the company, we have secured the unison of safety management systems in all power plants, built progression schemes in the field of safety following the KOSEP Way, and chose to present 10 main elements of safety management and related activity tools. We are forming the basis and realization scheme of safety management through the Namdong OHSM model's four compositions, foundation of self-regulated safety management, four main missions of safety management, and 10 core elements of safety management.



Introduction of Advanced Safety Management Technique "BBPP"

BBPP : Behavior Based Performance Process

"We won't engage unless it is safe!"



BBPP is the voluntary observation of unsafe acts and situations selected by the staff members themselves that will protect against dangers by determining unsafe elements and enhancing governing abilities. In addition, due to its voluntary nature, workers may improve their behavior patterns ultimately saving costs from injuries, and progress in human relations through this non-punishment process and development in communication.

BBPP, being a safety management technique that encourages continuous development in behavior in accordance with the PDCA cycle, has the following introduction effects: 1. induce voluntary participation following group activities; 2. able to correct habitual unsafe acts; 3. able to statistically analyze the outcomes; 4. able to analyze elements and give feedback; and 5. activate preventive safety management operations.

* C. B : Critical Behavior

Operating Committee of Industrial Safety and Health

Workers and offices of each power plant of KOSEP, including its Headquarters, in equal proportion have assembled a 'Committee of Industrial Safety and Health' which confers and inspects safety and health-related issues, and all deliberated, resolved, and settled issues are shared with members of staff through the company newspaper, intranet bulletin, or printed forms.

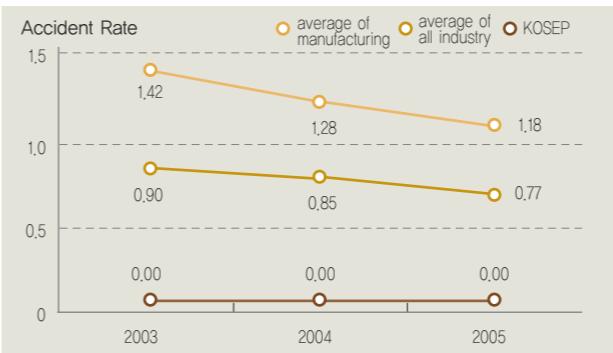
During the fourth quarter of 2005, the committee resolved to execute labor and management safety inspections according to practice and reflected this in the founding of safety management general planning, eventually joining the members in charge of safety management for both labor and management.

Safety Management Activities Assessment for Cooperating Companies

To plan prevention schemes by advocating safety awareness, securing equipment safely, and inspecting safety management activities, we are leading the improvement of safety management standards and self-regulated safety management among our cooperating companies by enforcing CSM (Contractor Safety Management) Monitoring.

Industrial Disaster Status and Accident Rate

With our efforts to prevent disasters and observing safety regulations by personnel and operators, all our power plants have carried on without an accident for three years. We are currently making efforts to make safe working environments and will continuously practice our preventive measures throughout our workplace in the future.



Safety and Welfare Manager Seminar

Purchasing Group Security Insurance

To assure a safe work life and prepare for unexpected incidents for all personnel, we have purchased group security insurance.

- Insurance Term : Aug. 31, 2005 – Aug. 30, 2006 (renewed every year)
- Guaranteed Sum : ₩100,000,000(maximum)
- Covered : Accident deaths and 6 others

HEALTH

Health Managing Service

For the health of our staff, we have strengthened the fixed-term legal medical examination and implemented an alternate year close examination; for field service workers in charge of equipment, we have implemented advanced diagnosis and medical treatments such as traveling clinics around the facilities, and self-regulated medical examination services.

In addition, to protect against harmful elements produced in the workshops, we have arranged an improvement program through workplace environmental assessment and constantly distribute protective tools, and also installed and operated high-tech equipment in the workplace, which provide systematic exercise programs and physical prescriptions to prevent muscle and bone-related disorders and other chronic diseases.

Workplace inspection	maintains first-aid kits, inspects the utilization of protective tools, and observes the health of shift workers,
Managing promotion of health	tests blood pressure, glycosuria, and cholesterol,
Health education	prevents occupational diseases, prevents and treats seasonal disorders, epidemics, and geriatric diseases. (posts information on bulletin boards, sends personal mail, invites outside instructors to provide education)
Healthy Physical Exercise	healthy physical exercises for preventing disorders of sinews and bone
Operation of self-diagnosis equipment at the workplace	body element analyzer, electrical manometer.

Improving the Working Environment

Through quarterly held joint labor and management conferences and industrial safety and health conferences, we are actively finding and improving all necessary changes in our working environment, and also by applying a healthy proposal system, we collect the suggestions of our personnel and immediately reflect them in improving our atmosphere. In particular, for comfort, we've installed bathing facilities and a gymnasium, and are doing our best to create the most pleasant work environment by periodically checking the levels of CO, CO₂, and HCHO in the offices.

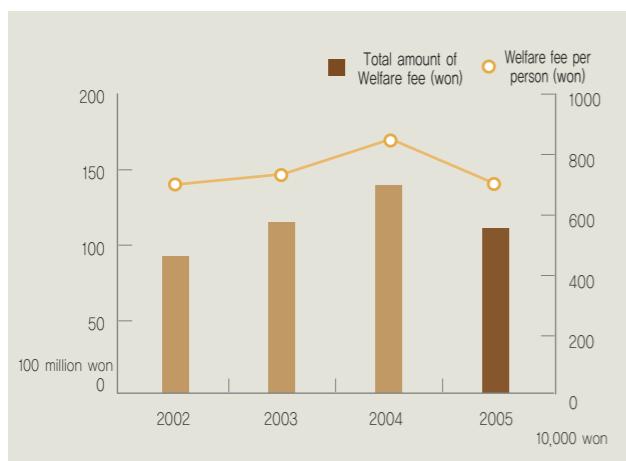
Welfare

Social Welfare

To enhance the welfare of our personnel and their families, we administer several welfare systems including a summer recreation center, training institutes, support educational expenses such as middle school, high school and college tuition, and support living expenses. This selection-oriented system satisfies all members of staff with different characteristics and situations. The social welfare fee for one person was ₩6,940,000 in 2005.

Transition of Welfare Fee

Contents	2002	2003	2004	2005
Total Amount of Welfare Fee (₩)	9.2 billion	12.16 billion	14.75 billion	12 billion
Welfare Fee Per Person (10,000₩)	710	735	850	694



Health Plaza



Namdong Well-Being Center

Activities of Association of Like-Minded Persons

Diverse Social Welfare Systems

Housing Support	Provides a private house, or boarding house (for away-from-home-workers); Supports house purchasing (₩50 million) and house renting (₩30 million); Runs rental houses and dorms
Social Welfare	Provides health care, provision of meals, transportation, etc; Aids with school expenses; Sponsors associations
Welfare Funds	Aids the stabilization of livelihood funds (₩20 million), college tuition, preschool education; Insured under group guarantee insurance; Provides holiday souvenirs
Health Care	Health inspections for employees and their families; Hospital expense discounts (Hanil Hospital)
Training Institute/Resorts	Runs training institutes (Sokcho, Suanbo, and Moojoo) and a summer recreation resort
Selective Support	One may freely choose from the options within the individual standard points (cultural activities, purchase of souvenirs, self-development fees, hospital fees, etc)
Boarding House	Operates boarding houses in Seoul for those who have children going to college in Seoul

Maternity Promotion Policy

As the female employment rate is increasing and birth rate is decreasing, we are quickly moving into an aging society. According to the '2005 World Population Statistics', our nation is showing the lowest birth rate (1.08) in the world, and a low birth rate can be just as problematic as a high birth rate. KOSEP, sincerely recognizing this social dilemma, has decided to actively participate in the government's maternity promotion policy and established a maternity subsidy system to enhance the welfare of our employees. The subsidy provides ₩0.5 million for a second child, ₩1 million for a third child, and ₩1.5 million for a fourth child and above.

Learning and Growth

We operate a variety of education and training systems for our employees' self-development and growth from their first day of employment to their retirement. With fair personnel management and multilateral assessment, we enforce ability and performance-oriented rewards.

KOSEP Professionalism

KOSEP has set its educational ideology as a 'global power enterprise creating the future', and established the following professionalism policy for systematic talent cultivation.

- Talent takes the lead in transition and innovation.
- Talent creates value by exhibiting originality.
- Talent presents competence and expert knowledge.
- Talent has both compassion and ethics.

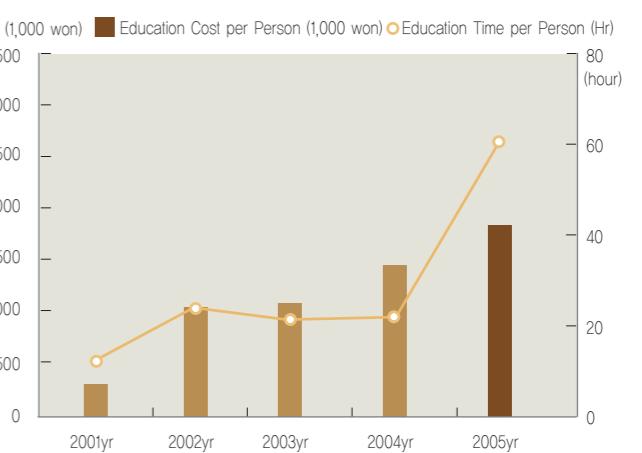
Expansion of Educational Training Investment

For the cultivation of talent, we are vastly increasing our educational investment and time. In particular, in 2005, the educational time and cost for one person was 61.4 hours and ₩2.03 million per year, which is a 269.3% and 23.9% up, respectively, from the previous year.

Educational Training-Related Alteration Transition

Sectional Cost	2001	2002	2003	2004	2005
Labor Preparation	0.63	2.38	2.25	2.77	3.26
Educational Training Rate (%)					
Total Educational Training Cost (Million)	334	1,753	1,903	2,736	3,746
Educational Training Cost Per Person (₩1,000)	214	1,145	1,203	1,630	2,030
Education Time Per Person (Hour)	12.7	25.2	21.7	22.8	61.4

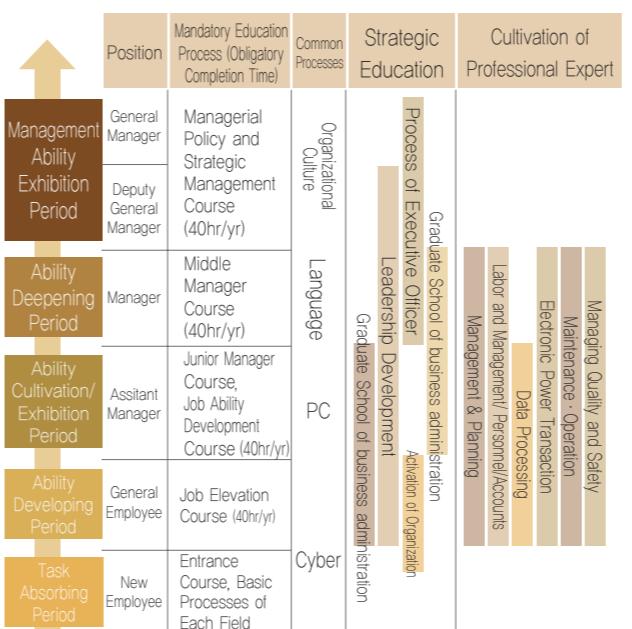
Education Cost per Person / Education Time Alteration Transition



Educational System

Talents are at the center of competitiveness, and a systematic talent cultivation program aids self-realization, ultimately functioning as a foundation for development. KOSEP has set obligatory education periods throughout the year and develops talents by instituting company-wide educational training systems, such as a required education process, strategic education process and expert cultivation process.

Company's Educational System



Strengthening Competence of New Employees

For early adjustment to the work environment and promotion of work abilities, we enforce 1-on-1 mentoring with senior employees and hold 1-year anniversary workshop for new employees to share knowledge and experience with others. Thus, we induce the development of potential and enhancement of competence in our new employees.

E-Learning System

For those who cannot take advantage of off-line education due to features of their work or location, we have established cyber institutions for languages, OA education, reading communication, ethics management, labor, etc, on-line, and trainees of 2005 are as follows.

Category	Language	Labor	Ethics Management	Management and Accounting	OA	Reading Communication	Total
Participant	593	289	1,057	328	317	373	2,957



Capability and Performance-oriented Culture

Through organizational and individual MBO (Management By Objectives), we disburse a piece rate of up to 200% of standard wages (up to 70% of the monthly salary for those who rank above chief director under the annual salary system); and for the 20 key positions of team leaders and chief directors, we imported public subscription to discover new talents and enforce ability oriented human resources management. In addition, by converting the current top-down personnel assessment paradigm, we perform multilateral and performance evaluations. Promotion is related to the performance and abilities of each individual under a transparent promotion practice, and any position assignment is decided abiding to the principles of 'right man in the right place', 'equal opportunity', and 'fulfillment of desires'.

Retirement Management Program

As we enter into an aging society, planning one's life after retirement is becoming more important than anything else. Thus, as part of our customized welfare system, we began operating various outplacement programs including re-employment, consulting with newly established businesses, expert lessons, etc., since June 2005.

Finishing Office Staff Shift Work Experience...

Moojoo Water Pump Power Plant, Department of General Affairs
Joo-Young Kim



As I was one of four new members, I received two weeks of power-generation training at the Korea Power Institution as part of the new employee entrance class education. KOSEP is a power corporation, but I knew nothing about power generation. However, during those two weeks, I attended classes with professors in the field of electricity and machinery, and started understanding more about electricity and the process of power generation. At the job site, we were shown and given explanations on the fundamentals of power generation, control room apparatuses, and electricity trading processes.

I once ambiguously thought during a difficult time, 'I wish I was part of the Power Team'. However, whatever work you do requires expertise and experience, and I was able to realize that only those who can overcome those limitations can become an expert in the field. In this manner, I thought that thinking in someone else's shoes could lead to a better working environment and ultimately a better power company.

Even though the experience ended quickly, I have learned that supplying power isn't only the responsibility of the Power Generation Department, but also all supporting personnel. By understanding and respecting each other, we can achieve the most important objectives of no accidents, no disasters, and a stable supply of electricity.

KOSEP's 3RD Group of Joining Members, be Ambitious to Become a Vital Part of KOSEP!

The Third Group of Joining Members' Workshop



We had the first-year anniversary of the third group of joining members' workshop on July 19th, 2005. The twenty or so representatives from each power plant and Headquarters honestly presented their stories and experiences as new employees drawing out laughter and laments. It was a chance to recover self-confidence, vitality, and aspiration as the beginning, and adjust their attitudes. As conversation with the CEO started, all of us including the CEO and staff members were able to share our thoughts. One of my colleagues from the Youngdong complex said 'today gave me a chance to learn why I came to work here even though it's exhausting and demanding', and added that the future work life will be more meaningful than before.



Communication

A cooperative labor and management relationship based on trust is built through active communication with staff members. The rapport between the company and employees, and labor and management built through a variety of communication systems becomes a vital asset for sustainable management.

Status of the Labor Union

KOSEP Labor Union was established on July 24, 2001 having its main office in Seoul and branch offices in Samchunpo, Youngheung, Youngdong, Bundang, Moojoo, and Yeichun; it is also affiliated with a public confederation under the Korea Confederation of Trade Unions. We operate ‘joint labor-management conferences for the entire company’ with the CEO and Chairman of the labor union present, and ‘joint labor-management conferences of establishments’ with the chief managers and chairmen of the branch offices present. At the end of 2005, 1,264 people were registered as union members, and registration criteria was set through collective agreement, with subjects based on those below the 5th position, 3rd rank.

Labor Union

Year	Headquarters	Power Plant	Total	Members	Joining Rate
2002	42	903	945	945	100%
2003	43	900	943	943	100%
2004	63	1,146	1,209	1,209	100%
2005	62	1,202	1,264	1,264	100%

Guarantee of Practical Freedom of Association and Right of Collective Bargaining

KOSEP Guarantees practical freedom of association and right of collective bargaining, and through the National Labor Relations Act and the labor union, every employee is allowed, from the first day of employment, to become a member of an association; this excludes a portion of the executive officers.



Joint Labor-Management Conference



Soccer Competition between Labor & Management

Activation of a Labor-Management Communication Channel

The CEO actively audits policy suggestions and problems through e-mails and a hotline, and key managers visit power plants and hold management explanatory sessions to build trust between labor and management, and on the other hand, through ‘Namdong’s Event Days’, ‘labor-management soccer competitions’, and other various labor and management bonding events, we improve teamwork and owner-consciousness. In addition, through joint labor-management conferences (held four times a year) and labor-management open discussion fairs, we offer opportunities to explain investment plans and management performances, and collect everyone’s suggestions, reflecting them in our main management policies.

Operation of an Employee Problem Resolution System

To resolve employee discontents and problems, we have elected two problem resolution committeemen from the labor and management sides of each establishment, and prepared separate offices for counseling and problem solving. The labor union is utilizing their internet homepage and discussion times with the labor union Chairman to collect suggestions about union management and to accept problematic matters. For reference, a total of 42 items were discussed at the joint labor-management conference in 2005, and the results were shared with all staff members through the internal homepage, ‘Labor-Management As One Plaza’. From new to veteran employees, we continuously collect suggestions through our Ombudsman at the times of transfers.



‘Labor and Management As One’ Plaza

Members’ Participation Program for Communication Activation

PROGRAM	MISSION	Subjects	Operation Cycle	Main Contents
Neo-BOD *	Discovery of young and innovative employee's ideas → fast reflection in main management policies	10 to 15 members in their 20s and 30s below manager level	Once per Month	- Office Term : 1 year - Direct notification of innovative management improvement ideas to the management
Joint Labor-Management Conference	Discuss pending problems such as welfare and working conditions, Search for a developmental direction	User : 7 people including the President 勞工 : 7 people including the Chairman of the labor union	More than Once per Quarter	- Obligating legal installment - Discuss the welfare system, etc.
Power Plant’s Social Gatherings	Promote developmental plans relative to Power Plant’s characteristics, Discuss labor-management’s pending problems	User : More than 3 people including managers 勞工 : More than 3 people including the labor union Branch Chairman	More than Once per Quarter	- Apply JLM regulations - Improve working conditions and welfare facilities
Industrial Safety and Health Committee	Discover and improve dangerous elements, health inspections of employees	Same no. of people (under 10) from labor and management	Once per Quarter	- Identification and early removal of harmful environments and their elements
Management Vitality Communication	Discuss and improve departmental and Power Plant’s problems, Organization revitalization and creation of a coexisting corporate culture	All members of staff	Held when needed	- Discuss uncomfortable and problematic work issues - Establish a trusting and cooperating culture

* Neo-BOD (Neo Board of Directors) : An innovative organization for enhancing understanding about management and strengthening work competence of young and creative employees by determining ideas in the standpoint of managers and directly applying them in practical business affairs.

Publication of Corporate Newspaper ‘Hannamjeon’

KOSEP, for the first time as a power enterprise, published its company newspaper ‘Hannamjeon’ which functions as a communication channel for employees scattered throughout our power plants. In particular, the family inquiry section ‘Family Propose’ contains popular stories on the daily lives of happy families; Hannamjeon is sent to families of each staff member, contributing to their loyalty to the company. For those who haven’t received the publication or outside stakeholders, we also publish it in e-Book form on our homepage.



Company Newsletter [Hannamjeon]

Inspection and Results of Employee Satisfaction Levels

We annually inspect and analyze employee awareness of and satisfaction levels with the company management and utilize the results to improve our systems. This survey type inspection is done through the company intranet and the main items consist of 11 categories and 61 items dealing with the company’s vision and management objectives, management innovation, task performance methods, communication, development opportunities, respect and trust between high and low-ranked staff members, personnel administration, payment, compensation, education and training, and working environment, etc. The overall satisfaction of employees has increased since 2004, displaying a more stable trend. We can deeply understand the awareness of our employees through these inspections, and are making efforts to address the company’s problems and resolve them through rational processes.

Outcome of Employee Satisfaction Assessment



Contribution to the Community



Growing happiness with togetherness, KOSEP is with you

Just as one person cannot live by himself or herself, a company cannot survive on its own. I see that endless concerns and supports of communities enable us to earn wider understandings and supports from more regional residents.

I have learned a lot through activities of Nanum Service Group. It was not like one of those community services where one visits an orphanage or an asylum for the aged, presents gifts, and brags about it, but a heart-filling service dedicated with an honest mind and one's own sweat. Isn't this what you call a beautiful world? Experiencing such a wonderful world has really energized me.

– From 2005 Stories of our Volunteer Activities –

With Customers

Contribution to Communities

Partnership

With Customers

To enhance customer satisfaction with the power market, we have grasped demands and requests from a variety of customers and reflected them on our management to sustainably grow with our customers.

Power Market Structure and Definition of Customers

Power Market Structure

Our domestic power market obligates electricity generating companies and electricity selling companies to trade electricity in the power market in Electricity Business Act. Thus with other power generating companies(4 thermal power companies and 1 hydro & nuclear power company), our company sells our entire produced electricity to KEPCO through Korea Electricity Exchange, and KEPCO sells it to the people, end-users through a power distribution network. In such a market structure, KEPCO holds overlapping positions being both our customer and a single stockholder who inspects our management performance.

Definition of Customers

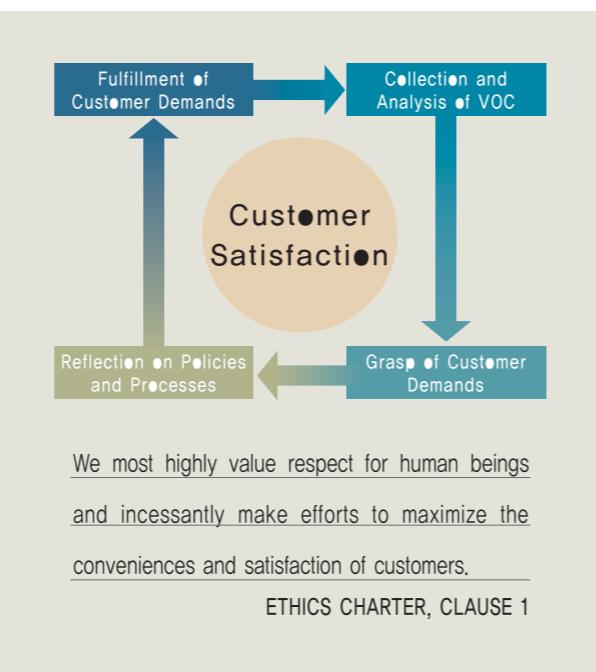
By reflecting the structure and characteristics of the power market, we have defined Korea Electricity Exchange that is supplied with electricity directly from our company, and KEPCO that serves end-users with electricity as the first customers, and end-users who purchase electricity from KEPCO and stakeholders associated with our power generation processes as the second customers.

Classification	Classification Criterion	Sub divisional Customers	Customer Characteristics
The First Customers	Marketing Subject	KEPCO/Korea Electricity Exchange	Electricity purchase/ Market operation, Management inspection
	Citizens		End-users of electricity
	Government		Policy-making, inspecting and regulating
The Second Customers	Electricity consumers and stakeholders of power generation processes	Employees (internal Customers)	Company management and generation of electricity
	Communities		Foundations of constructing and operating power plants
	Business Partners		Suppliers of materials and service (collaborating companies), Investors

System for the Promotion of Customer Satisfaction

We are enhancing customer satisfaction by fulfilling customer demands. We collect the voice of customer (VOC) actively through the system for hearing opinions suitable to customers, analyze and understand customer demands and reflect them on corporate policies and decision-making processes.

KOSEP, Continuously Growing with Customers



Collecting Voice of Customer and Grasping Customer Demands

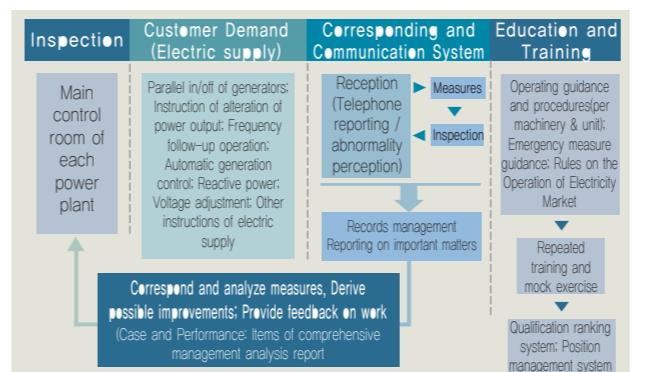
Our company grasps customer demands through the following variety of methods and reflects them on our customer satisfaction management .

Classification	Customer Classification	Methods for Grasping Demands (VOC)	Customer Demands
The First Customers	KEPCO/Korea Electricity Exchange	General stockholders' meeting, Directors' meeting, Conclusion of management contract, Instructions of electric supply	Stable supply of low-cost, quality electricity, Fair operation of the market
	Citizens	Civil appeal, Consumer organizations, Reporting of the press	High-quality, low-cost electricity
	Government	Work reporting, Work meetings, Satisfaction survey	Stable supply and demand of electricity, Management efficiency, Observance of the laws and regulations, Promotion of the public interest
The Second Customers	Employees (internal Customers)	Grievance Procedure System, Meetings between labor and management, Self-reporting system	Promotion of the wage and welfare, Granting opportunities for self-development
	Communities	Gatherings with local residents, Status presentation, Satisfaction survey	Preservation of environments, Contribution to regional economies, Development of regional cultures
	Business Partners	Gatherings with collaborating companies, Satisfaction survey	Fair business trade, Collaborating relationship

Reflection of Customer Demands

Identified customer demands are categorized by their specifics and reflected upon our operations through established procedures. The following is an example of reflections of customer demands related to the supply of electricity, specifically our corresponding processes to the instructions of electric supply from our customer, Korea Electricity Exchange.

Case1 Corresponding processes to the instructions of electric supply from Korea Electricity Exchange



Case2 Reflection of Customer Demands during the Construction of Youngheung No.1&2

Main Highlights of the Construction of Youngheung No. 1 & 2

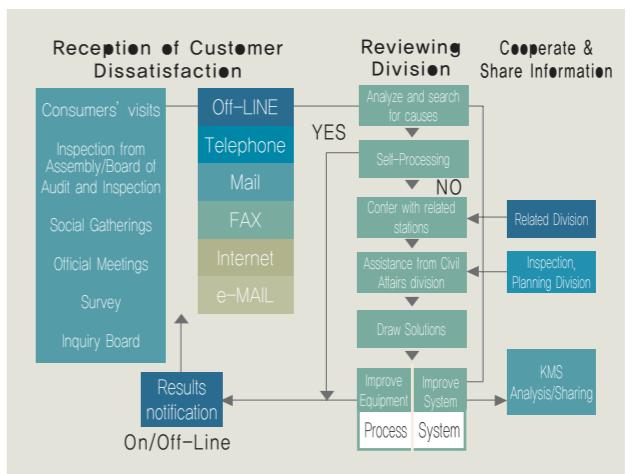
- Built the Korean-style standard model of the national first large-scale coal power plant (800MW)
- National best level environmental equipments installation: Desulfurization and denitrification equipments, and electric dust collector
- Constructed the Thermal Power Project Control System(TPCS) for the first time as a power company
- Standard efficiency increased by 3.3%, and profit increased due to increased output
- Epoch-making reduction in construction cost (₩1,450,000/kW to ₩1,140,000/kW)
- Epoch-making contraction of construction terms (No.1 : 3 months, No.2 : 5 months)



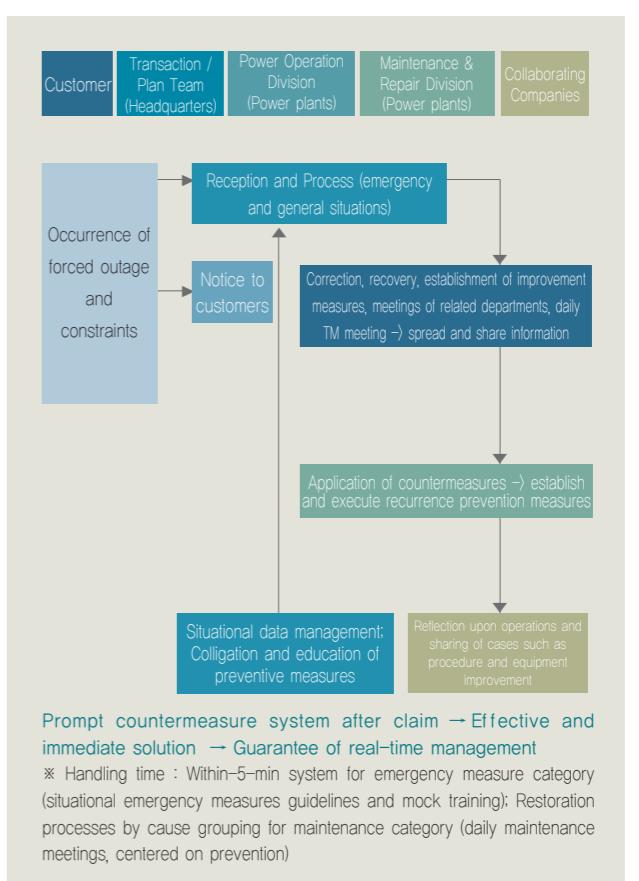
Youngheung #1,2 Construction Project Performance	Characteristics	Reflected Contents of Customer Needs
Location: Youngheung-myeon, Ongjin-gun, Incheon	Close to the metropolitan area where demand is high	Stable supply to the metropolitan area
Facility Capacity: 800MW/Unit x 2	National biggest thermal power plant capacity per unit	Possible stable supply through mass production
Fuel: Bituminous Coal	Chear, abundant, and many lines of supply	Security of economic efficiency
Facility Betterment: Total of 106 betterments	In possession of state-of-the-art construction skills	Forming the foundation for production of high-quality electricity
Estimation Deduction: ₩492.1 billion deduction from total estimation	Maximum utilization of accumulated construction skills	Deduction of electricity production cost due to deduction of construction cost
Man Power: Operated 500MW-level personnel	Increased manpower and technology	Improvement of construction skills through experts
Progress: Reduction of term in Management correspondence to progression	Computerization and systematization of progress management	Possible early supply of high-quality electricity

Customer Dissatisfaction Resolution Process

Customers' dissatisfaction items are received via our on-line VOC system and off-line proceedings of customer interaction departments, and are promptly solved and analyzed through One-Stop Service and inspection, civil appeal, and related departments, and recurrence prevention plans are established and operated.



Case In case of occurrence of troubles with electric supply



Civil Appeal Resolution System and Disclosure of Information

Foundation and Operation of Customer Consultation Office and Inquiry Board

We have constructed a prompt resolution system for power generation-related questions by founding a customer consultation office on our website to increase citizens' understandings about it. Also we have instituted an inquiry board to make efforts for the resolution of civil appeals.

Disclosure of Information

We have designated persons in charge of public announcement for each managerial category to provide the newest information timely, and disclosed systematic information by 'information disclosure standards'. Also to fulfill our citizens' right to know, we have built our 'information disclosure homepage' to expand user-centered information disclosure, and implemented information-user satisfaction surveys to provide customized information reflecting customer suggestions.

Customer Satisfaction Survey

To promptly and accurately take in customer needs, we actively learn their demands through our on-line customer consultation office, and through our inquiry board and ethics management hot-line, we collect inconvenient and dissatisfactory issues from customers; we've also instituted an information system that connects to representatives of each interested field to facilitate information gathering for customers. In addition, through quarterly meetings with collaborating companies, we discover dissatisfaction issues and use them to make improvements.

We periodically conduct a customer satisfaction survey through related institutions and collaborating companies to facilitate enhancement of corporate image and spread our customer centered management activities performances.

Contents of survey given to related institutions (government, assembly, press, and academics) consisted of 23 items including business interaction, business satisfaction level and corporate image; Contents of survey given to collaborating companies consisted of 50 items including business interaction, business satisfaction level, corporate image, and contract-related operations; we have sent out questionnaires to 450 institutions and companies for this survey.

Satisfaction Level of Business Processing

Comprehensive satisfaction level of our company's business processing increased by 0.4% compared with last year.

Collaborating companies gave much higher points this year, but related institutions gave out lower scores than the year before revealing needs to enhance relation management about policy customers.

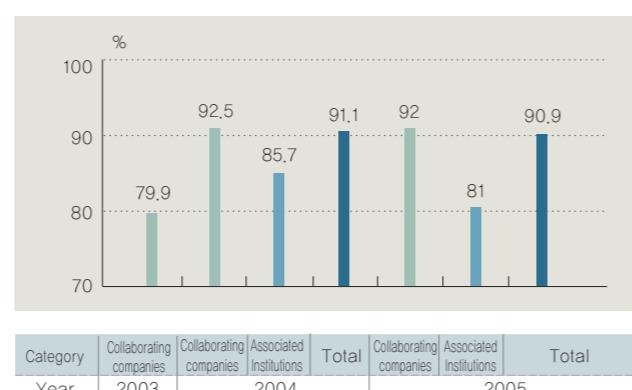
Satisfaction Level of Business Process



Corporate Image

Our corporate image has turned out to be relatively unchanged since the year before. Again, the collaborating companies showed similar results whereas the related institutions showed rather low preference. As claimed above, we feel the need to strengthen relations regarding policy customers and plan to achieve it by policy customer-centered PR activities.

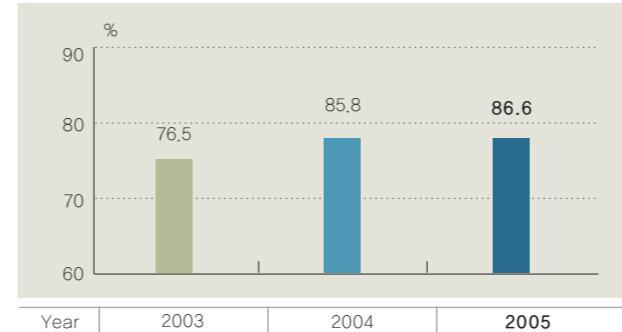
Corporate Image



Satisfaction Level of Contract Operations

The result of satisfaction level of contract operations of collaborating companies rose by 0.8% since last year being 86.6%.

Satisfaction Level of Contract Operations



We will share information such as corporate image and business satisfaction levels with our personnel, and, as for the area of contract, we will continuously contrive optimal complementary measures within the range allowed by laws and regulations to derive better survey results in the future.

Customer Satisfaction Enhancement Plan

Field	Execution Plan
Supplementation of Customer DB	<ul style="list-style-type: none"> Supplementation of emphasized customer DB <ul style="list-style-type: none"> - Contract-related enterprises - Assembly, press, etc.
Enhancement of Business Satisfaction Level	<ul style="list-style-type: none"> Promotion of promptness of work and improvement of business kindness such as responses on phones Enhancement of satisfaction level of all contract-related processes Security of information disclosure methods and sufficiency Improvement of effectiveness of integrity pacts Increase in satisfaction level of term and procedures of construction inspection Simplification of contract and delivery-related document and procedures
Improvement of Corporate Image	<ul style="list-style-type: none"> Active practice of customer satisfaction management Enhancement of corporate image through strategic PR Improvement of ethics awareness

For Safe and Convenient Electricity Use of Consumers



Support to Replacement of Internal Wiring



Support to Replacement of Electric Equipment

KOSEP is replacing or repairing electrical equipments including incident-prone wires, various switches, short-circuit breakers, electric outlets, etc for families with low living standards or senior citizens living alone; we also are engaged in various electricity safety campaigns and electricity saving campaigns.



Energy Saving Campaign

Contribution to Communities

KOSEP, as a corporate citizen who grows together with communities, will create a loving society through participating in community services and sharing happiness and hardships with our communities.

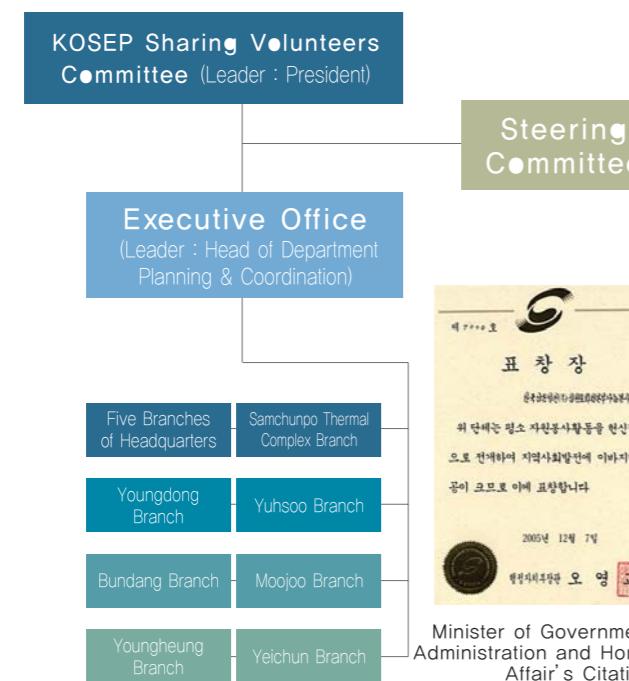
Social Contributions of Sharing and Participation

Establishment of Nanum Service Group

We are instituting active community services to share warmth and hope with our neglected neighbors. We wanted to revolutionize our previous fragmentary and once-off events of community services into continuous and more systematic activities to offer more practical sharing management; therefore, we established the Namdong Nanum Service Group on September 15, 2004, composed of 72 service teams in 12 power plants.

Our Namdong Nanum Service Group set 'Love together in a warm world' as its motto, instituted a 'Hold love account movement' which is run by donations from the 'Matching Grant' and 'Sharing Fund' systems, and established a team dedicated to contributing to communities, developing various programs and supporting their needs.

Nanum Service Group Organization Chart



Fields of Social Contributions

For higher contribution efficiency, we are promoting five established fields of contribution as follows:

Fields of Activities	Detailed Contents
Corporate Mecenat	Support of the fields of culture, art and academics
Young talent development	Support of the fields of science, technology, education, and physical education
Social Welfare	Support of orphanages, asylums, welfare facilities, rehabilitation facilities, etc.
Preservation of Environments	Cleanup of mountain, river, and ocean areas, etc.
Disaster Relief Activities	Support of damages caused by typhoons, earthquakes, storms, tsunamis, fires, etc.

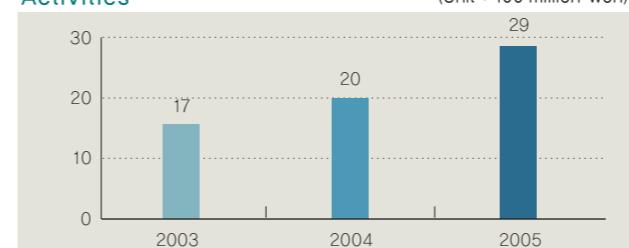
Active Operation of Nanum Service Group through a Strengthened Contribution Infrastructure

To raise the self-esteem and participation awareness of employees, we introduced a paid leave system for volunteer workers, reflecting the degree of contribution as one of the assessment elements for the 'Award of Namdong Person', the company's best ranking class, award power plants which practiced exceptional contribution activities at the end of the year, and reflect contribution performance records on our comprehensive mileage system to activate our contribution activities through an infrastructure by institutionalizing social contributions.

2005 Cost Execution Results of Categorized Public Contribution Activities



Yearly Cost Execution Results of Public Contribution Activities



enhancing the volition of children with leukemia. With close cooperation from regional police substations and fire stations near our power plants, we have formed 'Night Watchmen' who perform patrolling and joint operations around the vicinity and carry out the overall activities of 'My Town, True Love' movements including electrical equipment inspections. Our members willingly participated in natural disaster relief activities, and organized nature recovery activities together with environmental groups.

Development of Regional Economies Deliberating on their Characteristics

Formation of Regional Clusters

We have contributed to the balanced development of communities by forming regional clusters according to their characteristics with the nearest power plant supporting each of them.

Cluster	Specialized Activities (Effects)	Cluster	Specialized Activities (Effects)
Sea Love (Samchunpo)	Farming with warm water (₩520 million)	Fresh marine products (Yongdung)	Homepage support (increased users)
Apples, Honey (Yeichun)	Special products sale (₩15 million)	Sea Village Love (Younghheung)	Created a sea farm (₩1.2 billion)

Supporting Regional Specialty Businesses by Utilizing Idle Plant Facilities

We provided an operating tunnel built during the construction of the Moojoo water pump power plant to the forest association of Moojoo-gun for wine storage, creating about ₩100 million in profits for regional residents.

Contribution to Regional Economies

We are leading the development of regional economies and solving the needs of regional residents by hiring regional talents as a priority through giving advantages, hiring regional laborers for the construction of facilities, and purchasing items from regional companies.

(Unit : million won)

Categories	2004	2005	Categories	2004	2005
Hiring residents	7,309 persons	14,262 persons	Purchasing materials	7,329	25,141
Ordering constructions	8,370	15,497	Tax payment	13,196	10,589



Formation Ceremony of Nanum Service Group



Award of an Appreciation Plaque



Planting Hope Trees for Children Suffering from Leukemia



Help in Flood Recovery

Power Plant of One-Firm-One-Village Sisterhood Relationship

For the first time as a power company, all the power plants as well as Headquarters have established a 'One-Firm-One-Village Sisterhood' with 73 villages nationwide leading a 'Love Farm Village Campaign', by helping to expand markets for a region's special products, and are currently developing the establishment of a 'Sea Village Love Sisterhood'.



Power plant of One-Company-One-Village Sisterhood



Support Harvest



Power plant of Sisterhood with Sea Village

Corporation Mecenat Activities

Supporting Regional Cultures and Art Activities

We are making efforts to stimulate cultural and art activities around the complexes by supporting the World Dinosaur Expo in Gosung (Samchunpo) and Youth Integrated Art Festival in Gangreung, and holding literary festivals for elementary, middle, and high school students who need support. We have also organized a music group consisting of our staff members and hold 'Summer Night's Concerts' for welfare facilities and various feasts for the elderly and periodically open singing classes, which are very popular with the regional residents.

PR Hall as the Mecca of Regional Culture

Strategic utilization of the PR halls of our establishments is fulfilling its role as centering cultural and art activities and providing a cultural space and pleasant resting facilities. Additionally, for smooth support of logical regional cultural events, we have established and operated cooperating standards.



Exceeded 2 Million Visitors at
Moojoo PR Office



Appreciation Plaque for Supporting
Dinosaur Expo in Gosung

Details of Support for Cultural and Art Events in 2005

Power plant	Contents of Support	Support Amount(₩)
Samchunpo	World Dinosaur Expo in Gosung	71 million
	Literary festivals	18 million
	Lying Dragon cultural festivals	25 million
Younghheung	Younghheung's 'Big Catch' events	2 million
	Regional cultural events	36 million
	Activities in local autonomous centers	18 million
Youngdong	Gangreung's Tano festival	5 million
	Gangreung's youth integrated art festival	13.5 million
	Education by experience	3.5 million
Yuhsoo	Regional cultural festivals	4 million
	Folk Recreation festival	1.5 million
Moojoo	Students' Integrated Performance Contest	10 million
	Supported Firefly Festival	2 million
	Jeoksang People's Day Festival	4 million
Yeichun	Yeichun folk recreation	5 million
	Yangsoogol Art Garden	20 million



Literary Art Festival



Visiting Concert

Volunteer Work of Employees

KOSEP's Nanum Volunteers are joined by all members of staff, leading public service activities and 1,836 persons (participation rate: 99.5%) have enlisted in a volunteer donation fund, Nanum Fund, and 10,969 persons (Activity tally: 930 times) participate in public service activities annually.

Activities of Nanum Volunteers

Year	No. of Activities	No. of Participants	Note
2003	120	1,320	-
2004	320	3,170	Activity : 270%↑ Participant : 240%↑
2005	930	10,960	Activity : 290%↑ Participant : 350%↑

Development of a Unique 'Neighbor Love'

By fully reflecting the regional properties and given conditions of nationally scattered power plants, we are developing unique public services with our employees.

Power plants	Locations	Specialized Activities
Bundang, Yuhsoo	Inner city area, Industrial estates	Focus support for poor areas and broken homes
Youngdong, Younghheung, Samchunpo	Tourist attractions, Sea villages	Restoration after natural disasters and protection of the environments of tourist attractions
Moojoo, Yeichun	Inland, Farm villages	Helping out with farm work

We are participating in the 'Foreign Laborers' Benefit' movement, expanding our sponsoring of the 'working poor class' who receive relatively feeble help from the government, and mainly subsidizing unauthorized facilities where financial support is rather undersized. We also established sisterhoods with various community facilities for the ill-fated, periodically offering public services, and every year we invite foreign laborers to join us at a 'Sharing Holiday Happiness Event'. We are continuously implementing services for senior citizens who have no one to rely on, giving out free meals and baths, and photographing them for portrait scroll.



Public Service Activities in Education



New Year's Event for Foreign Laborers



College Scholarship Transmission Ceremony for Children in Periphery of Plants



Sponsored Educational Books



Public Service at the House of Rafael



Photographing Portrait scroll for Senior Citizens without Families.

Fostering a Beautiful 'Donation Culture'

We are continuously forwarding the 'Sharing Surplus Goods Movement' which helps the poor by donating unused goods in our homes and delivering items to welfare facilities, as well as actively participating in 'Blood Donation Events' together with the labor union. We are also accumulating points in the Nanum Fund through the 'Coin Collection of Love Movement', reserving funds from corporate credit cards, and remaining points from public welfares and sending them to a community chest.



Blood Donation Activities



Assisted Bethany Town

Protection of the Environment

We are either independently or in collaboration with regional environmental groups carrying out natural ecosystem preservation activities by feeding wild animals during the winter, reviving fireflies, taking care of rivers by a one-firm-one-river scheme, and cleaning mountain and sea areas.



Oceanic Environment Purification Activity



Installation of Artificial Bird Nests



Conservation of Nature Activities of the Women's Association



River Purification Activity During National Water Day

Stories of our Volunteer Activities



Find out more Volunteer Activities on our web-site
(www.kosep.co.kr)

Publication Comments

Praying for the Formation of a Warmhearted Society

"Unrewarding service not only makes them happy, but ourselves, too." (Gandhi)

Are you happy, now? Happiness is not far away. If you have shared time with the Nanum Volunteers, I believe you are embracing a small happiness within you.

Established in September 2004 with 'Love of collaboration and warmhearted society' as its corporate slogan, the Nanum Volunteers have created so much happiness like Gandhi's quote above. The 72 teams in 12 regions especially practiced true sharing with affection by reaching out to regional societies and neglected neighbors, nurturing them on site. Not just one time or only talking, but the active participating achievements of the Nanum Volunteers created emotions above physical donations.

Like the verse in the Bible, 'Do not let your right hand know what your left hand does,' true service shouldn't be revealed, but since the service itself is happiness, I feel that sharing it can be meaningful.

Here, by meeting 18 valuable joys, we realize the vast amounts of love small but loving concerns can harvest. In addition, I hope that the consistent practices of the Nanum Volunteers become the organizational culture of the company.

First Prize

Public Service with my Family

Dept. of Power Gen / Hyeon-Tae Jin

Due to corporate policy, I started a public service with half ill will, but it has become an important opportunity not only for me but my family, too. I did my first public service at 'Bob-peo' near Cheongryangri Station with the least of intentions. Everything was unfamiliar and awkward at first. Frankly I felt the situation was dirty, but as time passed by I was embarrassed due to the honest work of people with smiles on their faces. Later, our department moved our service area from 'Bob-peo' servicing normal people, to 'Bethany Town' for the disabled, which was a place in need of true support.

Now that I think about it, I was trying to avoid reality in the midst of the mental suffering of the elderly and children. However, through a number of public services, my doubts in associating with them effortlessly disappeared. It may be possible through a one-time public service, but I understand that being on the receiving end of the setting through continuous public service is more effective. In addition, these services offered my daughter and myself the opportunity to mature a bit more.

Appreciation Note

To President Hee-gap Park

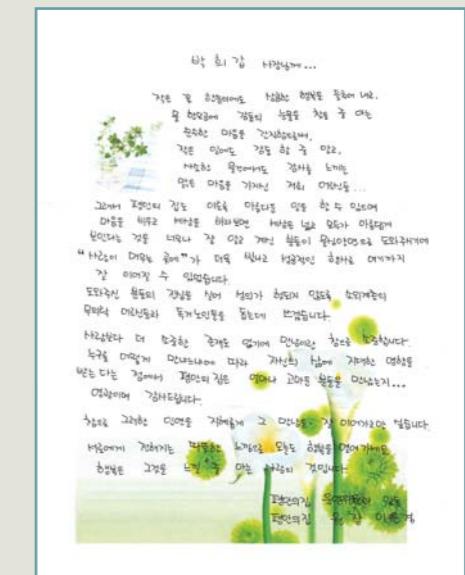
House of Peace, Steering Committee/President of the House of Peace, Eun-geyং Lee

Able to uncover happiness even from the tiniest of flower blossoms, and by embracing the purest of heart that finds poignant tears from a mere sip of water, sirs who have genuine hearts that appreciate the most insignificant...

That is how our House of Peace could carry out these beautiful works of service, and because of the support granted by people, who know with an open mind and perception, the world is more beautiful, we were able to strive to this stance through successful events.

To not squander your support in vain, we will use it to help the elderly without families and living alone, with sincerity. There's nothing more significant than meeting them. Stressing the fact that those you meet and how one meets others may change one's life, the House of Peace is honored to have met you and we thank you.

We wish to continue this karma with prudence. Start the day with a warm feeling of happiness. Happiness is for those who can appreciate it.



Assisting Operations on the Peripheral Regions of our Power plants

This is an operation that is based on vicinities within a 5-km radius of our plants, and contributes to the development of communities and promotes understanding of the power industry, as well as planning and improving smooth management and power sources. The types of operations include increasing income, building public facilities, education, sponsoring of residents' welfare, corporate attractions, support for power rate, and special support.

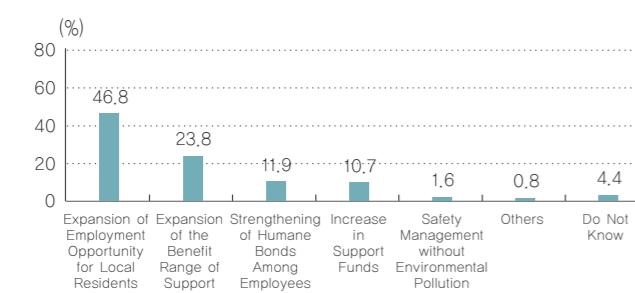
Status of Recent Operations

Category	2001	2002	2003	2004	2005	(unit : million won)	
						Total	
Increasing Income	399	400	885	3,089	1,756	6,529	
Public Facilities	2,950	2,863	2,156	1,688	2,249	11,906	
Education	1,432	1,556	1,407	2,377	2,013	8,785	
Resident Welfare Support			150	150	300		
Corporate Attraction	520	520	520	260	260	2,080	
Special Support	227		19,014	7,800	10,000	37,041	
PR	230	233	185	340	200	1,188	
Subsidiary	49	59	54	43	44	249	
Total	5,807	5,631	24,221	15,747	16,672	68,078	

Surveying the Regional Residents

We performed surveys on residents who were more than 20 ages within a 5-km radius of our power plants on December 2005, to execute a strategic contribution to community activities by monitoring our performances and analyzing and supplementing them.

Residents' Demands

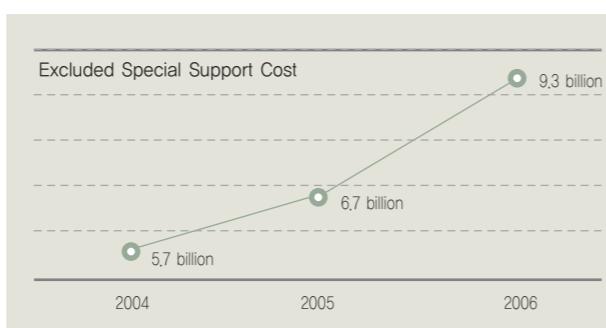


Based on the results of residents' demands, we have initiated a revision of the regional support operation law and incorporated these demands into our operations, and in the future, these will surface through various activities.

Initiation of the Revision of Support Operation Laws

Due to leading revision suggestions about related laws that greatly benefit the regions near our complexes, the supporting sum has increased by 39% from the previous year, and we enabled the residents to receive more practical benefits such as additional sponsoring for public welfare operations.

Transition of Fund Increment for Assisting Operation



Interview

"So many more conveniences."

Chairman of village headman's committee, Yeongheung-myeon, Ongjin-gun, Incheon Bong-Seon Kim



Unlike before the completion of Youngheung Bridge, when we had to cross the river by ship, the fact that we can do that by car now is the greatest benefit. We also cannot overlook the fact that due to the high inflow of residents, schools that were on the verge of being integrated or closed are operating normally with better educational conditions.

In addition, our residents received an increase in income due to savings on transporting farm crops out of here and higher income from stimulated tourism. So many more conveniences were provided to our residents.

* The construction of Youngheung Bridge linked to the construction operations of the Youngheung Plant along with SunJae Bridge cost ₩170 billion and opened on November 15, 2001.

Partnership

KOSEP has imported a Compliance Program and reorganized customer-oriented processes regarding the extension of electronic bidding and other procurement duties, to ensure transparent and ethics management by creating just and free competition features. Following the formation of a social response of co-existence and development in partnership, we have introduced and executed various systems regarding SMEs for developing in partnership with collaborating SMEs.

Introduction of Compliance Program

To abide by fair trade-related regulations, KOSEP has established and operated an internal law-observance system consisting of education, inspection, etc., to exhibit clear standards of conduct, prevent violations, and discover infringements in advance and find corresponding countermeasures to comply with fair trade laws for its employees.



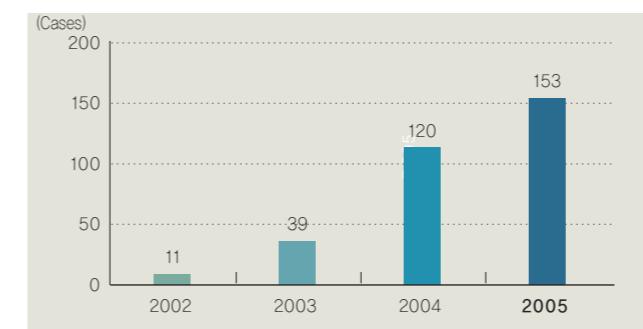
Expansion of the Material Ordering Advanced Notice System (MOANS)

KOSEP has been practicing MOANS since 2002, and since July 2003, we have expanded the range and activated contract-related information release by providing yearly ordering plans about general construction projects over ₩300 million, and specialized construction work, as well as services and purchases of equipment worth over ₩100 million.

Content of Yearly Material Ordering Notice

Category	2002	2003	2004	2005
Cases	11	39	120	153
Amount (100 million won)	873	3,371	8,279	4,017

Transition of Yearly Notification Cases of Material Orders



Promotion of the Elimination of Visiting Tenderers

We have started to purchase construction agreement under ₩100 million, which previously were promoted through small sum private contracts, via e-commerce to sublate visiting tenders, and simplified tender-related applications by receiving them via fax or e-mail rather than the previous visit-and-submit way, ultimately to minimize unnecessary visitors and impose advance notice systems for all visitors.

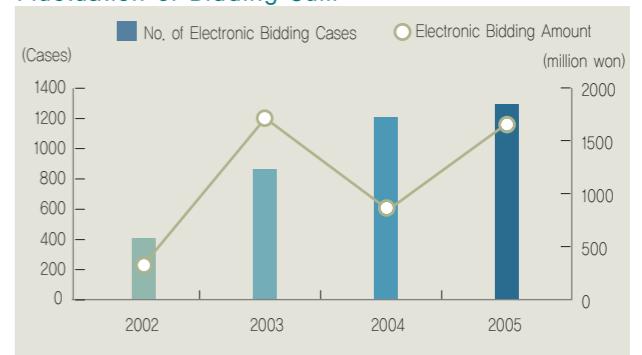
Expansion of E-Tender and Improvement of Bidding Methods

To secure transparency on contract businesses and optimize customer expediency, we are broadly executing an e-tender system for the entire contracting and bidding processes, and also contriving fair transactions through improvements of the bidding method, reduction of particular standard items, easing of entry for new enterprises, and comprehensive purchase of common items throughout all power plants.

Transition of Execution of Electronic Bidding

Category	2002	2003	2004	2005
No. of Contract Cases	1,138	1,291	1,297	1,394
Electronic Bidding	392(34.4%)	856(66.3%)	1,254(96.7%)	1,320(94.7%)
Total	1,051	1,700	797	1,791
Contract Amount (million won)	259(24.7%)	1,621(95.3%)	761(95.5%)	1,729(96.5%)
Electronic Bidding				

Transition of No. of Electronic Bidding Cases/ Fluctuation of Bidding Sum



Improvement of the Procurement Process

In times of inflation, we have eased the conditions of contract price adjustment, preventing drawbacks for our 660 or so collaborating companies, and instituted a quarterly e-workshop to collect and alleviate any inconveniences; we have also published newsletters on the field of supply operation, providing information such as particular system improvements, bidding information, and information regarding SME assistance at all times.

Revision of the Screening Criteria for Commodities Purchases

We have revised the screening criteria for successful purchase bidders by granting additional points to enterprises hiring disabled people or females or SMEs, to expand bidding opportunities, and have also eased the assessment criteria of management conditions so that financial rates and credit assessments can be reviewed; we have increased selection standards from 75 to 85, enabling the acceptance of bids at reasonable prices, prevented insufficiencies due to low bids, and planned healthy management.

Administration of Special Conditions on Contracts to Support SMEs

In order to contribute to national economic growth through co-existence and co-development with SMEs, we are administering special conditions on contracts such as granting priority purchase rights to SMEs. The contents of these special conditions include purchasing the products of SMEs before any other collaborating company and granting priorities in the selection of subcontracting enterprises.

Non-stop Procurement Information Disclosure due to the Publishing of a Newsletter

We have minimized inconveniences to other enterprises by periodically providing bidding and order-related information on the company newsletter and boosted satisfactory levels of collaborating companies to lead in creation of co-existing corporate culture. The contents of the newsletter includes introductions of system improvements, subjects regarding SME support and key bidding information, and many more.

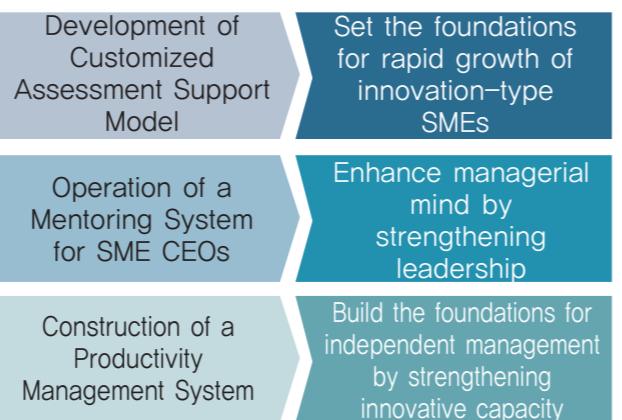
Securing Business Transparency with Happy Calls

After the delivery of goods or after inspections of completed constructions, our principal staff members carry out monthly inspections on all our business acquaintances and actual conditions and inconveniences of our business operations to enhance the chasteness of our operations and enable the reflection of any discontents in our system improvement process.

Supporting SMEs

To meet government policies of co-existence among enterprises, we established an SME-supporting organization in 2004 and made efforts to achieve practical and comprehensive support in the areas of cooperative R&D, transfer of skills, market assist operations, management consulting, and cultivation of technology innovation, basically from the foundation of a SME to its sufficient business transactions. In particular, we introduced a customizing comprehensive support program, KSPP, for the fast growth of technology innovation-type SMEs; we have successfully developed a new model for supporting SMEs.

SME Support Success Model



We will continuously expand our SME-supporting operations and enforce practical assistance to form the basis for co-development.

Scales of SME Support Business (Unit : 100 million won)

Supporting Field	2004	2005
Technology and Management Improvement	-	1.4
Development of the Market	-	1.4
Collaborate Research Development	3.5	7.0
Purchase of Products of SMEs	617	4,163

Main Achievements and Outcomes of SME Support Business

Improving the system for SME Support

- Improvement of the system reflecting the results of SME-centered surveys
- Cultivate gas turbine core part localization enterprises as strategic core enterprises
- Promote example business of outcome sharing for the realization of mutual win-win strategy.

Inherit Technology Holdings and Support Early Industrialization

- Operate company-wide structure of free support of expert technology, ND Technology Supporters.
- Free inheritance of highest number of patents/expert technologies among power companies.
- Success of early industrialization of enterprises which inherited company holding expert technologies.

Utilization of Outstanding Developments and Support in Market

- Expand purchase of outstanding products of SMEs compared in 2004
- Hold SME products exhibition and workshop
- Support marketing the broadcasting of 'Small but strong enterprises' in outstanding Maeil Economy TV

Produce Success Model of SME Support

- Develop cultivation program (KSPP) of technology innovation-type SME model.
- Develop mentoring system for SME CEO's
- Develop PMS program for strengthening competence of SME's management innovation. (PMS : Productivity management system)



"Support SME" Campaign

For Supporting Safety Management of SMEs

Opened Educational Arena for Safety Experience in Youngheung Complex

As one of disaster prevention activity, Safety Experience Educational Arena was erected to better understand the importance about safety through personal experiences and to find effective disaster prevention activities together with the company and laborers. The educational arena opened free of charge to support safety management of construction contractors and collaborating enterprises participating in the construction of #3, 4 of Youngheung Plant as well as SMEs within the Gyeongin Province.

Also, the educational arena built to enable 30 or so types of safety experiences including safety belt experience zone, dropping object experience zone, and electric shock experience zone, and the realism of the situations offers opportunity for vivid and ambient experience.

Educational arena contributes in preventing industrial disasters in advance by educating all laborers participating in the construction of Youngheung Thermal Plant in addition to members of the staffs of SMEs in the Gyeongin Province.



Completion of Educational Arena for Safety Experience



Congratulatory Address of Educational Arena for Safety Experience



Exposition of Educational Arena for Safety Experience



Example Show of the Safety Belt Experience

Preservation of the Natural Environment



Vivid dream by KOSEP, it is hope for the next generation

We will lead conservation of nature and preserve earth for the future generation by actively practicing environment-friendly management including establishment of advanced environment-friendly management systems to minimize the impact to nature and environment and building pro-environment facilities in harmony with nature.

Environmental Policy and Objectives

Environmental Management System

Environmental Impact and Performance

Preservation of Global Environment and Climate Change Convention

Environmental Policy and Objectives

KOSEP is well aware of the fact that minimizing environmental impact concomitant with business operations and expanding in harmony with nature are responsibilities of an enterprise. We are building a transparent environment-friendly management system by systemizing performances and conditions of our operations ever year, establishing environmental objects and practices, and periodically performing inside and outside inspections to validate our practical effects.

Environmental Policy

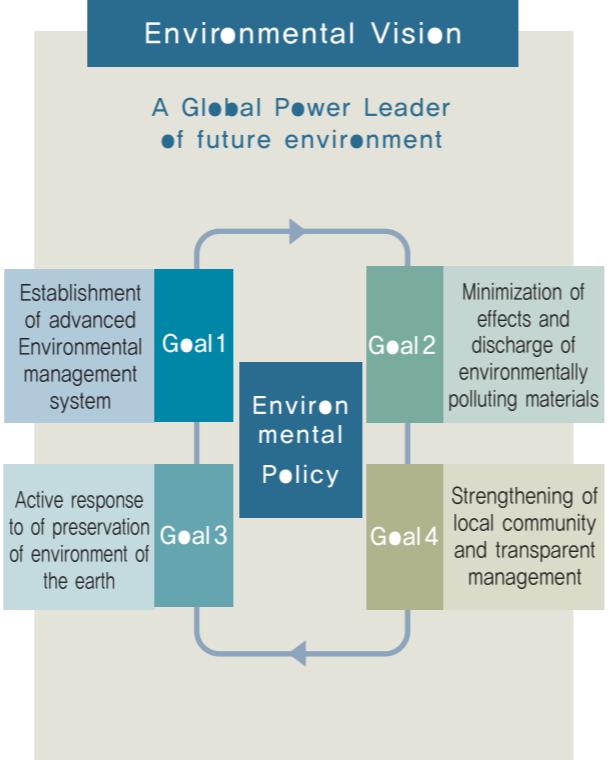
KOSEP as the supplier of generative power of a nation's industries, in producing electricity and constructing power plants, will proclaim the realization of a Global Power Leader that leads the future environment based on corporate doctrines, deference for humanity, preservation of nature and contribution to community and establishing the 7 environmental policies as operational index, will build a foundation of continuous development.

7 environmental policies

- In order to minimize environmental impact, an advanced environmental system is established to continue environment-friendly activities.
- In order for power facilities to blend in harmony with the environment, we will support preservation acts and apply techniques of advanced nations to create amiable environments.
- Actively participate in government's policies for the preservation of global environment and set environmental goals to pursue.
- Fulfill company's social responsibilities by establishing environmental goals that can pull out a win-win situation in both the corporate activities and the environment.
- By saving resources and minimizing waste disposal while maximizing recycling, contribute to prevention of environmental destruction and form resource-circulating type society.
- To strengthen the relationship with neighboring power plants, make effort to coexist and co-prosper through supporting cultural activities.
- To create a new corporate image through transparent management, open environmental information to the public and actively adopt their opinions.

Environmental Objectives and Index

In order to realize the environmental policies, we are making our best efforts to be a Global Power Leader who leads future environments in harmony with natural environment and executing preventive measures for environmental protection by setting the following objectives and index. Especially, the established objectives and index in tune with sustainability management globalization have been accomplished early on due to advanced management.



Environmental Objectives Promotion Performances

For spontaneous environmental progress, we have established environmental objectives and set associated detailed missions and medium and long term indexes. As a consequence, we

have attained the highest quality management performances by not having a violation record for the last three years, in addition to early achievement of partial indexes.

Objective	Detailed Missions	Promotion Performance
Construction of Advanced Environmental Management System	Build environmental management system <ul style="list-style-type: none"> designation of environmentally friendly company Attain ISO 14001 	<ul style="list-style-type: none"> Yuhsoo Thermal Power Plant was appointed as an environment friendly enterprise three years in a row. Youngdong TPP selected as environment-friendly company: first in nation as a coal-driven complex ISO 9001/14001 comprehensive post inspection (Samchunpo, Youngheung, Yuhsoo, Bundang)
Minimization of Pollutant Emission and Its Impact	Establish and practice futuristic objectives <ul style="list-style-type: none"> Benchmark advanced nations' environmental indexes Establish long term objectives for 2010 and 2015 	<ul style="list-style-type: none"> Set 11 Environmental indexes Early achievement of SOx, NOx long term index
Atmosphere management	Atmosphere management <ul style="list-style-type: none"> Install high-efficiency desulfurization/denitration equipments Use of low-sulfur fuels and optimization of combustion operations 	<ul style="list-style-type: none"> Completion of Samchunpo desulfurization and denitrification equipments Commenced Youngdong's advanced facilities
Water quality and Oceanic Environment management	Water quality and Oceanic Environment management <ul style="list-style-type: none"> Apply deep tap water Control toxic substances and oil leakage 	<ul style="list-style-type: none"> Promote installation of seawater desalination equipment using thermal discharge water Discharge young fish for protection of ocean and marine resources
Recycle wastes and control its production		<ul style="list-style-type: none"> Contract MOU Create large-scale demand and supply of coal residue
Consider CO ₂ emission reduction	Consider CO₂ emission reduction <ul style="list-style-type: none"> Enhance thermal efficiency and use new and renewable energy Save resources and energy use Increase LNG and pump water 	<ul style="list-style-type: none"> Expand new and renewable energy development (RPA mark : 0.34%) Promote ESCO and VA agreement Promote energy saving activities across the entire enterprise in preparation of high oil prices.
Active Participation in Global Environment Preservation Acts	Consider strategies like Kyoto Mechanism <ul style="list-style-type: none"> Secure emission trading and forest emission authorization Analyze international trend and government policies 	<ul style="list-style-type: none"> Commence water pump power plant CDM business service Form and run power industry countermeasure team Register for greenhouse gas reduction business
Strengthen Communal Relations and Transparent Management	Strengthen communal relationship <ul style="list-style-type: none"> Support cultural events, etc. Maintain contact with environmental groups Supply park areas by expanding greens 	<ul style="list-style-type: none"> Join environmental groups, visit foreign facilities, sponsor environmental events, and provide information Awarded an appreciation plaque from regional environmental groups
	Enhance corporate image with transparent management <ul style="list-style-type: none"> Actively supply environmental information Real time transmission and run electrical bulletin board 	<ul style="list-style-type: none"> Issue and distribute environmental news for each establishment TMS real time transmission and open atmospheric density through EBB

* RPA(Renewable Portfolio Agreement)

* ESCO(Energy Service Company)

* VA(Voluntary Agreement)

* CDM(Clean Development Mechanism)

: New and Renewable Energy Development Contract

: An enterprise which invests in energy saving facility taking place of the energy consumers and recollecting the investment funds from the ensuing reduction cost.

: Voluntary agreement of energy savings

: A system which an advanced nation invests in a developing nation and being acknowledged of the ensuing reduction portion of greenhouse gas.

Environmental Index Data and Accomplishment Diagram

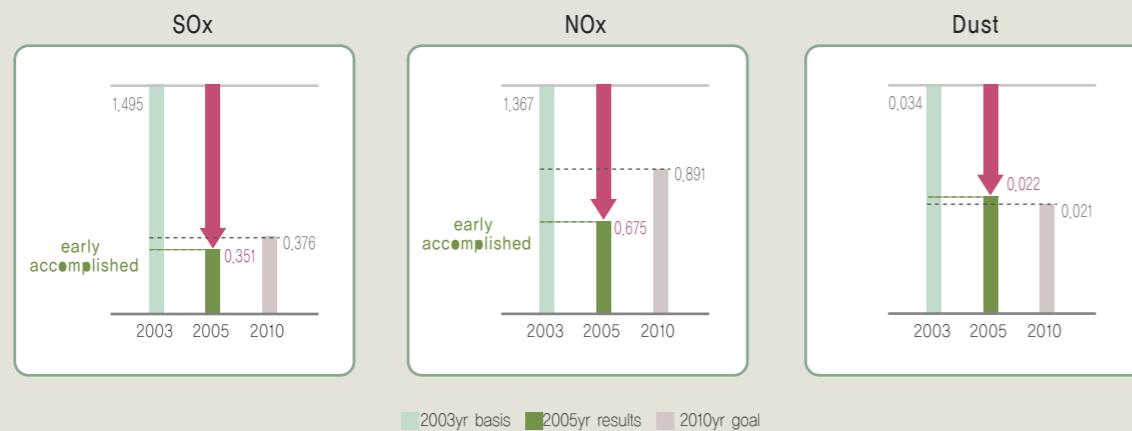
Category	Unit	2001	2002	2003	2004	2005	2010(Goal year)	Objective Accomplishment Rate*	
Input (Thermal)	Coal	1000 ton	9,854	9,416	10,092	11,772	14,138	18,980	74.5%
	Oil	1000 kl	644	557	427	688	436	160	36.7%
	Gas	1000 ton	613	606	598	654	672	720	93.3%
Rate of usage of water supply	ton/GWh	85.0	85.0	85.0	131.3	144.7	138	95.4%	
Heating effectiveness	%	38.67	38.84	38.22	38.76	38.92	39.73	98.0%	
Electricity Rate in a power plant*	%	4.23	4.18	4.23	4.59	4.79	5.04	95.0%	
Capacity of newly recycled energy	kW	—	—	400	411	624	28,600	2.2%	
Basic unit for CO ₂	kg-CO ₂ /kWh	0.803	0.804	0.821	0.813	0.819	0.780	95.2%	
SOx	g/kWh	1.345	1.380	1.495	0.967	0.351	0.376	change target figure due to early accomplishment (0.376~0.333)	
NOx	g/kWh	1.067	1.092	1.367	0.860	0.675	0.891	change target figure due to early accomplishment (0.675~0.641)	
Dust	g/kWh	0.104	0.114	0.034	0.023	0.022	0.021	95.5%	
By-product Recycling Rate*	% (Ash/Gypsum)	59.2/100	67.4/100	77.9/100	67.2/100	54.8/100	70/100	78.3%	
Rate of Green	%	22	23	23	24	24	25	96.0%	

* Electricity Rate in a power plant : Amount of electricity consumed by supplemental equipments (water pump, coal transporting apparatus, etc.) in a power plant.

* By-product Recycling Rate : Recycling rates of coal residues and desulfurization gypsum.

* Objective Accomplishment Rate : Degree of accomplishment in 2005 compared to the intended year of 2010.

In the atmospheric field, we have achieved early accomplishment of medium and long term environmental index by completing desulfurization and denitrification equipments.



Based on the early accomplished index of 2005, we will newly establish and revise the environmental index for 2010, building environmental strategies for sustainable management.

Environmental Management System

KOSEP has proclaimed its vision as 'realization of a global power leader leading future environments' and established and operated seven environmental policies and four environmental objectives, and promoting to attain quality-environmental management system ISO 2001/14001 authentication and safety and health management system KOSHA/OHSAS 18001 authentication, and Environment-Friendly Enterprise.

Environmental Management System



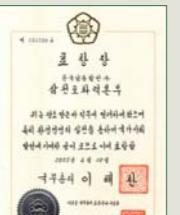
Outside Assessment Regarding KOSEP's Environmental Management

Having to expand the will of environmental management across the power plants and attempted to function as an environment-friendly company, Youngdong complex has been selected as an environment-friendly company by the government and Yuhsoo complex was selected three years in a row. Also the large scale desulfurization and denitrification equipments of Samchunpo and its assiduous environment-friendly operations were recognized and awarded comprehensive first prize held by

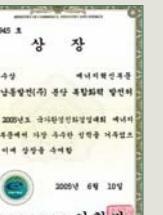
the Ministry of Environment in 2005. By applying ESCO operations and natural lighting equipments, and other new technologies, Bundang complex received first prize in energy innovation category in the Environment-Friendly Management Awards.

Selected as Environment Friendly Enterprise

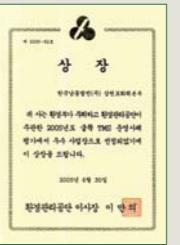
Establishment	Newly Designated Day	Redesignated day	Designated day of validity
Yuhsoo TPP Three years in a row	'97.12.15	'06.01.19 (third consecutive)	until '11.01.18
Bundang MPP	'04.10.26	—	until '07.10.25
Youngdong TPP	'06.01.13	—	until '09.01.12



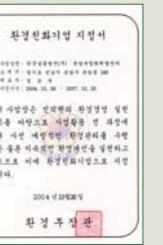
Comprehensive First Place in Environmental Management Award



National Environment Friendly Management Award



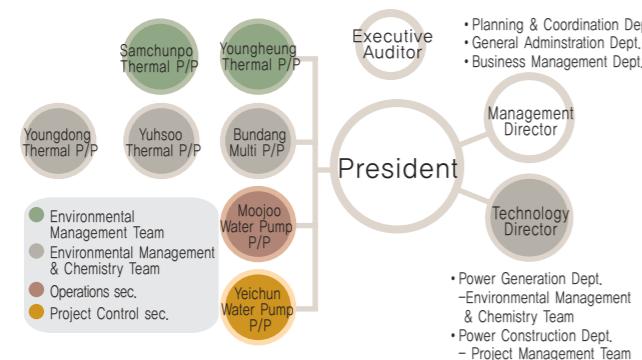
Excellency Award in Chimney TMS Management Case



Written Notice of Environment Friendly Enterprise

Environmental Organization in Charge

To perform higher level of environmental management, KOSEP is operating 96-persons-composed of a environmental responsibility group in headquarters as well as all Power plants. The Environmental Management & Chemistry team of the headquarters recapitulates minimization of environmental impact, preservation of global environment, contribution to local communities, and establishes basic direction of environmental policies and its management. The Environmental Management & Chemistry team of each power plant are in charge of establishing and executing environmental management missions and collaborate closely with departmental environment groups. Also, for more systematic management, we have selected and assigned 30 experienced workers as environmental supervisors in the fields of atmosphere, quality of water, wastes, toxins, and environmental impact assessment.



Environmental Audit

KOSEP selects internal auditors who are suitable with experiences and career records from every power plant and executes audits more than once in a year, and any irregularities found are immediately reported to relevant quarters for correction measures. Also we consolidate all acquired quality and environmental authentications from each power plant, run them through the authentication board of committee for objectivity and efficacy more than once in a year. In the future, we are planning to consolidate the total activities of internal audits of quality, environment, safety and health management system (ISO/KOSHA).



Authentication of ISO 9000 & ISO 14000

Environmental Audit

Environmental Cost

KOSEP, since its separation from KEPCO in April of 2001, has invested ₩389.7 billion in environmental development operations, and in 2004 spend ₩240 billion in environmental equipments facilitating early achievement of advanced nation-level environmental indexes. Last year's (2005) environmental cost summed up to be ₩62.4 billion (2.98% of sales) of which ₩32 billion was for equipment investment, ₩26.6 billion was for maintenance of equipments, commissioning, legal allotment and fees, and ₩3.7 billion was for environmental technology development including CO₂, new and renewable energy, and combustion techniques.

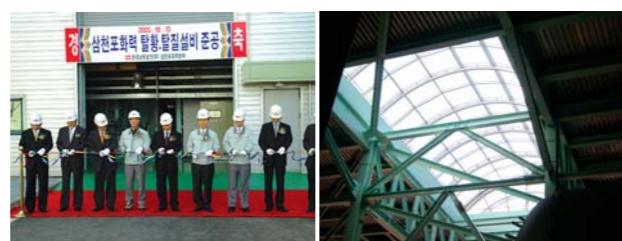
Environmental Cost in Recent 5 Years
(Unit : million won)

Category	2001	2002	2003	2004	2005	Total
Investment	3,392	11,775	7,542	241,222	32,053	295,984
Facility Operation	15,031	12,545	16,949	18,602	26,649	89,776
Technology Development	—	124	74	22	3,669	3,889
Total	18,423	24,444	24,565	259,846	62,371	389,649

Details of Main Investments in 2005
(Unit : million won)

Category	Investment Details	Amount
Atmosphere	Installation of desulfurization/denitrification equipments in Samchunpo complex. Replacement of Samchunpo TMS and Bundang meteorological observation equipments.	10,174
Coal Scattering	Replacement of coal unloader #1~4. Installment of coal yard dust protector.	15,193
Water Quality	Installation of ocean water thermometer in Youngheung and remote-watch system in Yuhsso.	391
New/Renewable	Installation of small hydro power and photovoltaic power systems, and natural lighting system in Bundang and Youngheung complexes.	3,106
Energy Savings	Reinforcement work on Youngdong combustion facility. Replacement of Yuhsso's No.1 HTR.	3,027
Wastes	molding of Samchunpo's Ash pond	162
Total	—	32,053

In the future, we will introduce an accounting system corresponding to cost classifications of the Ministry of Environment to analyze costs and financial effects of environmental management activities which can be provided as useful information for stakeholders and decision makers.



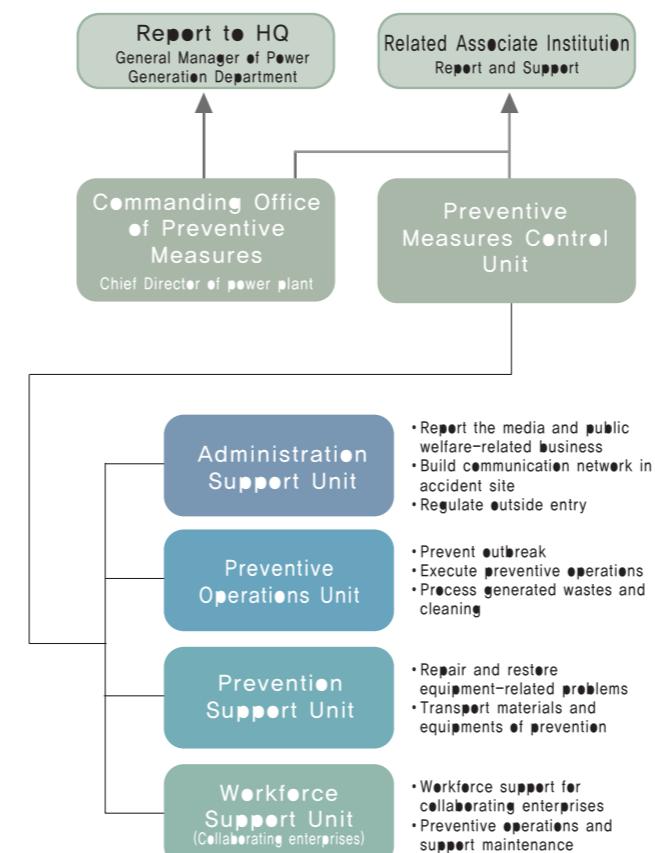
Completion of Desulfurization/Denitrification Equipment in Samchunpo

Illumination Equipment of Natural Lighting in Youngheung

Environmental Accidents Countermeasure System

We are making efforts to minimize the damages caused by unexpected leakage of oils and toxic chemicals and other emergency situations through assigning responsibilities and obligations to each office and systemizing fast and organized handling activities by training and educating our members in real situations.

Organization of Preventive Measures



Environmental Education

We bear in mind that the first step in taking social responsibilities is to have the entire members of staff to have environmental management-like minds and be aware of the importance of preservation of global environment; we are attempting to achieve it by various educations and trainings, and particularly focusing on expert development in climatic change countermeasures. Also, we have established case scenarios for unanticipated environmental incidents and prepared the entire staff for fast reactions through educational trainings more than once in a year.

Internal Education

Basic educations such as environmental management and Korea Power Learning Institute commissioned education etc.

External Education

ISO-related education, Education for cultivating Experts for Climatic Change Convention etc.

Training

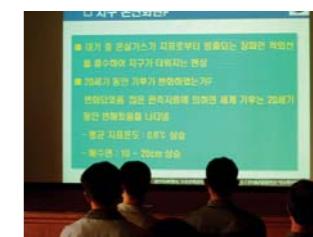
Hypothetical imitation training about environmental accidents.



Training Education of Emission Trading in Power Generation Category



Preventive Training of Oil Leakage



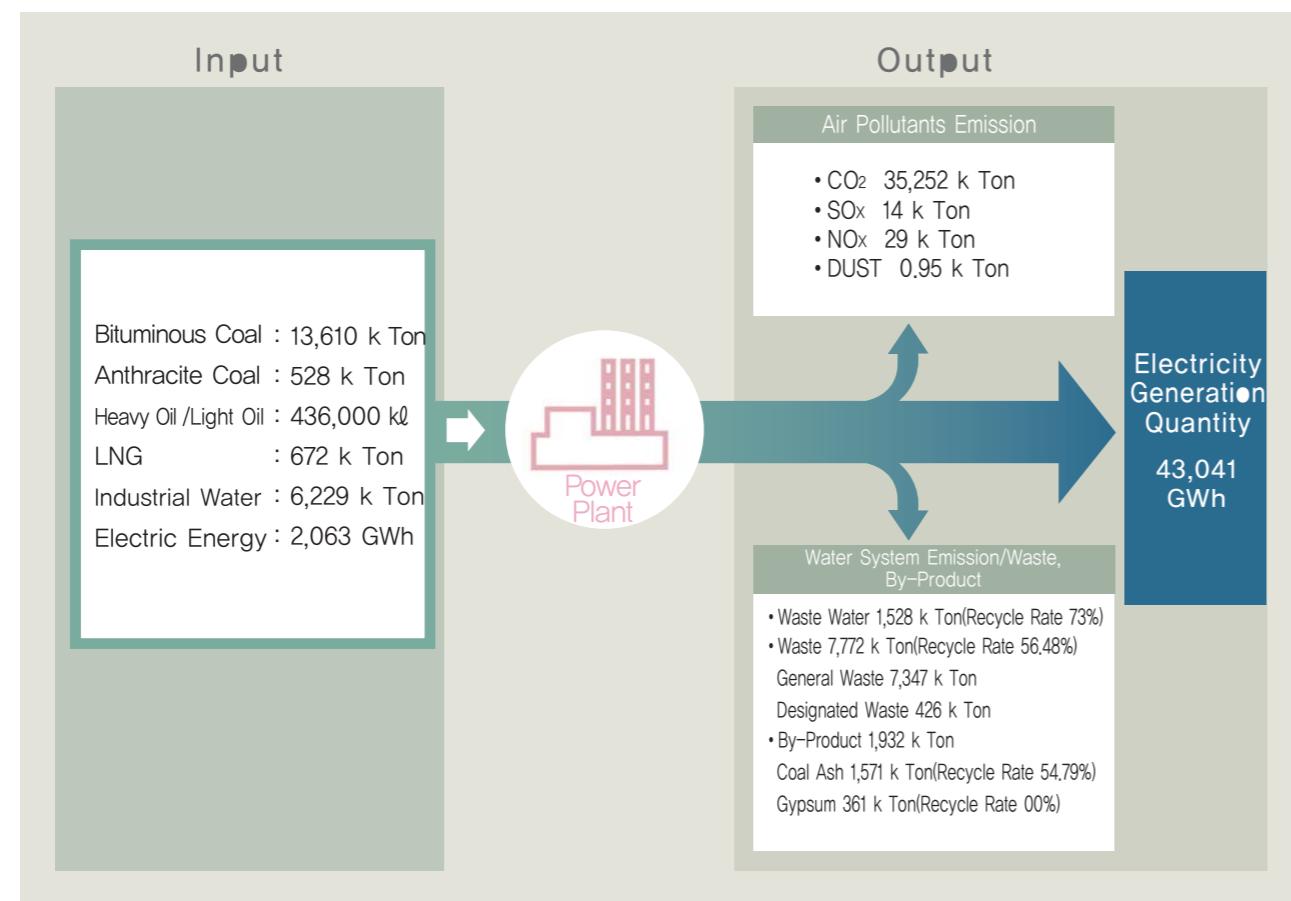
Education for Cultivating Experts for ISO14001 Education for Official in Charge



ISO14001 Education for Official in Charge

Environmental Impact and Performance

KOSEP's Input/Output Summary in 2005

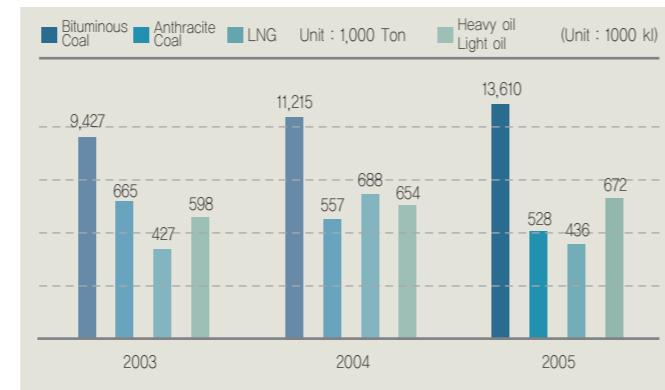


Management of Input Materials

Fuels

Since the completion and full operation of Youngheung complex in Dec. '04, the use of bituminous coal is continuously increasing, and because of low utilization of heavy oil-base, Yuhsoo complex due to increase in international oil price, the total usage of heavy oil has vastly decreased. Nowadays, the increased apprehension of supply and demand for various nations is leading to a war on resource security, and KOSEP is also participating in overseas exploitation of resources such as developing overseas bituminous coal mines to securely maintain supply and demand of fuels.

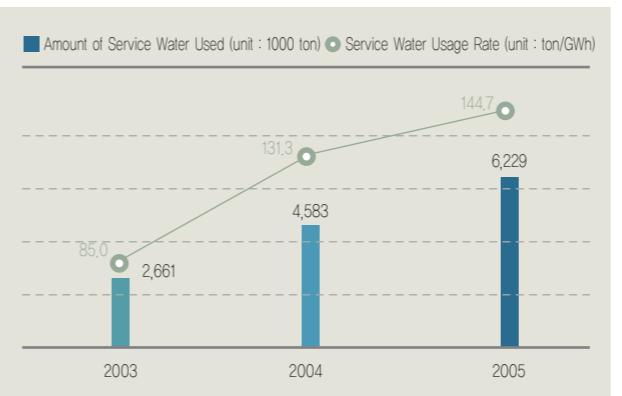
Fuel Usage



Service Water

Securing service water is a crucial requirement in power generation. Because we need a vast amount of service water in various fields, e.g. power generation service water which is used to make steam that runs turbines and generators, desulfurization service water which is used in desulfurization equipments, various drinking waters, and cooling water, securing sufficient amount of service water is a basis of power generation. Last year, due to completion of Samchunpo complex's desulfurizers No.1 through No.4 and Youngheung plant, the usage of service water is increasing, but we are making efforts on reducing the use of service water by raising the recycling coefficient. Particularly we are promoting the nation's first desalination equipment installation enabling us to get hold of over 10,000 tons of services water everyday.

Service Water Usage



Harmful Substances

Through producing service water and disposing boiler water, and operating denitrification equipments and waste water disposal plants, we are addressed to use small quantities of chemicals. These chemicals are lawfully managed abiding to MSDS* and Law of Harmful Chemical Material Control, and we are trying to reduce their usage through Membrane* technology and other advanced water disposal techniques. In 2005, the use of sodium hydroxide and anhydrous ammonia have increased due to completions of denitrification and desulfurization equipment installation in Samchunpo and Youngheung complexes, but the use of all boiler water disposal chemicals have decreased.

*MSDS(Material Safety Data Sheet)

: Instruction manual for safe use of chemicals that contains handling method, emergency measures, and noxiousness of chemicals.

*Membrane

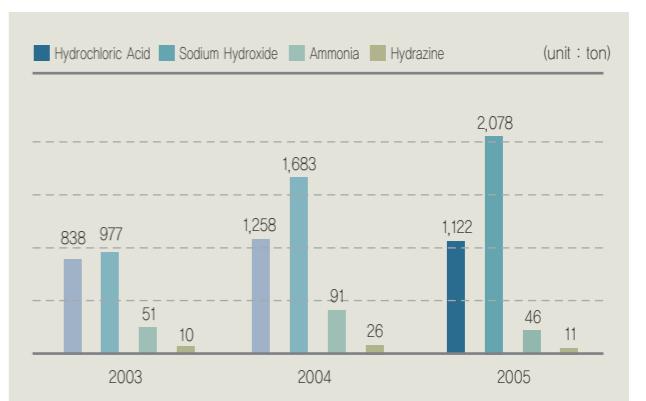
: Special film that can filtrate mixed gases and dissolved substances.

Quantity of Harmful Chemicals Used

Item	Purpose of Use	2001	2002	2003	2004	2005
Hydrochloric Acid	Pure water Production	758	696	838	1,258	1,122
Sodium Hydroxide	Pure water Production	903	1,083	977	1,683	2,078
Ammonia	Boiler Water Process	46	44	51	91	46
Hydrazine	Boiler Water Process	12	10	10	26	11
Anhydrous Ammonia	Denitrification Equipment	—	—	—	306	3,111
Methanol	Desulfurization Waste Water Process	—	—	—	—	73
Total	—	1,719	1,833	1,876	3,364	6,441

Energy

Except for our water pump power plants, KOSEP is one of energy-consuming-type of enterprises utilizing fossil fuels such as bituminous/anthracite coals, heavy/light oils, and natural gas. Therefore we are recognizing facility betterments primarily more efficient management, reduction of energy consumption, and development of new technologies as key elements of value management, actively reflecting them in our management strategies. Since steep increase in oil prices in August 2004, we have established and executed energy saving program succeeding to save about 16 billion, and for follow up measures, we have established 16 strategic missions to curtail emissions of greenhouse gas and similar pollutants through efficiency enhancement and energy savings.



Control of Emitted Substances

Emitted Substances in Air

Thermal power plants using fossil fuels produce atmospheric environmental substances such as SOx, NOx, dust, and CO₂. KOSEP, with advanced-levels of desulfurization/denitrification and other state-of-the-art environmental equipments, discharges much less than regulated by law, and by importing high-efficiency power generation technologies and through environment-friendly power sources, we are not driven by the regulations, but making efforts to create better environment with self-inflicted purposes.

Samchunpo TPP spent ₩ 240 billion and constructed desulfurization equipments No.1 through No. 4 and denitrification equipments No.3 and No. 4 vastly reducing air emitted substances. Compared to 2004, the quantified emission of SOx and NOx have decreased by 64% and 6% accordingly.



Desulfurization equipment

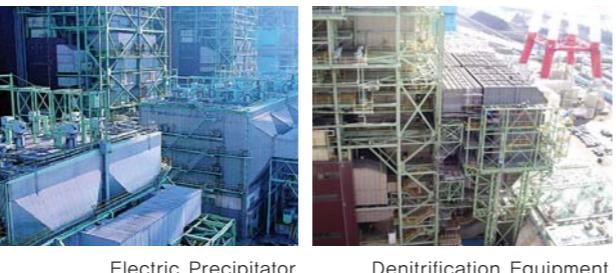
SOx

(year 2005)

Category	Sanctioned Emission Standard	Self Standard	Average Density	Prevention Facility
Samchunpo #1~4	70	55	20	Desulfurization equipment, Low Sulfur Combustion
Samchunpo #5,6	140	120	99	
Younghheung #1,2	100(70)	30	24	Desulfurization equipment
Youngdong #1,2	150	90	51	Desulfurization equipment
Yuhsoo #1,2	180	126	95	Desulfurization equipment

Younghheung TPP has the nation's only advanced singular capacity (800MW) coal-utilized power plant that took up 25% of the total construction cost. Especially the levels of quantified emissions of SOx and NOx are 49% and 29% lower than other domestic 500MW-level standard power plants.

In addition, the desulfurization equipments and activities of Task-Force team to reduce NOx emission at the **Youngdong**, **Yuhsoo**, and **Bundang** complexes are being operated at 40 to 50% of the allowed air emission standard.



Electric Precipitator

Denitration Equipment

NOx

(year 2005)

Category	Sanctioned Emission Standard	Self Standard	Average Density	Prevention Facility
Samchunpo #1,2	350	300	249	Combustion technique, SCR*, Low NOx Burner
Samchunpo #3-6	250	200	105	
Younghheung #1,2	70(70)	55	40	SCR, Low NOx Burner
Youngdong #1,2	350	245	217	Improve Combustion
Yuhsoo #1,2	250	225	195	Improve Combustion
Bundang	100	80	53	DLN Burner*

NOx : Sanctioned Emission Standard and Average Density



DUST

(year 2005)

Category	Sanctioned Emission Standard	Self Standard	Average Density	Prevention Facility
Samchunpo #1~6	40	30	5.8	Electric Precipitator
Younghheung #1,2	40(30)	12	8.8	Electric Precipitator
Youngdong #1,2	50	25	15.5	Electric Precipitator
Yuhsoo #1,2	40	28	14.0	Electric Precipitator

Dust : Sanctioned Emission Standard and Average Density



* Contents within () are values which display Younghheung's Environmental Agreement standard.

* SCR : Selective Catalytic Reduction

* DLN Burner : Dry-Type Low NOx Burner

* Contents regarding CO₂ discharge are mentioned in detail on the 'Preservation of Global Environment and Climatic Change Convention in pages 79 to 83

Emitted Substances in Water System

Waste water discharged from power plants are categorized as general wastewater produced from common power generation processes and desulfurization waste water from desulfurization processes. Each type of these waste waters go through physical and chemical disposal processes i.e. containment, neutralization, condensation, precipitation, and filtration in general waste water disposal plants and desulfurization waste water disposal plants; specifically the desulfurization waste water is processed through high-tech disposal technology using biological processes which purifies the water to much less concentration compared to regulated value, and most of purified water is recycled as sprinkler water, coolant, and ash-removal cleaning water.

Waste Water Generation Quantity and Recycle Rate

Classification	2001	2002	2003	2004	2005
Waste Water Generation Quantity (k Ton)	753	787	879	1,511	1,528
Waste Water Processing Quantity (k Ton)	718	678	863	1,462	1,504
Discharge Quantity (k Ton)	324	278	351	451	408
Recycle Rate (%)	55	59	59	69	73

Agreement for Utilizing Waste Water

Bundang Multi plant and Korea District Heating Corp(KDHC) entered into an agreement to utilize discharged waste water for the purpose of district heating and to maintain water level of Boiler.





Waste Water Synthetic Processing Equipment



Desulfurization Waste Water Processing Equipment

Waste Water Discharge Density

Power Plant	COD(mg/l)			SS(mg/l)				
	Sanctioned Discharge Standard	Self Standard	Discharge Density	Sanctioned Discharge Standard	Self Standard	Discharge Density		
			Maximum			Maximum		
Samchunpo	90	40	3.4	3.0	80	40	3.0	2.6
Younghitung	90	10	8.6	5.4	80	10	1.5	1.1
Youngdong	90	20	10	7.1	80	10	11	6.3
Yuhsoo	40	12	12.0	5.9	30	20	15.5	5.3
Bundang	90	40	7.0	4.3	80	20	2.8	2.3

By-Product Management

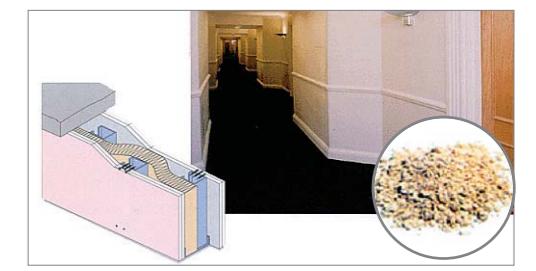
Within the process of electricity generation, coal ash is produced while the coal combustion process, and desulfurized gypsum during desulfurization process. These by-products are of great value since they make great concrete compound and materials for gypsum boards. Since our company and a domestic cement enterprise contracted to renew the by-products in 1997, coal ash recycling has reached the rate of 70% amounting to that of advanced countries. After Youngdong complex installed a recycling system for fly ashes and bottom ashes, these ashes are recycled 100% as cement materials which enabled

prevention of damage on the environment and exemplified as leading a resource-circulating type society.

Due to the recent stagnation of construction market, low cost importation, and occupation of steel slag in domestic markets, the recycling rate of coal residue is largely decreasing, but KOSEP is trying to create large-scale demand and supply through industrial-educational cooperation R&D by establishing aggregate development MOU with Gyeonggi University.



Samchunpo's Ash Refinery Facility



Construction Wallboard Using Desulfurized Gypsum

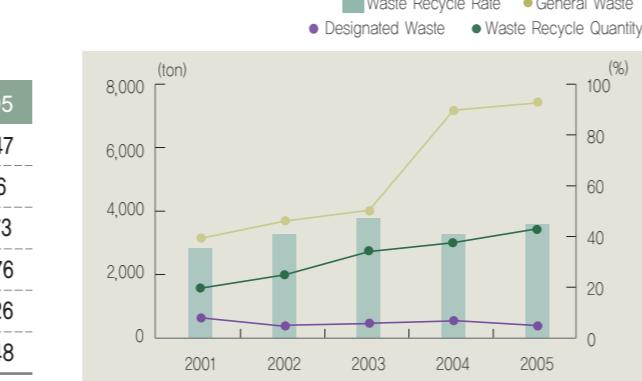
Waste Management

Waste created during repairs and operations of plant facilities can be divided into general waste including waste papers, waste resins, and sludge and designated wastes including

waste oil, paints and batteries; these wastes are separately collected by their categories and either recycled or self-commission processed.

Waste Generation Quantity and Recycle Rate

Category	Unit	2001	2002	2003	2004	2005
Generation Quantity	General Waste Ton	3,433	4,233	4,910	6,711	7,347
	Designated Waste Ton	631	240	359	555	426
	Total Ton	4,064	4,473	5,269	7,266	7,773
Recycle Quantity	Ton	1,535	1,928	3,026	3,562	4,576
Self/Commission Processing Quantity	Ton	2,465	2,516	2,282	3,757	3,526
Recycle Rate	%	38.38	43.38	57.01	48.67	56.48



Also, to reduce waste production, we attempt to minimize waste production of each power plant, thoroughly aim to

separate collection for recycling purposes, and yearly hold 'waste removal contest' to assess these activities.



Work exhibition for recycled by-products



Waste Removal Contest



Scrap Iron Collection

Soil Pollution Control

As for the heavy oil for power generation and light oil storage tanks, we have carefully planned out leakage prevention building concrete walls around it. Also, we are measuring soil pollution levels at and around the storage facility every year in

conformity with related regulations such as soil contamination prevention administration law; the resulting verdict of 2005 came out to be befitting for all facilities consistent with previous years.

Soil Inspection For Each Power Plant

Power Plant	Inspection Target	Inspection Date	Inspection spots	Inspection Items	Inspection Results	Inspecting Institutions
Samchunpo	Light oil Storage Tank, etc	'05. 2. 23	7	TPH*	Suitable	Gyeongsang University/ Research Institute for Agriculture and Life Sciences
Younghitung	Light oil Storage Tank	'05. 6. 14	2	"	Suitable	Environmental Management Complex
Youngdong	heavy oil Tank, etc	'05. 11. 15	11	"	Suitable	Sangji University
Yuhsoo	Oil Storage Facility	'05. 11. 23	23	"	Suitable	Environmental Management Complex
Bundang	#AB Light oil Tank and Lubricating Oil Tank	'05. 7. 22	7	"	Suitable	Korea Environment and Water Works Institute
Moojoo	Underground Oil Storage Facility	'05. 9. 23	2	"	Suitable	Environmental Management Complex

* TPH : Total Petroleum Hydrocarbon

Noise Control

To reduce the noise from various machineries in our complexes, we have interiorized our equipments and installed sound arresters and soundproofing walls for comfortable living conditions of regional residents.

Peripheral Region Noise Management for Each Power Plant

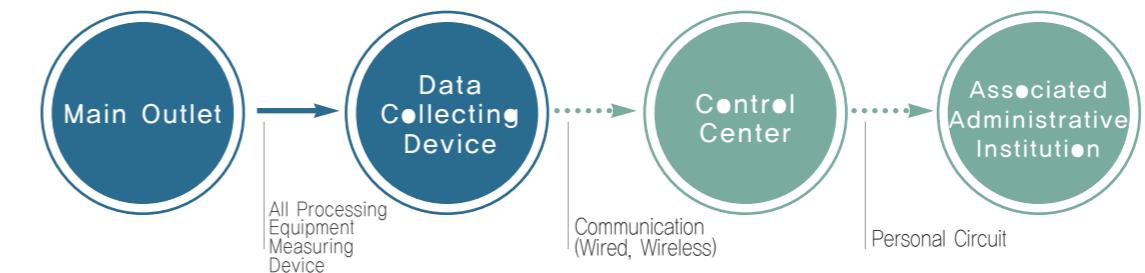
Power Plant	Region	Living Noise Control standard	Measurement Value
Younghung	Semi-Residence	65	44
Youngdong	Industrial Development Promotion District	65	41
Yuhsoo	Industrial District	65	44
Bundang	Semi-Residence	65	48

sound arresters and soundproofing walls for comfortable living conditions of regional residents.

Noise Measurement Value



TMS(Tele-Monitoring System)



TMS stands for Tele-Monitoring System which continuously and automatically measures pollutant emission densities in air and water, and sends the data to the main computer in the control center enabling 24-hour watch of pollutant emission status.

Monitoring System

KOSEP fast and accurately real-time measures the SOx, NOx, and dust from chimneys of every power plant and sends them to the Environment Management Corporation and various local autonomous entities. For cases in which the emission level of pollutants exceeds regulated levels, we have arranged a monitoring system which alerts the switch-board as well as administrator on standby for fast reaction.

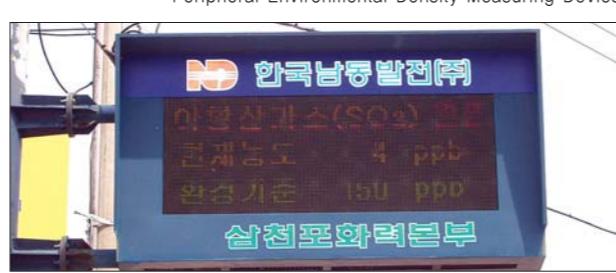
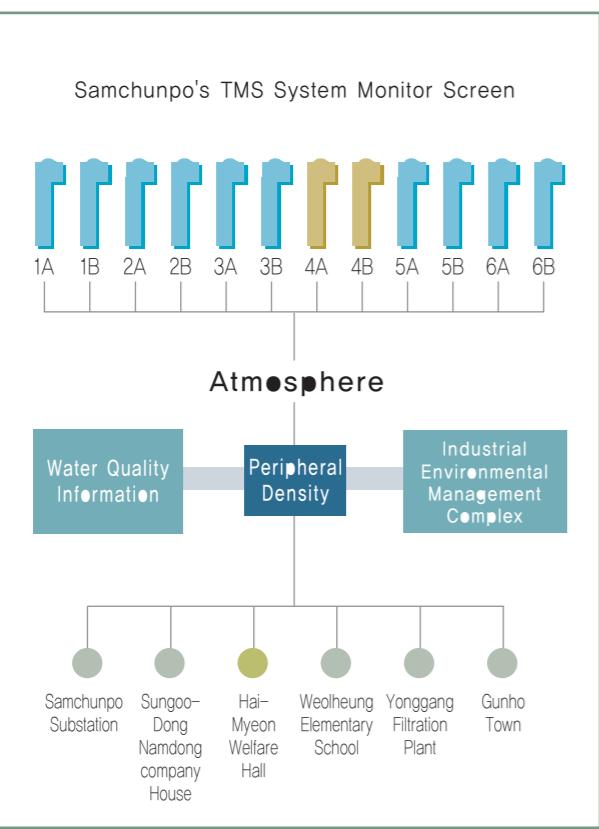
Peripheral Environmental Consistency Sentry

Bituminous coal-driven Samchunpo and Younghung complexes constantly measure the air qualities of their surroundings for analyzing influences on peripheral regions and provide the results via electric bulletin boards at all times.

Peripheral Environmental Density Measurement Value

Power Plant	SO ₂ (ppm)*	NO ₂ (ppm)*	PM-10 (μg/m ³)
Legal Standard	0.150	0.150	150
Samchunpo	0.003	0.012	34
Younghung	0.008	0.012	55

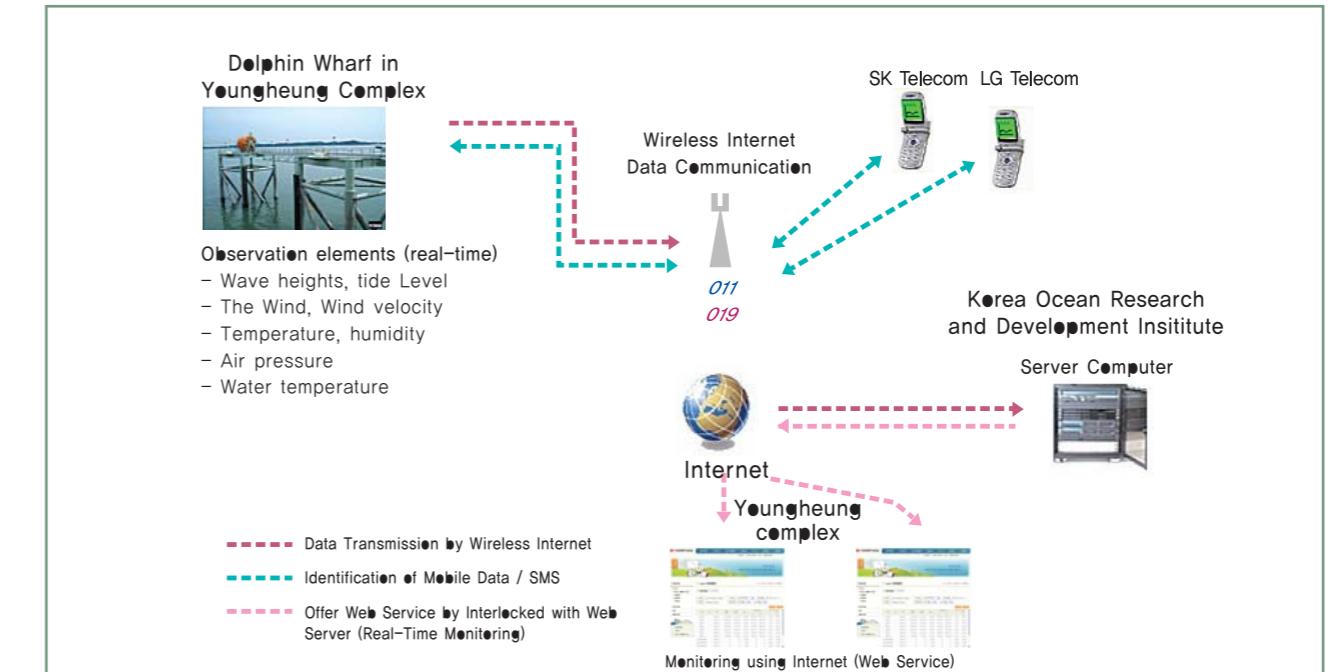
* SO₂, NO₂ : 1 hour Average, PM-10 : 24 hour Average



Real-time Monitoring System of Oceanic Environment

Younghung complex has built a real time monitoring system to inspect and forecast the comprehensive oceanic environment. This system measures direction and velocity of wind, atmospheric temperature and humidity, air pressure, wave heights, and water temperature, and will be utilized in oceanic environmental impact minimization plans and also in scientific examinations for oceanic environmental disputes.

Real-Time Monitoring System of Oceanic Environment at Younghung Complex



※ How to find your way

In the Menu on Korea Ocean Research and Development Institute's homepage (www.kordi.re.kr) click on Information, Professional Ocean Data, Real Time Ocean-Marine Meteorological Observation Data in this order, or go directly (realtime.kordi.re.kr), then select Younghung complex to see our graphs and data.

Environmental Impact Assessment and Post Environmental Management

When newly constructing or extending an existing facility, KOSEP examines the environmental ecosystem, traffic and other basic environmental conditions around the site and predicts and assesses any influences after operation commencement, making effort to minimize environmental contamination. In addition, during construction and after five

years since construction completion we analyze impacts on the peripheral ecosystem and regions reporting them to the government every year; we nonetheless carry out the responsibility even after when the post environmental management operation is completed.

Status of Environmental Influence Assessment			
Power plant	Business Name	Assessment Period	Post Factum Environmental Inspection Period
Samchunpo	#1 Ash Pond Extension Business	'96.07~'99.03	'00.01~'05.01
	#2 Ash Pond Construction Business	'88.11~'89.03	Expansion '97.10~'02.10
	#3 Ash Pond Construction Business	'85.04~'85.07	Expansion '97.10~'02.10
	#4 Ash Pond and Breakwater Construction	'89.08~'90.01	'90.12~'95.12
Bundang	Extension in Bundang Multi Power Plant	'94.08~'95.02	'97.03~'02.12
Moojoo	Construction in Moojoo Water Pump Power Plant	'84.12.24	'95.05~'00.05
Younghheung	#1,2 Construction in Younghheung Thermal Power Plant	'91.06~'95.09	'97.07~
	Entry Road and Bridge Construction in Younghheung Thermal Power Plants	'94.10~'96.02	'97.10~'01.12
	#3,4 Construction in Younghheung Thermal Power Plant	'01.08~'02.08	'04.01~
Yeichun	#1,2 Construction in Yeichun Water Pump Power Plant	'95.05~'98.09	'03.09~

Preservation of Global Environment and Climatic Change Convention

Power industry which takes up 32% of domestic CO₂ production is expected to be influenced after the Kyoto Protocol of 2005. Taking it as a new opportunity, KOSEP has established medium and long term countermeasures making efforts to secure emission authorities and develop new and renewable energy, and aims to hand over much better environment through ecosystem preservation acts.

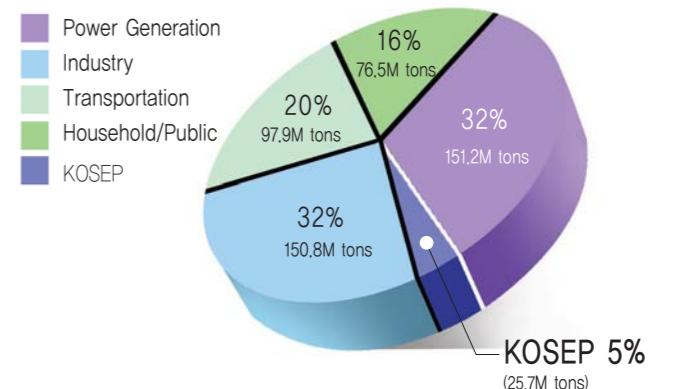
Greenhouse Gas

Thermal power generation directly emits greenhouse gas during combustion of fossil fuels such as coal, petroleum, and natural gas where the heat energy is converted into machine energy by a motor that revolves electricity generator that converts the machine energy into electricity. In 2005, KOSEP in fact has developed a greenhouse gas emission quantity

Korea CO₂ Discharge Quantity, Energy Category (Based on 2003)

Category	Discharge Quantity (M Tons)	Occupancy Rate (%)
Power Generation	151.2	32
Industry	150.8	32
Transportation	97.9	20
Household/Public	76.5	16
Total	476.4	100
KOSEP	25.7	5

computation index for the field of electricity generation which is one of the government's policies on business; and now, setting the office of power industry management as the principle axis, KOSEP has established greenhouse gas reduction targets and is currently in a research process of emission management systems.



KOSEP's CO₂ Discharge Quantity

Category	2001	2002	2003	2004	2005
Discharge Quantity (M Tons)	25.5	24.8	25.7	30.1	35.3
Discharge Quantity Per Unit (Ton/MWh)	0.803	0.803	0.821	0.814	0.819
Power Generation Quantity (GWh)	31,788	30,898	31,315	37,003	43,041
Generation Efficiency (%)	38.67	38.84	38.22	38.76	38.92
Auxiliary Power Ratio (%)	4.23	4.18	4.23	4.59	4.79



Climatic Change Countermeasure

Since before the effectuation of the Kyoto Protocol in February of 2005, advanced nations have incessantly made efforts to reach obligatory reduction marks, and as our country expects obligatory reduction by the post-Kyoto system in 2013, we are building corresponding preparation led by the government and the industry. KOSEP is also fully participating with the government, and as a member of office of power industry management making efforts in multilateral angles on developing countermeasures for reduction. As medium and long term environment index of 2015, we have targeted 10% reduction from '03 CO₂ standard, and set up four reduction strategies and 10 detailed propulsion missions.

- * Post-Kyoto : Obligation of the second pledge term('13~'17) following the effectuation of the Kyoto Protocol.
- * Point in Issue of Post-Kyoto
 - Non-annex nation's participation at the greenhouse gas reduction obligation sharing.
 - America's participation at the greenhouse gas reduction obligation sharing.
 - Settlement of greenhouse gas reduction obligation sharing method: currently various (approx. 40) forms of methods are under discussion different from the one presented in the Kyoto Protocol.

Medium to Long-Term Strategies

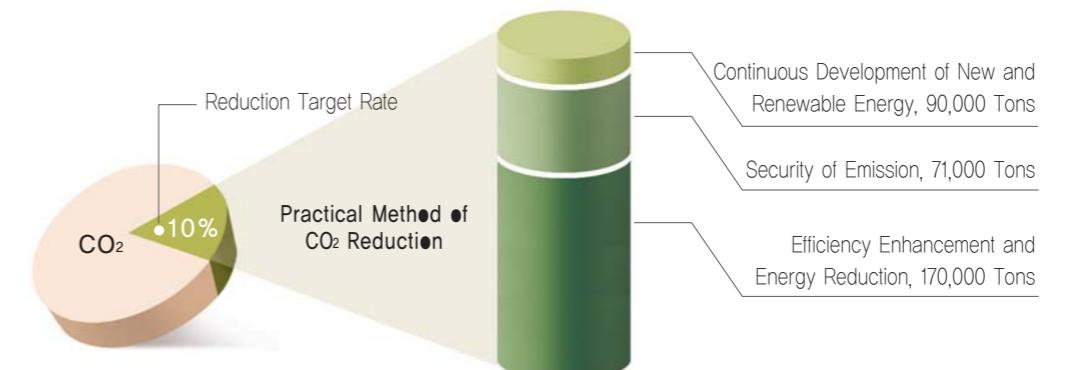
Base Construction Phase ('03~'05)	Example Application Phase ('06~'12)	Obligatory Reduction Phase ('13~')
<ul style="list-style-type: none"> • Formative Period of Sympathy • Participate in Reduction Example Business • Establish Reduction Strategies, etc 	<ul style="list-style-type: none"> • Secure Credit* Through Reduction Project • Participate in Domestic Emission Trading • Consideration of the Utilization of Clean Development System 	<ul style="list-style-type: none"> • Participate in International Emission Trading • Expand the Use of Clean Fuels • Operate High-Efficiency Facilities

*Credit : Obtained Emission Right through Greenhouse gas reduction project

CO₂ Unit Target Value (2015) : 0.740kg-CO₂/kWh (Approx. 2.5 M Tons)

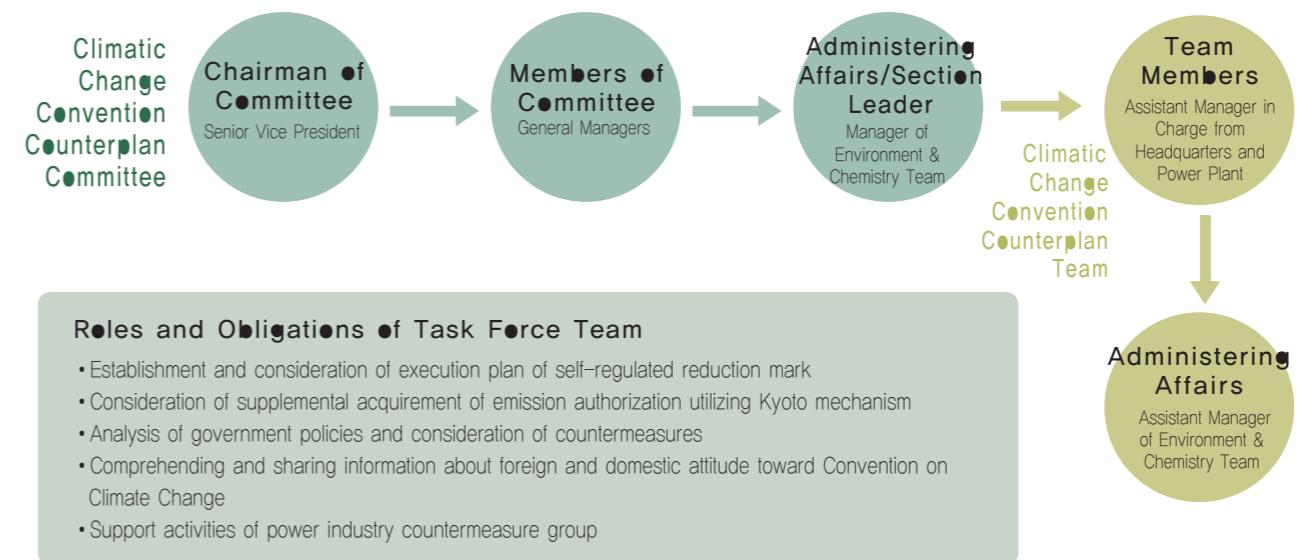
4 Reduction Strategies	10 Detailed Propulsion Plans	Reduction Quantity (10,000 Tons)
Continuous Development of New/Renewable Energy	<ul style="list-style-type: none"> • Mini Oceanic Water Power • Fuel Cell and Wind Power, etc. 	9
Security of Emission Utilizing Kyoto Mechanism	<ul style="list-style-type: none"> • Registered New/Renewable Energy in CDM Business • Secured Domestic CDM Business Emission • Emission Trading and Fund Utilization 	7 64
Efficiency Enhancement and Energy Reduction	<ul style="list-style-type: none"> • High-Efficiency Facility Management • Improvement of Efficiencies of Outworn Facility • ESCO and VA Business 	100 70
Continuous Development of New/Renewable Energy	<ul style="list-style-type: none"> • CO₂ Collection and Storage Technology • Development of IGCC and IGFC Technologies 	-

2015 CO₂ Reduction Portfolio



Formation of the Task Force Team

By expanding and reorganizing the in-2002-organized Convention on Climate Change Task-Force team, we are deriving most optimal climatic change countermeasures through fast decision-making by



Roles and Obligations of Task Force Team

- Establishment and consideration of execution plan of self-regulated reduction mark
- Consideration of supplemental acquirement of emission authorization utilizing Kyoto mechanism
- Analysis of government policies and consideration of countermeasures
- Comprehending and sharing information about foreign and domestic attitude toward Convention on Climate Change
- Support activities of power industry countermeasure group



Chang-Sik Son
Director of CDM authentication, KEMCO

As it is a social responsibility of the enterprise, we need continuous awareness and a long term investment.

As of now, it has been one year since the effectuation of the Kyoto Protocol, and many global enterprises are perceiving the Convention on Climate Change as a fresh opportunity consequently making efforts on reducing greenhouse gas with vast investments. I understand that KOSEP has formed the T.F. team to tackle it by establishing various business strategies for greenhouse gas reduction such as new/ renewable energy operations. We must realize that preservation of global environment is a social responsibility of enterprises and may only be achieved with long-term investment and continuous awareness; by realizing this fact, I wish you to develop into a world class power company achieving sustainable development.

Interview

Greenhouse Gas Managing System

Greenhouse Gas Inventory System

Basing on the quantified emission computation index developed in collaboration with the government in 2005, we have automatically computed the Scope 1 level emission sources enabling confirmation on web-basis and with real time inspection, we have established a foundation of reduction strategies.



Greenhouse Gas Inventory System

Greenhouse Gas Reduction Operation Management System

By building a Climate Change Convention website, we supply related information to our personnel, and constructed a reduction quantity management DB system of greenhouse gas reduction operation and the currently run CDM. By setting the power industry countermeasure group as a main axis, we will link Korea Energy Management Corporation's greenhouse gas reduction registration system and the quantified emission management system ultimately creating internationally viable enterprise quantified emission statistical management system.



Greenhouse Gas Reduction Operation Management System

Preservation of Ecosystem

In constructing Youngheung Thermal Power Plant, KOSEP attempted to minimize the changes effecting the ecosystem around its facilities by afforesting with trees and shrubs, creating tree gardens, an ecological pond, grass fields, and ecological paths. In the future, by erecting an electricity and

environment-themed 'ecological park' in the complex, we will increase the preservation awareness of personnel and regional residents, and correct the misapprehension that a power plant is principle offender of environmental contamination.



Entire View of Ecological Park

Ecological Park Outline (scheduled to complete in 2007)

- Location : inside of Youngheung complex
- Site Area : 73,900m²
- Pavement Area : 6,660m²
- Green Area : 46,490m²
- Ecological Pond : 20,750m²



Tree Garden



Waterside Deck



Grass Plaza



Decomposed Granite Soil Pavement

Greenhouse Gas Reduction Utilizing Kyoto Mechanism

By actively incorporating the Kyoto Mechanism as nations under obligatory reduction, we are dynamically coping with the future obligatory reduction by securing emission authorization and carrying on precedent studies.

- Samchunpo and Youngheung's small hydro power plants (6MW) currently operating CDM operation service → UN registration (emission authorization : 200,000 tons in 10 years) : planned on Dec. '06
- Power generation category mock transaction in preparation of greenhouse gas emission authorization transaction (2002-2004)
- Promoting example operation of emission authorization transaction with the company
- Samchunpo's small hydro power plant registered in the greenhouse gas reduction operation
 - Ministry of Commerce, Industry, and Energy (emission authorization : 14,000 tons for 5 years)
 - Promoting registrations of new/renewable energy, VA and ESCO operations

Execution of Research Assignment Such as Development of Next Generation Technology

- Development of Exhaust Gas Dry CO₂ Separation Absorber
- Official Development of Using Dry Sorbent 2-Level Liquid Level
- Development of Base Construction of Electricity Generation Category for Utilizing Greenhouse Gas Emission Trading
- Daily Use Technology Development of 1500kW-Level Water Power Using Facility's Displacement Water
- Development of 250kW-Level Dispersion-Type Heat Absorption Fusion Carbonate Fuel Cell Power Generation System
- Technology Development of System Connection and MW-Level Central-Positioning Type Photovoltaic Power System
- Technology Development of Korea-Type 1MW Wind Power System

Cleanup Activities of Surrounding Environment

We are imposing periodical environmental protection activities for creating nature-like environment such as cleaning up sea areas, mountain, and streams. Not only these activities, but we also actively participate in regional environmental groups to

exemplify corporate image of being harmonious with nature, and because of it, we have received appreciation plaques from institutions representing many regions.



Fry Discharge Activity



Seashore Cleaning



Cleaning the Periphery of Cultural Center



Restoration of Heavy Snowfall Region

Global Power Leader



KOSEP is in the forefront of innovation, at the center of the world, and on the basis of growth

In the drastically changing business environment, endless changes and innovations are required to secure competitiveness and grow sustainably. Thus, by effectively promoting the “3S Best Innovation” otherwise classified as a strategic and constant innovation, and providing continuous values for interested parties through constructive development of specialized core technologies such as combustion techniques along with development of new and renewable energy, the driving force of future growth, we will become the Global Power Leader.

Economic Performance

3S BEST Innovation

New & Renewable Energy

R&D and Core Technologies

Economic Performance

KOSEP was founded in 2001 with ₩1 trillion 373.2 billion of assets and 1,567 employees, and now in 2005, KOSEP expanded continuously as a substantial enterprise with ₩3 trillion 546.6 billion of assets and 1,845 employees, and the annual sales reached ₩2 trillion 95.4 billion. In 2005, KOSEP has 11.6% of the national total generation capacity (7,194 MW) and 11.8% of the national total power generation quantity(43 billion kWh), and maintains the lowest cost price among power generating companies for 5 years as a result of efforts supply low-cost quality electricity to customers.

2005 Management Results

Production & Sales Section

KOSEP achieved 43 billion kWh of power generation quantity, which is the highest improvement among 5 power generation companies. This performance was due to NO.1 and NO.2 of Youngheung Thermal Power Plant and optimal operation of facilities. In addition, we attained 40.9 billion kWh of sales amount and ₩2 trillion 95.4 billion of sales revenue.

Even with the rise of buying cost of fuels such as bituminous coal, we showed ₩51.42 per kWh of generating cost, which is the lowest of 5 power generation companies. The labor productivity was 26,358 MWh when it started, but it increased to 29,102 MWh by 10.41% at the end of 2005.

Construction Section

The first Korean standard model plant of 800 MW-class, NO.3 and NO.4 of Youngheung Power Plant are under construction by reflecting improvements on NO.1 and NO.2 which are already constructed, and satisfactorily making agreements of quality guarantee with the partners to construct the highest quality facilities.

Also, the construction of NO.1 and NO.2 of Yeichun Water Pumped storage Power Plant in progress with no deadlocks as the underground Power Plant, and the upper and lower part of the dam are under construction. Also, the Desulfurization equipment of Samchunpo Thermal Power Plant was completed in time to become an environment-friendly enterprise.

Financial Management Section

We redeemed high interest loans and raised low interest long-term funds which reduced the average loan interest rate to 4.76% and maintains an excellent financial structure with the debt ratio of 78.7%. As a result, we acquired a credit rating of A- from S&P, an international credit rating organization, also received a credit rating that was increased from A3 to A2 by Moody's, which arranged the basis of financing from domestic and foreign financial markets.

Business Management Section

KOSEP reduced current expenses by ₩5.2 billion through developing the CosTime movement for reducing the enterprise expense and budget, an establishing budget management systems such as the Red-Signal system, Real-Name system, Target Profit system, and Ordinary Budget Deliberation system. In the section of fuels that occupy 62% of the generating cost, by buying bituminous coals at ₩9,272 per Goal, we achived the first place among power generating companies regarding the buying cost per calorie for two years. We also expanded the long term supply rate of bituminous coals to 83.2%, and ensured the stability of fuel supply by diversifying fuel supplying countries such as Canada and South Africa.

Other than that, we reduced repair and maintenance expenses by ₩9.2 billion systems for maintenance of generating facilities like the Prediction Diagnosis system.

Also, we will make efforts to enhance the efficiencies of our power generation complexes though the process of mixing bituminous coal via Youngdong No. 2 achieving ₩8.4 billion of substitution effect and by establishing general plans of floating layer boilers in Yuhsoo TPP.

Transition of Principal Financial Indexes

(Unit : 100 million won)

Section	2003	2004	2005
Sales Revenue	15,164	16,824	20,954
Operating Profit	4,932	2,316	2,213
Net income	3,469	1,525	1,058
Asset	33,526	35,597	35,466
Liabilities	13,606	15,815	15,624
Capital	19,920	19,782	19,841
Debt Ratio	63.8	79.7	78.7
EBITDA*	6,512	4,679	5,973

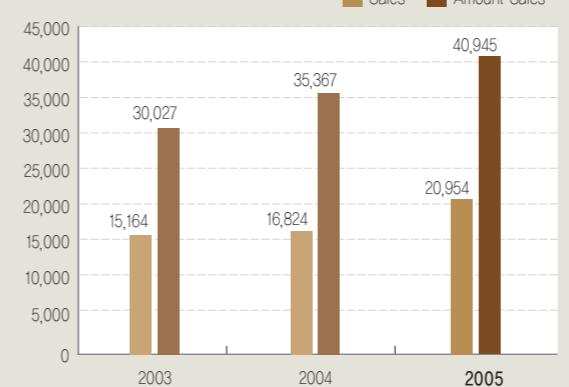
* EBITDA= Earning Before Interest, Taxes, Depreciation and Amortization

Credit Rating

Section	2003	2004	2005
KOSEP's Credit Rating (Moody's)	A3	A3	A2
National Credit Rating	A3	A3	A3

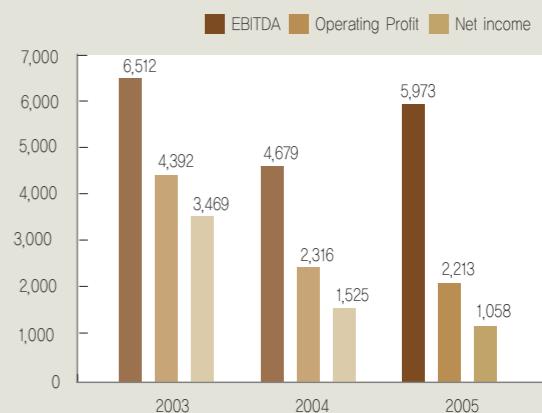
Electric Power Sales Quantity and the Sales

(unit : 100 million won, GWh)



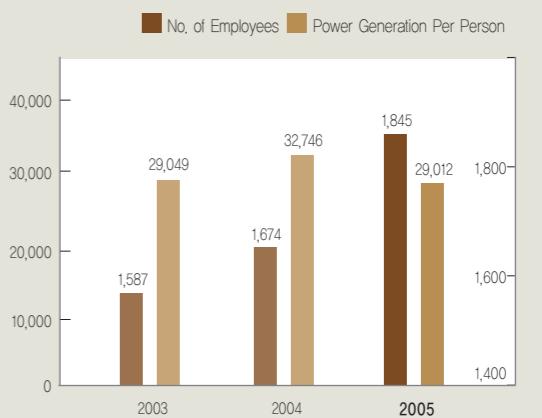
Operating Profit and Net Profit for the Term

(Unit : 100 million won)



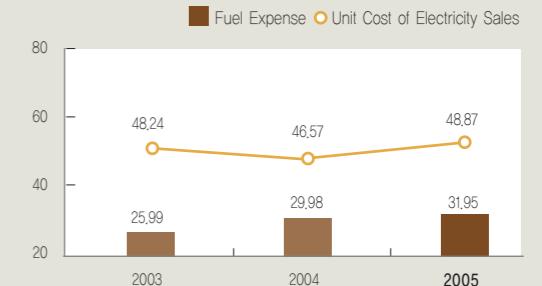
Productivity of Labor

(Unit : person, MWh/person)



Unit Cost of Electric Power Sales and Fuel Expense

(Unit : won / kWh)

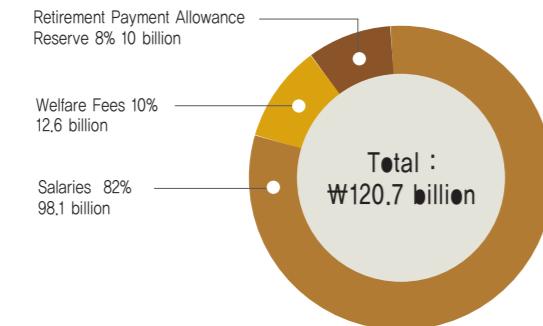


The Flow of Economic Values with stakeholders

Wages

The total labor cost increased to ₩26.2 billion by 27.7%, compared with ₩94.5 billion in 2004, due to hiring new employees, the rise in performance-based compensation by the upgrading rating of management performance evaluation, and the raise in wages.

Labor Costs

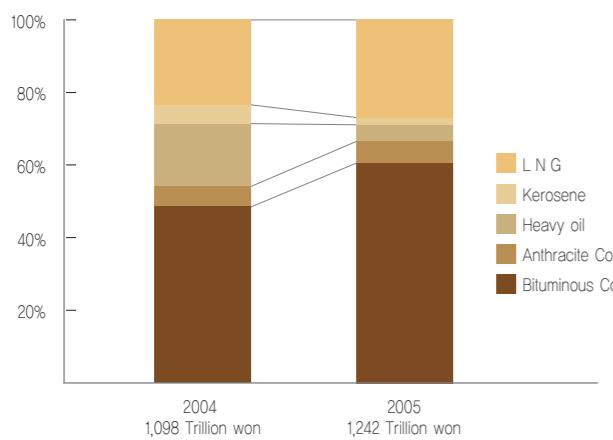


Purchasing, Construction / Service Purchasing Expenses

Excluding fuels, expenses of purchasing, construction / service were ₩786.8 billion in 2005, which is 37.5% of sales revenue. Out of this, purchasing contract amounts were ₩473.8 billion, construction \ service Contract amounts were ₩133.8 billion and other contract amounts were ₩179.2 billion. KOSEP is enhancing the transparency through activating electric bidding and competitive bidding.

Fuel Purchasing Expenses

In 2005, KOSEP purchased ₩1 trillion 242.4 billion of fuels for generating electricity, and comparing it to 2004, this was an increase of 13.2%. Out of this, 58.9% was for Bituminous Coal, 26.4% for LNG, 10% for Heavy Oil, 3.6% for Anthracite Coal, and 1% of Kerosene.



Dividend

KOSEP was selected as the first company to privatize by the government's structural reorganization plan for the electricity industry, and it is in the progress of privatization through IPO (Initial Public Offerings).

Our company chose a high dividend policy to proceed with IPO. Therefore, the 2004 dividend payment offered in 2005 was ₩99.8 billion, 65.4% of net profit of ₩152.5 billion (dividend rate of 30%). And the 2005 dividend payout was ₩34.3 billion, 32.4% of net profit of ₩105.8 billion (dividend rate of 10.3%), which was paid to the stockholder, Korea Electric Power Corporation.

Section	2003	2004	2005
Net Profit (₩ 100 million)	3,469	1,525	1,058
Dividend (₩ 100 million)	1,664	998	343
Dividend Rate (%)	50	30	10.3
Payout Ratio (%)	48	65.4	32.4

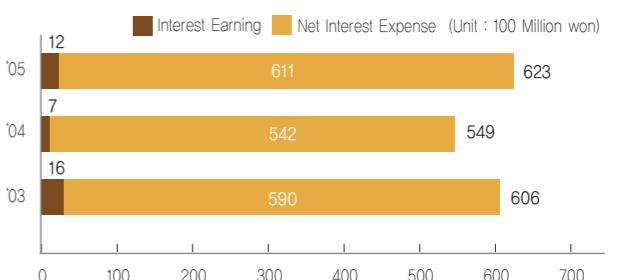
Electric Power Sales

Electric power sales, comparing to 2004 (5,578GWh), increased 15.8% to 40,945GWh. For each power plant, Samchunpo plant possessed 57.8%, and Youngheung, which operated since 2004, possessed 25.1%

Power Plant	2003	2004	2005
Samchunpo	23,371	23,538	23,678
Youngheung	-	4,211	10,275
Youngdong	1,679	1,454	1,405
Yuhsoo	1,049	2,054	1,355
Bundang	3,321	3,656	3,739
Moojoo	607	454	493
Total	30,027	35,367	40,945

Interest Expense

Interest expense about the liabilities was ₩54.9 billion in 2004 and it has increased ₩7.4 billion to ₩62.3 billion. Considering ₩1.2 billion of interest earnings, pure interest expense is ₩61.1 billion which is an increase of ₩6.9 billion. This is because of the construction cost of NO.3~4 of Youngheung power plant and Yeichun Water Pump Power Plant.



Endowments

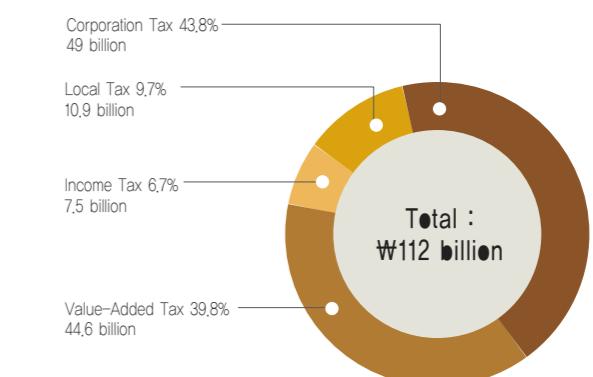
In 2005, KOSEP executed endowments such as education and financial support, within the firm's labor welfare fund, and donations to local community and private organization, and contribution to tsunami damage in Asia, and the total amount on endowment was ₩7.8 billion, which is a 4% increase since 2004 (₩7.5 billion). Especially, our company operates a Matching Grant system which is matching the amount of the Nanum fund (employees voluntarily participates for settlement of endowment culture).

The present condition of the Nanum fund in 2005 records that 99.5% (1836 employees) have participated, which reserved ₩120 million.

Taxes

The break down of tax payments are as following : ₩49 billion for corporation tax, ₩44.6 billion for value added tax, ₩ 7.5 billion for income tax, and ₩10.9 billion for the local tax.

Details of Tax Payment



Cooperating Enterprise

Purchase, Construction \ Service Fee



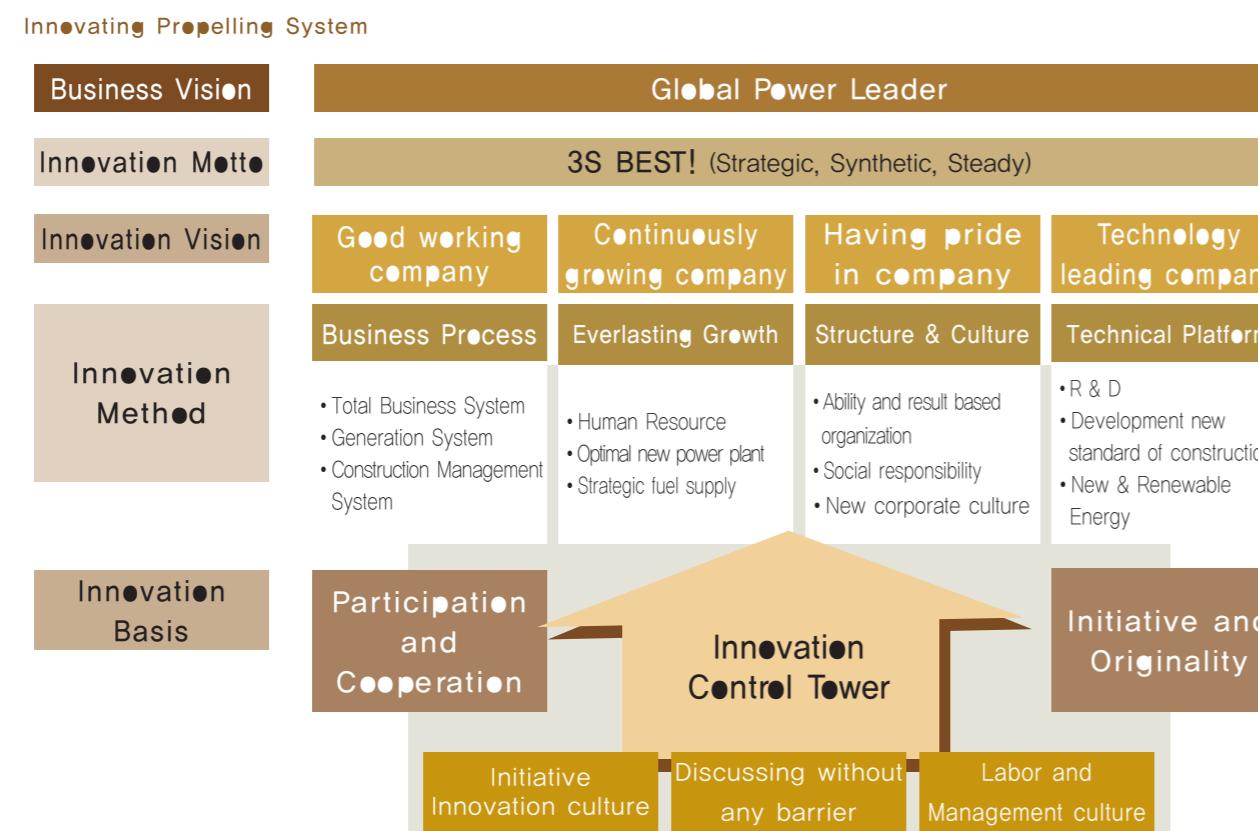
Government/ Local Autonomous Entity

Taxes

3S BEST Innovation

Rapid change in IT technology and economic sociological environment is requiring high strength innovation for organic enterprise's continuous survival and development. KOSEP, from the beginning of the business, organized a Management Innovation team, first in generating companies, and to lead management efficiency from the beginning of the business. Especially, we were known for example model for public enterprise's budget management innovation with innovation movement systems such as Synthetic Cost Innovation through Costime Movement, Red Signal System, Red Name System, Target Profit System to be on the top of the cost competition. Also, for systematic innovation movement which can guarantee a company's continuous growth away from fragment innovation movement, we are establishing and propelling the inherent innovation model, '3S BEST Innovation' plan, and developing this as public enterprise's innovation model.

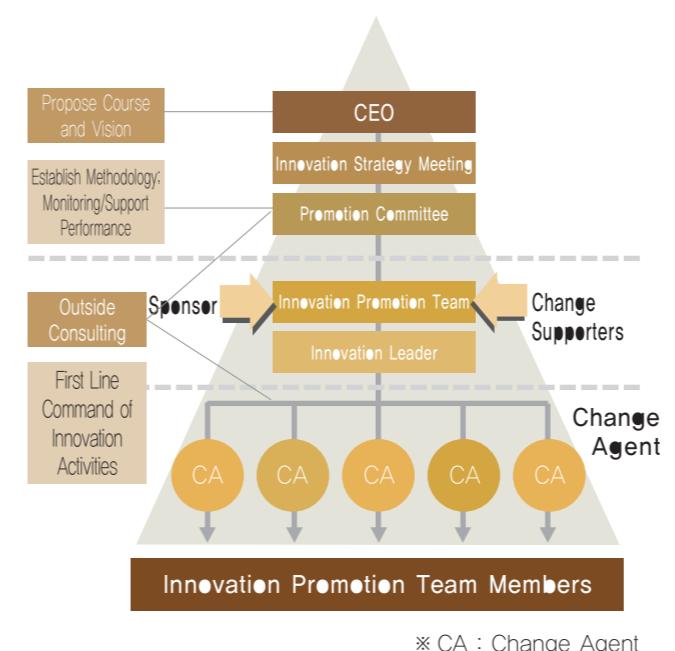
3S BEST Innovation Propelling System – Public enterprise innovation model



Already established and propelled, this innovation model, built as a successful process tool of middle to long term management strategy, is holding substance and concrete characteristic. To achieve management vision, called Global Power Leader, we set an innovation motto, called '3S Best', which is 'Strategic', 'Synthetic' and 'Steady'. Innovation vision like 'good working company, continuously growing company, having pride in company, technology leading company' can be achieved by 4 innovation strategies, which are business process, everlasting growth, structure & culture, and technical platform.

4 innovation strategies can be segmented into 87 important points of innovation assignment which are connected to 12 detailed strategies. This is the innovation system which connects successful execution of middle to long term strategy through middle to short term of execution plan. The subject of making this innovation movement possible is from the CEO to field employees, which is consistent innovation control tower, and it is a structure which shows sum of competence of members who act in the KOSEP Way.

Innovation Control Tower



* CA : Change Agent

Division	Composition	Activity Summary
Business Innovation Discussion	• Executives • General Manager • Manager	• Discussing about steady growth of the business via Innovation • Promoting a task management
Head Office Promoting Department	• Senior Vice President • General manager	• Innovation Strategy discussion and settlement • Checking the result
Power Plant	• Chief of power plant • Manager	• Selecting tasks and checking the results
Innovation Promotion Team	• Team / Department	• Making an innovating task and checking it. • Electing Innovation leader and CA*
Solving a task team	• Innovation task solving T/F team	• Solving the tasks



Innovation Strategy Meeting

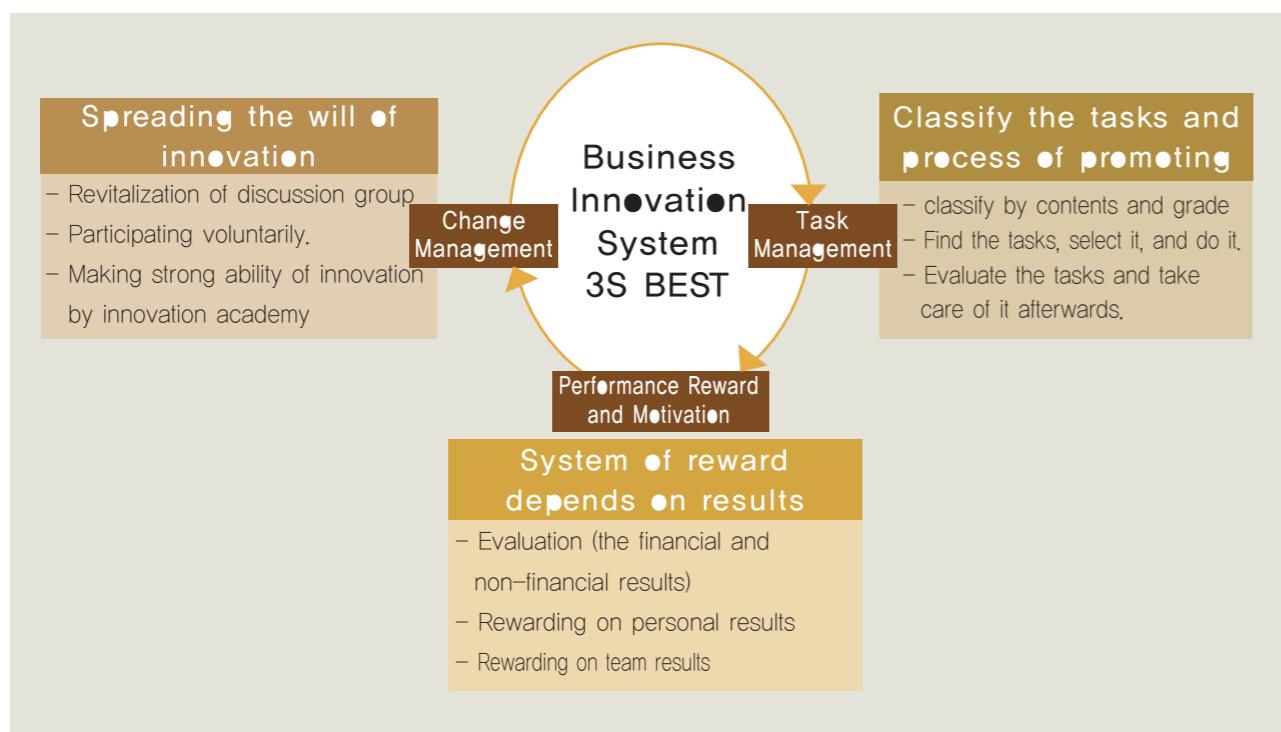


Workshop for innovation leaders and CA

Classification of Innovation task

	Classification	Detail	Classification of Task Grade
By contents	Public enterprise innovation task	According to Government business innovation promotion	Expectation Effect Department / Power plant task Strategic Task of the Entire Company
	Best innovation task	Task related to long term business plan	
By grades	Initiative innovation task	Tasks picked by staffs at Tuesday discussion meeting	Short-Term Improvement Task Extending Effect
	Strategic task	Tasks that take more than 6 months(Company level)	
By grades	Department \ Power plant task	Tasks that take more than 3 months(Department level)	Extending Effect
	Short-term improvement task	Tasks that take less than 3 months(Team level)	

System of innovation management – Participation and Ability of operation, Making the greatest result



For continuously creating high performance, innovation movement's systematic management is needed. KOSEP's innovation management is divided into 3 ways, Change management, Task management, and Reward and Motivation. To have all employees participate and mind-alteration, we hold discussion groups and meetings to open communications, through innovation academy, we educate innovation methods to improve innovation competence within



Managerial Innovation Study Meeting



Managerial Innovation Contest

New & Renewable Energy

Due to the recent increase in oil price and United Nations Framework Convention on Climate Change, the significance of replacing fossil fuels with new and renewable energy is rising. To prepare for rapidly changing future environment and to prior-occupy the new market, KOSEP has contracted RPA (Renewable Portfolio Agreement) with the government investing 106.4 billion to develop new and renewable energy in the amount of 29.2MW (0.34% of total power generation). Currently, the 100kWp photovoltaic power plant in Samchunpo is running stably since its inauguration on Aug. 25, 2005, and nation's first 3,000kW-level ocean small hydro power plant using coolant and 1000kWp-level photovoltaic power plant in Youngheung complex, and 250kW-level MCFC installation is at present under construction. By developing a variety of New and Renewable Energy sources, we will secure new developmental forces while making efforts to expand environmental-friendly power generation equipments.

Development of New and Renewable Energy

Basic Policy of Development

- Development of new and renewable energy for securing economical efficiency
- Development of growing sources for continuous growth
- Organization and operation of optimal portfolio in preparation for future shifts

Development Performances of 2005

- Completion of 100kWp photovoltaic power plant in Samchunpo (2005. 10 / annual capacity : 114MWh)
- Expansion of natural lighting in Bundang and Samchunpo (2005. 11 / annual capacity : 164MWh)
- Contracted joint business with Posco on fuel cell (2005. 10)
- Started construction of 3,000kW-level sea water power plant in Samchunpo (2005.9)

Current Projects

- Promoting 250kW fuel cell power plant in Bundang
- Constructing 1MWp photovoltaic power plant in Youngheung
- Consideration feasibility of LFG power generation business
- Contracted tidal power plant MOU development

What is New and Renewable Energy?

New and renewable energy is, by second clause of acceleration law of use, development, and supply of new and renewable energy, consist of 11 specified areas containing using existing fossil fuels after conversion, and using renewable energy including sunlight, water, land heat, river water, and living organisms.

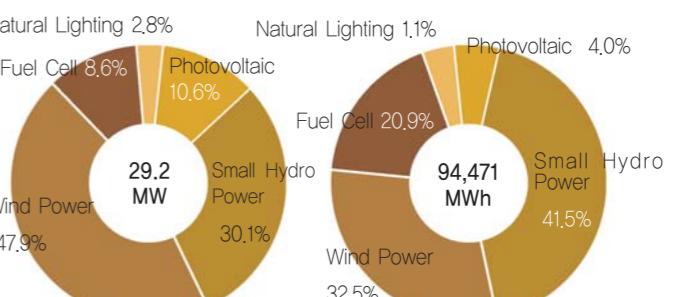
New Energy

Fuel cell, coal liquefaction gasification, hydrogen energy

Renewable Energy

Sunlight, photovoltaic power generation, bio-mass, wind power, water power, land heat, ocean energy, waste energy

New/Renewable Energy Facility Capacities
(Based on 2008)



New/Renewable Energy Total Generation Quantity
(Based on 2008)



Agreement Conclusion of New/Renewable Energy Supply Participation

New/Renewable Energy Portfolio

Category	~2005	RPA Agreement Period		Total	
		2006	2007~2008		
Facility	Photovoltaic Power	100	1,000	2,000	3,100
	Mini Hydro Power	400	8,400	-	8,800
	Wind Power	-	-	14,000	14,000
Capacity (kW)	Fuel Cell	-	250	2,250	2,500
	Natural Light	124	700	-	824
	Sum	624	10,350	18,250	29,224
Yearly Generation Amount(kWh)	977,680	42,641,577	50,851,800	94,471,057	
Heavy Oil Conversion Quantity(Toe/year)	244	10,660	12,713	23,617	
CO ₂ Conversion Quantity(Ton/year)	743	32,403	38,643	71,789	

Photovoltaic Power Generation

On October 2006, the 100kWp-level photovoltaic power plant located in Samchunpo complex commenced commercial development for the first time as a domestic power company. Hereby, we are estimating ₩85 million of annual sales profit, and also can benefit from substitution effect about 28.5 tons of crude oil and deduction effect about 86.5 tons of carbon dioxide.

Especially, the photovoltaic power plant of Samchunpo complex is built with pure domestic technologies and found a basis for establishing technology standards such as domestic standard design and construction, and performance guidance. Also, by erecting integrated PR hall of new and renewable energy, we are utilizing the space as a dummy model house that generates electricity using equipments of new and renewable energy, and displaying fuel cell operating principles, toy-like equipments for child education, and various explanatory displays about new and renewable energy. Through this opportunity, regional residents as well as various stakeholders will understand new and renewable energy.

We are planning on expanding photovoltaic power facilities in Samchunpo, Youngheung, and like places. From Youngheung's 1MWp photovoltaic power generation facilities, which have the largest capacity in the nation, to supplementary construction of 2MWp photovoltaic power generation facility in Samchunpo, we plan to construct 3MWp-size power generating facilities by 2008.



Complete View of Samchunpo's Photovoltaic Power Plant



Samchunpo Solar module

Interview



Director of Samchunpo Thermal Power Division
Byung-Ki Cho

What is the background on building photovoltaic power plant in Samchunpo complex?

Environmental management of a power plant that utilize fossil fuels isn't merely a social responsibility, but we are looking at it in the view of obligatory element of management, and because of it, we wanted to construct a more environmental-friendly and comprehensive power generation complex including photovoltaic and ocean water power plants to actively participate in the governments' new and renewable energy promotion policy, and to respond to the rapidly changing managerial environment.

Wasn't there any difficulties promoting such operation?

Of course there were. There wasn't a precedent among power companies, and the fact that the construction of this photovoltaic power plant was in a sole purpose of commerce brought out many difficulties attaining approval. As the new and renewable energy operation is at the base level, I feel the need to revise our system in the approval-related section for easy approval process.

As I understand, you have created standardization guidance related to design, construction, and performance as you promoted this photovoltaic power plant. What is the background and are there any anticipated effects?

Because the new and renewable energy operations such as constructing photovoltaic power plants is still at a bottom level, we made the guidance in assumption of potential difficulties due to lack of experience and others; we have enhanced the reliance of photovoltaic power plants by creating these test-oriented procedures including individual apparatus tests, work site tests, and reliance tests, and I feel that these procedures will be applied on new and renewable energy operations in the future.

What were the responses of regional residents?

Because of our recently completed desulfurization and denitrification equipments as well as environment-friendly photovoltaic power generation facility and its commercial operations, the residents are newly recognizing our company along with praises, and make much of our company as benefactors of the community.



Samchunpo's New and Renewable Energy PR Office

Small Hydro Power Generation

As for small hydro power generation, KOSEP is functioning as a pioneer, and by completing a small hydro power plant as first in the nation in 2003 in Moojoo complex, we are leading the development of small hydro power generation among power companies. The current generation capacity of Moojoo complex is towering 2 GWh contributing greatly in stable supply of electricity during peak loads.

The oceanic small hydro power plant in Samchunpo completing in 2006 has a great significance because it is the world's first attempted operation which KOSEP and KEPCO in collaboration will begin researches using discharged water and variance of tide levels of ocean water coolant. Also, compared to tidal power and water power with general rivers, the utilization rate is 80% higher enabling to generate clean energy in vast amounts ultimately contributing to the governments' policies of development, utilization, and popularization of new and renewable energy in response to high oil prices and United Nations Framework Convention on Climate Change; we are anticipating this project to be contributory to the enhancement of domestic industrial technologies and promotion of succeeding operations. The maximum output of the Samchunpo ocean small hydro power plant is 5,412kW (normal rating : 2,965kW), and when completes in October 2006, it will generate 22,800MWh of electricity, with substitution impact of 5,600 Toe* of oil with reduction of 17,300 tons of carbon dioxide. Thus with a 100kWh photovoltaic power plant in Samchunpo completed in November 2005, it will become the nation's biggest environment-friendly Mecca of new and renewable energy power generation.

*Toe (Ton of Equivalent)

: As ton of oil equivalent, it is converted unit based on the calorific power of 1 ton of crude petroleum

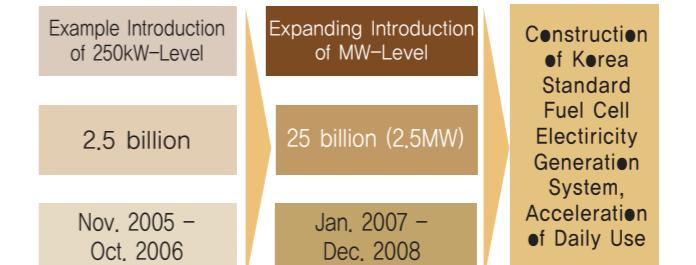


An Air View of Samchunpo's Small Oceanic Hydro Power Plant

Fuel Cells

In the center of KOSEP's promotion of new and renewable energy is the hydrogen-fuel cell. Hydrogen-fuel cell, unlike the other new and renewable energy, is not under any natural restrictions and has a simple conversion process of energy; also because of the facts that electricity is generated through chemical reactions, it is an extremely efficient new energy that is considered as a core technology leading the future hydrogen economy. As in possession of vast-scale real estate, on October of 2005, for the first time in the nation, will conclude a 'cooperation in hydrogen-fuel cell power generation operation' contract with Posco who possesses technologies in the field of fuel cells to promote power generation operation utilizing hydrogen fuel cells and practice commercializing 250kW-level MCFC fuel cells. The construction will begin on February 2006 and complete in October 2006. We will improve national technology about fuel cells in power generation by developing and cultivating a Korea-type standard fuel cell power generation system, and continuously importing 2.5MW of hydrogen-fuel cell power generation systems in Bundang complex until 2008.

Step-by-Step Core Development Business Strategy of Fuel Cell



Coalition Agreement Ceremony of Hydrogen Fuel Cell

R&D and Core Technologies

We tend to act as a Global Power Leader by effectively developing the core technology which could lead future leadership through strengthening R&D skills, which will encounter the rapid change in electric power industry such as reinforcements in environment regulation for environmental preservation and competition deepening of power generation industry through structure reorganization.

Present Condition of R&D Expense

		R&D Performance Results				
		2001	2002	2003	2004	2005
Direct Section	Main R&D	26	23	45	33	44
	Small&Medium Enterprise Research Cooperation	1	-	-	4	9
	Subtotal	27	23	45	37	53
Indirect Section	Work force & Computation Development	11	20	19	30	42
	Others	1	2	1	1	5
	Subtotal	12	22	20	31	47
Total R&D (Comparing to Sales Revenue)		39	45	65	68	100
(Comparing to Sales Revenue)		(0.25%)	(0.30%)	(0.43%)	(0.40%)	(0.48%)

Core Specialization Technology

KOSEP gave emphasis on appointing specialization technology on each plant's characteristics and technology maturity as following:

Designation Status of Core Cultivation Technology for Each Power Plant

Samchunpo	Younghheung	Youngdong	Yuhsoo	Bundang
Combustion Skill	Prediction Diagnosis Skill	Life Extension Skill	Fuel Conversion Skill	Energy Saving skill
New&Renewable Energy Skill				

Combustion Technology

Assuring in national competitiveness, not only purchasing the fuel in low cost is important, but also using the imported resources effectively is very important for our country which has very few endowed resources. KOSEP, first in the nation, constructed Samchunpo Thermal Power Plant #1 in 1983 which uses imported coal and operated for 23 years. Through the operation, Samchunpo Thermal Power Plant has induced various foreign imported coals (total amount of 120 Mtons), and through the use, we possess lots of combustion experiment data and experience technology. Also, following the largest unit capacity, Younghheung Thermal Power Plant #1

& #2 (800MW), #3 and 4 (870MW) will be constructed which will increase even more on our company's use of foreign imported coal. However, important assignment is to assure combustion technology with low grade coal, because getting high quality coal is getting more intense because of developing countries such as India and China are competing in assurance in resources. Our company, to prepare for strengthening environment policy about increase in international fuel price and Climatic Change Convention, is concentrating in investing in 3 sections (work force training, technology improvement, and using new technology) such as establishing masters and doctor's degree on combustion technology with Busan University.

Prediction Diagnosis Technology

Advanced countries like USA, since beginning of 2000, is changing to prediction diagnosis systems using condition diagnosis from maintenance prevention systems based on fixed time basis on equipment maintenance. For maximizing the operation effectively, analyzing breakdowns speedily and pre-maintenance plans should be established. However, to establish this, building diagnosis systems those can rapidly and perfectly reflect expert's suggestions and various information joint-ownership from rotating machine remote check systems and plant performance check systems is essential. KOSEP is building and operating Real Time diagnosis systems mixed with off-line diagnosis and focusing on online diagnosis such as early warning systems and united prediction diagnosis systems with equipment automation and computerization on Younghheung Thermal Power Plant #1 and #2 which will be at an advanced country level, and also, we are planning to apply and operate these on existing equipments.

Life Extension Technology

Currently, KOSEP has 28% (based on Dec. 2005) of long term operating plants for 20 years. We obtain all needed information about life management of important generating equipments like turbines and boilers. Evaluating equipment's healthiness and remaining life on time using life diagnosis and equipment strengthening is core technology to use equipments

for a long time safely. KOSEP recently replaced a turbine generator on Yuhsoo Thermal Power Plant #2 and successfully replaced middle, high pressure turbines on Younghdong Thermal Power Plant #1. Having experiences and expertise in these areas, these technologies will be the basis of long term operating safely in the future on generating equipments.

Fuel Conversion Technology

The Yuhsoo Thermal Power Plant, built in 1970's, uses heavy oil as main fuel which have high generating costs, but for a boiler's life expansion and economic uplift, it can combust low cost low grade coal, and we are promoting fluidized coal plant's fuel conversion which has less responsibility on environment equipment. Yuhsoo Thermal Power Plant #2 is planned to be constructed by December of 2008, and we are planning to propel in phases and consider price structure, site condition, fuel demand, and environment condition. Fuel Convention construction needs various examination on the most suitable equipment formation plan, minimizing period of suspension, and acquiring fuel. Especially, we are planning to remove the existing equipment after we newly build accessory equipments and different fluidized boilers while maintaining existing generating equipments for minimizing the period of suspension through price structure. We can use this fuel conversion technology for national old plants, and this will be the core technology for adding economic and environmental values.

Energy Saving Technology

KOSEP is propelling synthetic energy saving movements with the background and various operation skills of large amounts coal thermal power focusing mainly on Samchunpo and Younghheung Thermal Power Plant, and operating with the lowest generating cost within the generating companies. Especially from 2004, because of increase in international oil price, we partially replaced Younghdong Thermal Power Plant 2's heavy oil to bituminous coal. With this development of bituminous coal technology, we were able to save 40,000kl (₩8.4 billion) by replacing the heavy oil in 2005, and in 2006, we expanded this skill and expecting to save 70,000kl (₩15 billion). Also, with the replacement of old equipment's high efficiency and improvement of the performance, we are in process of operating ideally in a high oil price period by developing and propelling 32 strategic assignments of all possible sections about energy saving, after the government's announcement (in August) about preparing for a high oil price period.



Technology exchange Meeting



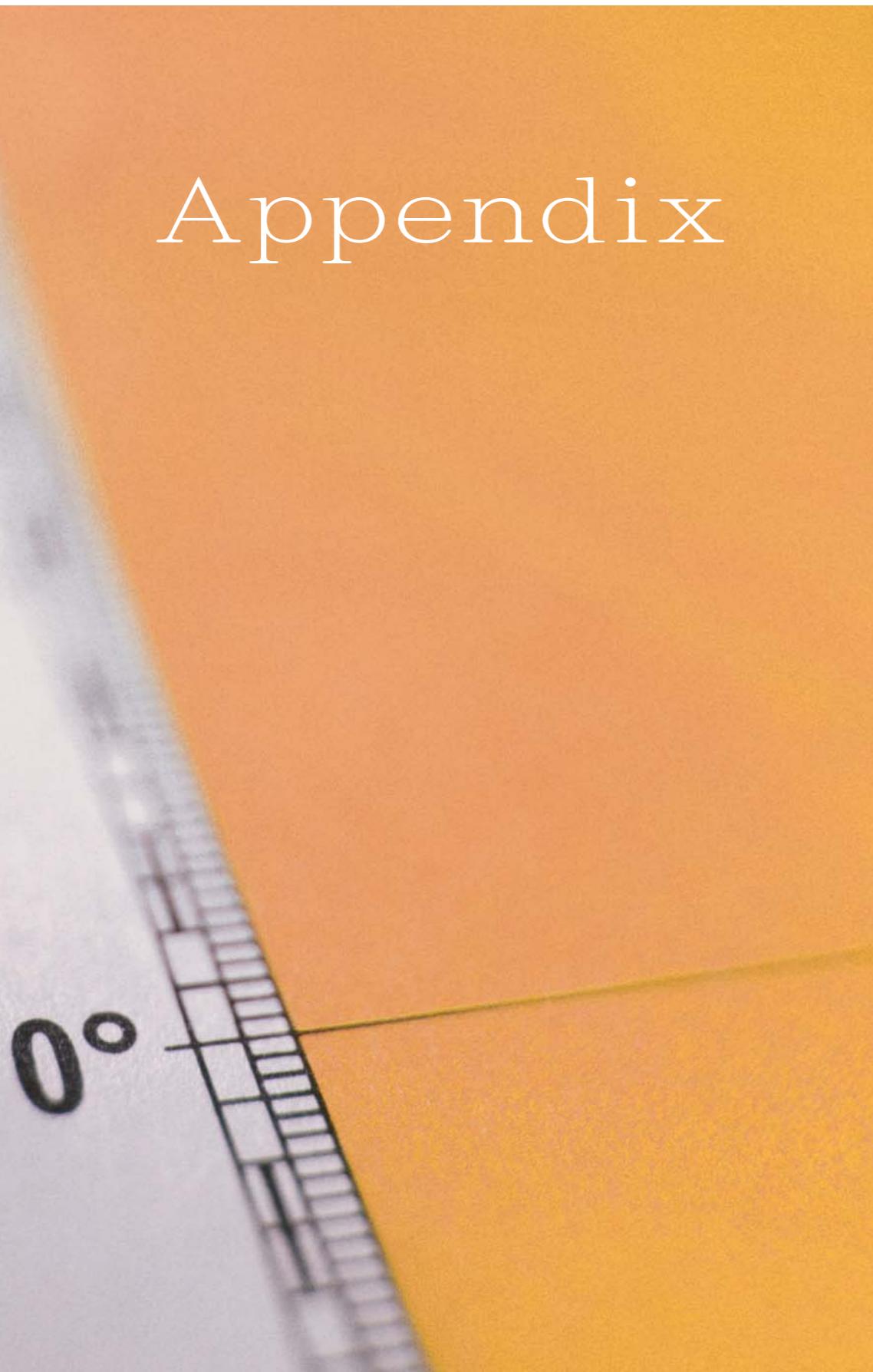
Combustion Technique Expert Group



Prediction Diagnosis Room



Ceremony for the Completion of Prolongation of Life Construction



Appendix

Appendix

- Third Party Review
- GRI Index
- Certification & Award
- Global Compact
- Ethical Constitution
- Code of Conduct
- Power Plants and Environmental Data
- 2006 Sustainability Report—Reader's Questionnaires

Third Party Review

Sustainability Report Review Opinion

To KOSEP

Overview

After KOSEP inquired for a review opinion of its 2006 KOSEP Sustainability Management Report, BSI¹⁾ organized a team of extensively skilled and profoundly experienced specialized professionals. Due to pre-determined range of inspection operation, given accounts and reliability of the report were not included and no review opinions were given. The main objective of this review opinion was, based on the international standard preparation and inspection of Sustainability Management Report, analyze its strong and weak points through objective opinions to derive developmental direction of KOSEP's future sustainability management system and relating reports.

Responsibility

KOSEP is fully responsible for this report. The responsibility of BSI lays in providing its professional and exclusive review opinion based on the ranges and methods mentioned in this section later.

Exclusivity

Aside from publishing third-party review opinion, BSI has not incorporated in preparing this report, and also is not associated in any means to gain wealth and fame over KOSEP's business operations.

Inspection Range and Method

The preparation of this report was derived from the '2002 GRI Sustainability Management Reporting Guidelines' and 'AA1000AS²⁾ (Sustainability Management Reporting Inspection Standards)', and executed by systematizing performances, rough drafts, related literatures and archive inspection, Interviews of people in charge, and references of press releases of the 2005 sustainable development presented by KOSEP.

Review Results and Opinions

As a result of review, BSI is sure that KOSEP has set management mind & principles, strategic schemes and its performances as parts of sustainability managements. Overall, KOSEP had the merits in inner-company communication, training curriculums, and key programs for the improvement of sustainability management performance, and weaknesses in setting priorities and objective, and the area of performance supervision. By reinforcing strengths and improving weaknesses based on the review opinion of BSI, We think that KOSEP has to strengthen the related-competence and institute a more systematic sustainability management and report preparation.

Materiality and Responsiveness

We were able to determine that KOSEP were still at a low stage in the field of 'materiality' to identify significant issues through stakeholders' participation and in the field of 'responsiveness' which includes incorporating about these issues about activities, performances, and influence impacts in reports. Due to the individual and separated participations of stakeholders, it was difficult to identify the connection that total corporate-related issues were classified by active participations of stakeholders. However, considering the strength of previously structured systematic promotion of customer satisfaction, KOSEP has an excellent basis for functional participation of stakeholders. Based on the analysis of sustainability manament's effect on economy, society and envirment by adjusting the pre-established systematic promotion of customer satisfaction with stakeholders of sustainable management, and scrutinizing and applying current activities including the level of customer satisfaction and gathering customer suggestions to participations of stakeholders, it is feasible to facilitate and setting its foundation for identifying useful and important issues for each participants. In addition, processing these issues

through decision making procedures of the executives and associating them to the medium long term management strategies with priority and objective developing may lead to an excellent sustainability management and reporting system.

The explanation of reflecting the customers' demands in the construction of Youngheung TPP is a good example of enhancing 'responsiveness'. Further improvements require explaining of concerned issues and expressing the stance of KOSEP on the subject matters.

Completeness

We are effectively executing and maintaining the preservation of global environment and voluntary improvement of environment. The activities of the Shared Volunteers Committee of KOSEP are most impressive in the area of social contribution. Due to its wide range of interactions throughout entire company and active participations in its field, it functions as a great infrastructure for carrying out sustainability management strategies about a community's stakeholders. We recommend that the Shared Volunteers Committee need to be functioned as important strategies and systematize to continuously expand through identifying and developing important regional issues, e.g. exploring the level of customer satisfaction and running consultative committees and social and expository gatherings, as procedures of participation of stakeholders linking them to the medium long term strategies .

We know that KOSEP will converse and develop the current medium and long term management strategies into future sustainability management strategies. We think that KOSEP has to present a vision to reflect economic, social and environmental impact and also establish a medium long term sustainability management strategies for realization of management philosophy of KOSEP. Furthermore, we suggest that we should reflect the key issues for sustainability management into the medium/long term strategies and establish a foundation for more extensive administration of sustainable issues through derivation of strategic duties centered on participation of stakeholders and granting following Key Performance Indicator(KPI) and operation objectives.

Suggestion for Report Improvement

We, BSI, reviewed on only the content of the report, not entire report and it was the restrictive job. We recommended that KOSEP checked the accuracy of the

datum and opinions in order to make the report more credible. we will perform a more sophisticated inspection to provide a more reliable report for our stakeholders by advanced inspection processes focusing on objectivities and related systems of applied data and claims, procedures, and competence of the report.

This report was prepared in reference to the 2002 GRI Sustainability Management Reporting Guidelines, excluding some parts of the Guideline. We think that KOSEP had better issue new reports in accordance with GRI or soon-published GRI G3 Reporting Index or its equivalence as soon as possible.

Sept. 20, 2006

BSI Korea

President Jung-Gi Chun

¹⁾ BSI (British Standard Institution)

BSI is the world's first government-establish institution for establishments of international standards in 1901 which, until now, carries out third party authentication inspection about various management standards including but not limited to quality, environment, safety and welfare, public responsibility, government protection, and IT service. As for the field of sustainability management, BSI has developed the world's first sustainability management system indexes, SIGMA Guidelines and BS 8900 (British national standards about sustainable management), and continues to present review opinions and performs inspection operations regarding sustainability management reports.

²⁾ AA1000 Assurance Standard

This world's only international standard presents sustainability management report inspection standards. It is world's only international standard which presents inspection and preparation of review opinions about reliability, information quality, system, process, and company competence based on three principles of significance, correspondence, and completeness supplementing GRI.

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2.11	Reporting period for information provided	2
2.12	Date of most recent previous report	Newly issued
2.13	Boundaries of report	2
2.14	Significant changes in size, structure, ownership, or products/services that have occurred since the previous report	Newly issued
2.15	Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations and other situations that can significantly affect comparability from period to period and/or between reporting organizations	N/A
2.16	Nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements	Newly issued

Report Profile

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Economic Performance Indicators		
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Environmental Performance Indicators		
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Social Performance Indicators		
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Certification & Award

Main Certifications and Awards Details (in the last 3 years)

Year	Main Certifications and Awards Details	Sponsored by
'03. Sept. 3	Presidential Award in the 19th Kyung Hyang Electricity Energy Award	Kyung Hyang Newspaper
Sept. 5	Grand prize on productivity innovation category in Korea Management and Productivity Award	Ministry of Commerce, Industry, and Energy / Korea Productivity Center
Sept. 5	Selected as an excellent enterprise in productivity advancement	Ministry of Commerce, Industry, and Energy / Korea Productivity Center
Sept. 6	Presidential Award in National Quality Control Circle Contest (Samchunpo TPP)	Ministry of Commerce, Industry, and Energy / Korean Standards Association
Nov. 4	Korea Maintenance Management Award	Korea Management Association
Dec. 9	Enterprise Communications Award	Ministry of Culture and Tourism/Korea Sabo Association
Dec.12	Korea safety Management Award(Bundang MPP)	Ministry of Labor / Maeil Economy Newspaper
'04. Sept.18	Presidential Award in National Quality Control Circle Contest Award (Younghong TPP)	Ministry of Commerce, Industry, and Energy / Korean Standards Association
Nov. 23	Prime Minister Award in the 20th Kyung Hyang Electricity Energy Award (Samchunpo TPP)	Kyung Hyang Newspaper
Dec. 14	Selected as an excellent enterprise in informationalization	Ministry of Information and Communication
'05. Apr. 1	Category of generating electricity in Industrial Safety Management Award (Younghung TPP)	Korea Economic Daily Newspaper
Jun. 8	Certification at level 5 National Productivity Management System (PMS)	Ministry of Commerce, Industry, and Energy / Korea Productivity Center
Jul. 10	Prime Minister Award in National Environment Management Award (Samchunpo TPP)	Maeil Economy Newspaper
Sept. 29	Prime Minister Award in National Productivity Award	Korea Productivity Center
Nov. 14	Presidential Award in National Quality Management Award(Younghung TPP)	Ministry of Commerce, Industry, and Energy / Korea Standards Association
Dec. 20	Safety Management Award(Yuhsoo TPP)	Ministry of Labor / Maeil Economy Newspaper

Acquisition of Certification System for Establishments

Power Plant	Certification Information	Authentication Date
Samchunpo	ISO 9001 / ISO 14001 / KOSHA 18001 / OHSAS 18001	'03.11 / '04.12 / '02.10 / '03.11
Younghung	ISO 9001 / ISO 14001 / KOSHA 18001 / OHSAS 18001	'04. 4 / '04.11 / '05.12 / '05.12
Youngdong	ISO 9001 / ISO 14001 / KOSHA 18001	'05.11 / '04.12 / '02.10
Yuhsoo	ISO 9001 / ISO 14001 / KOSHA 18001	'05.12 / '04.12 / '02.11
Bundang	ISO 9001 / ISO 14001 / KOSHA 18001	'05.12 / '04.12 / '02. 9
Moojoo	KOSHA 18001	'02.12
Yeichun	KOSHA 18001	'05.12

Status of Association Membership

- UN Global Compact
- Korean Society of Mechanical Engineers
- Korean Institute of Electrical Engineers
- Korea Electric Association
- Edison Electric Institute
- Yunkyoung Forum
- Council on the Operation of Electric Power Code
- Korea Management Association
- Korea National Committee on Large Dams
- Korea New and Renewable Energy Association
- Korea International Trade Association
- Korea Energy Forum

Global Compact

UN 「Global Compact」 Ten Principles

■ Human Rights

- Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and
 Principle 2 : make sure that they are not complicit in human rights abuses.

■ Labour Standards

- Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 Principle 4 : the elimination of all forms of forced and compulsory labour;
 Principle 5 : the effective abolition of child labour; and
 Principle 6 : the elimination of discrimination in respect of employment and occupation.

■ Environment

- Principle 7 : Businesses should support a precautionary approach to environmental challenges;
 Principle 8 : undertake initiatives to promote greater environmental responsibility; and
 Principle 9 : encourage the development and diffusion of environmentally friendly technologies.

■ Anti-Corruption

- Principle 10 : Businesses should work against all forms of corruption, including extortion and bribery.

Ethical Constitution

KOSEP aims to become a cherished global enterprise by carrying out civil duties to realize national welfare and support national economy by way of soundly supplying low-cost and high-quality electricity.

As a proud member of KOSEP, we pledge to abide by the ethical constitution listed below in every aspect of our daily operations as standard code of conduct and decision making.

| Clause 1

We most highly value 'deference for humanity', and aim to maximize customers' convenience and satisfaction.

| Clause 2

We fully recognize the importance of loving nature and preservation of natural environment, and advance to carry out environment-friendly management through construction in harmony with its environment and other various environmental preservation activities.

| Clause 3

We will become experts in our fields of operation with a sense of ownership.

| Clause 4

We will do our best to improve company value by trusting and cooperating with others.

| Clause 5

As a member of a society, we establish a sound civil awareness and ethics.

| Clause 6

As a member of a national business infrastructure, we pride ourselves and through innovation and modifications, will contribute to the development of economy and culture.

| Clause 7

With keen assessment, we will reject any ineffective conducts in operations though continuous self-innovation achieving a sound corporate culture.

| Clause 8

We will treat every transaction in a fair manner and try to establish a sound trading culture.

Code of Conduct

The purpose of Code of Conduct lays in providing ethical decision making and preferable behavioral yardstick in order to practice the ethical constitution.

Chapter 1 : Respect for People and Service for Customers

- ① We respect the individuality and creativity of each person and give support for them to fully utilize their potential.
- ② We always welcome our customers with politeness.
- ③ We provide our customers with appropriate information fulfilling their right to know.
- ④ We analyze what our customers want and incorporate it in company management.

Chapter 2 : Environment-Friendly Management

- ① We fully practice pro-environmental regulations and set them as priority in every aspect of operations.
- ② During power-generation facilities construction, we minimize negative influence on environment and try to seek harmony with nature.
- ③ We practice the act of preserving the natural environment through cleaning nearby environments and saving the resources and recycling.

Chapter 3 : Work Attitude

- ① Act with an ownership in each and every aspect of operation as if one owns the company. Always keep respectable courtesy.
- ② Self-establish appropriate attitudes as an employee and work with pride and awareness.
- ③ Attain new information with continuous self-development efforts and adequately apply them in daily operation.

Chapter 4 : Interpersonal Relationships among Employees

- ① Respect each other as equals and treat them according to their contributions.
- ② Do not discriminate against other employees and seek to share pain and joy with warmhearted attention.
- ③ Overcome personal or divisional interest to achieve a common goal of the company. Trust each other and learn to cooperate.
- ④ For the sake of individual development and company productivity, dynamically invest in the progress of aptitude.

Chapter 5 : Appropriate Public Consciousness and Ethics

- ① Be humble and perform voluntary work for neighbors and try to set a sound culture though active works.
- ② Demolish injustice and bad habits, and develop a civil consciousness of compliance to the basic order.
- ③ Contribute to creating a bright society with a warm and kind mind and diligent attitude.
- ④ Under trust and purity, treat all work justly to ascertain ethics.

Chapter 6 : Responsibility to the Nation and Society

- ① Stimulate research and development in responsible field and contribute to cost reduction of electricity through optimizing facility operations.
- ② Acknowledge that supplying the highest-quality electricity is our divine obligation, and endeavor one's best effort to accomplish it.
- ③ Improve our company through a sound business activity to create a social richness and enhance the lives of our people.

Chapter 7 : Establishment of New Corporate Culture

- ① Conduct every responsibility justly and appropriately to create a sound corporate culture.
- ② Undermine all wrongful acts of barbarity, irrationality, and habits, and pursue a new corporate culture based on rationality and effectiveness.

Chapter 8 : Establishment of a Fair Trade Order

- ① Regardless of its compensation, do not discriminate others by displaying favoritism.
- ② Always be aware of any effects from fluctuations of business status including design alteration, price adjustment, and added orders, and fully reflect them on business cash figures.
- ③ Every and all members of the company must not use their position to inquire wrongful demands such as money or entertainment.

Power Plants & Environmental Data

| Samchunpo Thermal Power Plant Division



Tel : 055)830-2121 Fax : 055)830-2155

Location	952, Dukho-Ri, Hai-Myeon, Gosung-Gun, Gyeonnam				
Area	630,000 pyeong				
Construction Completion Date	No. 1 Aug. 16, 1983 No. 2 Feb. 28, 1984 No. 3 Apr. 30, 1993 No. 4 Mar. 31, 1994 No. 5 Jul. 1, 1997 No. 6 Jan. 1, 1998				
Facility Capacity	3,240,000 kW ▶ No. 1 ~ No. 4 : 560,000 kW x 4 sets ▶ No. 5 ~ No. 6 : 500,000 kW x 2 sets				
Fuel Used	Bituminous Coal				

| Youngdong Thermal Power Plant Division



Tel : 033)640-3313 Fax : 033)640-3214

Location	200, Daedong-Ri, Gangdong-Myeon, Gangneung-Si, Gangwon				
Area	418,418 pyeong				
Construction Completion Date	No. 1 May. 23, 1973 No. 2 Oct. 31, 1979				
Facility Capacity	325,000 kW ▶ No. 1 : 125,000 kW ▶ No. 2 : 200,000 kW				
Fuel Used	Coal + Heavy Oil				

| Youngheung Thermal Power Plant Division



Tel : 032)455-3111 Fax : 032)455-3114

Category	Units	2001	2002	2003	2004	2005
Coal	k tons	9,236	8,853	9,427	9,638	9,684
Oil	kL	4.3	5.6	6.6	4.9	5.7
Gas	k tons	—	—	—	—	—
Electricity Generation Quantity	GWh	23,923	23,646	24,406	24,651	24,969
Heat Efficiency	%	39.00	39.01	38.18	38.67	38.63
Utilization	%	84.29	83.31	85.99	86.61	87.97
SOx Discharge Quantity	k tons	39	40	44	30	11
NOx Discharge Quantity	k tons	23	25	35	22	21
Dust Discharge Quantity	k tons	3	3	0.9	0.5	0.5
CO ₂ Discharge Quantity	M tons	20.5	20.2	21.3	21.3	21.6

| Yuhsoo Thermal Power Plant Division

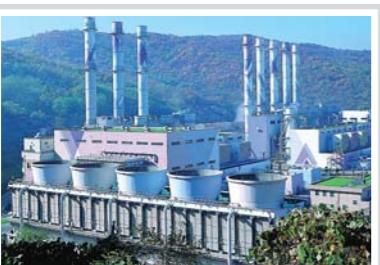


Tel : 061)680-4211 Fax : 061)680-4214

Location	1300, Jungheung-Dong, Yuhsoo-Si, Jeonnam				
Area	85,000 pyeong				
Construction Completion Date	No. 1 Mar. 31, 1975 No. 2 Jun. 30, 1977				
Facility Capacity	528,000 kW ▶ No. 1 : 200,000 kW ▶ No. 2 : 328,000 kW				
Fuel Used	Heavy Oil (B.C Oil)				

Category	Units	2001	2002	2003	2004	2005
Coal	k tons	—	—	—	—	—
Oil	kL	475.8	394.8	260.2	499.2	326.1
Gas	k tons	—	—	—	—	—
Electricity Generation Quantity	GWh	1,940	1,640	1,087	2,164	1,425
Heat Efficiency	%	34.97	35.65	36.01	37.24	37.80
Utilization	%	44.23	37.44	24.82	47.16	30.78
SOx Discharge Quantity	k tons	2	1.6	0.8	1.0	1.1
NOx Discharge Quantity	k tons	3.6	1.8	1.1	2.3	1.5
Dust Discharge Quantity	k tons	0.014	0.011	0.026	0.1	0.05
CO ₂ Discharge Quantity	M tons	1.5	1.3	0.8	1.6	1.0

| Bundang Multi Power Plant Division



Tel : 032)455-3111 Fax : 032)455-3114

Location	186, Bundang-Dong, Bundang-Gu, Sungnam-Si, Gyeonggi
Area	65,055 pyeong
Construction Completion Date	Level 1 : Sept. 16, 1993 Level 2 : Mar. 31, 1997
Facility Capacity	900,000 kW ▶ Gas Turbine : 600,000 kW (75,000 kW x 4 sets) ▶ Steam Turbine : 300,000 kW (185,000 kW & 115,000 kW)
Fuel Used	Natural Gas and Light Oil

Category	Units	2001	2002	2003	2004	2005
Coal	k tons	—	—	—	—	—
Oil	kL	—	—	—	—	—
Gas	k tons	613	606	598	654	672
Electricity Generation Quantity	GWh	3,446	3,432	3,385	3,698	3,788
Heat Efficiency	%	41.27	41.74	41.92	41.66	41.58
Utilization	%	43.71	43.53	42.93	46.77	48.04
NOx Discharge Quantity	k tons	3.6	4.4	2.5	1.8	1.5
CO ₂ Discharge Quantity	k tons	1.9	1.8	1.8	2.0	2.0

| Moojoo Water Pump Power Plant Division

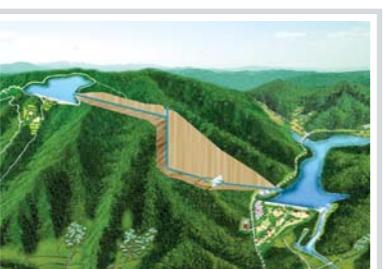


Tel : 063)320-3314 Fax : 063)320-3214

Location	150, Bukchang-Ri, Jeoksang-Myeon, Moojoo-Gun, Jeonbuk
Area	405,332 pyeong
Construction Completion Date	No. 1 Feb. 28, 1995 No. 2 Apr. 30, 1996
Facility Capacity	600,000 kW ▶ (300,000 kW x 2 sets)
Fuel Used	Underground Pure Water Pump Power Generation

Category	Units	2001	2002	2003	2004	2005
Electricity Generation Quantity	GWh	730	567	621	465	505
Utilization	%	13.88	10.97	11.80	8.82	9.60

| Yeichun Water Pump Power Plant Division



Tel : 054)650-7314 Fax : 054)650-7214

Location	Sun-Ri, Yongmun-Myeon, Yeichun-Gun, Gyeongbuk (upper level) Songweol-Ri, Hari-Myeon, Yeichun-Gun, Gyeongbuk (lower level)
Area	700,000 pyeong
Construction Completion Date	No. 1 Scheduled to complete on Sept. 2011 No. 2 Scheduled to complete on Dec. 2011
Facility Capacity	800,000 kW (400,000 kW x 2 sets) (under construction)
Fuel Used	Underground Pure Water Pump Power Generation

2006 Sustainability Report - Reader's Questionnaires

We wait for your valuable opinions about KOSEP's Sustainability Report. Your opinions will function as a springboard to develop KOSEP's Sustainability Management in the future. Please fill out the attached documents and send them to the labeled address via mail or fax.

Tel : 02-3456-7065 / Fax : 02-3456-7069 / E-mail : khs5348@kosep.co.kr

* The provided opinions and personal information will be used only for a date of the KOSEP's Sustainability Management and not for any other purpose.

1. What is your occupation?

- KOSEP Personnel Stockholder Supplier NGO Local Resident
 Investment Analyzer Student/ Academic sector Other()

2. How did you learn about this?

- Company Website Newspapers / Magazines Web Surfing Corporate executives staff
 Other()

3. What field of this book is you interested in?

- Sustainability @ KOSEP Respect of Human Beings Contribution to the Community
 Preservation of the Natural Environment
 Global Power Leader Other()

4. Please describe any information which you feel this report lacks in.

5. Was this report easy to understand?

- Yes, it was easy.
 No, it was difficult.
 Average.

6. Please write your opinion about this report.



Please contact us for inquiries and suggestions about our report

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