

Bringing the Light of Dreams and Hopes

2008 KPS Sustainability Report

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About the Report

Sustainability means meeting the current needs without compromising the ability of future generations to meet their own needs. This report describes sustainability management vis-à-vis the economic, social, and environmental responsibilities of Korea Plant Service & Engineering Co., Ltd. ("KPS"). In particular, this report seeks to enable the stakeholders of KPS to understand the overall sustainability management of KPS properly.

Reporting Period_ KPS issues the sustainability report every two years; this report covers the period January 1, 2007 ~ December 31, 2008. In parts where a past trend analysis is required, this report describes issues and matters occurring prior to 2006; some activities and performances for 2009 have been included as well. The 2006 Sustainability Report was published in September 2007 for the first time, and this report serves as the second issue.

Reporting Scope_ This report describes the activities and performances of the head office, 31 domestic field offices, and 7 overseas offices of KPS.

Reporting Framework_ This report follows the G3 Guidelines of Global Reporting Initiative (GRI). Similarly, the company's financial information complies with the domestic accounting standards.

Assurance_ The reporting process and information on the report have been assured by the Korean Standards Association as an external agency. The assurance results can be found in the assurance report (P.82-83).

Major Changes_ This report has added the section on shareholder value enhancement following the listing of KPS in the stock market. The performance of the company in the environmental sector has been described in detail as well. Moreover, key performance indicators (KPI) have been introduced to realize sustainability management actively.

Distribution and Feedback on the Report_ This report has been published in both Korean and English and may be read at the website of KPS. Feedback from stakeholders is received via email, mail, or fax.

Website_ www.kps.co.kr

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GRI G3 Guidelines Application Level_ The 2008 KPS Sustainability Report has been drawn up in accordance with the GRI G3 Guidelines. Based on its own assessment, KPS gives itself a rating of B+ for having adequately maintained the reporting level required by GRI G3 in terms of quality and quantity. The Korean Standards Association as a third-party assurance body has verified this report's B+ rating in accordance with the GRI Guidelines application levels.

2008 KPS SUSTAINABILITY REPORT

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History

Since its establishment, KPS has been doing its very best in Korea's electric power and industrial facilities maintenance. Thanks to continuous technology development, fostering of world-class talents, and innovation activities, KPS has effectively realized the purpose of its establishment, i.e., stable supply of electric power. In fact, it has been contributing to industrial development and improvement of citizens' quality of life. To grow as the world's no. 1 total plant service provider as its vision, KPS is cementing its position as global leader by expanding overseas markets.

● Opening a new frontier in maintenance (1974~1983)

- Dec. 1974 Han-ah Industrial Management Co., Ltd., established as the nation's first maintenance provider
- Aug. 1977 Relunched as repair service provider exclusive for and owned by KEPCO
- Dec. 1981 Merged with Korea Heavy Industries, launched overseas business

● Specializing in maintenance (1984~1991)

- Apr. 1984 Established Korea Electric Power Operating Service Co., Ltd. (KEPOS)
- Mar. 1990 Opened a technical training institute (hydro and thermal/nuclear power)
- Mar. 1991 Introduced the Specialist Program

● Promoting technology for business growth (1992~1994)

- Nov. 1992 Changed name to Korea Power Plant Service Co., Ltd.
- May. 1994 Established the maintenance technology research center
- Nov. 1994 Auto-regulation of measuring equipment authorized by inspection agency

● Taking a giant leap forward as Korea's top electric power maintenance provider (1995~1998)

- May 1995 Launched the External Projects Center
- Jun. 1995 Constructed the GT Technology Service Center
- Apr. 1997 Established the Nuclear Power Technology Service Center

● Quest to become a leading global engineering company (1999~2003)

- Mar. 1999 Constructed and moved to Bundang office
- Sept. 2000 In-house certification officially recognized
- Sept. 2000 First to acquire national laboratory accreditation
- Nov. 2003 KOSHA 18001-certified

● Realizing sustainable growth together with customers (2004~)

- Dec. 2004 Cited as an outstanding company in terms of labor relations
- Jan. 2005 First commissioning maintenance for private power plant (Gwangyang combined cycle power)
- Apr. 2005 Launched KPS "Hanmaum" Volunteers
- May 2005 Launched own new renewable energy venture
- Jan. 2007 Changed name to KPS
- Dec. 2007 Listed in the Korea Securities Exchange
- Feb. 2008 Introduction of the ERP system
- May 2008 Awarded the Korea Social Contribution Prize
- Sept. 2008 Certified as Best HRD company
- Oct. 2008 Selected as good-quality competitive company for 10 consecutive years (first public corporation to record such feat)
- Nov. 2008 Won the Korea Sustainability Grand Prize and Report Grand Prize
- Apr. 2009 Awarded the Korea Ethical Management Grand Prize
- Jun. 2009 Awarded the Korea Service Grand Prize for 4 consecutive years
- Oct. 2009 Certified "Sector Leader" in the Dow Jones Sustainability Index (DJSI) Korea



KPS vows to become the world's no. 1 total plant service provider

Company Profile

General Status

· CEO	Oh-Hyung Kwon	· Capital	KRW 9 billion
· Headquarters	Migeumro 1, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea	· Total assets	KRW 551.9 billion (as of Dec. 2008)
· Offices	31 domestic field offices, 7 overseas offices	· Sales	KRW 763.9 billion (2008)
· Business area	Maintenance services for domestic and foreign electric power facilities and industrial facilities	· Net profit	KRW 68.7 billion (2008)
		· No. of employees	4,469 (as of Dec. 2008)
		· Credit rating	AA-

"KPS shall take a giant leap forward as a sustainable company through 'Right Way' management."

To our valued supportive and loyal stakeholders:

First of all, allow me to express my heartfelt thanks to you, our stakeholders. Established as a company that provides maintenance services for the stable supply of electric power in 1974, KPS has done its best to create a sustainable future together with stakeholders while contributing to improving people's quality of life.

Since the first sustainability report was published in 2006, many changes have taken place, and various achievements have been realized. For one, KPS was the first among the subsidiaries of KEPCO to be listed in the stock exchange in December 2007. In spite of the economic slump worldwide, KPS recorded KRW 681.4 billion in sales and KRW 63.8 billion in net profit in 2007 and KRW 763.9 billion and KRW 68.7 billion in sales and net profit, respectively, in 2008. It actually posted record-high performances, with sales growing to more than 10% and net profit increasing to 24% on the average for the past 5 years.

Last 25 years, all these are the fruits of our efforts to enhance maintenance technology and make it on a par with the world standards by developing technology constantly and nurturing global human resources. These accomplishments can be attributed to the successful execution of the mid- and long-term strategy management plan "ACT KPS 2015" and the short-and mid-term management plan dubbed "Right Way 2011."

Through "Right Way" management, which it set as its management policy, KPS strives to be a reliable company for its customers and stockholders, a company exercising human-oriented management, a company that is supported and trusted for its ethical management and social contributions and a company that strikes a balance between public interest and company profitability. Customer value enhancement, growth engine development and field-oriented management are the key elements that KPS focuses on to be all those things.

These efforts translated into numerous awards given by external organizations in recognition of the company's achievements. In 2008, KPS was awarded the Grand Prize in the "Korean Sustainability Conference" and the "Korea Social Contribution Award." It won the "Sector Leader" in the Dow Jones Sustainability Index (DJSI) Korea. The company was also the first public enterprise to be named "Enterprise with Excellent Quality Competitiveness" for the 10th year in a row. These prizes inspire us to contribute further to the sustainable development of our society as the world's leading total plant service provider. We shall take a giant leap forward by fulfilling the following commitments:

Reliable Company for Customers and Stockholders

KPS shall ensure customer satisfaction by offering differentiated, customer-oriented value and enhance profitability by eliminating inefficient systems or practices.

Through external projects and overseas business, the company will diversify its business portfolio so that is not affected by changes in the business environment.

Human-oriented and Field-oriented Management

We shall respect the dignity and values of our employees – the source of KPS's competitiveness – and enable them to seek fruitful labor, pride, and happiness in company life. KPS shall also support talent development to foster world-class human resources with passion and expertise. Through reasonable rewards commensurate with performance, we shall encourage our employees to demonstrate their capabilities to the fullest. Finally, we are committed to creating a joyful workplace characterized by happiness and health.

Ethical Management and Social Contribution Activities

We shall execute "Right Way" management by applying stricter ethical standards. KPS shall listen to the opinions of its stakeholders – customers, stockholders, government, and communities – and reflect them on management. The company shall consolidate cooperative relations with small and medium enterprises. We continue to carry out social contribution activities targeting the underprivileged.

Environmental Conservation

Through the optimum maintenance of the environmental equipment of power plants, KPS shall minimize the environmental impacts. The company shall reduce greenhouse gas emission by maximizing the use of nuclear power plants through flawless maintenance. For green growth, we shall secure the technologies for new renewable energies and expand the business. KPS shall also operate environmental conservation programs actively.

KPS supports the ten principles of the UN Global Compact; all the employees of the company promise to follow these principles faithfully. Finally, KPS assumes full economic, social, and environmental responsibilities for our partners worldwide as a truly leading global company. Through these efforts, the company shall contribute to the development of society.

Thank you.



Oh-Hyung Kwon
Chief Executive Officer

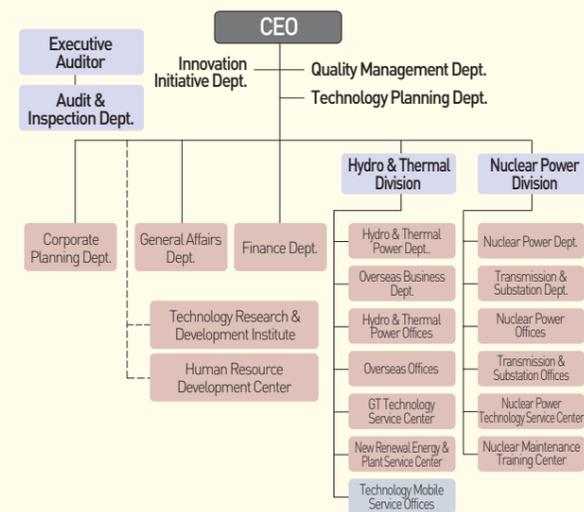
About the Company

General Status

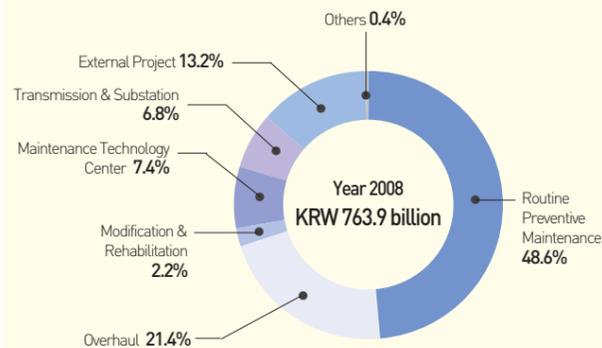
KPS is the world's no.1 general plant service company, providing maintenance services to electric power facilities, other industrial facilities and overseas power generation facilities in hydro & thermal power plants, nuclear power plants, transmission & substation, special field offices, and overseas offices. KPS also operates Technology Research & Development Institute developing general maintenance systems and core technologies for the repair of core parts of facilities. In addition, KPS engages in the new & renewable energy business including solar and wind power.

Organization Structure

KPS consists of its headquarters (2 divisions, 11 offices & departments), and 31 domestic field offices and 7 overseas offices.



Breakdown of Sales



Business Area

KPS seeks to contribute to the stable supply of electric power through the flawless maintenance of electric power facilities. Toward this end, the company operates the following businesses and improves brand value through overseas O&M (Operation & Maintenance) in India, Philippines, Pakistan, and Madagascar as well as enhances corporate competitiveness and technological prowess including Korea's power plant maintenance to grow into a global company in name and reality:

Major Businesses

Business Category	Maintenance Service
Electric power facilities maintenance	Thermal Nuclear power Hydro <ul style="list-style-type: none"> - Commissioning maintenance - Routine maintenance - Predictive/ Preventive maintenance, Corrective maintenance - Planned outage maintenance (overhaul) - Modification and Rehabilitation
	Transmission and substation <ul style="list-style-type: none"> - Touring inspection of transmission cables - HVDC transformation facilities maintenance - Modification and Rehabilitation
Industrial facilities maintenance	- Overhaul for private power generation facilities, emergency and sudden restoration, facilities diagnosis technology support service
Overseas business	- Power generation O&M - Power generation facilities performance/life improvement and restoration - Test run technology service
Other strengths	Maintenance Technology Center <ul style="list-style-type: none"> - GT Technology Service Center: Rehabilitation/Repair and manufacture of gas/steam turbine components - Nuclear Power Technology Service Center: Reactor maintenance and loading fuel, RCP maintenance, etc.
	Technology Research Center <ul style="list-style-type: none"> - Technology service for power generation assessment - Facilities diagnosis assessment through interpretive technique - Maintenance technique and automation technology R&D
	Measurement standards <ul style="list-style-type: none"> - Performing precision calibration for 68 items in 13 fields including length as a national calibration agency
New & renewable energy	- Solar energy EPC project - Wind power O&M project - Components development and R&D

※ Routine Preventive Maintenance: Routine inspection/maintenance during operation
 ※ Planned Outage maintenance: Overhaul checks and maintenance during service suspension
 ※ Modification and Rehabilitation: Performance improvement and maintenance of facilities

Major Affiliated Organizations

By taking part in the following organizations, KPS engages in various activities such as sharing information and adopting advanced management techniques:

● Korea Electric Association (joined in 1984)

- KPS CEO Oh-Hyung Kwon currently serves as one of the directors of the Korea Electric Association.
- The Association's major activities include research and management related to technical standards and relevant specifications under the Electricity Business Act including electric facilities and hydro/thermal power plant facilities as well as the development and management of the Korea Electric Power Industry Code (KEPIC).

● Korea Atomic Industrial Forum (joined in 1984)

- KPS CEO Oh-Hyung Kwon currently serves as one of the directors of the Forum.
- Through knowledge and information exchanges on nuclear power, the shared knowledge and information are used as basic data to secure the safety of nuclear power plant facilities.

● Korea Energy Foundation (joined in 1985)

- Established to uphold the basic energy rights of the underprivileged and address the problem of social bipolarism
- Supports international cooperation through energy networking and induces participation in energy welfare activities by playing a bridging role for the enhancement of private sector-level energy cooperation and mutual exchange between the public and private sectors

● Korea Co-Generation Association (joined in 1996)

- Founded to expand the spread of collective energy and co-generation and promote the relevant system
- Pursues the increase in order receipt, new business expansion, and improvement of maintenance technology through information exchange related to co-generation
- Publishes theses concerning power generation facilities maintenance and participates in seminars at least biennially

● Korea District Heating Association (joined in 2004)

- KPS CEO Oh-Hyung Kwon serves as auditor of the Association.
- Aims to contribute to the effective implementation of the collective energy industry policy by the government including energy savings and environmental conservation
- Seeks to reinforce the optimal management of local heating facilities and maintenance/repair and safety through information exchanges and participation in seminars

● BEST Forum: Business Ethics and Sustainability management for Top Performance (joined in 2006)

- Promote the spread of ethical management and establishment of ethical management-based corporate culture by learning the best practices in ethical management.
- CEOs participating in the forum sign the ethical management practice.
- Participate in monthly forums and workshops.

● Korea Powerplant Maintenance Association (launched in January 2008)

- 7 companies including KPS (president: CEO of KPS)
- Study on the means to consolidate competitiveness in the power generation maintenance industry
- Research on strategies to cope with FTA in the power generation maintenance industry



KPS promises to enhance future corporate value by fulfilling its social responsibilities

01 Sustainability Management System

Sustainability Management Strategy · UN Global Compact · Governance · Enhancement of Shareholder Value · Ethical Management · Risk Management · Stakeholder Engagement

Sustainability Management Strategy

The company practices sustainability management from the economic, social, and environmental perspectives. A human-centered sustainability management strategy reflecting the CEO's management philosophy has been established and implemented.

Mission

The mission of KPS is to contribute to human society by creating the best customer value.

"Creating the best customer value" involves actively generating customer value in the course of identifying customer needs via cutting-edge technology and new solution. "Contributing to human society" means bringing wealth and prosperity to human society by providing the best services through customer value creation and management innovation.

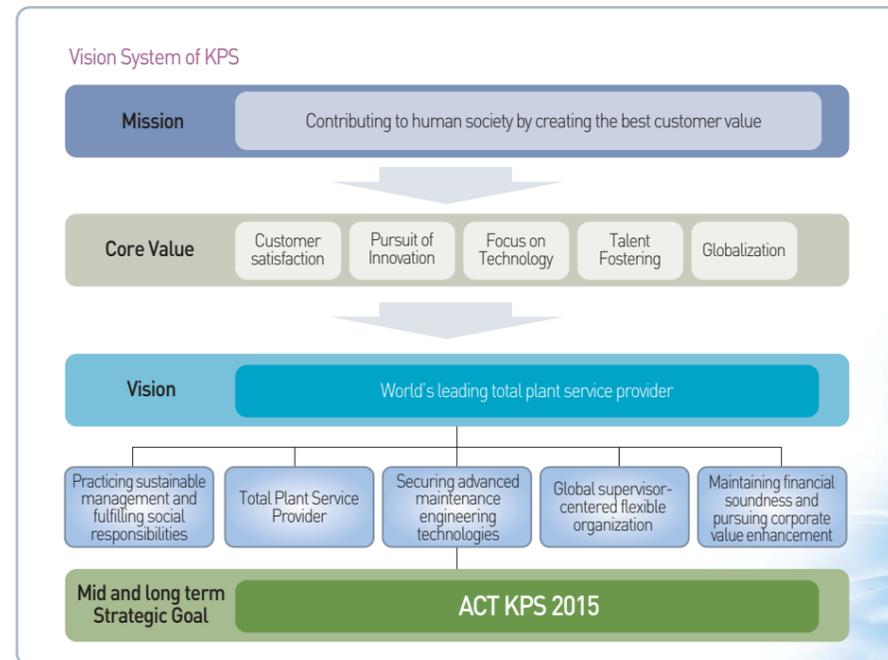
Core Values

The core values of KPS are "Customer Satisfaction, Pursuit of Innovation, Focus on Technology, Talent Fostering, and Globalization." Customer Satisfaction refers to KPS's mindset of making customer satisfaction the top priority and offering premier values to customers. Pursuit of Innovation means actively responding to environmental change including fierce competition based on innovative thinking and behaviors.

Meanwhile, Focus on Technology involves providing technologies that create the world's best service and acquiring core technologies through which KPS can lead global markets. Talent Fostering means searching and fostering world-class talented personnel possessing passion and premier expertise and professionalism with regard to the relevant tasks. Lastly, globalization entails pursuing the world's best level of business scope, talent fostering, technology development, and business style.

Vision

The vision of KPS is to be the world's leading total plant service provider. "The world's leading" means securing core capabilities such as top-tier technology, brand, marketing, and process through which KPS can compete with foreign maintenance companies by expanding the competition arena to abroad. "Total plant service provider" means contributing to customer value creation through integrated service, backed by capabilities to provide general services including the maintenance of industrial plants such as electric power facilities and industrial plant operation, diagnosis, and interpretation by expanding the current business scope.



Management Strategy

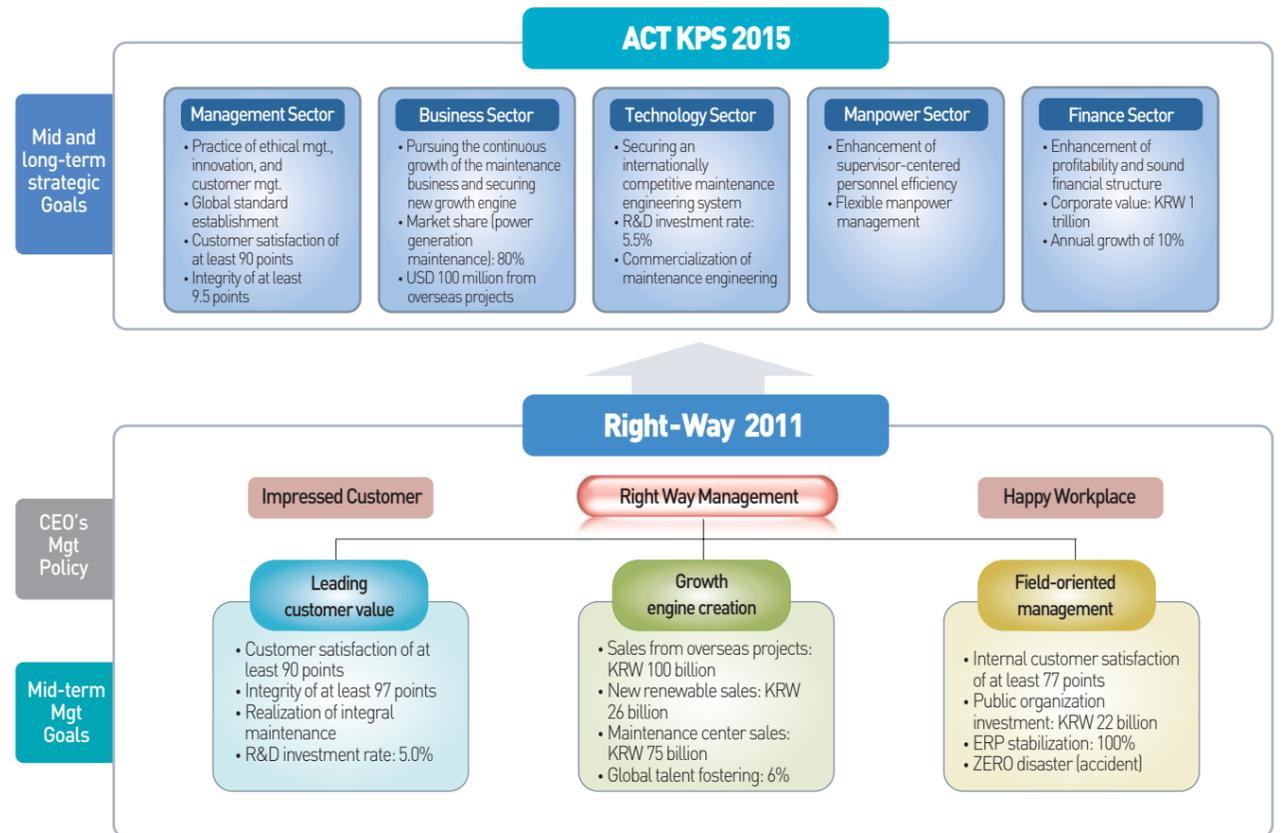
The long-term goals of KPS have been set by breaking down into 9 core projects and 27 practice projects in 5 major sectors based on the Mid- and Long-term Strategic Mgt. Plan (ACT KPS 2015) by 2015 according to the yearly major implementation activities. The mid-term goals are managed by classifying them into 21 implementation projects and 63 detailed projects in 3 major sectors based on the short- and mid-term plans (Right Way 2011).

KPS is committed to building a future image as a flexible organization focusing on global supervisor-centered company and generating KRW 1.3 trillion in sales by 2015, practicing sustainability management and fulfilling its social responsibilities, growing as a total plant service

provider, and acquiring advanced maintenance engineering technology.

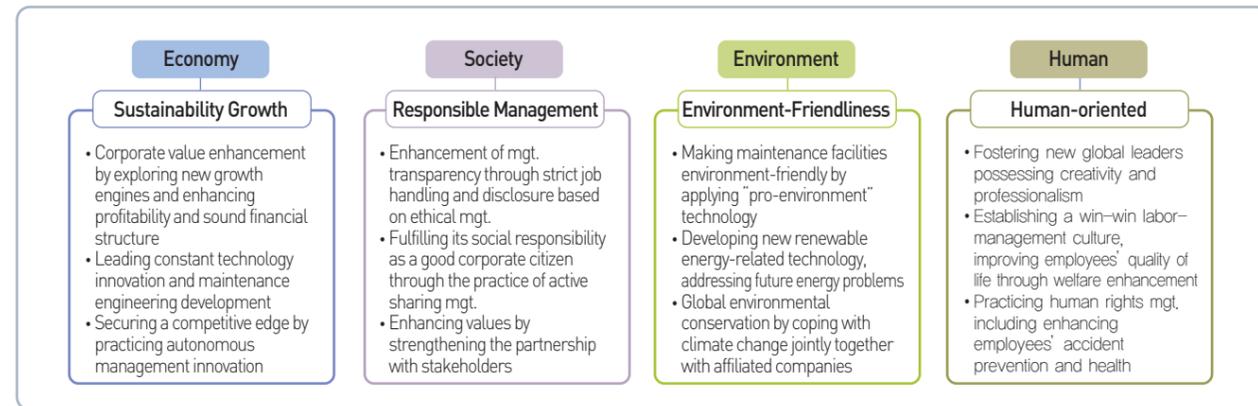
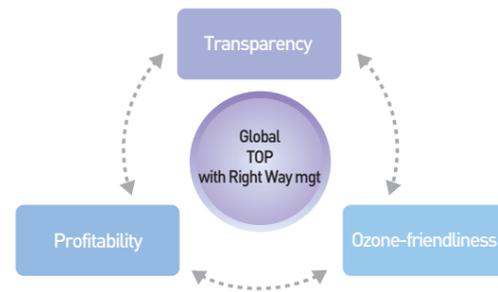
The long-term goals of KPS have been set by reflecting the government's basic plan for electricity demand and supply, new nuclear power plant construction plan, commitment to expanding sales in the new renewable energy sector, and effort to expand overseas markets. The mid-term goals are designed to achieve the long-term goals effectively and comply with the CEO's management policy; alignment is secured in association with the mid- and long-term strategic management plan. KPS tries to accomplish its mid-term goals through annual plan preparation and implementation according to the mid-term strategy from the "leading customer value, growth engine creation, and field-oriented management" perspectives.

System for Setting and Attaining Mid-/Long-term Goals



Implementation Strategy for Sustainability Management

The sustainability management strategy aims at realizing the company's vision of becoming the global T·O·P company through Right Way management; it is operated by building a practice system including human-oriented policy reflective of the CEO's management commitment as well as the economic, environmental, and social perspectives required by sustainability management.



Formulation of Sustainability Management Principles

KPS established a platform in July 2008 to declare the following: All employees of KPS shall practice sustainability management to fulfill its social responsibilities and value all stakeholders from the economic, social, environmental, and human perspectives as a leading company in electric power facilities maintenance. This way, KPS will contribute to humans' sustainable growth and development as the world's leading general plant service company.

Key Performance Indicators (KPI) of Sustainability Management

KPS draws up and manages performance indicators for each of the economic, social, and environmental sustainability management sectors to inspect periodically and give feedback on the sustainability management objectives and strategies. Based on its 2008 performance, KPS revised and complemented its sustainability management KPI in February 2009.

Category	Key Performance Indicator	Unit	2007	2008
Economy	Sales	KRW billion	681.4	763.9
	Value-added productivity per person	KRW million	102	109
	R&D investment ratio (vs. sales)	%	4.0	4.4
Society	Flawless maintenance	Case	0	0
	Integrity enhancement	Points	96.9	97.6
	Customer satisfaction enhancement	Points	93.3	94.7
	E-procurement ratio expansion	%	85.3	91.3
Environment	SME product purchase ratio	%	82.3	90.5
	Solar energy EPC project	KRW 100 million	71	130
	Wind power maintenance project	KRW 100 million	1	3
	Eco-product purchase	KRW 100 million	12	17
Human	Waste recycling ratio expansion	%	92	95
	Disaster rate	%	1.46	0.55
	Welfare satisfaction	Points	73.1	74.2
	Job turnover	%	1.8	0.9
	Training amount (per person)	KRW thousand	1,426	1,619

UN Global Compact

KPS adheres to the ten principles of the UN Global Compact on corporate transparency and social responsibilities as proposed by UN Secretary-General Kofi Annan in 1999.

KPS participated in the UN Global Compact in September 2007 as part of fulfilling its social responsibilities and realizing sustainability management. It vowed to support the ten principles including human rights, labor, environment, and anti-corruption and registered the Communication on Progress (COP) drawn up according to the UN Global Compact guidelines on the website of the Un Global Compact in November 2008.



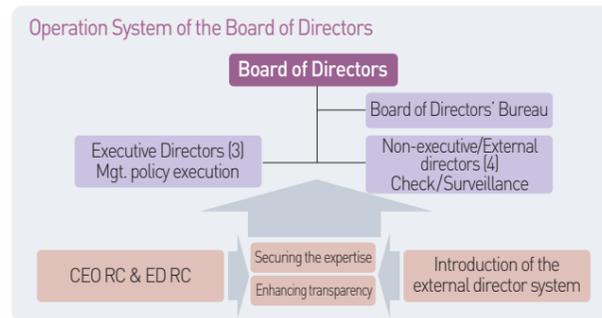
Category	Principle	Regulations and Implementation Effort
Human Right	1. Businesses should support and respect the protection of internationally proclaimed human rights; and 2. make sure that they are not complicit in human rights abuses.	<ul style="list-style-type: none"> Code of Ethics, Employment Rules, Guidelines for Partner Firm Operation Observance of the Constitution, all human rights-related laws and international agreements Reflection of the supply chain's human rights problems in partner firm assessment
Labor Standards	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labour; 5. the effective abolition of child labour; and 6. the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> Mgt. Policy, Code of Ethics/Rules of Conduct/Practice Guidelines Personnel Regulations, Employment Rules, Personnel Remuneration Regulations, Collective Agreement Comply with various labor-related laws and ordinances. Recognize the labor union as a negotiation group (established in 1987). Guarantee labor union membership, activity, and status. Limit the overtime work rendered by pregnant female workers. No to child labor Prohibition of discrimination by gender, religion, or social status Eliminate discrimination according education background and age in employment.
Environment	7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; and 9. encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> Code of Ethics & Rules of Conduct, energy saving promotion measures, mid- and long-term roadmap for the new renewable energy business Reduction of carbon emissions by raising the nuclear power plant use rate Establishment of new renewable energy center Participation in solar energy power plant EPC projects (3 cases) Designation as a wind power generation warranty service agency by the government ISO 14001-certified (GT Technology Service Center) Environmental conservation and ecosystem restoration activity
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> Management Policy, Code of Ethics/Rules of Conduct/Practice Guidelines, Corp. Credit Card Mgt. Guidelines Set the mgt. policy, practice Right Way mgt., and establish the ethical mgt. brand "Crystal KPS." Operation of Ethical Mgt. Committee, Ethics Keeper, and Cyber Ethical Consulting Center Implement the Job Integrity Contract and System for Mutual Integrity Contract in Supply Chain. Ethical Mgt. training Reflect the integrity survey implementation (commissioned) and survey result.

Governance

The shareholders of KPS consist of KEPCO as the major shareholder with 80% equity and general shareholders with 20% equity. KPS has a board of directors carrying out transparent decision making with regard to important management issues.

Composition of the Board of Directors

KPS organized the board of directors pursuant to the Articles of Incorporation. As the top decision-making body, the board of directors makes decisions on major management issues concerning the mgt. objectives, annual business plan, budget & closing accounts, major company regulations, and change in main assets. The board of directors consists of 7 people – 3 executive directors (mgt. policy execution) and 4 non-executive/external directors (check/surveillance); the ratio of external directors is 29%. The CEO also assumes the post of representative director, and the tenure of directors is 3 years. In particular, the external director system was introduced in 2008, and two external directors have been appointed.



Participation Rate in the Board of Directors' Meeting [Unit : %]

Category	2006	2007	2008
Average participation rate	85.7	95.7	97.0
Non-executive directors' participation rate	75.0	92.5	94.6

Election Procedure for Directors and Officers' Remuneration

The CEO of KPS is elected through the recommendation and approval of the CEO Recommendation Committee (CEO RC) and the decision made during the general shareholders' meeting. Executive directors are elected by the Executive Directors Recommendation Committee (ED RC) and during the general shareholders' meeting. Non-executive/External directors are elected as per the decision made during the general shareholders' meeting. The remuneration of officers is divided into basic pay, performance pay, and severance pay. Annual basic pay is covered by the remuneration ceiling applicable to the executive director and auditor. Performance pay is paid according to the management performance set in the Mgt. Agreement set forth at the beginning of each year.

Activation and Role Consolidation of the Board of Directors

KPS prepares an annual operation plan for the board of directors for its efficient operation and establishes and assesses the support system. Likewise, KPS operates an improvement program to reflect the system assessment on next year's plan so that the operation can be activated. Through the election of directors independent from the management, KPS has consolidated the supervisory function and expertise of the board with regard to the management's job execution. Non-executive/External directors propose the agenda and serve as advisors in each committee within KPS, which manages the action performance reflected on management.

Status of Composition of the Board of Directors

[As of August 2009]

Position	Name/Education/Current Position and Major Work Experience	Term
CEO	Oh-Hyung Kwon Graduate School of Industry, Yonsei University CEO, former head of Biz Mgt. HQ of KEPCO	May 6, 2008-May 5, 2011
Auditor	Yong-dae Jung PhD in Politics, Marburg University, Germany Auditor, former assistant director of the Asia Economic Research Institute	Mar. 20, 2009 - Mar. 19, 2012
Director (executive)	Do-jung Chung Graduate School of Industry Head of Hydro/Thermal HQ, former head of Construction Dept. of Korea East-West Power	May 30, 2008-May 29, 2011
Director (executive)	Seung-bong Yu Dept. of Electrical Engineering, Hongik University Head of Nuclear Power HQ, former head of Overseas Business of Korea Hydro & Nuclear Power	May 30, 2008-May 29, 2011
Director (non-executive)	Ho-joon Lee Graduate School of Public Administration, Seoul National University Current manager of Electric Power Dept. of the Ministry of Knowledge Economy, former manager of the Regional Industry Dept. of Ministry of Knowledge Economy	Mar. 20, 2009 - Mar. 19, 2012
Director (non-executive)	Chan-gi Chung MBA, Sogang University Current head of Planning Mgt. HQ of KEPCO, former head of Personnel Dept. of KEPCO	Mar. 20, 2009 - Mar. 19, 2012
Director (external)	Jung-gil Han Graduate School of SNU, former Science and Technology Vice Minister	Mar. 21, 2008 - Mar. 20, 2011
Director (external)	Se-young Park Dept. of Mechanical Engineering, Inha University, former head of Technology HQ of Korea Midland Power	Mar. 21, 2008 - Mar. 20, 2011

Enhancement of Shareholder Value

KPS consolidates its competitiveness amid the rapidly changing management environment and constantly carries out shareholder value-enhancing activities.

Profitability and Dividend Propensity

Corporate Value Enhancement Through Financial Soundness Consolidation

KPS established Right Way 2011, a short- and mid-term plan to practice Right Way management. As a result of the concerted efforts of all employees, KPS recorded KRW 763.9 billion in sales, KRW 72.5 billion in operating profit, and KRW 68.7 billion in net profit in 2008. The company has actually posted record-high financial performance since its establishment amid the difficulties in corporate activities caused by the sluggish national and world economies. Such feat is the outcome of solidifying the existing maintenance market through leading customer value, growth engine creation, and field-oriented mgt. amid the environmental mgt. change together with fierce competition and opening up of power generation and maintenance markets. It also helps that KPS is the world's leading maintenance service company receiving USD 150 million in orders from abroad thanks to its aggressive pioneering of overseas markets.

Shareholder Value Enhancement Activities

Since it was listed in the securities market on December 14, 2007, KPS has made great efforts in various investor relations activities along with active sales activities based on its growth and stability. Accordingly, corporate value rose from KRW 598.5 billion at the time of listing at the end of 2007 to KRW 1.125 trillion at the end of 2008 and to KRW 1.586 trillion in June 2009. Based on such feat, and as a result of such effort and performance, KPS allotted dividend of KRW 800 per share; this is 4 times more than the face value in 2008 (dividend propensity: 52.4%). The share price of KRW 15,000 in early 2008 went up 60% to KRW 25,000 at the end of 2008; hence the high investment yield returned to



[Road show at a field office]

shareholders. KPS has been doing its very best to enhance corporate value through the transparent provision of investment information through active IR activities and various disclosure channels including road shows, meetings with domestic and foreign institutional investors by visiting (172 meetings), and conference calls for foreign investment institutions (17 sessions) since its listing in the stock exchange.

Best Financial Performances and Dividend Realization Since KPS's Establishment [Unit : KRW 100 million]

Category	Pre-Listing			Post-Listing		Remarks
	04	05	06	07	08	
Sales	5,207	5,452	6,110	6,814	7,639	
Net profit	293	307	619	638	687	
Earned surplus	2,689	2,850	3,315	3,641	4,013	
Dividend	147	154	311	315	360	Aug. '07: 22.6%
Dividend propensity	50%	50%	50%	49%	52%	Aug. '08: 19.7%
Cash dividend yield*	-	-	-	4.4%	3.2%	
Internal reserve ratio	2,988%	3,167%	3,683%	4,046%	4,457%	Earned surplus/Capital
Current ratio	498%	548%	533%	448%	456%	Current assets/Current liabilities

* Dividend per share/Standard value per share

Share Price Trends After Listing

Category	Public offering price (A)	End of '07	End of '08(B)	Change (B/A)
	Date	Dec. 14, '07	Dec. 30, '07	
Share price	KRW 13,300	KRW 16,150	KRW 25,000	
Total market value	KRW 599 bn.	KRW 727 bn.	KRW 1,125 bn.	88% ↑
Size(securities market)	-	Rank 158	Rank 95	
Foreign stake	0.85%	1.20%	6.45%	659% ↑
KOSPI	1,895.05	1,897.13	1,124.47	-41%

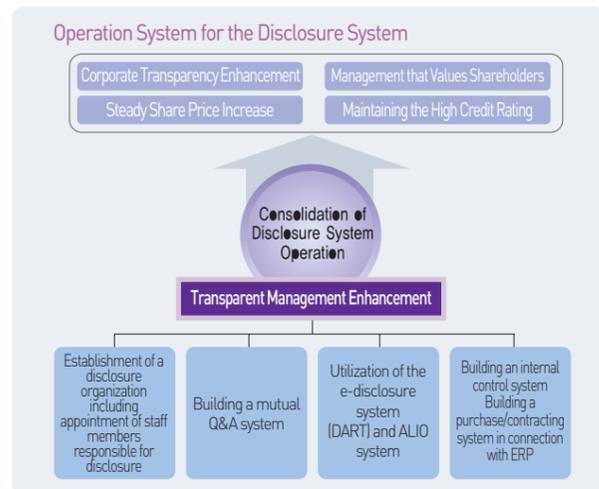
Performance Related to Corporate Value Enhancement

- Ranked 4th in terms of share price increase rate in '08: KRW 15,350 at the beginning of the year ⇒ KRW 25,000 at the end of the year (62.8% rise)
- Selected as one of the best 4 issues contributing to KOSPI rise in '08 : Dec. 26, '08 by Samsung Securities
- Included in the Morgan Stanley Capital International (MSCI) Small Cap Index: May 8, 2008
- Steady rise in foreign stake: 0.85% on Dec. 14, '07 ⇒ 1.2% on Jan. 1, '08 ⇒ 1.4% on Mar. 31 ⇒ 2.82% on Jun. 30 ⇒ 5.39% on Sept. 30 ⇒ 6.45% on Dec. 30
- Certified "Sector Leader" in Dow Jones Sustainability Index (DJSI) Korea

Transparency of Disclosure

Consolidation of the Disclosure System

KPS discloses major management information promptly and precisely through various channels to uphold the stakeholder's right to know with regard to the company and its management and enhance management transparency. In 2008 as the first year after the company was listed, KPS appointed 24 staff members who shall be responsible for disclosure in the first half; this number was increased to 50 in the second half for the early establishment and stabilization of the corporate disclosure system. KPS has realized steady share price increase thanks to its all-out efforts in management transparency enhancement by maintaining various channels with shareholders and customers including the maintenance of corporate disclosure regulations, posting of investment information on its website and earnest information disclosure, meetings by company visit, road shows, and shareholders' meeting.



Major Disclosure Systems

[R:regular, S:special(as necessary)]

Category	Target	Period	Details of Disclosures in 2008
Corporate disclosure	Investors, shareholders	R, S	4 regular disclosures, 34 special disclosures (early establishment of corporate disclosure)
Integrated disclosure	General public	R, S	2 regular disclosures, 18 special disclosures
Mgt disclosure	General public	R, S	1 regular disclosure, 4 special disclosures
Internal disclosure	Staff, labor union	S	At each occurrence of issue

Plan for the additional selling of equity

- Selling 20% of equity by 2012 (private equity ratio: 20% →40%)
 - After selling 10% as a priority during 2010, 10% to be sold additionally by 2012
- The selling of the remaining equity will be promoted considering the effective competition conditions among domestic power generation maintenance companies.

Interview with Stakeholders

KPS's effort to enhance shareholder value

Seung-Chul Kim
Analyst, Meritz Securities

KPS has maintained more than 80% excess yield compared with KOSPI since its listing. Such can be attributed to impressive business revenue growth, excellent financial structure, and high dividend propensity. We believe shareholder value enhancement can be realized through corporate value enhancement as a result of corporate profit increase and high dividend propensity. Stable business revenue growth is secured by the increase in power generation facilities capacity, and dividend propensity is maintained at around 50% (compared to net profit after tax), which is higher than that of other public companies and private firms; hence the high investment merit of KPS.

Regular as well as special disclosures of order receipt related to power generation maintenance are considered to be the active IR activity of KPS for protecting shareholders and investors. Growth momentum can be found in the maintenance service orders generated from overseas; the firm's share price in addition to operating performance responds sensitively to the order size and duration. Good news as heard from the firm's major markets – India, Pakistan, and Africa – has served as sufficient grounds to raise the share price to one notch higher. Timely voluntary disclosure with regard to major construction can play an important role in the protection of shareholders and investors.

Various activities including company exploration, company road show, and touring of power plants are conducted to enhance shareholder value. I hope these activities are continued. In particular, the tour of nuclear power plants, which investors have difficulty touring, is considered a huge help in understanding the company.

I think additional equity selling is a good opportunity for KPS to grow further as a global company with a competitive edge. Although a share price fall may occur as a short-term result of a higher number of shares circulated in the market, it will not damage the corporate value of KPS. Therefore, the share price is expected to recover easily. The number of shareholders and circulated shares will increase compared to the present time, thereby possibly leading to more shareholders' requests for company exploration or IR activity. IR activities including overseas company road show as a result of foreign investors' equity ratio increase are considered to be in demand.

Ethical Management

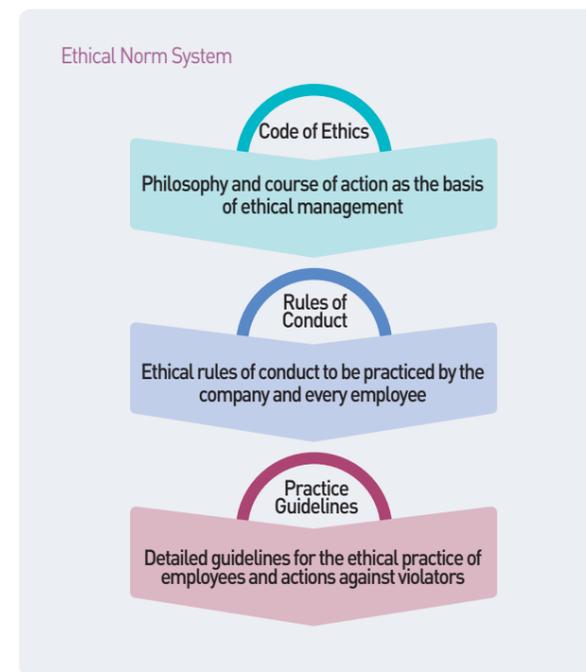
Taking its role of a good corporate citizen seriously, KPS operates an organization responsible for ethical mgt., and complies with ethical norms such as Code of Ethics, Rules of Conduct, and Practice Guidelines.

All KPS employees recognize that ethical mgt. practice is a basic obligation of KPS as a corporate citizen and the most important factor for the company's sustainable development and growth. We are committed to realizing global-standard ethical mgt. through the perfect practice of individual job ethics, establishment of transparent and clean management system, and strategic social contribution activities.

Ethical Mgt. System

Ethical Norm System

KPS's Code of Ethics is divided into five areas by stakeholder: ethics for customers; ethics for shareholders; ethics for employees; ethics for employees, and; ethics for community. Our Rules of Conduct define the Practice Guidelines to be adhered to for our Code of Ethics.



Major Activities for Ethical Mgt. and Implementation Achievements

Ethics Pledge of All Employees Including the CEO

The CEO declared his commitment to ethical mgt. externally by participating in the CEO pledge making ceremony of the BEST Forum (Business Ethics and Sustainability management for Top performance). Executives contribute to the institutionalization of ethical mgt. and transparent mgt. by fulfilling the integrity obligations through the work integrity agreement. All employees solidify the commitment to ethical mgt. practice through the pledge of ethical practice.

Ethical Mgt. Brand Setup and Holding of Joint Labor-Management Ethical Mgt. Practice Pledging Convention/Workshop

KPS carries out various ethical mgt. activities by establishing the ethical mgt. brand "Crystal KPS" to embody its mgt. policy of Right Way Mgt. All employees including the CEO and labor union president pledged to practice and promote ethical mgt. and declared their strong commitment to ethical mgt. practice by holding the Joint Labor-Management Ethical Mgt. Practice Pledging Convention/Workshop in November 2008. In the joint labor-management workshop participated in by all field office heads and each chapter president of the labor union, work group discussions were held to practice ethical mgt. Here, improvement points were drawn including ethical mgt. system complementation and enhancement of employees' ethical sense. KPS makes all-out efforts to practice ethical mgt. at the company level.



[Joint Labor-Management Ethical Mgt. Practice Pledging Convention]

Strengthening Employees' Sense of Ethics Through Ethical Mgt. Education

KPS implements education on ethical mgt. to foster company-wide sympathy on ethical mgt. and strengthen employees' sense of ethics. The education on ethical mgt. consists of staff education on ethical mgt., cyber education, training center education, and touring education for field offices. To reinforce job ability and expertise of personnel taking charge of ethical mgt., KPS holds workshops and provides education commissioned to a specialized agency. To aid in the understanding of new employees, promoted staff, and staff in charge of contracts and public affairs regarding the concept and importance of ethical mgt., and improve job-related ethical decision making ability, KPS conducts cyber ethical education for 20 hours. We also carry out education based on the hierarchy at the Human Resources Development Center as well as an hour of ethical mgt. lecture to foster the ethical mindset of the job education participants. Moreover, KPS implements touring education for all field offices so that all employees can enhance their understanding of ethical norms and improve capability related to ethical decision making in any dilemma or situation.

Ethical Mgmt Education System

Categories of Ethical	Purpose	Target	Type
Staff education	To foster working-level staff who play a leading role in ethical mgt	Staff in charge of ethical mgt	Workshop, commissioned education
Cyber education	Concept, importance, ethical decision on ethical mgt	Newcomer, promoter, Staff in charge of contract/public affairs	Online education
Human Resources Development Center	To enhance understanding of ethical mgt. and cultivate ethical mindset	Target of hierarchy education and job education	Collective education
Touring education for field offices	To facilitate understanding of ethical norm, anti-corruption, and improvement of integrity	All employees	Collective education

Operation of Ethical Mgt. Website and Ethical Mgt. Consulting Center

KPS operates the Ethical Mgt. Website so that employees and general public can easily understand the ethical mgt. policy, ethical norm, implementation achievements, and current status of KPS. It also manages an Ethical Mgt. Consulting Center as part of the active solutions to employees' ethical conflicts to detect ethical mgt. violation and present solutions to ethical dilemmas. This way, KPS prevents unethical behaviors in advance and establishes job ethics.



[Ethical Mgt. Website (http://ethics.kps.co.kr)]

Enhancement of Integrity Level

Through the touring education for all field offices and "3 Don'ts and 7 Dos" Campaign, KPS strengthened employees' sense of integrity and practice of sound everyday life. It improved the weak areas by carrying out an in-house integrity survey. The company also conducted secret surveillance and guidance & inspection in field offices. Thanks to irrationality prevention activities, the integrity index rose, and KPS was named "Excellent Company in Integrity" in 2007 and 2008.

- | | |
|---|---|
| <p>3 Nots</p> <ul style="list-style-type: none"> • Don't harbor an unfaithful mind. • Don't practice uncouth speech or behavior. • Don't take illegal profit. | <p>7 Dos</p> <ul style="list-style-type: none"> • Do keep a promise with a customer. • Do fulfill your responsibility. • Do handle jobs in a fair manner. • Do think of the company's interest first. • Do keep public order. • Do lead a simple life. • Do pursue self-innovation. |
|---|---|

Integrity index

Category	2006	2007	2008
Integrity index	7.69	9.69	9.76

Anti-corruption Policy

Having introduced the Code of Ethics in 2003, KPS spearheads the prevention of corrupt activities. Based on the established standards for corrupt activities through the Code of Ethics, Rules of Conduct, and Practice Guidelines, all employees practice job ethics. All types of money or other articles and entertainment received and offered in relation to business are prohibited; ditto for irrational intervention in rights and interests, mediation, solicitation, transactions using job-related information, private use of and profit generation from company assets and spouse's money and other articles, borrowing of money from a person related to work, and inside trader transactions. The exclusion of special favors and integral contracting and implementation are musts in KPS. Money and other articles may not be offered to personnel involved in the work, public officials, or politicians for the company's profit; neither can illegal political funds be donated or provided in support of political parties or politicians.

In case of breach of such ethical norm, KPS operates a punishment system according to its reward & punishment regulations. Through the system, consciousness of corrupt actions is developed among all employees. KPS makes an effort to prevent the recurrence of corrupt activities.

Through the "No Holiday Gift Giving & Receiving" Movement, KPS is endeavoring to root out corruption by prohibiting the receiving or giving of gifts and donation of gifts whose sources are uncertain or whose shelf life is very short and sending to business partners a letter bearing the signature of the CEO and asking for cooperation on ethical management. KPS reaffirms its anti-corruption policy by joining anti-corruption organizations at home and abroad such as the UN Global Compact,



[Webpage for the Inconvenience Reporting and Action Center for Trading Partners]

BEST Forum, CEOs' Club for Business Ethics, and Korea Academy of Business Ethics to find best practices and utilize them for anti-corruption activities.

Whistleblower and Other Systems and Actions Taken

KPS operates a whistleblower system as well as Shinmungo and Inconvenience Reporting and Action Center for Trading Partners as corruption reporting systems for unethical activities and corrupt actions. Anyone can access these systems including employees and external stakeholders. The whistleblower system is operated as a window for receiving reports on employees' breach of ethical norm (Code of Ethics, Rules of Conduct, Practice Guidelines); Shinmungo deals with irregularities and corruption and irrationality cases, whereas the Inconvenience Reporting and Action Center for Trading Partners handles complaints on unfair activities and grievances in handling jobs including partial cases due to irrational system and procedure, request for money or other articles by staff members, connivance on faulty work, and ideas for the improvement of integrity and anticorruption. The number of reported cases reached 19 in 2007 and 7 in 2008. Corrective actions were taken for all the reported cases, with 1 case of disciplinary action each reported in 2007 and 2008.

Operation Results of Corruption Reporting Systems

Category	2006	2007	2008
Whistleblower system	1	1	-
Shinmungo and hotline for complaints	8	18	7
Corrective action	9	19	7
Disciplinary action	1	1	1



[Awarded the Korea Ethical Mgt. Grand Prize]

Risk Management

KPS has introduced and operated the Enterprise Risk Management (ERM) system for the systematic mgt. of risk; its internal audit system & internal control system play roles in preventing various risks in mgt.

Executive Management Meeting

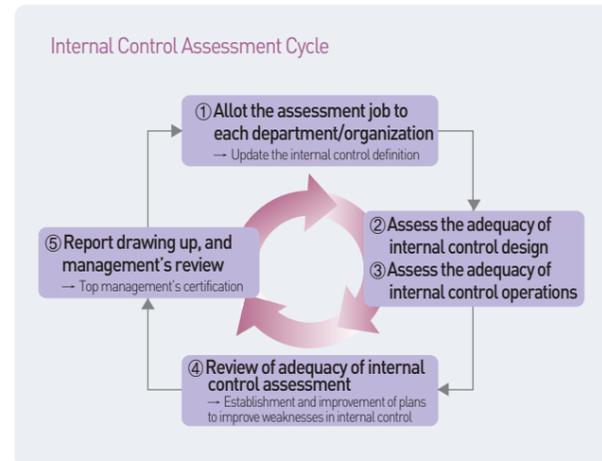
KPS operates the executive management meeting as a deliberative organization for decision making related to management. Through the meeting, KPS prevents projected risks in major businesses in advance and promotes rational decision making. The Management Meeting is attended by 4 executives including the CEO, auditor, and division manager.

Internal Audit

The internal audit function of KPS is organized independently. The Audit Office conducts audit on major executions and closing accounts and ensures reliability in company mgt. The established audit infrastructure includes an internal control system and an ethical mgt. system to prevent risks in advance; a systematic instrument is also built to secure independence and expertise. The internal control system takes on various types including internal accounting control system assessment & result feedback, pre-check and post-review of disclosure documents, pre-examination of major duties and budget execution, intensive control of weak fields, major accident investigation, Shinmungo, and irrationality intervention prevention through the inconvenience reporting of trading partners. KPS analyzes audit information, determines the risk factors, and takes preventive actions against risks; thus helping cope with risks and enhancing transparency.

Internal Control System

KPS operates an internal control system to ensure transparency and reliability in the process of preparing financial reports under the Act on External Audit and Act on Capital Market and Financial Investment Business. Specifically, the company manages and observes internal accounting control regulations, reports the operation status to the board of directors and auditor every six months, and makes disclosures through annual reports. Finally, to realize transparent mgt. through efficient operation and voluntary risk control activity participation, KPS runs a computerized assessment system for internal accounting control.



Internal Accounting Control Evaluation System

KPS operates an internal accounting control assessment system to cope actively with the environmental change including the growing social demand for transparent accounting and enactment of the Capital Market Act. In 2006, we built a control system for actively inducing internal control improvement and to prevent and detect weaknesses at the early stages using the computerized assessment system.

Improvements

Through two assessments held in the first half and second half every year, KPS prevents the distortion of financial statements and irregularities in accounting (24 cases of improvements); it has improved effective assessment capability via the user training on the internal accounting system and cyber training system.

Follow-up Scheme

KPS reports the assessment results of internal accounting control to the board of directors and auditor and releases annual result reports. The company plans to improve the assessment efficiency of the internal accounting control system continually to cope with accounting environment changes such as the introduction of international accounting standards and change in the model standards of the internal accounting control system. We are also committed to enhancing our reliability among stakeholders by enhancing accounting transparency through the further upgrading of our already transparent accounting system to the international level.

Overseas Business Risk Mgt. Commission

KPS operates an Overseas Business Risk Mgt. Commission for business feasibility deliberation on projects requiring investment or long-term O&M construction (3 years or longer).

Enterprise Risk Management (ERM) System

KPS operates an ERM system to measure and manage in an integrated manner and at the enterprise level the various risks occurring in the management process.

ERM system building process

KPS listed first-phase risk factors to draw up risks through the analyses of strategies and businesses, interviews with employees, and benchmarking of other companies' best practices. As a result, risks were broken down into business management risk, financial risk, manpower management risk, maintenance business risk, and IT risk. KPS also assessed such risks by drawing up a two-dimensional risk scale assessing the probability and magnitude of risks. Consequently, the most important risks have been identified as business environment change risk, manpower risk, financial risk, and maintenance business risk. After drawing up the indicators using a statistical technique, KPS narrowed the scope to affiliated companies' sales composition ratio, sales increase ratio, and private contracting ratio for the business environment risk, operation risk, exchange risk, and liquidity risk with regard to financial risk, technology qualification ratio, forced retirement ratio, and prescribed number of personnel/current number of personnel ratio in the manpower risk. The ERM system has been built to control enterprise risks in real time in connection with the ERP system. The maintenance business risk occurring in the target facilities for maintenance is controlled separately from the ERM system.

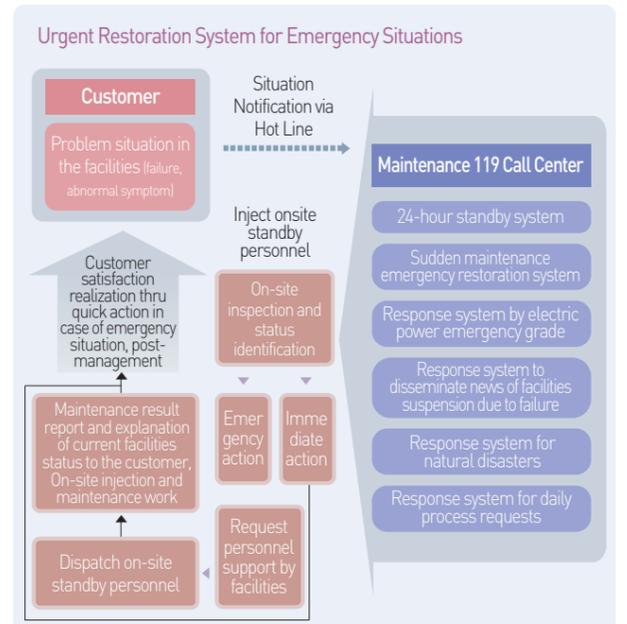
Major Risk Control Targets

- Business environment risk: Factors whose control as external environment factors is difficult including government policy and market opening; KPS takes future measures by monitoring and forecasting major indicators
- Financial risk: Refers to the quantitative change in income and expense; financial risk is controlled considering the volatility of risk factors affecting ordinary profit
- Manpower risk: Control of appropriate manpower demand and supply according to the business size along with the maintenance of key technology personnel to cope with any future imbalance in manpower structure



Risk Control for Facilities Targeted for Maintenance

KPS operates contact point field offices according to customers' major stronghold site to cope with emergency situations in sites where KPS is responsible for maintenance nationwide. For emergency restoration, the 119 Call Center is operated 24/7. In preparation for emergency situations, KPS has built a response system to enable quick restoration by disseminating information on the emergency situation according to the delivery system through the SMS Announcement service, a breaking news-like system; it also minimizes the ripple effect through efficient post-management.

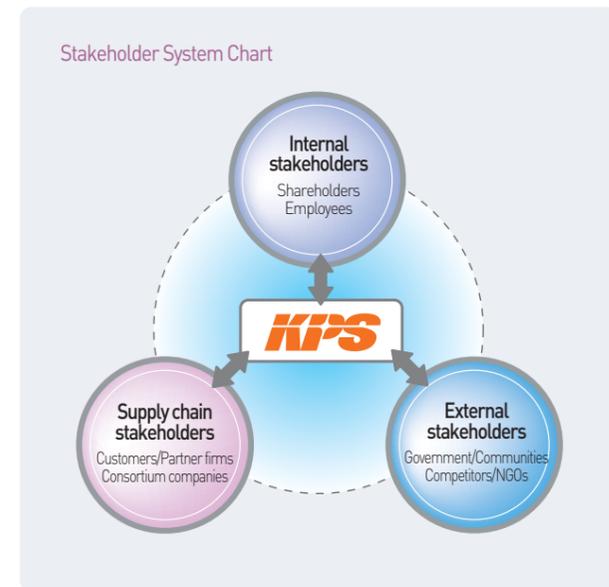


Stakeholder Engagement

KPS reflects stakeholders' opinions and requirements on management decision making through various communication channels; the policy implemented by KPS and operation information are systematically delivered to the stakeholders.

Stakeholder Communication

KPS classifies stakeholders into internal, supply chain, and external stakeholders and systemizes stakeholder communication.



Internal stakeholders are employees and shareholders; the communication channel with shareholders has become important following KPS's listing in the stock market. Accordingly, we support smooth communication with investors by building an IR system. In 2008, we carried out a variety of IR activities including on-site corporate presentation and non-deal road show (NDR). KPS has also posted investment and disclosure information on its website. The capabilities of employees are directly connected with the corporate value of KPS. As the communication channel between the CEO, management, and employees, the CEO mini homepage, workshop, Internet, and open conversation with the CEO during the on-site tour are used including labor-management council and labor-management social gatherings. Through the employee satisfaction survey commissioned to an external agency, KPS utilizes the results as an indicator to improve employee satisfaction.

The stakeholders in the supply chain serve as the foundation for the sustainable development of business. Our major clients are KEPCO, domestic hydro/thermal and nuclear power plants, overseas power

plants, and private power plants. We operate the Customer Advisory Committee and Joint Workshop with Customers as permanent communication channels with our customers. In particular, 129 and 179 sessions of Customer Advisory Committee meetings were held in 2007 and 2008, respectively, for the purpose of strengthening ties with customers, reflecting customer opinion on policy, and sharing opinions. The Joint Workshop with Customers is also held to improve relations with customers through joint task solution efforts with them. We publish company magazines and newsletters for customers as well. We operate a small and medium enterprise (SME) support website as a communication channel with partner firms. KPS listened to opinions on improvement by carrying out questionnaire surveys targeting 92 firms in 2008 and reflected them on its plan to support small and medium businesses in 2009.



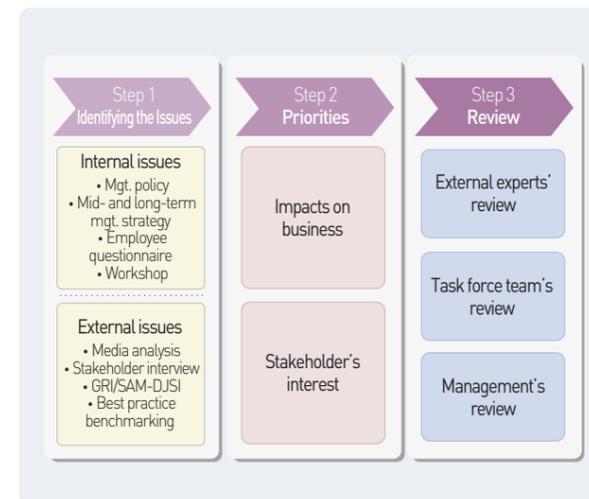
[SME Support Website]

External stakeholders include government, communities, NGOs, and competitor companies. KPS is responsible for the maintenance of power generation as a key industry; it contributes to national development by actively reflecting government policy on the management policy. KPS has also improved the communication channel for social contribution activities for communities. Through the sharing chain we built in July 2008, we provide participation space wherein our employees and beneficiaries request for or offer help. Exchanges with communities are actively conducted focusing on our field offices nationwide. We continuously perform electric facilities inspection & repair, welfare facilities support activities, and environmental conservation activities and provide support for various events in the community. For our NGO activity, we joined the "10 million people's campaign to collect 1 billion liters of oil" by the Energy Civic Network in 2008 and realized a 148,135kg

reduction of CO₂. Finally, in keeping with the private sector development policy in the maintenance markets for mutual strategic growth, KPS carries out maintenance training & technology dissemination as well as quality assurance ability improvement support.

Materiality Assessment Process

KPS has conducted materiality assessment to identify the issues wielding a huge impact on management activities from the economic, social, and environmental perspectives among the issues related to stakeholders and to print it in the report. The materiality assessment process consists of 3 steps. Step 1: Issues are identified, and an issue pool is drawn up. Step 2: The extent of business impact and stakeholder's interest are assessed to determine the priorities of the proposed issues. Step 3: After external experts and task force team review the draft report, the final report is published and reported to the management.



Major Issues Concerning Stakeholders

The priorities according to the internal, supply chain and external stakeholders through materiality assessment on the major issues with regard to the stakeholders are presented below. We have made great efforts to deliver comprehensively our performance and position with regard to the following issues in this sustainability report:

Group	Major Target	Issue	Details
Internal stakeholders	Employees	Organization operation	Mgt. plan sharing, timely budget support, organization & manpower, ERP operation
		Personnel affairs system	Job satisfaction, individual work experience accumulation, wage
		Technology investment	R&D investment scale, securing intellectual property rights
		Ethical management	Whistleblower system and handling process
		Retiree employment and job development	Job development that uses skilled technology
Shareholders	Market competition	Growth potential of business	Business diversification including overseas business consolidation
		Profitability and dividend propensity	Private maintenance companies emerging as competitors
		Additional selling of equity	Future dividend amount
Supply chain	Customers	Timely and precise information provision	Expansion of sales size of equity in KEPCO
		Customer satisfaction	Preciseness and transparency of disclosure
	Partner firms	Income generation	Observance of construction period, perfect construction, and maintenance quality improvement
		Cooperation & win-win strategy	Budget and cost savings
		Stable operation of overseas power plants	Effort toward the joint development of affiliated companies
External stakeholders	Government	Cooperation and win-win strategy	Increase in facilities operation rate, carrying out quick restoration work
		Transparency of transaction procedure	Technology prowess improvement and accumulation thru mutual weakness supplementation
		Inconveniences in transaction	Pre-information including delivery conditions related to contracting, public open contract mode improvement
	Competitors	Advancement of public companies	Reporting method and procedure
		Stable supply of electric power	Efficient implementation of advancement policy
Communities at field offices	Green growth	Stable supply of electric power thru zero defect maintenance service	
	Social responsibility	Participation in new renewable energy, consolidation of nuclear power business	
	Private maintenance companies' development	Strengthening social contribution activities, easing youth unemployment	
The underprivileged	Employment and job development	Social contribution activities	Competition system following private maintenance companies' development
		Employment and job development	Contribution to the community (including overseas community)



Value
Creation

KPS constantly creates values by continually improving management efficiency

Economic Performance and Goals

KPS grew 12.1% year-on-year, having recorded sales of KRW 763.9 billion in 2008. It also established a mid- to long-term financial plan for achieving KRW 1.3 trillion in sales and KRW 140 billion in net income by 2015.

Business Environment

The market for power facilities maintenance at home and broad is expected to expand continuously with the increase in generation facilities considering the increased electricity demand and technology advancement and rapidly growing new renewable energy and nuclear power generation as a result of demand for low carbon energy worldwide. Meanwhile, the power facilities maintenance market sees increasingly stiffer competition. As a public institution, we provide SMEs with contracts and technology that KPS have according to the promotion policy for small and medium maintenance companies by the government. In effect, they are emerging as competitors. Moreover, global manufacturers are applying increasing pressure on market-opening through FTAs to enter our market.

KPS increases sales by enhancing core competencies and aggressively promoting businesses for constant growth while maintaining PR in the domestic power facilities maintenance market under the conditions of crisis and opportunity. We established a dedicated division for overseas operations especially for systematic and active business for rapidly growing overseas markets. Specifically, we promote aggressive marketing by selecting emerging economies having immense growth potential for intensive market penetration. We make efforts to expand overseas businesses by training competent professionals overseas in keeping with the mid- to long-term overseas business expansion. In addition, we recorded sales of KRW 39.7 billion and KRW 52 billion in 2007 and 2008, respectively, as a result of expanding the generation facilities maintenance business of private enterprises. We are promoting the commissioning maintenance and routine maintenance of new private power plants. We are also expanding the integrated energies business.

Environment of the Power Facilities Maintenance Market

Category	Main Issue
Competition condition	<ul style="list-style-type: none"> Entry in the domestic market by overseas manufacturers and multi-national companies Domestic partners emerging as competitors Growing pressure on domestic maintenance market opening
Market size	<ul style="list-style-type: none"> Constant growth of the generation maintenance market Growth of private capital against KEPCO and growth in the new renewable energy market? Growth potential of the overseas market
Competitors	<ul style="list-style-type: none"> Overseas companies: multinational companies including GE, WH, etc. Domestic companies: former partners emerging as competitors

Economic Performance for 2008

KPS's sales in 2008 increased 12.1% year-on-year to KRW 763.9 billion. This was attributed to the increase in maintenance orders for hydro & thermal power and satisfactory results of overseas businesses. Although operating profit decreased 9.4% year-on-year to KRW 72.5 billion, ordinary income rose 7.2% year-on-year to KRW 93.6 billion; net profit also grew 7.7% year-on-year to KRW 68.7 billion. The main cause of the decrease in operating profit was the increase in total labor costs accompanying the rise in the average number of staff due to the regularization of irregular employees and increase in retirement allowances. Meanwhile, the higher ordinary income was attributed to the increased gain on foreign currency transactions and foreign currency translation based on the rising exchange rate and increase in interest income related to the increase in deposit currency.

Economic Performance for 2008 [Unit : KRW 100 million]

Category	2006	2007	2008	Growth rate to 2007 (%)
Sales	6,110	6,814	7,639	12.1
Net sales profit	1,049	1,137	1,120	-1.5
Operating profit	754	800	725	-9.4
Ordinary income	846	873	936	7.2
Net income	619	638	687	7.7

Performance by Business Sector

[Unit : KRW 100 million]

Category	2006	2007	2008	Growth rate to 2007 (%)
Hydro & thermal power	2,577	2,696	3,020	12.0
Nuclear power	2,196	2,672	2,731	2.2
Transmission & substation	519	501	533	6.4
Maintenance service center	542	614	648	5.5
Other sectors	276	331	707	113.6
(Overseas)	(155)	(186)	(500)	(168.8)
Total	6,110	6,814	7,639	12.1

※ "Overseas" is included in "other sectors."

Among the business sectors, the hydro and thermal sector recorded sales of KRW 302 billion. It grew 12.0% year-on-year driven by the increase in maintenance orders in routine maintenance projects (Youngheung #3.4, Taean #7.8, Dangjin #7.8, and Boryung #7.8), addition of test run facilities (Hadong #7), and expansion of new renewable energy projects.

On the other hand, the nuclear power sector posted sales of KRW 273.1 billion. It grew by as much as 2.2% year-on-year, thanks to the increase in the routine contract price and adjusted quantification of results (R&D costs and technology royalties). Sales in the nuclear power sector constantly increased as a result of the expansion of routine maintenance projects including preventive inspection & maintenance and facilities maintenance order/work direction order and improvements as well as increase in the reactors for the planned preventive maintenance project. Sales are forecast to increase following the enforcement of new test work and routine maintenance work.

The transmission & substation sector generated sales of KRW 53.3 billion, growing 6.4% year-on-year. Such growth was attributed to the increase in routine maintenance orders and sales of HVDC transformation equipment maintenance as well as increase in 154kV Naju-Pyeongdong T/L project implementation. Note that the decrease in sales in 2007 was due to the year-on-year temporary decrease in project. The maintenance technology center posted sales of KRW 64.8 billion for a 5.5% year-on-year growth. The increased implementation of the GT (Gas Turbine) high-temperature component regeneration project and nuclear power plant renovation is credited with the improving sales.

Other sectors recorded sales of KRW 70.7 billion for a 113.6% year-on-year growth, driven by the increase in overseas sales following maintenance execution in the Hwaseong Cogeneration Power Plant. Sales of the overseas business stood at KRW 31.4 billion, thanks to the good results delivered by Thermal Power O&M in Jharsuguda, India and Egbin thermal boiler operation in Nigeria. The overseas business is expected to record continuous growth.

Summarized Financial Statement

Balance sheet [Unit : KRW 100 million]

Category		2006	2007	2008	Growth rate to 2007 (%)
Asset	Current asset	2,553	2,787	3,213	15.3
	Fixed asset	1,928	2,183	2,306	5.6
	Total	4,481	4,970	5,519	11.0
Liability and capital	Current liability	479	622	705	13.3
	Fixed liability	597	617	712	15.4
	Subtotal	1,076	1,239	1,417	14.4
Capital	Capital stock	90	90	90	-
	Retained earnings	3,315	3,641	4,012	10.2
	Subtotal	3,405	3,731	4,102	9.9
Total		4,481	4,970	5,519	11.0

As of late 2008, the total asset of KPS stands at KRW 551.9 billion; this represents an 11.0% year-on-year growth. Current asset grew by KRW 42.6 billion to KRW 321.3 billion driven by the improved profit in cash, deposit, and accrued income. Fixed asset increased by KRW 12.3 billion to KRW 230.6 billion, thanks to asset acquisition via the EPR system and growth in long-term loan.

Total liability was pegged at KRW 141.7 billion for a 14.4% year-on-year growth. Compared to last year, current liabilities grew by KRW 8.3 billion to KRW 70.5 billion owing to the increase in accrued value-added tax. Fixed liability also increased by KRW 9.5 billion to KRW 71.2 billion driven by increased severance and retirement benefits.

The total asset of KPS stands at KRW 410.2 billion, increasing 9.9% compared to last year. Capital remains the same at KRW 9 billion, whereas retained earnings grew by KRW 37.1 billion to KRW 401.2 billion owing to the growth in retained earnings before appropriations.

Investment

Total investment in 2008 was KRW 38.7 billion, declining 17.1% year-on-year. Investment asset grew by KRW 0.4 billion to KRW 4.8 billion driven by the growth in educational loans for employees' children. Tangible asset shrunk by KRW 4 billion to KRW 24.7 billion due to the delay in the new establishment of worksite building. On the other hand, other fixed assets grew by KRW 1.3 billion to KRW 2.8 billion year-on-year, thanks to the increase in leasehold rights for new business. Intangible asset shrunk by KRW 5.7 billion to KRW 6.4 billion owing to the decrease in the development cost of the ERP program.

[Unit : KRW 100 million]

Category	2006	2007	2008	Growth rate to 2007 (%)
Investments	73	44	48	9.1
Tangible asset	305	287	247	-13.9
Other fixed asset	16	15	28	86.7
Intangible asset	3	121	64	-47.1
Total	367	467	387	-17.1

Mid- to Long-Term Financial Goal

We established a mid- to long-term financial plan to cope with changes in the management environment at home and abroad. We are also making efforts to improve the sustainable value of the company as well as customer value.

Based on the mid- to long-term financial goal set in 2008, the financial goal for 2015 is sales of KRW 1.3242 trillion or 63.6% higher compared to 2009 including a 122.4% growth in operating profit (KRW 156.1 billion) and a 118.8% increase in net income (KRW 145.3 billion). Our mid- to long-term goal is to record a sales to net income ratio of over 10%.

The financial sales goals reflected the increased power facilities and power lines, plans to add private power plants, and growth in overseas orders. For expenses, factors include the increased labor cost due to changes in the cost and number of required staff in accordance with the principle of matching goals with revenues. Meanwhile, the investment target was established considering the large-scale investment plans including moving the headquarters to another area (in 2012) in accordance with government policy; this would require the purchase of land and construction, and such was set for stable mid- to long-term budget management.

To enable KPS to achieve these financial goals, profitability and investment efficiency will be improved consistently; a strategy for improving the financial fundamentals will also be implemented. We shall



enforce ambitious financial strategies so that we can play a pioneering role as the leader of Korea's plant service market and to cope actively with the changes in the management environment at home and abroad.

Revenue Distribution

Interest Cost

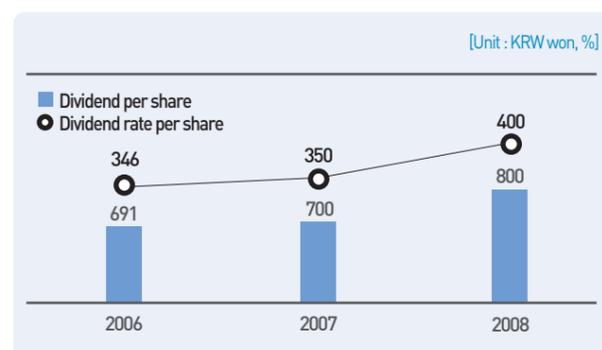
KPS has maintained zero-loan management since 2001. As a result, no interest costs were incurred in 2008. Interest revenues stood at KRW 15 billion, increasing by KRW 2.7 billion compared to KRW 12.3 billion in 2007.

Dividend

The total amount of dividend paid by KPS in 2008 increased by KRW 4.5 billion to KRW 36 billion compared to KRW 31.5 billion in 2007. Dividend per share increased 14% to KRW 800 in 2008.

Status of dividend amount

Category	2006	2007	2008
Total amount of dividend(KRW 100 million)	311	315	360
Dividend per share(KRW)	691	700	800
Dividend rate(%)	346	350	400



Labor Cost

Labor costs in 2008 were pegged at KRW 356.3 billion, with the provision for severance benefits accounting for KRW 35.2 billion and the rest taking up KRW 321.1 billion.

Labor cost status

[Unit : KRW 100 million]

Category	2006	2007	2008
Wage	2,591	2,892	3,211
Severance benefits	236	304	352
Total	2,827	3,196	3,563

Tax

KPS helps the nation and the local community by paying taxes. Total taxes paid in 2008 stood at KRW 52.6 billion, KRW 47.5 billion of which was domestic tax. Tariff accounted for KRW 0.9 billion, with KRW 4.2 billion paid as local tax. The corporate tax recorded in the balance sheet was KRW 24.9 billion, showing a 6% growth.

Tax payment status

[Unit : KRW 100 million]

Category	2006	2007	2008	
Domestic tax	Corporate tax	110	227	235
	Withholding tax	145	187	240
	Subtotal	255	414	475
Tariff	5	6	9	
Local tax	38	39	42	
Total	298	459	526	

Purchase and Acquisition of Assets

KPS spent a total of KRW 157.9 billion in 2008 on purchasing materials and outsourcing. Representing a slight increase compared to last year, this accounted for 20.7% of the total sales. Specifically, KRW 51.7 billion and KRW 106.2 billion were spent on purchasing materials and outsourcing, respectively. In 2008, we acquired tangible assets including buildings, structures and tools, and intangible assets worth KRW 31.1 billion for the ERP system.

Purchase

[unit : KRW 100 million]

Category	2006	2007	2008
Material	349	437	517
Outsourcing	759	857	1,062
Total	1,108	1,294	1,579
Proportion in sales	18.1	19.0	20.7

Acquisition of assets

[Unit : KRW 100 million]

Category	2006	2007	2008	
Tangible assets	Buildings, structures	124	41	1
	Tools	181	246	246
	Subtotal	305	287	247
Intangible assets	3	121	64	
Total	308	408	311	

Donation

KPS donated a total of KRW 4.9 billion in 2008, KRW 4.4 billion of which went to the KPS Employees' Welfare Fund; charitable donations accounted for KRW 0.5 billion.

Donation Status

[Unit : KRW 100 million]

Category	2006	2007	2008
Amount	24	48	49

※ note) Since the business environment has changed considerably since 2008 due to listing [07.12.14], the KPS Employee Welfare Fund was reclassified from non-operating expense (donation) to operating expense.

Government Subsidies

We received government subsidies for our accomplishments in the electrical power industry and nuclear power project by contracting. We received a KRW 1.246 billion subsidy for the "Development of Materials Technology for Heat-Resistant Alloy Applied to 1,350°C Grade Gas Turbine Combustion Liner and Transition Piece" in 2007 including a KRW 1.944 billion subsidy for the "Development of Automation Technology for the Visual Inspection of the Second-Side Tube Sheet Top in W-F Type Steam Generators" in 2008. The balance as of late 2008 was KRW 1.008 billion.

Management Efficiency

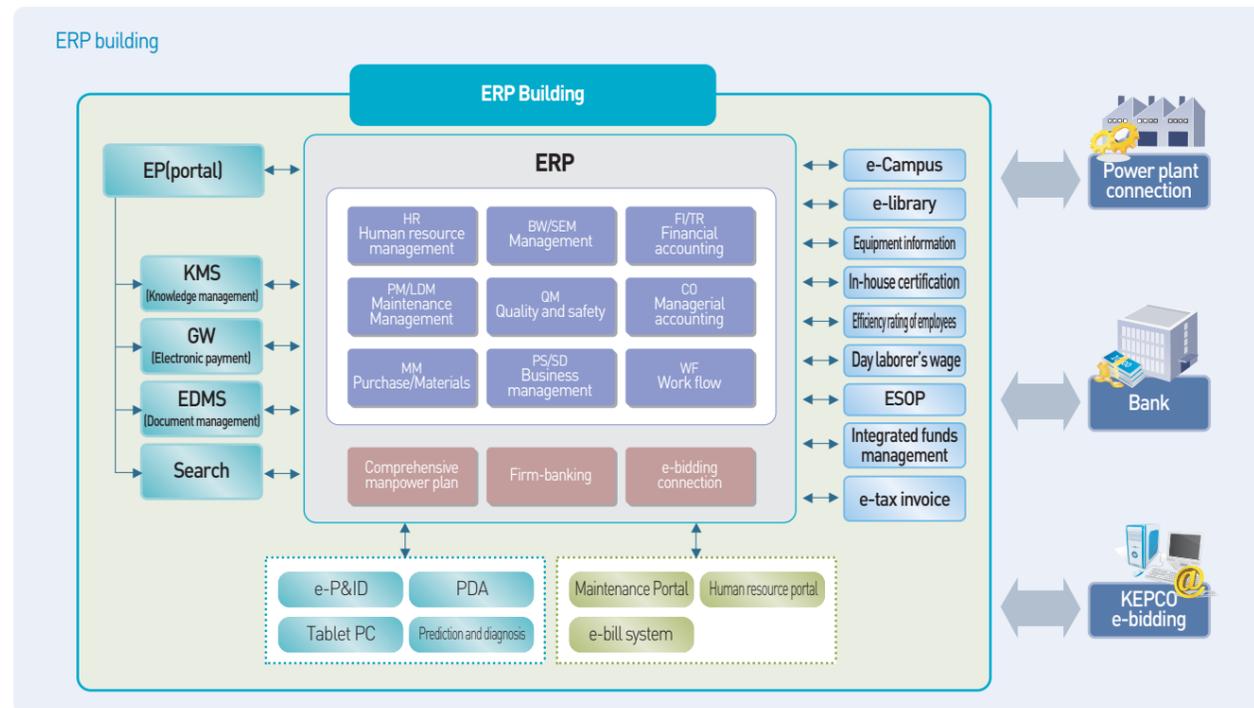
KPS develops an efficient management system as well as systematic activities for management improvement in keeping with its management philosophies .

KPS continues to promote efficiency in management to contribute to the stable supply of electrical power and stabilization of quality of life in the nation through high-quality maintenance service. We eliminated the problem of double input and subsequently saved time through connection to the maintenance system of customers by building the ERP system and forged a win-win partnership with customers by managing the maintenance execution and results in real time. KPS overcomes difficult management conditions by ensuring the efficiency of internal business, operates organizations and staff responding to environmental changes to realize synergy in the management system, and draws improvement results through activities aimed at management innovation such as TDR (Tear Down and Redesign). We reinforce result-oriented budget operation including the management of the target profit and maximize management efficiency through efforts to improve profitability.

Building the ERP-based Integrated Management Information System (KINNOS)

KPS built the ERP-based integrated management information system (KINNOS; KPS Innovation System) from May 2007 to May 2008 to

improve the transparency, productivity, and efficiency of the company significantly. Specifically, it integrated and managed all the human, material, and intellectual resources efficiently using IT technology. We implemented the ERP system through business process innovation across core businesses including financial accounting, managerial accounting, human resource management, materials purchase, maintenance management, business management, and quality safety using the Big-bang method and introduced solutions for businesses including knowledge management (KM), groupware (G/W), and document management (EDMS). KPS built a management information system that analyzes management information in various ways and provides such for prompt decision making and speedy management. We also built a prediction & diagnosis maintenance system utilizing mobile devices such as PDA and Tablet PC considering the traits of the maintenance task in the field. Specifically, we provide systematic and differentiated maintenance service by building an information sharing system through the maintenance cooperation system between customers including Korea Hydro & Nuclear Power and Korea Midland Power and EPR and sharing maintenance order information, results, and maintenance documents. In addition, we built and operated the integrated management



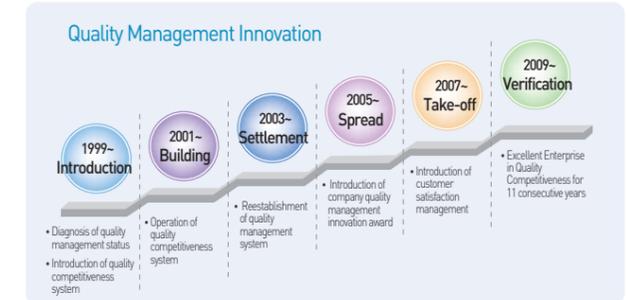
information system and improved business productivity while shortening the settlement period and solving the problem of double input of maintenance results in the maintenance field (they used to be inputted into the customer's system as well as that of our own) through simplification and standardization. This enabled preparing the basis for an advanced information system that supports prompt decision making through the establishment of exact, transparent regular information system. We shall diagnose all levels of efficiency and usability after the management of the integrated ERP system and evaluate the results. Based on this, we shall continue to improve the integrated management information system to survive as an enterprise that can grow in a sustainable manner in this age of global competition. At the same time, we shall promote the introduction of BPM (Business Process Management) and EA (Enterprise Architecture).

Building a Knowledge Management System

Accounting for over 70% of domestic power facilities maintenance, KPS makes efforts to internalize the process of solving the facilities problem that affects electricity generation such as unforeseen stoppage in the knowledge management system. We make efforts to systemize the problem-solving ability of individuals and organizations. There are several divisions of the system: knowledge community in each of the facilities such as nuclear energy, hydro and thermal power, power transformation, and transformer; company-wide knowledge community that helps solve the facilities problem by sharing the problem-solving experiences by organization; Q&A where staff in charge of offices consult experts in each facilities when dealing with problems; solution center wherein professional services and solutions regarding company-wide challenges such as chronic facilities problem in the office are entrusted to experts of the technology institute; package knowledge community wherein the staff in charge of facilities get the procedure, maintenance examples, drawing, and pictures required during business processing together in a package knowledge using hyperlink so that successors and new recruits may utilize them. The information management of KPS pursues activities of integrating the know-how and information that each employee acquired in the process of business in terms of process (Process-driven Knowledge Management) and enhancing competitiveness by making them properties of the company.

Company-wide Quality Management Innovation

Quality management innovation is to strengthen quality competitiveness through constant improvements. It leads customer value and enhances KPS value by providing the best maintenance quality service to customers. The quality management activities of KPS start with building the quality assurance system for nuclear power maintenance. We have built a competitive system through the introduction of task group activities, building of ISO system, introduction of 6 Sigma activities, building of management system for customer satisfaction, building of company system with quality competitiveness through the quality management award system, estimation of MB model and establishment of the system, operation of quality management headquarters directly under the CEO, training of experts including national quality master, setting of regulation for quality management, guidelines for improvement activities, and customer satisfaction.



KPS selects projects that significantly affect the management results and operates the TDR team regularly; it does workout activities and task group activities as a means of improving business efficiency by 10% every year (changed to 10 10 10%) by identifying and abolishing or improving low value-added businesses as improvement results. We combined improvement activities with 6 Sigma activities in 2009 to develop them as independent KPS-Way management activity technique. We adjusted the existing 6 stages of task group activities (QC Story) into 5 stages under the name Challenge 6 Sigma Activity and combined this with 6 Sigma 5 stages (DMAIC). When the 6 Sigma project is implemented, the Top-down task complying with the CEO's policy should be carried out while adhering to the principles of TDR project implementation. We are also expanding the value of management activities by sharing results through contests.

Execution Method



will be adequate for implementing core functions. In addition, we are reforming organizations so they can actively cope with the rapidly changing business environment while reforming the organization aiming at a specific business strategy and newly establishing a dedicated organization for securing New Growth Engines.

In terms of manpower operation, we also reduced the scale by 10.2% compared to the existing manpower by expanding the transfer to the private sector of minor fields, expanding the outsourcing of non-core fields, and improving the maintenance method. Moreover, the strategy for efficient manpower management is implemented without fail by fostering internal competition and innovation with ability-centered assignment through the "Separated Operation System of Position/Class" and "Job Posting."

Existing	Improved
<ul style="list-style-type: none"> Organization : 2 headquarters, 12 administrations, 29 teams - Management support department : 6 administrations, 16 teams - Business support department : 2 headquarters, 6 administrations, 13 teams 	<ul style="list-style-type: none"> Organization : 2 headquarters, 11 administrations, 22 teams - Management support department : 5 administrations, 13 teams - Business support department : 2 headquarters, 6 administrations, 9 teams
• Staff : 4,514 persons	• Staff : 4,054 persons

External Results of Management Activities

Through "Right Way" management, which it set as its management policy, KPS strives to be a reliable company for its stockholders, a company exercising human-oriented management and a company that is supported and trusted for its ethical management and social contributions. Through these efforts, KPS won various prizes as the following.

- 2007. 4 received the Korea Management Innovation Award
- 2008. 5 received the Korea Social Contribution Award for 2 consecutive years
- 2008. 7 recertified as an Excellent Enterprise in Quality Competitiveness
- 2008. 9 certified as Best HRD
- 2008.10 selected as Excellent Enterprise in Quality Competitiveness for 10 consecutive years first-ever among the public enterprises
- 2008.11 won Grand Prize of the Korean Sustainability Conference awarded the Sustainability Report Prize
- 2009.6 awarded the Korea Service Grand Prize for 4 consecutive years
- 2009.10 certified "Sector Leader" in the Dow Jones Sustainability Index (DJSI) Korea



R&D Investment

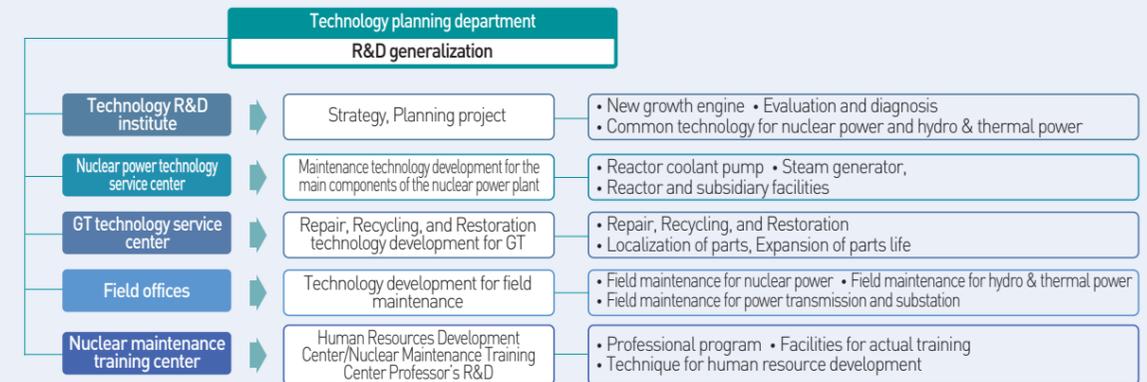
KPS is securing first-class engineering technologies by establishing the "KPS 2015 Mid- to Long-Term Technology Development Plan" and expanding efficient R&D investment every year.

Practice System for Research and Development

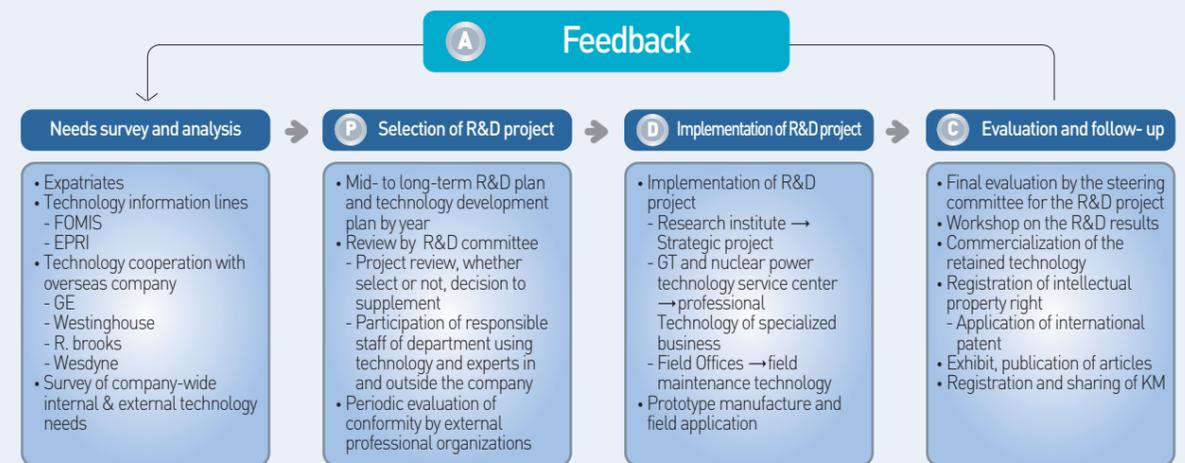
KPS builds and operates an efficiency-centered R&D practice system designed for concentrating on specialized R&D. It consists of the following: technology planning department in the headquarters, which plans and generalizes R&D; Technology R&D Institute, which accomplishes the strategic task for the nation and company; nuclear

power technology service center, which carries out the development of maintenance technology for the nuclear power plant (first-side), GT technology service center, which performs gas turbine repair and localization technology development; 45 local sites, which develop the maintenance technology required in the field, and; nuclear maintenance training center, which implements the instruction research project. It has specialized practice system and process to lead and promote

Specialized R&D Practice System



R&D process based on the PDCA cycle



Results of Change 10-10-10% Initiative

Category	Completed Themes	Proposals	Generated Vale (in KRW thousand)	Saved Man Hours
Workout	53	21	189,963	10,708
Task Group Activities	77	60	1,380,517	77,819
Proposal Activities	0	6,997	13,985,130	788,339
Total	130	7,078	15,555,610	876,866

Efficient Management of Organization and Human Power

KPS actively promotes efficiency in the operation of organization and human power to develop international competitiveness through the reinforcement of core capacity.

Through the expansion of the great team system and merging and abolition of similar functions, we streamlined the headquarters' organization to the 20% level (Reduction by 1 office and 7 teams) so that it

independently the R&D adequate for the business and service of organizations.

Mid- to Long-Term Technology Development

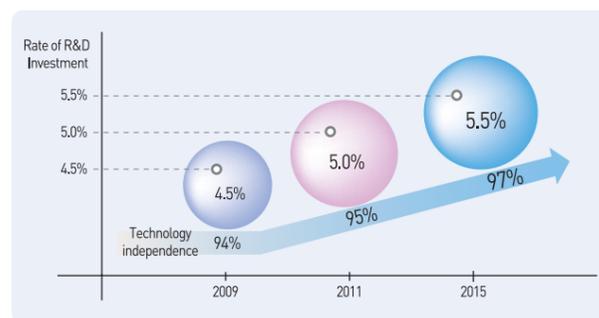
KPS carries out R&D for 4 large-scale projects including New Growth Engines technology, analysis and interpretation evaluation technology, maintenance optimization technology, and gas turbine maintenance technology, 11 medium-scale projects including new renewable energy, and 100 small-scale projects by 2015 based on the strategies for the implementation of core technology development, enhancement of international competitiveness, and reinforcement of R&D capabilities by establishing the "KPS Mid- to Long-Term Technology Development Plan."

KPS 2015 Mid- to Long-Term Technology Development Plan

vision	World's no. 1 total plant service company			
Goal	Securing maintenance system with international competitiveness			
Strategy	core technology	int'l tech. competitiveness	R&D capability	
Period	2009 ~ 2015			
Major project	New growth engine technology	Evaluation of diagnosis and interpretation	maintenance optimization	GT maintenance tech.
Middle project	New renewable, Nuclear energy, Power transmission & substation	Machine, Electric/Control, Life/Interpretation evaluation	Maintenance/Inspection technique, Forecasting equipment, Equipment	Existing business, New business
Minor project	27	25	35	13

Roadmap of Mid- to Long-Term Technology Development

With the success of the continuous expansion of R&D investment and mid- to long-term technology development, we shall secure international technology competitiveness by improving technology independence to 95% in 2011 and 97% in 2015 compared to 93% in 2008.



R&D Investment

Every year, KPS incurs R&D investment cost exceeding the sales increase for the intensive development of core technology and independence of technology particularly the expansion of research project cost, research facilities, and high-tech equipment and research and education for professionals. As a result, the proportion of investment in the total revenue has been on the rise: 3.87% in 2006, 4.01% in 2007, and 4.40% in 2008. Through the mid- to long-term R&D investment plan, such will be expanded gradually to 4.50% in 2009, 5.0% in 2011, and 5.50% in 2015.

Scale of R&D Investment

Category	2006	2007	2008
Amount of R&D investment	23,650	27,300	33,610
Sales	611,000	681,400	763,873
Rate of R&D investment	3.87	4.01	4.40

Mid- to long-term R&D investment plan

Category	2009	2011	2015
Rate of R&D investment	4.5	5.0	5.5

Technology Cooperation at Home and Abroad

KPS promoted technology and business cooperation with overseas leading companies including Westinghouse (WH) and General Electric (GE); we are reinforcing the R&D network by concluding MOUs with universities and institutes including Seoul University, Sungkyunkwan University, and Korea Electric Power Research Institute. We collect the

Domestic and Foreign Technology Cooperation and MOU Conclusion

Category	objects	fields
Foreign	WH (US, Westinghouse)	Nuclear power plant (first-side) technology Welding maintenance for dissimilar metal
	GE (US, General Electric)	Repair maintenance for gas turbine parts
	PARTZSCH (Germany, Partzsch)	Generator rewinding and parts supply
	R.Brooks (US, R. Brooks)	Steam generator (second-side) upper bundle lancing system
Domestic	College of Engineering, SNU	MOU on Industry-Academe cooperation
	Mechanical vibration lab. in Sungkyunkwan University	MOU on Industry-Academe cooperation in prediction and diagnosis field
	Korea Electric Power Research Institute Hydro & Thermal Power Institute	MOU on Industry-Institute cooperation in facilities diagnosis field

latest technology information and grasp technology trends and use them in selecting a new research project.



[Concluding MOU with Seoul National University]

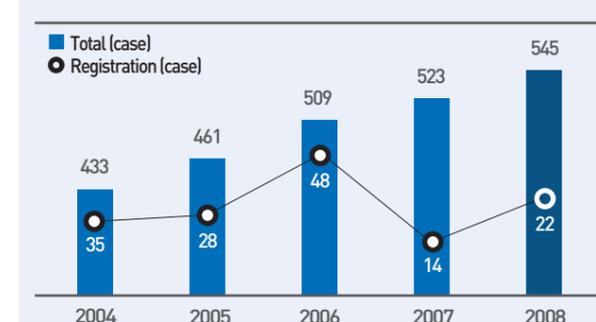
Intellectual Property Rights

KPS strengthens the intellectual property of maintenance technology accumulated by acquiring 545 patents and new devices as of 2008; it has continued to secure Intellectual Property Rights by setting the goal of obtaining one right per person since it applied for Intellectual Property Rights for the first time in 1993. In particular, it acquired its first international patent in 2008.

Status of Intellectual Property Rights Owned ('08.12) [Unit : case]

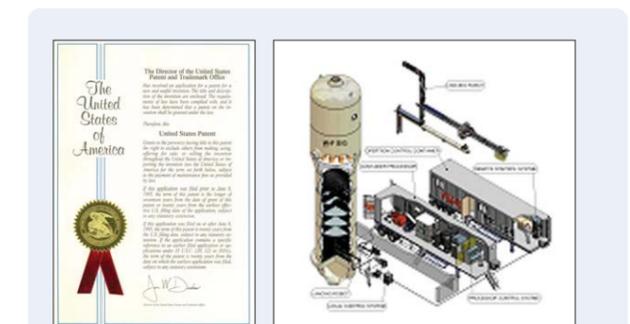
Category		Case
Patent	Domestic	236
	Foreign	1
New device		308
Total		545
Program		14
Article		181
Electric power new technology/Safety Mark		6
Total		201
Total		746

Securing intellectual property right [Unit : case]



Acquired first international patent for the company

Patent name	Upper-bundle Cleaning System of Steam Generator
Country of number/nation	6820575B2 / U.S.A



KULAN (KPS Upper-bundle Lancing System) : A high-pressure lancing system for steam generator tubes, it is a remote automated robot system for efficiently removing the sludge of tubes making up the heat pipe upper bundle of the steam generator (second-side) and tube support plate.

Participating and Winning a Prize in the 2008 Presentation of Success Cases of Patent Technology Commercialization

Patent name	(stud bolt (whole) cleaning, management system for inspection and damage history)
Country of application/year	Korea, US, Japan, China



[Korea Invention Promotion Association prize]

It is a robot for cleaning, inspecting, and managing the history of the stud hall for fixing the nuclear reactor head and container body connected directly to the nuclear power safety. It had a substantial effect on the reduction of work term and decrease in radiation exposure dose.

Core Retention Technology

KPS has promoted its mid- to long-term technology development plan since 1990. To date, the company has 69 retention technologies that it utilized in domestic and overseas businesses. We realized technology

independence in the field of nuclear power plant (first-side) and gas turbine whose production and supply used to depend on overseas manufacturers; thus realizing import substitution effects of more than KRW 22.4 billion in 2006, KRW 45.7 billion in 2007, and KRW 47.9 billion in 2008.

KPS Core Retention Technology

No.	Core Retention Technology
Specialized Maintenance Technology	
1	SHA : Simplified Head Assembly
2	Automated Non-Contact Run-Out Gauge
3	PCSR : Permanent Cavity Seal Ring
4	Steam Generator Lancing
5	Steam Generator Visual Inspection
6	KSNP Steam Generator Inspection System
7	BMI (Bottom Mounted Instrumentation) Nozzle Inspection System
8	Automatic Reactor Stud Hole Cleaning System
9	Reactor Head Penetration Inspection System
10	Heat Exchanger Tubes Maintenance
11	Vibration Measurement and Ultrasonic Inspection of Welding Spots in Small-Diameter Tube Sockets
12	RCM (Reliability Centered Maintenance) Analysis
13	RPV (Reactor Pressure Vessel) Nozzle Inconel Welding Joint Maintenance
14	AVR Diagnosis and Maintenance
15	Protection Relay Test
16	Automatic Synchronization System Analysis
17	PT/CT Diagnosis
18	Power Supply Diagnosis
19	Turbine Diagnosis
20	Performance Test of Boiler Components
21	Life Assessment of Boiler Components
22	Piping & Pipe Supports Engineering
23	Structural Modal Analysis
24	Noise Diagnosis and Analysis
25	Rotator Vibration Analysis

No.	Core Retention Technology
26	CERT (Coil End Repair Technique)
27	Robotic Generator Test
28	Generator Rotor and Stator Re-Engineering
29	Electrical Insulation Analysis
30	Valve Actuator Performance Analysis for Power Output Control (Electronic&Hydraulic Analyzer)
31	Speed Governor Analysis
32	Pump Diagonosis
33	Precise Analysis of Circuit Board
Nuclear Power Technology	
34	Baffle Former Bolt Reliability Test and Safety Assessment
35	Incore Thimble Tube Replacement
36	Inspection and Removal of Foreign Materials in Lower Head
37	IMS (In-Mast Sipping)
38	Removal of Stuck Studs
39	CO ₂ Cleaning of Vessel Head Penetration
40	PWSCC Repair for F-Model S/G
41	AUT (Automatic Ultrasonic Testing)
42	AUT of Reactor Pressure Vessel
43	In-Service Inspection of Pipes and System Structures
44	ECT Data Analysis
45	Visualization of Sludge in Secondary Side S/G
46	FOSAR (Foreign Object Search And Retrieval)
47	Valve Diagnosis
48	Eddy Current Test Acquisition
49	Robot and Remote Maintenance of Nuclear Power Plants
50	Steam Generator Tube Maintenance

No.	Core Retention Technology
51	Replacement and Inspection of Completely Disassembled RCP
52	Complete Disassembly and Inspection of RCP Motor
53	Reliability Analysis and Maintenance of RCP Seal
54	Chemical Decontamination of RCP Parts
55	Analysis and Maintenance of Deformed RCP Casing
GT Technology	
56	GT/ST Parts Recycling
57	Reverse Engineering
58	Welding/Laser Cladding/Heat Treatment
59	Heavy Duty Rotor Repair and Balancing
60	GT/ST Part Life Evaluation
61	Metallurgical Analysis and Test
Transmission & Transformation Technology	
62	Design, Management, construction and Safety Analysis of Power Systems
63	T/L Maintenance
64	Live Line Maintenance
65	HVDC Submarine Cable and Transformer Maintenance
Others	
66	Repair Management Database
67	Industrial Cleaning
68	New Renewable Every (Solar and Wind Power)
69	Power Plant Performance Upgrade and System Replacement

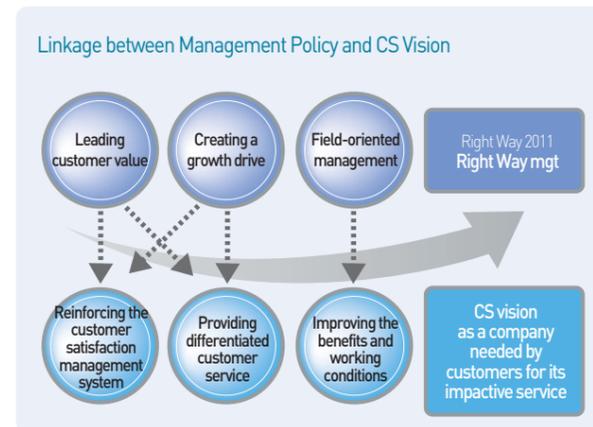
※Please visit our homepage(www.kps.co.kr) for details.

Customers

KPS sets customer satisfaction as the most important factor in becoming a sustainable company. It carries out activities through various systematic equipment aimed at “creating the best customer value” through “leading customer value.”

Management Strategy for Customer Satisfaction

A mid-to long-term management strategy for customer satisfaction is implemented; it is connected and systemized with management policy to achieve the management goal of the company. KPS sets the following as its management policy: leading customer value, creating growth engine, and practicing field-oriented management. Toward this end, we promote systematic activities, set the goal of reinforcing the management system for customer satisfaction, offer differentiated customer service, and improve the benefits and working conditions in accordance with the service vision of the company, i.e., a company needed by customers for its impactive service.



Proclamation of SI Representing Customer Satisfaction Management

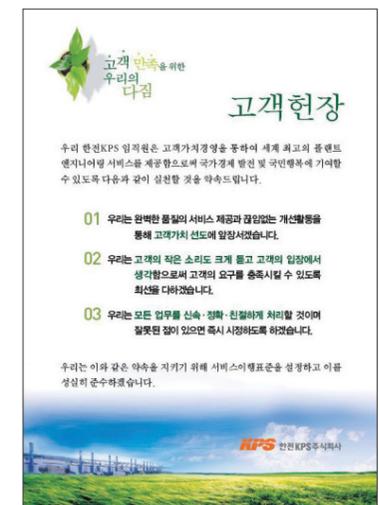
Service Identity (SI) represents the value that a company wants to deliver to its customers. Similarly, KPS makes its will to lead in customer value known through SI proclamation. In the course of SI development, we collected opinions on customer value through interviews with major customers and had opportunities to spread our core values to customers through them.

We developed and proclaimed the SI dubbed “Feel the Master’s Touch!” Company-wide capability is focused on customer satisfaction management and improvement of company image and trust through the proclamation of differentiated maintenance service by KPS.

The concept of this SI is that any stopped equipment starts to work at the touch of a hand by KPS, with energy emanating from it. It signifies the promise of KPS, i.e., our maintenance service shall have differentiated value and provide better service to customers.

Customer Service Charter System

Operated since 1999, KPS’s Customer Charter system consists of the Customer Charter, implementation standard for core services, and implementation standard for customer response service. The Customer Charter is a declarative representation carrying the promises to customers and the fundamental value of the service provided by KPS. The implementation standard for core services specifies the maintenance quality for customers, detailed standard, promise, and contract compliance for maintaining technology quality and matters related to customer service implementation. The implementation standard for customer response service consists of basic manners, contact points service standard by hydro-thermal power, nuclear power, transmission & substation, treatment of complaints, and customer participation. The attitude of staff and procedures for providing the best service are defined in the contact points with customers. We make and distribute manuals so all the staff may share and utilize them and implement CS education to apply to business.



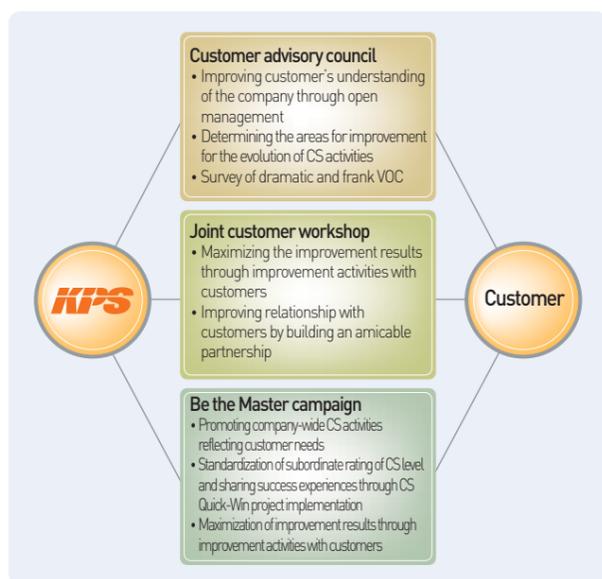
[Customer Charter]



Voice of Customer (VOC)

KPS manages various contact points systematically to identify customer needs and respond promptly and correctly through VOC. The contact points for VOC collection consist of direct dialogues, calls, various research, conference bodies, and webpages.

Among these, the customer advisory council, joint customer workshop, and Be the Master campaign are operated as systematic activities to reflect the voice of customer actively and improve the problems.



The customer advisory council is organized and operated by the operation division of the headquarters and all divisions to acquire VOC at contact points with customers, carry out customer satisfaction activities, strengthen relationships with customers, and reflect customer opinion on policy. Operated since 2005, the customer advisory council organizes an external advisory committee consisting of customers by organization and practices open management through active exchange (2 meetings a year).

Joint customer workshop is an improvement activity with a view to practicing open management and maximizing the results. Although improvement tasks need to be improved in the business interconnected with KPS and customers, the problems that KPS or customers cannot solve alone are selected, and the direction of task reflecting last year's VOC analysis results is set.

As a company-wide CS innovation, the "Be the Master" campaign aims at company-wide CS level high road as well as leading customer value through improvement across the company business by reflecting customer needs. Improvement tasks are selected by reflecting the VOC analysis and internal monitoring results. We lead the enforcement of CS mindset and improvement ability by drawing up Quick-Win tasks that are easy to accomplish so that many staff can share success cases.



[Customer advisory council]

Results of Customer Satisfaction Management

KPS has investigated customer satisfaction since 2001 as the initial year of introduction of customer satisfaction activity to measure and improve the customer satisfaction level. The method has been consistently improved. Apart from the Customer Satisfaction Index (CSI), we currently implement various research activities including Service Quality Index (SQI), Planned Outage Maintenance (O/H) satisfaction research, Employee Satisfaction Index (ESI) for employees, and Internal Customer Satisfaction Index (ICSI).

Among them, the planned outage maintenance is the biggest maintenance service provided by KPS. Thus, smooth communication with customers has a considerable effect. Satisfaction investigation has

Category	Survey results		
	2006	2007	2008
Customer Satisfaction Index (CSI)	93.0	93.3	94.7
Service Quality Index (SQI)	8.37	8.86	9.45
Employee Satisfaction Index (ESI)	70.1	73.1	74.2

been carried out for each planned outage maintenance since 2006. The investigation is conducted in each division, with the satisfaction level measured using a standardized questionnaire. The problems are identified and improved immediately, and the results are managed through intranet. The improved results are reflected on the management results of divisions, thereby spearheading constant customer-oriented improvement.

Customer Satisfaction Survey for the Planned Outage Maintenance(O/H) and Measures for Complaints

[Unit : person, case]

Category	Survey office	Projects	Persons surveyed	Measures
Hydro & thermal power	24	48	458	129
Nuclear power	10	14	705	115
Total	34	62	1,163	244

KPS has continued to participate in CS management competitions to analyze the CS management level and improve the system since 2005. Through these opportunities, the company is diagnosed by management experts. Results are reflected on the CS promotion plan. In particular, we could systemize the CS management system through the benchmarking of cases and introduction of techniques from excellent CS enterprise. Thanks to these results, we received the Customer Satisfaction Award (2005~2006) and Korea Service Award (2006~2009) and acquired the certificate of Excellent Service Quality (2006~2011) from the government; thus contributing considerably to improving the company image. We are also evaluated highly by external organizations.



[Korea Service Grand Prize]

[Certificate of Excellent Service Quality]

Good Practice of Customer Satisfaction Activity

Pressurizer Spray Valve of Yonggwang Nuclear Power Plant

KPS holds the Maintenance Practice Contest every year to systemize the management of maintenance records and share technology experiences as well as create an atmosphere conducive for technology development and improve maintenance technology. The excellence award in 2008 was for maintenance improvement in the pressurizer spray valve of Yonggwang Unit 1 and Unit 2. It was a case of contributing to the safe operation of the nuclear power plant by ensuring maintenance reliability through the improvement of the disassembly & assembly method and development of test equipment to solve the chronic problems (operation fault, control fault, and internal leak).

Yonggwang 1st brand office takes charge of Unit 1 and Unit 2 of the nuclear power plant in Yonggwang; it has a history of more than 24 years since the startup operation started in June 1984. Yonggwang Unit 1 and Unit 2 sites have facilities capacity of 950MW each and account for 10.7% of the total nuclear power plant facilities capacity. Since the nuclear power plant in Yonggwang was constructed with facilities by Westinghouse and not with Korean ones, it has many instruments; maintenance was also difficult due to the lack of modern maintenance facilities. Moreover, there were many outages in instruments in the seawater system due to the inflow of foreshore from the West sea during the sea water used as cooling water flows into the system.

Four years ago in 2004, an internal leak occurred during the 14th overhaul of Yonggwang Unit 2. Nuclear reactor team members who realized the necessity of bench tester development shared ideas on improving the equipment and grasped the operation state after printing the properties in graph form while implementing emergency maintenance after letting the reactor cool. They also developed a bench tester to test the valve under the same conditions as those in the field by installing a special tool to minimize part damage in case of disassembly. Through these improvement activities, KPS is able to prevent human errors in case of maintenance and implement maintenance completely without any rework or accident.



KPS constantly enhances brand value as a world-class O&M company

Growth

03 Global Management

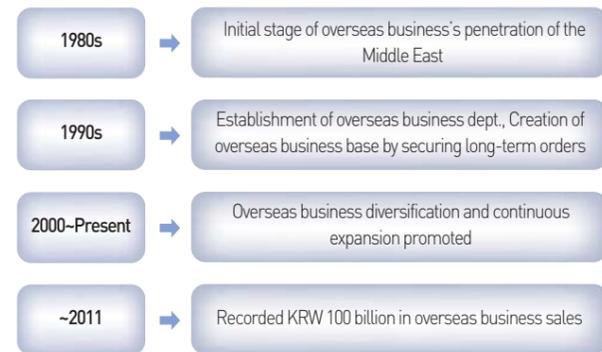
History of Overseas Business · Overseas Business Strategy · Overseas Business Expansion

History of Overseas Business

KPS explores various ways of overseas expansion to promote sustainable growth by acquiring internationally competitive management capabilities and technological prowess.

KPS has recorded KRW 50 billion in sales and received KRW 150 billion in orders following the export of O&M technology for power facilities to more than 10 countries including the US, Japan, Australia, India, Philippines, and Pakistan as of 2008. These performances are rated very highly at home and abroad, having been achieved with maintenance engineering technology only without tangible products.

KPS ventured into foreign markets starting with the overhaul(O/H) for the Southern Thermal Power Plant in Baghdad, Iraq in 1982. Since then, KPS has begun overseas expansion in Asian markets including the Philippines and China by establishing a new department in charge of overseas businesses in 1994 as part of efforts to realize a breakthrough in the sluggish domestic maintenance market. By the end of the 1990s, KPS laid down the foundation for overseas businesses by securing long-term O&M projects. In Australia, in particular, KPS was named successful bidder for the O/H of Bayswater Power Station and Eraring Power Station where Japan had been in charge of manufacturing and maintenance for 15-16 years. The company has been continuously maintaining these contracts backed by excellent prowess in maintenance service technology.



Early in the 2000s, KPS was faced with a new business environment such as the division of power plant companies, introduction of the competition system in the domestic market, and pressure coming from foreign global companies to open up the maintenance market in Korea. KPS actually conducted aggressive overseas marketing to solidify its business base by diversifying its business scope from the mid and long-term perspectives to overcome such threats. As a result, major breakthroughs in overseas sales and amount of orders received have been realized since 2006. For one, KPS established a bridgehead in India's power generation maintenance market; it also currently operates

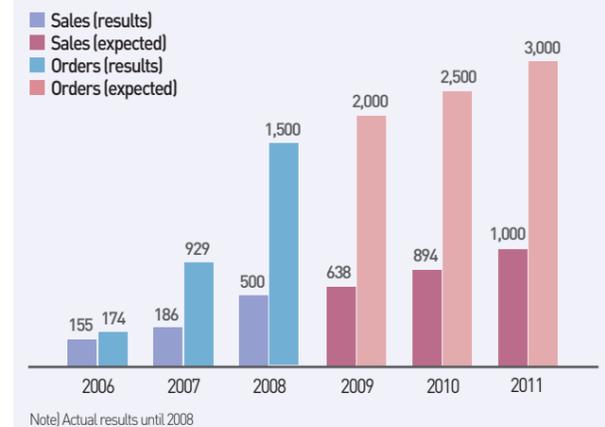
7 overseas offices as well as the Delhi office in India based on successful partnership with such overseas customers.

Current Status of Long-Term O&M Businesses of KPS Overseas

Project	India's Vemagiri Combined Thermal Plant	India's Chanderiya Thermal Plant	India's Jharsuguda Thermal Plant Phase I
Target Facilities	388MW (GT 268MW, ST 120MW)	247.74 MW (ST 77MW x 2units, 80MW, 9.4MW, 4.34MW)	675MW (ST 135MW x 5units)
Location	Andhra Pradesh Vemagiri	Rajasthan Chittorgarh	Orissa Jharsuguda
Project Duration	8 years and 6 months	6 years	5 years and 10 months
Contract Date	Jun. 2005	Sept. 2007	Mar. 2008

Project	Pakistan's Daharki Combined Thermal Plant	India's Balco Thermal Plant	Madagascar's Ambatovy Thermal Plant	India's Jharsuguda Thermal Plant Phase II
Target Facilities	175MW (GT 105MW, ST 70MW)	540MW (ST 139MW x 4units)	120MW (ST 400MW x 3units)	540MW (ST 130MW x 4units)
Location	Sindh Ghotki	Chhattisgarh Korba	Toamasina Toamasina	Orissa Jharsuguda
Project Duration	18 years and 8 months	5 years	5 years	5 years and 8 months
Contract Date	Aug. 2008	Mar. 2009	May 2009	Jun. 2009

Trends in Overseas Business Growth [Unit : KRW 100 million]



Overseas Business Strategy

KPS engages in strategic overseas businesses to cope actively with the rapidly changing international environment as well as for constant development and further growth.

Overseas business is the new growth engine of KPS, which has been actively coping with the ever-changing domestic and overseas business environments. It has consolidated the competitiveness of Korea's power facilities service and spearheaded the development of related industries. As such, overseas businesses are aggressively managed based on the mid- and long-term strategies and vision to be the world's leading total plant service company.

In 2008, sales in the overseas business sector stood at KRW 50 billion, accounting for about 6.5% of the total company sales. KPS boasts of technology edge and price competitiveness in the power facilities maintenance and operation sector. Moreover, it has technical personnel who carry out O&M projects abroad and places importance on customer value enhancement through customer satisfaction and establishment of customer charter and by securing service identity. KPS enhances brand value as a specialized O&M service company in the relevant overseas markets.

For 2011, KPS plans to expand overseas markets aggressively through equity investment and establishment of local subsidiaries in potential and promising markets to expand the sales of overseas businesses to KRW 100 billion annually. We are actually promoting a service package including diagnosis, design, manpower, equipment, and construction and securing financing and investment capabilities.

KPS seeks to be the world's leading total plant service company; we have established a global business strategy to implement marketing strategies suitable for the global markets and local features for business expansion. The company focuses on niche markets via service

differentiation and major sectors befitting the local and national characteristics; it expects 10% of the total sales to come from overseas businesses by 2011.

Market Approach Strategy

Region	Major Countries	Marketing and Sales Strategy	Major Sector
Southeast Asia	Philippines, Indonesia, Vietnam, Thailand	Expansion of joint penetration, commercialization of specialized tech.	Facilities diagnosis, GT parts repair, etc.
Southwest Asia	India, Pakistan, Sri Lanka	Business with IPP, CPP, partnership consolidation	O&M, Technology service, etc.
Oceania	Australia, New Zealand	Securing long-term regular customers, strategic market expansion	O/H construction, performance improvement, etc.
Middle East	Saudi Arabia, Lebanon, UAE, Turkey, Kuwait	Acquiring competitiveness in international bidding, alliance with domestic EPC companies	Technology service, O/H construction, etc.
Africa	Nigeria, Sudan, South Africa, Madagascar	Customized service, ensuring technology reliability	Performance improvement, restoration, O/H construction, etc.
Others	Eastern Europe (former Soviet Union), Central and South America (Chile, etc.)	Active company PR, securing local agents	Maintenance, restoration, O/H construction, etc.

Facility Efficiency Enhancement of Overseas Project

- Recorded maximum generation efficiency (India GMR)
- Awarded 5S in the Southern India region (India GMR)
- Trouble-free maintenance for generation facilities (Vemagiri, India)
- Named best factory for 2 consecutive years (Tajoon, Indonesia)
- Trouble-free O/H performance of Eraring Thermal Plant in Australia (8 years)



Overseas Business Expansion

KPS strives to expand its overseas business network; it is preparing to take off as a global company by actively carrying out customer satisfaction activities and fostering global human resources.

Consolidation of Overseas Business Capabilities

KPS expanded the overseas operation network to 24 overseas companies in 23 countries for a larger overseas promotion base. To pioneer the South America and Middle East markets, KPS secured the overseas network in Brazil and Qatar and increased the 20 partner companies in 7 countries to 24 partner companies in 8 countries.

New partner company	<ul style="list-style-type: none"> • US's ETS Power Group (GT parts production, supply) • US's R. Brooks (nuclear power plant steam generator (second-side) maintenance sector) • Germany's PARTZSCH (generator coil replacement technology and biz collaboration) • US's WH (Nuclear power plant - Technology collaboration of heterogeneous metal welding maintenance sector)
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In line with the overseas business expansion, KPS has established a personnel pool for overseas businesses to build a permanent dispatch system and for responsible construction abroad; at the same time, securing global manpower is required. Experts for foreign markets are also fostered for marketing in promising markets and sales and business environment survey. In 2007, KPS identified the business conditions along with the overseas sales network through the 3-month regional experts' training in Indonesia. As of 2008, KPS has been developing and promoting 3 new projects including the KAPCO combined cycle test run in Pakistan following the 6-week regional experts' training held in Pakistan.

Roadmap for Expert Fostering

Category	Details
Step 1 (2008)	<ul style="list-style-type: none"> • Manpower pool for overseas businesses - Personnel engaged in overseas businesses possessing competencies
Step 2 (2009)	<ul style="list-style-type: none"> • Specialized job training and language education - Opening and operating language courses at the training center • O&M training at overseas offices - Operation and maintenance training of manpower pool of overseas businesses
Step 3 (2011)	<ul style="list-style-type: none"> • Review of specialized personnel organization for overseas businesses - Specialization of personnel pool for overseas businesses

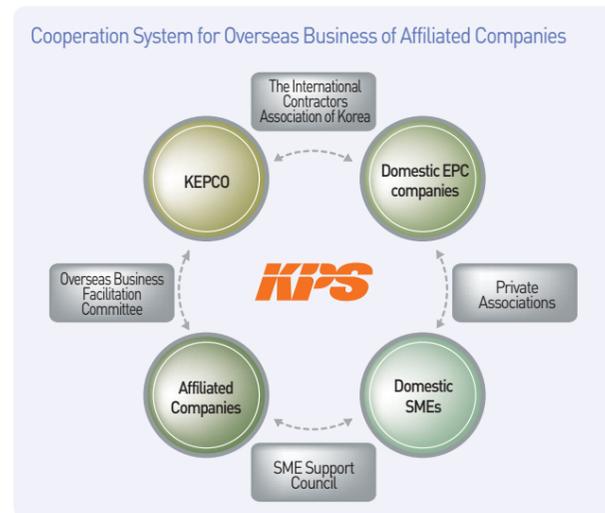
KPS actively conducts customer satisfaction activities. We continually carry out company PR by introducing our management and technology status and domestic power plant maintenance status through the invitation of major customers abroad and overseas-based local personnel to Korea. To ensure sustainable growth through customer satisfaction, we execute customer satisfaction implementation standards until a customer says, "We want only KPS." Through the adoption of the overseas site assessment system, KPS delivers feedback to each

overseas site via the operation assessment of each every year-end so that customer satisfaction management can be constantly executed.

Affiliated Companies' Collaboration

KPS enhances its global competitiveness by building a collaboration system through role sharing based on the promising sectors of affiliated companies. Each affiliated company consolidates business development capabilities through the sharing of advanced management and technology information accumulated in the following sectors: business development and general management of Korea Electric Power Corporation(KEPCO); power plant operation by power plant companies; facilities maintenance by KPS; power plant design by Korea Power Engineering Company Inc(KOPEC), and; information and communications of Korea Electric Power Data Network(KDN). KPS also enhances efficiency in securing orders overseas through cooperation in the global energy group (One-KEPCO).

Such co-development effort is manifested by the signing of the KEPCO - India GMR collaboration MOU, nuclear power plant development information provision in Turkey, KPS-WH technology seminar (Sept. 2008), and joint membership with US's ERPI (Oct. 2008) in terms of advanced technology exchange. With regard to joint technology development, KPS secured technology in the nuclear power plant steam generator (second-side) maintenance sector (US's R. Brooks.); international competitiveness has been ensured through the 5 cases of intellectual property rights in technology development. KPS has been engaging in field estimation for co-business development maintenance



by sharing cost information.

As part of efforts toward joint development by affiliated companies, we have established a collaboration system for overseas business and technology development. By setting up an overseas business facilitation committee, we consult on the means of activating overseas business, exchanging business information, and efficiently operating a job collaboration organization with the establishment of information archives and system for overseas businesses.

Joint Performances of Affiliated Companies for Overseas Penetration

Category	2006	2007	2008
Countries for joint penetration	2 countries (Philippines, Lebanon)	3 countries (Nigeria added)	3 countries including Jordan/Indonesia
Sales amount	KRW 4 billion	KRW 4.8 billion	KRW 19.3 billion

Best Practice in Overseas Businesses

[Normalization of Khartoum Thermal Power Plant No. 3 Generator in Sudan] The customer-oriented management and service mindset of KPS enable it to respond to customers' various needs backed by the know-how of personnel along with outstanding technology in the overseas business sector.

The Sudan Electricity Authority requested the manufacturer for the normal restoration of a generator; the manufacturer returned to its home country, however, asserting that such trouble was not covered by the contract. Against this backdrop, KPS was requested for the maintenance of the No. 3 generator of Khartoum Thermal Power Plant since it had not been operated for 3 months.

KPS began a test run of the reoperation of the No. 3 generator following inspection of the equipment for 2 weeks by visiting the office early January 2008; the test run failed, however. Judging from experience, KPS concluded – following facilities inspection – that the facilities had no problem and looked into the system and engineering. The main culprit was that the turbine's speed did not increase despite the opening of the main steam valve. As a result of thorough overhaul, the orifice was found to have some problem in the dimensions of the spare part of the four steam adjustment valves. A small orifice damaged by steam halted the operation of a huge generator. Since then, Sudan Khartoum Thermal Power Plant has requested KPS for the supply of 15 spare parts; for its part, KPS commissioned a domestic company for this order. Through power plant normalization, KPS has laid down the foundation for maintaining close partnership with the relevant Sudan authority and the power plant for planned preventive maintenance and facilities improvement.

Stakeholder Interview

Technological Edge of KPS

Madan Singh, Mechanical Manager
Hindustan Zinc Limited (HZL)
(India's Chanderya CPP O&M Customer)



Hello. I am Madan Singh, chief of the mechanical division at HZL, the only Indian company that owns mines, refines, and produces metal products; its Chanderya Plant is the world's biggest zinc plant, producing 520 thousand tons of zinc and 85 thousand tons of lead on a yearly basis.

We are also operating two thermal plants with power generation capacities of 77MW and 80MW. Incidentally, we would like to take this opportunity to express our gratitude to KPS for having operated and maintained them since the early construction stage of the plants.

First, we are very satisfied with the performance delivered by KPS in a few cases related to technical issues. KPS retains very competent technical teams that can solve issues within a short time. In fact, the mechanical team and operation team of the company are renowned for their flawless performance. Moreover, the well-established technical support system of the headquarters in Korea enabled it to point out the errors of the producer during the performance test in the test operation for power plants and demonstrated outstanding engineering capacity in solving the problem of vibration of the turbine of the No.1 plant.

Second, the rate of use of plants by HZL has been sustained beyond expectations. This is one facet of performance that we were able to realize because KPS has provided optimized resources.

As a customer that has seen major outcomes from the cooperation of KPS and Vedant Group, HZL is very satisfied. We would like to implement long-term projects with KPS. The maintenance of quality of the service currently provided by KPS is also critical in the future.

We are expecting more experts' visits from KPS to improve the performance of the plants further. In particular, we hope KPS's staff will be motivated after observing power plants overseas including India. I want to visit Korea myself to see the actual work performance, infrastructure, and potentials of KPS.



Always
Together

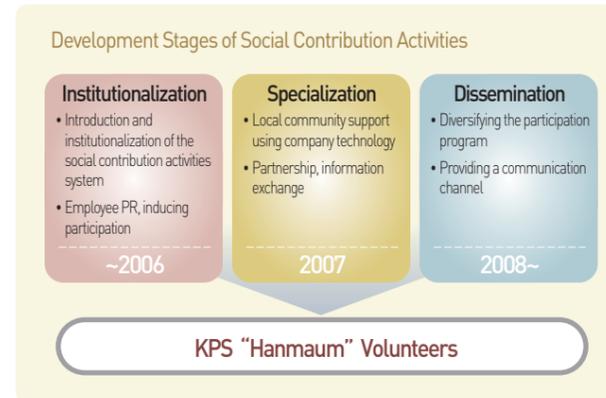
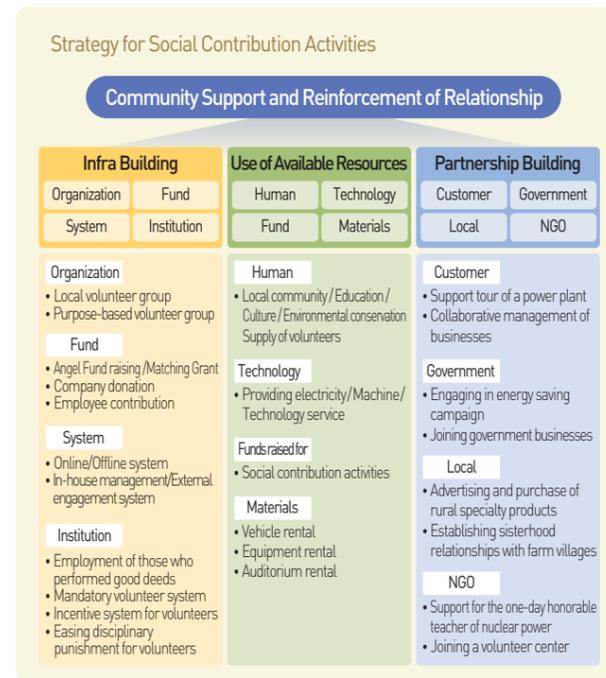
KPS shares happiness in
society as a true corporate citizen

Social Contribution

KPS is setting an example as a good corporate citizen through its active social contribution activities and revitalization of stakeholders' communication by building the sharing network.

Social Contribution Strategy

Cognizant of the effect/value of social contribution activities, KPS carries out social contribution activities aggressively; in fact, we integrate them into our management strategy. The social contribution activities based on this strategy are connected to the long-term vision or strategic goal; KPS and society are working together for the promotion of mutual interests.



Results of Social Contribution

KPS secures activity funds through increased participation in Angel Fund the self-regulating fund raising and grant matching among the company's members and company budget. The results of social contribution are growing annually, thanks to the expansion of relationships with local communities and continuous activities; we continue to carry out social contribution activities faithfully by expanding practical volunteer work.

Results of Social Contribution per Year [Unit : case, person]

Category	2006	2007	2008
Cases	1,572	1,880	2,240
Participants	12,337	12,173	12,548

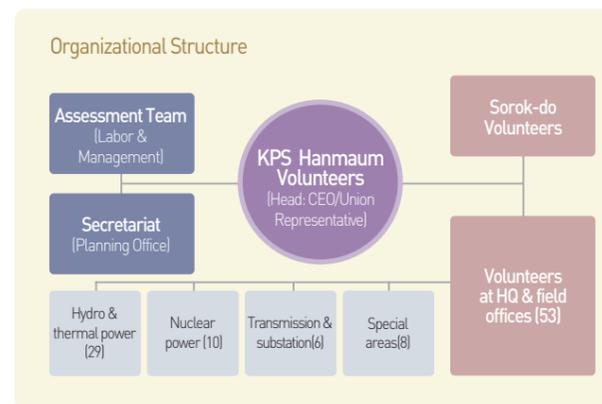
Promotion Result for 2008 [Unit : case, KRW 1,000]

Category	Donation of money	Donation of goods	Purchase of goods	Cost of Volunteering	Total
Cases	941	1919	55	1,953	2,240
Amount	648,425	109,020	14,642	65,649	837,736

Hanmaum Volunteers

About the Hanmaum Volunteers

Since the launch of the Labor and Management United campaign in July 1996, KPS has pursued a number of campaigns to help needy neighbors and environmental projects forming part of the campaign. In 2005 in particular, the Hanmaum Volunteers was founded to implement social contribution activities in a more organized manner.



Slogan The "Sharing Love for Harmonized World" slogan signifies the will of the Hanmaum Volunteers to deliver the light of hope by gathering our love and sharing them to needy neighbors and local communities and helping create a bright, warm world

where we can all live together.

Emblem It shows two people with their arms around each other and their other hands forming a heart. This means that we unite with neighbors and local communities by loving and sharing and create a happier, laughter-filled society.

Activity fields of the Hanmaum Volunteers

Fields	Contents
Specialized volunteering	• Company's specialized projects • Technical employees (electric and machinery) provide services to local communities using their plant service expertise. - Inspection and repair of electric facilities, farm equipment, warehouses, and barns - Restoration of disaster-stricken areas (removal and facilities repair)
General volunteer works	• Local community's projects • Implementation of practical activities that help solve the problems of neighboring communities and contribute to cooperative development - Supporting welfare facilities and providing a helping hand at farms, campaign for traffic safety, blood donation, helping the needy, advertising and purchasing rural specialty products
	• Education and culture • Educational support related to electricity, machinery, and energy and cultural assistance targeting less developed regions adjacent to the power plants - Support as one-day honorable teacher of nuclear power, supporting power plant experience learning - Supporting children in remote islands with books, mini concerts and plays; supporting local community athletic events
	• Environmental protection • Environmental conservation targeting regions adjacent to power plants, implementing environmental conservation activities during works on the transmission tower - Purification activities in the mountains, sea, and rivers - Wildlife conservation around power lines, preventing and fighting forest fires, planting trees
Fund support	• Implementing financial support activities that help solve the economic problems of the needy - Support in the form of grants and subsidies (scholarship, medical cost, etc.) and in kind (educational equipment and basic necessities) - Purchase of products (products made by the differently abled, rural specialty products)

Specialized Volunteering

The Hanmaum Volunteers designated specialized services based on maintenance expertise in the plant service, equipment, and manpower of the company as specialized operations; it has been performing volunteer

works including the maintenance and replacement of electric facilities, inspection/repair of electric appliances and farming equipment, construction and installation of village welfare facilities and safety facilities, restoration of disaster-stricken areas, and environmental conservation activities.

Main Social Contribution Programs

| Volunteer works in Sorok-do | Located in Nokdong-ri, Doyang-eup, Goheung-gun, Cheollanam Province, Sorok-do is a small island where patients suffering from Hansen's disease live together. KPS expanded the activities carried out by the Hanmaum Volunteers in Jeju office for the last 20 years-which are considered excellent cases throughout the company -to assist the neglected class living in the area. In particular, we founded the Sorok-do Volunteers; we have provided material support and services that ordinary volunteers do not usually offer, such as electricity, machine, and technology services



| Post-Disaster Reconstruction | KPS shared the pains of residents living in special areas hit by flood, heavy snow, and landslides. We worked hard to carry out restoration support activities in damaged areas by mobilizing company vehicles, equipment, and professionals in keeping with our "Sharing Love for Harmonized World" mantra.



| "Mandatory" Volunteering by New Recruits and Managers | KPS has introduced and enforced the "Mandatory Volunteering Time System" to promote participation in social contribution activities by employees. Since 2005, new managers (deputy general manager, general manager) have participated in group volunteer work for more than one day (8 hours) based on their own initiative; such work was expanded to new recruits. They also shared and experienced the company culture of sharing.

Strengthening Social Contribution Communication

Since 2007, we have published "Social Contribution Activity Report." Through the report, KPS promote stakeholder reliability and enhance employees' recognition of social contribution. In 2008, we opened the "Sharing Network" on the company website, reorganized the existing "Information Bulletin," and expanded the "Participation Space" so that employees and beneficiaries can ask for or offer help.



[Awarded the Korea Social Contribution Prize]

Global Social Contribution Activities

As the international power facilities for generation facilities, KPS implements various social contribution activities suitable for the local characteristics. This is a strategy not only for expanding overseas businesses but also to support local communities where overseas operations are executed.

Local Community

We participated in the "Scooping Rice of Love" event co-sponsored with ONGC, a company near the Vemagiri office in India; we also donated food to 150 persons including Hansen's disease patients as well as necessities to the victims of gas explosion in Dhulla Village near the

power plant and Diya-Jyoti Hostel, the social welfare facilities located in Korba near the power plant of the Balco office in India. On the other hand, the GMR office in India donated school supplies and subsidized the lunch cost at Shree Sanwaria Bahu Udeyash School, a school for the disabled in Chanderiya Village near the power plant. It also held an event dubbed "Happy Together" wherein the family members of outstanding employees were invited to share a luncheon and tour the plant.



Education & Culture

For three years since 2006, the GMR office in India has delivered school supplies and necessities to about 20 students living in Vellachery, a low-income residential district. We conveyed KPS's excellent technology and invited local employees working in the thermal power plant in Balco, India to train them on benchmarking for two weeks in 2008. We also taught the technology on shaft alignment and vibration to 12 generation maintenance staff at the training institute under the supervision of the Electricity Authority in Sudan.



Business Partners

KPS carries out various substantial support operations for SMEs to enhance their competitiveness. Specifically, win-win cooperation relationships are fostered with SMEs including technology transfer and result sharing.

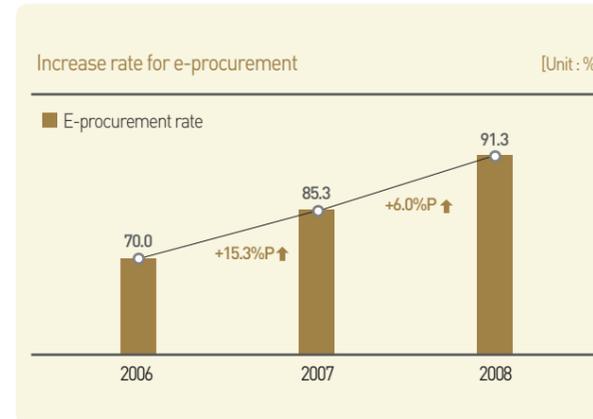
KPS evaluates not only capital, construction results, and construction ability but also the safety management status (including the occurrence of safety accidents), violation of the Fair Trade Act, delayed payment of wages to employees, payment of appropriate labor cost, yearly manpower fluctuation, retention rate for technology qualification, and harmony with the community (occurrence of civil complaints) to expand sustainable management in the supply chain.

Fair Trade

KPS strives to expand the rate of e-procurement and competitive bidding, improve the contract system, spread ethics, and improve the integrity level in securing the contract business transparently and ensuring customer satisfaction.

Expansion of the E-Procurement rate

When contracting construction, service, and purchase of materials worth more than KRW 3 million, e-procurement should be applied. Beyond KRW 20 million, competitive bidding should be implemented; hence the constantly rising e-procurement rate.



Improvement of Contract System

KPS established an open channel with companies, enforced the interactive integrity contract, simplified the document/procedure related to purchase, and improved the contract system.

- Establishment of open channel with companies
- Enforcement of interactive integrity contract
- Simplification of procedure related to purchase

- Enforcement of pre-open system for purchase specification
- Enforcement of plural preparation price for purchase bidding
- Optimization of purchase system connected to ERP building
- Registration of all offices in the demand organization(volunteer organization)
- Simplification of screening standard for partners



[E-procurement system]

Spread of Ethics and Enhancement of Integrity

We practice the message auto-alarm guiding ethics management to spread ethics management and enforce the job rotation system for contract-related employees and reporting system for ethics management (whistleblower, dilemma counseling center, Shinmungo, complaint center of companies).

We continuously maintain the very best integrity level (above 9.0); in fact, we have improved systems such as the enforcement of mobile education for all offices, meetings, and interviews between companies, strengthening of education and PR including the self-regulating campaign for a sound life, and reinforcement of availability of formal objection.

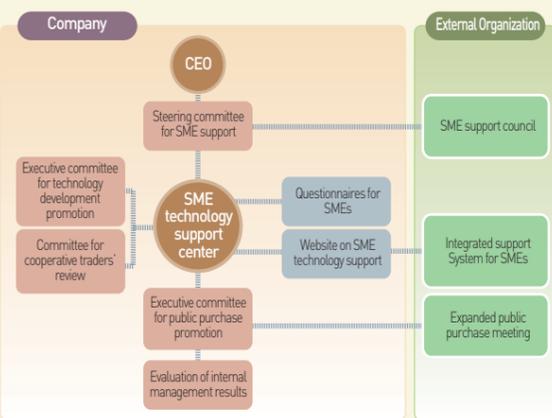
Win-Win Cooperation

KPS actively supports SMEs' technology development and provides market support, training manpower, financial support, and sharing benefits. Since 2006, we have been operating an SME technology support center, an SME support steering committee, and an SME support website to maximize company value through win-win cooperation with SMEs, address the problem of imbalanced development caused by the difference in competitiveness, and strengthen the competitiveness of SMEs. This way, we are contributing to improving the institutionalization

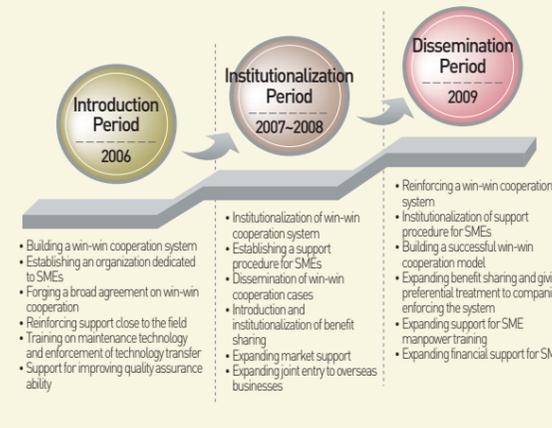
Vision of Mutual Cooperation



Promotion System for Win-Win Cooperation



Annual Action Plans for Win-Win Cooperation



of SMEs' management and fostering the capability for independence.

Win-Win Cooperation Program and Results

| Support for Technology Development |

KPS supports the technology development of SMEs to facilitate such and improve maintenance reliability.

- Enforcement of cooperative research development
- Support in applying for intellectual property rights
- Support for the acquisition of quality certification
- Support in improving quality assurance ability

| Marketing Support |

KPS purchases products of SMEs by allowing private contracts when purchasing SMEs' products. It also supports partners executing overseas construction.

- Expansion of purchase of SMEs' products
- Joint entry to overseas businesses

| Support for Staff Training |

KPS operated a qualification system for maintenance assistants to ensure improvement in maintenance technology and stability of facilities by SMEs. It also provided education on technology transfer.

- Operation of qualification granting system for maintenance assistants of nuclear power plants
- Maintenance training for maintenance companies managed by private sectors

| Financial Support |

KPS offers various kinds of financial support to reduce the financial cost of SMEs and improve management stability.

- Prompt payment of purchase price
- Mortgage support
- Sustaining the win-win cooperation fund

| Enforcement of sharing of achievements |

KPS has enforced the sharing of achievements including "Selecting Products to Develop and Purchase First" and "Support for Retention Technology Transfer and Commercialization" since 2007.

- Selecting products to develop and purchase first
 - Short earthing device for converter reactor
 - Light seatbelt for power transmission
 - PDA-based multi-functional vibration meter

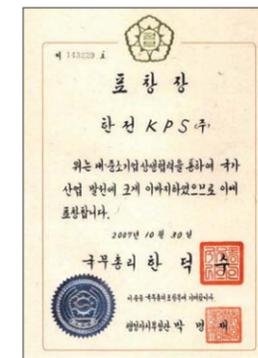
- Support for retention technology transfer and commercialization
 - Selected technologies for transfer (Total: 20; Patents: 10; New Devices: 10) in October 2007
 - Transferred 3 intellectual property rights to SMEs in November 2007



[Signing Ceremony for the Agreement on the Assignment of Intellectual Property Right]

Award for Win-Win Cooperation and Future Promotion Plan

As a result of its constant promotion of win-win cooperation with SMEs, KPS was given a Prime Minister commendation in the group division during the 4th Large Enterprise-SME Cooperation Awards in October 2007. We vow to promote more practical and intensive win-win cooperation and grow together with SMEs.



[Prime Minister Commendation in Large-Enterprise & SME Cooperation Awards]

Stakeholder Interview

Paradigm of Sustainable Cooperation

Yong-Ju Jung
CEO, Daehwa Construction

"Confidence" itself creates added value. Brand value is usually the value inherent in the brand. I can say that KPS – which is pursuing sustainable management – is a "reliable company." Having shared joys and sorrows with KPS for many years, the staff of Daehwa Construction believes that the sweat shared with KPS in its generation facilities had not been in vain when they see the outstanding development of KPS. The challenge of sharing results through win-win cooperation with SMEs for mutual development remains across the field, although we cannot see the overall management of KPS, which always reaps results in the course of responding to the rapidly changing management environment.

Looking back, business partners were provided with the opportunity for technology cultivation through strategic co-work. KPS also helped enhance maintenance quality by encouraging participation in maintenance training at any time; in fact, there were so many cases wherein KPS provided active support through its expert engineers in case of technical problems that could not be solved by the business partners themselves in the course of work.

With a strengthened safety management system in the field, we realized a considerable reduction in the safety hazard rate by inspecting the risk to all kinds of works first and evaluating them if they are harmful before starting to work.

In terms of management, partners benefitted from the prompt construction calculation and automatic transfer; they also got to improve management efficiency, thanks to the ERP (company-wide resource management) system operated by KPS.

Moreover, thanks to KPS's effort to include value in society, there are indices showing that many SMEs including Daehwa Construction easily improve the management environment in their respective fields. Once creativity is considered to have developed based on the wide knowledge and experiences in the relevant field instead of in vacuum state, we expect to share the results by establishing a paradigm of sustainable management through active participation in the company's "win-win management" – which pursues the maximization of company value through win-win situation and coexistence – including the co-penetration of overseas markets."

Creative talent serves as KPS's driving force
in leading the generation facilities
maintenance industry

Infinite
Passion



05 Human Resources

Human Resource Management · Talent Development · Labor-Management Relations · Safety & Health

Human Resource Management

KPS upholds the dignity and values of employees, embodies fair personnel management and strong welfare system, and fosters employees as creative experts. Through all these, KPS lays down the foundation for sustainable growth.

KPS's Ideal Talent

KPS understands the importance of human resources as the core subject of implementation for continuous growth as a global company and manages and develops them accordingly. We uphold the dignity and values pursued by personnel and listen to their opinions through various channels that allow them to manifest themselves freely. We have also implemented policies to help the weak classes such as women, non-regular workers, and differently abled.

The ideal talent of KPS is a globally Advanced, Customer-centered Expert (Global ACE). Based on customer-centered thinking, KPS pursues securing competitiveness leading the global markets with continuing innovation and highest-level expertise and professionalism through constant learning and technology development.

Strategic Human Resources Management, Development, and Welfare System

KPS's Ideal Talent

Global ACE(Globally Advanced Customer-centered Expert)

Strategic Human Resources Management, Development, and Welfare System

Creative Personnel

- Uphold personnel's dignity and value.
- Strategic performance management system (BSC, KPI)
- Reasonable performance reward, motivation
- Enterprise task force team, matrix organization operation
- Communication, job improvement, authority delegation, knowledge management, etc.

Systematic human resources management

- Capability and performance-oriented personnel system
- Operation of systematic personnel fostering system
- Exploring training/education programs to draw up company strategies
- CDP, successors fostering, activities aimed at passing down knowledge
- Core capability evaluation and use, socially equitable employment, etc.

Family-friendly welfare system

- Activation of safety & health management system
- Promotion of consistent improvement of office work environment
- Establishment of New KPS Welfare 2010
- Selective welfare system operation
- Family-oriented cultural activity promotion including Father's School

KPS develops the ideal talent in line with the core values it pursues, fair performance evaluation system, and global talent fostering and operates an in-house certification system to shape a performance-based organizational culture that enables self-realization for employees within the company as well as fairly rewarding them according to their individual capabilities. We also strive for balance between work and life, rational welfare system to offer high value and instill pride, support for post-retirement life design, and safety & health.

Status of Personnel

Category		2006	2007	2008
Regular position	Staff			
	Office work	266	285	303
	Technical	3,743	3,846	3,955
	Subtotal	4,009	4,131	4,258
Privileged position		20	236	207
	Subtotal	4,029	4,367	4,465
Non-regular position		1,014	473	682
Total		5,043	4,840	5,147

Note 1. Privileged position : Personnel engaging in special jobs (the head of emergency plan team, nurse, etc.) other than personnel managed in the prescribed number
 2. Non-regular position : Personnel under contract, engaged in simple or auxiliary work that is not managed in the prescribed number

Upholding Personnel's Dignity

Establishment of Ethical Management Ideal vis-?-vis Employees

KPS practices pro-human management, i.e., "We uphold the individual employee's dignity and values and embody fair personnel system and strong welfare," as its ethical management of personnel.

Employee Satisfaction Survey

KPS carries out employee satisfaction surveys by commissioning an external agency to conduct the survey. Employees are targeted by the survey, which is part of efforts to identify and address emotional and systemic problems through regular active feedback each year.

Employee satisfaction survey [Unit : score]

Year	2005	2006	2007	2008
Satisfaction level	66.9	70.1	73.1	74.2

※ In-house survey : 2005 and 2006/External commissioned survey : 2007 and 2008

Operation of "Open Channel" system to handle the grievances of employees

KPS has built a computerized system dubbed "Open channel" to handle promptly and efficiently the grievances of personnel on-site. Any employee who has grievances can raise such; the site director concerned, union representative, and head office's Personnel Dept. will quickly handle them in a concerted manner. This way, employees can invoke their rights to lead a humane life in the industrial worksite and the right to pursue a happy life within the workplace.



[Conversation between CEO and employees at a field office]

Respect for Personnel's Human Rights and Diversity

Gender Equality Prohibiting Discrimination by Gender

KPS implements the women employment expansion policy to secure outstanding talent and enable their utilization, not for moral and ethical reasons or to observe the legal requirements. KPS has eliminated the practice of women whose entry in the male-dominated power generation maintenance service industry is being hampered and has actively employed women workforce. As of the end of 2008, KPS's women employment ratio stood at 1.79%.

KPS also promotes gender equality through active women workforce management and support such as shunning discriminatory factors affecting women workforce in case of recruitment, promotion, and reward, activates female employees' grievance consulting, and manages maternity protection. Moreover, KPS faithfully observes the Agreement on Equal Wage of Male and Female Workers for the Same Work" under No. 100 of the International Labor Organization's Convention and "Pact on Discriminatory Treatment in Employment and Occupation" and No. 111 of the same convention for fair reward between men and women.

KPS shall actively make efforts toward maternity protection to prevent

the phenomenon of employment severance due to childbirth, child rearing, and household chores during the period when women should work most actively; the company believes much attention will be paid to balance between work and life considering the demographic, social, and economic structure changes.



[Recruitment interview for women]



[Education on sexual harassment prevention]

Recruitment of the Socially Underprivileged

To be a respected and reliable company among the citizens, KPS fulfills its social responsibility by expanding the recruitment of the disabled and patriots and related people.

The no. of disabled employed was 142 as of 2008; this is 2.4%, higher than the 2% mandatory employment ratio under the Disabled People's Employment Promotion and Job Rehabilitation Act. For the disabled, KPS implements a preferential policy of adding 5% of the score during the screening by stage prior to recruitment. We have been implementing a social equity recruitment system targeting the low income bracket with economically weak status since 2007.

Promotion of Workers Holding Non-regular Positions to Regular Positions

To solve fundamentally the discrimination problems of workers holding non-regular positions, KPS converted 254 and 65 workers holding non-regular positions into those holding regular positions in Oct. 2007 and Jan. 2009, respectively.

Appointment of Provincial Talent

KPS does not discriminate provincial university graduates as per the capability-oriented recruitment principle. KPS employed 62 provincial university graduates or 66% of the total recruited graduates in 2008. By implementing a recruiting policy that is limited to regions around power plant areas, KPS strengthens cooperation with the local residents and pursues the local economy's sustainable development.

Prohibition of Forced Labor and Child Labor

KPS prohibits forced labor by observing the Labor Standard Law of Korea, ILO Convention No. 105. "Agreement on the Abolishment of Forced Labor," and No. 138. "Agreement on the Minimum Age of Employment." We carefully consider working based on the employee's free will. As a result, we have had no cases of breaching the forced labor and child labor prohibition provision since our establishment.

Formation of Performance-based Organizational Culture to Build a Global Organization

Employees set individual job objectives through the consultation process with superiors. KPS carries out performance assessment through interviews with superiors; performance results are compared with individual job objectives at year-end.

KPS has established a technician assessment system that measures the company's current technical level, secures talented personnel suitable for the company's technical level, and motivates employees through training & education, learning, and self-development. KPS also uses all these in pooling experts and creating an overseas human resources pool by field.

To enhance pride in being technicians and instill an indomitable spirit, we implement the KPS Technology Master system. The qualification includes high-grade technology holders, certified technology masters, or skill masters. A total of 61 persons have been certified as of 2009 (1.3% of the total manpower).

Personnel certified as technology master are granted the opportunity of total training/education as the priority as well as the chance to acquire advanced technology in the maintenance industry. Technology masters are aggressively deployed in the Technology Research Center and overseas offices and fostered as key personnel of KPS. The company plans to take advantage of these to grow into a global technology company.

To foster our employees as talented personnel required for career development and needed by the company and promote love for work, KPS creates a performance-centered organization through the following: Rotation system, Desired duty system, Omnidirectional appointment, Public invitation of persons holding the relevant positions, and Special scouting of specialists and teaching staff.

Retirement

The number of retirees in 2008 stood at 65, accounting for 0.78% of the total number of employees: 19 retired after reaching the legal retirement age, 4, after having been laid off, 37, owing to voluntary retirement, and 5, due to other reasons.

Status of Retirement for the Past 3 Years [Unit : case, %]

Category	2006	2007	2008
No. of retirees	51	117	65
No. of voluntary retirees	25	78	37
Turnover (No. of voluntary retirees/Total no. of employees)	0.62	1.79	0.78

Note) The high number of voluntary retirees and turnover in 2007 includes the 38 employees who were covered by the conversion from privileged positions into regular positions.

KPS operates the "Second Life Support Program" so that personnel can lead a successful second life after retirement. The system targets personnel who applied for a change in appointment a year before retirement when they will have reached the legal retirement age or candidate personnel to be laid off; position transfer training and research task shall be carried out for them to be helpful in company development and successor fostering.

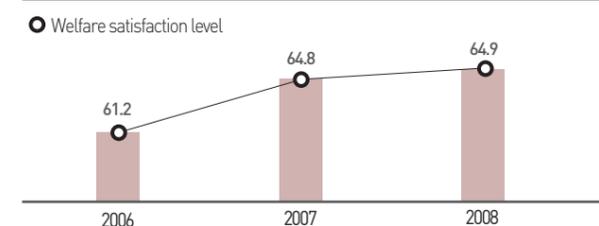
Embodiment of Balanced Welfare System

To create a pleasant workplace that enables striking a balance between work and life, KPS established short- and mid-term welfare plans. To

ensure efficiency of modernization commensurate to the total welfare expenses, KPS introduced the selective welfare system in 2002; it has improved welfare satisfaction through the adjustment of welfare items such that they are in line with personnel needs and welfare card improvement. When the company was listed in the stock market in 2007, KPS promoted the increase in personnel's actual income through the preferred allotment of 20% equity interest to the employee stock ownership association (allotment unit price: KRW 13,300 in 2007; unit price in August 2009: KRW 33,000).

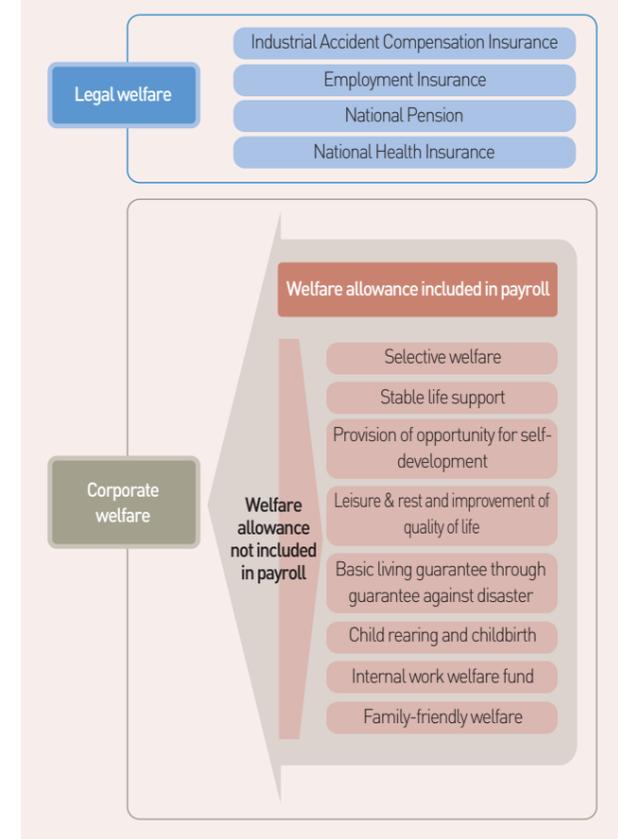
We have come up with a family-friendly welfare system through Father's School and Happy Family Day to enhance organizational vigor founded on a happy family. We have also built fitness centers that operate programs for enhancing physical strength and health care after work at the headquarters and 21 offices. Moreover, since improving welfare satisfaction is a priority, we have published the "Welfare Guide Book"; this book provides detailed explanations on the welfare system as well as how to apply for welfare benefits. KPS makes an effort to offer a better work environment by providing welfare benefits including work subsidy, accommodations and vehicle for coming to and leaving work, and separate holidays for overseas offices workers who work hard in poor environments.

Welfare Satisfaction Trend [Unit : %]



[Operation of Father's School]

KPS Welfare Item Table



[Fitness Center]

Talent Development

KPS operates a systematic human resource development system to foster global leaders possessing great passion and premier expertise.

Human Resource Development System

KPS establishes mid- and long-term training plans by analyzing human resource fostering needs and identifying areas for improvement related to talent fostering. We also establish and implement annual training plans by drawing up a CDP-related in-house certification acquisition plan and a business-implemented human resource fostering plan as the main reference in identifying training needs.

lets those possessing adequate in-house certification perform related jobs. Through in-house certification acquisition in connection with training, workers holding technical positions are nurtured as supervisors. Employees who meet certain qualification requirements are fostered as specialized workers based on the decision of the Selection Commission or groomed as technical managers through promotion.

Human Resource Development Promotion Objectives in Association with the Company's Mid and Long-term Strategies

Basic policies of mid- and long-term training

Systematic core talent fostering

Basic objectives of mid- and long-term training

- Establish KPS's Ideal Talent
- Pursue vision of the world's leading total plant service company
- Create outstanding customer value through core value sharing
- Develop world-class training
- Expand the self-development learning process
- Activate field training and consolidation of substantiality of training operation

Systematic Human Resource Fostering System

Career Development System

KPS has devised a systematic career development system according to position and job so as to consolidate personnel's capabilities through the specialization of human resources and discovery of potential ability. Office workers are fostered as generalists who can contribute to the company through broad understanding of organizations and various job experiences. For technical positions, jobs are assigned in association with the in-house certification field to foster specialized technicians. KPS

Training System

Training System Chart for Human Resources Fostering

Years in service	Manager	Personnel	Technical level	in-house certification	Basic Course		Specialized Course	Engineering	Development Course																						
					Manager	Personnel			Internal	Domestic	Overseas																				
25 or more	1st grade	Rank 10	Superb	IV	Advanced manager course		Machine, Electricity, Instrument&Control, Welding	Facilities diagnosis and solution	On-the-Job Training (OJT) and system training	Training commissioned to specialized institutes	Cyber Education	Language education	MBA course	Overseas training/education in the technology sector	Overseas training/education in the management sector	Overseas top management education															
24																															
23																															
22																															
21	2nd grade	Rank 9	Superb	IV	New middle manager	Maintenance job improvement course III	Machine, Electricity, Instrument&Control, Welding	Facilities diagnosis and solution	On-the-Job Training (OJT) and system training	Training commissioned to specialized institutes	Cyber Education	Language education	MBA course	Overseas training/education in the technology sector	Overseas training/education in the management sector	Overseas top management education															
20																															
19																															
18																															
17	2nd grade	Rank 9	Superb	IV			Machine, Electricity, Instrument&Control, Welding	Facilities diagnosis and solution	On-the-Job Training (OJT) and system training	Training commissioned to specialized institutes	Cyber Education	Language education	MBA course	Overseas training/education in the technology sector	Overseas training/education in the management sector	Overseas top management education															
16																															
15																															
14																															
13	3rd grade	Rank 8	Advanced	III	Manager job course		Machine, Electricity, Instrument&Control, Welding	Facilities diagnosis and solution	On-the-Job Training (OJT) and system training	Training commissioned to specialized institutes	Cyber Education	Language education	MBA course	Overseas training/education in the technology sector	Overseas training/education in the management sector	Overseas top management education															
12																															
11																															
10																															
9	3rd grade	Rank 7	Advanced	III		Maintenance job improvement course II	Machine, Electricity, Instrument&Control, Welding	Facilities diagnosis and solution	On-the-Job Training (OJT) and system training	Training commissioned to specialized institutes	Cyber Education	Language education	MBA course	Overseas training/education in the technology sector	Overseas training/education in the management sector	Overseas top management education															
8																															
7																															
6																															
5	3rd grade	Rank 6	Advanced	III	New manager		Machine, Electricity, Instrument&Control, Welding	Facilities diagnosis and solution	On-the-Job Training (OJT) and system training	Training commissioned to specialized institutes	Cyber Education	Language education	MBA course	Overseas training/education in the technology sector	Overseas training/education in the management sector	Overseas top management education															
4																															
3																															
2																															
1	4th grade	Rank 5	Middle	II	Job improvement course I		Machine, Electricity, Instrument&Control, Welding	Facilities diagnosis and solution	On-the-Job Training (OJT) and system training	Training commissioned to specialized institutes	Cyber Education	Language education	MBA course	Overseas training/education in the technology sector	Overseas training/education in the management sector	Overseas top management education															
5																															
4																															
3																															
2	4th grade	Rank 3-4	Middle	II	Maintenance Practice Course (machine, electricity, welding, non-destruction, transmission & substation)		Machine, Electricity, Instrument&Control, Welding	Facilities diagnosis and solution	On-the-Job Training (OJT) and system training	Training commissioned to specialized institutes	Cyber Education	Language education	MBA course	Overseas training/education in the technology sector	Overseas training/education in the management sector	Overseas top management education															
1																															
1																															
1																															
1	4th grade	Rank 1-2	Elementary	I	Basic course for new employee (entry level, job, power generation system)		Machine, Electricity, Instrument&Control, Welding	Facilities diagnosis and solution	On-the-Job Training (OJT) and system training	Training commissioned to specialized institutes	Cyber Education	Language education	MBA course	Overseas training/education in the technology sector	Overseas training/education in the management sector	Overseas top management education															
1																															

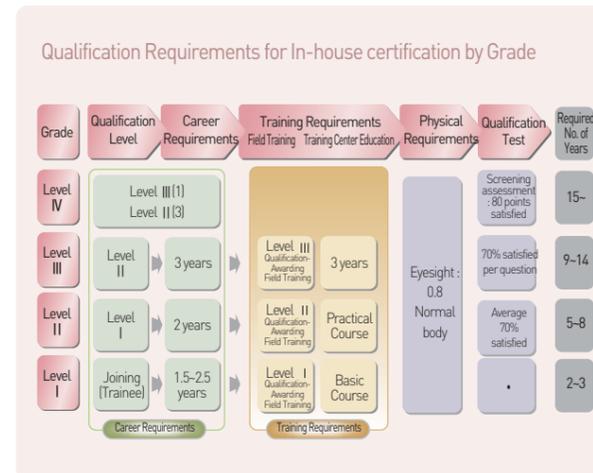


[Certified as Best HRD]

※Best HRD - The government (Ministry of Labor, Ministry of Knowledge Economy, Ministry of Education, Science and Technology and Small & Medium Business Administration) jointly certifies the best companies for human resource development.

In-house certification System

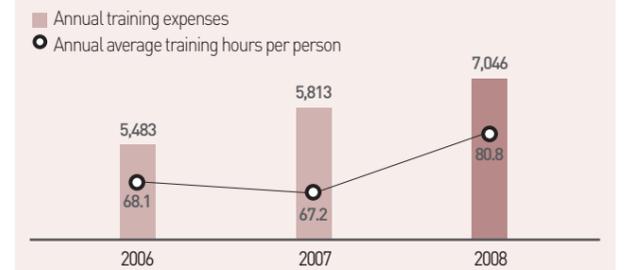
KPS provides practical training/education applied to actual work along with various maintenance theories to improve maintenance quality through job performance by qualified personnel at each of the power facilities. Specifically, we have introduced a nationally certified in-house certification system that we implement in association with training/education.



Operation of Human Resources Development Program in Association with Company Strategy

Establishment of Infrastructure for Training Program Operation
KPS secures personnel who take charge of around 300 training courses on the average every year to enhance organizational performance by developing capabilities through the provision of various educational opportunities to all employees.

Annual Training Achievements [Unit : KRW 1 million, hours]

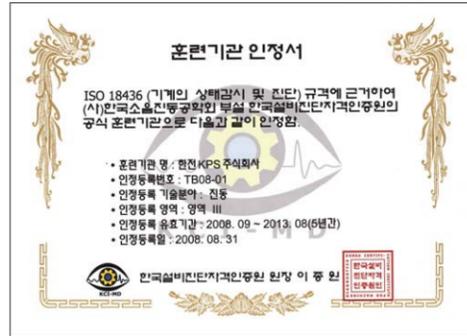


Overseas Business Personnel for Growth as a Global Company

The overseas business personnel pool consists of the existing staff member group (204 persons) possessing overseas business capabilities and experience and new employee group selected as overseas business personnel (14 persons). The relevant training is conducted by classifying according to the required capabilities.

Fostering Personnel Acquiring International Qualification to Cope with Future Demand

KPS actively carries out maintenance market pioneering for overseas power facilities to maximize the company's future value and tries to secure a new growth engine. We have actually nurtured 124 holders of international qualifications related to power facilities maintenance, ISO18436 (machine status monitoring and diagnosis), EDM/UST, and MLA/MLT, which can be used in the global markets as part of such efforts. We have earned the distinction of being the only ISO 18436 qualification acquisition training agency (Category I, II, III) in Korea in terms of training instructors and facilities. Currently, 58 have acquired the qualification.



[Certification as ISO 18436 Training Agency]

Field Training for Organizational Capability Consolidation and Self-Development Improvement Training

KPS operates various systematic education channels and encourages the efficient acquisition of knowledge and technology through field learning activation. Examples of field-centered training include field personnel OJT, power generation system training, in-house certification maintenance training, site OJT, contest on maintenance examples presentation, R&D workshops, and work group activities. For self-driven learning support and motivation according to the individual training needs, KPS carries out about 160 courses via communications and around 70 cyber training courses.

Stakeholder Interview

Sustainable Management and Talent Development

Jin-Ho Lee
Director General, Management Dept. of KPS

Recently, there has been widespread public opinion that the survival and growth of a company are impossible without the development of society as part of the company's business scope. Today, sustainability management has become an essential factor, not an option. Similarly, we at KPS make our utmost efforts to be a respected company where one wishes to work for – beyond being a company with outstanding financial performance – by actively acknowledging social needs and changes.

KPS has established sustainable growth, Right Way management, environment-friendliness, and human respect as its platform for sustainability management and pledged its determination accordingly. We inspect the practice process by setting 16 key performance indicators. The most important resource of our company is human resource. The importance of human resource as the source of economic value-added creation cannot be overemphasized since we are part of the service industry and are the subject of fulfillment of social responsibility. Above all, KPS respects the dignity and value of individual employees and makes all-out efforts so that they can pursue worth, pride, and happiness in company life. KPS operates the talent fostering system, performance management system for rational rewards depending on performance, and welfare system to create a joyous workplace in harmony with family happiness and health so that individuals and organizations can grow together.

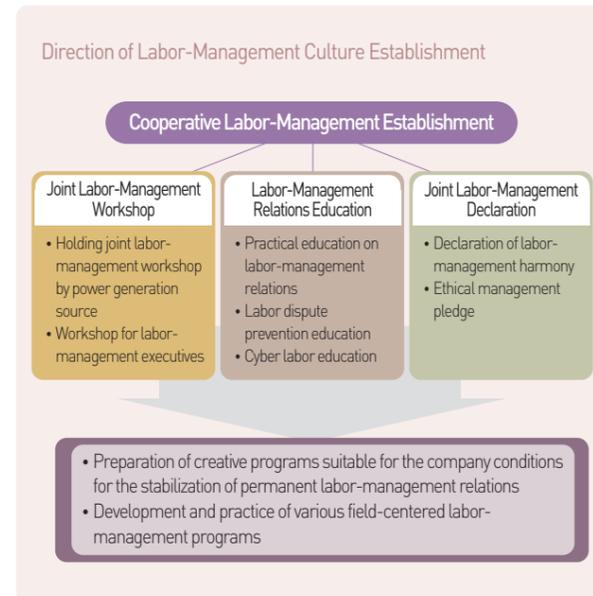
Our company has also given more consideration to its female workforce and the underprivileged in case of employment or promotion; it has been contributing to community development by offering jobs to local residents as the priority in sites nationwide. KPS fosters the required manpower according to its expansion strategy for nuclear power generation maintenance (low-carbon energy) and new renewable energy businesses, reinforces organizations to pioneer new markets abroad, and nurtures regional experts in line with each country's features.

We are committed to consolidating sustainability management practice on the supply chain dimension as a new task of sustainability management. KPS constantly carries out activities in the ethical management, social contribution, and environmental management sectors and fulfills its economic, social, and environmental responsibilities.

Labor-Management Relations

KPS realizes productivity improvement, corporate value enhancement, and stable supply of power and establishes sound labor-management culture based on stable labor-management relationship.

We comply with the Protection Agreement on the Freedom of Association and Right to Organize with regard to the trade union (ILO Convention Nos. 87, 98). Labor and management establish productive, future-oriented win-win labor-management culture through enhancement of mutual understanding, participation, and cooperation based on mutual reliability.



Establishment of Future-Oriented, Win-Win Labor-Management Culture

Guarantee of Trade Union Formation and Freedom of Association

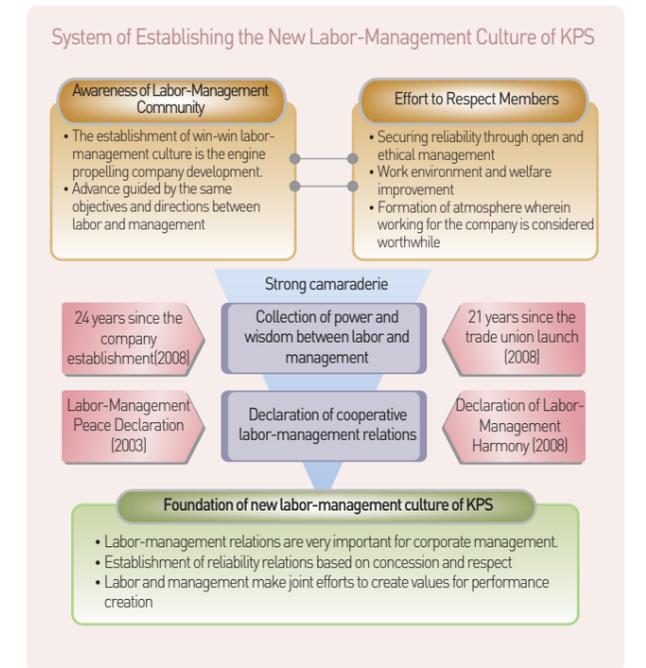
KPS observes all domestic and foreign labor-related laws including the Labor Standard Law, Trade Union Act, and Labor Relations Coordination Act and respects negotiation results such as the collective agreement with the trade union. Accordingly, all trade union members working for KPS are guaranteed the freedom to form a trade union and right to organize. The trade union of KPS is affiliated with the Federation of Korean Trade Unions, with up to 3,753 or 84.2% of the total employees of KPS serving as trade union members (as of December 2008).

Operation of Communication Organizations between Labor and Management

Communication Channels for Labor and Management (as of December 2008)

Category	Performance	Frequency
Informal Meeting between the Representatives of Labor and Management	<ul style="list-style-type: none"> Representatives of Labor and Management visit the field together. Mutual office visit between the representatives of labor and management Unreserved dialogue and conversation on matters of mutual interest 	8 times 10 times
Management and Trade Union Headquarters	<ul style="list-style-type: none"> Explanation of pending issues in the hydro/thermal, nuclear power plant, and electricity transmission and substation sectors 	4 times
Informal Gathering Between Office Managers and Trade Union HQ	<ul style="list-style-type: none"> Explanation of each office manager's pending issues and major matters to be implemented 	Anytime all-year round
Labor-Management Council, Informal Labor-Management Meeting	<ul style="list-style-type: none"> Pending issues report and consultation between labor and management (44 cases) Discussion of pending issues between the site representatives of labor and management 	4 times 192 times
Grievance Handling Commission	<ul style="list-style-type: none"> Grievance handling related to personnel 	Anytime

Establishment of New Labor-Management Culture of KPS



Safety & Health

The workers of KPS perceive safety and health as the most basic responsibilities. KPS makes all-out efforts toward health enhancement and disease prevention.

Safety Management

KPS has introduced a safety & health management system – KOSHA 18001 – and has engaged in various activities aimed at safety improvement. The company evaluates the risks of all the jobs in a worksite so that workers can prepare in advance; it also conducts monitoring periodically as to whether various activities are carried out as planned.

As a safety-related program, safety education is conducted by hierarchy ranging from new employees to executives. Other safety programs such as safety meeting before starting work, Tool Box Meeting (TBM), Pre-Job Briefing (PJB), and disaster prevention activities such as hazardous work instruction system and firearms permission system are carried out actively.

The Safety & Disaster Team of KPS has built a safety & health system on the enterprise portal (EP) for the efficient implementation of safety-related activities and has developed site-centered safety, health, and disaster activities. This way, KPS exchanges safety & health information and provides information such as basic safety, safety in each field, vehicle safety, and the one-page guideline. Worksites use safety education materials suitable for the relevant work in real time. KPS establishes 11 major basic regulations on safety and health and make them a habit so that safety at the sites can be secured more effectively.

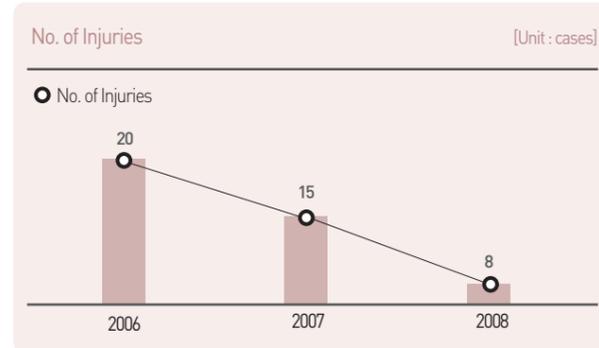
For the improvement of the partner company's safety level, KPS supports safety & health training and safety guidance inspection. In particular, we facilitate active communication and information exchange between partners by providing full support in the form of various pieces of equipment such as safety gears and site-centered safety materials.



[A safety meeting before work]



Source) For all industries and the construction industry, the industrial disaster statistical data of the Labor Ministry have been cited.
- The 2008 figure denotes the rate of all industries; the disaster rate of the construction industry is announced in December 2009.



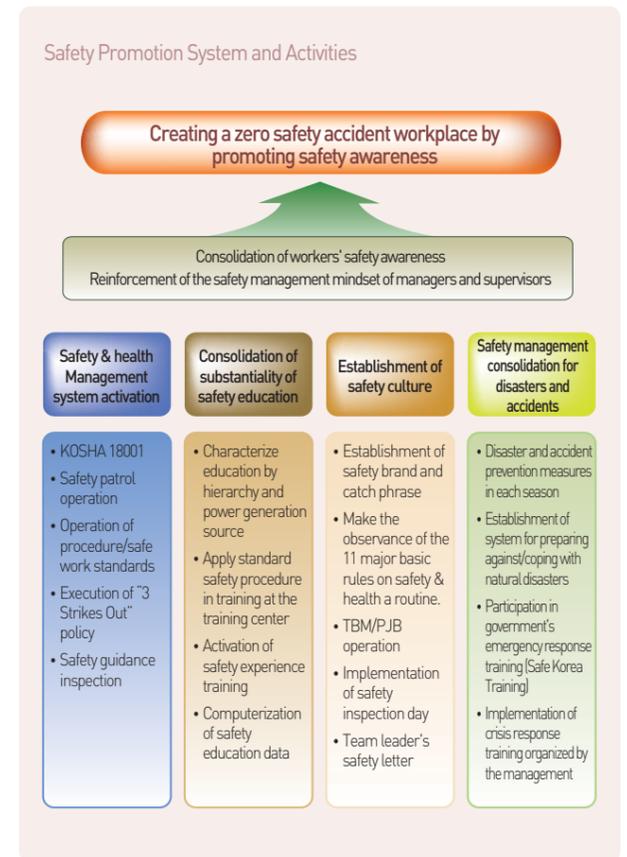
[Presentation of Near-Miss Accident Cases]

Establishment of Safety and Disaster Management Sector Brand

Safety and Disaster Management Sector Brand



- KPS as a Safe company from industrial disasters and accidents
- KPS as a company that respects life, prioritizing safety
- KPS as a company providing high-quality service safety



Health Management

KPS has been assigning health care personnel in 15 major sites nationwide for employees' health enhancement, disease prevention, and emergency care during work. For sites with 50 or more personnel, KPS entrusts health care to a health control agency. In particular, KPS prepares and implements effective health policy and improvement measures by carefully observing the individual health trends.

KPS conducts general health checkup and special health checkup including noise-related difficulty in hearing examination, liver function, and blood cell examination for workers exposed to chemical materials each year. We also subsidize medical expenses so that workers and their immediate families can undergo comprehensive medical examination. For employees engaged in work at nuclear power plants, they can undergo radiation disorder examination each year.

Workers showing disease symptoms can receive counseling with health care personnel as well as the health control agency; they are issued a health control diary to check their health status cyclically.

To prevent musculoskeletal diseases, KPS carries out related group education. With stretching exercises, the flexibility of the muscular joints system improves; thus enabling the prevention of musculoskeletal diseases.

Precise measurement of workers' fitness is also carried out to improve fitness through scientific and systematic exercise suitable for the level of individual physical strength. Moreover, we have implemented physical activities designed to improve employees' bodily strength and health care during the monthly Sports Day.



[Health Management]

[Physical Activities]



Sustainable
Energy

Mindful of nature, KPS seeks to be a green company

06 Environment

Environmental Performance · Environment-Friendly Maintenance · Maintenance of Nuclear Power Plants · New & Renewable Energies

Environmental Performance

KPS observes environment-related laws, minimizes greenhouse gas emission, and practices eco-friendly management through green purchase, environmental protection activities, and environmental technology R&D.

Future Development Committee

KPS has established a Future Development Committee under the direct control of the CEO. The committee formulates and implements future growth strategies including sustainable business strategies, collection of various opinions and ideas for participation in the green growth industry, nuclear waste-related business participation, and new growth force creation for sustainable growth and development.

Greenhouse Gas Emission

Faced with the current global economic crunch and skyrocketing oil prices, KPS has established "Energy Saving Promotion Measures." For instance, it uses the midnight ice thermal storage system – which produces outstanding energy saving effects – to tackle the problem of excess cooling load as the biggest energy consumption factor during summer. We are actively promoting energy saving by maintaining temperature at more than 26°C in offices. Active energy saving methods are also being adopted such as less lights used in areas by windows, corridors, and underground car parks, wearing of lighter clothing in summer, and use of LED lamps.

The rise in indirect CO₂ emission in 2008 was attributed to the increase in the number of employees due to the creation of the ERP system for the entire company in 2007 and 2008. Nonetheless, we shall continue to make efforts to reduce CO₂ emission.

Indirect CO₂ Emission [Unit : MWh, Ton]

Category	2006	2007	2008
Power Consumption	3,829	3,900	4,024
CO ₂ Emission	1,623	1,654	1,706

※ Indirect emission = Power consumption × CO₂ conversion coefficient (0.424 ton-CO₂/MWh)

Green Purchase

KPS buys eco-friendly products as a rule. We have been spending KRW 3.8 billion on green PCs and related supplies since 2006, and we shall continue purchasing green products as a matter of preference.

Eco-Friendly Product Purchase [Unit : KRW hundred million]

Category	2006	2007	2008
Purchase Amount	8	12	18

Environmental R&D

To secure key technologies in new & renewable energy and nuclear power as eco-friendly development fields, KPS established mid- and

long-term technology development plans. We are carrying out 6 tasks for new & renewable energy sectors such as solar cells, wind power, hydro power, hybrid power generation, and ocean energy and 13 research tasks for nuclear power areas including nuclear power plant decommissioning technology and radioactive waste treatment technology. In connection with this, we will invest KRW 10 billion by 2015 to secure key eco-friendly technologies year by year.

Mid- and Long-Term R&D Investment Plans for New & Renewable Energies and Nuclear Power [Unit : KRW hundred million]

Category	2009	2010	2011	2012~2015
New & Renewable Energies	2.7	3.6	11	17.2
Nuclear Power	8.3	9.3	13.7	34.7
Total	11	12.9	24.7	51.9

Environmental Conservation Activities

KPS is operating various environmental conservation programs with local residents including the "One Company, One Stream, One Wet Land, and One Coast Protection Movement" for environmental protection and ecosystem restoration in areas near power plants. We are taking the lead in creating a green community by actively participating in eco-friendly campaigns including World Water Day and World Oceans Day activities.



Waste Management

The daily wastes and industrial wastes generated by KPS are being treated during their generation processes by legal waste treatment companies through reduction and segregation. Waste paper and scraps are entrusted to recycling companies to conserve precious resources. For the last two years, not a single accident involving the leak of waste, oil, or hazardous materials has occurred at KPS.

Environment-Friendly Maintenance

KPS minimizes the environmental impacts through the maintenance of power plants. Furthermore, we contribute to the reduction of greenhouse gas emission by maximizing the use of nuclear power plants through flawless maintenance.

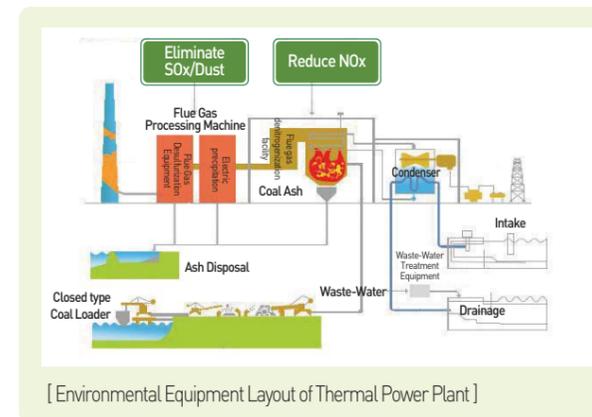
Maintenance for the Environmental Equipment of Power Plants

As a dedicated maintenance company, KPS operates the maintenance business including routine maintenance, overhaul, and modification & rehabilitation for domestic power plants that are commercially operated after the test operation.

□ For thermal power generation, KPS helps minimize the environmental impacts of the power generation process through the maintenance of environmental pollution prevention equipment such as flue-gas desulfurization, electrical precipitation, boiler flue gas denitrogenization, coal fly ash prevention equipment, and comprehensive wastewater treatment facilities.

□ For nuclear power generation, the company supports the reduction of the use of fossil fuels and greenhouse gas emission by maximizing the use of nuclear power plants through flawless maintenance. KPS takes charge of the maintenance of all nuclear power plants nationwide (total of 20 including 16 of pressurized water reactors and 4 of pressurized heavy water reactors).

These pieces of environmental equipment are systematically managed and classified by commissioning maintenance for newly constructed power plants, routine maintenance during operation or stoppage, and overhaul wherein the equipment is disassembled for checkup.



[Environmental Equipment Layout of Thermal Power Plant]

Commissioning Maintenance

This process is aimed at securing the soundness of the facilities after commercial operation by participating in commissioning maintenance at the final stage of power plant construction.

KPS performs preventive maintenance for the efficient operation of completely installed equipment up to the point of commercial operation, supports tests for various systems and equipment, and carries out emergent restoration works for mechanical, electrical, and instrument & control equipment. We also facilitate commercial operation by minimizing environmental impacts through the development of maintenance procedure forms and systematic management of initial data of equipment as acquired by measuring the vibration and performing other analyses at the beginning of the test operation of equipment.



[Commissioning Maintenance of Gas Turbine]

Routine Maintenance

KPS performs preventive and predictive maintenance to prevent the occurrence of malfunction by checking the abnormalities of the equipment in operation or those that have been stopped at power plants. It ensures the normal operation of equipment by performing restoration and maintenance without delay when unexpected glitches occur.

Routine Maintenance Performance [Unit : Cases]

Category	2006	2007	2008
Routine Preventive Maintenance	4,456,726	4,938,739	5,032,513
Trouble Memo (TM) Issuance	55,575	50,081	47,593

Planned Outage Maintenance (overhaul)

Overhaul (O/H) involves regular maintenance disassembly, checkup, assembly, and capacity test of equipment whose operation is suspended at power plants in accordance with the mid- and long-term O/H schedule and related laws and technological standards to prevent the unexpected breakdown of equipment in operation.

O/H is the biggest business in the work scope of KPS; we have replaced the construction of 188 MW-level power plant every year by shortening the period of O/H through a combination of systematic process management and productivity improvement technology and consequently contributed to minimizing the environmental impacts through such construction replacement. Moreover, the shortening of the construction period translates into longer equipment operation and more profits for customer companies, contributing to sales increase of approximately KRW 86.2 billion in 2008 assuming an average selling price of 78.76 won/kWh.

Shortened Construction Period for O/H

Category	2006	2007	2008
Number of Equipment Overhauled (Unit)	135	123	123
Reduction in the No. of Days (D)	121	152	154
Reduction Effect (MWh)	751,680	1,261,711	1,094,328
Average Selling Price (KRW/kWh)	76.52	77.85	78.76
Reduction Effect (KRW 100 million)	575	982	862



[O/H for Steam Turbine]

[O/H for Reactor]

Air Pollutant Emission Changes of Major Power Plants [Unit : g/kWh]

	Utilities	2005	2006	2007
SO _x	KOMIPO	0.480	0.440	0.410
	KOSEP	0.351	0.397	0.330
	EWP	0.500	0.380	0.350
NO _x	KOMIPO	0.790	0.630	0.590
	KOSEP	0.983	0.913	0.820
	EWP	0.850	0.660	0.550
CO ₂	KOMIPO	0.710	0.694	0.688
	KOSEP	0.830	0.837	0.856
	EWP	0.742	0.743	0.741

Source) 2008 Sustainability Report of each company

Effectiveness of Green Maintenance

To minimize the environmental impacts and to secure the reliability of power plant maintenance, KPS has steadily promoted the nurturing of skilled personnel and introduction of advanced test, inspection, and maintenance tools. It has grown to be a world-class unique service provider that can maintain all equipment of hydro, thermal, and nuclear power plants.

In addition, KPS has established an advanced maintenance system for optimized, trouble-free power plants; such system becomes the foundation for the stable operation of power plants. We have ensured its availability to power plants and minimized breakdowns through the improved maintenance system. As a result of these efforts, we have been steadily realizing our OCTF (One Cycle Trouble Free).

□ OCTF means all pieces of equipment of the power plant including environment-related ones work continuously without any breakdown in power plants after the performance of O/H up to the next one; this can serve as a direct indicator of the outstanding capacity of the service provider.

OCTF Rate [Unit : %]

Category	2006	2007	2008
Hydro & Thermal Power Plants	88.5	88.9	100
Nuclear Power Plants	60.0	70.0	88.9
Total	83.9	84.8	97.9

□ From the start of commercial operation in 1978 up to 2008, 75 cases of OCTF in nuclear power plants have proven that KPS delivers outstanding performance in all areas including operation, maintenance, and management. This feat is attributed to the fact that we have worked toward the steady upgrading of maintenance capacity, improvement of faulty equipment, and optimal O/H based on 30 years' experience in the operation of nuclear power plants. We have also prioritized nuclear safety, industrial safety, and equipment safety in replacing fuels of nuclear power plants and O/H through the establishment of a regular maintenance program in accordance with the Nuclear Energy Law. We credit our remarkable operation performance to our efforts to promote advanced operation technology steadily.

KPS contributes to the achievement of environmental performance that is on a par with the world's best in terms of the use of nuclear power plants through our flawless maintenance service. The use of Korean nuclear power plants was pegged at 93.4% in 2008, which was far higher than the world's average of 79%. The high rate helps minimize the use of fossil fuels, which in turn contributes to the reduction of greenhouse gas emission considerably.

Use rate of Nuclear Power Energy [Unit : %]

Category	2006	2007	2008
National Average	92.3	90.3	93.4
International Average	79.5	79.5	79.0

Nuclear power has been pointed out as one of the low-carbon energies meeting the international environmental regulations; it helps reduce the hundred million tons' carbon emission from fossil fuels. Assuming CO₂ emission as 10 in producing electricity using nuclear power, emission by coal and petroleum is 99 times and 78 times, respectively. In addition, it has lower emission than even solar power and wind power, which are new & renewable energies.

CO₂ equivalent Emission by Power Generation Source [Unit : g-CO₂ eq/kWh]

Coal	Petroleum	LNG	Solar Power
991	782	549	57
Biomass	Hydro	Wind	Nuclear
70	8	14	10

※ Source) Nuclear Energy Outlook 2008, OECD/NEA

GT Technology Service Center

Environmental Management System (ISO14001)

The GT Technology Service Center of KPS was granted an environmental management system (ISO 14001) certificate by the Korean Standards Association in September 2002. Based on the environmental policy development and plan (PLAN), implementation and operation (DO), check (CHECK), management examination, and actions (ACTION) cycle, we have been steadily carrying out improvement activities for the prevention of accidents and enhancement of environmental performance.

We have also minimized environmental impacts through further strengthened activities related to the environment in the entire maintenance process and by following environment-related laws. As a result, we have neither been penalized nor charged with violation of the laws.



[Environmental Management System (ISO 14001) Certificate]

Turbine Rehabilitation

Since gas turbines are operated at a high temperature of more than 1300 degrees centigrade and used for loading at peak times with high power consumption, parts such as buckets (blades), nozzles (vanes), transition pieces, combustion liners, and diaphragms are subject to various types of damage including thermal fatigue, crack, erosion, and burnout owing to the frequent startup and shutdown of gas turbines. To extend the lifetime of the gas turbine parts used under such severe conditions and to maintain operation efficiency, periodic repair services are very much required.

The parts are mostly imported. As such, we are extending the lifetime of power plants and contributing considerably to resource saving by performing specialized repair services for parts.

Maintenance of Nuclear Power Plants

Nuclear power plants are expected to proliferate as the most realistic alternative in coping with the stricter environmental regulations. KPS is contributing to greenhouse gas emission through safe equipment maintenance.

Green Growth and Nuclear Power Extension Policy

In December 2008, Korea's Ministry of Knowledge Economy announced the 4th Power Supply Basic Plan, which carries a power consumption forecast as well as the corresponding plans for the construction of power plants and power transformation and transmission for 15 years by 2022.

Nuclear power is recognized as the most realistic alternative in dealing with high oil prices and strict international environmental regulations for its high economic efficiency and nearly zero greenhouse gas emission. The renaissance period of nuclear power in the 1970s is re-emerging, driven by major countries' expansion of nuclear power generation and active technology development.

Additional power generation units are planned as follows: 12 nuclear units (15.2 million KW, including 8 from the 3rd plan and 4 from the 4th plan), 7 coal units (6.24 million KW), 11 LNG units (6.63 million KW), others (5.27 million KW).

Construction Plan for Power Generation Facilities (2009~2022)

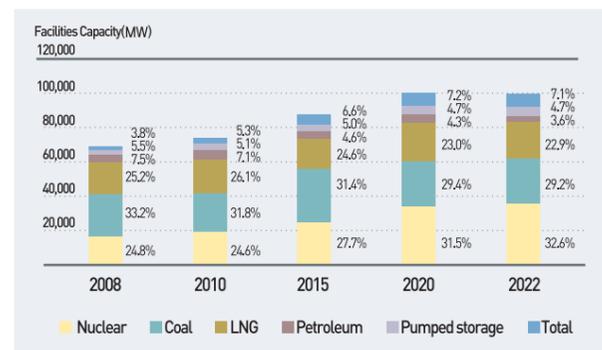
[Unit : Ten thousand KW, Unit]

Category	Nuclear	Coal	LNG	Petroleum	Others*	Total
Status of Facilities	1,772(20 units)	2,371(49 units)	1,797(46 units)	534(27 units)	664	7,136
Additional Construction	1,520(12 units)	624(7 units)	663(11 units)	71(1 unit)	527	3,341
Phaseout of Facilities	-	53(3 units)	154(6 units)	182(13 units)	-	388
Facilities Capacity	3,292(32 units)	2,942(53 units)	2,306(51 units)	359(15 units)	1,190	10,089

*The capacity of power generation facilities is based on effective capacity considering the construction completion and peak contribution rate, etc.

**Others include facilities for pumped storage power generation, new & renewable energy (including hydropower), and integrated energy.

Outlook on the composition by power generation source



KPS has grown into a company that leads the Korean power generation maintenance industry and retains global nuclear power generation maintenance technology backed by experience accumulated for 3 decades in the field starting from the commercial operation of Gori Unit No.1, steady technology improvement, and investment in technology development.

Nuclear power plants have the following cycle : establishment of basic plan according to the national long-term power development plan reflecting long-term power consumption, securing and selecting the site, authorization, design of power plant, purchase and production of materials, construction, test operation, commercial operation, restoration of decrepit plants for re-operation, and disuse.

The maintenance of power generation equipment means maintaining and managing equipment so that they maintain their functions and have optimum operation capacity throughout their service life; this is a critical part along with the operation of the power plant in the management of power generation facilities. KPS is making all-out efforts to continue operating power generation equipment at the level of advanced nations.

The current technological level of KPS is 90% of that of power generation equipment manufacturers; we can perform maintenance for all kinds of equipment without their participation, but some of our source technologies do not retain enough independence. Thus, we are steadily promoting the strengthening of R&D and specialization of human resources for the higher performance of our technologies and total independence.

Business Performance in the Nuclear Area in 2008

Category	Status
Routine Maintenance	Power Generation Equipment : 95% (18 units : 100%, 2 units (Uijin Units 5&6) : 55%)
	Instrument & Control : 20% (2 units : Yonggwang Unit Nos. 5,6/Wolsung Units 3&4)
Planned Maintenance	Overhaul of 14 units (power generation equipment and instrument & control)
Commissioning Maintenance	Shinkori Units 1 & 2 are being maintained (as of 2009)

The maintenance of new power plants to be constructed according to the basic power supply plan will be led by KPS, which can perform functions of public interest based on national understanding and social acceptance with regard to the safety of nuclear power. We also retain technological competitiveness in preparation for the opening of the power generation equipment maintenance market and capacity to lead the accompanying growth of the national industry.

In response to the trend of growth of nuclear power worldwide to deal with the stricter environmental regulations, KPS as a company specializing in

nuclear power generation equipment maintenance will play a key role in reducing the use of fossil fuels and greenhouse gas emission by maximizing the use of equipment through flawless maintenance.

In addition, KPS is actively participating in the government's nuclear power export policy (APR 1400) to play a leading role in pioneering the overseas nuclear power equipment test, inspection, and maintenance markets.

- UAE : Comprehensive assistance in bid preparation after qualifying for bidding for the first time in Korea
- Turkey and Jordan : Assistance in the completion of proposal for business participation
- Philippines : Active assistance in conducting the feasibility study on the restoration of the Bataan Nuclear Power Plant whose operation was suspended

Outlook on the business performance of nuclear power in 2020

Category	Outlook on Business Performance in 2020	
Korea	Routine Maintenance	Power Generation Equipment : Routine maintenance for 20 existing units : 100% by KPS Routine maintenance for 12 new units : 70% for OPR 4 units, 100% for APR 8 units
	Instrument and Control	Continue to maintain 2 existing units (Yonggwang No. 3 and Wolsung No. 2) 50% of 10 new units maintained by KPS (except Shinkori Nos. 1 & 2)
	Planned Maintenance	100% for 20 existing units 12 new units : 70% for OPR 4 units/100% for APR 8 units
Korea	Commissioning maintenance	60% for "OPR 1000" 4 units : Shinkori Unit Nos. 1&2 (in progress)/ Shinwolsung Nos. 1&2 100% for "APR 1400" 6 units : Shinkori 3,4,5,6/ Shinwooljin Nos. 3,4
	Export of nuclear power plants	For 4 units, 100% performance of commissioning maintenance, routine maintenance, and overhaul
General Business	5% annual growth	



[Construction site of Shinkori Nuclear Power plant]

Stakeholder Interview

Suggestions for the Sustainable Management of KPS

Tae-Ho Lee, Director for Maintenance Planning
Korea Hydro & Nuclear Power Co. Ltd.

As a green energy with high efficiency, nuclear power is a realistic alternative in responding to international trends, worsening global warming, and securing energy resources. In 2008, the Korean government established the 2030 National Basic Energy Plan for green growth to increase the rate of nuclear power in the nation to 41% [59%, standard for power generation]. Such extension is in progress under the basic scheme.

Korea Hydropower and Nuclear Power Co. — which was spun off from KPS on April 2, 2001 — is the biggest power generation company producing approximately 36% of power in Korea using hydropower and nuclear power. The role of companies participating in the nuclear power development business in stably supplying power with reasonable price and quality has been growing.

In particular, the maintenance of nuclear power generation equipment as performed by KPS is a key determinant along with the operation of equipment in ensuring the stable operation and life of equipment. As a result of steady efforts to enhance the reliability of maintenance of power generation equipment by nurturing experts for the reduction of stoppage due to malfunction and optimal maintenance, maintenance technology development, and institutionalization of advanced maintenance system for 3 decades starting from the commercial operation of Kori Unit 1 in 1978, KPS contributed to the realization of an energy consumption structure characterized by low carbon emission and high efficiency by achieving a 93.4% use rate of power plants — world's highest — in 2008.

Through steady investment and research based on experience and technological capacity accumulated through the construction and operation of a total of 20 power generation units for the last 3 decades, Korea Hydropower and Nuclear Power Co., developed OPR 1000 as the Korean standard for nuclear power plants and APR 1400 as the third-generation light water reactor; it is searching for ways of furthering growth through the pioneering of overseas markets. We hope KPS establishes and promotes annual supply plans aimed at easing its dependence on overseas technology and securing human resources by strengthening R&D and pursuing the specialization of human resources for the early stabilization of the 12 nuclear power generation units to be constructed in Korea by 2022.

New & Renewable Energy

To be a leading company in the new & renewable energy business, KPS is steadily promoting the green growth business. We shall endeavor toward the sustainable development in keeping with the "low carbon, green growth" vision.

Importance of New & Renewable Energy

Recently, new & renewable energy has been highlighted as a solution to environmental problems such as the depletion of fossil fuels and global warming. Therefore, green growth policies at the government level are being promoted. New & renewable energy refers to energy using sunlight, water, ground heat, rain, or organisms. In Article 2 of the "New Energy and Renewable Energy Use, Development, and Distribution Promotion Law," 11 energies have been designated as new & renewable energies.

Status of the New & Renewable Energy Business

Following its registration as a RESCO (Renewable Energy Service Company) for solar and wind power companies in February 2006, KPS established a New & Renewable Energy Center in April 2007 for the new & renewable energy business. It was also designated as an exclusive service provider for wind power generators by the Ministry of Knowledge Economy. To date, KPS is registered as a specialized company in 9 areas including biomass, geothermal energy, ocean, hydro power, fuel cells, coal gasification, hydrogen, wastes, and other energies.

Category	Progress
May 2005	In-house Venture Launch for New & Renewable Energies
Feb. 2006	Registered as Specialized Solar/Wind Power Company
Apr. 2007	Organization and Operation of New & Renewable Energy Center
Jul. 2007	Designated by the Government as Exclusive Service Provider for Wind Power Facilities
Jan. 2009	Integration of New & Renewable Energy Center and External Business Office
May 2009	Registered as RESCO in 9 Additional Areas

Mid- & Long-Term Road Map for the New & Renewable Energy Business

To realize steady green growth with low carbon emission, KPS set up a mid- and long-term road map for the new & renewable energy business. Reflected on Right Way 2011 as the management goal of KPS, the road map is also being practiced to meet the KRW 26 billion sales goal in the new & renewable energy business as the management goal of KPS. In the business preparation phase, KPS launched its new & renewable energy business focusing on household supply business, general supply business, solar power EPC, and small-scale wind power facilities construction. In the business settlement stage, we concentrated on the solar power EPC business targeting more than 2MW orders; the business is in progress by stage to secure key technologies related to wind power

generators. With this, we integrated the construction and operation of solar power plants and production of green products (inverters and trackers) into the road map to create future growth engines.

Mid & Long-Term Road Map for the New & Renewable Energy Business [Unit : KRW hundred million]

Strategies	Venture Operation, Business Organization Establishment	Early Market Penetration	Business Scope Expansion	Leading the Market
Sales Goal	36	133	230	260

Solar Power EPC Project

To predominate the market from the supply stage of the new & renewable energy business, KPS is promoting an EPC project for the solar power business; task forces are being operated on demand to examine general matters including profitability and equity investment for business sites. We are working on the creation of various cooperative business networks to respond actively to the government's green growth policies through the expanded supply of solar power plants including the conclusion of MOUs with financial organizations.

Accomplishments of the Solar Power EPC Business

Seocheon New & Renewable Theme Park (1.2MW, Jan. 2008), Seokpo Solar Power Plant (1.3MW, Jun. 2008), Hanyang Solar Power Plant (0.8MW, Jun. 2008), etc.

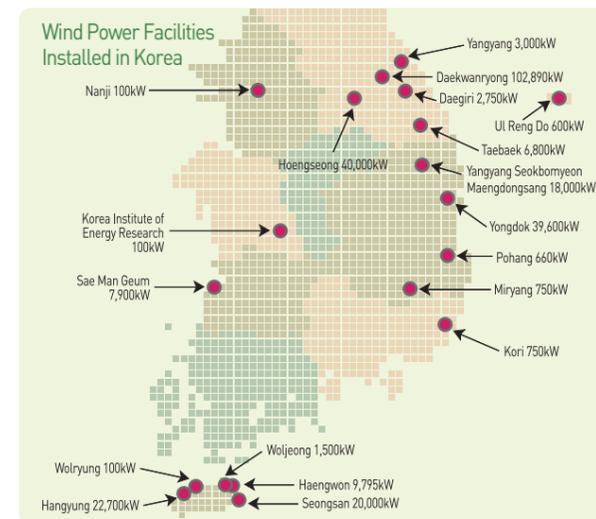


[Seocheon New & Renewable Theme Park]

[Hanyang and Seokpo Solar Power Plants]

Wind Power Operation and Maintenance (O&M)

Together with solar power, wind power is an eco-friendly energy. Since wind power turbines do not consume fuel once installed, and operating and managing the turbines do not cost a lot, power production prices are also very low. Such desirable aspect of wind power is expected to trigger a rapid rise in demand for wind power equipment. In keeping with the government's "low carbon, green growth" strategy, the Ministry of Knowledge Economy designated KPS as an exclusive service provider for wind power generators in April 2007.



As part of efforts to respond actively to climate change by using green energy resources, KPS performs A/S in case there is no company performing the service for wind power generators for reasons of expired warranty periods among the approximately 130 nationwide at the request of local governments. We also review business plans and

Status of Wind Power A/S

Category	Equipment Capacity	Period	Major Content
Jukdo Wind Power	10kW	Aug. 30-31, 2007	• Blade Replacement of Wind Power Generator
Bulmodo Wind Power	10kW	May 11-12, 2008	• Power Cable Contact Failure Check
Army Division 21 Wind Power	20kW	Oct. 26-29, 2008	• Wind Power Generator Turnbuckle Check • Wind Power Generator Tail and Wire Check
Yangyang Wind Power	3,000kW	Sept. 1, 2008	• Wind Power Generator Routine Maintenance and outage service • Wind Power Generator Overhaul

feasibility of participation in wind power generator restoration works, promote technological cooperation with OEMs in Korea and abroad, secure personnel that can be sent to the right place at the right time, and operate a specialized personnel support system. The available amount of wind power in Korea reaches 34 million TOE per year (power supply capacity: 50GW)



Jukdo Wind Power A/S [Blade Replacement]

Yangyang Wind Power Overhaul [Blades Check]



Yangyang Wind Power Overhaul [Rotor Main Frame Check]

Yangyang Wind Power Overhaul [Generator Stator Insulation Resistance Test]

Small Hydroelectric Power Plant Maintenance

As one of the new & renewable energy sources, small hydroelectric power refers to electricity produced by the force (around 2~5m) of falling

Small Hydroelectric Power Plant(SHPP) [Unit : kW, Ton/Year]

Category	Construction Completion	Equipment Capacity	CO2 Reduction
Samcheonpo SHPP	Dec. 2006	4,740kW	17,300
Yeongheung SHPP	Mar. 2008	3,000kW	6,357
Boryeong SHPP	May 2008	7,500kW	13,717
Taeon SHPP	Sept. 2007	2,200kW	N/A

discharged cooling water and flux and reflux of the tides. One feature of this kind of energy is that the amount of its power generation changes every 12 hours depending on the difference in the flux and reflux of tides. By operating the routine maintenance business for small hydroelectric power plants in full scale since 2008, KPS contributes to the production of electricity using eco-friendly energies with high value-added and reduces CO₂ emission by 37,374 tons per year.

Technology Investment

To lay down a strong foundation for the expansion of business range through our own key technology development in new & renewable energy areas, KPS is investing in R&D for parts. Through this, KPS plan to develop its unique models and further expand orders in other areas. We shall develop the solar power PV module and single-shaft tracking system by 2010.



[Conclusion of MOU between KPS [Solar Power Tracking System] & Osung Solar (Jun. 2009)]

New & Renewable Energy Sales Goals

KPS will meet its KRW 26 billion sales target by 2011 by promoting new businesses including the Korean parts sales business through participation in new projects and key parts R&D based on its existing business foundation such as solar power EPC and supply business and wind power O&M.

New & Renewable Energy Sales

[Unit : KRW hundred million, kW]

Category	2006	2007	2008
Sales	36	73	133
Installed Capacity	510	1,280	2,420

Stakeholder Interview

Roles of KPS in Low Carbon, Green Growth

Hyung-Jin Kim, Director General
Energy & Climate Measurement Headquarters
Korea Energy Management Corporation

Since we are witnessing extreme weather changes triggered by global warming, there is growing clamor for the reduction of greenhouse gas emissions from the consumption of fossil fuels.

In these times, the role of KPS – which provides service for equipment improvement and higher efficiency of Korean power generation companies – has become increasingly important. In particular, specialized comprehensive power plant service companies that can manage technologies in all areas including thermal power, nuclear power, and hydropower can rarely be found worldwide. Even in advanced countries, being equipped with comprehensive technologies is not at all easy.

Mindful of these heavy social responsibilities, KPS has made steady efforts toward energy saving through equipment enhancement and environmental improvement via installation, A/S, and flawless equipment maintenance in the new & renewable energy areas. This is a feat that should be replicated not only for the future of power generation companies but also for Korea's brighter future.

The biggest concern of the government in promoting its new & renewable energy supply policies was efficient construction and A/S. Even in the government's one hundred thousand solar-powered green homes program, a number of specialized companies showed very different efficiency. In contrast, the models of KPS exhibited good performance in energy efficiency; in fact, they became standard ones for solar power plant construction. Such is assumed to have resulted from technologies that have been accumulated in the course of dealing with various cases of power plant maintenance. Likewise, KPS set up solar power facilities at the Seocheon New & Renewable Energy Theme Park and Seokpo Power Plant in cooperation with Korea Energy Management Corporation and wind power generators in Jukdo, Bulmodo and at an army base as a model. The company was evaluated highly as a result. More importantly, KPS has been proven to be one of the RESCOs (Renewable Energy Service Companies) that can perform the safest and most efficient construction and maintenance in new & renewable energy areas and A/S. Lighting up Dokdo – the symbol of Korea – by constructing a solar power plant is indeed very meaningful.

Appendix



Economic Index

[Stability]

KPS has been operated without borrowing money since 2001, thereby maintaining stable and sound financial state with current ratio of 456.0% (industry average: 130.0%) and debt ratio of 34.5% (industry average: 162.4%).

Stability Index (Three years)

Category	2006	2007	2008
Current Ratio	532.5	447.9	456.0
Debt Ratio	31.6	33.2	34.5
Borrowings Dependency	-	-	-
Interest Coverage Ratio	-	-	-

[Profitability]

With continuous pressure from the rising fixed cost and cost reduction efforts of the power plant expected, KPS will actively endeavor to secure profitability through steady increase in sales and cost reduction.

Profitability Index (Three years)

Category	2006	2007	2008	2009.6
Ratio of Operating Profit to Net Sales	12.3	11.1	9.5	18.1
Ratio of Net Income to Net Sales	10.1	9.4	9.0	15.7
ROA	15.0	13.5	13.1	-
ROE	19.5	17.9	17.5	-

[Growth]

KPS recorded a remarkable 12.1% growth in sales. Nonetheless, we shall pursue further growth and development by securing new growth forces through the expansion of overseas business and new renewable energy business along with ensuring steady growth in the existing business to cope actively with the domestic and overseas changes.

Growth Index (Three years)

Category	2006	2007	2008
Sales Growth Rate	12.1	11.5	12.1
Growth Rate of Operating Profit	115.0	6.2	-4.3
Growth Rate of Current Term Net Profit	101.4	3.0	7.7
Growth Rate of Net Asset	17.9	10.9	11.1

※Reason for reduction in operating profit: Rise in labor costs following the regularization of temporary employees

Sustainability Management Principles

All executives and employees of KPS as a leading company in power generation equipment maintenance pledge to contribute to the sustainable development of society, nation, and humans and to help KPS develop steadily into the world's leading total plant service company by fulfilling its social responsibility and practicing sustainable management from the aspects of economy, environment, society, and humans focusing on all stakeholders.

Economy : Steady Growth

1. We enhance profitability by searching for new growth forces and corporate values through sound financial structure.
2. We spearhead maintenance engineering technology development through continuing technological innovation.
3. We improve management efficiency and secure competitive advantage through the practice of regular and autonomous management innovation.

Society : "Right Way" Management

1. We enhance management transparency through strictly fair work process and opening founded on ethical management.
2. We fulfill our social responsibilities by actively practicing "sharing management."
3. We pursue the promotion of values by strengthening partnerships with all stakeholders.

Environment : Environment-friendly

1. We practice green facilities maintenance through pro-environment technology application.
2. We contribute to the resolution of future energy issues by making efforts toward the development of new renewable energy-related technology.
3. We conserve the environment by dealing with climate change issues in cooperation with our affiliated companies.

Human : Human Dignity

1. We endeavor to nurture global human resources possessing creativity and professionalism.
2. We make an effort to institutionalize the culture of labor and management coexistence and steadily improve the quality of life of employees through welfare improvement.
3. We realize human rights-centered management including accident prevention and health management for employees, improvement of treatment of the socially disadvantaged, and prohibition of any form of discrimination.

Code of Ethics

Code of Ethics

1. Value Creation for Customers

We shall create and provide new values necessary for customers considering their circumstances.

1. Promoting Shareholders' Interests

We shall promote the interest of shareholders through cost reduction and productivity improvement.

1. Upholding Human Dignity

We shall uphold the dignity and values of individual employees and come up with fair personnel policies as well as the best welfare system for them.

1. Becoming a Reliable, Credible Company

We shall preserve the honor of KPS and provide service based on ethics and integrity to become a highly credible, reliable enterprise.

1. Social Responsibility

We shall respect the basic values upheld by society, observe all laws, and contribute to national economic and social development.

Rules of Conduct

Ethics for Customers

- **Respect for Customers** - We shall carefully listen to and respect customers' opinions and suggestions at all times, keep our promises to customers no matter what, and make fulfilling customers' demands our priority.
- **Value Creation for Customers** - We shall make all-out efforts to provide the best quality and service that customers deserve and to create the values that customers want, making their demands and expectations the ultimate standard for decision making.
- **Maximizing Customer Satisfaction** - We shall maximize customer satisfaction by contributing to the stable supply of electricity based on the best technology and competitiveness, cognizant of the fact that customers are the very source of corporate growth and existence.

Ethics for Shareholders

- **Profitability Enhancement** - We shall maintain the soundness of management and stably protect stakeholders' interests from a long-term viewpoint through cost reduction and higher productivity.
- **Provision of Transparent Information** - We shall follow the decision-making procedures for management and provide shareholders with sufficient, timely, and necessary information through transparent and credible accounting in accordance with the corporate accounting standards.

Ethics for Employees

- **Dignity of Employees** - We shall treat individual employees as dignified persons, firmly establish a system for fair job performance, and do our best to make employees feel proud and productive in performing their jobs.

- **Fair Personnel and Equal Opportunity** - We shall inspire employees to have a sense of achievement and motivate them at all times through fair evaluation according to their individual capability and job performance and shall refrain from discriminating them in human resource management including employment and promotion.
- **Human Resource Nurturing** - We shall steadily develop an education system for nurturing employees into specialized and creative human resources, secure smooth communication channels, and provide active support to help all employees exhibit their creativity.
- **Improvement of Quality of Life** - We shall create a work environment wherein employees can work pleasantly and safely and a corporate welfare system that improves the quality of life of employees and their families including health, education, and welfare.

Ethics for Executives and Employees

- **Fair Job Performance** - They shall perform their jobs fairly in accordance with transparent and objective standards by strictly observing related laws.
- **Prohibition on Bribery and Special Treatment** - They shall not accept any money, real estate, properties, gift vouchers, etc., from trading partners including subcontractors in relation to their jobs.
- **Prohibition on Unconscionable Action including Authority Abuse** - They shall not commit unfair acts toward interested persons (other employees and trading partners) using their authorities.
- **Protection of Company Property** - They shall neither use company property for their personal use nor leak any secret or information acquired during the performance of their jobs to the outside without approval.
- **Prohibition on Trading with Companies Run by Employees** - They shall not make any transaction with companies they run or where they have a stake; the same shall apply to their spouses or members of their families.
- **Prohibition on Employment by Other Companies** - They shall not be employed by companies run by stakeholders and other companies that can adversely affect the company's business.
- **Prohibition on Sexual Harassment and Discrimination** - They shall reject any form of sexual abuse including verbal and physical behaviors that can cause a sense of shame and shall refrain from discriminating for reasons of gender.
- **Self-development** - They shall establish ideas on the desirable human resources required by the company and make efforts to be such human resources through steady self-development.
- **Harmonized Labor Relations** - Labor and management shall establish a productive, democratic relationship based on trust and respect and routine and cooperation and pursue mutual prosperity.
- **Unfair Dealing Related to Stocks** - As members of a listed corporation, they shall not commit unfair dealings related to stock. Likewise, the heads of stock-related departments shall remind all employees that unfair dealings are unethical and educate them so that they will adhere to this principle at all times.

Ethics for Society

- **Fulfillment of Social Responsibility** - KPS shall serve as a good example for other companies by carrying out legal and fair corporate activities, commit itself to national development through honest tax payment, and fulfill its social role and responsibility for community development and environmental conservation.
- **Pursuit of Law Observance and Fair Dealing** - KPS shall observe and respect related laws in carrying out sales activities and shun unfair dealings.
- **Political Intervention** - KPS shall neither support any certain party or candidate nor ask executives and employees to do so.

Assurance Report on the 2008 KPS Sustainability Report

Introduction

The Korea Standards Association ("assurer") was requested to conduct an independent assurance of the 2008 KPS Sustainability Report ("Report"). The responsibility of preparing the Report lies in the management of KPS; the role of KSA is to provide assurance opinions on the Report. The assurer submits the independent Report by examining the appropriateness of the process of preparation of the Report as well as whether there is evidence for the data, performance, and system stated in the Report.

Scope

The scope of this assurance report was the entire content of the Report and system and activities of KPS in fiscal years 2007 and 2008. For the assurance on financial information, the 2007 and 2008 KPS Audit Reports were compared.

Criteria

The assurer performed the assurance in accordance with the KSA Sustainable Management Assurance System developed by applying the Sustainability Reporting Guidelines (G3) of GRI and 3 major principles of AA1000As: AccountAbility, materiality, and completeness and responsiveness.

Methods

The assurer performed the assurance using the methods described below.

- Verification of report process including the selection and engagement of stakeholders and evaluation of materiality of issues
- Verification of information from the press and Internet on the sustainable aspects of KPS during the reporting period
- Field verification at the headquarters and business places of KPS
- Verification of system and process used in preparing the information in the Report
- Follow-up verification of internal documents and basic data
- Interviews with the persons in charge of sustainable management and preparation of each part of the Report

Independence

Other than providing a third-party assurance service, the assurer is not involved in the profit-making business activities of KPS. The assurer holds no biased opinion toward any stakeholder of the company.

Conclusion and Opinions

Through assurance activities, the assurer found the content in the Report to show the sustainable management activities of KPS without any grave error or biased opinion. All critical assurance results were included in the assurance report, and the results and recommendations as outlined below were submitted to KPS.

【Materiality】

Does the company retain a formal process of deciding the major issues included in the Report and show the most critical information in the report?

KPS classifies stakeholders into internal, supply, and external stakeholders to listen to their opinions as selected using a significance assessment model and to include the contents according to their priority after identifying key issues with high relevance and significance based on such.

【Completeness】

Does the company fully understand its key issues and present complete and impartial opinions on their effects?

KPS carries out monitoring and improvement activities, showing the will to address the key issues identified through a significance assessment model and reporting the results of the improvement completely and impartially.

【Responsiveness】

Does the company appropriately respond to key issues?

KPS reflects the major issues identified on the policies and activities of the company and responds to the demands of stakeholders.

Recommendations by Area

【Economic Area】

KPS implements sustainable management strategies within the company considering the sustainability issues related to the company and changes in the market environment. It steadily explores new business areas through key human resource nurturing and technology management and actively pioneers overseas markets. It also exhibits improved performance particularly higher competitiveness, strategic performance, and changes in organizational culture through management innovation.

KSA recommends that KPS constantly arrange and operate strategies through the improvement of quality, prices, and productivity in its overall business scope. It should execute concrete plans to satisfy stakeholders. Moreover, KSA recommends that KPS extend its maintenance business for nuclear power plants, pioneer overseas markets, and search for future businesses.

【Social Area】

KPS makes steady efforts toward organized activities and ethical management to develop a sound organizational culture and maintains social values based on its perception of social contribution and coexistence. KSA recommends that KPS systemize its various social contribution activities so that they can be connected to its social values and organization culture; thus laying down a foundation with strategic advantage.

【Environmental Area】

KPS properly manages the environmental pollutants and emissions and implements safety management systematically. KSA recommends that KPS integrate and implement an environmental management system that will preemptively respond to key tasks in environmental areas in the future.

GRI Report

The assurer confirms that the Report contains all or part of the matters described in pages 84 ~ 87 of the GRI Guidelines (G3) Index.

KSA

23 October 2009
Kap-Hong Choi
President, Korea Standards Association

Kap-Hong Choi

GRI Guideline (G3) Index

● : Disclosed ● : Partially Disclosed ○ : Not Disclosed N/A : Not Applicable

Indicator Number	Contents	Page	Level of Reporting
Strategy and Analysis			
1.1	Statement from the most senior decisionmaker of the organization about the relevance of sustainability to the organization and its strategy.	2	●
1.2	Description of key impacts, risks, and opportunities.	10-12, 26, 28	●
Organizational Profile			
2.1	Name of the Organization	C1	●
2.2	Primary Brands, Products, and Service	6	●
2.3	Operational Structure of the Organization	6	●
2.4	Location of Organization's Head Office/Headquarters	5	●
2.5	Number of countries where the organization operates	6	●
2.6	Nature of ownership and legal form	14	●
2.7	Markets served	6	●
2.8	Scale of the reporting organization	5, 56	●
2.9	Significant changes during the reporting period regarding size, structure, or ownership	15, 16	●
2.10	Awards received in the reporting period	32	●
Report Parameters			
3.1	Reporting period	C2	●
3.2	Date of most recent previous report	C2	●
3.3	Reporting cycle	C2	●
3.4	Contact point for questions regarding report or its content	C2	●
3.5	Process for defining report content	22-23	●
3.6	Scope of the report	C2	●
3.7	Limitations on the scope or boundary of the report	C2	●
3.8	Limitations on possibility of comparison among organizations	C2	●
3.9	Assumption and data measurement techniques in the data collection process and the bases of calculations	Explained in Each Index	●
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	C2	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	C2	●
3.12	GRI table	84-87	●
3.13	Exterior assurance-related policies and activities, standard for assurance scope, and relationship between reporting organization and assurance organization	C2, 82-83	●
Governance, Commitments, and Engagement			
4.1	Governance structure of the organization	14	●

Indicator Number	Contents	Page	Level of Reporting
4.2	Indication of whether the chair of the board of directors can also take a role within the management	14	●
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	14	●
4.4	Mechanisms for shareholders and employees to provide recommendations to the board of directors	14	●
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance	14	●
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	14	●
4.7	Process for determining the qualifications and expertise of the members of the highest governance body	14	●
4.8	Code of conducts and principles related to economic, environmental, social performances	79	●
4.9	Procedures of identification and management of economic, environmental and social performance by the board of directors	14	●
4.10	Procedures of evaluation of economic, environmental, and social performance evaluation process by the board of directors	14	●
4.11	Prevention principles and approach method	20-21	●
4.12	Economy, environment, and society-related initiatives the company is joining or supporting	13	●
4.13	Association, organization, and membership the company is currently joining	7	●
4.14	List of stakeholder groups engaged by the organization	22	●
4.15	Basis for identification and selection of stakeholders with whom to engage	22	●
4.16	Stakeholder Engagement method	22	●
4.17	Key issues raised by stakeholders	23	●
Economic Performance			
DMA EC	Disclosure on Management Approach	10-12, 26-29	●
EC1	Economic value creation and distribution performance	26-29	●
EC2	Financial impacts and risks to business activities from climate change	68-76	●
EC3	Pension and support scope	28-29	●
EC4	Support, subsidy, and benefit from government	29	●
EC5	Comparison of wage of new employees to minimum wage at significant locations of operation		○
EC6	Practice and ratio of purchase policy at significant locations of operation	51-52	●
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		○
EC8	Infrastructure investment and service support activities for public interests	48-50	●
EC9	Indirect economic ripple effects	28-29	●
Social Performance - Society			
DMA S0	Disclosure on Management Approach	17-19, 48, 51	●
S01	Community impact evaluation and management program	48	●
S02	Percentage and total number of business units analyzed for risks related to corruption		○

● : Disclosed ● : Partially Disclosed ○ : Not Disclosed N/A : Not Applicable

Indicator Number	Contents	Page	Level of Reporting
S03	Percentage of employees trained in organization's anti-corruption policies and procedures		○
S04	Actions taken in response to incidents of corruption	19	●
S05	Participation in public policy development and lobbying.	7	●
S06	Specific party and politician-related contribution	81	●
S07	Number of legal actions against unfair dealing and monopoly of the company	51(No violation)	●
S08	Fines imposed on the company for noncompliance with laws and regulations	19(No violation)	●

Social Performance - Labor

DMA LA	Disclosure on Management Approach	56-59, 63-65	●
LA1	Total workforce by employment type, employment contract	56	●
LA2	Employee turnover and ratio	58	●
LA3	Welfare and benefits for full-time employees	58-59	●
LA4	Percentage of employees covered by collective bargaining agreements	63	●
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	63	●
LA6	Ratio of employees that are represented by the Labor-Management Health & Safety Committee	63-64	●
LA7	Number of injury, occupational diseases, lost days, absenteeism, and work-related fatalities	64	●
LA8	Employee and local resident support program regarding diseases	65	●
LA9	Health and safety affairs that are targets of agreement with labor union	63-64	●
LA10	Average hours of training per year per employee by employee category	61	●
LA11	Life-long learning program for steady employment and retired employees	58	●
LA12	Ratio of employees that go through regular performance evaluation and career development examination	60	●
LA13	Constitution of the board of directors and employees	14, 57	●
LA14	Ratio of basic salary of men to women by employee category		○

Social Performance-Human Rights

DMA HR	Disclosure on Management Approach	56-59	●
HR1	Total number of significant investment agreements that have passed human rights screening.		○
HR2	Percentage of suppliers and contractors that have undergone screening on human rights		○
HR3	Ratio of employees who have been educated about human right policies		○
HR4	Total number of incident of discrimination and actions taken	57(No discrimination)	●
HR5	Freedom of association and collective bargaining	63	●
HR6	Actions for elimination of child labor	58	●
HR7	Actions for elimination of forced labor	58	●
HR8	Ratio of security employees who have been educated about human rights		○
HR9	Number of incident indigenous people's rights have been violated and actions taken	50(No infringement)	●

Social Performance - Product Responsibility

DMA PR	Disclosure on Management Approach	37-39, 69-71	●
PR1	Customer health and safety maintenance policy	69-71	●

Indicator Number	Contents	Page	Level of Reporting
PR2	Number of violation of regulations related to health and safety of products and service	69-71(No violation)	●
PR3	Information category of products and service necessary for process	69-71	●
PR4	Number of violation of regulations related to product and service labeling	69-71(No violation)	●
PR5	Customer satisfaction-related policy and procedure	37-39	●
PR6	Marketing-related policy and program including advertisement, promotion, and sponsorship	37-39	●
PR7	Number of violation of regulations related marketing including advertisement, promotion, and sponsorship	37-39(No violation)	●
PR8	Number of complaints raised in relation to violation of customer information protection	37-39(No violation)	●
PR9	Monetary value of fines for noncompliance with laws and regulations concerning products and services	37-39(No violation)	●

Environmental Performance

DMA EN	Disclosure on Management Approach	68-76	●
EN1	Volume of materials used		N/A
EN2	Percentage of recycled materials used		N/A
EN3	Direct energy consumption by primary energy source		○
EN4	Indirect energy consumption by primary energy source	68	●
EN5	Volume of energy saved by improved efficiency	70	●
EN6	Energy reduction through energy efficiency business	74-76	●
EN7	Indirect energy-saving business and performance	68	●
EN8	Total water withdrawal by source		○
EN11	Size of power equipment in eco system conservation areas		N/A
EN12	Effects on biodiversity within eco system conservation areas		N/A
EN16	Total emission of direct and indirect greenhouse gases	68	●
EN17	Other indirect greenhouse gas emission		○
EN18	Greenhouse gas reduction business and performance	74-76	●
EN19	Ozone layer-destructive material emission amount		N/A
EN20	Air pollutant emission		N/A
EN21	Wastewater discharge and water quality		N/A
EN22	Waste discharge amount by type		○
EN23	Seriously harmful substance outflow		N/A
EN26	Environmental impact reduction activities and performance	71, 74-76	●
EN27	Recycling ratio of products and packages		N/A
EN28	Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	68(No violation)	●

Glossary

COP(Communication on Progress) | As a report submitted by companies joining the UN Global Compact, it shows whether they are observing the principles of the compact.

CPP | Captive Power Plants

CS | Customer Satisfaction

EDM | Electrical Motor Diagnostics

EPC(Engineering, procurement, and construction) | A type of turnkey method wherein the contractor takes charge of engineering as well as the purchase of materials and construction

ERP(Enterprise Resource Planning) | An integrated information system that effectively manages all human and material resources used in a corporate activity for the ultimate goal of strengthening corporate competitiveness

ERM (Enterprise Risk Management) | A new risk management method designed to minimize the loss of the company by integrating and managing tangible and intangible management risks at the company level

GRI(Global Reporting Initiative) | An institute devoted to developing and promoting guidelines for creating sustainability reports; these guidelines are applied worldwide

GT | Gas Turbine

HVDC | High-Voltage Direct Current

IPP | Independent Power Producer

IR(Investor Relations) | A publicity activity carried out by companies for accurate evaluations in the capital market; targets shareholders and creditors

ISO 26000 SR(Social Responsibility) | Global standard for social responsibility, scheduled to be enacted by late 2010

KOSHA 18001 | Safety and health management system certification guideline developed by the Korea Occupational

Safety and Health Agency based on BS 8800 of Britain's Occupational Health & Safety Management System and Europe's OHSAS 18001

MLA | Mechanical Lube Analyst

MLT | Mechanical Lube Technician

MSCI(Morgan Stanley Capital International) | Small Cap Index: An index created by MSCI as a subsidiary company of Morgan Stanley, an American financial service provider; a major index referred to by overseas fund managers to deal with the investment competition

NPO(Non-Profit Organization) | Various civic groups that voluntarily work in different sectors of society

O&M | Operation and Maintenance

O/H | Overhaul, Planned Outage Maintenance

Orifice | The iris installed within the tubes where fluids flow to control flux

RCP | Reactor Coolant Pump

TDR(Tear Down & Redesign) | An activity wherein all processes are broken down into small units to eliminate the basic causes of the issue and to redesign them

TOE(Ton of Oil Equivalent) | Petrol conversion ton converted as heat generation of petrol based on the heat generation of all energy sources in the earth

UN Global Compact | A declaration of the United Nations, it appeals to global mega-companies to address actively the various problems associated with the globalization of the world economy.

UST | Ultra Sound Technology

VOC(Voice of the Customer) | A system wherein customers' opinions as collected from various channels are integrated and reflected on the work process, marketing, etc.

Voice of Readers

We welcome your opinions on the 2008 KPS Sustainability Report. Rest assured that we shall try to reflect your ideas and suggestions on the next report. Please answer the questions and send via fax or email (sustainability@kps.co.kr). Thank you.

To

Fax number: +82-31-710-4495
(KPS Innovation Initiative Department)

From(may be omitted)

Name : _____ Gender : _____
Occupation : _____

1. To which group do you belong?

- Customer Shareholder
 Supplier/Contractor Local community
 NGO Employee of KEPCO Group
 Research organization Government Press
 Employee of KPS Etc(_____)

6. Please write down any other comments you may have.

2. Through which channel did you find out about the KPS Sustainability Report?

- Official website of KPS Seminar/Lecture/Exposition
 Newspaper/Magazine Other related websites
 KPS employees Etc(_____)

3. Which part of the report was most interesting to you?

- Sustainable management system Economy
 Global management Society
 Human resources Environment

4. Which part of the report do you think requires supplementation?

- Sustainable management system Economy
 Global management Society
 Human resources Environment

5. What do you think of the report?

- Easy to understand Satisfied Average Dissatisfied
 Amount of information Satisfied Average Dissatisfied
 General satisfaction level Satisfied Average Dissatisfied

