

# Our progress in Contributing to Sustainable Development



Sustainability Report 2004



# Sustainability Report 2004

## Purpose of the Sustainability Report

Since its founding in 1975, Korea Land Corporation (KLC) has been striving to advance the national economy and enhance the welfare of the Korean people. Dedicated to the "Gardener of the National Territory" philosophy derived from a thinking that gardening of our land is none other than our own responsibility, KLC is committed to taking a good care of our one and only national territory that not only we but our future generations have to use. Commemorating the 30th anniversary of its founding in 2005, we publish this Sustainability Report to share our commitment to sustainability management and the humble but precious fruits of our performance over the years. In this Report, KLC has documented its corporate strategies, systems, operations and results in the three main pillars enabling sustainability management: economy, environment, and society.

The Report has been drawn up following the Global Reporting Initiative (GRI) guidelines with reference to the sustainability reports released by many leading companies in other countries.

## Scope of the Report

The Report published in 2005 covers KLC's performance in sustainability management from January 1 to December 31, 2004. It does not include the operations of KLC's subsidiaries.

## Independent Verification Report

A third-party was invited to verify this Report to ensure its reliability. The structure and contents of this Sustainability Report was reviewed by the Independent Verification Council consisting of outside experts. Details of the Independent Verification Report is included in the appendix.

## More Information

The Sustainability Report will be released to the public regularly every year in the formats specified below.

- Sustainability Report in Korean and English (hard copy)
- Sustainability Report in Korean and English (pdf)

- <http://www.iklc.co.kr/sustainability>

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We look forward to your continued interest and encouragement.



KLC, Our progress in Contributing to Sustainable Development

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KLC, Our progress in Contributing to Sustainable Development

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Message from the CEO





## " We borrow the land from our future generations."

It remains true that the goal of a company is to make profits. Companies making profits through unethical or anti-social activities, however, can no longer survive: we witness plenty of such cases in which companies that engage in window-dressing cause financial damage to shareholders, or destroy the environment, lose customers and eventually go bankrupt. Today, companies are required to meet the heightened expectations for transparent management and social contribution. This year marks the 30th anniversary of the founding of Korea Land Corporation. Over the 30 years, KLC has made significant contribution to the fast-paced economic development of the country by creating large-scale residential and industrial complexes in a very short period of time. Still, we have to admit that in the process, not enough attention has been paid to environment preservation and ecosystem protection, and our relationship with various stakeholders, including land owners and buyers, has not been extremely well managed.

With the 30th anniversary of its founding, KLC embarks on a new beginning.

First, KLC will be committed to environment and ecosystem conservation.

Understanding that the land we use today is borrowed from the future generations temporarily, we will do our best to inherit a clean land to our descendants by planning our development projects in a way that conserves the environment and ecosystems.

Second, KLC will carry out the social responsibility of a public corporation.

Under the principle of balanced development of the national territory, we will put more development efforts to underdeveloped areas. We will become a company trusted by the citizens through transparent accounting practices and disclosure of cost. In addition, we will vigorously carry out projects to return the proceeds from development projects to society and to help those who are underprivileged and financially disadvantaged. We will also provide support for sound development of community cultures.

Third, KLC will pursue coexistence with all stakeholders by establishing a cooperative stakeholder relationship.

In the process of land acquisition, we will exert our best effort to protect the property rights of land owners. In the process of land development, we will build a mutually beneficial win-win partnership with constructors and other relevant stakeholders. Also, we will provide top-quality after-sales service to the customers who purchase land from KLC.

Jae Hyun Kim, President /CEO



## ■ Company Overview

### ■ Vision

To become a land service company of world excellence

KLC will provide a comprehensive "one-stop" service in all its business areas, ranging from planning to development and management of land, with world-class business efficiency and specialization.

### ■ Mission

Creative planning, development and management of a beautiful and livable land

In an attempt to become a land service company of world excellence, KLC will carry out a creative planning, development and management of a beautiful and livable land.

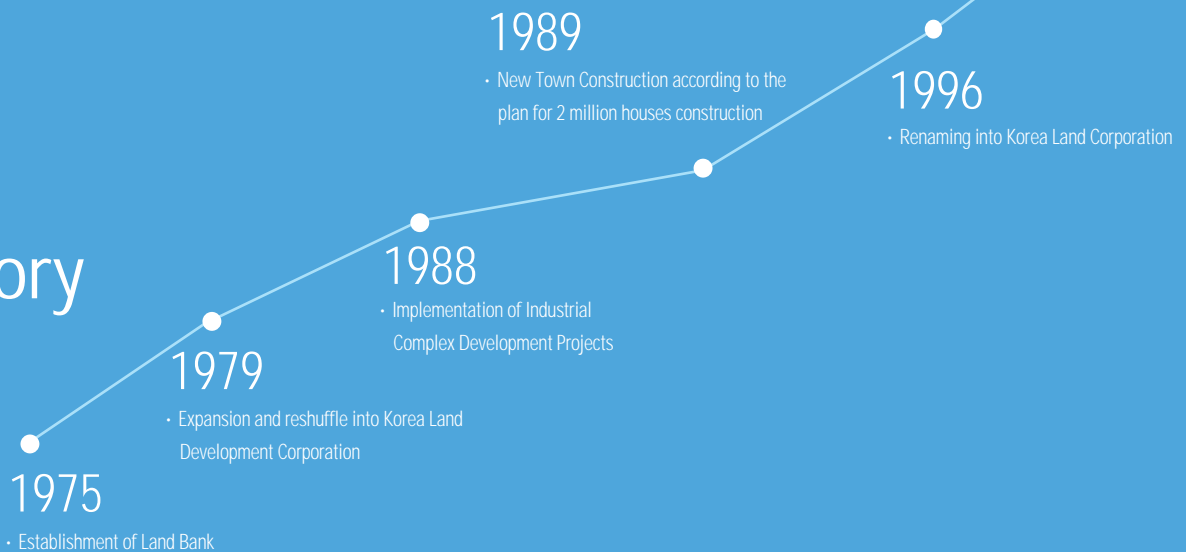
### ■ Core Values

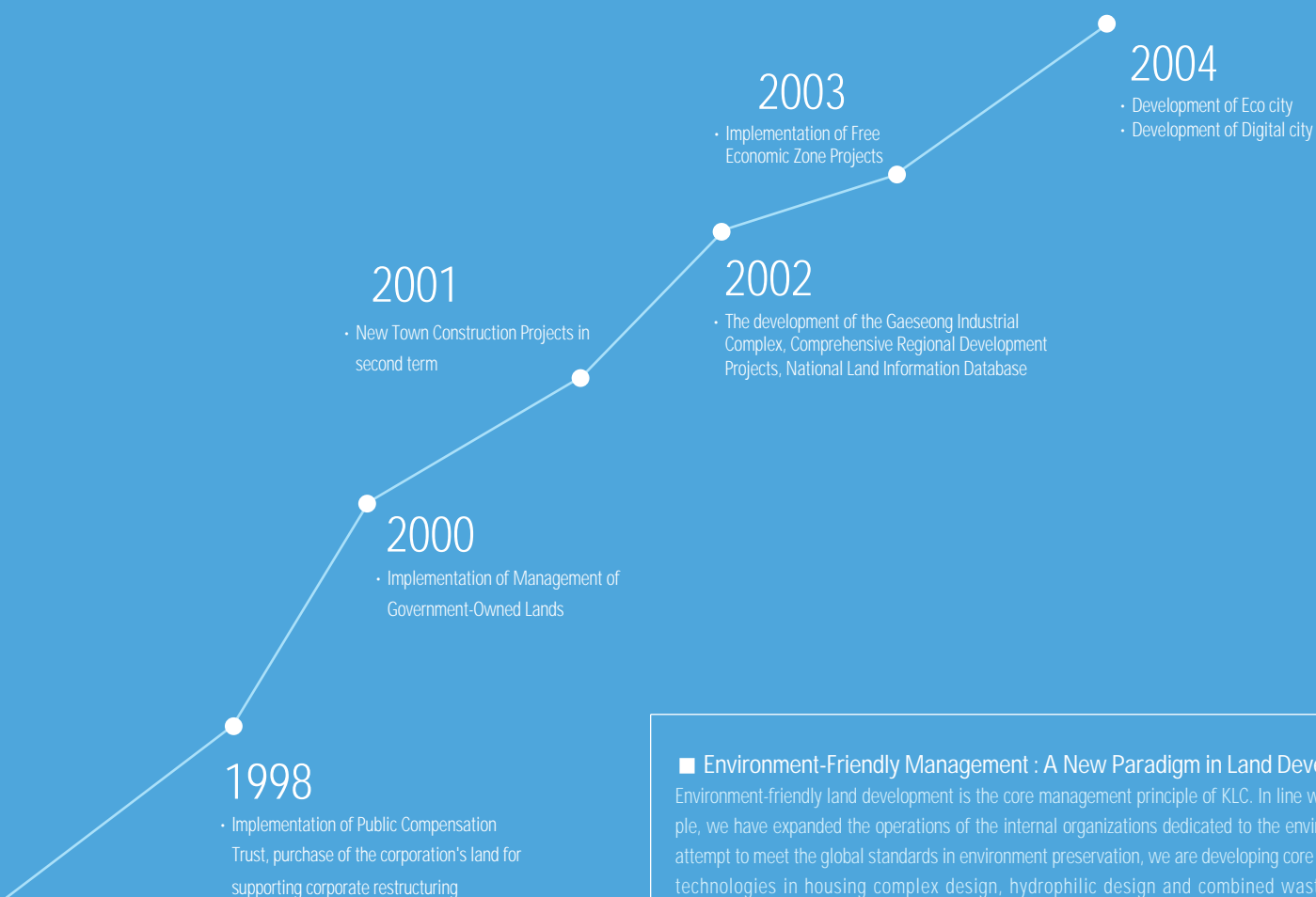
Service

The service spirit is the governing principle of conduct and shared value for all at KLC, through which our corporation will be reborn a socially responsible, ethical and moral company.

## Thirty years together with national territory

## History





#### ■ Environment-Friendly Management : A New Paradigm in Land Development

Environment-friendly land development is the core management principle of KLC. In line with this principle, we have expanded the operations of the internal organizations dedicated to the environment. In an attempt to meet the global standards in environment preservation, we are developing core environmental technologies in housing complex design, hydrophilic design and combined waste treatment. Environmental Assessment Team, Environmental Management Committee and Consultative Body, and Inspection Task Force, which oversees implementation of the consultation, are also in operation. KLC provides support to a number of civic environmental organizations and academic study groups involved in environmental research.

#### ■ Ethical Management : Clean and Transparent Management

We strive to keep our business management transparent based on a firm belief that KLC, as a public corporation dealing with property rights of the people, must operate in a more ethical manner than any other organization: we disclose accurate information about our business; we have proclaimed and are vigorously complying with the Ethical Management Charter with the voluntary support of all employees; also, we provide to our employees education on ethical management through e-Learning, and run a Call Center for Ethical Management.

#### ■ Customer Satisfaction : Beyond Satisfaction to Excitement

Protecting the interests of our customers is always our first priority. Rules and procedures at KLC are being revised to become more customer-oriented; we make sure to provide "one-stop" service to the customers who come to us; expeditious responses to customers' complaints and grievances are ensured through the operations of OK Team, Happy Call, and Customer Committee; in addition, customer appreciation events are organized where we can listen to the voice of our customers firsthand.

#### ■ Financial Status and Credit Rating : Solid Management and Reliability Bolstering the National Economy

Solid and sound management allows KLC to make profits on its own without receiving financial support from the government or incurring additional burden on tax payers. KLC has gained an international financial credit rating equal to Korea's country rating, ensuring stable supply of funds for executing large-scale government projects.

**Assets**  
15,382.5  
billion won

**Financial Status**  
As of the end of  
Dec. 2004

**Equity**  
4,446.9  
billion won

**A3**  
(Moody's)

**Credit Rating**  
As of the end of  
Dec. 2004  
Gained an international  
credit rating equal to  
Korea's country rating

**A-**  
(S&P)

# National Policy Projects

Driving the growth of the nation by carrying out national policy projects

Our Progress in Contributing to Sustainable Development

As a public corporation leading national development, KLC carries out large-scale national policy projects exclusively, and serves as a locomotive of inter-Korean exchanges. We are focused on creating pleasant living space and meeting the global standards in land management. KLC builds the foundation for Korea to become an economic hub of Northeast Asia in the 21<sup>st</sup> century and reach further beyond.





• The free economic zone projects are instrumental in Korea's transformation into an economic hub of Northeast Asia.

## ■ Free Economic Zone Projects

The Korean Peninsula is located at the center of Northeast Asia. Taking full advantage of the nation's geopolitical position, KLC is pushing for projects to create free economic zones that will accelerate Korea's transformation into an economic hub of Northeast Asia.

### • Incheon Free Economic Zone

Located on the Pacific rim, the Korean Peninsula connects the Chinese mainland with the Pacific Ocean. Backed by the logistics capacities of the Incheon International Airport and the Incheon Seaport, KLC seeks to maximize the benefits from the nation's advantageous geographical location by building a financial town in Cheongla and a logistics town in Yeongjong.

### • Busan & Jinhae Free Economic Zone

Based on the logistics capacities of New Busan Seaport and Kimhae International Airport, a science and industrial complex will be built in Busan, and a distribution complex in Western Busan, which will contribute to enhancing the national competitiveness of the country.



• Looking forward to a unified Korea, we build a foundation for closer inter-Korean relations.

## ■ New Town Construction Projects

With the participation of local residents, we are building high-tech new towns that are environment-friendly, self-sufficient, and multi-functional: the four new towns - Bundang, Seongnam; Ilsan, Goyang; Pyeongchon, Anyang; and Jungdong, Bucheon - were created by making the most of their respective local characteristics in accordance with the principle of respect for humans; outfitted with convenient amenities, public facilities and green districts, they serve as a perfect model of new town development. Additional projects for building new towns of more advanced level are currently in progress in Dongtan, Pangyo and Kimpo to create an eco-city outfitted with Green Network, an environment-friendly town generating high added-value in accordance with the environment conservation first, development later policy, and a futuristic and urban-agricultural city harmonizing self-sufficiency of an urban area with the natural environment of an agricultural town in the respective areas.

## ■ Inter-Korean Economic Cooperation Projects

KLC is actively engaging in inter-Korea economic cooperation projects that are aimed at promoting mutual prosperity of the two Koreas and laying a foundation for a unified Korea through increased inter-Korean exchanges. We are stepping up our effort for the development of the Gaeseong Industrial Complex, which will transform the area into an economic hub of Northeast Asia and a business platform for SMEs to expand their operations into North Korea. We are also seeking prospects for additional development projects in the North.



• We build business footholds abroad for Korean companies entering overseas markets.

## ■ Overseas Development Projects

With growing economic cooperation in Northeast Asia, KLC is building overseas industrial complexes to support Korean companies expanding their operations abroad: in China, where abundant labor force and cheap land are available, KLC is building the Qingdao-Jiaonan industrial complex, followed by construction of similar business complexes in Tianjin and Shenyang.



• We pursue a balanced development of the national territory that promotes the unique characteristics of each region.

## ■ Relocation of Government Agencies to the Outside of Seoul Metropolitan Area

Balanced development of the national territory helps resolve imbalance between the Seoul metropolitan area and the rest of the country, and enables each region to gain competitiveness through specialized development. It also facilitates relocation of government agencies of similar functions to regions outside of Seoul metropolitan area. This will not only create more jobs in the regions, but also stimulate the local economies. Relocation will be further extended to include companies, factories and universities as well.

## ■ Digital City Projects

KLC is building the nation's first futuristic digital city equipped with a "ubiquitous" environment well-suited for the information society. Under construction in Heungdeok, Yongin, the pilot digital city will be a futuristic one complete with cutting-edge IT and communications infrastructure. Its ubiquitous environment will offer real-time access to the cyberspace regardless of time and place, allowing the residents to enjoy a more convenient and pleasant living.



• We develop the nation's first digital city in ubiquitous environment corresponding information society.

# Projects for Balanced Development of the National Territory

We achieve coexistence of everyone through a balanced development that does not lean in one particular direction.

Our Progress in Contributing to Sustainable Development

Seeking co-prosperity of the Seoul metropolitan area and the other regions of the nation through balanced development of the national territory. Balanced development of the national territory will remedy the imbalance resulting from growth-oriented policies of the past. KLC seeks to achieve the full integration of the entire nation through this balanced land development strategy that enables both the Seoul metropolitan area and the rest of the nation to prosper together. Each region will focus on developing its own strategic areas of business, and create a regional innovation system through networking and interaction between the drivers of innovation. Local governments and residents will be joining hands to attain comprehensive development of their respective localities.



• Together with local governments, KLC pursues comprehensive and systematic development to achieve balanced regional development.



• We are building quality residential complexes with a convenient and pleasant living environment.



• Knowledge-based industrial complexes will enhance competitiveness of the nation and lay a foundation for growth of regional economies.



• Advanced logistics network will be built centered on key logistics bases nationwide.



• In project financing, KLC carries out funding and development jointly with the private sector.

## ■ Comprehensive Regional Development Projects

Leaving away from the uniform, indiscriminate development planning pattern of the past, KLC is diversifying its development methods in cooperation with local governments and residents. We take into account local characteristics in development planning to build multifaceted towns possessing residential, industrial and logistics functions. We make sure the benefits from development are delivered to the local residents.

## ■ Housing Estate Development Projects

KLC is building better-quality residential complexes nationwide for the purpose of stabilizing housing prices and supplying quality housing to low income families. The basic infrastructure and a wide range of conveniences and amenities in these complexes will provide a more comfortable and livable neighborhoods for the residents.

As of today, KLC has invested 36,179.6 billion won to develop a total of 68.96 million pyeong\* of land in 238 development sites. As a result, we have provided as many as 5.2 million citizens, or one tenth of the nation's total population, with new residences.

\* Pyeong is a unit of area (1 pyeong is approximately 3.3 square meters).

## ■ Industrial Complex Development Projects

KLC is stepping up its effort for balanced development of the nation through supporting the establishment of region-specific economic development plans. We are building various types of industrial complexes and high-tech complexes to support the knowledge-based industries. Logistics infrastructure is being laid down to facilitate transportation of raw materials, and forests and greenery blocks are also being put in place for preservation of the natural environment. When completed, these industrial complexes will offer attractive living conditions with workplace and residential space brought together in one place.

KLC has invested 6,622.2 billion won to develop 37.86 million pyeong of land. As a result, over 7,000 companies and 750,000 workers have been provided with a new place to work. 96% of the industrial complexes created are provided at the original cost level.

## ■ Distribution Complex Development Projects

Advanced logistics complexes will be built in major distribution bases - Cheonan, Eumseong, Ulsan and Andong - where advanced logistics systems will be established to cut down excessive logistics cost. National logistics bases, inland distribution centers and local distribution complexes will be connected to create an efficient nationwide logistics network that ensures fast and accurate transport.

## ■ Public Compensation Trust

Efficient implementation of public projects and efficient budget management by local governments require specialized compensation service. KLC has a specialty in providing compensation service and performs a wide range of commissioned business for compensation trust, development, sales, projects, cultural asset investigation and quality testing. A leader in the compensation trust market, KLC has acquired the breadth and depth of skills and know-how through its experience of performing a variety of tasks on commission.

## ■ PF (Project Financing) Business

In project financing provided by KLC, the public developer provides the land, and the constructor from the private sector joins the public developer with funds to pay for part of the construction costs and found a public/private joint venture. The joint venture, then, assumes responsibility for construction as well as funding for the project. Project financing will diversify the methods of property development and funding, making the property market more transparent.

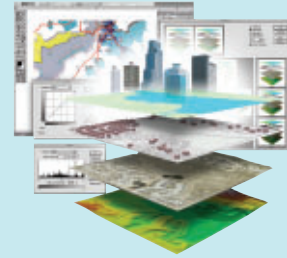
# Management of the National Territory

We create new values for national land resources through professional and systematic management.

Our Progress in Contributing to Sustainable Development

We create new values for national land resources through professional and systematic management. Through professional and comprehensive research, information gathering and efficient management, KLC is restoring the values of the national land resources. We also engage in locating and discovering cultural property and treasures scattered throughout the nation in advance of any construction project, and protect and preserve them with sincere affection for nature and culture.

- As a comprehensive land service provider, KLC performs systematic planning and management of the national land resources.



### ■ Land Banking

KLC purchases and manages idle or underused land, and then sells it to respectable buyers, thereby stabilizing supply of and demand for land. The land lots thus in reserve are developed as a whole or in stages as is deemed appropriate for promoting a sound real estate market. KLC has invested 1,692.2 billion won to buy in 40.98 million pyeong of land, which has been managed and supplied to real users for efficient use of the national land resources.

### ■ National Land Information Database

As a corporation specialized in land services, KLC manages information on the national territory and plays a central role in land distribution based on its specialty and reliability in the areas of land surveys and information gathering. By collaborating with relevant authorities, KLC comprehensively collects, investigates and analyzes data and information on land resources and land markets.

### ■ Management of Government-Owned Lands

For efficient management of government-owned lands, KLC has introduced an advanced management measures by establishing specialized management strategies and top-notch IT systems. By adding new values to idle or underused lands, KLC improves the quality of life of the people. Government-owned lands are managed in parallel with the lands held by the corporation, which helps reduce management expenses and allows KLC's professional knowledge and practices in land management to be applied to government-owned lands as well.

### ■ Excavation and Management of Cultural Assets

On any given development site, KLC first investigates for existence of buried cultural assets, thus protecting them from possible damage and ultimately increasing construction efficiency. KLC also builds cultural villages, creates parks on historic sites and set up exhibition halls to preserve and nurture a unique cultural environment within local communities. KLC operates a land museum in the Headquarters building to showcase the history of land development, and plans to build museums at key construction sites for the preservation of local cultures.

### ■ Research & Development

As a corporation providing specialized land services, KLC also plays a leading role in research and development concerning land. The Land Research Institute of KLC is carrying out research on matters relating to land with a comprehensive research capability while making bold investments in its information systems to further enhance its operations. Construction of the Land Research Institute was completed on a 20,000-pyeong land within Daedeok Research Complex in March 1995. It is the only research institute in Korea engaged in land research: its areas of study include long-term supply and demand cycles of land, land policy development in preparation of the unification of Korea, and new construction technologies. Based on its excellent performance, the institute has been authorized as a provider of comprehensive quality testing, an internationally certified testing organization, and a domestically certified calibration inspection organization. The institute also provides training and education to nurture land specialists who will be leading KLC in the future.




- KLC's care for culture is demonstrated through advance investigation of cultural assets and preservation efforts.



- The Land Research Institute conducts comprehensive land research as well as training to nurture land specialists within KLC.







Our yardstick is the spirit of service to the country and its people.

**Sustainability**

Fulfill social responsibilities

Faithful to the purpose of our corporation, we serve the country and its people, contributing to enhancing the nation's welfare.

**Execution**

Take actions

We put our vision and mission into action and carries out corporate social responsibilities to completion while continually raising efficiency in the execution of our work.

**Relationship**

Lead harmonization between customers, residents, and the central and local governments

We harmonize the interests of residents, local governments, the central government and internal customers, which in turn allows us to operate efficiently and expeditiously.

**Voice**

Listen to the voice of customers

We think from the perspective of users, not suppliers, to make all our business activities customer-oriented.

**Innovation**

Be innovative

We maximize the specialty and efficiency of our operations by innovating business models, ways of doing business, corporate culture and management efficiency.

**Creativity**

Be creative

We take a fresh, multi-dimensional perspective to develop the national territory anew.

**Ethic**

Operate ethically in accordance with the highest moral standards

We manage our business transparently, thereby enhancing the status of KLC as a public corporation and earning trust from the people.

## Mid- to Long-Term Direction of the Management Strategy

To strengthen our public role as well as planning, development, coordinating and managing functions

- Building up our planning function by providing support for national land planning and city planning
- Strengthening our capabilities for coordinating different plans and serving as the “control tower” of equitable regional development
- Serving public interests through vigorous execution of government-commissioned projects
- Strengthening our managing function by expanding land management business

### Mid- to Long-Term Business Objectives

- Strengthen the Public Role
- Maximize the Competitiveness of the Organization

### Mid- to Long-Term Business Strategies

Shift the focus of the business portfolio toward strengthening the public role

- Diversify development projects
- Provide efficient support for national policy projects
- Vigorously expand land management business

Strengthen core business capabilities

- Strengthen coordinating capabilities
- Build capabilities for real estate financing
- Strengthen research capabilities

Establish a forward-looking, innovative business management system

- Establish a sustainability management system
- Strengthen the strategic management system
- Innovate performance management
- Strengthen the risk management system
- Build a performance-based HR scheme
- Upgrade the competitiveness of the organization

Classification	Business Strategies	Our planning
Shift the focus of the business portfolio toward strengthening the public role	Diversify development projects	<ul style="list-style-type: none"> <li>Expand &amp; restructure the comprehensive regional development project</li> <li>Expand new town development projects &amp; build a foundation for overseas projects</li> <li>Promote &amp; lead public-private joint PF (project financing)</li> </ul>
	Provide efficient support for national policy projects	<ul style="list-style-type: none"> <li>Consolidate KLC's position through successful execution of free economic zone projects</li> <li>Execute relocation of government agencies to the outside of Seoul on commission</li> <li>Execute construction of an "administrative city" on commission</li> <li>Expand inter-Korean cooperation projects</li> </ul>
	Vigorously expand land management business	<ul style="list-style-type: none"> <li>Foster public land banking business</li> <li>Expand the businesses of cultural asset excavation &amp; management and creation of land databases</li> <li>Build a foundation for land banking through expansion of national land management business</li> </ul>
Strengthen core business capabilities	Strengthen coordinating capabilities	<ul style="list-style-type: none"> <li>Expand planning and coordinating functions</li> <li>Build business infrastructure required for strengthening planning capabilities and functions</li> </ul>
	Build capabilities for real estate financing	<ul style="list-style-type: none"> <li>Build a foundation for real estate financing business</li> <li>Diversify the real estate financing product portfolio by developing new ones</li> <li>Establish a system for comprehensive real estate financing service</li> </ul>
	Strengthen research capabilities	<ul style="list-style-type: none"> <li>Build a foundation for strengthening research capabilities</li> <li>Conduct research projects internally as well as on commission</li> </ul>
Establish a forward-looking, innovative business management system	Establish a sustainability management system	<ul style="list-style-type: none"> <li>Establish an integrated environment management system</li> <li>Improve capabilities for environment-friendly design &amp; development</li> <li>Promote eco-communication</li> <li>Promote business management centered on talent development &amp; human rights protection</li> <li>Strengthen partnership with suppliers</li> <li>Achieve integrated social contribution</li> </ul>
	Strengthen the strategic management system	<ul style="list-style-type: none"> <li>Establish closely integrated management processes</li> <li>Carry out systematic and strategic business management by dedicated teams and initiatives</li> <li>Provide efficient support for the strategic management system</li> </ul>
	Innovate performance management	<ul style="list-style-type: none"> <li>Firmly establish the performance-based management</li> <li>Link performance indicators with business strategies</li> <li>Build an evaluation system easy to understand and to apply</li> <li>Share business strategies companywide</li> </ul>
	Strengthen the risk management system	<ul style="list-style-type: none"> <li>Minimize business risk with an optimal risk management model</li> <li>Raise companywide awareness of risk management</li> <li>Efficient risk management through the information system</li> </ul>
	Build a performance-based HR scheme	<ul style="list-style-type: none"> <li>Align HR management with business strategies</li> <li>Nurture talents that can create superior values in the market</li> <li>Create values &amp; maximize core capabilities</li> </ul>
	Upgrade the competitiveness of the organization	<ul style="list-style-type: none"> <li>Establish a responsible management system based on trust and creativity</li> <li>Establish a management system based on an organic network</li> <li>Create a corporate culture encouraging voluntary participation in changes and innovation</li> </ul>

A photograph of a young child sitting inside a large, circular tunnel slide at a playground. The child is smiling and making a peace sign with their right hand. The entire image is overlaid with a semi-transparent magenta filter. The child is wearing a light-colored t-shirt, dark pants, and sneakers. The background shows other playground equipment and trees.

# Business

## Strengthening Our Public Role and Financial Soundness

Over the last 30 years, KLC remained committed to creating quality residential and industrial spaces. Starting anew with the "second founding" of the corporation, we will improve our business management system in a way that is forward-looking and innovative, and strengthen our public role in executing business for national policy projects, balanced development and land management.

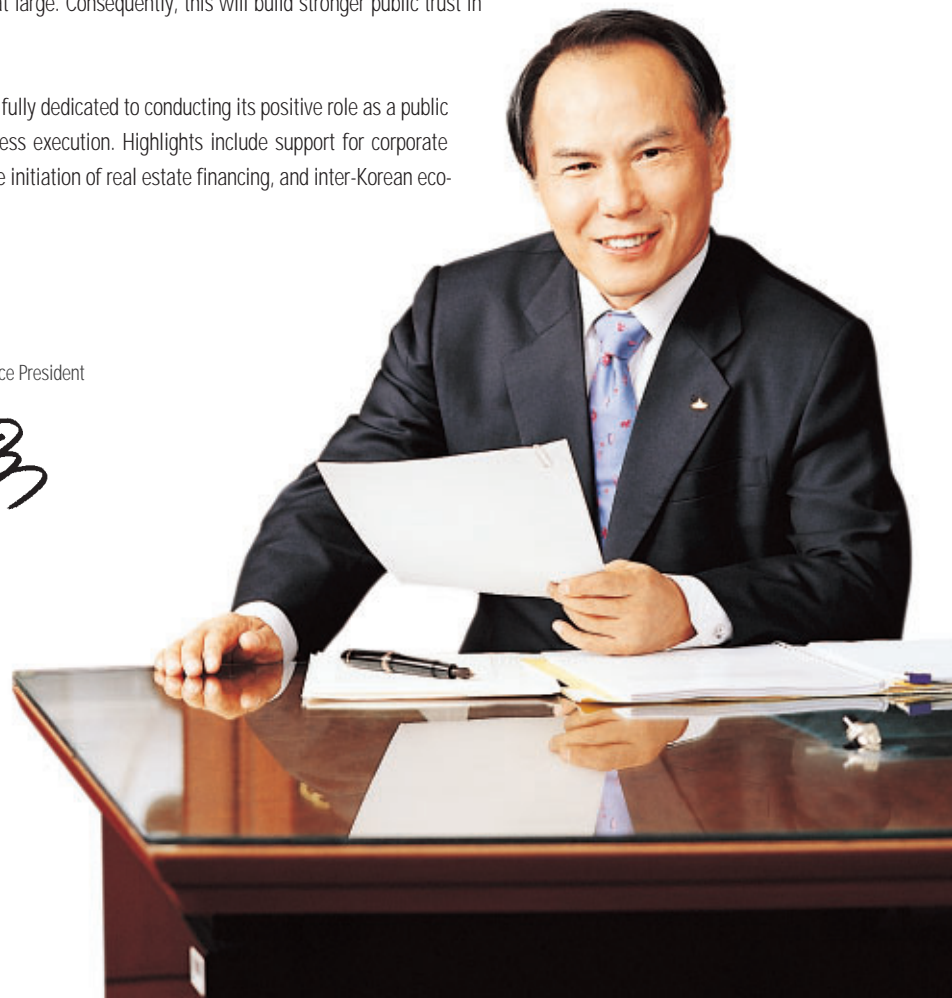


## Unless it helps advance the public interests of society as a whole, it cannot become part of KLC's business.

As a public corporation, the ultimate goal of KLC is to increase efficiency in serving public interests rather than to maximize profits. In other words, all of KLC's business - development of free economic zones and industrial complexes aimed at contributing to enhanced competitiveness of companies as well as construction of residential complexes aimed at improving people's quality of life - will eventually lead to betterment of public interests for society at large. Consequently, this will build stronger public trust in KLC's operations.

Over the last 30 years, KLC has been fully dedicated to conducting its positive role as a public corporation in its land-related business execution. Highlights include support for corporate restructuring in the private sector, the initiation of real estate financing, and inter-Korean economic cooperation projects.

Jae Wook Kwon, Senior Executive Vice President





## ● Business Objectives

KLC annually sets the management objectives for national policy projects, balanced development and land management business area. In 2004, KLC set an objective of acquiring of 8 million pyeong of land, development of 4 million pyeong of land, supplying of 5 million pyeong of land, all of which have been successfully achieved. In 2005, KLC set an objective of acquiring of 6.3 million pyeong of land, development of 5.5 million pyeong of land, supplying of 5.3 million pyeong of land.

Category	2004 Management Objectives			2005 Management Objectives		
	land acquisition	development	supply	land acquisition	development	supply
National policy projects(10,000pyeong)	500	120	160	333	236	274.5
Balanced development of the national territory projects(10,000pyeong)	295	280	300	292	314	245.5
National territory management Projects(10,000pyeong)	5	-	40	5	-	10
Total	800	400	500	630	550	530

## ● Business Outcomes

**In national policy projects**, KLC is vigorously pushing ahead with the free economic zone project as an effort to support the participatory government of Korea in creating an economic hub of Northeast Asia in Korea.

KLC was chosen as the project operator for development of a 5.38 million-pyeong land in Cheongla, Incheon, and a 5.13 million-pyeong land in Yeongjong, Incheon. In addition, KLC was also chosen as the project operator for development of 3 sites (950,000 pyeong) in Busan-Jinhae area, which includes the Western Busan Distribution Complex; furthermore, it is pressing for a bid in development projects for 6 sites (3,300,000 pyeong) in Busan-Jinhae area and additional 1 site (1,200,000 pyeong) in Gwangyang Bay area.

In order to construct environment-friendly, future-oriented new towns, KLC is pushing for development projects in Dongtan, Pangyo, Kimpo, and Heungdeok of Yongin.

The successful ground-breaking of the Gaeseong Industrial Complex heralds co-prosperity of the two Koreas through reduced tension and promotion of exchanges and cooperation between South and North Korea. Furthermore, the Gaeseong project will enable KLC to firmly position itself as a specialized land corporation preparing for the unification of Korea by seeking balanced development of the national territory.

### Construction of Environment-Friendly, Future-Oriented New Towns

Dongtan	Create an eco-city outfitted with "Green Networ" by maximizing the utilization of land space (e.g. the underground installation of unpleasant facilities)
Pangyo	Build an environment-friendly town generating high added-value in accordance with the "environment conservation first, development later" policy
Kimpo	Create a futuristic, urban-agricultural city harmonizing self-sufficiency of an urban area with the natural environment of an agricultural town
Heungdeok, Yongin	Create a digital city equipped with cutting-edge IT infrastructure

**For balanced development of the national territory projects,** KLC has joined hands with a total of 33 local governments (12 in the Seoul metropolitan area and 21 in the regions outside the Seoul metropolitan area) to draw up regional development plans as part of the comprehensive regional development project, and is preparing for signing of basic agreements for this endeavor upon the proposals by local municipalities. Accordingly, KLC has designated 9 sites totaling 5.49 million pyeong, including Byulnae of Namyangju and Samsong of Goyang, as areas for development projects. KLC is also pressing for designation of 36 sites totaling 20.11 million pyeong as areas for development projects in 2005.

KLC is consistently carrying out public compensation and commissioned project business, which is being expanded into a comprehensive system to deliver commissioned projects encompassing not only compensation but also construction and sales.

For balanced development of the national territory, KLC expanded industrial complex and distribution complex development project. KLC has designated 4 sites totaling 4.11 million pyeong as areas for development projects. KLC is also pressing for designation of 20 sites totaling 7.95 million pyeong as areas for development projects in 2005.

KLC is implementing theme-based design to create a better, environment-friendly living environment that not only performs functions as a conventional residential area but also provides a natural landscape within each housing complex. Such efforts have been recognized when KLC received "Environmental CEO Award" and "Eco-Friendly Landscaping and Greening Award" in 2004, helping resolve the negative image associated with its development activities that often contradict with environmental conservation.

Key Themes	Site
Eco-Mecca with well-reserved waters and music	Pungsan, Hanam
"G-City": green village with vitality	Neunggok, Shiheung
Creating distinguished urban space	Suwan, Gwangju
Building a comprehensive sports complex	Cheongbuk, Pyeongtaek
Creation of "the River of the Citizens"	Sangdong, Bucheon

**For national territory management projects,** KLC made an effort to strengthen its land banking business and to control supply of and demand for land by investing 157.2 billion won and 50.2 billion won in 2003 and 2004, respectively, in buying land for reserve. It has shored up KLC's role as the land policy execution body with market stabilizing capabilities.

In addition, KLC has conducted its first ever large-scale "Strategic land purchase" and theme-based land purchase: purchase of land within Incheon Free Economic Zone as well as purchase of a sports facilities site in the vicinity of Cheongju High-Tech Industrial Complex were the results of KLC's strategic land purchase for large-scale land banking that can make a substantive contribution to KLC's operations; purchase of a medical facilities site within the Suwon-Yeongtong site and purchase of a ranching site in Jeju Island were made possible through land purchase in accordance with the development theme of each site.

Management of cultural assets business area is focused on refining capabilities for advance investigation and contractor management, through which KLC seeks to advance the specialized status of its land museum, and build and operate cultural remains parks and museums within development sites.

To provide electronic, digital information on land, KLC established and officially launched a portal site dedicated to land information. The portal site provides information on the national land policy, and serves as a venue for the public to express their affection for the national territory. KLC has been participating in the LMIS project. So far, we have developed databases for 163 local municipalities. The effective utilization of LMIS will enable KLC to play the pivotal role in establishing national policies on real estate. To play its role as a land suitability assessment organization, KLC develops the land suitability assessments program while providing verification service at the same time.



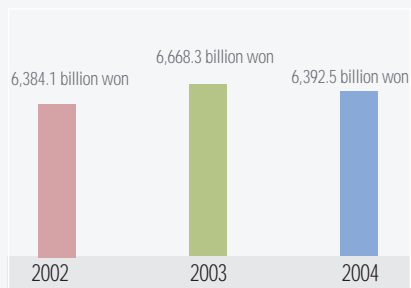


## Economic Performance

KLC has recorded over 6 trillion won in sales for three consecutive years since 2002, which is attributable to promotional efforts aimed at selling land in reserve, heightened PR activities on the Internet, early designation of project sites, and improvements in the supply chain-related schemes.

In addition, KLC has been building up on its public role since 2003 by reinvesting the development proceeds for raising national land competitiveness, including equitable regional development, and adding high added-value to the national land environment. Such reinvestments were made possible through improvements in KLC's financial structure.

KLC's Sales Performance



Volume of Land in Reserve

(unit : thousand pyeong)

Category	2003	2004
Residential Land	400	662
Industrial Complex	4,510	3,488

(unit : hundred million won)

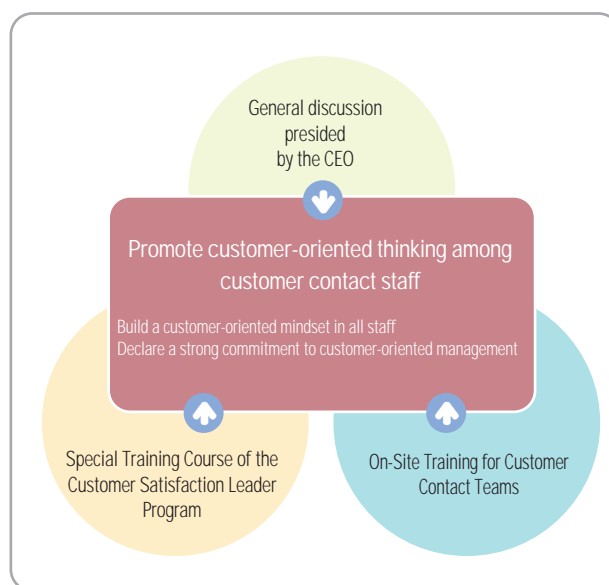
Financial Highlights	2002	2003	2004
Sales	49,331	44,595	42,339
Operating profit	8,377	9,145	10,615
Net profit for the current period	3,720	4,384	4,867
Assets	146,544	141,938	153,825
Liabilities	111,340	102,255	109,356
Equity	35,204	39,683	44,469
Retained earnings	17,362	21,656	20,268

5 Key Financial Indicators	2002	2003	2004
Debt ratio (%)	159	96	94
Interest coverage ratio (-fold)	2.49	3.0	4.67
ROA (%)	2.54	3.09	3.18
EVA (hundred million won)	4,454	4,844	4,944
Inventory turnover (times)	0.51	0.47	0.38

## Customer Satisfaction

In order to implement customer satisfaction management practices, KLC identifies areas for improvement in customer satisfaction, and takes actions to address them, including general discussion sessions presided by the CEO, special training course as part of the customer satisfaction leader program, and on-site training for customer contact teams.

To support the Customer Satisfaction Management principle, KLC has opened a customer contact center to listen to the opinions of customers and to collect their suggestions, which in turn are used as input for improving our management activities. Best examples are shared throughout the organization to better the quality of customer service. Expedient exchange of information enables us to be responsive to the requirements of our customers. Details of our customer satisfaction activities are included in the "Partnership with Customers" section of this Report.



## Innovation

In 2003, KLC introduced a **Blind Interview<sup>(1)</sup>** format for hiring new talent, the first such attempt among public enterprises. It represents KLC's effort to implement a non-discriminatory and fair employment process. The format was developed as a means to effectively evaluate applicants' capabilities required by the organization, such as creativity, growth potential, and morality. The implementation of the interview format allows KLC to hire talented people with flexible thinking from a variety of fields.

The improved employment process of KLC has been widely reported on TV and newspapers as a best practice. During the hiring round for the year 2005, KLC provided a preferential treatment to the applicants from the regions outside of Seoul, introduced an employment quota for women who majored in science and technology, and eliminated the cap on the eligible age.

(Based on university location)

Category	2003	2004	Note
Total No. of New Hires	224	184	
SMA (Seoul metropolitan area)	160(71%)	117(64%)	Seoul, Gyeonggi, Incheon
Non-SMA	64(29%)	67(36%)	Regions outside the SMA

## R&D

KLC has undertaken the following tasks in order to provide research support for its role as the driver of a balanced national land development: development of specialized technologies, enhancement of competitiveness, and improvement of its research system to shore up research capabilities.

Research Area	No. of Projects	Research Area	No. of Projects	Research Area	No. of Projects
Government policy for designing a new national territory	3	Northeast Asia development projects	2	Joint research commissioned by the Ministry of Construction and Transportation	3
Environmental policy of the government	3	Balanced regional development project	3	Balanced regional development	5
Management issues of KLC	1	Policy for a balanced national development	2	Publication in international journals	1

(1) Job interviews are conducted without an applicant's home town, education level, and family background known to the interviewers.





## • Corporate Governance

### Board of Directors

KLC's Board of Directors is staffed and operated in compliance with the Basic Act on Management of Government-Invested Institutions. As KLC is recording its highest ever business performance since its founding in 1975, it clearly recognizes that an active role of the Board of Directors is critical to KLC's business. As such, KLC is striving to improve the operation of the Board of Directors. At present, the Board of Directors consists of 6 standing directors, who are from the management of the corporation, and 7 non-standing independent directors that are experts in the relevant fields. In 2004, pre-screening of the board meeting agenda was institutionalized for more focused deliberation as part of the effort to strengthen the deliberation and decision-making function of the Board of Directors. Also, it has been decided to form and operate specialized sub-committees under the Board of Directors, and changes have been made to allow the suggestions of non-standing directors to be reflected to the company policies. In the future, KLC will organize small group discussions for non-standing directors so that they can make a practical contribution to KLC's decisions on key policies.

### Disclosure and Transparency

To comply with Article 26-2 (disclosure) of the Basic Act on Management of Government-Invested Institutions and Article 18 (disclosure scheme) of the Enforcement Ordinance of the aforementioned act, KLC publicly announces every year its business plan and performance on a regular basis.

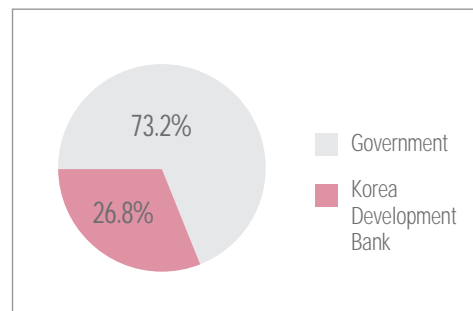
To ensure accounting transparency, KLC has hired outside accountants and auditors: by aligning the corporation's accounting with the corporate accounting standards, KLC will be able to improve the transparency of its accounting practices. In addition, KLC has expanded the implementation of the electronic bidding scheme using the electronic bidding system of the Public Procurement Service; an e-commerce system for land sale has also been launched to increase the transparency of the procedures in the application for land purchase; as for the land put up for a competitive bid, an electronic bidding system was established to ensure transparency of the process.

KLC is strengthening the role of the "Committee for Openness of Public Enterprises," which began operation in 2000, to collect outside opinions for ensuring open management and customer satisfaction as well as to identify and resolve any inconveniences experienced by customers through project site visits and inspections.

### Shareholders

KLC is a government-invested company, whose shares are owned by the government and the Korea Development Bank. The two shareholders have invested 1,319.8 billion won and 482.6 billion won to hold a 73.2% and a 26.8% stake, respectively, in the corporation.

Standing/ Non-standing	Name	Title/Position
Internal directors (standing)	Jae Hyun Kim	President/CEO
	Jae Wook Kwon	Senior Executive Vice President
	Tak Yeol Uhm	Executive Director Management Division
	Myung Seop Kim	Executive Director Residential Project Division
	Seok Jong Yoon	Executive Director Complex Project Division
Independent directors (non-standing)	Chul Soo Lee	Professor, Department of International Univ. (Economy)
	Dong Hee Han	Visiting Research Fellow, Korea Economic Research Institute (Regional Economy)
	Jae Ryong Chung	Of Counsel for Corporate and Financial Matters, Bae, Kim & Lee (Journalism • Economy)
	Gil Joon Park	Professor, Depart of Law, Yonsei Univ. (Law)
	Suh Jin Chung	Editorial Writer, Segye Times (Journalism • Economy)
	Soo Hyun Nam	Professor, Department of Business Management, Dongeui Univ. (Business Management)
	Hae Sung Lee	Representative of the URL party for the City of Busan / Senior Presidential Secretary for Public Relations



※ More information is available at the company website. Or, contact Administration Management Team of Administration Management Office at +82-31-738-7060 to get details about the corporation's information disclosure and related materials.

## ● Giving Back to Society

### Business Performance

Starting from 1975, KLC's land development projects have continued to be carried out under the framework of the national land development policy, which is the backbone of the fast-paced economic growth of Korea. KLC's total business performance in 1975-2004 includes supply of 151.54 million pyeong of land through the development of 291 sites with a total investment of 47,380.7 billion won. For housing complexes, KLC invested a total of 36,179.6 billion won in developing 238 sites to provide 68.96 million pyeong of land; as a result, 5.2 million people have been provided with new homes, thereby increasing the home ownership rate of the nation. For industrial complexes, the corporation invested a total of 6,622.2 billion won in developing 49 sites to supply 37.86 million pyeong of land; this has created 747,000 new jobs and provided business space to 7,249 companies.

### Social Contribution

Since its founding, KLC has been consistently making social contribution in its business areas. Construction of SOC and supply of residences, in particular, are the areas where KLC has made the most contribution.

#### Total Business Performance (1975 - 2004)

(Unit : hundred million won, ten thousand pyeong)

Category	No. of sites	Funds invested	Land area provided
Total	291	473,807	15,154
Housing complex	238	361,796	6,896
Industrial complex	49	66,222	3,786
Land under management	-	16,952	4,097
Redevelopment, distribution	4	2,140	24
Corporate land	-	26,697	351

#### Total Tax Paid

(Unit : hundred million won)

2002	2003	2004
2,907	4,142	4,442



#### SOC Construction (1975 ~ 2004)

Item	Monetary value (hundred million won)	Note
Road	56,702	507 Km
Subway	22,298	122 Km
Water supply system	7,120	3.27 million tons/day
Sewage system	17,663	5.02 million tons/day
Waste	4,466	2,858 tons/day
Other	5,667	Transportation infrastructure, etc.
Total	11,391.6 billion won	



A photograph of a man and two children, all wearing crowns made of leaves. The man is in the center, smiling, with a young girl on his left and a young boy on his right. They are all wearing similar leaf crowns. The background shows a city building. The entire image is covered with a semi-transparent blue overlay.

# Environment

## Achieving Environment-Friendly Development of the National Territory

The national territory is a priceless asset since there is only one national territory for us. Therefore, the development and management of the national territory must be carried out in a sustainable manner. KLC will strive to generate more values from the national territory through an environment-friendly land development and management.



## KLC is well aware that investment in the environment is the driver of sustainable land development.

Although challenged by the nation's growth-oriented development policy in the 70s and 80s, KLC has persistently adhered to the principle of community contribution and environment-friendly development.

We conduct a cultural asset survey in collaboration with experts in the academia before embarking on a development project in order to preserve historic values of the community to be developed.

Construction of a sustainable city, which incorporates environment-friendly residential areas with eco-parks and eco-villages, is the goal that we pursue in firm belief with all our technological prowess accumulated over the years.

KLC will continue to seek ways to enhance the quality of the national territory and the lives of people through investing in the environment.

Myung Seop Kim, Executive Director Residential Project Division

김성섭





## ● Strategies for Environment-Friendly Development of the National Territory

KLC seeks to build an "environment-friendly national territory" by implementing environment-friendly development and management practices throughout its entire business activities. To this end, we laid out 5 strategies for sustainability management in matters relating to the environment as follows:

Establishment of integrated environmental management system	Improvement of environment-friendly design and development capabilities	Improvement of eco-efficiency during development	Enhancement of environmental performance in supply chain management	Promotion of eco-communication
1	2	3	4	5
To realize systematic and proactive environment management, KLC will establish an integrated environmental management system that encompasses environmental management system, environmental audit, environmental performance assessment, and environmental training and education.	The environmental impacts of KLC's development projects are identified at the design stage. In order to develop land in an environmentally sound manner, therefore, KLC will continuously improve its environment-friendly design and development capabilities.	KLC will make continuous efforts to provide quality land while minimizing the environmental impacts caused during the development stage.	KLC will promote the environmentally sound management practices at suppliers, and protect the environment through environment-friendly ways of managing construction sites.	KLC will publish a sustainability report annually, and strive to enhance transparency and gain trust through routine dialogue with outside stakeholders.

## ● Environmental Management

### Environmental Management System

KLC acquired ISO14001 certification in November 1995, the first such certification for a state-owned company in Korea. With the certification as a basis, KLC has taken a systematic approach to put in place an environmental management system.

In June 2000, KLC was designated as a "Great Company with ISO14001/9001 Certification"; in June 2002, the corporation received Environment Management Award; in 2003, the corporation was awarded Environmental CEO Award.

The current environmental management system of KLC, along with its Quality Management System, is being utilized to minimize the environmental impacts arising from all project stages, ranging from land acquisition to development, supply, management and construction. KLC will make the utmost effort to garner public trust in and support for our quality assurance and environmental management system.

Environmental Policy	Develop environment-friendly land products	Implementation measures
	<ul style="list-style-type: none"> <li>Step up effort for environmental preservation and improvement</li> <li>Lead development of environment-friendly technologies</li> <li>Create pleasant living environment respectful of humans</li> <li>Share and utilize environment-related information and knowledge</li> </ul>	<p><b>First</b>, all staff will be fully aware of their roles and responsibilities for effective implementation of the environmental policy, and make an effort to put it into practice. <b>Second</b>, we will do our best to conserve the environment and to prevent possible environmental degradation from the project planning stage. <b>Third</b>, we will sincerely comply with environment-related laws and meet other relevant requirements. <b>Fourth</b>, through regular reviews and improvements, we will ensure that our environmental management system is relevant, sufficient, effective, and efficient.</p>

## Environmental Organizations

KLC established a dedicated environmental organization under its wings in January 2002 to effectively manage the environmental impacts of projects and to assess the results. Simultaneously with the expansion of the environmental organization, KLC established Environment & Traffic Office in January 2004 in charge of environmental impact assessment.

Planning & Coordination Office and Administration Management Office are in charge of advancing the sustainability management and environmental management system; Environment & Traffic Office deals with matters relating to the environment, traffic, population, and disaster impact assessment; Facilities Project Office is responsible for drawing up energy use plans for development projects and designing environment-friendly eco space; Research & Development Office conducts environment-related research; Project Offices, including Residential Project Office I and II, Equitable Regional Development Office, Complex Project Office and Metropolis Project Office I and II, are focused on preventing haphazard development and upholding the principle of "planning first, development later"; lastly, regional divisions and project field offices are in charge of preserving the environment at project sites.

## Environmental Audit

Once a year, KLC receives an external audit from the Korea Productivity Center Quality Assurance: the center examines the performance of four offices of the Headquarters (Administration Management Office, Customer Support & Marketing Office, Environment & Traffic Office, Quality Control Office) as well as regional divisions and branches on continued implementation of quality control and environmental management system, modification of the organization and system documents, continuous fulfillment of certification requirements, and compliance with environmental laws and other relevant regulations.

In addition, KLC also performs an annual environmental audit internally to regularly monitor the current status and performance of its environmental management. In doing so, KLC seeks continuous enhancement in matters relating to the environment.

## Education and Training

KLC conducts environmental training aimed at nurturing an environment-conscious mindset among all staff, developing specialized capabilities required for environmental management, and encouraging the staff to voluntarily participate in the activities for improving the environmental performance of the corporation. We conduct annual collective training on building capabilities in the theory and practice of impact assessment for the employees in charge of impact assessment, and provide a training program on a variety of subjects, including aircraft noise and air pollution forecasting, to our employees as well as service contractors.

## Compliance with Related Laws & Regulations

In all business management activities, KLC strictly complies with laws and regulations on the environment.





## ● Environment-Friendly Development

### Endeavor for Environment-Friendly Development of the National Territory

development later" principle in using the national territory and to prevent environmental degradation resulting from haphazard development of the national territory. With the opening of the "National Land Portal Site," KLC is providing a wide range of useful information on land through the internet website, which will make a venue for both the corporation and the general public to engage in various activities to care for the national territory.

In order to establish a land use scheme based on the principle of "planning first, development later," the "Land Suitability Assessment Program" was introduced, and its guidelines have been amended and a standard program has been developed for a more efficient implementation of the program. In addition, KLC has built the "Land Management Information System (LMIS)" as part of its effort to establish an efficient management system for the national territory.

KLC is engaged in a variety of activities aimed at environment-friendly development of the national land. By adopting an environment-friendly paradigm of "equitable regional development," KLC seeks to adhere to the "planning first,



### "Comprehensive Regional Development": Transition to Environment-Friendly Development Paradigm

KLC has developed and put into practice an environment-friendly development paradigm called "comprehensive regional development" in collaboration with local governments: under this paradigm, KLC will be able to firmly establish the "planning first, development later" principle for national land use; to push for holistic regional development based on a win-win strategy for both KLC and local governments; to prevent environmental degradation caused by haphazard development; and, to position itself as a partner of local governments by resolving inequities in regional development and returning development profits to local communities.

In the "comprehensive regional development" model, a new method for equitable regional development, KLC collaborate with municipalities in drawing up space planning and executing development projects in order to develop and supply lots to serve multiple purposes, such as residence,

industry and distribution, which is different from the conventional uniform development method for developing single-purpose lots.

KLC designs regional development plans and signs basic agreements for comprehensive regional development with municipalities upon their proposal. And then, we assist our signatory municipalities in drawing up space plans, and press for creating development projects for each of them. We have linked the comprehensive regional development project with the efforts for resolving region-specific issues, and pushed for signing of basic agreements by providing consulting service to each municipality on its regional development plan. As a result, we signed a basic agreement with 15 municipalities in 2004.



In May 2004, KLC's comprehensive regional development project was chosen by the Financial News as "Fn Top-Pride Product of 2004"; also, in September 2004, the project was cited as a best practice in government-invested enterprises by the Panel for the Evaluation of Business Management at Government-Invested Enterprises. As such, KLC's comprehensive regional development project has been officially recognized for its value as a means to achieve a balanced development of the national territory.



## Establishment & Official Launching of the National Land Portal Site

The reform of land-related laws has increased the need for efficient operation and management of land information. Against this backdrop, KLC has established and is running the "National Land Portal Site," which will provide accurate information on land and make a venue for both the corporation and the general public to engage in various activities to care for the national territory.

The portal site was officially launched in August 2003 after a live demonstration was performed in June 2003 jointly by the working-level officials of the Ministry of Construction and Transportation and the National Geographic Information Institute. A variety of contents are available on the website under

menus, including "View Drawings for City Planning" for helping to understand region-specific city planning concepts and "Changing Face of the Map" for better understanding of the map history.

## Successful Development of Land Suitability Assessment Scheme

The "Land Suitability Assessment Scheme" is running to support the classification of management zones following the introduction of a new land zoning system and to facilitate preliminary surveys before establishing urban management plans. In this regard, KLC has developed a standard program for land suitability assessment to support the operation of the scheme. Also, KLC was authorized by the Ministry of Construction and Transportation as a verification organization that resolves issues during land suitability assessment and evaluates the accuracy of the assessment results.

To play its role as a land suitability assessment organization, KLC conducts land suitability assessments under contract with local governments while providing verification service at the same time.

By conducting land suitability assessments, KLC has firmly positioned itself as a professional land suitability assessment organization; furthermore, by supporting the central government and local municipalities in this area, KLC is upholding the principle of "planning first, development later," and leading the land suitability assessment scheme in the right direction.

## Establishment of LMIS and Land Information Center

The establishment of the Land Management Information System (LMIS) is a national information project aimed at supporting the expeditious development of unbiased real estate policies by computerizing administrative work for land management and developing an IT system and databases for it. LMIS will enhance the productivity of land-related administrative work and ensure timeliness of land policies; in addition, it will allow for civil applications to be handled on the Internet.

Since 2002, KLC has been participating in the LMIS project as project management organization in charge of project progress monitoring, system development, supervision of database development, and system operation and maintenance. So far, we have developed databases for 163 local municipalities; we plan to complete database development for 250 local municipalities by 2005.

The effective utilization of LMIS will enable KLC to form a value network with local municipalities; to strengthen the partnership for comprehensive regional development; to create opportunities for additional land information projects; and, to play the pivotal role in establishing national policies on real estate.





### Construction of Environment-Friendly Complexes

KLC is vigorously pushing for construction of environment-friendly eco-cities by establishing an eco-city planning model; designating a site for a pilot project to apply an eco-friendly and environmental system; planning complexes with water-front areas; and, introducing and implementing designing methods for ecosystem restoration.

### Model for Planning Environment-Friendly Eco-Cities in Harmony with Nature

KLC has established a planning model for eco-cities based on the concept of an environment-friendly eco-city, in which human beings live in harmony with nature and the principle of co-existence and circulation is upheld. KLC is pressing for the expanded application of the model to cover all project sites.

Under this planning model, we investigate and analyze the environmental characteristics of each development site. Then, we apply the findings to the planning of an urban space in which the life of human beings is harmonized with the natural environment by maximizing environment-friendly components of the city, and to refine the planning techniques for the preservation of natural habitats and the utilization of natural energy.

We expect that the effective implementation of the systematic city planning model will facilitate the construction of futuristic, recycling-based eco-cities by leading environmental preservation in the national territory and expanding possibilities for the development of eco-cities.

### Designation of Development Site for Pilot Project to Establish Eco-Friendly Environmental System

We are pushing for successfully completing a pilot project to establish an eco-friendly environmental system in a development site and expanding it to all other project sites. In fact, the Samhwa site in Jeju Island has been designated as the test site; under an eco-friendly development blueprint, KLC has constructed an eco-friendly environmental system in Samhwa, including solar-powered housing complexes and natural sewage treatment facilities.

By continuously expanding the installation of an eco-friendly environmental system, we will build more advanced types of housing complexes, and try to maximize the environment-friendly, high added-values generated from national land development.

### Environment-Friendly Eco-City in Samhwa, Jeju Island

The Samhwa site in Jeju Island was designated as a test site for the project to build an environment-friendly eco-city. In the planning stage, an eco-friendly environmental system was included in the city's blueprint, and all viable components that can be materialized in the execution plan were specified, including solar-powered housing complexes and natural sewage treatment facilities.

#### Eco-friendly blueprint for the city

- Preservation of the Samsu stream
- Linkage with Cheonbyun Neighborhood Park



#### Eco-friendly environmental system

- Solar-powered housing complexes
- Natural sewage treatment facilities
- Environmental lighting
- Greening of the balconies of apartment houses
- Storm water use system for commercial lots
- Formation of eco-wetlands
- Consideration of air corridors
- Installation of wastewater reclamation and reusing system

## Planning of Complexes with Waterfront Areas

To respond to the rising demand for a more pleasant, natural urban space, KLC integrates a variety of recreational urban waterfronts into a city plan, such as streamlets, eco-ponds, and low-flow eco-wetlands.

### Creating a Variety of Waterfront Areas

#### Streamlet

Create in-complex streamlets using water flowing in from the outside of the complex



#### Eco-pond

Form environment-friendly ponds through the planting of water plants



#### Low-flow eco-wetland

Create eco wetlands using water recycled through sophisticated treatment



#### Artificial lake

Build quality residential complexes through the construction of theme-based lake parks



#### Artificial river

(The River of the Citizens in Sangdong, Bucheon)  
Create artificial rivers using sewage water after treatment



#### Natural rivers

Plant vegetation on river banks to restore the functions of natural rivers



## Introduction of Designing Techniques for Ecological Restoration

To achieve a balance between the natural forests outside the development site and the parks and greenery within the site, KLC has introduced "Green Network," a set of designing techniques for ecological restoration, for the construction of environment-friendly complexes through the restoration of the natural forests. KLC is accumulating the environmental and ecological restoration technologies while at the same time continuing to develop new and advanced technologies.

In case of the Dongbaek site in Yongin, the flagship development site where ecological restoration designing techniques were applied, a total of 4,085 trees from 10 tree species among the vegetation of the natural forests of the mid-region of the country, which grow well in the local climate, have been restored and planted.





## "Green Network and Open Space" in Hwaseong New Town

### Forming a Green Network

Link eco-rivers and streams, parks with native vegetation, and nature observation areas together to form a "Green Network," based on which an eco-city is built with nature and human beings existing in harmony: eco-rivers and streams within Dongtan of Hwaseong New Town and others (195,000 pyeong of farming land, 2.5km of eco-rivers and streams)

### Underground Installation of Unpleasant Facilities

Move unpleasant but essential facilities to the underground, and install parks and recreational areas on the surface: sewage pump facility in Dongtan of Hwaseong New Towns and others (12 facilities, 30,500 pyeong)

Construction of Eco-City where Humans Coexist with Nature in Green Network

## "Environment First, Development Later" for Pangyo New Town

### Environment-Friendly City Planning Following "Environment Preservation First, Development Plan Later" Principle

Establish an environment-friendly development plan aimed at preserving the natural environment and preventing haphazard development of the surrounding area. Establish an environmental plan in advance based on the "environmental preservation first, development plan later" principle.

Develop environmental conservation measures for eco-friendly land use



Develop the environmental plan first, and then use it as an input to the development plan

Execute air corridor prediction modeling



Conduct the nation's first research project to respond to policy measures for air quality improvement of the Seoul metropolitan area

Develop measures to create eco-friendly rivers



Establish planning techniques and management measures for ecological restoration and creation of environment-friendly rivers

Create pilot eco-towns



Create eco-friendly model residential complexes based on the concept of eco-city

### Development of New Town that Protects the Natural Environment in Its Well-Preserved Form





## Environment-Friendly Complex Designing and Application of New Techniques

Through theme-based complex planning, human-oriented complex designing, designing of street lights and traffic lights tailored to meet the requirements of the residents, and research on advanced techniques for complex designing, KLC is exploring, developing, and applying a variety of new ways to build environment-friendly complexes.

### Theme-Based Complex Planning

KLC is creating brand new urban space under the theme of "coexistence between nature and humans" building housing complexes based on different themes that provide more than simple residential space.

By executing site-specific, theme-based complex plans, KLC intends to generate high added-value from land. At the same time, by applying demand-centric thinking from the planning stage, we make theme-based complex development plans.

### Residential Complexes Based on Different Themes

#### Pungsan, Hanam

Eco-Mecca with well-reserved waters and music.

#### Neunggok, Shiheung

"G-City": green village with vitality

#### Suwan, Gwangju

Creating distinguished urban space

#### Cheongbuk, Pyeongtaek

Building a comprehensive sports complex

#### Sangdong, Bucheon

"The River of the Citizens "

### Human-Oriented Complex Designing

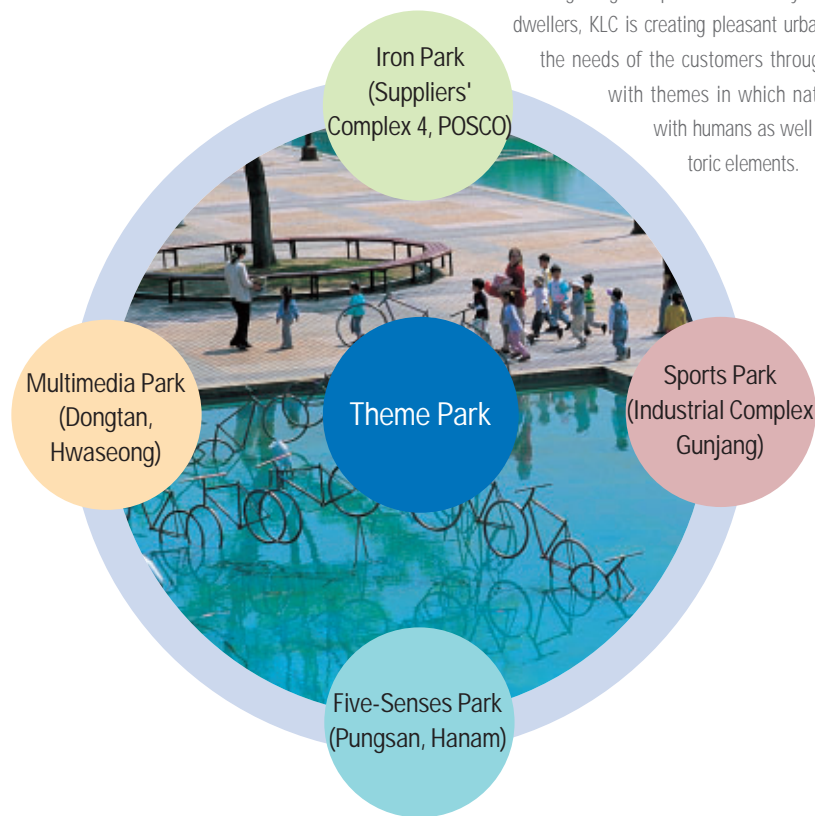
To keep abreast of the rising quality of life, KLC is developing and applying customer-tailored design techniques that can be trusted by the customers based on the quality and high added-value.

In the Sannam 3 site of Cheongju, we have test-applied an human-oriented complex design to build a complex that satisfies customers: to meet the requirements of the users, we created flower beds along the sidewalks to give pleasant feelings to the pedestrians, and introduced techniques for the cleaning of the water supply pipe system. We plan to continuously expand the application of this type of human-oriented design.



#### Flower beds created along the sidewalks

Greening of small lots on the sidewalks by planting shrubs, trees and seasonal flowers



Recognizing that parks are the only resting place for city dwellers, KLC is creating pleasant urban space tailored to the needs of the customers through designing parks with themes in which nature is harmonized with humans as well as cultural and historic elements.

KLC plans to introduce brand marketing common in the private sector for the development of parks: to this end, we worked with companies from the private sector to conduct a research on 31 sites including Bundang, Seongnam aimed at finding out the unique, distinctive components of each site; as a result, we have identified 10 distinctive points to focus on, including ecological conditions, water-friendliness, and possession of historic and cultural space. Park development based on a brand marketing strategy will give each of the developed site its own uniqueness, and garner trust and support from the residents, which will ultimately lead to the realization of a national territory generating high added-value.



### Pilot Project for Park Branding

**Project site :** Parks in Dongbaek, Yongin

**Brand name to be used :** "Pu-reun-nae" (Green stream)

**Brand scope :** Streamlets

#### Details for application

- Apply when placing an order for a landscaping project
- The project to be titled "Pu-reun-nae Landscaping Project in Dongbaek, Yongin"
- Use the brand name for facilities within the parks (Gate pillars, pergolas, etc.)





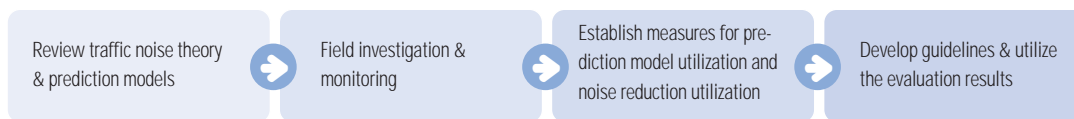
### ● Efficient Implementation of Environmental Impact Assessment

KLC systematically implements an environmental impact assessment (EIA) to minimize the environmental impacts from a development project. The EIA aims to identify and assess possible environmental effects resulting from a development project. It is part of KLC's efforts to prevent any possible adverse environmental impacts of development activities in advance.

We have completed a number of researches on prediction and mitigation of traffic noise within residential complexes, measures to reduce traffic noise occurring during urban development, the degree of green naturalness for environment-friendly complex development planning, and the environmental aspects of complex development projects in collaboration with relevant authorities, including the Ministry of Environment and Korea Environment Institute (KEI) to improve the EIA scheme.

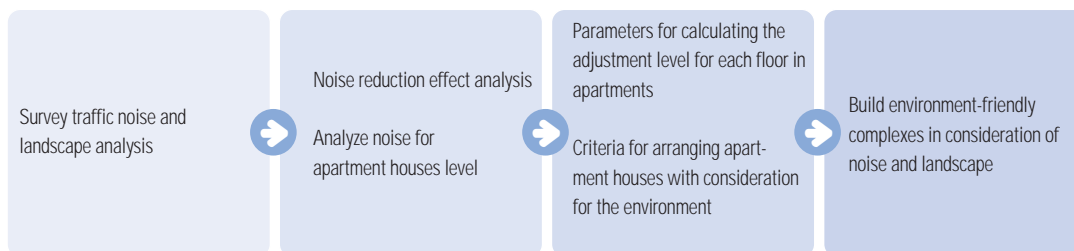
#### Research on Prediction and Mitigation of Traffic Noise in Residential Complexes

With rising concerns over the falling reliability of traffic noise prediction models, KLC is undertaking various researches to develop new prediction models, both theoretical and practical, aimed at minimizing damage caused by traffic noise and creating a pleasant living environment as well as developing effective land use plans.



#### Research on Measures for Reducing Traffic Noise in Urban Development

KLC is conducting various researches on measures to reduce traffic noise occurring during urban development: research areas include methods for calculating traffic volume and vehicle running speed; quantitative analysis of noise reduction facilities; landscape analysis of the surrounding areas; arrangement of apartment houses in consideration of noise conditions; and measures to secure the optimum ratio of green districts.

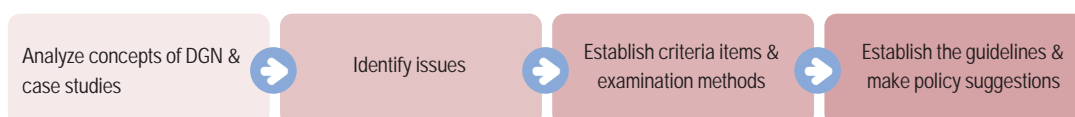


#### What is Environmental Impact Assessment?

Environmental impact assessment (EIA) is a management technique or environmental investigation aimed at finding ways and means to reduce adverse impacts of development activities on the environment by predicting and evaluating predicting possible environmental impacts resulting from development projects. Since the environment, once polluted and destructed, is difficult to be restored, any development project that may cause adverse effects on the environment should be reviewed by an EIA, which aims to identify and minimize the social, economic, ecological and physical impacts of the project in advance. The goal of EIA is to protect the environment through environmentally sound development. EIA can be conducted for a range of development activities, including urban development; energy development; water resource development; construction of industrial complexes; construction of roads, harbors, railway, and airports; and installation of waste treatment and incineration facilities.

## DGN Research for Environment-Friendly Complex Planning

The traditional methods for grading the degree of green naturality (DGN) largely depended on the subjective observations by the person in charge of examination. In an effort to address the resulting shortcoming, KLC has developed objective, reasonable and quantitative DGN grading criteria through a DGN research conducted in collaboration with Korea Society of Environment and Ecology. The new criteria will help prevent degradation of well-preserved vegetation, resolve disputes arising from EIAs between project operators, the government and environmental activist groups, and expedite the execution of development projects.

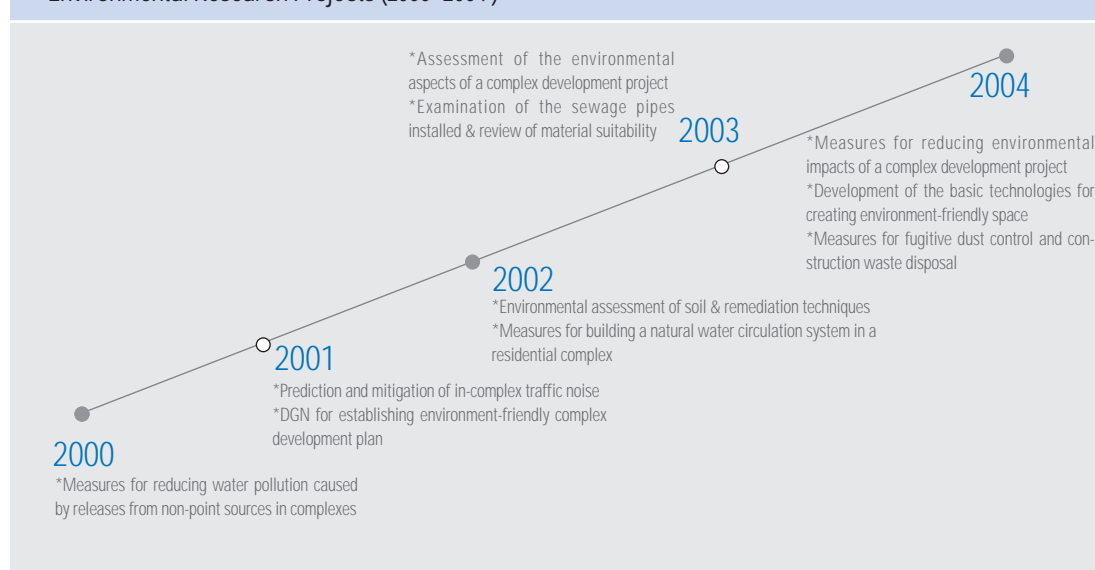


## Research on the Environmental Aspects of Complex Development Projects

KLC operates a working group composed of the working-level officials of the Ministry of Construction and Transportation, the Ministry of Environment and the corporation. The working group is responsible for reviewing the environmental aspects of a development project in advance and analyzing the issues arising from the implementation of an EIA to ensure objectivity and effectiveness of the EIA criteria. The working group has developed the EIA guidelines and completed researches to reflect the findings to related policies.



## Environmental Research Projects (2000~2004)

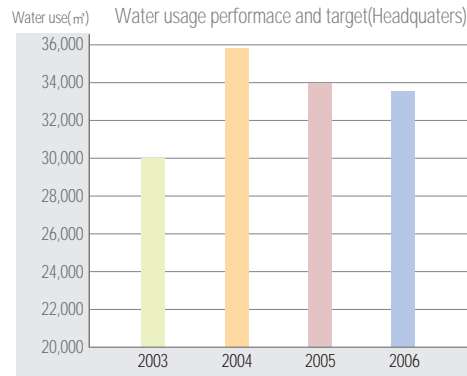




## • Continuous Reduction of Environmental Impacts

### Efforts for Reducing Water Use

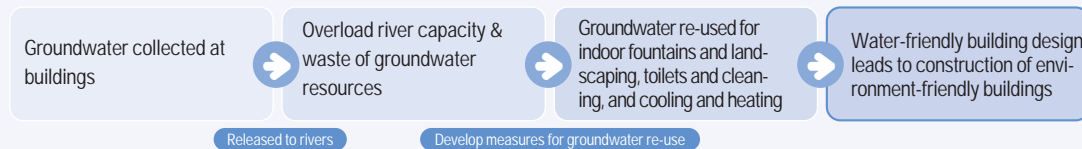
To use water in a more efficient fashion, KLC sets water consumption targets every year for the Headquarters, Land Research Institute, Seoul Regional Division, Daegu-Gyeongbuk Regional Division and Gyeongnam Regional Division. We regularly measure and monitor the actual amount of water used by these organizations, and assess their performance against the targets set. Based on the assessment, we establish plans to reduce water usage and put them into action. We will continue to make efforts for reducing water usage going forward.



### Utilization of Groundwater from Buildings

KLC has prepared measures to efficiently re-use the groundwater collected at Incheon Jeonnam and Chungnam Regional Division buildings. These measures are aimed at preventing overloading of river capacity and waste of groundwater resources, thereby creating a more environment-friendly architectural space.

#### Groundwater Re-use & Water-Friendly Design



### Determining optimal level of water supply

Despite the fact that the ratio between peak day and annual average day demand (the peaking factor) has recently fallen significantly because of improvements in the water supply systems and rising living standards, the old standards are still being applied, resulting many problems. To address this, KLC is carrying out the field examination to calculate the optimal peaking factor for a residential complex. It has resulted in over 10% reduction in the amount of water supplied to a newly developed residential complex, which is translated into 2.3 billion won/year in saving per 1 million pyeong of land developed.

Category	Current	Revised
Leakage Rate	75~80%	85% Over
Peaking Factor	1.25	1.1~1.15

### Diversifying sources of water supply

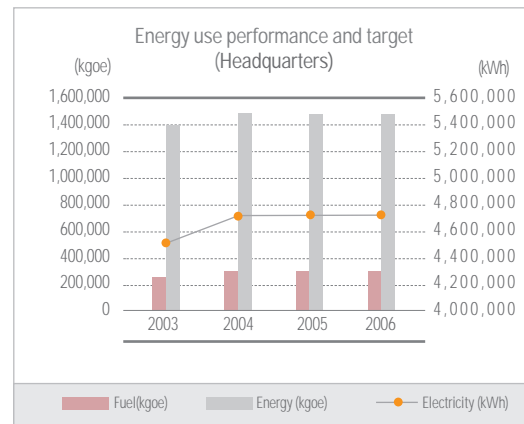
To ensure efficient water supply for waterfront areas within complexes, KLC has taking into account various aspects of usage by residents, urban landscaping and eco-friendliness, and prepared a wide range of measures for securing sufficient amount of water and is paying keen attention to water quality control: such measures include inflow of surface water based on specific surface water criteria such as BOD, SS and T-N and T-P; utilization of recycled water; installation of overflow thresholds; and collection of groundwater.

Water supply mechanisms		Measures for water quality control
Site 2 in Noeun, Daejeon / Site 3 in Sannam, Cheongju	Inflow of surface water from the river areas in the vicinity	Water changes by maintaining constant inflows and outflows Natural purification by water plants Select and apply suitable engineering methods such as filtration and coagulation/sedimentation by comparison
Dongbaek, Yongin / Pungsan, Hanam	Use water flowing in from outside of the site	
The River of the Citizens, Sangdong Bucheon	Use recycled water after sophisticated treatment	

## Efforts for Reducing Energy Use

KLC is running a variety of energy saving programs aimed at reducing greenhouse gas emissions and increasing efficiency in resource usage.

Every year, we set energy consumption targets for the Headquarters, Land Research Institute, Seoul Regional Division, Daegu-Gyeongbuk Regional Division and Gyeongnam Regional Division, and monitor and assess their performance. The findings are used as input for establishing energy saving targets and plans for the following year. With these targets and plans, KLC is determined to continuously reduce energy consumption by the Headquarters and the regional divisions.



## Greening of energy usage

KLC is vigorously carrying out activities aimed at conserving energy through improving energy efficiency and management system. We organized the management team, installed high efficiency and energy-saving facilities and established the management plan.



## Activities for reducing energy consumption

KLC is proactively carrying out a variety of activities to reduce energy consumption as much as possible: the introduction of SI system and electronic approval system help us use less paper; employees voluntarily engage in reducing food waste by trying to take only as much to eat at the company cafeteria; a digit-based No-Drive Program and car-pooling have been introduced; a bicycle stand has been installed on the company premises to promote bicycle use for commuting; employees actively participate in turning off power switches when they are not used; paper recycling boxes have been prepared throughout the offices; employees take turns daily to check the day's energy use; and, each lighting switch has been assigned to an employee who is responsible for turning it off by the end of the day.





## ● Minimization of Environmental Impacts During Construction

KLC is making a concerted effort with its contractors to minimize various environmental impacts, such as air pollution, water pollution, and noise and vibration, created by construction activities.

### Prevention & management of air pollution

In an attempt to reduce adverse environmental impacts caused by particle matter and dust from vehicles moving to and from construction sites, KLC makes it mandatory to water-spray access roads to construction sites, to prepare vehicle and tire washing equipment, and to install temporary dust nets on site. Also, vehicle speed limit is imposed during earthwork to prevent the creation of fugitive dust at source.

### Prevention & management of water pollution

In an attempt to minimize impacts of precipitation on the rivers around construction sites, KLC makes it mandatory to install grit chambers and temporary drainage gutters for preventing sediment runoff into the rivers before construction work begins



### Prevention & management of noise and vibration

In order to reduce noise caused by moving vehicles, KLC ensures that construction begins after noise reduction measures are put in place, including imposing the vehicle speed limit, restricting the operation hours of the construction equipment on site and installing noise-proof panels temporarily.

#### "Environmental Management of Construction" (Example)

"Environmental Management of Construction" provides for the generalities concerning implementation of EIA, environmental conservation, settlement of environmental disputes, and matters related to the natural, living,

social and economic environment.

To prevent environmental impacts resulting from a construction work, the contractor is required to establish plans concerning general environmental management, training on environmental management, waste treatment and recycling, air quality preservation, prevention of noise and vibration, and water quality preservation within 60 days after the commencement of construction.

To comply with the commitments agreed in the plans mentioned above, the contractor is required to keep the compliance management log as well as the construction site waste management log, and is also required to report its performance on recycling and disposal of construction waste by the end of February every year.

During construction, the contractor must be aware of the contents of the impact assessment report; keep the compliance management log on site; and appoint a person to the compliance manager whose responsibility is to check and report the progress on the implementation of the previously established requirements.

The contractor must place the compliance management log at the main office on the construction site, and maintain and update the record in it. When doing so, the contractor needs to keep the photos and documents that can prove the compliance.

The contractor must notify the supervisor without delay when the compliance manager is designated or changed. On the notification, the supervisor should report it to the head of the authorizing agency and the head of the local environmental agency within 10 days after designation.

### Soil management

In an attempt to prevent soil pollution in and around the construction site, KLC ensures that waste oil storage facilities are installed on site and that the waste oil is collected in its entirety and sent out by a specialized contractor. In addition, boreholes are carefully backfilled in order to prevent groundwater contamination.

### Waste management

To minimize environmental impacts by garbage and excrement generated by the construction workers, garbage collection boxes for source separation are put in place at the site office and movable toilets are installed. And, construction waste is recycled to maximum degree and the rest waste is sent out by waste treatment companies.

### Natural environment management

KLC oversees the efforts to protect nature pollution or destruction caused by construction activities and to restore the original functions of an ecosystem in case it is already damaged. To this end, KLC stringently complies with related regulations concerning landslides and ground settlement, underground water protection, and protection of animals and plants.

Slope protection measures are implemented in order to prevent landslides, such as installation of gutters at the upper part of slopes and turfing.

For animal and plant protection, KLC creates parks in lands with well-preserved vegetation in order to maintain its original form. To protect animals and plants living on the ground and in the water, we ensure construction work takes place in times other than the raining season and the spawning season so that pollutants as well as earth and sand do not flow into the rivers around the construction site.



### Environmental and safety education

Environmental and safety education and training is conducted on site for one hour at least once a month to ensure the health and safety of field officials and construction workers of the supplier and to encourage them to participate in the efforts for minimizing the environmental impacts during construction. During the 1-hour-long session, the participants are educated and trained on matters relating to on-site safety as well as the corporation's environmental policy, site targets and major impacts on the environment.

#### Key contents of environmental education for suppliers

- KLC's environmental policy and goal for construction sites / detailed targets
  - Major environmental impacts
  - Roles and responsibilities
- Relevant laws and regulations & other requirements
  - How to act under emergency situations





## ● Promotion of Environmental Communication

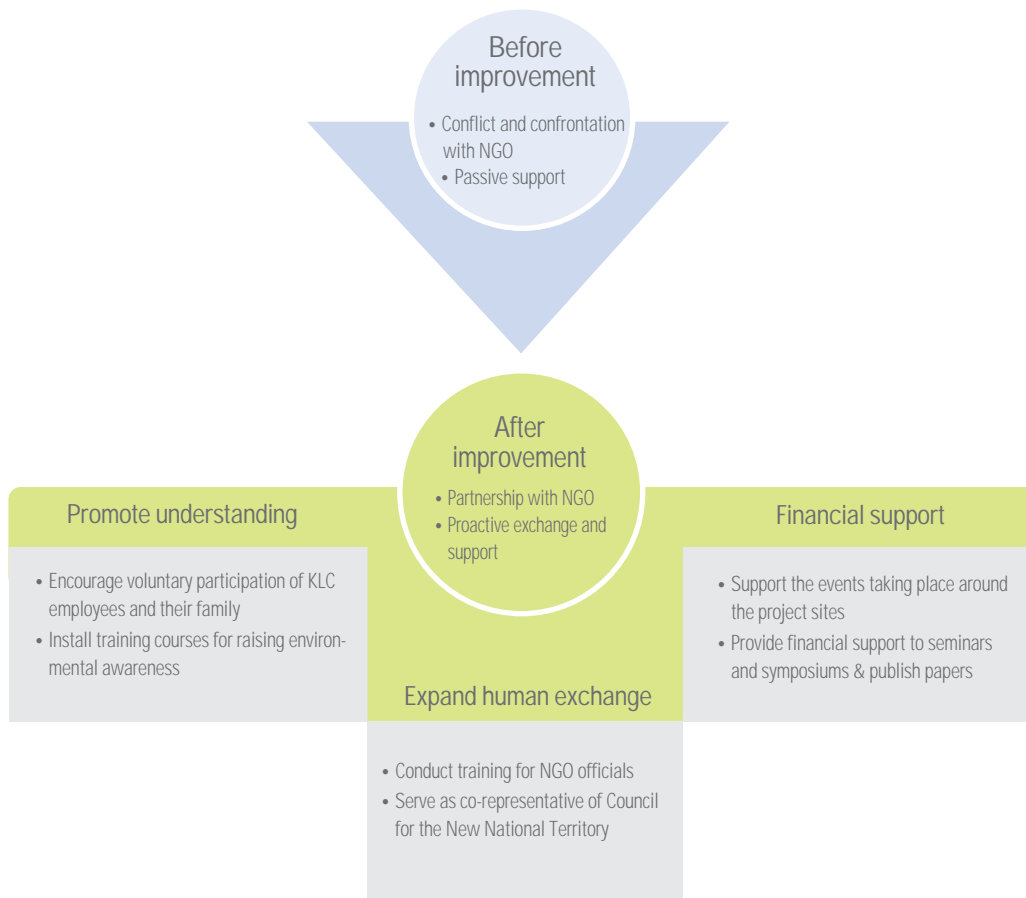
### Building a strong partnership with environmental and civic groups

In cooperation with environmental and civic groups (NGOs), KLC is carrying out a variety of activities aimed at setting a reasonable direction for its development projects and garnering support from the general public.

In an attempt to establish a strong partnership with civic groups, KLC has become a member of Citizens' Movement for Environmental Justice, Citizens' Coalition for Economic Justice and the National Trust of Korea; in addition, KLC's employees have individually joined 16 environmental and civic groups, including Citizens' Movement for Forests of Life.

The partnership and exchanges with environmental and civic groups mentioned above will help KLC develop a productive relationship with them based on mutual cooperation and dialogue.

Also, starting with this report, KLC will continue to publish sustainability reports on a regular basis to announce KLC's environmental strategies and activities to the outside and listen more carefully to the opinions of our stakeholders.

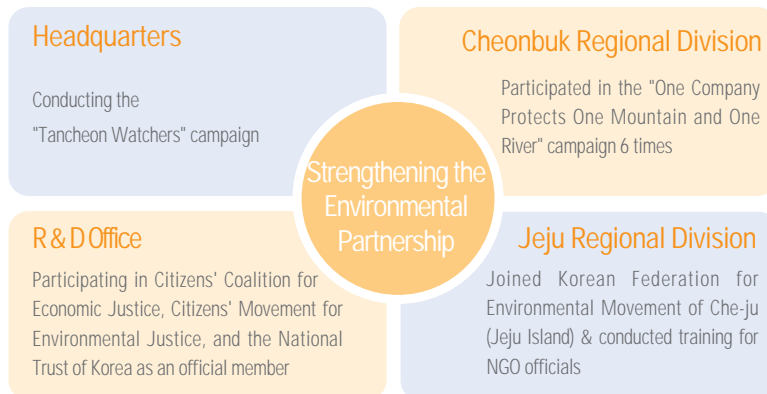


## Building and disseminating the mindset for environmental protection

While playing the leading role in the development of the national land in harmony with the environment, KLC is making the utmost effort to disseminate the environment-friendly mindset throughout the country as well as among all KLC employees.

We have published a book entitled "Nature, City and Human," which is a collection of environmentally sound development cases: we distribute an estimated 620 copies to our stakeholders, including government agencies and schools; 50 pictures showing environment-friendly development activities have been framed on large panels and are on exhibition in local communities, including Hakeuicheon in Pyeongchon New Town.

Externally, KLC is actively promoting its focus on the environmental preservation in development. Internally, we share throughout the organization information on environmental institutions and new technologies obtained from observations of the movements in the government, academic societies and associations, and environmental and civic groups involved in matters relating to the environment, traffic and disaster; we also publish "Environment, Traffic and Disaster Brief" every other day as a means to promote the environmental mindset among our employees.



"For today's companies, consideration of the environmental aspects of their business operation is not an option, but a must."



In the past, KLC could not pay sufficient attention to the environmental considerations because it had to operate under a fast-paced, growth-driven land development policy. In a remarkable departure from its past practices, however, KLC is integrating environmental considerations into its business management and technological approaches for the planning and implementation of the recent projects.

I believe that such improvement is attributable to CEO's commitment to sustainability management supported by the determination of all personnel to act on it. It is my anticipation that KLC will play the pivotal role in enhancing people's quality of life by building a better living space on this land.

Ja Geon Gu, Professor, Yonsei University



A photograph of four children playing in a snowy park. In the foreground, a girl in a blue jacket and white cap is running towards the camera. Behind her, three other children are also running and playing in the snow. The background shows snow-covered trees and a building.

# People

## Strengthening Our Partnerships

Today, a good business management requires the participation of all stakeholders. As a corporate citizen, KLC will encourage its employees, customers, suppliers, communities, the government and the general public to actively participate in the corporation's management, and will have open dialogue with them while striving to serve the common interests of all stakeholders.



## KLC listens to the voices of employees, customers, communities, suppliers and the general public.

At KLC, people is our most precious asset. In an effort to nurture talented workforce, we offer to our staff cyber training aimed at broadening the training scope in order to transfer rich knowledge that is not confined to work skills. We have introduced "Training Hours Report" as a means to assess the training status of employees, and the result is reflected to performance evaluation of individual employees.

KLC strives to create a better living environment based on the partnership with various stakeholders. In 2005, we will launch "KLC Social Service Team," which will help strengthen KLC's service to local communities and the general public.

Tak Yeol Uhm, Executive Director Management Division

심택열





## ● Strategies to Strengthen our Partnerships

KLC's operations are based upon solid partnership with various stakeholders such as employees, customers, contractors, local communities, the government, and the general public.

We at KLC laid out 4 strategies to further strengthen the reliable partnership with stakeholders and thereby pursue sustainability management in the matters relating to society.



## ● Partnership with Employees



### Employee Statistics

As of 2004, a total of 2,198 employees are working for KLC. We have 194 female employees, which account for about 9% of the total staff, and 2,004 male employees. Although we have a severe gender imbalance in staffing due to the unique characteristics of the company, the number of female employees has been on the rise for the past 3 years. At the moment, we do not have any female on the executive or senior manager level. However, we believe that we will soon have female senior managers, and the number is expected to grow year after year, given that the proportion of female workforce keeps increasing.

### Length of Service

The average length of service at KLC is estimated at 11.8 years, which is significantly higher than the national average of 5.8 years. Employees who served longer than 14 years, in particular, account for 56% of the total staff.

### Retirement Rate

The retirement rate at KLC is relatively low, remaining at about 1% for the past 3 years.

Number of Employees by Year					
2002		2003		2004	
Male	Female	Male	Female	Male	Female
1,705	110	1,876	151	2,004	194
94%	6%	93%	7%	91%	9%

## Prevention of Discrimination against Irregular Employees & Enhancement of Their Treatment

KLC utilizes temporary and irregular workforce for some specific jobs. The proportion of the irregular employees is on the decline, recording 7.3% in 2002, 7.7% in 2003 and 6.2% in 2004. We will draw a clear line between the tasks of regular workers and those of irregular workers, and provide a better treatment to irregular employees by treating equally the regular and irregular employees who perform the same tasks as a way to prevent any form of discrimination against irregular workers.

Regular Workforce vs Irregular Workforce					
2002		2003		2004	
Regular	Irregular	Regular	Irregular	Regular	Irregular
1,815	142	2,027	170	2,198	146
7.3%		7.7%		6.2%	

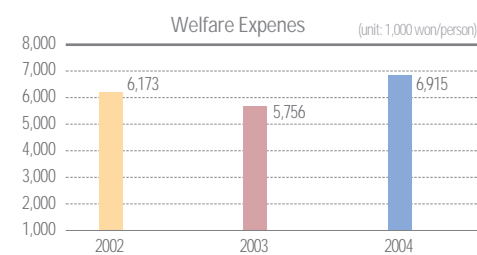
## Compensation Scheme

KLC maintains a two-tier compensation scheme: rank-and-file employees receive their salary based on their length of service; and high-level employees, such as executives and managers, are compensated based on an annual salary system.

Salary levels are similar to those offered by other government-invested organizations. We provide 600% of annual bonus (approximately 300 % of regular bonus and 300% of incentives), and pays incentives to employees according to their performance.

## Employee Welfare

KLC provides a wide range of employee welfare programs in order to offer better working environment. Welfare expense at KLC reached 11.7 billion won and 15.2 billion won in 2003 and 2004, respectively. Welfare expense per person stands at 6.9 million won as of 2004.



### ■ Dormitories for Singles and "Weekend Couples"

KLC operates dormitories for singles and married employees, especially for so-called "weekend couples," who live apart from their family during weekdays.

### ■ Housing Support

KLC provides financial support to those employees who do not own a house when they purchase or rent a house.

### ■ Credit Union

KLC operates a credit union, which pays out dividends from investments and lends money to employees.

### ■ School Expense Support

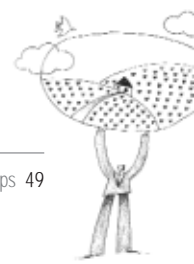
KLC provides financial support for employees to pay part of the school tuitions of their children.

### ■ 4 Major Insurances

To ensure healthier and more stable life of our employees, KLC subscribes to National Pension scheme, Health Insurance, Employment Insurance and Industrial Accident Insurance, which are the basic welfare schemes required by law.

### ■ Leisure

KLC provides vacation resorts so that employees can rent and use them. Also, sport facilities, including tennis court, are available on the company premises.





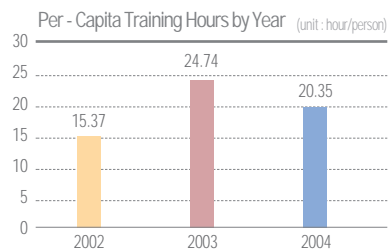
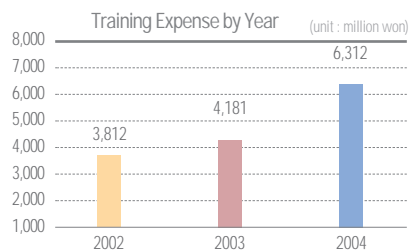
## Human Resource Development

Most valued human resources at KLC are "Specialists with a Competitive Edge", "Risk-Takers and Challengers" and "Employees with a Global Mindset." KLC invests in career development of our employees by providing a wide range of education and training programs. In 2004, we spent 6.3 billion won for employee education, and each employee spends an average of 20.35 hours a year on education and training. Starting from 2005, we will introduce "Training Hours Report," which will be utilized for performance evaluation of individual employees.

### ■ e-Learning System

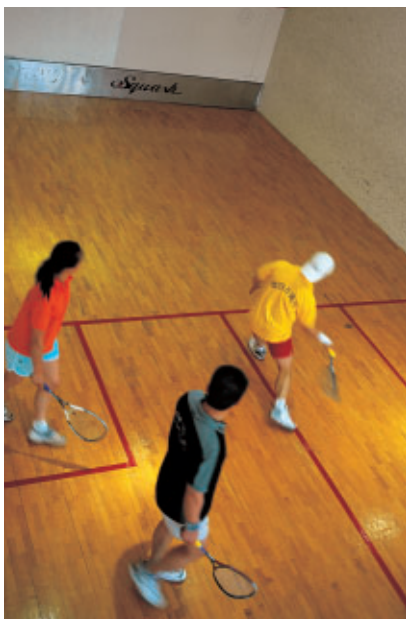
In 2004, we launched HR Development Center, which is an e-Learning system, to provide cyber training to our employees. Currently, the Center offers courses on real estate investment and analysis, ethical management and foreign languages.

Training Programs and No. of Trainees				
Category	Course	2002	2003	2004
External training	Mid- to long-term	51	56	66
	Short-term	80	86	298
Internal training	Roles & responsibilities training	149	255	221
	Job training	349	205	254
	Construction engineer training	60	53	51
	Special training	89	168	366
	Sub total	647	681	892
Short-term leaves for training	Short-term leaves for study in Korea or other countries	138	194	395
E-learning	Language, IT, etc.	1,185	1,763	4,612
Self-development	Acquiring degrees, attending private institutions, etc.	351	850	883
Others	Lectures, study groups, etc.	721	736	272
Grand Total		3,173	4,366	7,418



※ The figures include only the group training sessions

## Health and Safety of Employees



### ■ Accident Prevention and Compensation

KLC formulated the "Terms of Accident Compensation" in 1990. Under the terms, KLC covers litigation expenses in case an employee is sued due to his or her job regarding the compensation for industrial accidents. We also compensate for accidents or injuries inflicted to those who are not our employees.

KLC compensates for damages according to the company regulations even though they are not covered under the Industrial Accident Compensation Law. The compensations cover damages to those who raised petition and complaints, damages done by corporate structures and facilities, accidents that occurred during work (including commuting), tuberculosis-related pulmonary diseases, hepatitis B, brain infarct, hypertension, cancer, and other work-related diseases.

We also have "Accident Compensation Committee" in place for sensible and objective compensation. The committee consists of heads of HR team, Planning Team, Audit Inspection Team, and Safety Management Team, and 2 representatives from labor union.

### ■ Regular Medical Checkups for Employees

KLC offers employees and their spouses regular medical checkups every year.

### ■ In-house Clinic

We operate in-house clinic, dentistry, and pharmacy for better healthcare of our employees. We also plan to open oriental medical clinic in 2005.

### ■ Safety Control

Pursuant to the "Basic Act on Disaster Prevention and Safety Control" of 2004, KLC was authorized as a disaster management organization. As such, we have developed "Enforcement Plan for National Safety Control" for protecting people's lives and properties, based on which we have established a systematic safety control scheme to ensure safety and disaster prevention at all buildings, facilities, lands and construction sites that are managed or operated by KLC.





### Diversity and Human Rights Protection

#### ■ Maternity & Paternity Protection Program

KLC guarantees 90 days of maternity leave and 3 days of paternity leave. We have also introduced parental leaves, which allow employees with children aged less than 1 year to take a leave for up to 1 year.

#### ■ Sexual Harassment Prevention

KLC's code of conduct clearly stipulates that any form of sexual harassment is prohibited. We offer sexual harassment counseling for active protection and prevention of harassment inside the company, and the counselors receive special training. In addition, we provide sexual harassment prevention education for each department and cyber learning materials from the e-Learning Center. In order to heighten employees' awareness, we have invited specialists to conduct needed education to grade 2 employees since 2004 as part of the team leader training course.

#### ■ Employment of People with Disability

At present, the proportion of the disabled in KLC staff is lower than is required by law, which is a common situation among most Korean companies. However, we intend to employ more persons with disability by proactively searching for tasks that can be performed by disabled persons.

#### ■ Prohibition of Discrimination

Our code of ethics makes it clear that academic background, gender and regional background will be no cause for any discrimination in training, transfer, promotion and appointment. In 2003, KLC introduced the Blind Interview scheme, in which prospective new employees are interviewed without their academic background is known to the interviewers, and the scheme was recognized as an innovative management practice.

#### ■ Complaint Handling

We operate a computerized complaint handling system for employees. It is required that any complaint received by the HR department be resolved within 10 days after the initial filing. Apart from that, we also run additional complaint handling systems such as CEO-HOTLINE, Sinmoongo Program, and Ethical Management Call Center.

#### ■ Forced Labor & Child Labor

We abide by the Labor Standards Act and the rules of the International Labor Organization that prohibit forced labor and child labor.

#### ■ Work Hours

Under the revised Labor Standards Act, we adopted 5-day workweek in July 2004, reducing weekly working hours from 44 hours to 40 hours.

#### ■ Leave Scheme

Employees can take leaves of 15 days in total after the initial one full year of employment, and the number of leave days is increased by one day in every two years until it reaches 25 days. We launched "Leave Promotion Campaign" aimed at encouraging employees to take leaves available to them. For those employees who have to work on holidays, we provide an option of taking additional days off in accordance with the company rules.

## Cooperative Labor Relations

KLC takes pride in the fact that we have remained as a strike-free workplace for the last 17 years. Our code of ethics stipulates rational labor management, lawful union activities and labor-management partnership. The labor agreement that is revised on a biannual basis mainly deals with working conditions, employee welfare, personnel management and gender equality.

### ■ Labor Union

Since 1987, the labor union at KLC has been composed of 3 full-time and 6 part-time members. Currently a total of 1,860 employees, or 85.4% of the staff, have joined the union.

### ■ Labor-Management Council

Labor-Management Council leads dialogue and consultation between the management and the labor union on a regular basis. At present, the council meets every 3 months.

The council consists of 6 representatives from labor and additional 6 from the management. Management members are the CEO and those designated by the CEO, while the members from the labor union include the union leader and those recommended by the union.

1) issues on productivity and employee welfare 2) employee training 3) prevention of labor disputes 4) handling of workers' complaints 5) safety and healthcare 6) working environment and 7) personnel and labor management.

Apart from the council, we at KLC hold various events to promote amicable relationship between labor and management. In 2004, the two sides worked together to prepare overseas training, Towooje (company sports festival), and the completion ceremony of the project site office at the Gaeseong Industrial Complex. The two sides also attend specialized training courses for better labor relations.



## We nurture trust through dialogue and concession.



KLC has been able to resolve any labor dispute through dialogue and concession. The management never hesitates to come closer to employees and provide better working environment, while employees always seek ways to collaborate with the management. That has been the driving force behind KLC's growth. Inaugurations of new governments would bring about discords between labor and the management, mainly due to the fact that KLC is a public corporation. However, the solid partnership based on mutual trust maintained among labor, the management and the government for the last 30 years is the hard evidence that we have been successful in resolving labor issues without causing major business disruptions.

For the sustainability management of KLC, labor and the management will spare no effort to build a stronger partnership.

**Kwang Shik Park**, Leader of the Labor Union





## ● Partnership with Customers

KLC strives to be recognized as a reliable company by customers through the establishment of customer satisfaction strategies and infrastructure to deliver services that truly cater to customer's needs.

Since we proclaimed the introduction of Customer-Oriented Management in April 2000, we have realigned management plans and put in place new teams dedicated to customer satisfaction. These are the efforts we are making to run a customer-oriented business.

To express our commitment to customer satisfaction, KLC adopted a slogan reading "Life to Land, Delight to Customer" in 2004, which was selected among the ideas suggested by our employees.

### "Life to Land, Delight to Customer"

Customer Support & Marketing Office at the Headquarters is supervising all matters relating to customer satisfaction management; and Customer Support Center, Customer Support Team, and OK Team provide direct responses to the needs of customers.

In addition, we have documents and operations for customer satisfaction, including Customer Service Charter, Customer Monitoring, Happy Call, OK Team, Investor Relations, Committee for Openness of Public Enterprises, Customer Monitoring Team, Customer Council by Project Site, and events like "Meetings with Customers".

Tasks of Customer Support Organizations	
Organization	Task
Customer support & marketing office (HQ)	<ul style="list-style-type: none"> <li>• Planning and coordination of customer satisfaction (CS) activities</li> <li>• Building institutions and systems for CS</li> <li>• Building CS strategy, oversight of customer service</li> <li>• Oversight of customer surveys such as customer monitoring and customer satisfaction</li> <li>• Collecting Voice of Customers and Feedback</li> </ul>
Customer support center	<ul style="list-style-type: none"> <li>• Responding to customers at office</li> <li>• Building manuals on customer response, and issuing certificates and documents</li> <li>• Responding customers on line</li> </ul>
Customer support team (Regional division)	<ul style="list-style-type: none"> <li>• Announcement/ consultation of sales, collecting and drawing applications for housing</li> <li>• Permission of use of land/ buildings before authorization is completed</li> </ul>
OK Team	<ul style="list-style-type: none"> <li>• PR, customer support, complaint handling</li> </ul>

### Customer Service Charter

We hereby pledge to live up to our promises to develop our land in an efficient manner and thereby improve the quality of life of the Korean people.

- We will develop and supply eco-friendly housing complexes with pleasant living environment.
- We will humbly accept customers' comments on our service, and work for higher customer satisfaction.
- We will take swift actions to deal with customers' complaints and to prevent recurrence of same mistakes.
- We will think and act in customers' position, and provide kind, expeditious and accurate responses.

### ■ Customer Monitoring

KLC conducts "Customer Monitoring" to assess employees' responses to customer's needs. 25 departments at the Headquarters and 12 regional divisions, branches, and project offices are subject to the monitoring. To obtain unbiased results, independent survey firms are brought in to evaluate the level of employees' repurposes in the two categories: responses to in-coming calls and responses to walk-in customers. The score of customer monitoring in 2004 was 92.3, slightly up from 91.6 in 2003. The details of the assessment are posted on our website.

### ■ Happy Call Program

At the Call Center, we launched the "Happy Call" program in August 2000. Happy Call is a system that we collect complaints directly from our customers, identify and resolve the inconveniences they experience, and reflect the results to improve customer satisfaction management: the Call Center makes "thank you" calls, or Happy Calls, to the customers who signed a contract with us or paid up their dues. Happy Calls are also made to track customer satisfaction after complaints are resolved and to collect any complaints that may have not resolved. Customers' comments gathered by Call Centers are delivered to OK Team at regional divisions for expeditious after-sale service (A/S) and complaint resolution. Actions to resolve customer complaints can be taken immediately without having to go through official approval steps.

Customers' evaluation score of Happy Call slightly went up in 2004 to 90.5 from 87.7 in 2003.



### ■ O.K Team

Putting customers at the top of our organization, we established OK Teams in May 2000 at regional divisions nationwide, which serve as customer contact points. OK Team is placed directly under the Deputy Director, and is authorized to respond to customers' needs and complaints as top priority and focus solely on this job. Under the principle of "response first, report later," customers' requests for A/S are handled on the spot. Besides, customers' complaints are directly reported to the Deputy Director for responsible handling. OK Team is in charge of customer support externally and employee service training internally. Every day, the staff of OK Team begin their business day with some training to hone their customer response skills. Customer Monitoring allows us to identify and improve any shortfalls in responses to customers' calls or visits, and we inform customers of how complaints have been handled.

### ■ Committee for Openness in Public Enterprises

For transparent management and quality service, we have "Committee for Openness in Public Enterprises" in operation since 2000. This council is in charge of business information disclosure, selecting tasks to implement the Customer Service Charter, monitoring progress of these tasks, discussing solutions to customer complaints, and finding ways to enhance transparency at KLC. The committee is composed of 8 independent members, including the chairperson, and 4 internal members. It has quarterly meetings held on a regular basis.

### ■ Payment Notification with SMS

We notify customers of the receipt of their payment using Short Messaging Service (SMS). The SMS relieves customers' anxiety about whether or not their payment was received correctly by KLC, thereby enhancing customer satisfaction. We send an average of 30 SMS messages every day. This service resulted in a significant increase in the customer satisfaction score for Happy Call, and boosted customers' trust in public corporations.





### ■ Customer Suggestion

KLC introduced "Customer Suggestion System" in July 2003 to embrace diverse and creative ideas from customers as a way to boost management efficiency and create the image of our corporation as a close partner of our customers. The suggestions are received through "Customer Suggestion Box" on our website, or directly through Customer Support Center at KLC Headquarters or regional divisions. We welcome ideas and suggestions for improvement KLC's operations regarding land acquisition, supply, development, and sales; ideas on efficient use of land; and suggestions on ways to stabilize supply of and demand for land. We welcome any ideas or suggestions that can help improve KLC's operations. Customers' suggestions rated second or higher in their importance are screened by an internal screening panel and the Committee for Openness of Public Enterprises, which consists of independent members, for unbiased judgment.

### ■ Protection of Customers' Private Information

KLC's code of ethics (Ch.3 Responsibility and Obligations toward Customers) clearly states KLC's commitment to the protection of customer information and their interests. We spare no effort to manage and protect any information of customers obtained during work. Until now, we have no cases of customer complaint reporting the invasion of customer's privacy.

### ■ Customer Investment Analysis Support System

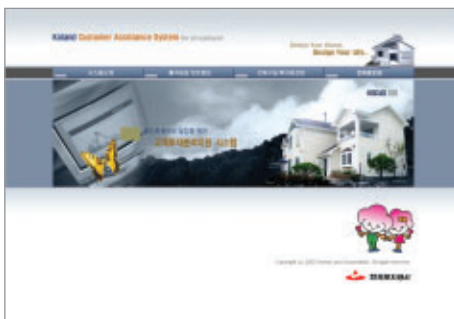
As part of our Customer-Oriented Management, we provide "Customer Investment Support System" on the Internet (<http://www.qland.net>), which helps customers calculate the money required to purchase lands or buildings. Using the Customer Investment Support System, a customer who already possess or plan to purchase a land can search information on the asset and follow a simulation program to complete the construction planning; then, the customer can easily estimate required investment without in-depth knowledge on real estate. This program has proved very useful in helping customers' investment decision-making.

### ■ Customer Monitoring Team

Customer Monitoring Team, which is composed of local residents, land buyers and employees of the engaged authorities, conducts monitoring and inspection on construction sites. The main purpose of this team is to reflect monitoring results to construction processes in order to create high-quality housing complexes and to complete construction in a transparent manner. The team conducts on-site inspection twice a year; in addition, the team members frequently visit construction sites at any time for routine monitoring to check the status of quality management, safety, and the environment on site, and they report any problems and suggest ideas for improvement. Then, KLC reviews the comments of Customer Monitoring Team, make adjustments to construction processes, if necessary, and notify the Team of the results.

### ■ Customer Council

Regional divisions have their own customer council in place to collect ideas and suggestions of customers. Typically, a customer council consists of 10 members, including the buyers, local government officials, architects and real estate brokers. Currently, we have 10 customer councils at a total of 8 regional divisions. The councils bring together local residents and customers to participate in resolving issues on land and housing development.



Customer Investment Analysis Support System

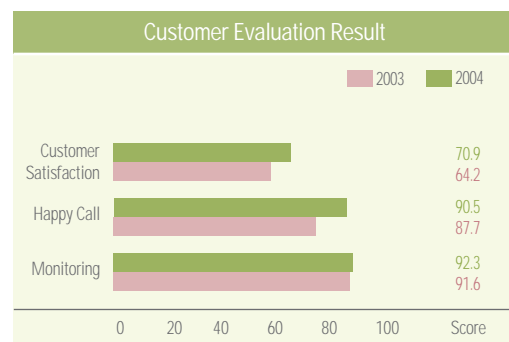
### ■ Customer Satisfaction Survey

KLC conducts customer's evaluation on our service regularly to reflect the result to corporate management plan.

Customer Satisfaction Survey, is a one-on-one telephone call survey aimed at evaluating our product and service quality. The respondents are chosen among those who purchased land from KLC within 5 years from the time of survey and paid out the whole price of the land. The sample size, which had been 900 in 2003, was expanded to 2,550 in 2004. Customer Satisfaction Rate improved from 64.2 in 2003 to 70.9 in 2004.

### ■ Employee Service Evaluation by Customer

In 2004, we introduced "Employee Service Evaluation by Customer" to get direct assessment from customers on the service our employees provide. The purpose is to give employees direct feedback and opportunity to make self-improvement, thereby enhancing overall service quality of KLC. We have quarterly reward-giving ceremony to best employees, and employees utilize the evaluation result as valuable data to review their service level. We take the result as precious comments and suggestion of our customers and utilize it to diagnose our service level and identify improvement opportunities.



### ■ Complaint Resolution Committee

We have Complaint Resolution Committee to clear customer's complaints and identify improvement opportunities in service areas.

### ■ Customer Complaint Management System

We built a system to collect all formal and informal complaints through paper, online, telephone, or personal channels. On that system, we record complaint collection channel, the purpose of land, address of related land, name of district, and details of complaints. This system helps our employees easily identify complaints as categories such as district, land use, and complaint type.

### ■ Customer Complaint

At present, we have complaints in terms of construction site candidate, compensation and plans for residents to move, execution of work and development, contract cancel and land supply, management after construction, etc. In the past, KLC received loads of complaints due to our management style that only focused on business efficiency. However, now we are establishing precautionary work processes that prevents complaints in advance. In addition, we provide speedy action and compensation for any complaint reported to KLC.



Customer Plaza Homepage





## ● Partnership with Local Communities

To build harmonious local communities, KLC holds fund raising events for teenager households every year in Yongin area. We also sponsored charities held by "Korea Welfare Foundation," and supported "Book Festival for Children" in Seongnam area, and similar events targeting senior citizens and teenagers in Bundang area. Apart from that, each regional division takes part in various local events on its own.

### Open Facilities

We open our facilities to local communities and small and large organizations. We especially share auditorium, athletic field, basketball arena, and tennis court with our neighbors. This is part of our effort to become a company that shares with the people.

Facilities	Times of use	Number of Users
Auditorium	24	14,140
Athletic field	38	7,800
Basketball court	20	240
Tennis court	18	540
<b>Total</b>	<b>100</b>	<b>22,720</b>

### Cooperation with Local Universities

KLC donated 13 types of experiment equipments including all-round material tester, which approximately weigh 100 tons altogether, to support students in local universities. In order to establish solid partnership with local universities, we have invited civil engineering students to our corporation for field study since 2002. In July 2004, we invited 80 junior students from Baejae university, Daejeon University, Chungnam University, and U-song University for four-day field study.



### Family Film Festival

As a promotion of local events, KLC holds Family Film Festival every year. In 2004, we held the festival two times in first and second half of the year and we gathered 900 and 750 audience, respectively. During the festival we also invited 50 children from local welfare facilities.

### Sisterhood Ties with Elementary School in Remote Islands

KLC built sisterhood ties with Bukpo elementary school, located in a remote island of Baekryungdo. We donated a clock tower and 100 books of

"Our Land and Geography," and visit each other on a regular basis.

### Land Information Competition

Land Information Competition, is an event where parents and children participate together to learn and compete information about our land, history, and culture. This event started in 2003 with the purpose to help children better understand and love our land. In the 2<sup>nd</sup> competition in 2004, 151 teams, total 302 contestants, who survived online preliminary contest, challenged 50 questions in tournaments. Winners were awarded with scholarship and gift voucher for cultural goods.

### Balanced Regional Development

Since 2002, KLC has implemented a comprehensive and systematic project for balanced regional development in prevention of imbalanced and reckless development. Based on the agreement with local governments, we plan to construct multi-purpose and eco-friendly cities that encompass functions such as housing, business, logistics, and the like. We also plan to return the benefit from the project to local communities.

Until 2004, KLC signed agreements with a total of 33 local governments, including 12 municipalities in the Seoul metropolitan area and additional 21 local governments.



Category	Monetary value (hundred million won)	Note
Road	56,702	507km
Subway	22,298	122km
Water supply system	7,120	3.27million tons/day
Sewage system	17,663	5.02million tons/day
Waste	4,466	2,858tons/day
Others	5,667	Transportation infrastructure, etc.

### Contributions to Social Overhead Capital

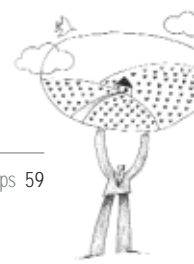
As of 2003, 49.9% of the land in a residential complex development site is provided free of charge, which will be used to build roads, parks and greenery, and public squares. Out of this land provided free of charge, roads account for 18.9%, parks and greenery 23.9%, and public squares 1.5%, which is at a higher level than that of the land developed by private construction companies.

We also sponsor local communities in building public facilities such as transportation and environment protection facilities. Until 2004, we have invested some 11,391.6 billion won in building social overhead capital.

### Building Roads to Relieve Traffic Congestion in Southern Metropolitan Area

To help relieve traffic congestion in the Seoul metropolitan area, KLC implements road improvement projects as is described in the table.

Section	Extension (km)	Number of lanes	Cost (hundred million won)
Youngdeok, Yongin ~ Yangjae, Seoul	24.5	6	5,800
Jungri ~ Jukjeon	7.7	4	1,730
Yongin ~ Bundang	1.0	4	3,000
Gugal ~ Dongbaek	2.0	4	400
Sammakgok ~ Training Center	1.4	4	420
Training Center ~ Dongbaek	2.0	4	600





### ● Partnership with Contractors

KLC is committed to transparent business with contractors and partnership based on trust and goodwill.

In relation to our partnership with contractors, we made our commitment to fair trade clear in the code of ethics. In chapter 5 of "Fair Trade", we specified the scope of fair trade in two clauses such as transparent bidding and purchasing, and living up to fair trade. In terms of transparent bidding and purchasing, we state clearly that "equal participation is guaranteed based on free competition," "all terms and conditions for bidding and purchasing is applied equally to our business partners", and "contractors and suppliers are selected through objective and fair screening process." In regard to living up to fair trade, the code of ethics describes that "bidding and purchasing works go through the most fair processes," "the payment to contractors and suppliers must be made on time", and "Any changes in terms of design, price, order, and other business conditions shall be fully reflected to agreed quote as a part of our fair trade effort."



In January 2005, KLC revamped the bidding process, demonstrating our commitment to transparent management.

Until now, in order to decide the preliminary reserve price for a competitive bidding, we first notified the cost estimated against the design on the notice of tender, randomly selected 3 bidding prices out of 10 submitted by bidders within the range of 95%-100% of the preliminary reserve price, and then averaged the three bidding price to determine the preliminary reserve price. However, under the revised bidding process, bidding prices submitted by the bidders, which used to be disclosed at the opening of the bid, will be published on the notice of tender. Furthermore, the number of the bidding price submission is expanded to 15, and 4 bidding prices will be drawn instead of 3. We believe that the new process dramatically increased transparency in determining the preliminary reserve price. Therefore, bidders now become able to make sealed proposals according to the distribution of bidding prices which will be disclosed in advance. As a result, bidders will enjoy much more convenient bidding process and have low chance of conferring on the bidding.



In addition, KLC adopted Clean Contract System that requires all bidders have a clear understanding of "Special Agreement on Clean Contract", and successful bidders and KLC employees dealing with bidding process sign and submit written documents of "Pledge to Clean Contract." Besides, the application of Clean Contract was expanded from the inception of contract to the inspection of the process. The restructured bidding process is applied from the notice of tender of January 11, 2005.

## Sponsoring Technology Development of SMEs

Starting from 1998, we at KLC sponsor technology development of small and medium enterprises in order to back government's policy to promote technological innovation at SMEs and to aid SMEs without sufficient fund to go ahead with the drive.

We finance R&D activities such as technology development, application, design and manufacturing of pilot products, and test-runs especially in the areas related to land.

We fund up to 75% of total R&D cost at the maximum of 100 million won. Applications are open to any SMEs under "Small Business Act." Also, venture companies under "Special Act for Venture Company Promotion," especially those without company owned laboratory, can apply for the fund in the partnership with public research center or university.

In 2004, MeccaMoa Inc. was awarded for "Development of block-type reinforced earth retaining wall system using stiffener" and Steel Korea Co.,Ltd granted sponsorship for "Development of press-in method using concrete filled composite piles." The two beneficiaries are bound to pay 2% of future sales to KLC as R&D royalty and will co-own patent and/or utility model patent with KLC, which will further award 100 million won in case of winning patent.

Year	2003	2004	Increase(%)
Sales	762 million won	915 million won	20
Sales-generating projects	4	5-6	50

Government-Approved Intellectual Property Rights Ownership		
Patent Name	Registration Date (Year/Month/Day)	Registration Number
Pipe linking socket	'00.10.23	Utility model #0209200
Bridge seat	'01.01.31	Utility model #0219967
Abandoned mine water pollutant removal method	'02.06.05	Utility model #0341208
Pressure-injected soil nailing method	'02.09.12	Utility model #0290351
Non-destructive inspection system	'03.01.28	Utility model #0303686
Watertight belt linking pipes	'03.02.18	Utility model #0306028
T-pier structure using pier rotating device	'03.04.22	Patent #0382877
Pipe linking socket manufacturing method	'03.05.15	Patent #0385492
Pre-stressed composite steel box bridge	'03.07.18	Patent #0393132
Rigid combined bridge connection efficiency improvement	'04.03.05	Utility model #0316119
FRP superstructure for bridge erection	'04.04.19	Utility model #0348989
Pipe and manhole connection method using arch form	'04.07.23	New technology designated by Ministry of Environment #89
Total No. of Patents: 12		





## ● Partnership with the General Public

### Ethical Management

KLC, which has been the leading public corporation to drive national development, now declares and takes the lead in the establishment of ethical management to become truly beloved company by offering clean and transparent management.

In June 2004, we declared the opening of ethical management organization with the head of Korea Independent Commission Against Corruption(KICAC), director of Ministry of Construction, and all executives and employees of KLC present. We also signed an agreement with KICAC to act as a role model for public corporations to establish ethical management. As for ethical management organization, KLC set up ethical management committee and completed corporate rules such as ethics charter, code of ethics, and ethics principle.

"Ethical Management Call Center" at our website is now in operation to receive suggestions and cases of violation of ethical management.

To practice ethical management, in June 2004, we delivered guidelines to ethical management to some 350 contractors and subcontractors to ask their cooperation. We also offered our employees circuit training and online training in terms of ethical management and chief ethics executives training. Also, all executives and employees submitted written pledge to ethical management and participated in Ethical Management Slogan Contest.



## "Clean Company & Clean Country"



### Ethics Charter

- As diligent and honest members of society, we are here to create ethical working environment where there is no corruption and irregularities.
- We will do our best to deliver customer satisfaction by respecting customer's right and providing quality service.
- We pledge to acquire competitive-edge through fair competition and comply with rules and regulations.
- We are committed to fair and transparent trade based on trust and goodwill.
- We will grant equal opportunities based on mutual trust, and we respect humanity and creativity.
- We will strive to establish transparent and reliable management as our corporate culture, and participate in social contributions.
- We will pursue eco-friendly development and supply quality land in order to lead the development of national economy and housing environment.
- We will stand firmly on the strategic partnership between labor and the management based on mutual trust.

### Cultural Asset Protection

KLC offers extensive research and consulting activities taking full advantage of our expertise and know-how in the field of cultural asset research and protection. KLC's cultural asset protection activities include cultural asset excavation and distribution analysis within construction sites, investigation of environmental impacts on cultural assets and response measures, internal and external consultations, excavation and test pitting, publications of academic literature, and data collection. In addition, we currently take part in collection, display, management of cultural assets, research activities, publications, planning and operation of cultural events, cultural education, and volunteer programs.

### Land Museum

In July 1997, we opened Land Museum to heighten public awareness of the land as the source of life and create new land culture. The museum is located in the headquarters of KLC in Bundang, Seongnam. Land Museum offers the whole footprints of changes of land and future use of land at one place. Under the main theme of "Land and Human", there are five motifs of display such as Creation of Land, Natural Resource, Land and History, Land Development, and Construction of Landopia. The museum has a collection of some 20,000 pieces of materials including 400 pieces of antiquities.



Since the grand opening in 1997, about 250,000 viewers have visited the museum, and it was designated as "First Theme Museum" by Gyeonggi Province in 1997, thereby contributing to better understanding on "land culture" of local community and the public, being recognized as the provider of education of geography and history. The museum is also introduced as recommended place for cultural activity place by various press releases and PR brochures published by Gyeonggi Province. On top of that, Land Museum was awarded the first "Korea Cultural Heritage Prize" on December 8, 2004. That prize is awarded to individual and institutional contributors to maintenance, management, and utilization of cultural heritage. Land Museum was the only institutional winner of the prize from the head of Cultural

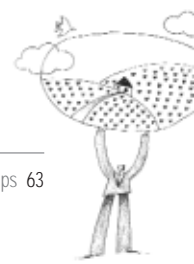
Heritage Administration for our effort to protect and maintain cultural assets. KLC was recognized to lead the research and excavation of cultural assets at the Gaeseong Industrial Complex in partnership with the North Korean government.

### Museum University

To strengthen ties with local communities and improve quality of life, KLC opened the 1st semester of Museum University in April 2000 under the theme of "Land and Land Culture." In 2004, the university has celebrated its 5-year operation with the 10th semester under the theme of "Understanding the Korean Culture and the World Culture," being recognized as the leading local education center for culture.

The programs are beginners course (120 students) and expert course (40 students). We newly opened ceremonial tea-making course (15 students) in 2004.

Museum university's students, whose satisfaction level goes above 90%, express consistent interest toward the center participating in various volunteer works.





## People

### Social Contribution

KLC pledges to spend part of the profits made from its business for social contribution activities. As an effort to return the profit, we support to establish public and local facilities in the communities we operate. Furthermore, KLC's employees and families participate in the corporation's social contribution activities. In 2004, we were engaged in activities to help the handicapped and underprivileged neighbors, fund-raising events for flood victims, and supporting NPOs and NGOs. In 2005, we conducted research and planning for strategic and effective social contribution. As a result, we will launch "KLC Social Service Team" and "Social Contribution Award" to drive social contribution activities in an active manner across the company.

### Social Contribution with NPO • NGO

KLC also sponsors NPO and NGO activities.

Group	Activities
Korea Confederation for Environmental Movement / Hankyoreh Daily	• Eco-village Campaign
Korea PR Association	• Seminar "Why Do We Need Public Corporation?"
YunBongGil Foundation	• 6 <sup>th</sup> Music Festival Commemorating YunBongGil
International Association of Handicapped People	• 11 <sup>th</sup> Grand March of Handicapped People for National Unification-From Pack-do to Hanla
Korea Academic Land Association	• Funeral Culture of Korea, China, Japan International Symposium
Korea Chorus Festival Organizing Committee	• 2004 Korea Chorus Festival
Eco Village Korea	• 3 <sup>rd</sup> Student Contest of Eco Village House Design

★ The table below shows the data of KLC's donation for military soldiers, underprivileged neighbors, and flood victims. As a public corporation, we are prohibited from making political donations.

Yearly Donations			
Year	2002	2003	2004
Donation	696	875	1,001

(unit : million won)

### "Wheelchair Sharing" Cycle Rally

In November 2004, KLC held "Wheelchair Sharing" cycle rally with 160 employees and their families.

The fund raised by participants and \*Matching Grant fund collected by KLC was spent on purchasing electronic wheelchairs to be donated to a shelter for the handicapped called "the House of Immanuel."

\*Matching Grant, whose purpose is to promote philanthropies, is a type of fund raising that company donates money in proportion to employees' donation.

### Food Sharing Campaign

KLC donated food for low-income senior citizens who live on their own in the neighborhood of the Headquarters. Each year, KLC participates in activities such as holding music charity for low-income senior citizens living alone, supporting teenager households, inviting children to social welfare facilities, helping farmers in rural areas, and donation to "Beautiful Stores."

### Social Contribution in Sports: Archery Team

To broaden the base of archery and contribute to the promotion of national sport, KLC created Archery Team in 1983 under the National Sport Promotion Act, and sponsors amateur archery competition.



### Fair Competition

In the code of ethics, KLC proclaimed principles of fair competition. Our commitment to fair competition includes acquiring and using information, taking competitive edge, and complying with the law. In terms of law compliance, we specify that employees should respect customary rules of commercial transactions, comply with the law in the country we do business, and comply with OECD's "Convention on Combating Bribery of Foreign Public Officials in International Business" and domestic law of "Act on Combating Bribery of Foreign Public Officials in International Business."

### Investor's Relations

Under the Act of Government-Invested Corporation and as a part of our commitment to transparent management, we open the information on KLC at our website. The information includes management planning and achievements, social contributions, internal assessment, corporate assessment result by independent organization, financial status, credibility, customer centered management, and minutes.

### Product Information Disclosure

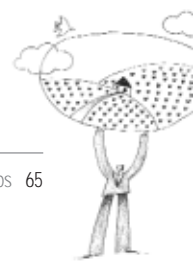
To properly respond to rising demand for information disclosure, we share information on our products in various ways. The information includes land map supplies with purchased land, district basis planning sketch, district basis planning implementation guideline, and guidelines for bidding application. Until now, there is no case of the violation of product information disclosure and regulations on product PR and marketing.

### Information Disclosure

As a government-invested enterprise, KLC has "Information Disclosure System" in place. The purpose of the system is to protect people's right and promote democracy by respecting the right to know and encouraging the public to participate in national policy making process. Under the system, it is obligatory that public organization should open any information obtained and possessed by itself in the form of public reading, manuscript, and reprinting at the request of the public.

## ● Awards

- 2002 Environmental Management Award (Organized by the Ministry of Environment, Maeil Economic Daily)
- 2002 1<sup>st</sup> Prize for Innovation in the Public Sector (Organized by the Ministry of Planning and Budget)
- 2002 Management Innovation Award (Organized by the Ministry of Planning and Budget)
- 2003 Presidential Prize for Korea Management Productivity Award (Organized by the Ministry of Commerce, Industry and Energy, Korea Productivity Center)
- 2003 Certificate of Merit for Environmental Protection Prime Minister's Official Commendation (Organized by the Ministry of Environment)
- 2004 Precision Engineering Competition, Prize by the Head of Small and Medium Business Administration (Organized by the Ministry of Commerce, Industry and Energy, Small and Medium Business Administration, Korea Economic Daily)
- 2004 1<sup>st</sup> Prize for Ecosystem Protection Award (Organized by the Ministry of Environment, Association of Environmental Planning)
- 2004 Environmental CEO Award (Organized by the Ministry of Environment, Maeil Economic Daily)
- 2004 1<sup>st</sup> Prize for Korea Cultural Heritage Award (Organized by the Cultural Asset Administration)



## ●Independent Verification Report

### Scope

The Sustainability Report Verification Council was asked to verify "Korea Land Corporation Sustainability Report 2004('the Report') in March 2005. The Council reviewed the reliability of the contents of the Report: the Council reviewed if the Report was written in compliance with the GRI guidelines and provided independent opinions on the Report.

### Data reliability

The Council reviewed the Report to see whether or not the contents of the Report were presented in a correct manner. Due to time constraint, the Council was not able to fully verify the accuracy of the raw data; however, the Council reviewed the data reliability after referring to the analysis results of reliable internal documents provided by KLC. Reliability of financial data was verified by referring to various accounting reports that were already audited by accounting firms.

### Compliance with GRI guidelines

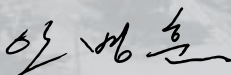
The Council reviewed if the report was in accordance with the "GRI 2002 Sustainability Reporting Guidelines." The Council reviewed if the report contained the 141 indicators that the GRI guidelines require to be published, including vision and strategy, company overview, management system, economic performance, environmental performance and social performance. The reviewed result of the GRI guidelines compliance is included in the "table of contents" pages.

### Opinions & Recommendations

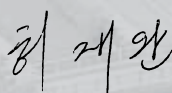
After reviewing the Report, the Council recommends as follows:

1. Despite the difficulties in preparing this type of report given the characteristics of the business, the Report is relatively well compliant with the GRI guidelines.
2. The Council recommends that KLC actively invite external stakeholders to participate in the process of drawing up the Report through more dialogues.
3. The Council recommends that KLC present in the next report a specific comparison between its past and current development practices in terms of environmental considerations to demonstrate the progress KLC is making on sustainability management.

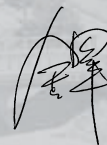
Professor, Byong Hun Ahn  
KAIST Graduate School of management



Professor, Jae Wan Huh  
Chung-Ang University



Professor, Tak Huh  
Konkuk University



## ● Feedback Questionnaire

### We greatly appreciate your opinion.

This Sustainability Report documents KLC's economic, environmental and social performance of 2004 in following with the GRI guidelines. It will be instrumental in KLC's communication with its external stakeholders, and will be the first step toward the realization of sustainability management in KLC.

Looking forward to your opinions and suggestions regarding KLC's Sustainability Report, we would like to ask you to kindly fill out the the following questionnaire and send it to us by fax or e-mail.

Fax. +82-31-738-8952

Tel. +82-31-738-7043

E-mail. [sustainability@iklc.co.kr](mailto:sustainability@iklc.co.kr)

Name. \_\_\_\_\_

Affiliation. \_\_\_\_\_

Address. \_\_\_\_\_

E-mail. \_\_\_\_\_

Tel. \_\_\_\_\_

Fax. \_\_\_\_\_

\* All personal information and opinions provided here will remain confidential and not be used for purposes other than feedback for KLC's sustainability management.

### About KLC's 2004 Sustainability Report...

1. How did you first know of this Report? ( )

[1] KLC homepage [2] Newspaper/magazine [3] Web-surfing [4] KLC employee [5] Other ( )

2. Which section did you find most interesting? ( )

[1] Company overview [2] Vision and strategy [3] Business [4] Environment [5] People

3. Which section do you think needs improvement? ( )

[1] Company overview [2] Vision and strategy [3] Business [4] Environment [5] People

4. Please tell us what you think about the structure and contents of the Report.

5. Do you think the publication of this Report will help KLC's future business management activities?

Yes ( ), No ( ), Not relevant ( )

6. Does this report have any benefits to your work or your company's operation?

Yes ( ), No ( ), Not relevant ( )





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