

Caring for the Future – Now!

EWP : Korea's Leader in Energy Sustainability



Significance of Report

This is the first sustainability report from Korea East-West Power Co., Ltd. (EWP). Its goal is to identify the company's stakeholders and provide a comprehensive overview of its economic, social, and environmental efforts and performance.

Report Standards

This report is provided in accordance with the B.E.S.T. Sustainability Reporting Guidelines and the G3 Guidelines of the Global Reporting Initiative (GRI).

Covered Areas

This report deals with the company's Seoul headquarters and its six plant sites.

Period of Coverage

The reporting period per se is from January 1, 2005 to December 31, 2005--although some qualitative performance data up to September 2006 have also been added. In addition, the company's performance between 2003 and 2005 has been given as a means of showing trends its operations.

Reporting Cycle

EWP plans to publish a sustainability report annually, beginning in 2006.

Credibility of the Report

This report has been read and commented on by a team of independent specialists versed in economic, social, and environmental areas. In addition, its data have been assured by a third party, The Institute for Industrial Policy Studies.

Additional Information

Additional information on this report can be obtained through the company's web site and all relevant operating divisions.

Homepage

<http://www.ewp.co.kr>

Business Report

Electronic Disclosure System of the Korean Financial Supervisory Service (dart.fss.or.kr)

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KOREA EAST-WEST POWER CO.,LTD.

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EWP : Korea's Leader in Energy Sustainability

Data Measuring Method

The company used standardized calculation methods that are accepted both domestically and internationally during the information-gathering process, including performance indexes and original units allowing comparisons with other companies. When there are differences from those standardized norms, explanations of the relevant calculation methods have been given in the notes.

GRI Application Levels

The Institute for Industrial Policy Studies, an independent assurance provider, has checked that this report's GRI application level stands at "B+."

GRI Application Levels | Sustainability reports using GRI must disclose their GRI report framework application levels by utilizing the 'GRI Application Levels' system. Application levels are divided into A, B, and C, according to whether an organization has newly begun to report or has mid-level or advanced knowledge of the procedures, respectively. When a report has been externally verified, "+" can be added to indicate the application level.



Korea East-West Power Co., Ltd.



Committed to Energy Security, Efficiency, and Sustainability

The Korea East-West Power Company (EWP) has enjoyed continuous growth and development since its inception in April 2001. Backed by the strengths of creative and innovative people and operations, it takes pride in producing energy to power Korea. In addition to recording increases in its net income for four consecutive years, EWP has ranked first in various management evaluations of power generation companies, and scored highest in the 2005 Korean Business Ethics Index survey.

Power generation is crucial to Korea's industrial life. As a result, EWP is committed to ensuring that the nation is supplied with clean, efficient, safe, and environmentally-friendly sources of power. Our ultimate responsibility is to hand on a healthy and secure society to future generations.



President Jung Tay-Ho

Using change and innovation in an era of intense competition to become the leader of the Korean power generation industry

Since its establishment in 2001, the Korea East-West Power Company has dedicated itself to becoming a world-class enterprise, both by playing a significant role in the nation's economic development and by caring for the environment. Because our entire staff is committed to corporate innovation and improving the company's efficiency, we have been able to achieve outstanding operational results, including recording a net income of KRW 102.4 billion in 2005.



Rather than resting on these laurels, however, we are continuously working to build even stronger foundations for sustainable growth. For example, we implemented our "2015 mid-and long-term management strategies" and our mid-term vision ("ACE 2010") with the aim of accomplishing our ultimate goal : To become a future power generation leader.

We also joined UN Global Compact in July of 2006 to illustrate our awareness of our social responsibilities. In addition, as an integral part of our goal of developing into a world-class organization, we decided to issue annual sustainability reports, reflecting our efforts and outlining our pledges in four areas.

Innovation and Creativity Management : First, we recognize that innovation and creativity management are prerequisites for a company's continued growth and development. As a consequence, we have selected four major operational areas drawn from the Balanced Scorecard (BSC) strategic map: being future-oriented, being customer-centered, being performance-centered, and developing an advanced management culture. We are also committed to executing eleven innovation management strategies drawn from these four central tasks. In addition, we have carried forward a series of original and innovative techniques in which the BSC performance management system is aligned with Six Sigma in the basis of knowledge management. As a result of all this, we are enjoying extremely positive operational results

We are also expediting our overseas expansion activities and exploiting new and renewable energy sources for promising and developing markets. A major reason for these actions is to meet the need for unprecedented environmental changes in both domestic and overseas markets, where the United Nations Framework Convention on Climate Change and new competitive structures are both forces to be reckoned with. We will continue to apply innovative and creative management solutions to new and foreseeable problems.

Economy : Secondly, EWP is the only Korean power generation company to have recorded four consecutive annual increases in net income--even in the face of dramatic hikes in the cost of oil. As one consequence of this unparalleled success, we obtained "A2" and "A-" credit ratings, respectively, from Moody's and S&P. We also attribute this honor to our continuing efforts to improve our financial structure-including enjoying the lowest average interest rates for borrowings among all of Korea's power generation companies. We are committed to increasing our corporate value through further improvements to our financial structure.



Society : Thirdly, we regard our social responsibilities not just as "duties" but as "pledges" to all our stakeholders. On this note, we inaugurated a community service group under the slogan "Hands of Love, Lights of Hope" in February 2004. The funds required for this group's activities are raised by voluntary donations from employees through automatic transfers from their salaries. These are then matched by the company, effectively doubling their worth. We also sponsor numerous community-support projects that meet the unique needs of each of the locations in which we operate, keeping with our pledge to grow and share with the communities we serve.

Meanwhile, as part of our commitment to strengthening the competitiveness of small-and medium-size enterprises (SMEs), we cultivate cooperative relations with our various business partners. To this end, we select and support high-quality SMEs, focusing on the cultivation of technology, assistance in

commercialization, and securing sales channels for R&D products both at home and abroad. As a consequence, we were named the best organization in the public SME product purchasing sector in 2005.

EWP believes that a company's employees are its most treasured assets. Accordingly, we make every effort to take into account the opinions of our staff members and improve the quality of their lives.

To ensure that our commitment to ethical management is both continuous and continuing, we run a wide spectrum of systems, such as the Self-Ethics Campaign, the Self-Diagnosis System, and "Sinmungo," a reporting system for transparent management environments. All our business activities and practices are standardized and must conform to our in-house codes of conduct and ethics. We are committed to putting our ethical management theories into practice, making transparent management our top priority. We will also continue growing with all our staff members and our business partners.

Environment : Next, we have established clear and open environmental visions and goals to put our corporate philosophy, "Caring for the Environment and Respecting People," into practice. To this end, we have set up, and are continuously carrying forward, both mid-and long-term master plans for optimal environmental management.

In addition, we are working towards the protection of the environment and cooperating with the UNFCCC by developing environmentally-friendly technologies, expanding our environmental facilities, minimizing the emission of polluting substances, and recycling waste. We have also introduced and are actively utilizing such advanced environmental management techniques as the ISO 14001. In the future, we will continue to be an advanced, environmentally-friendly company, leading our peers in the field of environmental management activities.

At EWP, we recognize that managing for sustainability must be the new paradigm for the survival of companies. We will do our best to enjoy the trust of all our stakeholders through the application of "gold-standard" management transparency, seeing this as one means to become a future power generation leader. We look forward to your support and encouragement.

Thank you.



President and CEO Jung Tay-Ho

April 2007

Innovation is the Key to our Success

| Mid-term Vision |

"ACE 2010" Great Company

- Accomplish sales of KRW 2.8 trillion and net income of KRW 400.0 billion
- Complete Dangjin Thermal Power Plant Units 7-8
- Secure a facility capacity of 9.8 million kW

Decline in facility investment expenses

A decline in facility investment expenses after 2008 will generate surplus cash, leading to an increase in interest income

Rise in sales

Completion of Dangjin Thermal Power Plant Units 7-8 will increase facility capacity by 1.0 million kW, generating greater sales

Decline in depreciation costs

A yearly decline in depreciation costs for existing facilities will result in continuous upturns in net income

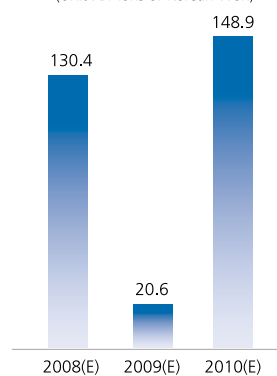
Decline in debt ratio

Continuous repayment of existing borrowings every year will decrease interest expenses

According to the mid-term financial vision, Dangjin Thermal Power Plant will begin to increase its earnings full-scale with the completion of Units 7-8 in 2007, following the completion of Units 5-6 in 2006. This should lead to a decline in depreciation costs, resulting in continuous upturns in net income after 2008. As such, EWP will be moving forward to become a future power generation leader.

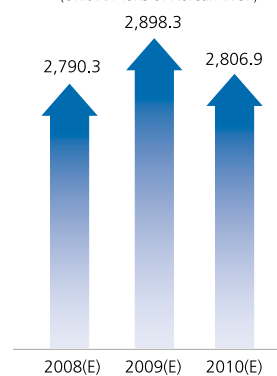
| Facility Investments |

(Unit : Billions of Korean Won)



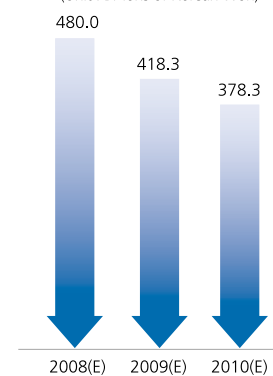
| Sales |

(Unit : Billions of Korean Won)



| Depreciation Costs |

(Unit : Billions of Korean Won)



Do Innovate

Innovation Performance

Estimated economic effects from innovation proposals

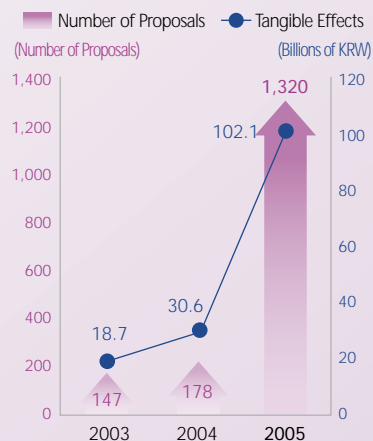
+ 102.1 Billions of Korean Won

Our Innovations are Practical - and Amazing

EWP takes a pragmatic approach to innovation. Everyone, from the chief executive officer down to each employee, has formed a consensus on innovation and pursues efficient and practical action plans, attaining remarkable accomplishments every year. In 2005, a total of 1,320 proposals were received; 348 were chosen for action, generating an amazing KRW 102.1 billion in positive economic effects. These efforts to suggest and achieve innovative goals, which are collectively called "ACE 2010," are an integral part of the company's overall business strategy.

Number of Innovative Proposals and Tangible Effects

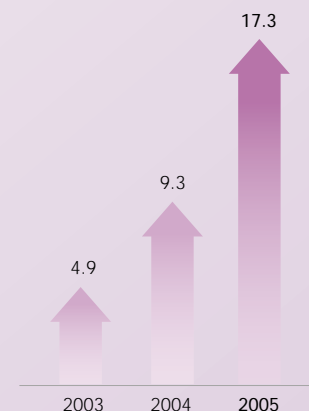
+641.6%



R&D Investments

(Unit : Billions of KRW)

+86.5%



Net income

+102.4

Billions of Korean Won

We Produce More Than Dividends

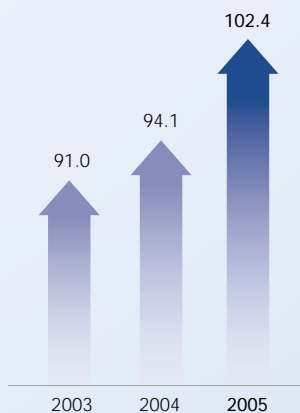
Since 2004, EWP has operated a systematic performance management system that is based on concrete objectives and strategies. In order to highlight our economic accomplishments--which we see as being both a corporate duty and a social responsibility--we employ the BSC performance management system. These initiatives have enabled us to become the only power generation company in Korea to record four consecutive years of increases in net income.

In addition to this, we are proud to have obtained both "A2" and "A-" credit ratings one notch higher than the "sovereign" credit rating. As we move into the future, we will concentrate on achieving even greater economic results, boosting our corporate value still further.

Net income

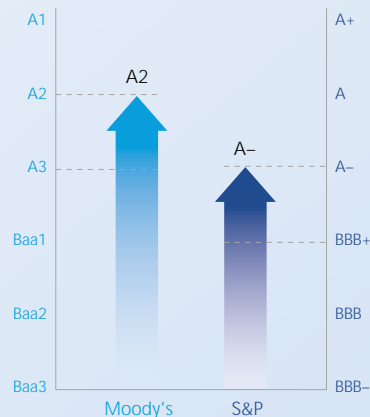
(Unit : Billions of KRW)

+8.8%



Credit Ratings

A2, A-



An underwater photograph showing a diver with arms outstretched, swimming towards a bright light source at the surface. A large school of fish is visible on the right side of the frame. The water is a deep blue, and the light creates a strong lens flare effect.

Makes a Mickle

Number of community service group members

+ 1,970 persons

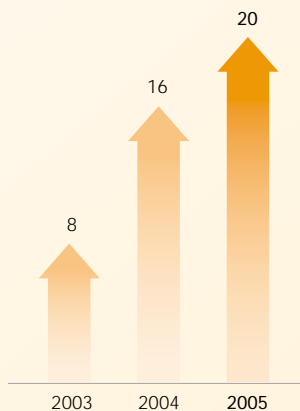
Sharing Love Knows No Boundaries

As a result of our ongoing, system-wide commitment to transparent management, we have been named "the best ethical management company in the public enterprise category." We are devoted to ensuring a "win-win" labor-management culture. To fulfill our corporate social responsibilities, we intend to continue helping to build a caring and sharing society.

Our community service group, founded in 2004, is continuously expanding its operations by caring for and sharing with neighbors in need. Currently, the group comprises 89 teams and 1,970 members. All its members believe that "sharing love knows no boundaries."

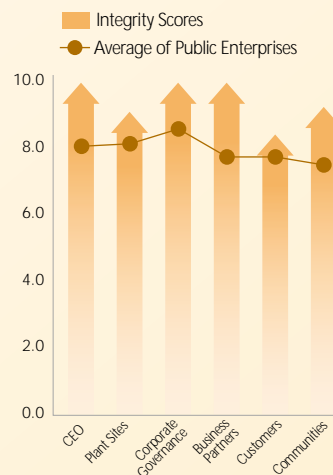
Annual voluntary service hours per employee (Unit : Hours)

+25.0%



2005 survey on actual conditions of ethical management by major companies (Unit : Scores)

Named the best ethical management company in the public enterprise category



A photograph of a man in a green jacket carrying a young child on his shoulders. The child is wearing a blue hat and a blue jacket. The man is smiling and pointing towards the left. The background is a blurred outdoor scene.

Go on Shares



Think Green

Environmental Performance

ISO Certification

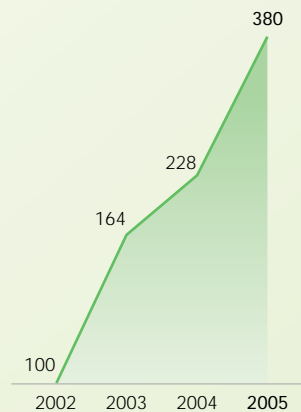
14001

We care for and value the earth

Beginning with our commitment, in 2001, to become a totally environmentally-friendly company, we have devoted our energies to helping restore the beauty and vitality of nature—including developing new and renewable sources of energy to protect the environment. In addition, we have introduced environmental management systems and are practicing environmental improvement programs that meet such international standards as the ISO 14001. We are—and will continue to be—an environmentally-friendly company that treasures nature and our mother, the earth.

Environmental Performance Evaluation (EPE)

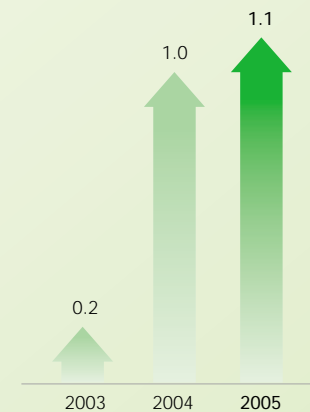
+66.7%



Environmentally-related R&D Investments

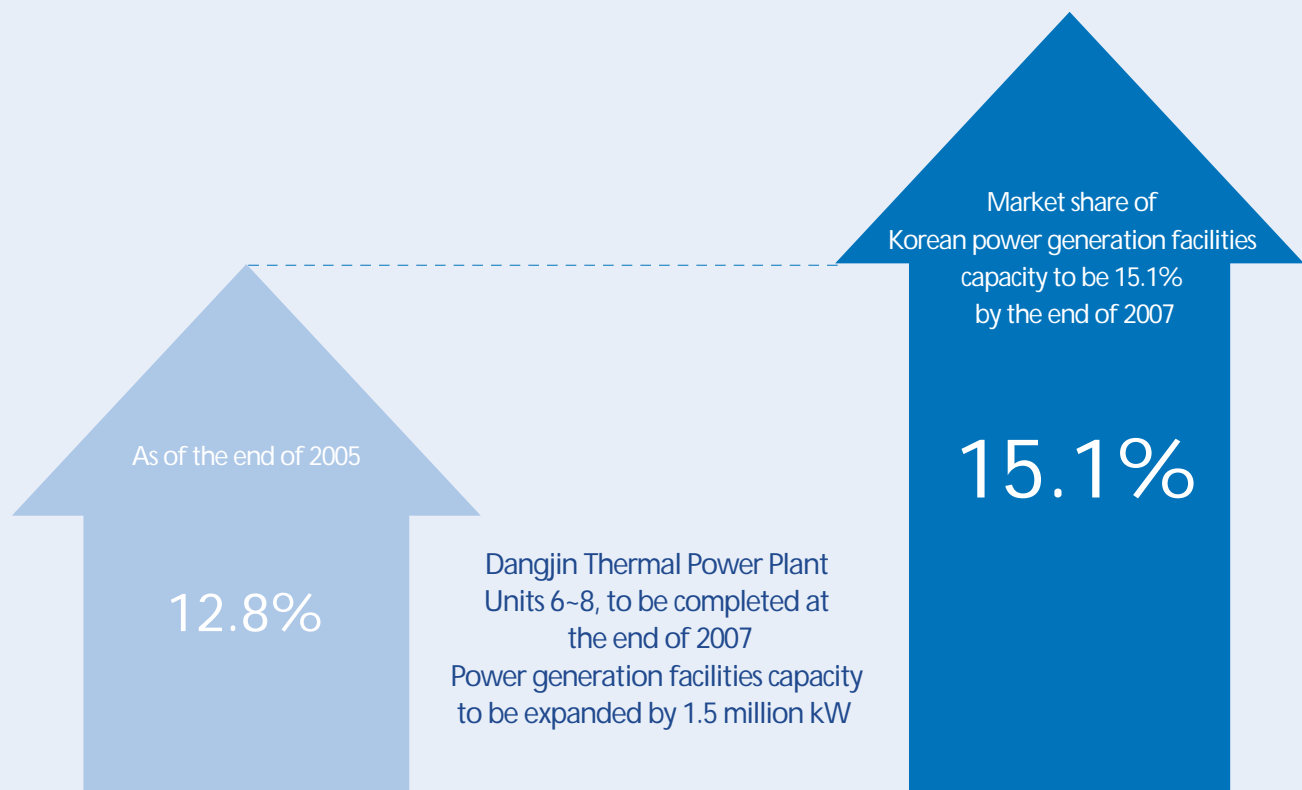
(Unit: Billions of KRW)

+11.1%



※Environmental Performance Evaluation (EPE) refers to objectively-identifiable data on environmental management activities. EWP was the first Korean power generation company to evaluate its environmental performance, beginning in 2002.

COMPANY INTRODUCTION



The Korea East-West Power Company(EWP) was originated from the Korea Electric Company(KEC), which had been created by incorporating Josun Power, Kyongsung Power, and Namsun Power in July 1961.

KEC was renamed the Korea Electric Power Corporation(KEPCO) in January 1982, and in April 2001, under the "Korea Electric Power Industry Restructuring Act", the power generation division of KEPCO was spun off into six power generation subsidiaries, one of which was EWP.

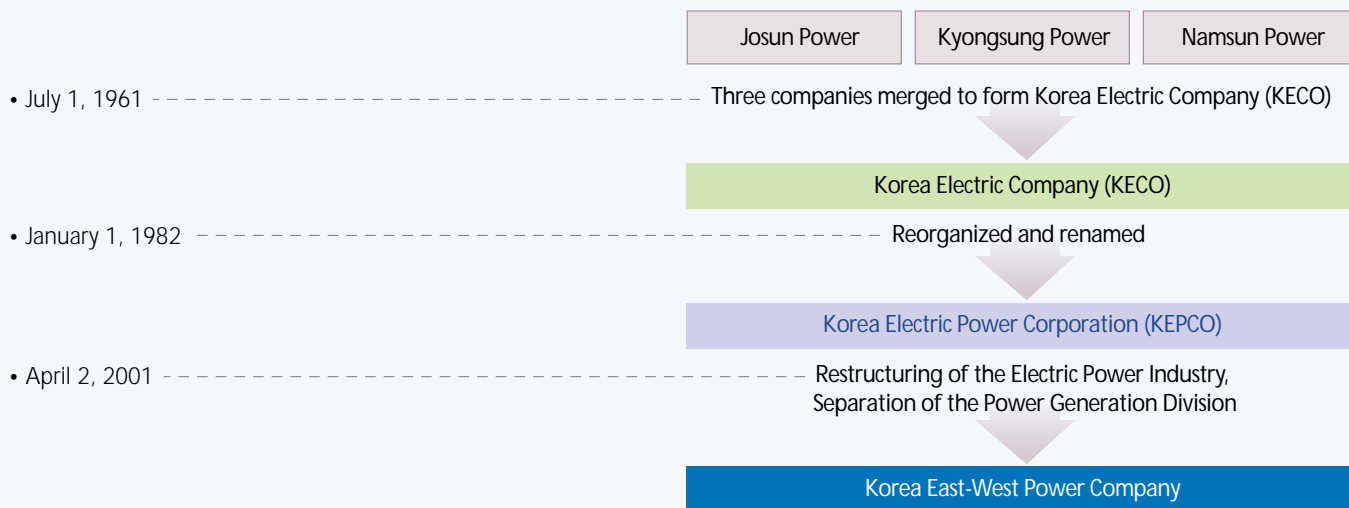


Corporate Overview

Corporate Overview

Company Name	Korea East-West Power Co., Ltd. (EWP)
CEO	Jung Tay-Ho
Date of Establishment	April 2, 2001
Major Business	Development of electric power resources, power generation, and related businesses
Total Sales	KRW 2.18 trillion (as of the end of 2005)
Head Office	167 Samseong-dong, Gangnam-gu, Seoul
Plant Sites	Dangjin Thermal Power Plant, Ulsan Thermal Power Plant, Honam Thermal Power Plant, Donghae Thermal Power Plant, Ilsan Combined Cycle Power Plant, Sancheong Pumped-storage Power Plant

Corporate History



EWP At A Glance

Facilities Capacity

EWP boasts a power generation capacity of 8 million kW (as of December 2005), 12.8% of the nation's total power generation capacity. Total capability will reach 9.5 million kW by the end of 2007, when the Dangjin Thermal Power Plant Units 6-8 are slated for completion. At that time, EWP will account for 15.1% of the nation's 63.0 million kW power generation capacity.

| Facility Capacity / Fuel used |

Category	Facility capacity (10,000 kW)		Fuel Used	Location
	In Operation	Under Construction		
Dangjin Thermal Power Plant	250	150	Bituminous coal	Dangjin-gun, Chungnam Province
Ulsan Thermal Power Plant & Combined Cycle Plant	180/120	—	Diesel/LNG	Nam-gu, Ulsan City
Honam Thermal Power Plant	50	—	Bituminous coal	Yeosu, Jeonnam Province
Donghae Thermal Power Plant	40	—	Anthracite coal	Donghae, Gangwon Province
Ilisan Combined Cycle Plant	90	—	LNG	Ilisan, Gyeonggi Province
Sancheong Pumped-storage Power Plant	70	—	Hydraulic Power	Sancheong, Gyeongnam Province
Total	800	150	—	—

※ As of December 2005

| Distribution Status of Power Plants |

Ilisan Combined Cycle Plant

Location: Goyang, Gyeonggi
Fuel: LNG
Capacity: 900,000 kW



Donghae Thermal Power Plant

Location: Donghae, Gangwon
Fuel: Domestic anthracite coal
Capacity: 400,000 kW



Dangjin Thermal Power Plant

Location: Dangjin, Chungnam
Fuel: Imported bituminous coal
Capacity: 2.5 million kW



Ulsan Thermal Power Plant & Combined Cycle Plant

Location: Nam-gu, Ulsan
Fuel: Diesel (LNG)
Capacity: 3 million kW



Honam Thermal Power Plant

Location: Yeosu, Jeonnam
Fuel: Imported bituminous coal
Capacity: 500,000 kW



Sancheong Pumped-storage Power Plant

Location: Sancheong, Gyeongnam
Fuel: Hydraulic power
Capacity: 700,000 kW



History in brief

Mar. 2001 Held inaugural meeting
Completed Dangjin Thermal Power Plant Unit 4
Apr. 2001 First CEO, Sang-Young Lee, and Auditor, Hee-Seok Ahn, took office Transition agreement signed between KEPCO and EWP
May 2001 Instituted CEO's Management Policies
Sep. 2001 Completed Sancheong Pumped-storage Power Plant Unit 1
Oct. 2001 Established Corporate Philosophy, Vision, and Employee Spirit Policies
Nov. 2001 Completed Sancheong Pumped-storage Power Plant Unit 2
Dec. 2001 Obtained "AAA" Rating from Korea Investors Service
Received "Project Award of the Year 2001" for Dangjin Thermal Power Plant Units 1-4 from Power Engineering magazine, which specializes in electric power technologies

May 2002 Issued digital bonds--a first in Korea
Jun. 2002 Started construction of Dangjin Thermal Power Plant Units 5-6
Jul. 2002 Second President & CEO, Lee Yong-Oh, took office
Sep. 2002 Proclaimed management-labor peace declaration
Oct. 2002 Implemented integrity pact for executives
Nov. 2002 Launched digital corporate newsletter, "East and West Place"
Dec. 2002 Declared commitment to ethical management practices
Signed agreement for cooperation in fuel business with East-North Power of Japan
Obtained "BBB+" rating from Standard & Poor's
Jan. 2003 Obtained Group Commendation at 3rd Gyeonggido Environmental Green Awards for Ilisan Combined Cycle Plant

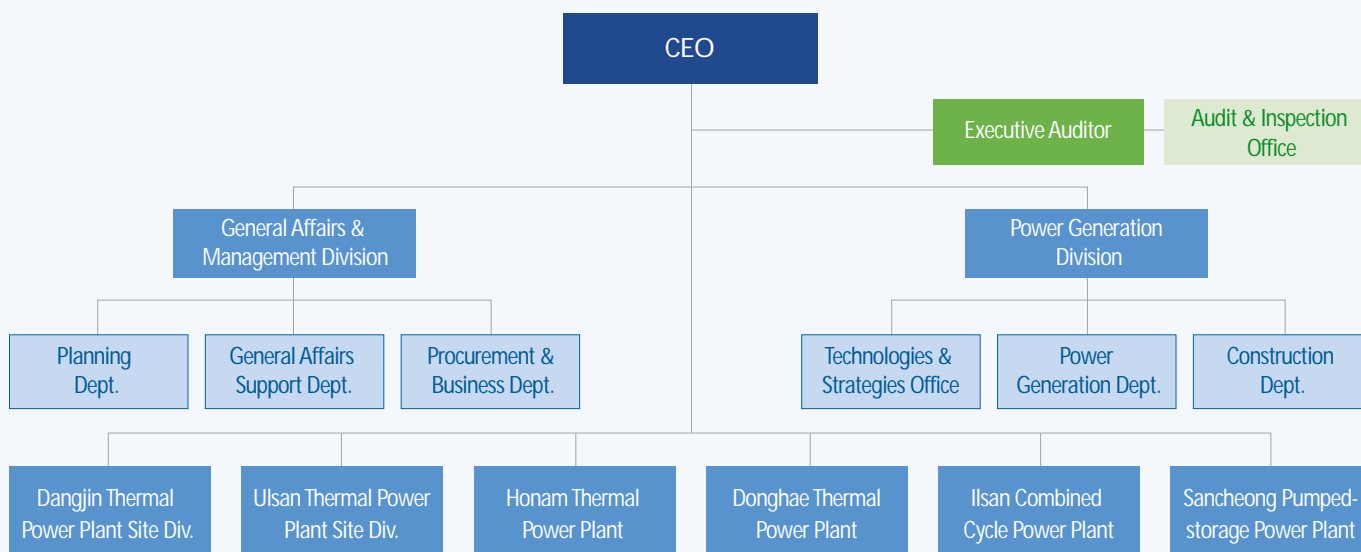
Jun. 2003 Received Grand Prize at the 5th Environmental Management Awards for Donghae Thermal Power Plant and Ilisan Combined Cycle Plant from Korea Economic Daily
Jun. 2003 Donghae Thermal Power Plant's anthracite consumption exceeded 5 million tons
Jul. 2003 Received Prime Minister's commendation for the prevention of industrial disasters (Ilisan Combined Cycle Power Plant)
Nov. 2003 Awarded Minister of Environment Prize (Honam Thermal Power Plant)
Awarded Minister of Environment Prize by Korean Association of Environmentally-Friendly Companies (Ilisan Combined Cycle Plant)
Mar. 2004 Completed flue gas denitrogenization facilities for Ulsan Thermal Power Plant & Combined Cycle Plant Units 4-6
Obtained "A-" Credit Rating from Standard & Poor's



Corporate Overview

Organizational Chart

EWP has two divisions, five departments, and two offices at its head office, with six power plants strategically placed across the nation.



Apr. 2004 Issued USD 250 million worth of global bonds--a first among Korean power generation companies

May 2004 Launched EWP Social Service Group
Signed agreement promoting ethical management between KEPCO power generation companies

Jul. 2004 Received Grand Prize at the 2004 Environmentally-Friendly Management Awards (in the 'public enterprise' category) from Korea Economic Daily

Used fuel produced at the Donghae gas field--a first in Korea (Ulsan Thermal Power Plant & Combined Cycle Plant)

Sep. 2004 Proclaimed Adherence to Six Sigma innovative management initiatives

Oct. 2004 Increased number of Corporate Ethics Committee members (including NGO, non-standing directors, and labor union representatives)

Feb. 2005 Named the Best Ethical Management Company in 2004 in three categories (Ministry of Commerce, Industry, and Energy)
Established "Open Management Innovation Committee"

Apr. 2005 Received Prize for Excellence at the first annual Korea BSC Awards

Jun. 2005 Ranked first in the 2004 management evaluation of power generation companies

Sep. 2005 Completed Dangjin Thermal Power Plant Unit 5

Oct. 2005 Established company-wide Total Reliability & Safety Innovation Management (TORSIM) system

Nov. 2005 Issued second set of global bonds, worth USD 300.0 million
Obtained certification from Korea Laboratory Accreditation Scheme (KOLAS) in the coal analysis category (for Dangjin Thermal Power Plant)

Dec. 2005 Awarded Presidential Citation at the fifth annual Promotion Meeting for Purchasing Small and Medium Enterprise Products

Jan. 2006 Received Grand Prize at the 2005 Korea Technology Innovation Management Awards from Korea Economic Daily

Mar. 2006 Selected as "Best Ethical Management Company" in the public enterprise category by the Ministry of Commerce, Industry, and Energy
Completed Dangjin Thermal Power Plant Unit 6
Signed an MOU for the construction of a tidal power plant at Uldolmok

Jun. 2006 Ranked 2nd in 2005 management evaluations of power generation companies

Sep. 2006 Awarded BSC Hall of Fame

Opportunities and Challenges at EWP

EWP undertakes its social responsibilities seriously and contributes to national economic development through stakeholder-oriented management. The company focuses on managing for sustainability, harmonizing its corporate interests with those of the public while working to ensure its future competitiveness and maximize its profits.

Characteristics of the Electric Power Industry

Since the electric power industry is mandated with generating sufficient amounts of energy for both civilian use and industrial development, it follows that the quantity and the quality of electricity play key roles in guaranteeing the nation's economic competitiveness.



Electricity cannot be stored; it is consumed as soon as it is produced. Therefore, power generation facilities aimed at preventing power shortages are a primary requirement for all industrialized nations. Since Korea imports 97% of its primary energy needs, the domestic electric power industry is keenly affected by international energy price fluctuations. As a consequence, energy security is becoming a key issue for the industry.

The interest of stakeholders in environmental damage, degradation, and pollution generated by the construction and operation of power generation facilities is steadily increasing, along with their concerns regarding energy security. One result of this is a marked increase in the electrical power industry's environmental responsibilities, including those related to the Kyoto Protocol (the aim of which is to reduce total worldwide emissions of greenhouse gases) and the Regulations on Total Pollutant Emissions of the Korean government.

EWP's response to this situation has been to invest heavily in the construction and operation of environmentally-friendly facilities. It is also committed to searching out and exploiting pollution-free, clean, and renewable energy sources.

Structure of the Electric Power Industry

As a result of the "Korea Power Industry Restructuring Act" of April 2001, the domestic electric power industry was organized into a competitive system in which six power generation companies, all of which were originally spun off from



KEPCO and other independent power producers (IPPs) compete to generate and sell electrical power to KEPCO. After that, KEPCO delivers the power to various end users. The legislation also lifted some barriers against foreign participation in the industry by allowing non-Koreans to own up to 30% of the nation's total power generation facilities.

As of December 2005, the six power generation companies named above accounted for 89.6% of Korea's total power generating capacity of 62,259 million kW. EWP produced 12.8% of that total.

Risk Management at EWP

EWP has established "ACE 2010," a mid-term vision, and a mid-and long-term management strategy aimed at coping with a rapidly-changing managerial environment.

The company endeavors to develop future growth engines by contributing to the nation's economic development through the maintenance of a stable supply of electrical power, by increasing the efficiency of its management through continuous innovations, and by actively exploiting overseas electrical power businesses, opportunities, and resources.

In order to fulfill its corporate social responsibilities, EWP is committed to ethical and transparent management. In addition, the company is devoted to the expansion of its social contribution activities as a means of giving back its profits to the society from which they were originally derived. Finally, EWP maintains collaborative, "win-win" relations with small-and medium-sized businesses to contribute to the nation's overall economic health.

EWP is also committed to environmental preservation through environmentally-friendly management. It is steadily increasing its investment in state-of-the-art environmental facilities and operates them with maximum efficiency to minimize the total amount of discharged pollutants.





Corporate Overview

Corporate Philosophy and Management Policy

Corporate Philosophy

Caring for the Environment and Respecting People

A Company That Prizes People Above All Else

We provide various self-development and self-fulfillment opportunities to our employees and contribute to enhancing the quality of life of our customers by providing them with a secure, stable, and inexpensive supply of power.



An Environmentally-Friendly Company That Protects Nature and Preserves the Environment

We carry out transparent and environmentally-friendly policies and operations by constructing and operating power plants at which the natural environment is given top priority.

A Company That Continues to Grow and Develop by Generating Healthy Earnings

We will face any and all changes to the corporate environment of the 21st century by concentrating our energies on electric power technology innovations and operational improvements.

Management Policies

■ Management Innovation

We take a leading role in change and innovation through a process of continual managerial reform. Our confidence in this area is based on our success in building the foundations for an independent management style during the beginning stages of our operations.

■ Social Contributions

A company that only concerns itself with profits is a company without a soul - especially in an age in which businesses are being increasingly called upon to assume responsibility for the communities in which they operate. In line with this trend, we have instituted a code of ethics, implemented an integrity pact, and established a series of master plans outlining our commitment to ethical management. Our ultimate goal is to become a "gold-standard" company that enjoys the trust and respect of the public through its contributions to society.

■ Organizational Harmony

An organization should be more than a mere aggregate of human resources. With this in mind, we strive to attain an atmosphere of organizational harmony so that our members can fulfill themselves by recognizing a common goal and complementing each other's strengths and weaknesses.

■ Cultivation of Talent

No matter how astounding a proposal or a strategy may be, it cannot be carried out properly and efficiently without the sort of leadership provided by highly-trained people. As a consequence, EWP believes that its employees are its most valuable assets.

Corporate Visions and Strategies



Long-term Vision

To become a future power generation leader

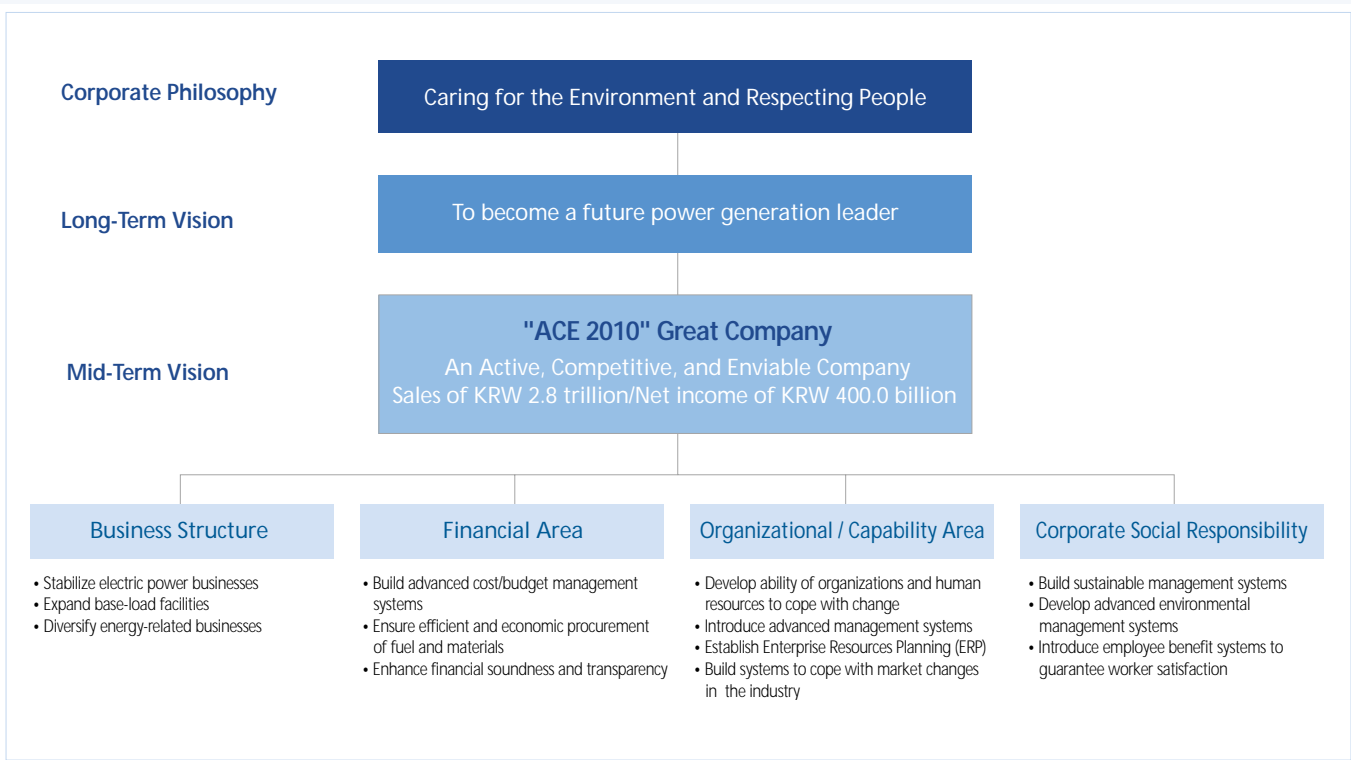
The electric power industry is in a constant state of flux. In this increasingly competitive environment, EWP is striving to earn the trust of its customers by making continual improvements to its technologies so they will be assured of a stable supply of power. In addition, the company is always on the outlook for ways to increase its position as Korea's leading power generation company. Given our expertise in strengthening differentiated strategies and our core technological capabilities, we are confident that we will soon grow into a globally-sized power enterprise and a world-recognized market leader.

Mid-term Vision

"ACE 2010" Great Company

EWP has recently put into place "ACE 2010," its mid-term statement of operational principles and strategies. The goal is to prepare a framework through which we will become a future power generation leader while realizing total sales of KRW 2.8 trillion and net income of KRW 400.0 billion. All of this will be achieved through the ownership of power generation facilities producing 9.8 million kW of electricity by the year 2010. The company will put this vision into practice by maximizing its organizational capabilities, based on a broad consensus agreed upon by all its employees. The ultimate goal is become an outstanding organization, based on the three following core strengths. First, it will be an active company whose employees voluntarily participate in its decision-making and strategizing; secondly, it will be a competitive company; thirdly, it will be an enviable company, providing working conditions that are the envy of the industry.

| Mid-term Vision, "ACE 2010" |





Efforts to Ensure a Sustainable Future

Joining The Global Compact and the Communications On Progress (COP)



EWP became a signatory to this compact in August 2006 as part of its mission to ensure transparent management and fulfill its social responsibilities. In order to observe the ten principles of the compact in the areas of human rights, labor, the environment, and the prevention of corruption, EWP subscribes to the protection of human rights, freedom of association, and the right to collective bargaining. Clauses prohibiting discrimination in employment and occupations and banning forced and child labor are written into the collective agreement. We build and operate environmentally-friendly plants containing state-of-the-art anti-pollution

facilities and have established a set of regulatory norms governing our environmental practices that equal (and often exceed) those written into government statutes. We have also proclaimed a Charter of Ethics with the intent to root out all forms of corruption, including bribery.

EWP is disclosing its operational and other data regarding its observance of the UN Compact's principles through the following Communication on Progress (COP). It will continue to improve upon and monitor the criteria for reporting this information, which will be presented in the company's Annual Sustainability Report.

| COP on Global Compact Principles |

Area	Principle	Compliance Status
Human Rights	1. Businesses should support and respect human rights - anywhere and everywhere	Collective Agreement / Charter of Ethics Code of Ethics, Articles 19 and 21 /Code of Conduct, Article 31
	2. Businesses should not be complicit in human rights abuses	Corporate Philosophy /Collective Agreement /Code of Conduct, Article 31
Labor Standards	3. Businesses should uphold the freedom of association and the right to collective bargaining	Collective Agreement
	4. Businesses should uphold the elimination of all forms of forced and compulsory labor	Collective Agreement /Code of Ethics, Article 22
	5. Businesses should uphold the abolition of child labor	Collective Agreement
	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation	Collective Agreement /Charter of Ethics Code of Ethics, Articles 10 and 20 /Code of Conduct, Article 5
Environment	7. Businesses should support a precautionary approach to environmental problems and challenges	Environmental Vision /Environmental Policy /ISO 14000 Certification Charter of Ethics /Code of Ethics, Article 26
	8. Businesses should undertake initiatives to promote greater environmental responsibility	Environmental Policy /Charter of Ethics
	9. Businesses should encourage the development and diffusion of environmentally-friendly technologies	Environmental Vision /Environmental Policy /Charter of Ethics
Anti-Corruption	10. Businesses should work against all forms of corruption, including extortion and bribery	Code of Ethics, Articles 6 and 8 /Code of Conduct, Chapter 3 Participate in BEST forum by signature of CEO

Global Compact

The Global Compact was suggested by the UN's former Secretary-General, Kofi Annan, in an address of the World Economic Forum in January 1999. It consists of ten principles in four areas (Human Rights, Labor, the Environment and Anti-corruption), the guiding aim of which is to work towards corporate transparency and responsible social citizenship. Companies become signatories to the compact voluntarily. Its major goal is

to develop new areas of corporate activities through communication and cooperation with various stakeholders while discouraging social contribution activities that are merely monetary donations by companies. Once a company joins the compact, it must officially declare its willingness to comply with its principles and periodically disclose its implementation activities in the form of a sustainability report.

Goals of Sustainability Management

EWP is focusing on sustainability management by connecting it to its corporate vision and its mid-and long-term business strategies for the sustainability management of the company. The overriding goal of sustainability management for EWP is contained in four major areas: organizations/systems, the economy, society, and the environment.

With regard to organizations and systems, we have established an Information Strategy Planning (ISP) process that is completely integrated into our strategic management plans. Its mandate is to implement strategic tasks and garner feedback, and its primary responsibilities are carried out by the Planning Department and the General Affairs Support Department. We also strive to develop efficient and effective organizational structures and operational models. In addition, we find and train key human resources through a diverse range of employment processes and are constantly developing programs for strengthening our global capabilities so that our organization and its personnel can deal with future challenges. Finally, we enhance our internal management systems through the use of such programs as BCS, Six Sigma, and Knowledge Management.

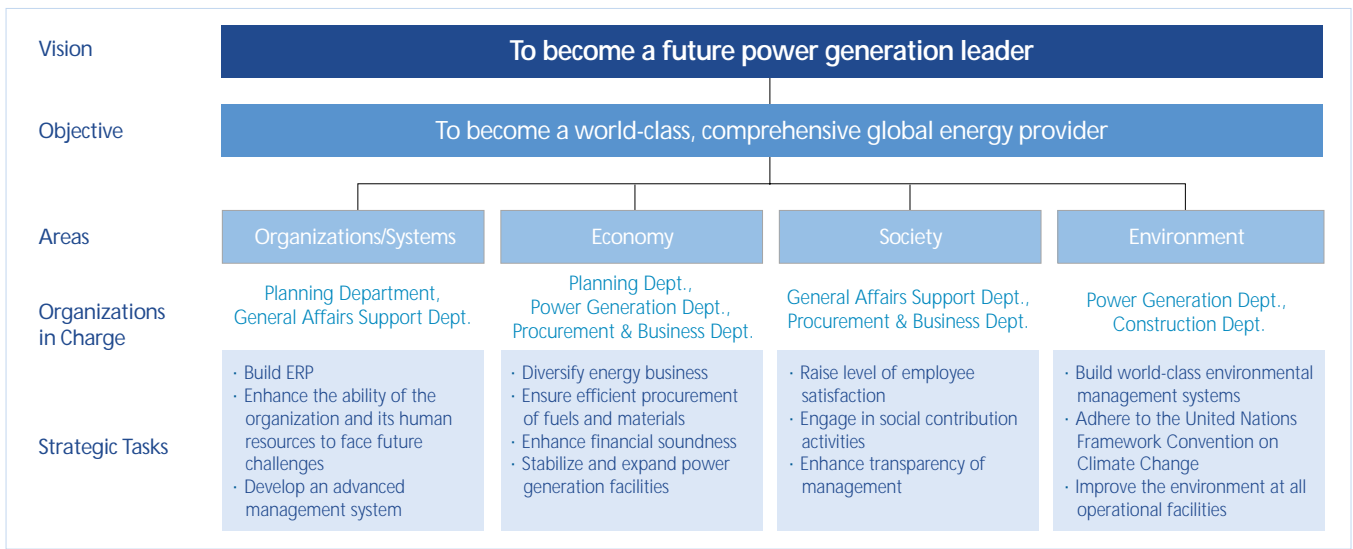
In the economic area, the Planning Department, Procurement & Business Department, and the Power Generation Department are responsible for implementing and providing feedback on strategic tasks. Strategic tasks include the implementation of the Total Reliability & Safety Innovation Management (TORSIM) system and establishing power station operational and maintenance systems to stabilize our power generation facilities and expand them as needed. We are also seeking to diversify by advancing into the overseas power generation business and developing new and renewable sources of energy. A further priority is the efficient procurement

of fuel and other materials by means of enhanced processes for purchasing bituminous coal. Finally, we strive to ameliorate our financial soundness, both by strengthening IR activities to raise our market credibility and by managing capital flows and risks through a comprehensive cash-management system.

In the social area, which is headed by the General Affairs Support Department and the Procurement & Business Department, we are committed to heightening the level of satisfaction of our employees by establishing a positive labor-management relations environment and a top-flight employee benefits system. Besides this, we are expanding our social contribution activities through voluntary donations from our employees and enhancing the transparency of our operations by developing a state-of-the-art internal control system.

The Power Generation Department and the Construction Department play lead roles in the environmental area. We are developing a world-class environmental management system by quantitatively assessing the effects of our products on the environment and monitoring the acquisition, processing, use, and disposal of the materials from which they are made. In addition, we comply with the United Nations Framework Convention on Climate Change by participating in R&D for reducing and processing greenhouse gases and improving the efficiency of our facilities. Finally, we use the finest in landscaping materials and techniques to turn the grounds of our facilities into ecological oases. EWP is committed to the pursuit of its mid-and long-term management strategies and the strategic tasks of its sustainability management to achieve its vision of becoming a world-class company and industry leader.

| Sustainability Management System |





Efforts to Ensure a Sustainable Future

| Key Performance Indicators of Sustainability Management |

Area	Key Performance Indicator (KPI)	Unit	2005	2006 (Target)
Economy	Facility Capacity	MW	8001	8527
	Power Generation Volume	GWh	36,344	42,149
	Sales	Billions of KRW	2,175.3	2,450.8
	Net Income	Billions of KRW	102.4	47.2
	Total Cost	Won/kWh	64.78	60.03
	Labor Productivity	GWh	21.4	23.15
	Debt Ratio	%	73.5	80.0
	ROIC	-	12.8377	11.9701
	Credit Rating (Moody's/S&P)	-	A2 / A-	A1 / A-
	Thermal Efficiency	%	39.38	39.78
Society	Integrity Of Power Companies (Managed by KEPCO)	-	39th	Upper 10%
	Electronic Bidding Ratio	%	96.0	94.3
	Information Disclosure Ratio	%	100	100
	BOD Participation Ratio	%	98	100
	SME Products Purchasing Ratio	%	42.2	79.0
	Employee Satisfaction Level	Point	75	80
	Social Contributions Amount (Per Person)	Thousands of KRW	225	239
	Volunteer Service Hours (Per Person)	Hours	16	20
	Employee Satisfaction With Benefits Package	Points	74.1	85('08)
	Education & Training Expenses To Net Earnings	%	3.99	5.0
	Education & Training Hours (Per Person)	Hours/person	80	80
Environment	Certification Ratio Of Environmental Management System	%	100	100
	Energy Usage Volume	Thousands of TOE	9,159	10,875
	Waste Water Recycling Ratio	%	61.2	65
	Waste Recycling Ratio	%	75	76
	New & Renewable Energy Power Generation Ratio	%	0.004	0.01('07)
	Greenhouse Gas Emissions Volume	kg-CO ₂ /kWh	0.761	0.726

| Sustainability Management Organization |



Relationship with Stakeholders

EWP intends to prepare the bases for sustainable growth by respecting its stakeholders and fulfilling its social responsibilities. To do so, we will build mutually-beneficial partnerships with our stakeholders by learning of and meeting their needs through a plethora of communications channels. Their opinions will be taken into consideration and reflected in our future plans.

Selection of Key Stakeholders

EWP defines key stakeholders as those groups which exert an influence on its corporate activities. They include those who directly affect our management activities and performance as well as those who assume legal, financial, or operational responsibility for them. After careful deliberation, we have identified six primary stakeholder groups: employees, shareholders and investors, business partners, communities & NGOs, KEPCO group companies, and governmental and regulatory institutions.

Commitment to Stakeholders

Employees

In order to understand the diverse needs of our employees (who are also our internal stakeholders), EWP employs surveys that measure employee satisfaction levels, joint labor-management conferences, direct reporting to the CEO, and a grievance settlement system. We are committed to encouraging the talents of our workers, enhancing their welfare, and respecting their human rights.

Shareholders/Investors

These include EWP's shareholders, KEPCO, individual and institutional investors, and credit rating agencies. We provide a favorable investor base in financial markets both at home and abroad while heightening the efficiency and transparency of our management through active IR programs and electronic disclosure systems.

Business Partners

These include fuel suppliers, equipment and materials vendors, and maintenance companies who deal with EWP. We strive to maintain honest and healthy relationships with this group, primarily through corporate ethics, technology development, fair trade, and support for small-and medium-sized enterprises. We hold informal meetings with them and operate a system whereby they can communicate directly with the CEO.

Local Communities And NGOs

Local residents, a broad spectrum of social organizations, environmental organizations, and governmental and public institutions are included in this grouping. We do our utmost to fulfill our social responsibilities by engaging in social contribution activities and constructing environmentally-friendly power plants. In addition, we participate in a host of social contribution

activities and operate a customer suggestion system and a reporting system called "Sinnungo."







KEPCO and Its subsidiaries

KEPCO and its six power generation subsidiaries fall into this category. We maintain a "win-win" competitive relationship by supporting stable power supply and technological development and participating in conferences on issues of interest to the industry as a whole.

Governmental and Regulatory Institutions

Governmental and regulatory institutions, including the Ministry of Finance and Economy, the Ministry of Planning and Budget, the Ministry of Commerce, Industry, and Energy, and the Ministry of the Environment fall into this category. We gather a broad array of viewpoints and opinions from them through an information disclosure request system. In addition, we comply with all relevant laws and regulations, faithfully pay all taxes owed, and take stern measures to prevent corruption.

Communicating with Stakeholders

Category	Methods	Major Issues
 Employees	Survey on satisfaction levels, joint labor-management conferences, direct reporting to CEO, grievance settlement system, corporate ethics committee	Enhancement of capabilities through encouragement of talented workers, increases in employee benefits, and respect for human rights
 Shareholders / Investors	IR activities, electronic disclosure system	Distribution of management results and disclosure of information
 Business Partners	Direct reporting to CEO, Happy Call, informal meetings, "Sinnungo" system	Sharing of corporate ethics, fair trade, technology development
 Local Communities / NGOs	Social contribution activities, customer suggestion system, corporate ethics committee	Social responsibility, construction of environmentally-friendly power plants, volunteer service activities
 KEPCO and its subsidiaries	Joint conferences	"Win-win" relationship, new & renewable energy development, participation in overseas projects, information disclosure, observance of laws and regulations, policy suggestions
 Governmental and Regulatory Institutions	Information Disclosure Request System	Policy suggestions, audits and assessments, elimination of corruption, taxes



Efforts to Ensure a Sustainable Future

Selection of Major Issues for Sustainability Management

In publishing this first sustainability report, we have endeavored to identify major issues related to the interests of our stakeholders and matters of great significance to them from within the full range of our activities.

Media Research and Surveys

We conducted a series of mass-media surveys to discover the interests of our stakeholders. In addition, by reading and researching mass-media articles that have focused on our activities over the past three years, we have been able to center on major issues within our organization and have tried to highlight them in this report.

Collection and Analysis of Opinions from Specialists

We conducted an Analytic Hierarchy Program (AHP) of 18 internally- and externally-based specialists to decide what issues should be dealt with and their order of priority.

** Analytic Hierarchy Program (AHP): When complicated problems occur, their attributes are systematically and hierarchically examined to compare the opinions of a range of specialists about the relationships between each factor. This results in a relative weighting of all the factors and provides guidance for prioritizing decision-making.*

Industry Trends

We benchmarked a number of leading overseas power companies that have adopted the sustainability management regimen to discover what the major sustainability management issues in the electric power industry are. Since the electric power industry substantially affects the environment, we found that global initiatives that focus on the global and local environment and the future of the earth are of great importance. As a result, EWP is committed to working with the domestic power generation industry regarding these seminal issues.

Policies and Standards At Home and Abroad

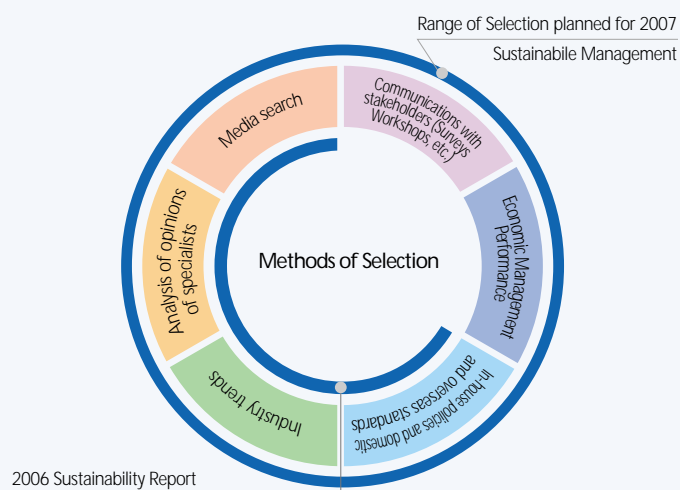
We also considered internal issues, the standards of Korean society, and relationships with the international community. Special attention was paid to our level of compliance with indices contained in the BSR Guideline that is used for preparing sustainability reports for Korean companies and the G3 global sustainability guidelines of the Global Reporting Initiative (GRI).

The major issues that we have identified as a result of this process were environmental impacts and environment policies and investments related to environmental management performance. Corporate governance in the areas of social management performance, risk management, innovation and creativity management, and investments in sustainability management were also found to be seminal issues.

EWP will continue to improve on all the unsatisfactory areas that were identified during the process of selecting key issues for this, its first sustainability report. In concrete terms, we intend to increase the membership of the specialist group to more effectively identify major factors regarding sustainability management and to refine and revise our survey techniques. We see these surveys and informal meetings with our stakeholders as important forums for uncovering new issues of interest, and will include the results in next year's report.

In addition, we will hold workshops to tell our stakeholders about the contents and findings of this report and receive feedback from them. Feedback will be continuously accepted through both online and offline channels and will be reflected in the next report.

I Analysis of Importance of Sustainability Management by EWP Issues Considered For Coverage (Materiality Test) |





Active Company



Competitive Company



Enviably Company



Innova Creatio

“Promise One” for the next generation

Some people look
up at the sky in
the morning.

Our dreams move upward and beyond when
we aim high.
Some think of changes, aiming higher every day.
Those ones are creating our future.

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INNOVATION MANAGEMENT PERFORMANCE

92
persons

26
persons

Results from the cultivation
of innovative human resources
through Six Sigma

EWP understands that innovation management is a prerequisite for a company's continuing growth and development. Accordingly, we will continue to refine and improve upon our systems and competencies so that all such innovations can be incorporated into our daily practices by the entire staff. Similar past endeavors have led to amazing results, generating more than 1,000 new ideas and KRW 102.1 billion in surplus value in 2005. Changes and innovation will continue to be our guiding principles, giving us the strength to face the challenges of the future.



Innovation Management Vision

Innovation Strategies

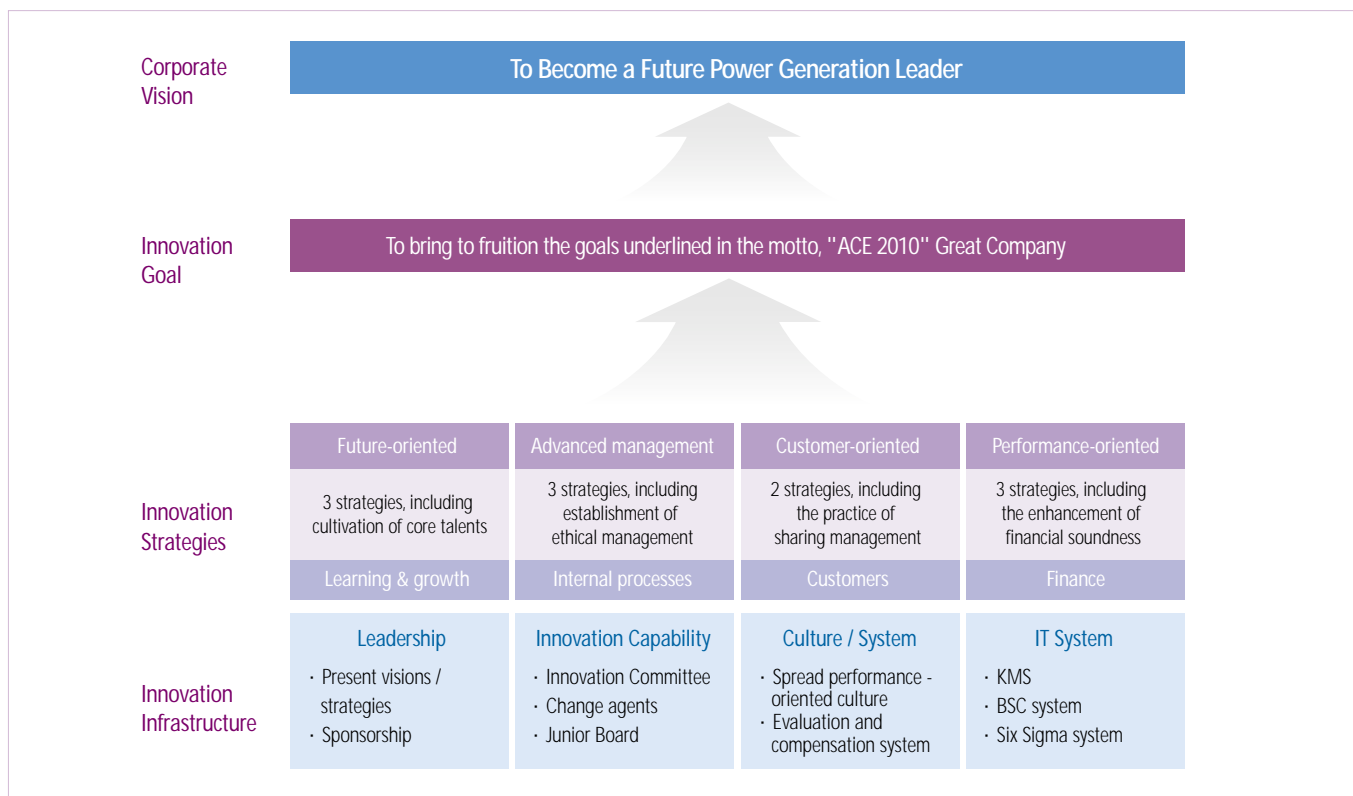
Innovation Visions and Goals

EWP's primary goal is to achieve its corporate vision through continuous innovation management, to fulfill its corporate responsibilities, and to contribute to national economic development.

For the purpose of innovation, we are working to bring to fruition the motto "ACE 2010 Great Company" by focusing on the improvement of our working patterns and business processes to achieve our management goals and visions effectively.

In order to achieve these goals, innovative strategies have been derived from the four viewpoints of the Balanced Scorecard (BSC) to ensure harmony between our corporate interests and those of the public. We are also committed to future-oriented strategies from the viewpoint of learning and growth, advanced management strategies from the viewpoint of internal processes, customer-centered strategies from the viewpoints of our customers, and performance-oriented strategies from the viewpoint of financial returns.

| Scheme of Strategies |

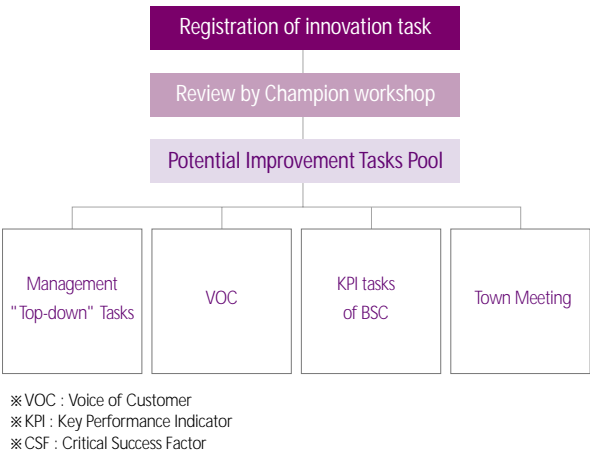




Determination of Innovation Tasks and Processes

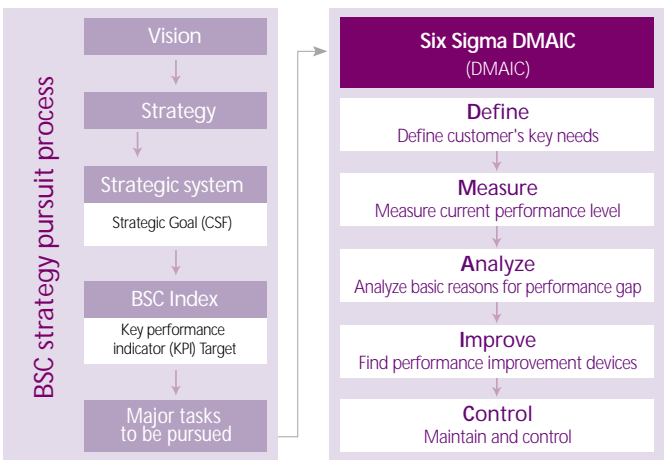
We decide upon potential improvement tasks using four methods: “top-down” (or management intentions), customer requests, downstreaming of strategies from the BSC viewpoint, and town meetings. These are registered and pursued as innovation tasks following reviews at Champion workshops.

| Tasks-deriving process |



Core initiatives that have been derived from the BSC process are carried forward by applying five stages of the DMAIC (Definition-Measure-Analyze-Improve-Control) of Six Sigma to strengthen their execution.

| Linkage between BSC and Six Sigma |



| Major activities to determine tasks |

Determination of potential improvement tasks		Description
1	Management's "top-down" tasks	Select tasks to solve pending issues and problems of the company and designate innovation manpower using "top-down" method
2	Voice of Customer (VOC)	Collect customer demands and establish core requirements to be used for the creation of final CTQ (Critical to Quality) tasks
3	KPI downstreaming tasks of BSC	To achieve KPI of the BSC, derive CTQ of Six Sigma and find tasks for implementation
4	Determination of tasks through town meetings	Find problems and tasks to be resolved in relevant areas through town meetings by in-house specialists

Innovation Management Mechanism

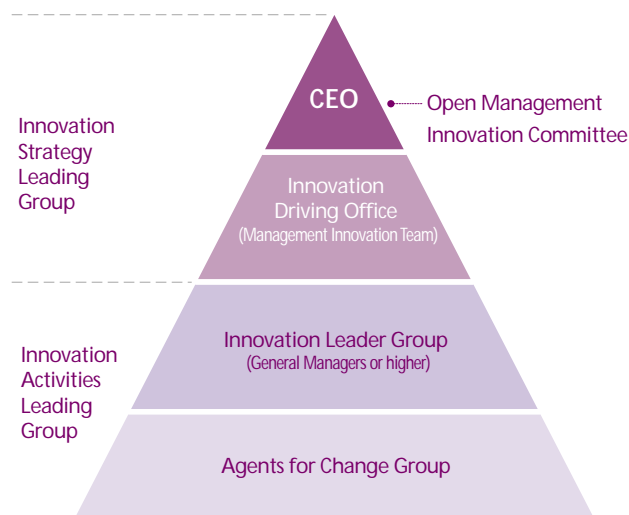
Innovation Driving Organization

EWP operates a management innovation office with 14 personnel. As well, every power plant site has an innovation office to enhance the capabilities of its executives.

An Open Management Innovation Committee advises the CEO on innovation strategies and builds an external network as an advisory committee for the CEO. This results in an internally-and externally-balanced perspective within management.

There are ten External Committee members: seven outside specialists in general management, finance, energy, power generation technology, and the environment, along with the CEO and the heads of the General Affairs and Management Division and the Power Generation Division.

| Innovation Control Tower |



Innovation Leadership of CEO

EWP's CEO plays a central role as a "missionary" for and sponsor of innovation. He presides over innovation meetings and occasionally monitors the status of innovation initiatives to stimulate the process. EWP maintains a "face-to-face" communications program between the CEO and its employees to narrow the gap between their ideas and develop a consensus by collecting various opinions.

| Interactions Between CEO and Employees |

Category	Frequency	Members
Conversations with innovation leaders	Weekly	Innovation Bureau members and innovation leaders
Innovation junior board	Quarterly	managers aged 40 or less and employees
Open conversations with managers	Monthly	Managers at headquarters
Open conversations with CEO	Whenever necessary	All employees

Institutionalization of Innovations



Innovation Information Sharing System

Key Performance Report (KPR)

We encourage team managers in every power plant site to submit quarterly performance reports on the four following areas--finance, customers, internal processes, and education and growth--from the viewpoint of BSC. Difficulties and suggestions are also evaluated. By going through this process, we reinforce the leadership capabilities of our mid-level managers and benefit from their internal communications.

Sponsor System

We operate a system of utilizing team managers and higher-level employees as innovation sponsors so that all employees in charge of innovation tasks can resolve any difficulties that have been raised in the course of pursuing innovations and take full and final responsibility for any failures.

The role of these sponsors is to inspire confidence in the ultimate potential for success (during the task selection stage), to listen to and help resolve problems (during the pursuit stage), and to assist at informal meetings so that improvement plans can be properly implemented (during the completion stage). They also spread news about successful innovation cases by networking. Sponsors are designated among team leaders, plant site directors, and management according to the character of the task being undertaken.

| Knowledge Management System |



| Number Of Innovation Tasks |

(Unit : cases)

Category	2004	2005
Innovation Tasks	190	278

Innovation Suggestion System

EWP operates a knowledge management system called EKP (EWP Knowledge Portal) which makes available integrated searches of entrepreneurial knowledge and evaluations and allows for compensation for knowledge value available.

This system is connected to our other management systems to reinforce our overall knowledge-sharing system and so contributes to increases in productivity by utilizing knowledge through the management of various changes and the operation of study organizations.

The innovation suggestion system begins when an employee enters a suggestion onto the system. The suggestion then goes through an initial review by the review committee at each plant site before being selected and/or rewarded by the review committee at head office.

We have enhanced the usefulness and sharing of innovation suggestions by allowing them to be sent to us by regular mail or e-mail, by increasing the ease with which suggestions can be executed, and by integrating the management of intellectual properties into the overall process.

| Suggestion Management System |



| Number of Suggestions |

(Units : Cases)

Category	2003	2004	2005
Number of suggestions	147	178	1,320
Number adopted	50	65	384
Tangible effects(Billions of KRW)	18.7	30.6	102.1

Education to Strengthen Innovation Capability

EWP conducts both in-house and external innovation specialist training sessions to enhance the innovation capabilities of all its employees. This training is given in stages (e.g., Quick Win, GB, BB, MBB, and FEA) for specialists seeking to improve their understanding of Six Sigma as an innovation tool at EWP. In addition, all employees receive training in Six Sigma e-Green Belt and Change Management through our online education center to improve their innovation capabilities. Commissioned training in advanced innovation techniques and trends is conducted by certified professional educational institutions.

Innovation Management Monitoring

Checking System

We operate a monitoring system to check the progress of all innovation activities. Poor results can lead to reprimands, while completed tasks are distributed throughout the company so that they can be applied to each field department that might benefit from their application.

| Checking Process |



Compensation System

Compensation for innovation performance is divided into two groupings: innovation that results in financial gain for the company and innovation that does not. EWP offers grants of up to KRW 50.0 million for financial-gain innovation and assigns compensation for non-financial-gain innovation by means of an evaluation based on an assessment schedule. The grades of this schedule are based on the improvement degree determinations of Six Sigma, the amount of effort involved in the task, and the degree to which the innovation can be applied in practice.

Excellence in innovation performance results in additional points for promotion, the CEO's commendation, and overseas training. This illustrates our commitment to enhancing the morale of all our employees.

Results of Innovation Management Performance

EWP adopted Six Sigma as a key management innovation tool in 2004. Since then, the company has been continuously involved in innovation activities. In 2005, the company trained 92 innovation specialists.

(Unit : Persons)

Category	2003	2004	2005
Sigma level	2.65	3.2	3.8
Total number of innovation manpower	–	26	92



Received Prize for Excellence in the "Innovation Management Category" at the First Sustainability Management Awards

EWP received the Prize for Excellence in the Innovation Management category at the First Sustainability Management Awards hosted

by the Seoul School of Integrated Science & Technology. The ceremony was sponsored by Dong-A Ilbo and managed by the Research Institute for Management and Assessment (KRIMA). It was given in recognition of the company's active and diverse management activities, including its linkage between innovation goals and strategies, its development of specific action plans and of performance indicators to achieve them, its high-quality "management of change" programs, its CEO's innovative thinking and ability to pursue organizational and operational goals, and its establishment of an institutional framework within which to implement innovations.



CREATIVITY MANAGEMENT PERFORMANCE

Develop facilities to produce
0.176 million kW
of new and renewable energy
by 2012



Solar Power
Generation



Small Hydro
Power Generation



Wind Power
Generation



Tidal Power
Generation

Reduction **1,058,800 tons** of CO₂ emissions by 2026

The Korean energy market is faced with new competition due to advances by both foreign and domestic companies spurred on by the trend toward deregulation and new market openings.

Since growth in the domestic electric power market is stabilizing, EWP is reacting by increasing its overseas expansion activities and the development of new and renewable energy. We are doing this to secure future growth engines and deal with changes in the global industry, primarily as a result of the United Nations Framework Convention on Climate Change (UNFCCC) and the implementation of the Kyoto Protocol. As we move forward, we will rely even more on diversification and technological innovation to become a comprehensive energy provider.

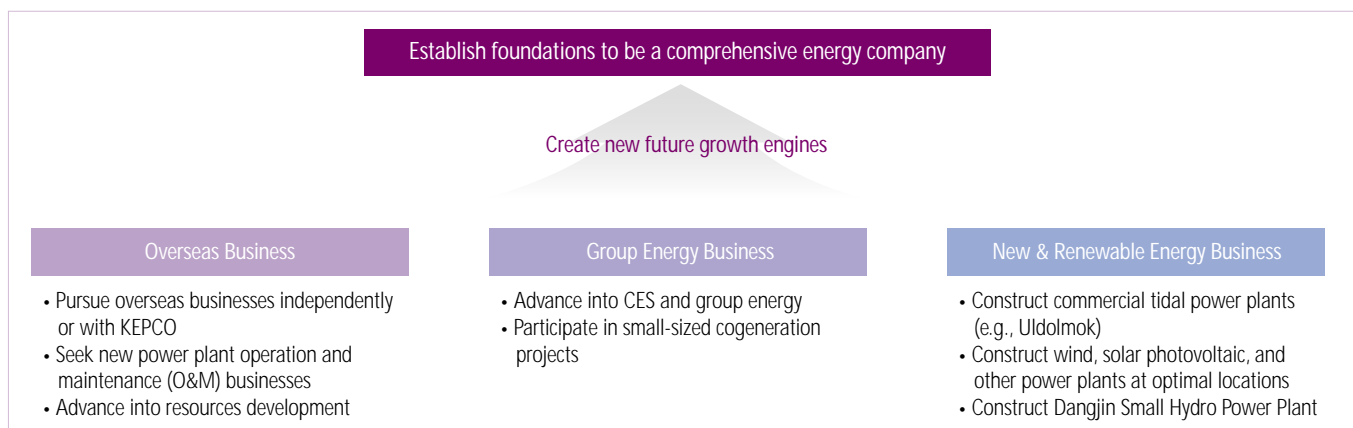


Strategies and Goals

EWP is building a foundation as a comprehensive energy company with a portfolio that includes power generation both at home and abroad, overseas resources development, and new and renewable energy businesses.

We are demonstrating our commitment to creativity management by setting up a business development team and a new and renewable energy team in the Planning Department. We are also putting in place a new and renewable energy development team in the Construction Department, with the aim of exploring new domestic and international business possibilities.

| Strategies for Becoming a Comprehensive Energy Company |



Overseas Business

EWP is ramping up its overseas business by drawing on the experience it gained from bidding for domestic private power generation and overseas Build, Own and Operate (BOO) projects. It also garnered valuable technological expertise during the construction and operation of the DongHae Thermal Power Plant--the world's largest fluidized bed boiler. In 2006, EWP conducted a feasibility study on acquiring power plants in the Republic of the Marshall Islands. It is currently bidding with Hyundai Engineering and Construction to participate in the construction and trial operation of a 1.2 million kW coal thermal power plant in Mongduong, Vietnam. In addition, the company is engaged in a variety of overseas power generation projects and is conducting field surveys to take part in the acquisition, construction, and operation of the Saipan Diesel Power Plant. In the future, we plan to expand abroad through shared information collection and collaboration with related companies.



Discussions on collaboration with government officials from the Republic of the Marshall Islands

| Major Overseas Projects In Progress |

Category	Specifications	Size	Remarks
Operation and maintenance of power generation facilities	Trial operation of a fluidized bed coal thermal power plant in Vietnam	1.2 million kW	To begin in 2008
BOO power generation facilities	Construction and operation of internal combustion power plant facilities in Saipan	60,000 kW	To be started in Aug. 2007
Power generation facilities services	Feasibility study on the acquisition of combustion power generation facilities in the Republic of the Marshall Islands	27,000 kW	To be completed in Nov. 2006

Overseas Resources Development

EWP is participating in overseas resource development projects through a plethora of investment arrangements, including strategic alliances with natural resources and mining development companies, equity participation, and direct development. In August 2006, KEPCO and other Korean power companies established a resource development consortium by combining the name recognition of KEPCO with the fuel demand of the companies. The strategy was to pursue equity investments in overseas coal mines by maximizing synergies. In the long term, this will provide Korea with a precise ratio of all fuels, helping to increase the nation's independence in the development of energy resources and ensuring the nation of a secure, stable, and economical supply of fuel.



Majuro Internal Combustion Power Plant, Republic of the Marshall Islands

Domestic Energy Businesses

Korea's power industry is expected to evolve into a comprehensive energy supply business for electricity and heating & cooling. As a result, EWP is forming strategic alliances with the private sector in order to participate in the Community Energy System (CES) and group energy projects in the development areas of the capital area. These efforts will create future growth and competitive advantages for the company.

| Major Domestic Projects Currently Underway |

Area	Specifications	Size	Remarks
CES	Ilsan Goyang Tourism and Cultural Complex CES Project	50,000 kW	construction to begin in 2008
Integrated Energy area	Seokmun National Industrial Complex (Group Energy Project)	520 t/h · 0.14 million kW	Participation being Pursued
	Multi-functional administrative city group energy project	Under review	Participation being Pursued



New and Renewable Energy and R&D Projects

EWP is reacting positively to new challenges in the power generation industry. These include unstable energy supplies due to the exhaustion of fossil energy resources, environmental problems due to global warming, and the implementation of the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC).

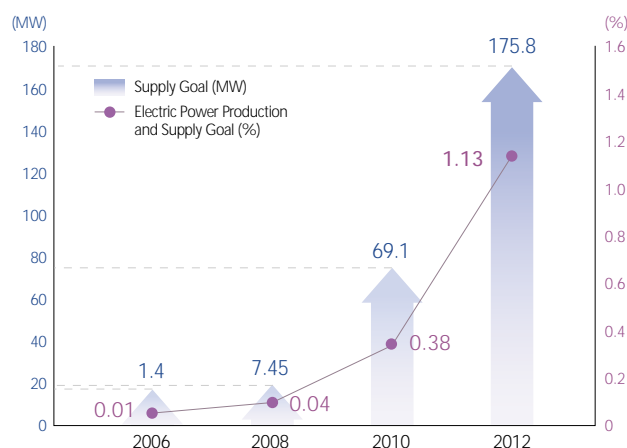
New and Renewable Energy

EWP signed a renewable portfolio agreement with the Korean government, promising to invest KRW 246.0 billion and develop 56,000 kW of new and renewable energy facilities by 2008. We have proposed a plan to develop facilities with a capacity of 176,000 kW by 2012. Our aim is to supply 1.13% of this with new and renewable energy.



New & Renewable Energy Supply Participation Agreement

New & Renewable Energy Development Plans



Construction of Solar Power Facilities

In September 2006, EWP completed a solar power plant with a capacity of 1 MW using idle space at the Donghae Thermal Power Plant. This facility, the largest of its kind in Korea, has been registered as a Clean Development Mechanism (CDM) project. It is also the world's first solar power plant CDM among all interconnected solar photovoltaic power generation facilities, according to the UNFCCC.



Aerial View of a Solar Photovoltaic Power Plant

Registration of Solar Power CDM with the United Nations

The UN's Clean Development Mechanism (CDM) provides for Annex I countries to implement project activities that reduce emissions in non-Annex I countries, in return for certified emission reductions (CERs). The CERs generated by such project activities can be used by Annex I countries to help meet their emission targets under the Kyoto Protocol.

The CDM approval of the Donghae Solar Power Plant is the 497th in the world--and the very first for a solar power plant. This project should lead to a reduction of 5,640 tons of CO₂ emissions over the next ten years. The resulting CERs will be sold to advanced nations in the form of CO₂ credits or will be used as Korea's own CERs if and when it becomes an Annex I country.

New and Renewable Energy and R&D Projects



Construction of Small Hydro Power Plants

Small hydro power plants produce energy by using the force of falling water that is discharged during the operation of power plants. At the Sancheong Pumped-storage Power Plant, a 400kW hydro facility is being operated using discharged water.

A hydro power plant at the Dangjin Thermal Power Plant is in the planning stages. It will use cooling water from the Dangjin Thermal Power Plant and the tidal wave differences from the nearby ocean to power three 1,666 kW-class hydraulic turbines. An A/E(Engineering and Architecture) contract was signed in June 2005. It is scheduled to be completed by the end of 2008.

Construction of Wind Power Station

A feasibility study for the development of wind power will be carried out, taking five possible sites into consideration-including Dangjin Thermal Power Plant, Donghae Thermal Power Plant, Donghae Chorokbong, and Jeongseon Baekbongnyeong. Upon the completion of the study, which is slated for the end of December 2006, we plan to build a 20,000 kW plant there.

In addition, we are seeking to develop wind power with private companies and local governments. This will make it easier to find suitable locations that can support large-volume generators. We also plan to participate in developing wind power technology that is appropriate to Korea's topography.

Developing Ocean Energy Commercialization Technology

EWP is also focusing on tidal power and participates in national policy-making on tidal energy utility technology development.

EWP is currently constructing the world's largest 1,000 kW unit at the Uldolmok Test Tidal Power Plant in a joint venture with the Korean Ocean

Research and Development Institute. The target date for completion is the end of 2007.

Tidal energy is a clean and environmentally-friendly power source that uses giant turbines to force tidal waves through narrow waterways during the ebb and flow of the tides. As a result, it does not require dam construction.

After the completion of the test power plant, we will construct commercial tidal power plants at three sites, including Uldolmok, to produce a total of 0.45 million kW of power.

Once the power plant becomes operational, it will help to stimulate the local economy by functioning as a tourist attraction, with an added ocean energy park being operated by the local government. In addition, it will be an educational facility reminding juveniles of the need to care for the future and the environment and of the importance of technology in achieving those ends.

Integrated Gasification Combined Cycle (IGCC)

Integrated Gasification Combined Cycle plants can reduce CO₂ discharges by more than 20%. In an attempt to acquire more expertise in using this innovative and eco-friendly technology, EWP is participating in a 0.3 million kW demonstration facility as part of a research project managed by the Ministry of Commerce, Industry, and Energy. This began in December 2006, and is being carried out in association with relevant institutions and the Korea Electric Power Research Institute.

EWP is also involved in a hydrogen fuel cell development project which uses hydrogen produced during the operation of the IGCC. In addition, we plan to develop hydrogen power by constructing a fuel cell power plant and a power park to commercialize the production of hydrogen power.



Aerial view of Dangjin Small Hydro Power Plant



Aerial view of Uldolmok Tidal Power Plant



Signed an agreement on ocean energy R&D

Continuous Growth through New and Renewable Energy Development

The Uldolmok tidal power plant and the Donghae and Jeongseon wind power plants and others are slated for completion in 2012. Construction of the Dongjin small hydro power plant and the Donghae solar power station is currently underway.

EWP will continue to build the foundations for becoming a comprehensive energy provider while helping to strengthen the nation's growth. It does this as part of its preparations for change in the power industry and to continue its leadership in the development of new and renewable energy.

R&D PROJECTS

Increase Capabilities of Power Technology

EWP has established and is following a mid-to long-term technology development road map for the years 2004-2013. Its aim is to bring our corporate vision to fruition by dealing with environmental changes both at home and abroad and maximizing earnings through improvements to our power generation capabilities.

In order to attain our goals regarding technological development, we have implemented 137 projects and deployed 34 technologies in six areas: new energy, environmental management, electrical power economy, improvement of reliability, power generation control, and construction.

R&D investments in 2005 amounted to KRW 17.3 billion, accounting for 0.80% of our total sales and representing an increase of 86.0% from a year earlier. We plan to invest KRW 76.9 billion in R&D activities until 2014.

Status of Intellectual Property Owned by EWP

EWP has completed the registration of 58 intellectual properties. We owned 47 patents and 11 utility models as of June 2006. Currently, 12 patents and 1 utility model are under review.

| Solar Power and Small Hydro Power Generation Facilities Development |

(Units : kW, Billions of KRW, Ton)

Category	Size	Investment	CO ₂ reductions (target by 2026)
Donghae Solar Power	1,000	6.3	11,200
Dangjin Small Hydro Power	5,000	23.2	320,280
Donghae & Jeongseon Wind Power	20,000	46.0	727,320
Total	26,000	75.5	1,058,800

| R&D Expenses |

(Units : Billions of KRW, %)

Category	2003	2004	2005
Investments	4.9	9.3	17.3
Percentage to sales	0.26	0.45	0.80

| Technologies to be developed (six areas) |

Area	Technologies to be developed
New energy	Seven technologies, including IGCC design and related technologies
Reliability improvement	Ten technologies, including power generation facilities operation and maintenance optimization
Power generation control	Five technologies, including those related to boiler controls
Environmental management	Seven technologies, including those related to environmental assessments and environment-related operations
Construction	Next-generation thermal power generation designs
Electrical power economy	Utilization of information infrastructures and applied technologies

| Application Status of Intellectual Property Rights |

(Unit : Case)

Classification		2003	2004	2005
Applications	Patents	1	2	11
	Utility models	–	4	3
Total		1	6	14

Econo



“Promise Two” for the next generation

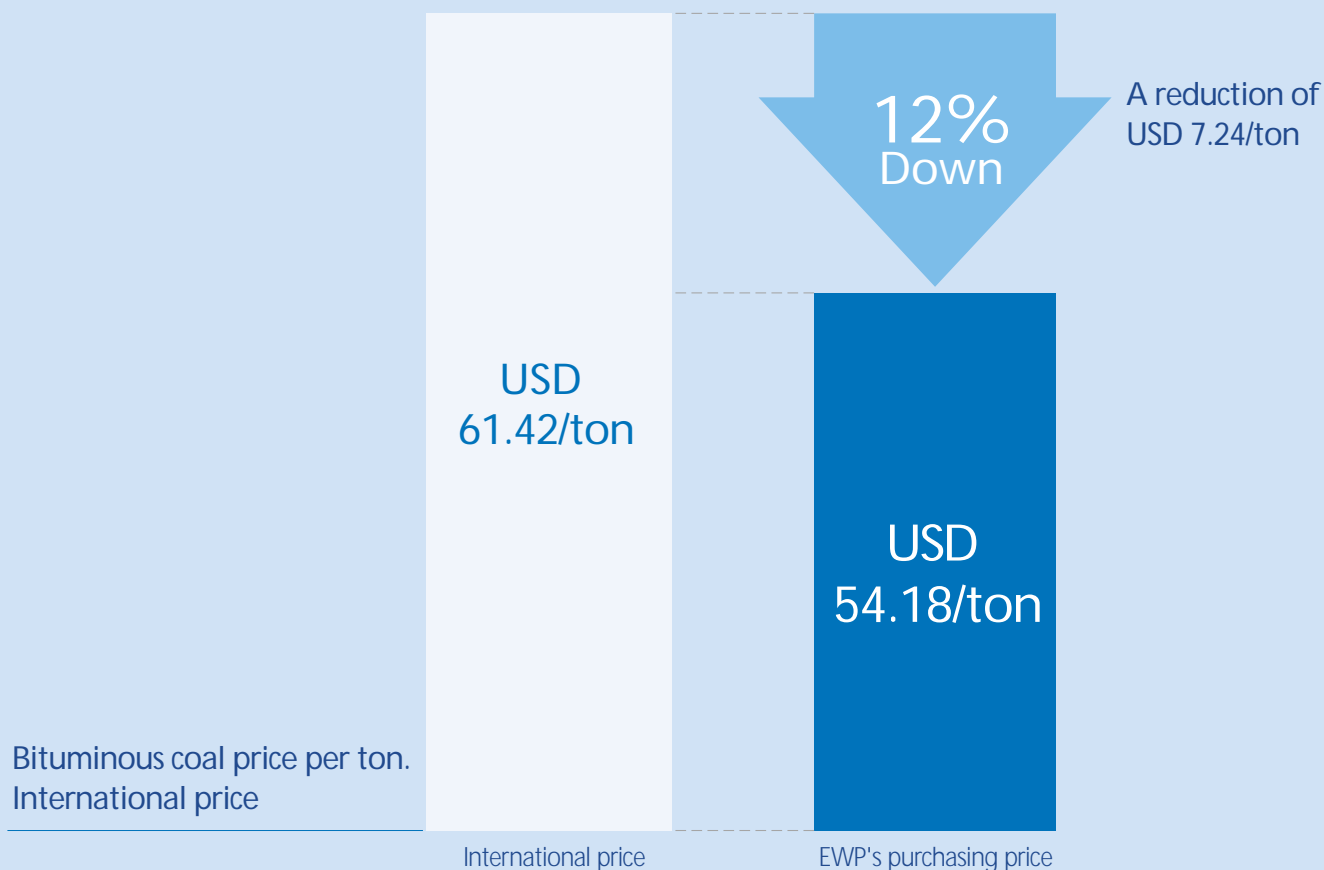
my

Some people
cannot sleep at
night....

Unable to let go of their energy, they cannot rest—not even for a minute.
Their time and passion are being used to accomplish great things.
They have Korea East-West Power in their hearts

ECONOMIC MANAGEMENT PERFORMANCE

EWP strives to attain sustainable growth by balancing its economic performance with its social responsibilities and its commitment to the environment. In terms of economic management performance, we have developed mid-to long-term financial strategies to generate higher returns by introducing a variety of management innovation techniques. As a result, we obtained extremely favorable financial results. These included fuel purchasing cost reductions (a highly important outcome, given that 97% of Korea's primary energy is imported from overseas), the lowest interest rates for borrowings among all Korean power generation companies, and high credit ratings resulting from our extensive IR activities.





Major Financial Results

EWP is the only Korean power company whose net profit has increased for four consecutive years.

Sales for 2005 amounted to KRW 2.2 trillion (or 33.9 billion kWh), an increase of 5.6% over the year. However, operating income decreased due to sharp rises in the price of bituminous coal and oil. On the other hand, we realized KRW 102.4 billion in net income by improving the efficiency of our management through innovations.

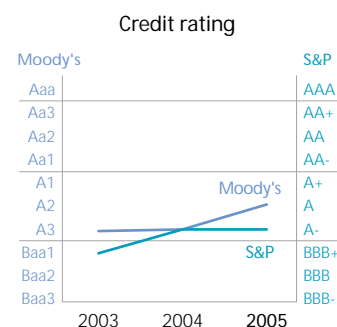
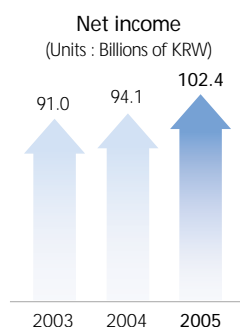
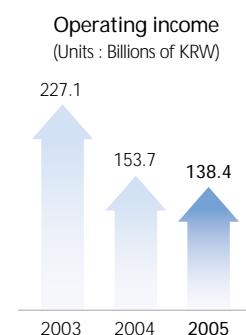
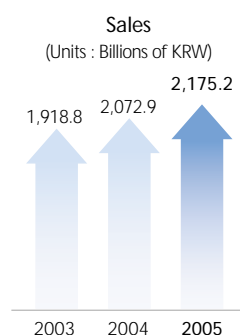
Although our debt ratio temporarily increased, due to large investments in the construction of Units 5-8 of the Dangjin Thermal Power Plant, it is expected to decrease after 2007 when Units 7-8 are completed.

EWP paid KRW 46.6 billion in taxes in 2005, including KRW 40.1 billion in national taxes and KRW 6.5 billion in local ones. It also paid out KRW 35.3 billion in dividends (KRW 575.0 per share, or 11.5% of par value).

Financial Highlights

| Summary of Financial Statements |

(Units : Billions of KRW, %)			
Category	2003	2004	2005
Sales	1,918.8	2,072.9	2,175.2
Operating income	227.1	153.7	138.4
Net income	91.0	94.1	102.4
Assets	4,046.2	4,069.9	4,459.8
Liabilities	1,616.5	1,597.5	1,889.5
Shareholders' equity	2,429.7	2,472.4	2,570.3
Debt ratio	66.5	64.6	73.5
National tax	40.4	41.8	40.1
Local tax	6.2	6.6	6.5
Dividends	33.8	25.5	35.3
Dividends per share (in won)	550	415	575
S&P credit rating	BBB+	A-	A-
Moody's credit rating	A3	A3	A2



Mid-to Long-Term Financial Prospects

In December 2005, EWP set out its mid-to long-term financial strategies. Since then, we have adjusted our targets and objectives through the close monitoring of changes in seminal management conditions.

These strategies outline our goals. Our objectives are profitability, stability, activity, growth potential, and the development of long-term financial structures.

According to our mid-to long-term financial prognostications, net income will decrease temporarily in 2006, as a result of sharp upturns in

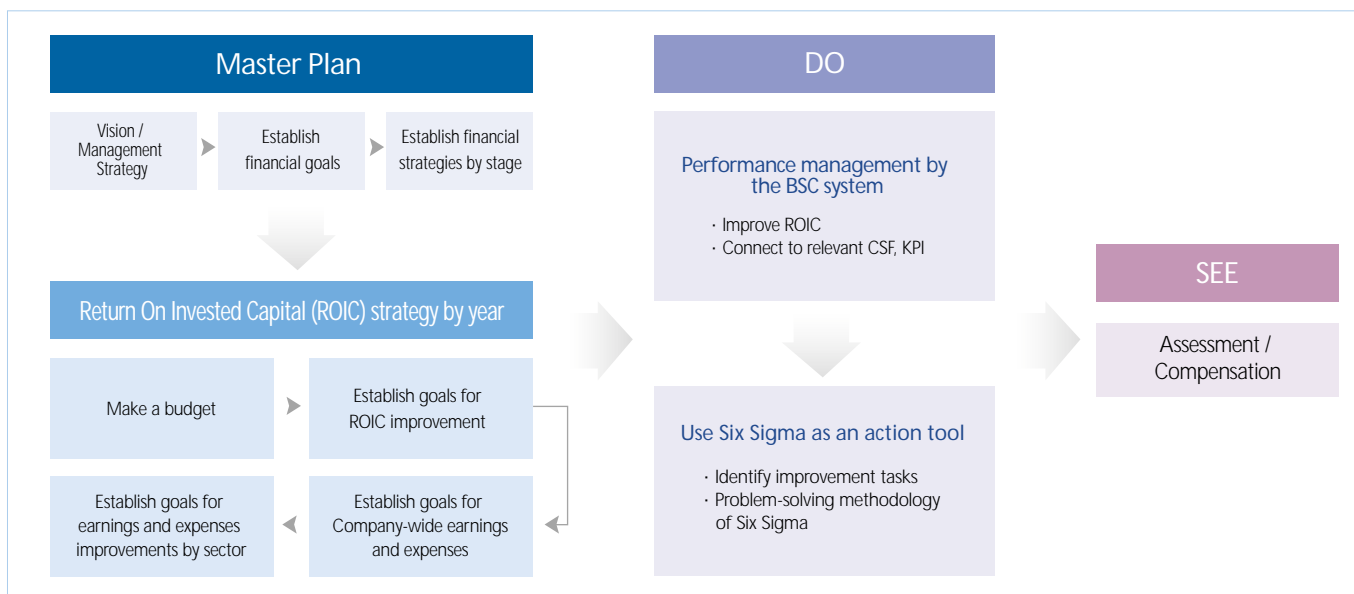
depreciation costs at the beginning of the year following the completion of Dangjin Thermal Power Plant Units 5-6. However, when Units 7-8 are completed in 2007, our net earnings should move upward. This increase will be driven by earnings from the Dangjin Thermal Power Plant Site and a decline in depreciation costs after 2008. In addition, we expect to see financial surpluses and a downturn in our debt-to-equity ratios beginning in 2007, following a decrease in costs for the construction of the Dangjin Thermal Power Plant Units 7-8.

Efforts to Improve Financial Structure



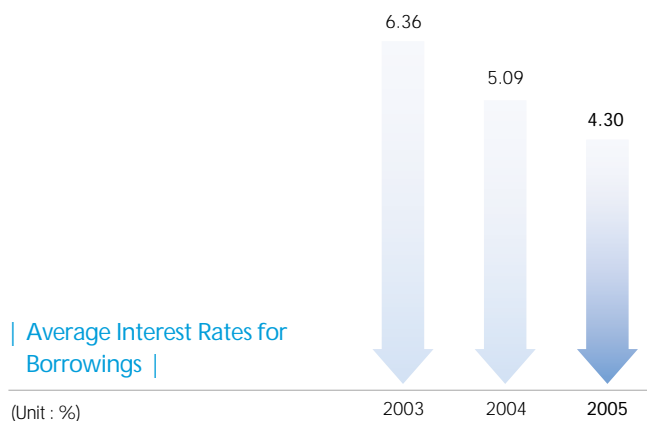
EWP plans its financial strategies to be consistent with its vision and its management approach. These strategies constitute an important part of our budgetary planning process for the year and define the company's profit improvement goals. Key performance indices that have been derived from the operation of the BSC performance management system are particularly considered. These are then given as tasks for the Six Sigma quality improvement system and are implemented to achieve a higher level of financial performance.

| Financial Improvement Strategies |



Efficient Management of Borrowings

As a result of our financial strategies--in parallel with our strategic management plans for economic funding--EWP enjoyed the lowest average interest rate for borrowings (4.3%) of all domestic electric power generation companies for the second consecutive year. This resulted from our efforts in the following strategic areas: fund-raising, the preemptive securing of high-quality investors, strategic IR, being awarded superior credit ratings, and repaying loans carrying high rates of interest.



* Average interest rates in 2005: 5.36% for the manufacturing industry, 5.02% for six power companies

International Credibility

EWP has initiated aggressive investor relations (IR) activities, including overseas road shows, to attract quality investors and has organized periodic IR sessions for domestic investors. It also provides management information to investors on an as-needed basis. As a result, EWP obtained a "AAA" rating from a Korean credit rating agency and an "A-" from S&P. It received an "A2" from Moody's-one rank higher than a sovereign credit rating.

EWP will continue to manage for a favorable investment base by improving on its management transparency and corporate image through IR activities which target both domestic and foreign investors.

Enhance Economies of Fuel Purchasing

Fuel purchasing costs accounted for about 66% of EWP's total budget in 2005. As a result, its management results have been significantly influenced by fuel cost reductions through economical fuel purchasing.

Accordingly, EWP has stopped using the traditional, single-price purchasing method for bituminous coal-the commodity whose international prices are subject to the greatest degree of fluctuation. Instead, it now uses the strategic pricing method called mixing and hedging, which includes an oil-combined pricing structure and bituminous coal-index pricing.

In addition, EWP is developing more economical alternative forms of coal by using its internationally acknowledged combustion technology. The company is also developing an optimally-economical combustion environment by developing an efficiency assessment system by coal type. As a result, in 2005 the company reduced its bituminous coal purchasing prices by USD 7.24 /ton compared to international prices.

| Change in Market Credibility |

Category	2003	2004	2005
Credit ratings (Moody's/S&P)	A3	A3	A2/A-

| IR Activities in 2005 |

Overseas Road Shows	March : Interviews with Moody's representatives in Korea and 6 institutional investors in Japan October : Interviews with 19 overseas institutional investors in Singapore, London, Amsterdam, New York, and Los Angeles, 8 conference calls with investors outside Korea
Domestic IR sessions	December : On-site IR sessions at the Ulsan Thermal P/P (5 domestic and overseas institutions and securities companies attended)
All-time Management Information	Operate investors mailing list

| Bituminous Coal Purchasing Ratio By Country |

(Unit : %)

Country	2003	2004	2005
Australia	32	34	34
China	36	16	27
Indonesia	19	29	26
Russia	6	12	9
Canada	5	4	-
USA	2	5	4

| Bituminous coal price (2005) |

(Unit : USD/ton)

Country	CIF Price	Savings
International Price	61.42	-
EWP purchasing price	54.18	7.24



Active Company



Competitive Company



Enviably Company

Some people
reach out their
warm hands to
neighbors in
need

Love has to be shared
To return what we have earned
And smile together in happiness

“Promise Three” for the next generation

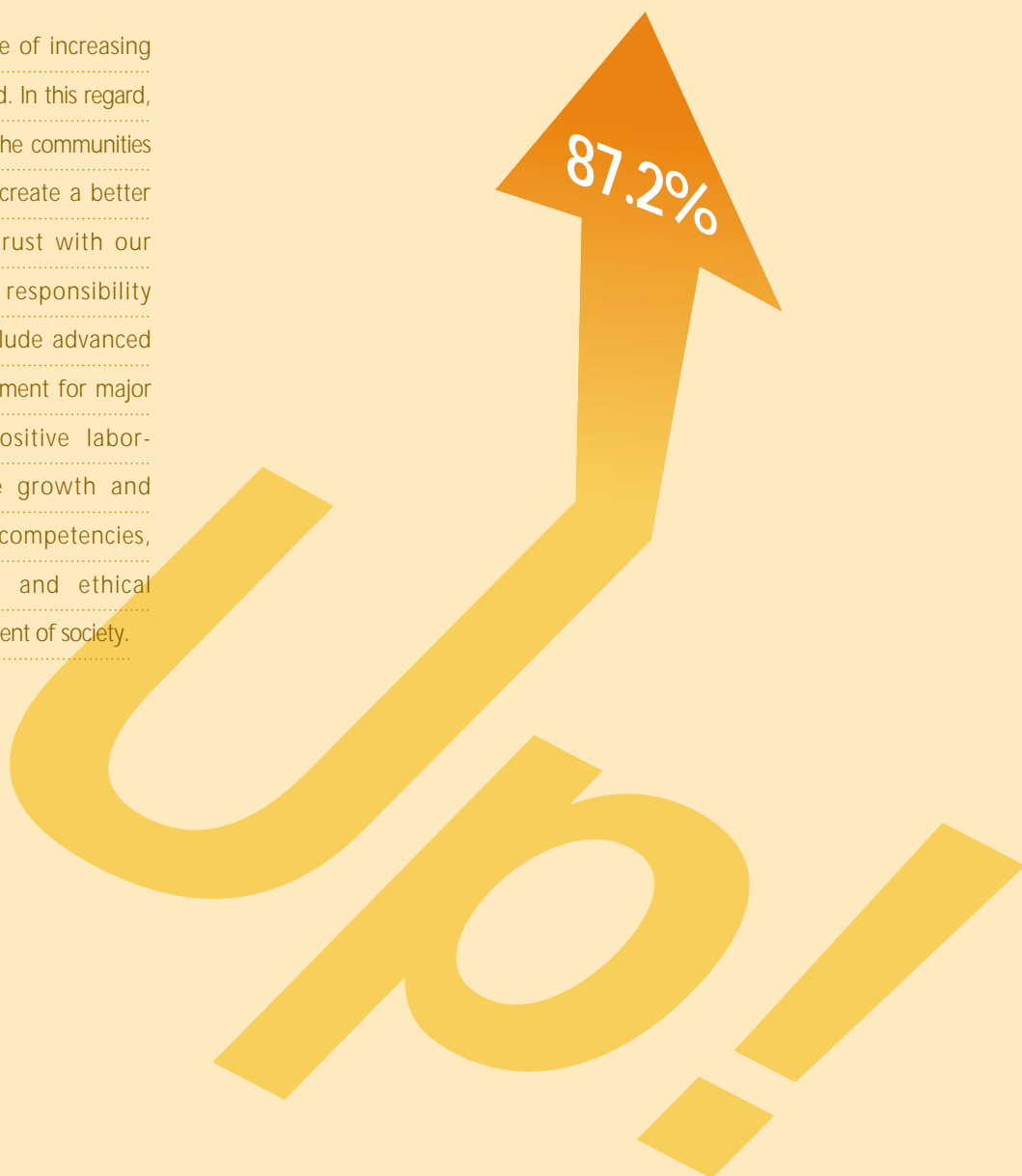
Society



SOCIAL RESPONSIBILITY MANAGEMENT PERFORMANCE

Purchase Ratio of SME Products - 87.2%

Corporate social responsibilities are of increasing significance both at home and abroad. In this regard, we are dedicated to giving back to the communities we serve with the aim of helping create a better society. We continue to build trust with our stakeholders through social responsibility management activities. These include advanced corporate governance, risk management for major business areas, support for positive labor-management relations and the growth and development of our employees' competencies, voluntary social contributions, and ethical management for the sound development of society.





Corporate Governance and Risk Management

We believe that sound and transparent corporate governance is essential in promoting a company's long-term credibility and increasing its value. With this in mind, since our spin-off from KEPCO in April 2001, we have established an advanced corporate governance structure based on the recommendations of our board of directors. We strive to protect the company from an uncertain management environment and to enhance our corporate value. To this end, we deal with or minimize risk factors in advance and translate them into opportunity factors by strengthening risk management in our major business areas.

Corporate Governance

Board of Directors

The Board of Directors is EWP's highest-ranking decision-making body. It is composed of executive and non-executive directors. The executive directors consist of three board directors, including the president and two executive directors. A total of four independent non-executive or outside directors also participate in the company's management. The board is established as per the requirements of Korean Commercial Law and EWP's Articles of Incorporation. These state that the total number of directors shall be from three to fifteen, the majority of whom shall be non-executive directors.

The board's task is to ensure the independence and professionalism of outside directors and to make policy decisions. Its function is not simply to supervise and check on management in the performance of its legal duties. As part of those efforts, we have introduced a pre-presentation system under which we distribute the agenda seven days prior to a board meeting and explain it three days in advance. This enables the outside directors to fully understand the agenda and constructively address it. As an example of this approach, the Fuel Risk Management Committee was

established in July 2006 at the suggestion of our outside directors.

We have also adopted policies to enhance the efficiency of the Board's operations. These include constructing a homepage to give the outside directors easy access to management information and holding on-site board meetings to hear from our field representatives. In 2005, EWP held nine board meetings, with an average attendance rate of 98%. Major items that were discussed included basic plans for the construction of a small hydro power plant in Dangjin, the public offering of non-guaranteed bonds, and installing a Dry Low Nox burner at the Ilsan Combined Cycle Plant. For more information, please visit our homepage at www.ewp.co.kr/eng.

Major issues related to management are subject to the board's approval. Meetings are conducted when a majority of the members are in attendance, and issues are decided by a majority vote of those in attendance. In order to prevent arbitrary decision-making of executive teams, independent non-executive directors should form a majority of total directors.

| Board of Directors Meetings |

(Units: Number of Meetings, Minutes)

Year	Times	No. of agendas	Average
2005	9	26	80
2004	7	27	75
2003	6	25	65

| Composition of Board of Directors |

Classification	Name	Title	Position Held
Executive	Lee Yong-Oh	President & CEO	Head of General Affairs and Management Div., EWP
	Oh Seo-hyung	Head of General Affairs & Management Div.	Executive Auditor, Audit & Inspection Office, KEPCO
	Woo Jong-chun	Head of Power Generation Div.	Head of Power Generation Department.
Non-executive	Gang Bu-il	Politics	Director of International Language & Culture University, Chairman of Incheon Metropolitan Council
	Choi Jung-ho	Academics	Professor of Business Administration, Hongik University Professor, College of Business Administration, Chung-Ang University
	Yang Seung-hyun	Mass Media	Head of Management and Planning Office at a Seoul Newspaper Editorial writer for a Seoul Newspaper
	Moon Ho	KEPCO	Managing Director of the Planning Division, KEPCO

※ As of Sep. 2006



Executive Candidate Recommendation Committee

In order to recommend highly-qualified candidates for the executive team, we have formed an executive candidate recommendation committee. It examines candidates' management proposals and recommends final candidates to a general meeting of shareholders.

The Presidential Candidate Recommendation Committee consists of non-standing directors and private committee members. The Non-Standing Director Candidate Recommendation Committee considers the appointment of executive directors. It consists of executive directors, non-executive directors, and outside appointees chosen by the president.

These committees are required to take minutes of their meetings and disclose them in order to guarantee a fair and transparent appointment process. They review documents submitted by the candidates, including management plans, and conduct a strict and objective screening to select the final candidates. The names of the candidates are then put forward at a general meeting of the company's shareholders.

Executive Evaluation and Compensation

In order to establish responsible management by the president and executive directors, we maintain a thorough and objective evaluation process on their performance, accordingly influences their final remuneration and compensation.

The president negotiates an annual management contract with the president of KEPCO, our mother company. It covers such matters as management objectives, authority, responsibilities, and salary. Internal management contracts are also drawn up between the president and each standing director as a means of evaluating them and compensating them for their performance.

Risk Management

EWP strives to translate risks into opportunities for growth by eliminating or minimizing potential risk factors in advance. This protects the company from uncertainties in its management environment and enhances its corporate value. At EWP, risks are classified and managed under the headings of financial, fuel costs, and facility operations.

In the financial sector, we focus on risks related to raising funds required for the construction of power plants at appropriate interest rates and the management of risks related to fluctuations in exchange rates for USD and JPY borrowings. For instance, when the won/JPY rate plummets, we utilize a systematic decision-making process to make informed judgments on whether to fix the principal on certain exchange rates through swaps on JPY borrowings or prepare ourselves for further decreases.

In the case of fuel, it is essential to secure the minimum volume that our power plants need--and at the right time. As fuel cost accounts for more

| Composition of Executive Candidate Recommendation Committee |

Committee	Members	Remarks
President & CEO Recommendation Committee	Non-standing directors (4), Private committee members (more than 5)	Private committee members are appointed by BOD
Standing Director Candidate Recommendation Committee	Standing directors (3), non-standing directors (4), outside appointees (up to 3)	Outside appointees are appointed by the president

Shareholders and KEPCO Group

EWP's shares are wholly owned by KEPCO. EWP belongs to the KEPCO Group, along with the following companies:

| KEPCO Group |

Category	KEPCO Group
Member companies (11)	KEPCO, EWP, KOSEP, KOMIPO, WP, KOSPO, KHNP, KOPEC, KPS, KNFC, KDN

than 60% of the company's total expenses, risk management in fuel cost are essential in the achievement of our financial objectives and cut-down on our operating costs. Therefore, we are reinforcing our hedging efforts to maintain prices at an appropriate level in relation to international price change risks for fuel (e.g., coal, oil, and LNG).

Risk management for facility operations involves plans based on an analysis of various scenarios. These scenarios attempt to minimize damage by simulating potential accidents, such as sudden malfunctions or interruptions, the loss of life, that might occur during the operation of a power plant. These help us to predict, and possibly prevent, ripple effects to the electric power system of the entire nation.

We also launched our exclusive risk management system, Total Reliability & Safety Innovation Management (TORSIM) in 2005. It is designed to help reduce facility operations risks.

Risk Management System

The CEO has final responsibility for risk management, while the Board of Directors is tasked with specific decision-making, such as establishing risk management policies and deciding on risk limits and acceptable ranges. In turn, risk managers from relevant sectors are tasked with suggesting risk limits and acceptable ranges, with identifying risks, and with reporting them to the Risk Management Committee.

The Risk Management Committee reports important risk-related decisions and issues to the BOD. Together, we compose a mutually cooperative system that includes the CEO, the BOD, the risk management committee, and on-the-job risk managers.

Financial Risk Management

Financial risk management aims to remove risks caused by fluctuations in the amount of principal and interest payments for foreign currency-denominated liabilities following changes in foreign exchange rates as well as risks from fluctuations in the amount of interest payments for floating-rate liabilities following changes in market interest rates. It also enables us to

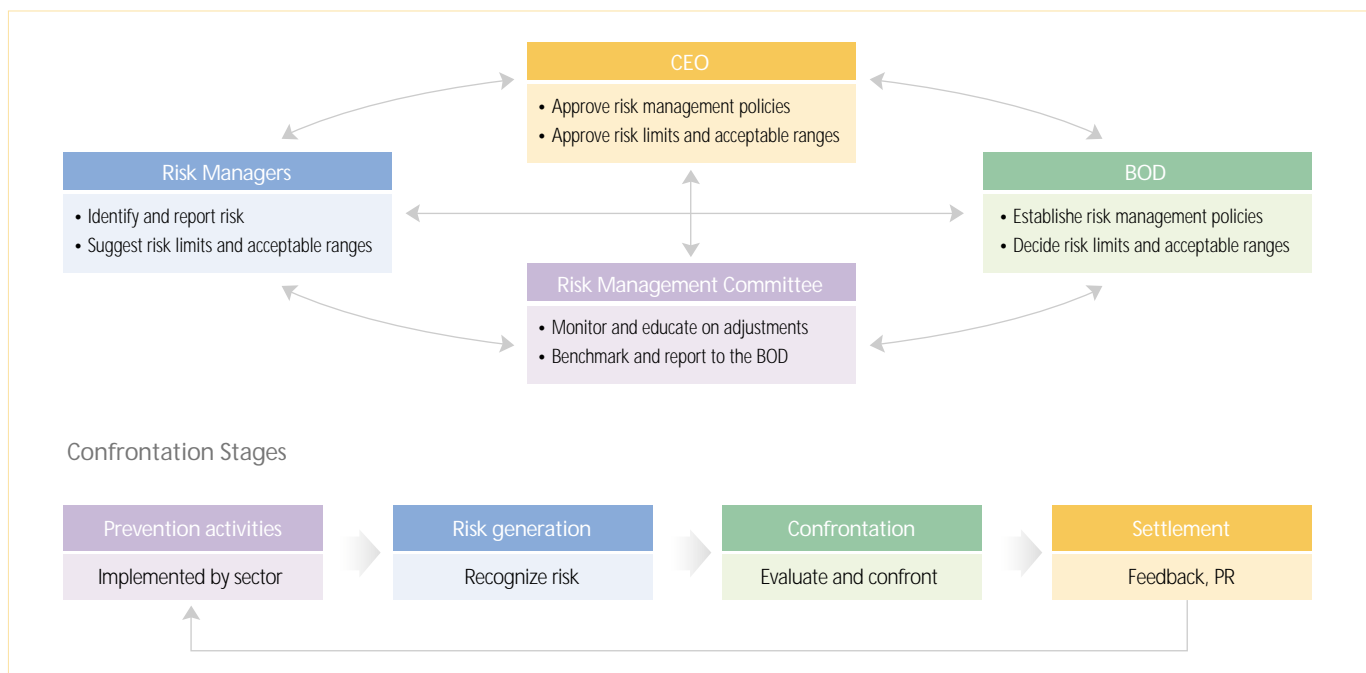
maintain stable and sound financial conditions by minimizing for insolvency due to lack of payments.

We also operate an exchange risk management committee, including external experts. Its task is to manage risk incurred by exchange fluctuations and to cooperate with professional investment banks, such as Citibank.

In terms of interest rate risk, we maintain maximum loss possibilities within 5% of EBITA caused by fluctuations in market interest rates and given the cash flow of the company. The overall ratio of floating-rate borrowings to total borrowings is limited to 20% or less.

In order to manage liquidity risk, we retain cash and securities to ensure payment ability for fourteen days. We sign contracts with commercial banks for all loans of more than KRW 300.0 billion to ensure at least a one-month payment capability.

| Risk Management System |



Corporate Governance and Risk Management



Risk Management in the Fuel Sector

Since Korea is highly dependent on overseas sources for its power generation fuels, and since these sources are susceptible to fluctuations both in terms of supply and price, we are continually exposed to financial risks caused by non-management factors. In order to control these extraneous variables, we focus on risk management to ensure the stability of our fuel supply. To minimize risks that might occur in the fuel sector, we operate a “hotline” with a group of experts who are versed in fuel supply and purchasing issues and with our long-term suppliers.

We also operate “Prime Coal Net” (PCN), an integrated portal system for bituminous coal supply and vessel allocation management--the first-ever risk management system dealing with fluctuations in fuel supply among Korean power generation companies. PCN keeps records of supplier contract compliance. Also, we exchanges “real-time” information between our power plants.

Our price-fluctuation risk-management system deals with risks arising from instabilities in the prices of bituminous coal and oil separately. With regard to bituminous coal prices, we have established a mixing and hedging strategy--a strategic-pricing process that consists of a flexible pricing system linked to fixed prices and a bituminous coal index. For oil prices, we have introduced a mixed price structure that links futures and spot prices. In addition, we minimize risk factors related to shipping charges by maintaining an extensive portfolio of coal transportation lines.

Risk Management in the Facility Operation Sector

We strive to minimize problems with our electrical power system by posting information that enables us to cope with facility, safety, and environmental concerns. These measures ensure the stable supply of electricity that is essential to the nation's economy. In addition, we have established strict regulations that are designed to guide system use and conduct emergency drills at all our facilities.

In terms of facility operation, we monitor the condition of our plants through a state-of-the-art preventive maintenance and repair program and take any and all necessary safety measures to prevent accidents. For example, we carry out regular inspections to guarantee that our protective devices are working as they should be. We also ensure that power generators can be stopped in a timely manner in case of accidents originating from power system problems, and have accident recovery systems in place that are always ready to respond to emergencies.

We hold a monthly safety inspection day and maintain a “hotline” to the CEO during business hours, off-duty hours, and holidays. Our purpose is to educate employees on the importance of safety and encourage them to always be aware of potential dangers. In addition, a company-wide facility and safety innovation management system is in operation.

Finally, we have installed pollution prevention facilities for desulphurization and denitrification to cut down on these sources of pollution. We also make exhaustive preparations against oil leaks from our power plants--including oil fences, oil treatments, and oil-dispersing agents.



Energy Security

One of the nation's key industries is electric power, and EWP is responsible for supplying it. We believe that a stable power supply to the nation, the people, and our customers is part of our mandate. Because of this, we establish and manage innovative management systems for all the processes involved in power generation operations: stable procurement, economical purchasing, and safe fuel management. In addition, we are continuously developing new power generation facilities to guarantee a long-term and stable supply of power.

Stabilization of Fuel Supplies

To protect the stability of the fuel supply, we have set up a database on the characteristics and compliance records of each supplier. We also operate an integrated portal system called Supplier Relationship Management (SRM), which provides us with up-to-date information and data on bituminous coal purchases and operations.

To ensure a stable supply of fuel for power generation, we have increased the number of our coal suppliers from eleven in 2004 to seventeen in 2005 and have increased the ratio of purchases under contracts of more than three years from 27% in 2004 to 57% in 2005. We have also constructed a pier for the exclusive unloading of bituminous coal from vessels to increase the unloading capability of the Dangjin Thermal Power Plant, our core power plant.

By taking these steps to comply with our voluntary limitations on average inventory days for bituminous coal, we have improved the stability of these supplies.

| Long- and short-term ratios of bituminous coal purchasing volumes |

Period	2003	2004	2005	YoY Change
Less than 1 year	33	24	8	16%
More than 1 year but less than 3	50	49	35	14%
More than 3 years	17	27	57	30%

Improvements to the Reliability of Power Generation Facilities

Our facilities operated at 39.43% efficiency in 2005, an increase of 0.07% from 2004. This is primarily attributable to improvements brought about by the use of Six Sigma management techniques. Other factors include the development of superior combustion technologies and the construction of a high-efficiency power plant at the Dangjin Thermal Power Plant. We have targeted 39.78% for 2006, when the high-efficiency Dangjin Thermal Power Plant Units 5 and 6 are fully operational.

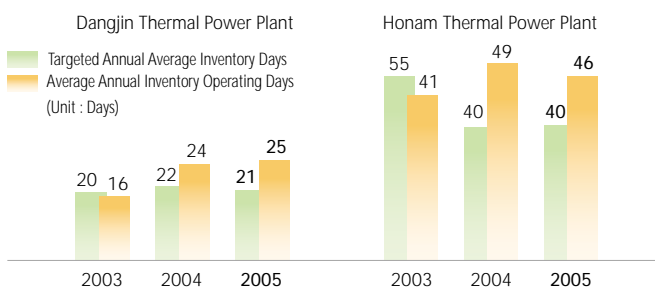
We also strive to enhance the reliability of our facilities. We enjoyed an accident-free work record in 2006 through the application of our Total Reliability & Safety Innovation Management (TORSIM) process. This is a company-wide safety and innovation management system that we set up in October 2005 with a view to innovations to our entire operation, including

| Bituminous coal-supplying countries and number of suppliers |

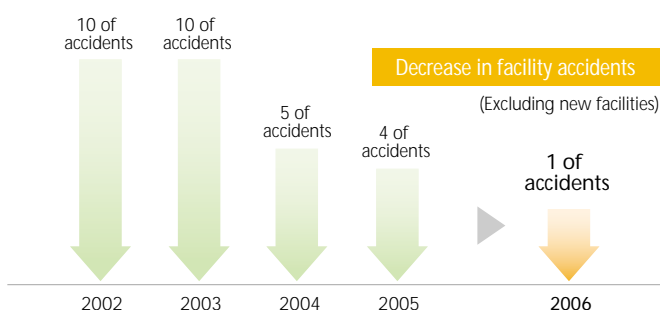
(Unit : Piece)

Country	2003	2004	2005
Australia	1	3	6
China	3	3	3
Indonesia	2	2	5
Russia	1	1	1
Canada	1	1	1
USA	1	1	1
Total	9	11	17

| Inventory Days by Year |



| Facility Accidents |





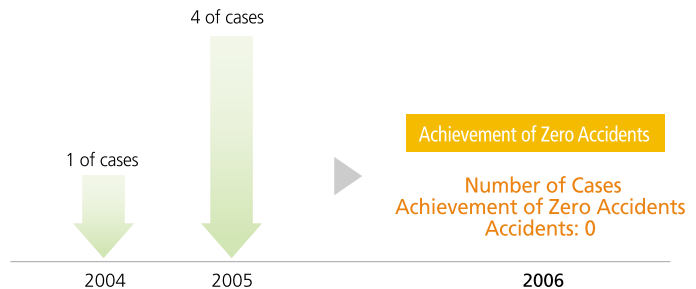
facilities, systems, and safety management.

Through this program, we identified sixty-four cases as possible areas for improvement and instituted basic rules related to work performance. As a result, we significantly reduced facility malfunction and were accident-free in 2006.

In addition, we are building POMS (Plant Operation & Maintenance Management System) for predictive diagnosis by "real time" monitoring of the operation and performance of power plants. It will also be used for improvements to maintenance work management by a standardized and computerized system.

We are planning to use this system at the Dangjin Thermal Power Plant in the middle of 2007, after finishing trial operations.

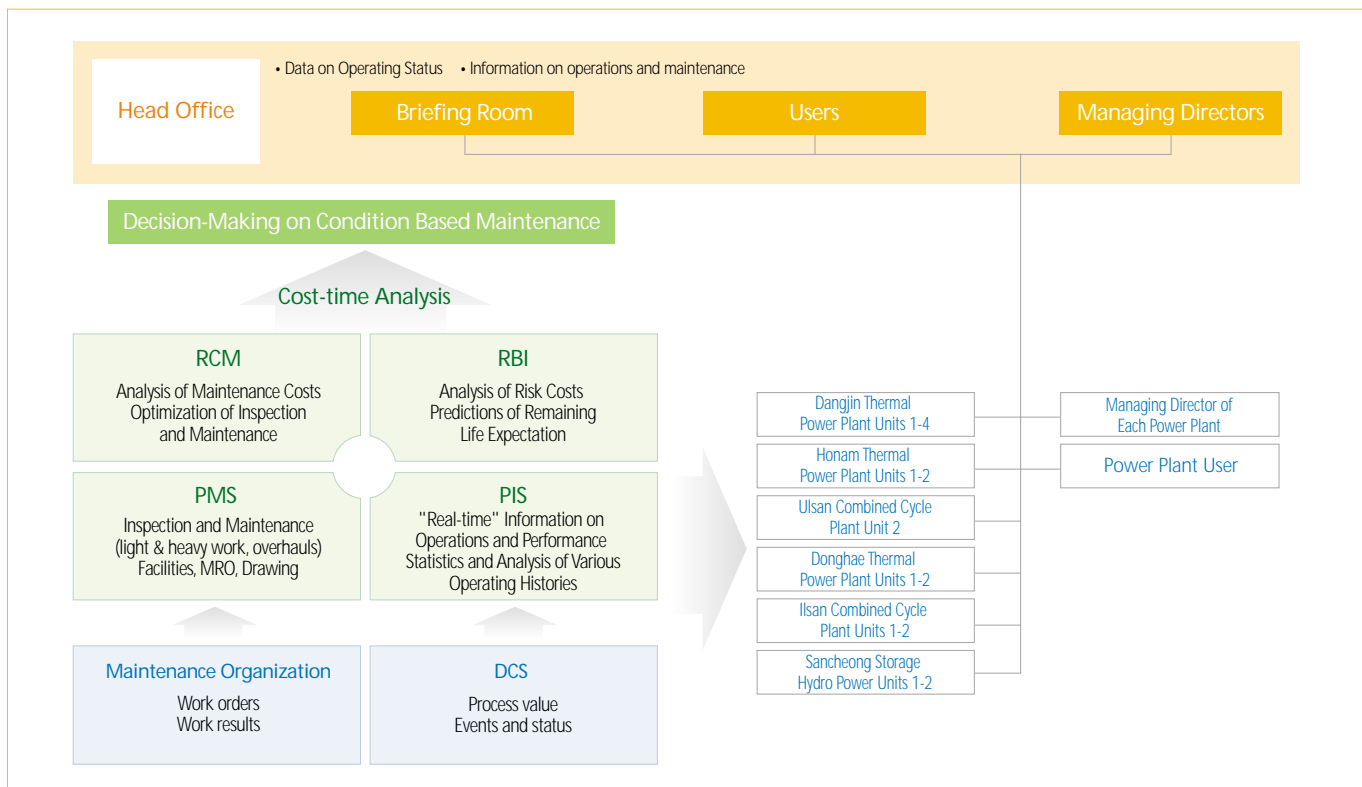
| Safety Accidents |



| Record of Thermal Efficiency and Failure | (Units : %, Number of cases)

Classification	2003	2004	2005
Thermal Efficiency	39.22	39.36	39.43
Failure	10	5	6

| POMS |



Power Resources Development Plan By Year

The electric power industry establishes long-term power supply plans by estimating mid-to long-term power demand based on the rate of economic growth.

EWP plans to build several new plants to expand its facilities and to extend the life-spans of aging plants in line with long-term electric power supply and demand forecasts.

In specific terms, we plan to complete the Dangjin Thermal Units 7-8 by December 2007 and to extend the lives of the Honam Thermal (2011) and the Ulsan Thermal & Combined Cycle Unit 2 (2012).

In addition, we intend to create new growth engines by developing a facility capacity of 10,709 MW by 2015, when the Dangjin Thermal Plant Units 9-10 are slated for completion. This will be reflected in our third power supply and demand plans.

| Construction and Life Extension of Power Plants |

(Unit : MW)

Plant	Capacity	Completion	Remarks
Dangjin Thermal Power Plant Units 7-8	1,000	Dec. 2007	New construction
Honam Thermal Power Plant	500	2011	Life extension
Ulsan Thermal Power Plant 2	1,200	2012	Life extension
Dangjin Thermal Power Plant Unit 9	1,000	2014	New construction
Dangjin Thermal Power Plant Unit 10	1,000	2015	New construction

| TORSIM |



Local Communities



EWP has declared its commitment to corporate social responsibility to its communities, as explained in the CEO's management policy which was enunciated by our second president, Lee Yong-Oh, on taking up his duties in 2003.

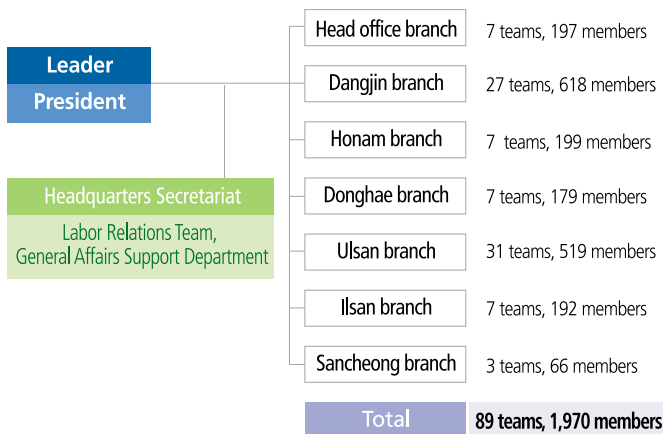
As a company that carries out its philosophy of "caring for the environment and respecting people" and to comply with our social responsibility and the nation's needs, our executives and employees continuously contribute to society and share with our neighbors and communities.

Social Contribution Efforts

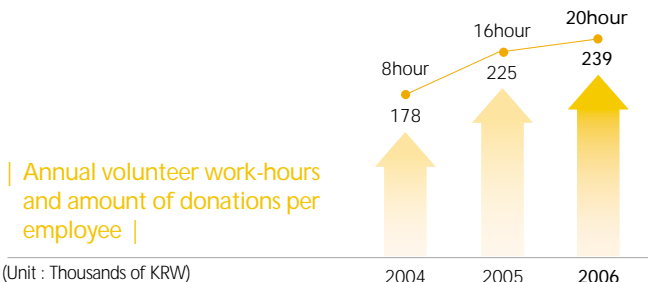
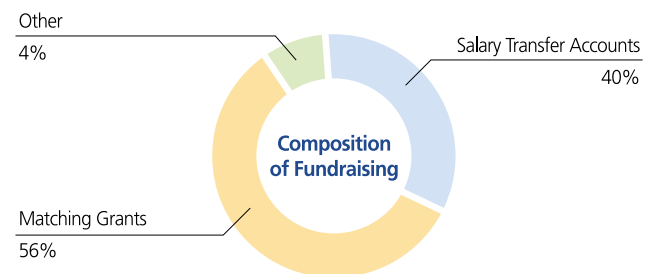
EWP Community Service Group

In February, 2004, we formed a community service group with the slogan of "Hands of Love, Lights of Hope." The group consists of a secretariat at head office and seven branches—one in each plant. As of June 2006, there were eighty-nine teams with a total of 1,970 members.

| Composition of EWP Community Service Group |



| Composition of Fundraising |



| Annual volunteer work-hours and amount of donations per employee |

(Unit : Thousands of KRW)

Fundraising Programs

Funds for social contribution activities are raised by our employees. These include donations by automatic transfer from individual wages ("payroll account for donations"), sharing employee benefits with neighbors ("love sharing points"), and selling items through an online flea market called "Cyber East-West market."

We also operate a one-to-one matching grant through which the company equals total donations from its executives and employees. We raised KRW 447.0 million in 2005 and funded a wide spectrum of social contribution activities.

| Results of Fundraising |

(Unit: Thousands of KRW)

Category	Program	2004	2005
Employee participation	Donations from payroll accounts	97,058	177,609
	Love Sharing points	32,867	8,065
	Cyber East-West Market	4,793	3,804
	Card mileages points, selling scrap iron	9,272	5,612
Company participation	Matching donations	144,576	177,903
	Normal donations	55,095	74,097
Total fundraising		343,661	447,090

Encouragement of Voluntary Activities of Individual Employees

To promote volunteer activities by our employees, we encourage them to set target hours for volunteer work and take an active role in helping neighbors in need. Donations per person have increased since 2004 (the first year of our social contribution activities), and a voluntary donation culture has gradually taken root in the company.

Community support Projects

We carry out a variety of community support programs to promote electric power development. By doing so, we help to increase local communities' understanding of the industry and contribute to the stabilization of power supply and demand by the smooth operation of our plants.

Our basic support projects apply to neighborhoods within five kilometers of our power plants site--including both the mainland and islands. Special support programs apply to all local governments where such neighborhoods exist. We raise these funds from 3.7% of our gross energy charges, as per the Enforcement Ordinance of the Electricity Business Law, Article 36.

These support projects are carried out by local governments and other local associations and are classified as either basic or special. Basic support projects include educational aids and subsidies for electricity prices. In 2005, we earmarked KRW 16.9 billion in support projects for local communities to improve our relationship with residents and enhance our corporate image.

Social Contribution Programs

We operate volunteer projects by branch and team, in addition to our company-wide, core projects. We also translate our "one company, one village" partnership campaign into action on an individual branch basis. In addition, more and more executives and employees are participating in the "Love Relay for Blood Donations." This has been held every year since 2004, and has become an important component of our many social contribution activities.

| Major Results in 2005, by Project |

Classification	Major Accomplishments
Increase in income	- Cottage-style lodging, Gyoro 3-ri, Dangjin - Farm products drying facility, Sambong 1-ri
Basic Support Projects	- Wide-area water-supply facility, Gyoro 3-r, Dangjin - Multi-purpose park, Sancheong
Education	- Support for Dangjin youth soccer team - Scholarships
Special Support Projects	- Reinforcement work on Dangjin sports complex - Purchase of farm fields

| Community Support Projects |

(Unit : Billions of KRW)

Year	Basic Support Projects				Special support	PR	Other
	Increase	Public Facilities	Education	Subtotal			
2004	9.9	9.8	10.7	30.4	17.7	2.5	2.9
2005	13.5	16.9	14.5	44.9	120.1	1.5	

| Social Contribution Programs |



Local Communities



Preservation of Nature

We are carrying out a mountains and rivers preservation campaign as our company-wide, core project. Our "one mountain and river per plant site" campaign includes activities to protect the environment and preserve ecosystems. These activities include cleaning nearby mountains, rivers, and ocean areas. In 2005, we conducted thirty-nine events.

We also participated in various activities relating to the preservation and protection of the environment. Some examples are the "Loving Trees" campaign, environmental education, an environment sketch contest, and our "Love Nature and Animals" campaigns.



Cleanup



Preservation of Nature and the Protection of Animals

Support for the Underprivileged

As our company-wide core project, we help juvenile heads of households and seniors living alone. Each branch and team visits social welfare centers, child-care centers, and facilities for the disabled and the aged to show our love for those in need.



The Donghae Branch visited senior citizens living alone



The Ulsan Branch's female employees (the "Hanbit Club") visited the Ulsan Orphanage to do volunteer work



The Sancheong Branch's "Nonuwoori Club" did volunteer work at the Sancheong Nursing Home

| Results of Company-wide Core Projects Activities |

Activities	Number of supportive relationships (Persons)	Number of activities(Time)	Participants (Persons)	Financial aid (In thousands of KRW)
Support for juvenile heads of households	98	551	2,623	114,677
Assistance to seniors living alone	54	299	1,224	67,428
Caring for mountains and rivers	—	17	632	—
Welfare facilities	—	170	1,664	90,975
Facilities for children	—	95	309	8,840
Facilities for senior citizens	—	41	247	28,903
Facilities for the disabled	—	31	255	23,459
Total	152	1,204	6,954	334,282

※ As of 2005

Promotion of Local Sports, Arts, and Culture

Since most of our neighboring regions are farming or fishing communities with minimal exposure to arts and culture, we support local cultural activities, academic education, and sports.

We sponsor a vast array of cultural performances: they have included a folk music and dance contest for housewives and drawing contests for elementary students, both of which have contributed to the development of local culture.

We also provide scholarships to needy students and support sports teams at nearby schools. The scholarships encourage them to dream and have hope and courage.

We also operate "good neighbor teams" that help local residents by fixing their computers, agricultural machines, and other articles.

| Results of Support for Culture/Arts/Sports |

	Arts and culture	Academic education	Environmental preservation	Sports promotion	Total
Activities (times)	74	61	77	221	433
Participants (persons)	643	503	2,019	1,877	5,042
Financial aid (thousand of KRW)	266,807	755,193	17,221	929,699	1,968,920

※ As of 2005



The Sancheong Branch gave scholarships to neighborhood students.



The Dangjin Branch sponsored a housewives' folk music competition.



Elementary and middle school students' writing contest.

Other Programs

Each year, we conduct the "EWP Love Relay for Blood Donations Campaign." It starts from our head office and continues to our sites in Ilsan, Dangjin, Honam, Sancheong, Ulsan, and Donghae - thus making a heart-shaped band.

To fulfill our social responsibilities through sharing, we collect blood donation cards from the participants and give them to people who are urgently in need of transfusions.

Since 2005, we have been holding a "kimchi making" event in cooperation with the Korean Red Cross. At this event, our employees prepare home-made kimchi, which is then distributed among low-income families and senior citizens living alone, helping to turn a harsh winter into a season of hope and love. Every year, the participation rate has risen.



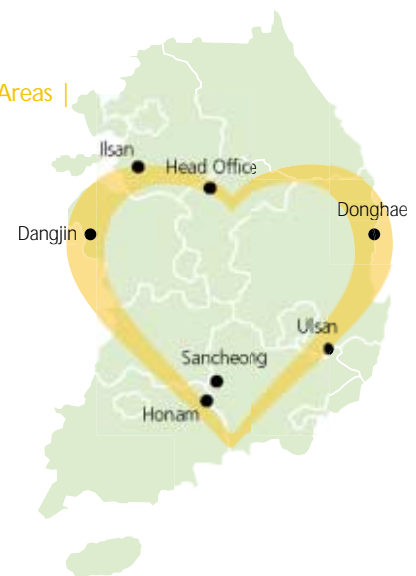
Kimchi making

| Participants in Love Relay for Blood Donation |

(Unit: persons)

Category	2004	2005	2006
Participants	331	533	577

| Love Relay for Blood Donations Campaign Areas |





To grow with our partner companies by increasing our levels of mutual cooperation, we are improving various systems by collecting information and data on the difficulties and problems they experience. In 2005, we established a support team for small- and medium-sized enterprises (SMEs) and established strategies to support our business partners more effectively. By doing this, we are trying to develop the competitiveness of our small- and medium-sized partners.

Partner-oriented System and Transparency in Contracts

We are increasing the transparency of our contract management by listening to feedback and hearing complaints from our business partners. As part of these efforts, we visit our partners to experience and understand the situations in which they operate. We also run a "Happy Call System" to listen to their opinions and use their comments to continuously make improvements. In 2005, there were improvements in twenty-seven cases reflecting the opinions of our business partners.

| Electronic Bidding |

(Units : Cases, %)

Category	2003	2004	2005
Total bids	1,423	1,415	1,423
Electronic bids	920	1,193	1,366
Ratio of E-bids	64.7	84.3	96.0

| Examples of System Improvements by Collecting and Dealing with the Opinions of Business Partners |

Before	After	Results
Suppliers had to pay late penalties for all items at time of delay	Late penalties for delayed items only	Heightened corporate value through increased external customer satisfaction

In 2006, we opened a business center to provide our partner companies with the convenience of one-stop service--instead of visiting our office. We also decided to exempt them from late penalties if such delays did not cause serious disruptions to our construction schedules, maintenance plans, or facilities operations. Eligibility for these exemptions is decided by the contract deliberation committee. In addition, we remind our business partners of delivery due dates by mail or e-mail.

In addition, we have strengthened our use of e-bidding. In 2005, we enjoyed a 96% participation rate--an increase of 11.7% from the previous year.

"Win-Win" Strategy with SMEs

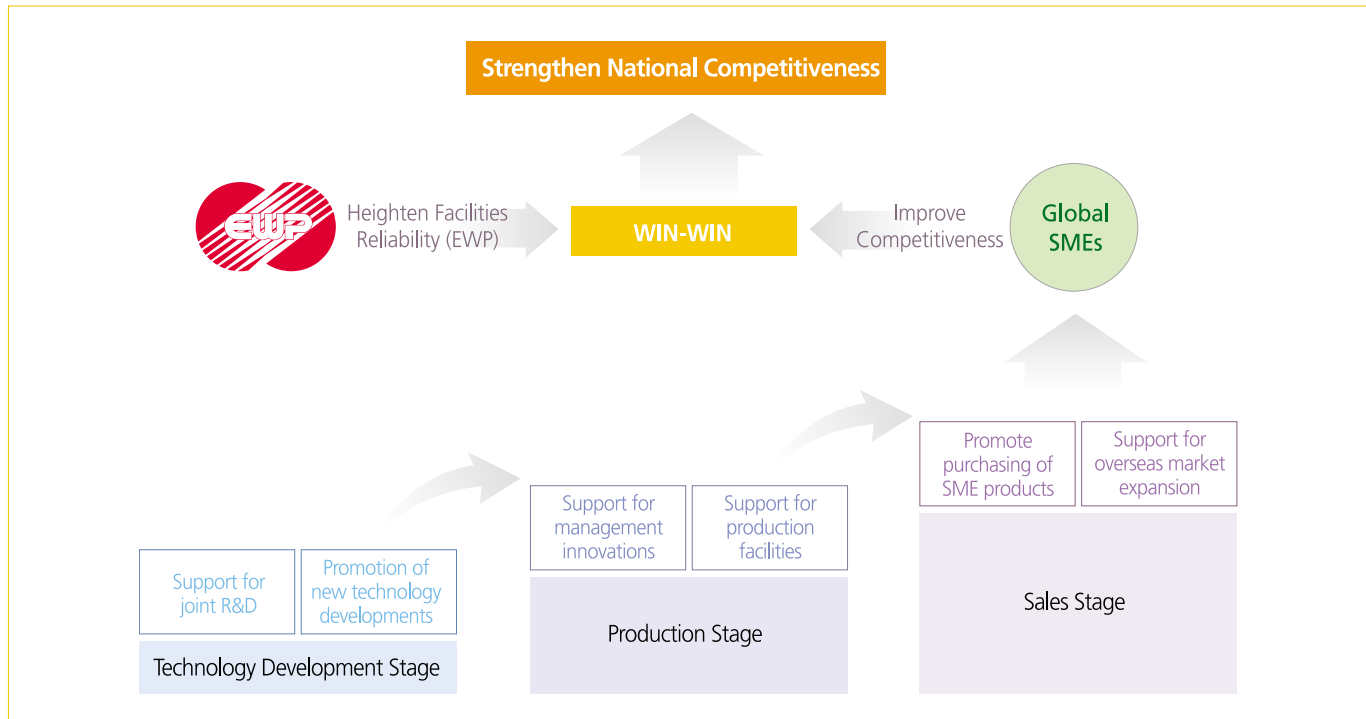
Our strategy to strengthen the global competitiveness of small- and medium-sized enterprises (SMEs) includes selecting and supporting high-quality SMEs by helping them to increase their technological competitiveness, their commercial potential, and the opening of new domestic and foreign sales channels.

We help smaller companies improve on their technological competitiveness through a free transfer of industrial rights and collaborative R&D activities.

In light of government policies and the difficulties that smaller companies face, we have relaxed our regulations and removed entry barriers to maximize our support for SMEs.

EWP purchased about KRW 140.0 billion worth of SME products and KRW 7.1 billion worth of technological development products. In addition, we dispatched overseas market-exploitation groups to China, India, the Philippines, and other countries to help with their market expansion. These efforts produced many tangible results, such as generating USD 17.4 million worth of export consultations and USD 0.31 million worth of export contracts. In recognition of our achievements in 2005, we were named the best organization in the public purchasing category.

| Strategies to Support SMEs |



Support to Ensure Sales Channels for SME Products

To develop domestic and foreign sales channels for high-qualified SME products, we organized a company-wide task force to conduct product-presentation tours, customized purchase consultations, and offered our support at trade exhibitions.

We also dispatched market development teams to growing markets, such as

China, the Philippines, India, Indonesia, and Taiwan. The purpose was to improve access to overseas markets for smaller companies.

Other ways in which we contribute to the export of SME products include supporting SME products displays at overseas exhibitions and inviting foreign buyers to provide them with export consultations.



Dispatched Overseas Market Exploitation Team to Indonesia



Invited Overseas Buyers to SME Presentations

| Records of purchasing SME products |

(Unit: Billions of KRW)

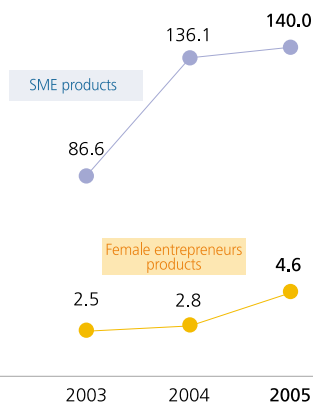
Product	2003	2004	2005
SME	86.6	136.1	140.0
New technologies	0.2	0.4	6.0
Patented	0.8	1.1	1.1
Female entrepreneurs	2.5	2.8	4.6

Business Partners



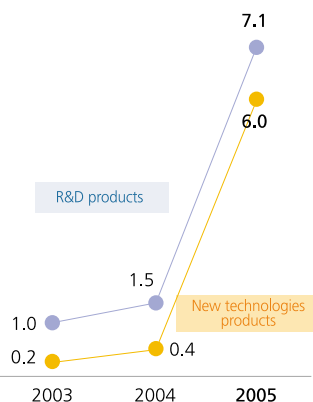
| SME Products Purchasing |

(Unit : Billions of KRW)



| R&D Products Purchasing |

(Unit : Billions of KRW)



Support to Strengthen Technological Competitiveness

We conduct joint R&D projects with smaller companies to assist them in achieving greater technological competitiveness. As of June 2006, we had participated in 61 joint R&D projects; 47 were still ongoing, and 14 were completed.

To stimulate R&D activity by SMEs for technological development, we support 75% of their R&D expenses up to KRW 0.5 billion per project. We also contribute to improvements in their technological competitiveness by transferring our industrial rights to them at no charge and by providing support for the commercialization of such technologies. In 2005, we transferred seven of our industrial rights and patents, at no cost, to six small-sized companies. Furthermore, we provide no-cost training programs in new power generation technologies to our partners at the Dangjin pilot training center. Through this commitment to technology transfer and education, we are developing "win-win" relationships with our various SME business partners.

Support for Commercialization

In order to assist smaller companies and venture businesses, we extend financial assistance to help them develop production and maintenance facilities and consolidate their infrastructures--including information networks. We also install our own foreign exchange and liability management systems for promising companies--at no cost.

In addition, we are carrying forward the EWP-SCORE project to link our own technologically-experienced human resources to those at SMEs. The aim here is to support management and technology consulting for SME management innovation. We also offer them training in benchmarking advanced overseas companies so that they can acquire the ability to stand on their own.

| Free Patent Technology Transfer |

Technology	Patent No.
Distributed control system	Under examination
Vapor removal	No. 0553548
CC camera inside furnace	No. 0504385
Turbine rotor rotator	No. 0381654
Portable precipitator set	Under examination
Precipitator panel brush set	No. 0440002
Control valve wrapping device	No. 0367564
Total: seven cases	



Education on SME power generation facilities



Free technology transfer

Improvements to SME Support System

To provide assistance to smaller companies, we organize on-the-spot experience programs, idea contests, and "win-win" cooperation meetings with their representatives. We have also created a one-stop online assistance service. As a result of these activities, we have examined 157 suggestions--44 of which have been adopted. All of them have improved the quality of our systems.



Meetings with SMEs

Lowered Entry Barriers and Purchasing Promotions

We have lowered our entry barriers to permit more SMEs to participate in our bidding process and have also introduced a targeted purchasing quota system to promote the buying of SME products. In addition, we have established a system through which we are required to purchase R&D products, such as new technology products and patented products, before others. We also operate a direct purchasing system for construction materials and a performance-sharing system that allows construction companies to receive up to 25% of the profits that have been generated by shortening the time needed for maintenance projects.

Improved System to Ease Capital Shortages at SMEs

To improve the cash flow of smaller companies, we have modified our payment system so that SMEs can be paid before delivery according to an established completion ratio rather than in full after delivery. We also eased other payment requirements, such as shortening the payment deadline from 14 to 10 days after delivery.

We have also changed our payment system to allow for pre-payment according to the contracted amount. EWP also makes early payments during holiday periods--when most SMEs need extra capital.

To deal with the difficulties which smaller companies can often face in acquiring capital due to limitations on SME loans, we have established a network loans system to back up low-interest loans from the Industrial Bank of Korea.

| Surveys |

(Unit : Cases)

Survey Method	Received	Adopted
On-the-job experience	18	15
Idea contests	119	9
Meetings	7	7
One-stop service	7	7
Satisfaction level surveys	6	6
Total	157	44

| Expanded Opportunities for SMEs to Participate in Bidding with Deregulations |

Item	Improvements	Effects
Limitations to bidding	Repealed policy on limitations on qualified maintenance companies	Expanded participation opportunities
Separate order placements	Institutionalized separate order placements for construction and general maintenance	
Approvals for subcontractors	Repealed approvals procedures for equipment and materials manufacturing subcontractors	
Promotion of local SMEs	Contracts for simple labor service of less than KRW 1 billion and small-sum negotiated contracts to be given to local SMEs in relevant cities and counties	Expanded support for local SMEs

| Target purchasing quota |

Category	Target Ratio
SME products	50% of total purchasing
R&D products	5% of total SME products

| Major System Improvements |

Item	Improvements	Effects
Payments of materials costs	Pay after delivery → Pay an established amount before delivery	Ease financial crunches
Payments of construction costs	Payment within 14 after delivery → 10 days (shortened by 4 days)	
Established payment rate	80% → 90% (in proportion to the progress of work)	Prevent abuses by contractors
Payments to subcontractors	Contractor pays to subcontractor → EWP pays directly to subcontractor	

Employees



Investing in talented human resources is essential to a company's growth; this is why we invest in nurturing the skills and talents of our people. To keep them and foster their allegiance to us, we have developed programs that greatly enhance their quality of life. We are also committed to building a "win-win" relationship between management and labor through communications and cooperation.

Composition of Staff

Current Staff Composition

As we are planning to construct four additional units at the Dangjin Power Plant site, we have had to recruit new employees every year since 2002.

As of the last quarter of 2005, we had 1,984 employees. Our job creation rate was 4.85 % in 2004 and 3.12% in 2005. However, the average number of service years of employees is on a downturn, due to the increased number of new employees. The turnover rate in 2005 was 0.06%, lower by 0.01% than in 2004.

| Employees |

(Units: Persons, %, days/year)

Classification	2003	2004	2005
Employees	1,835	1,924	1,984
Average employment period	15.6	15.4	15.1
Job creation rate	2.86	4.85	3.12
Turnover rate	0.05	0.07	0.06
Days absent per employee	0.079	0.022	0.001

* Average employment years include those at KEPCO.

Gender Equality

We do not discriminate on the basis of gender in hiring, promoting, or pay levels. A quota system has been adopted to hire a targeted number of female employees, and this number will increase every year. In 2005, the ratio of female employees to new recruits was 15.73%.

In 2005, we became the first public corporation to have two female managers. In the future, we plan to provide supportive working conditions for women by setting up child-care centers and improving their access to educational and training opportunities.

| Female Human Resources |

(Units : Persons, %)

Classification	2003	2004	2005
Female employees	94	113	125
Ratio of female employees	5.12	5.87	6.30
Ratio of female employees to new recruits	11.94	14.29	15.73

Increased employment for the physically disabled

We are also expanding employment opportunities for the physically disabled by applying targeted employment ratios and granting additional points to these applicants when recruiting. All of them become valued members of our workforce. In 2005, their employment ratio stood at 2.18%, 0.18% higher than the 2% stipulated in the Act of Employment Promotion and Vocational Rehabilitation for the Disabled.

Classification	2003	2004	2005
Ratio of disabled (%)	1.70	1.77	2.18

Employment of Local Residents

Since 2002, we have given preference in hiring to residents living near power plant sites. The applicant should have lived in the area for more than three years or be a lineal descendant of a person who has, before the date of notification for approval of power plant construction. We will continue to take the lead in hiring local residents.

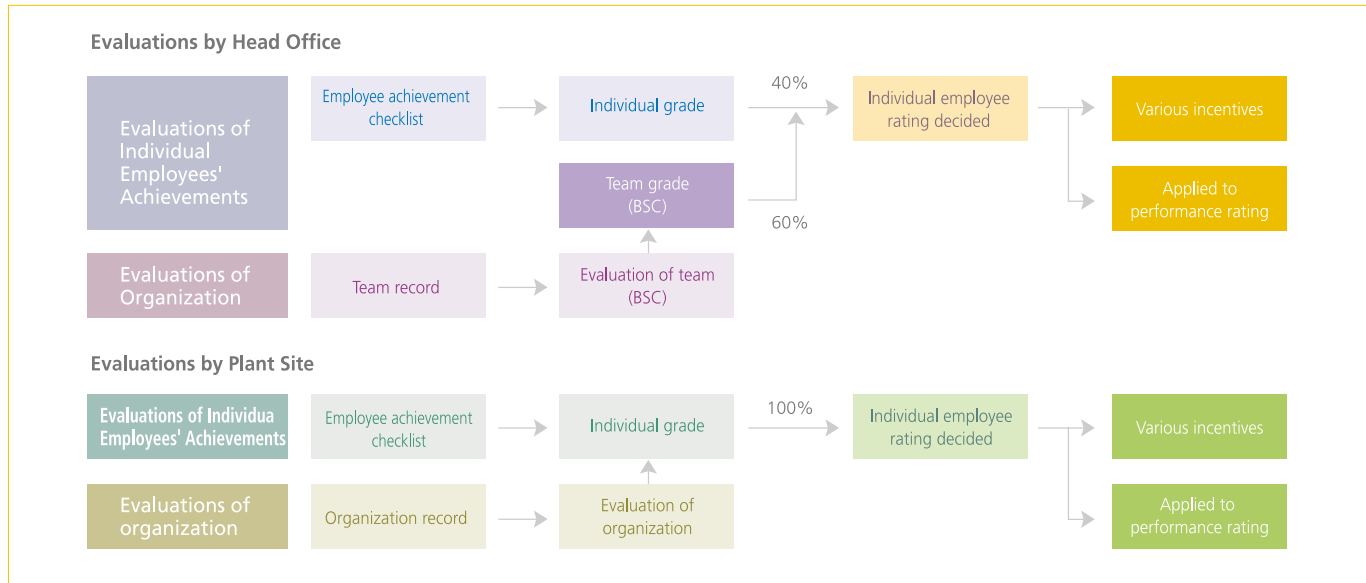
Prohibition against Forced and Child Labor

We observe the Korean Labor Standards Law and the ILO Treaty and faithfully carry out the labor standards principles of the United Nations Global Compact with Corporations.

Performance Evaluations and Compensation

We link performance evaluations to compensation and personnel management to enhance our workers' capabilities and improve management efficiency. To aid in this process, we have set up the BSC performance evaluation management system for team-based evaluations at headquarters and for organization unit-based evaluations at our plants. At our head office, individual performance evaluations are linked to the results of evaluations of the organization itself. In the case of our plants, individual performance evaluations are based solely on their accomplishments. Depending on the results of an evaluation, one employee's performance bonus may differ from another's by up to 200%. We also have awards programs and provide overseas training for employees who have demonstrated excellence in their work. We will continue to make improvements to the BSC system to enhance its receptivity and transparency.

| Individual Evaluation Process |



Employee Benefits

Work & Life Balance

We operate programs to establish work & life balance. In 2005, we drew up a five-year plan to make this balance a reality. Its purpose is to raise employee satisfaction through the use of personalized benefits programs for each worker.

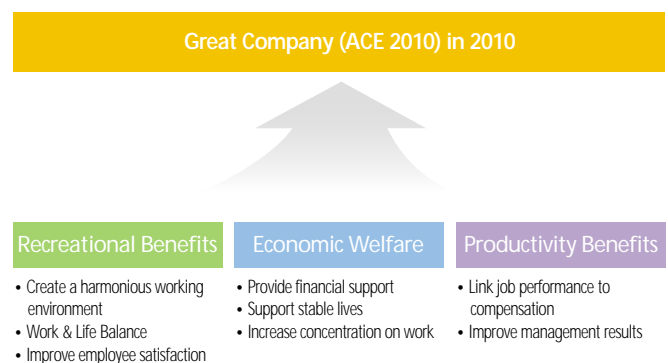
The five-year plan is composed of three types of programs, all of which are targeted at enhancing an employee's quality of life. Recreational programs are intended to create a pleasant work environment by boosting workers' morale, while financial support programs provide them with security by raising their levels of benefits. Lastly, we have designed productivity programs, both for the personal growth of our employees and to aid the organizational growth of the company. Although the productivity programs are linked to on-the-job performance, they still constitute part of our quality-of-life program.

Boosting Employee Satisfaction

We offer our employees a variety of recreational options. For example, staff members can lease company-owned recreational facilities on coastal areas for themselves and their families.

We also provide health care for our workers. For example, we are gradually increasing the amount of group-based life insurance that is available to our employees at times of injury or illness. In addition, we have designated

| Vision for Three Core Welfare Policies |

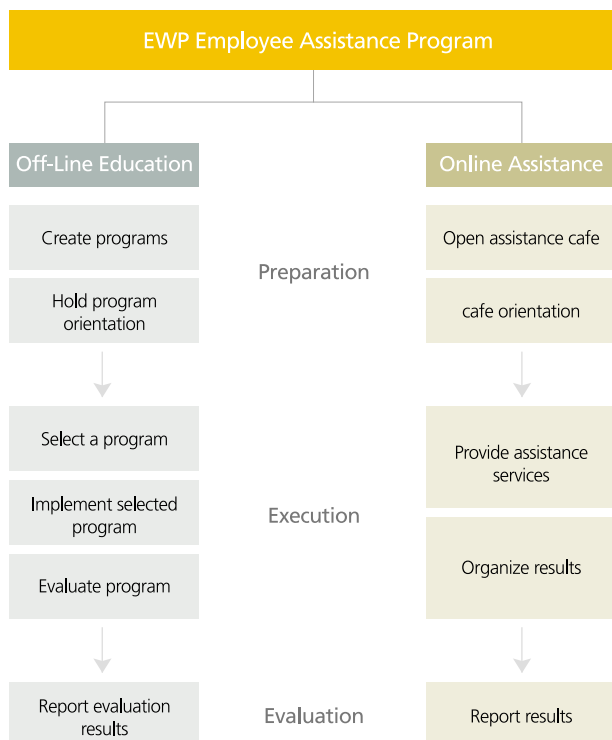


various regional general hospitals near our workplaces as company hospitals.

Finally, we have instituted a child-care leave policy for female employees who have children less than one year old, as well as health and prenatal leaves. We are also creating a harmonious working environment through our employee assistance program (EAP). This consists of an online consultation cafe and offline education programs on good parenting, stress management, and other issues.



| Employee Assistance Program |



Improve Work Concentration

We offer company housing to executives and employees working at power plant sites. We also help our employees establish solid foundations for the future by helping them with financing or by arranging third-party loans at low interest rates. Employees can also take advantage of train ticket discounts through our contracts with KORAIL.

Improve Management Results

We give "EWP welfare point voucher" to employees who have demonstrated excellence in their job duties or have been active social contributors.

"EWP welfare point voucher" are given out by a manager or the head of a department, and the recipients may use them for buying books, paying tuition, or other activities. Since those points are transferable, our employees can use them to encourage their colleagues or subordinates in the performance of their duties, thereby helping to create a healthier corporate culture.

We are also doing our best to improve the quality of life of both local

residents and our employees by developing green areas that serve as parks and outdoor recreational areas.

In 2006, we replaced the lighting and cooking facilities at our cafeterias, and renovated the interiors of the cafeterias at the Dangjin and Ilsan power plants.

In 2007, we plan to make further contributions to our employees' quality of life by building multiplex arenas in Dangjin and Ulsan.

We conduct an annual survey on the satisfaction level of our employees with our benefits system, using the results to analyze our programs and modify or add to them as needed.

| Employee Satisfaction Regarding Quality of Life | (Units : %, persons)

Category	2004	2005	2006
Satisfaction with employee benefits	73.4	74.1	77.1
Number of respondents	770	638	507

* Surveyed by Huetech

| Quality of life costs | (Units : Millions of KRW, Persons)

Category	2003	2004	2005
Amount	11,181	11,940	12,373
Persons	1,824	1,927	1,990
Amount per person	6.1	6.2	6.2

| Quality of Life Programs |

Employee's childrens' education	Dormitories, child-care subsidies for child-care and education, tuition fee supports for middle school/high school/university students
Supports for employment	Group insurance, relief, cafeteria
Self-development	Language education
Leisure	Family workshops, summer resorts, welfare centers, club activities, sports facilities
Health	Medical checkups, in-house medical offices, designated company hospitals at each plant site
Housing	Housing and other loans for living expenses, company housing, living quarters for singles
Employee Morale	Match-making events for unmarried employees, cultural heritage tours of historic sites, Women's Week (July 1-7), "EWP Family Day," cultural and sports programs for employees and families
Family activities	Support for anniversaries, science camps, employee assistance programs, employee and family weekend programs

Safety and Health

As part of our overall corporate philosophy, we expect those who work with us to care for the environment and respect other people. By caring for the welfare of our co-workers, we can maintain an accident-free record at all our business sites. To further this vision, we have established a new safety management system and given it the following key tasks: the establishment of a risk management system, the introduction of safety system techniques and procedures, the enhancement of safety and health management, and

the cultivation of safety awareness among our employees.

We operate a voluntary health and safety management regimen through TORSIM (Total Reliability Safety Innovation System), an innovative program designed to result in zero failures and prevent accidents. We are especially proud to have been awarded a KOSHA 18001 certificate from the Korean Occupational Safety and Health Agency in recognition of our efforts to establish health and safety management systems at all our business sites.

| New Safety Management System |



Safety

In 2005, most accidents were facility incidents. When they were analyzed, it was found that the most common accidents involved electric shock, falling, or choking.

To consolidate our accident prevention systems and reduce the number of accidents, we operate a "real-time" safety management evaluation system. In addition, we identify workplace hazards through TORSIM, a company-wide safety program. We have also introduced voice and fingerprint recognition devices to raise safety awareness. All of our employees participate in these efforts, both for their own safety and for that of our business partners.

We also have an occupational safety and health committee. It consists of division and office heads, general managers at our head office, and the directors of the labor union's headquarters--another example of the "win-win" relationship that we are cultivating between management and labor. As part of its activities, the committee selected 40 agenda items out of 41--including joint safety inspections in the workplace and joint labor-management workshops. The committee does its very best to provide everyone at EWP with a state-of-the-art health and safety system.

| Major Items Discussed |

Number of items discussed	Number of items decided on	Decision rate
41	40	97.6

| Disaster Ratios |

(Units : %, Persons)

Category	2003	2004	2005
Accident ratio	0.054	0.052	0.25
Accident type	Injured 1	Injured 1	Died 1, Injured 4
Average accident ratios of electrical, gas, and water supply industries	0.28	0.25	0.24

| Accidents by type, 2003-2005 |

(Unit : Persons)

Type	Falling	Choking	Electric shock	Other	Total
Number	2	2	2	1	7



Healthcare

We offer all our employees a thorough health checkup every other year, in addition to a regular, legally-required one. We also offer voluntary checkup services, such as a special diagnosis service for employees in charge of power plant facilities, and conduct tours of each workplace to check on employees' health and prevent illness.

In addition, we monitor the work environment to protect our employees from hazardous materials generated in the workplace and provide them with up-to-date protection devices.

Finally, we have installed high-tech exercise equipment to provide our employees with the conditioning necessary to remedy or prevent chronic diseases and musculoskeletal disorders.

Sound Labor-Management Relations

A trust-based and cooperative relationship between management and labor can only be built on the basis of active communications. Consensus and mutual responsiveness between the company and its employees, and between labor and management, is being created through a variety of communication systems and is our greatest asset in sustainability management.

Labor Union

The EWP Labor Union is a member of the Korean Power Generation Industry Union, which operates under the aegis of the Public Service and Transportation Workers' Union of the Korean Confederation of Trade Unions.

Established in July 2001, the union is headquartered in Seoul, with branches in Dangjin, Ulsan, Honam, Donghae, Ilsan, and Sancheong.

Under the collective agreement, our company is committed to maintaining a union shop. All employees below the fifth-grade position and the third level are union members. As of the end of 2005, the union had 1,391 members.

Labor-Management Council

We have a Labor-Management Council, which is composed of a management team and the chairperson of the union, and a Plant Labor and Management Council, which consists of the head of each plant and the chairperson of each union branch. The former can have from four to ten members from management and labor, with equal representation from each side. It functions as a forum for establishing cooperative relations through honest deliberations on items that can be presented by either party. It also handles issues related to improvements to labor welfare and productivity, and meets on a quarterly basis.

Major Health Management Activities

- Joint inspections of work environment by management and labor in the first and second halves of the year
- Regular and special checkups (spouse's checkup is also strongly encouraged)
- Gymnastics training to prevent musculoskeletal disorders
- Division tours and health education (once every six months)
- Care of unhealthy employees
- Operation of other programs, including the formulation of hearing protection management procedure sheets and hearing measurement devices

| Operation of Labor-Management Council at Headquarters and Plants |

Category	2003	2004	2005
Meetings (sessions)	21	23	22
Items presented (cases)	175	194	216
Items agreed on (cases)	118	141	159
Agreement ratio (%)	67%	73%	74%

Guarantees on Collective Bargaining Rights and Freedom of Association

We guarantee our employees the right to collective bargaining and the freedom of association. Pursuant to the Union Labor and Labor Relations Mediation Law, all our employees--except for some executives and employees such as senior officers--are eligible to become union members upon joining the company.

Open Communication Channels between Labor and Management

We have established a reporting system which enables all employees to report directly to the CEO or make suggestions to him on any matter related to ethics management and management improvements. Management also makes regular visits to plant sites and holds meetings and conferences to talk about current management issues and build rapport between management and employees and the company and the union. In addition, management is required to talk with the union when major changes are needed in the organization or the makeup of quorums, as per article 26 of the collective agreement.

Employee Grievance Settlement Procedures

We have set up a grievance committee to deal with difficulties or grievances that employees may have concerning their family life, work life, or career development. Its members are drawn from our head office and each plant site-- one from labor, and one from management. We also operate counseling rooms to help deal with difficulties. Matters that cannot be resolved at the plant level are supposed to be dealt with at head office or through the Joint Labor and Management Conference.

| Grievance settlements |

(Units : Cases, %)

Category	2003	2004	2005
Received cases	67	30	22
Processed cases	59	25	18
Processing rate	88.1	83.3	81.8

Efforts towards the Development of our Human Resources

To nurture core talents who will most strikingly effect change in the 21st century, we have established the following strategies: "nurture core global competencies," "develop core value leadership," "foster professionals," and "establish a corporate culture."

With these goals in mind, we are striving to realize our vision of becoming "a future power generation leader" by improving managerial performance and individual competencies.

| Visions and Goals for Training and Development |



Power Plant Industry Strike

On September 3, 2006, the Korean Power Generation Industry Union went on strike during a conditional mediation decision period of the National Labor Relations Commission.

The power companies (including EWP) and the union had come close to renewing the collective agreement through consultation and discussions that included working-level negotiations on fourteen occasions and collective bargaining on four occasions. However, the two sides failed to overcome their differences regarding the seven core demands of the National Power Plant Industry Union. The union then declared a cessation in negotiations and applied for arbitration. The strike took place--even though the arbitration plan of the National Labor Relations Commission had already been presented--because the union refused to accept the results of the arbitration.

It called off the strike 15 hours later, and a collective agreement for 2006 was completed under a binding decision of the National Labor Relations Commission.

Management and labor are now endeavoring to create a peaceful, "win-win" relationship by means of mutual understanding and communications.

[Seven core demands of the Korean Power Generation Industry Union]

- ① Amalgamate power generation companies and strengthen their public nature
- ② Abolish wage guidelines and improve systems
- ③ Reinstate all laid-off workers
- ④ Abolish restructuring program
- ⑤ Implement five-day work week by recruiting more workers
- ⑥ Add more workers to meet company needs
- ⑦ Remove non-regular workers or transfer them into regular workers

Employees



Construction of ACEWAY

We established ACEWAY, e-HRD/CDP system, to improve management results and work toward our goal of sustainability management. We will accomplish this by nurturing competitive professionals who can bring to fruition our visions for growth. This means that we must consider individual aptitudes and provide our employees with customized

educational opportunities.

ACEWAY determines employee career path development goals by determining training systems by level and training courses by job. The program enables all employees to select and develop their own career growth path from the time of their initial employment until their retirement. We also offer online and offline educational programs.

| Training Programs by Position |

Category	In-house Training		Commissioned Training						Field Training		
Executives	–		CEO course						–		
Levels 1 and 2	Management policy and innovation course	Organizational culture training · Language · PC · Other training courses	Academic CEO course							(Direction, supervision)	e-learning
	Quality control course										
Level 3	Mid-level manager course			Domestic/ Overseas CEO courses	Domestic/ Overseas management research courses	Domestic/ Overseas MA/PhD programs	Commissione d training at domestic/ Overseas professional training agencies	Language · PC	Commissioned training	• Individual training	
	Leadership course										
	New/mid-level manager course										
Level 4	Beginner's manager course									• Group training	
	Job skills development course										
	New/beginner's manager course										
Levels 5 and 6	Professional training course									• Training tour	
	New employees course										
Technical Post	Skills improvements course										
	New employees course										
Special services	Skills improvements course										
	New employees course										

Cultivation of Global Talents

We are bolstering our education and training programs for employees in order to nurture core talents who will lead changes in our management environment.

In 2005, we invested 3.99% of our net income in employee education and training by expanding educational and training hours and increasing our investments in educational opportunities.

We also endeavor to strengthen our future competitiveness by offering overseas education and training opportunities and foreign-language education to our global talents.

As of 2005, we had sent 620 employees to foreign countries for training--33.6% of all our employees.

Procedures for Selecting Trainees

We try to give equal opportunities to all our employees. Any worker who has been recommended by a division manager can be chosen to take our training programs--except for overseas training and degree programs.

Overseas training and degree program candidates are more rigorously selected. We determine the qualifications and abilities that these candidates must have, and conduct a series of transparent and objective screening tests to select the finalists.

Process for Identifying Employees' Needs for Training

To analyze training performance and identify our executives' and employees' needs, we conduct annual Internet surveys and incorporate the results into our educational and training plans in following years.

Evaluations of Training Effects

We evaluate the results of all training courses that last for more than one week, and grant passes when attendance is higher than 90% and the average grade is 60 or above. We also conduct surveys and evaluations of all our internal and external training courses through ACEWAY.

| Number of Trainees |

(Unit : Persons)

Category	2003	2004	2005
Job, field training, self-development programs, etc.	2,316	4,400	3,430
Domestic and overseas professional, manager, MA, and Ph.D. programs	22	25	28

| Status of Education and Training |

(Units : %, Billions of KRW, Hours)

Category	2003	2004	2005
Education and training expenses to net income	2.5	3.2	4.0
Education and training expenses	2.2	3.0	4.1
Education hours, per person	—	—	80

ETHICAL MANAGEMENT PERFORMANCE

EWP puts ethics at the top of its management and corporate activities and considers ethical aspects first whenever there are conflicts between individual profits and corporate ethics. All our business activities are based on our Code of Ethics and Code of Conduct.

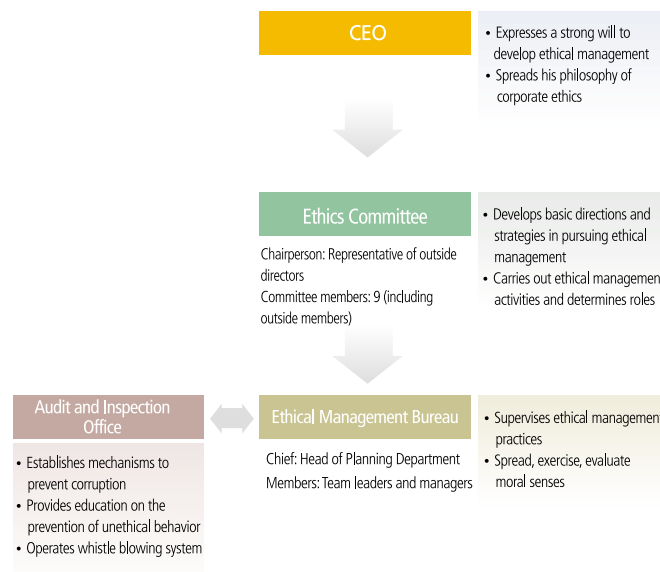


In-House Mechanisms for Ethical Management

Goals of Ethical Management

We pursue transparent, ethical, and legal management activities; as a result, all our management activities are based and premised on ethical management. This will help us to realize our vision of becoming “a future power generation leader.”

Organization to Pursue Ethical Management



Ethical Regulations

In December 2002, we developed a Code of Ethics and Rules of Conduct that offer guidelines on corporate ethics.

In November 2004, we outlined our ethical standards in the Charter of Ethics, the Code of Ethics, and the Code of Conduct, each of which had been strengthened by revisions and supplements on social behavior requirements. These form the bases for judgments made by our executives and employees in both their business and personal activities.

Corporate Ethics Committee

The Ethics Committee was established in November 2002 as our core body to develop and decide on major policies related to ethical management. In September 2004, we invited a representative of an outside group and a union representative (the chairperson of the labor union at our head office) to serve as committee members. In addition, two executives from our business partners (the vice president of Korea Cotterall and the managing director of the construction group of the Samsung Corporation) joined the committee in April 2005--allowing us to collect opinions from both inside and outside the company.

Ethical Management Bureau

The Ethical Management Bureau has overall responsibility for ethical management practices. It consists of eight members, including team managers, managers, and the chief of the bureau (the head of the Planning Department). Its major tasks are to establish detailed action plans for the practice and evaluation of ethical awareness activities and to collect feedback on the implementation of such plans. By doing this, the bureau can determine which practices need to be improved and outline improvements.

The bureau especially focuses on ethical education for employees.

Persons Responsible for the Codes of Ethics and Conduct

Persons who are responsible for interpreting the Code of Ethics are assigned to headquarters as well as each site. They provide training and consulting on ethical management to members, receive and handle reports of misconduct, and protect employees from unfair treatment. They also offer advice on moral dilemmas that employees may face at their place of employment.

| Code Of Conduct Institution And Revision Dates |

First issued December 2002	Amended November 2004
Code of Ethics	Charter of Ethics
Rules of Conduct	Code of Ethics
	Code of Conduct

Initiatives to Encourage Ethical Management



Education on Ethical Management

We attempt to establish an ethical management culture in the company by promoting ethical management practices throughout it. In addition, we offer all our executives and employees educational and training programs that are geared towards efficient ethical management practices.

We place particular emphasis on the meaning of ethical management and on concrete and specific ways of practicing it. This includes training in ethical leadership, ethical management systems, and moral behavior.

In 2005, we provided training relating to ethical management, the prevention of corruption, operating a clean company, and sustainability management. All our employees were involved--including the CEO. This included twenty hours of online ethics education and two hours of guest lectures by outside experts. We also offered more specialized and intensive programs on the elimination of corruption, the prohibition against gender discrimination, basic manners at work, and human rights.

Because of the focus on ethical behavior expressed by our top managers at every in-house event and meeting, we have been able to persuade all our members to increase their awareness of ethical management issues and ensure that our management activities dovetail with these most important organizational concerns.

Self-Ethics Campaign and Self-Diagnosis

We conduct self-ethics campaigns using posters and our Web site to encourage all our staff members to practice ethical management.

Our self-ethics campaign leads in the promotion and practice of ethical management. We also operate a self-diagnosis system to promote ethical awareness: for example, employees can access the company's home page only after studying their own behavior. They must do so every Monday morning.



Screen for Self-diagnosis System

- S : Social Accountability** (community involvement)
- E : Economic Responsibility** (maximizing profits)
- L : Legal Integrity** (taking legal and environmental responsibility, observing laws and regulations)
- F : First and Foremost** (thinking about and implementing these responsibilities first and foremost.)



Posters on Ethics Enlightenment

Sinmungo System

We operate the "Sinmungo" reporting system, which everyone, from external stakeholders to our executives and employees, can use. Its purpose is to create a more transparent management environment.

Through this system, we strive to promptly resolve claims and complaints relating to the company--including unreasonable business transactions and unfair actions by our employees. We have also established compensation guidelines for people who tell us about obtaining money or other gifts.

Reports can be made through our online "Sinmungo" or by mail, phone, fax, or personal visit. All information is strictly confidential.

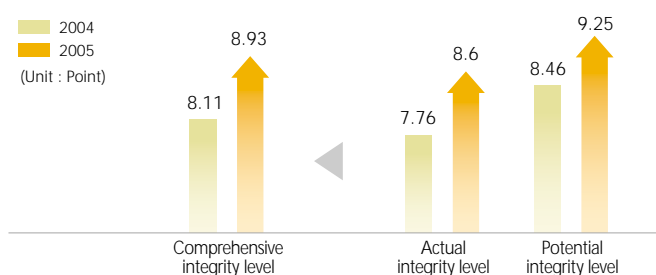
Integrity and Transparent Management

In the belief that the ethical level of a corporation cannot exceed that of its CEO, we have done our best to develop an operational culture in which the CEO himself leads in practicing transparent and ethical management.

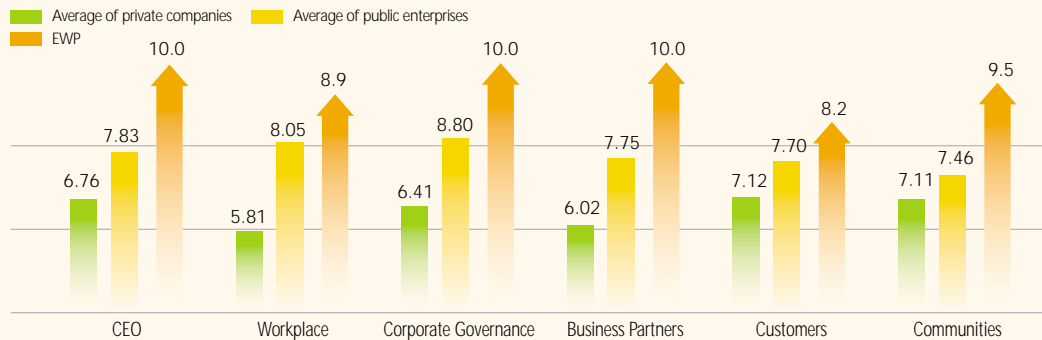
The CEO's last New Year's message included comments on his commitment to ethical management. He especially recommended that we endeavor to eliminate the practice of giving and receiving gifts.

We received 8.93 points on an integrity evaluation study in 2005 that targeted KEPCO and its business groups. This score is higher than that of the previous year, proving that the level of awareness about ethical management--and the practice of same--have steadily taken root among our executives and employees.

(Managed/Conducted by: KEPCO/Korea Gallup. Survey targets: Partner companies that have signed agreements relating to construction, services, purchasing, and inspection and maintenance. Survey items include experience in and perception of corruption and integrity in the work environment. Frequency: once a year)



Ethical Performance: Named "the Best Ethical Management Company" in the public enterprise category



In a 2005 survey of ethical management at forty-six public corporations and Korea's top 220 private businesses that was conducted by the Ministry of Commerce, Industry and Energy, and IPS (the Institute for Industrial Policy Studies), EWP was named the best ethical management company in the public enterprise category. We received high scores in four areas--the best achievement of any public corporation. This resulted from our efforts to demonstrate that ethical management is one of the primary factors influencing corporate competitiveness.

Information Disclosure

We endeavor to satisfy the right of stakeholders to know about our operations through information disclosure systems and guidelines relating to information disclosure.

Expansion in Voluntary Information Disclosure via the Internet

Category	2004	2005
Management Disclosure	Changes in international credit ratings Management goals, budget, and operational plan Audit results (Board of Audit and Inspection/National Assembly Inspection) Open management (president's management agreement, etc.)	Quarterly borrowings status Minutes of standing directors' candidate recommendation committee Directors' personal expenses
Development and Environment	Performance of development plan, mid- and long-term environmental protection plans for construction sites	Status of denitrification facilities construction Environmental report
Customers' Plaza	Window for information disclosure, opinions of business partners, customer suggestions	Employment information Status of new recruits' employment

Information Disclosure Results

The number of information disclosure cases totaled 298 in 2005, up by 234% over the year.

Category	2003	2004	2005
Cases	90	194	298
YoY Change	–	216%	154%

Improvements to the Transparency of Accounting Information

We have operated an internal control system that meets the requirements of the U.S Sarbanes-Oxley Act to ensure accounting transparency in compliance with global standards since March 2005.

We also assure the independence of our auditors through the regular replacement of external accounting firms. In addition, we have strictly observed the principle of restricting consultations given by the same auditor, strengthened measures against wrong and unreasonable accounting information, and promoted the timely release of accounting information by shortening our time-frame for settling accounts.

Sarbanes Oxley Act

The purpose of this legislation is to enhance the transparency of accounting information. It was enacted after several scandals had erupted in the US—including that at Enron.

- Certification obligations of CEO and CFO
- Certification of internal controls evaluation
- Stricter obligation of accounting notification



Some people are happy about blossoming buds

They smile at tiny flowers blooming every season. They breathe deeply in the clean air. Living with nature, these wise hearts will continue our promise of a cleaner future energy.

Enviro

“Promise Four” for the next generation



Active Company



Competitive Company



Enviably Company

ENVIRONMENTAL MANAGEMENT PERFORMANCE

EWP has established a series of environmental visions and goals to achieve its corporate philosophy of "Caring for the Environment and Respecting People." We concentrate on the development of environmentally-friendly technologies and facilities expansion through the establishment of environmental management master plans, and are striving to reduce the emission of pollutants. In addition, we are actively responding to the United Nations Framework Convention on Climate Change (UNFCCC) regarding the reuse of resources and the prevention of global warming. Last - but certainly not least - we are actively deploying advanced environmental management techniques, such as the ISO14001 and environmental performance evaluations.





To reduce air pollutants, we operate a flue gas desulphurization (FGD) system, a denoxification (De-NOx) system, and electrostatic precipitators. A waste water treatment system is installed at every plant to lower the rate of discharged waste water. Fly ash is generated as a by-product of coal combustion and can be used in making cement. We use it for recycling pollutants and for generating profits from its sale.

The diagram illustrates the West Sea Thermal Power Plant, a complex industrial facility designed for power generation and environmental management. The central component is the boiler system, which includes a boiler, separator, economizer, and indoor boiler turbine. This system is connected to a generator and a series of turbines (low-pressure, intermediate, and high-pressure) for power production. The plant also features a condenser, feed pump, and various heaters (low-pressure feed water, high-pressure feed water, and deionized water) to maintain the water cycle. Coal is transported via a conveyor belt from a coal depot to the plant, where it is processed by a mill plant and stoker. The plant includes a desulfurization facility, electrostatic precipitator, and induction fan to manage emissions. A 150m chimney is used for exhaust. The plant also has a water temperature monitoring device, waste water treatment facility, and COD monitoring equipment. The West Sea is shown as the source of water for the plant, with a discharge outlet and a facility to prevent oil leaks. The plant is connected to a 765KV power transmission line and a tele-monitoring system. Other features include a windbreak, reclaimer, continuous coal unloader, coal depot, and a fly ash storage tank. The plant is also connected to a diesel pump room, oil tanker, and waste water pond. The diagram shows the plant's location near the West Sea and its connection to the power grid.

Boiler	Turbine	Generator	Transformer	Environmental facilities
<ul style="list-style-type: none"> Type : Super-critical pressure, pipe, horizontal air, indoor Capacity : 1,720 t/h Steam : 25kg/cm², 541°C Manufacturer : Doosan Heavy Industries and Construction Co., Ltd. 	<ul style="list-style-type: none"> Type : Series 4, recycle, reheat, condensed water type Capacity : 500,000 kW PPM : 3,600 rpm Manufacturer : Doosan Heavy Industries and Construction Co., Ltd. 	<ul style="list-style-type: none"> Type : Hydrogen & water cooling, 3-phase synchronous generator Capacity : 612,000 kVA (60 Hz, 3,600 rpm) Voltage : 22 kV Manufacturer : Doosan Heavy Industries and Construction Co., Ltd. 	<ul style="list-style-type: none"> Type : Outdoor forced-oil air type Capacity : 610,000 kVA Voltage : 20.9 kV/345kV/765kV Manufacturer : Hyosung Heavy Industries and Construction Co., Ltd. 	<ul style="list-style-type: none"> Desulphurization facilities : Less than 60 ppm of SO_x discharge Electrostatic precipitator : Less than 40 mg/Sm³ of dust discharge NO_x reduction burner : Less than 200 ppm of NO_x discharge Wastewater treatment facilities : Less than 40 ppm of COD Windbreak, sprinkler system : Prevent coal from scattering

Overview of Environmental Management



Environmental Management Policy

Environmental Visions and Goals

Our environmental vision, "An environmentally-friendly corporation creating a bright future," was first enunciated in September 2001. To make this vision a reality, we have introduced an environmental management system that meets all the requirements of the International Standards Organization (ISO). We are taking actions to protect the environment that include saving energy through the improvement of our power generation efficiency, minimizing waste emissions, and developing new renewable energy.

| Environmental Visions and Goals |



► E-TOP : Environment, Transparency, Optimum, Precaution

Environmental Improvements by International Environmental Standards Systems	Put ISO 14001 in place, introduce advanced environmental systems, operate environmental education programs
Construction and Operation of Environmentally-Friendly Power Plants	Minimize pollutant emissions minimize and recycle waste, harmonize with environment
Preservation of Global Environment	Reduce greenhouse gases, develop new/renewable energy, introduce new high-efficiency power generation technologies
Productivity Improvement	Improve power consumption efficiency, save energy, raise quality of environmental facilities and pollution prevention technologies
Contributions to Society	Dialogue with residents, disclose environmental information, participate in community environmental preservation activities

Master Plans for Environmental Management

In December 2004, we developed a mid-to long-term master plan for environmental management to respond to changes in environmental policy paradigms and present an environmental management road map for sustainable development.

We established the following goals to reduce pollutant emissions, reuse resources, and develop new and renewable energy. All of them must be realized by 2017.

| Mid-to long-term Goals for Pollutant Reductions and Investment Plans for New and Renewable Energy |

	Category	2010	2013	2017
Minimize pollutant emissions	SOx (g/KWh)	0.50	0.46	0.45
	NOx (g/KWh)	0.47	0.43	0.42
	Dust (g/KWh)	0.05	0.05	0.05
	CO ₂ (g/KWh)	0.66	0.63	0.62
Reuse resources	Waste materials (%)	85	87	90
	Waste water (%)	70	75	80
Develop new and renewable energy	Investment (Billions of KRW)	542.1	365.0	–

Major Environmental Performance

Environment-Related Certifications and Designations

All EWP business locations have obtained the ISO 14001 certification. This is a testament to the high quality of its environmentally-friendly facilities. In addition, we have been designated an environmentally-friendly company by the Ministry of the Environment.

| ISO14001 Certification and Designation as Environmentally-Friendly Company |

Classification	Plant Name	Date of first designation	Expiry Date	Remarks
ISO 14001 Certification	Dangjin Div.	12/22/2001	12/21/2007	2 times in a row
	Ulsan Div.	08/03/2004	08/02/2007	
	Honam Thermal P/P	09/14/2004	09/13/2007	2 times in a row
	Donghae Thermal P/P	07/23/2003	07/22/2009	
	Ilisan Combined Cycle	10/22/2003	10/21/2009	
Designation as environmentally-friendly company	Dangjin Div.	12/20/2001	12/03/2009	2 times in a row
	Ulsan Div.	07/14/2004	07/13/2007	
	Honam Thermal P/P	10/14/2000	03/14/2009	2 times in a row
	Donhae Thermal	11/27/2001	01/17/2010	
	Ilisan Combined Cycle	05/16/1996	05/16/2007	2 times in a row



Efforts Towards Environmental Management

Investments in Environmental Management

Our investments in environmental management exceed 1.5% of our sales. Even though our research and development (R&D) investment is increasing annually, the total amount has decreased due to the expansion of UNFCCC-related R&D. This was led by a reduction in environmental basic dues, primarily as a result of the efficient operation and maintenance of our environmental facilities and a dramatically-lowered quantity of emissions. We seek to establish harmony between the environment and the economy through the efficient operation of our environmental systems and continuous investments in state-of-the-art facilities.

Environmental Management Mechanisms

Environmentally-related Organizations and Human Resources

The Environmental Chemical Team at our head office is tasked with environmentally-related issues. It establishes and decides on the basic direction of our environmental management policies and assists the CEO in making decisions related to the environment.

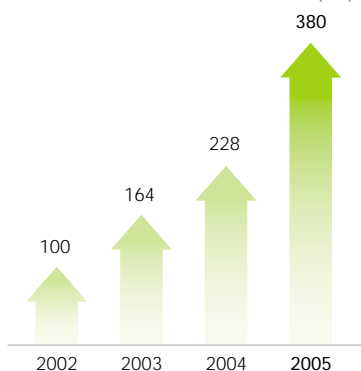
In addition, we strive to preserve the environment and show our commitment to environmental management by setting up specialized divisions and professional human resources at each plant--including an environmental management team.

Our environmental team is comprised of 175 professionals--8.8% of our entire workforce. They are responsible for air quality, water quality, and waste treatment and are committed to the efficient operation of our environmental facilities.

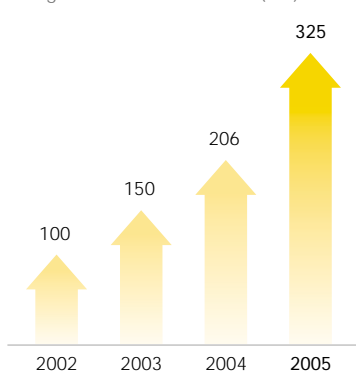
We also appoint employees who hold professional certificates as environment technicians as designated in the Environment Act. Their responsibility is to do everything possible to facilitate the optimum operation of our environmental facilities.

| Results of EPE |

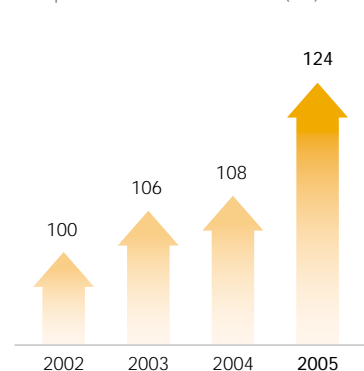
Environmental Performance Evaluation (EPE)



Management Performance Index (MPI)



Operational Performance Index (OPI)



| Annual Operating Costs of Environmental Facilities and R&D Investments |

(Unit : Billions of KRW)

Classification	2003	2004	2005
Sales	1,918.2	2,073.0	2,175.3
Operating Costs			
Air protection	27.1	32.6	31.2
Water Protection	1.8	1.5	1.7
Subtotal	28.9	34.1	32.9
R&D Investments	0.2	1.0	1.1
Basic Dues	1.0	1.3	0.9
Total (Total/Sales, %)	30.1 (1.57)	36.3 (1.75)	34.9 (1.60)

Environmental Performance Evaluation (EPE)

We conducted an environmental performance evaluation(EPE) in 2006--the first time an EPE had been conducted by a Korean power generation company. This was done to discover which areas needed improvement, to enhance the efficiency of our facilities investments, and to increase the transparency of our environmental management through objective and quantitative measurements.

After the first EPE pilot project--managed by the Ministry of the Environment--at the Donghae Thermal Power Plant, all our other sites took part in them.

We used a set of indices to measure the conditions, management, and effects of our operations on the environment. A total of 85 indices were evaluated, and the results indicated that our environmental performance has continued to improve--from 64% and 128% in 2003 and 2004, respectively, to 280% in 2005.



Consumption of Energy and Emissions

Fuel Consumption

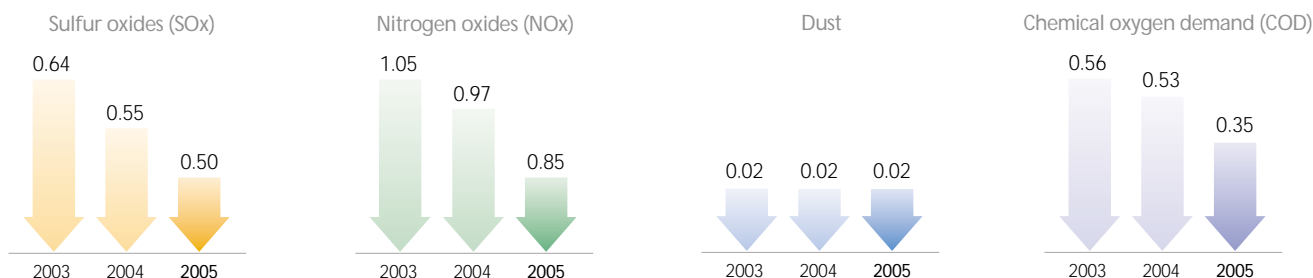
Fuel consumption has increased annually following expansions at our power generation facilities and a corresponding increase in our use of bituminous coal. However, increases in clean fuel LNG consumption and decreases in heavy oil consumption contributed to overall reductions in the emission of pollutants.

Emissions of Air and Water Pollutants

We have established stricter internal standards than are required by statutory regulations and have reduced our base amount (g/KWh) of emissions every year. To comply with our own internal standards, we have installed state-of-the-art facilities, such as desulphurization and denoxification units and air pollution reducers. Waste water disposal plants are used to treat waste water generated during power generation.

| Emissions of Pollutants (Air and Water) |

(Units : g/KWh)



Chemical Consumption Record

Power plants use chemicals such as hydrochloric acid, caustic soda, and hydrazine to treat water used in power generation, to prevent boiler erosion, and to treat waste water. We have made every effort to reduce our consumption of all chemicals (particularly hydrazine, which is used for power generation water treatment), by introducing a non-injection system and deploying alternative chemicals.

Water Use and Waste Water Reuse

All our power generation plants install waste water treatment systems to physically and chemically treat waste water that has been generated during power generation and reuse it or discharge it into the ocean.

We have stricter internal standards than are required by statute regarding the quality of our waste water and the discharge of waste water into the ocean. We focus on solving water shortage problems by applying improved processes and new technologies to reduce the generation of waste water and by increasing our ratio of waste water reuse.

| Fuel Consumption |

(Units : Tons, kℓ)

Classification	2003	2004	2005
Anthracite	1,230,785	1,124,236	1,100,984
Bituminous coal	7,185,236	7,534,857	8,251,651
Heavy oil	1,504,338	1,673,667	1,347,901
Kerosene	117,099	8,475	20,305
LNG	720,971	940,624	1,003,319

| Record of Chemical Consumption |

(Unit : Tons)

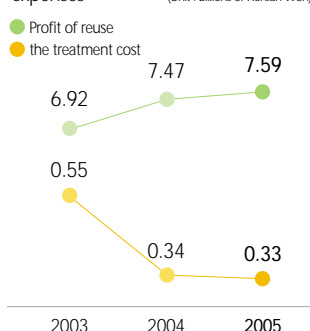
Classification	2003	2004	2005
Hydrochloric acid	1,315	1,505	1,584
Caustic soda	2,376	2,511	1,761
Hydrazine	15	17	13
Total (original unit, g/KWh)	3,706 (0.11)	4,033 (0.11)	3,358 (0.09)

| Use of Power Generation Water and Reuse of Waste Water |

Year	Power Generation (GWh)	Power Generation Water		Waste Water		
		Use (Thousands of tons)	Unit (Tons/GWh)	Treatment (Thousands of tons)	Reuse (Thousands of tons)	Rate of Reuse (%)
2003	34,207	5,651	165	1,737	893	51.4
2004	36,043	6,489	180	1,658	899	54.2
2005	36,234	6,347	175	1,978	1,371	69.3

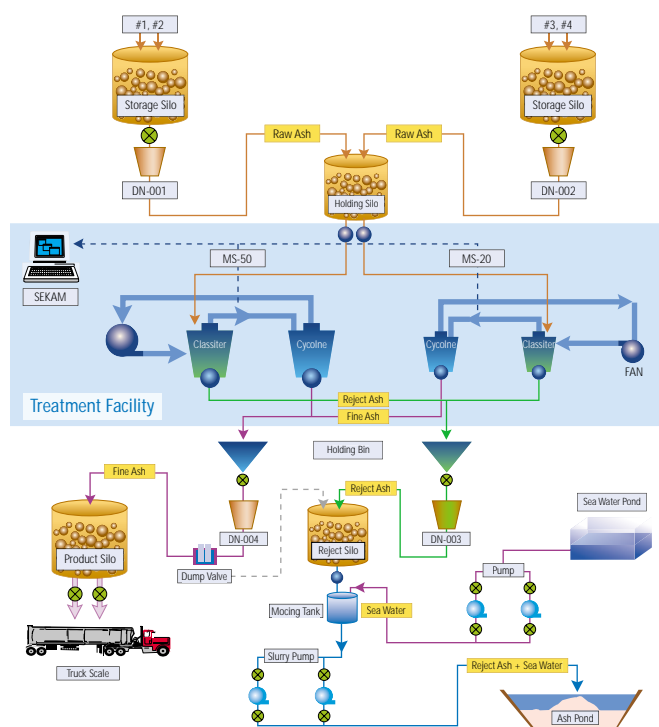
Energy Savings

| Energy Saving Rate by Item |



Classification	2005			
	Power (MWh)	Coal, Oil (Ton, kℓ)	Converted into Oil(TOE)	Saved Amount (Millions of KRW)
Thermal Efficiency Improvements	0	61,318	45,778	8,011
Fuel Cost Savings	30	26,438	22,250	5,877
Power Consumption Decrease	178,126	0	44,466	4,745
Other	1,794	4	476	303
Total	179,950	87,760	112,970	18,936

| Fly Ash Treatment Facility |





United Nations Framework Convention on Climate Change (UNFCCC)

Developing the Foundations to Respond to the UNFCCC

Since the United Nations Framework Convention on Climate Change (UNFCCC) took effect in 1992 and the Kyoto Protocol was adopted in 2005, it has been expected that pressure from the international community demanding the mandatory reduction of greenhouse gases would grow stronger and more intense.

As a result of this, the Korean government set up a series of task forces in 2005 to respond to such movements in eight major areas, including the power generation, steel, and cement industries.

EWP played a primary role in responding to the UNFCCC as a lead company for the task force in charge of the power generation sector. We are working diligently to establish a response to the UNFCCC. It will include a greenhouse gas emission statistics system and will also identify potential reductions in power generation.

Establishment of Greenhouse Gas Monitoring System

We established a greenhouse gas monitoring system in 2006 to collect accurate statistical records on emissions and measure greenhouse gas (CO₂) emissions. In addition, we apply the standards of IPCC (the Intergovernmental Panel on Climate Change--an international standard), when measuring gas emissions as a means of monitoring the reliability of our findings. By using these methods, we can analyze the effects of greenhouse gas reductions by our facility investments. We also plan to use them as statistical evidence to respond to UNFCCC's policies regarding mandatory reduction quotas and greenhouse gas reduction records.

| Greenhouse Gas Emissions |

Classification	2003	2004	2005
Power Generation (GWh)	34,207	36,044	36,344
CO ₂ Emissions (thousands of tCO ₂)	26,421	27,455	28,562
Emissions by unit (tCO ₂ /GWh)	0.772	0.762	0.786

Conclusion of an MOU for Joint Response to the UNFCCC

In February of 2006, EWP entered into an MOU with the Ministry of Commerce, Industry, and Energy to jointly respond to the UNFCCC and implement emissions trading.

Companies engage in voluntary emissions trading to control and reduce greenhouse gases. Affiliates or heads of plant sites participate in this trade, based on their internal reduction targets and results.

Greenhouse Gas Reduction Technology Development

With regard to the UNFCCC, we can only expect that pressure from the international community for greenhouse gas reductions will intensify. We plan to invest KRW 270.0 million in R&D until 2008 as a way to respond to this situation.

| R&D Investments in Response to Climate Change |

(Unit : Thousands of KRW)

Research Title	Period	Amount
Development of a foundation model to utilize greenhouse gas emissions trading in the power generation sector	Oct. 2003 ~ Sep. 2005	12,000
Development of technologies to apply new fuel, DME to combined cycle plant	Apr. 2004 ~ Mar. 2007	82,000
Development of dry recycling absorbents for CO ₂ separation	Oct. 2002 ~ Mar. 2008	99,090
Development of process of flue gas CO ₂ absorption 2-tower fluidized bed by using dry absorbent	Aug. 2005 ~ Mar. 2008	73,500

Appendix

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To the Readers of the Korea East West Power Sustainability Report 2006:

The Institute for Industrial Policy Studies (the Auditor) was engaged by Korea East West Power Co., Ltd. (EWP) to review its Sustainability Report 2006 (the Report) to provide an independent third-party assurance statement on its contents. EWP is responsible for the collection and presentation of all information within the Report as well as the maintenance of the underlying data collection system and internal controls.

The key objective of our review was to provide an independent opinion on whether any information or claim cited in the Report contains any material misstatements or bias and to determine whether the underlying data collection system is working or not. On the basis of the above, the Auditor presents the following third-party assurance statement.

Context and Scope

In its Sustainability Report 2006, EWP describes efforts and progress made toward sustainability management as well as its plans for the future. The Auditor's review examined the following.

Reasonable assurance on whether:

- the financial information specified under "Economic Performance" in the Report is properly derived from EWP's audited Annual Report 2005;

Limited assurance on whether:

- the data specified under "Innovation Management Performance", "Creativity Management Performance", "Social Responsibility Management Performance", "Ethical Management Performance", "Environmental Management Performance" of the Report is stated adequately and in full and is free of material misstatement or bias.

※Reasonable assurance constitutes a higher level of assurance than limited.

Independence

The Auditor was not involved in the preparation of any material part of the Report, and has no affiliation with EWP that might compromise our independence and autonomy or place us under its influence, therefore ruling out any possible conflicts of interest. The Auditor has no commercial relationship with EWP whatsoever regarding any of its operational activities.

Expertise

Established in 1993, the Institute for Industrial Policy Studies (IPS) has accumulated broad expertise in the areas of business ethics, corporate social

responsibility and sustainability management since 2002. As the reviewing organization, IPS is comprised of university professors from Korea's top schools with majors in business management, accounting, environment etc., as well as consultants with professional academic accreditation and experience in sustainability management.

Criteria

The Report was evaluated against the following criteria:

- The local BSR Guidelines (B.E.S.T Sustainability Reporting Guidelines)** and the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines Version 3.0, to assess adherence to "Core" and "Additional" indicators outlined for economic, social, and environmental performance.
- The AA1000 Assurance Standard (AA1000 AS)* for compliance to the three core principles of Materiality, Completeness and Responsiveness. Additionally, the Report's "Application Level" to the BSR reporting guidelines was also subject to review.

*AA1000 AS is an assurance standard for social and sustainable reporting developed by the U.K.-based Institute of Social and Ethical AccountAbility in November 1999. A nonprofit organization that promotes corporate social responsibility, business ethics and responsible business practices, AccountAbility aims to improve the quality of social and ethical accounting, auditing and reporting through the AA1000 AS.

**The BSR Guideline (B.E.S.T Sustainability Reporting Guideline) was jointly developed by the Ministry of Commerce, Industry, and Energy (MOCIE), the Korea Chamber of Commerce and Industry (KCCI), and the Institute for Industrial Policy Studies (IPS) to promote more widespread sustainability reporting by local businesses. The guideline provides five levels of reporting rigor (Level 1 ~ 5), so that companies can report against different levels of reporting requirements as best suits their respective needs.

Work Undertaken and Scope

The Auditor reviewed the Materiality, Completeness, and Responsiveness of the Report through the activities outlined below.

- Review of press coverage on EWP
- Examination of information contained in the Report and underlying data collection system
- Focused review of key Report contents; internal policies; and documentation and information system through data sampling and identification of high-risk areas
- On-site audit of operational locations including Headquarters and the Dangjin Thermal Power Plant
- Interviews with personnel and management in charge of sustainability management, writing up the Report, information etc.
- Review of the in-house sustainability management organization, system, and activities

Third Party's Assurance Statement

- Comparison of financial information stated in the Report against the auditor's report

Conclusions

On the basis of the above, we provide the following conclusions. It is the Auditor's belief that no material misstatements or bias are contained in the Report. All material findings of the Auditor are included herein, and detailed review findings and follow-up recommendations have been submitted to EWP in a document titled, "Recommendations to the Management".

Materiality : Does the Report cover the economic, social and environmental issues of the greatest material importance to EWP?

The Auditor is not aware of any material aspects concerning EWP that have been omitted or excluded from the Report. Although EWP appears to have employed diverse means of identifying issues of material interest, its process of gathering stakeholder opinion is limited to certain issues only, and therefore limitations exist in our ability to assess whether all criteria for Materiality are being met.

Completeness : Are all data and information stated in the Report reliable, and is the underlying data collection system complete and feasible?

The Auditor found the information system used to measure sustainability management performance to be complete and feasible, and therefore determined the data contained in the Report to be reliable. We took note that key parts of sustainability management were tracked by performance indicators and confirmed reasonable assessment of sustainability management performance taking place. We would suggest, however, that EWP work on further developing its sustainability management performance indicators for greater detail.

Responsiveness : Does the Report contain information of relevance and concern to EWP stakeholders?

The Auditor noted efforts by EWP to identify information of great relevance to its stakeholders through various communication channels. However, we are of the recommendation that EWP present how it actually applies the findings of its various communication efforts in determining Materiality and Responsiveness in the context of the Report, as this information is not stated in the Report.

- Relative to the BSR Guidelines, in view of the level of reporting rigor and intensity of information provided, the Auditor believes the Report qualifies

as a Level 3 Report (from Level 1 ~ 5). Relative to the GRI Guidelines, the Report meets the content and quality requirements of GRI G3 Application Level B+.

Issues for Future Consideration

As its first sustainability report, the Report contains EWP's goals and action plans for sustainability management and reflects its commitment and efforts for greater stakeholder participation. In the interest of improved sustainability performance and higher quality reporting, we recommend the following.

- We recommend setting up diverse communication channels as a platform for proactive dialogue with various stakeholder groups, since communication is essential to enhancing the Materiality, Completeness and Responsiveness of sustainability reporting. In particular, we suggest following up with all Materiality assessment criteria stipulated in the Report for next year, and stating the achieved results in next year's Report.
- We recommend that EWP's goals for sustainability management, as stated in the Report, be fleshed out to a greater level of detail, and suggest stating "Core indicator" findings for each stakeholder group. We also suggest including whether this year's plans were achieved or not as well as future plans in next year's report.
- We suggest applying the GRI Electric Utility Sector Supplement due to be published by GRI in next year's report.

CHEOL-HO SHIN

Shin Cheol-Ho
Chairman, IPS

April 30, 2007



Environmental Policies

Korea East-West Power Co., Ltd. is committed to helping Korea develop into a global powerhouse by providing it with a stable supply of electricity. Because our operations are predicated on pursuing environmentally sound and sustainable development, we have established and implemented the following environmental policies, the overriding goal of which is to promote harmony between the environment and the economy. The company also takes the interests of local communities into consideration when constructing and operating its power stations.

1. We have selected "E-TOP" (Environment, Transparency, Optimum, and Precaution) as the motto that best enunciates the company's attitude towards its environmental and social responsibilities and its commitment to the sustainable production of electrical power.
2. We establish systems that meet international environmental standards to ensure that our management is conversant with and dedicated to the environment. In addition, we work to prevent pollution by periodically conducting environmental impact assessments.
3. We observe all relevant legal regulations and statutes to minimize environmental pollution and establish and operate in-house management standards for each of our power stations that reflect conditions and needs within the local community.
4. We take the lead in domestic environmental technology development by engaging in continuous performance improvements. We are also in the vanguard of applying new technologies to ensure that we save energy and operate our environmental facilities efficiently.
5. We minimize the generation of wastes and actively promote "reducing," "reusing," and "recycling" to maximize the efficient use of natural resources.
6. We honor all requests for environmental information and data to heighten the transparency and objectiveness of our environmental management and communicate with local community residents on an ongoing basis.
7. We clarify the responsibilities and roles of our organization regarding the prevention of pollution and heighten our employees' awareness of the environment by insisting that they be trained in environmental issues.

In order to effectively implement these policies, all our employees - including the CEO - must be aware of the importance of environmental management and pledge to make every effort to put it into practice.

September 2001

Korea East-West Power Co., Ltd. is a proudly Korean company that contributes to the nation's growth by developing electrical power resources, generating electricity, and operating related businesses.

We are committed to becoming a world-class power generation company that earns people's trust through its commitment to ethical management and compliance management.

Accordingly, we will use both our creativity and our willingness to face challenges to reach our goals, conduct our operations in an honest and fair manner, and strive to prevent corruption and create a clean and equitable working environment.

We will provide our customers with a stable supply of electrical power and high-quality service, take whatever measures are needed to satisfy them, and manage our business with a view to increasing its value.

We will comply with all domestic laws and international regulations, respect the freedom of the marketplace, and seek prosperity for all by building mutually-cooperative relationships with all our stakeholders.

We will respect the individuality of all of our employees and will not discriminate against anyone for any reason. We will ensure our employees are given equal opportunities and fair evaluations and strive to improve their well being and quality of life.

We will participate in all community activities as a concerned and committed member of our society and contribute to the development of the nation and our society by constantly creating new values.

We will do our best to hand down a clean environment to future generations by respecting all forms of life and taking the lead in the protection of all natural phenomena.

Chapter 1: General Provisions

Article 1: Purpose

The purpose of this Code of Ethics (hereinafter referred to as "the Code") is to provide our executives and employees with criteria for proper decision-making and ethical judgment.

Article 2: Applicable Subjects

This Code applies to all the employees -- including non-regular workers -- of Korea East-West Power Co., Ltd.

Chapter 2: Employees' Ethical Behavior

Article 3: Definition of Employee Ethics

- ① Employees shall maintain an honest and faithful attitude towards EWP.
- ② Employees shall make every effort to maintain and develop their dignity and the honor of the company.
- ③ Employees shall observe all laws and regulations while performing their duties. However, they are not under any obligation to act against their conscience.

Article 4: Duties and Responsibilities

Employees shall undertake their responsibilities with creativity and honesty, sharing the company's management philosophy, vision, goals, and values.

Article 5: Self-Development

Employees shall undertake their responsibilities with integrity and respect, realizing that this age of globalization and open markets requires constant self-development and the need to face change and challenges.

Article 6: Execution of Duties

- ① Employees shall observe all relevant laws and regulations while executing their duties.
- ② Employees shall not engage in unethical or illegal activities, such as issuing unjustifiable orders, making illegal arrangements, or offering bribes.

Article 7: Avoiding Conflicts of Interest

- ① Employees shall make every effort to avoid activities or pursue interests

that may conflict with the company's while executing their duties.

- ② In the event that conflicts arise between the company's interests and those of an individual or department, the interests of the company should always take precedence.

Article 8: Prohibition Against Receiving Undue Profits

Employees shall not provide and/or receive monies and/or other valuables "in kind" that exceed societal norms or that may result in unfairness to or from others who are related to their duties.

Article 9: Distinguishing Between Public and Private Affairs

- ① Employees shall be aware of the differences between public and private affairs while executing their duties.
- ② Employees shall not misappropriate company funds or cause damage to the company's property by using it for their personal advantage.
- ③ Employees shall not use their working hours for private matters or use the company's information and communication systems for inappropriate purposes, such as online gaming and gambling or visiting pornographic websites.
- ④ Employees shall not engage in other profit-making businesses or hold concurrent positions without the permission and approval of the company.

Article 10: Relationships Between Employees

- ① Employees shall treat their co-workers with respect and courtesy and shall not act in ways that would cause emotional or physical pain to others.
- ② Employees shall not create factions or discriminate against their co-workers because of their level of education, gender, religion, blood ties, or hometown.
- ③ Employees shall not make wrongful solicitations, give or receive excessive gifts, or give or take money from their co-workers.
- ④ Senior-level employees shall not give unreasonable orders to their subordinates. Subordinates shall obey their seniors' instructions if they are perceived to be equitable, but may reject wrongful ones.
- ⑤ Employees shall not engage in any activity that is intended to inflict sexual pressure on others or cause them sexual humiliation.

Article 11: Lifestyles

- ① Employees shall pursue modest lifestyles and partake in healthy leisure-time activities in their role as public servants.
- ② Employees shall strive to establish a sound culture for congratulation

and condolence events by refraining from making notifications about them to those related to their duties and by ensuring that the value of money and/or other valuables used for such occasions is not in excess of societal norms.

Article 12: Transparent Information and Accounting Management

- ① Employees shall obtain and manage all information fairly and transparently, and any and all information, including accounting records, should be correctly, honestly, and accurately recorded.
- ② Employees shall not divulge or use information related to their work without obtaining prior permission or approval of their department or office head and/or plant director.
- ③ Employees shall not create fraudulent or exaggerated reports for the purpose of making profits for a specific person or department and shall not hide or monopolize important information.
- ④ The company shall disclose all operational information in accordance with relevant laws and regulations to enhance the transparency and reliability of its management.

Chapter 3: Ethical Treatment of Customers

Article 13: Respecting Customers

Employees shall always respect our customers, realizing that they are the reason for our existence and purpose and should be our first priority.

Article 14: Customer Satisfaction

- ① Employees shall clearly understand the needs and expectations of our customers and make every effort to provide them with a stable power supply and the finest in service.
- ② Employees shall always listen to and value the opinions and suggestions of our customers and deal with their concerns as speedily and fairly as possible.

Article 15: Protection of Customers' Interests

- ① Employees shall value the assets, intellectual properties, business secrets, and other information of our customers over those of the company and shall not infringe on their interests by engaging in immoral activities.
- ② Employees shall promptly notify our customers of any and all information that is important to them.

Chapter 4: Ethical Treatment of Competitors and Subcontractors

Article 16: Compliance with Business Laws

Employees shall observe the laws and regulations of all countries and regions and respect domestic and international commercial practices at all times.

Article 17: Respecting Freedom of Competition

Employees shall respect the freedom of the marketplace, act in accordance with the principle of free competition, and welcome fair and friendly competition based on respect for others.

Article 18: Fair Trade

- ① Employees shall grant equal opportunities to all qualified individuals or organizations that are bidding or contracting for construction, services, and/or product purchasing.
- ② Employees shall conduct all transactions in a fair and transparent manner and in a proper business location.
- ③ Employees shall not demand money or gifts, force unfair deals, and/or interfere with management by using their superior positions when involved in transactions.
- ④ Employees shall sign and observe an integrity pact for all transactions.

Chapter 5: Ethical Treatment of Employees

Article 19: Respecting Employees

The company shall treat each employee with trust and dignity and respect his or her religion, political opinions, and lifestyle.

Article 20: Fair Treatment

The company shall offer equal opportunity to all its employees in accordance with their abilities and qualifications and fairly assess and reward them for their performance and achievements. It shall not discriminate by reason of gender, level of education, age, religion, hometown, or physical handicap.

Article 21: Encouraging Talent and Promoting Creativity

The company shall enhance the potential of its employees by supporting the development of their abilities. Furthermore, it will create an atmosphere in which all its employees can make suggestions, express their opinions, and speak openly and freely.

Article 22: Improving the Quality Of Life

- ① The Company shall establish a system that allows its employees to perform their duties efficiently and effectively and do its best to ensure that they feel proud of and rewarded by the performance of their duties.
- ② The company shall provide its employees with a pleasant and safe working environment and develop and implement programs to improve their quality of life - including those relating to health, education, and employee benefits.

Chapter 6: Honoring the Nation and the Community

Article 23: Contributions to the Development of the Nation and the Community

- ① Employees shall contribute to the development of the nation and the community by developing a sound and respected company that gives priority to rational and responsible management and the creation of social wealth.
- ② Employees, as members of local communities, shall accept any and all reasonable requests from their fellow citizens and make every effort to deal with them.
- ③ The company shall actively support participation in social activities by its employees and strive for the cultural and economic development of local communities.

Article 24: Prohibition Against Wrongful Political Activities

- ① The company shall not participate in political activities or provide illegal donations to political parties, politicians or candidates.
- ② The company shall respect the personal political viewpoints of its employees. However, their political opinions should not be construed as constituting the political stand of the company itself.

Article 25: Safety and Risk Prevention

Employees shall make every effort to prevent and deal with accidents, disasters, and risks by upholding all laws and standards relating to industrial safety.

Article 26: Environmental Protection

Employees shall acknowledge the importance of environmental issues, observe domestic and overseas environmental laws and regulations, and endeavor to protect the environment and prevent pollution.

Article 27: Harmony Between Management and Labor

Employees shall understand that labor and management are equal "owners" of the company and strive for the well being and prosperity of both parties, based on mutual trust and harmony.

Article 28: Compliance with International Management Standards

Employees shall observe international conventions, such as "The Convention on Combating Bribery of Foreign Public Officials in International Business Transactions" and similar regulations dealing with investments and transactions. They shall also respect the laws and cultures of foreign countries so as to contribute to their economic development.

Chapter 7: Supplementary Provisions

Article 29: Obligations and Liabilities Regarding Compliance

- ① All employees shall be fully aware of this Code and be willing to be held accountable for its violation.
- ② The company's executives, division and office heads, plant directors, and department managers shall be responsible for seeing that their members are in compliance with the Code.

Article 30: Establishment of Corporate Ethics Committee

- ① A Corporate Ethics Committee may be established and operate whenever necessary to promote the smooth pursuit and settlement of ethical management and the efficient execution of the Code.
- ② The Corporate Ethics Committee shall perform its duties as follows
 1. Make decisions of importance to policies promoting ethical management;
 2. Enact and amend regulations related to ethical management;
 3. Offer authoritative interpretations of important regulations concerning ethical management;
 4. Ensure that employees adhere to the Code;
 5. Carry out all other matters relevant to the practice of ethical management and the operation and fulfillment of the Code;
- ③ Other matters pertaining to the establishment and operation of the Corporate Ethics Committee may be dealt with separately.

Chapter 1: General Provisions

Article 1: Purpose

This Code of Conduct (hereinafter referred to as "the Code") outlines the values held by the Korea East-West Power Co., Ltd. (hereinafter referred to as "the Company") and sets standards of behavior to which its executives and employees must adhere. The ultimate goal of the Code is to prevent corruption and establish a clean working environment.

Article 2: Definitions

Terms in this Code are used as follows:

1. "Executives and employees" refers to the management and staff of the Company (including the president and auditor).
2. "Parties related to duties" refers to any person related to the duties of executives and employees and any individual or organization that falls under any of the following:
 - A. An individual or organization that has entered into an agreement with the Company or is clearly about to enter into an agreement with the Company;
 - B. An individual or organization that is subject to the authority or approval of the Company or that can be audited, supervised, or inspected by it;
 - C. An individual or organization that has made a complaint to the Company or is intending to do so;
 - D. An individual or organization that directly receives an advantage or disadvantage due to a decision, appraisal, test, inspection, or mediation by the Company;
 - E. An individual or organization that requests that a specific action be undertaken by the Company or that has interests related to the exercise or non-exercise of authority by its executives and/or employees;
 - F. An individual or organization that is related to work performed at or by the Company.
3. "Executives and employees related to duties" means executives and employees who fall under any of the following and who can be directly advantaged or disadvantaged in regard to the fulfillment of such duties.
 - A. Upper-level employees fulfilling the duties of executives and employees, and subordinates taking orders from them;
 - B. Executives and employees in charge of personnel, audits, prizes and rewards, assessments, budgets, and organizations, along with other executives and employees who are directly involved in such activities;
 - C. In cases where operations of the Company have been entrusted to them, those executives and employees delegated to manage and supervise such work and/or those who are in charge of it;
 - D. Other executives and employees designated by the Company.
4. "Gift" refers to materials provided without compensation, including cases in which prices are significantly lower than their market or usual value. Marketable securities, hotel vouchers, memberships, admission tickets, and other equivalents are also included.
5. "Entertainment" means providing entertainment (such as meals and golf) or conveniences (such as transportation and accommodations).
6. "Unethical behavior" refers to any of the following:
 - A. Behavior in which executives or employees abuse their positions or authority or pursue benefits of their own or of third parties contrary to the law or the Company's articles of incorporation or regulations (hereinafter referred to as "laws and regulations") in pursuance of their duties;
 - B. Acts that cause losses to the property of the Company contrary to its laws and regulations while using its funds, acquiring, managing, or disposing of its property, or concluding and/or executing contracts with it;
 - C. Actions intended to force, persuade, or induce someone to perform or conceal an action as specified in clauses A and B.

Article 3: Applicable Parties

This Code will apply to all executives and employees of the Company (including non-regular workers).

Article 4: Liability and Responsibility for Compliance

- ① All executives and employees shall be fully aware of and observe the Code and assume responsibility in the event of its violation.
- ② Division (office) heads and plant directors may demand that executives and employees sign an Integrity Pledge or a Compliance Pledge and present it to a person responsible for the Code to prevent corruption, create a clean corporate culture, and ensure compliance with the Code.

Chapter 2: Equity and Internal Affairs

Article 5: Prohibition Against Discrimination

Executives and employees shall not give favors to nor discriminate against specific individuals or organizations for such reasons as hometown, family, academic relations, or connections.

Article 6: Prohibition Against Arrangements and Solicitations

- ① Executives and employees shall not use their influence to make requests that obstruct the work of other executives and employees for their unfair profit or that of other people.

- ② Executives and employees shall not introduce those related to their duties to other parties related to duties or those related to duties at other organizations for the purpose of making undue profits for them or others in relation to their job performance.

Article 7: Prohibition Against Solicitation for Purposes of Promotion, Transfer, or Position

- ① Executives and employees shall not ask or pressure others to solicit a person in charge of human resources to make a wrongful decision on matters regarding promotions, transfers, or positions.
- ② Executives and employees shall not intervene in other employees' promotions, transfers, or positions by abusing their power.

Article 8: Avoiding Conflicts of Interest

- ① Executives and employees shall avoid participating in or making decisions on any operations related to their duty if doing so influences the interest of any of the following:
 - 1. The person himself or herself, his or her spouse or their lineal ascendants and descendants or relatives up to and including cousins;
 - 2. Institutions at which executives and employees used to work or are about to work;
 - 3. Any other person who has family ties or regional or school connections with the Company's executives or employees.
- ② In the event that executives or employees do not wish to perform their duties in accordance with paragraph 1, they shall inform their superiors or other persons in charge of the Code. If it is unclear whether they should or should not perform their duties, they shall consult with their immediate superiors or a person in charge of the Code.
- ③ Immediate superiors or persons who are responsible for the Code and who have received a request specified in paragraph 2 shall report the matter to their division (office) heads and plant directors if such executives and employees are deemed to be ineligible to continue with their duties under following criteria. However, if a superior can temporarily reconfigure the responsibilities of these executives or employees within the range of their authority, they may do so without making such a report.
 - 1. Degree of interest;
 - 2. Role and importance in the implementation of such duties, such as the discretionary authority of such executives and employees in the handling of such work;
 - 3. The internal and external sensitivity of such work;
 - 4. Difficulties that may arise when such work is carried out by other executives or employees;
 - 5. Degree of negative impact upon other duties.
- ④ Division (office) heads and plant directors who receive a report

specified in paragraph 2 shall take all necessary actions, including the reallocation of human resources, to ensure that all duties are conducted fairly.

Article 9: Prohibition Against Use of Expenses for Other Purposes

Executives and employees shall not damage the property of the Company by using its funds for purposes other than the fulfillment of their duties.

Article 10: Treatment of Orders That Interfere with Job Performance

- ① Executives and employees shall not give their subordinates instructions that would impair their work in order to further their own profit or that of a third person.
- ② In the case of paragraph 1, a subordinate who receives an order that would impair his or her duties may notify his or her superior(s) about the reason for it and need not follow such orders.
- ③ If the same order is repeated despite non-observance as specified in article 2, a subordinate shall consult with the person responsible for the Code or report the situation to his or her division (office) head or plant director in accordance with article 35.
- ④ Persons responsible for the Code who have been consulted according to the regulations specified in paragraph 3 shall confirm the content of such an order. If they determine that the order should be rescinded or changed, they shall report this to their division (office) heads, plant directors, or the Standing Director on Ethics.
- ⑤ Division (office) heads and plant directors who receive a report described in paragraphs 3 or 4 shall take appropriate action, such as canceling or changing the order, when deemed necessary. In this case, they may also take appropriate disciplinary action towards higher-level employees who have repeated the same order despite the regulations specified in paragraph 2.
- ⑥ Information as specified in paragraph 2 shall be supplied using the form cited in Appendix 1 or any other appropriate form.
- ⑦ Executives and employees shall not be discriminated against or disadvantaged by reason of the non-fulfillment of their duties in accordance with paragraphs 1 and 2.

Article 11: Dealing with Unreasonable Requests from Politicians and Others

- ① In the event that executives and employees are forced to implement a wrongful fulfillment of duties or receive unfair solicitation at the request of a politician, political party, government official, or government agency, they should report it to their division (office) head and plant directors or consult with the person responsible for the Code prior to engaging in such duties.
- ② Division (office) heads and plant directors who have received a

report, or the persons responsible for the Code who have been consulted as specified in paragraph 1, shall take appropriate action to ensure that such executives and employees can fulfill their duties conscientiously.

Chapter 3: Prohibitions Against Receiving Undue Profits

Article 12: Prohibition against Interfering With Rights and Interests

- ① Executives and employees shall not earn undue profits or help others to do so by abusing their positions.
- ② Executives and employees shall not use the name of the Company or their position to earn undue profits or let others do so.

Article 13: Prohibition Against the Use of Company Property for Private Use and/or Profit

Executives and employees shall not use or earn a benefit from any property of the Company without permission. This includes using a company vehicle or other articles provided for their business or work or other securities and real estate.

Article 14: Limitation on Transactions Using Job-related Information

- ① Executives and employees shall not make monetary transactions or investments related to securities, including stocks or real estate, by using confidential information acquired in the course of their duties. In addition, they shall not help others make such transactions or investments by providing them with such information.
- ② Division (office) heads and plant directors should establish detailed criteria by area regarding transactions involving work-related information as specified in paragraph 1.

Article 15: Prohibition Against Receiving Money or Other Gifts

- ① Executives and employees shall not accept money, real estate, gifts, or entertainments (hereinafter referred to as "money or other gifts"). However, this article does not apply in the following cases:
 1. Money and/or other valuables provided in accordance with the execution of laws regarding the fulfillment of obligations;
 2. Simple meals or conveniences, such as communications or transportation, that are provided in the normal course of their duties;
 3. Transportation, accommodations, or food that are provided to all participants at a work-related official event;
 4. Souvenirs or other promotional articles;
 5. Money or other gifts provided to employees due to sickness or disaster;

6. Money or other gifts provided within the range allowed to executives, division (office) heads and plant directors to ensure the smooth performance of their duties.

- ② Executives and employees shall not accept money or other gifts from executives and employees who are directly related to their duties. However, this rule shall not apply in the following cases:
 1. Money or other gifts provided in accordance with the execution of laws regarding the fulfillment of obligations;
 2. Simple meals (within KRW 30,000 per person) or conveniences such as communications or transportation that are provided in the normal course of their duties;
 3. Transportation, accommodations, or food provided to all participants at a work-related official event;
 4. Souvenirs or other promotional articles;
 5. Money or other gifts provided to employees due to sickness or disaster;
 6. Simple gifts not exceeding KRW 30,000 in value;
 7. Money or other gifts provided by employees' mutual aid societies and other friendly associations;
 8. Money or other gifts provided by higher-level employees to their subordinates for the purpose of raising morale;
 9. Other money and gifts provided within the range allowed to executives, division (office) heads, and plant directors to ensure the smooth performance of their duties.
- ③ Executives and employees shall not receive money or other gifts from people or executives and employees who used to be related to their duties for duties carried out previously. However, this rule shall not apply to those cases specified in paragraphs 1-1 of articles 1 and 2.

Article 16: Prohibition Against Offering Money or other gifts

Executives and employees shall not offer money or other gifts to those related to their duties, government officials, or politicians for the profit of the Company. However, this rule shall not apply to money or other gifts specified in article 15, paragraph 1.

Article 17: Limitations on Accepting Money or other gifts by Spouses

Executives and employees shall not allow their spouses or lineal descendants or ascendants to accept money or other gifts that are prohibited in accordance with article 15 or to offer money or other gifts that are prohibited in accordance with article 16.

Article 18: Prohibition Against Borrowing Money and Other "Goods in Kind"

- ① Executives and employees shall not borrow money from those related to their duties, excluding relatives up to and including cousins. Similarly, they shall not lease real estate without

compensation—including a price for a lease that is significantly lower than its market price or common practice. However, this rule shall not apply in cases when such borrowing has been made from a financial institution in accordance with article 2 of the Act Regarding Real Name Financial Transactions and Guarantees of Secrecy.

- ② Despite the rules specified in paragraph 1, in the event that executives and employees wish to borrow money or lease real estate without compensation from those related to duties for unavoidable reasons, they shall report it to their division (office) head and/or plant directors in accordance with the form referred to in Appendix 2.

Article 19: Contracts and Ethical Fulfillment of Agreements

- ① Executives and employees shall perform their duties fairly and openly in accordance with the procedures specified in relevant laws and regulations in the course of bidding, contracting, and fulfilling agreements for construction, services, or purchasing by the Company.
- ② Executives and employees shall not request prohibited money or other gifts or make undue demands, such as forcing unfair conditions on or interfering with work by using their superior position during the course of bidding, contracting and fulfilling an agreement specified in article 1.

Chapter 4: Transparency of Information and Financial Management

Article 20: Obtaining and Managing Fair and Transparent Information

Executives and employees shall obtain all information using justifiable methods and write accurate records and reports. They shall not make up or delete information for a specific individual's or organization's benefit.

Article 21: Transparent Accounting Management

Executives and employees shall accurately and transparently record and manage all accounting and financial management records based on the facts and in accordance with related laws and generally-accepted accounting practices.

Article 22: Prohibition Against Divulging Information

Executives and employees shall not reveal information obtained in the course of their duties to third parties without obtaining permission and approval in advance from the Company.

Article 23: Disclosing Information Transparently

Executives and employees in charge of information disclosure shall

faithfully and honestly respond to requests for information from members of the media and the public in accordance with relevant laws and regulations to ensure the transparency of management and work towards positive external relationships.

Chapter 5: Establishment of a Sound Work Environment

Article 24: Limitations on Non-Company Appearances

- ① Executives and employees shall obtain approval from their division (office) head and/or plant director in advance if they wish to appear at seminars, public hearings, discussions, presentations, symposia, teaching, lectures, and speeches (hereinafter referred to as "lectures and other activities") which are not directly related to their job performance unless doing so is allowed under other regulations.
- ② Division (office) heads and/or plant directors may approve the activities specified in paragraph 1 if they do not impact negatively upon their duties or do not have the potential to cause the disclosure of confidential work-related information.
- ③ In the event that executives and employees appear at outside lectures and other activities as specified in paragraph 1, their compensation shall not exceed the normal amount paid for such work.

Article 25: Development of a Sound Congratulation and Condolence Culture

- ① Executives and employees shall set an example in the development of a sound congratulatory and condolence event culture.
- ② Executives and employees shall not give information about congratulatory and condolence events to those related to duties or executives and employees related to duties. However, this rule shall not apply to the following cases:
 1. Notifications to relatives;
 2. Notifications to unspecified individuals through media outlets, including newspaper and broadcasters;
 3. Notifications to employees of organizations where they are currently working or used to work.
- ③ Executives and employees shall not give or accept money or other gifts exceeding KRW 50,000 in value in relation to congratulatory and condolence events. However, this rule shall not apply to the following cases:
 1. Money or other gifts given or accepted between executives and employees and relatives in relation to a congratulatory or condolence event;
 2. Money or other gifts provided in relation to a congratulatory or condolence event by religious or social groups to which executives and employees themselves belong in accordance with their articles

of association or other regulations;

3. Money or other gifts provided to subordinates in relation to a congratulatory or condolence event in the names of their superiors or their division (office) head and/or plant director.

Article 26: Prohibition Against Gambling Activities

Executives and employees shall not engage in any form of gambling in excess of societal norms.

Article 27: Prohibition Against Organizing Private Groups

Executives and employees shall not form factions based on family ties, hometown relations, or school connections or organize private groups within the Company.

Article 28: Prohibition Against Sexual Harassment

Executives and employees shall not conduct activities that result in sexual harassment or humiliation and that fall under any of the following:

1. Actions relating to touching or making contact with specific body parts;
2. Actions relating to indecent jokes or lustful and vulgar stories;
3. Actions relating to sexual allusions or remarks about the appearance of other parties;
4. Actions relating to the posting or showing of lewd pictures or paintings;
5. Actions relating to forcing others to serve or dance at a staff dinner and similar occasions;
6. Other actions that could conceivably result in sexual humiliation.

Chapter 6: Actions to Be Taken In The Event Of Violations

Article 29: Consulting on Violations

- ① Executives and employees shall consult with a person responsible for the Code of Conduct in the event that a violation of this Code is not clear.
- ② A person responsible for the Code shall take any and all necessary actions, including the installation of secure telephone lines and a counseling office, to facilitate effective and efficient smooth consultations as specified in paragraph 1.

Article 30: Reporting and Handling of Violations

- ① Any person can report to a relevant division (office) head and/or plant director if he or she learns about a violation of this Code. However, violations committed by a division (office) head or plant director should be reported to the Standing Director on Ethics.
- ② Anyone who makes a report in accordance with the regulations in

paragraph 1 should hand over his or her personal records and the details of the violation in accordance with the form cited in Appendix 3. However, he or she can also use the phone or the Internet if necessary.

- ③ A person responsible for the Code should check such acts of violation in accordance with the rule of paragraph 1 and report them to the relevant division (office) head and/or plant director or the Standing Director on Ethics. Information submitted by relevant executives and employees should be included.

Article 31: Guarantee of a Reporter's Status

- ① Division (office) heads and plant directors shall guarantee the confidentiality of reporters and the contents of their reporting in accordance with article 30. A reporter should not be discriminated against or disadvantaged for submitting a report.
- ② In the event that a reporter is discriminated against or disadvantaged, he or she may ask a person responsible for the Code or a division (office) head and/or plant director for protection or relief. In this case, the division (office) head and/or plant director should take any and all necessary actions.
- ③ In the event of a wrongful practice by a reporter in contravention of the Code, the disciplinary action applied to him or her may be reduced or waived.
- ④ Paragraphs 1 through 3 shall apply to consultations applicable to the Code, including refusing orders that might impair a fair job performance as specified in article 10.
- ⑤ With regard to reporting in accordance with this rule, paragraphs 1 through 4 shall apply to anyone who helps to undertake an audit or an examination by taking statements or submitting materials.

Article 32: Handling Prohibited Money or other gifts

- ① Executives and employees who have accepted money or other gifts in contravention of the Code should immediately return them. In this case, relevant executives and employee may ask the division (office) head and/or plant director for reimbursement for their expenses in accordance with the form cited in Appendix 4.
- ② In the event that money or other gifts that need to be returned have been spoiled or damaged or that the giver or his or her address is not known, the money or other gifts must be immediately delivered to a division (office) head and/or plant director or a person responsible for the Code of Conduct.
- ③ Money or other gifts that have been delivered in accordance with paragraph 2 shall be treated as follows:
 1. Money or other gifts should be disposed of if they have been spoiled or damaged and thus have no value;
 2. Money or other gifts should be donated to a charitable facility if

they are likely to be spoiled or damaged;

3. Other money or other gifts shall become the property of the Company after public notice has been given on the Company's homepage.

- ④ The value and description of money or other gifts handled in accordance with paragraph 3 shall be recorded and managed in accordance with the form cited in Appendix 5. This includes the names of the giver and the receiver, the nature of the gift(s), the date, and the result of the transactions. The giver should be notified of relevant information. However, these actions will not apply when the address of the provider cannot be ascertained.

Chapter 7: Supplementary Provisions

Article 33: Education and Training

- ① Division (office) heads and plant directors should establish and implement educational and training plans for executives and employees to comply with regulations related to ethical management, including the prevention of corruption and the Code.
- ② The education and training specified in paragraph 1 should be conducted more than once a year and for all new recruits.
- ③ Education and training courses as described in this Code may be held to facilitate the education and training specified in paragraph 2.

Article 34: Ensuring Compliance

- ① The person responsible for the Code of Conduct should check the status of execution of and compliance with the Code by executives and employees more than once per quarter.
- ② The person responsible for the Code of Conduct may occasionally check for instances of corruption during vacation times and before and after festive seasons, apart from regular checks referred to in the previous paragraph.
- ③ With regard to paragraphs 1 and 2, the persons responsible for the Code shall report their findings to division (office) heads and/or plant directors.

Article 35: Rewards and Reprimands

- ① Executives and employees who have adhered to the Code and contributed to the development of ethical management may have their behavior recorded in their file or be otherwise rewarded by their division (office) head and/or plant director.
- ② Division (office) heads and plant directors may take any and all necessary action, including reprimands, to deal with executives and employees who have failed to comply with the provisions of the Code.

- ③ The type, procedure, and effect of reprimands specified in paragraph 2 should be in accordance with the Company's regulations. However, in the event that a reporter has been disadvantaged in contravention of article 31, these penalties may be increased.

Article 36: Designation of Persons Responsible for the Code of Conduct

- ① Team leaders at divisions (offices) and division heads in charge of ethics at plants shall be designated and operate as persons responsible for the Code to guarantee its smooth and efficient operation.
- ② Persons responsible for the Code shall be responsible for the following:
 1. Matters concerning education and consultation about the Code;
 2. Checking and assessing compliance with the Code;
 3. Matters regarding the receipt and transaction of reports on violations of the Code and the protection of reporters;
 4. Other matters required for the efficient carrying out of the Company's regulations and the Code in relation to ethical management.
- ③ Persons responsible for the Code shall not reveal confidential information obtained from consultations relating to the Code.
- ④ For plants at which persons responsible for the Code have not been designated in accordance with article 1, the persons responsible for it at the Company's head office may carry out such duties.
- ⑤ Persons responsible for the Code shall maintain and manage information relating to their consultations in accordance with the forms cited in appendix 6.

Article 37: Operation of Code of Conduct

- ① The Standing Director in Charge of Ethics shall supplement, develop and update the Code in line with the development of the organization and changes in its environment.
- ② Division (office) heads and plant directors at the Company's head office may establish and implement other regulations required for the smooth operation of the Code.

Major Awards (2003-2005)

Grand Prize, Mael Business Newspaper "Environmental Management Award"	Ministry of Environment	June 2003
Prime Minister's Awards, "Kyunghyang Electric Energy Awards"	Kyunghyang Daily News	October 2003
Achievement Award from the United States Department of Commerce	US Embassy	November 2003
Award of Ministry of Commerce, Industry, and Energy, Energy Saving Promotion Competition	Ministry of Commerce, Industry, and Energy	November 2003
Grand Prize, "2003 Korean Corporate Communications Award"	Korean Corporate Magazine Association	December 2003
Grand Prize, "2004 Korean Corporate Communications Award"	Korean Corporate Magazine Association	December 2004
Awards of Excellence, "2005 Korean BSC Awards"	Korea Economic Daily	April 2005
Grand Prize, "2005 Korean Skills Improvement Competition"	Korean Management Association	October 2005
Presidential Award, 5th Competition Promoting Purchases of Small- and Medium-Sized Enterprise Products	Special Committee on Small- and Medium-Sized Enterprises	December 2005
Grand Prize, 4th Korean Safety Award	National Emergency Management Agency	December 2005

Memberships In Associations And Organizations

KEF: Korean Energy Foundation

EUCG: Electric Utility Cost Group

KIEE: The Korean Institute of Electrical Engineers

KITA: Korean International Trade Association

KSME: The Korean Society of Mechanical Engineers

BEST (Business Ethics are the Source of Top Performance) Forum

KEA: Korean Electrical Association

United Nations Global Compact

KSA: Korean Standards Association

KMA: Korea Management Association

KNREA: Korean New & Renewable Energy Association

EEl: Edison Electrical Institute

GRI Content			Extent of reporting	Page No.	BSR Indicators
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization	✱	4~6	A-1
	1.2	Description of key impacts, risks, and opportunities.	✱	20	A-2
	2.1	Name of the organization.	✱	Cover	A-3
Organizational Profile	2.2	Primary brands, products, and/or services.	✱	17	A-4
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	✱	17, 19, 20	A-5
	2.4	Location of organization's headquarters.	✱	17, 18	A-7
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	✱	18	A-7
	2.6	Nature of ownership and legal form.	✱	52	A-8
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	✱	18, 52	A-9
	2.8	Scale of the reporting organization, including: * Number of employees; * Net sales (for private sector organizations) or net revenues (for public sector organizations);	✱	17, 18	A-10
	2.9	Significant changes during the reporting period regarding size, structure, or ownership	N/A	-	B-8
	2.10	Awards received in the reporting period.	✱	Appendix	CO8
Report Parameters	3.1	Reporting period for information provided.	✱	Cover	B-3
	3.2	Date of most recent previous report (if any).	N/A	-	B-8
	3.3	Reporting cycle (annual, biennial, etc.)	✱	Cover	B-6
	3.4	Contact point for questions regarding the report or its contents.	✱	Cover, 109	B-9
	3.5	Process for defining report content..	✱	26, 27	B-4
	3.6	Boundary of the report.	✱	Cover	B-1
	3.7	State any specific limitations on the scope or boundary of the report .	✱	Cover	B-2
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	N/A	-	A-6
	3.9	Data measurement techniques and the bases of calculations.	✱	Cover	N/A
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	N/A	-	N/A
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	N/A	-	B-5
	3.12	Table identifying the location of the Standard Disclosures in the report.	✱	Appendix	B-10
	3.13	Policy and current practice with regard to seeking external assurance for the report.	✱	Cover, Appendix	B-7
Governance, Commitments, and Engagement	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	✱	51, 52	GR1
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	✱	51	GR1/GR3
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	✱	51	GR2
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	✱	-	GR12
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance.	✱	52	GR7
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	✱	51	GR13
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	✱	51	GR4
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	✱	Appendix	GR10
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance.	✱	51	GR5
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	✱	51	GR6
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	✱	52~54	GR11
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	✱	Appendix, 23	GR10
	4.13	Memberships in associations and/or national/international advocacy organizations.	✱	Appendix	A-11
	4.14	List of stakeholder groups engaged by the organization.	✱	26	C-1/C-2
	4.15	Basis for identification and selection of stakeholders with whom to engage.	✱	26	C-1
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	✱	26	C-2
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	✱	27	C-3

GRI Content Index

 Disclosed
  Disclosed partially
  Not Disclosed
 N/A : Not applicable

	GRI Content	Extent of reporting	Page No.	BSR Indicators
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	EC1 Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earning, and payments to capital providers and governments.		45, 47	EC1
	EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change.		86	EC2
	EC3 Coverage of the organization's defined benefit plan obligations.		-	EC3
	EC4 Significant financial assistance received from government.	N/A	-	EC5
	EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.		-	EM4
	EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		66	EC4
	EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.		-	EC4
	EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		58-61	EC6
	EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts.		19, 20	EC7
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	EN5 Energy saved due to conservation and efficiency improvements.		85	EV5
	EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.		85	EV5
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	EN8 Total water withdrawal by source.		84	EV9
	EN9 Water sources significantly affected by withdrawal of water.		-	EV20
	EN10 Percentage and total volume of water recycled and reused.		84	EV18
	EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	N/A	-	EV22
	EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	N/A	-	EV22/EV26
	EN13 Habitats protected or restored.	N/A	-	EV27
	EN14 Strategies, current actions, and future plans for managing impacts on biodiversity.	N/A	-	EV6/EV26
	EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	N/A	-	EV28
	EN16 Total direct and indirect greenhouse gas emissions by weight.		86	EV12
	EN17 Other relevant indirect greenhouse gas emissions by weight.		-	EV13
	EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.		86	EV4
	EN19 Emissions of ozone-depleting substances by weight.		-	EV14
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	EN22 Total weight of waste by type and disposal method.		84	EV16
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	EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		-	EV29
	EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		-	EV19
	EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.		81	EV23
	EN27 Percentage of products sold and their packaging materials that are reclaimed by category.		-	EV24
	EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		-	EV31
	EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		-	EV30
	EN30 Total environmental protection expenditures and investments by type.		86	EV1
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	LA2 Total number and rate of employee turnover by age group, gender, and region.		66	EM5
	LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		67	EM20

		GRI Content	Extent of reporting	Page No.	BSR Indicators
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	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	✿	70	EM13
	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	✿	–	EM14
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	✿	66, 69	EM19
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	✿	68–70	EM18
	LA9	Health and safety topics covered in formal agreements with trade unions.	✿	69	EM15
	LA10	Average hours of training per year per employee by employee category.	✿	25	EM27
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	✿	72, 73	EM28
	LA12	Percentage of employees receiving regular performance and career development reviews.	✿	67, 68, 73	EM29
	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	✿	–	EM2
	LA14	Ratio of basic salary of men to women by employee category.	✿	–	EM3/EM17
	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	N/A	–	PN2
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	N/A	–	PN3
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	✿	76	EM30
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	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	✿	23	EM9
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	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	✿	–	EM31
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	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	✿	59, 26	CO2/C-2
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	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	✿	–	CO7
	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	N/A	–	CS3
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	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	N/A	–	CS12
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	✿	–	CS9
	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	N/A	–	CS13
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	N/A	–	CS14
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	N/A	–	CS15
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	N/A	–	CS12

BSR (B.E.S.T. Sustainability Reporting Guideline) : A guideline for Korean companies preparing sustainability reports.

GRI (Global Reporting Initiative) : An organization under the aegis of UNEP (The United Nations Environmental Program) that prescribes guidelines for sustainability reports.

TORSIM (Total Reliability & Safety Innovation Management) : A company-wide innovation campaign to minimize problems with power generation facilities and realize a zero percent industrial accident rate.

UN Global Compact : An initiative established at the suggestion of the UN's former Secretary-General, Kofi Annan, in July 2000. It consists of ten guiding principles regarding the transparency of companies and their social responsibilities and encourages business leaders worldwide to participate in four areas - human rights, labor, the environment, and efforts to prevent corruption.

ISP (Information Strategic Planning) : A process to establish strategic plans, utilizing information systems so that an organization can maximize the efficiency of its resources to attain its strategic goals. It is implemented through the analysis of business directions, status analysis, finding tasks needing to be improved, and establishing an implementation plan.

ROIC (Return On Invested Capital) : An indicator that shows how much profit has been made by capital invested in production and operating activities.

IR (Investor Relations) : Public relations (PR) activities that companies target at investors in stocks and corporate bonds to obtain fair evaluations. Also called investor relations. While PR is conducted to inform the general public about an organization's overall activities, IR provides information on management activities and related data to investors who are seeking maximized returns on their investments.

NGO (Non-Governmental Organization) : An organization formed by individuals and/or private groups to initiate activities in relation to the

environment, human rights, the elimination of poverty, the prevention of corruption, and other issues.

Environmental Management System (ISO14001) : An international standard established by ISO (the International Standardization Organization). It prescribes procedures for environmental management and grants international certifications to organizations using them to improve the environment.

AHP (Analytic Hierarchy Program) : A technique to define the attributes of a problem systematically and hierarchically and compare the connections between each element. It is used by specialists encountering complicated problems, providing them with guidelines for prioritizing decision-making by arriving at a relative weighting of these elements.

TOE (Ton of Equivalent) : A unit used to measure oil. The amount of energy needed to burn 1 kg is 10,000 kcal.

COD (Chemical Oxygen Demand) : An indicator showing the quality of contaminated water. It is expressed in terms of the amount of oxygen used during the oxidization of organic matter in water and is given in parts per million (ppm).

SS (Suspended Solid) : Also called suspended substance, this is a particle that has more than 0.1 μ m of its diameter floating in water and that causes turbidity.

CDM (Clean Development Mechanism) : A mechanism of the Kyoto Protocol allowing Annex 1 Parties (i.e., advanced industrialized countries) to conduct greenhouse gas reduction projects and/or purchase the reduction performances of non-Annex 1 Parties (i.e., developing countries) to achieve their own reduction target.

Kyoto Protocol : The Kyoto Protocol to the United Nations Framework Convention on Climate Change specifies targeted greenhouse gas reductions in advanced nations. It was adopted at the Third General Meeting of Concerned Countries held in Kyoto, Japan in December 1997.

CES (Community Energy System) : A new type of power business that supplies electric power directly to users who have left the main power grid. A CES generates electric power for an area with less than 35,000 kW of demand.

BOO (Build-Own-Operate) : A technique to garner funds for the construction of social overhead (SOC) facilities featuring investment first and collection later. It allows private-sector entities to finance the building, owning, and operation of SOC facilities.

IGCC (Integrated Gasification Combined Cycle) : An integrated coal gasification power generation system, referring to a method whereby low-quality, solid and liquid sample ores (such as coal, heavy residual oil, and petroleum coke) are incompletely burned under high pressure and at a high temperature leading to gasification. This in turn produces a gas whose main elements are carbon monoxide and hydrogen. Primary power generation is conducted in a gas turbine through a purification process, with "second-stage power generation" taking place inside a steam turbine.

SRM (Supplier Relationship Management) : A system which acts as an integrated portal system for bituminous coal purchasing. It offers operators a database of characteristics and performances by supplier, thereby increasing the security and stability of fuel supplies.

Mixing & Hedging : A purchasing strategy using pricing-decision methods (such as futures pricing) to diversify the range of suppliers and avoid fluctuations in prices.

POMS (Plant Operation & Maintenance Management System) : A system that measures the potential value of future innovations in a work environment through the standardization and computerization of routine maintenance work. These measurements are based on "real-time" operations and other information on power generation facilities.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) : A financial indicator that measures a company's cash generation capabilities. It refers to operating income, excluding depreciation costs that do not involve cash expenditures from operating costs.

PCN (Prime Coal Net) : An integrated information system on such fuel-related matters as bituminous coal purchasing agreements, shipping, marine transportation, unloading, and coal stock management. Developed by a fuel team at EWP, PCN measures supplier-management relationships by assessing the performance of suppliers in executing their contracts.

Greenhouse Gases : Elements that cause global warming. Carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O), Hydro fluorocarbons (HFCs), Perfluorocarbons (PFCs), and Sulfur hexafluoride (SF₆) are all greenhouse gases.

ET (Emissions Trading) : A system that allocates a certain amount of emissions quota to a nation that is obliged to reduce its level of greenhouse gases. Quotas can be traded between countries in accordance with article 17 of the Kyoto Protocol.

IPCC (Intergovernmental Panel on Climate Change) : Established in 1988 by WMO (the World Meteorological Organization) and UNEP (the United Nations Environmental Program), this forum provides assessments of scientific and technical data relating to climate change.

VESA (Voluntary Energy Saving Action) : A voluntary movement to rationalize EWP's use of energy and promote an efficient energy-consumption culture within the company.

DME(Di-Methyl Ether, CH₃OCH₃) : A clean alternative fuel that can be made from biomass, waste plastics, natural gas, and coal. Currently, its usage is limited. However, since it does not discharge pollutants and has enormous advantages in terms of storage and transportation, R&D to use it as an auto and power generation fuel is actively underway.

Procedures for the Preparation of the Sustainability Report

This is the first sustainability report by Korea East-West Power Company (EWP), and its purpose is to address stakeholders who are exerting influences on the company and project the company's economic, social and environmental efforts and accomplishments.

The report has been prepared in accordance with the B.E.S.T. Sustainability Reporting Guideline (BSR) and the G3 Guideline of the Global Reporting Initiative (GRI).

In order to heighten credibility of this report, the company has operated a task force team consisting of members from five departments and one office, and details contained herein have been prepared based on data provided by each division and sector. These have been confirmed and finalized through supervision by management prior to publication.

The report sought consultations from experts in the economy, society, and the environment to enhance objectivity. Its reliability has been also heightened through the inspection and verification of the Institute for Industrial Policy Studies (ISP), while adding the reports of inspection and verification by the third parties.

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