



# Always ...ing

Adding their effort and technology to resources presented by the nature, people at KOMIPO generate energy for future growth. With our passion yearning for better tomorrow, KOMIPO is always '...ing.'

## Report Information

### GRI G3 Guidelines Application

This sustainability report by Korea Midland Power Co., Ltd. (KOMIPO) satisfies all Global Reporting Initiative (GRI) G3 guideline "A+" grade requirements. It has been confirmed by the Institute for Industrial Policy Studies (IPS), an independent report examining agency.



#### ① GRI (Global Reporting Initiative)

The GRI is a sustainability report production guidelines developed in 1997 by the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environmental Program (UNEP). A revised G3 version was published in October, 2006.

#### ② BEST Sustainability Management Guidelines

THE BEST Sustainability Management Guidelines have been jointly developed by the BEST Forum (Business Ethics and Sustainability Management for Top Performance) and the Ministry of Knowledge Economy for use by enterprises around the world.



#### Voice Icon

KOMIPO added the Voice Icon at the top of each page in the right hand corner that converts the text to voice for blind readers.

### Purpose

This is the second sustainability report prepared by the Korea Midland Power Co., Ltd. (KOMIPO). Its overall goal is to analyze direct and indirect influences that KOMIPO exercises upon South Korea's economy, society, and environment, and to clearly outline the company's operational activities and their outcomes to any and all interested parties. By doing so, it will lay a stronger foundation for sustainable growth and become a trusted and respected organization.

### Contents

This report is divided into two parts. Part 1 deals with the company's key sustainability management performance and issues, while Part 2 deals with three main pillars of sustainability management—the economy, society, and the environment. The report, as a whole, aims to promote effective communications with stakeholders by focusing on key sustainability issues and outcomes over the past two years. Materiality tests allowed us to identify and emphasize issues that most interested stakeholders.

### Guidelines and Credibility

This report is prepared in conformity with the revised 2006 G3 guidelines of GRI<sup>®</sup> and the BEST Sustainability Reporting Guidelines<sup>®</sup> of Korea. Confirmation from the IPS regarding its integrity has markedly enhanced accuracy, objectivity, and credibility of the report. [I'm a professional writer. If I put in an article, it's because it should be there.]

### Reporting Period

This report describes sustainability management activities and results from January 1, 2006 to December 31, 2007. With regard to quantitative outcomes, data from the previous 3~4 years have been included to show time series trends. Some items include 2008 results as well. This is KOMIPO's second sustainability report; the first one was published in 2006. In the future, they will be produced biannually.

### Objects and Units

This report covers KOMIPO's headquarters and its six organizational units: Boryeong Thermal Power Site Division, Incheon Thermal Power Site Division, Seoul Thermal Power Plant, Seochon Thermal Power Plant, Jeju Thermal Power Plant, and Yangyang Pumped-Storage Power Plant. The Korean won is used as the basic currency unit, while ton, kg, kℓ, m<sup>2</sup>, MW, USD, etc. are used for quantitative data. All other units are expressed in numbers.

### Major Organizational Changes in Reporting Period

During the reporting period, the Yangyang Pumped-Storage Power Plant (Pumped-Storage 1000MW, Small Hydro 1.4MW, and Wind 3MW), was completed, increasing the total operational capacity from 7,497MW to 8,500.4MW. This happened in September 2006.

### Additional Information

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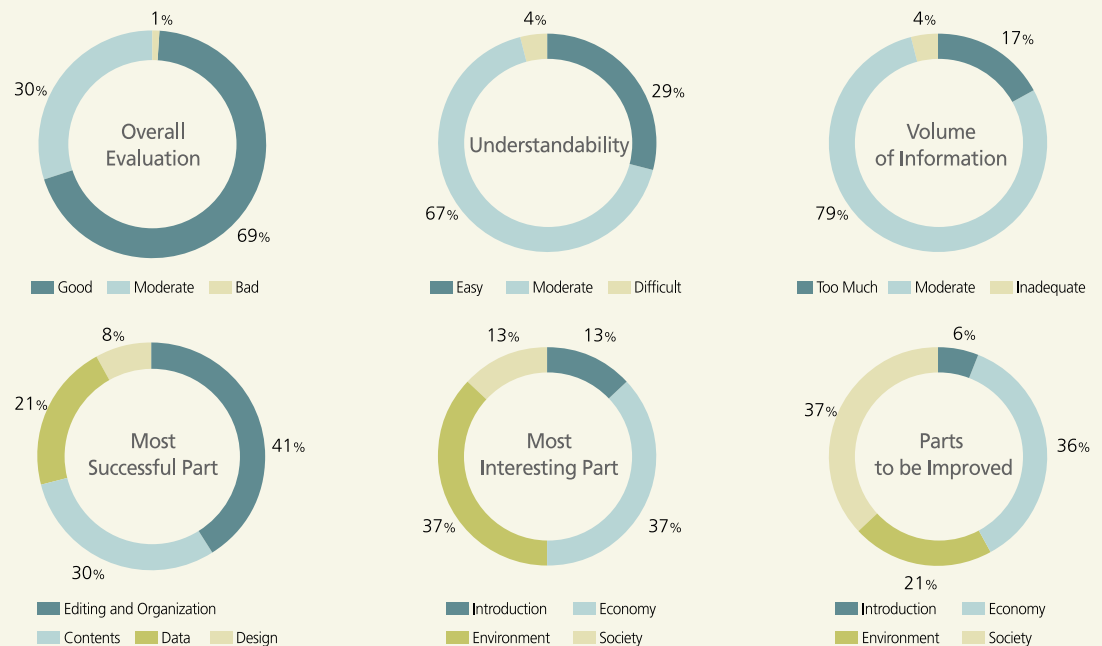
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## Feedback of Reader Opinions

The following charts show reader opinions on the 2006 sustainability report. Questionnaires were distributed to 336 people regarding overall evaluation, understandability, scope of information, most successful parts, most interesting parts, and parts to be improved. By reflecting these opinions, improvements will be made to future reports.



## Reader Opinions and Follow-up

Opinions Regarding 2006 SR	Reflected in 2008 SR
Small-sized letters drop readability.	<ul style="list-style-type: none"> <li>The size of the body letters was enlarged by 1 point from 8.5pt to 9.5pt, and the font type was changed.</li> </ul>
Contents should be concise and comprise only necessary information considering stakeholder standpoint.	<ul style="list-style-type: none"> <li>A separate section regarding the company's Sustainability Management Performance was created at the beginning of the report. It sums up the company's performance over the past two years and highlights issues that most interested stakeholders.</li> <li>A "KOMIPO Tree of Sustainability Issues" has been added, and page numbers for each topic enhance accessibility.</li> <li>Setting up DMAs in the economy, society, and environment sections enables easier identification of KOMIPO's sustainable management performance.</li> </ul>
Participation and stakeholder opinions	<ul style="list-style-type: none"> <li>A materiality test was performed to measure the levels of concern of interested parties and arrangement priority reflected those interest levels.</li> <li>Interviews with economists, social scientists, and environmentalists were included to answer stakeholder's questions about KOMIPO.</li> </ul>
Low emphasis on ethics management	<ul style="list-style-type: none"> <li>A separate "Special Theme" section now deals with KOMIPO's ethics management strategy and efforts.</li> <li>This report outlines KOMIPO's efforts to follow the 10 principles of the UN Global Compact.</li> </ul>
Insufficient information on domestic and overseas businesses under development.	<ul style="list-style-type: none"> <li>A separate 'New Business 1020' addition to the "Economy" section clearly describes the development status of overseas businesses, domestic businesses, and new and renewable energy businesses.</li> </ul>
The report should contain more substantial information regarding UNFCCC. (the United Nations Framework Convention on Climate Change)	<ul style="list-style-type: none"> <li>KOMIPO's efforts regarding the UNFCCC are addressed under "Key Environmental Issues" in Part 1, 'New &amp; Renewable Energy Business' in the Economy section, and "UNFCCC" in the Environment section. For more information, please refer to the company's Web site and annual environmental report.</li> </ul>
For new business both inside and outside of Korea, what efforts is KOMIPO making to nurture human resources	<ul style="list-style-type: none"> <li>To further emphasize the topic of human resources cultivation, it was placed at the beginning of the Society section. Details on developing global leaders are added as well.</li> </ul>
Glossary was not too helpful because it was at the back of the report.	<ul style="list-style-type: none"> <li>Terminology is explained at the bottom of pages as footnotes.</li> </ul>

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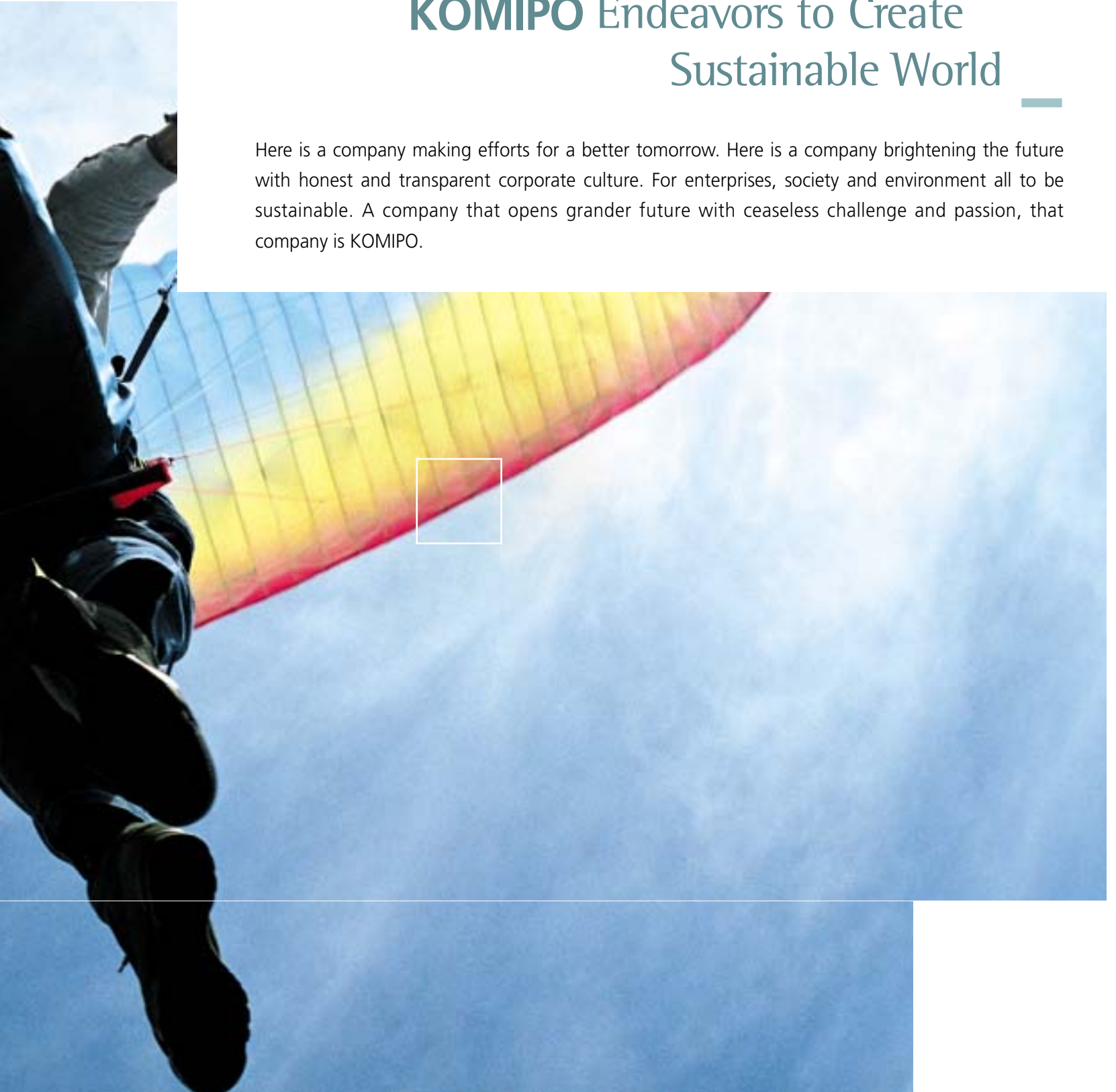
# Part 1 \_ Sustainability Management



# Always Striving for Sustainability

## KOMIPO Endeavors to Create Sustainable World

Here is a company making efforts for a better tomorrow. Here is a company brightening the future with honest and transparent corporate culture. For enterprises, society and environment all to be sustainable. A company that opens grander future with ceaseless challenge and passion, that company is KOMIPO.





Using its spirit of challenge and innovation,  
KOMIPO will continue creating values in the future.



Without dreams, there is no future. Only those who have dreams and visions and are fully prepared can open the door to a new and better world.

Dear readers: Thanks to your great interest and encouragement, KOMIPO is publishing its second sustainability report. During the past two years, KOMIPO accomplished many things and faced numerous challenges.

2006 was a great year for pioneering “Blue Ocean” strategies; for example, KOMIPO took part in the Cirebon IPP Project in Indonesia and Hyundai Steel’s waste gas generation project, and was invited to participate in the Community Energy Supply (CES) project for the Multifunctional Administrative City. Since the domestic electricity market is expected to become saturated in the near future, discovering new growth engines is vital for our survival. As a result, KOMIPO plans to expand its overseas business, focusing on resource-rich Southeast Asia. It will also pursue stable business implementation through its stage-by-stage risk management plan.

Because 70% of its expenses are for fuel, KOMIPO’s operational environment deteriorated due to skyrocketing fuel prices. Unfortunately, the domestic power price was not raised to a profit-making level considering benefits of the people for the public service. As a result, the company must bear the burden of fuel price hikes by itself. KOMIPO will make every effort to minimize electricity price increases to support the nation’s economic development and help the Korean people.



# GLOBAL CLEAN POWER COMPANY

In 2007, KOMIPO initiated a social contribution program called “Free from Atopy.” Atopy is very common; almost one out of every four newborns suffers from it. By carrying out this Atopy elimination campaign and other programs, KOMIPO is fulfilling its social responsibilities as a public corporation.

Environmental issues, such as the depletion of fossil fuel resources and climate change, are primary concerns for the power generation industry, which emits about 25% of total CO<sub>2</sub> emissions in Korea. KOMIPO has set a goal of reducing greenhouse gas emissions by 10% by 2017, and completed 21MW new and renewable energy facilities as part of its aggressive CDM business. As a result, the company won the “Grand Prize for Green Management in Korea” for the third straight year. By sticking to a policy of prioritizing harmony with nature and practicing its mid-to-long term environment strategy “ECO-2015,” KOMIPO will become a “Global Top 10” green energy firm.

The past two years have presented us with a variety of outcomes in a number of fields, and KOMIPO is looking forward to new challenges and possibilities. As in the past, we will make every endeavor to achieve a stable electricity supply and grow sustainably.

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The employees at KOMIPO are continuously trying to create a better and more sustainable world.

Thank you.

Nov. 2008

Korea Midland Power Co., Ltd.

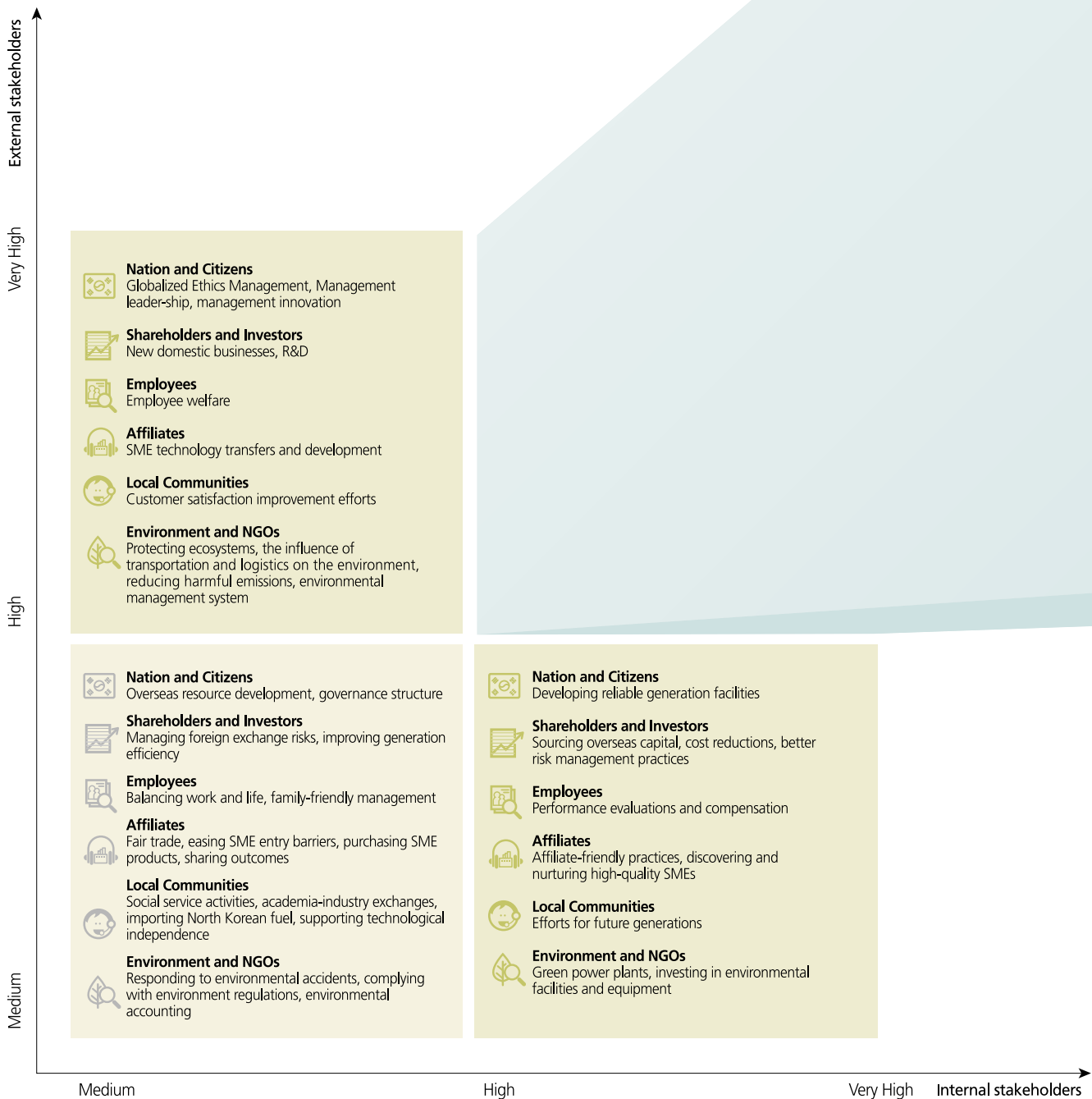
Sung-Ki BAE, President & CEO

## KOMIPO's Stakeholders

### Materiality Test

In order to analyze major sustainability management issues and identify their priority, a three-step Materiality Test<sup>①</sup> was carried out. The most important economic, social, and environmental issues facing KOMIPO over the past two years were identified by interviewing experts in relevant fields, benchmarking overseas power suppliers, and searching for relevant media coverage. From these many issues, KOMIPO will focus on those that have the greatest significance in terms of sustainability management, discuss them with interested parties, gather opinions, and reflect them in its future strategies and policies.

① **Materiality Test** A method of identifying and prioritizing those issues that most interest stakeholders







## Nation and Citizens

Electricity is a driving force of the national economy and a necessity for people's lives. In order to help fulfill our responsibility for ensuring a stable energy supply and access various opinions and perspectives from Korea's citizens, KOMIPO has developed a Request for Information (RFI) system.

- Sustainability Management strategy
- Participation of stakeholders
- Stable energy supply
- New and renewable energy business



## Shareholders and Investors

Shareholders and investors are key stakeholders who influence the company's management and long-term capital sourcing. KOMIPO earns the trust of its shareholders and investors through interesting and informative IR activities and the transparent disclosure of information. It is also building the foundations for investments offering high returns.

- Advancing into overseas markets
- Introducing more economical and efficient fuels
- Financial performance
- Price competitiveness
- Longer life-spans of generation facilities



## Employees

By establishing a corporate culture that values human resources and respects human rights, KOMIPO endeavors to create a "preferred workplace." To identify the varying needs of our employees, KOMIPO periodically carries out a satisfaction survey. In addition, its Union-Management Cooperation Council and other activities concentrate on improving employee welfare, helping their self-development, and ensuring a safe work environment.

- Nurturing human resources
- Workplace safety and health
- Job security
- Non-discrimination
- Employee education
- Cooperative labor management relations



## Affiliates

Affiliates are partners that help KOMIPO carry out efficient and smooth business activities. To maintain mutually beneficial relationships and become a sincere partner with its affiliates, KOMIPO pursues smooth communications through continual discussions and the operation of a complaint reporting center.

- Transparent contract management
- SME assistance  
(IT infrastructure support, funding, developing sales channels)



## Local Communities

KOMIPO is committed to social contribution activities for the balanced development of the national economy and the larger society. Since healthy families and a richer society translate into the continued success of any company, KOMIPO regards its social contribution activities as a worthwhile and pleasurable responsibility. We try to create a better world by forming amicable and organic relations with local residents, NGOs, governments, and public institutions.

- Local community contributions
- Specialized businesses
- Contributing to balanced development
- Interactive communications



## Environment and NGOs

KOMIPO tries to preserve the environment surrounding its power plants and protect our one and only Earth. We will play a leading role in any and all endeavors to create a cleaner environment by satisfying the demands of the UNFCCC, promoting new and renewable energy businesses, and developing state-of-the-art environmental technologies.

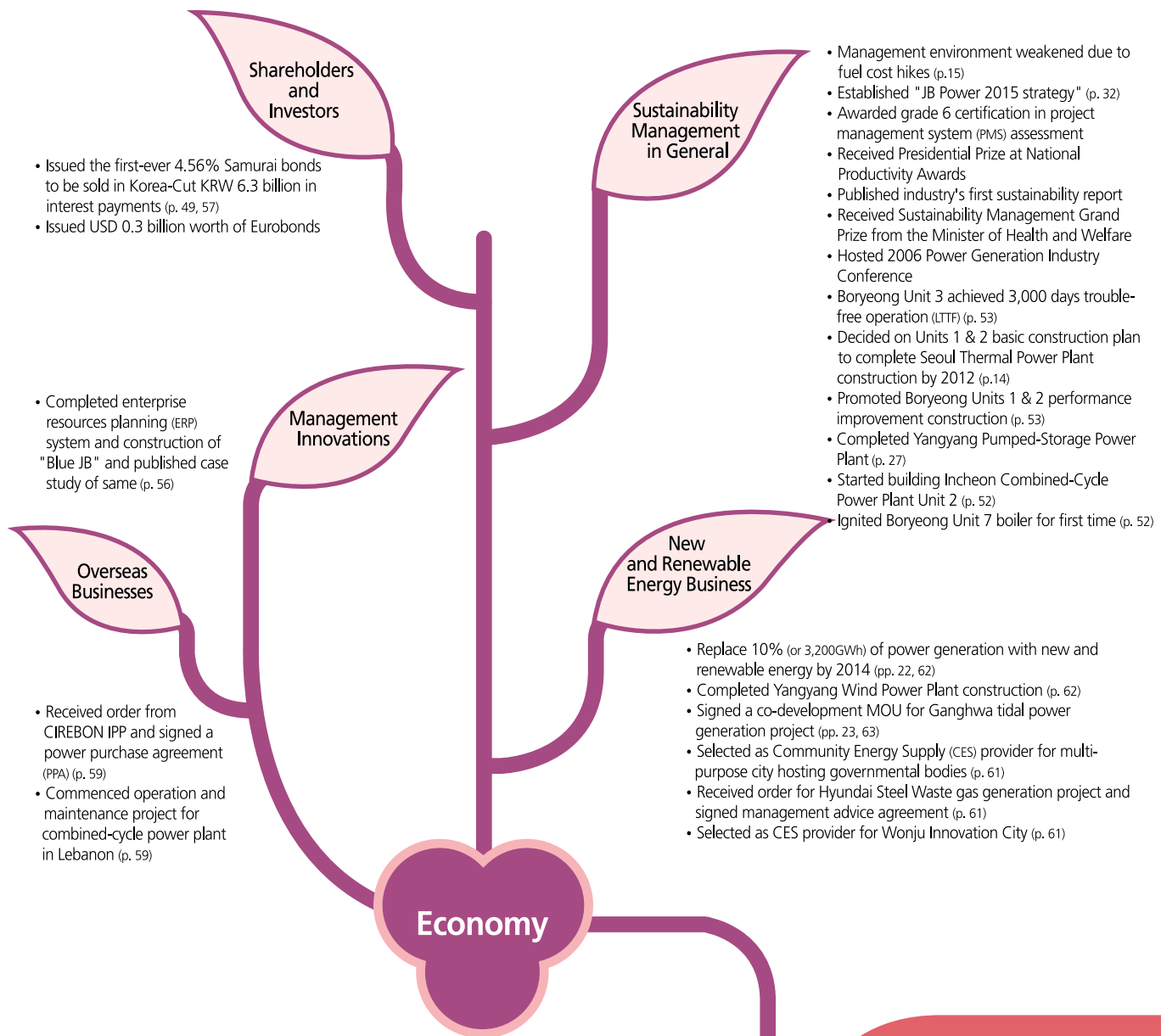
- Responding to UNFCCC
- Using energy responsibly and saving resources
- Voluntary efforts to cut greenhouse gases

# Communicating with Stakeholders

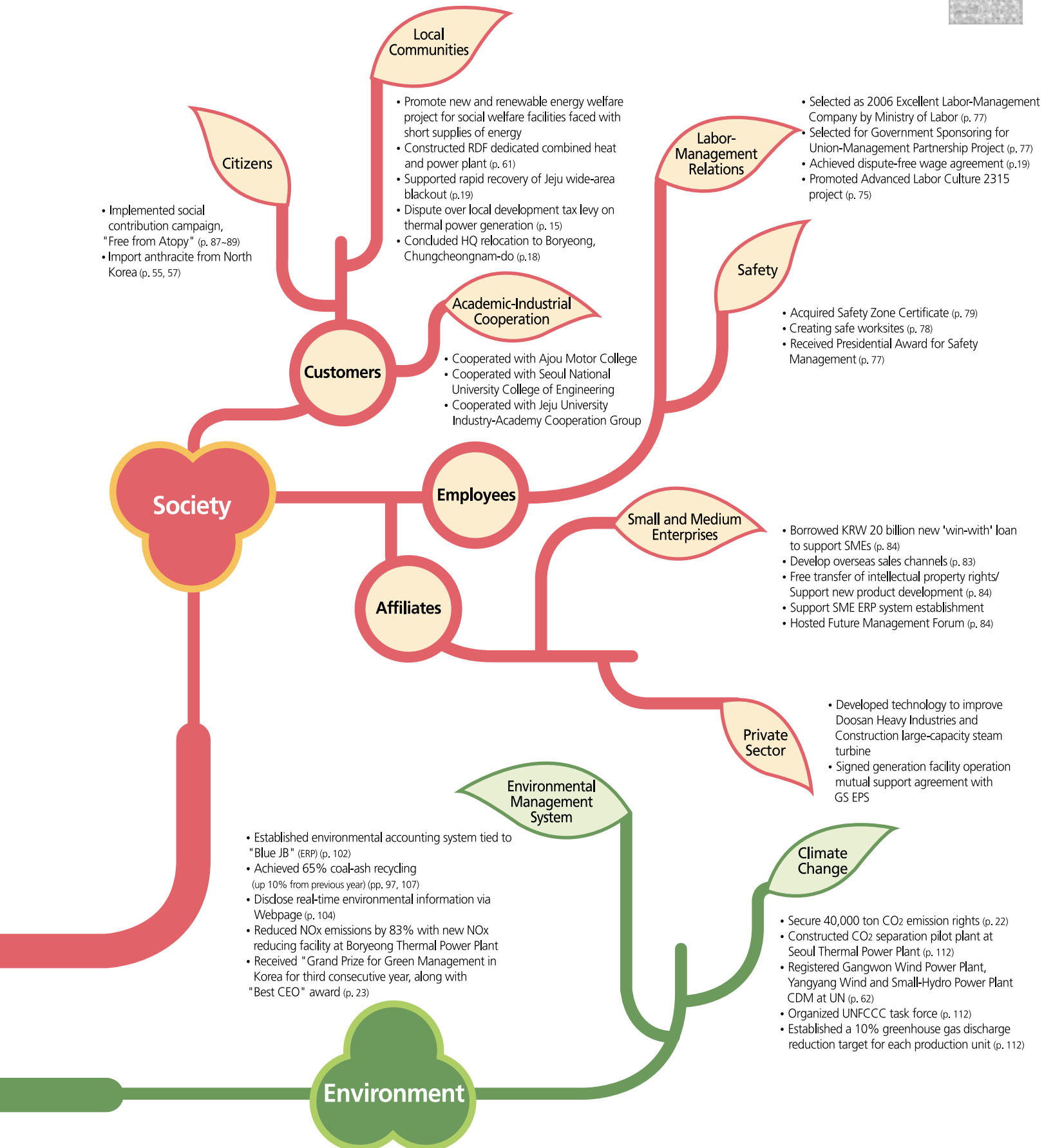
As the public continues to set ever-higher standards for corporations, meeting its corporate social responsibilities has become a necessity for the growth and development of any enterprise. Therefore, Korea Midland Power Co., Ltd. (hereinafter KOMIPO) is working to identify its economic, social, and environmental responsibilities by communicating with numerous stakeholders—including the nation and its citizens, young people, local communities, NGOs<sup>①</sup>, employees, affiliates, shareholders, and investors. We are also creating opportunities for KOMIPO to develop with its stakeholders and adopt their opinions regarding our overall corporate management activities.

① NGOs (Non-Governmental Organizations) The term NGOs refers to organizations that individuals or civic groups have formed to support the environment, human rights, poverty eradication, and anti-corruption activities.

# KOMIPO Tree of Sustainability Issues



The section entitled "KOMIPO Tree of Sustainability Issues" has been put together for the ease of our stakeholders. It describes various sustainability management activities, outcomes, and key issues over the past two years. Each item has a page number, so that readers can easily turn to the relevant page. Information that is not included in this report can be accessed at the company's Webpage or a separate Webpage dedicated to communications with stakeholders.



# Opening Dreams

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In this era, only courageous people who do not fear change can truly realize their dreams. Despite a very troublesome operational environment and a world-wide economic downturn caused by extremely high oil prices, KOMIPO is causing a whirlwind of changes to occur with its “New Business 1020 Strategy,” designed to help it become a “Global Clean Power Company.” Deploying futuristic thinking that will allow no limits and brook no failures, KOMIPO will advance into the international economy as yet another Korean powerhouse.





## We Dream

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We have a dream. In it, we boldly navigate the vastest oceans and the ultimate spaces of unlimited possibilities. Our passion tells us to shake off all our fears and become part of a broader world. A strong wind blows from afar. Together, we pull up the anchor, and with an enthusiastic spirit spread the sails. Our voyage towards the “Blue Ocean” has begun.





## Key Economic Issues

This section covers economic issues of interest to various stakeholders. The construction of a substitute for the Seoul Thermal Power Plant, increasing fuel costs and concomitant management difficulties, and local tax impositions on thermal power operators are three of the key issues. KOMIPO will gather the opinions of relevant parties and attempt to find workable solutions to all of them.



Seoul Thermal Power Plant Underground Power Generation Facility

## The Seoul Thermal Power Plant, the Driving Force behind the “Miracle on the Han River,”

will soon become an environmentally-friendly power plant after eighty-three years of operation

The plant, built in 1930 as Korea’s first thermal power facility, is now experiencing a rebirth. In line with the government’s Third Basic Plan for Long-Term Electricity Supply and Demand, the plant will become an environment friendly 1 million kW (two 0.5 million kW units) combined-cycle power plant in 2012.

The facility has helped to stabilize the power supply in the high-demand Seoul Metropolitan area, and has also provided heat to 60,000 households in Yeouido, Dongbuichon-dong, Mapo, and Banpo. However, some negative opinions have been raised regarding the construction of a combined-cycle power plant and the relocation of the old facility. KOMIPO wishes to hear opinions from local residents, and plans to place its generation operations underground and transform the remains into a cultural space that promotes both health and a better quality of life. The plant will be transformed into a “green facility that satisfies the Ministry of

Culture, Sports, and Tourism’s proposal to turn power plants into cultural spaces and the Seoul Metropolitan Government’s Hangang Renaissance Master Plan to build riverside parks.

In order to satisfy environmentally-concerned residents and the dictates of the government’s Metropolitan Area Air Improvement policy, KOMIPO will be constructing a full-fledged denitrification facility, complete with an environmentally friendly chimney and sound- and dust-proof facilities. There will be less water volume produced than is legally prescribed for a waste-water treatment facility, and KOMIPO will minimize the impact of drained cooling water on the river through deep and separate water drainage conductors.



An aerial view of the Seoul Thermal Power Plant

## Price of Fuel(including bituminous coal) Surges

### Needs to be overcome through greater management efficiencies

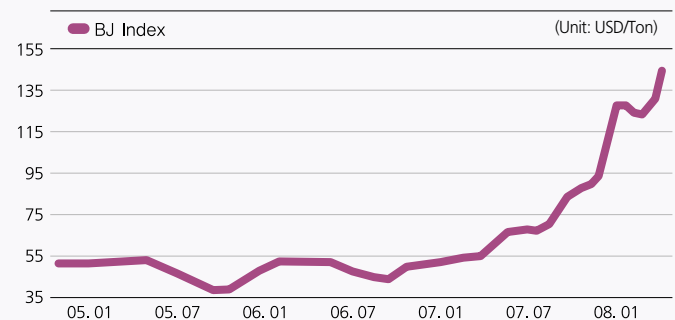
The international oil price (for Dubai crude oil) rose from USD 26.80 per barrel in 2003 to USD 127.82 at the end of June 2008—an astounding 477%. In the same period, the cost of Australian bituminous coal skyrocketed by 609%, from USD 26.10/ton to USD 158.99/ton. Since ships being loaded in Australia are now subject to demurrage charges and China is reducing its exports to prioritize domestic demand, supply and demand in the Asian region is becoming unbalanced. It is expected that this will increase the demand for bituminous coal, a main fuel for thermal power generation, even more.

Since the domestic rate for this power has not been raised to a reasonable level to avoid negative impacts on the national economy, KOMIPO's management has been deteriorating, causing the company to record its first-ever deficit in 2008. As a result, KOMIPO is now operating under an emergency system to minimize its losses—including improving productivity and rationalizing management. Any long-term deterioration in the company's finances will lower shareholder returns, reduce capital

expenditures, worsen KOMIPO's credit rating, increase borrowing charges, and possibly interfere with a stable power supply. Therefore, the current power rate needs to be raised as soon as possible.

#### Bituminous Coal Average Prices in the Spot Market

(FOB, calorie 6,080kcal/kg NAR, Australian coal)



※ As of May 27, 2008

Source: CoalFax (BJ Index), Global Coal (NEWC Index)

## Levying Regional Development Taxes on Thermal Power Generation

### Reasonable measures must be adopted

An ongoing dispute over levying a regional development tax on thermal power generation has arisen from the Governors' Association of Korea's (GAOK) proposal to discover new tax sources. In response to this, five local governments that have thermal plants within their boundaries (Chungcheongnam-do, Gangwon-do, Incheon, Jeollanam-do, and Gyeongsangnam-do), along with the Ministry of Government Administration and Home Affairs (MOGAHA), agreed on service procurements. From 1991 until 2006, KRW 2/10m<sup>3</sup> and KRW 0.5/kWh of regional development tax was levied on Korean hydro and atomic power generation, respectively, and the aforementioned local governments are now arguing that the tax should be applied to thermal power as well, in the interest of tax equity. A revised local tax law was presented by the central government in November 2007, and the Legal Sub-Committee of the 17<sup>th</sup> Government Administration and Local

Autonomy Committee passed the proposal. However, the ensuing bill was automatically abrogated, because it was never presented to a plenary session of the government. Nevertheless, local governments and the national government plan to present the legislation once again to the 18<sup>th</sup> National Assembly.

If a regional development tax is levied on thermal operations under the same conditions as those that apply to atomic power generation, KOMIPO will have to pay some KRW 20 billion in extra taxes annually. If this burden is added to KOMIPO's already-aggravated financial condition, the company's management will be severely influenced, causing an inevitable upturn in the power rate. Therefore, a reasonable remedy needs to be found dealing with the taxation period, scope, and amount.

# Spreading Love



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KOMIPO's social contribution activities are carried out under the slogan "Hope through Love, Smiles through Sharing." Our employees voluntarily carry out social contribution activities in the areas of social welfare, culture, education, and environmental preservation. In addition, the company tries to bring back laughter and hope to children who suffer from atopy through its "Free from Atopy" campaign.



## We are Happy that We can Share



True sharing does not happen when you have enough, but when you have run short. Dreaming of a society in which people can make up for each other's shortcomings by offering up what they have, 2,000 KOMIPO employees are busy delivering such happiness, trying to create a more sustainable world of giving and sharing.





## Key Social issues

This section deals with the issues that have proven to be of greatest concern to our stakeholders. Topics to be covered include the relocation of the company's HQ, changing labor-management relations and efforts towards greater cooperation, and power sourcing problems that arise due to Jeju Island's unique geographical characteristics. Through this transparent disclosure of information, open dialogues with stakeholders, and the welcoming of their opinions, KOMIPO will help everyone understand its operations more fully.

### HQ Relocation to Boryeong, Chungcheongnam-do

#### An opportunity to develop with local communities

Following the government's plan to relocate many public institutions outside of the capital area as announced in June 2005, KOMIPO was scheduled to be relocated in the province of Chungcheongnam-do. As a result, the company signed a Basic Agreement with the local government in August 2005. After continuing discussions with the local government, Boryeong was confirmed as the relocation site in May 2006. The HQ relocation planning process ended in November 2007, although the actual site selection work is still proceeding.

The relocation is slated for completion by 2012, following the selection and purchase of a site in 2008, office building and design work in 2009, and ground-breaking in 2010. It is expected to cost KRW 20~30 billion annually, with a total investment of KRW 170 billion, all of which is to be financed internally. Since the move will have a great impact on the company's employees, its affiliates, and local communities, we are approaching it with care and caution. In overall terms, however, KOMIPO views this exercise as a signal opportunity to cooperate and grow with local governments.





## Strike by Korean Power Plant Industry Union

Will hopefully pave the way for a labor-management culture of “win-win” cooperation

On September 4, 2006, the Korean Power Plant Industry Union, comprised of workers at five thermal power plants, including KOMIPO, began a 15-hour-long labor action, with ruptured bargaining towards a collective agreement being cited as the primary cause. One year later, however, KOMIPO was able to reach a dispute-free wage agreement— a “first” among spun-off power generators. This happened because the company approached the negotiations seeking dialogue and consistency. The result was a reasonable wage structure and a wage increase of less than 2%, the figure contained in the central government’s own guidelines.

After studying the contrast between the 2006 strike and the 2007 dispute-free agreement, KOMIPO realized that open discussions, mutual understandings, and a reasoned and reasonable approach can lead to a “win-win” labor culture. As a result, KOMIPO has established a labor relations

“roadmap” that is scheduled to last until 2015, with the aim of avoiding confrontation and establishing a culture of mutual trust and harmony. The first phase, which will end in 2008, has the goal of establishing a system of labor-management relations that is based on law, mutually-agreed-to principles, and a performance-based compensation system. During the second phase, to last from 2009 to 2011, KOMIPO will nurture this management partnership and strengthen its expertise in labor-management issues. The last phase, which will go from 2012 until 2015, will finalize the development of a labor-management culture based on partnership, productivity, and innovation. This illustrates KOMIPO’s commitment to establishing a mutually-satisfactory labor culture that promotes and aims for mutual growth.



## Wide-Area Blackout in Jeju

Calls for immediate and fundamental changes to Jeju-do’s electricity supply

On April 1, 2006, at 10:36 in the morning, a shutdown of two undersea transmission cables stopped the Jeju Thermal Power Plant Internal Combustion Unit 1 and later caused all the power generators in the region to grind to a halt. As a result, the entire island suffered a 2.5-hour blackout.

Due to its unique geographical characteristics, Jeju-do meets 45% of its electricity demand with power transmitted by undersea cables, with the balance being generated by KOMIPO’s Jeju Thermal Power Plant, Korea South-East Power’s (KOSep) Namjeju Thermal Power Plant, and smaller providers. While repairing the cables, Jeju plant turned its 30-year-old gas turbines 1 and 2, which are ordinarily used as synchronous phase modifiers<sup>①</sup>, into power generating facilities to provide an emergency supply of power.

The incident once again brought up a fundamental problem: the Jeju-do area is constantly exposed to the threat of area-wide blackouts whenever related facilities have problems. Many interested parties, including Jeju-do residents, have asked for a solution to be achieved by the expansion of regional power supply facilities, such as an LNG combined-cycle power plant. KOMIPO plans to submit a Letter of Intent for the construction of a 300MW LNG combined-cycle power plant in 2008. This will reflect the requirements contained in the central government’s Fourth Basic Plan for Long-Term Electricity Supply and Demand, with construction slated for completion by 2013.



Jeju blackout recovery simulation exercise

① Synchronous phase modifier A rotating device used for reducing power losses by adjusting voltage.

# Creating Tomorrow

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As part of its commitment to putting the environment first, KOMIPO has established forty-seven detailed action plans and a mid- to long-term environmental management program called “ECO-2015.” In addition, the company is augmenting its CDM registration processes, expediting new and renewable energy developments, and working to help resolve the problem of global warming.



## Building the Future Together

We always reap what we sow, and KOMIPO's efforts towards cleaner skies and greener forests will help everyone enjoy happier and healthier lifestyles. In the same way, we all imagine a future in which our children's dreams can come true. At KOMIPO, we are turning this wish into reality through continuous research into sustainable and "green" management practices.

## Key Environmental Issues

This section deals with environmental issues that are of interest to KOMIPO and its stakeholders. The entire world is now concerned about climate change, an issue that will have impacts on both present and future generations. Developing new and renewable energy sources is one realistic solution to help save the earth. If we do not want to give up the prosperity to which we have become accustomed, it is our duty to come up with wise solutions to our many environmental problems. KOMIPO will do its best to achieve maximum operational results with minimum environmental damage.

### UNFCCC and the Bali Roadmap

**We can reduce greenhouse gas emissions by accelerating the development of new and renewable energy sources**

On December 15, 2007, the thirteenth UNFCCC Conference of the Parties (COP-13) adopted the “Bali Roadmap,” which states that “from 2013 on, all countries need to make dramatic greenhouse gas reduction efforts.” Since Korea ranks ninth in the world in terms of greenhouse gas emissions and tenth in energy consumption, the country needs to work very hard to face this challenge. As a result, the government has decided to increase its new and renewable energy ratio from the current 1~2% to 5% and 9% by 2011 and 2030. As of 2012, Korea’s power companies will be required to supply 4~5% of their annual power generation with “green energy” or new and renewable energy, such as photovoltaic (PV), wind power, tidal power, and so on.

In response to this, KOMIPO established a Mid- to Long-Term Basic Plan for New and Renewable Energy in

November 2005 and a mid- to long-term strategy for dealing with the UNFCCC’s requirements in December 2006. In addition, the company secured 40,000 tons of annual CO<sub>2</sub> emission rights by registering with the Clean Development Mechanism (CDM).

Despite this, the company’s current scale of new and renewable energy is insufficient to satisfy either Korean government or international requirements. As a result, KOMIPO is studying large-scale ocean energy developments, including the Ganghwa Tidal Power Plant and the Wando Tidal Current Power Plant. The company intends to cope with the UNFCCC’s requirements by participating in research on CO<sub>2</sub> capture and storage, dry sorbent developments, and so on.



Jeju Thermal Power Plant Photovoltaic (PV) facility



Yangyang Wind Power Plant

An aerial view of the Ganghwa Tidal Power Plant





## Generating clean energy: The Ganghwa Tidal Power Plant

### New and renewable energy with thorough environmental impact examinations

On May 7, 2007, KOMIPO, the City of Incheon, Ganghwa-gun, and the Daewoo Engineering and Construction Consortium signed an MOU for the co-development of the Ganghwa Tidal Power Plant, and are preparing to establish a joint venture. Linking Gyodongdo, Seongmodo, and Seogeomdo, the Ganghwa Tidal Power Plant will take up 7.8km., exceeding the capacity of the Rance Tidal Power Plant (240MW) in France and Korea's own Garolim Tidal Power Plant (480MW) with a total capacity of 812MW. Thirty-two hydraulic turbine generators will be installed at a total cost of KRW 2 trillion, 137.1 billion, with commercial operations slated to begin in 2014—the year of the Incheon Asian Games. It is anticipated that the total annual generation capacity of this plant will eventually reach 1,536GWh, enough to supply 0.4 million households (43% of the total) in Incheon with power for a year. The clean energy it generates will have a heavy oil

substitution effect of 0.32 million tons and will earn KOMIPO KRW 12.3 billion in CO<sub>2</sub> emission rights.

To comply with the government's new and renewable energy expansion policies and satisfy the UNFCCC's demands, it is necessary to build such large-scale tidal power plants. Despite this, local residents and environment protection groups are concerned about shoreline damage, flooding, and other issues. Although KOMIPO is sincerely concerned about the potential environmental impacts of this facility, the company must also think about energy security. It is KOMIPO's sincere belief that a truly "green" power plant can result from thorough and complete preparations—including a feasibility study, environmental impact assessments, and others.

## Received "Grand Prize for Green Management in Korea" for Third Consecutive Year

### Becoming a globally-respected "green" company through sustainable investments

In 2007, KOMIPO won the "Grand Prize for Green Management in Korea" for the third year in a row, as well as the "Best CEO" award. These honors were given in acknowledgement of the company's "ECO-2015" mid- and long-term environmental business strategy, its systematic approach to becoming a global "top 10" environmental management corporation, and the development and operation of an environmental accounting and operation performance in relation to its "Blue JB" system.

"Green" power generation has now become a pivotal element in the world of energy production, and KOMIPO hopes to raise its ratio to 9.8% by 2014 by actively promoting its new and renewable energy business

operations. This, in turn, will reflect the company's vision of becoming "a top-notch operator that puts the environment and people first." By pursuing this vision, KOMIPO will become a world-renowned company, operating "green" power plants, reinforcing its climate change countermeasures capabilities, and strengthening its partnership with stakeholders.



Received "Grand Prize for Green Management in Korea" for third consecutive year, along with "Best CEO" award



# Always Making Progress

## Key Sustainability Management Performances & Targets

Area	Criteria	Unit	2007 Outcomes	2008 Targets
Economy	Capacity	MW	8,500	9,509
	Generation	GWh	41,648	43,809
	Heat efficiency	%	40.83	40.82
	Revenues	KRW billion	2,826.7	2,935.6
	Net profit	KRW billion	187.4	-136.7
	Debt-Equity Ratio	%	66.40	108.40
	ROIC	%	20.99	8.96
	Total costs	KRW/kWh	68.90	74.89
	Credit rating (Moody's/S&P)	—	A1 / A-	A1 / A-
Society	KEPCO integrity survey (out of 10 points)	Points	9.69	9.85
	E-bidding ratio	%	98.90	99.00
	Information disclosure	%	100	100
	BOD participation	%	100	100
	Welfare satisfaction	Points	92	93
	Education and training expenses to revenues	%	0.17	0.19
	Education expenses (per head)	KRW 1,000	2,180	2,510
	Education hour (per head)	Hours	245	250
	SME product purchase ratio	%	96.40	96.40
	Social contribution activity costs	KRW million	2,169	2,500
	Volunteer activity hours (per head)	Hours	10.30	11.00
	Funds raised annually (per head)	KRW 1,000	73	78
Environment	SOx emissions	g/kWh	0.41	0.50
	NOx emissions	g/kWh	0.59	0.59
	Dust emissions	g/kWh	0.018	0.018
	Drainage water recycling	%	88	89
	COD emissions	g/GWh	22	13
	SS emissions	g/GWh	11	10
	Coal ash recycling	%	65	70
	Desulfurization gypsum recycling	%	100	100
	CO <sub>2</sub> emissions	CO <sub>2</sub> /1,000 tons	0.68	0.84

## Part 2 \_ Introducing KOMIPO

# KOMIPO Adds Abundance to This World

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**Introducing KOMIPO** | A company that adds value to possibility, a company that plants the seed of hope among sharing, a company that grows green happiness and thus makes this world richer, that company is KOMIPO.



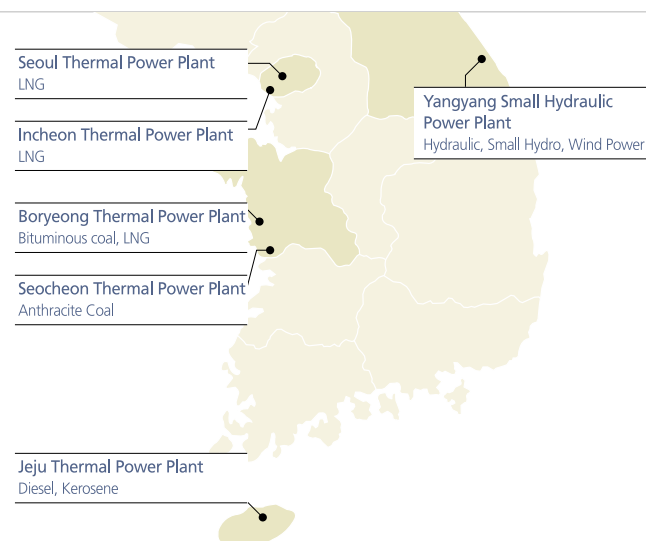
## Introducing KOMIPO ▶ Company Overview

### Company Profile & 2007 Business Overview

Name	Korea Midland Power Co., Ltd.
CEO and President	Sung-Ki BAE
Date Established	April 2, 2001
Address	167 Samseong-dong, Gangnam-gu, Seoul, Republic of Korea
Major Businesses	Development of electric power resources, power generation, new and renewable energy
Sales Revenues	KRW 2 trillion, 827.6 billion
Net Profit	KRW 187.4 billion
Total Assets	KRW 4 trillion, 270.7 billion
Liabilities	KRW 1 trillion, 703.7 billion
Capital	KRW 2 trillion, 567.0 billion
Overseas Credit Rating	S&P A- (stable), Moody's A1 (stable)
Domestic Credit Rating	AAA
Generation (sales)	41,648GWh (39,900GWh)

### Location of and Fuels Used at Power Plants

As of December 2007



### Business Locations

Korea's largest standard coal-fired power plant

#### Boryeong Thermal Power Site Division



The Boryeong Thermal Power Plant, which boasts Korea's first three super-critical pressure standard coal-fired Power Plants<sup>①</sup>, recorded 3,000 trouble-free operating days in 2007. Supplying about 7% of the country's needs, the facility is Korea's largest thermal generation complex. Construction of super-critical pressure Power Plant Units 7 and 8 is now underway, with completion slated for 2008. The Boryeong Thermal Power Plant is a "green" facility, with each unit being equipped with both desulfurization and denitrogenization facilities. In 2008, an office building was installed with 526kW capacity PV power generation equipment. In addition, a Small Hydro Power Plant is also under construction. When it is finished, the Boryeong Power Plant will be a fully-comprehensive power generation complex.

Contributing to a stable power system in the metropolitan area

#### Incheon Thermal Power Site Division



Equipped with four 1,150MW steam power units and three 503.5MW combined-cycle ones, the Incheon Thermal Power Site Division makes a significant contribution to a stable power supply in the metropolitan region. In 1974, it was the country's largest coal-fired Power Plant, but it now operates on "clean fuel" LNG and also boasts denitrogenization equipment. As a result, the Ministry of the Environment has designated it as a "green" Power Plant for the last 16 years. The facility boasts many records, including being disaster-free 15 times, having long-term, trouble-free operations at Gas Turbine Unit 1, and so on. A 508.9MW Combined-Cycle Unit 2 is now under construction to meet increasing demand, with completion scheduled for 2009.

The first of its kind

#### Seoul Thermal Power Plant



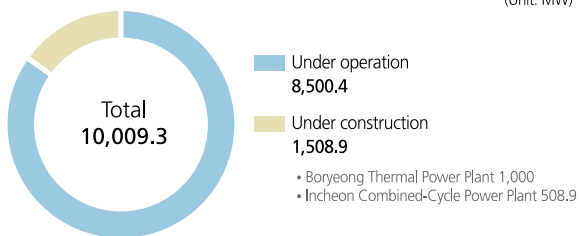
After serving at the center of Korea's economic development for over 70 years, the Seoul Thermal Power Plant changed its fuel source to LNG and added flue gas denitrification facilities, making it a "green" energy provider for the country's largest city. Equipped with combined heat and power generation equipment that utilizes steam produced during power generation, the plant supplies nearby 50,000 households with heat and hot water. It also boasts the overall record for disaster-free days, totaling 9,883 over 19 times. When it closes, it will be replaced by Korea's first underground Power Plant, with the above-ground area being transformed into a cultural space and eco-park.

① Super-Critical Pressure Power Plan The critical point for water is 225.65kg/cm<sup>2</sup> and 374°C Pressure below this is called sub-critical pressure; pressure above it is called super-critical pressure.

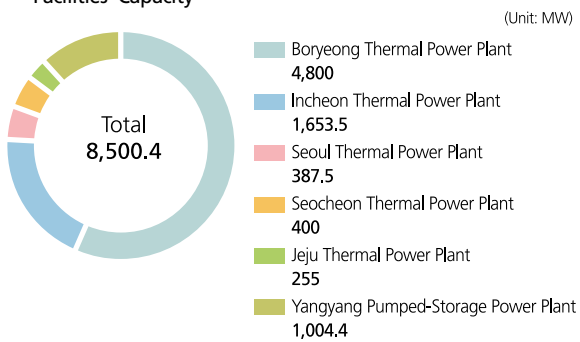


## Facility Capacity

### Total Capacity



### Facilities' Capacity



(Unit: MW)

(Unit: MW)

Name	Under Operation		Under Construction	
Boryeong Thermal Power Plant	Steam	3,000.0	Thermal	1,000.0
	Combined-cycle	1,800.0		
Incheon Thermal Power Plant	Steam	1,150.0	Combined-cycle	508.9
	Combined-cycle	503.5		
Seoul Thermal Power Plant	Steam	387.5		
Seochon Thermal Power Plant	Steam	400.0		
Jeju Thermal Power Plant	Steam	160.0		
	Internal Combustion	95.0		
Yangyang Pumped-Storage Power Plant	Pumped-storage	1,000.0		
	Small Hydro	1.4		
	Wind	3.0		
<b>Total</b>		<b>8,500.4</b>		<b>1,508.9</b>
<b>Grand Total</b>		<b>10,009.3</b>		

Reducing foreign currency costs with domestic anthracite coal

## Seochon Thermal Power Plant



The Seochon Thermal Power Plant was constructed to diversify energy sources, reduce foreign currency outflows, and boost local employment. Two 400MW generators are now under operation, and bituminous coal is being added as a fuel source due to a shortage of domestically-produced anthracite. A "green" and extremely safe Power Plant, it is equipped with an NOx-reducing flue gas desulfurization facility and boasts thirteen citations for long-term, trouble-free (LTF) and disaster-free operations. In 2008, a new and renewable energy theme park was built in tandem with a PV generation facility that is projected to achieve an annual CO<sub>2</sub> reduction effect of 1,000 tons. The combination of theme park and the area's beautiful natural scenery has turned this site into a new Korean tourist destination.

Key to Jeju Island's electricity supply

## Jeju Thermal Power Plant



Located in the northern part of Jeju-do, the Jeju Thermal Power Plant is the island's primary power generator. It runs Steam Units 1, 2, and 3, Internal Combustion Unit 1, and Gas Turbine Unit 3, which serves as a backup generator for area-wide blackouts. Internal Combustion Unit 1 is a new, high-efficiency 40MW facility that was rebuilt after the removal of Units 1 to 8; currently, Unit 2 is also under reconstruction. Featuring such environmental pollution minimizing devices as a waste-water recycling facility, the Jeju Power Plant has been designated as a "green" enterprise by the Ministry of Environment for four years in a row. Recently it also built Korea's first 50kW PV generation facility within idle space.

Korea's largest clean energy power plant

## Yangyang Pumped-Storage Power Plant



Completed in September 2006, the Yangyang Pumped-Storage Power Plant boasts Korea's largest capacity (1,000MW) and Asia's best (819m) effective head. It is designed to protect the ecosystem by means of a waste-water treatment facility and the country's first-ever fish ladder. In May 2006, two wind units were built at the upper dam; in 2007, they were registered with UN for CDM<sup>①</sup>. The Yangyang Small Hydro Power Plant, which was completed in August 2005 and is also registered for CDM, saved KOMIPO KRW 2.5 billion in costs with its domestically-produced hydraulic turbine generator.

① CDM (Clean Development Mechanism) A system established following the introduction of the Kyoto Protocol in which advanced countries achieve GHG reductions in developing countries and can claim them as their own. It is designed to allow advanced countries to earn GHG reduction amounts, while developing ones gain new technologies and financial supports.



## Introducing KOMIPO ▶ History



1970



1982



2001



2002



2003

- 1898. 01 Hanseong Electric Co., Korea's first electric power company, founded
- 1961. 07 Korea Electric Power Co. (KECO) established by merging the Choseon, Kyungseong, and Namsun electric companies
- 1982. 01 Renamed Korea Electric Power Corporation (KEPCO)
- 2000. 12 Laws to restructure the Korean electricity industry passed
- 2001. 04 Korea Midland Power Co., Ltd. (KOMIPO) founded  
Commenced electricity transaction  
Kim Bong-ill named first president and CEO
  - 11 Received Presidential Prize at Corporate Innovation Awards
- 2002. 07 Kim Young-chul inaugurated as second president and CEO
  - 11 Construction of Boryeong Combined-Cycle Power Plant completed  
Earned best scores among KEPCO group of companies at managerial innovation competition  
Published KOMIPO Code of Ethics
  - 12 Completed construction of Seoul Thermal Power Plant Units 4 and 5
- 2003. 11 Received Presidential Award for Corporate Innovation  
Introduced management innovation campaign called "Power Up, Cost Down"
  - ※ Ranked 1<sup>st</sup> in KEPCO 2003 "Best Overall Corporate Performance" annual evaluation competition
  - ※ Ranked 1<sup>st</sup> in Ethical Integrity survey
- 2004. 01 Declared "Knowledge Management" to become a world-class
  - 03 Enunciated "JB Power Vision 2008 Strategy"
  - 07 Formed KOMIPO Social Service Corps
  - 09 Won grand prize in "future management" category at 28<sup>th</sup> annual National Productivity Innovation Competition

- 2004. 12 Received Best Innovation Award from Ministry of Energy (MOCIE)
  - ※ Ranked 1<sup>st</sup> in Ethical Integrity survey among GENCOs for second consecutive year.
  - ※ Acquired ISO 9001/14001 environmental management certification
- 2005. 03 Participated in Julishan project in China  
Started building Boryeong Units 7 and 8
  - 08 Chung Jang-sup named third president and CEO
  - 09 Finished construction of Small Hydro Power Plant
  - 11 Finished construction of Incheon Combined-Cycle Power Plant and Jeju Internal Combustion Power Plant
  - 12 Won order for Lebanese power plant operation and maintenance project  
Completed building nitrogen oxides-reducing facilities at Seocheon Thermal Power Plant  
※ KOMIPO registered highest net profit and integrity rating and lowest debt-equity ratio among five Korean power generating companies for third consecutive year.
- 2006. 02 Commenced operation of Yangyang Pumped-Storage Power Plant
  - 03 Finished development of "Blue JB" system  
Received 2005 Industrial Safety Award
  - 05 Won order for Cirebon IPP project in Indonesia  
Prepared "JB Power 2015 Strategic Management Plan"
  - 06 Completed Yangyang Wind Power Plant  
Acquired Grade 6 certification in PMS assessment
  - 08 Won order for Hyundai Steel waste gas BOO project
  - 09 Finished construction of Yangyang Pumped-Storage Power Plant  
Received "Grand Prize for Green Management in Korea" for second consecutive year  
Published sustainability report





2004



2005



2006



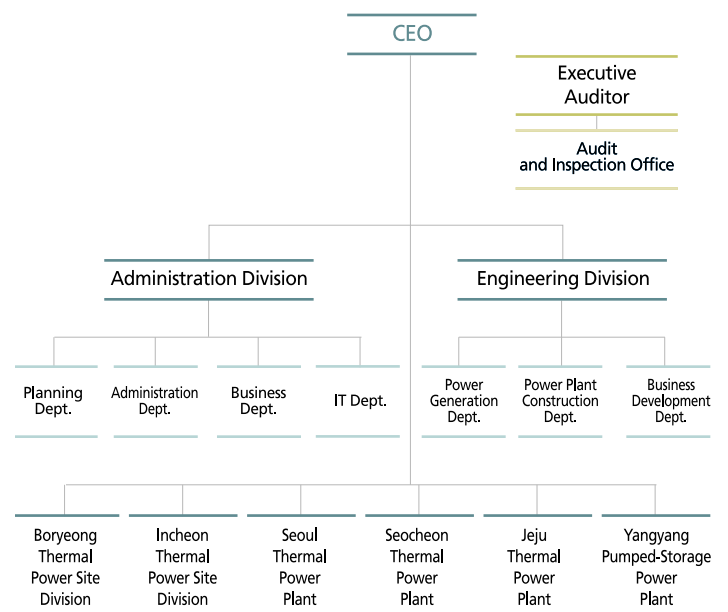
2006



2007

- 2006. 10 Received Presidential Prize at National Productivity Awards
- 11 Selected as 2006 Excellent Company for Product Quality
- 2007. 03 Seoul Thermal Power Plant received Industrial Safety Award for third consecutive year  
Concluded basic plan for construction of Seoul Combined-Cycle Power Plant Unit 1, 2
- 04 Began construction of Incheon Combined-Cycle Power Plant Unit 2
- 05 Received "Best Public Company" award at Most Productive CEO competition  
Signed MOU for co-development of Ganghwa Tidal Power Plant
- 06 Initiated specialized social contribution campaign, "Free from Atopy"
- 08 Signed PPA with Cirebon of Indonesia  
Signed contract to advise on management and technology of Hyundai Steel waste gas generation project Issued Korea's first-ever Samurai bonds
- 09 Received "Grand Prize for Green Management in Korea" and Best CEO Award
- 10 Recorded 3,000 trouble-free days at Boryeong Unit 3
- 11 Won Presidential Award for Safety Management
- 12 Received Korea Sustainability Management Awards
- 2008. 03 Finished constructing new and renewable energy theme park and PV Power Plant in Seochon  
Won 2008 "Best Service Provider" award at Industrial Safety Awards

## Introducing KOMIPO ▶ Organization



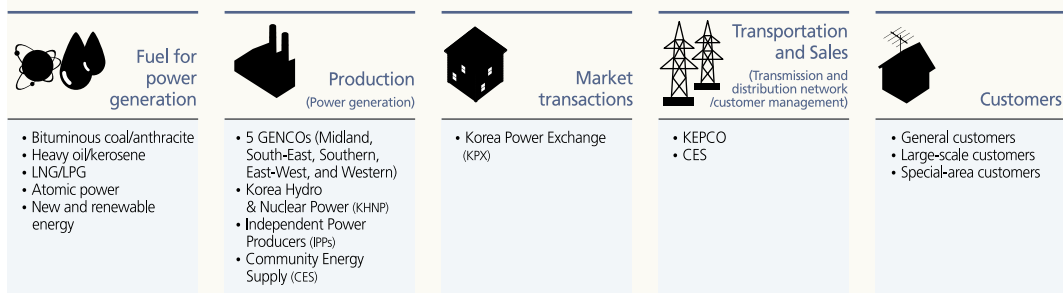
## Introducing KOMIPO ▶ Industry Characteristics

The power generation industry affects the lives of everyone living in Korea, and power consumption per capita is a basic barometer for determining a country's economic power. Electricity is a driving force of national economic development and an essential source of energy for most modern industrial processes and daily activities. Since electrical power cannot be saved or recycled, large-scale facilities for power generation, transmission, transformation, and distribution must be built.

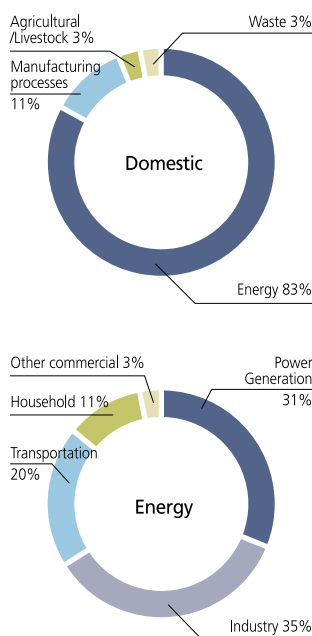
### Power Industry Structure

The Korean government has curbed investment duplications in the power industry, limited private companies' entry into the market, and regulated electricity rates in accordance with such statutes as the Electricity Enterprises Act, the Power Source Development Promotion Act, and the Price Stability Act. In addition, the government participates in policy decision-making, such as the Basic Plan for Long-Term Electricity Supply and Demand. The once vertically-integrated Korean electricity industry changed its structure after the institution of the Korea Power Industry Restructuring Plan; as a result, the Korea Electric Power Corporation (KEPCO) spun off its power generation division into six power generation companies, or GENCOs. It now buys power from those six GENCOs and sells it to Korea's consumers.

#### Power Industry Structure



CO<sub>2</sub> Emissions by the Korean Energy Sector



Source: Korean Energy Economics Institute

### Prospects for The Electricity Market

In line with the economic power supply principle, Korean power generators are required to produce electricity at its lowest price. Therefore, it is inevitable that the six GENCOs must compete with each other for production costs. Furthermore, competition in the domestic power generation market will intensify as private players make more aggressive entries, foreign capital investment grows, and market openings increase. Electricity consumption is influenced by GDP, income, power rates, the climate, the industry structure, and other factors. Demand is expected to grow by approximately 2~3% through to the year 2017. Accordingly, market competition is expected to become even fiercer.

### Impacts on Society and the Environment

There are three main reasons why the social responsibilities of the Korean power generation industry are increasing. First, it is a basic national industry; secondly, Power Plant construction and operation causes the destruction of ecosystems; thirdly, stakeholders are showing more interest in environmental pollution. In addition, the demands of the UNFCCC for reductions in greenhouse gas (GHG) emissions require fundamental changes in the power generation industry, which accounts for 26% of domestic GHG emissions. Finally, stronger environmental regulations, such as the "Total Amount Regulation for Harmful Emissions," discharged cooling water management standards, and others demand more than just changes to power plant operations; instead, they call for the development of "green power" generation processes and new facility investments.



## Introducing KOMIPO ▶ Vision and Strategies

In order to advance from a domestic leader to a world-class company, KOMIPO has established three mid- to long-term strategy and action plans. They include establishing a performance-based management structure by 2008, developing future growth engines by successfully promoting the “New Business 1020” program, and becoming a “Global Clean Power Company” by 2015. Watch KOMIPO realize its visions by pursuing JB<sup>®</sup> Power 2015, prioritizing people and nature, and standing at the forefront of the energy industry.

### Management Structure

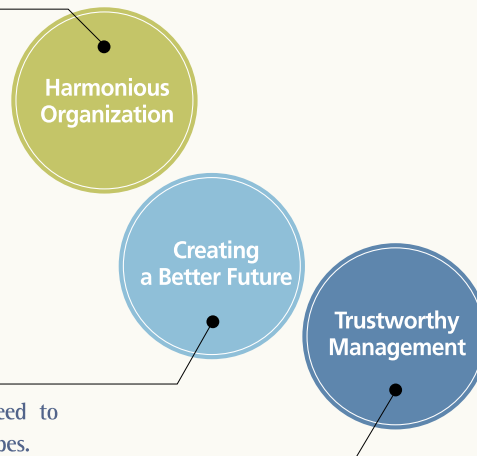


### Wild geese call to encourage each other on long trips

A cultural climate in which each member understands and encourages the others presents individuals and organizations with feelings of joy and energy, so that everyone can jointly achieve their goals. KOMIPO will achieve a harmonious corporate organization through candid dialogues between upper- and lower-ranked employees, mutual respect and cooperation between labor and management, sharing information and experiences, fair assessment principles and opportunities, and other measures.

### Leaving today's achievements behind, we need to pursue a future of even greater dreams and hopes.

KOMIPO is committed to pursuing change and innovation and strengthening its technological capabilities to become a world-class enterprise. At the same time, by adopting the challenging spirit of pioneering “Blue Oceans,” we will promote new profit-generating businesses, such as new and renewable energy and overseas operations. This will help us establish a firm basis for sustainable growth.



### Just like people, corporations have responsibilities and duties.

To become a trusted and well-respected company, everyone at KOMIPO must behave ethically and ensure that their work processes and systems are fully transparent. At the same time, KOMIPO will abide by all UNFCCC rules and regulations, pursue “green” management practices, support SMEs, and participate in various social contribution activities.

**JB?** This term has a double meaning, one arising from the English-language pronunciation of KOMIPO (“Jung Bu”) and the other from the abbreviation of a company catchphrase, “Jump to the Best.” JB is used in the company’s strategy management plan, ERP system, and elsewhere.

Always Making Progress

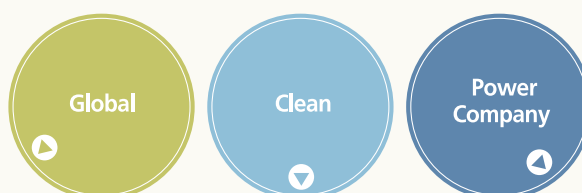
## Management Policy

Always Making Progress

## Vision

KOMIPO will become a trusted and respected enterprise by practicing environmental management that pursues harmony between nature and people, a sharing management that considers local communities and the less fortunate, and ethics management. We will also establish an advanced management structure through continuous innovation, create future growth engines through technology development, and generate power using advanced technologies and efficient operations. By doing so, we will contribute to the nation's development, improve people's lives, and become a globally competitive power generator.

## Global Clean Power Company



Establish an advanced management structure through continuous management innovations, create future growth engines by means of technological developments, advance into overseas markets based on key capabilities, and develop into a globally competitive enterprise.

Deploy "green management" practices that promote harmony between nature and people, implement a transparent and ethical management structure, and carry out a sharing management that considers the needs of the less fortunate.

Ensure stable power generation through advanced technologies and efficient facilities and contribute to the company's growth, the development of the nation's industrial base, and customer convenience.

### Roadmap to Achieving "JB Power 2015" Vision

No corrections have been made to the strategy and action plans for 2006 Sustainability Management. The following has been put together to help our readers better understand KOMIPO's strategic achievement process.

2004	2006	2008	2010	Global Clean Power Company JB Power 2015 Strategic Goal
<ul style="list-style-type: none"> <li>Established KMS</li> <li>Introduced BSC</li> <li>Established e-CRM</li> </ul>	<ul style="list-style-type: none"> <li>Completed construction of 1,000 MW Yangyang Pumped-Storage Power Plant</li> <li>Established Prism</li> <li>Competed "Blue JB" program</li> <li>Established RFID stock management system</li> <li>Achieved all units trouble-free operations</li> <li>Signed Ganghwa Tidal Power Plant MOU/Feasibility test &amp; environmental impact survey</li> <li>Constructed Seoul Thermal CO<sub>2</sub> absorber pilot plant</li> <li>Commenced specialized "Free from Atop" social contribution program</li> <li>Established a Disaster, Safety and Health Management System</li> <li>Published first SR</li> <li>Joined UN Global Compact</li> <li>Acquired company-wide ISO9001/14001 re-certification</li> <li>Established environmental accounting system/Real-time environmental information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Extended life of Boryeong Units 1 &amp; 2 for ten years</li> <li>Completed construction of 1,000MW ultra-super-critical pressure generation at Boryeong Units 7 &amp; 8</li> <li>Achieved 3,000 trouble-free days at Boryeong Unit 3</li> <li>Achieved 5% new business revenues</li> <li>Finished constructing Hyundai Green Power</li> <li>Formed Ganghwa Tidal Power Plant SPC</li> <li>Formed a UNFCCC task force</li> <li>Acquired Safety Zone Certificate</li> <li>Acquired company-wide ISO9001/14001 re-certification</li> <li>Established PR offices at Boryeong and Seocheon</li> </ul>	<ul style="list-style-type: none"> <li>Completed construction of 1,000MW Seoul Combined-Cycle Power Plant Units 1 and 2</li> <li>Established BPM to promote second-phase ERP</li> <li>Achieved 10% new business revenues</li> <li>Completed constructing "Happy City"</li> <li>Developed fuel cell</li> <li>Developed CO<sub>2</sub> reduction technology</li> <li>Finished construction at Kemerov</li> <li>Achieved ECO-2015 pollutant emissions target               <ul style="list-style-type: none"> <li>60% air pollutants reduction</li> <li>93% wastewater recycling</li> <li>80% coal ash recycling</li> <li>100% desulfurization gypsum recycling</li> </ul> </li> <li>Introduced eco-efficiency method and linked it with ERP</li> <li>Completed "green products" purchasing system (Mandatory ISO certification of affiliates)</li> </ul>	<p><b>Establish Advanced Market System</b></p> <ul style="list-style-type: none"> <li>Capacity of 12,500MW</li> <li>Usage rate of 58.0%</li> <li>Sales volume of 60,000GWh</li> <li>Sales revenues of KRW 4.6 trillion</li> <li>Debt ratio lower than 50%</li> </ul> <p><b>Develop Future Growth Engines</b></p> <ul style="list-style-type: none"> <li>New business sales revenues (20%)</li> <li>R&amp;D investments/Total revenues (3%)</li> </ul> <p><b>Enhance Capability for Sustainability</b></p> <ul style="list-style-type: none"> <li>Develop global brand</li> <li>Become preferred workplace</li> <li>Achieve ECO 2015 Environmental Index</li> </ul>



## Introducing KOMIPO ▶ Governance Structure

The Law on Management of Public Bodies, which came into effect in April 2007, prescribes basic rules for the operation of public institutions and offers necessary details for voluntary management and responsibility management systems. This law classifies public institutions into Public Enterprises, Quasi-Government Entities, and Other Public Agencies; currently, KOMIPO belongs to the third category. If the Public Institute Management Oversight Commission changes the KOMIPO's classification, such company governance structures as the constitution of the Board of Directors, the appointment and terms of directors, management evaluations, and government supervision may change. However, no changes have as yet been made to the governance structure described in the company's first sustainability report.

### Board of Directors (BOD)

The Board of Directors, KOMIPO's highest decision-making entity, is composed of a president, executive (inside) directors, and non-executive (outside) directors. The company's Articles of Incorporation requires that there be more than three and less than fifteen directors, of which more than half must be non-executive directors. The present KOMIPO BOD has a president who also serves as the chairperson, three executive directors, and four non-executive directors. The BOD is also obliged to observe such relevant rules and laws as the Korean Commercial Law and KOMIPO's internal regulations. In 2007, an auditor, executive director, and four non-executive directors were newly appointed, and the participation rate for the past twenty-eight meetings (over three years) was 100%. The following information outlines the BOD's makeup, management supervision and checking efforts, and advice and policy suggestions regarding management issues at KOMIPO.

#### Non-executive Directors

Name	Area of Expertise	Profile	Remarks
Gang, Bu-il	Management	Former non-executive director, Korea East-West Power Co., Ltd	
Lee, Jung-ae	Civic group	Chairperson, Pusan Women's Organization Conference (PWOC)	Appointed April 2, 2007
Jung, Se-yong	Media	Editorial writer, Naeil daily	
Kim, Jin-sik	KEPCO	Chief executive for overseas businesses at KEPCO	Appointed August 31, 2007

#### Board of Directors

Year	No. of Meetings	Matters Presented			Participation
		Approved	Reported	Total	
2005	9	23	7	30	100.0
2006	11	25	8	33	
2007	8	29	13	42	

#### BOD Agenda Requests

Year	Agenda	BOD Requests
2006	Participating in Indonesia Cirebon IPP project	Payment guarantee of Indonesian government
	Construction of Hyundai Steel waste gas power plant	Countermeasures for discontinued waste gas supply
	Establish HQ relocation plan	Selection of relocation site and new hiring methods
	Top Managers' Integrity Oath	Review of legal measures for violations of integrity duty
2007	Gunjang wood biomass power plant construction plan	Report to BOD and implement after preconditions are met
	Boryeong combined-cycle gas turbine performance recovery plan	Check back on expenditures and re-present if identified as CAPEX
	Gangwon new and renewable energy development status	Separate report on new and renewable energy master plan
	2008 Budget (proposal)	Separate report on self-defensive measures to reduce deficit



Advice and Policy Proposals on Current Issues		
Classification	Management Issues	Accepted Advice/Proposals
2006	Countermeasures for Jeju area-wide blackouts	Delegation of responsibilities and recovery measures for large-scale blackouts
		Stable power supply and related agency cooperation method
	Response to Korean Power Plant Industry Union strike	Operating Power Plant and protecting facilities during disputes
		Reviewing European-style labor management to prevent recurrences
2007	Construction of Seoul Combined-Cycle Power Plant	Acquiring permits and forming positive residents' opinions
	Construction of Indonesia Riau and paper factory power plant	Financing and establishing power purchase agreement negotiation strategy
	Utilizing waste gas from Hyundai Steel and Dongbu Steel	On-site office management know-how
	Promotion of CES in Multi-Purpose Administrative City	Cautions and effective method for competitive bidding

### Executive Officer Recommendation Committee

To guarantee the experience and expertise of its chief executive officers and enhance the transparency of their appointments, KOMIPO has established Recommendation Committees for its president and executive directors. The Recommendation Committee for the president consists of non-executive directors and other civilians, while that for executive directors consists of executive directors, non-executive directors, and outside experts. To ensure fair and transparent appointments, both committees write down and disclose their minutes. The analysis of each candidate is based on materials handed in by them, and they are evaluated against objectively-based screening principles.

In March 2007, KOMIPO organized the Recommendation Committee for executive directors. Its members included a CEO, two executive directors, three non-executive directors, and outside experts. The committee screened five candidates, selected two of them, and recommended them to the BOD.

### Evaluations and Compensation

In order to ensure responsible management on the part of the president and standing directors, KOMIPO relies on objective performance evaluations and reasonable compensation rates. To improve his performance, the president of KOMIPO signs a management agreement with the president of its mother company, KEPCO. This agreement specifies which management targets are to be achieved during his term of office, as well as his authority, responsibilities, and compensation. Standing directors must sign similar agreements.

Company executives manage and supervise these performances through an internal evaluation system. The system is designed to nurture long-term growth capabilities, improve management efficiencies and transparency, achieve management goals through fair and open internal competitions, and provide motivation through performance-based compensation and additional incentives. Management agreement evaluations and organizational evaluations are carried out separately every year, and the resulting rewards and incentives are granted based on accomplishments.



## 2007 CEO Management Goals

Name	Points Allotted	Points Scored	Evaluation Method	Evaluation Elements & Management Goals	
ROIC	20	19.803	Quantitative	ROIC (%)	18.3588
	10	8.000	Non-quantitative		
Financial Soundness	3	2.550	Non-quantitative	Debt-Equity ratio (%)	64.0
				Credit Rating	A-
				S&P	A 1
				Moody's	A 1
Facility Reliability	15	14.401	Quantitative	Interest rate on loans (%)	4.95
				Generation availability index (%)	93.64
				Unexpected loss rate (%)	0.91
				Errors per unit (cases/unit)	0.22
Execution of Construction	5	5.000	Quantitative	Preventive maintenance man-hours(MWh)	2,914,547
Stable Fuel Supplies	5	4.500	Non-quantitative	Construction execution ratio (%)	75.38
Integrity Index	5	4.930	Quantitative	Annual average target storage date	23 days
Management Transparency	3	2.700	Non-quantitative	KEPCO and subsidiaries integrity survey results	
Adequate Budget Execution	4	3.400	Non-quantitative	Ethics management, management innovations, information disclosures, BOD activities	
SME Supports	10	8.470	Non-quantitative	Labor costs, operating costs, budgeting and execution of capital budget, early execution of investment costs	
Corporate Social Responsibility	5	4.500	Non-quantitative	Certified new technology product utilization, performance sharing, production of successful support model	
Overall Efforts	5	4.200	Non-quantitative	Local communities supports, participation in national projects, "green" management	
Labor-management Relations	5	4.750	Non-quantitative	Organic cooperation, Cooperation for overseas businesses/R&D/Human resources development	
Total	100	91.504		Establishment of cooperative and reasonable labor relations, attracting cooperation from private sector	

## Shareholders and Business Groups

Shares of KOMIPO are 100% owned by KEPCO, and KOMIPO belongs to the following business groups. All enterprises in the KEPCO business group are obliged to avoid mutual investments and guarantees of obligations, observe the information disclosure principles of unlisted affiliates, and observe BOD decisions and notifications of large-scale internal transactions.

Name	Business Groups
Business Groups Member Companies (12)	Korea Electric Power Corporation, Korea Midland Power Co., Ltd., Korea South-East Power Co., Ltd., Korea Western Power Co., Ltd., Korea Southern Power Co., Ltd., Korea East-West Power Co., Ltd., Korea Hydro and Nuclear Power Co., Ltd., Korea Power Engineering Co., Ltd., KEP Korea Plant Services and Engineering, KEP Korea Nuclear Fuel Co., Ltd., Korea Electric Power Data Network Co., Ltd., Garolim Tidal Power Plant

# A World-class Ethics Management Enterprise

## KOMIPO-A Company **sustained** by Ethics

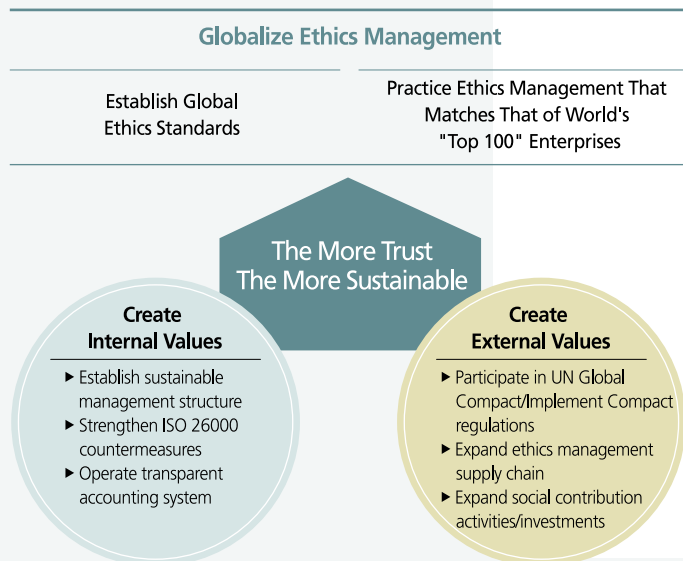


To further its dream of becoming a world-class enterprise, KOMIPO realizes that it must achieve the highest possible level of ethics management. Since 2002, it has promulgated a Code of Ethics and a Code of Conduct and organized an ethics management task force.

The heightened demands and expectations of people around the world regarding corporate ethics led to the creation of an international standard called ISO 26000. When the standardization of ISO 26000<sup>①</sup> is completed and its guidelines are announced, there is no doubt that it will act as an international trade barrier. In advanced countries such as US and European countries, companies are already

moving beyond ISO 26000 and expanding the application of ethics standards to their affiliates. If these standards are violated, they are taking such extreme measures as cancelling transactions and imposing restrictions on imports and exports.

To keep up with these heightened international ethics levels, KOMIPO's employees are being encouraged to develop ethical mindsets and root out any and all sources of corruption. In June 2006, KOMIPO became a member of the UN Global Compact and introduced a global ethics standard to signal its adherence to globalized ethics management.

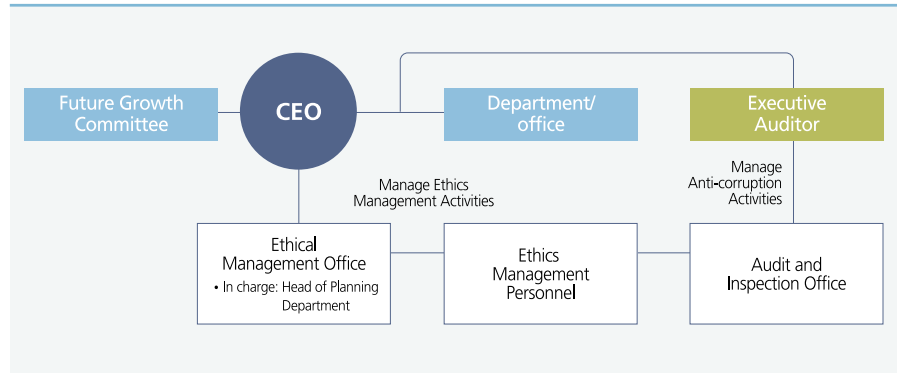


① **ISO 26000** A social responsibility management standardization of the International Organization for Standardization (ISO)

### Ethics Management Promotion Structure

#### [Operate ethics advisory group and forum]

- **Future Growth Committee:**  
CEO plus 14 internal and external members  
- Provide advice and offer support for promotion of key ethics management policy
- **Innovation Forum:** CEO plus 56 innovation experts  
- Develop improvement measures for overall management, including organization, systems, etc.
- **Future Management Forum:**  
CEO and 10 CEOs of affiliates  
- Work on ways to promote integrity for increased sustainability and harmony

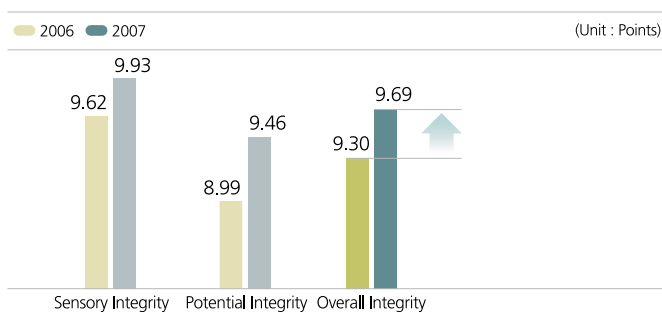


### Developed two-way Communication Methods Using Various Channels

By opening a variety of communications channels with its stakeholders, including employees, affiliates, and customers, KOMIPO has prepared the way for the free exchange of ideas and a greater degree of participation in the company's overall management. First of all, the president and all executives must pledge that they will practice ethics management and build mutual trust by disclosing management matters transparently and encouraging free discussions through such channels as a CEO ethics chat room, innovation forums, "love town" meetings, and "lunchbox" meetings. Meanwhile, we gather opinions

from our affiliates at customer complaint centers and other gatherings. Finally, the operation of an ethics management consultation office and a Sinnungo petition system has resulted in better communications with both internal and external stakeholders.

In order to augment an employee ethics spirit, KOMIPO operated a special "open collection" system in 2007, during which employees submitted their opinions on how to improve the company's overall integrity level. Out of 63 opinions offered, 37 were selected and implemented. All these efforts bore fruit, since the company's overall integrity level rose to 9.69, up 0.39 points from the previous year.



### Continuously Monitoring and Making Efforts to Improve

To ensure that its ethics management practices are being properly implemented, KOMIPO carries out monitoring through a system called "3-Step Ethics Monitoring." To guarantee continual improvements, the company receives feedback on the results. In addition, incentives are increased by linking the results to internal evaluations. KOMIPO will continue working towards a transparent working environment with ever-improving standards, and will also encourage its employees to practice ethics management through continual system improvements.

### Continuous Ethics Management Activities through Monitoring

Classification	Contents	2007 Improvements (1 <sup>st</sup> half → 2 <sup>nd</sup> half)	Feedback
External client integrity survey	Identify integrity level and gather opinions for improvements to ethics management awareness	9.55 → 9.56 (0.01%p ↑)	Improve overall contract regulations and "Happy Call" system
Internal client ethics consciousness diagnosis	Customer responses (attitude)	68.17 → 68.55 (0.38%p ↑)	Augment ethics management education (cyber education)
Internal client phone behavior	Identify integrity level and gather opinions for improvements to ethics management awareness	83.20 → 85.40 (2.20%p ↑)	Teach call reception etiquette, award outstanding teams/employees





Special Ethics Management Lecture by Guest Speaker



"Ethics Hot-Line" Directly linked to CEO



Sinnungo petition system

## Systems and Activities to Promote Transparent Management

### Whistle-blowing

The company has developed a "Whistleblower Protection and Compensation Guideline" containing regulations on reporting methods and procedures, protections and rewards for whistle-blowers, etc.

### Top Managers' Integrity Oath

To clarify the duties and responsibilities of its executives, KOMIPO introduced an executive integrity pact system in December of 2006.

### JB Ethics Guardians

JB Ethics Guardians lead, provide guidance in, and monitor company-wide ethics management practices. They take a leadership role by promoting ethics and integrity throughout the company.

### Sinnungo Petition System

This is a system that all internal and external stakeholders can use to give information regarding unethical behavior. It is also geared to finding and rewarding exemplary employees and behavior.

### Turning Each Employee Into a CEO (Chief Ethics Officer)

KOMIPO provides training in transparent and fair business practices, and last year's ethics management sessions provided a valuable basis for promoting the need for transparent management and ethics awareness. A special lecture by a guest speaker, the screening of ethics materials, e-posters, and other activities resulted in increased employee participation. By encouraging team members to discuss sample cases, we try to keep dangerous practices from happening in advance.

### Other Efforts Towards Ethics Management

KOMIPO encourages its top management to display ethics leadership and hopes that its employees will fully participate. To that end, the company has tried its best to develop ethics management as an integral part of its corporate culture through continual ethics management training, the signing of integrity duty pledges, and practice campaigns—including one called the "Jungbu Six Integrity Spirit."



Six integrity spirit ethics practice campaign



Executive integrity pact



## Special Theme | Ethics management at KOMIPO



Announcements made using ALIO (All Public Information In One) system



RFI (Requests for Information)



Certificate for superior personal information protection

### Channels for Transparent Information Disclosures

#### Information Disclosure System

To improve management transparency and satisfy the people's "right to know," KOMIPO has published an information disclosure handbook and offers access to information that can be made public on its Website.

In 2006, after receiving 24 disclosure requests, KOMIPO opened all the files in question. The information included "Actual application of quality management on power plant construction," "Data on Jeju LNG power plant construction," and so on. In 2007, out of 15 disclosure requests, 14 cases were opened to the public. They included "Information on Ganghwa Tidal Power Plant project," "Development status of alternative energy," and others.

#### Disclosure on Management Activities on ALIO System

KOMIPO uses the government-run ALIO system to disclose its management information. Initially established to create a supervisory system for disclosing the management status of public bodies to Korean citizens, the ALIO system includes twenty-seven classifications and one hundred pieces of information on the management of 302 public institutions.

Transparency in the public sector is becoming a key issue today. This has happened because transparency in the public sector is directly linked to national competitiveness and because people have a "right to know." Furthermore--as we can see from the OECD's Guidelines on Corporate Governance of State-Owned Enterprises--enhancing the transparency of public institutions has become a global issue as well.

The ALIO system began operating in December 2005 and was initially programmed to disclose basic management information concerning some 300 public institutions. In December, 2006, it was reorganized and increased the number of disclosed items from 20 to 27. On April 1, 2007, the Law on the Management of Public Bodies took effect, addressing the scope of public institutions and legally obliging all public bodies to make integrated management disclosures. Consequently, the ALIO system was recast as an interactive portal capable of two-way communications; as of April 2008, it was offering updated 2007 management information about Korea's public institutions, including KOMIPO. Any information about KOMIPO that is not covered by this report can be found on the ALIO system.

#### Information Disclosure

Classification	Method	Improvements	Disclosures	
			2006	2007
RFI (Request for Information)	Via Website upon customer request	<ul style="list-style-type: none"> <li>Shortened time: Days → day, Disclosure ratio: 100%</li> <li>Investment status, management expenses, etc.</li> </ul>	24 cases	15 cases
ALIO system	Via ALIO system		130 items	149 items



### Personal Information Protection Policy

KOMIPO is committed to protecting both its own and its customers' data. Since today's information technology capabilities can result in serious breaches of personal privacy, countermeasures are urgently called for. The company has acknowledged the importance of data protection by investing heavily in cutting-edge security facilities, including a Web firewall, an intrusion detection system (IDS), an enterprise security management (ESM) system, malicious code detection and elimination solutions. In order to improve data protection throughout the company and create consistent standards, information security guidelines have been established. In addition, KOMIPO supplements its data protection policies through regular evaluations and checkups and computerized internal and governmental security audits. There has never been a complaint against KOMIPO regarding the protection or loss of personal data or invasions of privacy.

In December 2006, the MOCIE awarded KOMIPO its "Best Security Management" prize. In 2007, KOMIPO acquired a "best personal information protection Website certification mark" from the Korea Association of Information and Telecommunications. This can only be used by companies whose Websites satisfy detailed criteria for fifty-nine items across seven fields. Using it means that customers can use the company's Webpage without fear and acknowledges that KOMIPO is a leader in the field of information protection.



### Guaranteeing the Transparency of Accounting Information

#### Established an Internal Control System

KOMIPO established an internal accounting control system in March 2005 to meet the statutory requirements of America's Sarbanes-Oxley Act<sup>①</sup>. This system employs an exemplary internal accounting control system norm under the "Act Concerning External Auditors of Joint-Stock Corporations," and is currently being adjusted to correspond to the major processes of the company's newly-adopted ERP system. The internal control report to be prepared by this system will be included in the annual report submitted by KEPCO to America's SEC. In addition, it will produce a periodic internal control validity evaluation that covers 349 control activity areas in 13 fields related to KOMIPO's internal accounting. Following that, an external auditor will verify the results of the evaluation and report to the BOD. In November 2007, KOMIPO created an ERP program called the "Blue JB system" to ensure greater transparency in its accounting methods. In April 2008, it established a corporate card management guideline.

<sup>①</sup> **Sarbanes-Oxley Act** Promulgated in July 2002, this act is the most important American document affecting corporate governance structures, financial disclosures, and public accounting since the Security Law of the 1930s. It was introduced to respond to the many corporate accounting frauds that occurred between the end of the 1990s and the 2000s and prevent similar occurrences in the future.



## Special Theme | Ethics management at KOMIPO

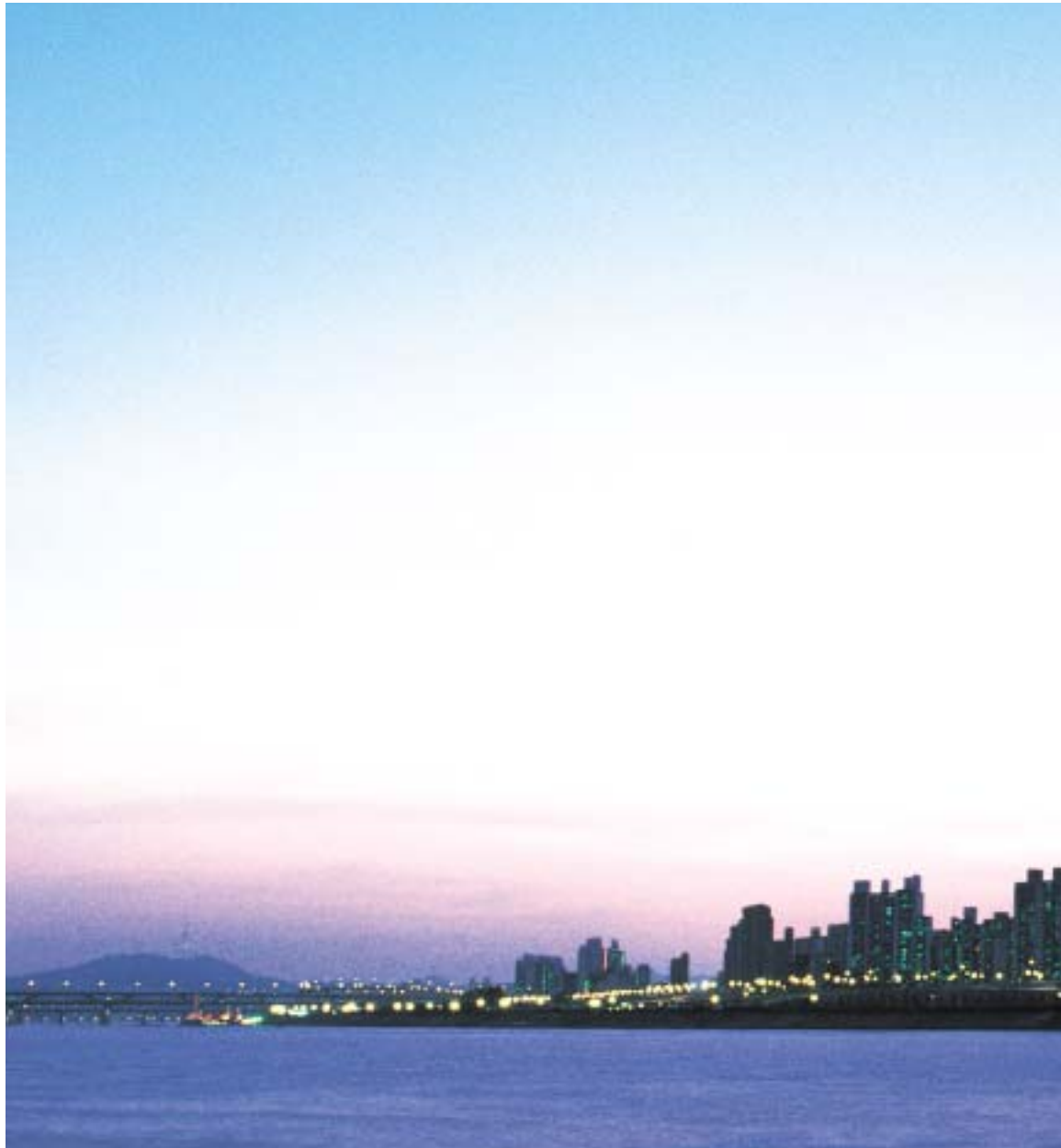
### Global Compact COP Report

In order to comply with the requirements of the UN Global Compact, KOMIPO must signal its agreement with ten principles concerning human rights, labor, the environment, and combating corruption. The following chart outlines KOMIPO's actions regarding those 10 principles.

Category	10 Principles	Implementation Efforts (regulations/ practice)
Human Rights	<div>1. KOMIPO will Support and Respect the Principle of Universal Human Rights.</div> <div>2. KOMIPO will Ensure that it is not a Party to Human Rights Abuses.</div>	<div>■ Management policy, Ethics Charter, Code of Ethics, Collective bargaining</div> <div>■ Foreign Worker Protection Guideline, Rules of Employment</div> <div><ul style="list-style-type: none"><li>• National Human Rights Commission of Korea human rights cultivation and training, sexual harassment training</li><li>• Internal Irregularities Reporting Center</li></ul></div>
	KOMIPO currently provides its employees with in-depth training in human rights and plans to accelerate its promotion of them at the employee, affiliate, community, and national levels.	
Labor	<div>3. KOMIPO will Uphold the Principle of Freedom of Association and the Right to Collective Bargaining.</div> <div>4. KOMIPO will Support the Elimination of all forms of Forced and Compulsory labor.</div> <div>5. KOMIPO will Support the Abolition of Child labor.</div> <div>6. KOMIPO will Eliminate Discrimination in Respect of Employment and Occupation.</div>	<div>■ Ethics Charter, Code of Ethics, Code of Conduct, Foreign Worker Protection Guideline, Employment Policy</div> <div>■ Collective bargaining, Rules Regarding Personnel Management, Rules Regarding Employment, Remuneration Regulations and Ordinances</div> <div><ul style="list-style-type: none"><li>• Prohibit unfair treatment of committee persons when negotiating in disputes</li><li>• Discourage overtime work for pregnant workers, develop Ombudsman system</li><li>• Ban child labor, support the protection of children's rights through specialized "Free from Atopy" program</li><li>• Eliminate educational level and age as conditions for employment, operate self-description system</li></ul></div>
	KOMIPO supports the concept of open, honest, and sincere labor-management relations through a transparent personnel management system, participates in the World Vision children's relief fund, and actively supports child rights protection activities.	
The Environment	<div>7. KOMIPO will Adopt a Precautionary Approach to Environmental Challenges.</div> <div>8. KOMIPO will Undertake Initiatives to Promote Greater Corporate Environmental Responsibilities.</div> <div>9. KOMIPO will Encourage the Development and Diffusion of Environmentally Friendly Technologies.</div>	<div>■ Environmental Vision and Policy, ECO-2015 Environmental Management Strategy, Code of Ethics</div> <div>■ UNFCCC Strategy</div> <div><ul style="list-style-type: none"><li>• Publish UNFCCC PR and educational materials, expand ecosystem preservation program, promote CDM</li><li>• Operate environmental accounting system and Environment Committee, publish environmental report</li><li>• Build environmentally friendly facilities (desulfurization, denitrification, etc.), new and renewable energy facility and theme park</li></ul></div>
	In order to prioritize people and the environment, KOMIPO has implemented a "green management" system and set a goal of becoming a "Top 10" energy company by 2015. As a result of its efforts towards "green management," KOMIPO has been awarded an ISO 14004 certificate, was designated as a "green" company, and received the Grand Prize for Green Management and Best CEO Award for three consecutive years. In the future, KOMIPO will continue to fulfill its environmental responsibilities by promoting its new and renewable energy business and building environmentally friendly power plants.	
Combating Corruption	<div>10. KOMIPO will Work to Combat Corruption in all its Forms, Including Extortion and Bribery.</div>	<div>■ Ethics Charter/ Code of Ethics/ Code of Conduct/ Whistleblower Protection Guideline / Corporate Care Management Guideline</div> <div><ul style="list-style-type: none"><li>• Internal accounting controls evaluation, "clean card" system, JB Integrity Guardians</li><li>• Internal Irregularities Reporting Center, Sinmungo, Ethics hot-line, gift return center</li></ul></div>
	In 2008, KOMIPO will adopt a series of special countermeasures to enhance its operational integrity. This will include improving vulnerable systems, taking precautionary measures, and offering training to address any possible ethical problems.	



# Always Brightening the Future

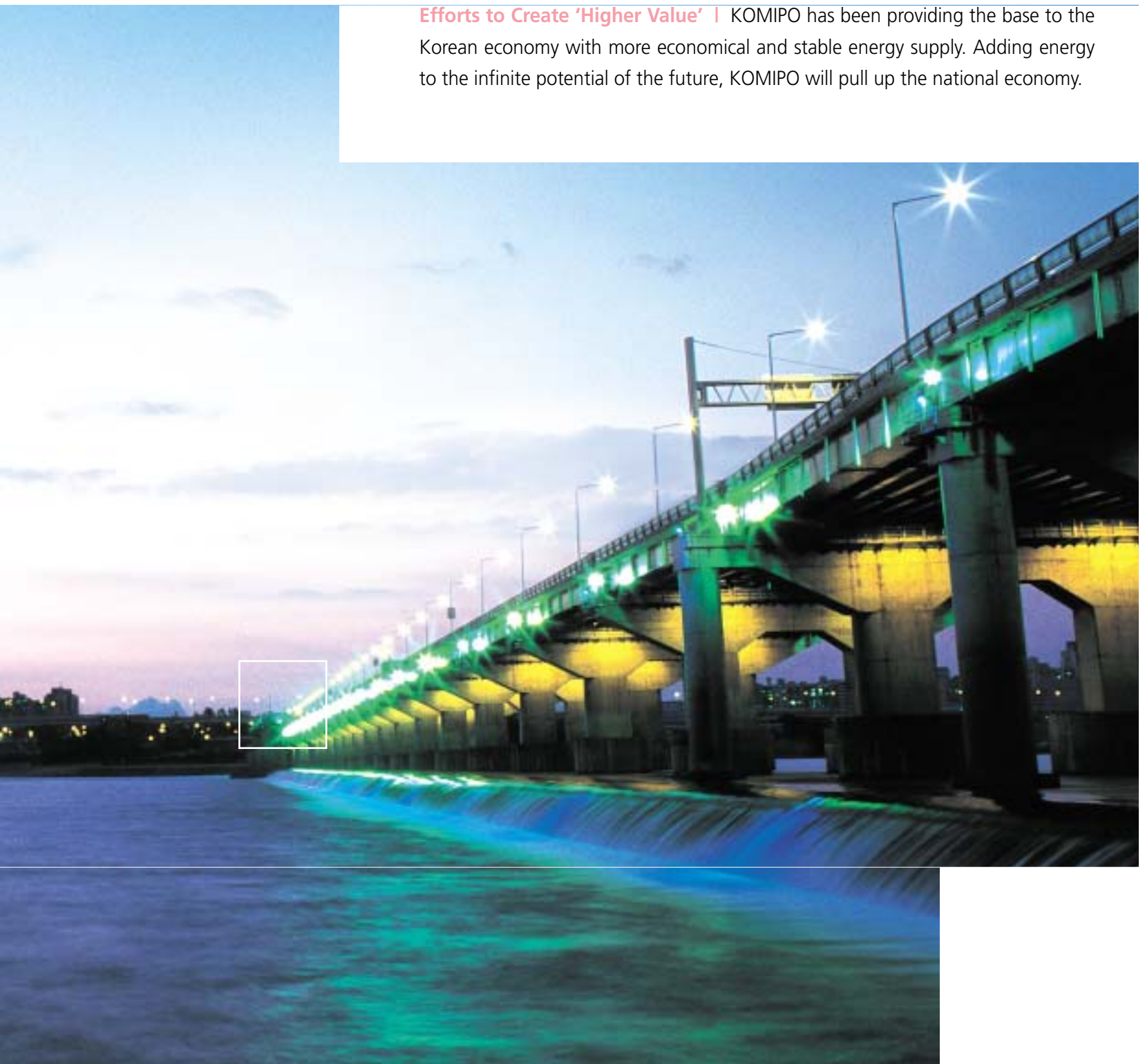


## Part 2 \_ Economic Achievements



# KOMIPO Adds Value to Possibility

**Efforts to Create 'Higher Value'** | KOMIPO has been providing the base to the Korean economy with more economical and stable energy supply. Adding energy to the infinite potential of the future, KOMIPO will pull up the national economy.



# Methods for 'Creating Higher Value'

## Disclosure Management Approach

### KOMIPO Sustainability Status Identified through Materiality Test

KOMIPO used an IPS materiality test to discover key issues of interest to its stakeholders, and their relative priority. The results included a stable energy supply, creating new growth engines for the domestic power market, price competitiveness of power generation, new and renewable energy, and others. A SWOT analysis of the test results allowed the company to identify areas for future sustainable growth.

Stakeholder Interest Priorities, as Per Materiality Test Results



### Possibilities for Future Sustainable Growth

<b>S</b> Strength	<ul style="list-style-type: none"> <li>Stable and advanced-level management infrastructure based on "Blue JB"</li> <li>Successful business performances, both in and out of country</li> <li>Highly reliable facilities (No Power Plant errors in 2007, 3,000 days trouble free operations at Boryeong Unit 3)</li> <li>New and renewable energy business/secured company's highest CO<sub>2</sub> emissions rights</li> <li>Experience arising from past Power Plant construction and operations</li> <li>Reduced fuel costs by using low-sulfur coal</li> <li>Ongoing underground Power Plant project</li> <li>High credit ratings from domestic and foreign assessors</li> </ul>	<b>W</b> Weakness	<ul style="list-style-type: none"> <li>Unfavorable conditions for improving profits (high-cost facilities)</li> <li>Nation's largest number of older generation facilities</li> <li>Increase in capital needs due to inflated asset acquisitions</li> <li>Lack of communication between organization and positions</li> <li>Low level of voluntary innovation activities</li> <li>Insufficient capability to advance into BOO<sup>①</sup> or BOT<sup>②</sup> markets that require comprehensive business development capabilities (technology-centric manpower structures)</li> <li>Low brand awareness after spin-off</li> </ul>
<b>O</b> Opportunity	<ul style="list-style-type: none"> <li>Surge of societal interest in new and renewable energy</li> <li>Stronger government support for overseas resources development</li> <li>Healthy level of cooperation with private companies in overseas markets</li> <li>Brisk southeastern Asian markets (strategic target area)</li> </ul>	<b>T</b> Threat	<ul style="list-style-type: none"> <li>Increased cost burdens caused by high oil prices/unit prices</li> <li>Limited electricity fee adjustments due to need to curb inflation</li> <li>UNFCCC requirements and stronger environmental regulations</li> <li>Dispute over local development tax on thermal generation</li> <li>Uncertainty concerning privatization of public enterprises</li> <li>Opening of domestic market</li> <li>Limits on continuous growth due to market saturation</li> <li>Greater need for IR</li> </ul>

① BOO (Build, Own, Operate) A method for building a power plant, acquiring ownership, and then operating it.

② BOT (Build-Own/Operate-Transfer) A method by which a builder operates a power plant after its construction, retrieves its investments, and hands it over to the end-user. A typical investment development situation in which the builder does not have ownership of the facility.

# Economic Performance at KOMIPO

Always Brightening the Future

## Achievements and Plans for Economic Value Creation

### 3-Step Roadmap To Improved Financial Performances

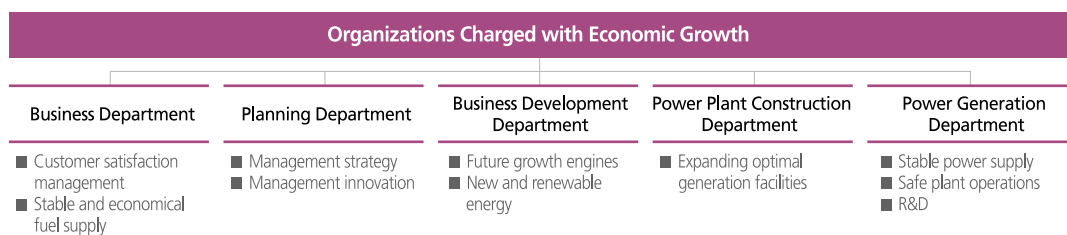
Although KOMIPO has the lowest debt ratio and highest net profit of Korea's five GENCOs, increases in borrowings and higher fuel and maintenance costs for aging facilities are threatening the company's sustained growth. In order to adjust to this changing environment, KOMIPO revises its mid- to long-term financial strategy annually and attempts to establish an optimal management environment through the deployment of stabilized "Blue JB." KOMIPO will achieve a greater level of financial soundness by reducing its budgetary needs, strengthening risk management, and promoting efficient investments. By pursuing the "New Business 1020" operational strategy, reinforcing its financial management, and enhancing its structures, the company will lay the foundations for continued growth.

### Prioritizing a Stable National Energy Supply

Due to the nature of its operations, KOMIPO does not have direct contact with its end-users. However, by defining first- and second-hand, future, and even possible consumers as potential customers, KOMIPO endeavors to satisfy all of them. Customer satisfaction originates from a stable national power supply, with electricity being a primary need for daily living and economic activity. As a result, KOMIPO tries to supply high-quality electricity at the lowest possible price. Although high oil prices, elevated unit costs, and a large percentage of aging facilities all act as risk factors, KOMIPO tries to operate its facilities safely and supply power economically, using strategies that help it adjust to the current management environment. These include a comprehensive facilities management system and a fuel management integration system.

### Creating Future Growth Engines with "New Business 1020"

In a saturated domestic market, only new growth engines can guarantee future sustainable growth. In order to attain the goals enunciated in its "New Business 1020" operational strategy through overseas businesses, new domestic businesses, and new and renewable energy businesses, KOMIPO has set its sales revenue targets at KRW 152.2 billion (5%) for 2009, KRW 348.6 billion (10%) for 2012, and KRW 922.1 billion (20%) for 2015. Unfortunately, overseas businesses have high entry barriers, since they require comprehensive capabilities ranging from construction to operation and major foreign operators already dominate the market. Nevertheless, KOMIPO plans to enter the overseas marketplace aggressively by taking full advantage of its technological and human resources strengths.



## INTERVIEW

Won, Seung-jae,  
ALOGICS Co., Ltd.

Vice President  
of Energy Department

(Interviewed May 30, 2008)

### Suggestions for Value Creation

KOMIPO boasts superb management performances, positive outside evaluations, and healthy results in its overseas business. To achieve optimal quantitative growth, the company should focus on generating profits in the future.

With regard to its internal stakeholders, the company needs to shed its overly-conservative public enterprise culture and promote smooth communications and greater autonomy among its members. It should also develop self-development programs for its employees.

I hope the publication of this sustainability report will help KOMIPO assess its past management performances and set healthy directions for the future.

### Efforts To Create 'Higher Value'

For many years, KOMIPO has enjoyed sound financial results and positive performance evaluations. Recently, it has also earned tangible results for creating new "blue oceans" through its New Business 1020 operational strategy. In the coming years, it will concentrate on thorough analyses and intensive risk management to maximize its investment returns.

Our organizational culture may seem rather out of touch, due to long-term monopolization. However, as more and more competitors enter the country's power market, KOMIPO will strive to move with the flow, transforming itself into an innovative, 21<sup>st</sup>-century organization.

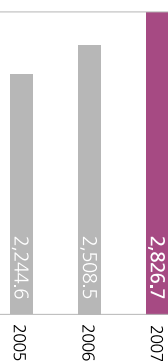


## Economic Achievements ▶ Financial Performances

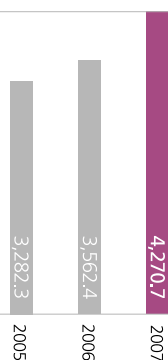
Always Brightening the Future

Value Creation  
and Distribution

Sales Revenues (Unit: KRW billion)



Total Assets (Unit: KRW billion)



## Sound Financial Structure

Since its establishment in 2001, KOMIPO has enjoyed superb financial performances in both profitability and stability. In particular, it has shown consistent growth in terms of revenues and demand, while recording stable net profits and a low debt ratio. In 2007, its electricity sales volume equaled 39,900GWh, up 6.3% year-on-year, raising its revenues by 12.7% to KRW 2 trillion, 826.7 billion. Net profit for 2007 was KRW 187.4 billion, or 6.6% of total revenues.

Although sky-rocketing bituminous coal prices and high oil costs over the past three years have slowed its rate of growth, both in operating profits and net profit, the company's overall profitability figures and debt ratio attest to its basic financial soundness. For more detailed financial information, please refer to the Repository of Korea's Corporate Files (DART), the company's Website, or the appendix of this report.

Company website: [www.komipo.co.kr/english/](http://www.komipo.co.kr/english/)

Financial Summary

(Unit: GWh, KRW billion)

Classification	2005	2006	2007
Revenue	2,244.6	2,508.5	2,826.7
(Electricity sales)	(36,036)	(37,538)	(39,900)
Operating profit	291.8	201.6	300.0
Net profit	216.8	168.6	187.4
Total assets	3,282.3	3,562.4	4,270.7
Total liabilities	951.8	1,137.9	1,703.7
Total capital	2,330.5	2,424.5	2,567.0
Cash flows from operating activities	410.8	417.1	487.9

Financial Highlights

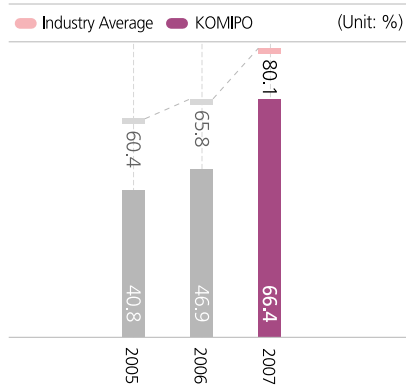
(Unit: %)

Classification	2005		2006		2007	
	KOMIPO	Average	KOMIPO	Average	KOMIPO	Average
Debt/ Equity ratio	40.8	60.4	46.9	65.8	66.4	80.1
Operating profit to sales ratio	13.0	9.4	8.0	7.4	10.6	8.0
Sales profit ratio	9.7	6.1	6.7	5.1	6.6	4.8
ROA (return on assets)	6.8	4.0	4.9	3.5	4.8	3.2
ROE (return on equity)	9.6	6.4	7.1	5.7	7.5	5.9
Cash flows from operating activities/ total assets	18.3	17.8	16.6	19.4	17.3	15.7
Sales growth rate	16.63	10.84	11.76	11.19	12.68	14.43
Net profit growth rate	5.42	0.21	-22.23	-7.49	11.15	7.06

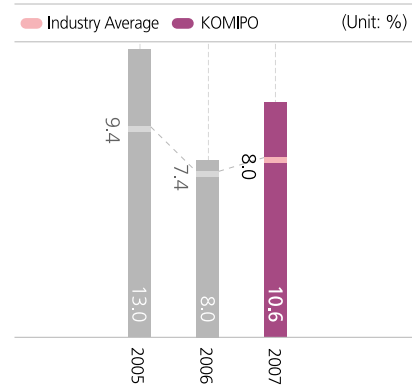
※ Average: average figure of 5 GENCOs, including KOMIPO



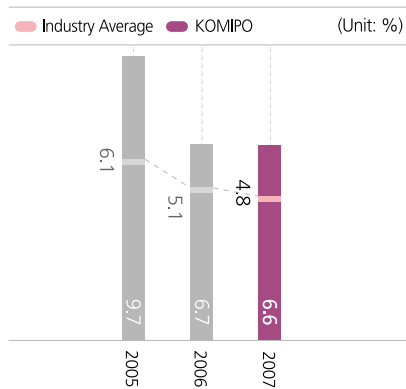
Debt/Equity ratio



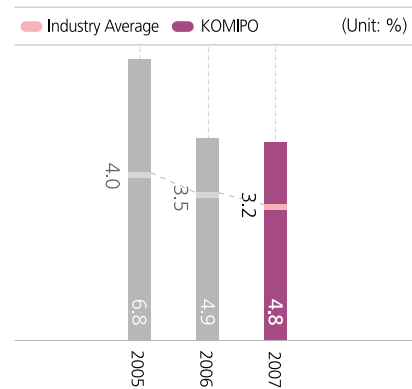
Operating profit to sales ratio



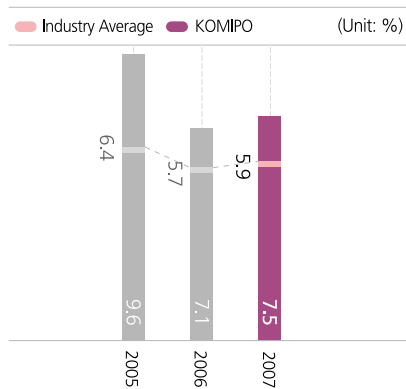
Sales profit ratio



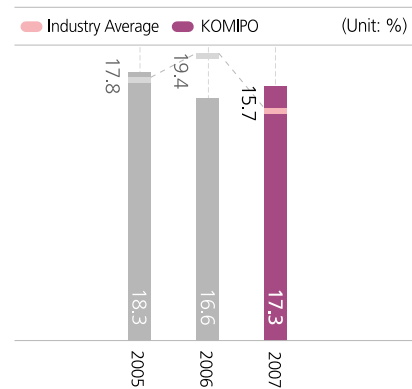
ROA (return on assets)



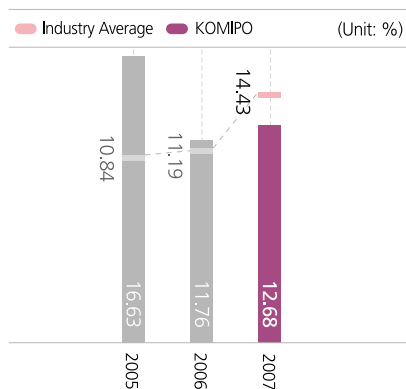
ROE (return on equity)



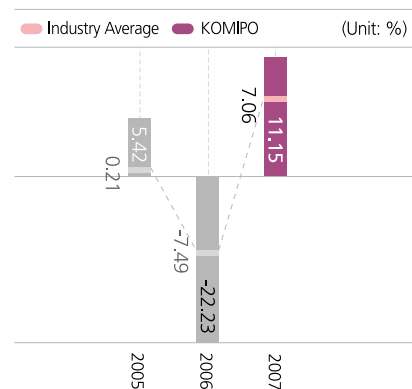
Cash flows from operating activities



Sales growth rate



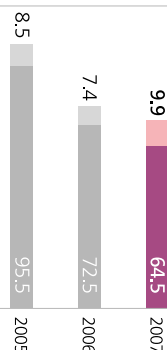
Net profit growth rate



## Tax Payments

(Unit: KRW billion)

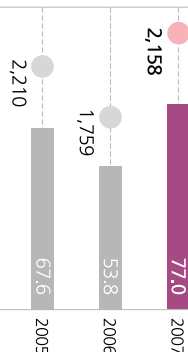
Local taxes National taxes



## Dividend Status

(Unit: KRW billion)

Dividend per share (KRW) Dividend



## Distribution of Economic Value

(Unit: KRW billion)

Nation		2005	2006	2007
Nation	National taxes	95.5	72.5	64.5
	Local taxes	8.5	7.4	9.9
	Total taxes paid	104.0	79.9	74.4
Shareholders	Dividend	67.6	53.8	77.0
	Dividend per share (KRW)	2,210	1,759	2,158
Debt	Interest payments	29.7	32.7	65.3
Employees	Salaries	116.2	129.1	133.2
	National pensions	3.7	3.9	3.8
	Personal pensions	1.4	1.2	–
Local societies	Donations, matching grants, Nanum (sharing) Fund, etc.	1.8	1.9	2.2

※ Support for personal pensions was terminated as of November 2006.

As a sincere and open corporate citizen, KOMIPO tries to fulfill its statutory duties regarding taxation and profit creation. In 2007, it paid KRW 74.4 billion in taxes and earned KRW 0.6 billion worth of government subsidies for supply and technology developments in the field of new and renewable energy. At the annual shareholders' meeting held in March 2008, it was decided that the company would pay KRW 77 billion (50.4% in proportion to par value) as the total dividend for the past fiscal year. Interest payments rose, due to inflated borrowings and rate upturns in the bond market.

## Forming a Safer Investment Environment and Building Healthier Investor Relations

To secure advantageous financing rates and demonstrate the transparency of its operations, KOMIPO carries out regular IR activities. By forming continuing and amicable investor relations, the company will lay the groundwork for timely and lowest-possible-cost financing. For example, the company was awarded the highest domestic credit rating and an "A-" from S&P, while its upgrade to "A1" (an even higher level than sovereign) by Moody's attests to its overall stability and profitability.

2007  
Major IR  
Activities

## ● Road Show

- Visited credit raters and institutional investors, such as Nikko of Japan, SMAM, etc.

## ● Hosted Domestic IR Sessions

- On-site IR session at Jeju Thermal Power Plant in April 2007
- Target: 50 persons from 22 domestic and foreign institutional investors, including banks, securities companies, etc.

## ● Hold Friendly Gatherings to Raise Awareness and Carry out Aggressive IR Strategies





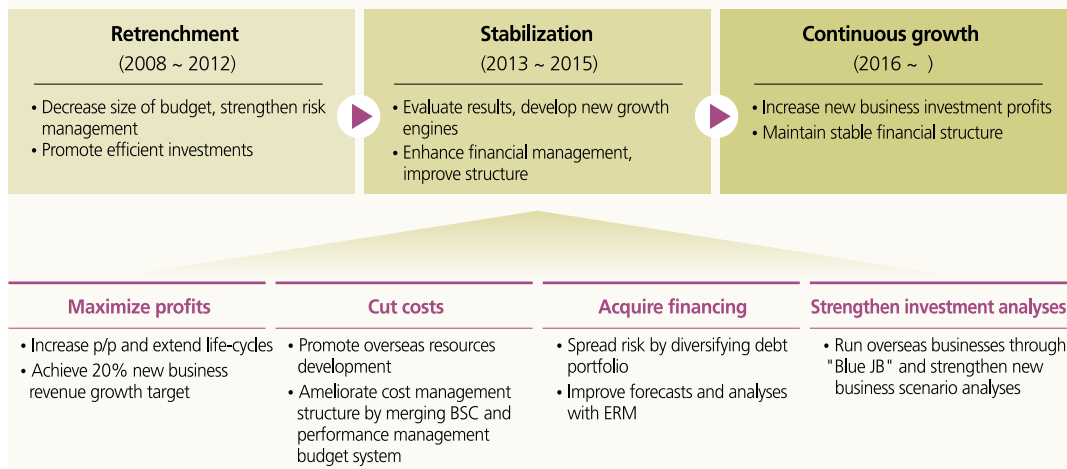
### Optimum Financial Strategy Reflecting Diversified Analyses

In order to better prepare for an unforeseeable future, in December 2004 KOMIPO analyzed its mid- to long-term financial prospects, including five scenarios. These scenarios are updated each year to reflect market changes. In addition, the company's fourth mid- to long-term financial strategy was prepared, based on the recent weak dollar, high oil costs, and a changed economic environment and corporate plan.

The strategy, which is based on the central government's Third Basic Plan for Long-Term Electricity Supply and Demand, draws a roadmap for creating future growth engines through new businesses and an aggressive new and renewable energy operation. It is expected to require external financing worth KRW 2 trillion, 105.1 billion by 2010. This increase in borrowings may worry some, but it will gradually decrease: after 2010, KOMIPO will have a debt ratio of less than 50%.

Below is the 3-step roadmap showing the concrete measures the company will take to maintain a stable financial structure.

#### Three Step Roadmap and Financial Structure Improvements



### Lowest-Rate Loan Financing and Advanced Foreign Exchange Crisis Management

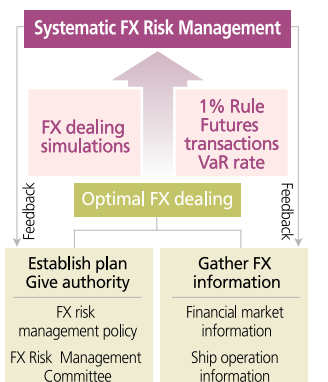
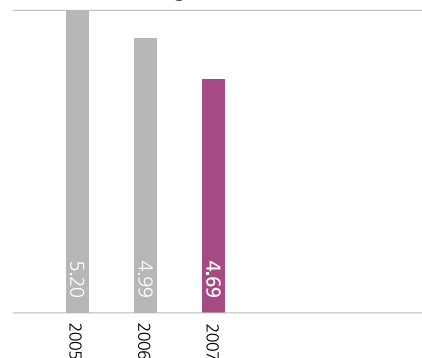
In 2007, KOMIPO issued low-rate Samurai bonds in August (at 4.72%) and November (at 4.56%), thereby saving KRW 6.3 billion in interest expenses. As a result, it was able to reduce its average borrowing interest rate by 30bp (or 4.69%) compared to 2006—even in the face of overall market rate increases. The company is also minimizing its level of FX risk by spreading the maturity dates of loans and diversifying its portfolio.

To estimate and help lower its new investment risk, KOMIPO is increasing its analyses using ERP system scenarios. In addition, an FX risk management policy, FX Risk Management Committee, and FX risk management system have been established to manage for FX risk more systematically. The FX Risk Management Committee consists of internal management and an expert external advisor. It meets once every quarter to evaluate the legality of FX deals, design plans for the following quarter, and decide on hedge ratios.

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## Mid- to Long-Term Financial Strategy & Risk Management

Average Interest Expenses to Total Borrowings (Unit: %)



※ FX: Foreign Exchange

※ VaR: Value at Risk, an index used to measure the market risk of asset portfolios



## Economic Achievement ▶ Stable Power Supply is Customer Satisfaction

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### KOMIPO's Customers



#### Structure Of Korean Power Market

In Korea, six power generating companies (GENCOs), including KOMIPO, small private power generators, and CES suppliers generate electricity. The Korea Electric Power Corporation (KEPCO) purchases that power via the Korea Power Exchange (KPX) at the lowest rate and supplies it to end-users. The quality of this electricity is the same across the nation. Since the GENCOs sell electricity to KEPCO via the KPX, the market is extremely competitive. In the future, Korea's electricity market will probably be restructured towards even more retail/wholesale competition due to the central government's open market policy. The market will no doubt change as well.

#### Four Types of "Customer"

Consumer opinions should always come first in decision-making, even taking priority over the CEO's. KOMIPO prizes the voices of its customers and always pays close attention to them. However, the "customers" of Korea's power operators differ from those of most other industries—they hardly ever have direct contact with their end-users, since their product is sold wholesale to KEPCO and consumers cannot choose whom to buy from. Therefore, KOMIPO has classified its customers into four categories: its employees, KEPCO and KPX, end-users, and potential future users.

Since the first customer, KEPCO, runs a national infrastructure industry, its primary interest is the public good. As a result, it is keenly concerned with the management and operations of all of Korea's electrical energy providers. KOMIPO does not have much direct contact with its second group of customers. However, since citizens vote to form the government and members of the public may also work for its suppliers, affiliates, and so on, they indirectly supervise and regulate the company and can also exchange their opinions directly with it. So far, it has been very difficult for operators like KOMIPO to reach out to them. Lastly, potential future customers can be seen as future growth engines for the company. They are not our customers yet, but if an era of more open competition results from the anticipated total opening of the market, KOMIPO will be able to negotiate purchases of its power directly with large-scale consumers. Overseas power generators to whom the company might export its technological and operational expertise can also be viewed as potential customers. In addition, KOMIPO is making every effort to husband the resources needed for future generations. Since people who are not born yet can rightly be viewed as potential customers, it follows that, to KOMIPO, the word "customer" can mean many things: current consumers, people living outside of Korea, and even future users.

#### Potential Customers and Approach Methods

Potential Customer	Approach Methods
Large-scale Customers	• Price advantage • Improved corporate awareness • Customer management system
Retail Customers	
Overseas Power Suppliers	• Facility operation capabilities • Cooperation with KEPCO for overseas business
Stakeholders (including new investors)	• IR sessions • Credit rating management • Improved credibility



## Customer Opinions Management

KOMIPO listens to what its customers have to say through a diverse range of channels (including Internet surveys and customer satisfaction surveys) and manages the information it has accumulated as a separate database in the e-CRM<sup>①</sup> system. This helps the company prevent repeated customer complaints, improve customer satisfaction by focusing on unsatisfactory issues, and reflect customer opinions in its management strategies.

### Identifying Customer Needs

	Method of Identification	Method of Process	Contents
Customer Satisfaction Survey	Customer survey	Hand off to expert external agency (Korean Standards Association Consulting)	TCSI, quality of electricity, price, corporate image, VOC responses
	Integrity survey	Management of evaluations (Gallup Korea)	Sensory integrity, potential integrity, experience of corruption, behavior/attitudes
	Phone etiquette survey	Hand off to expert external agency (Research and Research)	Rapid reception, phone etiquette, kindness, ringing off, etc.
	Internal customer satisfaction survey	Pop-up questionnaires on Intranet (I&I Consulting)	Satisfaction level of company employees with HQ departments
On-line and Internet	Webpage Live-POLL	Live-Poll on Webpage	Customer opinions on key issues
	e-mail satisfaction survey	Send out "KOMIPO Inside" <sup>②</sup> (e-mail) (To customers who have consented)	Evaluate, receive feedback on e-mails
	Webpage customer's voice	Q&As, free opinions, corruption reports, etc. on Webpage	Transfer questions and/or reports to relevant department(s)
Off-line 1:1 customer discussions	Listening to customers' opinions	Simultaneously with work	Receive opinions from face-to-face customers and process them
	Meetings with major customers	Periodical implementation after establishing annual plan	Meet with residents who live near Power Plants and SME personnel

Put into database

Database Information	Put customer complaints into database	Save in e-CRM system and utilize	Concentrate on unsatisfactory issues
	Manage history of complaints	Establish complaint history management system	Manage history of complaints by type, person, and region
	Manage and track according to time and type	Quantify customer satisfaction index	Improvement trends, Change in satisfaction index

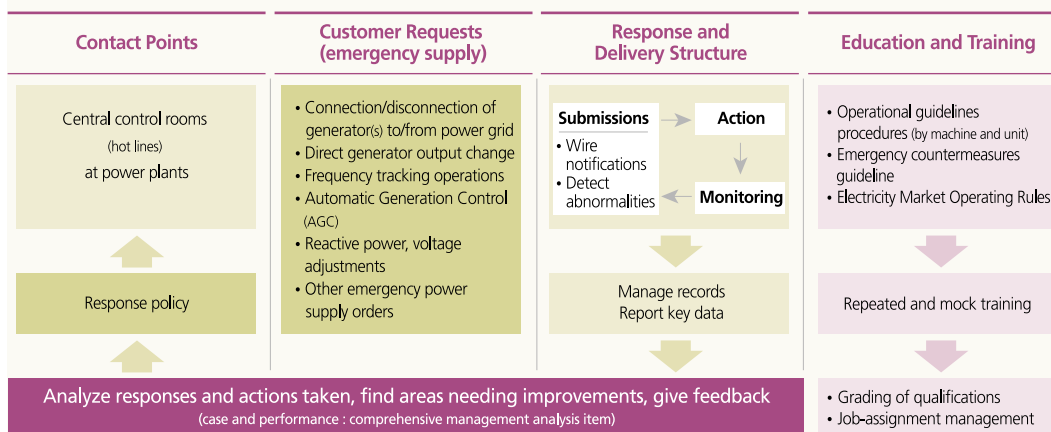
① **e-CRM** (Electronic Customer and Relationship Management) An Internet customer relationship management tool used in an e-business environment, it maximizes customer satisfaction levels by analyzing customer behavior and inclinations and allows for "real-time" 1:1 interactive communications.

② **KOMIPO Inside** A newsletter published every February to provide e-CRM members with up-to-date information.

## Efforts Towards a Stable Power Supply

### Emergency Response System

Ensuring a consistent supply of power is KOMIPO's highest priority in terms of customer satisfaction. To carry out this key task, KOMIPO has equipped its HQ electricity trading team and the central control rooms of each power plant with a customer contact-point management system. In addition, the company operates an emergency response system to guarantee a high-quality product and stable delivery.



KOMIPO has never violated any regulations or compromised the health and safety of its customers while generating or transmitting power.

### Adding to Generation Facilities

In order to stabilize the nation's power supply and develop new growth engines, KOMIPO plans to expand its generation facilities pursuant to the government's Basic Plan for Long-Term Electricity Supply and Demand<sup>①</sup>. New Power Plants (including Boryeong Units 7 and 8, which will increase capacity by 2,548MW) will be completed by 2011. Adding to its facilities at suitable times is one way the company can achieve sustainable growth. KOMIPO will adhere to the strategies contained in the government's Fourth Basic Plan for Long-Term Electricity Supply and Demand and meet all its Power Plant construction timelines.

#### Construction Plans

Classification	Capacity (MW)	Expected Completion Dates
Boryeong Thermal Units #7,8	1,000	2008. 12
Incheon Combined-Cycle #2	500	2009. 06
Jeju Internal Combustion #2	40	2009. 06
Seoul Combined-Cycle #1,2	1,000	2011. 09
Incheon Combined-Cycle #3	700	2012. 12
Jeju Combined-Cycle	300	2013. 06
Hangbok Combined Heat And Power	515	2013. 11
<b>Total</b>	<b>4,055</b>	

#### Closedown Plans

Classification	Capacity (MW)	Expected Dates	Remarks
Jeju Thermal #1	10.0	2009. 01	
Incheon Thermal #3, 4	650.0	2009. 09	After the completion of combined-cycle #2
Jeju Gas Turbine #3	55.0	2011. 01	
Seoul Thermal #4, 5	387.5	2011. 12	After the completion of combined-cycle #1, 2
Incheon Thermal #1, 2	500.0	2012. 12	After the completion of combined-cycle #3
Seochon Thermal #1, 2	400.0	2014. 01	
Boryeong Thermal #1, 2	1,000.0	2025. 01	Life Extension (10 years)
<b>Total</b>	<b>3,002.5</b>		

① Basic Plan for Long-Term Electricity Supply and Demand Pursuant to regulations contained in the Electricity Enterprises Act and the business plans of the electricity operators themselves, the Ministry of Knowledge Economy establishes basic directions for power demand and supply and oversees the industry's long-term prospects, power facilities plans, power demand management strategies, and other matters

### Facilities Operating Ability

Since power generation facilities are run by complicated and complex equipment and devices, it is not easy to completely prevent unexpected stoppages. However, KOMIPO has established various countermeasures to minimize their occurrence.

The company repairs aging facilities after determining their remaining productive life-spans and also carries out regular inspections and preventive checkups. In addition, it deploys cutting-edge diagnosis equipment, such as on-line diagnosis system of generator insulation, diagnosis equipment of dissolved gases in transformer oil to proactively detect problematical machinery and lessen the chance of unexpected troubles. “Virtual troubles training” is carried out periodically to minimize the possibility of human mistakes and improve employee reactions in emergency situations. In addition, KOMIPO tries to minimize the discontinuation of generating facilities by attaching signs of major equipments.

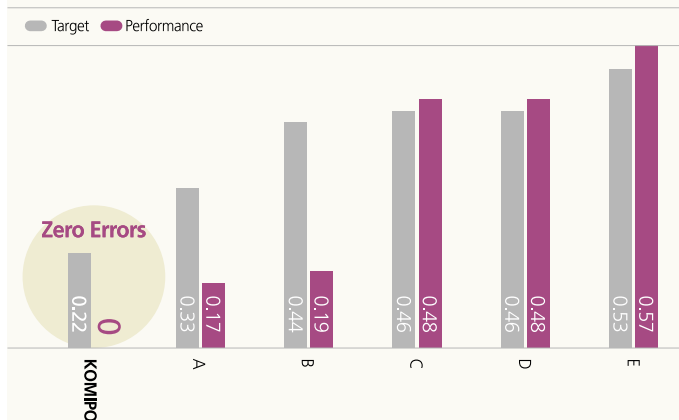
As a result, KOMIPO's first super-critical pressure generator, Boryeong's Unit 3, recorded 3,000 trouble-free operating days, from December 17, 1998 to October 26, 2007. This is particularly noteworthy because it was achieved solely with domestic technologies. In 2007, KOMIPO successfully eliminated troubles at base-load generators and all of its 42 units during the peak summer season, thereby demonstrating the reliability of its facilities and its operational capabilities.



Boryeong Unit #3 trouble-free operation for 3,000-Days

#### 2007 Target and Performances

(Unit: Cases)



## Performance Improvement Construction at Boryeong Units #1 and 2



Agreement for Boryeong Performance Construction

KOMIPO plans to undertake performance improvement construction at its Boryeong Units #1 and 2, which first started operating in 1984, to lengthen their lives, enhance their efficiency, and install state-of-the-art environmental facilities. While this work involves a projected cost of KRW 96.8 billion from 2006 to 2009, profits for the following ten years will be in the order of KRW 1.4 trillion. This will be the first performance improvement project the company has ever carried out on a 500MW level Power Plant.

#### Results of Performance Improvements

1. Larger capacity	500MW → 525MW (per unit)
2. More efficiency	39.50% → 41.06% (0.8%)
3. Longer lives	2015 → 2025
4. Lower emissions	CO <sub>2</sub> -74,000 tons/year, SO <sub>2</sub> -5,600 tons/year
5. Expected profit	KRW 1.4 trillion over 10 years

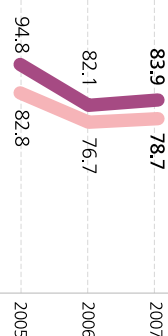


## Stable & Economical Fuel Imports

Maintain High Long-Term  
Contract Ratio

(Unit: %)

Bituminous Coal Transport Ship



Imports by Country

(Unit: %)

2006 2007



### High-Generation Fuel Cost Ratio

Fuel costs account for about 70% of KOMIPO's total expenses, so securing stable and economical amounts of imported fuel is critical to its operations. KOMIPO has many strategies to guarantee stable and economical fuel imports. For example, it spreads its purchases among many countries, operates diversified import channels, maintains long-term contracts and inventory levels, promotes overseas resources development, and is continually enhancing the efficiency of its transportation modes.

Fuel Purchases in 2007

Classification	Bituminous Coal	Anthracite Coal	LNG	BC	Boiler Kerosene
Volume	9.11 million tons	673,000 tons	2.02 million tons	362,000 kℓ	2,000 kℓ
Price (KRW billion)	507.6	68.3	1,209.2	150.8	1.3

Fuel Usage

Classification		2005	2006	2007
Amount of Power Generated	GWh	37,901	39,248	41,648
Fuel Used	Bituminous coal (ton)	8,687,672	8,819,869	9,313,725
	Anthracite coal (ton)	730,823	687,261	691,595
	LNG (ton)	1,621,462	1,745,610	2,020,021
	Heavy oil (kℓ)	475,452	466,042	370,797

### Stable Imports of Fuel

KOMIPO purchases fuel at strategically-determined times after calculating fuel consumption and carrying out market analyses and electricity demand forecasts. The company's average target for storage days is from 20 ~ 23. It achieved 90% of that target in 2005 and 100% in 2007, with the lowest-ever figure being 16 days.

In order to reduce the insecurities that can be caused by weakening supply conditions in a specific area, 80% of KOMIPO's contracts are long-term (i.e., over 1 year), and the company has increased its number of long-term suppliers from 15 in 2006 to 21 in 2007. In addition, 80% of its transportation requirements consist of dedicated and/or long-term contract ships.

Differentiated Purchasing Strategy

(Unit: USD/tons, CFR)

Import Ratio		Strategies by Country	Purchase Price
Reduce	Australia	Reduce purchases after applying fuel-mixing combustion technology to cheaper Indonesian high-calorie coal	58.92
	China	Only purchase absolutely necessary amounts of low-sulfur coal to prepare for unstable supplies (extremely high purchase price)	69.25
Increase	Indonesia	Increase purchases with improved fuel-mixing combustion technology (lowest purchase price)	51.40
	Russia	Increase purchases to diversify supply sources (signed new agreement)	61.04
Review	South Africa	Unfavorable price and transportation distance, but worth reviewing for diversification	—
	Canada	Pursue signing new agreement if price is competitive	



### Economical Purchasing of Fuel

KOMIPO's fuel purchasing strategies are based on in-depth analyses of the world fuel market. To better manage the price of bituminous coal bought under long-term contracts, the company carries out negotiations throughout the year, engages in joint bargaining, and links some of its purchases to the spot market price. It also tries to minimize the risk of price fluctuations by varying the types of coal it orders, applying price indices, and so on.

In 2007, the unloading equipment at the Boryeong Thermal Power Plant was changed from the bucket type to the continuous type; as a result, loading efficiency improved from 55% in 2006 to 60% in 2007. In addition, port reinforcement construction and dredging to increase accessibility at the Boryeong Thermal Power Plant's Pier 2 from 135,000 tons to 170,000 tons are being undertaken, with more work scheduled to begin at the end of 2009. After this work is completed, transportation costs are expected to drop by USD 1.33 per ton, reducing the company's annual shipping charges by KRW 2.5 billion at current values.

#### Fuel Cost Reductions

	Classification	Cost reductions	Note
Purchases in 2007	Newly-signed long-term agreements	KRW 19.1 billion	5 companies in Australia, etc.
	Advance price agreements for long-term volumes	KRW 57.2 billion	9 companies in Australia, etc.
	Make purchases in spot market at right time	KRW 13.9 billion	For increased demand and supply shortages
	Anthracite coal imports from North Korea	KRW 3.1 billion	Make up for anthracite coal shortages
	Bituminous coal fuel-mixing combustion	KRW 12.3 billion	Replace high-priced heavy oil used at Seochon Thermal Power Plant
Expected results from facilities improvements	Replaced Boryeong Thermal Power Plant unloading equipment	KRW 2 billion/year	Bucket type → Continuous type
	Improved Thermal Power Plant Pier 2 accessibility	KRW 5.9 billion/year	135,000 tons → 170,000 tons

### Increasing Self-Development

KOMIPO has developed a "Basic Plan for Overseas Bituminous Coal Mine Developments" to guarantee its long-term access to this type of fuel. The goal is to achieve a 25% self-development ratio (equal to about 3 million tons) by 2015. To this end, the company signed an agreement on mutual resources development with KEPCO and 5 GENCOs and is currently promoting joint venture participation in overseas bituminous coal mine development projects with experienced mine development companies.

In June 2007, KOMIPO formed a consortium with the Korea Resources Corporation (KORES), KEPCO, 4 GENCOs, and Hanwha to bid for the Australia Moolarben Mine Development Project. The mine produces about 10 million tons of bituminous coal annually. The consortium acquired a 10% share (KOMIPO, 1%) in February 2008, and 625,000 tons of bituminous coal will be imported from 2009 on. The mine is expected to bring a KRW 1.95 billion dividend over the next two decades.

In order to achieve its self-development target of 3 million tons (or 25%) by 2015, KOMIPO is exchanging information and strengthening its strategic ties with the private sector and other GENCOs. At the same time, it will augment its own capabilities for developing overseas resources by nurturing experts in the field and increasing the size and number of internal resources dedicated to such projects.

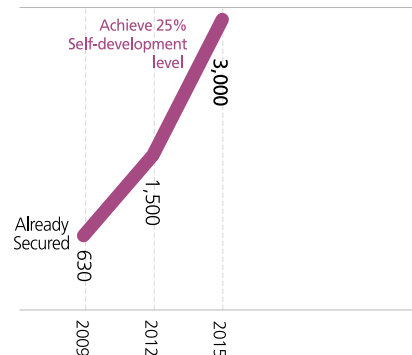


Boryeong Thermal Power Plant Bituminous Coal Unloading Equipment Bucket Type\*  
→ Continuous Type\*



Boryeong Thermal Power Plant Unloading Dock

#### Overseas Bituminous Coal Self-Development Plan (Unit: 1,000 tons)



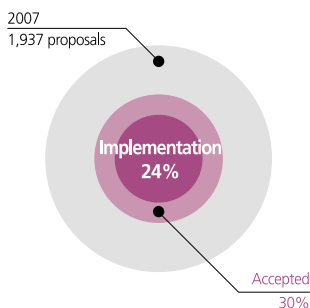
Moolarben Mine Development Site

## Economic Achievements ▶ Innovation and Creativity at KOMIPO

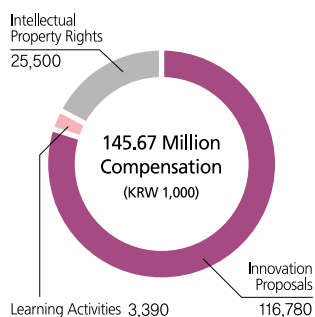
Always Brightening the Future

### A New era of Change: New “Blue Ocean” Strategy

2007 Promotion of Innovation  
Proposals



2007 Compensation for  
Innovation Performances



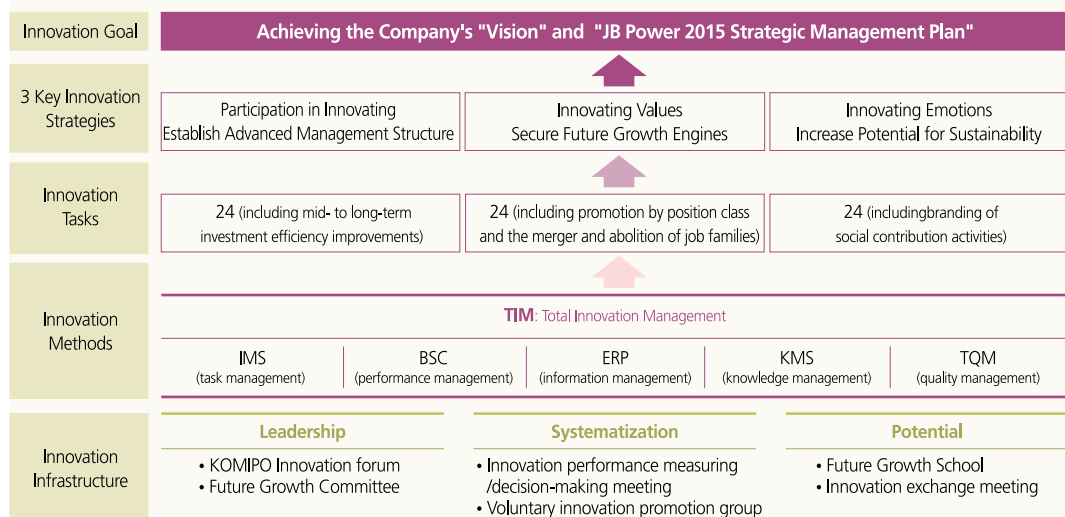
#### Successful Establishment of Company-Wide Management Innovation System

KOMIPO is continuously investing in management innovation activities to turn its employees into people who are capable of thinking creatively and entertaining various viewpoints. Three innovation strategies--participation, value, and emotions--are being emphasized, with the goals of developing an advanced management structure and future growth engines and strengthening the company's potential for sustainable growth.

KOMIPO came up with 72 high-priority innovation tasks by involving all its employees in a program calling for the identification of 100 mid- to long-term strategic projects. These were chosen with the advice of both external experts and the company's employees. At first they are categorized as Company/Division/Site tasks; then the Innovation Performance Committee divides them into financial and non-financial projects. 72 short-term innovation tasks and 37 integrity tasks are currently being implemented. KOMIPO has introduced a corporate “town-hall meeting” system to build an innovation culture that encourages the voluntary participation of its employees. Rewards such as promotion and transfers and other incentives are utilized to promote innovation performances. As a result, the number of innovation proposals jumped by 40% from the previous year to 1,937, with 61% of the company's employees (or 1,350 persons) making suggestions. A total of KRW 145.67 million was paid in compensation, including prizes presented to 131 employees who engage in studies and 47 intellectual property rights personnel.

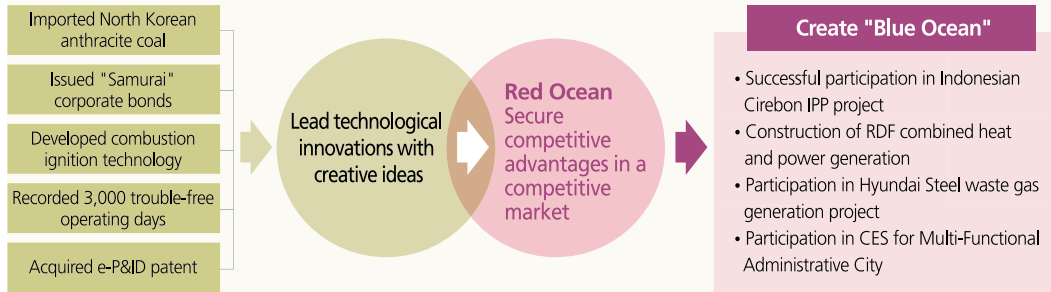
These innovation tasks are managed using the TIM (Total Innovation Management) method. Developed by KOMIPO, TIM is an innovation management tool that integrates all the advantages of other systems and innovation tools (such as ERP, BSC, Quality Management, Knowledge Management, etc.) into one overall program. Similarly, the “Blue JB System”--the very first ERP system to be designed specifically for use by Korean power generators--was established in 2006 thanks to the efforts of the company's employees. It results in swift decision-making and allows for more efficient, “real-time” work processes.

#### Management Innovation Promotion Structure





### 2007 "Blue Ocean" Creation



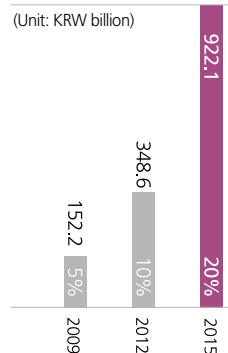
2007 was indeed a "Blue Ocean" year for KOMIPO—one in which the company dramatically augmented its competitiveness with a variety of innovative and creative ideas and created a "Blue Ocean." First, the Boryeong Thermal Power Plant Unit 3 recorded 3,000 trouble-free operating days. Secondly, the company participated in building Indonesia's first-ever super-critical pressure Power Plant. In addition, KOMIPO is building an RDF- dedicated combined heat and power generation that consumes waste as fuel, and is working on a Hyundai Steel waste gas generation business that is expected to generate KRW 3.7 billion in CO<sub>2</sub> emission rights. KOMIPO also issued Korea's first-ever Japanese yen-denominated corporate bonds. Finally, the Seochon Thermal Power Plant successfully undertook a fuel-mixing combustion test that saved the company KRW 15.4 billion in fuel expenses, using a fuel-mixing combustion technology that can resolve shortages in volume while also reducing costs. The saving came from injecting North Korean anthracite coal for short supply and replacing heavy oil with imported bituminous coal for as auxiliary fuel. Lastly, the underground construction of Seoul Thermal Power Plant is the first and only trial which will set a new model for future power plants

### Creating New Growth Engines Through "New Business 1020"

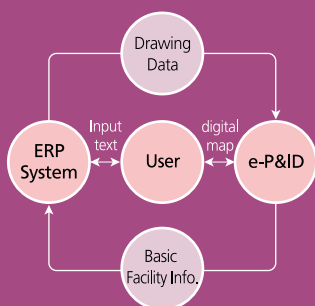
Demand in the Korean power market is slowing as it reaches the point of saturation, while fuel price increases and the UNFCCC's GHG regulations conspire to further weaken operating conditions within the industry as a whole. In response, KOMIPO has developed a "New Business 1020" strategy that focuses on future growth engines, such as new domestic and overseas operations, new and renewable energy businesses, and so on. The company intends to pursue business diversification by generating 20% of its revenues in these "blue ocean" activities within 10 years.

### "New Business 1020" mid- to long-term target revenues

(Unit: KRW billion)



Tip



Patent no. 10-0749513-00-00

## The World's First Electronic Blueprint, E-P&ID System

KOMIPO earned a patent for its e-P&ID system in August 2007. It turns pipe drawings and electronic drawings into digital maps and then links them to an ERP system. By doing so, data that used to be scattered can be integrated and managed in ERP. This enables a more efficient accumulation of information and makes "real-time" searches for such detailed information as materials, maintenance histories, equipment sizes, purposes of use, and parts drawings possible as well. For

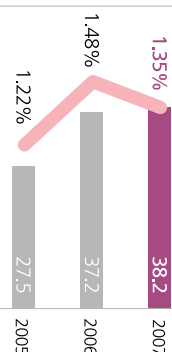
equipment troubles, users can request repairs by accessing the digital maps, thereby reducing processing times. Chosen as a "successful system establishment case by the "Sapphire World 2007" hosted by and ERP company SAP, KOMIPO's very own e-P&ID system is now being benchmarked by other enterprises.



## R&D for Key Future Technologies

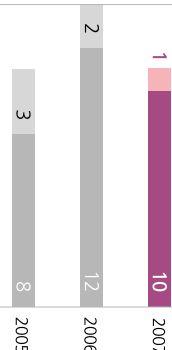
R&D Investments (Unit: KRW billion)

R&D Investments to Revenues R&D Investments



Intellectual Property Rights Application Status (Unit: cases)

Utility Model Patents



### Making Bold Investments to Develop 10 Core Technologies

In July 2005, despite deteriorating market conditions, KOMIPO developed a “10-year mid- to long-term R&D plan” to ensure its future competitiveness through bold R&D investments. Its goal is to secure basic technologies in 10 key areas including facility reliability improvements, digital auto-control technologies, and air pollution prevention technologies. These will be centered on next-generation thermal power generation core technology developments and GHG reduction technology developments. A total of KRW 442 billion will be invested by 2014.

Basic and applied research requires time and money. This makes streamlining especially important, and such efficiencies can best be achieved by working with other organizations in the field. As of 2007, KOMIPO was carrying out 45 national strategic technology studies with other power generators. They include ‘Development of diagnosis and life evolution during unit shutdown’, ‘FGD process study for 500MW Korea standard coal power plant,’ and so on. KOMIPO is currently working on three on-site practicalization tasks, including one called “Domestic Development of a Gas Turbine Fire Monitoring Facility.”

Research and development into future-oriented core technologies is now at its peak. Some projects that are now underway include studies of new thermal power generation technologies and European environmental policies. In more specific terms, they include “Development of Gas Turbine Operation and Maintenance Technologies,” “Causes of and Countermeasures against Boiler Accidents,” and “Development of a Generation Facility Maintenance Guide.”

#### Major R&D Tasks

Task Name	Period	KOMIPO Investments (KRW billion)	Type
Development of an Aged Steam-Turbine Performance Improvement Module	'06. 09 ~ '11. 08	6.00	Joint Development
250kW Molten Carbonate Fuel Cell (MCFC) development	'04. 09 ~ '09. 08	1.13	Joint Development
Empirical Research on upgrading Korean-Type FGD process	'05. 12 ~ '08. 11	75.19	Joint Development
Development of 3-Dimensional Digital Training System for Yangyang Pumped-Storage Power Plant	'07. 05 ~ '08. 11	0.36	Self-Development
Localization of Gas-Turbine Fire Monitoring Facility	'07. 07 ~ '09. 03	0.46	Self-Development

### Intellectual Property Rights

As the “knowledge-based economy” develops, intellectual property rights (IPR) are becoming increasingly important intangible assets for a country or enterprise. KOMIPO focuses on securing IPRs, and had acquired 129 of them by December 2007 (101 patents, 28 utility models). In addition, 14 patents and 10 utility models are currently under deliberation. As of the end of 2007, the company had also granted non-exclusive, pro bono licenses for 9 IPRs to prospective SMEs. This was done as part of the company’s policy of supporting and cooperating with SMEs by allowing them to pursue the commercialization of already-possessioned technologies.



### Success Results from Collaborating with Private Sector—Indonesia's Cirebon IPP Project

On August 20, 2007, PLN of Indonesia and Cirebon Electrical Power (PT. CEP), a local subsidiary of an international consortium composed of Japanese Marubeni, KOMIPO, Samtan, and Indonesian Tripatra signed an agreement for the construction and operation of a power plant. The project involves constructing a 660MW coal-fired facility and operating it for thirty years. The facility is located in Cirebon, on Indonesia's Java Island. Started in October 2005, the project was the first-ever IPP to utilize international competitive bidding, and only four out of the original seventeen Letters of Intent were selected for final bidding, which took place in April 2006. An agreement was finally signed, but only after a year of heated negotiations.

The Cirebon IPP project is the first overseas business involving a Korean power generator and the first to use a Korean-built, super-critical-pressure Power Plant. Since KOMIPO is in charge of the facility's construction, operation, and maintenance, Samtan is responsible for its coal supplies, and Doosan Heavy Industries and Construction is charged with its design, construction, installation, and pilot operation, the project represented a splendid opportunity for Korean enterprises to enter the overseas power market.

With a weak base for electricity generation, Indonesia plans to make power plant construction a national priority. The market has a high potential for growth, with 30,000 MW in generation facility demand projected over the next 10 years. According to Indonesian law, expanding a Power Plant on the same site can be done through free contracts with PLN instead of through bidding, so future opportunities there are very great.

KOMIPO plans to send both plant construction management and operational and maintenance personnel to Cirebon. This and other overseas-based IPP businesses will help us nurture more globally-oriented human resources and add to our operational expertise. Because the southeastern Asian electricity market is expected to keep expanding, many people are viewing this project as a "Korean-style" electricity export model.

### From Construction to Operation: Major Overseas Power Generation Projects

The following are major overseas projects currently under operation and/or promotion.

#### Overseas Generation Projects

##### Operation and Maintenance Projects for Combined-Cycle Plant in Lebanon

**Client:** Electricite du Liban  
**Location:** Deir-Amar and Zaharani  
**Capacity (type):** Two 435MW units (Combined-Cycle)  
**Total cost:** KRW 86 billion  
**Period:** 2006~2011 (6 years)  
**Shareholder and Business Structure:** KOMIPO 49% (Power Plant operation), KEPCO 51% (project management)  
**Fuel Used:** Diesel  
**Dispatched Manpower:** 10 from KOMIPO, 2 from KEPCO

##### Construction and Operation Project of Riau Power Plant in Indonesia

**Client:** EURO CAP Corporation  
**Location:** Riau region, mid-Sumatra (3 mines)  
**Capacity (type):** three 50MW units (combined heat and power)  
**Total cost:** KRW 500 billion  
**Period:** 2007~2015 (8 years)  
**Shareholder and Business Structure:** IPP (no shares)  
**Fuel used:** Bituminous coal

##### Construction and Operation Project for Cirebon Coal-Fired Power Plant, Indonesia

**Client:** PT. PLN  
**Location:** Cirebon region of West Java  
**Capacity (type):** 660MW  
**Total cost:** KRW 750 billion  
**Period:** 2008~2041 (33 years, including construction period)  
**Shareholder and Business Structure:** BOO (Build, Own, and Operate), KOMIPO 27.5%  
**Fuel Used:** Indonesian bituminous coal

##### Construction and Operation Project for Jiulishan Coal-Fired Power Plant, China

**Location:** Jiazhou, Ha Nam Province, China  
**Capacity (type):** Two 600MW units (super-critical-pressure coal-fired Power Plant)  
**Total cost:** KRW 600 billion  
**Period:** 2008~2041 (33 years, including construction period)  
**Shareholder and Business Structure:** Joint venture BOO(Build, Own & Operate) of China and other countries  
**KOMIPO 10%**  
**Fuel used:** Bituminous coal

##### Construction and Operation Project of Paper Factory Generation Facility, Indonesia

**Client:** PT. EKN  
**Location:** Karawang region of West Java  
**Capacity (type):** 50MW (combined heat and power)  
**Total cost:** KRW 110 billion  
**Period:** 2007~2015 (3 years for construction, 5 years for operation)  
**Shareholder and Business Structure:** Paper factory, independent power generation (no shares)  
**Fuel used:** Bituminous coal

##### UAE Jebel Ali Power Plant Pilot Operation

**Client:** Hyundai Engineering and Construction Co., Ltd.  
 (Original client: Dubai Electricity and Water Authority)  
**Location:** UAE Jebel Ali Generation and Desalination Project L-2 phase  
**Capacity (type):** 1,200MW level (gas turbine combined-cycle equipment)  
**Project Type:** Technological support for pilot operation of generation facility  
**Dispatched Manpower:** 3 persons (machinery, electricity, control)

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## Technological Expertise Opens Up Overseas Market



Cirebon PPA Signing Ceremony



Cirebon Site



Russian Development Project MOU



Jebel Ali Independent Water and Power Plant (WPP)



Exchange Workers' Visit to Suralaya Power Plant



Third Overseas Business Workshop



Overseas Business Academy Completion Ceremony

On March 26, 2008, KOMIPO signed an MOU with a Russian company UMMC for the construction and operation of a coal-powered Power Plant in the state of Kemerovo. According to the terms of the MOU, KOMIPO and UMMC will finish a feasibility study by the end of 2008, establish a joint venture, and complete the construction of a 500MW Power Plant by 2013.

Since demand for electricity in Russia is growing rapidly and the MOU includes clauses dealing with thermal power generation projects and the joint development of power generation facilities, we can expect additional business opportunities to arise there. Since some of UMMC's affiliates own coalfields, the scope of our cooperation will gradually expand to include mineral resources development. KOMIPO anticipates that this project will yield fuel for power generation as well, thereby contributing to Korea's natural resources development strategy.

On April 11, 2008, KOMIPO signed MOAs with Indonesia for a construction and operation project for its Kalimantan coal-powered Power Plant and a construction and operation project for the Papua wood biomass power plant<sup>①</sup>.

### Laying a Foundation for Overseas Businesses and Exchanging Technology

KOMIPO carries out technical, social, and cultural exchanges to promote its overseas business interests. The company plays host to foreign government officials and technical experts, gives on-site tours, and promotes technology exchanges to encourage mutual understanding and develop cooperative relationships. The following table offers some examples of these sessions.

#### Overseas Business Exchange Visits

On-site Tours	<ul style="list-style-type: none"> <li>• On-site tour of EDL and Lebanon Power Plant</li> <li>• Kookmin University Vietnam AMP trainee invitation and on-site tour</li> <li>• On-site tour for Kazakhstani government figures</li> <li>• On-site tour for key Indonesian PLN figures</li> <li>• On-site tour for Russian government officials and UMMC executives</li> </ul>
Technology Exchanges	<ul style="list-style-type: none"> <li>• Staff exchanges with Indonesia Power</li> <li>• Technology exchanges with Taiwanese Formosa Malio Power Plant officials</li> </ul>
Building Internal Capabilities	<ul style="list-style-type: none"> <li>• Overseas business workshops</li> <li>• "Overseas Business Academy" to cultivate global talents</li> <li>• Guidebook to life in Indonesia</li> </ul>

<sup>①</sup> **Wood biomass power plant** Refers to a power plant that uses wood for fuel.



### Waste Resources Generating Energy: The Hyundai “Green Power” Project

KOMIPO was selected as a preferred bidder for the Hyundai “Green Power” project in August 2006. The project will generate power using waste gases emitted from the Hyundai Steel factory in Dangjin. KOMIPO and Hyundai Steel each invested 29% of the costs, and other investors, including the Korea Development Bank, contributed the remaining 42%. Total capacity will be 400MW (four 100MW units), and 75% of the required KRW 546.5 billion will come from project financing. This facility’s economic efficiency comes from its use of unused waste gases; once its construction is completed, it will help KOMIPO meet the demands of the UNFCCC, since it will earn the company additional CO<sub>2</sub> emission rights after its approval as a CDM business. Construction started in April 2008 and will end in 2010.

### CES Permission for Multi-Purpose City

This is a combined heat and power generation project to provide cooling and heating for the multi-purpose cities to be built in the Yeongi-gun area of Chungcheongnam-do and Gongju city. Two 500MW power plants will be built in phases at the south and north ends of the city and based on the saturation year, and they will be capable of generating up to 1,251Gcal/h of heat.

KOMIPO plans to complete the first phase—construction of the southern plant—by 2013, while the Korea District Heating Corporation will be in charge of building and operating the heat transmission pipes. To meet the needs of a “green” multi-purpose city hosting various governmental bodies, cutting-edge heat source equipment will be used in tandem with such new and renewable energy equipment as PV and RDF<sup>①</sup>. This is a large-scale government-run project that calls for KRW 1 trillion, 170 billion for capital expenditures. By participating in it, KOMIPO will secure additional revenue sources and diversify its profit structure.

### CES Supplier for Wonju Innovation City

In December 2007, the KOMIPO-Charmvit Won-ju Citigas consortium was selected as a supplier for the Wonju Innovation City CES project. The project is to supply electricity and cooling and heating for the Wonju Innovation City, located on a 3,603,000m<sup>2</sup> site in the Bangok-dong area. By 2012, a 63MW level combined heat and power plant and distribution and heat supply facility for direct electricity supply will be constructed. In particular, this business is part of a National Agenda for New and Renewable energy technology. Paired with a 10MW RDF combined heat and power plant promoted in Wonju-si by KOMIPO, 20% of the total heat demand will be generated by RDF. KOMIPO will maximize the added value of new & renewable energy technology and build a resource-recycling energy city in Wonju.

① RDF (Refuse-Derived Fuel) A solid fuel produced by shredding municipal solid waste (MSW), such as steel, glass, and drying moisture.

Always Brightening the Future

## Unique Ideas Creating New Businesses at Home



Aerial View of Hyundai “Green Power”



Groundbreaking at Hyundai “Green Power”



Aerial View of a Power Plant in the Multi-Purpose City



Aerial view of Wonju Innovation City



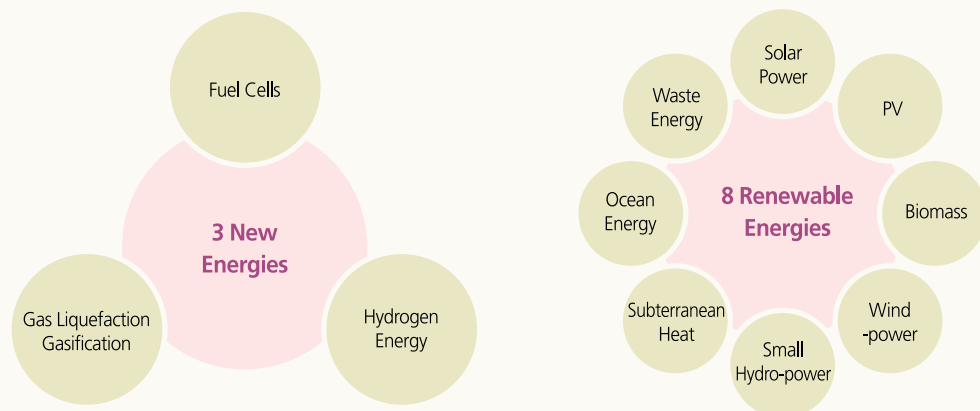
## New & Renewable Energy will Determine Future Competitiveness



Boryeong PR Office

### What is New and Renewable Energy?

New and renewable energy is classified into solar energy, biomass, wind power, small hydro power, fuel cells, the liquefaction and gasification of coal, ocean energy, waste energy, and others. It can also refer to a mixed liquid fuel composed of geothermal energy, hydrogen, and coal materials. However, in the widest sense, it means an energy source that replaces petroleum. Korea has designated 11 new and renewable energy sources, as shown in the list below.



### Developing 733.8MW of New and Renewable Energy by 2014

	Yangyang Small Hydro-Power Plant	<b>1.4MW</b> (0.7MW×2units)	This facility was built in August 2005. Construction began in September 2004, at a total cost of KRW 2.1 billion.
	Yangyang Wind-Power Plant	<b>3MW</b> (1.5MW×2units)	This plant was built in June 2006 at an upper dam of the Yangyang Pumped-Storage Power Plant. Construction started in June 2005 and cost KRW 5.3 billion. It produces 7.1 million KWh of electricity annually and is expected to post annual revenues of KRW 760 million.
	Gangwon Wind-Park Project	<b>98MW</b> (2MW×49units)	In February 2005, KOMIPO made an equity participation in the Gangwon Wind Power Co., Ltd., a company founded to construct and operate a large-scale wind-power generation complex located at the Samyang Farm and Hanil Farm sites in Hoenggye-ri, Doam-myeon, Pyeongchang-gun, and Gangwon-do. The total cost is expected to be KRW 160.4 billion, and KOMIPO's rate of participation is 15%, or KRW 5.679 billion. Construction began in April 2005 and is scheduled to end in October 2006. As of 2007, the power plant had registered a net profit of KRW 7.5 billion. The project is registered as a CDM and is therefore expected to reduce 150,000 tons of greenhouse gas emissions annually.
	PV Power Generation at Idle Sites	<b>9MW</b>	KOMIPO has established PV systems at such idle sites as the parking lots and rooftops of the Boryeong Thermal Power Site Division, Incheon Thermal Power Site Division, Seochon Thermal Power Plant, and Jeju Thermal Power Plant. As of March 2008, these facilities had a total capacity of 655kW. KOMIPO is committed to developing new and renewable energy sources to alleviate global warming and reduce the volume of greenhouse gases. The company has become a leader in the field of new and renewable energy technology by building such facilities as the Seoul PV power plant (2.5MW) at the Seoul waste-water treatment center, the combined Seochon theme park/PV power plant (1.2MW), three PV power plants in Jeollanam-do (at Yeonggwang, Hampyeong, and Gangjin) (3.0MW), and a PV power plant at Gunjang Power Plant (1.3MW). With a total capacity of 8MW, construction is slated for completion by 2008.



### New and Renewable Energy Business Promotion Plan

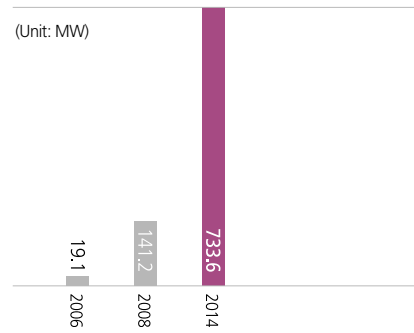
New and renewable energy is energy that is never depleted. While current energy sources are limited and focused on specific regions, new and renewable energy is available to anyone prepared to undertake R&D.

KOMIPO signed a “New and Renewable Energy Supply Agreement” with the central government to develop 141.2MW of new and renewable energy by 2008, and developed a mid- to long-term plan to secure 733.8MW by 2014. The company is currently pursuing a number of large-scale ocean energy developments, including tidal current generation and tidal power generation.

PR offices will be set up at the Boryeong Thermal Power Site Division and the Yangyang Pumped-Storage Power Plant. These will enable people to see the past, present, and future of KOMIPO at a glance. Illustrations of new and renewable energy facilities at these sites will provide visitors with an opportunity to understand the necessity of discovering new and renewable energy sources.

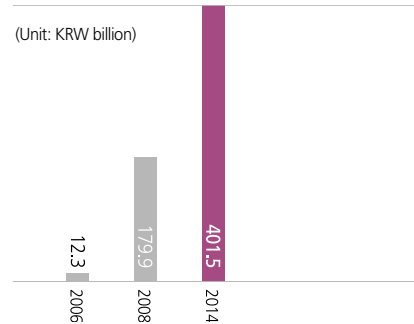
### New and Renewable Energy Facility Capacity

(Unit: MW)



### New and Renewable Energy Investments

(Unit: KRW billion)



**Boryeong  
Small Hydro-Power  
Plant**

**7.5MW**

The Boryeong Thermal Power Site Division is currently constructing a small sea-water-based power facility that generates electricity from salt water emitted from the plant after being used for cooling. The project will cost KRW 20.6 billion. Once the construction of Steam Units 1 to 8 is completed, the facility's total annual power capacity will reach 28.58 million KWh.



**Ganghwa  
Tidal Power Plant**

**812.8MW**

KOMIPO signed an MOU for the construction of the world's largest tidal-power plant. The total cost will be KRW 2 trillion, 137.1 billion, with 1,536GWh of electricity being produced every year. This will create an annual bituminous coal replacement effect of KRW 35.7 billion and reduce the volume of greenhouse gases significantly.



**Wando  
Tidal-Current Power  
Plant**

**300MW**

KOMIPO is also promoting the construction of a 300MW Tidal-Current Power Plant at Hoenggan Sudo, Wando-gun, Jeollanam-do. It is expected to produce 788.4GWh of electricity a year.



**RDF Power  
Generation**

**10MWe  
RDF**

KOMIPO is also studying RDF (Refuse Derived Fuel) facilities, which use wastes commonly found in urban areas as fuel. In 2007, the Ministry of Commerce, Industry, and Energy approved a research project called “Research into 10MWe RDF Combined Heat and Power Generation,” and a commercially-viable RDF power plant will be constructed in 2011.



**Hydro Fuel Cell  
and Wind Power  
Generation**

The company is also involved in a hydrogen fuel cell project, with construction at the Boryeong PR office and the Gunjang power plant set to start in 2008. In addition, resource investigations and planning are being undertaken for wind-power generation facilities, including a 20MW plant at Yanggu, Gangwon-do, a 40MW plant at Deokcheon, Jeju-do, and a 60MW wind power plant and 200MW offshore wind power plant at Yeonggwang, Jeollanam-do.

# Always Sharing Happiness



Part 2 \_ Social Achievements





# KOMIPO Plants the Seed of Hope

**Efforts to Create 'a Better World'** | Harmonizing workplace, cooperative relations that help mutual development and sharing that comes from warm hearts... These are all part of KOMIPO's efforts to create a better world. KOMIPO will always listen to the hopes and help realize precious dreams.



# Methods for 'Building a Better World'

## Disclosure Management Approach

### KOMIPO's Sustainability Status Defined through Materiality Test

KOMIPO has identified key issues of interest to local communities and its employees and affiliates through the use of an IPS materiality test. Employees were concerned about human resources development and training, work safety, and discrimination, while affiliates cared about SME supports and transparent management and local communities focused on the relocation of the company's HQ and its social contribution activities. The test also determined the relative priorities to be attached to each issue. The proper implementation levels of the company's social responsibilities were then identified by carrying out a strength, weakness, opportunity and threat (SWOT) analysis.

Stakeholder Interest Priorities, as Per Materiality Test Results



### Possibilities for Sustainability at KOMIPO

<b>S</b> Strength	<ul style="list-style-type: none"> <li>Achieved Safety Zone Certification and error-free status at all sites</li> <li>Reached dispute-free voluntary wage agreement in 2007</li> <li>High degree of internal customer satisfaction (92 points)</li> <li>High levels of operational experience and capabilities</li> <li>High degree of ethics awareness (9.69 points in overall integrity rating)</li> <li>Strong ethics management through three-step monitoring process</li> <li>Introduction of CSM and ISO 26000</li> <li>Joined UN Global Compact</li> <li>Improved SME entry barriers and provided SMEs with IT, marketing, technology, and capital support</li> <li>Commitment to purchasing SME products company-wide</li> <li>"Free from Atopy" campaign</li> </ul>	<b>W</b> Weakness	<ul style="list-style-type: none"> <li>Aging facilities (average 16 years)</li> <li>Stifling, cumbersome, and bureaucratic organizational culture</li> <li>Increased expectation on service for internal works</li> <li>Low human resource capabilities due to many new hires</li> <li>Low corporate awareness on part of public and in other countries</li> <li>Insufficient PR activities and lack of expertise due to small number of direct customer contact points</li> <li>Low purchase levels of new and excellent products (NEP)</li> <li>Insufficient social contribution and personal performance management</li> <li>Low rate of participation by shift workers in social contribution activities</li> <li>Inability of social contribution activities to help employees interact</li> </ul>
<b>O</b> Opportunity	<ul style="list-style-type: none"> <li>Stable labor-management environment</li> <li>Changed labor environment due to passage of new labor relations law</li> <li>Increased desire for self-development training and education due to business diversification</li> <li>High interest of country, society, and people in distribution of wealth and cultural activities</li> </ul>	<b>T</b> Threat	<ul style="list-style-type: none"> <li>Weakened group spirit due to increased importance of quality of life</li> <li>Increased awareness of corporate social responsibilities</li> <li>Stodgy and monopolistic government enterprise</li> <li>Deteriorating power plant construction conditions</li> <li>Difficulties in financing social contribution activities</li> <li>Difficulties in differentiation activities due to sharing similar corporate structure with other GENCOs</li> <li>Assistance to neighboring areas, such as Electric Power Industry Fund, mostly tied to educational projects</li> </ul>



# Social Performance at KOMIPO

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## Achievements and Plans to Create Greater Social Values

### Efforts for Employees

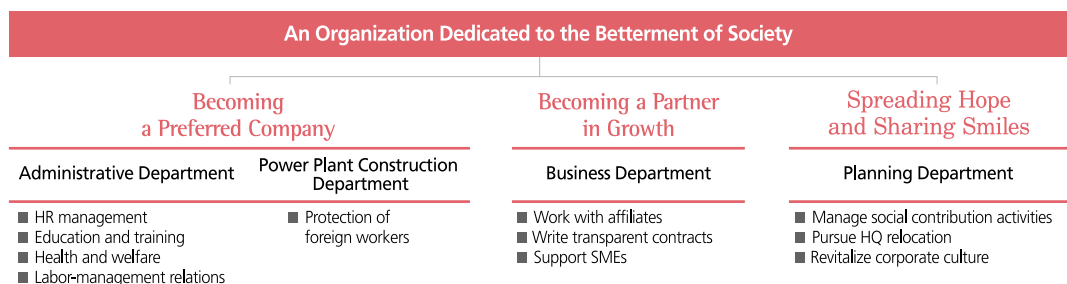
Enterprises need to create brands and identities. The concept of life-long employment is fast fading, so companies need optimal employment supports and recruitment conditions to attract and keep high-quality human resources. Since their quality of life and a proper balance between work and life are becoming increasingly important to workers, such issues as family-friendly management and maternity rights have become key determinants of where they will seek employment. KOMIPO is working hard to become a preferred and respected company as one means of securing talented human resources and improving its corporate image. As a result, the company is paying increased attention to such matters as employee benefit policies, stable recruitment conditions, the nurturing of female employees, and family-friendly management. At KOMIPO, employees share a spirit of challenge, creativity, and cooperation.

### Efforts for Affiliates

Affiliates are partners in achieving the company's overall vision of creating a sustainable society, thereby helping KOMIPO to grow and prosper. Partnering with some 2,000 domestic and overseas companies, KOMIPO is committed to economical and efficient working relationships, the highest possible level of customer satisfaction, and the development of mutually-advantageous SME supports. To make its contracts more transparent, the company is changing to electronic bidding and altering its long-standing practices and systems to reflect the customers' point of view. It is also pursuing mutual growth with SMEs by working with them to discover new market channels and providing such financial resources as "win-win" loans.

### Efforts for Local Communities

As the economy develops and societies mature, businesses are becoming increasingly responsible for sharing their wealth with the public, making social contribution activities of seminal importance to KOMIPO's sustainability. The company shows its commitment to its neighbors through financial supports and voluntary services.



## INTERVIEW

Choi, Yeol,  
Korea Green  
Foundation  
president

(Conducted May 29, 2008)

### Proposals for Creating Greater Social Values

KOMIPO's local community support events, such as the Concert of Love, New Year's concerts, and a mud festival are very desirable and helpful to local residents. However, in the interest of more continuous and effective social contribution activities, the company needs to focus on a more specialized program. From this point of view, KOMIPO's decision to support children suffering from atopy is both meaningful and timely. From 2007, in tandem with the Korea Green Foundation, KOMIPO will provide support to young atopy sufferers from low-income families.

The company should also strike a committee of concerned external stakeholders to guarantee more effective sustainability management efforts, since its internal members may not always be good at identifying issues. Regular meetings with the committee to gather ideas and evaluate achievements will further improve the company's social contribution performance.

### Efforts to Create 'a Better World'

KOMIPO has spent a great deal of time and effort considering the question of how best to fulfill its responsibilities as a caring and concerned corporate citizen. The answer it came up with was atopy, a disease that only occurs in advanced countries. In order to more correctly identify the needs of all its stakeholders, KOMIPO will strengthen the Future Growth Committee (composed of both inside and outside stakeholders) and form such new bodies as a Sustainable Management Committee.

## Efforts for Employees

Mission \_ **Becoming a Preferred Company**Social achievements ▶ **Nurturing Human Resources**

Always Sharing Happiness

**Model Workers  
and Employee  
Spirit****Model Workers**

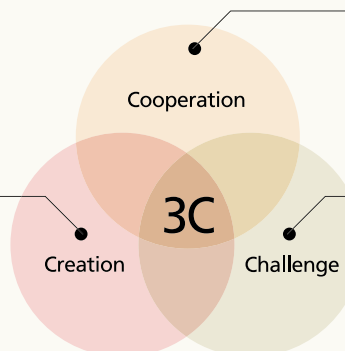
KOMIPO is committed to cultivating professionals who can add to the value of the organization. This means people who can adapt to new management environments and changing paradigms, such as engaging in exchanges and collaboration within the organization, working to expand new business areas, and meeting the challenge of fierce global competition. A model employee at KOMIPO is someone who wants to be the best in his or her field and possesses the ability to provide leadership in the industry. It is also someone who is capable of future-oriented thinking and is devoted to making the company synonymous with service, responsibility, and reliability. KOMIPO is always on the lookout for people who thrive on challenge and believe in creativity and cooperation. Such employees will be committed to adding to the company's value and helping it achieve its vision of becoming a globally-respected, "clean" power company.

## KOMIPO's Model Employees

Aim of Talent Cultivation	'Excellent Value Creator' A professional Who Creates Added Values for the Organization		
	Model Employee	<ul style="list-style-type: none"> <li>A person who builds a "win-win culture" through trust and collaboration</li> <li>A person who opens up the future with passion and expertise</li> <li>A person who believes in change and innovation</li> </ul>	
			
Talent Cultivation Strategy	Contribute to organization by meeting HR development targets		
Strategy Goals	Develop specialists in all areas	Develop leaders	Contribute to building organizational culture
	<ul style="list-style-type: none"> <li>Develop specialists in all areas who can thrive in a performance-based management system</li> </ul>	<ul style="list-style-type: none"> <li>Develop people who will lead KOMIPO in the long run</li> </ul>	<ul style="list-style-type: none"> <li>Share common values; have ability to contribute to creation of new corporate culture</li> </ul>

**Employee Spirit**

Creativity is the root of value creation in a 21<sup>st</sup> century, knowledge-based society. All employees should seek out novel ideas, uncover problems, make improvements, and be innovative thinkers



Become a trusted partner who can understand other people's viewpoints and achieve joint objectives by concentrating energies on one goal

In order to eliminate uncertainties and create the future we want, employees should have a challenging and fearless spirit and an unyielding will



## Employee Education

KOMIPO has established a strategic human resource development system to help it meet the challenges of globalization and achieve its long-term visions. Different types of training are offered, based primarily on an employee's rank and work duties. The goal is to increase an employee's capabilities as much as possible by providing education and training that matches the company's needs and the worker's personal preferences.

In order to encourage voluntary participation from its employees, KOMIPO has established an autonomous learning environment. Workers who wish to enter the core talent program, go to graduate school, or apply for overseas education are screened according to their qualifications, so that the best opportunities go to those who work the hardest. Since educational results are also reflected in personnel evaluations and organizational evaluations, they are also linked to an employee's job performance.

KOMIPO encourages self-development by compensating workers for certificate acquisitions and other learning. By offering cyber-education courses in such subjects as reading, change management, leadership, ethics management, and labor relations, the company helps its employees to study the things that they want and need to know, thereby enhancing their on-the-job capabilities.

The company's education costs for 2005, 2006, and 2007 were KRW 3.82 billion, KRW 4.01 billion, KRW 4.81 billion, respectfully, representing 0.17%, 0.16%, and 0.17% of its revenues. The following table shows the educational and training structure by rank and job.

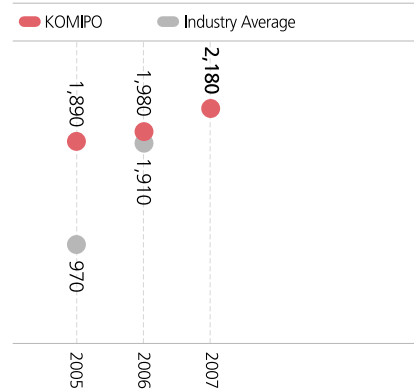
### Education by Rank

Category	Lectures		Domestic / Overseas Education					Environmental Education	
Executive	-		AMP / Graduate School					-	
Level 1	Management Strategy	Organizational Culture · education · Languages · Other Courses	Next-Generation CEO	Domestic / overseas Management	AMP	Domestic · Overseas MA / PhD	Domestic / Overseas Professional Institutions	Direction / Management / Supervision	Internal-External Cyber-Education
Level 2	Management Strategy								
Level 3	Middle Manager				Overseas EMA				
	Leadership Development								
Level 4	New Middle Manager								
	Junior Manager								
	Work Ability Development								
Level 6	New Junior Manager								
	Work Education								
Level 6	New Employee								
	Functional Improvements								
Technical	Functional Improvements								
Special	Functional Improvements								

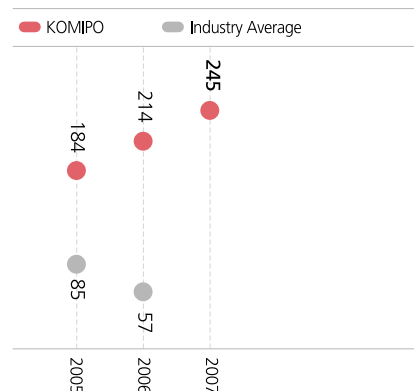
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## Building Employee Capabilities

Education and Training Expenses, per Person (Unit: KRW 1,000)



Education and Training Hours, per Person (Unit: hour)



※ 2007 Manufacturing industry average survey (undecided)

## Education by Profession

Category	Classification						
	Strategic Planning	Construction	Power Generation Operations	Generation Support	Generation Maintenance	Sales	Management Support
Work Skills Improvements	<ul style="list-style-type: none"> <li>Operations</li> <li>Maintenance</li> <li>Environment Chemicals</li> <li>Financial Management</li> </ul>	<ul style="list-style-type: none"> <li>Korea Construction Engineers Association</li> <li>Korean Society of Civil Engineers</li> <li>Practical Civil Engineering and Construction</li> <li>Understanding Power Generation</li> </ul>	<ul style="list-style-type: none"> <li>Operations</li> <li>Maintenance</li> <li>Power Generation Basics</li> <li>Outside Seminars</li> </ul>	<ul style="list-style-type: none"> <li>Operations</li> <li>Maintenance</li> <li>Environment Chemicals</li> <li>Outside Seminars</li> </ul>	<ul style="list-style-type: none"> <li>Operations</li> <li>Maintenance</li> <li>Power Generation Basics</li> <li>Outside Seminars</li> </ul>	<ul style="list-style-type: none"> <li>Understanding Power Generation</li> <li>Effective Practical Transactions</li> <li>Practical Electricity Systems</li> </ul>	<ul style="list-style-type: none"> <li>Improving Legal Skills</li> <li>Financial Management</li> <li>Audit Management</li> <li>Personnel Management</li> <li>Other</li> </ul>
	Quality Education Classes (middle/junior Manager Quality Management Class, Quality Improvement Class, Etc.)					Generation Cost Management	
Capability Development	<ul style="list-style-type: none"> <li>Strategic Management</li> <li>Problem-solving</li> <li>Planning Improvements</li> <li>R&amp;D Technology Management</li> </ul>	Power Generation Basics / Understanding Power Generation				<ul style="list-style-type: none"> <li>Negotiating Skills</li> <li>Generation Cost Management</li> <li>Problem-solving</li> <li>Customer Service Skills</li> </ul>	<ul style="list-style-type: none"> <li>Presentation Skills</li> <li>Conflict Management</li> <li>Problem-solving</li> <li>Planning Improvements</li> </ul>
		Project Management	Streamlining Process Management				
Key Capabilities	<ul style="list-style-type: none"> <li>Strategic Planning</li> <li>Data-gathering and Analysis</li> <li>Business Forecasting</li> <li>Foreign Languages</li> </ul>	<ul style="list-style-type: none"> <li>Project Management</li> <li>Sub-contract Management</li> <li>process/Facility Knowledge</li> <li>Legal Understanding</li> </ul>	<ul style="list-style-type: none"> <li>Process /Facility Knowledge</li> <li>Situation-handling Capabilities</li> <li>Sub-contract Management</li> <li>Environmental /Safety Management</li> </ul>	<ul style="list-style-type: none"> <li>Process/Facility Knowledge</li> <li>Relationship Building</li> <li>problem-solving</li> <li>Data Gathering and Analysis</li> </ul>	<ul style="list-style-type: none"> <li>Process/Facility Knowledge</li> <li>Problem-solving</li> <li>Situation-handling Capabilities</li> <li>Cost Management</li> </ul>	<ul style="list-style-type: none"> <li>Coefficient Management</li> <li>Business Forecasting</li> <li>Situation-handling Capability</li> <li>Decision-making</li> </ul>	<ul style="list-style-type: none"> <li>Relationship Building</li> <li>Data Gathering and Analyses</li> <li>Establishing Systems and Policies</li> <li>Understanding Organizations</li> </ul>

## Cultivating Global leaders

KOMIPO is currently assisting twelve people with their mid- to long-term education goals in Korea and overseas as part of its program for cultivating core talents and future global leaders. Seven are in Seoul National University's management program, two are in an overseas management program, another two are doing MA studies in Public Enterprise Management, and the other one is doing an overseas MBA.

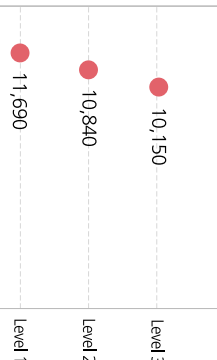
## 2007 Mid- to Long-term Education Courses

Course Name	Education Period	Persons	Note
Advanced Management Program for Public Corporations (Seoul National University Business School)	'07. 3 ~ '08. 1	2	Technology 2
Advanced Management Program for KEPCO (Seoul National University Business School)		5	Power Generation 5, Civil Engineering and Building 1
Overseas management program		2	Power Generation 1, Office 1
MBA in Utilities Management	'05. 7 ~ '07. 5	2	Power Generation 2
Overseas MBA		1	Office 1

## Performance Evaluations, Capability-Based Compensation, and Personnel Management

KOMIPO is continuously improving its wage structure and performance evaluation system. In particular, on key performance indicators, KOMIPO introduced departmental and office 'Internal Evaluation Management System,' and on 23 key operations it holds 'Performance Measurement Committee' on department, team and individual level. A new non-financial performance measurement standard was prepared to stress the value of ideas. For fair and objective evaluation, employee on-line evaluation system was introduced and feedback on internal evaluation results from team and individuals is strengthened. Promotion privilege and maximum prize money of KRW 100 million are prepared for excelling employees and from 0% up to 200% differentiated incentive bonus is provided. In 2007 total KRW 120 million prize money, promotion privilege points and bonus was given out to 1,350 persons including eleven winners of the originality award and eleven winners of the distinguished service award.

Maximum Differences in Incentive Compensation (Unit: KRW 1,000)





## Social Achievements ▶ Becoming a Respected Workplace

### Employee Hiring

KOMIPO is building a work environment based on trust, cooperation, and respect. It currently has 2,199 persons on its payroll, up 4.5% from the previous year, while its turnover rate is only 0.4% (excluding workers who leave voluntarily). Its ratios of female, physically-challenged, locally-based, and non-urban workers are all higher than legally-mandated requirements—positive proof of its commitment to employment equity.

Classification	2003	2004	2005	2006	2007
Number of Employees (persons)	1,912	1,991	2,027	2,105	2,199
Job Creation (%) <sup>①</sup>	1.6	4.1	1.8	3.8	4.5
Average Years of Service (years) <sup>②</sup>	15.8	15.8	16.1	15.6	15.7
Turnover Rate (%) <sup>③</sup>	0.4	1.1	0.5	0.6	0.4
Average Salary/person (KRW 1 million)	Male	54.0	58.2	64.5	63.5
	Female <sup>④</sup>	29.4	31.3	36.6	33.3
	New Hires	26.7	28.6	29.2	29.8
	All Employees	53.4	58.5	62.7	61.3
Females (persons) <sup>⑤</sup>	92 (4.8%)	106 (5.3%)	114 (5.6%)	137 (6.5%)	152 (6.9%)
Physically-challenged (persons) <sup>⑥</sup>	35 (2.5%)	41 (2.8%)	42 (2.7%)	47 (3.0%)	47 (2.2%)
New Hires (persons)	52	117	72	186	108

① Refers to increase in number of employees the previous year

② Includes years of service at KEPCO

③ Refers to voluntary leavings (except retirements and disciplinary discharges)

④ The average salary for female workers is lower because many of them are special workers and/or recent hires.  
The company has a universal salary structure.

⑤ Few female workers apply, since the positions involve facility maintenance and operations (i.e., shift-work).

⑥ Formula for mandatory employment of the physically-challenged = current number of employees- exception ratio x 2%

### Gender Equality

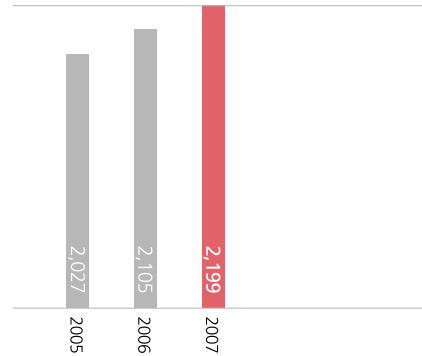
KOMIPO provides equal opportunities for males and females and does not discriminate on the basis of education or age. The company's female employment targeting system encourages the advancement of women workers. As of the end of 2007, KOMIPO had 150 female employees, representing 6.9% of its total workforce. 78 of the 559 new employees hired after the founding of the company are female (13.9%), and that figure is increasing every year. In addition, KOMIPO tries to place women employees at work locations that they prefer.

The company is committed to holding "women's days." We will try to have meaningful Women's day event, introduce female target system to various education programs, expand female welfare facilities, etc. to encourage female workers.

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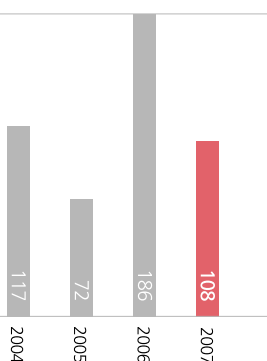
## Social Equity

Number of Employees (Unit: Persons)





Annual New Hires (Unit: persons)



#### ① Beneficiary of vocational assistance

According to Article 4 of the Act on the Honorable Treatment and Support of Persons, etc. of Distinguished Services to the State, martyrs, patriots, disabled veterans and servicemen injured while on duty, government employees injured in the line of duty, and people who have made outstanding contributions to the nation can be targets of vocational assistance.

### Increasing Employment Opportunities for the Physically Challenged

2.2 % of KOMIPO's employees are physically-challenged--2% higher than the statutory requirement. The company plans to reach the 3% level by 2010. KOMIPO's equitable personnel management regulations eliminate hiring disadvantages and discrimination and help disadvantaged workers find positions of interest to them. In addition, the company's training programs help them become expert power generation workers. To improve employee satisfaction, KOMIPO has also installed special facilities for the physically challenged.

As of the end of 2007, KOMIPO was employing 47 physically-challenged people, 4 more than required figure by law. We always hire 1~2 persons recommended by the Korea Employment Promotion Agency for the Disabled. After they join the company, we support them in finding jobs suited to their abilities and assist them in accessing training and promotions. In the future, we will even consider them first for hiring.

### Helping to Lower the Unemployment Rates

Since its founding in April 2001, KOMIPO has hired a total of 559 employees through eight rounds of public recruitment. In order to guarantee fair and equitable employment opportunities, the company does not discriminate on the basis of academic background, major, or age. In addition, it has opened its doors to talented applicants by increasing its acceptance ratio. However, it does add additional points for residents who live near its facilities as part of its goal to employ people from nonurban areas. About 67% of its employees are graduates of rural academic institutions.

Because most of its employees' duties take place at its generation facilities, 74% of KOMIPO's workers have a background in science and engineering. As a result, the company has introduced a system of employment specializations in two job groupings, allowing employees with expertise in these disciplines to be fast-tracked to management and other key positions. They are also prime candidates for overseas training and educational programs.

Annual New Hires

(Unit: Persons)

Year	Number employed	Science and engineering		Local colleges		Females	
2004	117	102	87.2%	85	72.6%	15	12.8%
2005	72	59	81.9%	46	63.9%	11	15.3%
2006	186	170	91.4%	98	52.7%	32	17.2%
2007	108	96	88.9%	72	66.7%	12	11.1%
Total	483	427	88.4%	301	62.3%	70	14.5%

### Hiring Beneficiary of Vocational Assistance<sup>①</sup>

As of the end of 2007, KOMIPO had 202 vocational assistance recipients on its payroll, exceeding the legally-required level of 9%. Seventy-nine had been admitted with additional points or through special recruitment by employment orders through eight rounds of public employment. Although KOMIPO has already met the legally-mandated target for hiring vocational assistance recipients, it has agreed to increase the number it will hire.



### Supporting Motherhood

Because of Korea's low birthrate and aging society, KOMIPO offers a broad range of supports to women who are pregnant or already have children. For example, the company includes reduced workloads for pregnant women in its regulations, and a health room has been set up for nursing mothers and other female employees in the HQ building. The company also runs in-house day-care centers so that female workers can focus on their jobs without needing to worry about their children.

### Protecting Foreign Workers

In 2006, KOMIPO became the first Korean government enterprise to promulgate a Foreign Worker Protection Guideline to protect foreign workers. It covers working conditions, health, and human rights, so that foreign workers can receive proper protections and work in a better environment. In partnership with the Korean Human Rights Commission, the company offers training in human rights issues to advance this worthwhile cause.

### Protecting Irregular Workers

KOMIPO currently employs four drivers from a manpower agency, whose contracts will last for two years. The company provides them with equal pay and work environments so that they can enjoy stable employment. It has also developed an Irregular Worker Management Guideline to rationalize its hiring procedures and employment conditions for irregular workers.

### Prohibiting Forced and Child Labor

KOMIPO observes the Korean Labor Standards Act, ILO Agreement NO.105 (Abolition of Forced Labor), and the Labor Standards principles of the UN Global Compact. There have been no cases of forced or child labor or human rights violations since the company's inception.

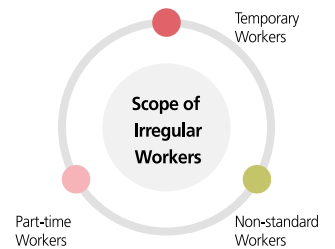
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## Human Rights Protection



True Love Daycare Center Opening Ceremony

Economic and Social Development Commission's Agreed Standard on Irregular Workers



**Temporary workers:** Workers with fixed-term contracts

**Part-time workers:** Workers with short working times

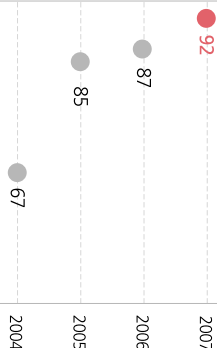
**Non-standard workers:** Temporary agency workers, workers of service outsourcing companies, etc.

※ In its regulations concerning public sector irregular workers, the central government categorized temporary workers as non-fixed term workers, fixed-term workers with 1-year or longer contracts, and fixed-term workers with 1-year or shorter contracts

※ Since KOMIPO's special workers enjoy the same working conditions as regular ones, they are considered to be regular workers. (Ministry of Labor)

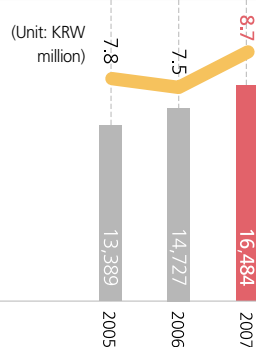
## Balancing Work and Life

Employee Satisfaction with Benefits Program (Unit: %)



Benefits Program Cost

● Benefits Cost Per Head  
● Total Benefits Cost



### Employee Benefits Policy

In 2006, KOMIPO established a “2010 mid- to long-term comprehensive employee benefits package” to achieve a better balance between life and work. It also operates a union-management cooperation council and an in-house employee benefits council to take employee needs and opinions into account. As a result of programs that facilitate its workers’ self-development, leisure, health, housing, and their children’s education, KOMIPO boasts a 92% satisfaction rate with its programs for employees.

#### 2012 Mid- to Long-term Comprehensive Employee Benefits Package

##### Establish Employee Benefits System That Balances Work And Life

##### Offer Optional Employee Benefits System

- Adopt employee benefits card system for added convenience
- Diversify optional benefits
- Continually increase benefits points

##### Identify Employee Needs

- Implement regular satisfaction survey
- Collect employee opinions at lunch meetings and other venues
- Reflect workers' needs in employment benefits system

##### Continually Improve Employee Benefits System

- Benchmark model cases
- Establish 2012 mid- to long-term employee benefits plan
- Improve productivity by satisfying employees

### Providing Employee Benefits Programs

KOMIPO offers its workers a variety of employment benefits programs and a benefits point system to accommodate personal needs. The point system allows employees to select their own benefits; points are then charged to the benefits welfare card, resulting in greater convenience for the user.

In addition to the four legally-required 4 insurances, dispensary, cafeteria in company and company house, disaster relief fund, etc. are included. For children’s education, education fund is supported, and in particular for rural office employees whose children go to colleges, KOMIPO runs dormitories for employees’ children. In summer, recreation facilities and fitness room is used to strengthen employee health and mind and to recharge their energy. In addition, for residential stability KOMIPO offers company house, single’s house, housing allowance and living stability fund loan. Also the company provided three-party loans that came from a group formed by a financial institution, a guarantee insurance company, and KOMIPO.

KOMIPO’s 2007 per-capita employee benefits costs were about KRW 8.73 million. Employee Welfare Fund, established in December 2001, stood at KRW 48 billion as of the end of 2007, costing KRW 3.7 billion annually for such programs as academic support, congratulations and condolences, disaster relief, and so on.

#### Employee Benefits Programs

Children's Education	Run dormitory for employees' children, and support kindergarten, elementary, junior high, high school, and college expenses
Work Support	Subscribe to group insurance, operate disaster relief fund, run cafeterias at company and in company housing
Self-development	Support language training and certificate acquisitions
Leisure	Run training institute, summer leisure facility, employee benefits facility, support clubs
Health	Offer medical checkups, physical checkups, and run dispensaries
Housing	Housing loan fund, company housing, single housing



## Social Achievements ▶ Establishment of an Advanced Labor Culture Based on Trust and Mutual Respect

### Labor Union Status

The Korean Power Plant Industry Union consists of workers at five power generation companies and power plants located on islands. It has a headquarters in Seoul, thirty-eight local offices, and two special offices. As of May 2008, 1,529 persons (68% of the employees at KOMIPO) were members. The KOMIPO labor union has seven offices (at the Seoul HQ and in Boryeong, Incheon, Seoul, Seochon, Yangyang, and Jeju) and has adopted a closed-shop system, meaning that all employees must become members upon joining the company.

### Strategy to Develop an Advanced Labor Culture

To help develop a labor-management culture that is based on trust and mutual respect, KOMIPO established an “advanced labor-management culture 2315 project” and defined the main characteristics of a healthy and progressive labor-management culture: partnership, productivity, and innovation. After analyzing its labor-management environment and corporate management strategies, KOMIPO designated twenty-three tasks for improving the following areas: labor-management relations and culture, the employee benefits system, and social responsibilities.

To facilitate the development of the project, KOMIPO laid out a roadmap with three phases: initiation, maturity, and co-existence. Three rounds of labor-management relations diagnosis and feedback-gathering took place in 2007 to further the implementation of these strategies. In November 2004, as part of the first phase, KOMIPO carried out consultations to construct a high-performance worksite, and a joint affection/trust/obligations/mutuality (ATOM) campaign commenced as a result. The second phase, started in December 2006, suggested leadership improvements among managers to enhance member satisfaction, and a series of leadership-building programs facilitated by outside experts were offered. The third phase took place in November 2007.

As times change, views on labor-management relations must change as well. In order to keep up with new trends in the field, KOMIPO will analyze changing ideas on labor-management relations, make efforts to increase its expertise in the field, and search for ways to improve its labor-management relations even more. This will help the company detect problems in advance and implement follow-up measures promptly.

#### “Advanced labor-management Culture 2315” Project

#### Develop a labor-management Culture Based on Trust and Mutual Respect

Develop a labor-management Culture Based on Trust and Mutual Respect			
<div> <div>Labor-management Culture Based on Partnership (Jointly promote concept of “Global Clean Power”)</div> <div>Labor-management Culture Based on Productivity (Increase capabilities and establish a performance-based compensation structure)</div> <div>Labor-management Culture Based on Innovation (Improve workplaces and develop more knowledgeable workers)</div> </div>			
Labor-Management Relations (6 tasks)	Labor-Management Culture (9 tasks)	Employee Benefits System (6 tasks)	Social Responsibilities (2 tasks)
<ul style="list-style-type: none"> <li>Revitalize joint labor-management bodies</li> <li>Examine labor-management relations on a regular basis</li> <li>Promote labor-management cooperation</li> </ul>	<ul style="list-style-type: none"> <li>Continuously expand Open Book management</li> <li>Develop happy and healthy working environment</li> <li>Support better balance between work and life</li> </ul>	<ul style="list-style-type: none"> <li>Expand health-care benefits system</li> <li>Improve company housing and loans system</li> <li>Support leisure activities</li> </ul>	<ul style="list-style-type: none"> <li>Practice labor-management social contribution activities</li> <li>Implement government-mandated labor policies</li> </ul>

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## For an Advanced Labor Culture

### Labor-Management Relations Roadmap

#### Co-existence Phase 2012~2015

- Develop future-oriented labor-management programs
- Establish advanced employee benefits system
- Create organizational culture based on challenges and opportunities

#### Maturity Phase 2009~2011

- Developed expertise in labor-management relations
- Expanded work-life balance program
- Created conflict-free labor-management culture

#### Take-off Phase 2006~2008

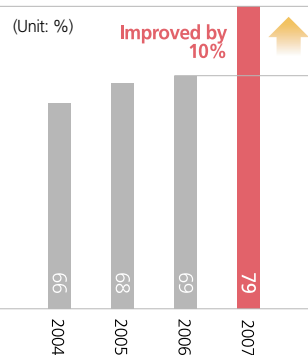
- Established labor-management relationship based on rules and principles
- Established performance-based compensation system
- Developed management innovation system

#### Conflict Phase 2001~2005

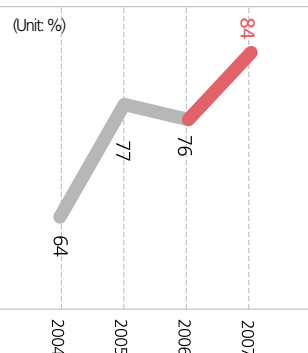
- KOMIPO/labor union relationship will be determined by restructuring of Korean power industry
- A culture that focuses on gaining power to the detriment of others and appeals to people's baser emotions
- Efforts to normalize labor-management relations
- Achieved managerial improvements through joint labor-management efforts

## Moving from Confrontation to Cooperation

Union-Management Cooperation Council Consensus Trend



Ombudsman Committee Process Rate Trend



### Efforts to Strengthen Expertise in Labor Relations

As times change, views on labor-management relations must also change. In order to cultivate human resources who have an expert knowledge of labor-management relations and can make relevant and desirable improvements, KOMIPO has established a “win-win labor education roadmap.” In 2007, to strengthen related organizations and enhance their expertise in this area, the company established labor teams at its various power plants and supported seven workers and two union leaders in acquiring certification as labor consultants. To nurture next-generation experts, eight persons from both labor and management participated in a “labor-management relations leadership program” at the Korea Labor Institute. The “win-win labor education roadmap” consists of the following programs:

Target	Program	No. of People
Management	• Discuss current issues	Once/month
	• Publish study materials prepared by Certified Public Labor Attorney (HQ, Boryeong, Yangyang), host joint strategy meetings	1 time
	• Participate in labor policy sessions and attend lectures by outside experts	10 times
Managers and Union leaders	• Training by outside experts (158), leadership enhancement training (350), labor law training (23)	Total 531 persons
	• Host joint workshops of union leaders and workers	-
	• Support Certified Public Labor Attorney certification program	-
	• Establish standing advisory system with external institutions (Korea Employers' Federation/Labor attorneys/Law firms)	10 times/250 persons
Employees and Families	• Attend work-life balance training sessions facilitated by outside experts	14 times/1,710 persons
	• New employee training (93), self-innovation training (140), positive management training (300)	Total 533 persons
	• Distribute handbooks to enhance labor-management work efficiency	1,000 persons

### Improving Labor-Management Relations

Every two years, the Korean Power Plant Industry Union and five GENCOs agree on a collective bargaining process that defines employees' union activities, working conditions, and other issues. If there is any change in the status of union members due to temporary shutdowns or work suspensions, spin-offs, mergers, transfers, relocations, or business category changes, a 90-day notice is required of the company. KOMIPO also holds a Union-Management Cooperation Council every quarter to promote workers' understanding of and participation in current management issues, demonstrating how both labor and management are cooperating to improve the employees' well-being and working environment.

Union-Management Cooperation Council Issues

Category	Case	Consensus rate	Agreed Upon
System improvements	19	12	63%
Employee benefits	86	78	90%
HR, labor	22	14	63%
Working environment	36	28	77%
Other	15	9	60%
Total	178	141	79%

Ombudsman Committee Issues

Year	No. of Cases	No. of Processed Cases	Process Rate
2004	87	56	64%
2005	126	98	77%
2006	178	136	76%
2007	234	197	84%



To learn about and address workers' problems, both the HQ and regional offices have established Ombudsman committees. Other channels of communication that KOMIPO's employees can access include open dialogues with the CEO, a CEO hot-line, the KOMIPO Innovation Forum, lunch-time and sauna meetings, MV dialogues, and an on-line labor board.

### Programs for a Happy and Healthy Workplace

Each work location offers a variety of "fun" programs. These include a cinema day at the HQ, an ocean sports experience at Boryeong, a weekend farm outing at the Incheon office, an employees' family homecoming at the Seoul office, sauna dialogues at the Seochon office, a quiz show at the Jeju office, and "healthy fun" at the Yangyang office. These programs aim at creating motivational workplaces and a positive corporate culture.

#### Special Programs

Boryeong Thermal Power Site Division	Trip for parents of employees, concert by "Transformer"
Incheon Thermal Power Site Division	Labor-Management joint GBB campaign (Good health, Better housing, Best work-place)
Seoul Thermal Power Plant	"Co-workers as family, workplace as home" labor-management one-family program
Seochon Thermal Power Plant	"DER" Labor-Management relations improvement campaign (Discussion, Education, Renovation)
Jeju Thermal Power Plant	Jeju Thermal Hanmadang event, Jeju Miss and Mr. Gosari
Yangyang Pumped-Storage Power Plant	"People who love their company" campaign, Co-participation in March 1 marathon

### ATOM Program

KOMIPO implemented an ATOM program in 2004. It promotes a positive relationship between labor and management, builds trust through open and transparent management, and encourages labor and management to fulfill their obligations and respect each other.

A variety of other relationship improvement programs are also carried out. They include training sessions by outside experts, labor-management-home consolidation events, lunch meetings and on-site dialogues with executives, and awareness enhancement discussions. As a result, KOMIPO was named an Excellent Labor-Management Company by the Ministry of Labor in 2006 and received a Government Sponsoring for Union-Management Partnership Project citation in 2007.

#### ATOM Movement

<b>Affection</b>	<ul style="list-style-type: none"> <li>Launch a joint campaign to help people in need utilizing employee benefits card cash-back points (KRW 5 million)</li> <li>Have "take your kids to work" day, support employee clubs, run family English/science camps</li> </ul>
<b>Trust</b>	<ul style="list-style-type: none"> <li>Invite families to and host a management issues session, carry out labor-management dialogues</li> <li>Implement work efficiency improvement brainstorming program, invite management and HQ employees to visit power plants</li> </ul>
<b>Obligation</b>	<ul style="list-style-type: none"> <li>Implement agenda issues discussed at joint Labor-Management Steering Committee meetings</li> <li>Jointly examine facilities, deploy industrial disaster prevention activities → received Presidential Award for Joint Labor-Management Safety Management</li> </ul>
<b>Mutuality</b>	<ul style="list-style-type: none"> <li>Familiarize with company-wide leadership activities, plant trees to encourage harmony</li> <li>Secure stable power supply, establish labor-management program to build happy and healthy workplaces</li> </ul>

#### Achievements of ATOM Movement

Year	Achievement
2004	• Received Korea GWP award
2005	• Established first ERP (enterprise resources planning) system among 5 GENCOs through labor-management cooperation
2006	<ul style="list-style-type: none"> <li>Selected as Excellent Labor-Management Company by Ministry of Labor</li> <li>Received Presidential Prize at National Productivity Awards</li> </ul>
2007	<ul style="list-style-type: none"> <li>Received Government Sponsoring for Union-Management Partnership Project citation</li> <li>Received Sustainability Management Grand Prize</li> <li>Received Presidential Award for Safety Management</li> </ul>



Launched Jointly-run ATOM Program



Established labor-management Cooperation Program for Power Supply



Selected as Excellent Labor-Management Company

## Building a Healthy Workplace

### Social Achievements ▶ Safety and Employee Well-Being

#### 3N Strategy: No Disasters, No Errors, No Injuries

KOMIPO operates this program to promote safety and employee well-being

##### Vision and Targets for Safety Management

Vision	2015 for a Culture of Safety and Well-being		
	3N (No disasters, No errors, No injuries)		
Strategy	Build Knowledge Base to Guard Against Disasters and Promote Safety and Employee Well-being	Optimize Disaster Countermeasures System	Establish Foundations for Close-to-site Safety Management
	<ul style="list-style-type: none"> <li>Establish Crisis Management Structure To Prepare For Disasters</li> <li>Strengthen Safety Management Activities</li> </ul>	<ul style="list-style-type: none"> <li>Guarantee Facilities Reliability</li> <li>Encourage Labor-Management Employee Well-being Events</li> </ul>	<ul style="list-style-type: none"> <li>Augment Safety And Employee Well-being Training</li> <li>Develop Happy and Healthy Working Environment</li> <li>Operate Industrial Safety and Health Committee</li> </ul>

#### Disaster Prevention and Safety Management System

To guard against any and all possible disasters, KOMIPO carries out a disaster management program, establishes disaster prevention structures in association with relevant public institutions, carries out facility safety diagnoses, and operates an Industrial Safety and Health Committee. In keeping with KOSHA18001<sup>①</sup> standards and requirements, the company also deploys various disaster management systems to prevent accidents caused by human and/or facilities trouble.

In addition to preparing an “on-site action manual” to cope with different types of disasters, the company has established an SMS emergency text messaging system, carries out quarterly “virtual training” exercises, and publishes a Process Safety Management (PSM) Report.

##### Disaster/Accident Counteractions Training

Manual Name	Emergency Counteraction Training
5 items, including emergency counteractions manual for earthquakes	Training for gas leaks
- Earthquakes, Typhoons, Tidal Waves, Torrential Rains, Snow Damage	Training for oil leaks to the ocean
	Training for fires during coal loading and unloading
	Training for earthquakes
	Training for hazardous materials outflows
	Training for typhoons and tidal waves



Training for Earthquakes



Training for Oil leaks to the Ocean

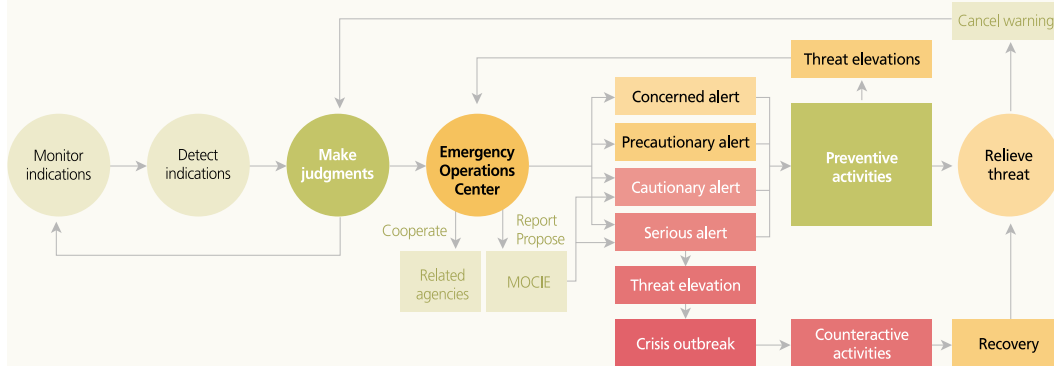


Training for Hazardous Material Outflows

① KOSHA18001 (Korea Safety Health Management System-DSHMS) KOSHA18001 is a safety management system certified by the Korea Occupational Safety and Health Agency.



### Emergency Management Structure



### Emergency Warning Structure

Color	Employee Work Behavior
Green	Normal workloads, but pay attention to Korea Meteorological Administration forecasts
White	Maintain normal workloads, but identify locations and situations of employees
Blue	Emergency work involving 1/2 or more of concerned personnel at HQ and offices
Red	Emergency work involving all concerned personnel at HQ and offices

### Ensuring the Safety of Business Locations with Safety Zone Certificate

In February 2007, in association with the Korea Certification Association, KOMIPO signed an agreement to establish a disaster prevention safety diagnosis and safety zone certification system at all its locations. A year later, KOMIPO acquired a Safety Zone certificate by completing a comprehensive safety training program in disaster prevention. This recognition was given in acknowledgement of the company's disaster and accident prevention performances, including improved firefighting facilities and increasing its employees' ability to deal with disasters and accidents.

### Integrated Disaster, Safety, and Health Management System

KOMIPO improved its work efficiency by sharing and exchanging information through the establishment of a Web-based, company-wide Integrated Disaster, Safety, and Health Management System. In addition, KOMIPO fulfills all the requirements of KOSHA 18001, a comprehensive safety welfare management system.

#### KOSHA 18001 Certification

Location	Boryeong Thermal	Incheon Thermal	Seoul Thermal	Seochon Thermal	Jeju Thermal	Yangyang Pumped-storage
Certification Date	'04. 07. 09	'03. 12. 30	'02. 11. 29	'03. 10. 08	'03. 12. 30	—
Post-evaluation	'07. 06. 27	'07. 06. 26	'07. 06. 28	'07. 06. 12	'07. 06. 22	'07. 12(New)



Emergency SMS System

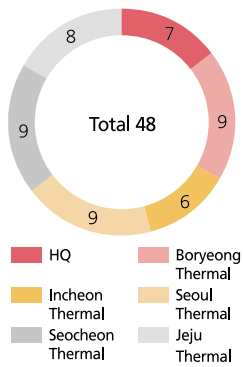


Measuring Underground Corrosion



Integrated Disaster, Safety, and Employee Well-Being Management System

Industrial Safety and Health Committee Members



Always Sharing Happiness

## Employee Health Management



Medical Checkup



Health Management Activities

### Industry Safety and Health Committee

In the contract that KOMIPO recently signed with the Korean Power Plant Industry Union, the company pledged to improve the safety and welfare of its workers. In addition, the agreement calls for the establishment of an Industrial Safety and Health Committee under the aegis of the Safety and Health Officer, along with the provision of a health facility, safety and health training, medical checkups, and a medical office. The company published operating standards for the Industrial Safety and Health Committee in July 2003. The committee establishes basic plans for industrial safety and health management, enquires into the causes of accidents, prevents the reoccurrence of industrial disasters, lays out the requirements of the Safety and Health Improvement Plan, and discusses issues relating to occupational hazards, risks, and preventative measures. It also concerns itself with the drafting and changing of safety and health management policies and checks on and works to improve the working environment and health management. The committee meets twice a year at the company's HQ and quarterly at other locations. Three company-wide sessions took place in 2007, with seventeen items being dealt with, including the approval of basic plans.

### Health Management Program

KOMIPO offers its employees a variety of health management programs. An employee medical checkup program is provided on a regular basis, and the hearing ability program that was originally begun at the Seochon Thermal Power Plant will soon be expanded to all other worksites. In addition, the company has established a computerized health management program for systematic follow-ups on brain and cardiovascular diseases and diabetes and to identify individual tendencies.

#### Medical Checkups

Type	Cycle	Target
General Checkups	Once / year	All employees except office workers
Special Checkups	Once / year	Employees who work in hazardous environments Employees who work with chemicals
Checkups before Work Assignments	Regularly	Employees who change duties and new employees requiring special checkups

At each office, labor and management set the dates for working environment evaluations, carry them out, and hold meetings to explain the results. The two parties also work together to identify sources of dust and high heat and submit plans to address these matters to the Safety and Health Committee.

#### Working Environment Evaluations

Hazardous Elements	Cycle	Target	Remarks
Noise, dust, etc.	2 times / year	Shift workers and bituminous coal handlers	By office
Chemicals and Organic Solvents	Once / year	Lab workers and solvent handlers	Plan

#### 2007 Major Health Management Activities

- Musculoskeletal disease prevention activities by outside experts, power plant stretching competitions
- Conduct regular and special medical checkups, work with employees manifesting abnormal symptoms, run health programs
- Run additional chest X-rays for special checkups
- Provide heating vests in winter and cooling ones in summer for power plant shift- workers
- Place blood pressure monitors and oxygen respirators in all central control rooms



## Efforts for Affiliates

# Mission \_ Becoming a Partner in Growth

## Social Achievements ▶ Growing with Affiliates

### Transparent Contracts and Honest and Fair Opportunities

To improve customer satisfaction and ensure the transparency of all its contracts, KOMIPO has expanded its electronic bidding program to all bidding and signing processes. In addition, it has instituted standards for the writing of facility purchase agreements that reflect all related laws and practices. These “detailed standards for product purchase qualifications” allow new companies to participate in bidding, thereby eliminating previously-existing entry barriers.

#### Annual contracts

(Unit: KRW billion)

Year	Total Contracts		E-bidding		Private Contracts	
	Amount	Cases	Amount	Cases	Amount	Cases
2005	532.8	1,577	164.0	1,531 (97.1%)	102.6	591 (37.5%)
2006	269.0	1,575	193.6	1,551 (98.5%)	105.9	610 (38.7%)
2007	674.2	1,508	671.6	1,491 (98.9%)	117.6	573 (38.0%)

※ Contracts signed on the basis of international bids and negotiations are not included.

KOMIPO has always signed a minimal number of private contracts, within limits specified by related laws and regulations. Exceptions include private group contracts to support SMEs, purchases of New Excellent Products, and generation facility operations. Although the number of private contracts has remained at a rather high level, the company is now making 97~98% of its purchases by electronic bidding to improve the transparency and fairness of its contracts.

Private contracts signed between group affiliates are limited to specific areas. They include contracts for the routine maintenance of generation facilities signed with the Korea Electric Power KPS (Korea Plant Service) and Engineering, and purchase and maintenance agreements for software developed and manufactured by the Korea Electric Power Data Network (KDN).

### Improved Contract Management Regulations

KOMIPO recently made improvements to its contract management operations. For example, private contracts with SMEs can be signed for amounts under KRW 50 million, and the bidding announcement and payment periods have both been shortened. In addition, the threshold for bidding information sessions for construction activities was raised to KRW 10 billion or more, and a sliding pricing system was introduced for specific materials to protect subcontractors. Entry barriers have been lowered by reducing the number of registration items and expanding bidding opportunities for SMEs. To further improve its relationship with affiliates, the company has eased its registration and evaluation standards, decreased the number of evaluation items, and simplified submission documents.

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## Transparent Agreements, Honest and Fair Opportunities



## Improvements and Results

Category	Target	Results
Contract Management Regulations	Upward adjustment of small private contract target amount	Item/Service less than KRW 30 million → KRW 50 million
	Shortened bidding announcement period	10 days to 7 days
	Shortened payment period	14 days to 7 days
	Improved bidding information sessions	Construction activities valued at KRW 5 billion or more → Construction activities valued at KRW 10 billion or more
	Overdue penalties for delayed payments	Charge average financial institutions' loan rate in Bank of Korea's monthly report
Affiliates Management	Reduced number of items registered (selected items)	98 items → 89 items
	Eased qualification standards (evaluations of management)	6 items → 4 items (omitted capital size and others)
	Simplified submission documents	Equipment (15 types→7 types) / Maintenance company (9 types→6 types)
	Integrated registration management system	Three systems (material suppliers management, qualified candidates list, maintenance companies management)

## Obeying Corrective Orders of the Fair Trade Commission

In October 2006, the Fair Trade Commission ordered KOMIPO to take corrective action on six overdue payment cases, including the construction of Boryeong Units 7 and 8. The delays varied from 1 to 4 days. On October 31, 2006, the company paid KRW 25.82 million to Daewoo Engineering and Construction and Daelim Construction as overdue interest and instructed all its offices to strictly observe all progress payment dates. In the future, KOMIPO will try to prevent any recurrence of such events.

## 2006 Overdue Interest Payments

Party	Progress Billing Date	Amount (KRW 1,000)	Days Overdue	Days Overdue	Amount Overdue (KRW 1,000)
Daelim	2006. 08. 21	5,860	2006. 08. 29	1	15,490
	2006. 04. 19	5,950	2006. 04. 28	2	
	2006. 03. 30	3,680	2006. 04. 10	4	
Daewoo Engineering and Construction	2006. 08. 21	3,910	2006. 08. 31	3	10,330
	2006. 04. 19	3,970	2006. 04. 28	2	
	2006. 03. 30	2,450	2006. 04. 10	4	

※ 1. Regulations on contract management, Article 73 (Payments): Within seven days of the completion of examination

2. Regulations on contract management, Article 74 (Overdue interest on delayed payments): Overdue interest rate applied by a company's main bank to ordinary loans (15%)

Except for the instances outlined above, KOMIPO has not engaged in any unfair competition activities or violations of antitrust-related laws within the reporting period. It has also not donated to political parties or politicians with the aim of limiting competition.

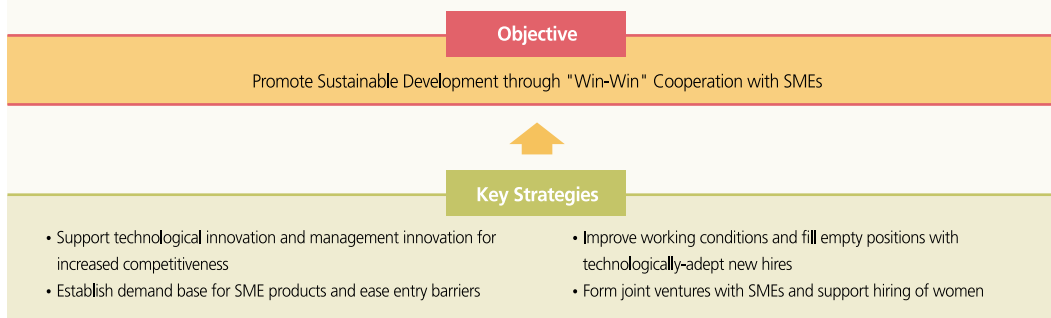


## Social Achievements ▶ Supporting SMEs

As part of its strategy of developing through mutual cooperation with its affiliates, KOMIPO has increased its purchases of SME products, streamlined its SME support efforts, and helps SMEs augment their capabilities for the future. KOMIPO selects prospective and innovative SMEs and concentrates its support on them. This assistance includes helping SMEs develop sales channels for excellent products, providing financing through “New Win-With” loans, and hosting the Future Management Forum.

For more detailed SME support information, please refer to the company's Web site.

### Objective and Key Strategies



### Supporting Development of Sales Channels in Domestic and Overseas Markets

All small-and medium-sized enterprises face difficulties in finding sales channels. In order to help, KOMIPO provides them with “tailored support.” As a result of this program, the Sam Young Fil-Tech Co., Ltd. signed a 10-year exclusive agreement with a German company, and Daeyang Rollent Co., Ltd. was able to advance into the US market. Total revenues generated by these supports were worth USD 150 million. In addition, KOMIPO purchased seven products worth KRW 1.9 billion from five companies at a “purchasing fair” at which thirty-six SMEs were introducing their products. The company has since discovered another five exemplary SMEs and has supported their PR and advertising activities.

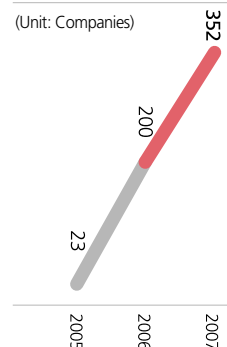
### Purchases of SME Products

(Unit: KRW billion)

Classification	2005	2006		2007	
		Performance	Growth rate	Performance	Growth rate
Total purchase amount	193.7	169.6	-12%	203.3	19%
SME products	149.9	151.7	1%	168.9	11%
Technological development products	4.1	10.8	163%	12.0	11%
New Excellent Products	1.1	7.6	590%	9.5	25%

### Number of SME Support Target Companies

(Unit: Companies)



### KOMIPO's "New Win-With" Loans

To help SMEs with their financing problems, KOMIPO has contributed KRW 20 billion towards "New Win-With" loans and supports innovative SMEs. Because the previous "Win-Win" loan program had problems regarding credit ratings and other issues, the system was changed in September 2007 so that SMEs can better select products that benefit them. The "New Win-With" loans offer 5% financing to SMEs recommended by KOMIPO, and three SMEs were loaned KRW 6.1 billion in 2007. In the future, these loans will be broadened to cover more SMEs.

#### "New Win-With" Loans

- Amount: KRW 20 billion
- Qualifications: SME equipment suppliers and maintenance companies recommended by KOMIPO
- Low loan rate: (Max. 5%)
  - Loan secured by Letter of Guarantee: 91-Day Certificate of Deposit + 0.30%
  - Full support of SME certificate issue expenses (KOMIPO 50%, Industrial Bank of Korea 50%)
- Encourage banks' voluntary loaning by applying penalties for poor loan performances
  - If less than 60% of total amount is loaned, loan rate is adjusted upwards

### Future Management Forum for Mutual Cooperation with SMEs

KOMIPO hosted a Future Management Forum in December 2007 to help promising and innovative SMEs grow. The company discovered 10 successful SME support cases and handed out certificates to excellent mutual cooperation enterprises. It will give priority to these enterprises when purchasing products, and will also provide further assistance through its SME support program. By holding such regular exchanges, KOMIPO will strengthen its ties with affiliates and continue its support for SMEs.



Jungbu Future Management Forum  
(Dec. 12, 2007)

### Transfer of Intellectual Property Rights to SMEs

To create value by commercializing already-possessed technologies while also supporting SMEs, KOMIPO transferred eleven of its intellectual property rights (IPRs) to seven SMEs. As of the end of 2007, these transferred IPRs were estimated to be worth KRW 8.7 billion. The beneficiary companies were selected through public subscriptions after technology disclosures.

(As of December 2007)

Name of Intellectual Property Right (IPR)	Registration No.
Sliding alignment device for electric generating boiler tube	Patent 0537061
Electric power demand and supply system and predicting methodology	Patent 0537063
Gas turbine exhaust duct non-metallic insulation mat	Patent 0561265
Electrolytic cell for sea water	Utility model 0345548
Precision calibration system for I/O cards in control system	Patent 0584823
Spray nozzle	Patent 0710409
Non-outage automatic switching system using emergency power	Patent application 0008543
Chute device with damping member	Patent application 0046541
Gas turbine gas leak detector	Patent application 0081315
Gas turbine discharge gas multiple thermo-couplers recycled for longtime use	Patent application 0081314
Gas turbine start-up surge protector	Patent application 0028006
Optimum igniter system development	Patent application 0104114
Cleaner for coal transfer conveyor belt	Utility model 0355099
Structure of blower gland seal	Utility model 0380342

※ This IPR transfer list covers the period from KOMIPO's establishment until December 2007.



## Efforts for Local Communities

# Mission \_ Spreading Hope and Sharing Smiles

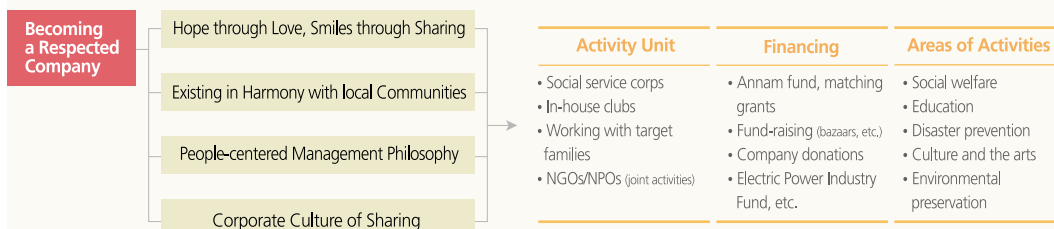
## Social Achievements ▶ Social Contributions at KOMIPO

### KOMIPO Social Service Corps

Social contribution activities are now directly linked to the long-term survival of corporations, and KOMIPO has carried out various service activities since its establishment in 2001. Since the initial system was not able to meet the company's overall needs, the KOMIPO Social Service Corps was established in July 2004. Its slogan is "Hope through Love, Smiles through Sharing."

The KOMIPO Social Service Corps has seven local chapters at the company's HQ, six operating locations, and ninety-three service teams. Placing its priorities on regional development and corporate advancement, the corps carries out activities in five areas: social welfare, culture and the arts, education, environmental preservation, and disaster prevention.

#### Promotion Structure



### Social Contribution Activities

As people grow more interested in social contributions, the number of persons who participate in volunteer work keeps growing. In February 2006, KOMIPO drafted a comprehensive mid-to long-term social contributions plan to define its range of activities and enhance their efficiency and practicality. The company encourages the voluntary participation of its employees by giving them social contribution information, sharing activity details, giving out the KOMIPO Service Award, and operating a Volunteer Vacation system.

2007 was a great year for social contribution activities: the number of participation hours skyrocketed by 23%, while Nanum fund donations grew by over 15%. As a result, KOMIPO's matching grant ratio increased from 2 times to 3 times.

#### Always Sharing Happiness

## Hope through Love, Smiles through Sharing

#### Social Contributions Emblem



The emblem is composed of a heart and two people putting their arms around each other. It signifies KOMIPO sharing and coexisting with its neighbors. The yellow and orange colors stand for the warmer society that KOMIPO hopes to build through its social contribution activities.

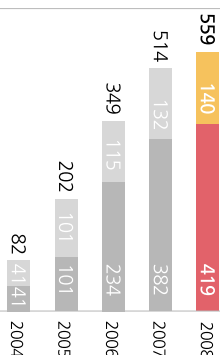


Social Contribution Activities Web page

#### Financial resources for Service corps

(Unit: KRW million)

Matching Grant  
Nanum(sharing) Fund



### 3 Basic Programs

#### Utilize human resources

##### "Fixing Houses with Love"

##### for needy neighbors

- Host: Social Service Corps
- Financing: Nanum fund, etc.

#### Reflect nature of industry

##### "Green Mountains, Clean Water"

##### mountain/stream campaign

- Host: KOMIPO
- Financing: company budget

#### Reflect regional characteristics

##### "Culture-Loving Power Plants"

##### local cultural and arts cultivation

- Host: KOMIPO, Social Service Corps
- Financing: Nanum fund, company budget

In 2007, KOMIPO attempted to change its social contribution activities through a specialized program called "Free from Atopy." Through this, the company helps to treat children who suffer from the disease and disseminates information about it. By collaborating with an NGO called the Korea Green Foundation, KOMIPO has been able to improve the program's efficiency while developing a new model for social contribution activities.

#### Major Social Contribution Activities

Areas of Activities	Frequency		Headcount		Hours		Amount (KRW million)	
	2006	2007	2006	2007	2006	2007	2006	2007
Social Welfare	349	345	3,819	3,496	13,723	14,913	426	937
Culture and the Arts	91	63	475	396	2,073	1,531	1,469	1,186
Education								
Environmental Preservation	38	45	974	1,296	2,539	6,134	42	46
Disaster Prevention								
<b>Total</b>	<b>478</b>	<b>453</b>	<b>5,268</b>	<b>5,188</b>	<b>18,335</b>	<b>22,578</b>	<b>1,937</b>	<b>2,169</b>

#### Financing and Donations for Social Contributions

Based on its philosophy of people-centered management and the need for a corporate culture based on sharing and social harmony, KOMIPO intends to become a well-respected company, and social service activities can serve as a means to achieve that goal. To establish these activities as an integral part of its corporate culture for the long term, KOMIPO is broadening both its systemic and financial supporting mechanisms.

Major financing comes from the Nanum(sharing) fund and matching grants. The Nanum fund is composed of voluntary employee donations, while the matching grant is donated by the company and equals a predetermined multiple of the Nanum fund. Although the amount of the matching grant originally only matched that of the Nanum fund, in 2006 it was doubled, and in 2007 it was upped to three times its original value.

#### Total Social Contribution Expenditures

(Unit: KRW million)

Classification	2004	2005	2006	2007	Note
Company donations	294.5	443.7	549.6	996.3	Donations, matching grant, etc.
Employee fund-raising	27.8	78.7	117.7	119.4	Nanum fund and others
Electric Power Industry Fund	1,395.0	1,256.6	1,269.3	1,056.1	Estimated, based on performance
<b>Total</b>	<b>1,717.3</b>	<b>1,778.9</b>	<b>1,936.6</b>	<b>2,171.8</b>	
Spending / revenues	0.08%	0.08%	0.09%	0.08%	

#### Three Basic Social Contribution Programs

KOMIPO promotes three programs that reflect the company's expertise, resources, employees, and business characteristics. "Fixing Houses with Love" utilizes its human resources, "Green Mountains, Clean Water" reflects its business characteristics, and "Culture-Loving Power Plants" demonstrates its commitment to neighboring communities. In the future, the company will develop other programs to aid it in communicating with stakeholders and fulfilling its corporate social responsibilities.





## Social Achievements ▶ Specialized Social Contribution Project, “Freedom from Atopy”

### What is Atopy?

The word atopy originates from the Greek word “atopos,” meaning inadequate or peculiar, and refers to an allergic overreaction triggered by genetic or environmental causes. Because the disease is characterized by severe skin problems, itchiness, and asthma, patients who suffer from it experience such stresses as the fear of appearing in public, depression, and impaired cognitive abilities. In children, it can also result in hypersensitivity, lowered concentration levels, and physical underdevelopment. Although the precise cause of atopy has not yet been identified, its causes can be categorized into the following groups: genetic factors, environmental factors, and internal factors.

As of 2005, 17.8 out of one hundred Korean children under the age of four were suffering from atopy, and 60% of the sufferers were aged ten or under. It is now becoming more common among adults, with the number of patients in their twenties and thirties increasing by a dramatic 25% since 2005. According to a recent study, the incidence of atopy is highest in low-income areas. As a consequence, it is becoming increasingly necessary to discover methods for dealing with the disease in low-income families.

### Background of KOMIPO's Specialized Program

Although KOMIPO has always been in the forefront of social contribution activities in Korea, the company soon came to realize that untargeted donations and volunteer activities were insufficient means of fulfilling its corporate social responsibilities. Because of this, KOMIPO searched for a stand-alone program that could give a special meaning to its commitment to being people-friendly and environmentally concerned. This explains why the company launched its “Freedom from Atopy” campaign in conjunction with the Korea Green Foundation. Through this program, KOMIPO will support atopy treatments, improve substandard living conditions that trigger the disease, teach the public about the seriousness of the disease, and instruct them in proper precautionary methods. KOMIPO will not rest in its efforts to build a better future until all children are free from atopy.

#### Areas

Support Atopy Treatments	Improve Living Conditions to Prevent Atopy	Provide Atopy Information and Education
Action Plans		
<ul style="list-style-type: none"> <li>• Provide regular checkups and treatment to young atopy sufferers</li> <li>• Host camp for young atopy patients</li> <li>• Support atopy-related activities of NGOs and social welfare groups</li> <li>• Build and operate atopy treatment center (mid- to long-term)</li> </ul>	<ul style="list-style-type: none"> <li>• “Environmentally friendly love houses” for low-income families</li> <li>• Donate goods and materials to low-income families and treatment centers</li> <li>• Start campaign to remove hazardous materials from residential environments</li> <li>• Provide organic food</li> </ul>	<ul style="list-style-type: none"> <li>• Sponsor lectures and educational sessions</li> <li>• Create atopy information Web page</li> <li>• Publish and distribute atopy-related materials</li> <li>• Support atopy-related research and publish results (mid- to long-term)</li> </ul>

Always Sharing Happiness

## Creating an Atopy-free World



## Specialized Program, 「Free from Atopy」

This is KOMIPO's program to free children from the disease and create an atopy-free world.

### ‘2007’ Major Activities

#### Project Signing Ceremony

On June 1, 2007, KOMIPO signed an agreement with the Korea Green Foundation to support atopy treatments and improve substandard living conditions. After KOMIPO had designated atopy support as its specialized social contributions program, it decided to team up with the Korea Green Foundation, which was then leading the “Angel (Helping Angels Fighting) Movement.” Through this agreement, KOMIPO and the Korea Green Foundation will help children from low-income families treat their atopy, host atopy camps, remodel houses, and carry out other supportive activities. The agreement is expected to result in dramatic synergies through mutual cooperation activities.

#### 「Free from Atopy」 Environmental Camp

On August 22, KOMIPO invited children who were suffering from atopy and their families to a five-day “Freedom from Atopy Camp in Nature” at Handemy village in Danyang, Chungcheongbuk-do. Thirty children who had been selected through public recommendations participated, along with their parents and members of the KOMIPO Social Service Corps and the Korea Green Foundation. The camp provided psychological consultations, lectures by an oriental medicine practitioner and a physical constitution expert, and such activities as immunity enhancement games, dyeing cloths with yellow mud, and scavenger hunts.



“Freedom from Atopy” project signing ceremony



Treatment support

#### Open Lectures

On October 11 and April 30, 2007, free lectures on the prevention and treatment of atopy took place at the Seocho-gu and Mapo-gu offices. Guest lecturers included an oriental medicine practitioner and an author, who gave instructions on daily health routines that can prevent and treat atopy and how to deal with it in children. About two hundred parents attended the lectures, attesting to the high rate of interest in the disease.

#### Supporting Treatments

From October 2007 to February 2008, KOMIPO provided fifty-four elementary school students and seven junior high students with atopy treatments in conjunction with the Hamsoa Oriental Medicine Clinic. The patients receive different treatments according to the severity of their symptoms, and moisturizers and medicines were distributed on a weekly or biweekly basis.

#### Providing Goods and Organic Food to Improve Living Environments

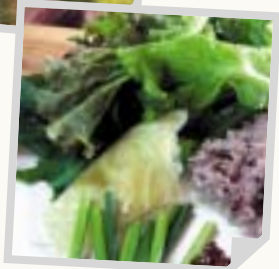
The company donated two large vacuum cleaners and healthy foods, including organic fruits and vegetables, to young patients at sixteen medical institutions. On January 30, 2008, it invited eighty-three children to a children's musical program.



Open Lecture



Environmental Camp



Organic Foods



「Free From Atopy」 Towards a World without Atopy

## “Bringing Smiles to the Faces of Atopy Sufferers”

Slogan of Special Program

“KOMIPO helping people suffering from atopy to smile again.”

### ‘2008’ Activities and Plans

KOMIPO has planned many activities for 2008--the second year of its specialized “Freedom from Atopy” program. While the year 2007 was about building a foundation for the program, 2008 featured a full slate of activities offered in tandem with the Korea Green Foundation.

#### Children’s Musical Program

On January 30, 2008, KOMIPO invited eighty-three children to enjoy a children’s musical program.

#### “Freedom from Atopy” Exhibition

On May 16, 2008, a “Freedom from Atopy” exhibition was held in front of the Seoul City Hall. Some two thousand visitors learned how to measure atopy levels, produce natural moisturizers, and listened to lectures.

#### “Happy Sleepover”

On May 24, 2008, eighty children and their parents participated in a “Happy (Clean Skin) Sleepover” at the Maristar Education Center in Mapo-gu, Seoul, where they were given various treatments, such as wind baths and cold and warm baths. This gave the young patients and their parents a valuable opportunity to help and encourage each other.

#### Selecting a Second Treatment Group

After 2007, KOMIPO will select additional patients for treatment support, with the western part of Incheon being added to target areas. A program that matches employees of the company’s metropolitan-area offices with atopy patients is also scheduled to begin.

#### Publishing Memoirs and Books

To assist the general public in understanding the seriousness of atopy and share the experiences of people suffering from it, KOMIPO will publish the stories of some sufferers and their parents. The company will also produce an e-book describing daily health habits that can prevent the disease.

“Freedom from Atopy”  
Exhibition



“Happy Sleepover”

#### “Repairing Houses with Love”

KOMIPO will assist a number of day care centers and study rooms that provide help to atopic children, donating equipment to help them with treatment and prevention activities and renovating substandard walls and floors. This project will begin in the second half of 2008.

#### Other Activities

##### Summer Camp

Teaching healthy habits to overcome atopy

##### Open lecture on Atopy

Four lectures at the Mapo-gu office and other locations

##### Small-scale Customized lectures

For mothers-to-be and elementary school students

#### Future Plans and Objectives

KOMIPO plans to continue supporting atopy treatments for low-income families and will also host various activities, such as an environmental camp and “happy sleepovers.” It will also keep informing the public about how serious the disease is and help patients and their families deal with it properly. However, the company’s ultimate goal is to root out the disease.

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## Social Welfare



### "Fixing Houses with Love"

This program provides housing for seniors living alone and teenaged heads of households. It is also used to renovate substandard walls, floors, electrical equipment, boilers, and other equipment at treatment facilities. In addition, home appliances and used computers are donated. Since KOMIPO's employees are very familiar with electricity and electrical equipment, volunteer company workers regularly check out older facilities and low-income housing, replacing dilapidated equipment as and when needed to prevent accidents.

This campaign is mainly carried out at the team or office level. It is a large-scale activity, usually involving ten to thirty employees at a time. Each power plant selects needy targets or acts on recommendations from locally-based volunteer service centers.

#### "Fixing Houses with Love" Campaign

Location	2005	2006	2007
HQ	7 Times	6 Times	11 Times
Boryeong Thermal Power Site Division	6 Times	11 Times	7 Times
Incheon Thermal Power Site Division	2 Times	7 Times	1 Times
Seoul Thermal Power Plant	2 Times	7 Times	1 Times
Seochon Thermal Power Plant	2 Times	8 Times	8 Times
Jeju Thermal Power Plant	2 Times	1 Times	2 Times
Yangyang Pumped-Storage Power Plant	2 Times	5 Times	8 Times
<b>Total</b>	<b>23 Times</b>	<b>45 Times</b>	<b>38 Times</b>

### Helping Needy Neighbors

KOMIPO's most diverse and widespread social contribution activity involves delivering donations to less fortunate neighbors and institutions that assist and house them and offering both a helping hand. Throughout the year, volunteers from the company's HQ and plants visit seniors' homes, day-care centers, orphanages, hospices, and other institutions, fixing old equipment and offering other help as needed. Since KOMIPO's new employee education policy requires new hires to participate in one-day volunteer activities, they get to experience the joy of sharing immediately upon joining the company.

#### 2007 Helping Needy Neighbors

Location	2006	2007
HQ	80 Times	69 Times
Boryeong Thermal Power Site Division	55 Times	91 Times
Incheon Thermal Power Site Division	21 Times	32 Times
Seoul Thermal Power Plant	47 Times	35 Times
Seochon Thermal Power Plant	25 Times	28 Times
Jeju Thermal Power Plant	57 Times	37 Times
Yangyang Pumped-Storage Power Plant	19 Times	15 Times
<b>Total</b>	<b>304 Times</b>	<b>307 Times</b>



### Helping Neighboring Villages

Since 2005, KOMIPO's HQ and power plants have formed a series of "One Office-One Village" relationships with neighboring villages. Volunteers help at rice-planting and harvest; at other times, residents are invited to tour the company's power plants. By purchasing agricultural products from these villages, KOMIPO helps them make more money. This program has been very well-received by both the company's employees and village residents.

#### One Office-One Village Program

Location		Region
Boryeong Thermal Power Site Division	HQ	Dojeon3-ri, Gangcheon-myeon, Yeosu-gun, Gyeonggi-do
	General Administration Office	Cheongso-myeon, Boryeong Chungcheongnam-do
	Educational Institution	Ocheon-myeon, Boryeong Chungcheongnam-do
	Thermal Power Plant 1	Cheonbuk-myeon, Boryeong Chungcheongnam-do
	Thermal Power Plant 2	Jugyo-myeon, Boryeong Chungcheongnam-do
	Thermal Power Plant 3	Cheongna-myeon, Boryeong Chungcheongnam-do
	Thermal Power Plant 3	Jupo-myeon, Boryeong Chungcheongnam-do
	Construction Office	Cheongyang-eup, Boryeong Chungcheongnam-do
Incheon Thermal Power Site Division		Choji 2-ri, Gilsang-myeon, Ganghwa-gun, Incheon Metropolitan City
Seoul Thermal Power Plant		Yangtaek-ri, Haseong-myeon, Gimpo-si, Gyeonggi-do
Seocheon Thermal Power Plant		Seo-myeon, Seosheon-gun, Chungcheongnam-do
Jeju Thermal Power Plant		Wasan-ri, Jocheon-eup, Jeju-si, Jeju Special Self-governing Province
Yangyang Pumped-Storage Power Plant		Gongsujeon-ri, Seo-myeon, Yangyang-gun Gangwon-do

### Supporting the Physically-Challenged

KOMIPO supports the physically-challenged and institutions that help and house them. For example, the company purchases some of its stationery needs from vocational rehabilitation facilities and has built a special Web page to facilitate access by the visually-challenged. KOMIPO also promotes physical activities among disabled people by sponsoring soccer matches.

### "Power Plants that Promote Culture"

Power plants are usually located near small urban areas that do not have easy access to cultural facilities and programs. To help remedy this situation, KOMIPO sponsors a variety of cultural programs from which local residents can benefit. A few examples are the "swinging competition" at Yangyang's "Hyunsan Cultural Festival," the "Gwanghyesiwon" cherry blossom festival at Seoul's Thermal Power Plant, and sketching and writing contests at the Boryeong Thermal Power Plant and the Seocheon Thermal Power Plant.

#### Sponsored Events

Office	Key Events
HQ	Concert with love, family walks
Boryeong Thermal Power Site Division	New Year's music concert, Pen shell festival, Mud festival
Incheon Thermal Power Site Division	Seogot cultural festival, Students' art festival
Seoul Thermal Power Plant	Dangindong Bugundangje, literary competition for housewives
Seocheon Thermal Power Plant	Religious service for successful fishing, Hansan Ramie festival, Dongbaek sketching festival
Jeju Thermal Power Plant	Black sand festival, Samyang one-mind festival
Yangyang Pumped-Storage Power Plant	Pine mushroom festival, Salmon festival

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## Culture and the Arts



Seocheon Thermal Sketching Contest



Seoul Thermal Cherry Blossom Festival





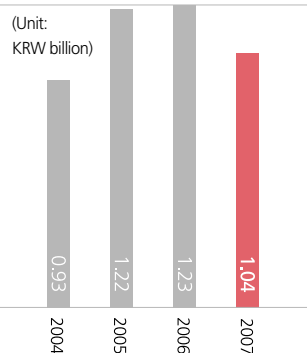
KOMIPO's "Angel View" Program

Year	2007	2008
Groups (Units)	12	14
Viewers (persons)	416	420
Amount (KRW1,000)	2,473.5	3,169.5

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## Support for Education

Educational Materials and Scholarship Support

(Unit:  
KRW billion)

### "Angel View" Program

Since 2007, KOMIPO, along with KEPCO and five GENCOs, has been purchasing performance tickets and distributing them to underprivileged children at day-care centers, orphanages, after-school child protection facilities, and foreign worker children's protection centers through the "Angel View" program.

To carry this activity out, KOMIPO has teamed up with Ticketlink, an on-line booking site. The company buys discounted tickets and gives them out free of charge. The program is very popular with the children, and will likely be expanded to include movies and sports events.

### Providing Educational Materials and Scholarships

KOMIPO provides educational materials to elementary, junior high, and high schools to encourage students with high academic potential living near its power plants. These materials include science lab research equipment, computers, LCDs, and audio-visual equipment. To broaden the range of this support, KOMIPO built a cyber- education lab in a school near the Seochon Thermal Power Plant. In addition, annual scholarships are given to outstanding and low-income students who live near its power plants.

### Volunteer Teaching

Since 2004, KOMIPO and the National Academy of Engineering have offered special science engineering classes under the name of the "Junior Engineering School," where company volunteers lecture on such subjects as power generation and general science.

Starting in 2004, the Seoul Thermal Power Plant has been offering an environmental experience class to sixth-graders at the nearby Sogang Elementary School, encouraging the children to participate through practical activities. In 2006, the Seochon Thermal Power Plant started to offer after-school classes at which employees teach English, soccer, table tennis, and other skills.

Classification		2004	2005	2006	2007
Boryeong Thermal Power Site Division (Junior Engineering School)	Volunteer teachers	20 persons	26 persons	25 persons from	26 persons from
	Targeted students	1 schools 92 persons from	1 schools 234 persons from	2 schools 620 persons from	3 schools 419 persons from
Seoul Thermal Power Plant (Environmental Experience Class)	Volunteer teachers	10 persons from	10 persons from	10 persons from	10 persons from
	Targeted students	1 schools 80 persons from	1 schools 210 persons from	1 schools 250 persons from	1 schools 198 persons from
Seochon Thermal Power Plant (After-school classes/ Junior Engineering School)	Volunteer teachers	-	-	8 persons / 9 persons	6 persons from (Engineering School)
	Targeted students	-	-	1 schools 80 persons from / 1 schools 78 persons from	1 schools 33 persons from

### Green Mountains, Clean Water

KOMIPO has always been committed to environmental preservation. Employees at headquarters and power plants regularly visit nearby waterways to collect wastes and carry out various ecosystem preservation activities.

Classification	2004	2005	2006	2007
No. of times	19	21	31	22
Participants	539	725	936	611

### Wildlife Protection

KOMIPO is keen on protecting animals that face extinction due to reckless development and pollution. Every winter, company employees put out food for them in places as Mount Halla in Jeju, Gangwon-do's Baekdudaegan, and the hills around the West Sea.

To help protect maritime resources and assist local residents in generating greater profits, KOMIPO employees participate in releasing fish back to nature. In 2006, with the help of the East Sea Fisheries Research Institute, the Yangyang Power Plant stocked one of its lower reservoirs with 300,000 black snails and 20,000 sweet fish and their fry. In addition, black porgies and crayfish and their fry are released into the West Sea near Seocheon and Boryeong every year.

### Supporting Recovery Efforts from Earthquakes and Tidal Waves in Southeastern Asia

KOMIPO's social service activities also extend overseas. In 2004, KOMIPO employees, in conjunction with Indonesia Power, donated USD 20,000 to the Indonesian government to assist in the recovery of regions hit by earthquakes and tidal waves. The company also contributed fifty computers to Indonesia Power and residents living near its facilities. In June 2006, KOMIPO contributed USD 20,000 to Yogya Karta to help the region recover from earthquake damage.

### Recovery from Floods

Every year, torrential rains and typhoons inflict tremendous damage in Korea. KOMIPO donates money and goods to stricken regions, while company employees help out in the fields and paddies.

Classification	2004	2005	2006	2007
No. of times	6	9	7	23
Amount	KRW 15.7 million	KRW 28.8 million	KRW 30.8 million	KRW 32.9 million

### Recovery from the Taeon Oil Spill

In 2007, citizens from around the country teamed up to help people living on the west coast recover from a gigantic oil spill, and every KOMIPO regional office supported the recovery. The Boryeong Thermal Power Plant, which is the nearest to the accident area, carried out a series of recovery activities, including oil belt and tar removal activities.

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## Environmental Preservation



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## Disaster Relief



### Taeon Oil Spill Recovery

Classification	Performance
No. of times	31
No. of persons	1,048
Amount	KRW 41.51 million

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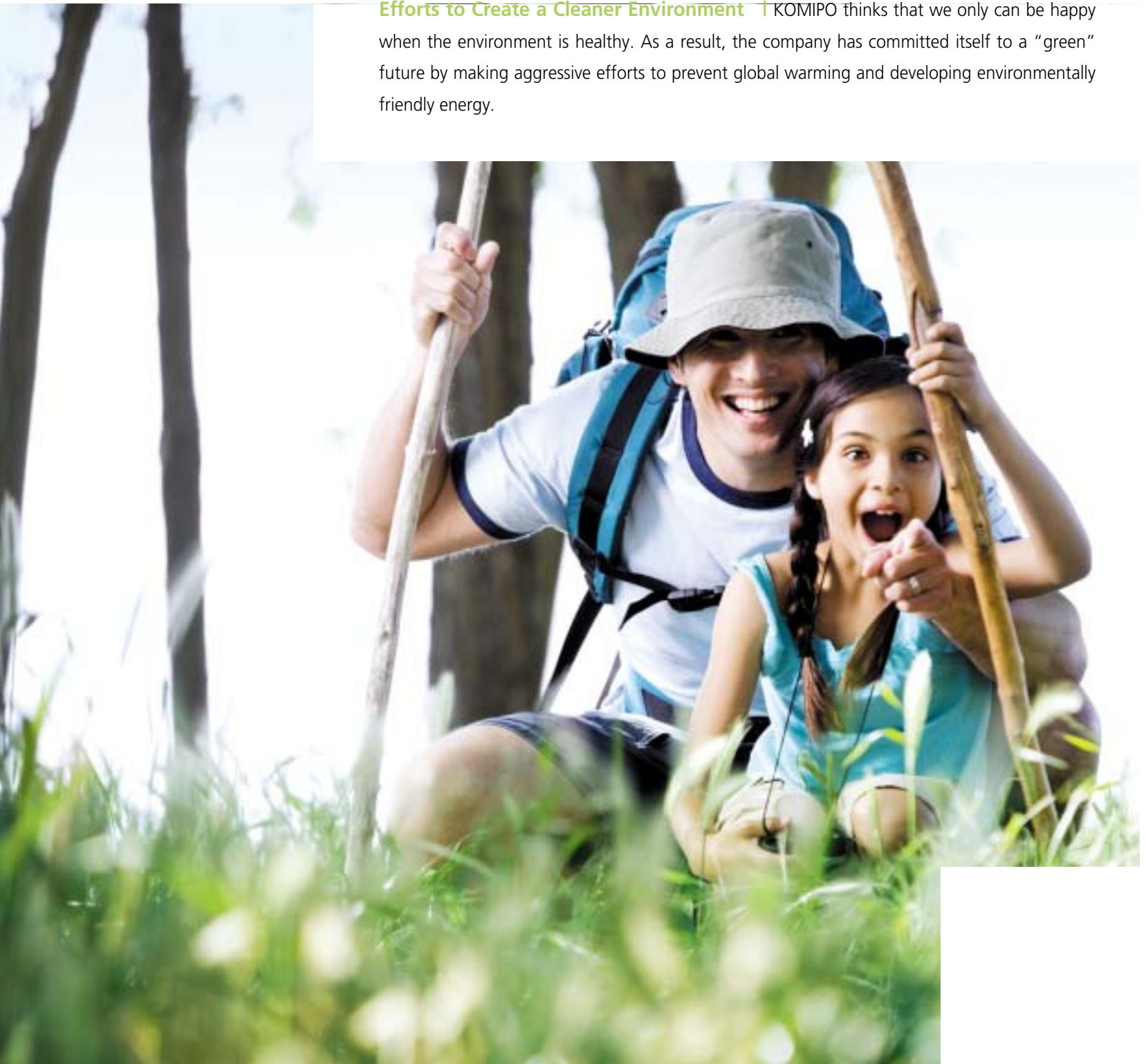


Part 2 \_ Environmental Achievements



# KOMIPO is Growing 'Green Happiness'

**Efforts to Create a Cleaner Environment** | KOMIPO thinks that we only can be happy when the environment is healthy. As a result, the company has committed itself to a "green" future by making aggressive efforts to prevent global warming and developing environmentally friendly energy.





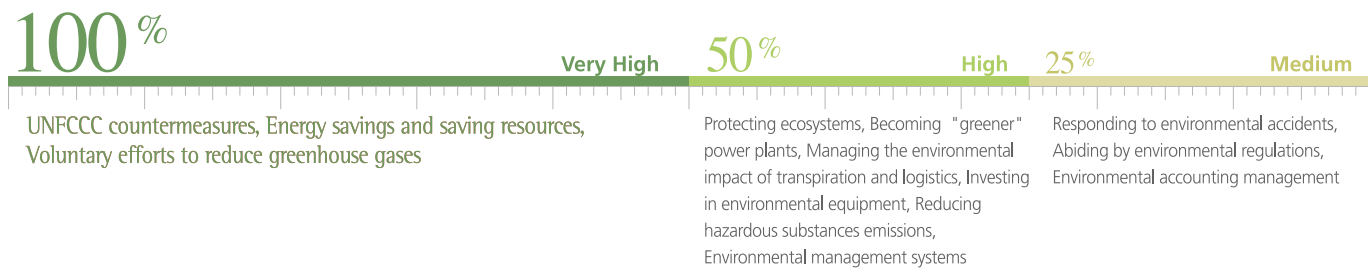
# Methods for 'Creating a Cleaner Environment'

## Disclosure Management Approach

### KOMIPO's Sustainability Status Identified through Materiality Test

KOMIPO used an IPS materiality test to discover key issues of interest to its stakeholders and prioritize them. The results indicated that stakeholders are interested in the following issues: UNFCCC and the development of greenhouse gas (GHG) reduction technology, lowering hazardous substances levels, and reducing energy use. In addition, a strength, weakness, opportunity and threat (SWOT) analysis of the results helped to determine how KOMIPO could best ensure its own sustainability.

#### Stakeholder Interest Priorities, as Per Materiality Test Results



### Possibilities for Sustainability at KOMIPO

<b>S</b> Strength	<ul style="list-style-type: none"> <li>UNFCCC task force</li> <li>Goal of reducing greenhouse gas emissions by 10% per production unit by 2020</li> <li>Secured about 40,000 tons of CO<sub>2</sub> emission rights</li> <li>Promoting establishment of carbon management system</li> <li>Company-wide ISO14001/9001 certifications and designation as a "green" enterprise</li> <li>Establishment of an environmental accounting system in linkage with ERP system</li> <li>Environmental report published every year since 2004</li> <li>"Real-time" environmental information disclosure system</li> </ul>	<b>W</b> Weakness	<ul style="list-style-type: none"> <li>High number of aging power plants and plants needing to meet environmental regulation targets</li> <li>Mindset that regards the environment as a management target and lack of new environmental management methods</li> <li>Low organizational capabilities of employees and weak connections to performance and compensation</li> <li>Increasing cost of equipment designed to improve environment</li> <li>Conflicts with local residents—including environmentally-related complaints</li> <li>Insufficient PR activities</li> </ul>
<b>O</b> Opportunity	<ul style="list-style-type: none"> <li>Increasing public interest and business opportunities for new and renewable energy</li> <li>Environmentally friendly image created by expansion of new and renewable energy businesses and strict adherence to environmental rules and regulations</li> <li>Increase in corporate brand value brought about by environmentally friendly image</li> <li>Possibility of new markets due to CO<sub>2</sub> emission rights transactions</li> <li>Increase in overseas and domestic networks related to environmental management</li> <li>Active support from government</li> </ul>	<b>T</b> Threat	<ul style="list-style-type: none"> <li>Decreasing profitability in wake of rising costs due to UNFCCC and expanding new and renewable energy business</li> <li>Stronger environmental regulations and increased evaluation weightings</li> <li>More environmental information requests from NGOs and public groups</li> <li>Large deviation in quantity of byproducts recycled due to high dependency on construction sector</li> <li>Demands of local residents for "greener" power plants</li> </ul>



# Environmental Performance at KOMIPO

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## Achievements and Plans for Environmental Value Creation

### Objectives and Vision for "Green" Management

The term "sustainability" means enjoying a prosperous lifestyle while conserving resources meant for future generations. This is also the objective of KOMIPO's green management strategy: providing high-quality power at a reasonable price while protecting the environment and ensuring that a cleaner and greener world will be handed down to future generations. In order to achieve its goal of becoming a global "top 10" energy provider by 2015, KOMIPO will become an exemplary model for power generators through its Eco-2015 strategy and forty-seven detailed action plans.

### Environmental Accounting System Linked to ERP

KOMIPO has linked its company-wide resource management system, Blue JB, with its environmental accounting system. The company plans to use this interconnectivity to augment both its general and environmental management practices.

### Major Achievements of Environmental Management

Coal ash is a recyclable waste material, but its usage has been low due to little demand. However, despite high logistical expenses and unfavorable market conditions, KOMIPO increased its recycling ratio for this product from 44.1% in 2005 to 65.3% in 2007. This was done by actively searching out new markets, identifying new demands, revising related regulations, cutting energy use, and maximizing energy efficiency. The company also posts environmental information in "real-time" on its company Web page to disclose information in a transparent manner and emphasize its role as an environmentally friendly enterprise.

### Mid- to Long-Term Climate Change Master Plan

With stricter UNFCCC regulations slated to come into effect in 2013, KOMIPO formed a task force to address the challenge. At the same time, it set a goal of reducing its volume of greenhouse gas emissions per production unit by 10% by 2020. The company is committed to protecting the environment and creating future growth engines through CDM and new and renewable energy businesses.

#### Corporate Divisions Dedicated to Environmental Issues

Power Generation Department	Power Plant Construction Department	Business Development Department
<ul style="list-style-type: none"> <li>Manage energy and the environment</li> <li>Safe operation and R&amp;D</li> <li>Cope with climate change</li> </ul>	<ul style="list-style-type: none"> <li>Assess environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>Develop future growth engines</li> <li>New and renewable energy businesses</li> </ul>

## INTERVIEW

Lee Gi-hoon  
Gwangwoon  
University

Professor

(Interviewed May 31, 2008)

### Proposal to Create Environmental Values

Energy supplies, climate change, and environmental pollution are some of the major sustainability issues that electricity generators face. By the nature of the business, external elements, such as raw materials price hikes, make it difficult for electricity companies to promote sustainable management. However, KOMIPO's CEO has a strong desire to pursue this goal and establish a streamlined strategy and framework for it. Two outstanding achievements of KOMIPO are that it has established a vision and strategy for environmental management and sustainability management while systematically promoting them according to detailed short-, mid-, and long-term action plans. However, in order to move on to the next stage, KOMIPO needs to develop new technologies, such as carbon capture and storage (CCS). While foreign countries are already commercializing this technology, Korea is still conducting small-scale experiments on it. Although KOMIPO is a world-class player in terms of the efficient operation and management of its power generation facilities, it needs to make bold investments in this and other state-of-the-art technologies.

### Efforts to Create a Cleaner Environment

KOMIPO is committed to creating values that surpass current environmental and social expectations, realizing that times like this require making investments for future sustainable growth. However, international oil prices seem to hit new ceilings every day, steadily-increasing raw materials prices add to the need for stable energy supplies, and the company will have to meet new UNFCCC rules and regulations when they come into effect in 2013. In addition, despite ever-rising costs, the rate that the company can charge for its power has been curbed to stabilize prices, aggravating the management environment even more. To deal with the UNFCCC's additional requirements, KOMIPO is concentrating on developing technologies that enhance the generating efficiency of new and renewable energy sources. As a result, in the realization that developing such new technologies as CCS is critical to its very survival, the company is augmenting its technological expertise by operating a 250kW fuel cell pilot plant, while the Seoul Thermal Power Plant has started to run a CO<sub>2</sub> separation test project. By actively participating in research and development on climate change and making further bold investments, KOMIPO will achieve its goal of becoming a global leader in the field of energy technologies.

## Environmental Achievements ▶ Environmental Policies and Objectives

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### Environmental Policies

In its role of contributing to the national economy by supplying low-priced yet high-quality electricity, KOMIPO acknowledges that only environmentally friendly management that puts people and the environment first can guarantee universal happiness and prosperity in the future. Therefore, the company has pledged to put into practice the following environment policies:

- ▶ KOMIPO will always consider future generations with regard to the environment, emphasizing the need for a proper balance between economic development and environmental protection.
- ▶ KOMIPO will establish an efficient and environmentally friendly management structure that meets such international standards as the ISO. It will also analyze the environmental impact of every business activity and work to prevent and reduce all forms of environmental pollution.
- ▶ All facilities will comply with national environmental regulations. To minimize environmental pollution, each power plant will follow the company's management objectives while taking regional characteristics into consideration.
- ▶ KOMIPO will lead the effort to build a resource recycling society by minimizing its volume of discharged waste and recycling resources whenever possible.
- ▶ KOMIPO will continually train and educate its employees so that they can participate in environmental preservation activities in a positive and meaningful manner.
- ▶ KOMIPO will disclose the results of its environmental management operations to its stakeholders on a regular basis and cooperate and share its experiences with local communities.

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### Strategy and Results

#### Detailed Results

Promotion Strategy	Results	Target	Note
Expanding "Green" Management	<ul style="list-style-type: none"> <li>Established a mid- to long-term Environmental Management Master Plan</li> <li>Promoted the introduction of an advanced environmental management method (environmental accounting, environmental achievement evaluation.)</li> <li>Become a "green" enterprise</li> <li>Received Grand Prize for Green Management for third consecutive year, along with "Best CEO" award</li> <li>Received a Grand Prize in Environmental Management category at National Environmental Awards</li> <li>Support affiliates in acquiring environmental management system (ISO14001) certifications</li> </ul>	All locations	-
		All locations	In Progress
		All locations	Annual
		All locations	-
		All locations	-
		Affiliates	Annual
Environmentally Friendly Power Plant Operations	<ul style="list-style-type: none"> <li>Installed state-of-the-art pollution prevention (denitrification) equipment</li> <li>Established counteractive measures for total emissions-based regulations in the Seoul metropolitan area</li> <li>Participated in central government's pilot trading of certified emission rights (CERs)</li> <li>Measured micro-level air pollutants discharged from power plants</li> <li>Studied methods to increase recycling of waste materials created by power generation</li> <li>Researched coal scattering prevention measures for storage areas</li> <li>Improved operational performance of chimney tele-monitoring system</li> <li>Installed total nitrogen reduction facility</li> <li>Acquire and maintain KOLAS certificate for Boryeong Thermal Power Plant's chemical lab</li> <li>Review introducing advanced power plant waste-water recycling facilities</li> <li>Promote recycling of drained water and lessening use of chemicals</li> </ul>	Boryeong, Incheon	-
		All locations	-
		Seoul, Incheon	-
		Boryeong, Seocheon, Jeju	-
		Boryeong, Seocheon	-
		Boryeong	-
		All locations	-
		Boryeong, Seocheon	-
Stronger Climate Change Counteractive Capabilities	<ul style="list-style-type: none"> <li>Established mid- to long-term master plan for UNFCCC rules and regulations</li> <li>Organize UNFCCC task force</li> <li>Train UNFCCC experts</li> <li>Register new and renewable energy CDM business (Yangyang Wind and Small Hydro)</li> <li>Observed terms of RPA (renewable portfolio agreement)</li> <li>Register domestic greenhouse gas reduction business (Jeju, Yangyang)</li> </ul>	All locations	-
		All locations	Annual
		All locations	Annual
		All locations	-
		All locations	-
		Jeju, Yangyang	-
Enhancing Partnerships with Stakeholders	<ul style="list-style-type: none"> <li>Published and distributed environmental report</li> <li>Produced and distributed environmentally friendly management PR materials</li> <li>Instituted "one office-one mountain/stream" campaign</li> <li>Signed voluntary agreement with Ministry of Environment to reduce volume of pollutants at Boryeong Thermal</li> <li>Support businesses that can increase incomes at areas near power plants</li> <li>Improved facilities at water farms that utilize drained cooling water and established an improved operating methodology</li> <li>Cooperated in developing fishing areas near power plants</li> <li>Organized environmental monitoring group</li> </ul>	Stakeholders	Bi-annual
		All locations	-
		All locations	Annual
		Boryeong	-
		All locations	Annual
		Boryeong	In Progress
		Boryeong, Seocheon	Annual
		Boryeong, Seocheon	Annual

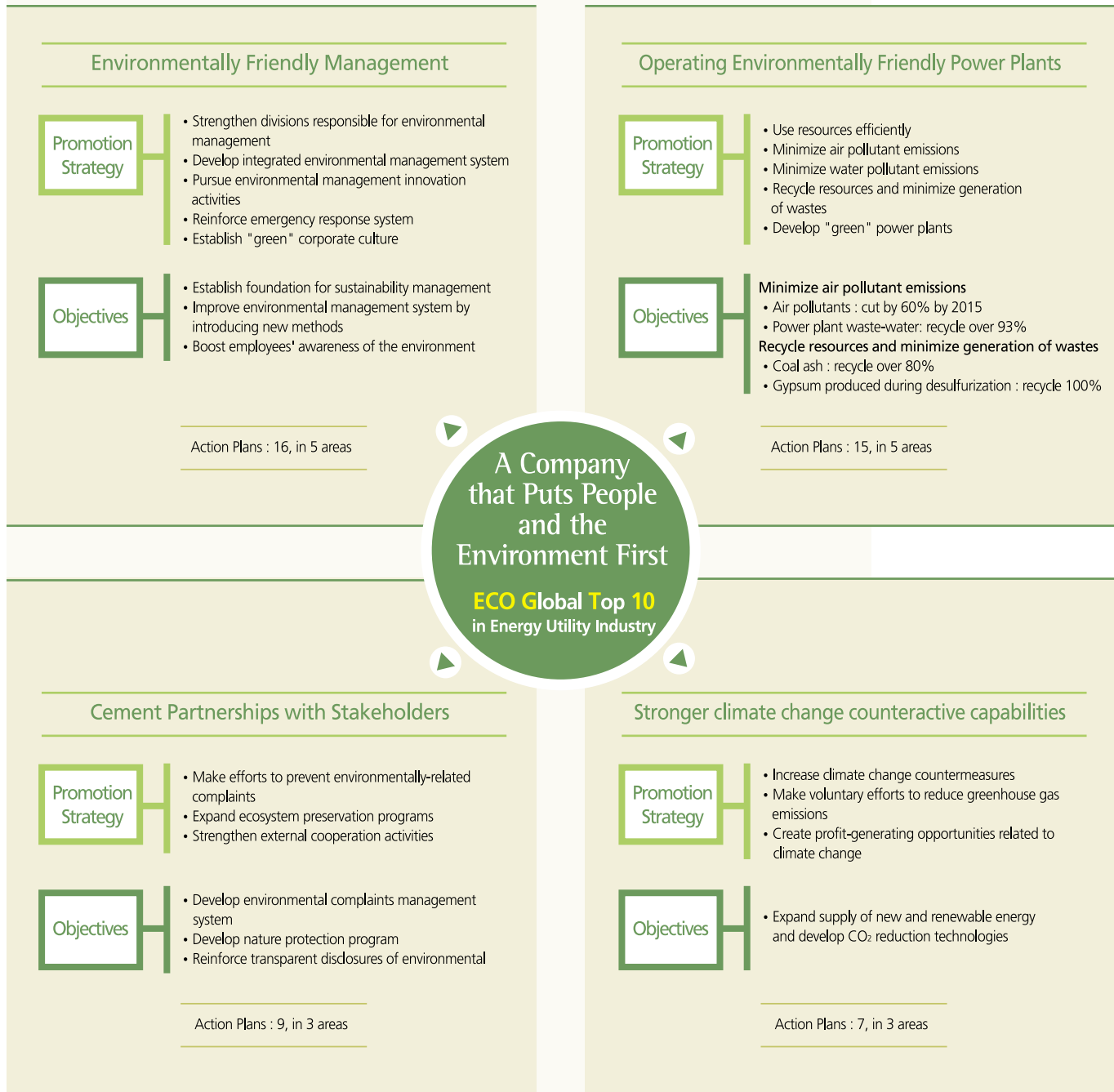
※ The above figures are from the sustainability report target period 2006-2007



In order to be a company that puts people and the environment first, KOMIPO has set an overall goal of becoming a global “top 10” energy enterprise. To that end, it has established a mid- to long-term environmental management promotion strategy called “ECO-2015.” Four of the company’s main strategies in this area include augmenting its environmentally friendly management, operating environmentally friendly power plants, strengthening its ability to counteract climate change, and cementing its partnerships with stakeholders. Each strategy has an environmental objective, and forty-seven action plans have been selected for implementation.

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## Environmental Vision and Objectives



※ ECO-GT10 in Energy Utility Industry

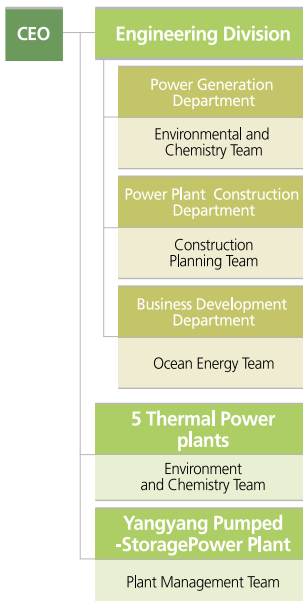
KOMIPO will develop its environmental management capabilities to the point of becoming a global “top 10” energy company by 2015.

## Environmental Achievements ▶ Environmental Management System

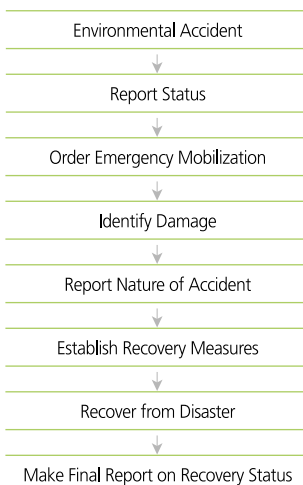
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### Environmental Management System

#### Environmental Management Structure

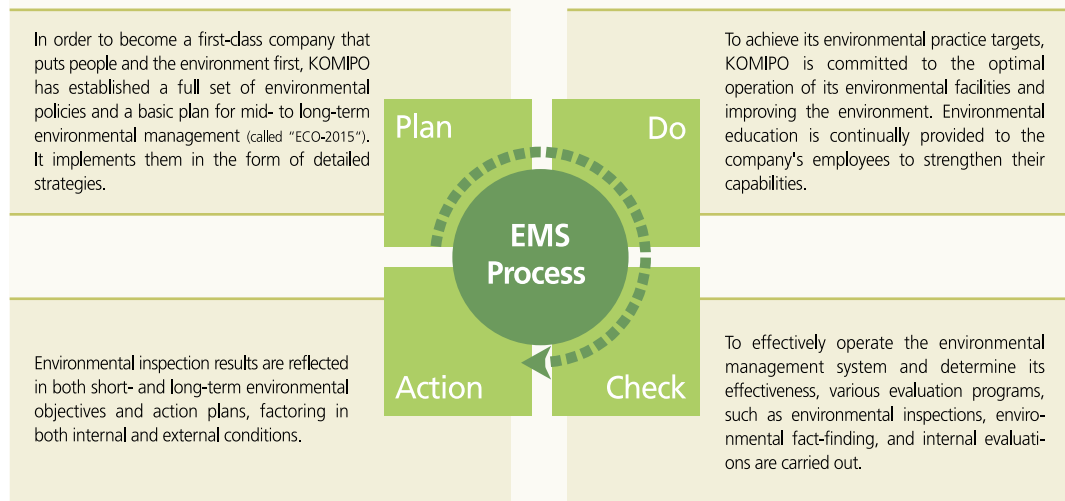


#### Response Structure



#### EMS (Environmental Management System) Process

After acquiring an ISO14001 certification in 2004, KOMIPO developed a full-scale environmental management system. Thanks to the active participation of all its employees, the company later passed a follow-up environmental inspection to maintain its certification. The environmental management system has since been streamlined into a “Plan, Do, Check, Action” process.



#### Environmental Accident Counteracting System

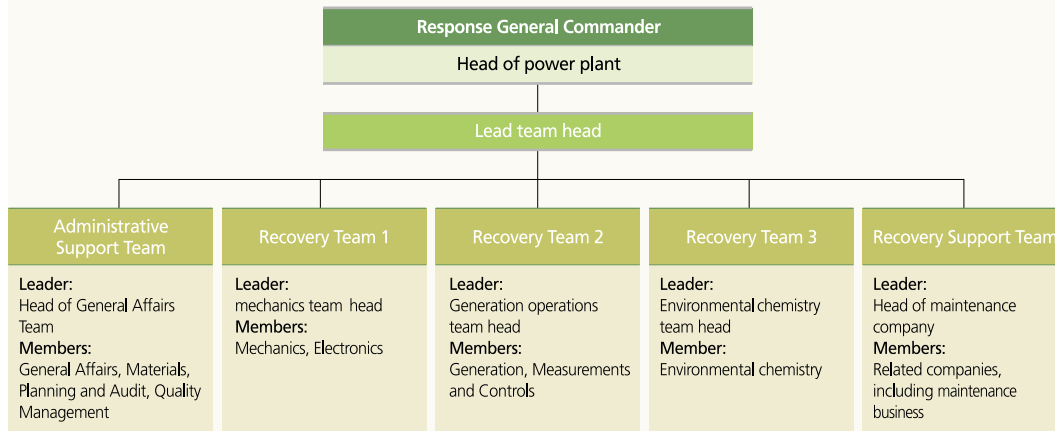
KOMIPO focuses on preventive measures to lessen the possibility of environmental accidents. In order to rapidly respond to unexpected environmental accidents, the company has organized a company-wide emergency response structure, laid out detailed disaster prevention measures, and established an emergency communications network in conjunction with related institutions.

The emergency response structure works as follows. When an environmental accident occurs, the person who has discovered it takes emergency measures to minimize any impact on the surroundings. Afterwards, he or she makes a report, and emergency mobilization is ordered by means of in-house broadcasting and alarms. Next, an emergency operations center identifies all damages, implements safety countermeasures, and reports to the company's headquarters and all relevant institutions (e.g., city and district offices, police offices, fire departments, etc.) according to accident type. Following that, a recovery unit deals with recovery-related matters, including budgeting, resources, manpower, and time needed. In the case of a disaster, external sources, such as maintenance companies, affiliates, and outside experts are mobilized for emergency machine manufacturing and technological support. When the recovery has been completed, reports are given to company headquarters and external institutions.



To guarantee effective responses, environmental accidents are divided into two categories. Man-made and natural disasters (such as toxic materials outflows, earthquakes and fires, typhoons and storm waves, heavy snow, and rainfall) fit into the category of “emergency countermeasures accident.” Accidents affecting air and water pollution prevention facilities, waste storage facilities, and toxic materials and oil storage facilities fall into the category of “environmental facility accident.” Scenarios have been developed for each type of emergency, with training exercises taking place at least once a year.

#### Disaster Countermeasures Structure



#### Environmental Inspections

To minimize potential risks and evaluate the effectiveness of its environmental management strategies, KOMIPO carries out annual inspections, with its power plants undergoing technological checkups and internal evaluations simultaneously. Depending on the seriousness of the issue, the results of these inspections will either be addressed immediately or be reflected in mid- to long-term environmental objectives and/or annual action plans.

Classification	Auditor	Target Power Plant	Note
"Green enterprise" follow-up inspections	Ministry of Environment	All locations	Once / year
ISO 14001 internal audits	Internal	All locations	Once / year
ISO 14001 certification audits	Korean Standards Association	All locations	Once / year
Environmental management fact-finding	Internal	All locations	Once / year
Environmental management internal evaluations	Internal	All locations	Once / year
Audits by external institutions	Local governments, police offices	All locations	Frequently

#### Environmental Education

KOMIPO offers its employees various educational programs to raise their awareness of environmental management and strengthen their capabilities. For example, they are instructed in basic environmental background information and are encouraged to take part in classes offered by the Korea Power Learning Institute to increase their work capabilities. The company also contracts with domestic and overseas institutions to develop future “green management” leaders.



## Environmental Education

Category	Headcount (No. of Persons)			Contents
	2005	2006	2007	
Basic Environmental Education (HQ and local offices)	675	275	266	<ul style="list-style-type: none"> <li>• Domestic and overseas environmental policy trends</li> <li>• Environmental vision and policies</li> <li>• Guest lectures</li> <li>• ECO-2015 promotion plan</li> </ul>
Practical Environmental Education (Korea Power Learning Institute)	4	5	8	<ul style="list-style-type: none"> <li>• Generation water treatment</li> <li>• Air environment</li> <li>• Practical on water environment</li> <li>• Environmental testing equipment</li> <li>• Desulfurization facilities</li> <li>• Combustion management</li> </ul>
Training by Outside Institutions	30	40	45	<ul style="list-style-type: none"> <li>• Environmental technology overseas training (educational institutions under the aegis of the US Environmental Protection Agency)</li> <li>• ISO 14001 examiner training</li> <li>• Chimney tele-monitoring system training</li> <li>• UNFCCC countermeasures training</li> </ul>

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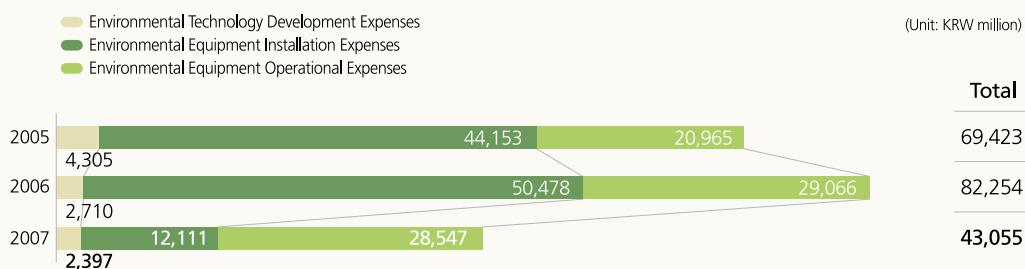
## Environmental Accounting

## Establishing an Environmental Accounting System

KOMIPO has established a link between its environmental accounting system and “Blue JB,” its ERP (Enterprise Resource Planning) system to further the efficient calculation of its environmental costs. The system calculates pre- and post-treatment costs, legal costs, recovery expenses, and other environmental activities expenses in “real time,” speeding up the decision-making processes for managing the company and enhancing the transparency of its environmental management data.

## Environmental Costs

KOMIPO implements its environmentally friendly management policies by installing optimal environmental facilities at all its power plants and investing in technologies that will reduce their environmental impacts. Environmental expenses are incurred for installations, operations, and technology development. Installation expenses include installation and maintenance costs, operational expenses cover the costs of electricity, water, chemicals, salaries, and waste treatment, and technology development expenses include research and development and education.



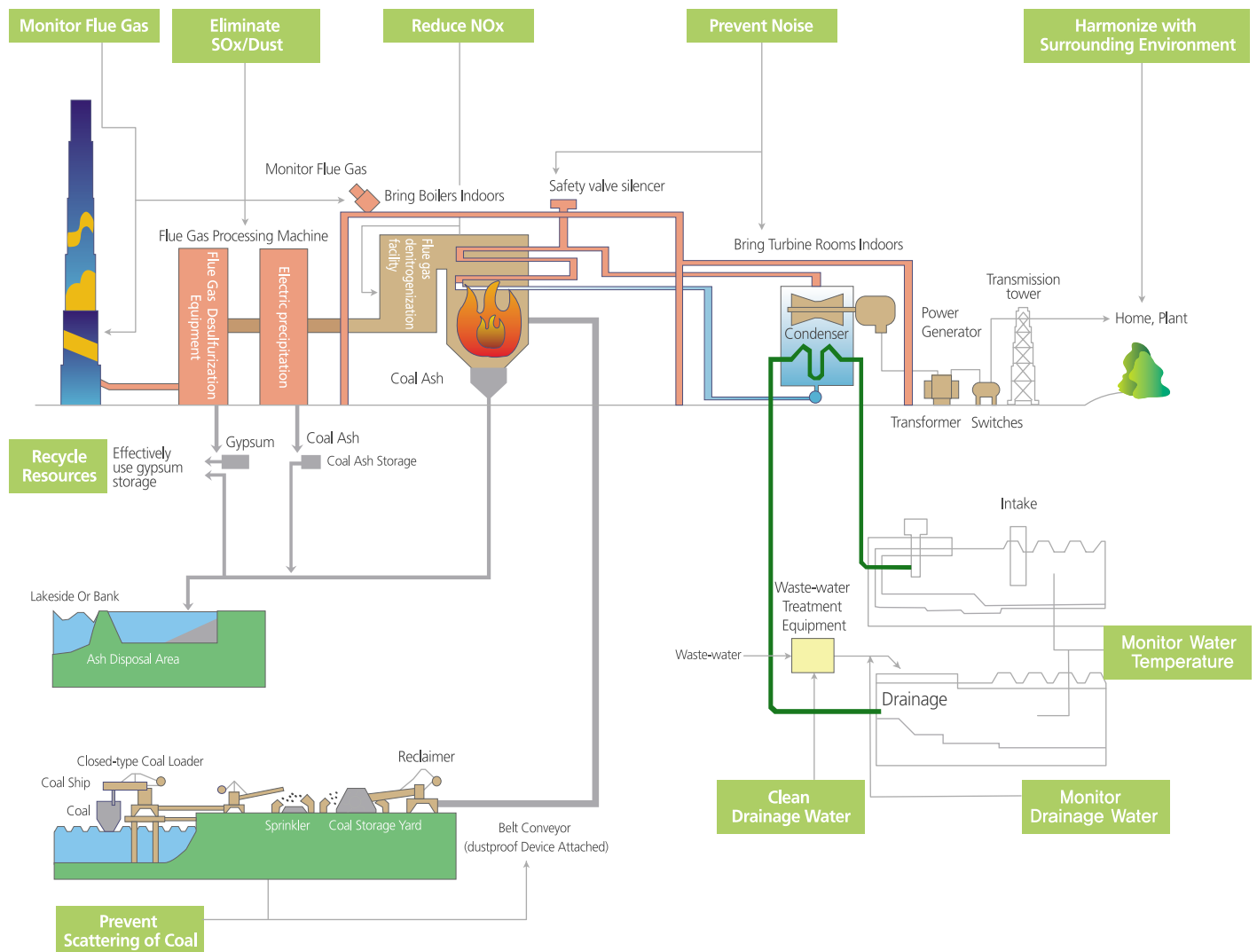


## Environmental Achievements ▶ Environmental Management and Achievements

Environmental pollutants produced during the thermal power generation process include SO<sub>x</sub> (Sulfur Oxides), NO<sub>x</sub>, waste-water, and dust created during the combustion of generation fuels. KOMIPO has installed a wide range of pollution prevention facilities to reduce the volume of these materials.

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### Power generation processes and environmental impacts

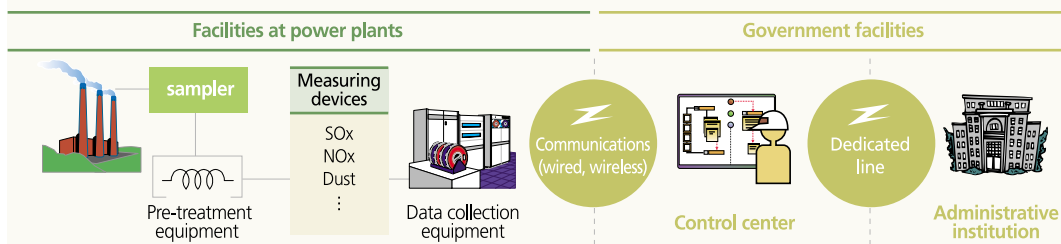


## Efforts to Reduce Discharge of Pollutants

### TMS (Tele-Monitoring System)

KOMIPO has deployed a wide range of pollution prevention facilities to reduce the volume of air and water pollutants and discharged wastes at its power plants. For example, a system called TMS monitors the density of pollutants in “real time,” transmitting information to the control center by means of an on-line channel and enabling the “24/7” monitoring of all discharges. These measurements are also reported to the Environmental Management Corporation and administrative institutions, as well as the company’s Web page.

#### TMS Management System



### Reducing Air Pollutants

Air pollutants discharged from power plants include SOx, NOx, and dust. To bring its volume of discharged air pollutants to a minimal level, KOMIPO installs preventive equipment at all new and existing power generation facilities, while the Seoul and Incheon Thermal Power Plants also use LNG as their main generation fuel. As a result, the company’s annual volume of air pollutants discharges per production unit has been steadily decreasing: for example, the figures for SOx and NOx in 2007 dropped by 6.8% and 6.3% compared to 2006.

#### Annual Discharges and ECO-2015 Targets

(Unit: g/kWh)

Classification	2004	2005	2006	2007	2015(E)
SOx discharges	0.570	0.480	0.440	0.410	0.230
NOx discharges	0.950	0.790	0.630	0.590	0.440
Dust discharges	0.020	0.017	0.016	0.018	0.013



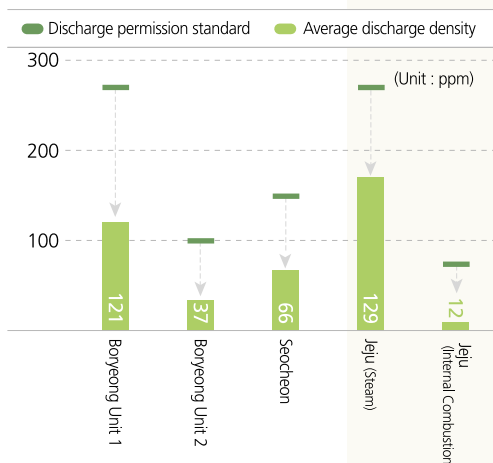
Flue Gas Desulfurization Facility

There are also legal regulations regarding the volume of air pollutants discharges, and measurements taken in 2007 showed that the density of SOx, NOx, and dust discharged from all of KOMIPO’s power plants was 10% to 59% lower than these statutory standards.

※ As of 2007

#### Sox

(Unit: ppm)



Classification		Discharges Permission Standard	Average Discharge Density			Prevention Facility
		'05~'07	'05	'06	'07	
Boryeong Thermal	#1,2	270	155	152	121	Uses low-sulfur bituminous coal
	#3~6	100	40	40	37	Desulfurization facilities
Seochon Thermal	#1,2	150	66	64	66	Desulfurization facilities
	#1~3	270	132	135	129	Uses low-sulfur oil (0.3% S)
Jeju Thermal	Internal Combustion	70	6	10	12	Desulfurization facilities



## NOx

(Unit: ppm)

Classification		Discharges Permission Standard	Average Discharge Density			Prevention Facility
		'05~'07	'05	'06	'07	
Boryeong Thermal	#1~2	350	197	209	196	Installation scheduled for 2009 LNB+SCR
	#3~6	150	128	96	71	
	Combined -cycle	150	30	44	31	
Incheon Thermal	#1,2	150	38	32	20	LNB+SCR SCR LNB
	#3,4	150	35	24	20	
	Combined -cycle	50	35	28	28	
Seoul Thermal	#4,5	150	17	17	17	SCR
Seocheon Thermal	#1,2	350	205	142	192	LNB+OFA
Jeju Thermal	#1~3	250	162	141	122	LNB+OFA SCR
	Internal combustion	300	199	176	176	

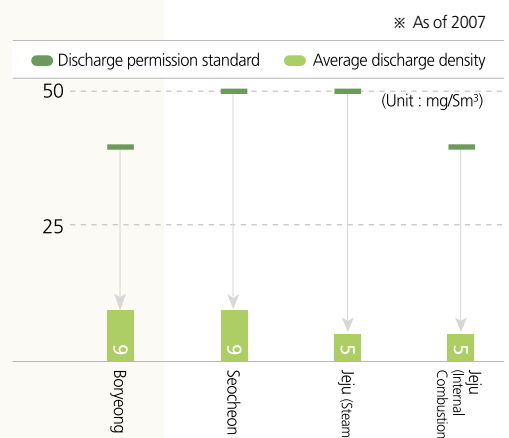
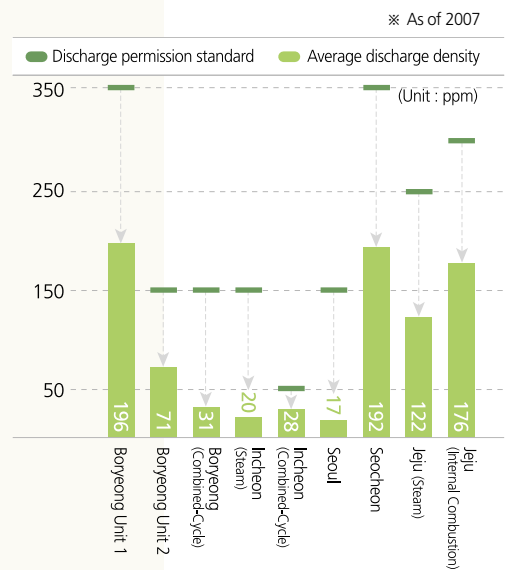
※ LNB: Low NOx Burner, OFA: Over Fire Air

## Dust

(Unit: mg/Sm<sup>3</sup>)

Classification		Discharges Permission Standard	Average Discharge Density			Prevention Facility
		'05~'07	'05	'06	'07	
Boryeong Thermal	#1~6	40	8	9	9	Electrical precipitator
Seocheon Thermal	#1,2	50	5	7	9	Electrical precipitator
Jeju Thermal	#1~3	50	6	4	5	Electrical precipitator
	Internal combustion	40	5	6	5	

※ Boryeong combined-cycle, Incheon thermal and Seoul thermal use clean LNG fuel and therefore do not discharge either SOx or dust.



## Reducing Water Usage and Recycling Water

Water at KOMIPO's thermal power plants is used for generation, desulfurization, cooling, and drinking. To enhance the efficiency of its water usage and increase the recycling rate of used water, KOMIPO has improved its processes by checking for leaks, searching for points where drained water can be recycled, and establishing a waste water non-discharge system. As a result, the recycling rate of drained water<sup>①</sup> rose from 37% in 2000 to a dramatic 90% in 2006. In addition, the company has installed Korea's first-ever environmentally friendly demineralization facility at its Incheon thermal power plant. It is expected to greatly reduce the use of water there.

## Water use and recycling

Year	Generated Power (GWh)	Water Use (1,000s of tons)	Water Use per Energy Consumption Unit (tons/GWh)	Waste Water (1000s of tons)	Recycled Drained Water (1000s of tons)	Drained Water Recycling Ratio (%)
2005	37,899	3,532	93	1,188	991	83
2006	39,248	4,793	122	997	895	90
2007	41,648	5,287	127	1,103	967	88

① **Drained Water** This refers to all types of water, including steam-condensed water, recycled water at water demineralizing facilities, filter backwash water, and sample water that has been discharged during the power generation process. High-quality water is reused as raw water or filtered water before undergoing waste-water treatment processes, while the other types are used after reverse osmosis and activated carbon filter treatments.



Ecological Pond Using Final-stage Discharged Water from Water Treatment Facilities

### Managing Water Pollution

Waste-water is generated at power plants while managing boiler water quality, producing pure water, and operating desulfurization facilities. To treat it properly, all of KOMIPO's power plants have been equipped with comprehensive waste-water treatment facilities and desulfurization waste-water treatment equipment. In addition, the company has installed biological treatment facilities and waste-water treatment equipment using evaporation and condensation to eliminate nitrogen contained in waste-water at its Boryeong and Seochon power plants.

#### Managing Water Quality with Comprehensive Waste-water Treatment Facilities

Location	pH				COD(mg/ℓ)				SS(mg/ℓ)			
	Discharge Standard	Discharge Density			Discharge Standard	Discharge Density			Discharge Standard	Discharge Density		
	'05~'07	'05	'06	'07	'05~'07	'05	'06	'07	'05~'07	'05	'06	'07
Boryeong	5.8 ~ 8.6	7.0	7.1	7.0	50	6	5	6	40	6	3	3
Incheon	5.8 ~ 8.6	7.0	7.1	7.0	130	9	18	7	120	3	2	3
Seoul	5.8 ~ 8.6	7.0	7.0	7.1	90	3	4	4	80	3	3	3
Seocheon	5.8 ~ 8.6	7.6	7.6	7.7	130	3	4	4	120	4	6	6
Jeju	5.8 ~ 8.6	7.0	7.1	6.9	50	5	4	7	40	3	2	2

#### Managing Water Quality with Desulfurization Waste-water Treatment Equipment

Location	pH				COD (mg/ℓ)				SS (mg/ℓ)			
	Discharge Standard	Discharge Density			Discharge Standard	Discharge Density			Discharge Standard	Discharge Density		
		'05~'07	'05	'06		'07	'05~'07	'05		'06	'07	'05~'07
Boryeong	5.8 ~ 8.6	6.5	6.9	7.0	50	24	19	22	40	19	17	12
Seochon	5.8 ~ 8.6	7.0	7.1	7.3	130	8	11	9	120	9	6	7

### Reducing the Use of Chemicals

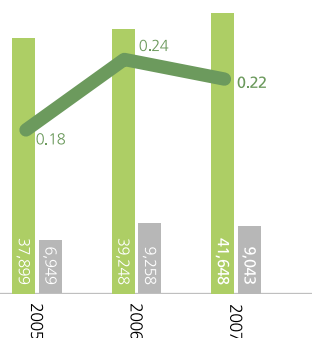
Power plants use chemicals to slow corrosion and assist in pure-water production and waste-water treatments. KOMIPO uses highly-efficient flocculants, hydrazine non-injection treatments<sup>①</sup>, and oxygen treatments that curb the use of hazardous substances to reduce the use of these materials. Although the company's use of chemicals has been rising due to increases in generation demand, this lower usage rate means that the percentage volume of chemicals is actually declining.

#### Use of chemicals

Location	2005	2006	2007
Generated Power (GWh)	37,899	39,248	41,648
Chemicals Used (tons)	6,949	9,258	9,043
Consumption per Production Unit (tons/GWh)	0.18	0.24	0.22

#### Use of Chemicals

Generated power (GWh)  
Chemicals used (tons)  
Consumption per production unit (tons/GWh)



<sup>①</sup> Hydrazine Non-Injection Treatment System This refers to a system that prevents corrosion without using a chemical called hydrazine.





### Managing Waste and Byproducts

KOMIPO's power plants generate about thirty different types of waste, including waste oil, waste heat-insulating materials, and waste synthetic resins. Within the current reporting period, no treatments of or transactions in hazardous waste materials were specified in the Basel agreement. Despite this, KOMIPO tries to minimize the environmental impact of these materials by recycling reusable wastes and hiring outside companies to deal with unusable ones.

#### Waste generation and recycling, per year

Category		Unit	2005	2006	2007
Waste Generated	Power Plants, Overall	Tons	5,212	9,124	6,424
	Power Plant, Specific		583	370	442
	Total	Tons	5,795	9,494	6,866
Generation per Production Unit		Tons/GWh	0.15	0.24	0.16
Amount Recycled		Tons	3,643	6,394	3,715
Own and Consigned Treatments		Tons	2,152	3,100	3,151

Other wastes that power plants generate include coal ash<sup>①</sup> and gypsum<sup>②</sup> used in desulfurization. Coal ash is reconstituted as construction materials, such as ready-mixed concrete and cement materials, while 100% of the gypsum is recycled into raw materials for gypsum board and other uses. KOMIPO endeavors to increase its recycling ratios by diversifying demand, promoting R&D, and discovering new uses for its waste products.

### Noise Controls

KOMIPO has placed much of its equipment indoors, installed silencers, and built soundproof walls to manage noise generated at its plants.

#### Noise Measurements

Location	Area	Measured Noise, dB (A)			
		Regulation	2005	2006	2007
Boryeong Thermal	Industrial area	50	36	37	37
Incheon Thermal	Industrial area	50	42	36	42
Seoul Thermal	"Green" zone	50	48	49	49
Seocheon Thermal	Industrial area	50	36	30	34
Jeju Thermal	Industrial area	50	32	30	32

### Managing Soil Pollution

Walls have been installed to prevent soil pollution caused by the spilling of oil used as generating fuel. Pollution levels are measured monthly to determine if there have been any discharges from oil storage tanks.

#### Soil Pollution Test Results

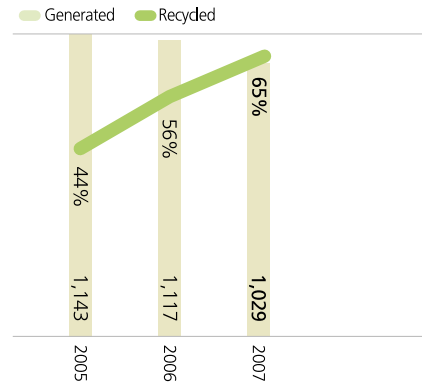
Location	Test Target	Test Date	Tested Locations	Test Item	Test Results	Tested by
Boryeong Thermal	Diesel storage tank 4	2007. 11. 09	9 locations	TPH	Satisfactory	Korea Natural Environment Institute
Incheon Thermal	Diesel/ Heavy oil tank 9	2007. 10. 18	13 locations	TPH	Satisfactory	Korea Resources Corporation
Seoul Thermal	Diesel tank 1	2007. 09. 29	Non-destructive test		Satisfactory	KNDA Co. Ltd
Seocheon Thermal	Diesel/Heavy oil tank 6	2007. 12. 17	11 locations	TPH	Satisfactory	Environmental Management Corporation
Jeju Thermal	Diesel/Heavy oil tank 11	2007. 12. 27	22 locations	TPH	Satisfactory	Jeju Provincial Health Environmental Research Institute

※ TPH - Total Petroleum Hydrocarbons

※ TPH tests are not necessary if a non-destructive test has been conducted.

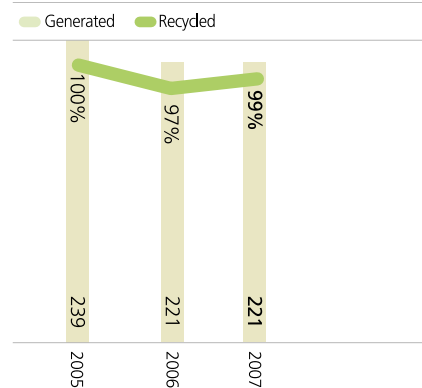
#### ① Coal Ash

(Unit: KRW 1,000)



#### ② Gypsum Produced During Desulfurization

(Unit: KRW 1,000)



## Environmental Preservation Activities

### Environmental Impact Assessments

KOMIPO carries out environmental impact assessments pursuant to Article 25 of the Act on Assessments of Impacts on the Environment, Traffic, and Disasters to minimize the impacts of power plant construction and operations on the environment. The company follows up on all recommendations made after the assessments and reports its survey results and implementation performances to relevant government bodies every year.

The location and size of all animal habitats and detailed results of their assessments are provided through an RFI (Request for Information) system. No animal or plant species are facing extinction due to KOMIPO's business activities.

#### 2007 Environmental Impact Survey Results

Power Plan	Surveyed by	Items	Issue	Survey Period
Boryeong Thermal Power Plant	• Combined-cycle • Unit 7, 8	Yooshin Engineering Corporation Co., Ltd		'96. 07~'07. 08
				'05. 03~'13. 12
	• Units 7 and 8 power transmission lines	KOPEC		'06. 03~'09. 06
Yangyang Pumped-Storage Power Plant	Jinhwa Consulting Engineering Co., Ltd.	Air quality / Water quality Noise and oscillation / Ecosystems		'96. 01~'11. 09
Incheon Combined-cycle	• Unit 1	Deoksung Engineering & Construction Co., Ltd	None	'03. 04~'10. 06
	• New Power Plant	Deoksung Engineering & Construction Co., Ltd		'07. 06~'17. 12
Jeju Thermal Power Plant	• Replacement of Internal Combustion Unit 1	Marine and Environmental Research Institute of Cheju National University		'04. 06~'10. 12

※ Survey Period: From beginning of construction until five years after completion

### Caring for the Environment

KOMIPO carries out various environmental protection programs as part of its commitment to the environment, including “one-company one-stream” campaigns, feeding wild animals, and building bird nests. The company also involves local residents and power plant visitors by sponsoring an environmental writing contest, offering one-day environmental classes, and hosting environmental preservation functions.



### External Evaluations (Certificates and Awards)

KOMIPO has established a mid- to long-term environmental management plan called “ECO-2015” and carries out detailed action plans as part of its goal of becoming a global “top 10” environmental enterprise by 2015. To reduce environmental pollution, the company has established stricter standards than those mandated by the central government. In addition, the Boryeong Thermal Power Plant and the Incheon Thermal Power Plant have signed agreements with the cities of Boryeong and Incheon. There were no violations of environmental regulations during the reporting period.

In addition, many external assessment agencies have acknowledged the company's achievements and awarded it many environmental prizes.

#### External Certificates and Awards

Classification	Power Plants	Dates	Effective by	Notes
ISO14001 Certification	HQ and other locations	2007. 09. 07	2010. 09. 06	Korean Standards Association
Environmentally Friendly Enterprise	Boryeong thermal	2007. 02. 09	2010. 02. 08	New designation
	Incheon thermal	2007. 11. 22	2012. 11. 21	3 consecutive times
	Seoul thermal	2006. 03. 21	2011. 03. 20	2 consecutive times
	Jeju thermal	2006. 04. 01	2011. 03. 31	2 consecutive times
Grand prize for “Green” Management Won three straight grand prizes at the Green Management Awards CEO's Prize	HQ and other locations	2007. 09. 13	—	Korea Management Association
Grand prize at National Environmental Awards	Seoul thermal	2006. 06. 13	—	Ministry of Commerce, Industry and Energy/Ministry of Environment
Grand prize in environmental management in Incheon City and Gyeonggi Province	Incheon thermal	2006. 12. 09	—	Incheon Times

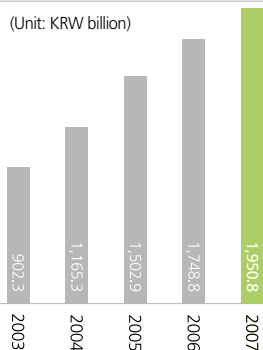
## Environmental Achievements ▶ Energy Reductions and UNFCCC Countermeasures

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### Efforts to Cut Energy Consumption

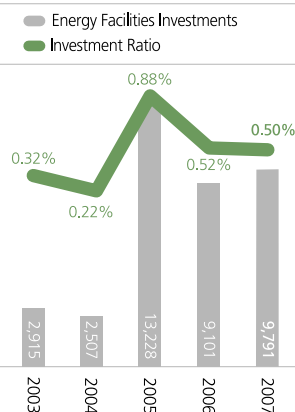
#### Energy Consumption

(Unit: KRW billion)



#### Energy Facilities Investments and Investment Ratio

(Unit: million)



\* Investment Ratio=Energy Facility Investment / Energy Consumption

#### Cutting Total Energy Consumption by 1%

The Korean economy is threatened by high oil prices and energy price hikes. To overcome these obstacles and become a more efficient power generator, KOMIPO is continuously improving on fuel and power consumption at its power plants. In 2005, the company established a ten-year plan to reduce its total energy consumption by 1%--the equivalent of 99,000 TOE per year in terms of 2007 standards. Some of its efforts in this regard include improving combustion methods, operating electrical equipment more efficiently, and developing businesses utilizing ESCO (Energy Service Company). In 2007, KOMIPO realized KRW 7.6 billion worth of energy savings through 120 facility and operational improvements.

#### Power Consumption at Plants

(Unit: MWh)

Power Plant	Boryeong Thermal	Incheon Thermal	Seoul Thermal	Seocheon Thermal	Jeju Thermal	Yangyang Pumped-storage	Total
2005	1,240,906	61,085	32,621	248,121	77,838	–	1,660,571
2006	1,210,845	95,889	47,772	227,701	80,884	9,582	1,672,673
2007	1,282,578	118,115	54,981	231,615	64,658	6,998	1,758,945

※ **Power Consumption at Plants** This refers to electricity needed for auxiliary equipment at power plants, including water supply pumps, coal transportation equipment, ventilators, lights, and so on.

#### Improving Aging Facilities

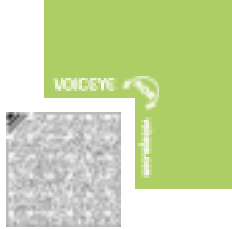
KOMIPO embarked on an energy diagnosis at the Boryeong thermal power plant Units 1 and 2 after signing an “MOU for cooperation in the energy management field” with the Korea Energy Management Corporation in 2004. As a result, the company found eighteen items that could be improved, with resulting energy savings worth KRW 6.3 billion. A similar study at Seoul thermal unit 5 from December 2006 to March 2007 uncovered three items in need of amelioration, and improvements are under way there as well.

#### Second Voluntary Agreement to Reduce Energy Consumption

In 2005, KOMIPO signed a voluntary agreement with the Korea Energy Management Corporation to reduce its energy usage and greenhouse gas emissions. As a result, the company asked all its offices to carry out energy reduction implementation plans to cut 148,912 tons of emissions over the next five years.

#### ESCO Project and Utilizing High-Efficiency Equipment

With the help of ESCO (Energy Service Company), KOMIPO is trying to streamline its facilities and reduce energy usage. When building new plants like Incheon combined-cycle, Jeju internal combustion, and Boryeong units 7 and 8, the company's technical specifications now insist on the use of high-efficiency and high-powered materials. Replacing low-efficiency facilities with high-efficiency ones is expected to bring about a 20% energy reduction. In 2007, an ESCO fund worth KRW 1 billion was invested in a number of projects, including a Jeju internal combustion flue gas desulfurization booster fan (BUF) project. These activities have saved KRW 230 million in energy costs annually.

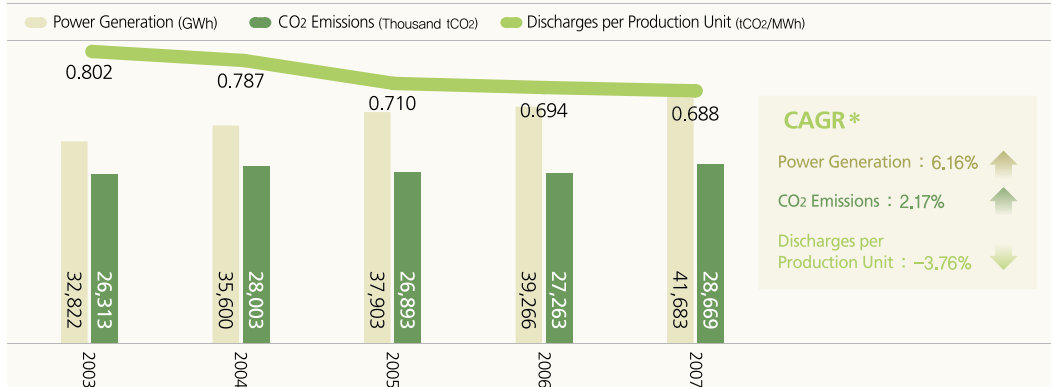


With the implementation of the Kyoto Protocol in 2005, greenhouse gas emissions reduction activities are in full swing in most advanced countries. Since Korea is obliged to start reducing its emissions by 2013, the government has organized a UNFCCC committee and is establishing a comprehensive set of countermeasures. These include the development of greenhouse gas reduction technologies and a system to measure greenhouse gas emissions. In line with this, KOMIPO is gathering greenhouse gas emissions data for its power generation facilities, carrying out research and development on CO<sub>2</sub> reduction technologies, and developing new and renewable energy sources.

### Greenhouse Gas Emissions

Compared to 1990, Korea's CO<sub>2</sub> emissions have nearly doubled to 591.1 million tons, 26.7% of which have been produced by the power generation industry. Since this industry is responsible for such a large portion of the country's total greenhouse gas<sup>①</sup> emissions, KOMIPO is trying its best to minimize the effect of these past operations. For example, a 2003~2007 survey showed a 6.16% increase in power generation, but a 3.76% annual drop in CO<sub>2</sub> discharges per production unit.

#### KOMIPO's Yearly CO<sub>2</sub> Emissions



\* CAGR: Compound Annual Growth Rate

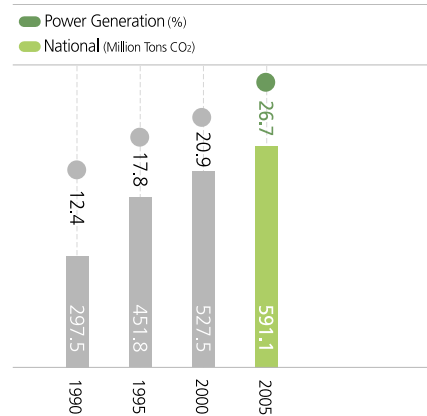
\* Power generation includes power generated at the Gangwon wind-power plant (Reflects KOMIPO's 15% share)

① **Greenhouse Gas Discharges per Production Unit** This refers to the volume of greenhouse gas created by generating 1MWh of electricity

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## UNFCCC Countermeasures

#### Korea GHG Emissions



Understanding UNFCCC

## Published "Understanding UNFCCC"

In May 2007, KOMIPO published a brochure called "Understanding UNFCCC." When this body's regulations concerning greenhouse gas emissions come into effect, Korea's power generation industry will be greatly impacted, since it consumes such a large volume of fossil fuels. Through this publication, KOMIPO hopes to encourage voluntary energy reduction practices on the part of all its employees and stakeholders.





### Establishing UNFCCC Countermeasures

In preparation for the UNFCCC's greenhouse gas reduction regulations starting in 2013, KOMIPO has established a set of mid- to long-term countermeasures. These include four strategies to cut greenhouse gas emissions by 10% at each production unit by 2020. A climate change task force was established to ensure the effective implementation of these actions plans. Its members are responsible for suggesting greenhouse gas reduction projects, establishing efficiency enhancement and energy reduction methods, and analyzing greenhouse gas emissions data and statistics.

#### Mid- to Long-term UNFCCC Countermeasures

Greenhouse Gas Emissions Reduction Targets			
Reduction of Greenhouse Gas Discharges per Production Unit by 10% (~2020)			
Strengthening Carbon Management Activities	Expanding New and Renewable Energy Businesses	Improving Energy Efficiency	Developing Greenhouse Gas Reduction Technologies
<ul style="list-style-type: none"> <li>Analyze domestic and overseas trends</li> <li>Establish greenhouse gas reduction strategies</li> <li>Establish inventory</li> <li>Implement "Carbon Neutral" program</li> <li>Nurture expert organizations and professionals</li> </ul>	<ul style="list-style-type: none"> <li>Expand new business development               <ul style="list-style-type: none"> <li>Bioenergy</li> <li>Ocean energy</li> <li>Utilization of industrial waste gases</li> </ul> </li> <li>Register for CDM, secure emission rights</li> <li>Abide by supply agreements</li> </ul>	<ul style="list-style-type: none"> <li>Introduce new generation technologies</li> <li>Carry out energy diagnoses and manage for efficiency</li> <li>Suggest greenhouse gas reduction projects</li> </ul>	<ul style="list-style-type: none"> <li>Develop CCS (carbon capture and storage) technologies</li> <li>Promote commercialization of IGCC (Integrated Gasification Combined Cycle)</li> <li>Establish technology infrastructure</li> </ul>

### Achievements of Climate Change Countermeasures

Some results that KOMIPO has already achieved by establishing its mid- to long-term climate change countermeasures include the establishment of a greenhouse gas emissions measuring system linked to ERP, earning annual greenhouse gas emission rights worth 40,000 tons by registering as an international CDM business, and confirming the execution of CV, wind, and fuel cell power generation projects.

Strategy	Achievement
<b>More Effective Carbon Management Structure</b>	<ul style="list-style-type: none"> <li>Established greenhouse gas emissions measuring system linked to ERP</li> <li>Signed an MOU with central government regarding implementation of intra-company emissions rights trading system</li> <li>Voluntary greenhouse gas reduction agreement (MOE ↔ Seoul/Incheon/Jeju)</li> <li>Organized UNFCCC task force</li> <li>Established climate training program</li> </ul>
<b>Expansion of New and Renewable Energy Business</b>	<ul style="list-style-type: none"> <li>Registered as an international CDM business</li> <li>Reduce 29,675 tons of CO<sub>2</sub>/year at Gangwon wind-power, Yangyang wind-power, and Yangyang small hydro-power plants</li> <li>Established long-term new and renewable energy development plan</li> <li>Confirmed the execution of CV, wind power, small hydro, biomass, and fuel cell projects (total of 1,389MW)</li> <li>Conducted new and renewable energy business feasibility survey (five cases) and signed MOU with domestic and overseas institutions (seven cases)</li> </ul>
<b>Energy Efficiency Improvements and Greenhouse Gas Reduction Technology Development</b>	<ul style="list-style-type: none"> <li>Domestic greenhouse gas reduction project</li> <li>Reduced 9,071 tons of CO<sub>2</sub>/year at Yangyang small hydro-power, Jeju internal combustion, etc.</li> <li>Improved efficiency by introducing high-efficient turbine for Boryeong units (reduced by 74,000 tons of CO<sub>2</sub>/year)</li> <li>Implemented energy reduction policy, including replacement of aging facilities and improvements to operating methods (35,000 tons TOE/year)</li> <li>Developed high-efficiency absorbent at Seoul thermal pilot plant</li> <li>Developed 250kW-capacity enlargement technology at Boryeong fuel cell pilot plant</li> <li>Completed four independent research projects and seven joint ones</li> </ul>

#### Seoul Thermal CO<sub>2</sub> Separation Pilot Plant

- **Installation** (Unit)  
May 2002 (Unit 5)
- **Capacity**  
2CO<sub>2</sub>-tons/day
- **Size**  
20m x 20m x 25m (L x W x H)
- **Facilities**  
Absorption tower, degasifier, cooling tower, receiver, etc.  
※ Absorbent: MEA (Mono-Ethanol Amine)
- **Recovery Ratio/ Purity**  
Over 90%/ 99%



CO<sub>2</sub> Separation Pilot Plant at Seoul Thermal Power Plant



# Appendix

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Third-Party Assurance Statement

GRI Index

Code of Ethics

2006~2007 Awards and Prizes

Status of Association and Commission Membership

Financial Statements

Questionnaires for Reader Opinions

Report Preparation

## Appendix ▶ Third Party's Assurance Statement

### To the Management of the KOMIPO Sustainability Report 2008

The Institute for Industrial Policy Studies<sup>●</sup> (The Auditor) was engaged by the Korea Midland Power Co., Ltd. (KOMIPO) to review information specified in its 2008 Sustainability Report (The Report) to provide independent third-party assurance on its contents. KOMIPO is responsible for the collection and presentation of all information within The Report as well as the maintenance of the underlying data collection system and internal controls. The key objective of our review is to provide independent assurance that all statements and data cited in The Report are free of material misstatement or bias and that the data collection systems used are robust. On the basis of the above, The Auditor presents the following third-party statement of assurance.

### Assurance Method and Scope

In its 2008 Sustainability Report, KOMIPO describes efforts and progress made toward sustainability management as well as its plans for the future. The Auditor's review examined the following.

**Reasonable assurance on whether:** the financial data specified under "Financial Performance" is properly derived from KOMIPO's audited Annual Report for 2007;

**Limited assurance on whether:** the data specified under "Introducing KOMIPO", "Efforts to Create Higher Value", "Efforts to Create A Better World", "Efforts to Create a Cleaner Environment", and "Appendix" of The Report are stated adequately and in full and are free of material misstatement or bias.

### Independence

The Auditor was not involved in the preparation of any part of The Report, and has no other affiliation with KOMIPO that might compromise our independence or autonomy, or otherwise place The Auditor under its influence, thereby creating possible conflicts of interest. The Auditor has no relationship with KOMIPO regarding any of its for-profit operations and activities.

### Criteria

The Auditor reviewed whether The Report was written in accordance with the following reporting guidelines:

- (1) The AA1000 Assurance Standard's (AA1000 AS)\* three core principles of Materiality, Completeness and Responsiveness;
- (2) The Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines Version 3.0\*\*; and
- (3) The BEST Sustainability Reporting Guidelines\*\*\*.

### Work Undertaken and Scope

The Auditor reviewed the Materiality, Completeness, and Responsiveness of The Report through the process outlined below:

- A review of media reports relating to KOMIPO
- A review of information contained in The Report as well as the underlying data
- Collection system (validation of internal sustainability-related organizations, systems, and activities)
- Data sampling and assessment of high-risk areas to support intensive review of key statements in The Report, internal policies, documentation, and information systems
- A reconciliation of financial data stated in The Report against the audited Annual Report
- Interviews with managers and staff in charge of sustainability management and reporting, as well as persons responsible for The Report's source information
- On-site reviews of the Headquarter office and Boryung facilities (period: July 7 to 18, 2008)
- A survey of sustainability expert views

### Conclusions

On the basis of the above we provide the following conclusions.

The Auditor did not find The Report to contain any material misstatements or bias.

All material findings of The Auditor are included herein, and detailed review results and follow-up recommendations have been submitted to the management of KOMIPO.

**Materiality:** Does The Report cover economic, social and environmental issues of the greatest importance to KOMIPO?

The Auditor does not believe that KOMIPO has omitted or excluded any information of the greatest importance to its stakeholders. We verified efforts to identify and report on issues of the greatest importance to its multi-stakeholders through materiality testing (i.e. media reviews, expert interviews, industry benchmarking, etc.) as well as stakeholder surveys and expert hearings. KOMIPO presented possible threats and opportunities posed by material issues through SWOT analysis findings, while outlining its current response as well as possibilities

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

\*\*The Global Reporting Initiative (GRI)'s Sustainability Reporting Guideline was jointly convened by the Coalition for Environmentally Responsible Economies (CERES) and UNEP in 1997. The newly revised G3 version was launched in October 2006.

\*\*\*The BEST Sustainability Reporting Guideline was jointly developed by the Ministry of Knowledge Economy (MKE), the Korea Chamber of Commerce and Industry (KCCI), and the Institute for Industrial Policy Studies (IPS) and provides for five levels of reporting rigor (Level 1 ~ 5).

for future sustainable growth. Going forward, however, The Auditor recommends that KOMIPO further refine its materiality reporting and also state the internal and external factors impacting issues of material interest to itself and its stakeholders respectively, as well as their order of priority. Also, to ensure that materiality assessments are more than one-off events and actually utilized in formulating KOMIPO's policy objectives as an indicator for sustainability management performance, The Auditor suggests that they be linked to KOMIPO's sustainability management goals.

**Completeness:** How reliable is the information and data stated in The Report, and is the underlying information and data collection system complete and robust?

The Auditor took note of the ethics advisory panel and forum KOMIPO had in place to pursue its ethics management program; confirmed efforts to strengthen cooperation between labor and management through the company's ATOM campaign; and noted the linked implementation between its Blue JB (ERP) and environmental accounting systems to calculate environmental costs and contribute to stronger environmental management. However, The Auditor recommends that in addition to implementing a standing organization overseeing sustainability management, that KOMIPO build out its existing organization and system on a broader company-wide basis, while reinforcing its performance measurement and assessment systems for sustainability management.

**Responsiveness:** How well does The Report address information of importance to KOMIPO stakeholders?

The Auditor determined efforts by KOMIPO to identify issues of the greatest priority and interest to its stakeholders through materiality assessments, expert hearings, SWOT analysis etc., and noted efforts to formulate a proper future response. Also, KOMIPO collected reader feedback from management, staff, and suppliers (a total of 336 persons) regarding its first-year report in order to incorporate their suggestions for improvements in this year's report. However, amid the emergence of increasingly diverse stakeholders, The Auditor suggests further broadening its communication channels by categorizing and defining its stakeholder base; reporting on KOMIPO's position and response to various stakeholder comments; and providing data on stakeholder awareness trends to better show its commitment and effort toward the implementation of sustainability management.

Relative to the BEST Guidelines, in view of the level of reporting rigor and intensity of information provided, The Auditor finds The Report to fulfill 94.1% of the reporting requirements necessary to qualify for a Level 4 Report (from among Level 1 ~ 5).

### Issues for Future Consideration

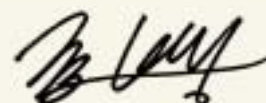
As the second sustainability report by KOMIPO, The Auditor found The Report to be stronger than last year's as it (1) provided priority reporting on material issues identified through stakeholder awareness surveys, expert hearings, and systematic materiality assessments; and (2) presented the current status and future direction for sustainability management in a more systematic manner through SWOT analysis while providing a fuller account of its performance versus targets. In the interest of continued qualitative improvements in sustainability management performance and reporting, however, The Auditor recommends the following.

- Enhance reporting levels relative to indicators outlined in the GRI and BEST Guidelines, while increasing the share of quantitative information in future reports. Going forward, we also recommend reporting against indicators in the GRI Electric Utility Sector Supplement on issues specific to the power generation industry.
- Present targets, actual performance, and future plans for major issues in each of the economic, social, and environmental dimensions to better demonstrate KOMIPO's intent to keep its promise to stakeholders as well as its continued commitment toward sustainability management.
- Provide more balanced information between the respective economic, social, and environmental dimensions, particularly improving information and reporting on social performance.
- Enhance the Completeness of The Report by disclosing whether information collected through various stakeholder communication channels were used in materiality testing or not.
- Provide a full account of missed targets or underperformance against stated goals, as well as any negative outcomes to better enhance stakeholder trust, while highlighting areas for future improvements as well as the company's commitment.

Based upon the above review and recommendations, The Auditor suggests that KOMIPO establish a more systematic program of sustainability management and reporting, and continue to follow up with ongoing improvements going forward.

August 5, 2008

President, The Institute for Industrial Policy Studies  
Lee, Yoon-Chul




#### **The Institute for Industrial Policy Studies (IIPS)**

Established in 1993, the Institute for Industrial Policy Studies has accumulated broad expertise in the area of sustainability management since 2002. "The Auditor" is composed of eight individuals (Dong-sung Cho, Cheol-ho Shin, Seok-young Lee, Dong-won Lee, Jae-eun Kim, Ji-yeon Ahn, Yong-in Kim, Jeong-ah Son) who are professors at Korea's top universities or practitioners with professional accreditation and extensive experience in sustainability management after majoring in business management, accounting, environmental science etc.

## Appendix ► GRI Index

● Reported ● Partially reported ○ Not reported ◇ N/A

	GRI Index	Indicators	Reporting level	Page
Vision and Strategy	1.1	Statement from the most senior decision-maker of the organization	●	6, 7
	1.2	Description of key impacts, risks, and opportunities	●	14, 15, 18, 19, 22, 23, 30
Organizational Profile	2.1	Name of the organization	●	26
	2.2	Primary brands, products, and/or services	●	26, 27
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	●	33, 34, 35
	2.4	Location of organization's headquarters	●	26, 27
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	◇	–
	2.6	Nature of ownership and legal form	●	33, 35
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	●	30, 50
	2.8	Scale of the reporting organization, including: * Number of employees; * Net sales (for private sector organizations) or net revenues (for public sector organizations);	●	24, 26, 27
	2.9	Significant changes during the reporting period regarding size, structure, or ownership	●	2, 33, 35
	2.10	Awards received in the reporting period	●	121
Report Parameters	3.1	Reporting period for information provided	●	2
	3.2	Date of most recent previous report (if any)	●	2
	3.3	Reporting cycle (annual, biennial, etc.)	●	2
	3.4	Contact point for questions regarding the report or its contents	●	2
	3.5	Process for defining report content	●	8, 9
	3.6	Boundary of the report	●	2
	3.7	State any specific limitations on the scope or boundary of the report	●	2
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	◇	–
	3.9	Data measurement techniques and the bases of calculations	●	2
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	●	3
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	●	3
	3.12	Table identifying the location of the Standard Disclosures in the report	●	116–117
	3.13	Policy and current practice with regard to seeking external assurance for the report	●	2, 114–115
Governance, Commitments, and Engagement	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	●	33
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	●	33
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	●	33
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	●	37
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance	●	34
	4.6	Process in place for the highest governance body to ensure conflicts of interest are avoided	●	33
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	●	34
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	●	119–120
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	●	34, 35
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	●	35
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	●	36, 41
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	●	36–41
	4.13	Memberships in association advocacy organizations in which the organization	●	121
	4.14	List of stakeholder groups engaged by the organization	●	8–9
	4.15	Basis for identification and selection of stakeholders with whom to engage	●	8–9
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	8–9
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	●	8–9, 10–11
EC				
Economic		Disclosure on Management Approach	●	14–15, 44
	EC1	Direct economic value generated and distributed, including revenues, operating costs, employees compensations, donations and other community investment, retained earnings, and payments to capital providers and governments	●	46, 47, 48



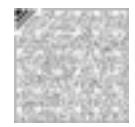


● Reported ● Partially reported ○ Not reported ◇ N/A

	GRI Index	Indicators	Reporting level	Page
Economic	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	56, 57
	EC3	Coverage of the organization's defined benefit plan obligations	●	48
	EC4	Significant financial assistance received from government	●	48
	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	●	71
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	○	–
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	●	72
	EC8	Development and impact of infrastructure investment and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	●	85,86
	EC9	Understanding and describing significant indirect economic impact, including the extent of impacts	●	48
EN		Disclosure on Management Approach	●	90
Environmental	EN1	Materials used by weight or volume	○	–
	EN2	Percentage of materials used that are recycled input materials	●	107
	EN3	Direct energy consumption by primary energy source.	●	110
	EN4	Indirect energy consumption by primary source	●	110
	EN5	Energy saved due to conservation and efficiency improvements	●	110
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	110
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	110
	EN8	Total water withdrawal by source	●	105
	EN9	Water sources significantly affected by withdrawal of water	●	106
	EN10	Percentage and total volume of water recycled and reused	●	105
	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	●	108
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	108
	EN13	Habitats protected or restored.	●	108
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	●	93, 108
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	●	108
	EN16	Total direct and indirect greenhouse gas emissions by weight	●	111
	EN17	Other relevant indirect greenhouse gas emissions by weight	○	–
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	110, 111, 112
	EN19	Emissions of ozone-depleting substances by weight	●	111
	EN20	NOx, SOx, and other significant air emissions by type and weight	●	104, 105
	EN21	Total water discharge by quality and destination	●	105, 106
	EN22	Total weight of waste by type and disposal method	●	107
	EN23	Total number and volume of significant spills	●	107
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	●	106
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	●	106
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	103
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	◇	–
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	109
	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	○	–
	EN30	Total environmental protection expenditures and investments by type	●	102
LA		Disclosure on Management Approach	●	66
Social: Labor Practices and Decent Work	LA1	Total workforce by employment type, employment contract, and region	●	71, 72
	LA2	Total number and rate of employee turnover by age group, gender, and region	●	71
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	●	73
	LA4	Percentage of employees covered by collective bargaining agreements	●	75
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	●	76
	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	●	80
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	○	–

● Reported ● Partially reported ○ Not reported ◇ N/A

	GRI Index	Indicators	Reporting level	Page
<b>Social:</b> Labor Practices and Decent Work	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	●	80
	LA9	Health and safety topics covered in formal agreements with trade unions	●	80
	LA10	Average hours of training per year per employee by employee category	●	69
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	69, 70
	LA12	Percentage of employees receiving regular performance and career development reviews	●	70
	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	●	71, 72, 73
	LA14	Ratio of basic salary of men to women by employee category	●	67
<b>HR</b>		Disclosure on Management Approach	●	66, 67
<b>Social:</b> Human Rights	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	○	–
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	○	–
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	●	38
	HR4	Total number of incidents of discrimination and actions taken	●	73
	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	●	41, 75
	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	●	73
	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	●	73
	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	○	–
	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	◇	–
<b>SO</b>		Disclosure on Management Approach	●	66, 67
<b>Social:</b> Society	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	●	81
	SO2	Percentage and total number of business units analyzed for risks related to corruption	●	38
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	38
	SO4	Actions taken in response to incidents of corruption	○	–
	SO5	Public policy positions and participation in public policy development and lobbying	●	14, 15
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	●	82
	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	●	82
	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	82
<b>PR</b>		Disclosure on Management Approach	●	50, 51, 52
<b>Social:</b> Product Responsibility	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	●	50–51
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	●	52
	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	◇	–
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	◇	–
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	●	51
	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	◇	–
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	◇	–
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	40
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	40



## Appendix ▶ Code of Ethics

### Chapter 1. KOMIPO's Social Responsibilities

#### Article 1 (Commitment to sound corporate activities)

- ① We will renew our corporate culture through transparent management and contribute to the promotion of a market economy through free and fair competition.
- ② We will respect and observe all national and community regulations and domestic and international trading customs.
- ③ We will be a dependable and reliable corporation that divides its profits in a fair and reasonable manner.

#### Article 2 (Commitment to community)

- ① We will return a reasonable portion of our corporate profits to society and contribute to the social and cultural development of the community.
- ② We will develop a sense of shared commitment between the company and the community by developing and supporting various pathways of exchange with it.

#### Article 3 (Commitment to environmental preservation)

- ① We will devise pre- and post-measures to address environmental problems associated with the power generation business and try our utmost to prevent environmental contamination and protect nature.
- ② We will strictly observe national and local government environmentally-related laws and standards and be an environmentally friendly corporation.

### Chapter 2. Duties towards customers and affiliates

#### Article 4 (Customer-oriented management)

- ① We will make the satisfaction of middle- and end-users our first priority when evaluating our corporate activities.
- ② We will do our best to supply high-quality electricity at a reasonable price and always give our customers honest and truthful information.
- ③ We will sincerely listen to our customers, expedite any claims, and notify them of the results.

#### Article 5 (Fair trade with associates and affiliates)

- ① We will build an equal partnership with our associates and affiliates through honest and fair trading.
- ② We will provide equal opportunities to qualified associates and affiliates and trade with them using fair procedures.

- ③ We will not carry out any unfair practices, such as passing on costs by using our dominant market position.

### Chapter 3. Liabilities towards shareholders and investors

#### Article 6 (Protecting shareholders' interests)

- ① We will endeavor to protect our shareholders' interests through reasonable investments and efficient management.
- ② We will strive to win proper evaluations through positive PR activities.

#### Article 7 (Transparent management)

- ① We will disclose information on our current operational status and future prospects to shareholders and other stakeholders.
- ② We will outline the company's financial status and show our accounting in an open and transparent manner in accordance with all related laws and regulations and generally-accepted accounting practices.
- ③ We will make every effort to guarantee the rights of shareholders by providing them with relevant information and opportunities to participate in major decisions.

#### Article 8 (Protection of company property and information)

- ① We will not appropriate company property for our own use.
- ② We will not cause harm to the company by divulging trade secrets, such as management or technological information.
- ③ Other information obtained at work will not be divulged without prior permission or approval, and will only be used for decision-making or to further work processes at the company.

### Chapter 4. Relationship of the company and its employees

#### Paragraph 1 Duties of employees

#### Article 9 (Respecting people)

- ① We will respect each employee's dignity and value and work to improve the quality of their lives.
- ② We will respect the private lives of individuals and try to solve any and all problems that our employees may have.
- ③ We will be generous in assessing the best efforts of every employee.

**Article 10 (Fair treatment)**

- ① We will encourage our employees' creativity and give them fair opportunities based on their abilities and talents.
- ② We will reject regional, academic, or blood ties and operate the organization under the principle of free and fair competition

**Article 11 (Support for self-development)**

- ① We will fully support the development of our employees' abilities.
- ② We will provide our employees with optimal working conditions so they can express their creativity and talents to the utmost.

**Article 12 (Improving the working environment)**

- ① We will develop a pleasant corporate environment so that our employees will feel good about their work and their work-place.
- ② We will provide healthy working conditions and an environment that ensures our employees' health and safety.

**Paragraph 2 Employees' duties to the company****Article 13 (Fair work requirements)**

- ① Employees will collaborate with other individuals and departments to achieve the common goals of the company.
- ② Employees will abide by all laws and company regulations.
- ③ Employees will make the company's profitability their first priority when they and the company have a conflict of interest.
- ④ Employees will not offer or accept unreasonable requests, money, other articles, or entertainments relating to their work.

**Article 14 (Sound attitudes)**

- ① Employees will take the lead in establishing sound ethical standards in the organization by performing their duties in an honest and transparent manner.
- ② Employees will protect the company's reputation and their own by always behaving in a reasonable and responsible manner.
- ③ Employees will be honest and sincere in their private lives.

**Article 15 (Self-development)**

- ① Employees will endeavor to become true professionals in their work.
- ② Employees will contribute to the company's development through innovation and work improvements.

**Article 16 (Working environment and safety)**

- ① Employees will maintain a pleasant work environment by keeping their surroundings neat and well-organized.
- ② Employees will strictly observe all safety regulations to prevent accidents.

**Paragraph 3 Relationships between employees****Article 17 (Promoting comradeship)**

- ① Employees will develop a sense of unity and comradeship by treating each other with trust and respect.
- ② Employees will not tolerate or adopt any wrongdoing by their co-workers, but will instead confront them at a proper time, thereby promoting the development of the company and its workers.

**Article 18 (Prohibition against the giving of money, articles, and other transactions between employees)**

- ① Except for socially-accepted cases, employees shall not give or receive money or entertainments.
- ② Excessive personal closeness or exchanges will not be allowed, other than those regarding work duties.

**Chapter 5. Harmony between Labor and management****Article 19 (Harmonious labor-management relations)**

- ① Both labor and management will create a productive relationship based on mutual trust and harmony.
- ② Both labor and management will develop efficient communications channels to eliminate any possible conflicts in advance.

**Article 20 (Duty of the company and employees)**

- ① The company will develop and implement programs to improve the quality of life of its employees, such as creating a cultural environment and expanded social welfare facilities.
- ② The employees will try to achieve a sense of balance between the organization and the individual and contribute to the development of both parties.



## Appendix ▶ 2006~2007 Awards and Prizes

National Environmentally Friendly Management Award	2006. 06	Grand prize
National Productivity Award	2006. 10	Presidential prize
New Technology Utilization Rally	2006. 11	Prime minister's prize
Safety Management Award	2006. 12	Grand prize
Most Productive CEO Award	2007. 05	Grand prize
Grand Prize for "Green" Management	2007. 09	Grand prize
Corporate Innovation Award	2007. 11	Presidential prize
Grand Prize for Sustainability Management	2007. 12	Grand prize

## Appendix ▶ Status of Association and Commission Membership

KCCI: THE KOREA CHAMBER OF COMMERCE & INDUSTRY

KEA: KOREA ELECTRIC ASSOCIATION

AESIEAP: ASSOCIATION FOR ELECTRICITY OF ASIA & PACIFIC

EPRI: ELECTRIC POWER RESEARCH INSTITUTE

WPC: WORLD PETROLEUM CONGRESS

EEI: EDISON ELECTRIC INSTITUTE

KPC: KOREA PRODUCTIVITY CENTER

KSA: KOREAN STANDARDS ASSOCIATION

KOEF: KOREA ENERGY FORUM

UN Global Compact

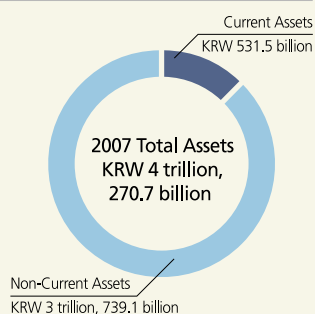


## Appendix ▶ Balance Sheets

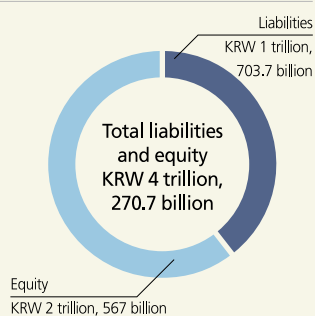
December 31, 2006 and 2007

(unit: KRW)

### Total Assets



### Total Liabilities and Equity



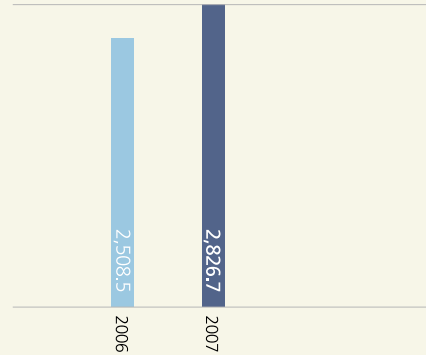
	2007	2006
<b>Assets</b>		
I. Current Assets	531,540,132,768	406,710,838,659
(1) Quick assets	365,789,835,601	283,866,425,619
(2) Inventory	165,750,297,167	122,844,413,040
II. Non-Current Assets	3,739,160,443,455	3,155,706,937,005
(1) Investment assets	72,443,406,816	41,036,879,472
(2) Property and equipment	3,601,263,402,081	3,095,653,991,666
(3) Intangible assets	54,739,677,024	15,774,624,867
(4) Other	10,713,957,534	3,241,441,000
<b>Total Assets</b>	<b>4,270,700,576,223</b>	<b>3,562,417,775,664</b>
<b>Liabilities</b>		
I. Current Liabilities	633,892,054,630	489,293,628,744
II. Non-Current Liabilities	1,069,801,461,823	648,608,465,687
<b>Total Liabilities</b>	<b>1,703,693,516,453</b>	<b>1,137,902,094,431</b>
<b>Stockholders' Equity</b>		
I. Capital Stock	152,950,000,000	152,950,000,000
II. Capital Surplus	1,172,940,549,785	1,172,940,549,785
III. Retained Earnings	1,240,090,591,522	1,106,469,553,596
IV. Other Accumulated Losses	1,025,918,463	(-)7,844,422,148
<b>Total Stockholders' Equity</b>	<b>2,567,007,059,770</b>	<b>2,424,515,681,233</b>
<b>Total liabilities and equity</b>	<b>4,270,700,576,223</b>	<b>3,562,417,775,664</b>

## Appendix ▶ Profit and Loss Statement

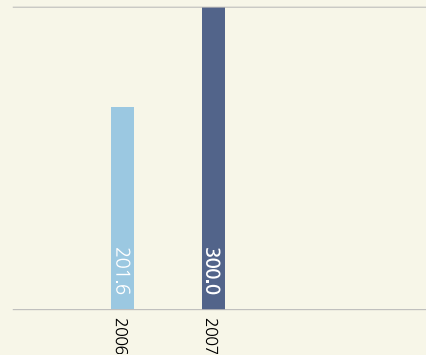
For the Years Ended December 31, 2006 and 2007

	(Unit: KRW)	
	2007	2006
I. Sales	2,826,667,920,761	2,508,509,459,398
II. Cost of goods sold	2,485,930,863,648	2,266,751,552,181
1. Materials costs	1,934,523,670,096	1,664,763,259,183
2. Wages and Salaries	123,297,609,348	118,511,727,228
3. Overhead costs	428,109,584,204	483,476,565,770
III. Gross Profit	340,737,057,113	241,757,907,217
IV. Selling, General, and Administrative Expenses	40,727,790,676	40,116,201,945
1. Wages and Salaries	9,909,394,578	10,550,879,606
2. Overhead costs	30,818,396,098	29,565,322,339
V. Operating Income	300,009,266,437	201,641,705,272
VI. Non-Operating Income	26,954,687,247	86,572,717,226
1. Interest income	4,294,683,470	5,819,462,452
2. Other non-operating income	22,660,003,777	80,753,254,774
VII. Non-Operating Expenses	57,484,877,021	56,985,661,155
1. Interest expenses	13,731,797,212	19,717,305,035
2. Other Non-Operating Expenses	43,753,079,809	37,268,356,120
VIII. Income before income taxes	269,479,076,663	231,228,761,343
IX. Income tax expenses	82,050,228,737	62,587,217,450
X. Net income	187,428,847,926	168,641,543,893

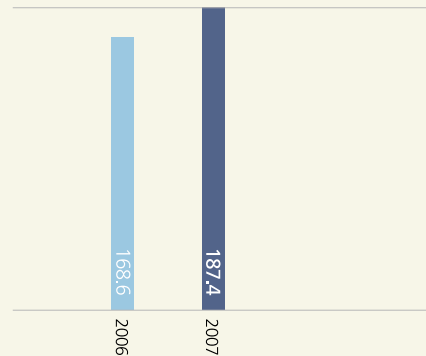
Revenues (Unit: KRW Billion)



Operating Profits (Unit: KRW Billion)



Net Income (loss) (Unit: KRW Billion)



## Appendix ▶ Statement of Cash Flows

For the Years Ended December 31, 2006 and 2007

(unit: KRW)

	2007	2006
<b>I. Cash Flows from Operating Activities</b>	487,898,250,547	417,053,273,654
1. Net Income (Loss) for the Year	187,428,847,926	168,641,543,893
2. Addition of Expenses not Involving Cash Outflows	303,978,780,980	284,138,406,117
Depreciation Expenses	259,850,540,851	236,031,827,232
Provision for Severance Benefits	12,381,695,269	16,540,506,086
Loss on Valuation of Derivatives Instruments	10,645,835,954	19,271,365,839
Amortization of Intangible Assets	8,319,213,300	4,527,591,938
Loss on Foreign Exchange Translations	6,743,510,834	419,805,106
Loss on Trading in Derivatives	3,229,065,000	1,565,006,250
Other	2,808,919,772	5,782,303,666
3. Deduction of Revenues not Involving Cash Inflows	(-)11,001,451,923	(-)24,235,050,010
4. Changes in Assets and Liabilities Resulting from Operations	7,492,073,564	(-)11,491,626,346
<b>II. Cash Flows from Investing Activities</b>	(-)815,272,378,796	(-)537,846,815,539
1. Cash Inflows from Investing Activities	23,034,478,510	3,123,842,422
2. Cash Outflows from Investing Activities	(-)838,306,857,306	(-)540,970,657,961
Increase in Construction in Progress	775,237,662,645	514,794,321,720
Other	63,069,194,661	26,176,336,241
<b>III. Cash Flows from Financing Activities</b>	347,186,008,654	137,681,302,087
1. Cash Inflows from Financing Activities	2,570,471,524,750	917,284,510,943
Increases in Short-term Borrowings	2,185,000,000,000	725,000,000,000
Increases in Financial Debentures	382,818,600,000	191,545,710,943
Other	2,652,924,750	738,800,000
2. Cash Outflows for Financing Activities	(-)2,223,285,516,096	(-)779,603,208,856
Repayment of Current Portion of Long-term Liabilities	—	2,699,302,606
Repayment of Short-term Borrowings	2,065,000,000,000	685,000,000,000
Repayment of Current Portion of Debentures	100,000,000,000	22,735,000,000
Payment of Dividends	53,807,810,000	67,603,900,000
Derivatives Transactions	3,229,065,000	1,565,006,250
Payment of Debenture Issuance Costs	1,248,641,096	—
<b>IV. Net Increase (Decrease) in Cash and Cash Equivalents (I + II + III)</b>	19,811,880,405	16,887,760,202
<b>V. Beginning Cash and Cash Equivalents</b>	23,538,613,104	6,650,852,902
<b>VI. Ending Cash and Cash Equivalents</b>	43,350,493,509	23,538,613,104

We appreciate your cooperation.

If you have any questions or opinions, please send them via fax to 82-2-3456-7552 or by e-mail to sustainable@komipo.co.kr

Out here

# Readers' Questionnaire for 2008 KOMIPO Sustainability Report

- KOMIPO intended to outline its sustainability management activities in this report.
- To make improvements to its contents, readers' opinions are welcomed.
- Your opinions will be reflected in future reports.

## 1. What is your occupation?

- ☐ ① Investor/Shareholder ☐ ② Employee of an affiliate ☐ ③ Local resident ☐ ④ Member of NGO  
☐ ⑤ Industrial sector ☐ ⑥ Academic sector ☐ ⑦ Government official ☐ ⑧ Employee of KOMIPO  
☐ ⑨ Other (please specify: )

## 2. What is your overall evaluation of this report?

- ☐ Good ☐ Moderate ☐ Bad

## 3. Was this report easy to understand?

- ☐ Good ☐ Moderate ☐ Bad

## 4. What did you think of the amount of information that this report contains?

- ☐ Too much ☐ Moderate ☐ Not enough

## 5. Which part do you think is the most successful?

- ☐ Contents, editing and structure ☐ Level of contents ☐ Various data ☐ Design

## 6. Which section interested you the most?

- ☐ Introduction ☐ Economy section ☐ Environment section ☐ Society section

## 7. Which section do you think needs improvement?

- ☐ Introduction ☐ Economy section ☐ Environment section ☐ Society section

## 8. Please share any ideas you have on this report.

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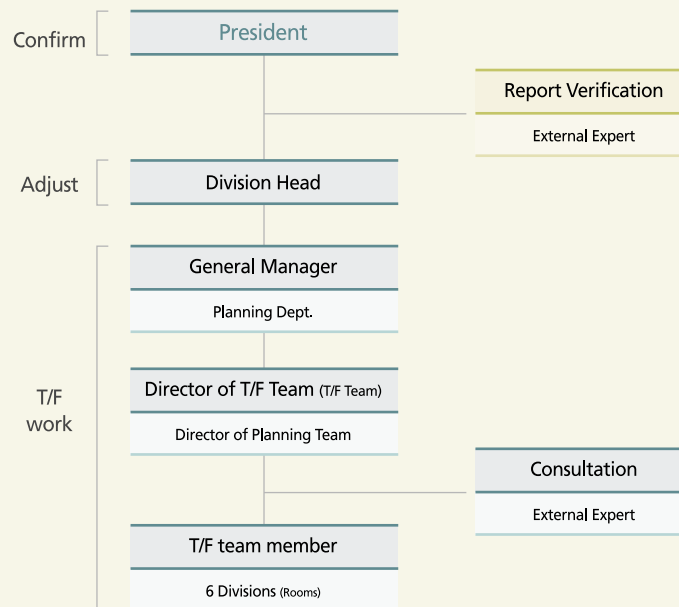


## Appendix ▶ Report Preparation

### Report Preparation:

Because the social and environmental responsibilities of companies are a matter of interest to many people and a company's stakeholders should be the first and foremost consideration regarding how a company is managed, the importance of sustainability reports has been steadily increasing. Because of this, many domestic and overseas corporations are producing sustainability reports outlining their economic, environmental, and social strategies, activities and achievements. This is why KOMIPO is now issuing its first such report.

To ensure the quality and reliability of its contents, we organized a task force team with personnel from the company's head office and directed them to prepare this report, always referring to the 2006 GRI G3 "Sustainability Reporting Guidelines" and data provided by each department. The team also tried to include the viewpoints of KOMIPO's various stakeholders.



KOMIPO: At the center of  
a Warm & Caring Society